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Australia

Grain and Feed Annual

2015

Approved By:
Hugh Maginnis, Agricultural Counselor

Prepared By:
Roger Farrell, Agricultural Specialist

Report Highlights:
Australian wheat production is forecast at 24 million tons, assuming average rains, while barley production is expected to be stable at 8.5 million tons despite a slight fall in the harvested area. The outlook for summer crops also depends on seasonal conditions. For 2015/16, the sorghum harvest is expected to be 1.8 million tons with an expansion in area due to demand for feed grain, but a decline in yields. In 2015/16, Australia's rice crop is expected to be 550,000 tons due to higher yields, 10 percent above the previous season.

Commodities:

Wheat

Barley

Sorghum

Rice, Milled

WHEAT

Production

In 2015/16, wheat production is expected to increase to 24 million tons, as a result of an expansion in the planted area, assuming average rainfall. Yields are expected to be stable at 1.7 tons per hectare. Wheat is the major winter crop in Australia, with sowing starting in autumn and harvesting, in spring and summer. Harvesting starts in central Queensland during August and progresses down the east coast to Victoria, finishing during January. On the west coast, the wheat harvest starts during October and is completed during January. The main producing states are Western Australia, NSW, South Australia, Victoria and Queensland. Major types of wheat include Prime Hard, Hard, Premium White, Standard, Soft and Durum, based on protein, grain size and moisture content and each grain has different end-uses.

Consumption

Wheat is Australia's major grain crop and is used for human consumption in the production of breads, noodles and pastas. Lower quality wheat is used as stock feed while some waste wheat starch is used to manufacture biofuel. In recent years, prices for feed grain have increased because of the record number of cattle in lot feeding facilities. This trend has also led to compression of price margins between different quality grades of wheat with even prime wheat bought for feed grain. As a result of this trend, the volume of wheat allocated to the feed market has been increased by 300,000 tons in Post estimates.

Wheat consumption in Australia has been stable in recent years with around 70 kg of flour per capita consumed on average over the past decade. Flour producers face a mature domestic market. The biggest milling companies in Australia are Allied Mills, George Weston Foods and Manildra.

Trade

Exports in 2015/16 are expected to reach 17 million tons. Australia is the seventh largest wheat producer in the world and the fourth largest exporter. Around 80 per cent of Australian wheat production is exported, with WA the leading State. Around half of wheat grown in eastern Australia is consumed locally, while 90 per cent of grain produced in Western Australia and South Australia is exported. The major export markets are in the Asian and Middle East regions and include Indonesia, Japan, South Korea, Malaysia, Vietnam and Sudan.

Australia has the capacity to export wheat in the December to May marketing window when the northern hemisphere season is ending. During this period, seasonal demand for grain, rail and port services and shipping slots increases significantly and a queuing system has been used for bulk grain exporters.

A number of trade agreements have increased market access into Asia for Australian wheat exporters. In mid-January 2015, the Japan–Australia Economic Partnership Agreement (JAEPA) came into force making exports of feed wheat to Japan tariff free. In December 2014 the Korea–Australia Free Trade Agreement (KAFTA) entered into force. Under KAFTA, the 1.8 percent to 3 percent tariff on wheat was eliminated on commencement of the agreement. These changes are expected to strengthen bilateral trade with Japan and South Korea.

