Explanatory Note

ABARES produced 11 facts sheets between March and July 2020 to provide regular analysis of the impact of COVID-19 on agricultural trade for the Trade and Market Access International Division of the Department of Agriculture, Water and the Environment (DAWE).

The facts were produced by staff from the Agricultural Trade and Forecasting Branch.

These were published on the DAWE coronavirus website’s Research and Insights page (decommissioned in November 2020).

In these fact sheets, ABARES tracked trends such as price changes, the role of imports in food production, and changes to supply chains.

This report is a compilation of the agricultural trade implications fact sheets series, which were published in chronological order, below:

- Fact sheet 1 – Initial impact, March 2020
- Fact sheet 2 – Supply chain disruption, April 2020
- Fact sheet 3 – Agricultural inputs, April 2020
- Fact sheet 4 – Trade policy responses, April 2020
- Fact sheet 5 – Export progress, April 2020
- Fact sheet 6 – Australia’s rice supply, May 2020
- Fact sheet 7 – Impacts on Indonesia, May 2020
- Fact sheet 8 – Looking forward, May 2020
- Fact sheet 9 – Beef exports, May 2020
- Fact sheet 10 – Australia in the global grains market, May 2020
- Fact sheet 11 – Short-run implications, July 2020

Every effort was made to ensure the fact sheets were correct at the time of original release, but that they have not been updated since being released.
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Indonesia's response to COVID-19
Food supply chain is functioning, but faces challenges
Demand for Australian exports starting to be disrupted
Pandemic causing live cattle demand to drop
References

Looking forward
Long run fundamentals are strong
Global economic contraction
Exports are continuing to flow, but some sectors have been impacted
The pandemic is likely to leave a longer term legacy
References

Beef exports
Exports were already expected to fall with low beef cattle herd
Australia exports around 70% of its beef
Overall, beef exports have continued as expected
China – some impact, but recovering
Japan and the Republic of Korea – holding steady
United States – some softening in export volumes
Indonesia – live cattle down, but exports of beef are up
Prices steady after recent declines
References

Australia in the global grains market
Grains are one of Australia’s largest agricultural sectors
Trade is a key part of the sector’s performance
Negligible domestic support and open competition increase competitiveness
Grain prices and production are largely unaffected by COVID-19
Grain flows continuing normally
Imports of inputs also continuing
International policy interventions have been mostly repealed
Barley faces a new challenge
Alternative markets exist for Australian producers
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Initial impact

There is considerable uncertainty around how COVID-19 and associated policy responses will impact Australian agricultural production and trade. The situation is evolving rapidly and implications for individual commodities and markets are only starting to emerge.

Importantly, past economic shocks have seen agricultural trade ‘hold steady’.

Demand largely stable and most production unaffected

Underlying demand for food will remain. People need to eat and governments will prioritise keeping food supply chains open as best as possible. Those most vulnerable are foods typically associated with restaurants and cafes, with significant falls in demand for high end seafood products and wine into China during the peak of the outbreak.

Current production for most agricultural products is not expected to be significantly impacted by this situation, but for some sectors access to inputs may create some degree of disruption. The effects of the recent drought will continue to be felt in terms of availability of product for this season and in the longer-term for livestock due to herd rebuilding.

For producers of fibre and other products that go into manufacturing, future demand shocks will be felt more significantly. This will be tempered by China’s emerging recovery.

Prices likely to soften

Some price softening was already expected for the sector given the high starting position. However that softening is now reflecting falling incomes and changes in the way that consumers get food (less eating in high value markets like restaurants, cafes and hotels). Price softening will likely continue, with producers potentially having to sell high value food into lower priced segments of the market. The switching of supply to lower value segments will be compounded for some sectors by a lack of access to traditional export pathways—such as a lack of affordable air freight for high value meat products.

Figure 1 Early indications of price softening – Rural commodity price index

Supply chain disruptions

The most significant risk to trade is supply chain disruptions. Several areas of concern are emerging.
Agricultural trade implications of COVID-19 – fact sheet series

- Logistics and freight—the ability to get product out of the country is being impacted. For example, air and containerised freight availability and affordability has been reduced.

- Access to imported inputs—China is Australia’s largest input supplier, followed by the US, Europe and New Zealand. As of January, supplies have been maintained. However as further limits to transporting materials and the functioning of work places are expected outside of China, this situation may have an impact on production and harvest this season.

- International processors—most food processors are likely to continue to operate as essential activities, but labour availability in overseas markets may slow demand for Australian exports.

- Access to labour—a number of intensive and horticultural industries rely on migrant workers. Travel restrictions may affect these industries ability to produce. Upcoming winter horticultural products are most at risk.

- Government service delivery—continuing government services that facilitate trade, such as certification, accreditation and other regulatory services by Australian governments and our trading partners, will be important to ensure exports and imports still flow.

Timing of any disruptions will be critical. There is significant seasonality for some exports. For some products, alternative supply chains or an inability to store product to delay point of export place them at risk of developments that limit logistics supply.

**Figure 2 Summary of peak season for key commodities**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
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<tbody>
<tr>
<td>Dairy products</td>
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<td>Grains</td>
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<td>Horticulture</td>
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<td>Industrial crops</td>
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<tr>
<td>Meat and live animals</td>
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<td>Other livestock &amp; livestock products</td>
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<td>Wool</td>
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<td>Oilseeds</td>
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Peak (10 per cent or more of total trade in a month)
Shoulder (at least 8 per cent of total trade in a month)
Low (less than 8 per cent of total trade in a month)

Source: ABARES analysis, based on Australian export statistics 2014–15 to 2018–19

**Avoiding adverse reactionary policy**

While the drivers of this crisis are very different to the 2007-08 food price crisis, fears over domestic food security or citizen welfare may spark policy actions, such as export restrictions, that hurt agricultural markets and consumers. We have already seen trade restrictions in the medical space. The multilateral system will be important to create pressure to avoid repeating past mistakes.

This fact sheet was first published in July 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Supply chain disruption

Supply chain disruption continues to be the main concern for agricultural trade. For some exporters, access to, and affordability of, air freight has been significantly affected by the grounding of passenger aircraft. Horticulture, seafood and some meat and dairy exports stand to be most impacted.

Resolving air freight issues is critical for those exporters. It also presents growth opportunities.

Bulk sea freight appears to be running more smoothly, but some disruptions are being reported across container-based trade. Continued operation of seaports is a priority.

Air freight disruption remains an immediate concern

Transport costs account for around 7% of the final price of Australia’s food and fibre products. Given transport’s importance in getting products to market, however, producer incomes are particularly vulnerable to changes in freight costs.

A sustained 2.5 times increase in the cost of international air freight over a 3-month period, combined with a 20% increase in sea and land freight costs, could take around 2% off the total value of Australian agriculture, fisheries and forestry production (GVP).

While some air freight is carried in dedicated cargo freighters, over 80% of airfreighted exports are carried in the cargo hold of passenger aircraft (Infrastructure Partnerships Australia, 2019). Those aircraft movements have been heavily or completely constrained by international travel bans.

As a result, demand for air freight capacity has exceeded supply, causing costs to rise sharply.

Anecdotal industry advice is that costs have increased to prohibitive levels. From around $0.50–$1 per kilogram to $6.50 per kilogram. There is also reduced flexibility in routes, timing and quality of air freight.

Some commodities more reliant on air freight

Not all agricultural exports will be impacted by this situation. For example, in between 2014 and 2019, less than 3% of agricultural exports (by value) left the country by air freight, with the remainder exported by sea. However, air freight is proportionally more important for certain commodities, ranging between 76% of the value of seafood exports to 8% of meat exports (Figure 3).

Of the total value of airfreighted product between 2014–19, close to 80% was associated with seafood, manufactured items (including infant use dairy) and beef exports (Figure 4).
The most significant markets for airfreight are China, Hong Kong, Vietnam, Singapore, the Middle East, New Zealand, Japan and the US. Beef and sheep meat exports represent close to 40% of airfreighted export value to the US.

Most exporters utilise airfreight throughout the year. But for horticulture, there is a peak period (by value) over summer, from October to March. For seafood, there are peaks associated with export of crustaceans (summer) and, in the next 6 months, for salmon and tuna. For those exporters with an approaching and limited export window, continued disruptions are particularly concerning.

Resolving air freight issues is critical for all existing air freight exporters. It also presents export growth opportunities given the value that will be placed on reliable supply. This export pathway has seen strong growth recently. Since 2014, the value of agricultural goods air freighted has increased by over 12% annually.

**Other freight appears to be moving more smoothly**

At this stage, exports by sea appear to be proceeding more smoothly. Bulk sea cargo freight costs for grain out of Fremantle have fallen by 35% since the beginning of the year (Figure 4). This is due to falling oil prices (IGC Australian Freight Rates Sub-index, 2 Jan 2020 to 26 Mar 2020).
Some concerns have been raised regarding the availability of containers. Data on shipping arrivals indicates that after the typical February slowdown, March arrivals have remained low, potentially restricting the supply of containers. Similarly, the number of import declarations for January and February 2020 from sea freight is below last year, and the 5-year average (Figure 6).

With China coming back online, shortages may resolve. Global containerised freight prices are a cause for some optimism. They are starting to fall after initial increases in January. The Global Container Index, that tracks weekly container prices, shows that prices rose around 10% from the end of December 2019 to mid-January 2020 (from $US 1,446 to $US 1,581). However, this January peak remained below a similar peak in January 2019, when the index rose to $US 1,603. It has subsequently fallen to end March 2020 by 11%.

Keeping seaports open is a priority. With governments enacting further measures around crew on shipping vessels and overall port management, there is uncertainty in the outlook. On average, around 25% of Australia’s non-grain sea freight is shipped from April to June.

**Continued price softening but slowing**

Agricultural prices continue to soften as a result of the COVID-19 pandemic. However, the rates of fall have slowed. Some of this price softening was expected due to underlying global supplies. But the pandemic has also contributed.
This fact sheet was first published in April 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Agricultural inputs

Agricultural production continues, despite the pandemic. Food production is being treated as an essential service in Australia and many other countries and as a result, disruptions are being minimised to the extent possible. The real impact on Australian production continues to be the drought, and for certain areas and sectors, the recent bushfires. There is however some concern about supply of imported inputs, but with China’s recovery, this risk is substantially reduced.

Production continues - influenced by drought and bushfires

The recent drought continues to be the most significant factor influencing agricultural production and prices this season. The national cattle herd and sheep flock are at historic lows and with recent rainfall, farmers are focussed on herd and flock rebuilding. This process will take up to 5 years and will see meat production reduce from the historic high turn-off rates seen during the drought.

Things are looking good for the winter crop, and if the positive seasonal outlook for rain eventuates we will see a significant increase in grain production by the start of 2021. For irrigated agriculture the recovery is likely to be much slower, with more time needed to improve water storages.

For forestry, COVID-19 may have some more immediate impacts. The summer bushfires in south-eastern Australia impacted large areas of plantation forest and public forest used for timber production. While the final impact on log supply will depend on factors such as fire intensity, age of trees and operational decisions, log supply may rise in the short term as fire-affected trees are harvested. Softening domestic and global markets, disruption to supply chains, and any slowdown in domestic construction activity may limit opportunities. For traded products, the lack of domestic processing alternatives may limit sales if processing in international markets is significantly disrupted. This will depend largely on the recovery of Chinese processing capacity.

Production does need imported inputs

Australian agriculture is both up and downstream of various international industries in global supply networks. Agricultural exports are underpinned by imports, with imported inputs accounting for around 10% of the total gross value of Australian exports.

China is our most significant supplier of intermediate inputs, followed by the US. But Asia and Europe are also important (Figure 1).

Figure 11 Key suppliers of intermediate inputs into Australian agri-food exports (2014)
For farmers, key imported inputs include chemicals, fertilisers, stockfeed and machinery. For processors, inputs include packaging and other component inputs (such as other milk products from New Zealand for dairy processors). Industries such as dairy have highlighted potential supply issues for items such as tins and other packaging for processed products. Similarly, the berry industry has raised concerns about the supply of imported packaging (punnets). Domestic workarounds may be possible, meaning products will still find their way to consumers. However, workarounds will come at a higher cost, and will partially erode margins and increase consumer prices.

**If disruptions do occur, the impact could be significant**

Illustrative modelling suggests that disruptions to supplies of imported inputs would impact agriculture, forestry and fishing sectors more than demand shocks.

Our modelling analysed a hypothetical proportional reduction in demand for exports or supply of imported inputs. It found that the impact of imported input supply disruptions on production was around 1.7 times greater than a demand shock. This makes sense. A demand shock generally reduces prices, but products still find a market. But limits to inputs also limits the ability to produce.

