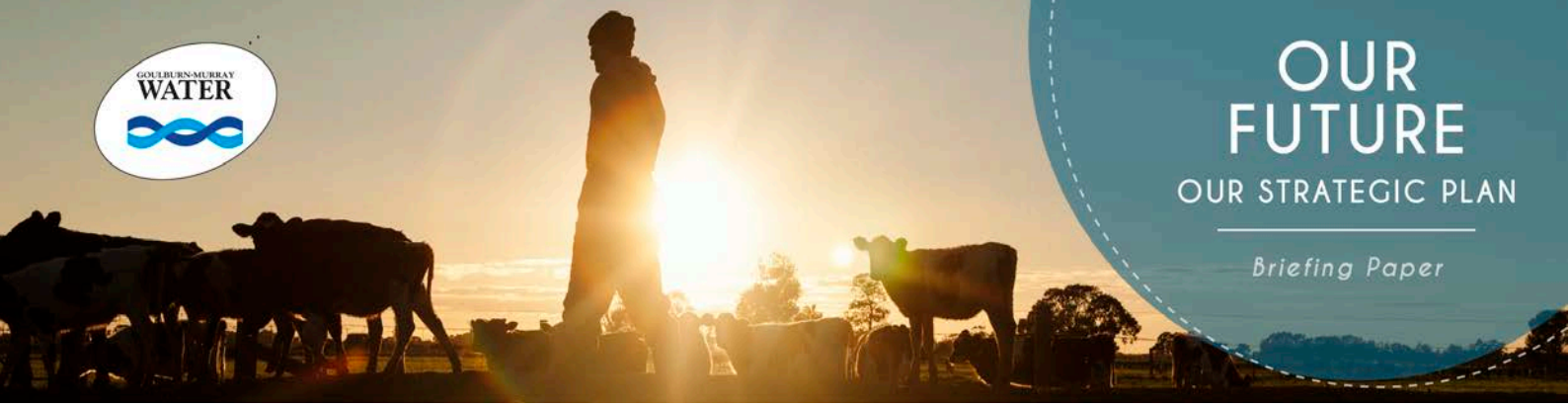


2. Industry snapshot: Horticulture

Key takeaways

- Horticulture industry accounts for $9.3 billion annual gross value of production in Australia.
- Outlook is for continued steady growth which may accelerate if profitable export markets emerge.
- Within GMW's region, horticulture is stable with some sectors seeking to increase profitability by moving to premium products and accessing new markets

Overview

Horticulture is a significant agricultural industry in Australia, with an annual gross value of production of $9.2 billion (or 18 per cent of all agriculture) in 2014–15. This number can be broken down into the following four categories:

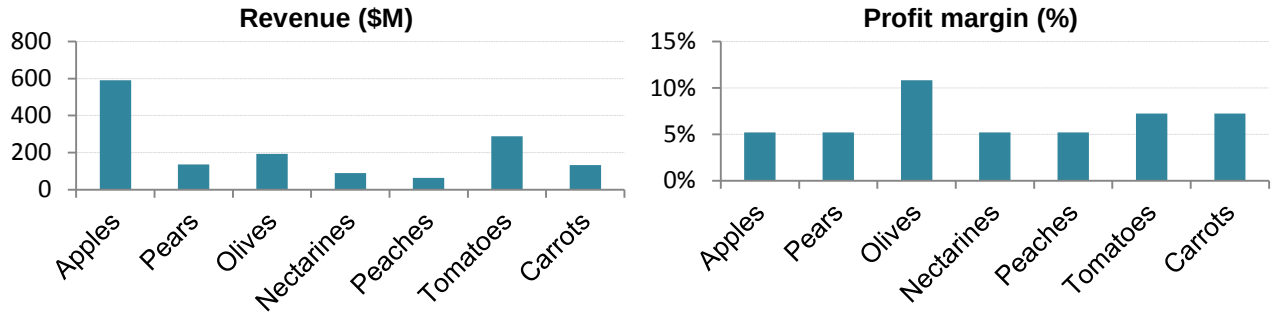
- Vegetables: $3.3 billion
- Fruits and nuts (excl. grapes): $3.5 billion
- Nursery cut flowers and cultivated turf: $1.3 billion
- Grapes (total): $1.1 billion

The industry is forecast to grow by 8 per cent annually between 2016 and 2020, reaching a gross value exceeding $10 billion by 2020; about 80 per cent for domestic consumption.
Source: ABS, 2015

There are about 30,000 horticultural businesses that employ an estimated 60,000 people throughout Australia. Irrigated horticulture in the GMID covers a wide range of crops, fruit and vegetables, involving permanent tree crops and annual plantings. Recently, Australia has becomes the world's second largest producer of almonds.
Source: Horticulture Innovation Australia, 2016

