

## **IFMA COUNTRY REPORTS - JULY 2010**

### **Country Report from Australia - Rob Napier and Don Cameron – July 2010**

- In general those involved in Australian agriculture are in an optimistic phase. The main cause of the positive outlook is the perceived end to the long drought that severely affected large areas of the continent. Although some key irrigation water storages are still at very low levels, high soil moisture is boosting pasture and crop growth. For the second year in a row there have been substantial floods through the Outback rivers creating excellent feed conditions for livestock.
- The Australian dollar has been fluctuating in value relative to our major trading partners but remains at a relatively high level (\$AU = approx \$US0.87). This, together with the after effects of the global financial crisis is making exports a challenge. The availability of finance for agriculture is satisfactory but remains restricted relative to conditions before the global financial crisis.
- In recent years, fuelled by the long drought and climate change predictions, there has been much debate on water policy in this the driest of continents. Major reforms are imminent and many irrigation farmers are anxiously awaiting the outcomes. The issue is a reminder that changes in government policies (domestic and international) can be one of the greatest areas of risk for farmers.
- Agricultural land prices are somewhat two-tiered – international and institutional buyers are keeping prices for large, quality farms steady while prices for smaller family farms are softening.
- Although the production outlook is good, grain prices remain depressed due to high global supplies. The dry seasonal conditions in Russia and Kazakhstan and a wet season in Canada have given a small boost to prices in recent weeks.
- There is concern that sheep numbers in Australia are too low following a fall from over 180 million to the current 70 million in the last 15-20 years. The sheep meat market remains buoyant and wool prices have increased from a relatively low level.
- Dairy prices are rebounding from the collapse during the global financial crisis.
- Export beef cattle prices are subdued because of the high Australian dollar and limited purchasing ability in importing countries. The export of live cattle to Indonesia from Northern Australia is in turmoil due to restrictions on imports by the Indonesian Government.
- The cotton industry is in a strong position with generally good on-farm water storage for irrigation and strong price forecasts.
- The sugar industry is enjoying relatively high prices, although somewhat lower than last year, and this combined with a strong 2009 has tempered the poor production from a very wet and windy autumn experienced in some areas.
- Farmers are bracing for expected higher energy, chemical and fertiliser prices in the next few years. There is considerable interest in renewable energy production especially by solar and wind power. At the same time there is considerable disquiet in affected rural areas in Queensland about the significant and growing interest in exploitation of massive coal seam gas reserves. These offer huge economic benefits, but also have considerable potential for widespread disruption to farming activities, permanent loss of significant areas of prime farming land, and unquantifiable risks of widespread environmental consequences including contamination of precious Great Artesian basin aquifers with salt and toxic chemicals.

### **Country Report-New Zealand Agriculture – John Gardner – July 2010**

Key points are:

- New Zealand has a population of 4.5m & consequently a high proportion of its primary products are exported. Returns to farmers/growers depend on production, world prices & the exchange rate.

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- In June 2010 the Ministry of Agriculture & Forestry published "Situation & Outlook for New Zealand Agriculture & Forestry". This is available on the MAF website & provides a comprehensive picture of the land based sector in New Zealand for the 2009/10 year. Those seeking detailed information on any sector should go to the website [www.maf.govt.nz/publications](http://www.maf.govt.nz/publications).
- The climate was generally favourable over most of New Zealand in 2009/10 apart from the Northern half of the North Island which was hit by drought impacting on dairy production. Overall however dairy production was about the same as in 2008/09.
- Dairy prices in 2009/10 were the second highest ever... An important driver here has been demand from China. The outlook is for another good year in 2010/11.
- Sheep numbers continue to fall. This has been happening for a number of years. On better land farmers have converted to dairying & on hard hills to Forestry.
- There are a number of issues facing agriculture including water usage, water quality, nitrogen, greenhouse gases (50% of the greenhouse gases come from Agriculture), nutrient management & sustainability & compliance issues.
- At the end of June farmers voted to change the capital structure of Fonterra. But it will be about 15 months before the change takes effect. Currently farmers who exit the Cooperative must have their shares purchased by Fonterra. Likewise farmers whose production falls & who then become "overshared" can require Fonterra to purchase their surplus shares. This has led to Fonterra facing a redemption risk. The change agreed will eliminate redemption risk. In future, once the details are finalised shares will be traded among farmers only. For Fonterra redemption risk will go and the Cooperative will have a permanent source of Capital & funds that can be invested in profitable investment opportunities.