



AUSTRALIAN AGRICULTURE TRADE PERFORMANCE 2016/17



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About the research

The Australian Agriculture Trade Performance 2016/17 research 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. Wood and articles of wood are not included.

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

In some instances the export destination and/or state of origin is not identified by the exporter. Figures may not reflect the actual export total.

Commodity groups may not include all products relevant to that group. For example, miscellaneous edible preparations is a significant commodity group by value and volume where

individual products are not specified and therefore cannot be attributed to another commodity group.

Where appropriate, European and Middle East and North African nations are referred to as the European Union (EU) and the Middle East and North Africa (MENA).

EU includes: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.

MENA includes: Algeria, Bahrain, Djibouti, Egypt, Gaza Strip, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates, West Bank, Yemen.

NATIONAL SUMMARY

The total value of agri-food exports was **\$49.9 billion** in 2016/17

Value of agri-food exports increased by **8.5%** in 2016/17

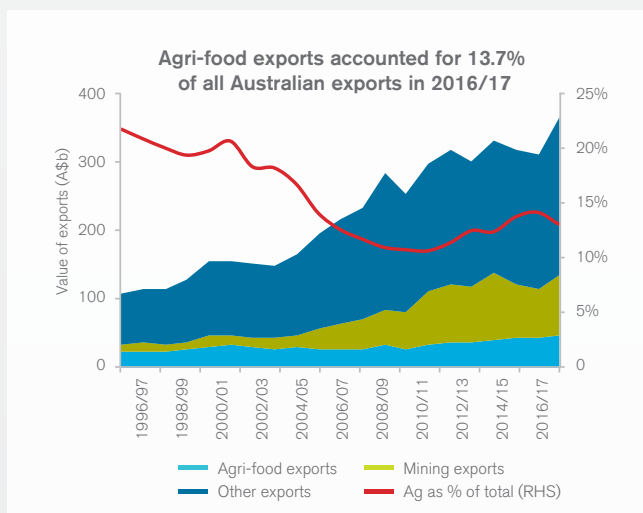
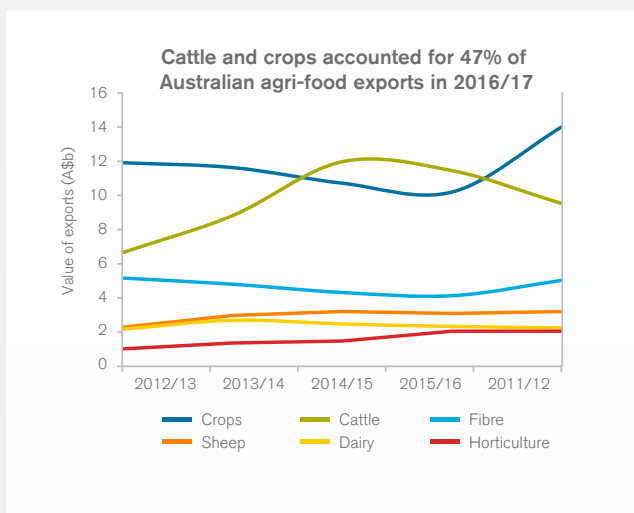
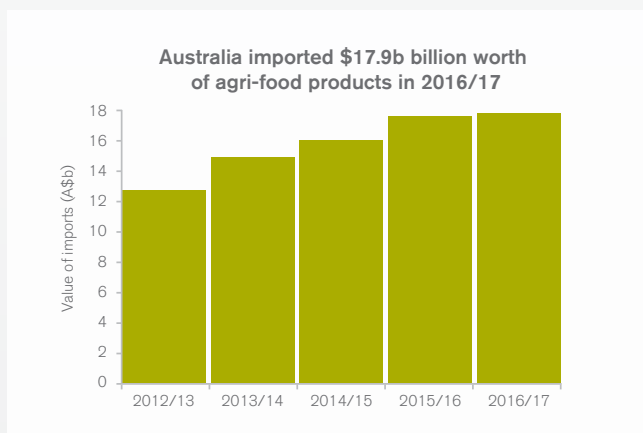
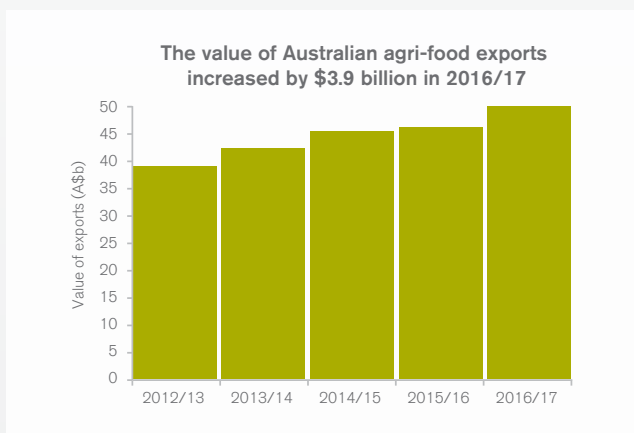
Value of agri-food imports increased by **0.2%** in 2016/17

Australian agri-food exports increased in value for the seventh consecutive year in 2016/17. A \$3.7 billion (+36.4%) increase in the value of crop exports was the main driver, followed by fibre (+\$897m) and sugar (+\$374m). Cattle exports recorded the largest decline in value, dropping \$1.9 billion (-16.6%), followed by dairy (-\$88m).

The value of agri-food imports to Australia increased by \$41.5 million in 2016/17. Miscellaneous edible preparations and beverages (wine, whiskey and beer) were the top imported commodities, accounting for 13.1% and 12.7% of total

imports, respectively. The European Union, New Zealand and the United States accounted for 53% of agri-food imports in 2016/17. Cheese and butter imports from New Zealand accounted for most of the increase in value, increasing by 18% and 74%, respectively. Cheese imports from Europe also increased by 7.7%.

Despite exports increasing in 2016/17, agri-food's share of national goods and services exported dropped as the value of mining exports grew by 23%.



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

EXPORT DESTINATIONS

Australia's top five agri-food export destinations in 2016/17 accounted for 48.2% of the value of agri-food exports from Australia. The largest growth market in 2016/17 was India. The overall increase of \$1.7 billion came from growth in exports of legumes (+\$689m), wheat (+\$670m) and cotton (+\$326m). Strong growth in exports to the European Union were recorded for the second year in a row, up 20% after growth of 24% in 2015/16. This came largely from increasing canola exports, up \$897m in 2016/17. Exports to China grew by \$309 million, driven by a \$406 million increase in wool exports, while reported exports of barley fell \$351 million.

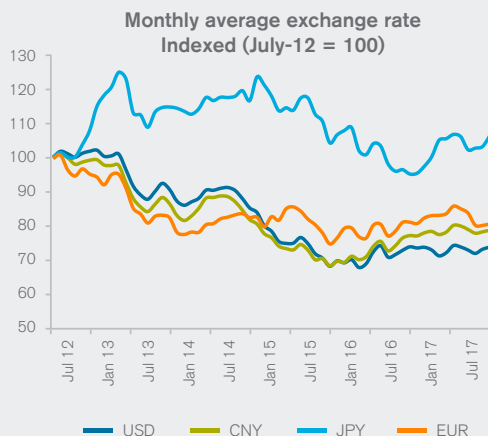
Exports to Indonesia recovered some of the value lost last year with an increase in exports of \$239 million, mostly coming from growth in wheat (\$136m) and live cattle (\$50m) exports.

The United States recorded the most significant decrease in value (-\$992m) in 2016/17, almost exclusively attributed to a fall in beef exports which accounted for 41% of all exports to the US. Exports to the Middle East and North Africa region fell \$600 million. Significant declines were recorded for barley (-\$315m), beef (-\$100m) and wheat (-\$98m) while legume exports to the region rose \$113 million.

