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Australia

Grain and Feed Update

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Report Highlights:
Australia poised to harvest a consecutive record wheat crop of 26.0 million metric tons (MMT). In response to strong international demand, wheat exports surged in 2010/11 to an estimated 18.3MMT, and are forecast to reach a near record 19.0MMT in 2011/12. Expansion of wheat production comes at the expense of barley, with 2011/12 production forecast at 8.2MMT, down 12 per cent from the 2010/11 production level. Area planted to sorghum is forecast to decline slightly in the coming year; consequently MY 2011/12 production is projected to decline and is forecast at 2.1 MMT. Rice production for MY 2011/12 is forecast at 1.0 MMT.

Post:
Canberra

Commodities:
Wheat

Barley

Sorghum

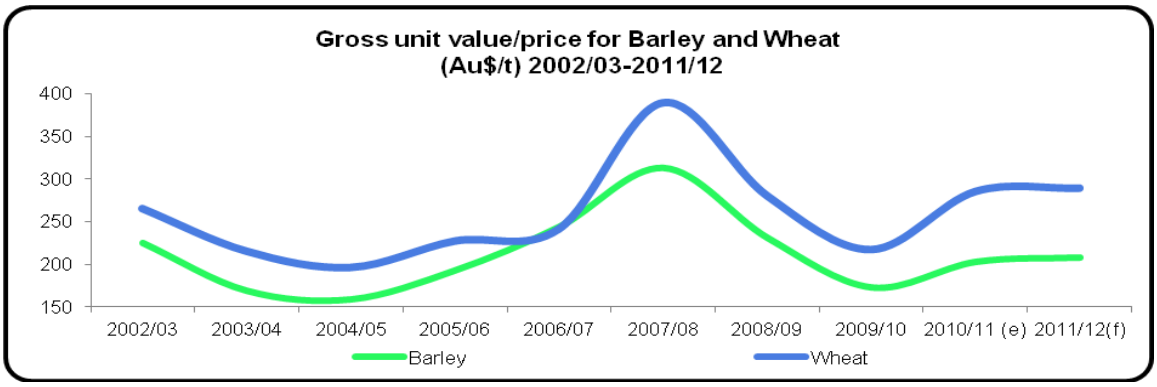
Rice, Milled

Summary:

Winter Cereals (Wheat and Barley)

At the time of the writing of this report, harvest of the 2011/12 winter cereal (wheat and barley) stands ready to commence in earnest with small quantities of grain already received in central Queensland and in the northern Western Australian wheat belt.

The forecast for area planted to wheat was increased marginally (1.4%) to a record 14.0 million hectares. The forecast for area planted to barley remains unchanged at 4.0 million hectares.



Source: ABARES Data

The price gap between barley and wheat has been sustained over the course of the 2010/11 and 2011/12 seasons, supporting the competativeness of wheat over barley as a planting option. Additionally, the ending of the drought in December 2010, further dimininished the relative value of barley as a planting option. These factors have supported record wheat numbers, while barley forecasts remain below their long-term averages.

Production of wheat for 2011/12 is forecast at 26.0 MMT, equal to the record production level estimated for 2010/11. Barley production for 2011/12 is forecast at 8.2 MMT, a decline of 1.1 MMT on the previous year due to lower area and yield.

In Western Australia, despite some dryness, winter cereal growing conditions have generally been very good. Although some areas have suffered from below optimum rainfall, most have shown excellent improvement in yields following last year's drought. Most recently, cooler conditions and continued rainfall have created a "soft finish" for the crop allowing for excellent grain fill and improved yields.

Growing conditions across Australia have generally been drier than optimal during the 2011/12 winter cereal season (May-November), particularly in eastern Australia. However, last year's heavy rainfall in eastern Australia provided a buffer to this year's drier conditions and allowed for average to above-average yields despite the sub-optimal "in-crop" rainfall.