The results vary across sectors, with incomes for producers in agriculture and fisheries more susceptible to prices softening from demand shocks due to the availability of locally sourced inputs.

**Figure 12 Impact of disrupted input supplies versus a proportional demand shock**

![Impact of disrupted input supplies versus a proportional demand shock](image)

**But significant problems haven’t emerged**

At this stage there is no sign of significant disruption to imported inputs. Recently released trade data shows that foreign input supplies continue to flow. And whilst that data does not cover March 2020, unpublished import information suggests that import of key inputs has continued over recent weeks without significant problems.

Imports of feed remain well above the five-year average, reflecting the effect of drought on domestic stocks.

Fertiliser imports (Figure 3) have been below the 5-year average, again reflecting the effect of the drought that significantly reduced demand during the summer cropping season, but have picked up significantly in February – a trend that appears to have continued into March. A similar pattern is seen for agricultural chemicals where imports have been below average levels up until March, where a significant increase has occurred, suggesting that supply chains are responding to the increased demand despite the COVID-19 crisis. Agricultural machinery imports are also tracking largely in line with average levels.
Given the outlook for the winter season, the use of chemicals such as herbicides and fertiliser will increase, meaning keeping these import supply chain functions will be important.

**Price falls have moderated**
The trend of price softening has moderated this week. Increased uncertainty in international markets related to export restriction in major cereal producing countries has placed some upwards pressure on prices, particularly as Australia is viewed as a reliable supplier.
Trade policy responses

Since March 2020, some governments have moved to restrict export of commodities such as rice, wheat and grains. These measures are founded in concern about domestic food security arising from the COVID-19 pandemic. Past experience is that trade restrictions work against global food security goals, with the effects felt most heavily by the world’s poorest consumers.

Fortunately, global supply of staples is currently abundant, which should help moderate the effect of COVID-related insulating measures.

**Trade underpins food security and affordability**

International trade is crucial to global food security. Trade allows weather and other supply risks to be shared across global production and exports, resulting in more stable prices and supply volumes globally. Over the long run, trade restrictions reduce national food security and make food supplies and prices more variable (OECD, 2017; 2015).

In the midst of a crisis, however, when supplies are short, restrictions placed on exports by significant exporting countries can keep domestic prices low. But this comes at the cost of food security in other countries as such measures ‘export’ higher prices and in the past have led to a significant amplification of food insecurity (Anderson et al 2014; OECD, 2016). Lower domestic prices also harm domestic producers, who also incur long-term reputational damage in international markets as a result of export restrictions.

**Some countries are imposing export restrictions**

Since late March, several countries have moved to impose export restrictions to shore up domestic food supplies. The focus of restrictions has been on staple commodities, like rice, wheat and some grains (Table 1). So far, no country has sought to significantly restrict the supply of animal products.

In some cases, the restrictions are being imposed by a relatively small global supplier, such as Kyrgyzstan and North Macedonia. But others play a more significant role, including Vietnam in the case of rice, and Kazakhstan and Russia for wheat.

Some countries have also included measures in their domestic economic packages which reinforce distortions on global agricultural markets. The US rescue package, for example, includes an additional $US 23.5 billion in farm aid—on top of the extra support provided since 2018 due to trade disruptions and retaliation, including the US-China trade dispute. Matthews (2020) estimates that these measures could result in up to 40% of farm incomes in the US could coming from government payments—up from 10% prior to the US-China Trade Dispute (OECD, 2019).
Table 1 Some of the export restrictions introduced since late March (as at 15 April)

<table>
<thead>
<tr>
<th>Country</th>
<th>Commodity</th>
<th>Restriction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Rice</td>
<td>Export ban, no end date</td>
</tr>
<tr>
<td>Eurasian Economic Union</td>
<td>Sunflower seed, rye, soybeans</td>
<td>Export ban, 12 Apr–30 Jun</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Wheat</td>
<td>Export quota, 200,000t/month, until 1 Sept</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Wheat flour</td>
<td>Export quota, 70,000t/month, until 1 Sept</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Pasta, rice, wheat, wheat flour</td>
<td>Export ban, end date unknown</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Rice</td>
<td>Export quota, 100,000t/month, end date unknown</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>Wheat, wheat flour</td>
<td>Export ban, until 30 Apr</td>
</tr>
<tr>
<td>Romania</td>
<td>Grain</td>
<td>Export ban outside the European Union</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>Grain</td>
<td>Export quota b, 7Mt/month, Apr-Jun</td>
</tr>
<tr>
<td>Vietnam</td>
<td>Rice</td>
<td>Export ban ended on 10 Apr, export quota of 400,000t for Apr.</td>
</tr>
</tbody>
</table>

a A trade block consisting of Armenia, Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation. b Applies outside the Eurasian Economic Union.

Sources: Bloomberg, International Grains Council, Prime Minister’s Office of Vietnam, Reuters, WTO.

A food price crisis is not currently expected

Past events, such as the food price crisis of 2007-08, show that export restrictions can have a material impact on markets. In that situation, the price of wheat, coarse grains, rice and oilseed crops increased sharply—aided by the use of restrictive policies in some countries. The effects were most felt by net food importing countries with low trade barriers (OECD 2016).

Based on the situation as it currently stands, it is reasonable to expect a different outcome this time. One reason is that the global supply and demand situation is different. In 2007 and 2008, droughts in major exports led to a contraction in supply of some cereals (except rice), contributing to an underlying upward trend in world prices. This time, global supplies are much more plentiful and there is no evidence to suggest a contraction in global supply in the current situation (AMIS 2020, IGC 2020). In fact, in 2020-21, wheat and rice supplies, as a percentage of consumption, are forecast to reach near 20-year highs (Figure 1). Furthermore, with Chinese pig production still recovering from African Swine Fever, feed demand remains lower than would otherwise be the case. So whilst some countries are imposing restrictions, the effects should be buffered to some extent by supply elsewhere.

Markets now also have much better access to information than in 2007 and 2008. Market transparency has improved significantly, leading to better decision making.

Figure 16 Global rice and wheat supplies as a percentage of consumption, 2000-01 to 2020-21
We may see short–term price rises

Whilst a global food price crisis is not currently likely, we may see an increase in prices for some staple products. However any increase is likely to be short-lived due to the pressure that the favourable supply outlook and high stock levels will place on markets. In rice markets, restrictions on supply in Vietnam have not influenced Indian rice export prices (a major exporter). Nor has there been a reaction in global wheat export prices (Figure 2).

Figure 17 Export prices for rice and wheat, 2001 to 2020

However, whilst any price effect should be short lived, it’s important to remember that restrictions work against global food security, affordability and regional security. Whilst the measures may be founded in a genuine concern, their use should be avoided. It will be particularly important to ensure that insulating measures implemented during the COVID–19 situation do not become more long-lived.

For Australia, the overall impact on domestic food supplies from these trade policy measures will likely be small. If global prices do not rise, prices in domestic markets are unlikely to change over and above exchange rate movements. If they do rise, for wheat it is likely that expected moderation in prices will be delayed. For rice, prices may rise. With supplies still available however, it may mean that supply chains need to adjust to alternative sources, causing some delays in the interim. Overall the impact on Australian consumers will be limited and will not impact food security.

References


This fact sheet was first published in April 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Export progress

The COVID-19 pandemic quickly generated significant concern about impacts on agricultural exports, particularly through supply chain disruptions and changing consumer demand in importing countries. Trade data indicates that exports have generally continued to leave the country as would otherwise have been expected. Seafood exports are an exception, experiencing a significant decline in February. This was on the back of shifting demand and logistics issues. Exports of skins and hides have also fallen significantly. The Australian Government continues to work with industry to address supply chain concerns.

Keeping exports moving is important for agriculture

Australia typically exports about 70% of its agricultural output in years with good or average seasonal conditions. In 2018–19, those exports were worth more than $48 billion, accounting for 13% of Australia’s overall merchandise export earnings (Agricultural commodities: March quarter 2020).

Some parts of the sector are more reliant on exports than others. However, even where exports play a more minor role, keeping products moving is an important part of maintaining the value of agricultural production. Most agricultural product is exported by sea.

Figure 18 Share of agricultural production exported, 3-year average, 2014-15 to

Trade expected to continue for most products

There has been some concern regarding export supply chains, particularly for those parts of the sector heavily reliant on air freight and with peak export periods either underway or approaching. More recently, concerns have emerged about changing demand for some high value agricultural products as a result of changes to consumption and falling incomes.

Because agricultural exports principally relate to food, trade is expected to continue with the main impact being softer prices rather than significantly reduced consumption (ABARES 2020).
Products such as wool, skins and hides are at risk because they are consumer products which are more impacted by economic downturn. For example, the purchase of new cars made in China which include leather seats made from Australian skins and hides (ABARES, 2019).

**So how are exports tracking?**
Official trade data indicates that most agricultural exports have continued to leave Australia and reach consumers in international markets. Export levels have been on par with what would have otherwise been expected during early 2020 (Table 2, and Figures 2–5). Where results are down on 5-year average levels, it is generally attributable to reasons other than COVID-19, such as the effect of drought on domestic production.

Seafood exports is a significant exception, experiencing a significant decline in exports in February 2020. This was due to an unfortunate alignment of the spreading pandemic and peak export periods for some species. However, not all reduced export revenue will be lost. There is some potential for catch-up exports in 2020–21. There has also been a significant decline in the export of skins and hides since the start of 2020. This likely relates to the global economic contraction. Declining live animal exports is also a watch point as the pandemic continues to evolve.

**Table 2 Analysis of exports from early 2020**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Export status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat and live animals</td>
<td>Signs of impact on exports as a result of COVID-19</td>
<td>- Average exports around $1.2 billion per month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- January and February up 52% and 44% on 5-year average (Error! Reference source not found.). Much of this would relate to strong prices in recent years.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Includes live animals where there is concern about falling demand in Indonesia and Vietnam. Not yet seen in official export data but there are indications for March in trade insights. Price for live cattle ex-Darwin to Indonesia was down 26% on last week.</td>
</tr>
<tr>
<td>Grains</td>
<td>Proceeding as expected</td>
<td>- Average exports around $622 million per month. Peak period December to May.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- January and February down on 5-year average (Error! Reference source not found.).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Includes wheat, rice and barley, where main effect continues to be the drought.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Domestic production expected to recover subject to continued improvement in seasonal conditions.</td>
</tr>
<tr>
<td>Industrial crops</td>
<td>Signs of impact on exports as a result of COVID-19</td>
<td>- Average exports around $491 million per month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- January and February exports tracking around/lower than 5-year average.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Includes wine, where exports are concentrated on China. February wine export figures were down 7% compared with 2019.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Domestic production also impacted by past summer conditions including extreme heat and smoke taint.</td>
</tr>
<tr>
<td>Other crops and crop products</td>
<td>Proceeding as expected</td>
<td>- Average exports around $352 million per month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- January and February exports tracking slightly above 5-year average.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Includes processed crop products and some summer crops which would still be seeing effect of drought.</td>
</tr>
</tbody>
</table>
## Commodity Trade Implications

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Export status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dairy products</td>
<td>Proceeding as expected</td>
<td>• Production expected to recover subject to seasonal conditions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Average exports around $283 million per month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• January and February up 4% and 22% on 5-year average.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• February 2020 in line with 2019 exports.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Indications are exports tracking well in March.</td>
</tr>
<tr>
<td>Wool</td>
<td>Proceeding as expected</td>
<td>• Average exports around $309 million per month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Exports in January and February below 5-year average. Largely related to domestic production, with time needed to rebuild flocks post-drought. Exports also reflect demand and prices in world markets.</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Proceeding as expected</td>
<td>• Average exports around $236 million per month. Mostly between March and Sept, and July and August.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Exports tracking above 5-year average, and in line with 2019—during which exports were at record levels with rising demand from China <em>(Error! Reference source not found.)</em>.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• May see some impact, but not showing at this stage.</td>
</tr>
<tr>
<td>Other livestock and livestock products</td>
<td>Signs of impact on exports as a result of COVID-19</td>
<td>• Average exports around $241 million per month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• January and February in line or above 5-year average, with March appearing similar.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Includes skins and hides (average exports around $66 million per month), where there has been a significant fall in January and February (30–40% below 5-year average). Likely related to impact of global contraction.</td>
</tr>
<tr>
<td>Seafood</td>
<td>Signs of impact on exports as a result of COVID-19</td>
<td>• Average exports around $120 million per month. Peak over summer, and July/August.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• January up 13% on 5-year average, but down 72% in February <em>(Error! Reference source not found.)</em>.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Associated with falls in export of lobster and abalone.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Early indications are that seafood trade has not fallen further in March but remain at low levels.</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>Proceeding as expected</td>
<td>• Average exports around $122 million per month. January to April strongest.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• January and February down on 5-year average.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflects subdued production of Australian canola due to drought.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Production expected to increase in response to strong export prices and improved seasonal conditions.</td>
</tr>
<tr>
<td>Pulses</td>
<td>Proceeding as expected</td>
<td>• Average exports around $150 million per month.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• January and February down on 5-year average.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Reflects production effects of drought.</td>
</tr>
</tbody>
</table>


Note: Export status based on ABS data, plus early trade insights for March 2020.
Prices again softening

Both export and domestic prices have continued to soften on the back of the continued contraction in global incomes and shifts in demand towards cheaper product. This week saw falls in prices for most major commodities except lamb, continuing the flat-to-falling trend since the beginning of March.
This fact sheet was first published in April 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Agricultural trade implications of COVID-19 – fact sheet series

Australia’s rice supply

Australia’s rice supply was brought into focus by the accelerated consumer spending that followed the onset of the COVID-19 pandemic. In March 2020 alone, retail spending is estimated to have increased by 8.2% (ABS Cat. No. 8501.0.55.008), and mostly in the grocery sector. This rapid increase created shortages in a number of products on supermarket shelves, including rice. Stocks of Australian-grown rice are also currently low, due to poor seasonal conditions over a number of years. But this is not a cause for concern about domestic food security. Much of the rice consumed in Australia comes from overseas, where global rice stocks are at record levels.