Australia's top 10 agri-food export destinations*

| Destination | 2015/16 export value (A\$billion) | 2016/17 export value (A\$billion) | Year-on-year change | Top two commodities 2016/17 |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------|--|
| China | 9.01 | 9.32 | 3.4% | Wool (\$2,439m) Beef (\$747m) |
| Japan | 4.25 | 4.34 | 2.1% | Beef (\$1,910m) Cheese (\$375m) |
| European Union | 3.16 | 3.78 | 19.8% | Canola (\$1,875m) Wine (\$566m) |
| United States | 4.61 | 3.62 | -21.5% | Beef (\$1,495m) Lamb (\$620m) |
| India | 1.28 | 3.00 | 133.7% | Chickpeas (\$1,136m) Wheat (\$743m) |
| Indonesia | 2.68 | 2.92 | 8.9% | Wheat (\$1,263m) Live Cattle (\$636m) |
| Middle East North Africa | 3.46 | 2.86 | -17.4% | Sheepmeat (\$684m) Wheat (\$624m) |
| South Korea | 2.61 | 2.52 | -3.4% | Beef (\$1,229m) Wheat (\$297m) |
| Vietnam | 2.07 | 2.13 | 3.0% | Wheat (\$568m) Rock Lobster (\$516m) |
| New Zealand | 1.57 | 1.51 | -3.9% | Wheat (\$138m) Chocolate (\$130m) |

Data: GTIS *excludes sugar



The Australian dollar was not a decisive factor in trade performance in 2016/17, remaining relatively stable through the year, averaging 3.6% higher than 2015/16 at 0.75 USD. Although slightly higher than the previous year, it is still 11.6% lower than the 5 year average of 85c.

The Australian dollar has started to trend higher hitting 80 US cents at the end of July and stabilising at 79 cents through August.

Data: Reserve Bank of Australia

STATE EXPORT PERFORMANCE

The value of agri-food exports grew for all states in 2016/17 except for Tasmania and the Northern Territory.

Victorian growth was led by canola (+\$295m) and wheat (+\$281m). Wool also increased by \$175 million (+11%). Lower export values were recorded for beef (-\$324m), almonds (-\$121m) and dairy products (-\$115m).

Growth in exports from Queensland was strong for crops with chickpeas (+\$701m) and cotton (+\$339m) performing well. Beef exports accounted for 43% of Queensland's exports but declined \$561 million in 2016/17.

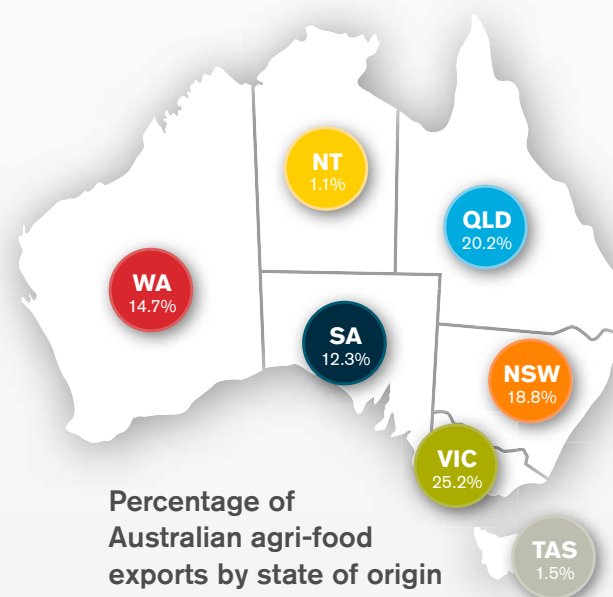
New South Wales had the largest growth, up \$1.3 billion. This was led by wheat (+\$738m), chickpeas (+\$180m) and cotton (+\$137m). Beef exports recorded the largest decline, down \$281 million (-18%).

Western Australian canola exports increased by \$602 million and accounted for 58% of Australia's canola exports. Wool (+\$117m) and lamb (+\$57m) also increased significantly. Wheat exports fell \$248m.

South Australian lentils exports more than doubled (+\$222m) while wine also performed well (+\$142m).

The value of Tasmanian exports decreased, with declines in seafood (-\$39m) and beef (-\$34m). Interestingly it was the only state with increased dairy exports (+\$14m), driven by growth in milk powder to Thailand (+\$9m).

Northern Territory exports decreased due to live exports and beef declining \$25m and \$7m, respectively.

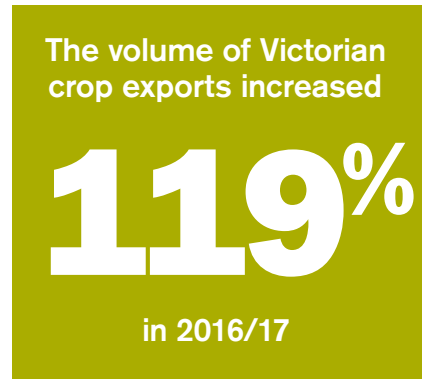
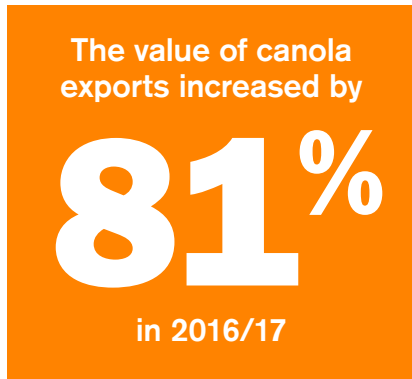


Australian agri-food exports by state of origin*

| State | 2015/16 export value (A\$billion) | 2016/17 export value (A\$billion) | Year-on-year change | Top commodities 2016/17 |
|---------------------------|-----------------------------------|-----------------------------------|---------------------|---|
| Victoria | 11.48 | 12.02 | 4.7% | Wool (\$1,789m) Dairy (\$1,740m) |
| Queensland | 9.05 | 9.66 | 6.7% | Beef (\$4,155m) Chickpeas (\$1,361m) |
| New South Wales | 7.63 | 8.98 | 17.6% | Beef (\$1,282m) Wheat (\$1,192m) |
| Western Australia | 6.47 | 7.01 | 8.4% | Wheat (\$2,532m) Canola (\$1,344m) |
| South Australia | 5.57 | 5.87 | 5.4% | Wine (\$1,475m) Wheat (\$1,254m) |
| Tasmania | 0.78 | 0.70 | -9.7% | Beef (\$152m) Seafood (\$140m) |
| Northern Territory | 0.55 | 0.52 | -4.9% | Live Cattle (\$420m) Beef (\$54m) |
| No State Detail | 2.28 | 2.48 | 8.9% | Barley (\$2,101m) Rice (\$114m) |

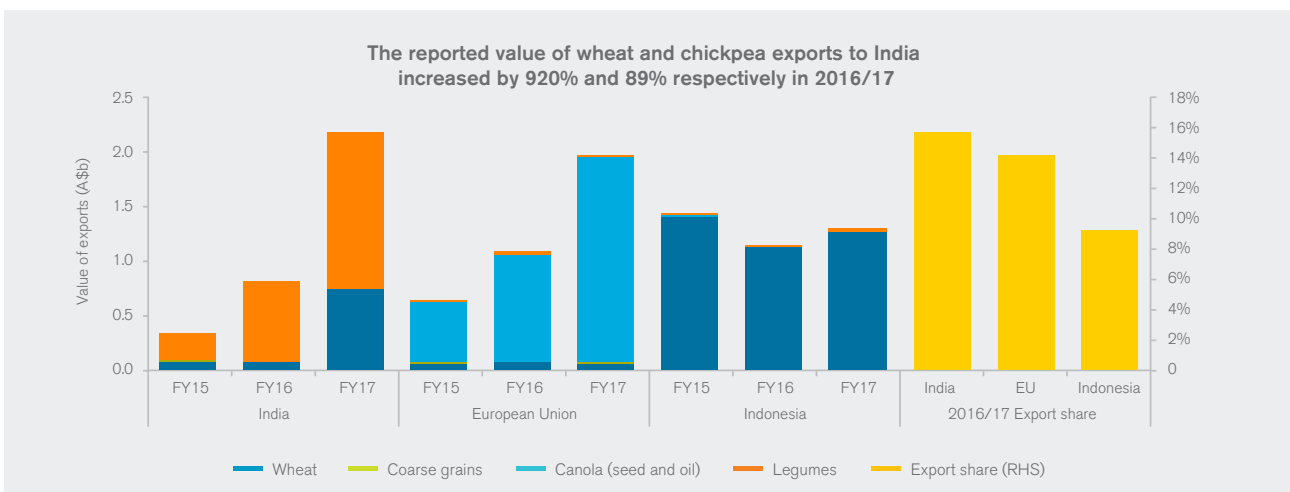
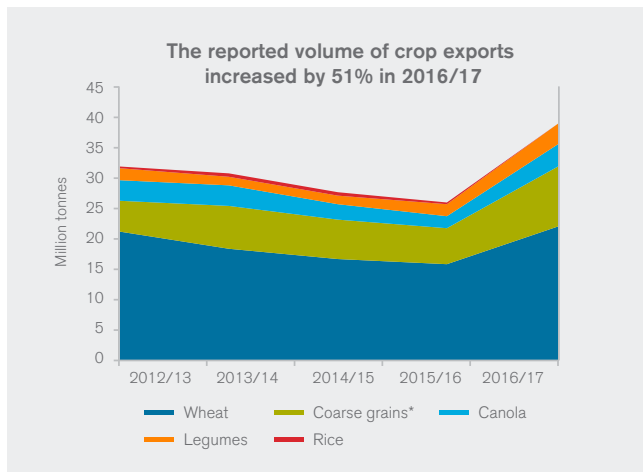
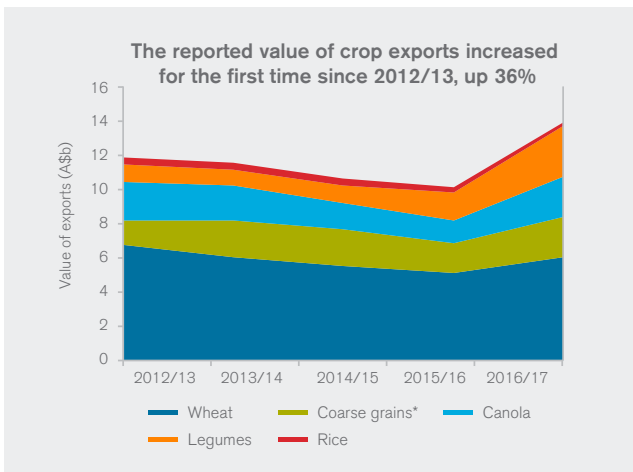
Data: GTIS *excludes sugar