At the time of writing this report, rains are providing an excellent finish to the 2011/12 winter cereal crop. Australia's Bureau of Meteorology is forecasting a wetter than average summer period, which could potentially damage late-harvested wheat (similar to what happened last year), however, Post has assumed average weather conditions for the balance of the 2011/12 harvest period.

Wheat exports in 2011/12 are forecast at a near record 19.0 MMT. Despite a strong Australian dollar and the poor quality of the 2010/11 crop stemming from late-season rains in the East, strong international demand for feed wheat has supported greater than previously anticipated demand for Australian wheat. Consequently, Post's estimate of 2010/11 exports was increased sharply to 18.3 MMT.

Summer Crops (Sorghum and Rice)

Key summer cropping areas in NSW and Queensland have suffered from sub-optimal rainfall in the lead up to 2011 planting (October to January for sorghum and November to December for rice). However, irrigation water remains at, or close to, optimum levels as record rainfall throughout 2010/11 recharged key irrigation reservoirs and this should provide confidence for the 2012/13 summer crop season.

Area planted to sorghum is forecast to decline slightly in the coming year; consequently MY 2011/12 production is projected to decline and is forecast at 2.1 MMT. As sorghum is generally regarded as an opportunity crop, area planted will be largely dependent on "opportunity rainfall". At the time of writing this report, rainfall is persisting in key areas where sorghum would likely be planted.

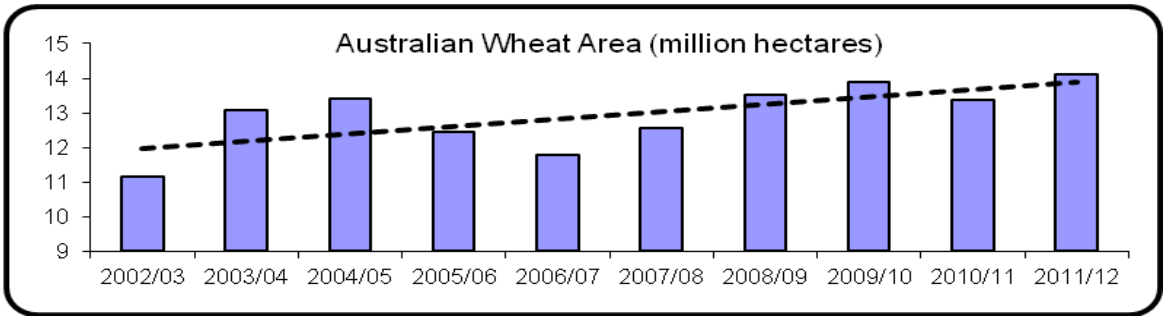
Rice production for MY 2011/12 is forecast to at 1.0 MMT, up significantly from the estimated 841,000 tons produced in MY 2010/11.

Cotton production for 2012/13 is expected to comfortably surpass last year's record high level. Increased planting of cotton is expected to place some constraints on sorghum, and to a lesser extent, rice production. Cotton plantings are now occurring in traditional rice growing areas and, although these are not considered large plantings, they remain evidence of the rapid expansion in cotton production in Australia. Increases in dry-land cotton plantings are believed mostly responsible for the downward revision of area planted to sorghum in MY 2011/12.

