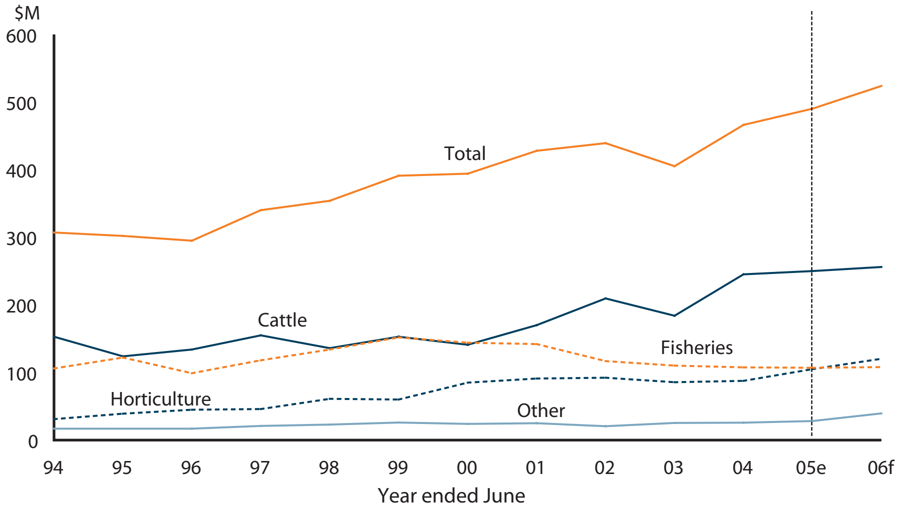
Chapter 10 Rural Industries and Fisheries

Key Points

- Rural industries in the Territory comprise cattle and other livestock (buffalo, crocodiles, poultry, pigs and camels), horticulture (fruit, vegetables, nursery and cut flowers) and mixed farming (field crops, hay and seeds, and forestry). The fisheries industry comprises harvesting of wild catch 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, and benefits from its 'clean' image.
- Output growth in the industry tends to be volatile due to variable weather conditions, while the exchange rate can have a significant effect on international demand. In the Territory, average annual output growth has been below broader economic growth over the past 10 years.
- Rural industries accounted for 2.9 per cent of Territory GSP in 2003-04, in line with the national proportion.
- The value of rural industries production was estimated at $490 million in 2004-05, an increase of 5 per cent from 2003-04.
- The value of production is forecast to increase by 7 per cent to $524 million in 2005-06. Except for 'other livestock' 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 around 2300 people and representing an important source of economic development. These industries also account for significant export revenue.

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



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	-17.7	21	-18	439	2.6
2003	184	-12.3	86	-7.1	110	-5.7	25	24	405	-7.8
2004	245	33.4	88	2.3	108	-2.3	28	8	466	15.1
2005e	250	1.9	105	19.7	107	-0.6	55	98	490	5.1
2006f	256	2.5	120	14.7	108	1.0	55	0	524	6.9
Compound Annual Growth%										
1993-94 to 2003-04		4.8		11.0		0.2		4.9		4.3
1993-94 to 1998-99		0.0		14.1		7.5		8.9		5.0
1998-99 to 2003-04		9.9		7.9		-6.7		1.1		3.6
2003-04 to 2005-06f		2.2		17.2		0.2		40.8		6.0

e: estimate, f: forecast
Source: Department of Business, Industry and Resource Development

Exports of Territory rural and fisheries produce are estimated at $129 million for 2003-04, down 36 per cent on 2002-03 largely due to reduced live cattle exports. Territory cattle represented about 47 per cent of all Australian live cattle exports to Asia in 2003-04 and 38 per cent of total Australian live cattle exports to all markets.

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

Cattle

Links to Regional Economies

The value of Northern Territory cattle production for 2004-05 is estimated at $250 million, up marginally from the previous year. The pastoral industry is a major contributor to incomes in rural areas and provides considerable flow-on benefits to other industries, particularly transport and retail trade. In 2004-05, cattle production is estimated to have accounted for more than 50 per cent of the total value of rural industries production.

