

Chapter 16 Rural Industries and Fisheries

Key Points

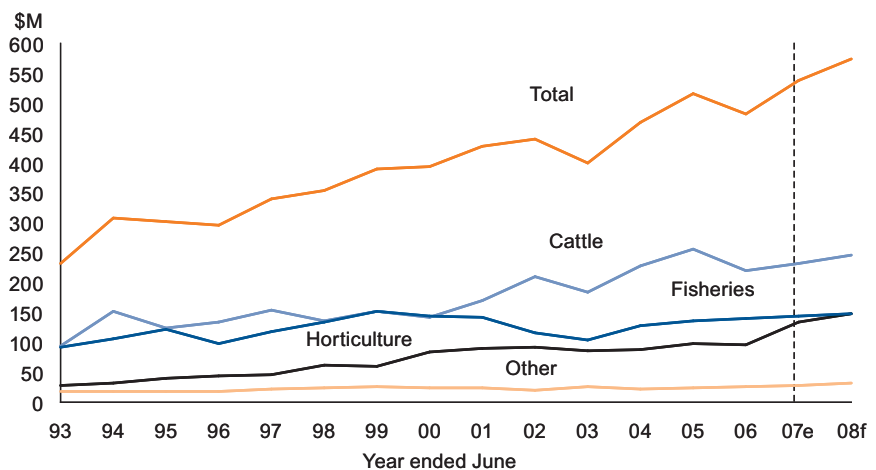
- » Rural industries and fisheries accounted for 2.3 per cent of Territory gross state product (GSP) in 2005-06 and 3.1 per cent of resident employment.
- » The Territory enjoys certain comparative advantages due to its capacity to supply markets with a range of early season and out of season produce, and benefits because of its environmentally 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 lower than broader economic growth over the past 10 years.
- » The value of rural industries and fisheries production is estimated to be \$539 million in 2006-07, an increase of 12 per cent from 2005-06.
- » The value of production is forecast to increase by 6.5 per cent to \$574 million in 2007-08.

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 mixed farming (field crops, hay and seeds, and forestry). The fisheries industry comprises the harvest of wild catch and aquaculture.

Rural industries and fisheries accounted for 2.3 per cent of Territory gross state product (GSP) in 2005-06 and 3.1 per cent of resident employment.

Rural industries and fisheries are vital in regional and remote areas, providing direct employment for about 3100 people and representing an important source of economic development. These industries also account for a significant share of Territory export revenue, with the total value measured at \$136 million for 2005-06, or 5.1 per cent of total exports.

Chart 16.1: Rural Industries and Fisheries Value of Production (nominal dollars)



e: estimate; f: forecast

Note: Horticulture data is only available for calendar years

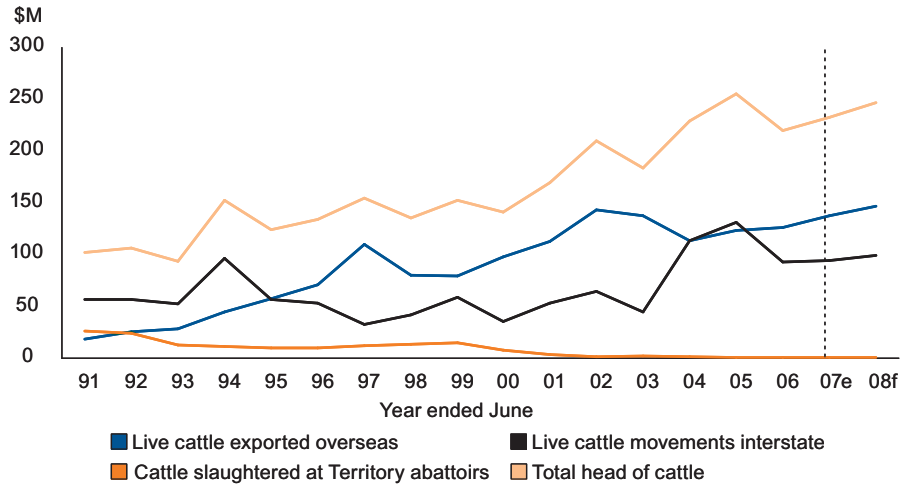
Source: Department of Business, Economic and Regional Development

Cattle

The cattle industry is the mainstay of the Territory's pastoral industry which is a major contributor to incomes in rural areas and provides considerable flow-on benefits to other industries, particularly transport and retail trade.