Wheat

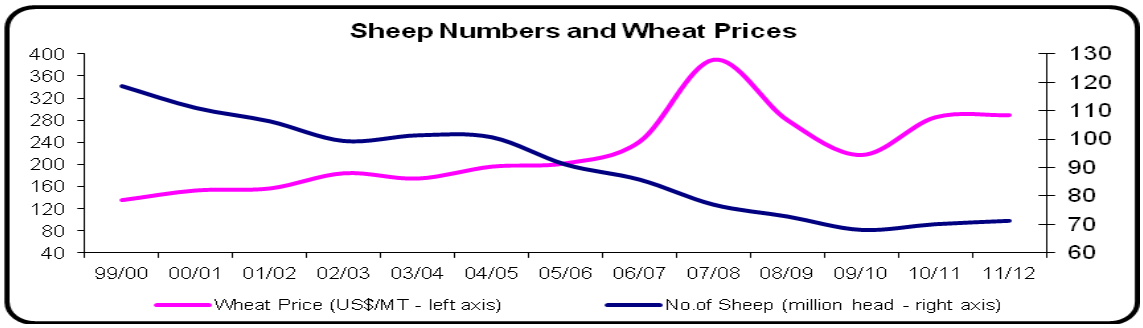
Area

Total area planted to wheat in 2011/12 is forecast at 14.0 million hectares, representing an all time record and surpassing the adjusted, previous record of 13.881 million hectares planted in 2009/10, according to official Australian Bureau of Statistics (ABS) figures.



Source: ABARES Data

Post advises that the forecast record planted area in 2011/12 is consistent with the long-term trend toward increasing winter cereal production.

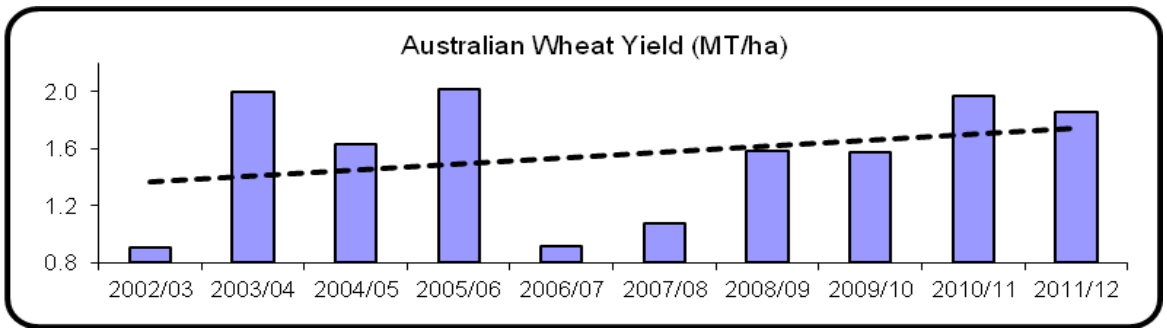


Source: ABARES Data

Increased winter cereal production has largely occurred at the expense of sheep grazing in the mixed farming areas of south-eastern and Western Australia. Over the past two decades, returns for wool growing have been relatively weaker than those for wheat production. Although sheep numbers are forecast to increase modestly going forward, Post expects area planted to wheat production to remain at historically high levels for the foreseeable future.

Yield

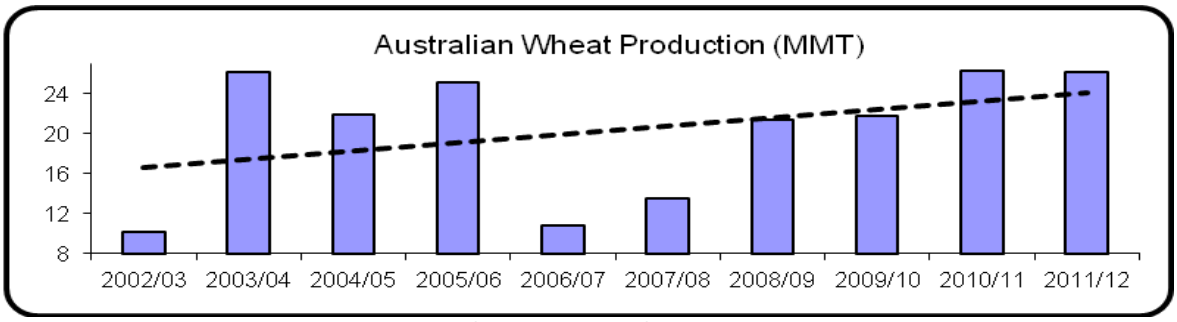
Average yield for 2011/12 is estimated at 1.86 MT per hectare, which is roughly in line with the ten-year average yield according to ABARES historic data. This represents a decrease on the 1.94 MT per hectare estimated for the 2010/11 year, but is well above the 1.57 MT per hectare for 2009/10.



