



# Prospects update

## June 2009

### At a glance

#### Total value of Queensland's primary industries

In 2008–09, the total value of Queensland's primary industry commodities—comprising gross value of production (GVP) at the farm gate and first-round processing—is forecast at \$13.024 billion. This is 5% higher than Queensland Primary Industries and Fisheries' (QPIF's) final estimate for 2007–08.

#### Gross value of production at the farm gate

In 2008–09, the GVP of Queensland's primary industry commodities at the farm gate is forecast at \$10.063 billion. This is 6% higher than QPIF's final estimate for 2007–08.

Forecasts that have been revised **up** from previous forecasts for 2008–09 are:

- pigs
- poultry
- sheep and lambs
- milk
- banana
- cotton
- chickpeas
- sunflowers
- peanuts.

Forecasts that have been revised **down** from previous forecasts for 2008–09 are:

- mandarins
- strawberries
- avocados
- potatoes
- wheat
- soybean
- grain sorghum
- maize
- forestry and logging.

#### First-round processing

In 2008–09, the value of first-round processing (or value-added production) is forecast at \$2.961 billion. This is 3% higher than QPIF's final estimate for 2007–08.

### Winter 2009 climate forecast

There is an increased risk of an El Niño climate pattern developing this winter. This is reflected in changing sea surface temperature patterns in the Pacific and a drop in value of the southern oscillation index (SOI). This is a trend away from the La Niña-like climate pattern that was a feature of the last 9 months.

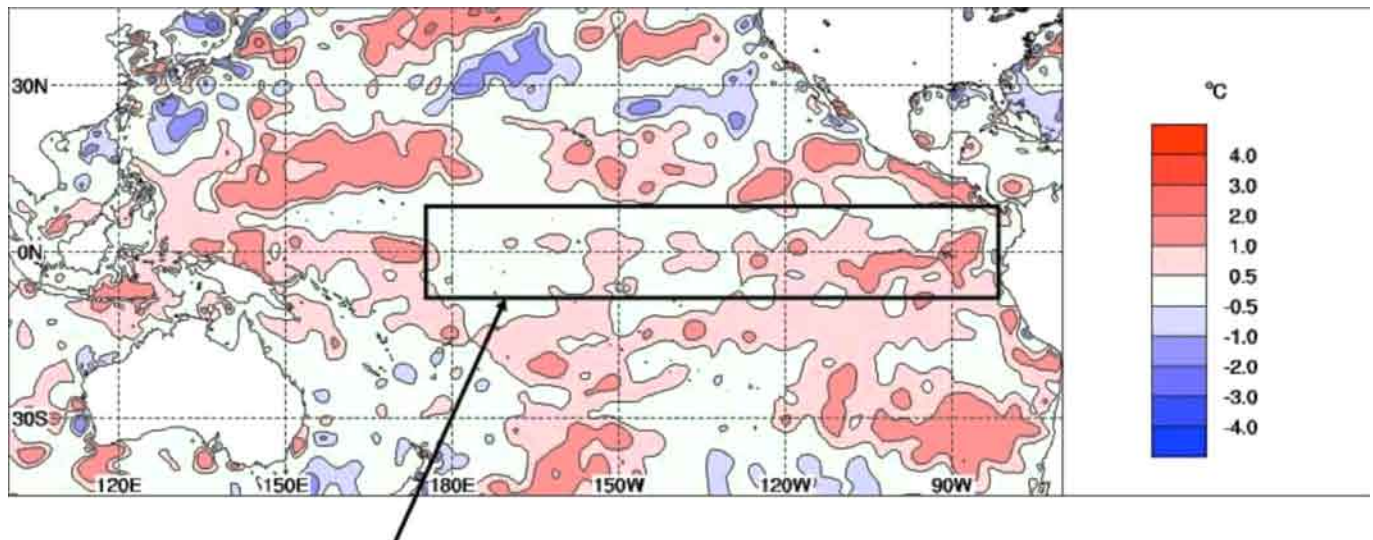
This trend is also consistent with the output of the surveyed international climate models (including POAMA from the Australian Bureau of Meteorology), which all indicate the development of an El Niño climate pattern later this year. None of the surveyed climate models are forecasting any potential return of La Niña or La Niña-like conditions. For more information visit [www.bom.gov.au/climate/enso](http://www.bom.gov.au/climate/enso)

Typically during an El Niño event, there is a low chance of getting above-average rainfall during winter, spring and early summer throughout Queensland. The impact of an El Niño around the state will vary depending on the seasonal conditions experienced during summer (e.g. water supply levels for urban and agriculture, sub-soil moisture profile for cropping/horticulture/pasture/tree growth). As most of central and northern Queensland recorded average to above-average rainfall over the summer rainfall season, the immediate impact of a potential El Niño event this year on food production and water supply is likely to be minimal.

