Date: 03/16/2010
GAIN Report Number: AS1009

Australia

Grain and Feed Annual

Grain and Feed Annual Report

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Report Highlights:
The majority of key cropping areas in Southern Australia have received excellent rainfall. However, poor timing has diminished its short term effect on crop production arriving too late to boost planted area for 2010/11 summer crops, and too early for 2011/12 summer crop planting. The strong Australian dollar, combined with generally lower world prices, has greatly reduced returns for winter cereals in the lead up to planting the 2010/11 crop. Area planted to wheat in CY 2010/11 is forecast at 13.0 million hectares, down six percent on the record 13.8 million hectares planted in the previous year. Total area sown to barley for 2010/11 is forecast at 4.2 million hectares, down on the 4.5 million hectares estimated for the previous year.

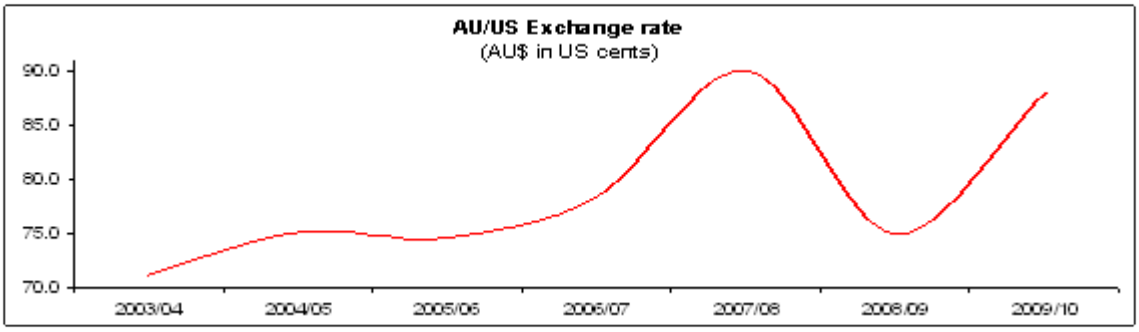
Executive Summary:

At time of writing this report, the majority of key cropping areas in Southern Australia have received excellent rainfall. Beginning on Christmas day, monsoonal style rainfall, which originated as part of northern Australia's wet season, pushed its way down to the temperate cropping areas where the overwhelming majority of Australia's cropping land is located. This rainfall created localized flooding and provided welcome relief to the long running and severe drought which began in 2002/03.

Despite the widespread and soaking nature of recent rainfall, poor timing has diminished its short term effect on crop production arriving too late to boost planted area for 2010/11 summer crops, and too early for 2011/12 summer crop planting. Nonetheless, some 2010/11 summer crops were lost to floods, while the remainder has received a boost to yields. Irrigation water supplies, which have been slashed during the course of the drought, have begun to recover.

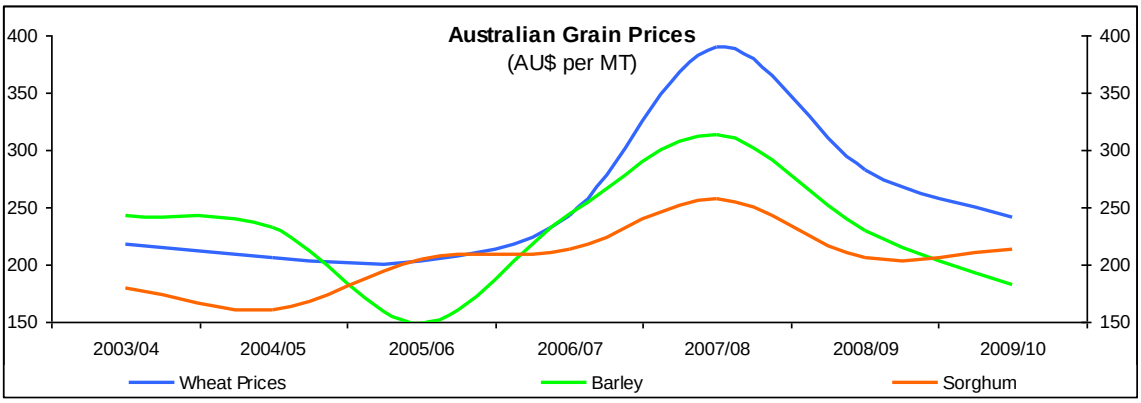
The 2010/11 winter cereal crop is not due to commence planting until April or May so recent rainfall has not provided a widespread boost to the prospects to this crop. However, some cropping areas will carry-over moisture for planting. Post has assumed average weather conditions going forward.

