

AUSTRALIAN AGRI-FOOD TRADE 2015/16

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About the research

The Australian Agri-food Trade report 2015/16 is based on the reported values and quantities of goods at Australia's ports. The report includes all agricultural, food and fibre products including processed products (does not include wood and articles of wood).

The reported values are quoted Free On Board (FOB) in Australian dollars and not adjusted for inflation or changes in foreign exchange rates.

In some instances, the export destination is not identified by the exporter, therefore figures may not include quantities where the destination has not been specified and may not reflect the actual export total.

NATIONAL SUMMARY

The total value of agri-food exports was

\$46

billion in 2015/16

Value of agri-food exports increased by

1.5%

in 2015/16

Cattle exports accounted for

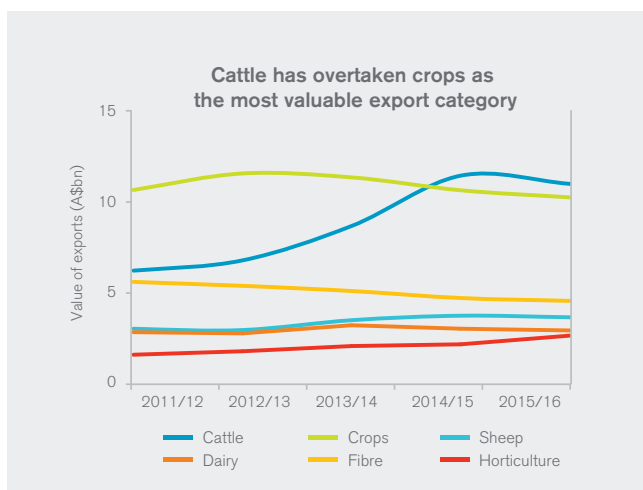
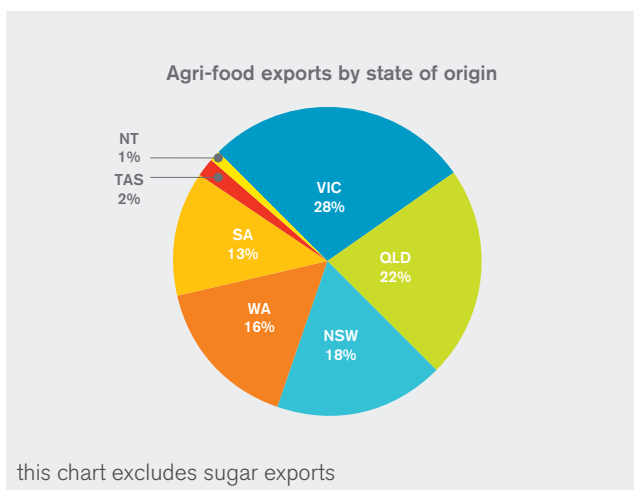
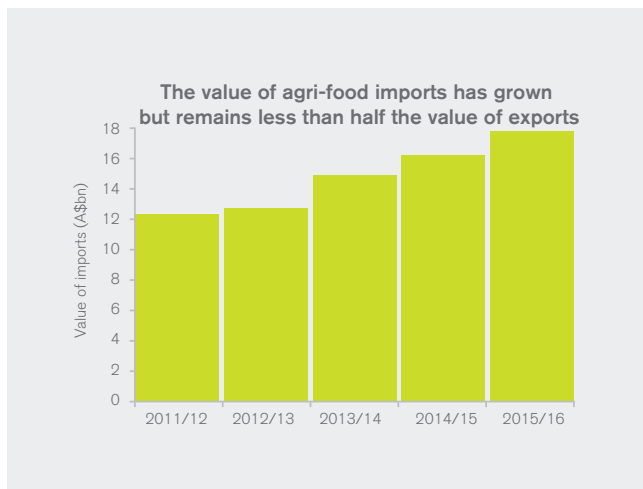
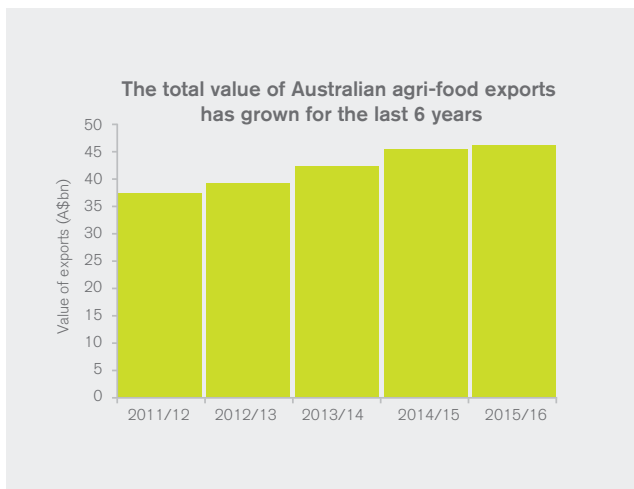
25%

of agri-food exports in 2015/16

The value of Australian agri-food exports continued to trend upwards in 2015/16, increasing for the sixth consecutive year, to a total value of \$45.97 billion. The year-on-year increase of 1.5% in 2015/16 was below the gains observed in previous years, with an average annual increase in exports of 5.3% over the last five years. Export growth was constrained by reduced export values for the two major export commodities of beef and grains, but benefited from a lower Australian dollar.

New South Wales had the largest increase in the value of exports, largely driven by chickpea and prepared food exports. South Australia and Tasmania also experienced growth in export value, while the corresponding figure for Victoria, Queensland and Western Australia remained largely unchanged.

The value of agri-food imports to Australia increased by 10% in 2015/16 to a total value of \$17.9 billion.



Data: Global Trade Information Services (GTIS) and Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)

EXPORT DESTINATIONS

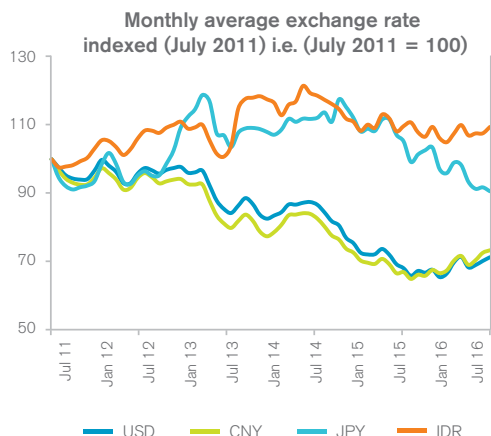
In 2015/16, Australia's top three agri-food export markets were China, USA and Japan, which accounted for 39% of the value of exports from Australia. Exports to these countries decreased by a combined value of \$986m in 2015/16, largely due to falls in cattle and grain exports to these markets. This decrease was offset by increased exports to other major markets such as South Korea where, despite high prices, strong demand for beef was a major driver for the increased value of exports.

The Trans-Pacific Partnership, if ratified, will be an important trade agreement, which would improve market access in 12 countries accounting for 35% of total agri-food exports from Australia. The agreement needs to be ratified by at least six countries, representing 85% of the group's GDP to take effect. This means it is highly dependent on the decision of the United States. With both presidential candidates stating they are opposed to the agreement, the likelihood of the TPP taking effect has diminished.