The value of Northern Territory cattle production for 2006-07 is estimated at \$232 million, up 5.6 per cent from 2005-06. In 2006-07, cattle production is estimated at around 43 per cent of the total value of rural industries and fisheries production.

Chart 16.2: Total Northern Territory Cattle Movements



e: estimate; f: forecast

Source: Department of Business, Economic and Regional Development

In 2005-06, the most recent year for disaggregated data, it is estimated that 441 485 cattle were turned off Territory pastoral properties, a decrease in the year of 94 331 cattle, or 17.6 per cent. This fall represents a decrease of \$36 million to \$220 million in 2005-06.

The market for cattle in the Northern Territory is highly influenced by economic conditions in interstate and international markets. Of Territory cattle turned off in 2005-06, 53 per cent were exported overseas, 47 per cent were destined for interstate markets and less than 1 per cent were slaughtered at Territory abattoirs. A large decline (31 per cent) in interstate cattle movements, and a marginal fall in live cattle exports, led to the fall in total cattle movements in 2005-06.

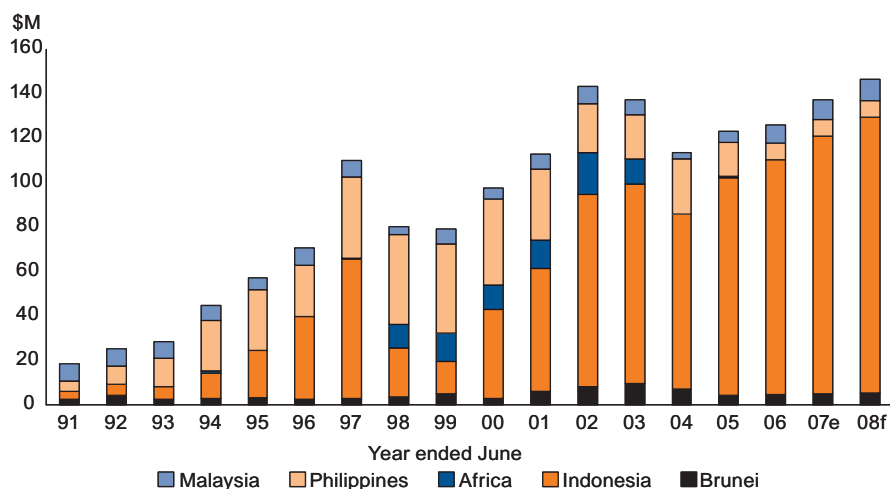
The majority of cattle destined for interstate markets are feeder cattle for further growing before slaughter and sale in the domestic and international markets. The fall in interstate cattle movements in 2005-06 largely reflects the effects of the drought, leading to lower interstate demand for feeder cattle. The large decrease in interstate cattle movements also led to overseas exports overtaking interstate destinations as the dominant destination for Territory cattle (Chart 16.2).

Of the cattle sent interstate from the Territory in 2005-06, Queensland was the main destination, comprising 73 per cent of the total interstate movement. South Australia took about 15 per cent and 12 per cent went to other jurisdictions. In 2005-06, the value of interstate trade for Territory cattle was \$93 million.

Historically, about two-thirds of beef produced in Australia is exported, mainly to the United States (US) and Japan. In 2005-06, Australian beef exports benefited from the absence of US beef from North Asian markets, due to continued bans associated with the discovery of bovine spongiform encephalopathy (BSE) in the US in 2003. The ban lifted beef and cattle prices, and boosted demand for Australian beef in Japan, Korea and Taiwan. Territory cattle represented about 42 per cent of total Australian

live cattle exports to all markets in 2005-06, up marginally on a revised 2004-05 figure. A total of 232 258 head of Territory cattle were exported to South East Asia in 2005-06, a 1.4 per cent decrease over 2004-05. The high value of the Australian dollar, higher Australian cattle prices, and strong competition from lower priced meat in South East Asian markets from South America and other Australian exporters, were the major factors inhibiting expansion in the Territory's live cattle export market. In 2005-06, total Territory live cattle exports were valued at \$126 million, up \$3 million from 2004-05.

