CommBank Agri Insights: Grains

Where and why Australian grain growers are investing in their operations.

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Australian grain and oilseed growers produce some of the highest quality crops in the world, using the most advanced technology and ever-evolving farm practices to keep them at the cutting edge of efficiency and productivity. Australian wheat accounts for less than 5 per cent of the global crop, but up to 15 per cent of the global wheat trade, with our growers leading the world’s production of malting barley.

Every year, Australian grain growers plant in the vicinity of 20 million hectares of crop, answering demand domestically and globally.

The past few years have been interesting to say the least, from the record harvest in 2016/17 to the greatly diminished crop and lower prices this past season, although the summer season is looking much more promising. We’ve also seen tariff movements in Indian wheat and peas, raising questions about room to move in these markets and global competitiveness more broadly. There’s also the question of how the grain industry will respond to any move away from meat-based diets, considering how much of our grain is used in feed.

As always, markets, weather and climate continue to deliver challenges to the sector. The industry, in turn, continues to respond with ongoing development, including a changing mix of crops and crop cycles and a determined focus on investment.

Our latest research looks at where and why grain growers are investing, and shows that even against a backdrop of lower yields and lower prices, grain growers remain committed to ongoing investment in their operations. This report looks at growers’ intentions for the year ahead, and the picture is very encouraging. Grain growers are taking a long-term view of their operations, investing in areas that aim to help them increase efficiency and boost production.

The grains industry is a critical part of the Australian agribusiness matrix and CommBank is proud of its long history of supporting growers across all seasons. We’ve been helping them to achieve their goals for more than 100 years.

I hope you find the data and insights in this report valuable. I’d love to hear your feedback.

Adrian Parker
General Manager
Specialised Agribusiness Solutions
Commonwealth Bank of Australia

About CommBank Agri Insights

Agri Insights canvasses 1,405 Australian farmers, including 243 grain growers compromising of both grains and oilseeds, about their intentions for their farm enterprise over the coming 12 months, as well as the past 12 months. We spoke to a representative sample of rural producers across Australia. Fieldwork was executed by Fairfax Agricultural Research and Marketing using its database of more than 100,000 rural producers, and the research was managed by Kynetec. Calls were conducted in September 2017.
19% of grain growers intend to increase their area of land over the next 12 months.

40% of grain growers nationally said infrastructure, plant and equipment was their biggest area of investment increase in 2017.

45% of grain growers will increase their investment in infrastructure, plant and equipment for the coming 12 months.

1/5 of Australian grain growers will increase the number of employees within their operation in the next 12 months.

45% of grain growers will increase investment in technology and innovation in 2018.

33% of those grain growers who will increase their agtech investment said they were motivated by productivity and efficiency gains.
Land acquisition

Across the country, 19 per cent of grain growers have indicated they are looking to increase their area of land over the coming 12 months. This makes them more eager for land than any other commodity sector.

In comparison, just 9 per cent of all farmers nationally cited land expansion as an area of intended investment increase for the year ahead.

40 per cent of grain growers nationally said infrastructure, plant and equipment was their biggest area of investment increase over the past year.

Looking forward, 45 per cent said they would increase their investment in these areas again this year. This compares with 35 per cent of farmers nationally planning to increase their infrastructure, plant and equipment investment.
Technology and innovation

Technology is a key focus for grain growers for the year ahead, with 45 per cent intending to increase investment in technology and innovation, compared with 37 per cent of farmers overall.

Of those grain growers who said they were going to increase their agtech investment, 33 per cent said they were motivated by productivity and efficiency gains within their operations.

Family and other employees

2018 should see growth in employment in the grain sector, with 20 per cent of growers saying they will increase the number of employees or family members in their business, compared with 15 per cent of all farmers nationally.

One in five Australian grain growers will increase the number of employees within their operation in the next 12 months.
Our latest Agri Insights shows that Australian cropping is seeing a surge in investment. One of the questions that arise when we see an investment surge in any industry is whether the plans are based on too much optimism about the future, known in industry jargon as “irrational exuberance”.

Price levels are one place to look for exuberance – they’re a frequent feature underpinning excessive optimism. Any business assuming they will perpetually get paid high prices will also project similarly high profits. Prices though, with few exceptions, do not stay high for long periods of time. And nor, consequently, do those profits.

High prices are not a feature of the current crop market, as the accompanying chart illustrates. Pulse prices are on the high side (one reason why they are now an effective bidder for Australian crop land) but oilseed prices are modest and grain prices are low. The spread of price levels is one of the benefits of diversification, but if we are looking for signs of excessive optimism, current crop prices are not among them.

Tobin Gorey
Director Agri Commodities Strategy
Commonwealth Bank of Australia
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