Australia's top 10 agri-food export markets*

Destination	2014/15 export value (A\$billion)	2015/16 export value (A\$billion)	Year-on-year change	Top two commodities 2015/16
China	8.91	8.56	-3.9%	Wool (\$2,034m) Beef (\$867m)
United States	5.15	4.61	-10.6%	Beef (\$2,491m) Sheep meat (\$712m)
Japan	4.22	4.13	-2.1%	Beef (\$1,813m) Dairy products (\$440m)
Indonesia	2.96	2.68	-9.2%	Wheat (\$1,127m) Live cattle (\$580m)
South Korea	2.32	2.59	11.7%	Beef (\$1,325m) Wheat (\$407m)
Vietnam	2.06	2.06	0.1%	Rock lobster (\$609m) Wheat (\$422m)
New Zealand	1.52	1.57	3.2%	Wheat (\$157m) Wine (\$83m)
Hong Kong	1.24	1.46	17.6%	Wine (\$139m) Dairy products (\$92m)
India	0.80	1.28	60.9%	Chickpeas (\$600m) Wool (\$215m)
Singapore	1.07	1.15	7.6%	Animal fats (\$266m) Dairy products (\$183m)

Data: GTIS *excludes sugar



The Australian dollar depreciated through most of 2015/16 compared to the US dollar, averaging 73c for the financial year. This was 13% lower than the average of 84c through 2014/15. The dollar has picked up recently and averaged 76c for the start of the current financial year.

Australia's declining terms of trade has been the main factor in the lower exchange rate as mineral resource prices have trended lower. Analysts expect the Australian dollar to remain within 68-78 US cents over the coming year which should improve the competitiveness of Australian exports.

Data: Reserve Bank of Australia

CATTLE AND BEEF

The value of Australian cattle exports was

\$11.4

billion in 2015/16

Despite declining, the value of exports was

27%

above the 5-year average

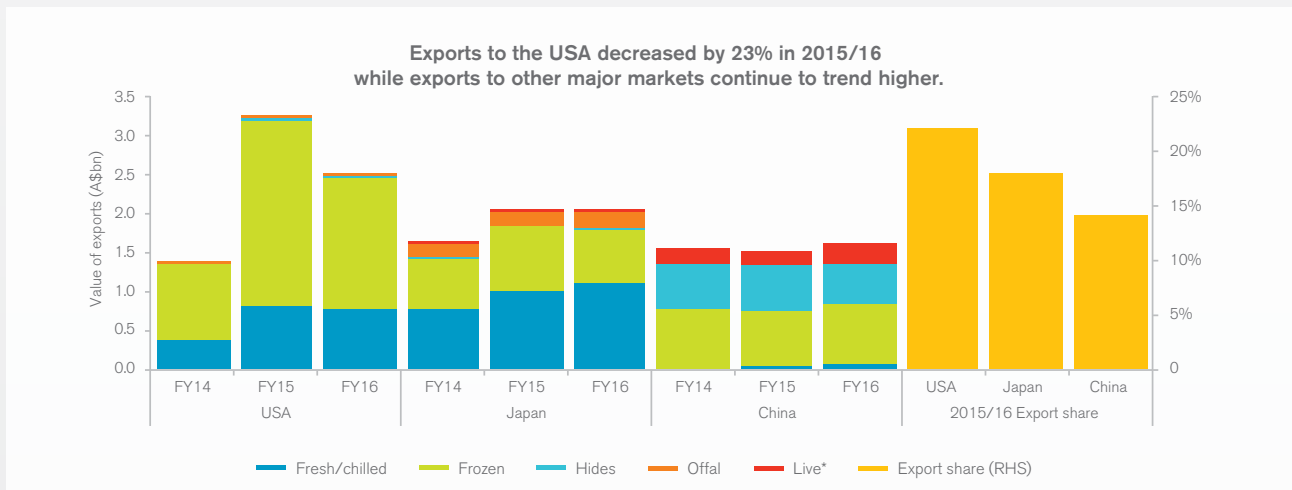
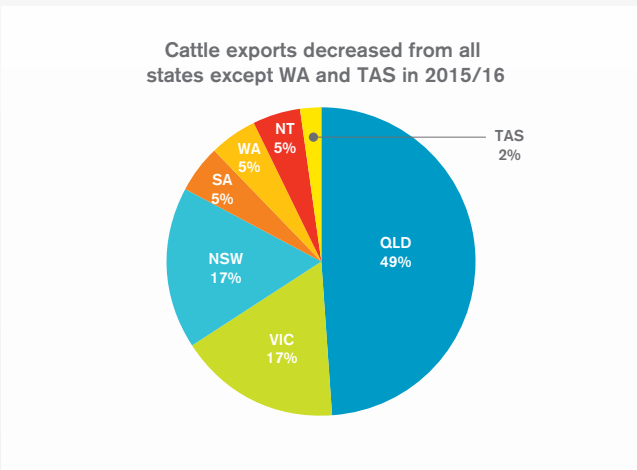
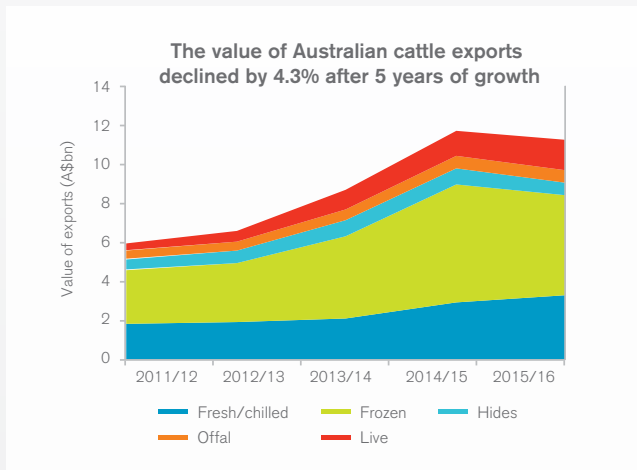
The quantity of beef exports decreased by

13%

in 2015/16

The value of cattle and beef exports was slightly lower in 2015/16 following two years of extremely strong growth, which was largely driven by increased demand from the USA. Last year, the demand from USA importers softened as the US herd was rebuilding. Exports to South Korea were a highlight in 2015/16, increasing by 21% to \$1.4 billion. Cattle supplies in

Australia are expected to remain tight in the near future as herd rebuilding becomes a priority. This is likely to lead to lower quantities exported and support for prices. Exporters will need to be wary of competition in key markets, particularly given strong growth of Brazilian exports to China.