Chart 16.3: Northern Territory Live Cattle Exports by Country of Destination



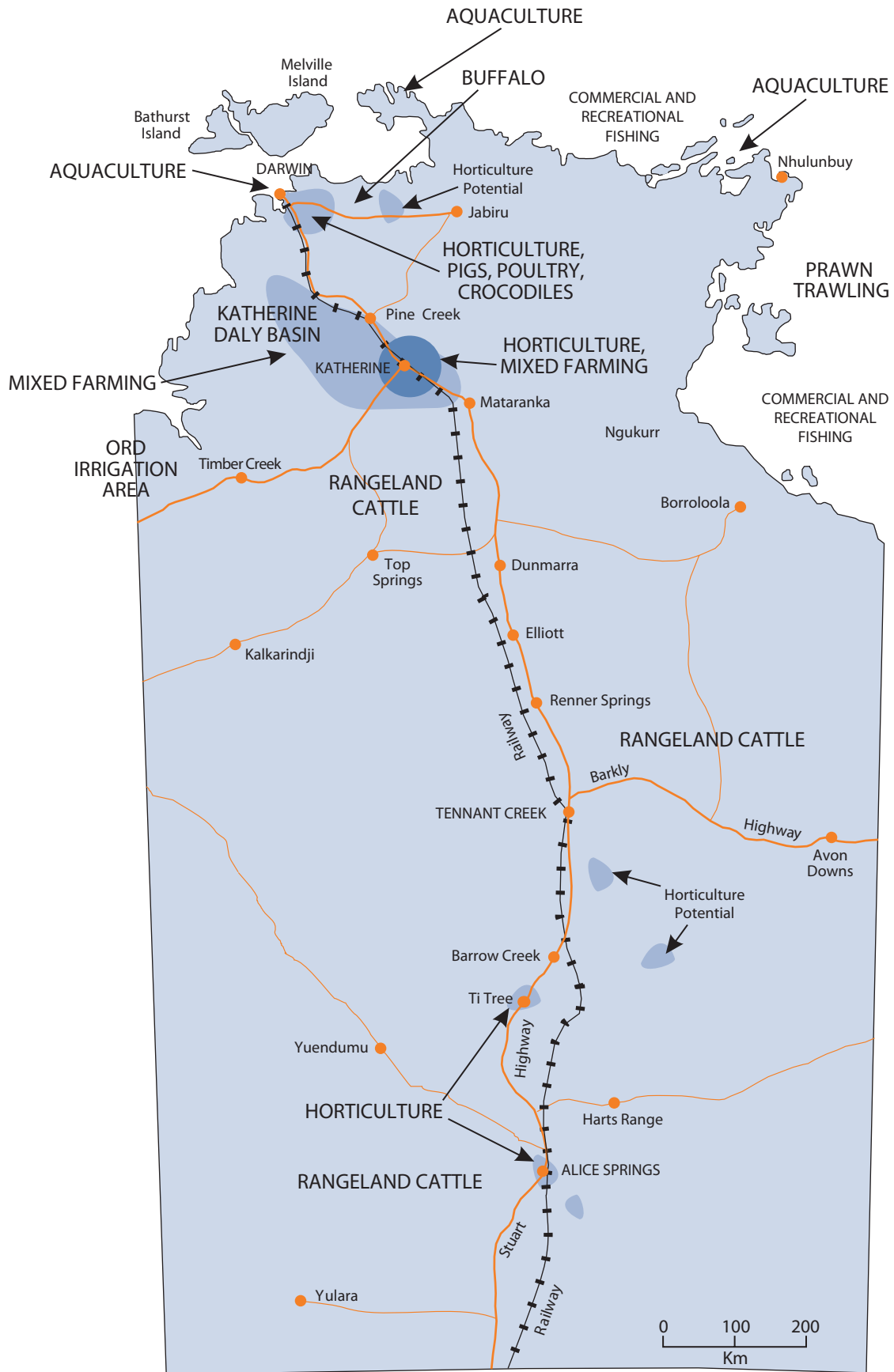
e: estimate; f: forecast

Source: Department of Business, Economic and Regional Development

Indonesia was the largest market for Territory live cattle exports, taking about 84 per cent of total live cattle exports. Exports to Indonesia increased by 6.0 per cent to 195 224 head in 2005-06, while the value of exports increased by 7.5 per cent to almost \$104 million. The Philippines imported 13 622 head of Territory cattle in 2005-06, a decrease of 53 per cent compared to 2004-05, and about 40 000 head lower than 2003-04. The decline reflects continued economic and political problems, the relatively low value of the Philippine peso and competition from cheap South American beef and Indian buffalo meat.

