Medium-term prospects for major agricultural commodities 2017-2026
Australia

Highlights

- Australia is expected to remain an important producer and exporter of agricultural products, and to maintain a favourable agro-food trade balance. It will continue to be an important producer and exporter of cotton and of meat and dairy products.
- Strong growth is expected in domestic demand for livestock products and wheat.
- The Australian diet is characterised by high meat and dairy consumption. In the coming decade, vegetable oil and sugar are expected to account for a lower share of total calorie consumption.
- Strong production growth for cotton combined with relatively flat domestic consumption is expected to result in exceptionally strong growth of exports, as world cotton demand increases over the outlook period.

Overview

The *OECD-FAO Agricultural Outlook* foresees that overall production growth in Australia will lead to higher exports of agricultural commodities. Food demand will continue to grow, particularly for protein from animal origins, and beef will continue to be a significant element of the national diet. Australia will remain an important exporter of agricultural products based on extensive agriculture, such as cotton and wheat, and pasture-based cattle and sheep. Agriculture's share in the economy has fallen over time, but exports remain significant and account for about one-fifth of total exports; cotton exports are expected to increase the most over the outlook period. The *Outlook* assumes that the current policy framework will remain unchanged over the next decade.

Macroeconomic assumptions

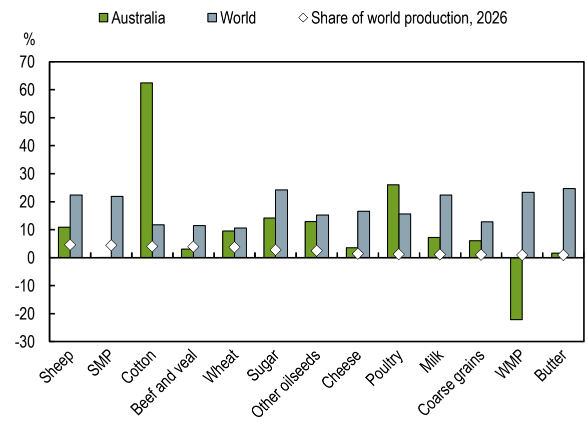
- Population is projected to grow by 1.2% per year, from 24 million in 2016 to 27 million in 2026.
- Annual inflation is expected to average around 2.5% in the coming decade.
- The Australian dollar is projected to appreciate by 1% in nominal terms compared to the USD to AUD/USD 1.33 in 2026.
- GDP is projected to grow by 2.9% per year.

Policy assumptions

- Tariffs are assumed to remain at their 2016 levels until 2026.

Production

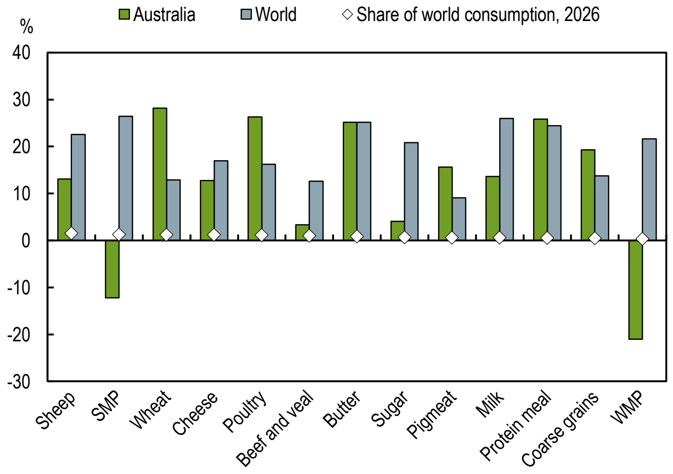
Production: Percentage change 2026 compared to 2014-16 average



- Australia is an important producer of **beef and veal** and **sheepmeat**, and production is projected to grow by 3% and 11% respectively over the coming decade due to the expansion of herds. This is lower than the average global growth rate. However, growth in **chicken** production is projected to be high, at 26% compared to an average global growth rate of 16%.
- Growth in **cotton** production is projected at 62% over the coming decade, far above the projected global growth rate of 12%. Area expansion is expected as irrigation improves.
- Australian **milk** production is projected to grow moderately (+7%) over the outlook period as cow numbers and milk yields increase at a slow rate. Production of dairy products remains modest, with **whole milk powder** production projected to decrease by 22%.
- Moderate growth is expected in cereal production, with growth rates of 6% for **coarse grains** (mostly feed corn for the livestock sector) and 10% for **wheat**.
- **Sugar** production from cane is expected to grow by 14% due to a combination of area expansion and higher yields.