Source: ABARES Data

Production

Total wheat production for 2011/12 is forecast at 26.0 MMT, equivalent to the record crop harvested in 2010.



Source: ABARES Data

Industry sources speculate that protein levels for the 2011/12 winter cereal harvest could be low, as last year's heavy rainfall and subsequent nitrogen leaching from soils could affect this year's protein levels. This may be further excacerbated by above-average yields in some areas, which can also have the affect of lowering protein levels.

Exports

Total wheat exports for 2011/12 are forecast at a near record 19.0 MMT, as back-to-back record harvests have generated an almost unprecedented level of exportable wheat supplies. (Record wheat exports stand at 19.224 MMT, achieved in 1996/97.) Strong international demand for wheat, including feed grades, has supported a much higher than previously anticipated level of exports, consequently, Post's estimate for 2010/11 wheat exports was increased sharply to 18.3 MMT. Despite a record high Australian dollar and quality issues associated with the 2010 crop, international demand for Australian wheat remains strong.

Stocks

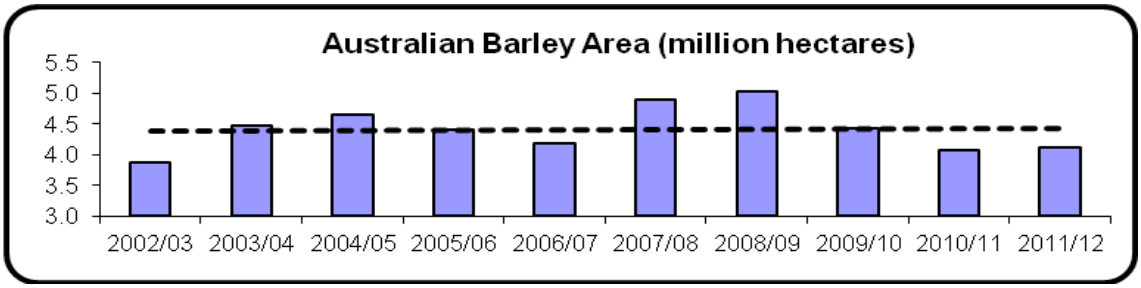
Closing wheat stocks for 2011/12 are forecast at 7.8 MMT, up around 0.5 MMT on the revised estimate of 7.3 MMT for the previous year. This would be considered an above-average stock figure and provides potential for increased exports of wheat should export demand increase beyond the current forecast.

Following the end of the drought in December 2010, growth in the large, domestic, feed-grain consuming sectors such as dairy, pork and cattle lot-feeding was not as robust as previously anticipated. More bullish growth projections have proved incorrect as these sectors continue to be at least partially constrained by high prices of factor inputs such as labor, fuel and fertilizer. Consequently, more wheat was shifted into exports and stocks.

Barley

Area

Total barley area for 2011/12 is forecast at 4.0 million hectares, down slightly from the estimated 4.1 million hectares harvested in 2010, and well below the ten-year average of 4.41 million hectares.

