



## NORTHERN TERRITORY CATTLEMEN'S ASSOCIATION

# Media Release

Date: 2 April 2011

### **Agriculture Teeters on Threshold**

As global demand continues to grow for food, agriculture is now teetering on an important threshold as it moves closer to the end of its productivity growth according to Wayne Gordon, Economist, Rabobank.

Addressing the Northern Territory Cattleman's 27<sup>th</sup> Annual Conference held in Katherine last week, Mr Gordon told beef producers that increases in productivity would need to be achieved through advances in technology.

"The low lying fruit is gone, we now have to look at what advances we can make in the future. The Global Financial Crisis was the worst down turn since the 1930's despite this factor food prices only fell to 20 points above the long term average," Mr Gordon said.

"I believe we are at a supply cycle constraint and prices are going to hang around at higher levels and much higher than we have seen before," he said.

Mr Gordon said much of this has been driven by weather.

"Weather conditions are having a huge impact on global food supply and demand. The strong La Nina event is causing a lot of wet weather in Australia, but in turn has led to drought in South America.

"In addition there is the current drought in Russia and floods in Canada which while not a direct impact from the La Nina, still impact on the current rise in food prices.

"Our view is the weather is the biggest impact going forward," Mr Gordon said.

"Exports from Latin America globally are now larger than they were two decades ago. If these weather events increase in their frequency they will play a bigger role in agricultural markets going forward, because Latin America is significantly impacted by these La Nina events and is far more focused on the weather than they were in the past," he said.

In 2012 Mr Gordon warned beef producers they would be forced to focus more on managing costs - because like food prices, input costs were also rising.

"Obviously oil prices rising to above \$100 per barrel will have an impact coupled with the rise in grain prices. Beef producers can't control prices- that is something they must passively manage - it is global elements that determine prices - but costs is something they can actively manage."

Mr Gordon said the difficulty for beef producers is returns may be up 17 percent, but grain prices have risen by 36pc.

"So if you are grass-fed you are in a much better position than if you are grain/ corn fed beef producers in the US," he said.

**'Advancing and protecting the interests of the cattle producers in the Northern Territory'**



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And while grain prices have risen substantially, in 2012 the Australian domestic grain price is likely to decouple from the international corn prices. Corn price is the benchmark globally for feed grain which gives Australian producers - either on lot feeding or on grass - some strategic advantage despite the exchange rate issues they are facing.

"If you are in the US and you are buying corn to put down the throat of a cow you are now in a bad cost situation and consequently your profitability has fallen - but the relative benefit to Australian beef producers is there," he said.

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#### Background information

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##### **The Northern Territory Cattleman's Association (NTCA)**

The Northern Territory Cattlemen's Association is the peak primary industry group in the Northern Territory representing over 90% of the Territory's cattle herd. With over 220 pastoral leases, our industry manages a landmass in excess of 620,000 square kilometres and a herd of over 2 million head. Annual turnoff is around 600,000 head to live-export and domestic markets.

The pastoral industry is the Northern Territory's third largest GDP earner, accounting for more than 50% of primary production in the NT and generating over \$400 million in direct income. In 2010, over 300,000 cattle were exported live through the Port of Darwin. Live cattle exports are of critical importance to the northern pastoral industry and the northern Territory economy as a whole.

The industry directly provides in excess of 1800 jobs, mainly in rural areas of the Northern Territory. By area, employment and economic contribution the pastoral industry is the dominant industry in land management in the NT, with a predominant focus on long-term sustainable production. Over 85% of all NTCA members are active participants in Conservation, Environmental and Landcare groups throughout the Northern Territory and the Association encourages members to join their local groups.

NTCA members include all of the country's largest beef producers including the Australian Agricultural Company (AACo), Consolidated Pastoral Company (CPC), S Kidman & Co, Heytesbury Beef, North Australian Pastoral Company (NAPCO), Georgina Pastoral Company, The Indigenous Land Corporation (ILC) and Paraway. These companies operations extend beyond the Northern Territory to cover vast tracts of northern, eastern and western Australia.

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