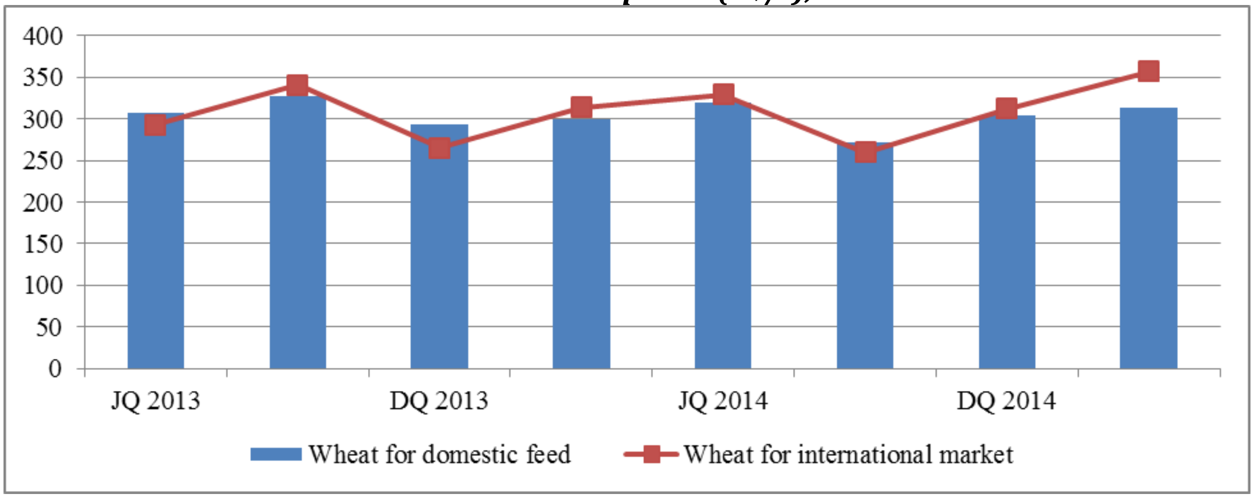
Under the China-Australia FTA (CHafta), Australian exports of wheat into the Chinese market have not been given additional access. However, Australian exporters have access to tariff quotas for wheat imports into the Chinese market which were established when China joined the WTO in 2001.

Table 1: Australian Wheat Exports by country, 2010-2104 ('000 metric tons)

	2010	**2011**	**2012**	**2013**	**2014**
World	15,852	19,684	23,530	18,009	18,251
Indonesia	3,707	3,578	4,585	3,665	4,072
Iraq	247	1,022	561	1,724	810
Vietnam	1,309	2,402	1,992	1,347	1,378
Japan	1,074	1,263	1,367	947	932
South Korea	957	1,935	2,072	892	1,061
China	705	794	2,283	870	1198
Sudan	627	568	813	849	558
Yemen	937	713	859	816	850
Malaysia	810	951	934	721	1,050
Iran	61	0	848	652	1,048
Export market share (%)	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Indonesia	23.4	18.2	19.5	20.4	22.3
Iraq	1.6	5.2	2.4	9.6	4.4
Vietnam	8.3	12.2	8.5	7.5	7.6
Japan	6.8	6.4	5.8	5.3	5.1
South Korea	6.0	9.8	8.8	5.0	5.8
China	4.4	4.0	9.7	4.8	6.6
Sudan	4.0	2.9	3.5	4.7	3.1
Yemen	5.9	3.6	3.7	4.5	4.7
Malaysia	5.1	3.3	4.0	4.0	5.8
Iran	0.4	0	3.6	3.6	5.7

Note: Calendar years.
Source: Global Trade Atlas.

Chart 1: Domestic and international wheat prices (A$/t), 2014-2015



Source: ABARES (2015)

Production, Supply and Demand Data Statistics:

Wheat	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct 2015	
Australia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	13,473	13,473	13,800	13,808	0	13,900
Beginning Stocks	4,654	4,654	6,162	6,162	0	6,412
Production	26,929	26,929	24,000	23,600	0	24,000
MY Imports	150	150	150	150	0	150
TY Imports	151	151	150	150	0	150
TY Imp. from U.S.	3	3	0	0	0	0
Total Supply	31,733	31,733	30,312	29,912	0	30,562
MY Exports	18,621	18,621	17,000	16,500	0	17,000
TY Exports	18,339	18,336	17,500	16,944	0	17,000
Feed and Residual	3,600	3,600	4,100	3,600	0	3,900
FSI Consumption	3,350	3,350	3,400	3,400	0	3,400
Total Consumption	6,950	6,950	7,500	7,000	0	7,300
Ending Stocks	6,162	6,162	5,812	6,412	0	6,262
Total Distribution	31,733	31,733	30,312	29,912	0	30,562
1000 HA, 1000 MT, MT/HA						