* includes beef and dairy cattle for breeding purposes

Data: GTIS

CROPS

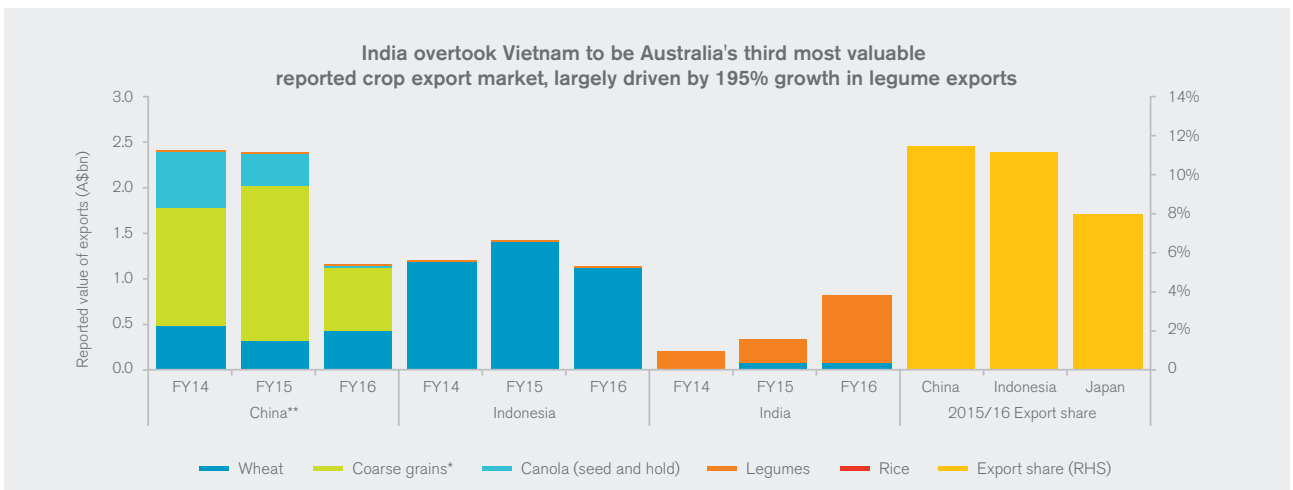
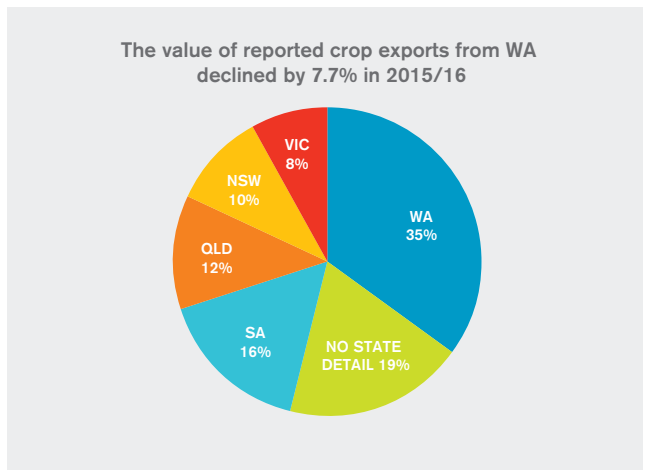
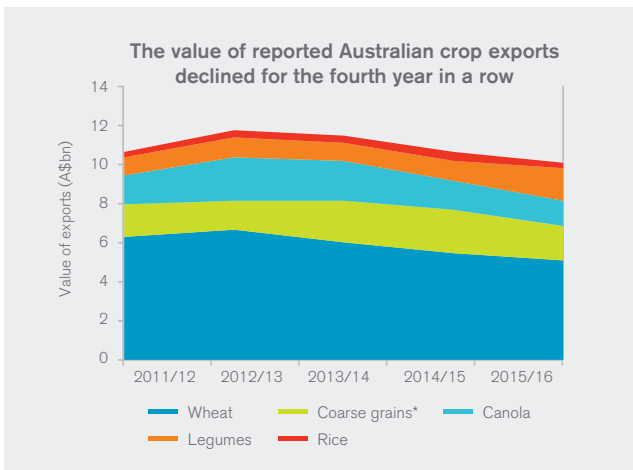
The value of Australian crop exports was **\$10.2** billion in 2015/16

The value of legume exports increased by **61%** in 2015/16

The value of crop exports from WA was **7.7%** lower in 2015/16

Poor seasonal conditions in the 2015 growing season in Australia's major cropping regions led to lower production and contributed to a 6% decline in the volume of crop exports. Declining global prices for coarse grains also contributed to the total export value of crops declining by 4% in 2015/16. Higher ending global stocks in recent years and another season of

strong global production is expected to lead to further falls in prices and another drop in Australia's total export value over the year ahead, depending on production in 2016/17. Global canola prices are expected to increase due to lower supplies. The outlook is positive for legume exports, particularly chickpeas, which have shown strong growth in 2015/16.



*coarse grains includes barley, sorghum, oats, maize, buckwheat, millet and rye
 **\$1.3bn worth of crop exports were reported under "unidentified country" in 2015/16. It is assumed that canola and barley exports to China are included in this figure.

Data: GTIS

WOOL AND COTTON

The value of Australian wool and cotton exports was

\$4.1

billion in 2015/16

The volume of wool exported declined by

9.4%

in 2015/16

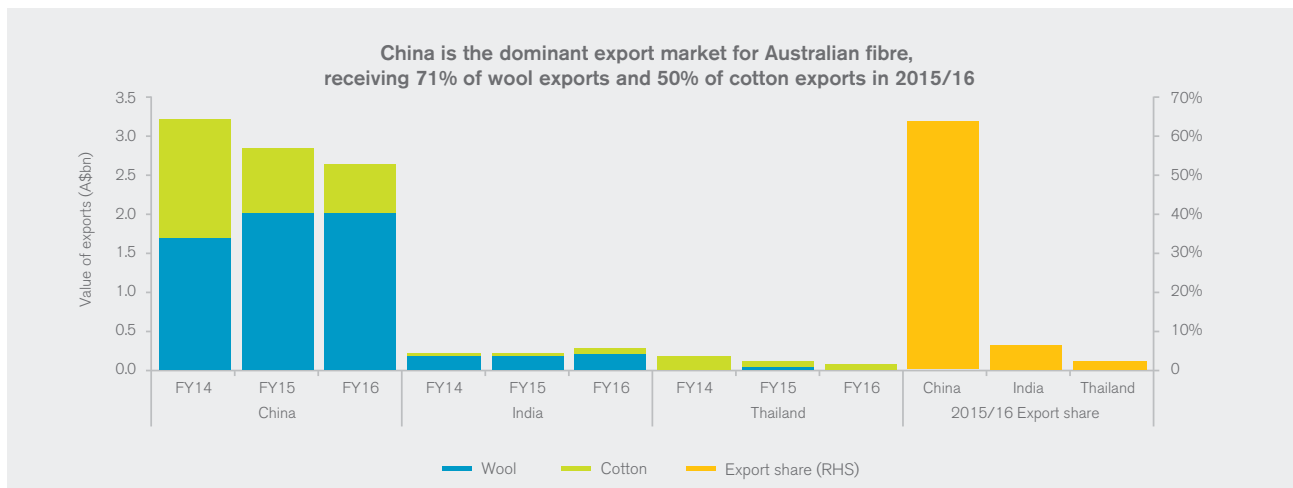
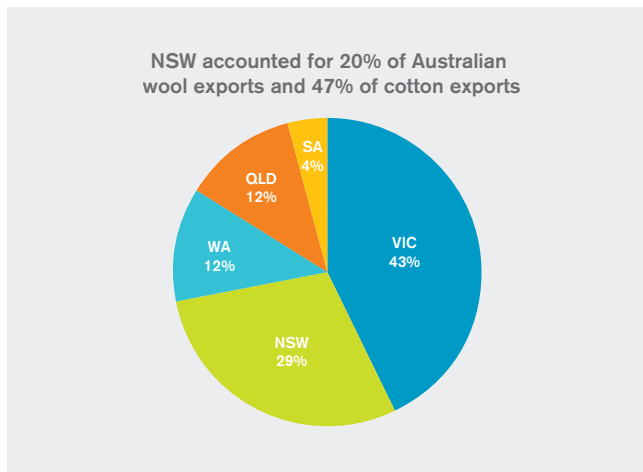
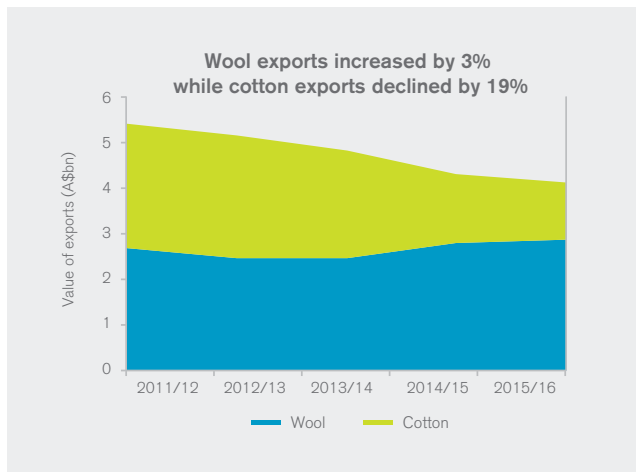
Cotton exports to China declined by