In 2003-04, the most recent year for disaggregated data, almost 539 000 cattle were turned off from Territory pastoral properties, an increase of 32 per cent from 2002-03. Decline in live cattle exports was largely offset by an increase in the movement of interstate cattle. Of Territory cattle turned off in 2003-04, 56 per cent were destined for interstate markets, 43 per cent were exported live overseas and 1 per cent were slaughtered at Territory abattoirs. However, on average over the three years to 2003-04, half of all cattle produced in the Territory were destined for the live export trade.

Interstate Trade

Around 300 000 head of cattle were sent interstate in 2003-04, more than double the 2002-03 figure. The large increase was mainly due to properties, especially in the Barkly Tablelands, holding back cattle movements in 2002-03 because of drought in eastern states, the fall in demand for live cattle exports in 2003-04 and increased demand for cattle for the meat trade. Queensland was the main destination for Territory cattle, taking around 67 per cent of the total interstate movement of cattle. South Australia took about 18 per cent and New South Wales 9 per cent. The value of interstate trade of Territory cattle was $132 million in 2003-04.

Live cattle exports to South East Asia decreased by 10 per cent to 234 000 in 2003-04. The higher value of the Australian dollar, higher cattle prices in Australia and strong competition from lower-priced buffalo meat in South East Asian markets were the major contributing factors. Territory live cattle exports were valued at $113 million.

South East Asia

Indonesia was the largest market for Territory live cattle exports, taking about 162 000 head of cattle, representing 69 per cent of total exports. Exports to Indonesia declined by almost 7 per cent to 161 000 head in 2003-04, largely due to a backlog of domestic supply in Indonesia, high Australian cattle prices and the appreciation of the Australian dollar against the rupiah. Despite a decline in Australian live cattle exports to the Philippines, the Territory increased its exports by 40 per cent to 54 000 in 2003- 04. Territory exports to the Philippines have recovered from their low levels in 2002-03, however demand is still affected by the relatively low value of the peso and competition from cheap beef imports from South America.

The financial performance of beef producers in the Northern Territory improved in 2003-04 due to higher income from sales and less restocking. The Australian Bureau of Agricultural and Resource Economics (ABARE) estimates that average farm cash incomes of Territory beef producers increased to $646 000 per farm in 2003-04. However, there were considerable variations in farm financial performance between the pastoral regions and between large and small cattle enterprises.

Cattle Outlook

Although year to year price and production volatility will persist, the short-term outlook for the Territory cattle industry is for moderate but sustained growth, supported by ongoing demand from international and interstate markets.

ABARE Forecasts

ABARE forecasts Australian live cattle exports to increase by 5 per cent in 2005-06, although the value of exports is expected to fall by 18 per cent as increased competition from the United States (US), Canada and South American beef-producing nations puts downward pressure on prices. Indonesia is expected to remain the main market for both Australian and Territory live cattle exports. However, in the short term, the relatively strong dollar and high cattle prices in Australia will continue to impact negatively on live exports to Indonesia.