BARLEY

Production

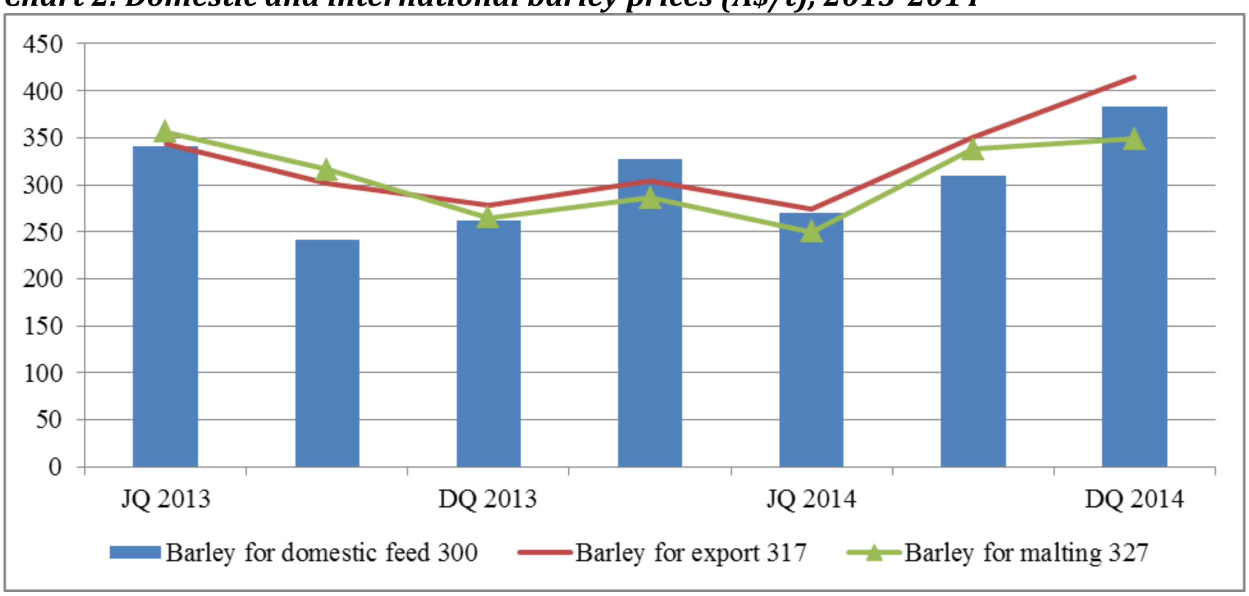
In 2015/16, Australian production of barley is forecast to be stable at 8.5 million tons. Barley is generally harvested from October to late November. Australian barley is used in the malting, brewing, distilling, Shochu and feed industries. Malt barley is for human consumption, while feed barley is for animal feed. Malt barley is used in beer and liquor production while malt extract is used in the food industry. A significant amount of barley is malted and exported for beer production, especially in China.

Trade

In 2015/16, barley exports are forecast at 5.3 million tons. Official USDA exports for Australia for 2014/15 were revised upwards from 4.5 million tons to 5.5 million tons. Australia normally supplies around 30 per cent of global trade in malt barley and 20 per cent of trade in feed barley. Australia's three largest barley importers are China, Saudi Arabia and Japan. Chinese demand for barley rose sharply in 2014 and is expected to continue to expand as a market for both feed and malting barley.

An estimated 60 percent of Australia's barley shipments to China are malting grade barley used to manufacture beer. Demand for malting grade barley from the Chinese beer market has continued to grow and per capita beer consumption in China rose from 17 liters in 2000 to 37 liters in 2013. One reason for stronger Chinese demand was its government's 2014 ban on US and Argentinian GM corn, which led livestock feed buyers in China to substitute feed barley for corn.