This is in contrast, however, to parts of southern Queensland (such as the Darling Downs and the south-west) where average to below-average rainfall was recorded over the summer rainfall season. This is following on from a number of years of drought. The 30-day average of the SOI as of 5 June is minus 5.1. For more information visit [www.longpaddock.qld.gov.au](http://www.longpaddock.qld.gov.au)



Figure 1. Sea surface temperature (SST) anomaly map for the week ended 31 May 2009



Key region of the Pacific. When SST in this region are warmer than normal (red colour) an El Niño SST pattern is present. When SST in this region are cooler than normal (blue colour) a La Niña SST pattern is present. Currently neither a La Niña or El Niño is present (although there is a warming SST trend in this region).

Source: [www.bom.gov.au/climate](http://www.bom.gov.au/climate)

Table 1. GVP, first-round processing and total primary industry estimates and forecasts 2006–07, 2007–08 and 2008–09

Commodity GVP (a)	2006–07 (b)	2007–08 (c)	2008–09 (d)	Change 2007–08 to 2008–09
	\$m	\$m	\$m	%
<b>Livestock disposals</b>				
Cattle and calves	3816	3440	3460	1
Sheep and lambs	45	60	60	0
Pigs	237	220	235	7
Poultry	240	300	350	17
Other livestock	23	15	15	0
<b>Total livestock disposals</b>	<b>4361</b>	<b>4035</b>	<b>4120</b>	<b>2</b>
<b>Livestock products</b>				
Wool	120	120	105	-13
Milk (all-purpose)	207	255	280	10
Eggs	93	110	120	9
<b>Total livestock products (e)</b>	<b>420</b>	<b>485</b>	<b>505</b>	<b>4</b>
<b>Total livestock</b>	<b>4781</b>	<b>4520</b>	<b>4625</b>	<b>2</b>
<b>Horticulture</b>				
<b>Fruit and nuts</b>				
Bananas	762	470	410	-13
Pineapples	91	55	50	-9
Mangoes	85	45	65	44
Mandarins	99	85	60	-29
Strawberries	116	130	130	0
Avocados	80	70	65	-7
Macadamias	18	25	30	20
Apples	33	50	50	0
Table grapes	49	40	50	25
Other fruit and nuts	127	105	130	24
<b>Total fruit</b>	<b>1460</b>	<b>1075</b>	<b>1040</b>	<b>-3</b>

Table 1. GVP, first-round processing and total primary industry estimates and forecasts 2006–07, 2007–08 and 2008–09 (continued)

Commodity GVP (a)	2006–07 (b)	2007–08 (c)	2008–09 (d)	Change 2007–08 to 2008–09
	\$m	\$m	\$m	%
<b>Vegetables</b>				
Potatoes	55	45	38	-16
Tomatoes	169	205	120	-41
Capsicums and chillies (f)	113	100	100	0
Sweet potatoes	0	55	45	-18
Other vegetables	665	375	590	57
<b>Total vegetables</b>	<b>1002</b>	<b>780</b>	<b>895</b>	<b>15</b>
<b>Total fruit and vegetables</b>	<b>2462</b>	<b>1855</b>	<b>1935</b>	<b>4</b>
<b>Lifestyle horticulture—production</b>				
Nurseries (c)	375	410	451	10
Turf (c)	65	70	81	16
Cut flowers (c)	115	125	125	0
<b>Total lifestyle horticulture production</b>	<b>555</b>	<b>605</b>	<b>657</b>	<b>9</b>
<b>Total horticulture</b>	<b>3017</b>	<b>2460</b>	<b>2592</b>	<b>5</b>
<b>Other field crops</b>				
Sugarcane (g)	1122	750	920	23
Cotton (raw) (h)	121	110	340	209
Other crops (c)	208	150	210	40
<b>Total other crops</b>	<b>1451</b>	<b>1010</b>	<b>1470</b>	<b>46</b>
<b>Cereal grains</b>				
Wheat	188	360	485	35
Barley	19	55	35	-36
Grain sorghum	190	475	260	-45
Maize	22	60	53	-13
Other cereal grains	2	20	20	0
<b>Total cereal grains</b>	<b>421</b>	<b>970</b>	<b>853</b>	<b>-12</b>
<b>Total crops</b>	<b>4889</b>	<b>4440</b>	<b>4915</b>	<b>11</b>
<b>Total agriculture</b>	<b>9670</b>	<b>8960</b>	<b>9540</b>	<b>6</b>
<b>Fisheries (c) (i)</b>				
Trawl	119	116	99	-15
Non-trawl	151	149	144	-3
Aquaculture	75	80	85	6
<b>Total fisheries</b>	<b>345</b>	<b>345</b>	<b>328</b>	<b>-5</b>
<b>Forestry and logging (c) (j)</b>				
	181	185	162	-12
<b>Kangaroos (c)</b>				
	46	41	33	-20
<b>Total primary industries (farm gate)</b>	<b>10242</b>	<b>9531</b>	<b>10063</b>	<b>6</b>
<b>First-round processing value-added (k)</b>				
Meat processing (c)	1026	950	970	2
Sugar processing (c)	471	315	386	23
Milk and cream processing (c)	113	140	153	10
Fruit and vegetables processing (c)	242	182	190	4
Flour mill and feed processing (c)	78	181	159	-12
Seafood processing (c)	25	25	24	-5
Log sawmilling and timber dressing and plywood and veneer manufacturing (c)	343	350	281	-20
Lifestyle horticulture services (c) (l)	665	700	720	3
Cotton ginning (c)	14	13	39	209
Kangaroo processing (c)	22	20	39	94
<b>Total primary industries (first-round processing)</b>	<b>3000</b>	<b>2875</b>	<b>2961</b>	<b>3</b>
<b>Total primary industries</b>	<b>13242</b>	<b>12406</b>	<b>13024</b>	<b>5</b>