Of much concern is the value of the Australian dollar, which has recovered over the past year to reach historically high levels. The effect of this has been to greatly reduce export returns for crops yet to be harvested. Furthermore, returns for intensive livestock have also fallen and this has placed downwards pressure on the price for domestically traded feed grain.



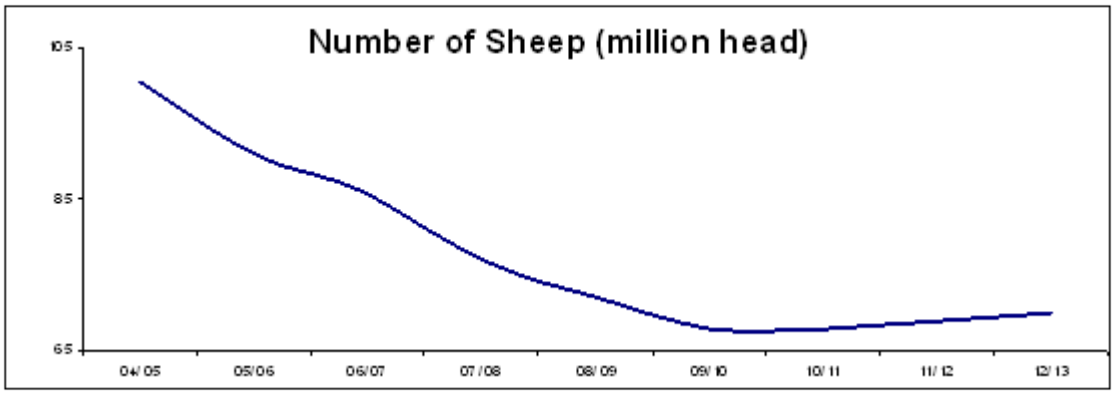
Source: ABARE Data (July-June)

Australia typically exports around two thirds of its wheat crop and almost half of its barley crop and so the strong Australian dollar, combined with generally lower world prices, has greatly reduced returns for winter cereals in the lead up to planting the 2010/11 crop.



Source: ABARE Data (July-June)

Returns for sheep, which compete for cropping land in key cropping areas, have improved markedly in recent times. This has led ABARE to recently forecast an increase in sheep numbers which, over the longer term, will likely place downwards pressure on crop production. Regardless of the accuracy of the ABARE forecast, it appears for certain that sheep numbers have reached the bottom of the cycle. Cattle numbers are also expected to increase.



Source: ABARE Data (July-June)

Planting for the 2011/12 cropping season in Australia is not due to commence until October. While recent rainfall will not benefit this crop directly, industry sources point towards the resumption of water flows which, in time, will allow future precipitation to "run-off" rather than "soak in".

In short, post believes that poorer world prices, a higher Australian dollar and increasing livestock numbers will likely see planted area, production and exports fall to levels more reflective of the ten year average.

Post continues to maintain production estimates for 2009/10 winter cereals (wheat and barley) at levels higher than those recently estimated by ABARE. Record (or near record) high planted areas and a deregulated marketing environment is likely to result in production at levels higher than those currently reported. Post stands ready to revise 2009/10 winter cereal production should export data or future ABS releases indicate otherwise.