Chart 2: Domestic and international barley prices (A$/t), 2013-2014



Source: ABARES (2015).

A number of recent trade agreements have reduced tariff barriers for Australian barley exporters. In mid-January 2015, the Japan–Australia Economic Partnership Agreement (JAEPA) came into force. Under JAEPA, exports of feed barley are now tariff free. Further, special safeguard measures will no longer apply to imports of Australian feed barley. The EPA also created an Australia-only duty-free quota for unroasted malt of 8 600 tons duty free from 15 January 2015 to 31 May 2015, with the quota limit growing to 86,000 tons by April 2024.

Table 2: Australian Barley Exports by country, 2010-14 ('000 metric tons)

	2010	**2011**	**2012**	**2013**	**2014**
World	3,950	5,058	5,111	5,121	6,123
China	1,392	1,268	2,102	1,766	3,170
Saudi Arabia	761	1,667	1,153	1,702	471
Japan	1,067	962	769	967	311
Kuwait	199	336	185	175	67
United Arab Emirates	305	160	350	130	105
Oman	30	23	53	55	35
Jordan	0	153	52	53	0
South Korea	34	51	58	46	59
Taiwan	46	30	52	39	22
Vietnam	16	15	81	32	23
Export market share (%)	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
China	35.2	25.1	41.1	34.5	51.8
Saudi Arabia	19.3	33.0	22.6	33.2	7.7
Japan	27.1	19.0	15.0	18.9	5.1
Kuwait	5.0	8.5	3.6	3.4	1.1
United Arab Emirates	7.7	3.2	6.8	2.5	1.7
Oman	0.8	0.5	1.0	1.0	0.6
Jordan	0	3.0	1.0	1.0	0
South Korea	0.9	1.0	1.1	0.9	1.0
Taiwan	1.2	0.6	1.0	0.8	0.4
Vietnam	0.4	0.3	1.6	0.6	0.4

Note: Calendar years.
Source: Global Trade Atlas.

Under the China-Australia Free Trade Agreement (CHafta), the current 3 per cent tariff on Australian barley exports will be removed immediately on commencement of the agreement, likely before the end of 2015. As China is Australia's main export market, this change will further encourage bilateral trade.

Production, Supply and Demand Data Statistics:

Barley	2013/2014		2014/2015		2015/2016	
Market Begin Year	Nov 2013		Nov 2014		Nov 2015	
Australia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	3,943	3,943	3,800	3,810	0	3,800
Beginning Stocks	539	539	692	692	0	392
Production	9,669	9,669	7,950	8,500	0	8,500
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	10,208	10,208	8,642	9,192	0	8,892
MY Exports	6,216	6,216	5,000	5,500	0	5,300
TY Exports	6,262	6,300	5,000	5,500	0	5,300
Feed and Residual	2,000	2,000	1,700	2,000	0	2,000
FSI Consumption	1,300	1,300	1,300	1,300	0	1,300
Total Consumption	3,300	3,300	3,000	3,300	0	3,300
Ending Stocks	692	692	642	392	0	292
Total Distribution	10,208	10,208	8,642	9,192	0	8,892
1000 HA, 1000 MT, MT/HA						

SORGHUM

Production

Sorghum is a summer crop used mainly for livestock feed. In 2015/16, sorghum production is forecast at 1.8 million tons, slightly above the previous year. The harvest area for grain sorghum is expected to increase to 625,000 hectares. Early harvest is already under way and sorghum yields are expected to be stable at 2.9 tons per hectare. In late 2014, increased plantings of sorghum occurred because of higher rainfall during the planting window. This was supported by increased demand for sorghum as animal feed because of the record number of cattle in feedlots in Australia. In mid-March, feed sorghum prices rose to around A$330 a metric ton while grain sorghum used for liquor production was priced at around A$370 (see chart 5).