(a) GVP is defined as the 'gross value of commodities produced'. It is a measure of economic output. In this publication, GVP relates to the output of primary industry commercial operations only. The GVP is the value of recorded production at wholesale prices realised in the market place (e.g. cattle sold at saleyards, sugarcane at the mill door, fruit and vegetables at the wholesale market). It is derived by multiplying the output from each primary industry by the average wholesale price paid to producers.

(b) ABS final estimates for 2006–07 unless otherwise indicated.

(c) QPIF estimates.

(d) QPIF forecasts.

(e) Excludes minor commodities such as honey, beeswax, mohair.

(f) QPIF estimate does not include chillies.

(g) Gross value of sugarcane at mill door.

(h) Includes value of cotton seed and lint.

(i) Includes catches from both commonwealth-managed (including Torres Strait, Gulf of Carpentaria and east coast tuna fisheries) and state-managed fisheries.

(j) Australian Bureau of Agricultural and Resource Economics (ABARE) estimates.

(k) See 'Notes' section for definition of 'value-added'.

(l) The value of the lifestyle horticulture services sector has been calculated on a gross turnover basis rather than a value-added basis and therefore will contain elements of 'double counting'.

## Livestock disposals

### Cattle and calf disposals

#### *Cattle and calves sold for slaughter and live exports*

##### Forecast

The GVP of cattle and calf disposals (including both animals sold for slaughter and live exports) for 2008–09 is forecast at \$3.460 billion, unchanged from the March estimate. This is 1% greater than QPIF's final estimate for 2007–08.

##### Discussion

Cattle and calf slaughter numbers for the March 2009 quarter were 5% lower than the previous quarter, but 9% greater than the March 2008 quarter. For the first three quarters of 2008–09, slaughter numbers were 1% lower than the same period in 2007–08.

As reported in the December 2008 edition of *Prospects update*, slaughter numbers were expected to pick up in early 2009. This did eventuate, with an increase in slaughter numbers from December to January. Total cattle and calves slaughtered have continued to increase within the March quarter.

Despite producers in the north of the state being unable to muster and/or deliver cattle for slaughter in the first quarter of this year, this did not have a significant impact on slaughter numbers during the quarter. However, with part of the north in isolation from flooding in January and February, potential flow-on effects (caused by losses of younger animals in the floods) may impact on slaughter numbers.

With the reduced demand of grain-fed beef in export markets due to the impact of poor economic conditions, the number of cattle in feedlots declined. Cattle on feed in Queensland for the first quarter of 2009 totalled 365,583 head, down 14% on the previous quarter, but still 32% above the same period last year.

With no significant changes evident from the previous update, the forecast GVP of Queensland's cattle and calf industry remains unchanged at \$3.350 billion.