The financial performance of beef producers in the Territory fell in 2005-06, largely due to a fall in interstate cattle movements, while farm cash costs continued to increase as a result of beef cattle purchases to supplement herd rebuilding through natural increase. The Australian Bureau of Agriculture and Resource Economics (ABARE) estimates that the average farm cash incomes of Territory specialist beef cattle producers in 2005-06 fell by 57 per cent, as dry conditions continued to affect herd productivity and increased outlays on animal feed. However, there were considerable variations in farm financial performance between the pastoral regions and between large and small cattle enterprises.

Northern Territory Rural Industries and Fisheries



Cattle Outlook

The cattle outlook for the Territory is very much dependent on the economic conditions facing interstate and international markets. A recovery of herd numbers, which commenced in late 2006-07, is expected to continue in 2007-08, rebuilding low numbers after slaughtering due to the drought conditions in much of 2005-06. This decrease in production, and subsequent price increase, is forecast to lead to a 3 per cent decrease in domestic beef consumption. Australian beef exports are also forecast to fall by 3 per cent in 2007-08, however price rises will more than offset reduced production and result in an increase in the value of exports by 7 per cent.

In 2007-08, interstate cattle movements are expected to fall slightly, although increasing over the period to 2010-11. The interstate movement of Territory cattle generally reflects demand for meat both domestically and in Australia's beef export markets, in particular, Japan, the US and South Korea.

Territory live cattle exports to South East Asia are expected to increase slightly but will depend critically on exchange rate movements and price competition from cheaper substitutes (beef and buffalo meat) from the Asian subcontinent and locally supplied meats such as pork and chicken.

Other Livestock Industries

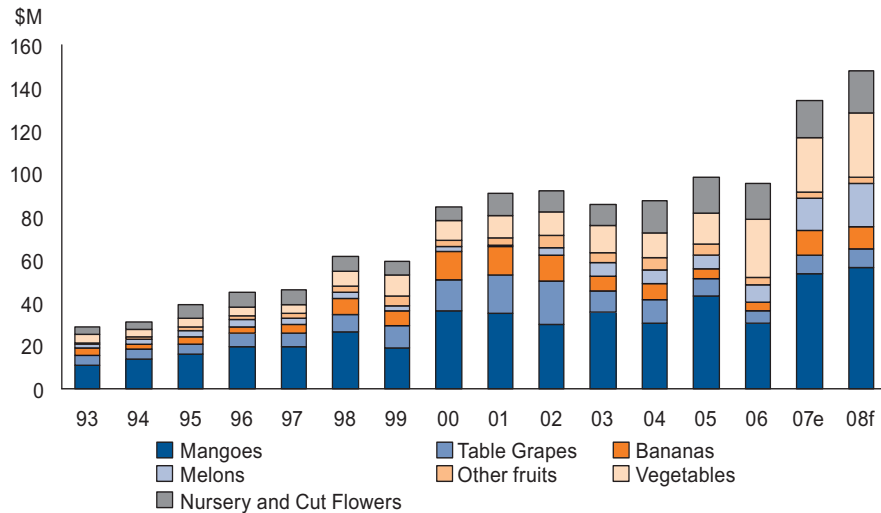
In 2006-07, the production value of other livestock industries in the Territory is estimated to be \$11 million, a marginal increase from 2005-06, contributing 2 per cent to the total value of Territory rural industries and fisheries. Other livestock industries supply eggs, poultry, pork and buffalo to local markets. Buffaloes, horses, camels, deer, pigs and goats are also exported live overseas, while horses, camels and crocodiles are exported live interstate. Crocodile skins and flesh are produced for local and export markets. Other livestock production is expected to increase slightly in 2007-08 and over the medium term.