Australia normally produces around two to three per cent of global sorghum and accounts for five per cent of global exports. Sixty per cent of the Australian crop is grown in Queensland and the remainder in northern NSW. Planting times are from September to January and sorghum is classified as either grain sorghum or forage sorghum according to the tannin content. Grain sorghum is often used for feed grain for the beef, dairy, pig and poultry industries and is the main summer grain crop in most regions of Queensland. The grain, stalks and leaves are all used for animal feeding products.

Exports

In 2015/16, sorghum exports are forecast to increase to 600,000 tons due to stronger Chinese demand for non-GM sorghum for stock feed and liquor production. China is Australia's largest export market for grain sorghum due to rising use of grain sorghum in animal feed and liquor production in that country. Under the China-Australia Free Trade Agreement (CHafta), the two percent tariff on grain sorghum exports from Australia will be removed immediately on commencement of the agreement, which is expected in late 2015.

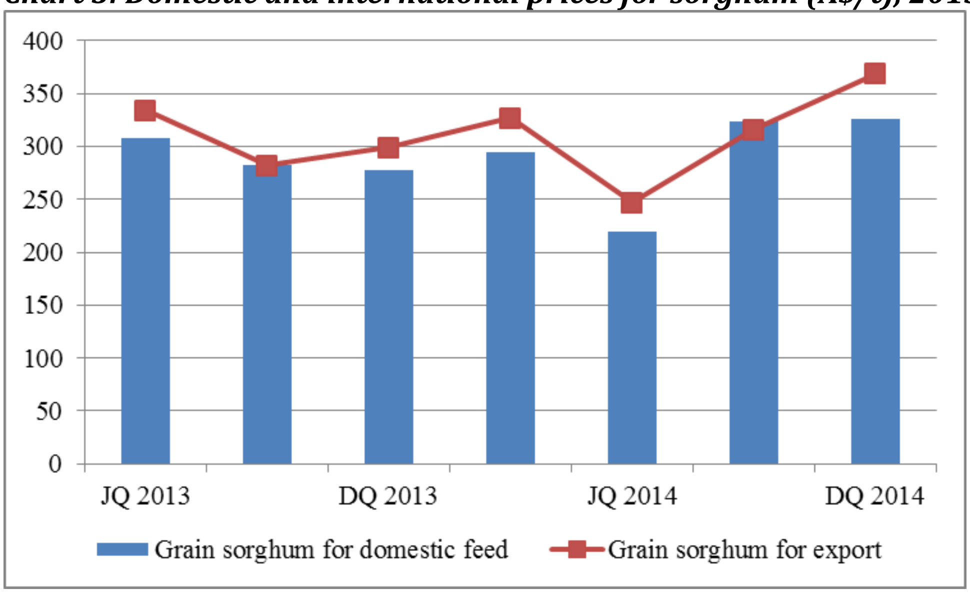
Table 3: Australian Sorghum Exports by country, 2010-2014 ('000 metric tons)

	2010	2011	2012	2013	2014
World	51	116	205	797	356
China	25	0	39	758	349
Taiwan	10	19	34	13	3
Japan	1	39	1	13	..
Philippines	4	3	5	7	2
New Zealand	0	16	27	2	0
Export market share (%)	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
China	49.0	0	19.0	95.1	98.0
Taiwan	19.6	16.4	16.6	1.6	0.8
Japan	2.0	33.6	..	1.6	0
Philippines	7.8	2.6	2.4	0.9	0.6
New Zealand	0	13.8	13.2	0.3	0

Source: Global Trade Atlas.

Australia enjoys the advantage of earlier harvests than some sorghum producers such as the United States but the timing of storage and export is important for the industry. From July each year, Australian sorghum competes directly with US sorghum crops in the Chinese market. Over the last five years, Australia's national production of sorghum has averaged 1.8 million tons, of which an average of 46 percent has been exported.

Chart 3: Domestic and international prices for sorghum (A$/t), 2013-14



Source: ABARES (2015).