## Live cattle exports

### Forecast

The GVP of Queensland's live cattle exports forecast remains at \$110 million in 2008–09. This is due to the continued demand from Indonesia and also the recovery in export numbers in March from a decline in January and February. Shipments are expected to continue in coming months.

### Discussion

Australian live exports rebounded during March, as cattle started moving again after floods in January and February. National cattle exports for March were 83 735 head—almost double that of January (42 469 head)—and approximately 10,000 head more than the number exported in March 2008. While exports for March were dominated by Indonesia (78%), the Middle East accounted for 12,274 head, Malaysia 2495 head, Japan 1890 head and China 1848 head.

The sharp increase in March was a result of reduced shipments sent during January and February. There still remains a continued interest from Indonesia for Australian live cattle.

## Sheep and lambs

### Forecast

The GVP of sheep and lamb production in 2008–09 is forecast at \$60 million, which is the same as QPIF's final estimate for 2007–08.

### Discussion

Lamb saleyard prices remain high, as the domestic supply of lambs for slaughter is reduced and demand remains strong. Sheep prices remain relatively high; however, figures from the Australian Bureau of Statistics (ABS) show a slight reduction in prices in 2009. Prices have only fallen slightly as strong demand outweighs some of the effect of the increases in the number of sheep available for slaughter.

## Pigs

### Forecast

The GVP of pigs sold to slaughter in 2008–09 is forecast at \$235 million, 7% higher than QPIF's final estimate for 2007–08, and 21% higher than last quarter's estimate for 2008–09.

### Discussion

Slaughter data from ABS indicate a steady downward trend in slaughter numbers for 2008–09; however, slaughterings have begun to increase in the first three months of 2009.

Pig prices have risen dramatically from October 2008. This is mainly due to the reduction in sow numbers, which affects the number of pigs available in the market. The lower Australian dollar was making it less profitable to import pig meat for processing and feed prices have continued to decrease, making pig farming more profitable for those remaining in the industry.

## Poultry

### Forecast

The gross value of Queensland's poultry production in 2008–09 is forecast at \$350 million, 17% higher than 2007–08.

### Discussion

An estimated 98 million chickens were slaughtered in Queensland in 2007–08 (based on initial ABS livestock slaughter data). This number is expected to increase in 2008–09.

Demand for poultry meat is expected to rise as the effects of the global economic slowdown induce consumers to substitute poultry meat for more expensive sources of protein. However, prices are expected to remain relatively stable during the 2008–09 financial year.

## Livestock products

## Eggs

### Forecast

In 2008–09, the gross value of Queensland's egg production is forecast at 120 million, 9% higher than 2007–08 and 29% higher than 2006–07.

### Discussion

The increase in the gross value of egg production can be attributed to increases in price and quantity. Farm gate prices in the egg industry are expected to rise by 5–10%. The quantity of eggs produced in Queensland is expected to increase in the latter half of the year as the new flock comes online.

## Milk

### Forecast

The gross value of milk production for Queensland is forecast to increase by 6% from previous quarter to \$280 million for the 2008–09 year. This is 10% greater than QPIF's final estimate for 2007–08.

### Discussion

It is expected that milk production will continue to grow to the end of the 2008–09 financial year and close at some 507 million litres. Improved seasonal conditions across a number of Queensland dairying areas, especially in the southern regions, have helped this boost in production. These conditions have also allowed many producers to restore their feed reserves and improve their on-farm feed-ration regimes for their herds.

However, there still exist significant contrasts in climate conditions across Queensland dairying regions, ranging from flooding rains in some southern areas in recent weeks, to parts of the northern Darling Downs and the wider Burnett region still suffering from drought conditions. Over the last 18 months, processors have offered stronger prices, longer-term contracts and additional supply incentives. The majority of farmers have taken this opportunity to enter into longer-term supply contracts with processors.



## Horticulture

### Fruit and nuts

#### Avocados

The final estimate for the gross value of production of avocados for the 2008–09 season is \$65 million, \$5 million below the previous estimate, and based on slightly lower-than-expected prices than previously forecast.

#### Bananas

The final estimate for the gross value of production of bananas for the 2008–09 season is \$410 million, \$10 million above the previous estimate, due to slightly higher-than-expected prices and volumes.

#### Mandarins

The final estimate for the gross value of production of mandarins for the 2008–09 season is \$60 million, \$10 million below the previous estimate, as the price of imperials is sharply lower in 2009 than it was in 2008.

#### Strawberries

The final estimate for the gross value of production of strawberries for the 2008–09 season is \$130 million, \$10 million below the previous estimate, based on lower-than-expected prices in 2009.