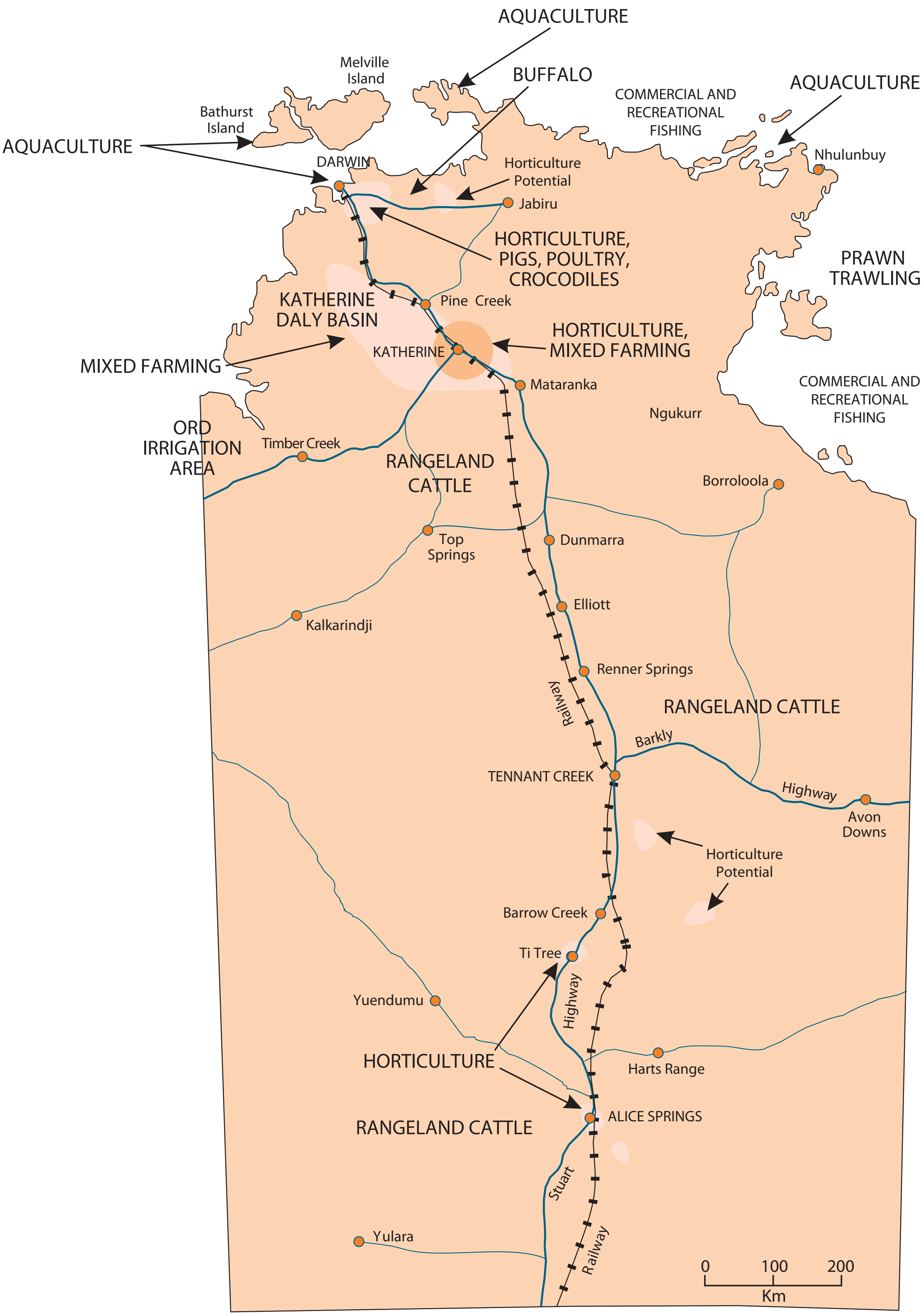
BSE

The discovery of bovine spongiform encephalopathy (BSE) in the US in December 2003 has temporarily altered beef trade flows. In particular, US beef trade to Japan is currently suspended; this was a major factor in the 41 per cent increase in the volume of Australian beef exports to Japan in 2004. The impact of this suspension on Territory live cattle exports remains unclear as there is no data available on the final destination of live cattle sent interstate. ABARE predicts that the Japanese ban on US beef will begin to be lifted in 2005, with inflows of US beef exports to Japan expected to displace some of Australia's gains over the past year.

Other Livestock Industries

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

Northern Territory Rural Industries and Fisheries



In 2004-05, the production value of other livestock industries was estimated at $9 million, a decrease of 13 per cent. The decrease was mainly due to cessation of broiler poultry production and a decline in live exports of other animals. Other livestock contributed 2 per cent of the total value of Territory rural industries production in 2004-05.