Production, Supply and Demand Data Statistics:

Sorghum	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Australia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	493	493	660	604	0	625
Beginning Stocks	195	195	147	147	0	197
Production	1,107	1,107	2,000	1,790	0	1,800
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	1,302	1,302	2,147	1,937	0	1,997
MY Exports	400	400	800	535	0	600
TY Exports	405	405	800	540	0	600
Feed and Residual	750	750	1,200	1,200	0	1,200
FSI Consumption	5	5	5	5	0	5
Total Consumption	755	755	1,205	1,205	0	1,205
Ending Stocks	147	147	142	197	0	192
Total Distribution	1,302	1,302	2,147	1,937	0	1,997
1000 HA, 1000 MT, MT/HA						

RICE

Production

In 2015/16, Australia's rice crop is expected to be 550,000 tons on a milled basis, about 10 percent above the previous season. The industry has the capacity to produce one million tons of rice but limits on irrigated water supply and below average rainfall have constrained production. While the harvest area will be stable at 70,000 hectares, yields are expected to improve to 11 tons per hectare. Exports for 2015/16 are forecast at 350,000 tons. Rice stocks are expected to continue to fall in 2015/16.

SunRice is the sole rice processor in Australia and also packages and exports rice products. The company has unsuccessfully called for a 20 per cent increase in water for rice growers to allow them to increase production by an estimated 100,000 tons a year. Low water allocations led SunRice to close its Coleambally rice mill for the harvest in 2015, after it had re-opened the site in 2013. The company has sought to diversify its domestic supply sources and in 2014 acquired rice milling assets in the Burdekin River region of North Queensland. This region holds Queensland's largest dam and irrigation network and could support a significant expansion of rice production over the longer term. The industry has estimated that a further 10,000 tons of rice could be produced annually in northern Australia over the next few years.

There are around 1500 rice farming concerns in Australia and the average size of a rice farm is 400-500 hectares. There is only one rice crop harvested per season, with planting from September, harvest from March and commercial availability from May. Most of the rice produced in Australia is medium and short grain japonica varieties, while long grain varieties are imported.

Trade

In 2015/16, Australian rice exports are expected to fall to 350,000 tons. Country details of exports are not available because of confidentiality provisions. Details of imports of rice into Australia are given in the table below. Imports of long grain rice form South Asia and Southeast Asia are long grain varieties. These include fragrant rice varieties such as basmati rice.

Table 4: Australian Milled Rice Imports by country, 2010-2014 ('000 metric tons)

	2010	2011	2012	2013	2014
World	193	160	134	142	156
Thailand	121	95	68	69	81
India	13	16	23	27	30
Pakistan	22	21	18	19	18
United States	21	11	12	13	11
Vietnam	7	8	6	6	8
Export market share (%)	*100.0*	*100.0*	*100.0*	*100.0*	*100.0*
Thailand	62.7	59.4	50.7	48.6	51.9
India	6.7	10.0	17.2	19.0	19.2
Pakistan	11.4	13.1	13.4	13.3	11.5
United States	10.9	6.9	9.0	9.2	7.1
Vietnam	3.6	5.0	4.4	4.2	5.1

Source: Global Trade Atlas.

Production, Supply and Demand Data Statistics:

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Mar 2013		Mar 2014		Mar 2015	
Australia	USDA Official	New post	USDA Official	New post	USDA Official	New post
Area Harvested	76	75	70	70	0	70
Beginning Stocks	238	238	206	185	0	36
Milled Production	600	600	504	487	0	550
Rough Production	833	833	700	676	0	764
Milling Rate (.9999)	7,200	7,200	7,200	7,200	0	7,200
MY Imports	165	150	150	150	0	150
TY Imports	190	150	150	150	0	150
TY Imp. from U.S.	11	0	0	0	0	0
Total Supply	1,003	988	860	822	0	736
MY Exports	440	446	400	426	0	350
TY Exports	404	466	400	410	0	340
Consumption and Residual	357	357	360	360	0	360
Ending Stocks	206	185	100	36	0	26
Total Distribution	1,003	988	860	822	0	736
1000 HA, 1000 MT, MT/HA						