

## Chapter 17 Rural Industries and Fisheries

### Key Points

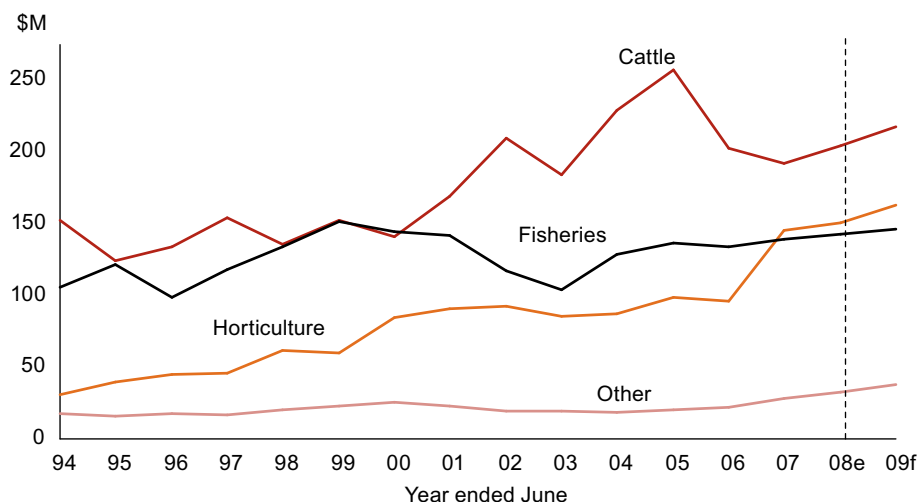
- » Rural industries and fisheries accounted for 2.2 per cent of Territory GSP in 2006-07 and 2.4 per cent of resident employment.
- » The value of rural industries and fisheries production is estimated to be \$532 million in 2007-08, an increase of 5 per cent from 2006-07.
- » The cattle industry is the largest contributor to rural industries and fisheries in the Territory making up approximately 38 per cent of total estimated production value in 2007-08.
- » The value of production is forecast to increase by 6.4 per cent to \$566 million in 2008-09.

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 2.2 per cent of Territory gross state product (GSP) in 2006-07 and 2.4 per cent of resident employment.

In regional and remote areas, rural industries are vital to the local economy, providing direct employment for about 1329 people and making up approximately 18 per cent of rural employment. In addition, rural industries represent an important source of economic development for other rural-based industries, such as retail and wholesale trade, manufacturing and construction. The export revenue from rural production accounts for an important share of total Territory export revenue, with the total value measured at \$174 million for 2006-07, or 4.3 per cent of total exports.

Chart 17.1: Rural Industries and Fisheries, Value of Production (nominal dollars)



e: estimate; f: forecast

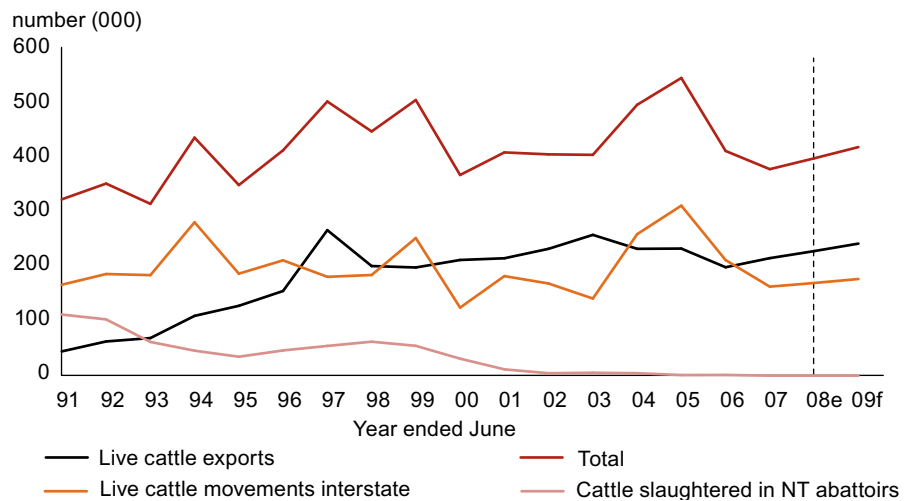
Source: Department of Business, Economic and Regional Development

### Cattle

The cattle industry remains the largest contributor to the rural industries sector making up 39 per cent of rural industries and fisheries estimated production value in 2007-08. The flow-on effects from the cattle industry, particularly transport and retail trade, are major contributors to regional economies in the Territory.