CROPS



Australian crop exports benefitted from exceptional seasonal conditions, which led to a 49% year on year increase in winter crop production. Increased production was reflected in wheat and coarse grain export volumes increasing by 6.3 million tonnes (+40%) and 3.8 million tonnes (+63%), respectively. Wheat exports to India grew by 2.4 million tonnes assisted by the Indian government's decision to reduce a 25% tariff to 10% in September 2016 before eliminating it completely in December 2016. This measure was in response to concerns

about domestic wheat price for Indian consumers. Growth in wheat exports were also seen in Indonesia (+33%), Philippines (+154%) and Vietnam (+53%). The value of exports increased to a lesser extent due to decreased average export prices of wheat (-15%) and coarse grains (-20%). Increased production also benefitted canola and legume exports with volumes for both commodities up 85%. The exceptional production of 2016 is not likely to be repeated in 2017, resulting in lower export volumes in 2017/18.



Data: GTIS

*coarse grains includes barley, sorghum, oats, maize, buckwheat, millet and rye

**\$1.37b worth of crop exports were reported under "unidentified country" in 2016/17.

BEEF AND CATTLE

The value of Australian cattle exports was **\$9.5 billion** in 2016/17

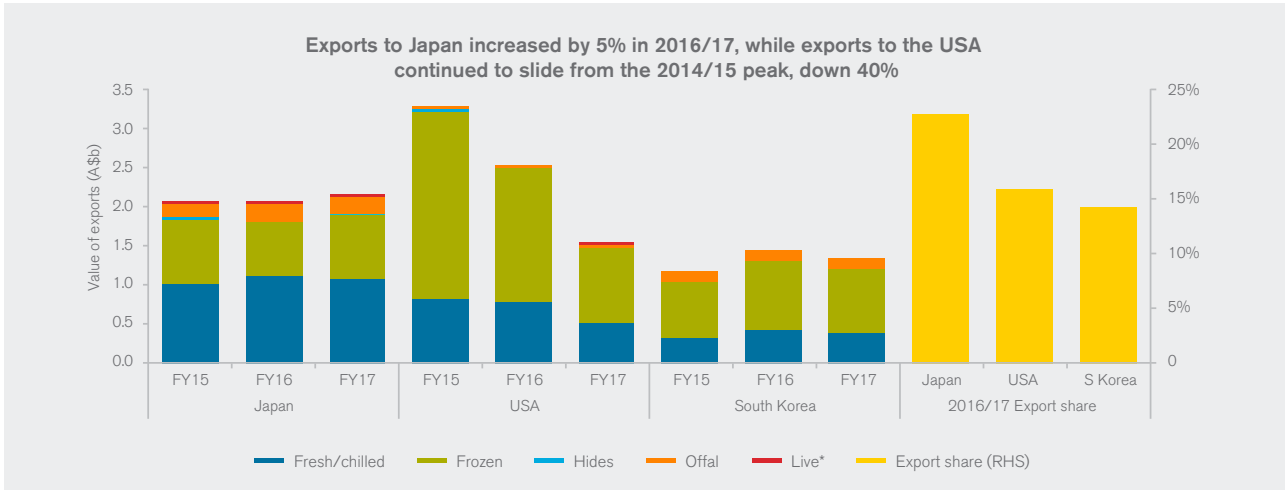
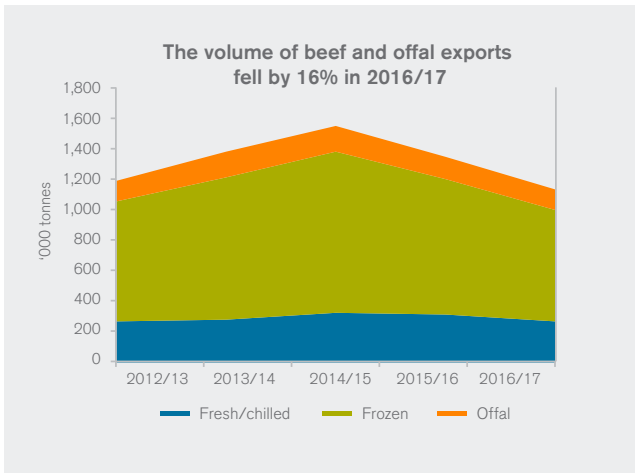
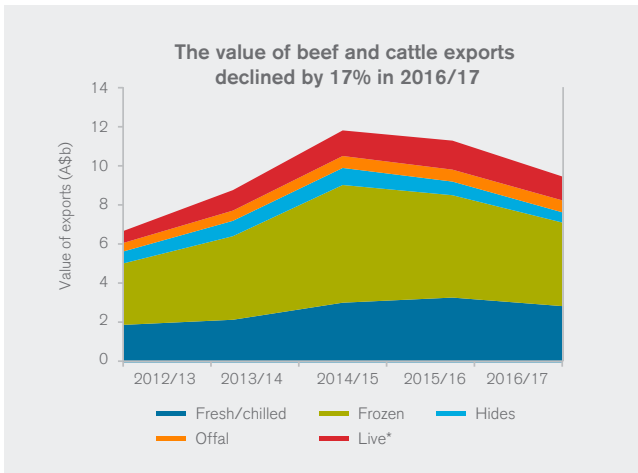
2016/17 was the **3rd** most valuable year for Australian cattle exports

The number of live cattle exported fell by **27%** in 2016/17

The value of Australian beef and cattle exports fell by \$1.9 billion in 2016/17 as a 16% reduction in cattle slaughter impacted export volumes. Beef exports are concentrated to four major markets with Japan, USA, South Korea and China accounting for 77% of volume. Of those, Japan was the only country to increase import volume from Australia, up 3.3%. Exports to the US declined most (-39%), followed by China (-20%) and South Korea (-5%). Cattle prices hit record levels in Australia in 2016/17 with the eastern young cattle indicator averaging 661c/kg, up 14% on 2015/16. High domestic

beef prices supported a 1% increase in the average export price despite global prices trending lower due to increased global production, led by the US and Brazil. Australian beef production is likely to increase in 2017/18 leading to greater export volumes. Export prices are likely to trend lower as competition into major markets increases, but still remain above historical average levels.

Reduced cattle supply also affected live exports with 42% less cattle exported to Vietnam and a 6% drop to Indonesia.