Consumption

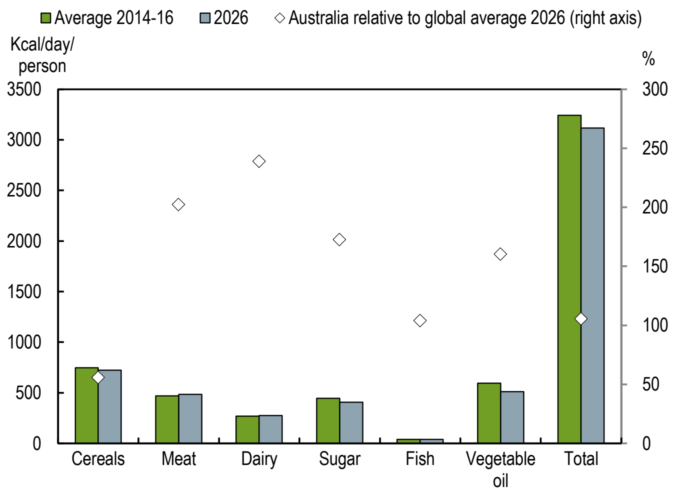
Consumption: Percentage change 2026 compared to 2014-16 average



- Consumption of **beef and veal** and **sheepmeat** is projected to increase by 3% and 13% respectively over the coming decade.
- Growth will be higher than the global growth rate for **pigmeat**, at (+9%).
- Consumption of **poultry**, already at a high level, will continue to increase rapidly over the outlook period (+26%).
- Strong growth in consumption is expected for **wheat** (+28%) and **protein meal** (+24%), exceeding the expected global growth rate.
- Consumption growth remains limited for **skim and whole milk powders**, with demand projected to decline over the projection period. However, **butter** and **cheese** consumption is expected to continue to grow in line with the global growth rate

Caloric and protein intake

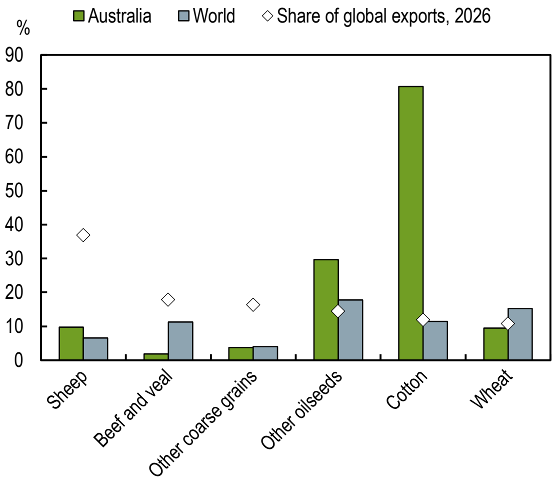
Projections of caloric intake per capita by commodity, 2026 compared to 2014-16 average



