

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 5/28/2010

GAIN Report Number: AS1018

Australia

Post:

Canberra

Ag DownUnder - Issue 2

Report Categories:

Agriculture in the News

Policy and Program Announcements

Dairy and Products

Pest/Disease Occurrences

Grain and Feed

Wine

Oilseeds and Products

Approved By:

Grant Pettrie, Agricultural Counselor

Prepared By:

Joy Dauth, Management Assistant

Report Highlights:

Drought Reform Package; Hay Sales limited; Revival of Dairy Prices; Dairy Industry Senate Inquiry; Locusts or drought; Bumper Harvest for Rice; Wheat Stocks Rise; Australian Wheat Competitive in Asian Noodle Market; Australian Pulse Crop to Increase in 2010-11; Australia 2010 Vintage Harvest update; Soybean Meal Imports Down – US Share Up

Drought Reform Trial Package

The Australian Federal Government has recently unveiled one of its promised key rural policy measures, the Drought Reform Trial. The reform aims to scrap a lot of the crisis handouts and interest rate subsidies central to the current scheme and replace them with grants and business planning assistance to help farmers better prepare their farms during good seasons as a buffer against bad ones.

A trial will soon start in Western Australia where there are currently no areas declared to be in exceptional circumstances. If that goes well, the package will then be rolled out nationally. (See [DAFF Media Release](#))

Hay Sales limited

Some dairy farmers from the Gippsland area, in the state of Victoria, are considering their options and are looking for quotes to buy high quality hay for winter feeding of dairy cows, expected to calve in spring. For the larger dairy market, price is the key focus for feeding dry cows and the scale of demand from these buyers is limited. Hay merchants in this area report that supplies of round baled pasture hay will be the cheapest option and is available at AUS\$150.00 per tonne, but supply is limited. Confidence remains the main barrier to hay sales to the dairy sector. Dairy farmers are concerned about milk prices and what the future holds for dairy returns in the 2010/11 season. If milk processors publish opening milk prices for the coming season, dairy farmers will enter into purchase contracts for hay with more certainty. (Source: [The Weekly Times](#))

Revival of Dairy Prices

FONTERRA Ingredients Australia suppliers will receive AUS\$4.36 per kilogram of milk solids at the start of next season. The increase of 4c/kg of butterfat and 10c/kg of protein will be a retrospective increase for all milk supplied since July 1 2009. Fonterra's pricing for next season reflected the positive conditions on global and domestic dairy commodity markets. However, the operating environment for the Australia dairy industry remained volatile with economic uncertainty surrounding the situation in Europe and the recent fluctuations in the Australian dollar. (Source: [Weekly Times](#))

Dairy Industry Senate Inquiry

A recent inquiry of the Senate Economics References Committee into competition and pricing in the Australian dairy industry follows a number of other investigations which the Committee has completed, which reflected on various aspects of Australian competition policy. Like those inquiries, the current examination of the dairy industry has raised issues concerning competition, including questions of market power, mergers and acquisitions, and the effectiveness of the Australian Competition and Consumer Commission. (See [Senate Report](#))

Locusts or drought

Locusts could prove more costly to some primary producers than the recent drought. Rain over the summer months has created the perfect conditions for locusts to lay billions of eggs. Early signs of locust eggs and hatchlings could mean an increase to plague proportion around the start of spring (September). A Locust plague has the capacity to wipe out huge swaths of food crops like wheat, barley and vegetables, but will also demolish grass pastures, lucerne and other plants grown to feed livestock. Without those crops to feed livestock and the shortage of fruit and vegetables consumers could be faced with higher food prices.

(Source: [The Weekly Times](#))

Bumper Harvest for Rice

Rice growers have almost finished harvesting their best-yielding crop in years with production heading towards 200,000 tonnes and the average yield on completed crops around 11 tonnes to the hectare. The harvest looks set to more than triple last year's 63,000 tonnes and is a big improvement on the 19,000 tonnes produced in 2008, which was the smallest since 1928. It is still well below the average annual crop of around 1.2 million tonnes before the drought set in from 2002. (Source: [Farm Online](#))

Wheat Stocks Rise

The Australian Bureau of Statistics released its latest figures on wheat stored by bulk handlers reporting that 12.8 million tonnes were held at the end of April. This is well up on the 10.1 million tonnes held at the same point last year. (See [ABS report](#).)

Australian Wheat Competitive in Asian Noodle Market

A huge proportion of Australian wheat ends up in Asian noodle products and wheat breeders and researchers are looking to maintain our competitive advantage as the industry is now facing stiff competition from the US and Canada, who have both developed white grained wheats in order to compete in this lucrative market. Prime Hard and Australian Hard varieties as well as specific noodle wheat grown in Western Australia are wheat varieties destined for noodles which must continually improve for Australia to stay competitive. (Source: [Farm Online](#))

Australian Pulse Crop to Increase in 2010-11

Australia looks ready to plant its largest pulse crop in many years over the next couple of months. Beneficial pre-sowing rains, export opportunities, and a need for crop rotation account for most of the increase in forecast planted area. Flat prices for wheat and barley account for the remainder of the increase in planted area, particularly for chickpeas, lupins, and lentils. Australian industry sources forecast that planted area could rise roughly 25 percent over the 2009/10 planted area. Australian pulse planted area traditionally depends on a number of factors including comparative risk with wheat and barley prices and the need for crop rotation benefits, domestic prices for feed grains, seasonal precipitation and underlying soil moisture. (See *Attaché Report [Australian Pulse Crop to Increase in 2010/11](#)*)

Australia 2010 Vintage Harvest update

Two recent Australian reports underscore the low level of 2009/10 wine grape production. An April 29 ABARE report maintains the ABARE forecast for 2009/10 wine grape production at 1.617 million metric tons. This is in line with Post's current forecast. On May 17, the Winemaker's Federation of Australia (WFA), the peak industry body, published their forecast for the 2009/10 production at 1.533 million metric tons. (See *Attaché Report [Australia 2010 Vintage Wine Harvest Update](#)*)

Soybean Meal Imports Down – US Share Up

Improved seasonal conditions and increased grain inventories in Australia have seen soybean meal imports decrease steadily throughout CY 2009. The good news is, according to official World Trade Atlas data, U.S. soybean meal appears to have increased in volume to the point where the U.S. has recently been the sole supplier of soybean meal to Australia. (See *Attaché Report [Soybean Meal Imports Down – U.S. Share Up](#)*)

Exchange Rate: Noon rate, May 28, 2010 US Dollar \$1 =AUS \$1.17

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>.

| Title of Report | Date |
|--|-------------|
| Soybean Meal Imports Down – U.S. Share Up | 05/21/10 |
| Australia 2010 Vintage Wine Harvest Update | 05/20/10 |
| Australian Pulse Crop to Increase in 2010/11 | 05/17/10 |
| Ag DownUnder Issue 1 | 05/14/10 |
| Dairy and Products Semi Annual | 05/14/10 |
| Beef Grading Agreement Opens Way for Increased Beef Exports to Chile | 05/05/10 |