**Australia’s rice production fluctuates**

Rice production in Australia is highly variable and opportunistic. When water is available, and prices for alternative crops are low, farmers may grow rice. But in drier years, like 2008-09, they focus elsewhere (Figure 1). On average, around 80% of the total cash receipts of rice-producing farms comes from activities other than rice production (ABARES, forthcoming).

Australia mostly produces medium grain rice. The 2019-20 crop of unmilled rice is expected to be around 54,000 tonnes (Figure 1).

**Figure 25 Australian rice production is highly variable**

![Graph showing Australian rice production over time]

- Rice production (left axis) is opportunistic and falls in dry years
- Number of farms producing rice (right axis)

**Rice is harvested once per year, in autumn**

Most rice is grown in southern NSW. But small volumes are also produced in Queensland, Western Australia and the Northern Territory.

In southern NSW, rice is sown from October to December and harvested from March to May. This production cycle means that the only way for Australia to quickly increase the domestic supply of rice is to increase imports.

With increased demand, there may be a need for new pathways to import rice into Australia.

**Australia exports most of its rice crop**

Australia exported an average of 350,000 tonnes of rice per year between 2010–11 and 2019–20, with significant year-to-year variability reflecting the variable nature of production. Over the long term, around 74% of the crop was exported (varying with seasonal conditions).
Exports are important for rice growers. However in global terms, Australia is a relatively small exporter of mostly medium grain rice, representing around 10% of global medium/short grain exports and 0.6% of total global rice exports on average in the 5 years to 2019 (China Customs 2020, ABARES 2020b, European Commission 2019, ITC 2020, USDA-FAS 2020). The main export destinations are in the Middle East and Oceania (Figure 2).

**Figure 26 Australia exports mainly to the Middle East and Oceania**

Imports meet Australian consumers’ preference for variety

Australians consume around 300,000 tonnes of rice every year (ABARES 2019). Around half of that usually comes from imports, mostly long grain rice, such as basmati and jasmine. The other half comes from domestic production. That rice is mostly medium grain.

Most of our imports come from the long grain rice-producing countries in Asia (Figure 3). Subject to import protocols, we are also able to secure medium grain rice in years of drought by importing from major exporters such as China and the United States.

Accessing imports is a good deal for consumers. To secure rice from overseas in 2020-21 it would cost around $390/t. ¹To produce that rice here in Australia, it would cost around $705/t in water alone. ²There would also be other production costs, meaning the final cost for the consumer would be even higher.

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¹This calculation uses the 17 April 2020 spot price of $360 per tonne for 5% broken Indian white rice (FOB Kakinda) and an assumed freight cost of $30/tonne.

²This calculation assumes a water application rate for Rice of 11.9 ML/ha and a yield of 10.5 tonnes/ha. The average annual water allocation price in the southern basin is forecast to reach $435 per ML, under average seasonal conditions in 2020-21 (ABARES 2020c).
The world is securely supplied with rice

There is currently plenty of rice available globally (International Grains Council, 15 April 2020). World rice stocks are the highest they have ever been, including in major exporting countries (Figure 4).

Although the price of rice has risen in Thailand, it is because of drought and a forecast fall in production. In contrast, the price of rice in India, the world’s largest exporter, has been averaging around US$400 per tonne, roughly unchanged over much of the last decade (IGC 2020).

Some export restrictions have been introduced in South-East Asia since the pandemic began, namely in Cambodia, Myanmar and Vietnam. For Australia, imports from these countries are relatively small (Figure 3). And regardless of that, the restrictions are not expected to be long lived. Those countries are amply supplied with rice and restrictions are not in their economic interests. This is evidenced by the fact that Vietnam recently announced it will remove its export quota with effect from 1 May.

Keeping international rice markets free from distortions is important

Australia has a strong interest in supporting open rice trade. Rice trade is a key component of ensuring global food security. For Australia, trade allows us to meet the preferences of our consumers and provides Australian rice producers with the majority of their income in most years. Australia has long advocated for open agricultural markets, supported by reforms that have made domestic agricultural markets largely distortion free.
Introducing domestic market interventions and failing to support open trade would disadvantage consumers, and could prejudice Australia’s market access negotiations for other agricultural products.

Australia’s rice crop production calendar also means that imports are the only way to increase domestic supply in the short run.

**References**


This fact sheet was first published in May 2020 on [https://www.agriculture.gov.au/coronavirus/research](https://www.agriculture.gov.au/coronavirus/research) and has not been updated.
Impacts on Indonesia – May 2020

The economic impacts of COVID-19 are beginning to bite in Jakarta and more broadly in the major cities in Indonesia. The Indonesian government has responded with stimulus packages. However, the broad scale loss of jobs and business restrictions will have a growing impact on the Indonesian economy and on the demand for food. These impacts have the potential to reduce demand for Australian exports and raise food security concerns for Indonesia’s most vulnerable.

Indonesia is an important trading partner

Indonesia is Australia’s sixth largest market for agricultural, fisheries and forestry exports, worth $2.6 billion in 2018–19 and comprising a mix of staple and discretionary high-value food products (Figure 1). Indonesia is Australia’s largest market for wheat, supplying the low-cost instant noodle market.

Australia is not alone in supplying Indonesia. Other exporters include Ukraine and Argentina for wheat, India and Brazil for beef and beef products, New Zealand for dairy, and Thailand for raw sugar.

Figure 29 Two-way trade between Australia and Indonesia, 2019-19

Trade between Australia and Indonesia is two-way, with Australia importing $1.2 billion worth of agricultural, fish and forestry products from Indonesia in 2018–19 (Figure 1). This side of the trade relationship is also exposed to the risks of COVID-19. If Indonesia is unable to maintain its supply chains, Australian importers may need to seek alternative suppliers to fulfil their own production efficiencies.

Indonesia’s response to COVID-19

The impact of COVID-19 on the Indonesian population and economy gained pace over March and April. In response, the Indonesian government imposed a range of measures to slow the spread, including closing businesses and imposing large-scale social and travel restrictions. It also announced a $40 billion economic stimulus package.

The impact of the Indonesian government’s restrictions are being felt across all sectors of the economy. The Indonesian rupiah has depreciated to its lowest level in over 20 years, making imports more expensive. Relevant for Australian exports, the tourism and hospitality sectors look to be among the most affected, and may be slow to recover.
A variety of assistance and stimulus packages have been introduced to support the poor and food insecure in the major cities, including direct food assistance, cash aid, basic food cards and village social aid. This assistance will be critical for supporting the most vulnerable during the epidemic.

The Indonesian government has made access to food a priority, putting instruments in place to ensure supply chains remain open and that affordable food remains available and accessible. For trade, attention is being paid to easing administrative bottlenecks in import and export supply chains. Jakarta’s large-scale social restrictions identified food provision as one of the eight economic activities that would be exempted from restrictions.

**Food supply chain is functioning, but faces challenges**

Disruptions to Indonesia’s supply chains are appearing. Although the bulk of trade through seaports continues, reduced access to airfreight, closure of some ports and roads, and reduced processing capacity have slowed the distribution of food. Shortages of some key products, like garlic and sugar, are putting upward pressure on prices (CIPS 2020).

Food processing facilities, such as abattoirs and meat processing, flour milling and sugar refining continue to operate, as do other food manufacturing businesses which consume imported ingredients, such as dairy, flour and sugar. This situation could change as the pandemic spreads, with domestic logistics potentially becoming a significant constraint on distribution of essential foods as provinces enact individual restrictions on access and logistics.

**Demand for Australian exports starting to be disrupted**

The broad scale loss of jobs and business restrictions will have a growing negative impact on imports of Australian agricultural, fish and forestry products. Demand for food is likely to dampen with the expected fall in household incomes and government restrictions on movements and gatherings over the month-long celebration of Ramadan (from 23 April to 23 May). High value foods consumed during those celebrations and in the hospitality sector are expected to be most affected.

This effect has already been seen in some Australian exports. While demand remains firm for some commodities, such as wheat and sugar, exports of other commodities, including live cattle, fruit, butter and cheese, fell in the first 2 months of this year compared to the same period last year (Table 1). Australian exports of wood products, such as sawnwood, wood-based panels, and packaging and industrial papers, also fell in January and February (the most recent months for which trade data is available) (ABS 2020).

The horticulture sector is facing growing uncertainty about trade with Indonesia. Delays by Indonesia’s Ministry of Trade in processing import permits required by fruit and vegetable importers (and unrelated to COVID-19) led to a halt in table grape exports in January and February, after exporting $7.38 million over the same period in 2019 (ABS 2020). Any further weakening of demand stemming from COVID-19 restrictions, particularly limitations to air freight and disruptions to Indonesian supply chains, will put further strain on the horticulture sector as the citrus harvest has commenced.
Table 3 Analysis of exports from early 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Export Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Grains</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Wheat           | Exports proceeding as expected  | • Average 5-year January and February exports $167.6m  
                             • January and February 2020 exports down 49% on 5-year average and up 51% on 2019  
                             • Lower supply resulting from drought-affected production  
                             • Australian production could improve with seasonal conditions.  |
| **Dairy products** |                                 |                                                                                                                                          |
| Skim milk powder| Exports proceeding as expected  | • Average 5-year January and February exports $24.7m  
                             • January and February 2020 exports down 16% on 5-year average and up 3% on 2019  
                             • Lower supply resulting from drought-affected production  
                             • Skim milk powder does not require refrigeration making it easier to distribute.  |
| Cheese          | Signs of impact on exports      | • Average 5-year January and February exports $3.4m  
                             • January and February 2020 exports down 24% on 5-year average and down 5% on 2019  
                             • Lower supply resulting from drought-affected production  
                             • Lack of cold-chain logistics affecting demand. |
| Other dairy products | Exports proceeding as expected  | • Predominantly food preparation powders that can be stored without refrigeration  
                             • Average 5-year January and February exports $10.3m  
                             • January and February 2020 exports up 58% on 5-year average and up 27% on 2019. |
| **Fruit**       |                                 |                                                                                                                                          |
| Fruit           | Signs of impact on exports      | • Average 5-year January and February exports $10.4m  
                             • January and February 2020 exports down 49% on 5-year average and down 55% on 2019  
                             • COVID-19 restriction leading to weakening demand, compounded by limitations to air freight which affected trade opportunities  
                             • Uncertainty also created in Australian horticulture industry by delays in processing import permits (unrelated to COVID-19), leading exporters to look for other markets. |
| Table grapes    | Signs of impact on exports      | • Average 5-year January and February exports $6.9m  
                             • January and February 2020, no exports due to failure of Indonesia to issue import permits, not because of COVID-19 restrictions. Trade over the same period in 2019 was $7.38m. |
| **Meat and live cattle** |                                 |                                                                                                                                          |
| Live feeder cattle | Signs of impact on exports      | • Average 5-year January and February exports $87.9m  
                             • January and February 2020 exports down 18% on 5-year average and down 23% on 2019  
                             • Prices in Australia have fallen by 32% on the back of COVID-19 related demand falls. |
| Beef and veal   | Exports proceeding as expected  | • Average 5-year January and February exports $38.7m  
                             • January and February 2020 exports up 51% on 5-year average and up 34% on 2019  
                             • Ongoing strengthening demand trend and world higher prices. |
**Lamb and mutton**

| Exports proceeding as expected | • Average 5-year January and February exports $2.6m |
| • January and February 2020 exports up 31% on 5-year average and up 47% on 2019, largely as a result of higher world prices. |

**Offal and other livestock products**

| Exports proceeding as expected | • Average 5-year January and February exports $17.2m |
| • January and February 2020 exports up 36% on 5-year average and up 10% on 2019. |

**Raw cotton**

| Exports proceeding as expected | • Average 5-year January and February exports $13.8m |
| • January and February 2020 exports down 11% on 5-year average and down 15% on 2019 |
| • Fall in exports a result of drought and reduced cotton production. |

**Mung beans and broad beans**

| Exports proceeding as expected | • Average 5-year January and February exports $3.5m |
| • January and February 2020 down 28% on 5-year average and 60% on 2019 |
| • Reflects drought-affected production. |

**Wood and paper products**

| Exports proceeding as expected | • Average 5-year January and February exports $20.6m |
| • January and February 2020 exports down 36% on 5-year average and down 20% on 2019 |
| • Bushfires contributed to export falls. |

Note: Only commodities whose exports were greater than $1 million in 2019 are included. Exports may still be down on average, but due to other factors.


