



Media Release

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New report sees beef exports rising up to 80% or \$4 bn via production increase in Northern Australia - Government support needed for wider agricultural opportunity -

ANZ today published a major study on expanding agricultural production in Northern Australia, which estimates that irrigation of forage crops and water harvesting could significantly increase beef production, boosting total exports by up to 80% or \$4 billion.

However the report, *'Molehill to Mountain: Agriculture in Northern Australia'* also concludes that a new grain and oilseeds industry in Northern Australia is not currently supported by global commodity prices – and that the high investment required for large scale irrigation schemes could be better directed medium term into R&D for established crops in the south.

Highlights of 'Molehill to Mountain'

- Groundwater mosaic irrigation could add 120,000 hectares of forage crops for cattle - generating 7-13% financial returns and \$150-250 million annually to beef exports
- Harvesting of surface water via irrigation and delivery to farm gates could increase Australian beef exports by 60-80% or \$2.5-4.0 billion
- Longer term, 5 million hectares of land has potential for irrigated production, adding 30 million tonnes of grain and oilseed exports annually worth \$12 billion

Asian investors may hold the key to unlocking the longer term potential of the region for wider agricultural production, according to the report, with Chinese domestic corn prices more than double global export parity prices – potentially transforming the economics of agriculture investment.

Due to its similar sub-tropical environment, the report also draws parallels with the successful opening up of agriculture in Brazil's Cerrado region and notes the central role played by Brazilian Government policy and investment.

ANZ Senior Agricultural Economist Paul Deane said: "Northern Australia represents one of the more difficult soil and weather environments in the world for establishing agriculture. However, as Brazil's experience has proven, these limitations are not insurmountable, with the corrective technology available if the production economics are right.

"Our report provides a snapshot of the prospects for grain and oilseeds and beef, Australia's two largest agricultural sectors – with the potential for other crop options and future technology making longer term conclusions difficult. One thing is clear though - a step change in output is dependent on the amount of sustainable water that can be harvested, given the region currently has virtually no crop summer production and accounts for 30% of the national cattle herd," Mr Deane said.

ANZ Chief Economist Warren Hogan said: "Northern Australia is one of the largest underutilised blocks of land in the world, situated next door to a region experiencing unprecedented population growth. Although we do not see the fundamentals in place for a new corn and soybean industry at current global price levels, peak consumption in Asia is still at least 40 years away. The development of agriculture in the north is a marathon and not a sprint – any economic assessment needs to reflect this. We have time to evaluate the building blocks required for the region to significantly increase its wider agricultural output.

“The FTA with China and new processing plants in the region should open markets for the northern beef sector, improve prices and reduce investor risk. However, the Australian Government also has a role to play, not only in ensuring the right technologies and R&D are being developed - such as improved crop and forage varieties – but also in co-ordinating infrastructure funding. This needs to be seen as a nation building exercise,” Mr Hogan said.

'Molehill to Mountain: Agriculture in Northern Australia' adds to ANZ's 2012 report *'Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand'* (produced in partnership with Port Jackson Partners), which estimated Australia could more than double the value of its agricultural exports to A\$710 billion by 2050 if targeted actions were taken.

For media enquiries contact:

Alex Evans
Media Relations Manager
Tel: +61 3 8655 8221 or +61 466 327 835
Email: alexander.evans@anz.com