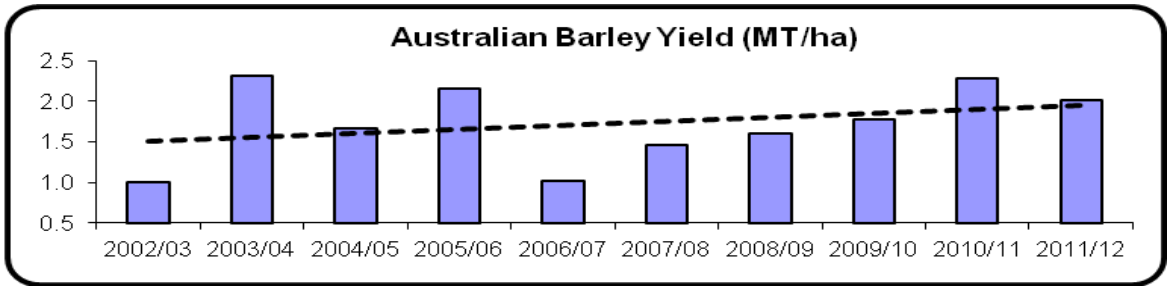


Source: ABARES Data

Barley, a shorter season crop than wheat, is typically planted in larger areas during drought conditions or when planting rains arrive late, or become unreliable. Consequently, during the poorest rainfall years of the recently concluded drought (2004/05, 2007/08 and 2008/09) some of the largest barley crops on record were planted. The conclusion of the drought in CY 2010/11 shows a greatly reduced emphasis on barley planting and production. A lower forecast barley area in 2011/12 is consistent with the breaking of the drought and generally improved climatic conditions.

Yield

Average barley yield in 2011/12 is estimated at around 2.05 MT per hectare, well above the ten-year average of 1.56 MT per hectare. Drier "in-crop" conditions in 2011/12 suited barley better than wheat and supported somewhat-higher yields. Despite this yield being higher than wheat, it remains well below the 2.26 MT per hectare achieved in the previous year. Record yield stands at 2.32 MT per hectare and was achieved in 2003/04.



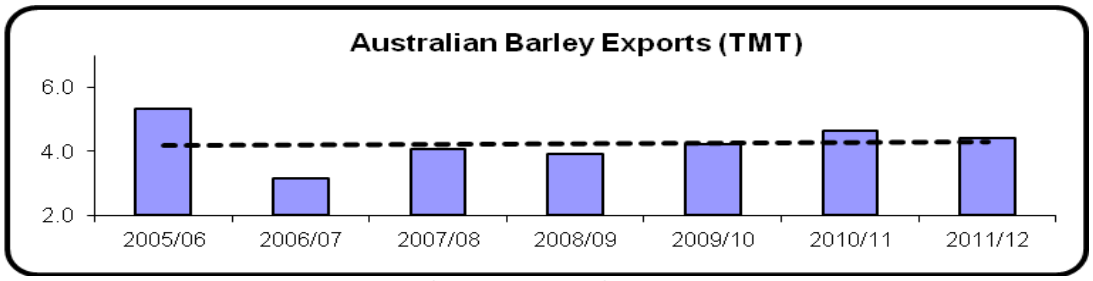
Source: ABARES Data

Production

Total Barley production for 2011/12 is forecast at 8.2 MMT, a decline of 1.1 MMT (12%) from the previous year. This production level would be considered only just below the ten-year average, despite a well below-average planted area. Post's barley production forecast relies upon above average yields.

Exports

Total exports for 2011/12 are forecast at 4.0 MMT, down from the estimated 4.2 MMT exported in 2010/11.



Source: ABARES Data

Consumption

Barley is typically grown in Australia for the purpose of malting, although some varieties of barley are grown specifically for use as stock feed. Malting barley remains susceptible to damage from wet weather prior to harvest and downgraded barley is typically stored and consumed domestically as stock feed. The 2010/11 harvest experienced widespread wet weather and significant volumes were downgraded. However, modest growth in domestic feeding industries and strong international demand for feedgrains, have allowed for relatively high exports.

Sorghum

Area

Total area planted to sorghum for MY 2011/12 is expected to decrease slightly and is forecast at 620,000 hectares. This would be considered below-average as the ten-year average stands at 700,000 hectares.

Record cotton plantings are expected to place downward pressure on area planted to sorghum for the 2011/12 year. Record high cotton prices prior to the planting of this year's crop have encouraged many farmers, some growing cotton for the first time, to plant dry-land cotton instead of the more traditional sorghum.

Slightly drier conditions in parts of northern NSW and Queensland in the lead up to planting will also somewhat constrain sorghum planting. However, should the expected wetter-than-average summer materialize, planted area and yields would likely increase. Sorghum has an extraordinarily long planting window, from now until February, and so planted area is largely dependent upon "opportunity rainfall". Post has, however, assumed average rainfall from now until the 2012/13 harvest period (March-June 2012).

