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“The Northern Professionals”

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Agriculture in the Cairns/ Tropical North Queensland Region “The New Wave”

Agriculture and the other primary industries earn of the order of \$2bn a year for the region. Tourism \$3bn.

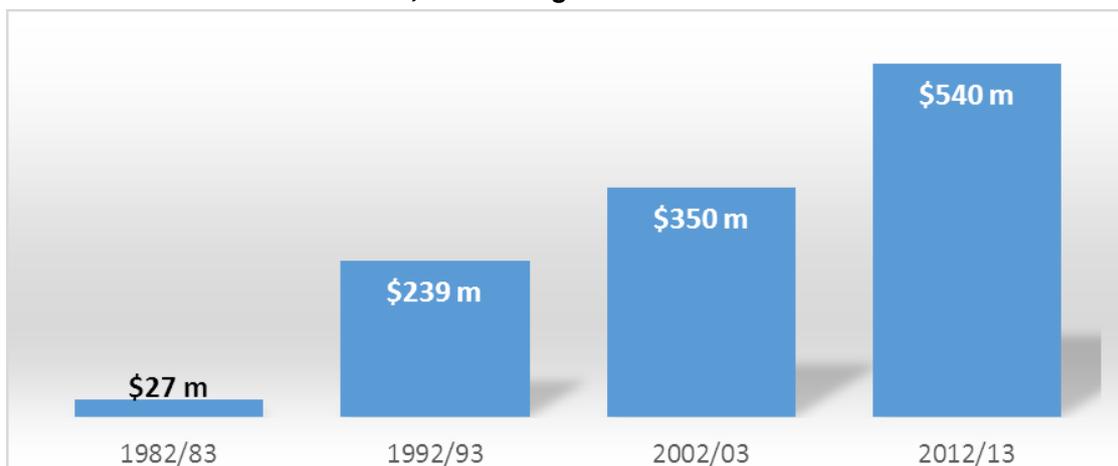
A major feature of the White Paper on the development of northern Australia has highlighted the potential of tropical Australia to expand agricultural production.

The Cairns/Far North region has the potential to play the leading role in this.

The Cairns/Far North Queensland region accounts for 26 per cent of Australia’s water run-off and 60 per cent of Queensland’s. While it is the largest primary production region in northern Australia, it still only accounts for about 3 per cent of Australia’s value of agricultural production.

Over the past thirty years, agriculture overall has been a growth sector in the economy with a major new sector developing of fruit production (see chart).

Gross Value of Fruit Production, Cairns Region



Source: Cummings Economics from ABS data.

The region is now Australia’s third largest fruit producing region after Victoria’s North-West (Mildura) region and South Australia’s South-East corner south of Adelaide and east to Renmark (see Table below).

Fruit Production Australia – Major Fruit Producing Regions ⁽¹⁾, 2012-13

| <u>Major Fruit Producing Regions</u> | <u>Fruit excl grapes</u> | <u>Grapes</u> | <u>Total</u> |
|---------------------------------------|--------------------------|---------------|-------------------|
| Victoria's North-West | \$463.85 m | \$288.31 m | \$751.16 m |
| South Australia's South-East | \$296.45 m | \$367.56 m | \$664.01 m |
| Queensland's Cairns Region | \$524.71 m | - | \$524.71 m |
| New South Wales' Murray plus Riverina | \$340.54 m | \$129.90 m | \$470.44 m |
| Victoria's Shepparton | \$350.25 m | \$4.97 m | \$355.22 m |
| Queensland's Wide Bay | \$225.78 m | \$2.65 m | \$228.43 m |
| cf: | | | |
| WA – whole of State | \$237.98 m | \$79.63 m | \$317.61 m |
| NT – whole of NT | \$58.48 m | \$0.97 m | \$59.45 m |
| Tas – whole of State | \$112.61 m | \$28.05 m | \$140.66 m |
| SA – Other | \$132.15 m | \$83.95 m | \$216.10 m |
| Vic – Other | \$267.98 m | \$30.61 m | \$298.59 m |
| NSW – Other | \$314.94 m | \$98.82 m | \$413.76 m |
| Qld - Other | \$334.74 m | \$47.92 m | \$382.66 m |

⁽¹⁾ **Note: Regions defined by Australian Bureau of Statistics, Statistical Area Level 4 (SA4).**

Source: Cummings Economics from ABS Cat No. 7503.0.