26%

in 2015/16

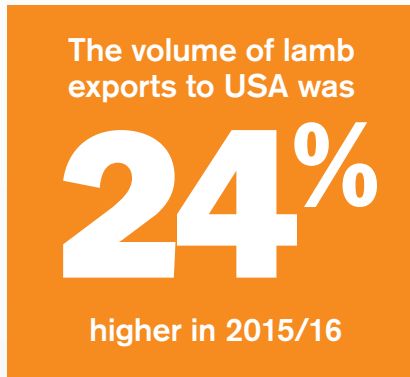
Wool and cotton exports continued to trend in opposite directions in 2015/16. The volume of wool exports dropped as production was affected by poor seasonal conditions. Even so, demand improved in 2015/16 as global stocks declined giving support to prices. The value of exports is likely to grow again in 2016/17 with expected higher prices and production combining to push export values higher.

A lower quantity of cotton was exported in 2015/16, however the decline in total value was partially offset by a 4% increase in the export unit value. Global production is expected to increase in 2016/17 and outpace demand which will place downward pressure on prices. Australian production is also expected to be higher and lead to an increase in the total export value, despite lower prices.



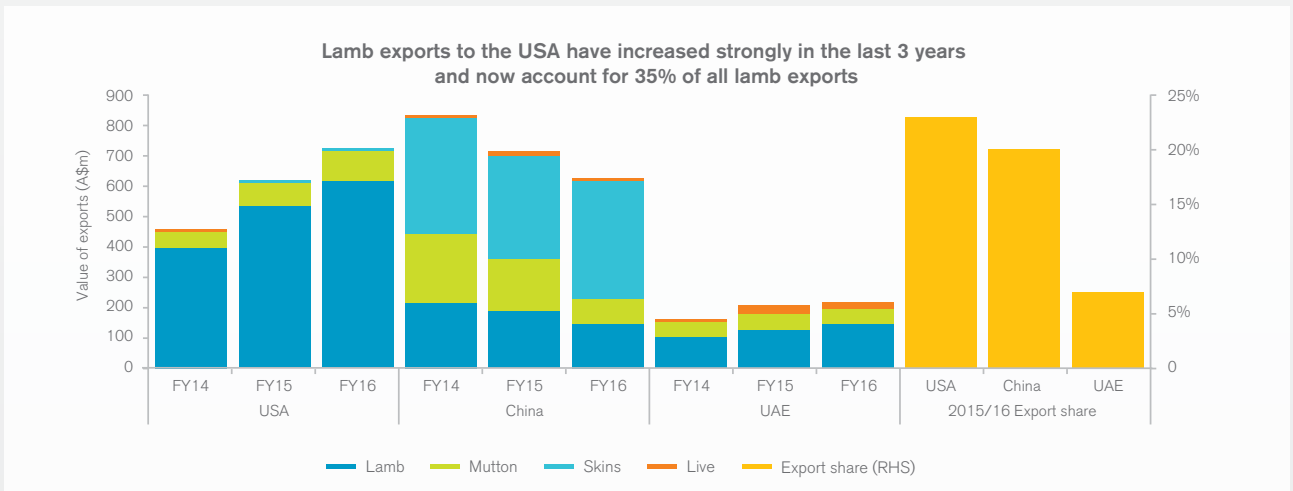
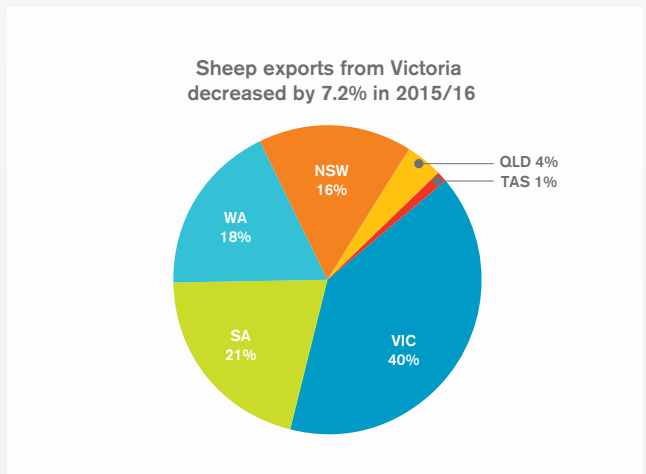
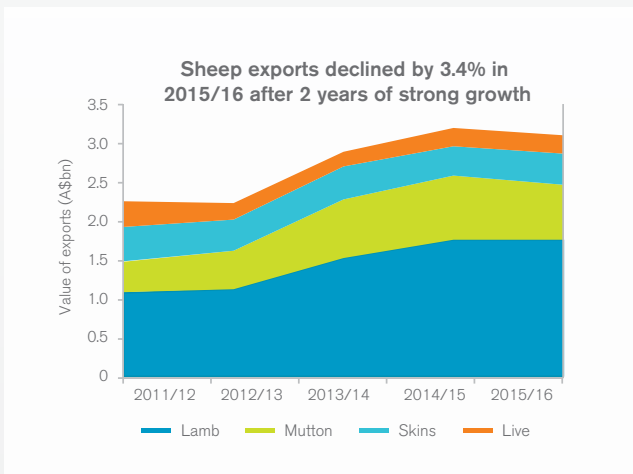
Data: GTIS

SHEEP



The decline in the value of sheep exports in 2015/16 was largely due to a fall in mutton exports, driven by reduced slaughter of adult sheep compared to the previous year. The value of lamb exports remained unchanged, which was due to lower export prices offsetting an increase in export volumes. Growth in demand for lamb continues to be strong in the USA, which overtook China as Australia's top sheep export

market. The value of exports to China decreased by 12%, largely due to increased domestic production and competition from New Zealand, which exports tariff-free to China. Australian production is expected to be lower again in 2016/17, reducing export volumes. New Zealand production is also likely to decrease, providing additional upward pressure on international sheep prices.



