USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 3/20/2012
GAIN Report Number: AS1206

Australia

Grain and Feed Annual

2012

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Report Highlights:
Despite near ideal planting conditions for the 2012/13 crop, area planted to wheat and barley is expected to decline relative to last year as growers shift production into canola in response to more remunerative prices. Australia's 2012/13 wheat production is forecast at 27.0 MMT, down about 6.5 percent from the Post's 2011/12 estimate, which was increased to a record 28.9 MMT. The estimate for 2011/12 wheat exports was also increased, to a record 20.5 MMT. Barley production for 2012/13 is forecast at 8.0 MMT, down on the estimate of 8.5 MMT for 2011/12, with exports forecast at 3.75 MMT, slightly below the revised estimate of 4.0 MMT for 2011/12. Sorghum production in 2012/13 is forecast at 2.5 MMT, down from the 2011/12 estimate of 2.65 MMT. Rice production for 2012/13 is forecast 1.0 MMT, up on the previous year's estimate of 924,000 MT, with exports for 2011/12 estimated at 450,000 MT, and forecast at 500,000 in 2012/13.

Summary:

In the lead-up to the 2012/13 winter cereal (wheat and barley) cropping season, Australia has experienced widespread rainfall, and in the case of key eastern Australian cropping areas, record flooding. Consequently, growers in eastern Australia are expecting a full profile of moisture at the time of planting for the 2012/13 winter cereal crop. 2012/13 production of wheat is forecast at 27.0 million metric tons (MMT) and barley production at 8.0 MMT.

Prospects for planting the 2012/13 summer crop (year begin in March 2013) are also excellent as irrigation water storages are currently full, with enough "carryover" water in the system for the next summer crop (sorghum and rice). At the time of the writing of this report, excellent soil moisture and irrigation water outlook should more than adequately offset the poorer price outlook for grains. 2012/13 production of sorghum is forecast at 2.5 MMT and rice production at 1.0 MMT.

As was the case during the harvest of the 2011/12 winter cereal (wheat and barley), harvest of the 2011/12 summer crop (sorghum and rice) is expected to be somewhat tempered by wet weather conditions. Despite a wet growing season up to the time of harvest, and potential difficulties at harvest, 2011/12 production of summer crops is projected to be up relative to last year, with sorghum production estimated at 2.65 MMT and rice at 924,000 MT.

The outlook for the forecast period looks excellent for all crops; however there are challenges in determining which crops growers will choose to plant. Planted area for wheat and barley are projected to decline somewhat while area planted to sorghum and rice is forecast to increase. Canola and cotton are not covered by this report however increased canola planting will likely displace some winter cereal planting, while another large cotton crop will likely limit planting in sorghum and, to a lesser extent, rice.

Recent declines in feed grain prices have eroded returns received by growers. This is true for all grains, but more so for feed quality grain, where the situation is exacerbated by a larger proportion of feed quality grain currently in domestic storage. Recent trade data suggest, however, that export tonnages for the period December to January 2011 are running at or near record levels, and this (aided by an upward revision in supply) has led Post to revise our export estimates for some crops upwards. Post will continue to monitor the trade situation with interest.

Commodities:

Wheat
Barley
Sorghum
Rice, Milled

Production, Supply and Demand Data Statistics:

Wheat Australia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	13,645	13,645	14,100	14,100		13,500
Beginning Stocks	5,593	5,593	8,823	8,823		9,500
Production	27,891	27,891	29,500	28,900		27,000
MY Imports	119	119	100	100		100
TY Imports	119	119	100	100		100
TY Imp. from U.S.	2	2	0	0		0
Total Supply	33,603	33,603	38,423	37,823		36,600
MY Exports	18,655	18,655	21,500	20,500		19,500
TY Exports	18,477	18,477	21,000	20,500		19,500
Feed and Residual	3,000	3,000	4,500	4,598		4,500
FSI Consumption	3,125	3,125	3,225	3,225		3,500
Total Consumption	6,125	6,125	7,725	7,823		8,000
Ending Stocks	8,823	8,823	9,198	9,500		9,100
Total Distribution	33,603	33,603	38,423	37,823		36,600
1000 HA, 1000 MT, MT/HA						

Barley Australia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Nov 2010		Market Year Begin: Nov 2011		Market Year Begin: Nov 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,740	3,740	4,000	4,000		3,800
Beginning Stocks	1,875	1,875	1,056	1,056		1,256
Production	8,145	8,145	8,500	8,500		8,000
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	10,020	10,020	9,556	9,556		9,256
MY Exports	4,664	4,664	4,000	4,000		3,750
TY Exports	4,088	4,088	4,000	4,000		3,750
Feed and Residual	3,000	3,000	3,000	3,000		3,000
FSI Consumption	1,300	1,300	1,300	1,300		1,300
Total Consumption	4,300	4,300	4,300	4,300		4,300
Ending Stocks	1,056	1,056	1,256	1,256		1,206
Total Distribution	10,020	10,020	9,556	9,556		9,256
1000 HA, 1000 MT, MT/HA						

