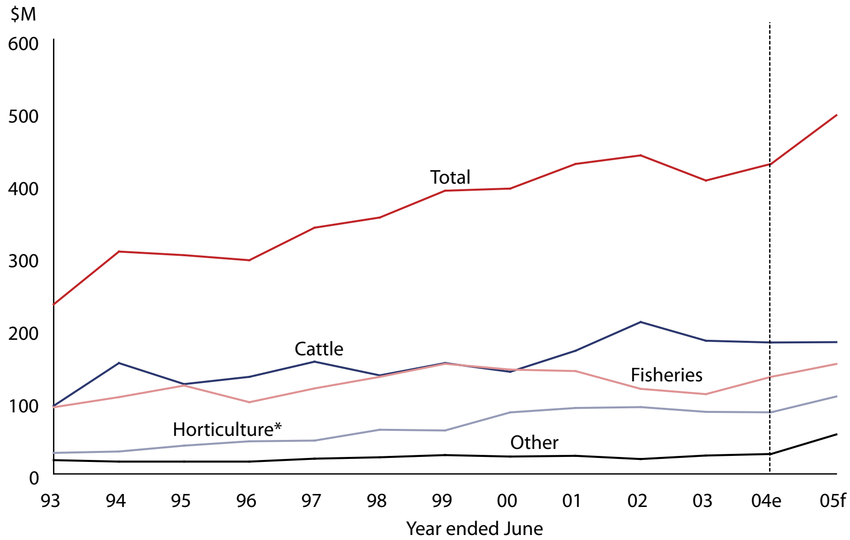
Chapter 10 Rural Industries and Fisheries

Key Points

- Rural industries in the Territory comprise cattle and other livestock (including buffalo, crocodiles, poultry, pigs and camels), horticulture (fruit, vegetables, nursery and cut flowers) and cropping (field crops, hay and seeds). Fisheries include harvesting of wildstock and aquaculture.
- The Territory enjoys certain comparative advantages due to its capacity to supply markets with a range of early-season and out-of-season produce, as well as its 'clean' image.
- Output growth in the industry tends to be volatile due to variable weather, exchange rate and demand conditions. In the Territory, average annual output growth has been below broader economic growth over the past 10 years.
- Rural industries and fisheries accounted for 2.6 per cent of Territory GSP in 2002-03, slightly above the national proportion.
- The value of rural industries and fisheries production was estimated at $428 million in 2003-04, an increase of 5.7 per cent from 2002-03.
- The value of production is forecast to increase by 16 per cent to $495 million in 2004-05. Except for cattle production, the outlook is for strengthening production values.

In addition to production, the Territory's rural industries also generate economic activity through wider links with secondary industries such as manufacturing, and tertiary industries such as transport and wholesale and retail trade. Rural industries are vital in regional and remote areas, providing direct employment averaging about 2 300 people and representing an important source of economic development for the Territory's regions. The industries also account for a significant proportion of export revenue.

Chart 10.1: Rural Industries and Fisheries Value of Production (nominal dollars)



* Data for Horticulture is for the previous calendar year
e: estimate; f: forecast
Source: Department of Business, Industry and Resource Development

Table 10.1 Rural Industries and Fisheries Value of Production (nominal dollars)

	Cattle		Horticulture*		Fisheries		Other		Total	
Year ended June	$M	% Ch	$M	% Ch	$M	% Ch	$M	% Ch	$M	% Ch
1993	94		29		92		19		234	
1994	153	62.8	31	6.9	106	15.2	17	-11	307	31.2
1995	124	-19.0	39	25.8	122	15.1	17	0	302	-1.6
1996	134	8.1	45	15.4	99	-18.9	17	0	295	-2.3
1997	155	15.7	46	2.2	118	19.2	21	24	340	15.3
1998	136	-12.3	61	32.6	134	13.6	23	10	354	4.1
1999	153	12.5	60	-1.6	152	13.4	26	13	391	10.5
2000	141	-7.8	85	41.7	144	-5.3	24	-8	394	0.8
2001	170	20.6	91	7.1	142	-1.4	25	4	428	8.6
2002	210	23.3	92	1.3	117	-17.3	21	-18	440	2.8
2003	184	-12.3	86	-7.1	110	-6.2	25	24	405	-7.9
2004e	181	-1.3	85	-0.7	134	21.6	28	8	428	5.7
2005f	182	0.3	107	25.7	152	13.3	55	98	495	15.7
Compound Annual Growth %										
1992-93 to 2002-03		1.7		11.4		1.8		2.9		5.6
1992-93 to 1997-98		7.7		16.0		7.8		3.9		8.6
1997-98 to 2002-03		6.2		7.0		-3.8		2.0		2.7
2002-03 to 2004-05f		-0.5		11.7		17.4		46.6		10.6