Horticulture

The Territory horticulture industry includes fruit, vegetables, nursery products and cut flowers. Horticultural statistics are collected on a calendar year basis, corresponding to the harvesting season.

In 2006, the Territory horticulture industry is estimated to contribute 25 per cent to the total value of Territory rural industries and fisheries production. The value of horticultural production for 2006 is estimated to be around \$134 million, an increase of 40.2 per cent from 2005. The main reason for the increase is a large rise in mango production due to the biennial production cycle of mango trees, and substantial growth in the value of banana and melon production as shown in Chart 16.4.

Chart 16.4: Value of
Northern Territory
Horticultural Production



e: estimate; f: forecast

Source: Department of Business, Economic and Regional Development

The majority of Northern Territory horticultural production is destined for interstate markets. The main fruits produced in the Territory include mangoes, table grapes, bananas and rockmelons. In 2006, the value of fruit production is expected to rise by 74 per cent to \$53 million due largely to increased mango production.

The production of table grapes has been declining in recent years, primarily as a result of a high incidence of nematode infestation which depressed yields. The value of table grapes in 2006 is \$9 million, up from \$6 million in 2005. Established grape growers are implementing a five year vine replacement program, with stock tolerant of nematode infestation.

In 2006, although banana production is at a similar level to 2005, prices rose markedly following the almost complete destruction of Queensland banana plantations by Cyclone Larry in March 2006. The value of banana production is expected to have increased to \$11 million in the Territory. Despite the increase in the value of production in 2006 the banana industry faces substantial problems due to Panama disease, which has caused the closure of a number of plantations.

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 production from a number of traditionally mixed cropping farms. The Territory has the advantage of supplying off-season melons to southern states during the winter months. Territory melons have been successfully exported to Singapore, Malaysia and Hong Kong in the past and, if production continues to increase, they will probably again be exported to overseas markets.

Melon production in 2006 is similar to that in 2005. However, rockmelon prices have increased and the value of production is \$15 million, a 74 per cent increase from 2005.

The production of exotic fruits such as rambutan, jackfruit, dragon fruit, guavas, carambolas, Fiji apples/hog plums and star apples appears to remain steady in 2006 and prices, and therefore production values, remained largely unchanged. Territory vegetable production in 2006 is little changed from 2005. Prices of most vegetables have also remained largely unchanged so that the total value of vegetable production remained steady.

Horticultural Outlook

In the short term, the outlook for Territory horticultural production is expected to improve, driven mainly by an increase in mango production. In the longer term, favourable climatic conditions, a 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. At the same time, it is anticipated that economic conditions will result in the smaller horticultural producers exiting from the industry as it becomes dominated by fewer, but larger, producers.

As the large number of juvenile trees mature in coming years, further increases in the supply of mangoes are expected, ensuring that they remain the major horticultural output in the Territory for the foreseeable future. However, as mango production increases, a number of issues which are already emerging will intensify. These include labour supply, price pressure, the need to develop new markets as well as logistics/supply chain issues and quality assurance and control factors. The freight train service to the Territory is expected to continue to ease transport bottlenecks, especially for Katherine producers, where large volumes of mangoes have been transported by rail.

Until bananas resistant to Panama disease become commercially available, further industry development will be constrained. In the meantime, some banana growers are diversifying into other crops, such as rockmelons or watermelons, as a temporary measure. By mid 2007 prices had already returned to their already long-term average levels and are expected to remain stable as production levels in the Queensland banana industry continue to recover and bananas are imported into the Territory market from the Philippines.

Commercial growers of the newer exotic fruits, especially dragon fruit, are expected to experience growth in the short term, mainly as a result of overproduction in the Territory and Queensland.

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 for southern markets, continuing research and development of additional nursery varieties should result in production levels increasing.

Mixed Farming

Mixed farming includes hay and pasture seed production, cereal crops such as sorghum and maize, other crops such as peanuts, sesame and soybeans, and farm forestry. The value of field crop production in 2006-07 is estimated at \$18 million, an increase of 18 per cent from 2005-06. Field crop production is dominated by hay and fodder grown in the Katherine, Douglas/Daly and Darwin areas for the live cattle export industry.

With ongoing technological advancement in biodiesel technologies, and the success of corn, soy, and sugar cane crops used in the US and Brazil in the production of ethanol, there is growing interest in producing a soy crop in the Territory for biodiesel manufacture.