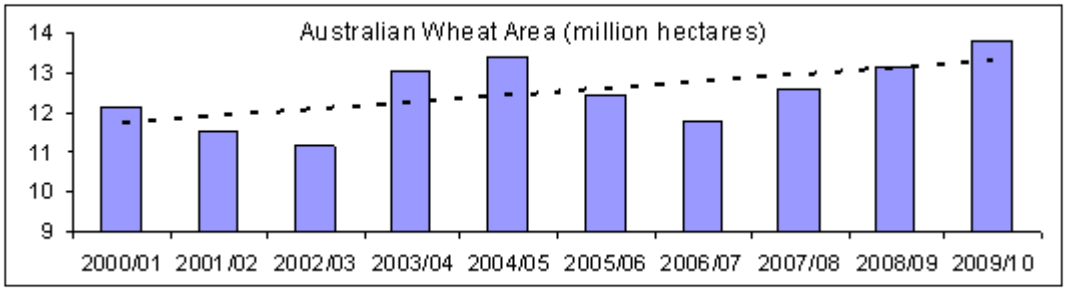
Commodities:

Wheat

Area

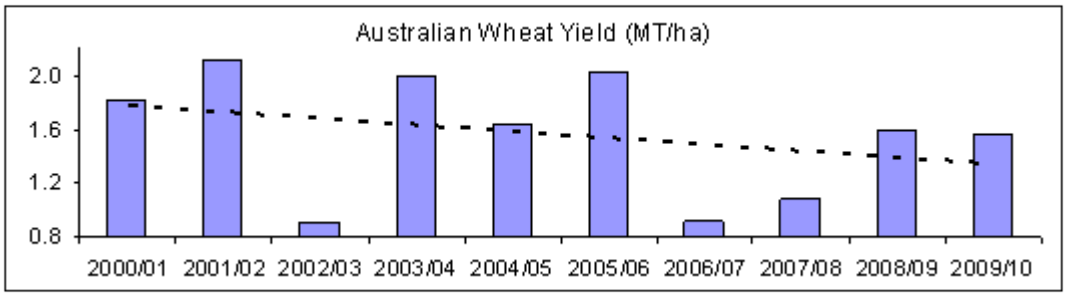
Area planted to wheat in CY 2010/11 is forecast at 13.0 million hectares, down six percent on the record 13.8 million hectares planted in the previous year. This would still represent the fifth largest area sown on record.

Poor prices account for most of the forecast decline in area planted. Despite this fall however, a 13.0 million hectare wheat crop remains well above the ten-year average of 12.5 million hectares.



Source: ABARE Data (July-June)

Post's forecast for planted area remains well below ABARE's forecast for 13.75 million hectares planted to wheat in 2010/11. Post believes that a turnaround in the decline of sheep numbers, low wheat prices and a need for growers to rotate land out of wheat production and into break crops (following successive years of high plantings) will place significant downward pressure on the area planted to wheat in CY 2010. Post acknowledges that recent rainfall has placed some upside to planting, which is due to commence in April and May, however recent rains have largely arrived too early to provide a direct boost to planted area.



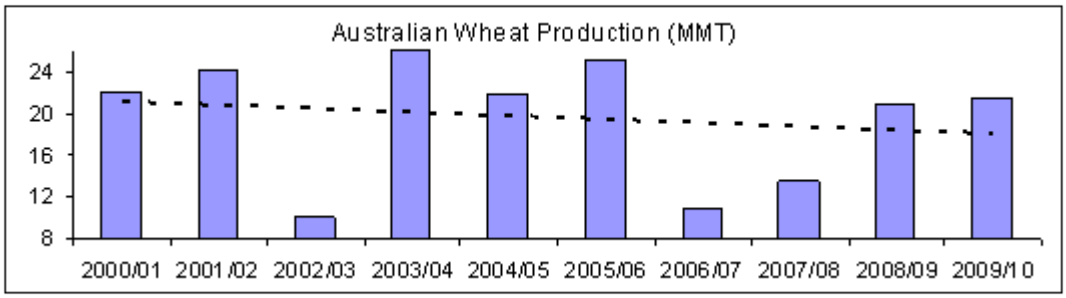
Source: ABARE Data (July-June)

Post has assumed a wheat yield of 1.69 MT per hectare in 2010/11, slightly above the ten-year average of 1.59 MT per hectare. Recent travel undertaken by post has revealed significant improvements in wheat yield over the past decade, particularly in areas considered more "marginal".

Production

Wheat production for 2010/11 is forecast at 22.0 MMT (million metric tons), down on the 22.5 MMT estimated for the previous year. If achieved, this crop would represent the eighth largest crop on record, and above the ten-year-average established using ABARE's historical data.

