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Report Highlights:

Winter grain crop prospects in much of Australia deteriorated in September as a result of inadequate rainfall. As a result, wheat and barley crop forecasts have fallen to only slightly above last year's drought-impacted production levels, with the sorghum production forecast falling below last year. While bumper crops in Western Australia helped offset poor Eastern Australian harvests last year, this is not expected to be the case this year as crop conditions have worsened in Western Australia. Anticipated below-average crops will continue to limit export availability from Australia.

EXECUTIVE SUMMARY

Winter grain crop prospects in much of Australia deteriorated in September as a result of inadequate rainfall. As a result, wheat and barley crop forecasts have fallen to only slightly above last year's drought-impacted production levels, with the sorghum production forecast falling below last year. While bumper crops in Western Australia helped offset poor Eastern Australian harvests last year, this is not expected to be the case this year as crop conditions have worsened in Western Australia. Anticipated below-average crops will continue to limit export availability from Australia.

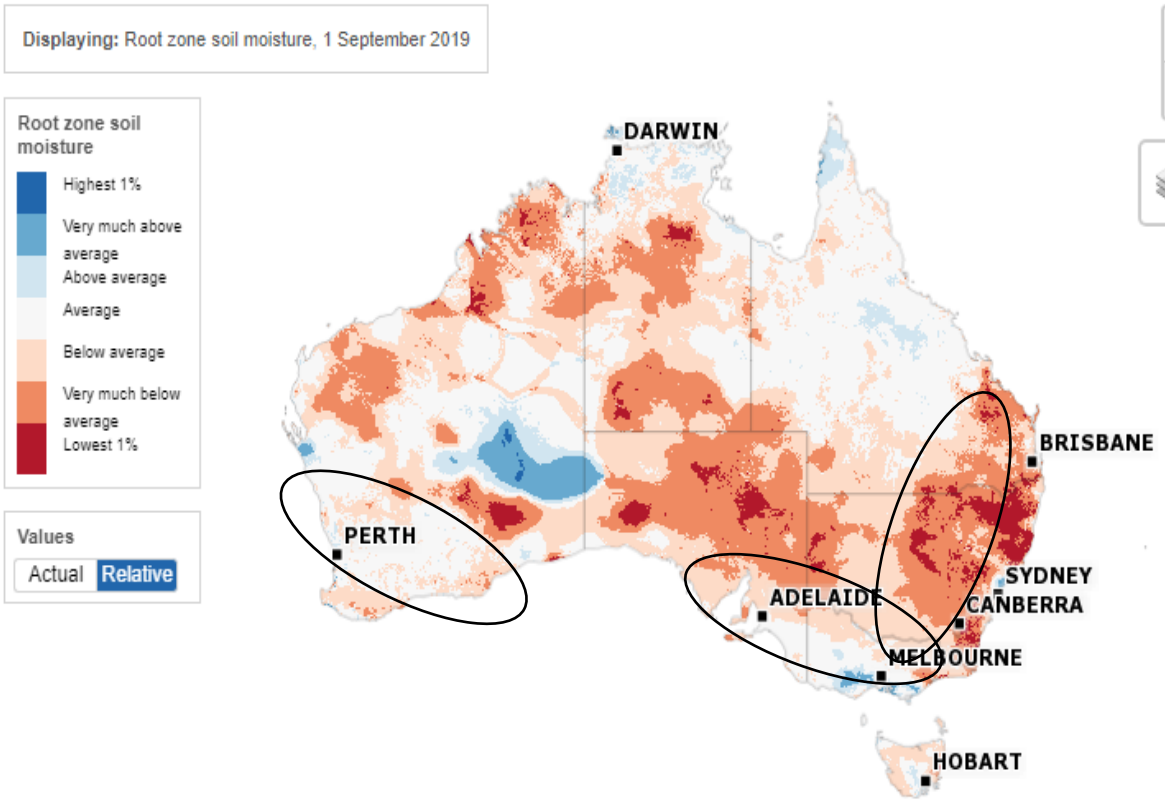
WHEAT

Production

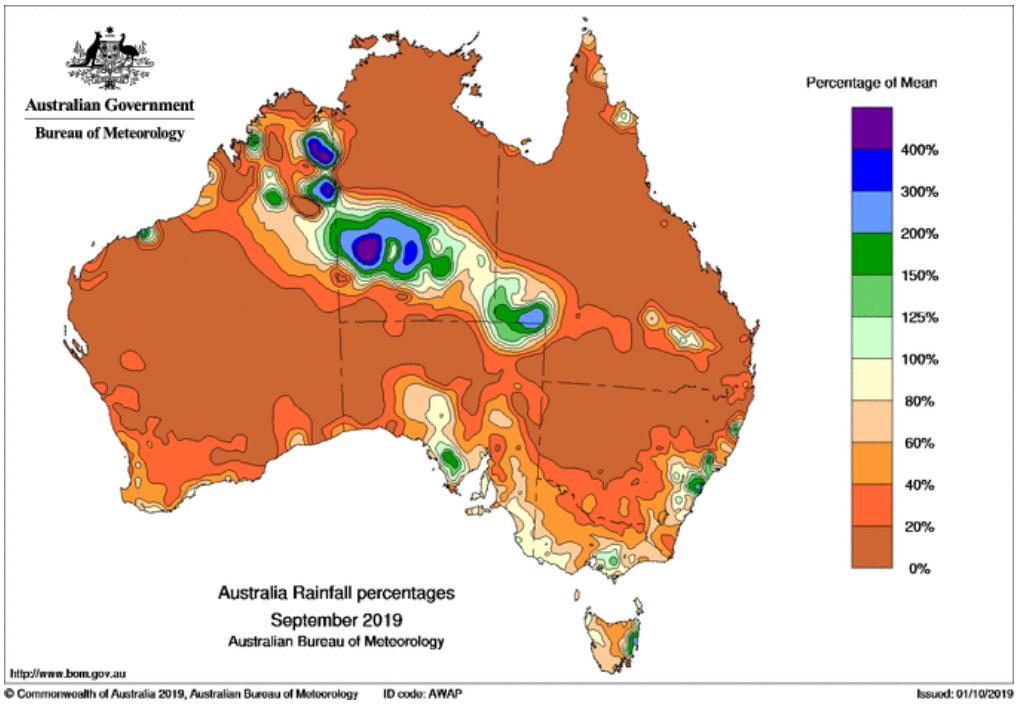
FAS/Canberra's forecast for Australia's wheat production in MY (marketing year) 2019/20 is revised down to 18.0 MMT (million metric tons), up only 700,000 MT compared to the drought-impacted MY 2018/19 crop. If realized it would be more than 25 percent below the 10-year production average.