Much of the increased production taking place in this field is in the Tablelands/Cooktown district.

The Hann Highway will open up a direct sealed route to Melbourne and Adelaide (attached is an article with some background including other aspects).

Beef production from the region has also been expanding. Improved cattle breeds, improved supplements, fencing and water points have led to expanding cattle numbers. With 45 per cent of cattle numbers on 40 per cent of the land area, there are now more cattle numbers per hectare in northern Australia than in the south. Cattle numbers increased 37 per cent from the early 1990s to 2011. Supporting the expansion has been growing markets nearby in Asia, expanding from Indonesia and the Philippines, to Cambodia and Vietnam, and with the Free Trade Agreement opening up in China.

Asia's growing market for protein foods as incomes rise is likely to see this trend continuing well into the future for expanding markets for live cattle and beef.

Historically, crop production in the region has been mainly along the tropical coast and Tablelands. Clearly there is a major trend to expansion west into the Gulf and north into the Peninsula. The Mitchell River Basin including major tributaries of the Walsh, Palmer and Lynd has an average annual water run-off just behind the whole Murray Darling Basin. Based on the Tinaroo Dam (see Table), Tinaroo Dam Scheme has resulted in expansion of irrigated cropping into the Walsh catchment. Nullinga Dam on the Walsh River, apart from helping Cairns' long-term water security, will expand irrigation water available in the Walsh catchment.

Comparative Water Run-off, River Basins

| <u>River Basins</u> | |
|----------------------|-------------------|
| Mitchell Basin | 22.95m megalitres |
| Murray Darling Basin | 23.87m megalitres |
| Gilbert Basin | 4.38m megalitres |
| Ord Basin | 4.70m megalitres |
| Fitzroy Basin | 5.38m megalitres |
| Burdekin Basin | 8.17m megalitres |

Source: Cummings Economics from Australian Land and Water Resource Atlas.



The Gilbert River Basin including its major tributaries, the Einasleigh and Etheridge, have a water run-off equivalent to the Ord, 80 per cent the Fitzroy Basin and about half the Burdekin (see Table).

The frontier for sorghum cropping (long established in Central Queensland), is moving north., Strathmore Station is reported to have a program to bring into production by 2020, some 60,000 ha, mainly for sorghum and associated beef production. The IFED scheme based on harvesting flood flows from the Einasleigh and Etheridge Rivers is proposing large areas of sugar and beef production including a sugar mill and meatworks in a scheme involving an investment of \$1.9bn and annual output of over \$800 million a year.

These schemes promise to add thousands of direct jobs in the region and transform the economy of the Gulf Savannah Development region.

To the north, the cropping production is now firmly entrenched in the Lakeland/Cooktown district and up to a value of \$40 million a year. With investment in supplementary water storage, it is set to expand substantially.

The \$200 million investment in sealing the Peninsula Development Road will make a major difference to economic prospects in that area. Queensland Department of Primary Industry reports have identified of the order of two million ha of soils suitable for cropping in the area.

With suitable investment, a potential for a major increase in pastoral industry output has been identified. Weipa provides an existing developed deep-water port nearby.

The region's growing agricultural base has in the past had a substantial impact on the growth of Cairns as the servicing centre for the region.

Expansion of the region's primary industries promises to be a continuing growth element in the future.