The value of Northern Territory cattle production for 2007-08 is estimated at \$205 million, up 6.4 per cent from 2006-07.

Chart 17.2: Total Northern Territory  
Cattle Movements



e: estimate; f: forecast

Source: Department of Business, Economic and Regional Development

In 2006-07, it is estimated that 380 506 cattle were turned off Territory pastoral properties, a decrease of 33 529 (8.1 per cent) for the year. This represents a decrease in value of cattle production of \$10 million down to \$193 million in 2006-07.

Northern Territory cattle producers are highly influenced by economic conditions in interstate and international markets. In 2006-07, 57 per cent of Territory cattle turned off were exported, while the remaining 43 per cent were destined for interstate markets. The lack of a commercially operational abattoir in the Northern Territory meant that almost no cattle were slaughtered in the Territory in 2006-07, with all meat products slaughtered interstate or overseas.

### Interstate Trade

The declining trend in interstate cattle movements through 2007 reflected drought conditions in southern states and has led to a 23 per cent decrease in interstate cattle movements. Live cattle export numbers rebounded by 8.4 per cent in 2006-07 after a fall in the previous year. Despite this improvement in exports, total cattle movements fell by 8.1 per cent in 2006-07.

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 drought in southern states continued to affect interstate cattle movements in 2006-07 as demand for feeder stock fell.

Of the cattle sent interstate from the Territory in 2006-07, Queensland was the main destination, comprising 75 per cent of the total interstate movement. Western Australia took about 15 per cent, while 11 per cent went to other jurisdictions. In 2006-07, the value of interstate trade for Territory cattle was \$72 million.

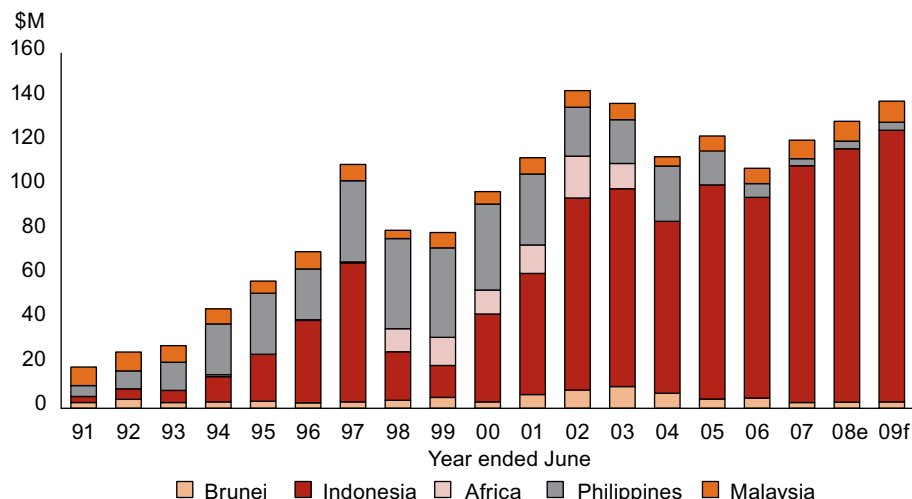
### Cattle Exports

Historically, about two-thirds of beef produced in Australia is exported, mainly to the United States (US) and Japan. In 2006-07, 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 on US beef increased beef and cattle prices in these markets, and boosted demand for Australian beef in Japan, Korea and Taiwan. Territory cattle represent an estimated 34 per cent of total Australian live cattle exports to all markets in 2007-08. A total of 216 557 head of Territory cattle were exported to South East Asia in 2006-07, an 8.4 per cent increase over 2005-06 but still well below the highs of 2001-02. Several factors have inhibited the expansion of the Territory's live cattle export market. These include the high value of the Australian dollar, higher Australian cattle prices, and strong competition from lower priced meat in South East Asia and

South America, and from other Australian exporters. In 2006-07, total Territory live cattle exports were valued at \$121 million, up \$13 million from 2005-06.