Sugar exports are a potential growth opportunity for Australia during the COVID-19 pandemic. While up-to-date data are not available because they remain confidential, Indonesia is Australia’s third largest export market, supplying about 20% of its imported raw sugar in 2018 (ABS 2020b; UN Statistics Division 2020). Sugar is among a range of food products guaranteed by the Indonesian government to be available to consumers, particularly over the peak demand Lebaran/Eid Fitri period in late May. Current shortages have caused prices to rise, necessitating an increase in imports. The Indonesian government has removed the need for import permits until 31 May and is allowing imports of both consumption sugar and sugar for industrial purposes.

Looking forward, maintaining food supply chains will help limit additional disruptions to Australia’s exports, with the greatest losses accruing to those sales that typically supply the peak demand period of Lebaran/Eid Fitri. However the outlook remains uncertain given Indonesia’s state of development and large population.

**Pandemic causing live cattle demand to drop**

Australian live cattle exports play an important role in the Indonesian beef supply chain. Indonesia is Australia’s largest market for live cattle, accounting for about 60% of total annual live exports (Figure 2). Cattle are mainly shipped from northern Australia, which is highly dependent on the trade.
As is typical in the lead up to Ramadan, Indonesian demand for Australian live cattle increased over summer. Export volumes in January and February were not significantly below the 2017–2019 average over the same 2 months. However, pandemic-driven changes to consumption patterns, combined with the depreciation of the Indonesian rupiah, had an impact on demand for live cattle over March and April. This has been reflected in lower prices. Adverse seasonal conditions also mean there are reduced opportunities to hold stock on properties.

The significant price falls have been on the back of an expected softening of prices. By 21 April 2020, the Indonesia feeder steer price out of Darwin had fallen by 32% from its high in March, to $2.60 a kilogram live weight (Figure 3). Early indicators suggest that the value of live exports to Indonesia for March could be about 37% lower than last year. Feedlots in Indonesia are reporting a 40% to 60% decline in sales, and some abattoirs have closed.

References


This fact sheet was first published in May 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Looking forward

The International Monetary Fund (IMF) is forecasting a significant global economic contraction as a result of COVID-19, with varying rates of recovery. The effect of the downturn will most likely be felt in trade of higher-value discretionary agricultural products, and products which feed into food services and non-food related manufacturing. COVID-19 is unlikely to impact the long run settings for agricultural trade. But there may be legacy effects on the way that trade takes place, which presents opportunities and challenges for industry and government.

**Long run fundamentals are strong**

Growth in agricultural trade has been strong since the 1990s, underpinned by the multilateral rules based system. The share of production that is traded has increased for most products (Figure 1), and because of trade, global food security is now largely an issue of access to affordable food, rather than a lack of global supply. COVID-19 is unlikely to change the long run trajectory, which sees agricultural trade increasing as populations and incomes grow, rather than decreasing.

**Global economic contraction**

In the short term, the global economy faces a 3% contraction in activity in 2020—worse than the global financial crisis (IMF 2020). Almost all economies are expected to enter recession and the pathway to recovery is highly uncertain. Assuming measures taken to control the pandemic are relaxed in the second half of 2020, the IMF projects a recovery of economic activity in 2021. For Australia, this could mean a contraction of 6.7% in 2020, and growth of 6% in 2021 (IMF 2020).

For Australian agriculture, the downturn is likely to be felt through lower prices rather than significantly reduced demand. This is because people still need food, even in a crisis. However, the impacts may be more significant where producers rely heavily on the food services sector, or where they provide more expensive, discretionary products for domestic and overseas markets. Products which feed into non-food related manufacturing are also at risk.

The duration of the pandemic and the rate of recovery in key export markets will influence the medium term outcome for agriculture (Table 1). Australia’s top agricultural export market, China, is projected to recover most quickly. Tourism and hospitality are expected to take longer to recover globally, which will affect the type of products traded in some markets.
Table 4 Projected impact in 2020 and 2021 for Australia’s major agricultural export markets

<table>
<thead>
<tr>
<th>Country</th>
<th>2020</th>
<th>2021</th>
<th>What does this mean for agriculture in the short-run?</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>1.2%</td>
<td>9.2%</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Australia’s top export market since 2010-11. Some recovery apparent in China and exports from Australia expected to continue. Recovery may offer new opportunities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Red meat demand expected to remain strong due to slow recovery from African Swine Fever. As economic activity increases, demand for high value products should return.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Imports of fibres, skins and hides a watch point as global growth declines.</td>
</tr>
<tr>
<td>Japan</td>
<td>-5.2%</td>
<td>3%</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Exports should remain steady but increased competition possible from the US, subject to duration of meat processing disruption.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Continued demand for high value products expected despite the economic downturn.</td>
</tr>
<tr>
<td>US</td>
<td>-5.9%</td>
<td>4.7%</td>
<td>Signs of impact on exports as a result of COVID-19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Further spread of pandemic presents concern, including food processing capacity. Domestic support measures an ongoing risk.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• High reliance on service trade for exports could reduce demand for Australian meat despite disruption to US processors.</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>-1.2%</td>
<td>3.4%</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Exports should remain steady. Continued demand for high value products expected despite the economic downturn.</td>
</tr>
<tr>
<td>Euro area</td>
<td>-7.5%</td>
<td>4.7%</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Euro area includes Germany, France, Italy and Spain. Italy and Spain projected to be hardest hit.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Exports should remain steady.</td>
</tr>
<tr>
<td>ASEAN-5(^2)</td>
<td>-0.6%</td>
<td>7.8%</td>
<td>Signs of impact on exports as a result of COVID-19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Comprises Indonesia, Malaysia, Philippines, Thailand and Vietnam.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Slow recovery of tourism will impact incomes and demand for high value agricultural products.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Indonesia is a major market for agriculture. Falling incomes a concern for high value products. Supply chain remains a risk within Indonesia. Live cattle a watch point.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Downturn may induce structural adjustment in some processing sectors and affected fibre demand (cotton).</td>
</tr>
<tr>
<td>India</td>
<td>1.9%</td>
<td>7.4%</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Potential future growth market for agricultural exports. Unclear short run impact.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Impact of pandemic could be more significant given state of development.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Increased use of protectionist policies a watch point.</td>
</tr>
</tbody>
</table>

Note: Analysis based on nominal values.

Exports are continuing to flow, but some sectors have been impacted

Trade data indicates that so far, agricultural exports have continued to leave Australia as would otherwise have been expected (Table 2). There are exceptions, most particularly seafood, which experienced a significant decline in February due to shifting demand and logistics issues. The Australian Government continues to work with industry to address supply chain concerns.
Table 5 Analysis of exports from early 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Trade in early 2020 – COVID impacts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat &amp; live animals</td>
<td>Signs of impact on exports as a result of COVID-19</td>
</tr>
<tr>
<td></td>
<td>- January and February 2020 up 52% and 44% on 5-year average. Result of strong prices in recent years.</td>
</tr>
<tr>
<td></td>
<td>- Includes live cattle, where demand is falling in Indonesia and Vietnam.</td>
</tr>
<tr>
<td>Grains</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td>- Peak period December to May. January and February 2020 down on 5-year average, but main effect is drought.</td>
</tr>
<tr>
<td></td>
<td>- Domestic production expected to recover subject to seasonal conditions.</td>
</tr>
<tr>
<td>Industrial crops</td>
<td>Signs of impact on exports as a result of COVID-19</td>
</tr>
<tr>
<td></td>
<td>- January and February 2020 exports tracking around 5-year average.</td>
</tr>
<tr>
<td></td>
<td>- Includes wine, where exports concentrated on China. February wine export figures were down 7% on 2019.</td>
</tr>
<tr>
<td></td>
<td>- Domestic production impacted by past summer conditions including extreme heat and smoke taint.</td>
</tr>
<tr>
<td>Other crops and crop products</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td>- January and February 2020 exports tracking slightly above 5-year average.</td>
</tr>
<tr>
<td></td>
<td>- Includes processed crop products and some summer crops which would still be seeing effect of drought.</td>
</tr>
<tr>
<td></td>
<td>- Production expected to recover subject to seasonal conditions.</td>
</tr>
<tr>
<td>Dairy products</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td>- January and February 2020 up 4% and 22% on 5-year average.</td>
</tr>
<tr>
<td></td>
<td>- Indications are exports tracking well in March.</td>
</tr>
<tr>
<td>Wool</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td>- Exports in January and February 2020 below 5-year average.</td>
</tr>
<tr>
<td></td>
<td>- Largely related to domestic production, with time needed to rebuild flocks post-drought. Exports also reflect demand and prices in world markets.</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td>- Exports mostly between March and September, and July and August.</td>
</tr>
<tr>
<td></td>
<td>- 2020 tracking above 5-year average, and in line with 2019—when exports were at record levels with rising demand from China.</td>
</tr>
<tr>
<td></td>
<td>- May see future impact.</td>
</tr>
<tr>
<td>Other livestock and livestock</td>
<td>Signs of impact on exports as a result of COVID-19</td>
</tr>
<tr>
<td>products</td>
<td>- January and February 2020 in line with 5-year average.</td>
</tr>
<tr>
<td></td>
<td>- Includes skins and hides (average exports $66 million/month), which fell significantly in January and February (30–40% below 5-year average) with impact of global contraction.</td>
</tr>
<tr>
<td>Seafood</td>
<td>Signs of impact on exports as a result of COVID-19</td>
</tr>
<tr>
<td></td>
<td>- Peak over summer, and July/August.</td>
</tr>
<tr>
<td></td>
<td>- January 2020 up 13% on 5-year average, but down 72% in February. Associated with falls in export of lobster and abalone.</td>
</tr>
<tr>
<td></td>
<td>- Early indications are that trade has not fallen further in March but remains at low levels.</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td>- January to April strongest export period.</td>
</tr>
<tr>
<td></td>
<td>- January and February 2020 down on 5-year average. Reflects subdued production of Australian canola due to drought.</td>
</tr>
<tr>
<td></td>
<td>- Production expected to increase in response to strong export prices and improved seasonal conditions.</td>
</tr>
<tr>
<td>Pulses</td>
<td>Exports proceeding as expected</td>
</tr>
<tr>
<td></td>
<td>- January and February 2020 down on 5-year average.</td>
</tr>
<tr>
<td></td>
<td>- Reflects production effects of drought.</td>
</tr>
</tbody>
</table>

Note: Analysis based on nominal values.

The pandemic is likely to leave a longer term legacy
Most of the key settings governing agricultural trade remain unaffected by the COVID-19 pandemic. Food will mostly continue to be processed close to the final consumer, and Australian agriculture
will continue to participate in global value chains, both for bulk products, but also for more consumer-facing products. However, the pandemic is driving some changes that will likely remain part of the future trade landscape. These ‘legacy’ changes are discussed below.

**Shift to online buying**
Movement restrictions have intensified the use of online shopping for fresh food. Euromonitor International (2020) suggests that in China, e-commerce platforms have experienced a significant increase in orders from existing and new customers. Having made the transition, many consumers will continue to use e-commerce to source food. This shift presents an opportunity for Australian exporters who develop capacity to use e-commerce to sell their products. It will likely create new export pathways, and challenge existing regulatory systems.

**More flexible supply chains to manage risk**
The initial COVID-19 disruption highlighted the risk of being heavily dependent on single markets and export pathways. For exporters of some high value, perishable products, the lockdown in China and the collapse of passenger-related air freight seriously impacted trade. Greater flexibility in supply chains may have helped mitigate some of those impacts, and could be pursued as a strategy for managing disruption risk in future. For example, Fonterra reports that access to a diversified manufacturing asset base have allowed it to respond to rapidly changing consumer demands for dairy products during the pandemic (Fonterra 2020).