Sealing the Hann Highway Opening New Commercial Ties with Melbourne and Adelaide

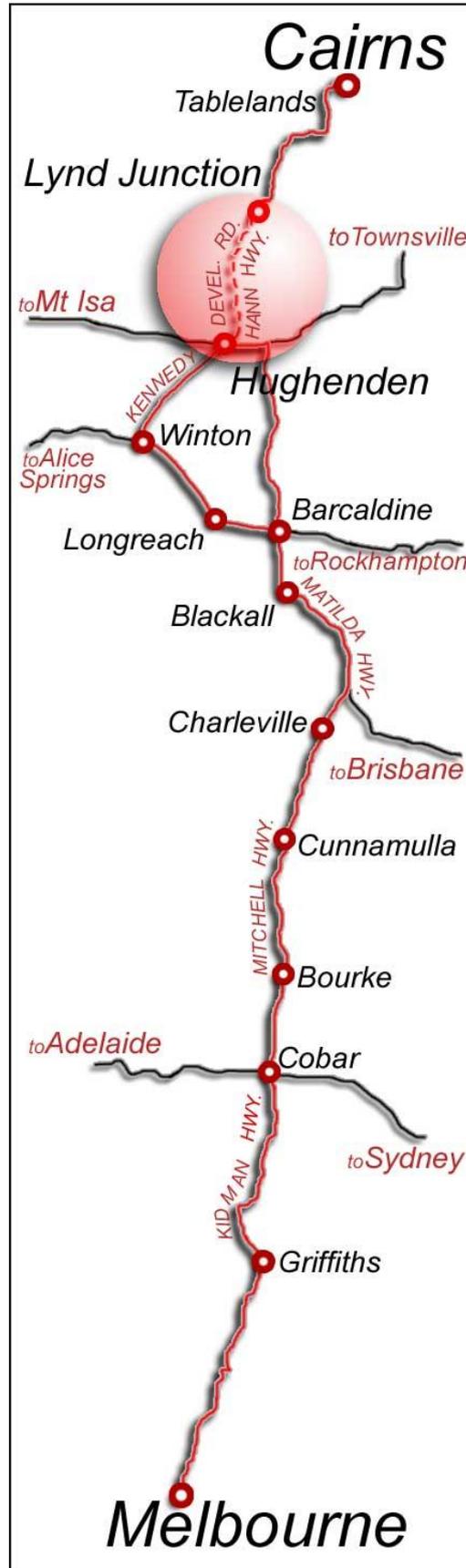
After years of lobbying by various organisations in the region, including the Cairns Chamber of Commerce, the final 100km unsealed section of a direct road route to Melbourne and Adelaide is due to be sealed over the next few years.

Geographically, Cairns and the Tablelands lie directly north of Melbourne. Road routes that follow the coast via Brisbane and Sydney take traffic out hundreds of kilometres to the east.

The direct north south route via the Hann Highway link through Hughenden, Barcaldine, Charleville, Cobar, Griffith to Melbourne, cuts off approximately 800km compared to the coastal routes.

It is a route that is highly freight efficient enabling triple road trains to pass down as far as Burke in New South Wales. It is largely a flat lightly trafficked route and less subject to flooding than coastal routes. Apart from cost savings in landing far northern produce in Melbourne and Adelaide, and even to some extent in Sydney and Perth, it opens up prospects of cheaper transport of goods from these areas direct into the North. The link provides more direct tourism links between the iconic areas of the Far North and the Central West Waltzing Matilda country and potentially in the future, via improved roads links to the Alice Springs Red Centre area.

It also assists cattle industry movements.



Extract – “The Tropical Dimension”, W S (Bill Cummings)

Beef Cattle Capacity of Northern Australia

| <u>Region</u> | <u>Cattle number m. head</u> | <u>Turn-off m. head</u> |
|-------------------------|----------------------------------|-----------------------------|
| Kimberley | 1.2 | 0.2 |
| Arnhem-Victoria-NT.Gulf | 5.0 | 1.0 |
| Barkly | 0.6 | 0.2 |
| Peninsula | 2.3 | 0.5 |
| Qld Gulf | 2.7 | 0.6 |
| Centre | 0.4 | 0.1 |
| Channel | 0.6 | 0.3 |
| Qld West | 0.8 | 0.2 |
| Brigalow-Qld Coast | 14.9 | 6.0 |
| Total | 28.5 | 9.1 |

Note: Average annual turn-off of total cattle numbers – 31.5 percent.