The major reason for the lower forecast is declining winter grain crop prospects in much of Western Australia and some of South Australia. Although crop conditions in parts of these regions were relatively positive over the winter period, crops were in a precarious situation because of very low soil moisture levels (see first map below) and farmers were relying on strong spring rains to help ensure good yields. September rains, however, were disappointing and far below average in much of this area (see second map below). Significant frost events occurred in Western Australia, especially in the Esperance region in mid-September, which could also negatively impact yields. As a result, it is looking very doubtful that there will be a repeat of last year's bumper crop in Western Australia, which helped offset the poor crop in Eastern Australia. In mid-September the Grains Industry Association of Western Australia (GIWA) reduced their crop estimate for Western Australia nine percent from their previous forecast to 6.8 MMT, sharply down from the previous year (estimated at 10.1 MMT by ABARES).

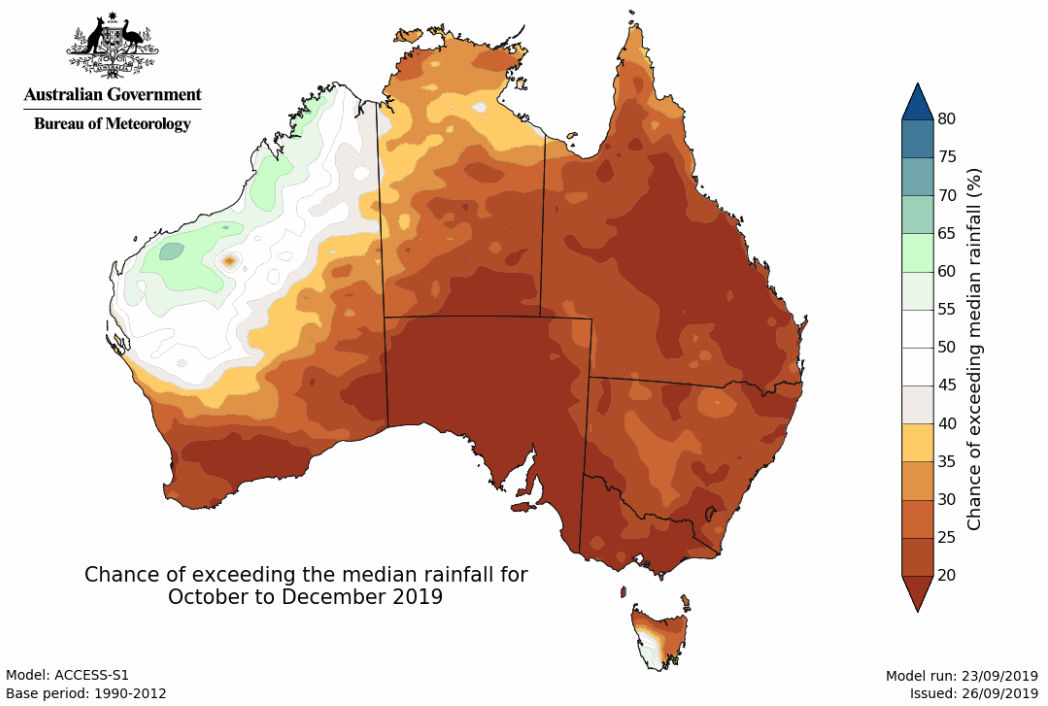
In addition, the continuation of drought conditions in northern New South Wales and southern Queensland has continued to downgrade crops in these locations. A bright spot for the wheat growing area, however, has been Victoria, where in some areas such as the Wimmera rains have been relatively good and crop expectations are positive. In addition, September rains is certain parts of South Australia such as the Eyre peninsula were also beneficial.