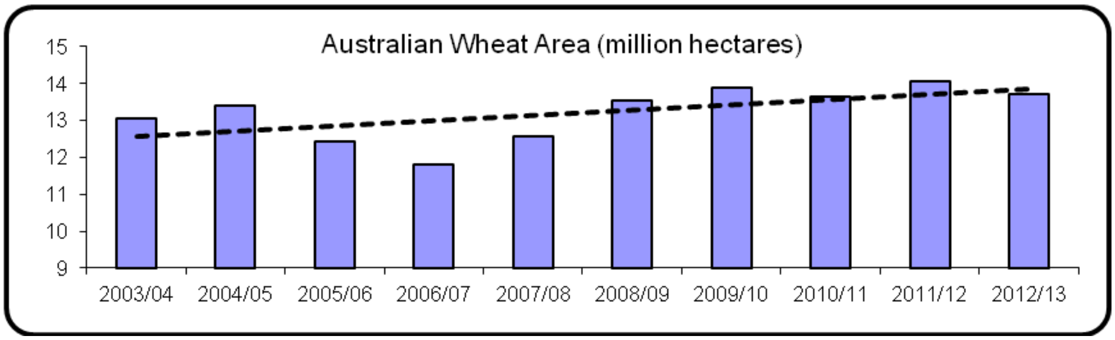
Sorghum	2010/2011		2011/2012		2012/2013	
Australia	Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	674	674	645	645		675
Beginning Stocks	681	681	544	494		539
Production	2,068	2,068	2,650	2,650		2,500
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,749	2,749	3,194	3,144		3,039
MY Exports	800	850	1,200	1,200		1,100
TY Exports	575	575	1,200	1,200		1,100
Feed and Residual	1,400	1,400	1,400	1,400		1,495
FSI Consumption	5	5	5	5		5
Total Consumption	1,405	1,405	1,405	1,405		1,500
Ending Stocks	544	494	589	539		439
Total Distribution	2,749	2,749	3,194	3,144		3,039
1000 HA, 1000 MT, MT/HA						

Rice, Milled	2010/2011		2011/2012		2012/2013	
Australia	Market Year Begin: Mar 2011		Market Year Begin: Mar 2012		Market Year Begin: Mar 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	75	75	104	104		110
Beginning Stocks	46	46	45	84		94
Milled Production	523	523	688	665		720
Rough Production	726	726	956	924		1,000
Milling Rate (.9999)	7,200	7,200	7,200	7,200		7,200
MY Imports	150	189	125	150		125
TY Imports	150	189	125	150		125
TY Imp. from U.S.	0	0	0	0		0
Total Supply	719	758	858	899		939
MY Exports	350	350	450	450		500
TY Exports	350	350	450	450		500
Consumption and Residual	324	324	355	355		365
Ending Stocks	45	84	53	94		74
Total Distribution	719	758	858	899		939
1000 HA, 1000 MT, MT/HA						

Wheat

Planted Area

Total area planted to wheat in 2012/13 (market year beginning October 2012) is forecast at 13.5 million hectares. This represents a significant decline on the previous year's estimated record area of 14.1 million hectares, but remains in keeping with the ten-year average of 13.21 million hectares (according to ABARES historical data).



Source: ABARES Data

Record wheat plantings in 2011/12, which followed a near record planting in 2010/11, has put pressure on some growers to rotate land out of wheat production and back into break crops such as canola and pulses. Furthermore, a sharp decline in domestic wheat prices compared with more remunerative canola prices is likely to see increased plantings of canola at the expense of wheat and barley.

Planting traditionally begins around mid to late April and continues through to June. However, soil moisture levels in the lead up to planting are considered to be excellent (particularly in eastern Australia) and this will likely to allow for an earlier and more orderly planting regime, as opposed to the late and frantic planting conditions experienced during much of the drought years (2002/03-2009/10). Early planting conditions favor wheat over barley but, conversely, favor canola over both of the winter cereals.

At this stage, the outlook for winter cereal crop planting conditions in both Western Australia and South Australia is not reportedly as good as in eastern Australia. Neither of these states received the heavy rainfall that eastern Australia has received, and both are expected to experience planting conditions closer to the longer term average.

