

Current economic state of growers and rural regions.

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- Asked to provide a background on the economic environment for farmers and regional areas of Australia, in order to place in context the discussions about alternative structures and markets to supply the future energy needs of Australian agriculture.
- A quite complex task, made all the more so by the great diversity of economic, policy and climatic factors impacting on the farm sector, and the regional communities that are supported by, and support farmers.
- Preface remarks – diversity is a key term. Diversity of climatic conditions, diversity of enterprises and business structures, diversity of situations for regional areas.
- To make sense of some of these issues, propose to discuss three broad issues –
 - Global agricultural market situation and outlook.
 - Trends within the Australian farm sector, and finally
 - Economic and other trends in regional Australia.
- Hard to discuss these issues without reference to seasonal and climatic conditions. Irrespective of big picture global or regional trends, for many farmers and regional areas there is only one imperative at present – survival. Hard to overstate impact, and looming impact in the event of failure of spring rains.

Global agricultural situation and outlook.

- Globally, divergent factors in operation.
 - Dramatic expansion in global agricultural output by developing nations – esp Brazil, Argentina, Chile, China, India, Russia. Emergence of lo-cost agricultural exporters
 - Enormous global expansion of biofuel production from crops, diverting large amounts of ag. production and fundamentally changing markets.
 - Rapid growth in per capita wealth of consumers in developing nations – especially Asia. Triggering a dramatic expansion in demand for protein demand unlikely to be able to be met from domestic agricultural output.
- Many suggesting a fundamental change in markets – although recognising short-term factors (droughts) having a significant impact.

- Outlook – sustained period of historically strong agricultural commodity prices, combined with significant increase in competition in global markets – globalization and specialization.

Trends in Australian farm sector.

- Long-term downward trends in real prices from 1960 – 2000 has both contributed to and resulted from sustained rates of agricultural productivity growth.
- Economic pressure and technology resulting in consolidation of large and medium-scale farm businesses and reduction in enterprise numbers.
- Simultaneously driving small-scale farm businesses to rely more on off-farm income. Creating a bimodal farm population – not dissimilar to trends in other developed economies.
- Changes characterised by shedding of labour, increased reliance on inputs, greater tendency to contract specialized services, move to greater use of direct/contract marketing arrangements – large-scale industrial production.
- Some suggestion of moves to separate land ownership and farm business management – but no evidence of a substantial shift.
- Global commodity prices plus sustained national economic growth driving rapid growth in farm land values – seemingly in excess of trends suggested by commodity prices.
- Separation of title to land/water will lead to enterprise changes – although will not occur as quickly as some suggest.
- Changes in farm enterprises occurring.

Regional Australia.

- Population drift to major urban and major regional centres continuing, with urban populations growing much faster than those in regional areas.
- Economic considerations the main reason for people moving away from regional areas.
- Despite population changes, little difference in population age profiles or dependence on Government support between regional areas and major urban areas.

- Many regional areas are heavily dependent on agriculture for employment – in many areas in excess of 30% of employment is directly in agriculture, with further high levels of employment in closely related industries.
- The drought has resulted in a significant fall in employment in agriculture.
- Economic situation in regional areas best described as patchy – some areas (Murray valley, Sunraysia) under extreme stress, broadacre cropping regions in southern areas have some real challenges, but mining and northern beef boom resulting in economic growth in some regions and across northern Australia.

Conclusions.

- Were it not for the drought, Australia's farm sector and regional Australia would be experiencing strong economic conditions, driven by above-average agricultural commodity prices.
- Opportunities are also emerging in the form of new consumer demand in developing Asia, plus new bioenergy industries that are creating additional demand, and resulting in less centralized energy systems with more opportunities for regional economic growth.
- Regional Australia's long-term economic future will be improved if it is possible to capture some of the opportunities that are emerging from changes in global food and energy systems.