*Data for Horticulture is for the previous calendar year.
e: estimate; f: forecast
Source: Department of Business, Industry and Resource Development

Exports of Territory rural and fisheries produce were estimated at $201 million for 2002-03, down 28 per cent on 2001-02 largely due to reduced live cattle exports. Territory cattle represented about 33 per cent of all Australian live cattle exports to Asia in 2002-03, and 26 per cent of total Australian live cattle exports to all markets. The export of interstate cattle through the Port of Darwin increased by 65 per cent in 2002-03 because of stronger demand from Indonesia and increased availability of cattle in Australia associated with increased turn off rates due to drought.

The expanding horticultural industry, development of more intensive farming in the Katherine-Daly area, and sea-cage aquaculture in the Tiwi Islands indicate that the rural and fishing industries will continue to play a significant role in the Territory's economy.

Cattle

The estimated value of Territory cattle production was $181 million in 2003-04, down marginally from the previous year, largely due to lower prices. The pastoral industry is a major contributor to incomes in rural areas of the Northern Territory and also provides considerable flow-on benefits to other industries, particularly transport and meat processing. In 2003-04, cattle production is estimated to have accounted for more than 40 per cent of the total value of rural industries and fisheries production.

In 2002-03, the most recent year for disaggregated data, around 406 000 cattle were turned off from Territory pastoral properties, a marginal decrease from 2001-02. There was a significant decline in the number of cattle going interstate, though this was largely offset by increased international live cattle exports. Of all cattle turned off, 64 per cent were destined for live cattle markets overseas, 35 per cent went interstate for fattening and slaughter and 1.0 per cent were slaughtered at Territory abattoirs.

A total of 142 000 cattle were sent interstate, a decline of 16 per cent compared to 2001-02, as the severe drought in other States led to increased supply in those markets. Queensland was the main interstate destination, taking about 60 per cent of the total interstate cattle exports. South Australian demand was about 25 per cent.

Live cattle exports increased by 11 per cent to 259 000 in 2002-03, with South East Asia the major destination.

Exports to Indonesia increased by more than 20 per cent to 173 000 head in 2002-03. Stronger Indonesian demand was associated with the improving economy. However, since mid 2003, increased supplies of domestic cattle due to drought conditions in Indonesia and a sharp appreciation of the Australian dollar have dampened demand for Territory cattle. Exports to the Philippines fell by around 3.0 per cent to 38 000 in 2002-03, affected by the exchange rate and competition from imports from South American producers.

The financial performance of Territory beef producers is estimated to have improved in 2003-04 after lower cash farm receipts in 2002-03. The Australian Bureau of Agricultural and Resource Economics (ABARE) estimates the average farm cash incomes of Territory cattle farms increased by 52 per cent to $388 000 per farm, after falling 55 per cent in 2002-03. However, it is estimated there was considerable variation in farm financial performance between pastoral regions, and also between large and small cattle enterprises.

Cattle Outlook

Although year to year price and production volatility will persist, the short-term outlook is for Territory cattle production to increase in line with increased breeding stock acquisition in the past year and more normal supply conditions in other parts of Australia. Nonetheless, the strong Australian dollar will impact on international export competitiveness in the short term. Further, a good monsoon season in 2003-04 should contribute to above average breeding conditions.

ABARE Forecasts

ABARE forecasts Australian live cattle exports to increase by almost 10 per cent in 2004-05 as meat demand in Asia and other markets improves. Indonesia is expected to remain the main market for both Australian and Territory live cattle exports, although competition will come from beef and buffalo meat products from the Asian subcontinent. Further, meat from Territory domestic abattoirs is now approved for export to Indonesia, Brunei and East Timor, allowing for value-adding to cattle production and providing additional markets for Territory beef products.