### Vegetables

With excessive rain in Queensland's north and disastrous fires in southern Australia, vegetable producers have been hit hard. The full impact of these natural disasters is not fully known, but it is expected supplies will vary in coming months, impacting on the vegetable market.

#### Potatoes

The value of Queensland potato production is forecasted at \$38 million, a 16% decrease from March quarter update and 2007–08 estimates. This is a result of a 25% decrease in production; however, this is partially offset by an increase in price.

#### Tomatoes

The value of Queensland tomato production has remained the same from the previous quarterly update, with an estimated value of \$120 million. New Zealand's market may be opening in the future, providing an opportunity for Queensland tomato producers.

### Capsicums

The forecasted value of capsicums in Queensland for 2008–09 is the same as the previous quarter, with a value of \$100 million. There are some new growers in the capsicum industry, but the effect of this will not be seen until after 30 June 2009.

### Watermelons

Watermelon production in Queensland for 2008–09 is forecast at \$30 million, the same as the previous quarterly update. There has been an increased area of watermelons planted; however, the affect of this will not be seen until next year.

Note: Due to the lack of information, the value of sweetpotatoes, lettuce and mushrooms are assumed to remain the same from the September 2008–09 forecast.

## Lifestyle horticulture

### Forecast

The GVP of Queensland's nurseries, turf, cut flowers and foliage in 2008–09 is forecast to remain steady at \$657 million, 9% greater than QPIF's final estimate for 2007–08. However, on the service side, total value is forecast at \$720 million, 8% lower than the March 2009 forecast but 3% higher than the 2007–08 final estimates.

### Discussion

Production nurseries are reporting strong growth in the edible seedling market and the growth of 'grow your own' food gardens. Potted colour, indoor plants and other ornamental ranges have maintained a steady trend. Overall, the turf and cut flower industries experienced only slight reductions in sales due to a combination of the global financial crisis and high rainfall throughout the past quarter.

In the services sector, however, the landscaping industry is expected to see a 10% reduction in sales over the coming months due to the global financial crisis. Landscaping companies are continuing to quote and tender for projects, but the scale and value of these projects has been reduced significantly. The indoor plant hire industry is continuing to see steady progress as a result of the green star rating of buildings. Overall the industry has remained stable, with some companies experiencing a slight reduction in plant numbers. Retail nursery sales have been highly variable on a month-by-month basis. However, it is expected that this variability will translate into a 5% reduction in the value.

## Other field crops

### Cotton

#### Forecast

The GVP of cotton in 2008–09 is forecast at \$340 million, which is 3 times higher than the QPIF estimate for 2007–08. This estimate is \$30 million higher than QPIF's March forecast of \$310 million.

#### Discussion

The current season has seen improved weather conditions with reasonably good April rainfall and significantly less hot days and nights. This has resulted in better yields across major production areas with marginally above-average, and some very high yields (exceeding 12.5 bales per hectare) being achieved by a few irrigators. There have been also some outstanding results for dryland growers (with yields ranging from around 3.5 to over 6 bales per hectare) and excellent fibre quality.

## Other major field crops

### Chickpeas

#### Forecast

The GVP of chickpeas in 2008–09 is forecast to be \$65 million, which is 30% greater than 2007–08 estimates and 44% greater than the March 2009 forecast.

#### Discussion

The area sown to chickpeas decreased by 5% from March estimates of 72,000 hectares. However, a 50% increase in yield and a slight increase in the expected price to \$578 per tonne helped boost the GVP of chickpeas by 44% from the previous forecast.

### Peanuts

#### Forecast

The GVP of peanuts for 2008–09 is forecast to be \$32.5 million, a 30% increase on the \$25 million for 2007–08.

#### Discussion

The area sown of peanuts in 2008–09 is forecast at 11,000 hectares (the same as 2007–08); however, yields per hectare are expected to increase by around 9% due to more favourable average soil moisture conditions. The expected price has also increased in 2008–09 to \$875 per tonne, a 9% increase on the 2007–08 level of \$800 per tonne.

## Soybeans

#### Forecast

For 2008–09, the GVP of soybeans is estimated to be \$35 million, which is approximately a 130% increase on the estimate for 2007–08 but a 22% decrease on the March estimate.

#### Discussion

The area sown to soybeans for 2008–09 is estimated to have trebled since 2007–08, to around 24,300 hectares. This estimate is 22% below that of the March 2009 quarter, due to a downward revision in area sown by the Australian Oilseeds Federation. The northern Queensland crop was significantly affected by both insects and rain, which has reduced the average Queensland yield. The increase in 2008–09 soybean area sown compared to that of 2007–08 is believed to be mostly attributable to the high price of soybeans (\$600 per tonne) around planting time in the December 2008.