Despite significant differences in planted area numbers, post has forecast roughly the same level of wheat production for 2010/11 as ABARE, whose forecast stands at 21.9 MMT. Post advises that this forecast remains well below the record 26.1 MMT recorded for 2003/04 and well above the historically low 10.8 MMT recorded for 2006/07. The ten-year-average for wheat production stands at 19.7 MMT.



Source: ABARE Data (July-June)

Post has left its estimate for 2009/10 at 22.5 MMT, unchanged from post's previous report. This estimate remains well above ABARE's recent estimate of 21.7. Since deregulation of wheat marketing, estimating wheat production has become increasingly difficult as producers have tended to keep grain on farm or in storage for longer periods before marketing (as part of a "wait and see" approach). Post believes that stocks and production of wheat (as well as exports) for 2010/11 are higher than currently estimated by ABARE.

Exports

Total wheat exports for 2010/11 are forecast at 14.0 MMT, down slightly on the previous year. Slightly lower production combined with slightly weaker export demand is likely to see exports fall somewhat.

Post advises that grain stocks are expected to rise somewhat in 2010/11 as a return to more normal weather conditions sees production and stocks return to pre-drought levels. Should export demand improve during 2010/11, due to an unforeseen change in the value of the Australian dollar, exports could potentially surpass post's forecast at the expense of stocks.

Production, Supply and Demand Data Statistics:

Wheat										
	2008	Revised		2009	Estimate		2010	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2008	10/2008		10/2009	10/2009		10/2010	10/2010	MM/YYYY
Area Harvested	13,151	13,151	13,151	13,800	13,788	13,788			13,000	(1000 HA)
Beginning Stocks	3,651	3,651	3,651	3,144	3,166	3,166			3,666	(1000 MT)
Production	20,939	20,938	20,938	22,500	22,500	22,500			22,000	(1000 MT)
MY Imports	125	125	125	100	75	100			100	(1000 MT)
TY Imports	107	107	107	100	75	100			100	(1000 MT)
TY Imp. from U.S.	1	1	1	0	0	0			0	(1000 MT)
Total Supply	24,715	24,714	24,714	25,744	25,741	25,766			25,766	(1000 MT)
MY Exports	14,721	14,721	14,721	15,000	15,000	15,000			14,000	(1000 MT)
TY Exports	13,452	13,452	13,452	15,000	15,000	15,000			14,000	(1000 MT)
Feed Consumption	3,750	3,727	3,727	4,000	4,000	4,000			4,100	(1000 MT)
FSI Consumption	3,100	3,100	3,100	3,100	3,100	3,100			3,150	(1000 MT)
Total Consumption	6,850	6,827	6,827	7,100	7,100	7,100			7,250	(1000 MT)
Ending Stocks	3,144	3,166	3,166	3,644	3,641	3,666			4,516	(1000 MT)
Total Distribution	24,715	24,714	24,714	25,744	25,741	25,766			25,766	(1000 MT)
Yield	2.	2.	1.5921	2.	2.	1.6319			1.6923	(MT/HA)

Barley

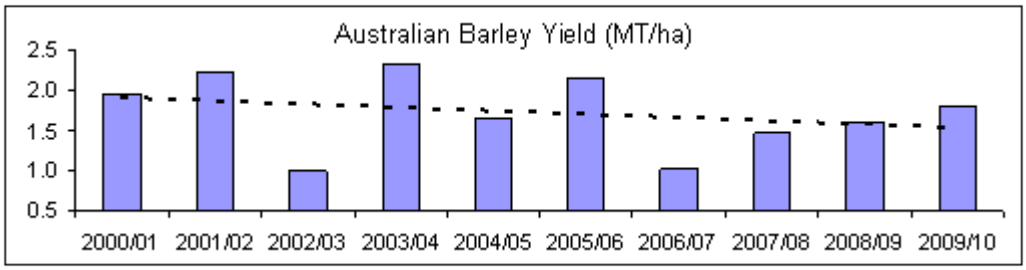
Area

Total area sown to barley for 2010/11 is forecast at 4.2 million hectares, down on the 4.5 million hectares estimated for the previous year. This forecast remains below ABARE's forecast and below the ten-year-average of 4.3 million hectares using ABARE's historical data.