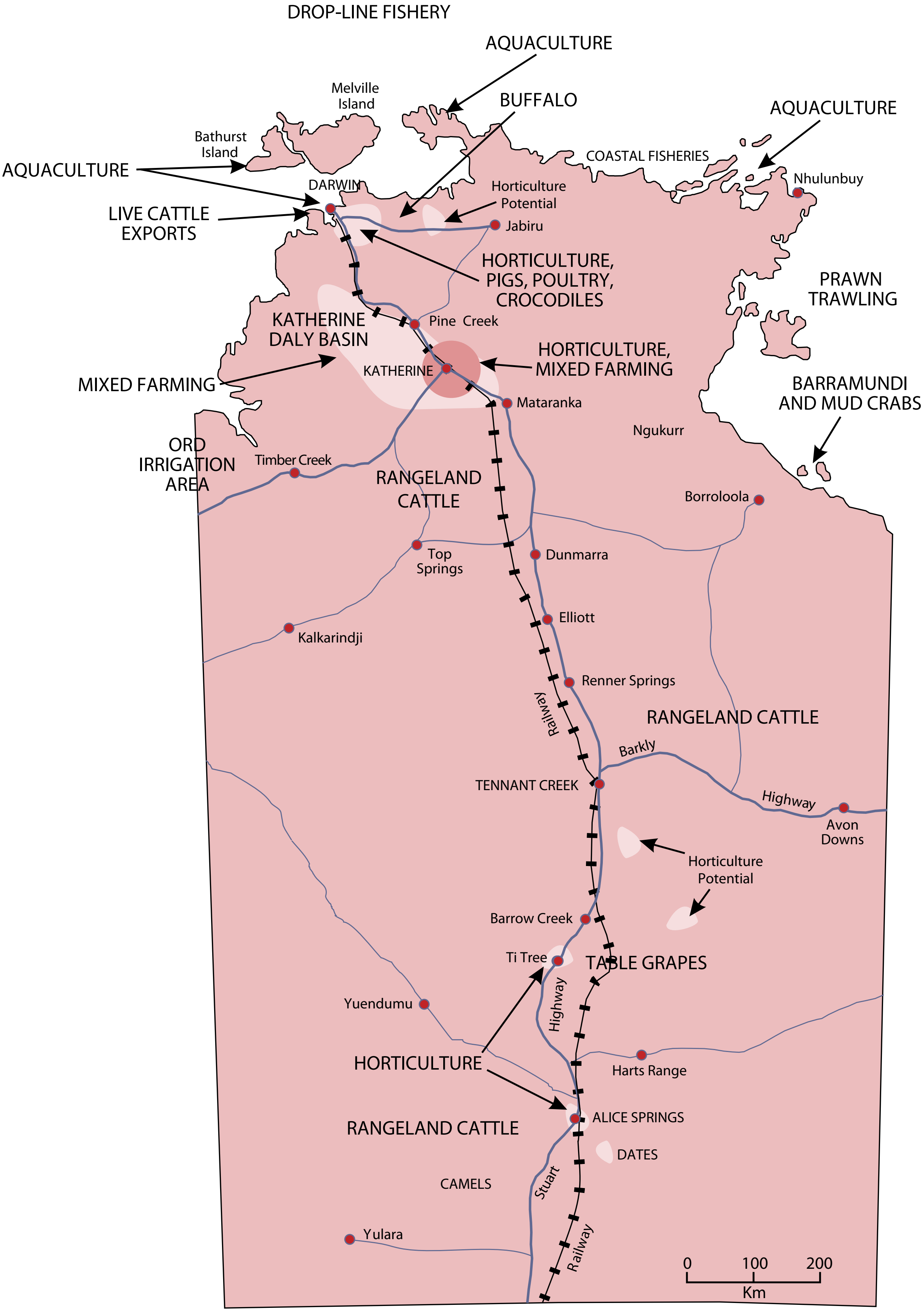
The discovery of a single case of Bovine Spongiform Encephalopathy (BSE), in the United States in December 2003 is altering beef trade flows in the Pacific Basin. United States beef trade to Japan, Korea and Mexico is currently suspended and demand for Australian beef to these countries is forecast to rise. Nonetheless, at this stage the opportunities for Territory cattle producers and exporters are unclear.