Data: GTIS
*includes beef and dairy cattle for breeding purposes

WOOL AND COTTON

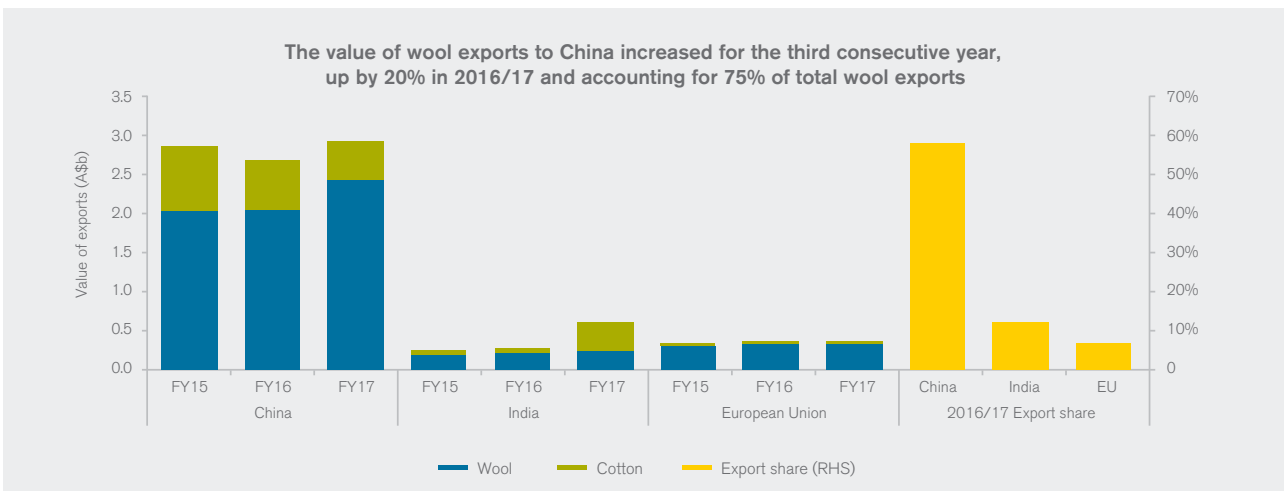
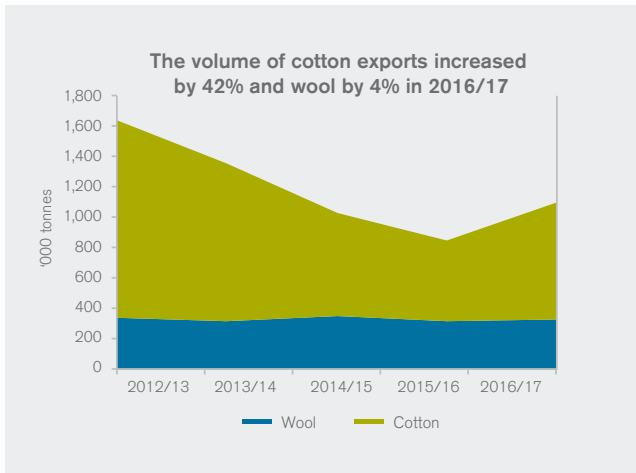
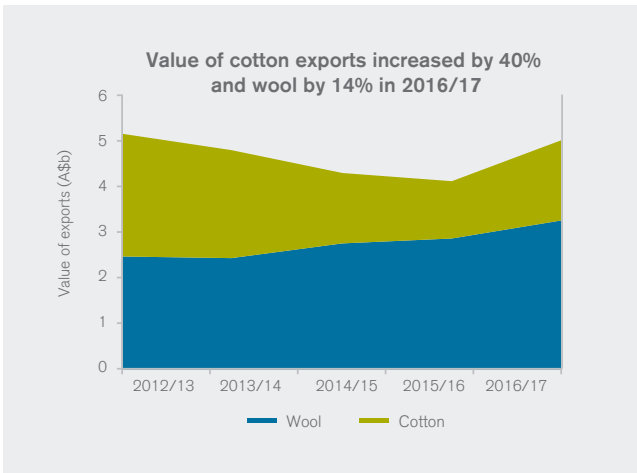
The value of Australian wool and cotton exports was **\$5.0** billion in 2016/17

Victoria accounted for **56%** of wool export volume in 2016/17

Cotton exports to India increased by **\$326** million in 2016/17

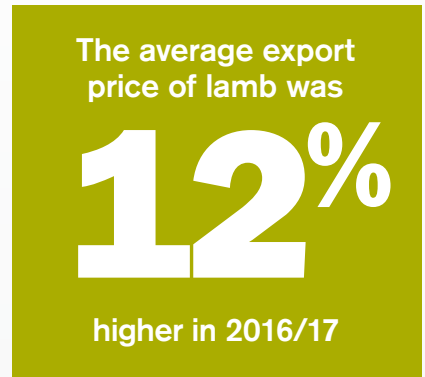
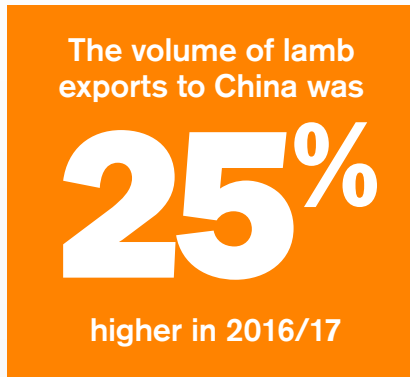
Australian wool exports benefitted from strong demand from China in 2016/17. High prices and favourable seasonal conditions in 2016/17 contributed to a 5.3% increase in wool production and a 14% increase in the value of wool exports. Demand looks likely to remain strong, particularly for fine wools, providing support for prices and further encouraging growth in production from an expanding national flock. This should lead to another year of increased export value and volume.

Cotton exports increased significantly in 2016/17 largely due to an expansion in the area of cotton planted leading to increased production. China imported 26% less cotton in 2016/17 as it works through existing stockpiles. As a result the share of exports to China fell from 50% to 26% in 2016/17 with India and Bangladesh picking up the excess with increases in volume of 569% and 270%, respectively. Australian cotton production is expected to increase slightly in 2017/18, leading to further growth in exports which will also be supported by slightly higher global prices.



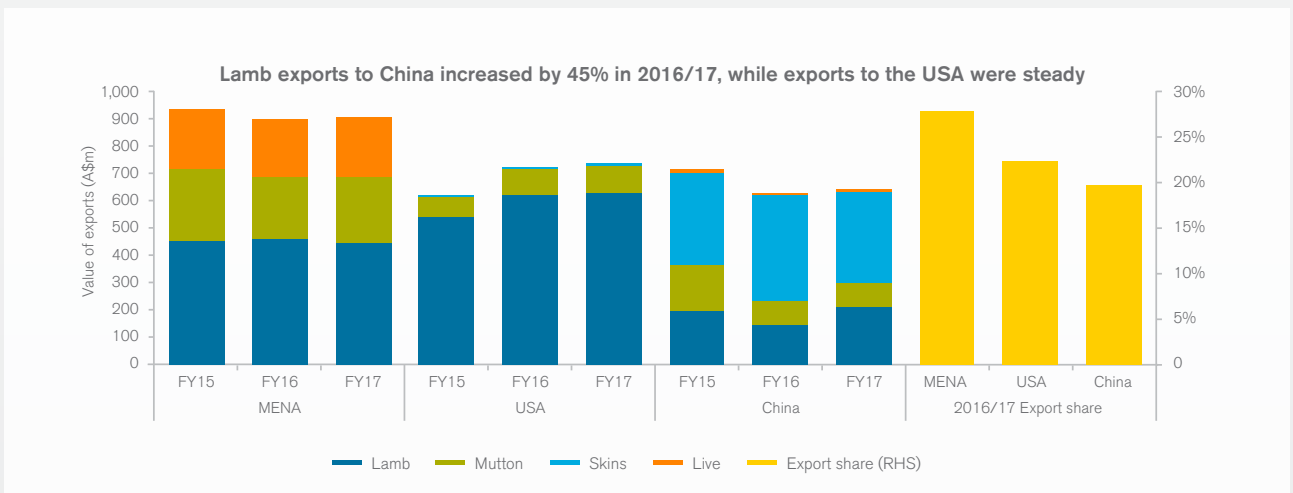
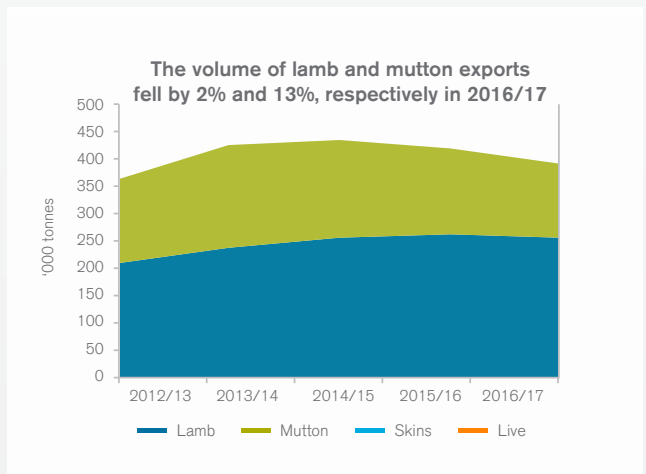
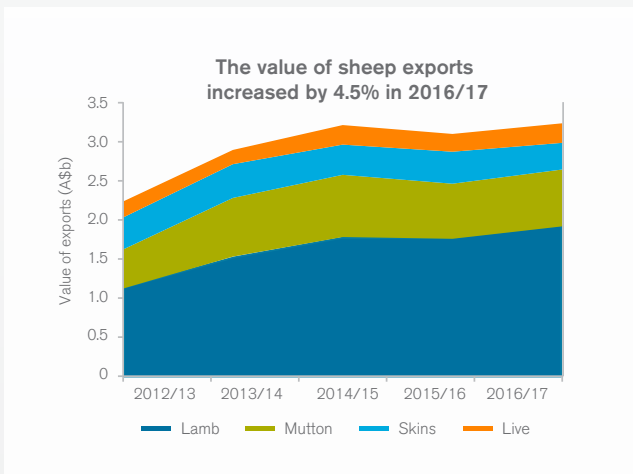
Data: GTIS