A sharp decline in prices received for barley is expected to cause planted area to fall to levels considered slightly below average. Despite the planting period for the 2010/11 barley crop will not commence until May, industry sources do not hold much hope for a turnaround in prices prior to planting. Prices are likely to maintain downward pressure on planted area in the future.

Yield

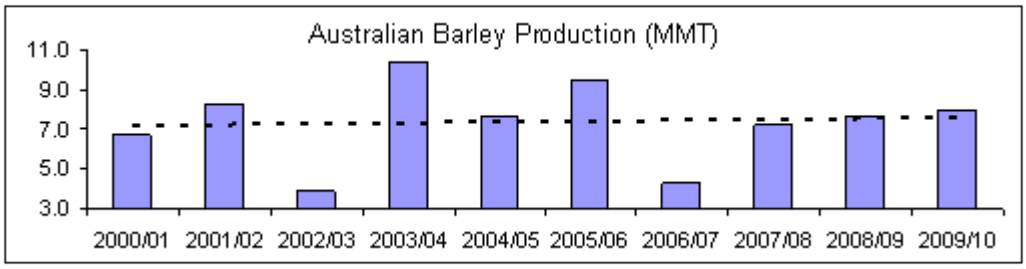
Post has assumed a yield of around 1.81 MT per hectare for 2010, up on the historical average of 1.72 MT per hectare. As with wheat, post has assumed a significant yield increase over the past decade which will, on balance of probabilities, deliver slightly higher than average yields going forward.



Source: ABARE Data (July-June)

Production

Total Barley production for 2010/11 is forecast at 7.6 MMT, down sharply on the revised estimates of 8.3 MMT for the previous year and below ABARE's forecast. This forecast, if achieved, would be only slightly below the ten-year-average. Lower production is expected to be driven by a reduction in planted area due to poor prices at time of planting.



Source: ABARE Data (July-June)

Post's estimate for 2009/10 barley production stands unchanged at 8.3 MMT. As with wheat, post has opted to maintain barley production for 2009/10 at levels higher that those estimated by ABARE. Post stands ready to revise barley production in the future should export data or future ABS releases indicate otherwise.

Exports

Total Barley exports for 2010/11 are forecast at 3.9 MMT, up on the estimate of 3.8 MMT for the previous year.

Production, Supply and Demand Data Statistics:

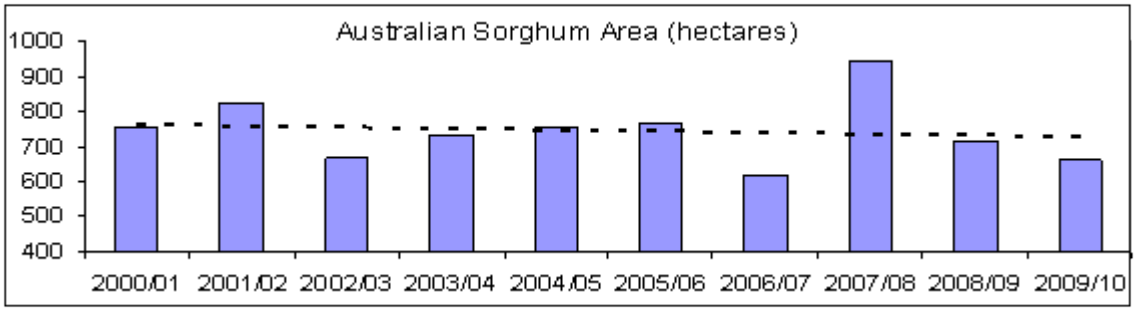
Barley										
	2008	Revised		2009	Estimate		2010	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2008	11/2008		11/2009	11/2009		11/2010	11/2010	*MM/YYYY*
Area Harvested	4,790	4,790	4,790	4,500	4,479	4,479			4,200	*(1000 HA)*
Beginning Stocks	1,662	1,612	1,662	2,497	2,302	2,518			2,918	*(1000 MT)*
Production	7,669	7,669	7,669	8,300	8,300	8,300			7,600	*(1000 MT)*
MY Imports	0	0	0	0	0	0			0	*(1000 MT)*
TY Imports	0	0	0	0	0	0			0	*(1000 MT)*
TY Imp. from U.S.	0	0	0	0	0	0			0	*(1000 MT)*
Total Supply	9,331	9,281	9,331	10,797	10,602	10,818			10,518	*(1000 MT)*
MY Exports	3,234	3,500	3,234	3,800	4,150	3,800			3,900	*(1000 MT)*
TY Exports	3,278	3,500	3,278	3,800	3,800	3,800			4,000	*(1000 MT)*
Feed Consumption	2,600	2,579	2,579	3,000	2,630	3,000			3,025	*(1000 MT)*
FSI Consumption	1,000	900	1,000	1,100	950	1,100			1,125	*(1000 MT)*
Total Consumption	3,600	3,479	3,579	4,100	3,580	4,100			4,150	*(1000 MT)*
Ending Stocks	2,497	2,302	2,518	2,897	2,872	2,918			2,468	*(1000 MT)*
Total Distribution	9,331	9,281	9,331	10,797	10,602	10,818			10,518	*(1000 MT)*
Yield	2.	2.	1.601	2.	2.	1.8531			1.8095	*(MT/HA)*