Data: (GTIS)

MILK AND MILK PRODUCTS

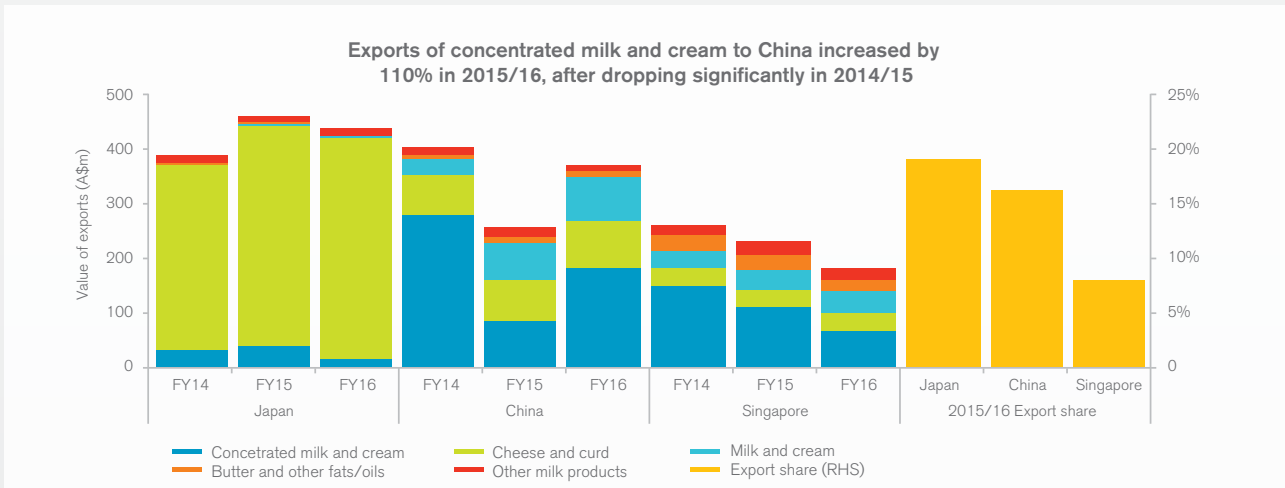
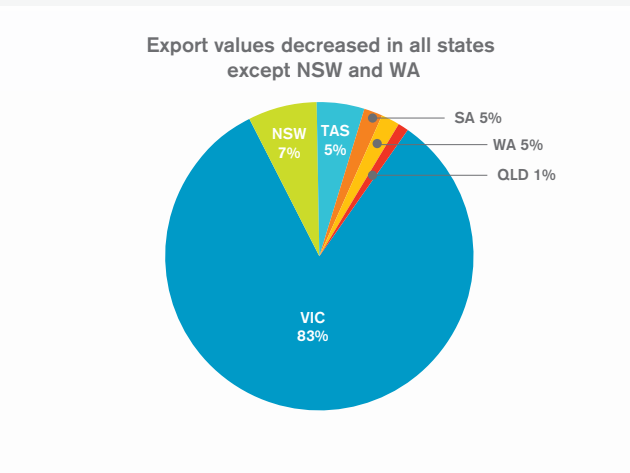
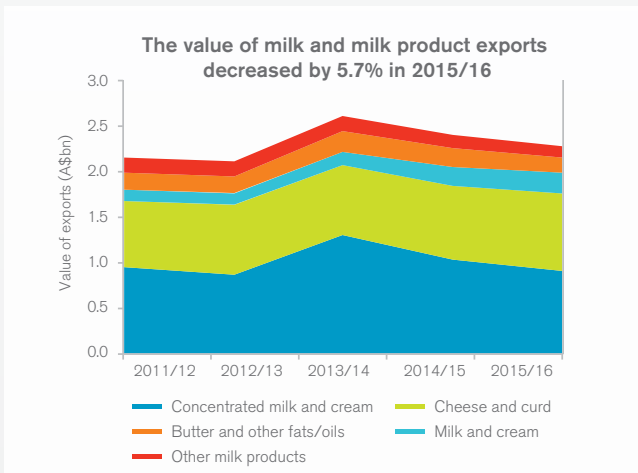
The value of milk and milk product exports was **\$2.3 billion** in 2015/16

Concentrated milk and cream accounted for **40%** of 2015/16 export value

Exports from Victoria decreased by **7.7%** in 2015/16

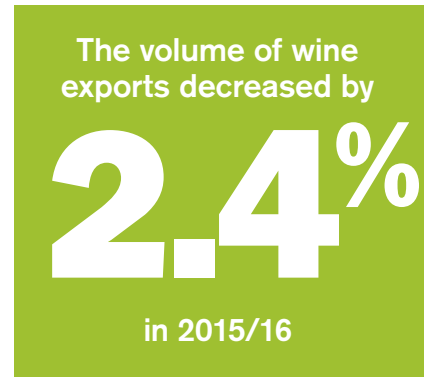
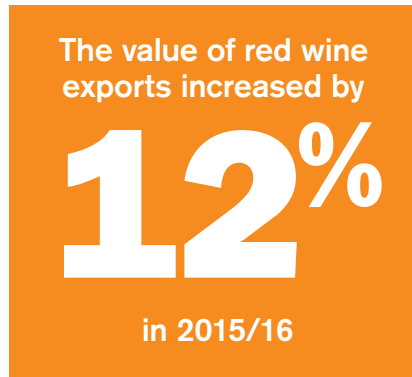
A challenging 2015/16 season for Australian dairy producers and global markets has been reflected in a decline in the value of milk and milk product exports from Australia. Growth in global demand has been encouraging, particularly from China which increased imports from Australia by 45%. Global production growth, largely driven by Europe, has outpaced demand growth and resulted in an oversupply. Demand for milk

and milk products in Asia is expected to keep growing. However, with the Russian embargo on dairy imports, Australian exporters will face increased competition from Europe into these Asian markets. Low farmgate prices in Australia are expected to slow production and result in a third consecutive year of reduced export value in the year ahead.