SHEEP



Strong prices for lamb and mutton drove increases in the value of exports in 2016/17 while lower production levels were reflected in export volumes trending lower. The national trade lamb indicator and national mutton indicator prices averaged 12% and 29% higher in 2016/17, respectively. Export volumes trended lower as lamb and mutton production fell 2% and 17%, respectively. Production was the limiting factor in continued growth in the US market where Australia supplies 75% of imported lamb. Value remained steady with

an 18% increase in the export price offsetting the effect of volume dropping 15%. The outlook is for production to steadily increase, leading to greater export volumes in 2017/18. Prices are expected to average lower in 2017/18 so the value of exports will depend on the relative shift in volume and price. New Zealand production and therefore exports are trending lower which could provide more opportunities for Australian lamb exports to Chinese and European markets where New Zealand currently holds a greater share of imports.



Data: GTIS



The value of Australian wine exports was

\$2.4

billion in 2016/17

The value of red wine exports increased by

11%

in 2016/17

South Australia accounted for

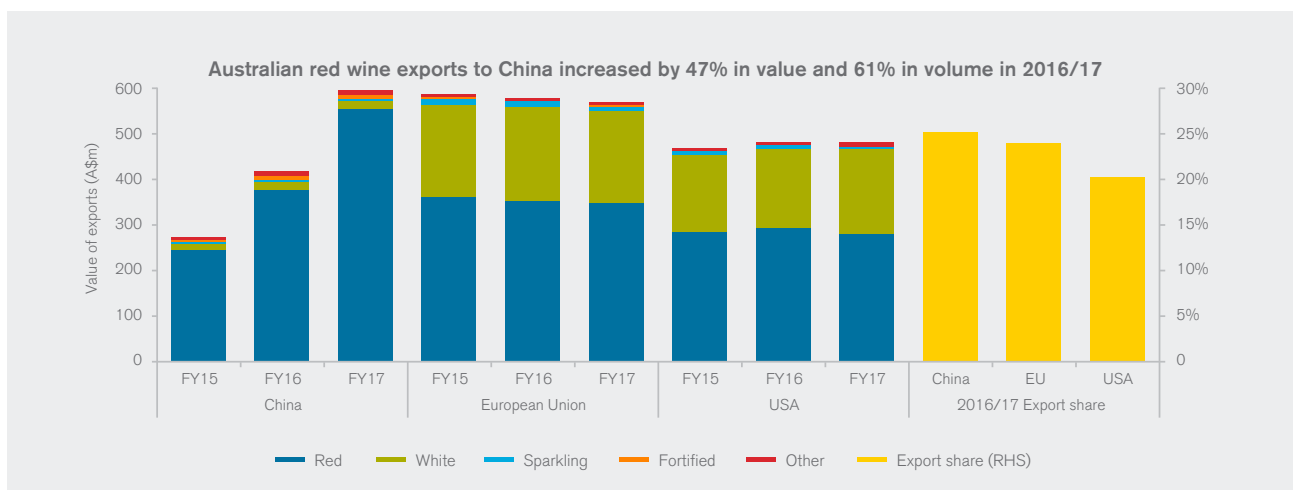
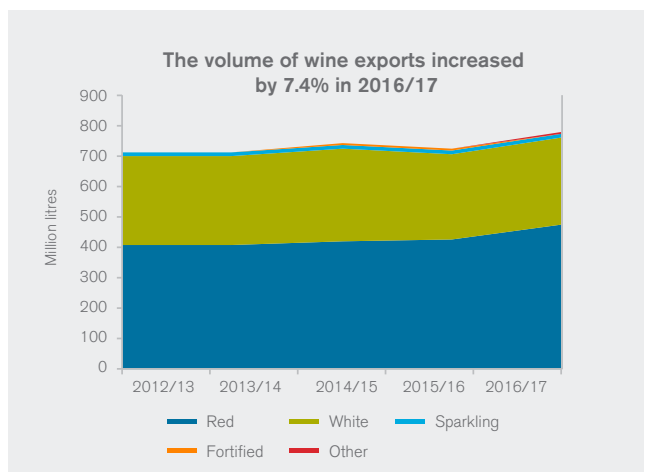
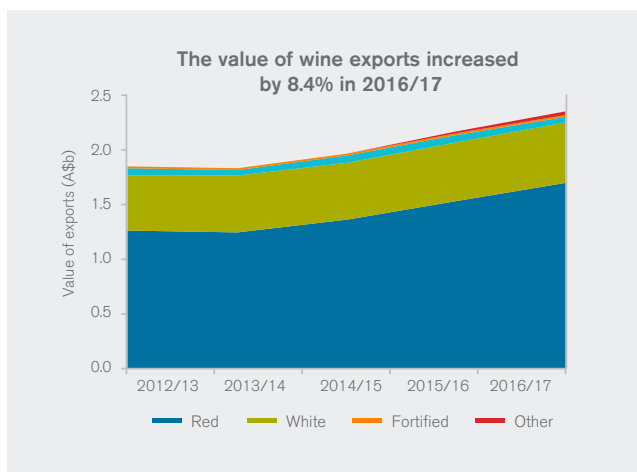
65%

of wine export volume in 2016/17

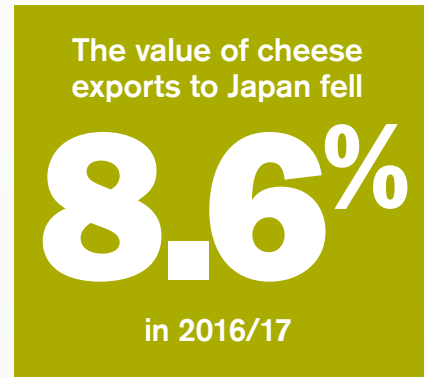
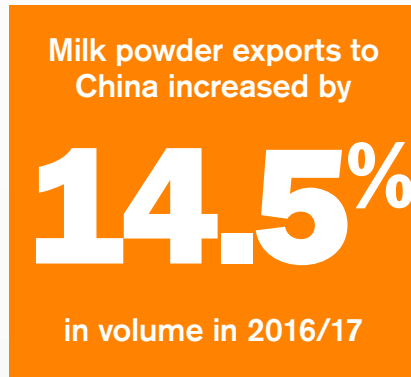
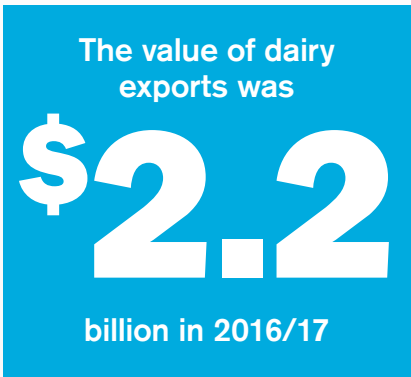
Growth in the value of red wine exports has been the primary driver of three consecutive years of growth in the value of Australian wine exports. Red wine exports grew by 11% in both value and volume in 2016/17 while white wine exports increased steadily by 1.7% in value and 2.8% in volume. Red wine exports to China have more than doubled since 2014/15 in both value and volume terms driven by demand and the reduction of tariff rates from 14% to the current 5.6% under the China-Australia Free Trade Agreement. Australian wine grape production increased by 5% in 2016/17 with growers

also benefitting from a 7% increase in the average purchase price of grapes.