Soybeans have become a popular crop to sow in rotation with sugarcane (accounting for approximately 40% of the Queensland soybean crop), which also explains part of the increased area sown. Consequently, soybean production is estimated to have more than trebled to around 62,000 tonnes in 2008–09 (up from 20,700 tonnes in 2007–08).

Conversely, the price per tonne of soybeans has decreased by 10% from \$633 per tonne in the June 2008 quarter to \$570 per tonne in the June 2009 quarter. However, the increase in soybean production has more than outweighed the impact of the price decline, causing the GVP to increase by 250%.



## Winter cereal grains

### Wheat

#### Forecast

The gross value of wheat production in 2008–09 is forecast to be \$485 million, which is 35% higher than for 2007–08 estimates but 7% less than the March forecast of \$520 million.

#### Discussion

The gross value of wheat production is estimated to have increased in 2008–09 from the 2007–08 season, due to an almost doubling of production to 1.76 million tonnes. This is despite a 28% fall in APW price, from an average of \$383 per tonne in the June quarter 2007–08, to \$276 per tonne over 2008–09 (June quarter).

The significant increase in production over 2008, compared to 2007, was due to a 50% increase in area sown, and a 27% increase in yields per hectare. Area sown increased mostly in response to relatively high wheat prices (\$400 per tonne in March 2008), a switch away from cotton production, and good soil moisture in early 2008.

Although 2008 winter rainfall was below average for central and southern Queensland, September rainfalls were above average. This, combined with mild spring conditions, maintained good yields in 2008, compared to the relatively low yields received in the 2007 winter, which were attributed to poor average rainfall and soil moisture.

### Barley

#### Forecast

In 2008–09, the gross value of barley production is estimated at \$35 million, which is 36% lower than the final estimate for 2007–08 but the same as the March 2009 estimate.

#### Discussion

Area sown over the winter of 2008 fell by an estimated 19% to 77,400 hectares (from around 96,000 hectares in 2007). However, yields increased by an estimated 28% over the same period, leading to a slight 3% increase in production, from around 166,000 tonnes in 2007 to around 171,700 tonnes in 2008.

Plantings were well below average in 2008 compared to 2007, partly because of drought conditions in autumn but, more importantly, also because the gross margins of wheat looked more attractive and reliable than those of barley at planting time. The price of barley over the June 2008 quarter was \$331 per tonne, while the price of wheat over the same quarter was \$383 per tonne.

Despite the slight increase in production in 2008 compared to 2007, the GVP over this period fell significantly, due to an estimated 39% fall in price per tonne, from \$331 in the June 2008 quarter to \$202 in the June 2009 quarter. This has been partly due to barley quality problems with a higher proportion of barley falling into small screen grain sizes than those of wheat.

## Summer cereal grains

### Sorghum

#### Forecast

For 2008–09 sorghum GVP is forecast at \$260 million, which is 45% below the value in 2007–08 but 2% less than the 2009 March estimate.

#### Discussion

The area sown to sorghum fell by an estimated 17% in 2008–09 to 450,396 hectares (from around 544,000 hectares in 2007–08). Yields have also fallen by an estimated 19% for the 2008–09 season from the record highs experienced during the bumper crop of the previous year.

Consequently, production has fallen by an estimated 28% in 2008–09 to 1.29 million tonnes, from the 1.79 million tonne crop of the preceding year. Price per tonne has also fallen by an estimated 23%, from \$264 in the 2008 June quarter to \$203 in the 2009 June quarter.

The smaller area sown in 2008–09 was likely to be mostly attributable to the lower price of sorghum (\$251 per tonne) in the September 2008 quarter, 23% lower compared to that of wheat in the same quarter (\$326 per tonne) and compared to other competing summer crops. The higher the price of wheat compared to sorghum, the higher the likelihood that some sorghum areas will be set aside for summer fallow in preparation for the following winter wheat crop.

Growers in 2008–09 were also planting increased areas of corn, mungbeans, and soybeans in preference to sorghum, and leaving increased areas for fallow in preparation for 2009 winter wheat plantings. Although wheat still remains a competitive crop with sorghum in price terms, it must be noted that the price superiority of wheat over sorghum in June 2009 (at around 36%) is lower than for June 2008 (at 45%).