Mixed Farming

The value of field crop production in 2004-05 is estimated at $12.9 million, an increase of 4 per cent from 2003-04. Increased cereals, cotton, sesame and peanut production more than offset decreased hay and fodder production.

Douglas/Daly

Mixed farming operations in the Katherine, Douglas/Daly and Darwin areas focus on hay and fodder production for the live cattle export industry. Further land has recently been made available for development in the Stray Creek area of the Katherine-Daly Basin, increasing the potential area for mixed farming in the region by around 25 per cent. A number of mixed cropping farmers in the Top End have also diversified into intensive irrigated horticultural production, such as watermelon and other cucurbit crops, to supply southern markets during the dry season.

Farm forestry is expected to increase in significance in the medium term, and represents a potential alternative option for land development and rural business diversification for Territory primary producers. A development strategy specifically for African mahogany hardwood timber for the Top End was launched in 2004. On Melville Island, a multi-million dollar private forestry development project is progressing well, with 14 000 tonnes of logs exported on a trial basis during 2004. A larger volume of timber export is anticipated for 2005.

Horticulture

Exotics

Northern Territory horticulture production includes fruit such as jackfruit, dragon fruit, guavas and other exotics, 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.

The value of Territory horticultural production in 2004-05 is estimated at $105 million, an increase of 20 per cent on 2003-04. Increased mango production was the main contributor to the increase. Horticulture production was 19 per cent of the value of Territory rural industries output in 2003-04. Typically, around 93 per cent of Territory fruit and vegetable production is marketed interstate, 2 per cent is exported and 5 per cent is consumed locally.

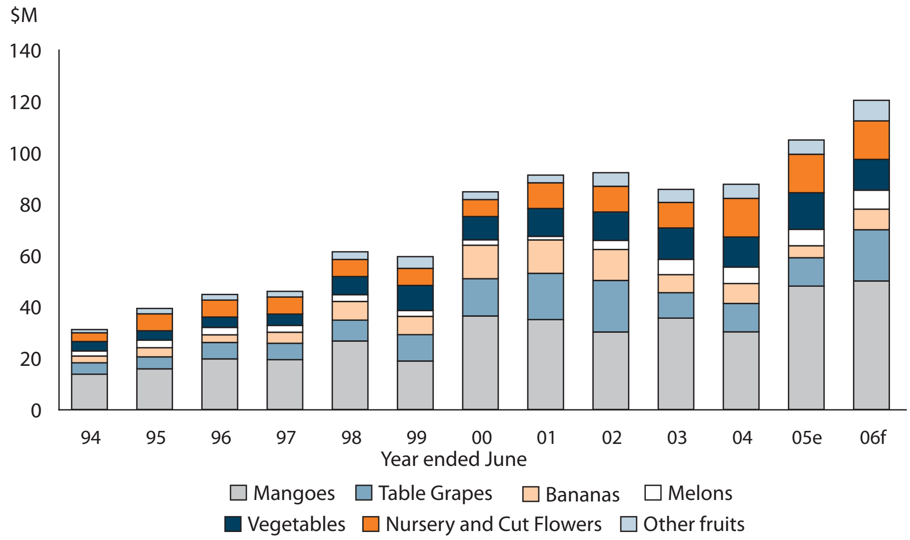
Production of other horticultural crops in 2004 was at the same level as in 2003, except for some minor increases in fruits such as jackfruit, dragon fruit, guavas and other exotics.

Mangoes

The 2004 mango season started with somewhat late but very heavy flowering throughout the Top End, resulting in an increase in fruit volume of 120 per cent to 2.7 million trays. However, the late season caused the bulk of fruit to mature in late October to late November, rather than the usual season from mid-October to mid-November. Heavy fruit volume coming on the market from both the Northern Territory and Queensland saw prices fall sharply from mid-November onwards, especially for fruit of poor quality. A number of small growers did not even harvest their crops due to the low prices. The supply of labour for picking was adequate for the season, although it is recognised that as production increases labour supply is more likely to become a problem in the short but intense picking season.