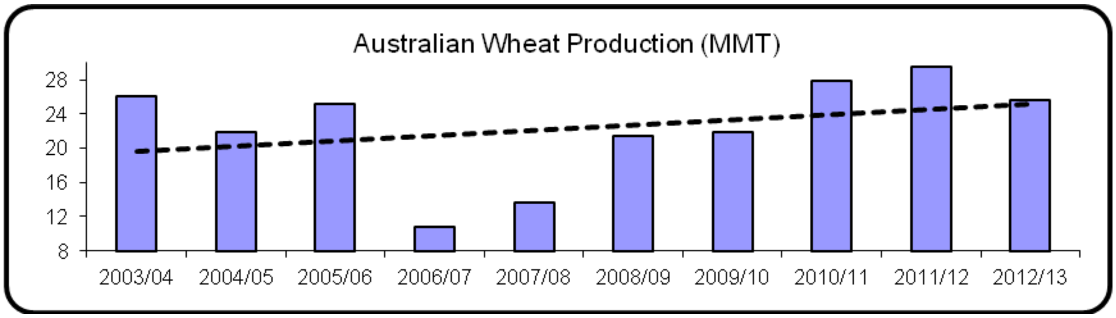
Yield

Post has assumed an average yield of 2.0 MT per hectare for 2012/13, representing a slight decline on the yields recorded in 2011/12 and 2010/11. Despite this decline, a yield of 2.0 MT per hectare is considered to be well above-average.

Much of the 2012/13 wheat crop is expected to be planted early and with excellent subsoil moisture. Perhaps the greatest constraint to planting and yield is the possibility that, with further heavy rainfall, the worst affected areas may be too wet to plant or may suffer a yield decline from water logging. The states of Western Australia and South Australia are expected to experience planting conditions and yields closer to the long term average.

Production

Total wheat production for 2012/13 is forecast at 27.0 MMT, down on the revised estimate of 28.9 MMT for the previous year. Despite the projected year-to-year decline in production, a projected crop of 27.0 MMT still remains well-above the long-term average.



Source: ABARES Data

A poorer price outlook for wheat is expected to limit 2012 planted area to a level lower than the area harvested in the previous year. Taking into account near ideal moisture conditions at the time of planting, Post has employed a near record yield of 2.0 MT/hectare in projecting the 2012/12 wheat harvest.

Wheat Production Calculator				
	Area (million hectares)			
Yield (MT/H)		**13.30**	**13.50**	**13.70**
	1.87	24.924	25.299	25.674
	2.00	26.600	**27.000**	27.400
	2.17	28.861	29.295	29.729

Exports

Total export of wheat in 2012/13 is forecast at 19.5 MMT, representing a decline on the revised estimate for the previous year of 20.5 MMT which is considered to be an all-time record. A decline in production and a poorer outlook, driven in part by a near record high Australian dollar, is expected to see exports decline from record high levels.

Carry out stocks for 2012/13 are expected to be historically high. Should world demand improve beyond Post's current expectations, sufficient supplies exist to support exports similar to last year's record export level.

Barley

Planted Area

Total area planted to barley in 2012/13 is forecast at 3.8 million hectares, down on the estimate for the previous year. Low feed grain prices and increased competition from canola are expected to limit planted area for barley in 2012/13. This forecast area would be considered below average according to ABARES historic data.

Barley is a shorter season crop and is traditionally the last winter crop planted in a mixed cropping enterprise. Barley plantings often benefit from "late breaking" rains in seasons affected by drought such as 2007/08 and 2008/09. In 2012/13 however, planting is expected to take place earlier and in a more orderly fashion than was experienced during the drought and this will likely constrain barley planting to the benefit of earlier sown crops such as wheat, canola and some pulse crops.

Yield

Post has assumed a yield of 2.1 MT per hectare for the 2012/13 crop, the highest forecasted yield for over a decade. As with Post's wheat forecast, excellent planting conditions in eastern Australia will likely be only partially tempered by closer to average yield expected for Western Australia and South Australia.

Production

Barley production for 2012/13 is forecast at 8.0 MMT, down on the estimate of 8.5 MMT for the previous year.

Barley Production Calculator				
	Area (million hectares)			
Yield (MT)		**3.60**	**3.80**	**4.16**
	2.00	7.20	7.60	8.32
	2.10	7.57	**8.00**	8.75
	2.17	7.81	8.25	9.03

Exports

Total exports of barley for 2012/13 are forecast at 3.75 MMT, slightly below the revised estimate of 4.0 MMT for the previous year. Lower production and a historically high Australian dollar are expected to see exports decline in CY 2012/13.