Australia imported \$748m worth of wine in 2016/17, a fall of 0.6% from 2015/16. This was only the third year since 1996/97 that the value of imports has declined, a period where the value of imports has averaged 12.4% growth per year. Growth in imports has predominately been from premium white wines from New Zealand and sparkling wines from France which have become more affordable to Australian consumers after a global oversupply of wine.

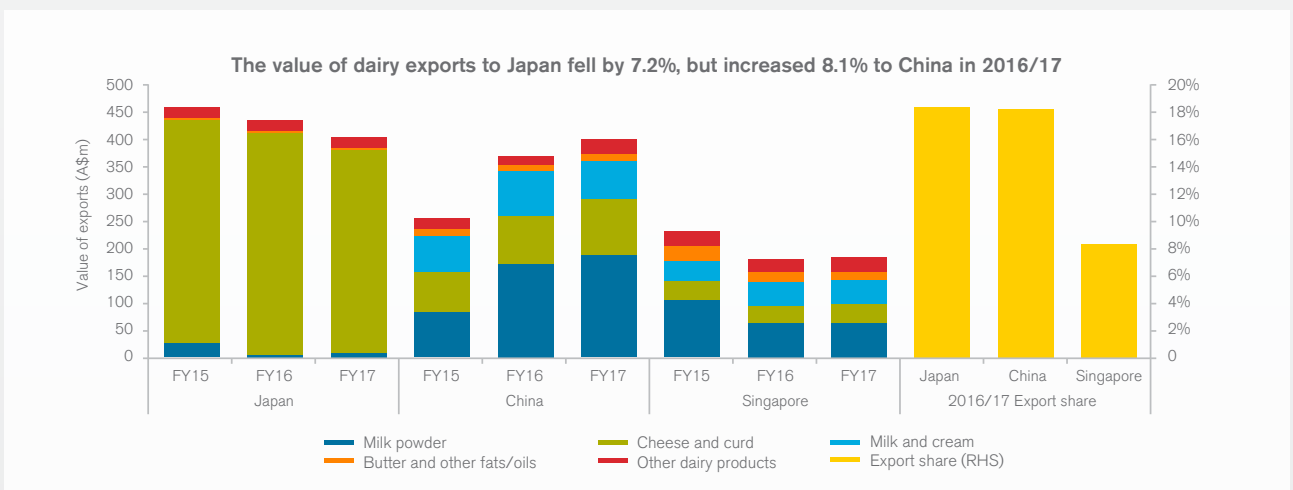
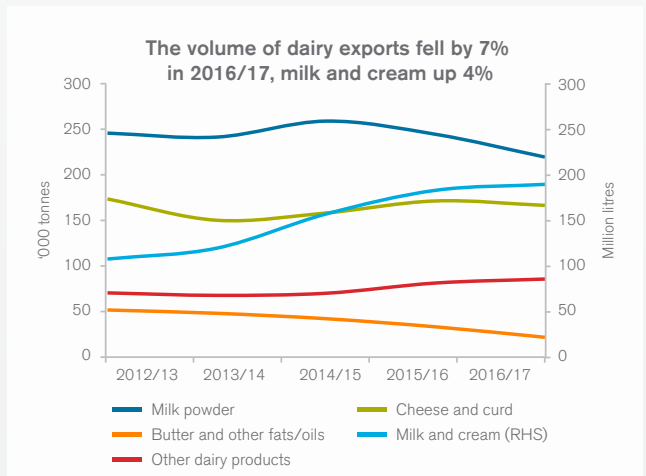
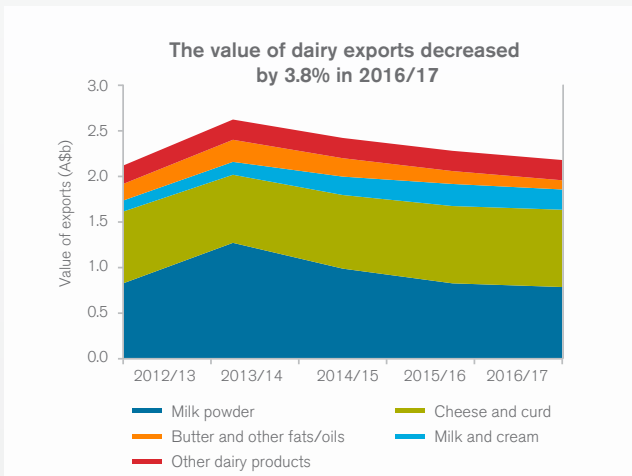


Data: GTIS



Declining export volumes resulted in the value of dairy exports declining for a third consecutive year. Australian milk production was 6.9% lower in 2016/17 as producers responded to farm gate milk price cuts in mid-2016 by reducing supply. The effects of lower production was seen in lower export volumes of milk powder (-9.9%), cheese and curd (-2.8%) and butter (-36.7%). Milk and cream exports increased in volume by 3.6%, with growth to Singapore and Philippines. While milk powder export volumes fell, exports to China increased by 14.5%. The average export price of

milk powder increased 5.8%, partially offsetting the effects of lower volume on the total value of milk powder exports which only fell 4.7%. The export price of cheese and curd increased 1.6%, partially offsetting reduced volumes. Overall export values declined 1.3% with an 8.6% decline to Japan but encouraging growth from China (+19%) and South Korea (+36%). The outlook for dairy exports has improved with expected growth in global demand, led by China. Production will be slow to recover, likely to provide some upwards pressure on prices.



Data: GTIS

SUGAR

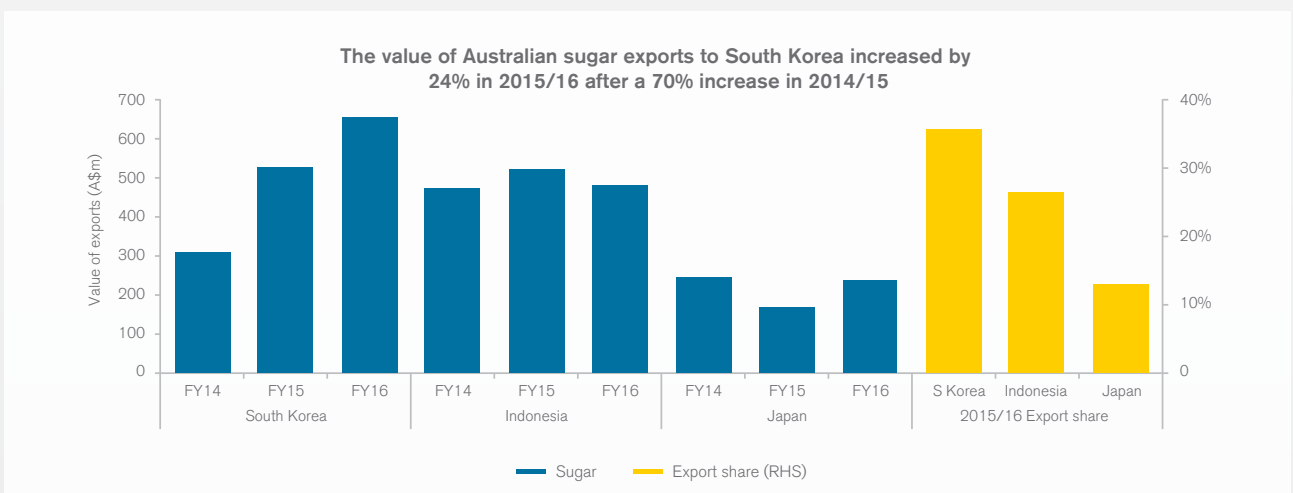
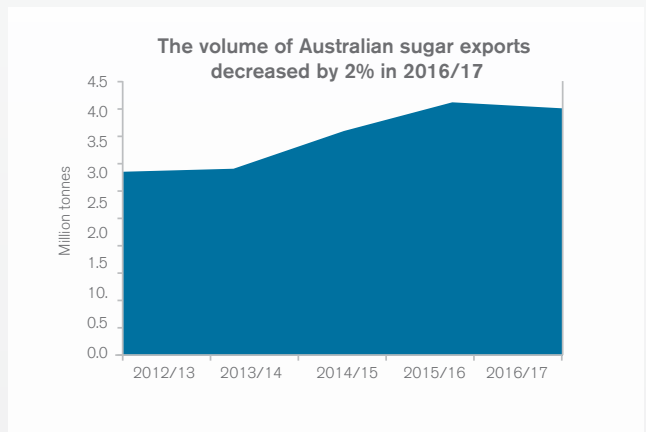
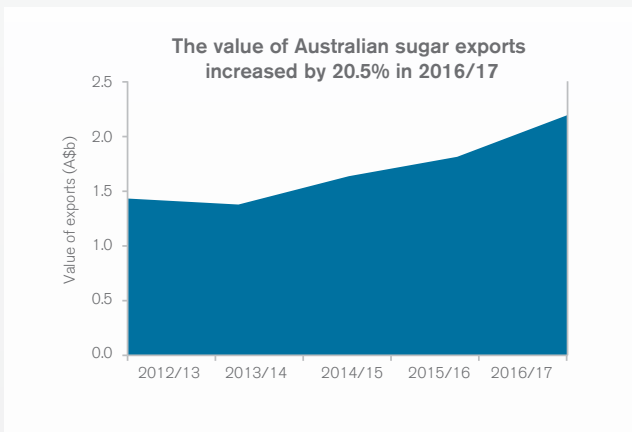
The value of Australian sugar exports was **\$2.2** billion in 2016/17