The total value of mango output increased 59 per cent to $48 million in 2004-05. Production increased by 120 per cent while the weighted average mango price for the 2004 season is estimated at $17.40 per tray, down by 28 per cent on the 2003 average price.

Chart 10.2: Value of Horticultural Production



Source: Department of Business, Industry and Resource Development

Table Grapes

Despite young vines coming into full production, table grape production in 2004-05 was poor, primarily due to the high incidence of nematode pest infestation which depressed yields. The value of production in 2004-05 is estimated at $11.1 million, unchanged from the previous year.

Bananas

Banana production continues to be affected by Panama disease, with the value of production falling by 40 per cent in 2004-05 to $4.7 million. Although 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 is continuing. It is hoped that some new varieties will be available for use by the industry within the next few years.

Melons

The value of melon production in 2004-05 was similar to that of 2003-04 at around $6.4 million. Rambutans have continued to be exported to Japan since 2000, signalling future growth potential in the industry sector to supply this lucrative market.

Other

The value of production of other exotic fruits such as jackfruit, dragon fruit, guavas, carambolas, Fiji apples/hog plums and star apples increased by 1.3 per cent to $5.6 million in 2004-05. Most of the increase was from dragon fruit, the first significant new tropical crop to come on stream in the Territory since 2003.

Territory vegetable production is estimated to have increased in 2004-05 by 21 per cent to $14.2 million. Cucumber and okra production increased substantially. Prices of most vegetables were stable during the year except for snake beans, which experienced good price growth although production was affected by disease.

Horticultural Outlook

Favourable climatic conditions, relatively disease-free status, improved product quality, expanded marketing efforts and the 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 development.

Production to Increase

As juvenile trees continue to mature, mangoes will remain the major horticultural output in the Territory for the foreseeable future. However, as mango production increases, a number of issues will emerge in terms of labour supply, price pressure and the need to develop new markets as well as logistics/supply chain and quality assurance and control.

The Northern Territory Horticultural Association, growers and the Territory Government continue to examine new markets, implement quality assurance programs and improve industry communication and coordination. Initiatives include recent trials to transport Territory mangoes via sea and air directly to overseas markets, and developing a code of practice for improved handling of mangoes and better relationships throughout the chain from growers to retailers. The Darwin to Adelaide rail service has also helped to ease transport bottlenecks, especially in Katherine, where a large volume of mangoes were transported by rail.

More Plantings

In addition to 60 hectares of table grapes planted at Rocky Hill and Ti Tree in 2002, another 23 hectares of young vines were planted in 2004 at Rocky Hill. Established grape growers are also implementing a five year stock replacement program with vines tolerant to nematode infestation. As a result, table grape production in the region is expected to increase in coming years.

Research to develop new banana varieties resistant to, or more tolerant of, Panama disease is expected to help restore confidence in the industry. However, further industry development will be inhibited until such varieties are commercially available. In the meantime, some banana growers are diversifying into other crops such as rockmelons and watermelons as a temporary measure.

Off-season Supply

Production of rockmelons and other melons in the Territory has risen in recent years, with large areas planted in the Darwin and Katherine regions, including from a number of traditionally mixed cropping farms. The Territory has the advantage of supplying off-season melons to southern states during winter months.

Commercial growers of the newer exotic fruits, especially dragon fruit, are establishing further areas of these crops in recognition of their potential. The breakthrough in exporting rambutans to the lucrative Japanese markets should continue to encourage further investment and growth in this sector.

Cut Flowers

The nursery and cut flower sectors also have good prospects for expansion, especially in the Top End, where climatic conditions provide distinct production advantages for a wide range of tropical varieties. In addition to current heliconia and orchid production, continuing research and development of additional nursery varieties could result in production levels increasing. The value of the nursery and cut flower sector is currently $15 million, an increase of 50 per cent over the past three years.