Other Livestock Industries

Other livestock industries in the Northern Territory supply eggs, and poultry, pork and buffalo meat to local markets. Buffalo, horses, camels and goats are also exported live overseas, while horses, buffalo, donkeys, camels and crocodiles are exported live interstate. Crocodile skins and flesh are produced for local and export markets.

In 2003-04, the production value of other livestock industries was estimated at $16 million, an increase of 11 per cent. The increase was mainly due to increased camel and buffalo exports.

Northern Territory Rural Industries and Fisheries



Mixed Farming

The value of field crop production in 2002-03 increased by 80 per cent from 2001-02 values, to about $12 million. The main increases were in peanut, seed and hay/fodder production. Total value of seed and hay/fodder production increased from about $5 million in 2001-02 to $10 million in 2002-03 while peanut production has increased from $0.6 million in 2001-02 to $1.4 million in 2002-03.

At present, mixed farming operations in the Katherine, Douglas/Daly and Darwin areas focus mainly on servicing the live catle export indsutry. Consequently, hay/fodder production is the main field crop, which registered an increase in production value of 62 per cent in 2002-03 compared to the previous year. The improvement in seed production was due to demand for sorghum seed from interstate, in addition to pasture seed. The production of peanut in Katherine increased significantly from 691 tonnes in 2001-02 to 1 561 tonnes in 2002-03.

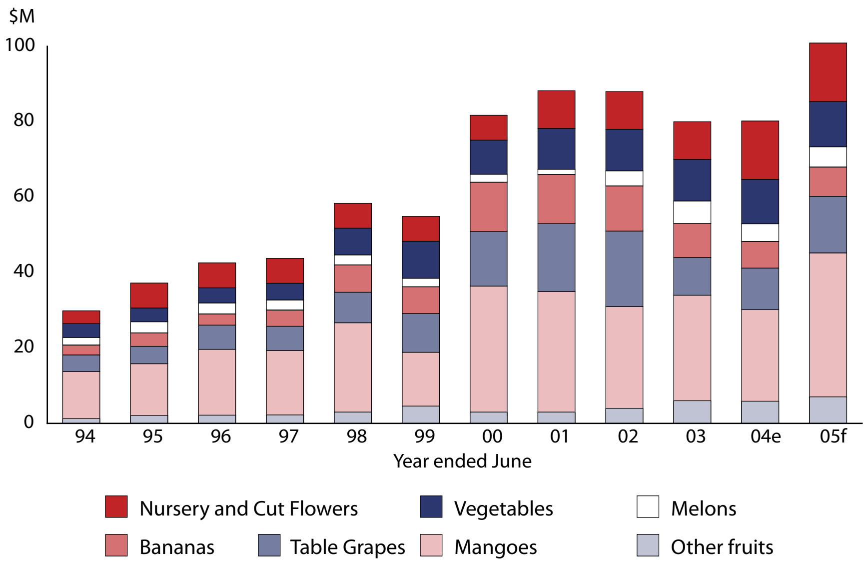
Farm forestry is a potential alternative option for land development and rural business diversification for Territory primary producers. A development strategy specifically for African mahogany timber for the Top End has been developed and will be launched in the near future. On Melville Island, a multi-million private forestry development project is progressing well with a small quantity of timber harvested during 2003 and larger volumes of timber are scheduled for harvesting and export as from 2004 onwards.

Horticulture

Northern Territory horticulture production includes fruit, vegetables, nurseries and cut flowers. The Territory enjoys certain comparative advantages due to its capacity to supply markets with a range of early-season and out-of-season produce, including table grapes, mangoes, dates, melons, tropical exotic fruits and Asian vegetables and herbs. Typically, around 93 per cent of the value of Territory fruit and vegetable production is marketed interstate, 2 per cent is exported and 5 per cent is consumed in the Territory.

The value of Territory horticultural production is estimated at $86 million in 2003, unchanged from 2002. A poor mango season and a decline in banana production was partly offset by an increase in the value of nurseries and cut flowers production.