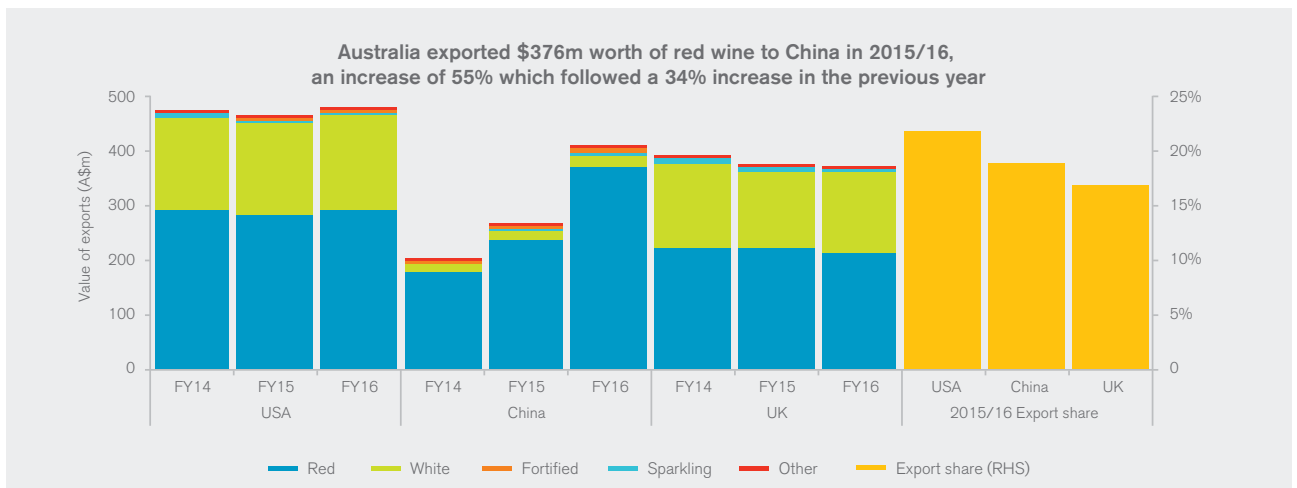
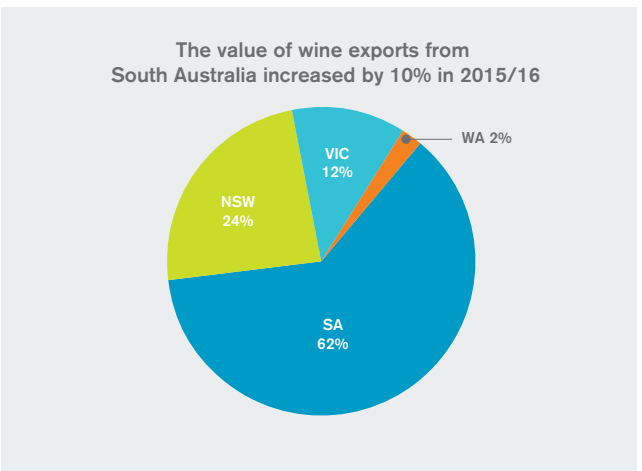
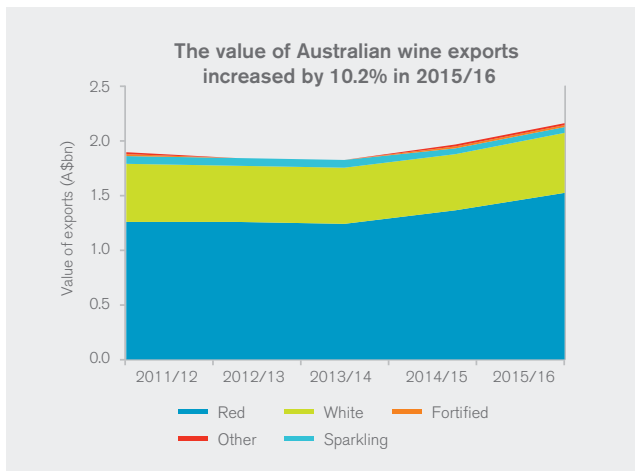
Data: (GTIS)

WINE



South Australia remains Australia's largest exporter of wine products. Within the red wine sector, shiraz has shown a continued growth trend in both domestic and international markets. Demand was shown to be predominately for bottled premium wine, with a higher average unit price offsetting a small decrease in volume exported – this resulted in an increase in

export value. The United Kingdom is the major market in terms of volume of Australian wine, accounting for 33% of exports, which is predominately shipped in bulk containers. The quantity and value of wine exported to China has increased in the last two years. Tariff reductions under the China-Australia Free Trade Agreement should assist further growth.



Data: (GTIS)

HORTICULTURE

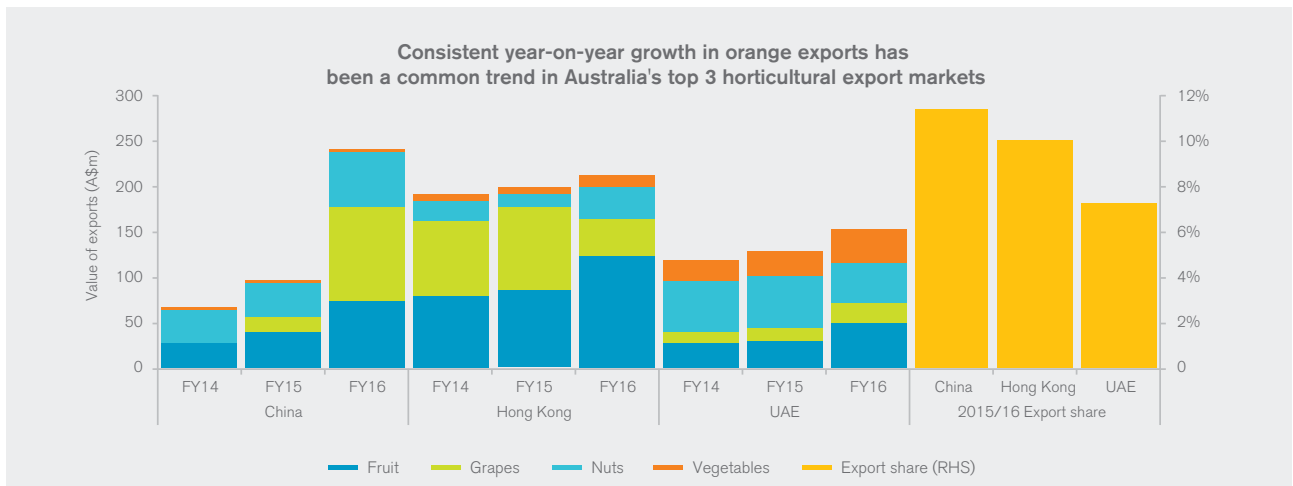
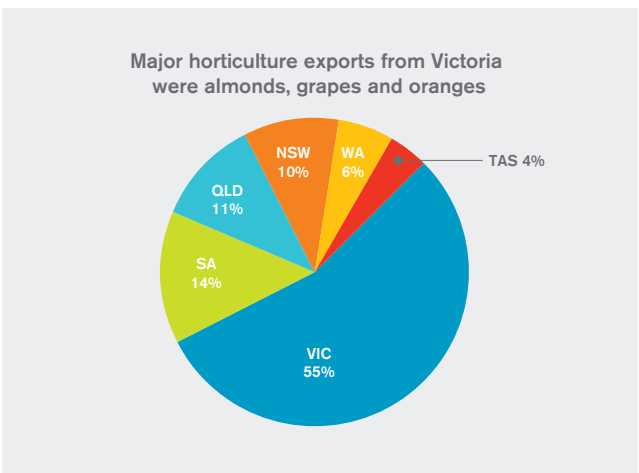
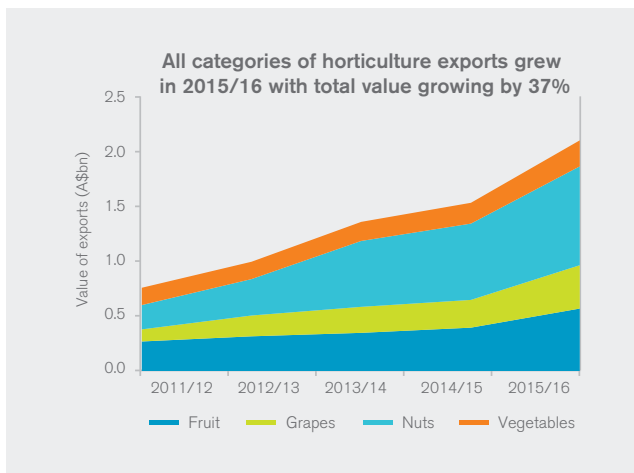
The value of Australian horticulture exports was **\$2.1** billion in 2015/16

The value of almond exports has grown by **337%** since 2011/12

The value of table grapes exports increased by **55%** in 2015/16

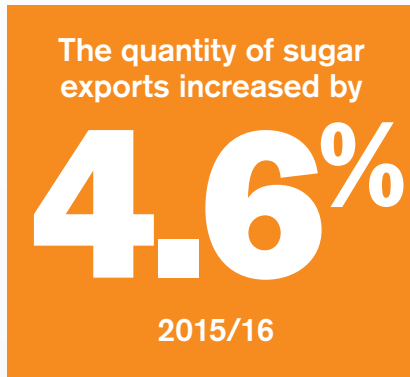
Production of Australian horticultural products has been expanding, particularly in nuts such as almonds and pistachios. The total value of horticulture exports has increased from \$765 million in 2011/12 to \$2.1 billion in 2015/16. Demand has been very strong for major fruit, nut and grape products, with volumes and unit prices growing in 2015. Growth was exceptionally strong for table grapes exported to China with 2015/16

exports worth \$102 million compared to just \$15 million in 2014/15. India (\$119m) and Spain (\$100m) were the major destinations for Australian nuts, with almonds contributing most of the export value. Vegetable exports also performed well, increasing by 31% in 2015/16, with growth occurring in carrots, turnips and asparagus performing particularly well.