Source: Cummings Economics from “Beef in Northern Australia, Kelly IH Potential”.

Much of Australia’s exports at the time were based on ‘hamburger’ grade exports to the USA and a growing trade with Japan.

Unfortunately rising cattle numbers led to an oversupply and world beef prices collapsed by the mid-1970s. As a result, for some time, there was little incentive for graziers to invest in improvements in water points, fencing and improved pastures to achieve higher carrying capacity entailed.

Current cattle numbers are now up to about a half of Kelly’s estimates. A combination of proximity to growing Asian markets, improved breeds, investment in management, and the past development of specialised livestock carriers, has made the northern cattle industry a success story. From a situation in the early 1990s when beef cattle numbers in the North were about half those in the South (34 per cent of total Australia), numbers of beef cattle in northern Australia had drawn up to being 82 per cent of the South by 2010/11. At 45 per cent of total for Australia, beef cattle per hectare of area in northern Australia now exceeds numbers in southern Australia per hectare.

Numbers of Beef Cattle

| | <u>Aust</u> | <u>Non Tropical</u> | | | | | | | <u>Tropical</u> | | | | <u>Tropical % of total</u> |
|--------------|-------------|---------------------|------------|-----------|------------|--------------------|-------------------|----------------------|-----------------|-----------|-----------|----------------------|------------------------------------|
| | | <u>NSW</u> | <u>Vic</u> | <u>SA</u> | <u>Tas</u> | <u>Bal Qld</u> | <u>Bal WA</u> | <u>Sub total</u> | <u>Qld</u> | <u>NT</u> | <u>WA</u> | <u>Sub total</u> | |
| Av 1992-1994 | 24573 | 6459 | 3819 | 1162 | 621 | 3065 | 993 | 16119 | 6304 | 1430 | 720 | 8454 | 34% |
| 2010 – 2011 | 25938 | 5384 | 2366 | 1110 | 467 | 3870 | 1128 | 14325 | 8500 | 2197 | 836 | 11613 | 45% |
| % growth | +5.6% | (-16.6%) | (-38.0%) | (-4.5%) | (-24.8%) | +26.3% | +13.6% | (-11.1%) | +36.0% | +53.6% | +16.1% | +37.4% | |

Source: Cummings Economics from ABS Cat 7111.0 Principal Agricultural Commodities Australia.



Box - Economic Importance of the Cattle Industry in Northern Australia⁽¹⁾

The cattle industry is the largest primary industry in northern Australia. ABS Gross Value of Production figures for 2009/10 indicated the cattle industry:

- Had a farm gate value of \$3 billion;
- Accounted for 57% of all agricultural production in northern Australia;
- In that year had four times the farm gate value of sugarcane production;
- In that year, was three times the value of all agricultural production in the state of Tasmania two thirds that of South Australia and 36% of New South Wales.

The cattle industry is the largest source of non-government income over more than 80% of the area of Northern Australia.

The cattle industry has important “Post farm gate” employment and “Flow on” impacts on suppliers throughout the North's regional economies.

A study of the Contribution of the Primary Industries to the Northern Queensland Regional Economies of Far North, North and North-West in 2009/10⁽²⁾ indicated:

- Direct employment in cattle production of about 3800 in that area
- Post farm gate activity in terms of transport and processing added an extra third more jobs to take the total to approximately 5000 jobs in that area
- “Flow on” effects through jobs provided by suppliers of inputs, added a further estimated 3300 jobs to take the total to 8300 job in that area.
- If these figures for three statistical divisions in northern Queensland are extrapolated across the North, estimated employment created by the industry across the North is of the order of **20,000** jobs.

Notes:

⁽¹⁾ Northern Australia includes statistical divisions based on Rockhampton Longreach, Alice Springs and Pilbara and further north.

⁽²⁾ Cummings Economics: September 2010, www.cummings.net.au - <http://www.cummings.net.au/pdf/recent/J2315CEAginvestreport.pdf>