Source: Bureau of Meteorology. Lines added by FAS/Canberra to represent key winter grain areas.



The weather outlook for the next few months does not look promising for wheat producing regions, with the Bureau of Meteorology predicting below-average rainfall and above average temperatures for the entirely of the grain growing region in Australia (see map below).



Industry analysts are reporting that strong fodder prices, and poor expected yields in some regions because of the dry weather, are resulting in more famers cutting their fields for hay if they have sufficient biomass. In some cases the returns for hay are reportedly much greater than expected returns for grains from a poor yielding crop.

Consumption

FAS/Canberra's forecast for MY 2019/20 wheat consumption is unchanged compared to the previous forecast at 8.5 MMT, but still down from MY 2018/19 as a result of expected less feed use. Although demand for feed will remain high because of continued poor pasture conditions in drought-hit areas, overall falling livestock numbers will reduce feed use.

Large flows of grain are expected to continue to move from surplus areas to grain deficit areas in Australia. In MY 2018/19 this flow was especially strong from Western Australia (where there was a bumper crop) to Eastern Australia, with millions of tons moving this direction. In MY 2019/20, however, with a smaller Western Australia crop, and expected better crop in Victoria and parts of South Australia and southern New South Wales, it is expected that there will be a substantial growth in south-

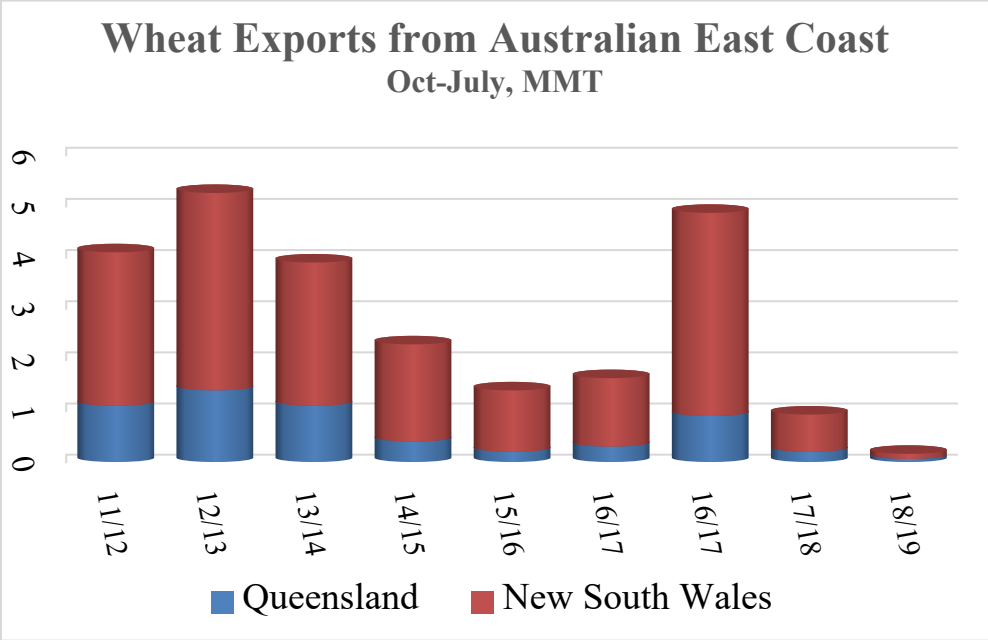
north movement of grain from southern growing areas to drought-hit parts of northern New South Wales and Queensland.

Trade

Exports

Because of deteriorating crop conditions and a downward revision in the wheat crop estimate, FAS/Canberra's forecast for Australia's wheat exports in MY 2019/20 is also revised down to 9.5 MMT, just 500,000 MT higher than MY 2018/19.