Access to imports also supports diversity, both to underpin exports and to allow for specialisation (such as for grains, where imports are used for stockfeed and allow exports focus on value food markets). Australia is already relatively successful in moving between markets over time. This type of flexibility needs to continue as market conditions change.

**Digitisation of trade**
Greater digitisation of trade is being flagged as a legacy of the COVID-19 pandemic and will be needed to support more widespread use of e-commerce, and flexibility in supply chains to mitigate risk of disruption. Modern export and import regulatory systems will be needed to support this shift.

**Opportunity to trade as a reliable supplier**
Some COVID-19 developments have created trade opportunities. If Australia is able to maintain supply through the crisis, it opens the option to trade on trust in future, and access price premiums. To confirm its position as a reliable supplier, Australia will need a strategy to address the production challenges of its variable climate. It also needs to address supply chain risks, such as the current heavy reliance on passenger-related air freight for some exports.

**Greater demand for food safety assurance and product transparency**
Consumer interest in food safety and product transparency was already strong prior to the pandemic. This interest has been strengthened in some markets, and will increasingly be a requirement for trade. Australian industries and regulators are already considering measures that allow us to demonstrate a strong food safety assurance.

**Creeping protectionism**
Past crises have led to higher levels of protection and domestic support, and COVID-19 is unlikely to be different. Since the pandemic commenced, many countries have moved to implement domestic support measures and some have imposed trade restrictions to address domestic food security...
concerns. Whilst some of these responses may be warranted in the short term, it will be important to ensure they are wound back once the crisis has passed. This will require attention on a number of fronts, including bilateral engagement and work through the World Trade Organization and other international organisations.

**Table 6 Legacy changes**

<table>
<thead>
<tr>
<th>Legacy</th>
<th>Challenge</th>
<th>Where change is likely to prevail</th>
</tr>
</thead>
<tbody>
<tr>
<td>The shift to online buying</td>
<td>Need capacity to engage in e-commerce. Also requires new regulatory systems, and options to address switching between market segments, which is a challenge for high value niche products.</td>
<td>Countries with young populations, such as Indonesia. Also those where online transactions were already more prevalent, such as China.</td>
</tr>
<tr>
<td>Flexible supply chains as a risk management strategy</td>
<td>Developing diversity in a way that supports strong trade relationships but ensures production remains nimble to rapid shifts in the global trading environment.</td>
<td>Australia, but other major agricultural exporters will also respond. Will become a factor underlying our comparative advantage.</td>
</tr>
<tr>
<td>Digitisation of trade</td>
<td>Developing exporter capacity as well as regulatory systems which provide necessary assurances, but support trade responsiveness.</td>
<td>Advanced and emerging economies in the first instance.</td>
</tr>
<tr>
<td>Trade on reputation as a reliable supplier</td>
<td>Need to maintain supply during the crisis and develop strategies to address variable production domestically going forward.</td>
<td>Economies where imports comprise a greater proportion of total consumption. Examples may include Singapore, China along with countries in the Pacific and Middle East.</td>
</tr>
<tr>
<td>Greater concern about food safety and production transparency</td>
<td>Need to accelerate measures already being discussed that enhance supply chain transparency.</td>
<td>High income countries like Japan and Korea, and those with growing middle class such as China and Indonesia.</td>
</tr>
<tr>
<td>Creeping protectionism</td>
<td>Rules based system needs counter protectionist developments and help unwind support measures once the crisis has passed.</td>
<td>South East Asian countries where measures align with broader food self-sufficiency policies. Also in US where protectionism has been increasing.</td>
</tr>
</tbody>
</table>

**Price softening continues**

Export and domestic prices have continued to soften on the back of global economic conditions. This week saw falls in prices for most major commodities, except cotton.
Agricultural trade implications of COVID-19 – fact sheet series

Figure 33 Daily price moves selected commodities (27 April 2020)

Figure 34 Weekly prices moves selected commodities (27 April 2020)

References

IMF 2020, World Economic Outlook, Chapter 1: The Great Lockdown, International Monetary Fund, April 2020, Washington, D.C.

Euromonitor International 2020, The Impact of Coronavirus on FMCG and Service Sectors in China.

This fact sheet was first published in May 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Beef exports

Australia is one of the world’s largest beef and veal exporters, second only to Brazil (by volume) and the United States (by value). Whilst there were concerns about the progress of exports during the pandemic, the impact for Australian beef appears to have been relatively limited to date. Exports to China experienced some disruption in early 2020, but are recovering. Exports to Japan and Korea have held steady. Exports to the United States have experienced some softening, likely due to food service closures and disruptions to the US food processing sector. And in Indonesia, exports are up, driven by a substitution from the preferred product from feedlots supported by Australia’s live export industry.

Exports were already expected to fall with low beef cattle herd

The beef industry is agriculture’s highest value sector in terms of the gross value of production and export value. Due to the recent drought and high export prices, the Australian cattle herd is currently estimated to be the smallest it has been since the late 1980’s. Farmers will be looking to rebuild their herds now that seasonal conditions have improved. Rebuilding is a slow process and will impact livestock supply, production levels and prices for years to come (ABARES 2020). Provided seasonal conditions remain positive, ABARES’ forecast was for beef production to decline slightly in 2020-21 and then increase slowly to around 2.3 million tonnes by 2024-25; a level similar to the long-term average (Figure 1).

Australia exports around 70% of its beef

Australia exports around 70% of the beef and veal it produces, with exports valued at $8 billion in 2017-18. In global terms, Australia is one of the top exporters, sitting only behind Brazil in terms of volume, and the United States in terms of value (2018 figures).

China has been a rapidly growing market over the last decade (Figure 2), accounting for 25% of Australian beef and veal exports in 2019 (by volume). Recent increases have been driven by filling the protein gap caused by the impact of African Swine Fever on China’s pork production.

Other key markets include Japan (22% of exports by volume in 2019), the United States (19%) and the Republic of Korea (13%).

About two-thirds of our beef production is pasture based, which produces leaner meat that is either consumed domestically or exported (mostly frozen) as cheaper cuts of meat, including for use in...
manufacturing (particularly in the US). The remainder is grain-fed, supplying higher value market segments both domestically and in North Asia. The higher value exports tend to be transported fresh.

**Figure 36 Markets for Australian beef and veal (by volume)**

Overall, beef exports have continued as expected

Trade data suggests that, on the whole, beef exports continued to leave Australia as expected despite the pandemic. Exports fell in January 2020, but that is in line with a regular trade pattern, and then recovered through February and March. The recovery was somewhat stronger in value terms, supported by the fall in the Australian dollar, than in volumes (Figure 3 and 4).

Whilst some agricultural sectors were significantly affected by the disruption to passenger-related air freight that occurred early in the COVID pandemic, most beef exports are transported by sea and were therefore less impacted. Approximately 13% of fresh beef product goes by air (2015-19 figures, BITRE, ABS data).

**Figure 37 Australian beef and veal exports (by value)**

**Figure 38 Australian beef and veal exports (by volume, shipped weight)**
China – some impact, but recovering

Exports to China fell in January 2020, in line with the normal seasonal pattern, but then continued to fall in February when demand usually strengthens. March export value showed some recovery, but remained lower than may have been expected given the protein shortfall stemming from ongoing low pork supplies. This result likely reflects the build-up of inventories in China following reduced consumption over the Chinese New Year period resulting in continued soft frozen trade. Exports of fresh product were less affected, with export volumes consistently tracking above levels seen this time last year (Figure 6). However, early data for April shows a strong rise in frozen exports on a month-on-month basis (MLA 2020).

Japan and the Republic of Korea – holding steady

Exports to Japan and the Republic of Korea show little evidence of COVID-related disruption (Figure 8 and 9). It is possible that the global economic downturn will impact on prices for higher value cuts, however this is yet to be seen in export results.
United States – some softening in export volumes
Exports to the United States fell early in 2020 and showed some recovery in February. However, exports in March were well down on levels seen this time last year (in volume terms), and data suggests reduced exports have continued into April—down on March, and on last year. This outcome is likely an effect of COVID-19 which is impacting on the US food services sector and food manufacturing. The effect is not as evident in value terms, likely due to the cushioning effect of a lower Australian dollar in March 2020.

Whether reduced export demand continues further into 2020 will depend on the duration of the pandemic and measures imposed in the United States to limit the pandemic.

Indonesia – live cattle down, but exports of beef are up
Beef and veal exports to Indonesia have increased since the start of the pandemic, at the same time as live cattle exports have decreased (Figure 12 and 13). It is likely that movement restrictions have impacted on demand for the preferred product, which is beef from feedlots, usually purchased in wet markets. Falling incomes are expected to dampen demand for beef overall but to date, beef and veal meat exports have grown. This is likely due to a substitution by some higher income consumers to imported meat due to difficulties in accessing wet markets.
Prices steady after recent declines

Prices have been flat to falling since early March 2020. This week saw some steadying. Prices for sugar and oils are likely being impacted by volatility in oil markets.

References


This fact sheet was first published in May 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Australia in the global grains market

The COVID-19 pandemic, and China’s recent decision to impose additional duties on barley from Australia, have stimulated considerable discussion about Australia’s place in global grains markets. Grain exports have been largely unaffected by COVID-19 and the sector has not experienced significant disruptions to supply chains. Negligible levels of domestic support have been, and will remain, the key to keeping Australian grains and oilseeds producers internationally competitive, resilient and responsive in the face of market shocks.

Grains are one of Australia’s largest agricultural sectors

Australian grains and oilseeds production is estimated to be worth $10 billion at the farm gate (2019–20), with wheat, barley and canola making up 92% of that value. Those three crops are planted between April and June, and harvested from October in northern regions, through to January in southern regions (Error! Reference source not found.).

Map 1 Grains and oilseeds are mostly grown in a belt from WA to QLD

Trade is a key part of the sector’s performance

Australia is a small grains producer globally. For example, wheat is Australia’s largest crop, yet accounts for just 3% of world production. However, despite being a relatively small producer, Australia has a significant presence in global markets (Figure 50).
The trade in grains and oilseeds is worth an average of $9 billion a year. For wheat—Australia's second largest agricultural export behind beef—trade is valued at around $5 billion.

In normal years, Australia's grain production significantly exceeds domestic demand and producers take advantage of the larger market available through trade. In drought years, while domestic supplies are generally assured, exports get smaller. In these situations, imports help moderate domestic supply and price pressures, and allow the sector to focus on its highest value markets. While imports only occur at low levels due to cost (a factor of strict biosecurity protocols and intermittent imports), they act as a complement to the grain sector through helping sustain profitable domestic downstream sectors.

**Negligible domestic support and open competition increase competitiveness**

Negligible levels of domestic support and open competition amongst producers and supply chain participants keep Australian grain producers internationally competitive, resilient and responsive in the face of market shocks (Figure 51). These conditions also mean that Australian agricultural exporters work within World Trade Organization rules, contributing to open trade in agricultural markets.
Grain prices and production are largely unaffected by COVID-19

Australia’s grain markets haven’t been greatly affected by COVID-19, and there has been no attributable change in prices observed so far during the pandemic (Figure). The harvest for this year’s crop was completed in December 2019. Social distancing and isolation measures have had little impact on producers’ ability to plant new crops, which started in April 2020. Due to a mostly favourable planting window, planting is now nearing completion. An update on production forecasts will be issued by ABARES in June in the Australian Crop Report.

Grain flows continuing normally

Grain exporters have been able to access international markets throughout the COVID-19 pandemic. Most grain freight is exported by sea in bulk carrier vessels. Bulk grain freight prices from March to May 2020 were lower than a year earlier (Figure), helped by lower oil prices.

Some grains (particularly pulses) are shipped via containers. Anecdotally, there were some container shortages caused by a backlog at Chinese ports in January and February. These backlogs
appear to have largely cleared and container freight prices have now dropped below levels seen in early 2019.

**Figure 53 Freight rates fell on key routes**

![Figure 53 Freight rates fell on key routes](image)

Source: International Grains Council (2020)

**Imports of inputs also continuing**

Despite some early concerns about possible shortfalls in imported inputs as a result of the pandemic, overall imports of chemicals, fertilisers and stockfeed have been relatively unaffected. Between January and March 2020, imports of key inputs continued, albeit at a slower pace for some chemicals and fertilisers (Figure 54). Stockfeed imports have remained high, helping keep Australia’s downstream and export industries functioning smoothly.

