

COVID-19 impacting rural

POTATOES SA

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THE Australian Bureau of Agricultural and Resource Economics and Science (ABARES) has just released its Research Report on the Effects of COVID-19 on the agricultural sector, particularly as it relates to trade.

It states that the International Monetary Fund (IMF) is currently forecasting a 3 per cent contraction in global economic activity in 2020: worse than the global financial crisis (GFC) of 2007'08.

This crisis is considered by many economists to have been the most serious financial crisis since the Great Depression of the 1930s.

Fortunately, our agricultural exports are predominantly food (commodities, premium, processed), and in fact, 70pc of all the food produced in Australia is sold to international markets.

As food is essential to all of us, the key impact on global agricultural markets is likely to be weaker prices rather than significantly reduced consumption.

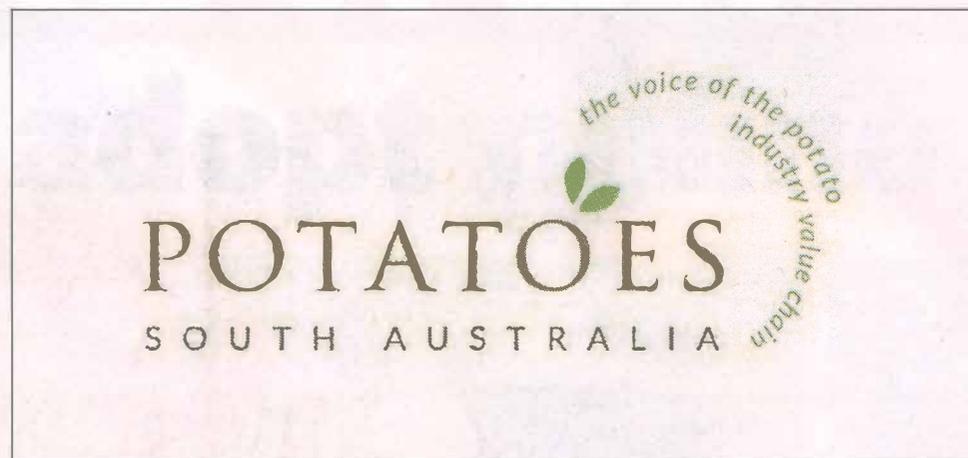
Our domestic food securi-

ty is definitely not at risk.

At the start, the impact of the pandemic was due to slowing demand in China, however the subsequent global spread of the virus (second and perhaps third waves) is now impacting on global markets, making the short-term outlook for Australian agriculture increasingly uncertain.

But if the current recovery from the pandemic in China is sustained, the negative impacts on Australia's trade with China may be limited, not forgetting the impacts of any Australia-China relationship deterioration. The continuing US-China trade war also remains central to downside risks globally.

Additionally, Australia's agricultural exports are underpinned by imports, with around 10pc of total gross value of trade made up of foreign value-added. In 2014, foreign value-added amounted to around US\$4 billion. China is Australia's largest supplier of inputs into agricultural production, supplying around US\$530 million, or 1.4pc, of Australia's gross value of agricultural



and food exports in 2014. This is followed by the United States, which supplied 1.2pc.

To date, supply chain and freight logistics disruptions have been the most significant risk to agriculture and to farm incomes. Access to, and affordability of air freight is a significant trade concern; this is particularly relevant in premium and perishable sectors. Producers' reliance on transport for getting goods to market makes their incomes particularly vulnerable to changes in freight rates. This is occurring right now with international travel bans; whilst some air freight is carried in dedicated

cargo freighters, over 80pc of airfreighted exports are carried in the cargo hold of passenger aircraft. And there are no international passenger aircraft.

Anecdotal industry advice is that costs have increased to prohibitive levels, from around \$0.50-\$1 per kilogram in 2019 to \$6.50 per kilogram during March 2020.

The Federal and State Governments have stepped in to resolve some of these issues with a new direct airfreight route between Adelaide and Singapore starting from May 6, 2020 as part of the \$110 million International Freight Assistance

Mechanism (IFAM). South Australian airfreight exporters of high-value perishable produce such as gourmet horticulture, seafood, meat and dairy will be able to export their products to international markets following successful negotiations with Singapore Airlines.

Attempts to limit the spread of COVID-19 domestically will no doubt also affect labour availability in some industries (cross-border, cross-company restrictions) or disrupt their ability to export due to impacts on logistics networks. Horticultural businesses are particularly concerned regarding

access to migrant labour essential for products from regional Australia reaching consumers.

The Australian Government has taken steps to reduce these risks through recent changes to visa arrangements for seasonal workers including visa extensions for agricultural workers from overseas who are already in Australia, regional permits and longer employment periods with the one employer.

Even without COVID-19, profitability in agriculture is dominated by seasonal conditions and the drought across much of Australia over the past three years has provided the deepest and widest impact. This has been compounded by the bushfires of summer 2019'20.

However, the latest Bureau of Meteorology (BoM) seasonal forecast suggests that wetter than average conditions are likely across agricultural areas from May to July 2020.

And what happened over the past week? So very comforting despite the gloom, that it always rains after a drought.