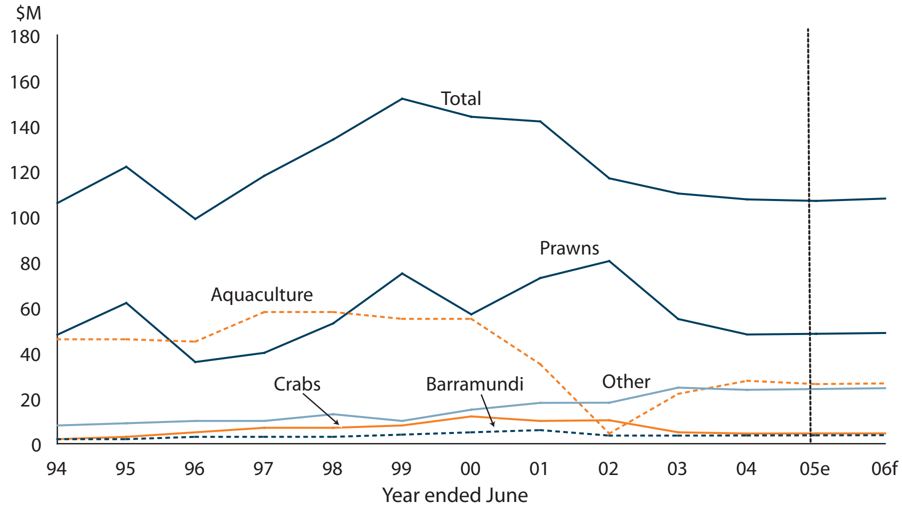
Fishing

The Northern Territory fishing industry comprises commercial, recreational and traditional Indigenous sectors. The commercial sector includes the harvesting of wild catch 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.

Aquaculture

In 2004-05, the value of Territory fisheries production is estimated to have fallen for the sixth consecutive year, to $107 million (a marginal decline of 0.6 per cent from 2003-04). Prawn and aquaculture production (primarily pearls and barramundi) are the major components of fishing output. Combined, these two sectors accounted for almost 70 per cent of the value of Territory fisheries production in 2004-05. 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.

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

Resource Management

Effective management of fisheries continues to be an integral component of the Territory's long-term resource strategy. Over the past decade, important changes have occurred in fisheries 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 95 in 2004. Further reductions in fishing effort are proposed to offset what the Commonwealth Scientific and Industrial Research Organisation (CSIRO) estimates is a 5 per cent annual advance in fishing production capability, primarily due to technology.

Other adjustment measures have included a licence buyback, gear restrictions, seasonal closures, river closure and minimum size limits. The closure to commercial barramundi fishing of the McArthur River in 2002 and the Adelaide River in 2004 were major initiatives, with the resources being reallocated to the recreational sector.

Recreation

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 around Borroloola.

Fishing Outlook

The near-term outlook for Northern Territory fisheries is for the gross value of production to remain stable in 2004-05 and 2005-06, as the pearl industry recovers from the negative impact of Cyclone Ingrid.

Aquaculture Prospects

The outlook for aquaculture production appears positive over the medium term, with a number of initiatives, such as the recently launched Aquaculture Development Plan to support and facilitate the continuing development of aquaculture, which should result in aquaculture becoming increasingly significant. Pearl aquaculture production is expected to increase by about 35 per cent to $24 million by 2009-10.

There are expected to be significant opportunities for sea cucumber (trepang) production, with a pilot hatchery being trialed on Channel Island.

Further, farmed barramundi is currently undergoing major expansion. The marine cage enterprise adjacent to the Tiwi Islands is currently well into its pilot phase, with target production of 1000 tonnes per year close to being exceeded. Current and future expansions in barramundi production are expected to be one of the major drivers of aquaculture growth in coming years.