Production

Total sorghum production for MY 2011/12 is forecast at 2.1 MMT, down slightly from last year. Post has assumed a yield of 3.25 MT per hectare which, while lower than the previous year, reflects drier conditions in some areas in the lead up to planting the MY 2011/12 crop.

Rice

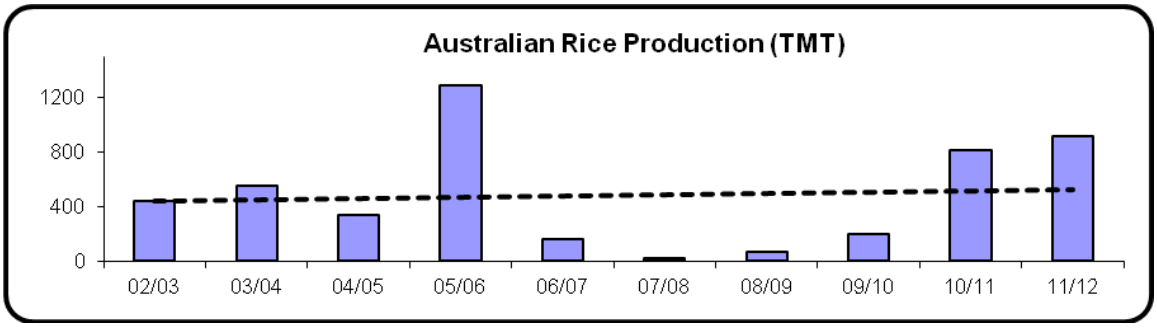
Area

Total area planted to rice in 2011 is forecast at 101,000 hectares, up significantly on the revised estimate of 89,000 hectares planted in 2010. Improved irrigation water reserves and the availability of land suitable for rice growing is expected to see area planted to rice increase significantly.

There are reports that, perhaps for the first time, cotton production has made its way into key rice growing areas of southern NSW. Investigations conducted by post during the 2010/11 season confirmed that cotton was indeed being grown for the first time in traditional rice growing areas. Post expects cotton plantings to expand again in CY 2012/13 but will likely only place a slight constrain to increases in rice production overall.

Production

Total rice production for MY 2011/12 is forecast at 1.0 MMT, up significantly (19%) on the revised estimate for the previous year. Larger planted area will likely more than compensate for the projected slight decline in yield. Post advises that, due to the long running and severe drought which began in 2002 and broke in 2010, this would be only the second time in the past decade that Australian rice production has reached 1.0 MMT.



Source: ABARES Data

The record for Australian rice production stands at 1.643 MMT and was recorded in 2000/01. In the decade from 1991/92 to 2001/02 rice production exceeded 1.0 MMT in eight out of the ten seasons. However, in the decade from 2001/02 to 2011/12, rice production only exceeded 1.0 MMT in only one season.

Production for 2010/11 has been revised downwards to 840,000 MT, slightly below Post's original forecast of 850,000 MT. Cooler weather and above-average cloudy days are believed to have lowered yield.

Production, Supply and Demand Data Statistics

Wheat	2009/2010		2010/2011		2011/2012	
Australia	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	14,028	13,881	13,350	13,350	14,000	14,000
Beginning Stocks	3,389	3,389	5,682	5,593	7,376	7,287
Production	21,923	21,834	26,000	26,000	26,000	26,000
MY Imports	122	122	119	119	100	100
TY Imports	125	125	119	119	100	100
TY Imp. from U.S.	1	1	2	2	0	0
Total Supply	25,434	25,345	31,801	31,712	33,476	33,387
MY Exports	14,827	14,827	18,300	18,300	19,000	19,000
TY Exports	13,764	13,764	18,477	18,447	19,000	19,000
Feed and Residual	1,900	1,900	3,000	3,000	3,500	3,500
FSI Consumption	3,025	3,025	3,125	3,125	3,100	3,100
Total Consumption	4,925	4,925	6,125	6,125	6,600	6,600
Ending Stocks	5,682	5,593	7,376	7,287	7,876	7,787
Total Distribution	25,434	25,345	31,801	31,712	33,476	33,387
1000 HA, 1000 MT, MT/HA						