Sorghum

Area

Total area planted to sorghum for 2011/12 is forecast to increase to 600,000 hectares, up on the revised estimate for the previous year. Planting for this crop will not likely commence until October. Post has assumed average weather conditions between the time of writing this report and planting. Post sees this assumption as consistent with recent widespread rainfall received over much of southern Australia since late December.

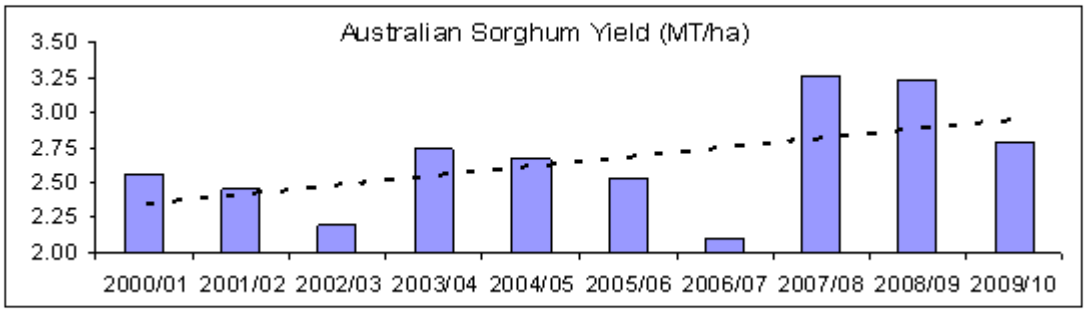
The steady return to more normal weather conditions will likely continue to see an improvement in the production conditions for sorghum (which is largely an opportunity crop) and post assumes that this will likely lead to an increased area planted to sorghum in 2010/11. Conversely, poor prices are expected to persist from now until planting and this will likely constrain planting to lower levels.



Source: ABARE Data (July-June)

Yield

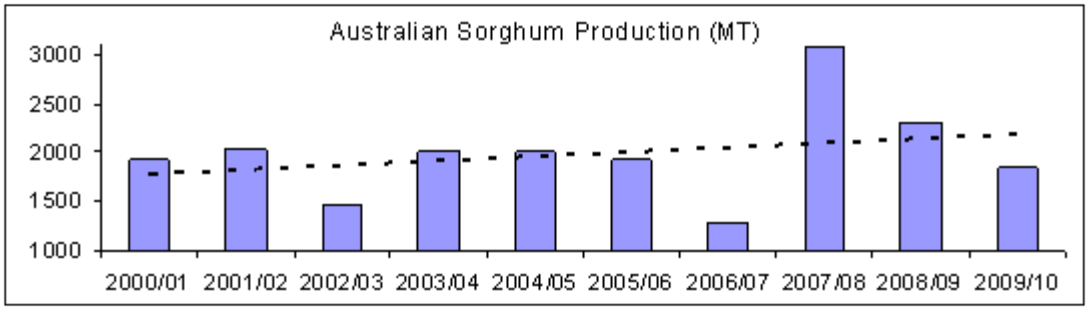
Post has assumed an average yield of 2.83 MT per hectare, slightly above the ten year average of 2.7 MT per hectare. Yield for sorghum has ranged from 2.1 to 3.6 MT per hectare over the past decade.



