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## Australia

### Agricultural Situation

### Ag DownUnder Vol. 14

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**Report Highlights:**

- Vaile and Truss Swap Trade, Transportation Ministries
- Final Report of Cole Inquiry of AWB Extended Until November 24
- Record Commodity Export Earnings Forecast
- Dry Weather Cuts Winter Crop Prospects
- Frost Devastates Fruit Harvest in Victoria
- ABARE Research: U.S. Farm Policy Reform Would Benefit U.S. Agriculture

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Canberra [AS1]  
[AS]

### **Vaile and Truss Swap Trade, Transportation Ministries**

Mark Vaile, Australia's Trade Minister for seven years, has been replaced by Warren Truss. Mr. Vaile, the Deputy Prime Minister and the leader of the National Party, will now assume the transportation portfolio. Press speculation is that a domestic portfolio, without the heavy travel demands of the trade portfolio, will be better suited to Mr. Vaile's roles in the lead up to the next election.

After swapping from the transport portfolio to trade, Mr. Truss said his first priority was to work to revive the failed world trade talks. "Clearly, the key focus is still on endeavoring to secure a multilateral trade agreement," he said. "Many people believe that it's going to be difficult to breathe new life into the Doha round. But we've got to give it every possible chance. If we're unable to succeed over the next few months, there will be a long interruption with the U.S. elections and the expiry of the fast-track approval." Mr. Truss said he remained hopeful negotiations could resume before the end of the year. "Now, I acknowledge that is not going to be easy," Mr. Truss said. "The key areas of differences always in trade agreements are around agriculture and there will have to be substantial movement from particularly the U.S. and the Europeans for there to be the level of hope and optimism that would be necessary to bring nations together again for another round." Mr. Truss said his previous portfolios of customs, agriculture and transport provided a "useful apprenticeship" for his new role. (Source: September 25 Sydney Morning Herald, Australian)

### **Final Report of Cole Inquiry of AWB Extended Until November 24**

In response to the Australian Wheat Board's (AWB's) attempt to withhold documents from the Cole Inquiry investigation into its conduct under the UN Oil-for-Food program claiming legal professional privilege, on September 19 Justice Young of the Federal Court said, "communications between a lawyer and a client which facilitate a crime or fraud are not protected by legal professional privilege". As a result, 360 of 900 disputed documents will now be submitted as evidence. Subsequent to the decision, the Attorney General has announced an extension to the reporting date for the Cole Inquiry; the new reporting date is November 24, 2006. Hearings in the case resumed on September 26, 2006.

### **Record Commodity Export Earnings Forecast**

The Australian Bureau of Agriculture and Resource Economics (ABARE) has forecast a 2 percent increase in farm export income, to \$A28.3 billion in 2006/07 as higher world prices offset reduced production. Agricultural commodities for which export earnings are forecast to increase in 2006/07 include wheat, rice, wine, live cattle and cheese. ABARE Commodity Analyst Terry Shiel says the effects of the downturn in crop production will really become evident in reduced exports in the following financial year. Total winter crop production in Australia is forecast to be significantly lower than in the previous season, mainly as the result of below average winter rainfall across the Australian grains belt. (Source: ABARE, September 25, 2006)

### **Dry Weather Cuts Winter Crop Prospects**

Dry seasonal conditions are expected to result in forecast winter crop production of 26 MMT in 2006/07, down 36 percent from 2005/06, according to ABARE's September issue of the Australian Crop Report. Most cropping regions of Australia recorded below to very much below average winter rainfall, with some regions recording their lowest winter rainfall on record, resulting in a significant reduction in forecast winter crop production in 2006/07. According to ABARE, wheat production in 2006/07 is forecast to decline by about 35 percent

to 16.4 MMT, while barley production is forecast to fall to about 5.8 MMT, a 41 percent drop from the previous season. Canola production is also forecast to be down around 775,000 MT, the lowest in 10 years. The extremely dry winter conditions mean that spring rainfall will be vital to secure summer crop plantings. Assuming average spring rainfall, the area sown to summer crops is forecast to decline by about 10 percent in 2006/07, reflecting the decline in water availability for irrigated crops such as rice and cotton. (Source: ABARE, September 25, 2006)

### **Frost Devastates Fruit Harvest in Victoria**

A federal MP has urged the Victorian Government to declare a natural disaster in the Goulburn Valley after frost devastated the region's fruit crops. Temperatures unexpectedly plunged to minus five degrees Celsius on September 24, ruining healthy young fruit – including apricot, plum, peach and plum crops – across the region. Due to consolidation in the canning fruit sector over the past decade, this region accounts for the overwhelming majority of canned fruit in Australia. Federal Murray MP Dr Sharman Stone said she had written to Victorian Premier Steve Bracks calling on him to declare a natural disaster to "open the door to financial assistance for orchardists". The frost was expected to have destroyed half the region's output of fruit, Dr Stone said. Farmers alone expected to lose \$A70 million, with losses multiplied through the picking, packing, canning and transport industries, she said. "This follows five years of drought, hail last year at Shepparton East, the devastating frost of 2003 and record prices for water," Dr. Stone said in a statement. "If the state declares a natural disaster, they will be able to seek reimbursement for up to 75 per cent of their costs from the Federal Government once their expenditure reaches a certain threshold. (Source: September 26, [www.news.com.au](http://www.news.com.au))

### **ABARE Research: U.S. Farm Policy Reform Would Benefit U.S. Agriculture**

The Australian Bureau of Agriculture and Resource Economics (ABARE) has released a report, "U.S. Agriculture Without Farm Support" which concludes that farm policy reform in the U.S., complemented by more market-oriented multilateral trade reform could potentially lead to \$120 billion in U.S. budget savings over the period 2007-2020. The report also found that agricultural industries in the U.S. that are not recipients of current farm program support would be the major beneficiaries of U.S. farm policy reform. The report is available at [www.abareconomics.com](http://www.abareconomics.com).

### **Recent Reports from FAS/Canberra**

The reports listed below can all be downloaded from the FAS website at: <http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp>.

Report Number	Title of Report	Date
6047	Grain Quarterly Update	08/01/06
6048	Food & Agriculture Import Regulations & Standards	08/03/06
6051	Australia Launches Strategy to Gain Access to Southern Indian Food Market	08/10/06
6052	Ag DownUnder Vol. 12	08/25/06
6053	Cotton Quarterly Update	08/31/06
6054	Drought Update	09/05/06
6056	Ag DownUnder Vol. 13	09/08/06
6057	Livestock Annual	09/13/06