Barley	2009/2010		2010/2011		2011/2012	
Australia	Market Year Begin: Nov 2009		Market Year Begin: Nov 2010		Market Year Begin: Nov 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,446	4,422	4,100	4,100	4,000	4,000
Beginning Stocks	2,425	2,425	1,919	1,875	2,319	2,275
Production	7,909	7,865	9,300	9,300	8,200	8,200
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	10,334	10,290	11,219	11,175	10,519	10,475
MY Exports	3,915	3,915	4,200	4,200	4,000	4,000
TY Exports	3,846	3,846	4,000	4,000	4,000	4,000
Feed and Residual	3,300	3,300	3,400	3,400	3,300	3,500
FSI Consumption	1,200	1,200	1,300	1,300	1,300	1,300
Total Consumption	4,500	4,500	4,700	4,700	4,600	4,800
Ending Stocks	1,919	1,875	2,319	2,275	1,919	1,675
Total Distribution	10,334	10,290	11,219	11,175	10,519	10,475
1000 HA, 1000 MT, MT/HA						

Sorghum	2009/2010		2010/2011		2011/2012	
Australia	Market Year Begin: Mar 2010		Market Year Begin: Mar 2011		Market Year Begin: Mar 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	516	498	640	640	650	620
Beginning Stocks	676	676	771	679	506	414
Production	1,600	1,508	2,140	2,140	2,200	2,100
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2,276	2,184	2,911	2,819	2,706	2,414
MY Exports	300	300	1,000	1,000	800	800
TY Exports	350	350	700	350	1,000	1,000
Feed and Residual	1,200	1,200	1,400	1,400	1,400	1,400
FSI Consumption	5	5	5	5	5	5
Total Consumption	1,205	1,205	1,405	1,405	1,405	1,405
Ending Stocks	771	679	506	414	501	309
Total Distribution	2,276	2,184	2,911	2,819	2,706	2,514
1000 HA, 1000 MT, MT/HA						

Rice, Milled	2009/2010		2010/2011		2011/2012	
Australia	Market Year Begin: Mar 2010		Market Year Begin: Mar 2011		Market Year Begin: Mar 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	19	19	90	89	105	101
Beginning Stocks	26	26	44	51	97	97
Milled Production	142	149	608	601	710	715
Rough Production	199	208	850	841	993	1,000
Milling Rate (.9999)	7,150	7,150	7,150	7,150	7,150	7,150
MY Imports	228	228	125	125	100	100
TY Imports	229	229	125	125	100	100
TY Imp. from U.S.	22	22	0	0	0	0
Total Supply	396	403	777	777	907	912
MY Exports	59	59	350	350	450	450
TY Exports	54	54	350	350	450	450
Consumption and Residual	293	293	330	330	350	350
Ending Stocks	44	51	97	97	107	112
Total Distribution	396	403	777	777	907	912
1000 HA, 1000 MT, MT/HA						

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Title of Report	Date
Dairy Annual 2011	10/14/11
Sugar Semi Annual 2011	09/16/11
Livestock and Products Annual 2011	08/31/11
FAIRS Country Report	08/17/11
Stone Fruit Annual 2011	08/11/11
US Cherries Break Through Quarantine Barrier into Western Australia	07/19/11
Agricultural Biotechnology Report	06/29/11
Exporter Guide	06/22/11
Sugar Update 2011	06/20/11
Ag DownUnder June 2011	06/07/11
Dairy Semi Annual 2011	05/09/11
Testing of Food from Japan - Update	04/14/11
Sugar Annual 2011	04/13/11
Additional Testing Required for Japanese Food Products	04/08/11
Cotton and Products Annual	04/04/11
Grain and Feed Annual 2011	03/29/11
Livestock and Products Semi-annual 2011	03/18/11
Wine Annual 2011	03/10/11
Public Attitudes Towards Agricultural Biotechnology in Australia	03/08/11