Data: (GTIS)

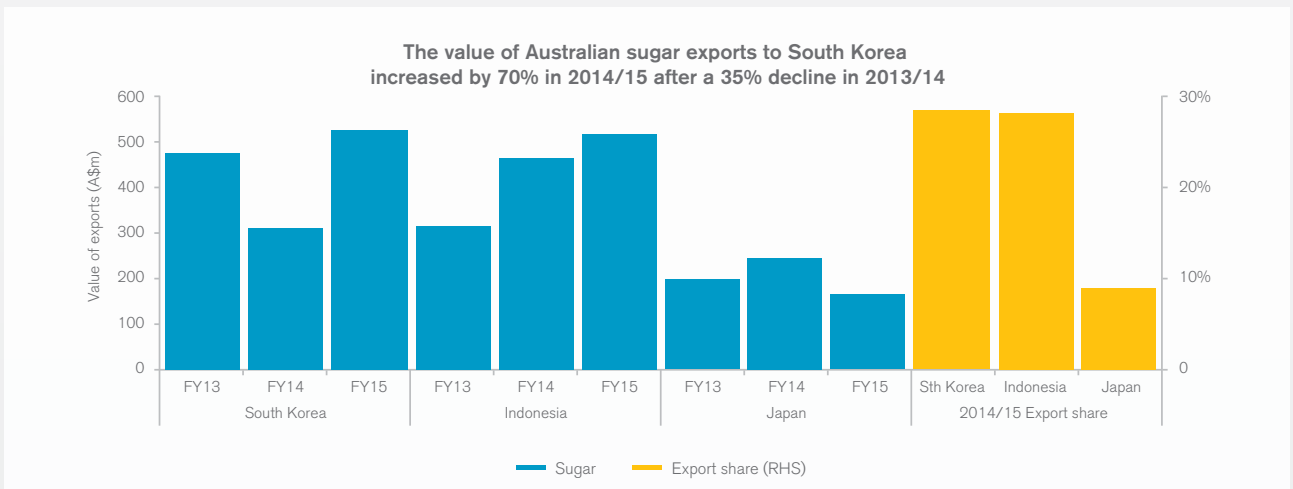
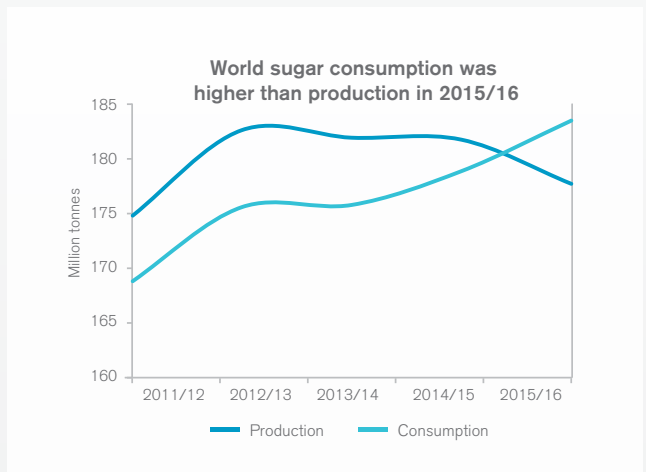
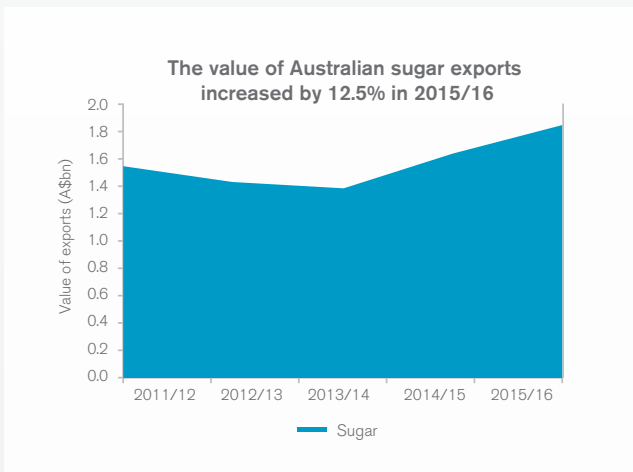
SUGAR



A drier than normal 2015 placed strain on production in Australia, particularly in the key growing regions in Queensland. Increased prices had a positive effect on export value, allowing an upward trend to be established.

South Korea and Indonesia continue to be key export markets for Australian sugar, accounting for a combined total of 57% of export value. The value of exports to Indonesia increased by 11% in 2014/15, representing the fourth consecutive year of growth.