Chart 17.3: Northern Territory Live Cattle Exports by Destination



Source: Department of Business, Economic and Regional Development

Indonesia was the largest market for Territory live cattle exports, accounting for about 90 per cent of the total (Chart 17.3). Exports to Indonesia increased by 13.9 per cent to 193 982 head in 2006-07, while the value of exports increased by 18.0 per cent to almost \$107 million. Malaysia imported 12 891 head of Territory cattle in 2006-07, an increase of 20 per cent compared to a 16 per cent fall in 2005-06. Increasing prices and a strong Australian dollar in 2006-07 have seen exports to the Philippines decreasing from levels achieved in 2003-04 by 51 per cent in 2006-07, with Queensland and international producers gaining a greater share of the market. Cheaper South American beef and Indian buffalo meat were the main sources of international competition for Territory exports.

## Farm Performance

The financial performance of beef producers in the Territory improved in 2006-07, largely due to better seasonal conditions and increased cattle numbers. Farm cash costs continued to increase as a result of spending on freight and fodder. The Australian Bureau of Agriculture and Resource Economics (ABARE) estimates that the average farm business profits of Territory producers increased by 47 per cent in 2006-07, at odds with other states where dry conditions continued to affect herd productivity. However, there were considerable variations in farm financial performance between the pastoral regions and between large and small cattle enterprises.

## Cattle Outlook

### Territory Cattle

The Territory cattle industry is dependent largely on the economic conditions facing interstate and international markets. In the short to medium term, increased competition in international markets will push prices downward. The ratification of a free trade agreement between Korea and the US, and weaker demand from Japan, are the primary causes of the estimated fall in the future export price of Territory beef. Lower export levels to Japan and Korea will be partially offset by growth in the US and South East Asian region. Higher grain prices and a strong Australian dollar will also detract from export growth in 2008-09.

The outlook for 2008-09 is expected to see the continuing recovery of herd numbers, rebuilding low numbers after slaughtering due to the drought conditions in previous years. In 2008-09, interstate cattle movements are expected to increase slightly, growing stronger 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. With the alleviation of Japanese concerns over BSE from markets outside Australia, Japanese domestic consumption of beef should return to 2000 levels. A lower Australian dollar should see a rise in Australian exports to 2012-13. Interstate demand is also largely affected by environmental factors such as drought.

Australian live cattle exports are also forecast to increase by 3 per cent to 700 000 head of cattle in 2008-09. The price is forecast to rise over the same period, partially offset by the strength of the Australian dollar. 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 (buffalo meat and lower quality beef imports) from the Asian subcontinent and locally supplied meats such as pork and chicken.

### Future Market Developments

Indonesia remains a growth area for Territory live cattle exports. Its large population and economic development have seen trend levels of beef consumption increase in the past decade. Territory exporters are heavily reliant on the Indonesian market, so trade links are crucial to the health of Territory beef producers. One possible future development of the Indonesian market could see a meat manufacturing plant open in Indonesia, where Territory beef is processed for on-sale throughout Asia.

In March 2008, the Northern Territory's cattlemen's and livestock exporters associations announced that they were meeting with the Vietnamese Government and potential buyers of cattle, possibly adding a new cattle export market in the next two years and decreasing the reliance of Territory producers on the Indonesian market.