Source: ABARE Data (July-June)

Production

Total sorghum production for 2011/12 is forecast at 1.7 MMT, up on the revised estimate of 1.6 MT for the previous year. A larger planted area and a slightly improved yield will likely see production increase in 2011/12.



Source: ABARE Data (July-June)

Post has revised sorghum production for 2010/11 downwards to 1.5 MMT, despite excellent rainfall and improved production conditions. A sharp reduction in the estimated area planted to sorghum has driven this decrease. Despite this sharp decline in estimated planted area, estimated production remains only slightly lower due to an improved yield outlook.

Exports

Total sorghum exports for 2011/12 are forecast at 1.0 MMT, up on the revised estimate of 0.9 MMT for the previous year. Higher production is expected to see the exportable surplus of sorghum increase in 2010/11.

Post advises that, despite improve supplies of feed grain, intensive feeding production continues to grow at relatively conservative levels. A high Australian dollar combined with subdued export demand is expected to see consumption of feed grains grow incrementally placing and should maintain some upward pressure on exports.

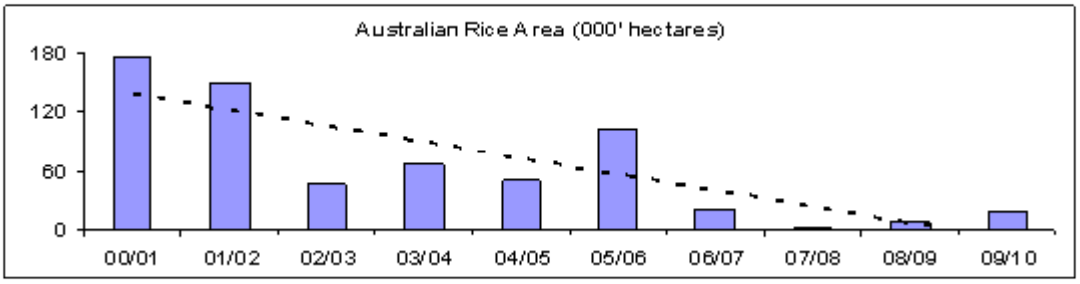
Production, Supply and Demand Data Statistics:

Sorghum										
	2008	Revised		2009	Estimate		2010	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2009	03/2009		03/2010	03/2010		03/2011	03/2011	MM/YYYY
Area Harvested	754	754	754	630	637	500			600	(1000 HA)
Beginning Stocks	791	791	791	657	657	657			252	(1000 MT)
Production	2,671	2,671	2,671	1,850	1,600	1,500			1,700	(1000 MT)
MY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	3,462	3,462	3,462	2,507	2,257	2,157			1,952	(1000 MT)
MY Exports	1,200	1,200	1,200	1,000	1,000	900			700	(1000 MT)
TY Exports	1,360	1,375	1,360	1,100	1,100	1,100			700	(1000 MT)
Feed Consumption	1,600	1,600	1,600	1,200	1,000	1,000			1,000	(1000 MT)
FSI Consumption	5	5	5	5	5	5			5	(1000 MT)
Total Consumption	1,605	1,605	1,605	1,205	1,005	1,005			1,005	(1000 MT)
Ending Stocks	657	657	657	302	252	252			247	(1000 MT)
Total Distribution	3,462	3,462	3,462	2,507	2,257	2,157			1,952	(1000 MT)
Yield	4.	4.	3.5424	3.	3.	3.			2.8333	(MT/HA)

Rice, Milled

Area

Total area planted to rice in 2011/12 is forecast to increase sharply to 35,000 hectares. Despite this increase, this area remains well below the ten-year-average of 64,000 hectares and well below the record of 177,000 hectares planted in 2000/01. Prolonged and severe drought, which began in 2002/03, has seen planted area fall to just 2,000 hectares in 2007/08.



Source: ABARE Data (July-June)

Planting of the 2011/12 rice crop is expected to commence in November. Post has assumed average weather conditions in the lead up to planting and this, combined with good rainfall since late December, should see production rise.