The falling sorghum price over 2008–09 partly reflects relatively low domestic feedgrain demand in the feedlot industry due to increased grass feeding of cattle brought on by good summer rainfall in Queensland in 2009. The lower sorghum price also reflects lower world feedgrain prices due to reduced ethanol demand and associated increases in world feedgrain stocks.

## Maize

### Forecast

Maize GVP for 2007–08 is forecast at \$52.5 million, which is 13% below the estimate for 2007–08 and 5% lower than the March 2009 estimate of \$55 million.

### Discussion

The area sown to maize is estimated to have increased by 19% in 2008–09 to 36,880 hectares, from 30,950 hectares in 2007–08, while yields fell only slightly by an estimated 2% over the same period. As a result, production increased by 16% to 204,780 tonnes in 2008–09, from around 176,000 tonnes in the previous year.

This was partly in response to the higher price of maize (\$305 per tonne in the December quarter 2008) compared to sorghum (\$200 per tonne) in the same quarter. Area sown and yields have also increased because in the southern Queensland areas of the Western Downs and St George, irrigation water storage levels improved over the 6 months to March 2009, making production more viable in these areas.

However, the average price of maize has fallen significantly, by 25% from \$334 per tonne in June 2008 quarter to \$251 per tonne in the June 2009 quarter. This has outweighed the estimated increase in maize production, causing a net fall in GVP from 2007–08. The price has fallen, particularly for feedmaize as compared to gritmaize, reflecting a general decline in world and domestic feedgrain prices over 2008–09. In 2008–09 it is estimated that feedmaize will account for approximately 70% of Queensland maize production.

## Sunflowers

### Forecast

The GVP of sunflowers in 2008–09 is estimated to be \$25 million, which is the same as the GVP for 2007–08 but 43% greater than the March 2009 forecast.

### Discussion

The area sown to sunflowers is estimated to have increased by 48% in 2008–09 to 26,490 hectares. This is in part due to the higher price of sunflowers (\$603 per tonne in the December 2008 quarter) compared to that of sorghum (\$200 per tonne in the same quarter).

Tobacco streak virus has been a significant problem for central Queensland sunflower crops, with research now underway to help combat this. Production increased by an estimated 45% to around 42,000 tonnes in 2008–09, compared to approximately 29,000 tonnes in the previous year.

## Fisheries

### Forecast

The GVP of commercial fisheries harvested in 2008–09 from Queensland waters, including Commonwealth-managed and Queensland-managed fisheries, is forecast at \$243 million, which is the same as the March quarter forecast and 2% lower than September 2008 estimates.

The GVP of the Queensland-managed commercial fisheries is expected to fall from \$170 million to \$165 million in 2008–09.

The forecast GVP of the Commonwealth-managed commercial fisheries is unchanged at approximately \$78 million.

### Discussion

The forecast fall in GVP of Queensland-managed commercial fisheries is primarily the result of the adjustments made to the commercial fisheries by the implementation of the Moreton Bay Marine Park. This adjustment reduced the number of commercial fishing vessels operating on the east coast of Queensland by 119. Most of these changes apply directly to Moreton Bay, although there is a flow-on effect along the east coast of Queensland.

There is a fair degree of optimism in North Queensland that, as a result of the floods into the Gulf of Carpentaria and on the north-east coast of Cape York, there will be a good prawn season.

Appreciation of the Australian dollar compared to Australia's trading partners and global economic circumstances have resulted in a decline of up to one third in prices being offered for premium product such as live coral trout and live tropical rock lobster. This effect will show up mainly in the next financial year and will only have a marginal effect this financial year.

Prices offered for prawns (to the commercial fisher) are unlikely to increase, although a decline of the Australian dollar could be expected to increase the export price with a flow-on effect into the home consumption price for locally produced prawns. It is anticipated that price competition from other nations into the markets serviced from Australia will be formidable. At the same time, import prices for prawns will be relatively consistent, placing a floor in the price being offered for Queensland-produced, wild-caught prawns.

Prices being offered for Queensland-caught finfish are unlikely to increase.

At the same time the price of imported goods such as fuel will increase once again, tightening the terms of trade for commercial fishers.

## Forestry and logging

### Forecast

The GVP of forestry and logging in 2008–09 is forecast at \$162 million, 12% lower than QPIF's final estimate for 2007–08.

