

Australia's changing menus among the forces reshaping farming

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Key points

- Major economic shocks are now arriving every one to two years, compared with roughly once every ten years in the past
- Around 65 per cent of Australia's fertiliser imports come through the Strait of Hormuz
- Australia still imports about 80 per cent of its diesel
- New investment in regional Australia could create opportunities alongside pressure on water, construction and skills
- Consumers are searching for value and moving towards lower-priced food options rather than premium offerings

Farmers are planning for disruption

Australian farmers are increasingly having to plan for disruption as part of doing business.

Speaking after his address to the National Farmers' Federation Leaders' Summit in Canberra, CommBank Chief Economist Luke Yeaman said major economic shocks that previously arrived roughly once a decade are now occurring every one to two years.

"In the past, we might have seen a shock once every ten years. Now we're seeing shocks every one to two years. So farmers need to plan for that and manage it," Yeaman said, pointing to shifting geopolitics, new technology and AI, the transition towards net zero and demographic change as forces affecting agriculture.

For farmers, those pressures are being felt from both ends of the supply chain - from the availability and cost of critical farm inputs to shoppers seeking lower-priced food options.

But new technology is also creating opportunities to adapt.

Fuel and fertiliser put farm supply chains in focus

For farmers, the shutdown of the Strait of Hormuz has proven a big disruption.

"We saw fertiliser at risk, we saw diesel at risk, [as] we still import the vast majority – about 80 per cent – of our diesel and a very large amount of our fertiliser," Yeaman said.

Around 65 per cent of Australia's fertiliser imports come through the Strait of Hormuz, which Yeaman said put pressure on agricultural production when the waterway closed.

He expects food security and fuel security to remain a focus over the next few years, presenting opportunities to for Australia to strengthen domestic supply chains.

“How can we become more resilient, more self-sufficient, how can we have more of those critical inputs that go into agriculture delivered and produced here in Australia?” Yeaman said, noting that strengthening supply chains also involves costs.

“We have to pay for that extra insurance that we’re taking out to make sure that our supply chains are resilient, and that will have some impacts on the sector, but also through to consumers.”

Regional investment brings opportunities and pressure

Agricultural communities are also likely to feel the effects of growing investment in data centres, defence, renewables and major infrastructure.

Yeaman said much of that investment would affect regional communities, making it important to consider how the benefits flow locally – as well as the potential pressure points.

“We’re going to see that investment going in and the big question is what benefits flow to and stay in the local community,” he said. “Demand for water, construction and skills has the potential to put a lot of pressure into the system, but also could create big opportunities around jobs and innovation as well.”

Shoppers are trading down, not eating less

What happens in households also matters at the farm gate.

CommBank transaction data shows households pulling back on discretionary spending as financial pressure builds, but Yeaman said food behaves differently.

“You don’t see a big drop off in food. People need to eat, but what you do see is quite a big rotation in the food choices people are making,” he said.

Consumers are searching for value and moving towards lower-priced options rather than premium offerings.

For producers, that means changes in what consumers choose to buy even as overall food spending holds up relatively well.

More farmers are looking to technology

Technology provides a different side to the changing environment.

“We know farmers are picking up and adopting some of that new technology. With AI, and as robotics comes online, that’s going to open up a lot of opportunities for the agricultural sector,” Yeaman said.

More than half of the farmers CBA has spoken to recently are actively looking at ways they can adopt new technology, change their business practices and do things more efficiently.

Asked what made him optimistic about Australian agriculture, Yeaman pointed to the country’s natural advantages and the willingness of producers to adapt.

“The thing that makes me excited is seeing the evolution that’s happening across the sector,” he said. “There’s a huge opportunity out there and I think Australian farmers are up for that challenge.”

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