Chart 10.2: Value of Horticultural Production



Source: Department of Business, Industry and Resource Development

Rural Industries and Fisheries

Mango Production

The late mango season in 2003 resulted in the bulk of the fruit maturing in October to late November (rather than from mid-October to mid-November), with picking continuing into December. As such, the supply of Territory mangoes clashed with north Queensland production. Nonetheless, strong demand resulted in good prices for quality fruit. A number of growers reported difficulties with labour supply, resulting in some fruit not being harvested.

Mango production is provisionally estimated at 1.2 million trays in 2003, compared to 1.8 million trays in 2002. The value of 2003 mango output is estimated at $30 million, down from $36 million in 2002. The weighted average mango price for the 2003 season is estimated at $24.20 per tray, up from $19.15 in 2002.

Table grape production increased by 11 per cent to $11 million in 2003 and the value of banana production is estimated to be unchanged at $7.1 million in 2003. Banana production continues to be affected by Panama disease. Though the disease has not affected interstate market access, it has had a negative impact on production, and the potential spread of the disease remains a major concern. Research into banana varieties resistant to, or more tolerant of, Panama disease continues.

The value of melon production decreased by 22 per cent to $4.7 million in 2003. The value of exotic fruits such as rambutans, dragon fruit, jackfruit, guavas, carambolas, Fiji apples/hog plums, cooking mangoes and star apples increased by 10 per cent to around $6 million in 2003.

The volume of Territory vegetable production in 2003 is estimated to have increased by around 11 per cent in volume compared to 2002. Its value is estimated to have decreased by 3.2 per cent from $12.2 million in 2002 down to $11.7 million in 2003. Due to strong supply of main vegetable lines in Southern markets, prices for most Territory vegetables during 2003 (especially cucumbers, kangkong and basils) were much lower in 2002.

Horticultural Outlook

Favourable climatic conditions, relatively disease-free status, improving product quality, expanded marketing efforts and relatively unrestricted access to domestic and international markets will underpin future industry growth. In addition, areas of Indigenous land suitable for horticultural production continue to be identified for future development.

The planted area and the varieties of fruit trees are steadily increasing. For example, the number of mango trees in the Territory has increased significantly since the early 1990s to an estimated 1 million trees. As many are new plantings, current production is from only about 50 per cent of these trees. Production is therefore expected to increase markedly, as trees mature over the next five to ten years. The Northern Territory Horticultural Association continues to examine new markets for expanded mango production and is implementing quality assurance programs.

The recent planting of a further 60 hectares of vines will, as plants mature, increase grape production. Banana production is expected to be subdued until new banana varieties resistant to, or more tolerant of, Panama disease are found. In the meantime, some banana growers are diversifying into other crops such as rockmelons as a temporary measure. Commercial growers of the newer exotic fruits, especially jackfruit and dragon fruit, are expanding production as demand increases.

Prospects for the nursery and cut flower sectors appear positive. In addition to current heliconia and orchid production for southern markets, research and development of additional nursery varieties could create further opportunities.

Fishing

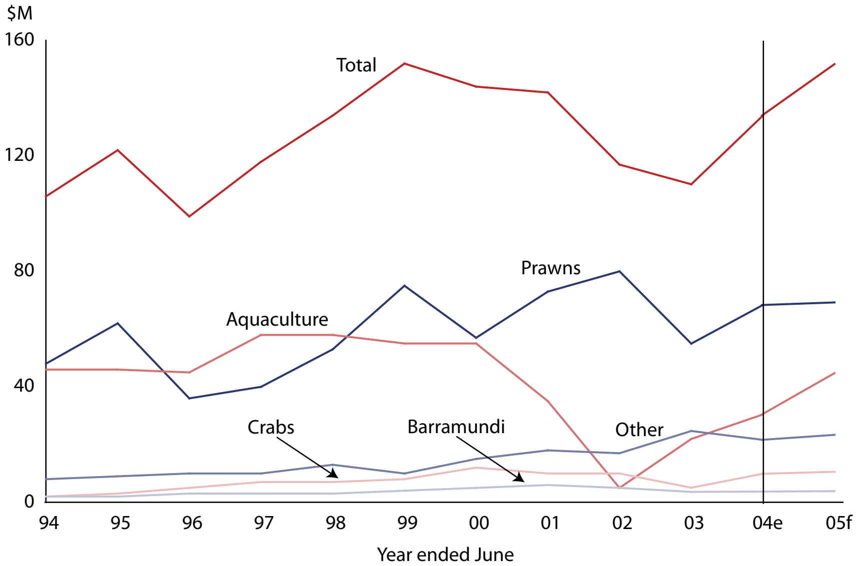
The Northern Territory fishing industry comprises commercial, recreational and Indigenous sectors. The commercial sector includes the harvesting of wild stock fisheries and aquaculture, as well as the processing, trade and retailing of seafood. The value of fisheries production over the past decade has fluctuated widely due to climatic and supply and demand conditions.