### Other Livestock Industries

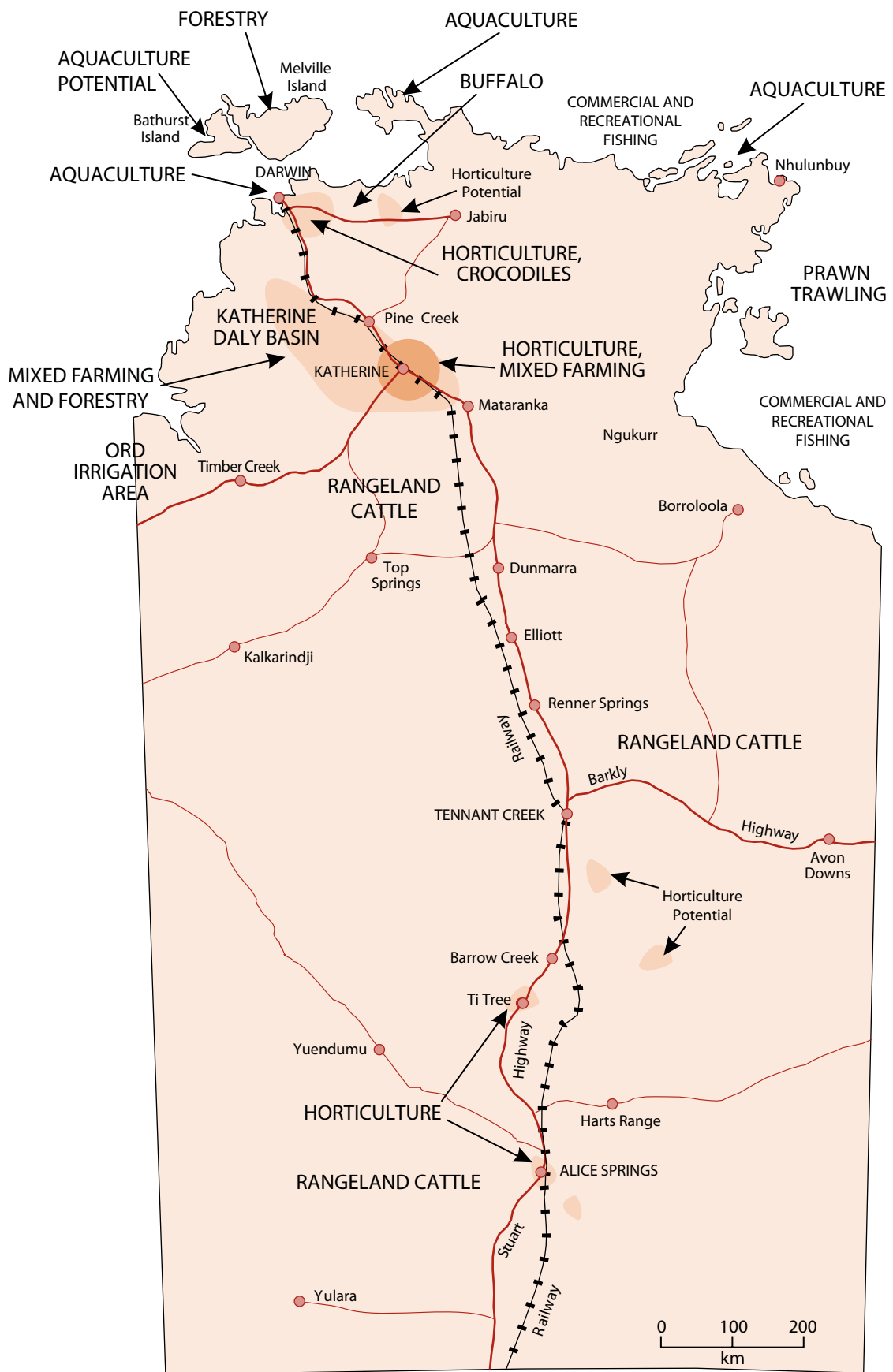
In 2007-08, the production value of other livestock industries in the Territory is estimated to be \$11 million, a 4 per cent increase from 2006-07, contributing 2 per cent to the total value of Territory rural industries and fisheries. Other livestock includes the live export of buffaloes, horses, camels, deer, pigs and goats, while horses, camels and crocodiles are exported live interstate. Crocodile skins and flesh are produced for local and export markets.

#### Buffalo

Several issues were faced by Territory buffalo producers in 2007-08. These included the closure of the local Darwin abattoir, cheaper low quality competition from India, and the loss of Brunei as an export market. To overcome these difficulties, producers have been looking toward developing stocks of the Riverina (premium) buffalo which offer higher growth rates and a better product for consumption. Other opportunities also lie in dairy buffalos for cheese production. The market for dairy buffalo is in southern states and in New Zealand where buffaloes have already been exported for this purpose.

The outlook for Territory production of other livestock in 2008-09 and over the medium term is for a slight increase. This will depend on the ability of the industry to meet the challenges of price and demand both internationally and domestically. The lack of a local abattoir has halted the supply of local meats to market and will see a reduction in competition and availability of locally produced meats.

