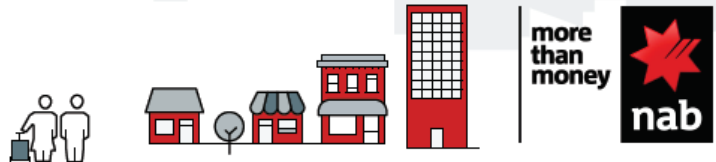


2021-22 FEDERAL BUDGET

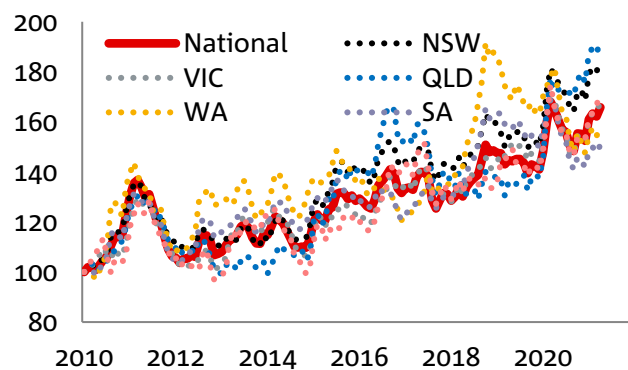
Agriculture



Agricultural sector background

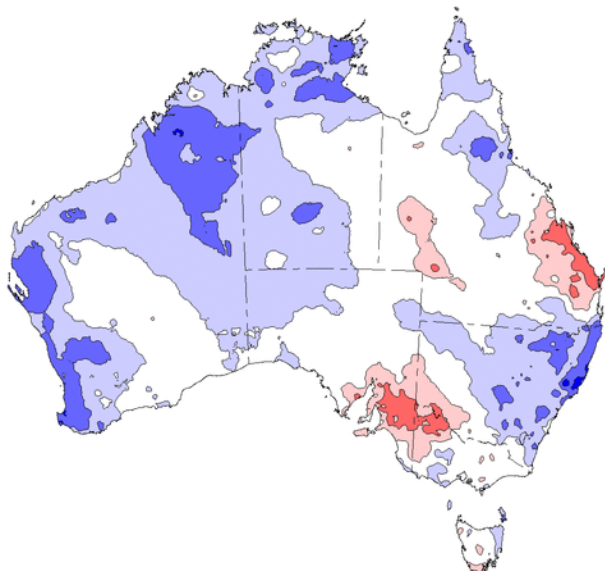
Australia's agricultural sector is currently enjoying boom conditions across many (but not all) industries, underpinned by largely good prices and seasonal conditions. Prices continue to perform generally very well, rounding out a mostly strong period for many agricultural producers. Cattle prices have been perhaps the most obviously compelling, with the benchmark EYCI cracking a record 900c/kg earlier last month. However, trends in global grain markets also point to encouraging news for Australian grain growers.

NAB Rural Commodities Index



Seasonal conditions, which were bolstered by big rainfall events earlier this year, remain generally good. But some small caveats are emerging. April has been very dry in many areas and soil moisture levels have taken a hit from the lack of rain. This is unlikely to be a concern at this stage, given the rains earlier this year. But it does bear close watching.

Rainfall deciles – last 6 months (BoM)



Key budget initiatives

The budget includes several initiatives for the agricultural sector, but the key focus is in the following areas:

- Agriculture 2030 - \$850m over the forward estimates to support the National Farmers Federation's (NFF) ambition of a \$100b industry by 2030;
- A one-year extension to the instant asset write-off, to June 2023;
- Redirected \$1.5b in already-announced water efficiency funding to Murray Darling basin water projects, as well as continued drought funding; and
- Changes to visa arrangements to allow temporary visa holders to undertake more farm work, although the budget forecasts the borders will remain closed until mid-2022.

Agriculture 2030

The NFF's goal for a \$100b target for Australia's agricultural sector by 2030 has been around for some time. The 2020-21 budget explicitly addresses this commitment, with additional funding for biosecurity, soils, biodiversity, export and production. The budget provides \$850m over the forward estimates.

Just under half of the funding under Agriculture 2030 (some \$411.4m) is directed to biosecurity and pest management and was largely leaked before budget night. There is also \$147.9m for soil programs, \$102.1m for production and trade, \$67m for organic waste, \$36.8 for biodiversity and \$50.3 for forestry and fisheries, with the balance of funds in the package to support agricultural employment and innovative agricultural practices.

Instant asset write-off extension

The instant asset write-off was expanded substantially in last year's budget to \$150,000, largely as a COVID stimulus measure. The scheme has been extended for one year to 30 June 2023. Treasury estimates that this will reduce revenue by \$17.4b over the forward estimates. The temporary loss carry-back was also extended at a cost of \$2.8b.

Drought and water infrastructure projects, other sundry measures

The budget provides funding for drought support, although some of this is existing funding, as well as redirected \$1.5b from the Water Efficiency Program to improvement works in the Murray Darling basin. The budget also provides \$29.3m for timely environmental assessments.

Visa changes and border reopening timing

A key challenge for agricultural businesses, particularly in horticulture, has been lack of labour availability with closed borders. While the budget includes a measure (announced in January 2021), to allow temporary visa holders to work more hours in the agricultural sector, the major challenge remains closed borders. The budget sees negative net migration to the tune of almost 100,000 by mid-year and does not forecast the border reopening until well into 2022. This is likely to present an ongoing challenge to industry.

One silver lining is that the budget includes the assumption that the vaccination rollout will be completed this year, if this transpires it is likely borders can reopen earlier.

Industry response

The National Farmers Federation (NFF) was particularly pleased with this year's budget, perhaps in part because the budget explicitly acknowledges the \$100b by 2030 target. The NFF described the budget as a shot in the arm for agriculture and regional Australia, with NFF President Fiona Simson commenting that "This Budget is recognition of the crucial role a strong and profitable farm sector plays in Australia's overall economic prosperity". However, the NFF did criticise the lack of funding for rural communications.

NSW Farmers was likewise supportive to the biosecurity measures.

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