### Discussion

More recent economic data and industry information report a sharp deterioration in overall market conditions for forest products since late 2008 as a result of the ongoing impacts of the global financial crisis. As a result, QPIF have revised their 2008–09 forecast of Queensland forest industry GVP down to \$443 million. This translates to a significant decline of 18% on the 2007–08 estimates. The forest-growing and first-round processing sectors are now estimated to generate GVP of \$162 million and \$281 million, respectively, in 2008–09.

Investment in new housing construction is the key driver of the demand for forest products. Queensland's principal forest grower, Forestry Plantations Queensland (FPQ), is expecting that log harvest volumes will decline by almost 20% in 2008–09 compared to the previous year due to the depressed new housing market. FPQ also predicts that their sales will remain very subdued for the duration of the 2009 calendar year.

ABS data support FPQ's expectations. The number of monthly building approvals in Queensland in April 2009 is now 50% below the peak posted in October 2007 (trend data). In fact, building approvals in Queensland fell for 17 consecutive months to March 2009, almost halving during this period to around 2000 units.

The global financial crisis is also impacting on the processing sector of the Queensland forest industry. Many firms continue to report sharply rising inventories as demand continues to fall away. There are some individual business reports of declines in structural timber sales of up to 60% since January 2009. QPIF is also aware of a number of firms across the processing sector that are decreasing production shifts and reducing labour.

On a brighter note, the demand for timber products from the home renovation market has so far been relatively resilient to the prevailing market conditions. Historically high investment in infrastructure by the government sector also appears to be sustaining demand for timber products in some market segments.

The Department of Environment and Resource Management's (DERM) Forest Products Group has responsibility for the commercial management of state-owned, commercial native forest resources and therefore is a significant supplier of native hardwood and cypress log timber to the Queensland forest industry. DERM reports a reduction in log timber sales of 30% (235,000 cubic metres sold) in the 2008–09 financial year compared to the previous year.

Although the impacts of the global financial crisis are partially responsible for the reported decline in DERM's sales, it should be noted that supplies from state-owned native forests continue to be rationalised as the Queensland Government continues to implement its Statewide Forests Process. DERM are now forecasting log timber sales from state-owned lands of 240,000 cubic metres in 2009–10 unless conditions deteriorate further.

The Queensland Government also recently announced that it intends to sell its forestry plantation agency (FPQ). Although the details of the sale arrangements are yet to be determined, this decision will clearly have a number of significant implications for Queensland's forest industry.

Although the Queensland forest industry has faced very difficult market conditions in 2008–09, the medium-to long-term outlook is more sanguine. This positive outlook is supported by drivers such as continued strong population growth in Queensland, historically low housing rental vacancy rates, an expected continuation of the historically low interest rates, persistent activity in the dwelling renovation market, and consumer differentiation on products on the basis of their environmental credentials.



## Key assumptions

When calculating these forecasts, the department follows the convention used by all government forecasting agencies that 'normal' seasonal conditions will occur across Queensland throughout the forecast year (2008–09) or that part of the forecast year yet to be completed. This sets a benchmark for measuring variations from 'normal' as the season unfolds.

The prices of all internationally traded commodities are responsive to changes in the exchange rate of the Australian dollar, relative to the currencies of our trading partners. Prices to primary producers (and therefore gross unit values) decline when the A\$ exchange rate increases and vice versa.

## Notes

**Gross value of commodities produced (GVP)** is a measure of economic output. In this publication, GVP relates to the output of primary industry commercial operations only. The GVP is the value of recorded production at wholesale prices realised in the market place (e.g. cattle sold at saleyards, sugarcane at the mill door, fruit and vegetables at the wholesale market). It is derived by multiplying the output from each primary industry by the average wholesale price paid to producers.

**Value-added production** is measured as the value of the output produced minus the costs of the intermediate inputs.

## Acknowledgements

This report was researched and compiled by departmental staff: George Antony, Kimberly Cook, Liz Cox, David McRae, Sarah Goswami, David Holdom, Karl Kloessing, Mary-Anne Franco-Dixon, Yen Nguyen, Alex Francis, Angela Sordello, Cameron Thomas, Ken Smith, Stephanie Denman, Ross Lobegeiger, Josh Maroske, Jan Paff, Nicholas Swadling, Barry Underhill and Lew Williams.

The department acknowledges the contributions of industry representatives, QPIF researchers and industry experts, market commentators, Herron Todd White (HTW), the Office of Economic and Statistical Research (OESR), the Australian Bureau of Agricultural and Resource Economics (ABARE), the Australian Bureau of Statistics (ABS), Meat and Livestock Australia (MLA) and various industry news media.

## Contact

Contact the Business Information Centre on **13 25 23**.

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PR09-4508