Key statistics

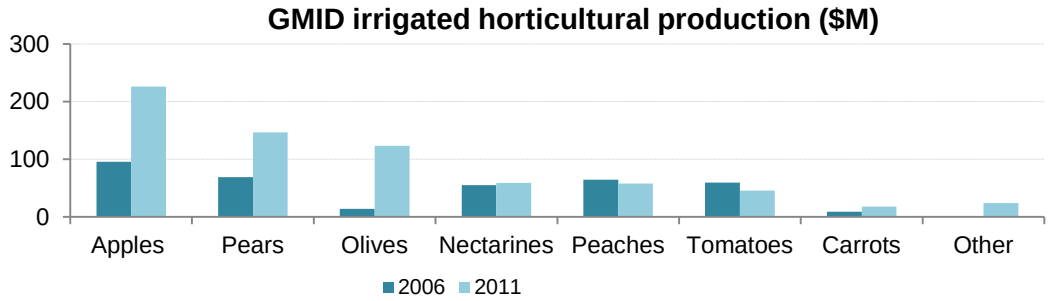
The following charts provide key data on horticulture in Australia, as at 2016 (approximate figures only).



- Victoria accounts for almost 50 per cent of all apples and more than 80 per cent of all pears

Source: IBIS World, 2016

The following chart provides data on irrigated horticultural production in GMID, across the period 2006-2011.



- Olives and other had the highest annual growth rates (53.8 per cent and 87.2 per cent, respectively), while tomatoes (-5.2 per cent) and peaches (-2.1 per cent) had the lowest
- Olives grew from 3.9% of production in 2006 to 17.6 per cent in 2011; nectarines, peaches and tomatoes all declined significantly during this time

Source: RMCG, 2016

Use of water

- Horticulture in southern Murray Darling Basin (sMDB) uses around 1,100GL per year
- Horticulture for permanent plantings (dominant in GMW's region) needs very reliable water supply and on-demand delivery
- Annual horticulture (e.g. vegetables) needs high reliability to give certainty to supply contracts
- Some annual crops rotate land use (e.g. disease management) and have large land access requirements
- Access to water for frost protection is desirable

Source: RMCG, 2016

Trends

Growth in production and water demand from tree nuts

- Export sales increased 58 per cent in 2013/14 and growth is continuing
- Significant increase in tree nuts (eg almonds, walnuts); mostly outside GMW's region
- Increased competition for allocation in dry years as sMDB horticulture grows

Source: RMCG, 2016

More water use in horticultural production

- Further 300GL projected to be required by new horticulture developments

Source: GMW internal analysis

Domestic demand for Australian apples, pears and stone fruit has declined over the past five years

- Influx of cheap processed fruit imports has dampened demand for Australian grown fruit

Source: IBIS World, 2016

Difficulty finding enough local Australian workers to meet seasonal labour needs

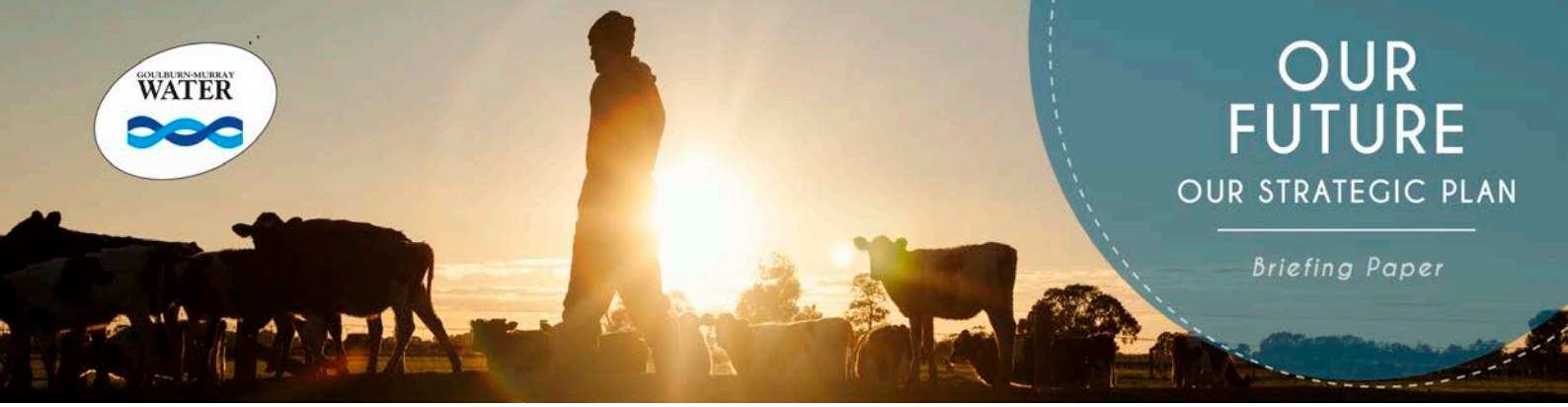
- Employers unable to find enough local Australian workers to meet their seasonal labour needs
- Previously addressed this challenge using backpacker labour; income tax changes puts this at risk

Source: RMCG, 2016

Increasing westernisation of Asian diets driving export demand

- Income growth driving dietary change from staple foods towards livestock, seafood, dairy, and fruit and vegetable products
- Opportunity for Australian horticulture to provide new food types and connect to new markets

Source: CSIRO, 2015



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