Map 5: Northern Territory Rural Industries and Fisheries

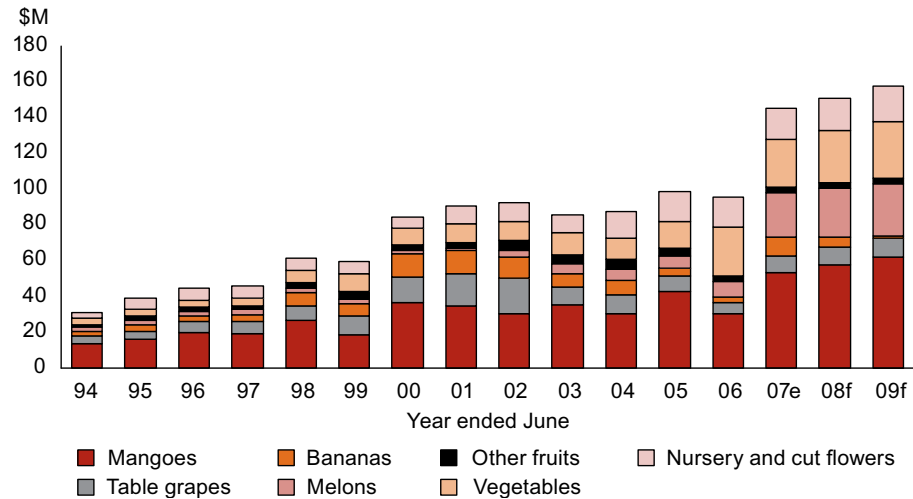


## Horticulture

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

In 2007, the Territory horticulture industry is estimated to have contributed 29 per cent to the total value of Territory rural industries and fisheries production. The value of horticultural production for 2006-07 is estimated to be around \$145 million, an increase of 52 per cent from 2005-06. The main reason for the increase is a rise in mango production due to the biennial production cycle of mango trees, and substantial growth in the value of vegetables and melon production as shown in Chart 17.4.

Chart 17.4: 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. Historically, the main fruits produced in the Territory include mangoes, table grapes, bananas and rockmelons. In 2006-07, the value of fruit production is expected to rise by 95 per cent to \$101 million, due largely to increased mango and melon production.

**Mangoes** Mango production is the largest contributor to horticultural industry in the Territory. In 2006-07, the estimated value of mango production in the Territory rose 74 per cent to \$53.4 million. The mango industry continued to develop, with large companies consolidating their market position. A small number of large companies are now producing the majority of mangoes in the Territory.

**Grapes** The production of table grapes has been declining in recent years, as a result of a high incidence of nematode infestation which depressed yields and forced some producers to re-plant crops and other producers to leave the market. Increased competition from Queensland growers also forced prices to fall in 2007, pricing Territory producers out of the market. Nevertheless, the estimated value of table grapes in 2006-07 was \$9 million, up from \$6 million in 2005-06. Established grape growers are implementing a five-year vine replacement program, with stock tolerant of nematode infestation.

**Bananas** In 2007, banana production fell as production in the eastern states recovered in the aftermath of Cyclone Larry that decimated banana plantations in March 2006. Prices fell markedly as production throughout Australia recovered. Panama disease continues to plague the banana industry in the Territory, causing the closure of a number of plantations and reduced production of infected banana plants.

**Melons** 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. Territory producers continued to consolidate their melon farming practices in 2007, increasing the estimated value of production by 8 per cent in 2007 and continuing to exploit their 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 value jumped in 2006-07 by 191 per cent to \$25 million due to strong prices and increased production. The further use of contract melon growers in 2008-09 is expected to further consolidate the melon industry in the Territory.

**Exotic Fruits** The production of exotic fruits such as rambutan, jackfruit, dragon fruit, guavas, carambolas, Fiji apples/hog plums and star apples remained steady in 2007.

**Vegetables** Territory vegetable production in 2007 benefited from supply shortages in southern states caused by drought conditions. After remaining largely unchanged in 2006, large gains were made in 2007 and the estimated value of the vegetable industry in the Territory increased to \$29 million in 2007-08.

**Forestry** Forestry plantations continue to be a growth area for Territory rural industries. Plantations on the Tiwi Islands continue to grow towards maturity with an expected initial harvest estimated in 2012. Infrastructure and labour shortages exist on location in the Tiwi Islands and are the major constraints on the expansion of the industry. African mahogany planting in the Douglas Daly region is another area being developed by agricultural investment companies in the Territory. Plantations will potentially exceed 40 000 hectares, with harvesting estimated to begin in 2028. These hardwoods are expected to be exported to Asia.