Global sugar stocks decreased by **6.6%** in 2016/17

Australia exported **84%** of total sugar produced in 2016/17

Australian sugar exporters benefitted from higher global prices in 2016/17, with a 20.5% increase in value coming from 2% less volume compared to 2015/16. The slight decline in export volume is a reflection of a 2.4% reduction in production. Australian sugar production is expected to remain unchanged in 2017/18 as increased area harvested is offset by damage to cane from Tropical Cyclone Debbie in the Mackay and Proserpine regions of Queensland. Global prices have been supported in the last two years by consumption exceeding

production, leading to reductions in global stocks. Global prices are expected to trend lower in 2017/18 as strong prices have encouraged increased planting of cane in China, India and Thailand. The European Union's quota and minimum price system for sugar production ends in October which is likely to lead to greater production and see exports increase. With Australian production steady and prices expected to fall slightly, it is likely that both value and volume of Australian sugar exports will decline in 2017/18.



Data: Australian Bureau of Agricultural and Resource Economics (ABARES)

HORTICULTURE

The value of Australian horticulture exports was

\$2.0

billion in 2016/17

The value of almond exports decreased by

25%

in 2016/17

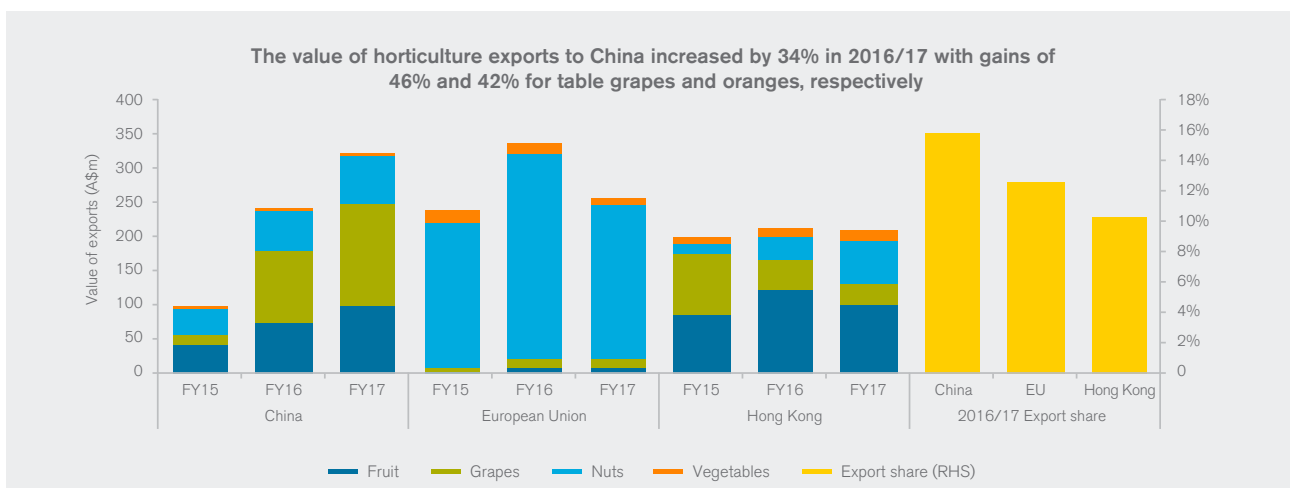
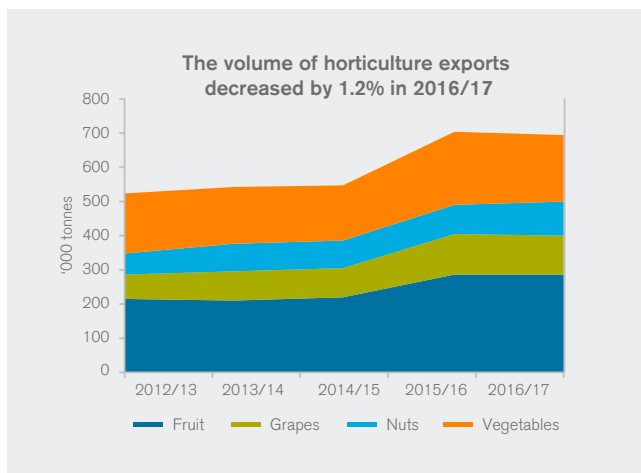
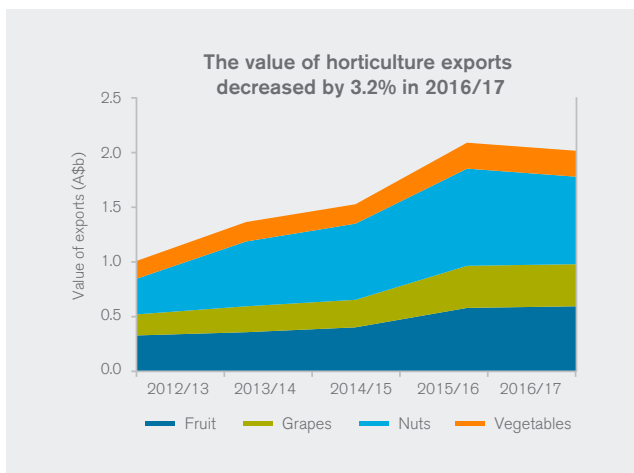
The value of orange exports has grown for

6

consecutive years

Horticulture exports from Australia fell by \$68 million in 2016/17 despite increasing value for all horticultural products except nuts. Fruit export volumes were unchanged from 2015/16 but an increase in export prices resulted in a 2.7% increase in value. Oranges were a strong performer with value up 11%, including a 42% increase in value to China. Table grape exports also increased in value, up 1.3% while volume fell 3.2%. Chinese demand was strong with value and volume increasing by 46% and 38%, respectively. Vegetable exports benefitted from strong growth in export prices with value

increasing 8.6% despite a 7.9% fall in volume. Carrot exports to MENA countries and asparagus to Japan were strong performers. A 12% fall in nut exports can largely be attributed to almond exports to the EU declining by \$73 million (-28%). Almond exports to India were worth \$142 million, up by 20% and accounting for 31% of Australian almond exports. Macadamia exports increased by 17% in volume and 19% in value. Vietnam, China and Hong Kong accounted for 62% of the \$292 million worth of macadamia exports.