**Figure 54 Imported inputs appear to have been relatively unaffected, Jan to March totals**

![Figure 54 Imported inputs appear to have been relatively unaffected, Jan to March totals](image)

Note: 5-year average from 2015 to 2019.
Source: ABS (2020)

**International policy interventions have been mostly repealed**

In March and April 2020, a number of grain exporting countries introduced market interventions in response to perceived food security issues. These interventions are now being rolled back (Error! Reference source not found.).

**Table 7 Grain export restrictions are being removed**

<table>
<thead>
<tr>
<th>Country</th>
<th>Commodity</th>
<th>Announced measure</th>
<th>Repeal status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>Rice</td>
<td>From April—export ban (white and paddy rice)</td>
<td>Repealed, resumption from 20 May</td>
</tr>
</tbody>
</table>
Barley faces a new challenge
On 19 May 2020, China announced the imposition of a 73.6% anti-dumping duty, and a 6.9% countervailing duty on imports of Australian barley. Dumping occurs when “a company exports a product at a price lower than the price it normally charges on its own home market” (WTO 2020). Countervailing duties are imposed to correct for any advantage conferred by government subsidies.

Alternative markets exist for Australian producers
Australia’s high quality malting barley is preferred by Chinese manufacturers, who pay a premium for it. Despite that demand, the 80% tariff is expected to largely stop the trade.

Replacing Australian barley is likely to be difficult for Chinese manufacturers. This is because a large share of China’s imports come from Australia (around 59%), around half of the world market’s malting barley is supplied by Australia (International Grains Council, 2020b), and China requires over half of world malting barley imports to fill its consumption requirements (after accounting for local production). As such, the decision is expected to be costly for Chinese buyers.

For Australian barley exporters, alternative markets are available, and further options to increase exports will open as other exporters (for example, France, Ukraine, Canada, Argentina) divert trade to fill the gap left by Australia in China.

Figure 55 Australia has diverse export destinations

Source: ABS, ABARES
Australia has market access to 59 destinations, including top 10 global markets such as Japan, Jordan, Kuwait and Saudi Arabia (Figure 56 Australia has alternative barley markets). We also have access to the emerging Asian markets of Indonesia, the Philippines, Thailand and Vietnam, which all provide duty free access under various free trade agreements. Australia also gained a 500,000 tonne duty free feed grain quota under the Indonesia-Australia Comprehensive Economic Partnership Agreement, and recently signed a biosecurity agreement with India relating to grains fumigation. The latter brings Australia a step closer to exporting malting barley to India.

**Figure 56 Australia has alternative barley markets**

![Graph showing alternative barley markets](image)

Note: Chart shows average import volumes over the 5 years to 2018–19 for the world’s top 10 importers over that period.

Source: USDA-FAS (2020)

**Returns in alternative markets are expected to be lower**

Australian export volumes of barley are unlikely to change significantly until late 2021, when the crop planted in autumn 2021 is harvested. The size of that crop is likely to reflect producers’ adaption to lower barley prices relative to other crops. In the meantime, export returns are expected to be lower given the loss of barley’s ‘China premium’ (Figure 57). In other words, alternative markets exist but returns are likely to be lower.

**Figure 57 Barley prices have already dropped**

![Graph showing barley prices](image)

Source: IGC.

**Producers will likely change plantings in response to tariffs**

Lower farmgate barley prices will drive a process of adjustment in which producers will respond to price incentives across all grains, with the aim of maximising their returns and managing their risk. A small number of producers may still have flexibility to shift away from barley for the 2020–21
winter cropping season, but it is likely that for the majority, production decisions and investments in this year’s barley crop have already been made. The main changes in production decisions are therefore expected next year.

A medium-term shift to alternative production options will further reduce the overall loss in the gross value of agricultural production. Losses in barley revenues will be partly offset by gains in other commodities. Lower domestic barley prices will also provide cheaper feed costs to the livestock sector, potentially boosting its value of production. As a result, the potential losses to Australia’s total value of agricultural production are expected to be significantly less than the value of lost barley exports to China.

References


Trade Minister 2020, Statement by Trade Minister, Minister for Trade, Tourism and Investment, 20 May 2020.


This fact sheet was first published in May 2020 on https://www.agriculture.gov.au/coronavirus/research and has not been updated.
Short-run implications

Food demand is expected to hold steady, but the global economic downturn could impact on demand for higher value products and inputs to manufacturing. Prices are softening, but off a high base. Disrupted supply chains remain a risk for agriculture, but reduced with gradual reopening in some countries. Looking forward, it will be important to avoid reactionary trade responses to the crisis.

Table 8 Short-run implications for agriculture, 2020 to 2021

<table>
<thead>
<tr>
<th>Category</th>
<th>Status</th>
</tr>
</thead>
</table>
| Food demand holding steady, but concern for higher value products and inputs to manufacturing | • In its June World economic outlook update, the IMF forecast a significant global economic downturn in 2020. Some normalisation in 2021, but varying across countries.  
• Demand for food holding steady. But changes to consumption with shift from higher value food service to retail.  
• More significant shocks possible for producers of fibre and products that go into manufacturing. Impact may be tempered by China’s emerging recovery.  
• Domestic production is continuing as expected. Main factor influencing outcomes continues to be recent drought. |
| Prices are softening, but off a high base | • Price softening due to falling incomes and changing food consumption.  
• Producers may sell into lower priced segments, especially where supply chain options are limited. |
| Risk of reactionary trade responses | • Fears over domestic food security may spark decisions that hurt agricultural markets. Multilateral system needs to create pressure to avoid repeating past mistakes. |
| Disrupted supply chains | Logistics and freight  
• Air freight experienced significant early disruption during COVID-19, but action taken. Sea freight has proceeded normally. Further disruption overseas remains a risk point for exports.  
Access to labour in Australia  
• Needed for domestic production. Upcoming winter horticultural products are a watch point.  
Access to imported inputs  
• Needed for domestic production. No significant concerns at this stage. Mostly from China, United States, European Union and New Zealand. |
| Operation of international processors | • Creates demand for Australian exports. Most countries prioritising food production.  
Government service delivery  
• Needed to facilitate trade. Has continued to date, including workarounds. |

Agricultural export performance

The results for agricultural export performance and country-specific details presented below were updated mid-May 2020. Events since that time may have altered the results and findings detailed. Overall, Australian agricultural exports have continued during COVID-19. At the commodity level, the most significant impacts were to seafood exports, particularly lobster and abalone.
### Table 9 Export performance, by major commodity type, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meat and live animals</td>
<td>Unaffected</td>
<td>Export value for January to April 2020 was up 35% on 5-year average, supported by strong prices. Includes live cattle, where export values fell from historically high levels in November and December 2019, but still remain above 5-year average.</td>
</tr>
<tr>
<td>Grains</td>
<td>Unaffected</td>
<td>Peak export period is January to May. Export value for January to April 2020 was down 20% on 5-year average. However this is largely due to effect of recent drought on domestic production, which is expected to recover subject to seasonal conditions.</td>
</tr>
<tr>
<td>Industrial crops</td>
<td>Unaffected</td>
<td>Export value for January to April 2020 tracking around 5-year average. Includes wine, where around one-third of exports go to China. Value and volume of wine exports in January to April 2020 slightly down on 5-year average.</td>
</tr>
<tr>
<td>Other crops and crop products</td>
<td>Unaffected</td>
<td>Export value for January to April 2020 was 11% above 5-year average. Includes processed crop products and some summer crops which would still be seeing effect of drought. Domestic production expected to recover subject to seasonal conditions.</td>
</tr>
<tr>
<td>Dairy products</td>
<td>Unaffected</td>
<td>Value of exports in January to April 2020 up 31% on 5-year average. Value increased more than 30% from February to March 2020 and then stabilised in April.</td>
</tr>
<tr>
<td>Wool</td>
<td>Affected</td>
<td>Value of exports in January to April 2020 down 17% on 5-year average. This result reflects domestic production, as well as falling demand and prices in world markets. Economic downturn expected to have some impact.</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Unaffected</td>
<td>Peak export period is between May and September. Value of exports in January to April 2020 up 34% on 5-year average, and 4% above 2019– when exports were at record levels with demand from China.</td>
</tr>
<tr>
<td>Other livestock and livestock products</td>
<td>Unaffected</td>
<td>Value of exports in January to April 2020 up slightly on 5-year average. Includes skins and hides which had softer results in February than may otherwise have been expected. Some recovery in March. Still well below 5-year average but appears to be a longer term trend.</td>
</tr>
<tr>
<td>Seafood</td>
<td>Affected</td>
<td>Peak export period is over summer, and July/August. Experienced significant disruption early in COVID-19. Value of exports was up 13% in January on 5-year average, but fell 76% in February. Steady recovery in March and April, but still below 5-year average for those months. Export of lobster and abalone most heavily hit.</td>
</tr>
<tr>
<td>Oilseeds</td>
<td>Unaffected</td>
<td>January to April typically the strongest export period. Value of exports in January to April was down on 5-year average. Reflects subdued production of Australian canola due to drought.</td>
</tr>
<tr>
<td>Pulses</td>
<td>Unaffected</td>
<td>Value of exports for January to April 2020 up slightly compared with 2019, but 26% below the 5-year average. Movement primarily driven by drought.</td>
</tr>
</tbody>
</table>

**Affected** Signs of impact as a result of COVID-19. **Unaffected** Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data

### Imported inputs

Imported inputs are needed to support domestic production and exports. As shown in Figure 58 to Figure 61, and in [Error! Reference source not found.], imports of key inputs, such as agricultural chemicals, fertiliser, agricultural machinery and stockfeed have generally continued to flow during COVID-19.
Figure 58 Monthly value of Australia’s agricultural chemical imports, 2015 to 2020

Figure 59 Monthly value of Australia’s fertiliser imports, 2015 to 2020

Figure 60 Monthly value of Australia’s agricultural machinery imports, 2015 to 2020

Figure 61 Monthly value of Australia’s stock feed imports, 2015 to 2020
Table 10 Import performance of major agricultural inputs, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural chemicals</td>
<td>Unaffected</td>
<td>Imports in January to April 2020 below 5-year average for that period. Likely an effect of recent drought. However large increase in imports in April 2020, likely due to improved seasonal conditions.</td>
</tr>
<tr>
<td>Fertiliser</td>
<td>Unaffected</td>
<td>Fertiliser imports remain below 5-year average, likely an effect of recent drought. However, imports have been rising since January 2020, reflecting improved seasonal conditions.</td>
</tr>
<tr>
<td>Agricultural machinery</td>
<td>Unaffected</td>
<td>Machinery imports have been declining since the start of the 2020, with relatively sharp falls in February and March. Preliminary estimates suggest that April may have stabilised. The overall result for January to April 2020 is 5% below the 5-year average. This outcome may be a result of recent seasonal conditions and pressure on farm spending. COVID-19 may also be impacting on import supply chains.</td>
</tr>
<tr>
<td>Stock feed</td>
<td>Unaffected</td>
<td>Imports of stock feed increased during January to March 2020, but fell in April 2020. Overall, imports from January to April remain above the 5-year average, reflecting the effect of recent poor seasonal conditions and high meat prices.</td>
</tr>
</tbody>
</table>

**Affected** Signs of impact as a result of COVID-19. **Unaffected** Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data

Changes to agricultural trade that may persist post-COVID

Agricultural trade has shown strong growth since the 1990s, improving global food security. Looking forward, the long-run fundamentals for trade remain unchanged. Global population growth is expected to continue, with an expanding middle class. Long-run trajectory sees agricultural trade increasing, rather than decreasing.

Table 11 Changes to agricultural trade that may persist post-COVID-19

<table>
<thead>
<tr>
<th>Change</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shift to online buying</td>
<td>E-commerce has increased in some markets – accelerating existing trend. This is an opportunity for producers who build capacity to use this channel. However there are regulatory challenges.</td>
</tr>
<tr>
<td>Use of flexible supply chains to manage risk</td>
<td>COVID-19 has exposed risk of heavy reliance on single markets and supply chains. Maintaining export value will increasingly require flexibility between markets, segments and sourcing import.</td>
</tr>
<tr>
<td>Digitisation of trade</td>
<td>E-commerce and flexible supply chains need to be supported by modern regulatory systems.</td>
</tr>
<tr>
<td>Reputation as a reliable supplier</td>
<td>Countries that rely on imports now looking for surety in supply. If Australia maintains supply, creates opportunity to trade on reputation going forward. But need strategy to deal with variable production.</td>
</tr>
<tr>
<td>Demand for food safety and transparency</td>
<td>Concern about food safety and transparency has increased in some markets. Presents opportunity for premium in markets with higher income consumers. But also a regulatory challenge.</td>
</tr>
<tr>
<td>Creeping protectionism</td>
<td>Measures enacted during the pandemic may persist. Australia to maintain a leading role in multilateral organisations to ensure maintenance and adherence to the rules based system.</td>
</tr>
</tbody>
</table>
However some changes may persist, including greater use of online buying, use of flexible supply chains to manage risk of disruption, digitisation of trade, value in being a reliable supplier, greater demand for food safety and transparency and creeping protectionism.