After declining for the past four years, the value of Territory fisheries production is estimated to have increased by 22 per cent to $134 million in 2003-04. Prawn and aquaculture (primarily pearls and barramundi) production are the major components of fishing output and were the main contributors to growth. Combined, these two sectors accounted for about 75 per cent of the value of Territory fisheries production in 2003-04. The sharp fall in the value of aquaculture production in the two years to 2001-02 was associated with a dramatic decline in international pearl prices and major producers delaying harvest.

Effective management of fisheries continues to be an integral component of the long-term resource strategy. Over the past decade, important changes have occurred in fisheries in waters adjacent to the Territory. The Northern Prawn Fishery has seen the greatest adjustment, with voluntary and compulsory reductions resulting in boat numbers falling from about 350 in the early 1980s to just over 110 in 2001. Further reductions in fishing effort are proposed to offset what the Commonwealth Scientific and Industrial Research Organisation estimates is a 5.0 per cent annual advance in fishing production capability, primarily due to technology.

Other adjustment measures have included a licence buy-back, gear restrictions, seasonal closures, river closures and minimum size limits for commercial barramundi wildstock fishing. The closure of the McArthur River to commercial barramundi fishing in 2002 allocated the resource to the recreational sector.

Chart 10.3: Value of Fishing Production (nominal dollars)



'Aquaculture' is predominantly pearls, but also includes prawns and barramundi aquaculture; 'Other' includes species of finfish, crustaceans, molluscs and echinoderms.
Source: Department of Business, Industry and Resource Development

Recreational fishing is one of the most popular leisure activities in the Territory. Latest estimates place spending on recreational fishing in the Territory at more than $26 million per annum. Recreational fishing is also an important tourism segment, especially in the Top End and Borroloola.

The Darwin Aquaculture Centre continues to conduct research on high value finfish, mud crabs, and live feeds for larval fish. The centre supplies fingerlings to a large barramundi aquaculture project on a commercial basis. It also provides extension services to support the aquaculture industry.

The discovery in 1999 of the black-striped mussel in several enclosed marinas around Darwin posed a significant threat to the Territory's pearling and aquaculture industries. In response, the Territory Government undertook a $2.2 million eradication program. Results to date indicate it was the world's first successful eradication of an aquatic pest.

Fishing Outlook

The outlook for aquaculture production in the Territory is positive. There are a number of initiatives and projects in the pipeline that, if implemented, could result in aquaculture becoming a significant industry for the Territory.

Pearl aquaculture production is expected to increase significantly in 2004-05 following the large oyster seeding program undertaken in 2002-03.

The barramundi aquaculture industry is expected to undergo major expansion in coming years. The sea-cage enterprise in waters off the Tiwi Islands is currently well into its pilot phase, with targeted production of 1 000 tonnes per year. Demand from markets in southern Australia for fresh fish remains strong although seasonal. With further expansion, barramundi could be expected to overtake pearls as the major aquaculture output in coming years.

Indigenous Territorians own about 85 per cent of the Territory coastline. Significant potential exists for future Indigenous fishing and aquaculture enterprises.

The long-term outlook for both wildstock and aquaculture is promising. Domestic consumption of seafood is expected to increase steadily and demand for quality seafood from countries in the Asian region is expected to remain optimistic in the light of consumer preferences and growing per capita incomes.