Data: GTIS

SEAFOOD

The value of Australian seafood exports was **\$1.3** billion in 2016/17

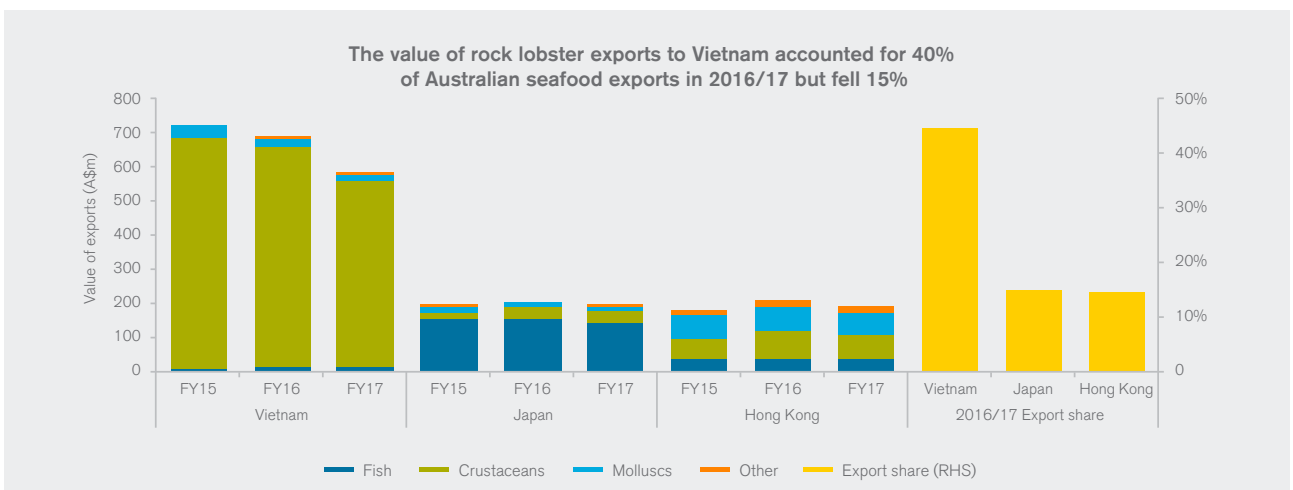
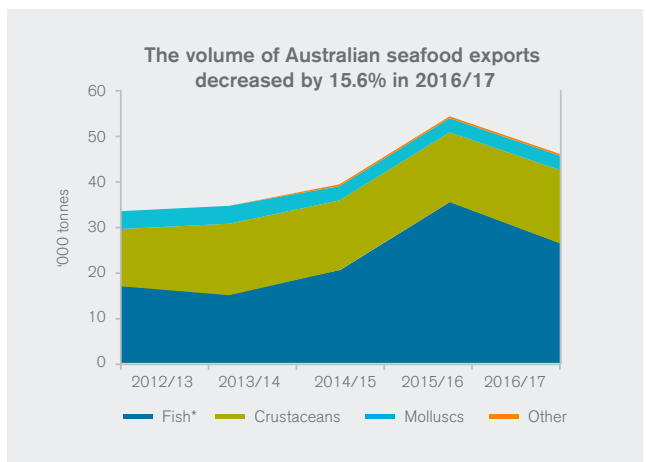
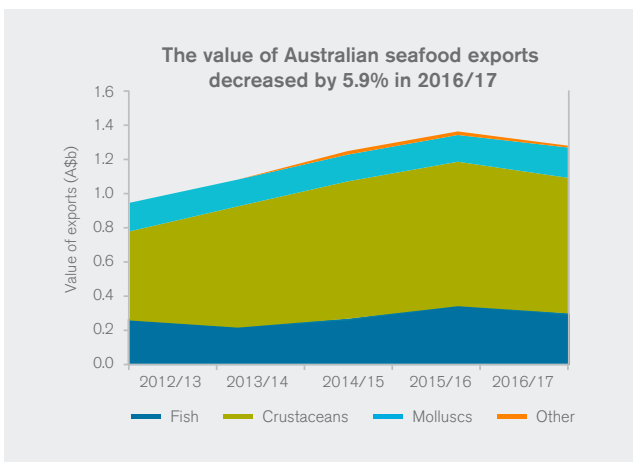
The volume of rock lobster exports increased by **7.6%** in 2016/17

Western Australia accounted for **38%** of seafood export value in 2016/17

A 25% reduction in fish export volumes was a significant driver of the value of Australian seafood exports falling in 2016/17. Rock lobsters, which accounted for 53% of seafood export value, fell by 2.3% in value in 2016/17. Lower prices to Vietnam, the major market for rock lobsters, led to a 15% reduction in export value. Exports to China more than offset this decline, increasing from 120 tonnes to 1,100 tonnes, assisted by tariff rates reducing from 10% to 4% under the China-Australia Free Trade Agreement (ChAFTA). Further tariff reductions under ChAFTA will assist competitiveness

of seafood exports. Ongoing growth in demand in Asian markets for higher value seafood products such as rock lobster and abalone is also contributing to a positive outlook for seafood exports.

The value of seafood imports grew by 1% in 2016/17 and were equivalent to 85% of the value of exports. China (\$207m), New Zealand (\$190m) and Vietnam (\$151m) are the major sources of imported seafood to Australia, which predominately consist of fish, prawns and squid.

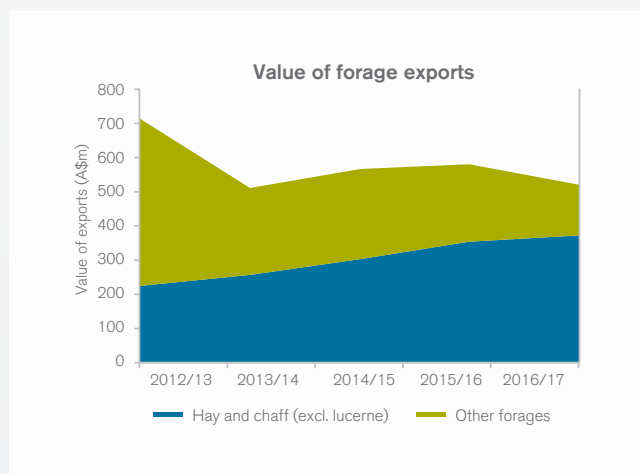


Data: GTIS

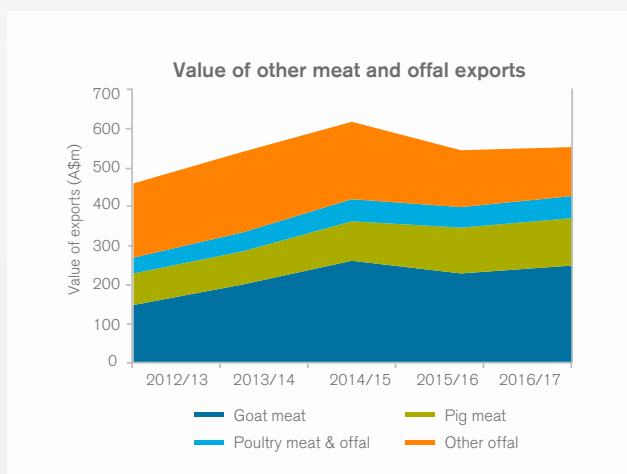
OTHER AGRI-FOOD EXPORTS

| | 2015/16 export value (A\$million) | 2016/17 export value (A\$million) | Year-on-year change | Top two export destinations |
|--|-----------------------------------|-----------------------------------|---------------------|--|
| Prepared foods including malts, cocoa, pet food, baked, other | 3,385.9 | 3,854.3 | +13.8% | China (\$1,391m) New Zealand (\$746) |
| Other plant products including milling products, seeds, coffee, other | 1,153.4 | 1,180.0 | +2.3% | USA (\$276m) Japan (\$131m) |
| Other animal products including fats, oils, hides, fibres, honey, eggs | 984.6 | 1,040.6 | +5.7% | Singapore (\$286.6m) China (\$234.7m) |
| Other meat and offal including goat, pig, poultry, other | 544.7 | 552.4 | +1.4% | USA (\$188m) Singapore (\$75m) |
| Forages including hay, chaff, lucerne, straw, other | 579.8 | 519.0 | -10.5% | Japan (\$198m) China (\$98m) |
| Beverages excluding wine | 330.8 | 407.2 | +23.1% | New Zealand (\$81m) Vietnam (\$53m) |
| Food industry residues and waste | 286.0 | 261.6 | -8.5% | Indonesia (\$69m) USA (\$38m) |
| Other live animals including horses, buffalo, goats, other | 200.6 | 189.6 | -5.5% | Hong Kong (\$54m) New Zealand (\$50m) |

Data: GTIS



Data: GTIS



About Ag Answers

Ag Answers is a specialist insights division of Rural Bank. 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.

About Rural Bank

Rural Bank has been a wholly-owned subsidiary of Bendigo and Adelaide Bank Limited since 2010 and is the only Australian-owned and operated dedicated agribusiness bank in the country. From 1 July 2014, Victorian agribusiness lender, Rural Finance joined Rural Bank as a division of Bendigo and Adelaide Bank Limited. As a specialist rural lender, Rural Finance has been fostering the sustainable economic growth of rural and regional Victoria for 70 years.

Rural Bank is 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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