High levels of forestry investment in the Douglas Daly region by hardwood plantation companies in 2007-08 are leading to a land use change in the region. This has historically been a cattle producing region, however the moratorium on land clearing in the region has restricted the supply of land with water licences. This finite supply and increased demand from the private sector is changing land values. Companies such as Great Southern are accumulating Douglas Daly land to plant tropical hardwoods for future harvest, an industry that has been booming in recent times. This boom comes on the back of dwindling supplies of global high value timbers, which have suffered from years of native deforestation and poor harvesting practices in the developing world. Global demand has been increasing steadily for decades and it is this market opportunity that agribusiness investors are looking to exploit in the Douglas Daly region.

## Horticultural Outlook

In the short term, Territory horticultural production is expected to improve, driven mainly by an increase in mango and melon production. The consolidation of the industry will continue, with economic conditions pushing smaller producers out of the market in favour of larger, more professional producers. 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.

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

**Bananas** Banana plantations in the Territory continue to suffer from Panama disease and will do so until a disease resistant strain of banana can be found. Production levels continue to fall and if a resistant strain is not found, the continuing commercial viability of the industry is in question. Banana growers will continue to diversify into other crops such as rockmelons or watermelons, as a temporary and possibly permanent measure. After prices returned to long-term average levels in 2006-07, they are expected to remain stable as production levels in the Queensland banana industry continue to recover. A decision from the Commonwealth is expected in the third quarter of 2008 on whether to allow banana imports from the Philippines, which will have supply and price implications for the Australian banana industry. Previously, frozen bananas have been imported to Australia from Vietnam.

**Grapes** The outlook for table grape growers is also uncertain as lower prices from interstate producers and production problems due to the nematode infestation threaten the industry. Although re planting is taking place, several producers have left the industry and volumes are set to fall in the short to medium term.

**Other Horticultural Developments** Commercial growers of the newer exotic fruits, especially dragon fruit, are continuing to search for viable markets in the short term, as they attempt to consolidate a market position for their products.

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, inroads have been made into the Dubai market. Continuing research and development of additional nursery varieties should result in production levels increasing.

The long-term future of hardwood plantations looks promising in the Territory. If Territory plantations can overcome the substantial issues of environmental impacts, labour shortages and infrastructure problems, output from the Tiwi Islands in 2012 and Douglas Daly in 2028 looks promising.

The Peanut Company of Australia's peanut farm in Katherine is another promising horticulture industry in the Territory. A moratorium on water licences in the region is, however, constraining growth of the farm. If the water plan currently under development is finalised, production benefits could be seen in the long term.

## Mixed Farming

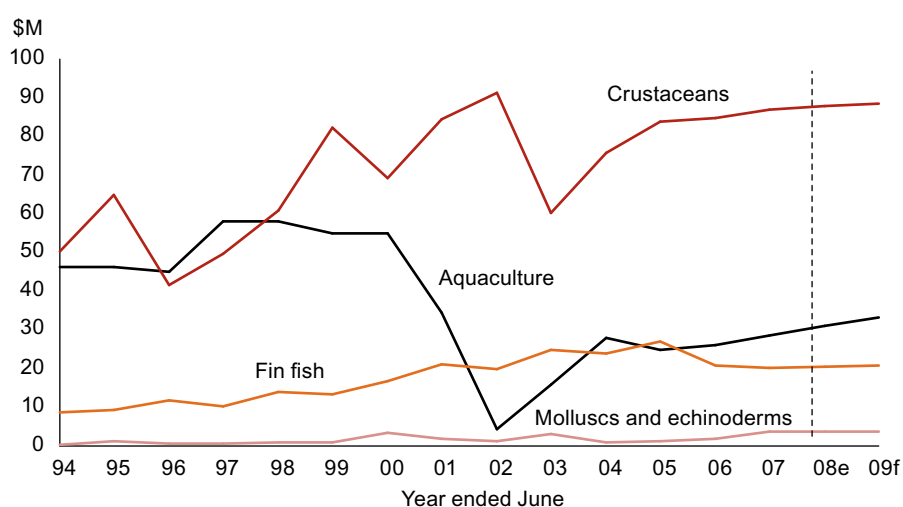
Mixed farming includes hay and pasture seed production, cereal crops such as sorghum and maize, other crops such as peanuts, sesame and soybeans, and farm forestry. The value of field crop production in 2007-08 is estimated at \$23 million, an increase of 22 per cent from 2006-07. Field crop production is dominated by hay and fodder grown in the Katherine, Douglas Daly and Darwin areas for the live cattle export industry.