**Keeping markets open through the COVID recovery**

Well-functioning markets and supply chains are important to agriculture export interests and global food security. In the short-medium term we need to monitor the immediate risks that threaten smooth functioning of international agricultural markets.

Given adequate supplies of global food, there is no immediate threat of a food price crisis. The larger threat comes from reactionary and protectionist measures: export restrictions, food stockpiling, subsidies. Need to advocate that countries measures are targeted, temporary and proportionate, and avoid unnecessary interference with agricultural markets.

There is potential for COVID-19 to exacerbate existing threats to the multilateral rules-based system. The multilateral system should be leveraged in order to minimise disruptions to agriculture trade. International Organisations, particularly FAO, OECD and WTO playing a critical role in disseminating information and analysis on COVID-19, to promote food security and stable agriculture markets. Need to remain actively engaged in international fora.

- Leading global advocacy to address the zoonosis risks of wildlife wet markets, through FAO, OIE and WHO.
- Strong engagement at the WTO, particularly through Cairns Group advocacy on open agriculture trade policies.
- Leadership in standard setting organisations, IPPC, OIE and CODEX. This includes maintaining a strong scientific basis for animal and plant health, and food safety standards. Also supporting widespread adoption of COVID-19-related efficiencies in regulatory operations.

**Trade with China**

The Chinese economy is showing signs of some recovery. Restrictions remain in place but are slowly easing. Much of the workforce has returned. The Government is supporting business recovery through stimulus measures.

Despite major congestion at ports and airports, agriculture and food trade has been resilient. Demand for some premium goods such as seafood has reduced due to a lack of demand in restaurant and hotel industries. But demand has slowly begun to increase.

China continues to scrutinise Australian agriculture imports. Recent detections of non-compliant barley (contamination) and wine labelling (importers’ responsibility). Exporters are encouraged to meet China’s import requirements.

Outcomes for the US–China bilateral trade deal are a source of frustration for Australian industry. Many of the fast-tracked outcomes reflect Australia’s market access objectives. Australia will push for equivalence around administrative approval processes and MRLs recognition.

Watch points post-COVID include:

- Increased e-commerce will likely continue into the future
- Change in consumption habits with increased purchasing of raw ingredients for home cooking is expected to continue post outbreak.
- US-China ‘Phase One’ Trade deal continues to be implemented. However, purchasing commitments are behind on targets due to COVID-19 impact.

**Table 12 Progress of exports to China, January to April 2020**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wool</td>
<td>Affected</td>
<td>$2.8 billion annual exports (5-year average); 76% of Australian wool exports. The value of exports in January to April 2020 was down 14% on 5-year average and down 28% on 2019.</td>
</tr>
<tr>
<td>Forestry</td>
<td>Affected</td>
<td>$1.6 billion annual exports (5-year average); 46% of Australian forestry exports. The value of exports from January to April 2020 was down 4% on 5-year average and down 23% on 2019.</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>Unaffected</td>
<td>$1.3 billion annual exports (5-year average); 15% of Australian beef and veal exports. The value of exports from January to April 2020 was up 137% on 5-year average and up 27% on 2019.</td>
</tr>
<tr>
<td>Barley</td>
<td>Affected</td>
<td>$1.2 billion annual exports (5-year average); 57% of Australian barley exports. The value of exports from January to April 2020 was down 62% on 5-year average and 54% on 2019. This outcome reflects the effect of recent drought on production. China’s tariff decision will impact.</td>
</tr>
<tr>
<td>Dairy</td>
<td>Unaffected</td>
<td>$1.2 billion annual exports (5-year average); 32% of Australian dairy exports. The value of exports from January to April 2020 was up 78% on 5-year average but down 11% on 2019. Large (42%) monthly increase in April 2020.</td>
</tr>
<tr>
<td>Wine</td>
<td>Unaffected</td>
<td>$773 million annual exports (5-year average); 30% of Australian wine exports. The value of exports from January to April 2020 was up 25% on 5-year average but down 13% on 2019.</td>
</tr>
</tbody>
</table>

*Affected* Signs of impact as a result of COVID-19. *Unaffected* Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.  
Source: ABS data

**Trade with Japan**

The Japanese government’s coronavirus emergency support package includes a $8.19 billion agricultural supplementary budget. The response measures raise concern about potential non-tariff barriers that could disproportionately impact Australian F1 cattle and dairy competitiveness.

Japan continues to be a high-value and reliable destination for Australian agricultural exports, underpinned by JAEGA and CPTPP. Demand for high-end premium produce and ingredients has fallen during the pandemic, due declining sales at restaurants, fewer events and a decrease in international tourists. Bulk commodities have remained strong (for example, fresh or chilled beef, cheese for processing, grains, woodchips and sugar). Those exports comprise significant majority of Australia’s agricultural exports to Japan.

There is increasing competition for market share. Australia’s market share in major commodities falling (particularly beef and dairy) due to increasing competition from the United States, European Union, Canada and New Zealand.
Watch points post-COVID include:

- Increased protectionism: trade distortive measures and other barriers to trade
- Food security: Pandemic has caused Japan to refocus on food security. Could be used to solidify agricultural trade partnership
- Digitisation of trade: broader implementation of eCert arrangements and virtual audits will reduce costs and create efficiencies for Australian exporters
- Southern Bluefin Tuna (SBT) industry’s dependence on Japan (approximately 95% of exports) makes it vulnerable if downturn persists.

### Table 13 Progress of exports to Japan, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef and veal</td>
<td>Unaffected</td>
<td>$2.1 billion annual exports (5-year average); 24% of Australian beef &amp; veal exports. Export values from January to April 2020 up 32% on 5-year average and up 18% on 2019.</td>
</tr>
<tr>
<td>Forestry</td>
<td>Unaffected</td>
<td>$496 million annual exports (5-year average); 14% of Australian forest exports. Value of exports from January to April 2020 down 3% on 5-year average and down 9% on 2019.</td>
</tr>
<tr>
<td>Dairy</td>
<td>Unaffected</td>
<td>$495 million annual exports (5-year average); 15% of Australian dairy exports. The value of exports from January to April was up 5% on 5-year average and 2% on 2019.</td>
</tr>
<tr>
<td>Wheat</td>
<td>Unaffected</td>
<td>$324 million annual exports (5-year average); 7% of Australian wheat exports. The value of exports from January to April 2020 was up 10% on 5-year average but down 8% on 2019. Impact of recent drought conditions.</td>
</tr>
<tr>
<td>Fisheries</td>
<td>Affected</td>
<td>$216 million annual exports (5-year average); 14% of Australian fisheries exports. The value of exports from January to April 2020 was down 25% on 5-year average and down 22% on 2019. Whilst this is a decline, only a small proportion of exports occur during this period.</td>
</tr>
</tbody>
</table>

**Affected** Signs of impact as a result of COVID-19. **Unaffected** Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data

### Trade with Korea

Korea had its sharpest GDP contraction since the global financial crisis; −1.6% for the first quarter of 2020. While its social distancing campaign concluded on 5 May, with the government encouraging businesses to return to the ‘new normal’ as soon as possible, the economy is heavily export-reliant. Cluster outbreaks may weigh on improvements in domestic consumption.

Agricultural trade has remained resilient. There were no major food security concerns or domestic supply shortages, despite the 72% self-sufficiency rate (excluding animal feeds). However, there has been some softening in demand for products targeting the restaurant/catering industry. Sea freight is the preferred option for exports to Korea, and there has been limited uptake of the Australian Government’s IFAM. The pandemic has seen strong sales in online shopping and home shopping TV channels.
The Korean government has provided a targeted response, seeking to normalise agricultural supply. A total of two budget restructures worth $85 million have been implemented to date, with the third, and biggest, budget reshuffle of $330 million currently awaiting National Assembly approval. $61.4 million was reallocated for online marketing campaigns to support SME's and promote domestic products such as flowers and environmentally-friendly agricultural produce following steep drops in demand. Additionally, $78.9 million has been used to provide loans to farmers to offset labour shortages and normalise operations. The third budget package is focused on stimulating agri-food production and consumption, supporting farm employment, and investing in digital and green agriculture.

Watch points post-Covid include:

- Shifts in consumer behaviour: increase in online shopping
- Competitor capacity: Ability of competitors of key commodities to maintain export supply to Korea
- Trade facilitation improvements: potential long term improvements based on contingency arrangements including certification and inspection processes
- Market diversification: Korea’s stability is an attractive diversification opportunity.

**Table 14 Progress of exports to Korea, January to April 2020**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef and veal</td>
<td>Unaffected</td>
<td>$1.3 billion annual exports (5-year average); 15% of Australian beef &amp; veal exports. The value of exports from January to April 2020 up 27% on 5-year average and up 6% on 2019.</td>
</tr>
<tr>
<td>Sugar</td>
<td>Unaffected</td>
<td>$582 million annual exports (5-year average); 35% of Australian sugar exports. 2020 data not available due to ABS confidentiality restrictions.</td>
</tr>
<tr>
<td>Wheat</td>
<td>Unaffected</td>
<td>$354 million annual exports (5-year average); 7% of Australian wheat exports. The value of exports from January to April 2020 was up 12% on 5-year average but down 18% on 2019. Impact of recent drought on production.</td>
</tr>
<tr>
<td>Other crops</td>
<td>Unaffected</td>
<td>$210 million annual exports (5-year average); 5% of Australian exports of other crops and crop products. The value of exports from January to April 2020 was up 18% on 5-year average and up 11% on 2019.</td>
</tr>
<tr>
<td>Other livestock</td>
<td>Unaffected</td>
<td>$191 million annual exports (5-year average); 7% of Australian dairy exports. The value of exports from January to April 2020 was up 26% on 5-year average and consistent with 2019 exports over the same period.</td>
</tr>
</tbody>
</table>

Affected Signs of impact as a result of COVID-19. Unaffected Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data

**Trade with Indonesia**

The Indonesian government has responded with a $40 billion stimulus package, and assistance for food insecure in major cities. Movement and business restrictions have been implemented, including exemptions for food provision. Trade measures have been relaxed to remove bottlenecks in supply chains for staple goods.
Supply chains have continued, but remain a risk. Most imported products arrive by sea and seaports have remained open. There have been airfreight restrictions. Road closures are causing some disruptions. Major food processing and manufacturing has continued, including Australian inputs (abattoirs, meat processors, flour mills, sugar refining).

Economic growth is slowing. The Rupiah has depreciated to its lowest in 20 years. Food prices are rising due to shortages for key products (garlic, sugar) and transport restrictions. Food security concerns for the poor. It is possible that food distribution constraints could worsen. Also concern that the slowing economy will weaken food demand and demand for imports.

Watch points post-COVID include:

- Creeping protectionism: Further shifts to food self-sufficiency agenda. Also in IA-CEPA implementation
- Greater use of online sales: Move away from wet markets
- Modern regulatory system: Persistent issues, opportunity for cooperation
- Potential growth in food processing, but structural adjustment in textiles sector could slow cotton demand.

### Table 15 Progress of exports to Indonesia, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>Unaffected</td>
<td>$946m annual exports (5-year average), 19% of Australian wheat exports. The value of exports from January to April 2020 was down 64% on 5-year average but up 31% on 2019. Result of drought-affected production.</td>
</tr>
<tr>
<td>Live cattle</td>
<td>Affected</td>
<td>$633m annual exports (5-year average), 43% of Australian live cattle exports. The value of exports from January to March 2020 was down 25% on 5-year average. Some concern about demand going forward.</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>Unaffected</td>
<td>$316m annual exports (5-year average), 4% of Australian beef &amp; veal exports. The value of exports from January to April 2020 was up 58% on 5-year average and 16% on 2019. Strengthening demand and world higher prices.</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Affected</td>
<td>$98m annual exports (5-year average), 7% of Australian horticulture exports. The value of exports from January to April 2020 was down 16% on 5-year average and down 36% on 2019. Restrictions leading to weakening demand, compounded by limitations to air freight. Uncertainty also created in Australian industry by delays in processing import permits (unrelated to COVID-19), leading exporters to look for other markets.</td>
</tr>
<tr>
<td>Sugar</td>
<td>Unaffected</td>
<td>$381m annual exports (5-year average), 23% of Australian sugar exports. 2020 data not available (confidentiality), but significant market with growth opportunity. Shortages have caused prices to rise, leading to increased imports.</td>
</tr>
</tbody>
</table>

**Affected** Signs of impact as a result of COVID-19. **Unaffected** Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data
Trade with ASEAN
ASEAN governments are increasing their focus on food security and self-sufficiency. Local produce is being promoted. There has been an increased acceptance of electronic certification during COVID-19.