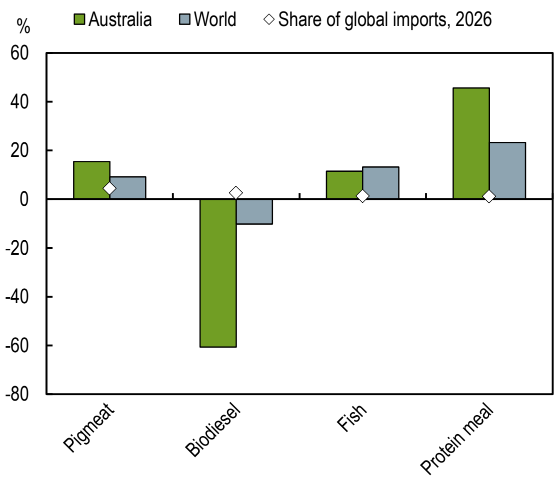
- Overall **calorie intake** in Australia is expected to decrease by 4% to 3 116 kcal/day/person in 2026, 5% above the expected global average.
- **Cereals** dominate as a source of calories, with an expected contribution of 723 kcal in 2026, 3% lower than the current level.
- **Meat** and **dairy** are the only products for which an increase in calorie intake is expected over the projection period. The consumption of both these products is projected to be more than double the global average. The consumption of **fish** will be lower and is projected to be the same as the global average.
- **Vegetable oil** and **sugar** will be a declining source of calories, with projected decreases of 14% and 9%. Nevertheless Australian calorie intake from these sources is projected to remain well above the global average in 2026.
- Protein intake (not shown) is expected to decline to 127 grams per day per person, still 31% above the expected global average in 2026. A high contribution from meat and dairy and low contribution from cereals will continue to characterise protein intake in Australia.

Trade

Exports: Percentage change 2026 compared to 2014-16 average



Imports: Percentage change 2026 compared to 2014-16 average



- Australia has a strong export focus, and its exports of **cotton**, **rapeseeds** and **sheepmeat** are projected to outpace global agricultural trade growth, with cotton exports growing by 81% over the coming decade.
- For both **rapeseed** and **sheepmeat**, the growth in Australian exports is also expected to exceed the growth rate in global trade, with exports growing by 30% and 10% respectively.
- Exports of **beef and veal** and **wheat**, however, are expected to grow more slowly than world trade.
- Australia is a relatively minor importer of agricultural commodities. The growth in imports is expected to be similar to the global average, except for **biodiesel**, which no longer receives a rebate of the excise tax, and **protein meals**.
- The domestic production of oilseed meals is insufficient to meet demand and it is projected that imports will supplement the shortfall.
- It is also projected that Australia will increase its imports of **pigmeat** by 16% and **fish** by 11%as domestic consumption grows over the next decade.

Policy and market uncertainties

- Australia's access to export markets is an important issue for the agricultural sector, particularly since the withdrawal of the United States from TPP, which has made the future of this agreement uncertain. In response to the US withdrawal, Australia has actively sought to take steps to conclude some form of agreement with the other countries who were party to the TPP. Australia will also continue to engage in other free trade negotiations, the outcome of which would likely impact the trade projections for the outlook period.
- Weather is increasingly impacting Australian agriculture. Climate change and low water availability are the principal factors that have limited the expansion of agricultural activities in recent years. Agriculture is also the most significant source of methane and nitrous oxide, and the Paris Agreement may require efforts on the part of Australian agriculture to reduce GHG emissions.

Further reading

OECD/FAO (2017), *OECD-FAO Agricultural Outlook 2017-2026*, OECD Publishing, Paris. http://dx.doi.org/10.1787/agr_outlook-2017-en.

OECD-FAO Agricultural Outlook: www.agri-outlook.org

Methodology of the Aglink-Cosimo Model: www.agri-outlook.org/abouttheoutlook/Aglink-Cosimo-model-documentation-2015.pdf

Policy information for these country notes is drawn from the *OECD Agricultural Policy Monitoring and Evaluation*: http://oe.cd/pse

For more information about the Agricultural Outlook, contact us at TAD.contact@oecd.org.