Sorghum

Production

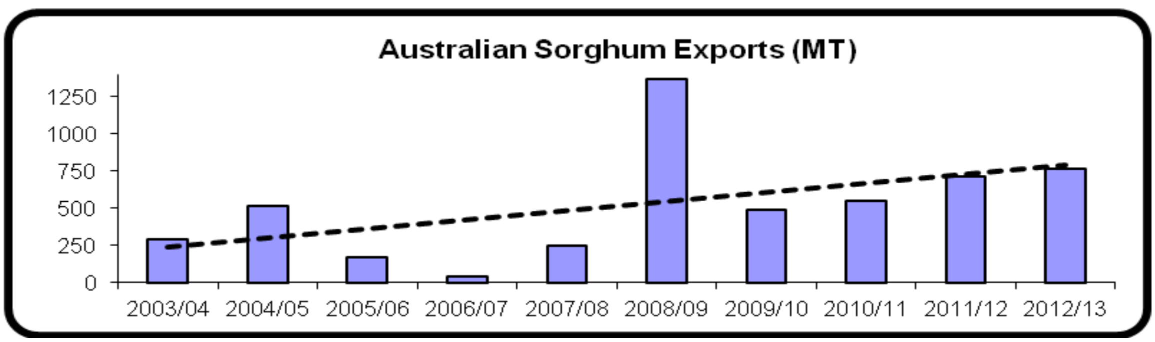
Total sorghum production in 2012/13 (year begin March 2013) is forecast at 2.5 MMT. This would be considered a large crop, well above the 10 year average of 2.18 MMT. Planting for this crop is not likely to commence until November 2012 however, with average weather conditions, soil moisture and irrigation water reserves should be excellent.

Domestic feed grain prices at time of writing this report have fallen significantly since planting of the 2011/12 which commenced in November 2011. However, as sorghum is mostly considered an "opportunity crop", the prospect of good soil moisture is expected to support an historically high area planted for the 2012/13 crop, despite current low prices for feedgrains.

Post estimates the 2011/12 crop (market year begin March 2012) at 2.65 MMT, unchanged from the previous report. The harvesting of this crop is scheduled to begin in earnest shortly. This forecast remains well above other sorghum forecasts and is supported by "once in a lifetime" growing conditions in northern NSW and southern Queensland. Despite significant flood damage, above average rainfall should see yield and production surpass many expectations. Rainfall will need to abate for the months of April and May if this forecast is to be achieved.

Exports

Sorghum exports for 2012/13 are forecast at 1.1 MMT, which would be considered historically high. Sorghum exports for 2011/12 are estimated at 1.2 MMT and, although exports of this crop have only just begun, early indications are showing strong export supply levels.

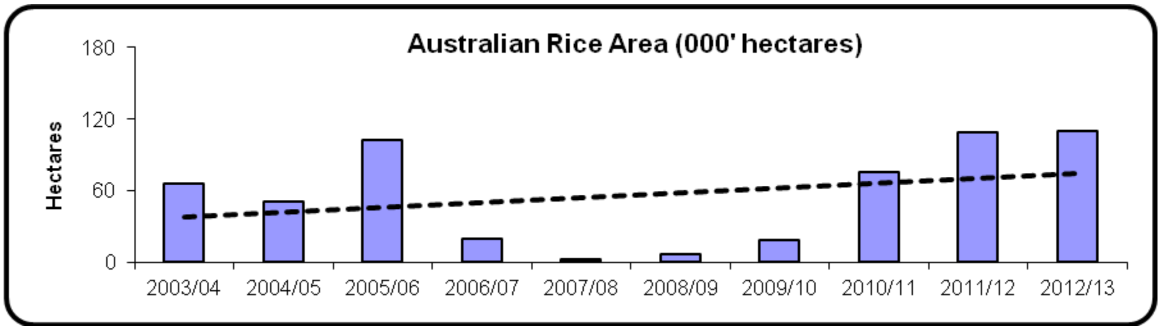


Source: ABARES Data

Rice

Production

Total rice production for 2012/13 (year begin March 2013) is forecast 1.0 MMT, up on the previous year's estimate of 924,000 MT. Irrigation water supply is expected to be running at full capacity and this will likely allow planted area to increase to 110,000 hectares, the highest level since 2001/02. A potential downside for this crop is the prospect of increased competition from cotton planting in southern NSW. Post has allowed for some increase in cotton planting however should cotton plantings surpass Posts expectations, rice area may have to be revised downwards.



Source: ABARES Data

Post has lowered its estimate for rice production for 2011/12 (year begin March 2012) slightly to 924,000 MT. The commencement of harvest of this crop has been delayed due to recent flooding. There are reports that small amounts of rice have been completely destroyed; however a bigger threat is how much rice is yet to be downgraded and not milled as a result of the recent floods. Industry sources suggest that up to 35,000 MT may have been affected but at this stage are unable to say if this rice can be milled or not.

Exports

Total exports of rice are forecast to increase to 500,000 MT in 2012/13 (market year begin March 2013). Increased production is expected to see exports increase over the previous year. Estimated exports for 2011/12 remain unchanged at 450,000 MT.

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Title of Report	Date
Wine Annual 2012	12/03/15
Livestock and Product Semi-annual 2012	12/03/13
Grain & Feed Lock-Up – February 2012	12/01/24
Citrus Annual 2011	11/12/07
Grain and Feed Update – November 2011	11/01/11