Variation in ASEAN markets means reduced demand in some countries may be offset by growth in others, with overall continued strong trade into the region. Significant impact on retail sector has shifted demand away from the hospitality sector towards online sales. Corresponding shift away from premium produce and the food service sector.

In terms of consumer trends, e-commerce has increased, particularly for retail and ready-to-eat meals. This shift is expected to be maintained. Also an increase in home cooking due to the disruption to the hospitality sector and low consumer confidence. Shift to health/immune boosting products, including fresh produce.

Watch points post-COVID include:

- Creeping protectionism: Further shifts to food security and self-sufficiency agenda
- More online sales: Especially as the hospitality sector recovers
- Demand for food safety: Notably in economies reliant on food imports such as Singapore
- Digitisation of trade: COVID-19 accelerated acceptance of electronic certificates in several AMS and has provided a catalyst for further transition in the region.

Table 16 Progress of exports to ASEAN, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>Unaffected</td>
<td>$2.3 billion annual exports (5-year average); 48% of Australian wheat exports. The value of exports from January to April 2020 was down 34% on 5-year average and down 11% on 2019. Impact of recent drought on domestic production.</td>
</tr>
<tr>
<td>Live cattle</td>
<td>Unaffected</td>
<td>$1.0 billion annual exports (5-year average); 71% of Australian live cattle exports. The value of exports from January to April 2020 was up 13% on 5-year average and on 2019.</td>
</tr>
<tr>
<td>Dairy</td>
<td>Unaffected</td>
<td>$867 million annual exports (5-year average); 26% of Australian dairy exports. The value of exports from January to April 2020 was up 31% on 5-year average and up 33% on 2019.</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>Unaffected</td>
<td>$766 million annual exports (5-year average); 9% of Australian beef and veal exports. Value of exports from January to April 2020 up 57% on 5-year average and up 24% on 2019.</td>
</tr>
<tr>
<td>Sugar</td>
<td>Unaffected</td>
<td>$529 million annual exports (5-year average); 32% of Australian sugar exports. 2020 data not available due to ABS confidentiality restrictions.</td>
</tr>
</tbody>
</table>

Affected Signs of impact as a result of COVID-19. Unaffected Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data

Trade with the European Union
The European Union’s response to COVID-19 includes:
• Administrative changes to the CAP to make support funding available
• Private storage aid for dairy and meat products
• Increased flexibility in the implementation of market support programmes
• Exceptional derogation from EU competition rules for milk, flowers and potatoes.

Supply chains have remained stable. Ports and roads are open and air freight is flowing freely. 'Green lanes’ have been created to prioritise transport of agri-food, agricultural inputs and packaging to support food supply chains. Harvesting of seasonal food was interrupted by border closures.

The European Union’s GDP has decreased by 3.5% in the first quarter of 2020. France, Italy and Germany are in recession. Closure of hospitality, restaurants and cafes (usually responsible for around 30-40% of demand) has most acutely affected demand for premium products. Support for private cold storage stockpiling of red meat and high value product will delay export take-up post-crisis.

Watch points post-COVID include:
• Creeping protectionism: Member states campaigning for consumers to buy member state and European Union products
• Maintaining existing market access and negotiating improved access through Australia-EU FTA negotiations
• Sustainability: European Union’s newly released signature rural policies under the European Green Deal – the Farm to Fork and Biodiversity Strategies – have been recast to take into consideration current supply chain concerns.

### Table 17 Progress of exports to the European Union, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oilseeds</td>
<td>Unaffected</td>
<td>$1.1 billion annual exports (5-year average); 72% of Australian oilseed exports. The value of exports from January to April 2020 was down 31% on 5-year average and down 19% on 2019. Likely related to effect of recent seasonal conditions on production.</td>
</tr>
<tr>
<td>Wool</td>
<td>Affected</td>
<td>$351 million annual exports (5-year average); 9% of Australian wool exports. The value of exports from January to April 2020 was down 18% on 5-year average and down 26% on 2019. Likely to be an effect of recent seasonal conditions, as well as demand and world prices.</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Unaffected</td>
<td>$297 million annual exports (5-year average); 10% of Australian horticulture exports. The value of exports from January to April 2020 was down 5% on 5-year average and on 2019.</td>
</tr>
<tr>
<td>Wine</td>
<td>Unaffected</td>
<td>$217 million annual exports (5-year average); 8% of Australian wine exports. The value of exports from January to April 2020 was up 7% on 5-year average and up 10% on 2019.</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>Affected</td>
<td>$177 million annual exports (5-year average); 2% of Australian beef and veal exports. The value of exports from January to April 2020 was down 14% on 5-year average and down 15% on 2019.</td>
</tr>
</tbody>
</table>
Affected Signs of impact as a result of COVID-19. Unaffected Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data

Trade with the United Kingdom

New UK Agriculture Bill passed House of Commons, creating new support structures for agricultural producers (away from the EU CAP). Agricultural industry support packages for affected sectors (notably dairy) using direct payment models.

Supply chains have remained stable during COVID-19. Ports and roads are open and air freight is flowing freely. Major food processing and manufacturing continues, some using Australian inputs (wine bottling, sugar refining). However harvesting of seasonal food has been interrupted by a lack of available workforce. Furloughed workers in the United Kingdom are filling the gap.

The UK economy has contracted. GDP dropped 5.8% in March 2020 and the United Kingdom is expected to dip into recession. The closure of the food services sector has impacted upon Australian exports of premium red meat and wine and has led to downturns in high value exports. Support for private cold storage stockpiling of red meat and high value product will delay export take-up post-crisis.

Watch points post-COVID include:

- Creeping protectionism; UK producers’ rhetoric of ‘world best’ food safety, animal welfare and environmental standards creating non-tariff measures
- How the United Kingdom will balance FTA negotiations with multiple countries (European Union, United States, Japan, New Zealand, Australia) against concerns that food safety and agricultural production standards will be reduced
- Australia will need to demonstrate a strong sustainability narrative to achieve significant market access gains in market access in a United Kingdom–Australia FTA.

Table 18 Progress of exports to the United Kingdom, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wine</td>
<td>Unaffected</td>
<td>$376 million annual exports (5-year average); 15% of Australian wine exports. The value of exports in January to April 2020 was up 14% on 5-year average and up 2% on 2019.</td>
</tr>
<tr>
<td>Lamb and mutton</td>
<td>Unaffected</td>
<td>$83 million annual exports (5-year average); 3% of Australian lamb and mutton exports. The value of exports in January to April 2020 was up 29% on 5-year average and up 74% on 2019 [Note: total value is still relatively small.]</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>Affected</td>
<td>$81 million annual exports (5-year average); 1% of Australian beef and veal exports. The value of exports in January to April 2020 was down 49% on 5-year average and down 30% on 2019.</td>
</tr>
<tr>
<td>Other crops</td>
<td>Unaffected</td>
<td>$28 million annual exports (5-year average); 1% of Australian other crop and crop product exports. Value of exports in January to April 2020 was up 53% on 5-year average and up 29% on 2019.</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Affected</td>
<td>$30 million annual exports (5-year average); 1% of Australian horticulture exports. The value of exports in January to April 2020 was down 5% on 5-year average and down 22% on 2019.</td>
</tr>
</tbody>
</table>
Affected Signs of impact as a result of COVID-19. Unaffected Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.
Source: ABS data

Trade with the United States
US economic growth is slowing, with GDP estimated to have fallen 4.8% in first quarter 2020.

The government has responded with US$2 trillion COVID emergency cash bill, including industry loans and direct payments to households. For agriculture, there is the US$19 billion Coronavirus Food Assistance Program, which includes US$16 billion in direct payments to farmers.

Supply chains remain open. The Defense Production Act was invoked end-April to maintain meat processing, after closures led to meat shortages. There are reports of localised shortages of flour and meat, with purchase limits imposed by retailers. Domestic demand for food weakening after a panic buying-induced surge in demand. Rising unemployment expected to further reduce demand. Food prices and number of food insecure increasing.

The US dollar appreciated 6% against the AUD between December 2019 and April 2020. Total US agricultural exports have been relatively unaffected by COVID-19 and stronger US dollar – 1% higher January-March 2020 compared to same period 2019. US agricultural exports strong for some commodities, for example pork to China, dairy products to South-East Asia; weaker for wheat. African swine fever in China continues to generate demand for US pork.

Watch points post-COVID include:

- Expected rise in US exports to China because of Phase-1 deal. COVID-19 impacts nil or negligible to date
- Risk of US stockpiles of dairy increasing given lower domestic demand
- Restoring meat processing capacity after COVID-19 disruptions. Backlog of livestock will likely see higher US production once processors return to normal operating capacity.

Table 19 Progress of exports to the United States, January to April 2020

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Status</th>
<th>Export performance, January to April 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef and veal</td>
<td>Unaffected</td>
<td>$2.1 billion annual exports (5-year average); 24% of Australian beef &amp; veal exports. Value of exports from January to April 2020 up 8% on 5-year average and up 11% on 2019, despite volumes being down 14% on 2019 and 23% on 5-year average.</td>
</tr>
<tr>
<td>Lamb and mutton</td>
<td>Unaffected</td>
<td>$769 million annual exports (5-year average); 25% of Australian lamb &amp; mutton exports. Value of exports from January to April 2020 up 41% on 5-year average and up 10% on 2019.</td>
</tr>
<tr>
<td>Wine</td>
<td>Unaffected</td>
<td>$461 million annual exports (5-year average); 18% of Australian wine exports. Value of exports from January to April 2020 down 9% on 5-year average and down 1% on 2019.</td>
</tr>
<tr>
<td>Horticulture</td>
<td>Affected</td>
<td>$143 million annual exports (5-year average); 5% of Australian horticulture exports. Value of exports from January to April 2020 up 13% on 5-year average and down 8% on 2019.</td>
</tr>
</tbody>
</table>
Commodity  | Status  | Export performance, January to April 2020
---|---|---
Dairy  | Affected  | $49 million annual exports (5-year average); 1% of Australian dairy exports. Value of exports from January to April 2020 down 55% on 5-year average and down 59% on 2019.

**Affected** Signs of impact as a result of COVID-19. **Unaffected** Exports proceeded as expected – may be down on average, but due to factors other than COVID-19.

Source: ABS data

**Glossary**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>Association of South-East Asian Nations, comprising Brunei Darussalam, Cambodia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam</td>
</tr>
<tr>
<td>Cairns Group</td>
<td>Coalition of agricultural exporting countries</td>
</tr>
<tr>
<td>CAP</td>
<td>The European Union Common Agricultural Policy</td>
</tr>
<tr>
<td>CODEX</td>
<td>Codex Alimentarius is a collection of standards, guidelines and codes of practice adopted by the Codex Alimentarius Commission, within the joint FAO/WHO Food Standards Programme.</td>
</tr>
<tr>
<td>CPTPP</td>
<td>Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a free trade agreement between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Peru, New Zealand, Singapore and Vietnam.</td>
</tr>
<tr>
<td>EU</td>
<td>European Union 27 countries, comprising Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain and Sweden.</td>
</tr>
<tr>
<td>F1 cattle</td>
<td>First generation cross between full blood Wagyu bull with another breed of cattle</td>
</tr>
<tr>
<td>FAO</td>
<td>Food and Agriculture Organization of the United Nations</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreement</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IA-CEPA</td>
<td>Indonesia-Australia Comprehensive Economic Partnership Agreement</td>
</tr>
<tr>
<td>IFAM</td>
<td>International Freight Assistance Mechanism</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPCC</td>
<td>Intergovernmental Panel on Climate Change</td>
</tr>
<tr>
<td>JAEPA</td>
<td>Japan–Australia Economic Partnership Agreement</td>
</tr>
<tr>
<td>MRL</td>
<td>Maximum Residue Limits, which specify the highest amount of an agricultural or veterinary chemical residue legally allowed in a food product sold in Australia.</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OIE</td>
<td>World Organisation for Animal Health (formerly the Office International des Epizooties)</td>
</tr>
<tr>
<td>SBT</td>
<td>Southern Bluefin tuna</td>
</tr>
<tr>
<td>WHO</td>
<td>World Health Organization</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>

This fact sheet was first published in July 2020 on [https://www.agriculture.gov.au/coronavirus/research](https://www.agriculture.gov.au/coronavirus/research) and has not been updated.