Australia: Selected commodity projections

			Average			Growth[2]	
			2014-16est.	2021	2026	2007-16	2017-26
Wheat	Area harvested	kha	12 698	13 188	13 220	-0.60	0.14
	Production	kt	27 689	29 522	30 335	5.81	0.64
	Consumption	kt	7 537	9 505	9 661	2.70	-0.23
	Per capita consumption [1]	kg/cap	80.5	80.0	78.0	0.34	-0.50
	Exports	kt	18 863	19 996	20 651	7.18	0.40
	Imports	kt	19	20	20	10.37	0.00
Maize	Area harvested	kha	60	70	72	109	0.69
	Production	kt	441	488	513	5.55	109
	Consumption	kt	379	419	438	3.98	100
	Per capita consumption [1]	kg/cap	3.2	3.1	2.9	-137	-0.71
	Exports	kt	62	70	74	37.52	164
	Imports	kt	0	0	0	..	..
Sugar	Production	kt	4 953	5 410	5 652	154	104
	Consumption	kt	1190	1186	1239	122	0.95
	Per capita consumption [1]	kg	49.7	45.8	45.3	-0.42	-0.22
	Exports	kt	3 990	4 337	4 523	2.39	101
	Imports	kt	126	120	120	2109	0.00
Beef and veal	Cow inventory	000 hd	12 137	13 115	13 394	-105	106
	Production	kt (cwe)	2 871	2 833	2 957	2.23	121
	Consumption	kt (cwe)	734	745	759	0.19	0.43
	Per capita consumption [1]	kg/cap	214	20.1	19.4	-144	-0.74
	Exports	kt (cwe)	2 172	2 102	2 213	3.49	149
	Imports	kt (cwe)	13	14	14	6.35	0.00
Pigmeat	Production	kt (cwe)	372	406	433	0.74	132
	Consumption	kt (cwe)	637	690	737	2.43	136
	Per capita consumption [1]	kg/cap	20.7	20.8	210	0.76	0.19
	Exports	kt (cwe)	43	48	54	-3.39	2.40
	Imports	kt (cwe)	310	333	358	3.59	156
Poultry	Production	kt (rtc)	1178	1386	1486	4.55	163
	Consumption	kt (rtc)	1141	1349	1441	4.63	157
	Per capita consumption [1]	kg/cap	419	45.8	46.3	2.93	0.39
	Exports	kt (rtc)	38	37	44	2.18	4.04
	Imports	kt (rtc)	0	0	0	..	..
Sheepmeat	Production	kt (cwe)	725	746	804	0.11	190
	Consumption	kt (cwe)	236	254	267	-186	102
	Per capita consumption [1]	kg/cap	8.7	8.6	8.6	-3.46	-0.15
	Exports	kt (cwe)	489	492	537	1.17	2.36
	Imports	kt (cwe)	0	0	0	..	..
Milk	Cow inventory	000 hd	1651	1655	1759	0.07	0.94
	Production	kt	9 716	9 722	10 413	0.16	1.12
Butter	Production	kt	116	117	118	-2.01	0.36
	Consumption	kt	93	110	116	126	132
	Per capita consumption [1]	kg	3.9	4.2	4.2	-0.38	0.15
	Exports	kt	36	39	37	-8.04	-130
	Imports	kt	26	33	35	5.21	157
Cheese	Production	kt	344	349	356	-0.46	0.29
	Consumption	kt	266	292	300	1.16	0.94
	Per capita consumption [1]	kg/cap	11.1	11.3	11.0	-0.48	-0.23
	Exports	kt	160	166	169	-126	-0.35
	Imports	kt	91	108	113	4.76	103
Whole milk powder	Production	kt	74	59	58	-8.72	-0.84
	Consumption	kt	25	17	19	-7.16	174
	Per capita consumption [1]	kg/cap	10	0.7	0.7	-8.67	0.56
	Exports	kt	65	60	56	-5.78	-156
	Imports	kt	14	18	18	6.97	-0.71
Cotton	Production	kt	630	905	1024	14.03	2.67
	Area harvested	kha	282	417	461	11.40	2.14
	Consumption	kt	7	6	6	-4.57	-0.79
	Exports	kt	557	877	1006	9.85	2.45
	Imports	kt	0	0	0	..	-0.03

1 Per capita consumption expressed in retail weight. Carcass weight to retail weight conversion factor of 0.7 for beef and veal, 0.78 for pigmeat and 0.88 for both sheep meat and poultry meat.

2. Least squares growth rate.