Production

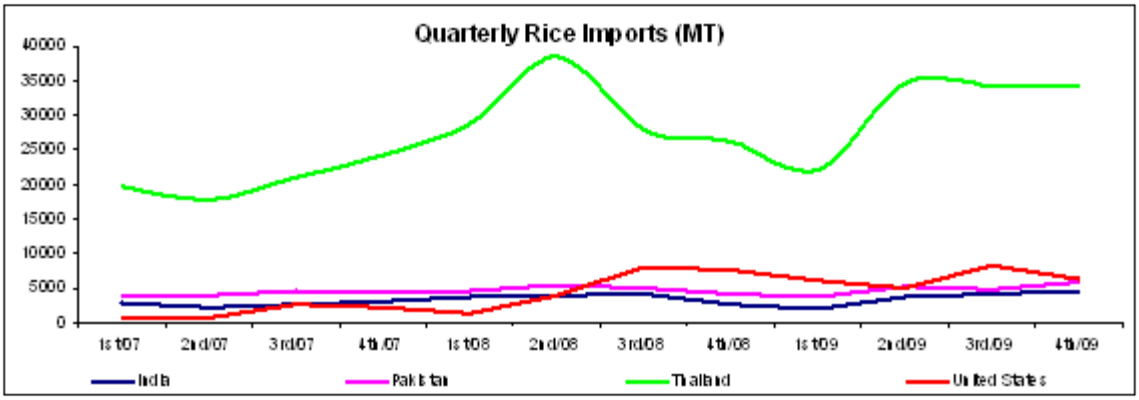
Rice production for 2011/12 is forecast at 299 TMT, up sharply on the revised estimate for the previous year. If achieved, this crop will be the biggest crop harvested since 339 TMT was harvested in 2004/05.

Post advises that this forecast is based on average rainfall. Above average rainfall would likely see 2011/12 production forecast revised upwards. Industry sources place rice production potential in the 250-400 TMT range.

Post has revised production for 2010/11 upwards slightly to 185 TMT in line with industry expectations. Recent rainfall and modest improvements in irrigation water supplies is expected to result in yield improvement.

Trade

Since the drought began in 2002/03, rice has been imported in steadily increasing quantities while exports of rice have steadily fallen. However, a return to more normal production conditions is expected to see domestic supplies of rice increase. Post expects that, going forward, imports of rice to fall steadily while exports begin to build. Post forecasts 2011/12 rice imports to decrease to 200 TMT while exports of rice increase to 65 TMT. Post expects this trend to continue as domestic rice production returns to levels more reflective of the long term average.



Source: Global Trade Atlas data

According to Global Trade Atlas data, the overwhelming majority of Australia's imported rice is sourced from Thailand. However, the United States has recently become another significant supplier and, although minor by comparison, now stands as Australia's second largest supplier.

Production, Supply and Demand Data Statistics:

Rice, Milled										
	2008	Revised		2009	Estimate		2010	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2009	03/2009		03/2010	03/2010		03/2011	03/2011	*MM/YYYY*
Area Harvested	8	8	8	20	20	20			35	*(1000 HA)*
Beginning Stocks	52	52	52	26	26	26			30	*(1000 MT)*
Milled Production	45	45	45	125	125	132			214	*(1000 MT)*
Rough Production	63	63	63	175	175	185			299	*(1000 MT)*
Milling Rate (.9999)	7,150	7,150	7,150	7,150	7,150	7,150			7,150	*(1000 MT)*
MY Imports	250	250	250	225	226	226			200	*(1000 MT)*
TY Imports	200	200	200	225	225	225			200	*(1000 MT)*
TY Imp. from U.S.	0	24	25	0	20	20			18	*(1000 MT)*
Total Supply	347	347	347	376	377	384			444	*(1000 MT)*
MY Exports	20	20	20	40	40	40			65	*(1000 MT)*
TY Exports	25	25	25	40	40	40			65	*(1000 MT)*
Total Consumption	301	301	301	314	314	314			330	*(1000 MT)*
Ending Stocks	26	26	26	22	23	30			49	*(1000 MT)*
Total Distribution	347	347	347	376	377	384			444	*(1000 MT)*
Yield (Rough)	8.	8.	7.875	9.	9.	9.25			8.5429	*(MT/HA)*