

The future of public sector market forecasts in Australian agriculture

THE Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) and its predecessors have been providing commodity market forecasts for Australia's agricultural sector for over 70 years. Both ABARES and the industries we serve have changed a great deal over this period, and there are no signs that future changes will be slower or less profound.

Australian governments began providing agricultural commodity market forecasts in 1945. Since then the operating and policy context of Australian agriculture has changed dramatically.

Public investment in agricultural forecasting fell from the 1990s onwards as technology made forecasting more efficient and as agriculture's falling share of the economy reduced its priority within government.

The acceleration of global change into the 21st century brings into question the future

role and nature of public sector forecasting in Australian agriculture.

Forecasting began during World War II

Prior to World War II, public investment in agricultural economics and market analysis was limited to research that supported sporadic industry inquiries.

The idea of creating a Bureau of Agricultural Economics (BAE) to provide forecasting services emerged from 1943 onwards as the scale of dismantling wartime policy became clear. This was intensified by anticipation of the problems associated with resettling returned soldiers with limited farming experience onto farms acquired by governments.

Many soldier settlement farms established after World War I had failed, partly as a result of naive commodity forecasts. The bureau's flagship publication, the Quarterly Review of Agricultural Economics, was first published in January 1948 and included quarterly updates of expected trends in agricultural markets.

Australia's BAE owed much in its original design to similar institutions that had already been established in the United States and Canada. Governments saw the public provision



Rohan Nelson is a senior economist with ABARES.



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An early soldier settler and family at the post World War I Beerburrum soldier settlement in Queensland, established to grow pineapples and other fruit, which failed and closed by 1929 due to low pineapple prices, poor soil, and holdings that were economically too small. (IMAGE: Queensland State Archives)

of production and price forecasts as a means of addressing a perceived imbalance in information between farmers and traders.

Statutory marketing

In Australia, the public provision of forecasting services was complemented by statutory marketing. This was designed to provide farmers with some countervailing market power in their negotiations with traders.

On the down side, it also removed the responsibility for

marketing from farmers and incentives to innovate in response to market signals.

Statutory marketing helped sustain post war policy demand for agricultural forecasts by central government agencies. BAE's forecasting services expanded from the 1960s to the 1980s in terms of commodity coverage and methodological capability, with public investment in forecasting services peaking in the mid-1980s.

In 1981–82, 65 staff were involved in commodity and marketing economics research and a further 42 in collecting and processing commodity data. The commitment of resources during the 1980s allowed experimentation with increasingly sophisticated structural and programming models.

Forecasts provide economic value through market efficiency

Economists have always emphasised the economic value that forecasts provide through the efficient operation of markets, with benefits to consumers and producers. They also tend to be equivocal about whether and to what extent these services should have been exclusively funded by governments.

Reliable forecasts can help reduce the uncertainty that farmers face when committing resources to production well in advance of knowing demand at the time of marketing. Consumers benefit through the timely availability of high quality and reasonably priced food.

This provides an incentive for both consumers and producers to contribute to the cost of forecasts. Economic thinking can also be used to understand the value derived from using forecasts to make markets more equitable, and to support policy development.

Policy demand for agricultural forecasts remains strong into the 21st century. Although the emphasis on industries and issues changes constantly, the basic policy applications of ABARES forecasts have changed little since 1945.

Forecasts and related market information are used to respond to stakeholder concerns and form policy responses to emerging issues, and continue to be used by central agencies for macroeconomic forecasting. ABARES forecasts remain essential for policy applications where independence from industry and markets is essential.

Globalisation

Beyond this policy role, globalisation has dramatically changed the policy arguments shaping the future public provision of forecasting services for Australian agriculture.

The growing sophistication of forecast users and development of interactive web-based technologies means that public sector forecasting services should focus on providing intermediate data and analyses that users can recombine to produce their own forecasts.

The growing expertise of users increases their independence from expert forecasters and creates a store of knowledge that forecasters should draw on.

This will require ABARES to evolve from an expert-centric institution to one via which expert forecasters engage meaningfully with diverse groups of forecast users. This is likely to involve greater use of social media and interactive web-technologies that support innovative approaches to consensus-based foresighting of deeply uncertain future market scenarios.

Drawn from the paper 'The future of public sector forecasting in Australian agriculture' by Rohan Nelson; Australian Bureau of Agricultural and Resource Economics and Sciences

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