South Korea and Indonesia continue to be key export



Data: ABARES

SEAFOOD

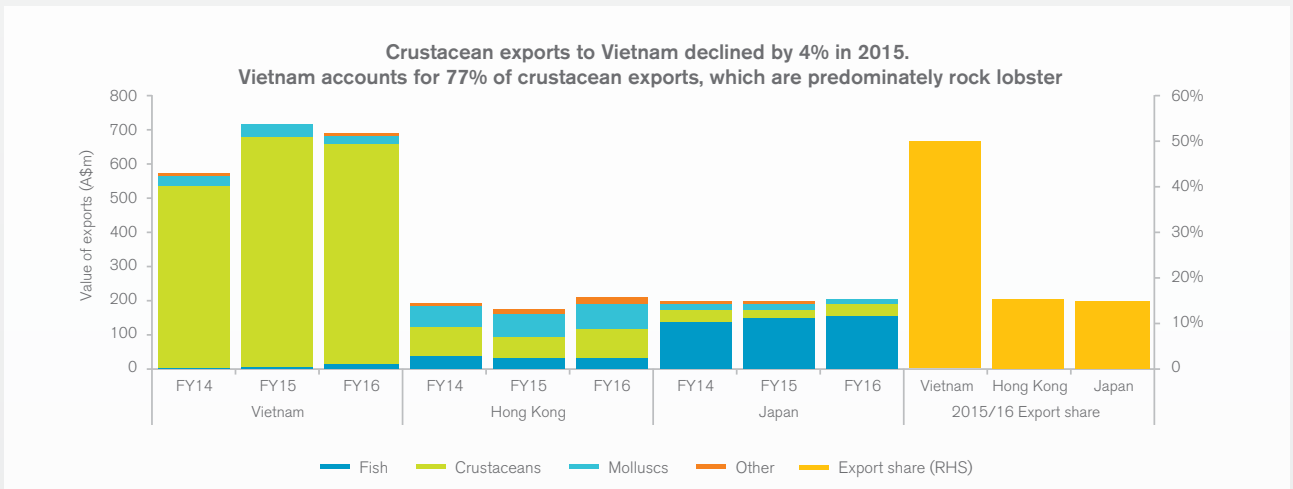
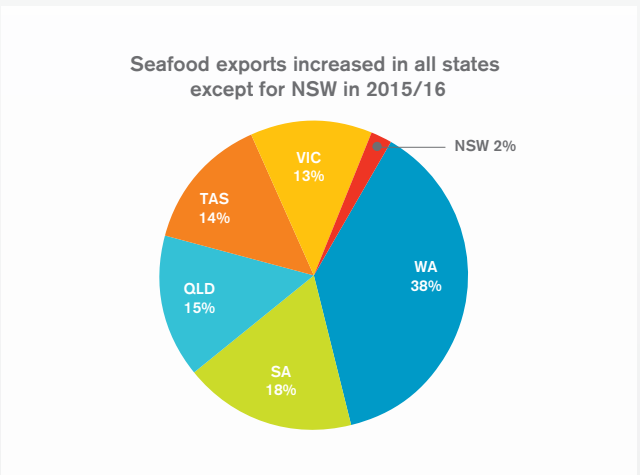
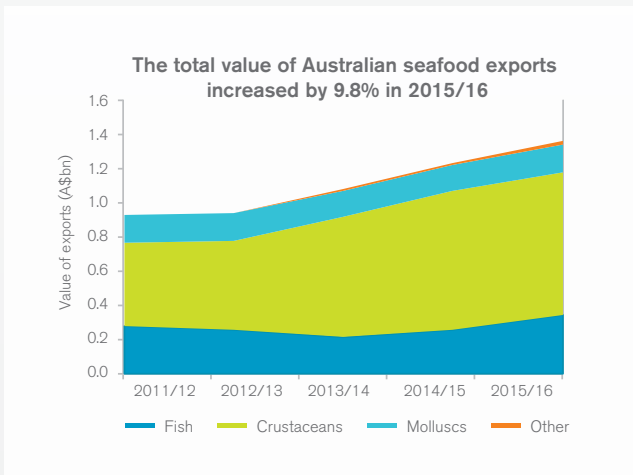
The value of Australian seafood exports was **\$1.4** billion in 2015/16

Seafood exports to China increased by **117%** in 2015/16

The value of fish exports increased by **\$82** million in 2015/16

Demand for Australian seafood has been consistently strong, with six consecutive years of growth in the value of exports. This growth has been largely driven by an 88% increase in the value of rock lobster exports since 2010/11, for which Vietnam is the major market. The growth in value is due to a combination of higher volumes exported and increased unit value of rock lobster. The value of seafood exports to China more

than doubled in 2015/16 making China Australia's fourth most valuable seafood export market. This growth came mainly from an 87% increase in fish exports and a tripling of crustacean exports. Lower global supplies of salmon and tuna are expected to lead to higher prices and continued growth in the value of Australian fish exports.

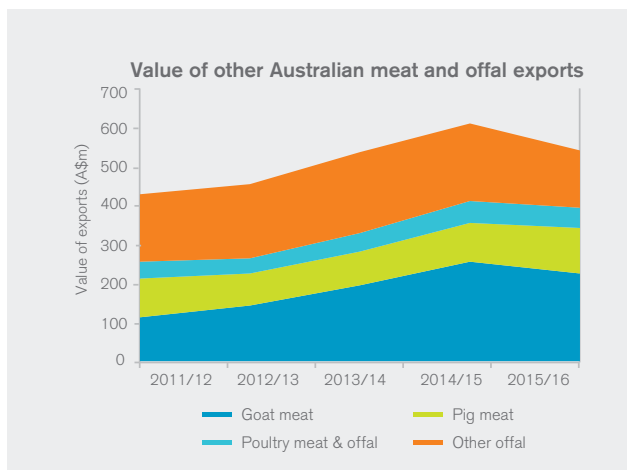
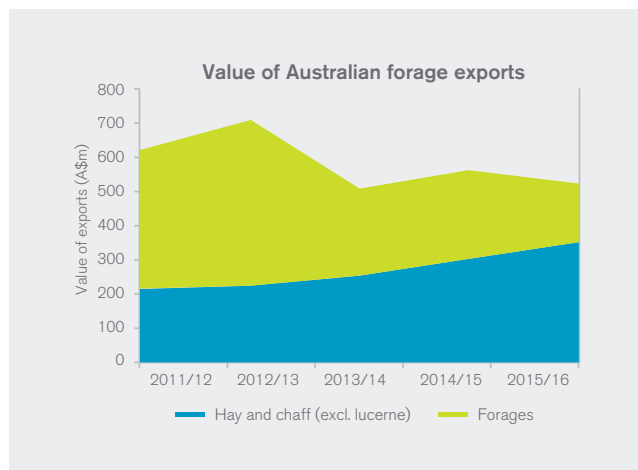


Data: GTIS

OTHER AGRI-FOOD EXPORTS

	2014/15 export value (A\$million)	2015/16 export value (A\$million)	Year-on-year change	Top two export destinations
Prepared foods including malts, cocoa, pet food, baked, other	2,385	3,392	+42.2%	China (\$1,004m) New Zealand (\$ \$779m)
Other plant products including milling products, seeds, coffee, other	1,133	1,150	+1.5%	USA (\$275m) Japan (\$130m)
Other animal products including fats, oils, hides, fibres, honey, eggs	907.9	987.4	+8.8%	Singapore (\$286.6m) China (\$234.7m)
Other meat and offal including goat, pig, poultry, other	614.9	545.4	-11.3%	USA (\$161m) Singapore (\$77m)
Forages including hay, chaff, lucerne, straw, other	566.0	527.5	-6.8%	Japan (\$202m) China (\$110m)
Beverages excluding wine	273.2	333.1	+21.9%	New Zealand (\$69m) Vietnam (\$48m)
Food industry residues and waste	356.9	286.4	-19.8%	Indonesia (\$81m) Taiwan (\$41m)
Other live animals including horses, buffalo, goats, other	149.3	205.4	+37.5%	Hong Kong (\$64m) New Zealand (\$56m)

Data: GTIS



Data: GTIS

About Ag Answers

Ag Answers is a specialist insights division of Rural Bank and Rural Finance. Recognising that good information is the key to making good business decisions, Ag Answers provides research and analysis into commodities, farmland values, farm business performance and topical agricultural issues to enable farmers to make informed decisions.

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Together, Rural Bank and Rural Finance are supporting farmers and farming communities by providing them with specialist financial tools, industry insights and investment into the future of the Australian agribusiness sector.

The future for agriculture is bright

We provide exceptional financial services, knowledge and leadership for Australian farmers to grow.

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For report enquiries:

AG ANSWERS

P 1300 796 101

E ag.answers@ruralfinance.com.au

For banking enquiries:

RURAL BANK

P 1300 660 115

W ruralbank.com.au

RURAL FINANCE

P 1300 796 101

W ruralfinance.com.au

ELDERS

P 1300 618 367

E bankmarketing@elders.com.au

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