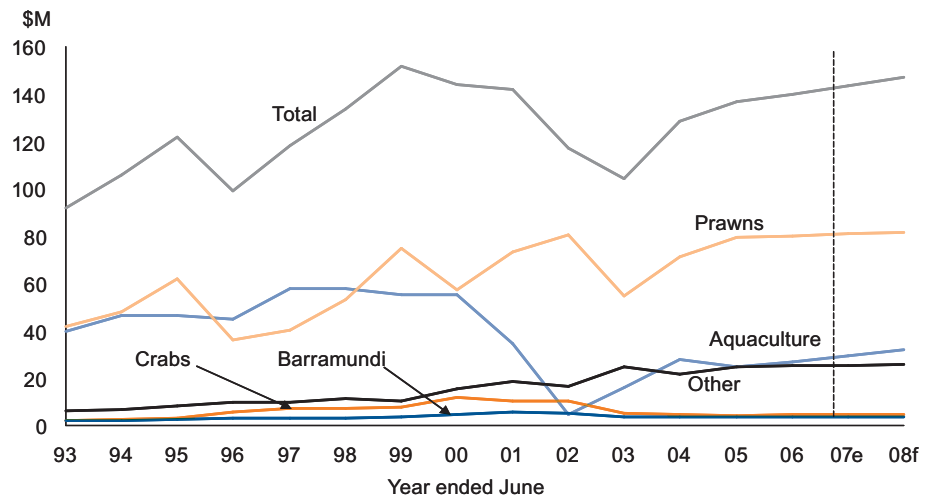
Due to confidentiality issues, farm forestry price data is not available for 2006-07, and 2005-06 estimates have been used. In 2006-07, the value of farm forestry is expected to remain steady.

Fishing

The Territory fishing industry comprises commercial, recreational and traditional Indigenous sectors. The commercial sector includes harvesting wild catch fisheries and aquaculture as well as the processing, trade and retailing of seafood. Statistics on the value of some components of past fisheries production have been revised during the past year.

In 2006-07, the value of Territory fisheries production increased by 3 per cent to \$144 million. This represents 27 per cent of the total value of rural industries and fisheries. This is the fourth consecutive year of growth in the value of fisheries in the Territory since the low levels recorded in 2002-03. Historically, the value of production of fisheries in the Territory has fluctuated widely due to climatic and demand conditions (Chart 16.5).

Chart 16.5: Value of Northern Territory Fishing Production



e: estimate; f: forecast

1 Aquaculture is predominantly pearls, but also includes prawn and barramundi aquaculture

2 Other includes species of finfish, crustaceans, molluscs and echinoderms

Source: Department of Business, Economic and Regional Development

Prawn and aquaculture production (primarily pearls and barramundi) are the major components of fishing output. Combined, these two sectors historically account for around three-quarters of the value of Territory fisheries production. A sharp fall in the value of aquaculture production in 2000-01 was associated with a dramatic decline in international pearl prices and major producers delaying harvest. The value of aquaculture production has improved in recent years, although only at half the value of the 1990s.

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 boats in 2004.

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

Recreational fishing is one of the most popular leisure activities in the Territory. Latest estimates place spending on recreational fishing in the Territory at almost \$35 million per annum. Recreational fishing is also an important tourism segment, especially in the Top End and around Borroloola, with up to 25 per cent of expenditure attributed to visitors to the Territory.

Fishing Outlook

The March 2007 Federal Court decision in the Blue Mud Bay case has created uncertainty for commercial and recreational fishers in the Northern Territory. Pending an appeal to the High Court, the decision extends traditional Indigenous owners' freehold title to the low-water mark on Aboriginal land, granting the right to exclude people from waters overlying that land. A temporary licensing scheme for recreational and commercial fishers is being established in the interim to maintain the status quo.

Steady growth in the gross value of production is forecast for 2006-07 and 2007-08, driven mainly by growth in the aquaculture sector.

Aquaculture is forecast to expand by 8 per cent in 2007-08 to slightly more than \$30 million. The positive outlook is influenced by a number of potential developments, including a major expansion in the farmed barramundi industry and a large scale trepang hatchery, currently in its pilot phase on Channel Island.