## 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 2007.

In 2007-08, the value of Territory fisheries production, including the Commonwealth Northern Prawn Fishery (CNPFF), is estimated to increase by 2.5 per cent to \$143 million. The CNPFF is Australia's most valuable Commonwealth-managed fishery and lies off the coast of Northern Australia. Territory fisheries production represents 27 per cent of the total value of rural industries and fisheries. This is the second consecutive year of growth in the value of fisheries production in the Territory. In the last five years, since the low levels recorded in 2002-03, the industry has grown by 37 per cent. Historically, the value of production of fisheries in the Territory has fluctuated widely due to environmental and demand conditions (Chart 17.5).

Chart 17.5: Value of Northern Territory Fishing Production



e: estimate; f: forecast

Source: Department of Business, Economic and Regional Development

### Commercial Fishing and Aquaculture

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 to half the value of the 1990s.

Effective management of fisheries and resource sharing between commercial and recreational fishers 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 in licences and gear resulting in boat numbers falling from about 350 in the early 1980s to 95 boats in 2004. Boat numbers continue to fall as many fishermen are being priced out of the market by cheaper imports and higher fuel costs.

Other adjustment measures have included a voluntary buyback of 9 of the 14 coastal netting licences, gear restrictions, seasonal closures, river closures 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. The closure of Darwin Harbour and Shoal Bay from coastal net

fishing from February 2008 is the most recent measure to conserve Territory fisheries.

The threat of illegal fishing within Territory waters has diminished in recent times with stringent monitoring of Australian waters by Australian customs and defence resources.

A recent Commonwealth assessment of the Territory commercial fishing industry has resulted in several participants being given the highest level of accreditation, meaning the fisheries are healthy, well managed and ecologically sustainable. These industry participants include shark and mackerel, aquarium, demersal, finfish trawl, mud crab, Timor Reef and trepang fisheries. The shark and mackerel industry harvests 1292 tonnes of fish annually and injects an estimated \$4.34 million into the Territory economy.

Barriers to entry remain a major problem in the development of offshore commercial fisheries. Lack of infrastructure and transport costs are the main barriers, currently inhibiting the growth of commercial fisheries, as infrastructure and freight problems restrict the viability of some remote sustainable fisheries.

### Recreational Fishing

Recreational fishing is one of the most popular leisure activities in the Territory. In 2000-01, the Department of Primary Industry, Fisheries and Mines attributed approximately \$35 million to spending on recreational fishing in the Territory. Recreational fishing is an important tourism activity, especially in the Top End, with up to 25 per cent of Territory tourism expenditure attributed to recreational fishing visitors. The closure of Darwin Harbour and Shoal Bay to inshore commercial coastal net fishing in February 2008 will see an improvement in fishing stock and recreational fishing. This will ensure the long-term protection and sustainability of the fishing industry, acting as a drawcard for Territory tourism in the future.

### 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. 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. An appeal to the High Court was heard on 4 December 2007. Pending this decision, a temporary licensing scheme for recreational and commercial fishers has been established to maintain the status quo.

Moderate growth in the gross value of production is forecast for 2007-08 and 2008-09, driven mainly by growth in the aquaculture sector. Development in the industry is set to be constrained by the cost-price squeeze affecting fisheries producers, as a strong Australian dollar, rising interest rates, high labour costs, increasing fuel prices and cheaper imported fish all combine to lower profits by increasing input costs and lowering the base market price.

Aquaculture is forecast to expand by 7 per cent in 2008-09 to an estimated \$31 million. The positive outlook is influenced by a number of potential developments, including a major expansion in the farmed barramundi industry and an extension of the trepang hatchery currently in its pilot phase on Channel Island.

In the medium term, several areas of growth could add to Territory fisheries production. The Tiwi Islands barramundi farm is currently attracting investors and could be one of the potential developments. Expansion in the remote fisheries is another possible commercial fishery opportunity that may open up in the medium term if limited infrastructure in remote areas is improved.