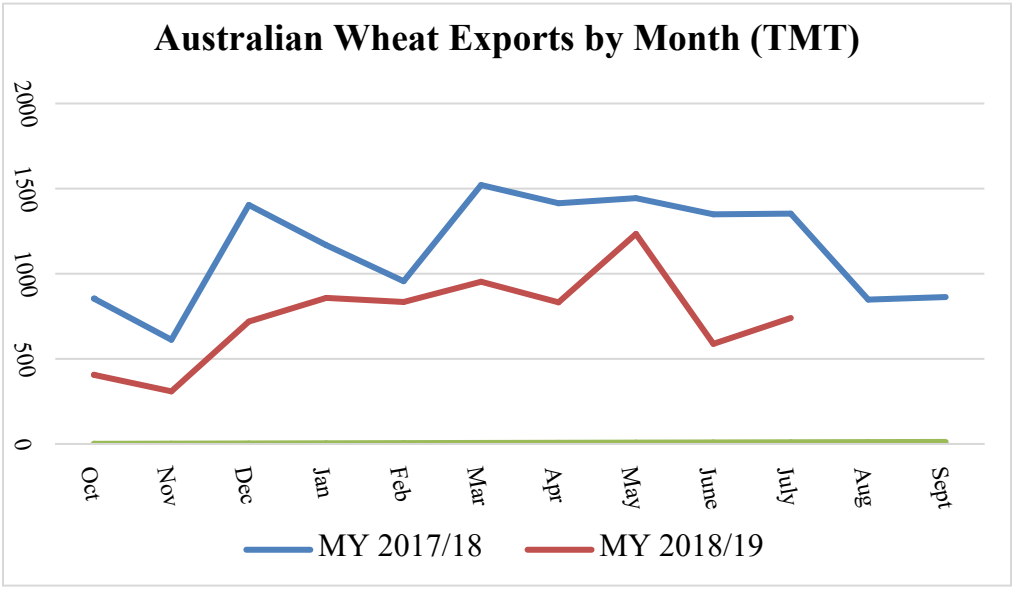
For MY 2018/19, wheat exports are estimated to only reach 9 MMT (the lowest in over a decade), because of the short crop. Nearly all of these exports have been from Western and South Australia – with exports from the east coast being almost non-existent (see chart below).



Source: Australian Bureau of Statistics

These reduced exports have especially hit shipments to Indonesia, which had been Australia's largest wheat export market every year for over 15 years. This marketing year, however, Indonesia is only the 4th largest market for Australia, and exports so far (October-July) are at only 700,000 MT, compared to over 2 MMT during this same period last year and over 4.5 MMT the year previously.

Source: Australian Bureau of Statistics



Source: Australian Bureau of Statistics

Imports

Because of the reduced crop, wheat grain imports are expected to continue into the next marketing year. Additional permits for further imports of wheat and other grains are being reviewed by the Australian Department of Agriculture.

Wheat	2017/2018		2018/2019		2019/2020	
Market Begin Year	Oct 2017		Oct 2018		Oct 2019	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10919	10919	10159	10159	10700	10600
Beginning Stocks	5732	5732	5509	5509	4967	4967
Production	20941	20941	17298	17298	19000	18000
MY Imports	159	159	360	360	150	150
TY Imports	163	163	360	360	175	175
TY Imp. from U.S.	2	2	3	3	0	0
Total Supply	26832	26832	23167	23167	24117	23117
MY Exports	13848	13848	9000	9000	10500	9500
TY Exports	15512	15512	9841	9841	10000	9000
Feed and Residual	4000	4000	5700	5700	5000	5000
FSI Consumption	3475	3475	3500	3500	3500	3500
Total Consumption	7475	7475	9200	9200	8500	8500
Ending Stocks	5509	5509	4967	4967	5117	5117
Total Distribution	26832	26832	23167	23167	24117	23117
Yield	1.9178	1.9178	1.7027	1.7027	1.7757	1.6981
(1000 HA) ,(1000 MT) ,(MT/HA)						

BARLEY

Production

Because of the dry September weather in key winter grain cropping areas, FAS/Canberra's forecast for barley production in MY 2019/20 is revised down to 8.5 MMT, only up slightly from last year's crop. This is despite significantly higher planted acreage to barley this year, as dry conditions during planting caused some farmers to delay sowing and then plant barley rather than wheat due to its shorter growing time. As mentioned, there are reports of some farmers cutting their barley fields for hay because of high fodder prices and expected low barley yields.

Western Australia is by far the largest barley area, and because of dryness and frost events, GIWA also lowered their barley estimate in their September report by 12 percent from their previous estimate to 3.9 MMT (compared to the 4.9 MMT ABARES estimate for last year's barley crop).

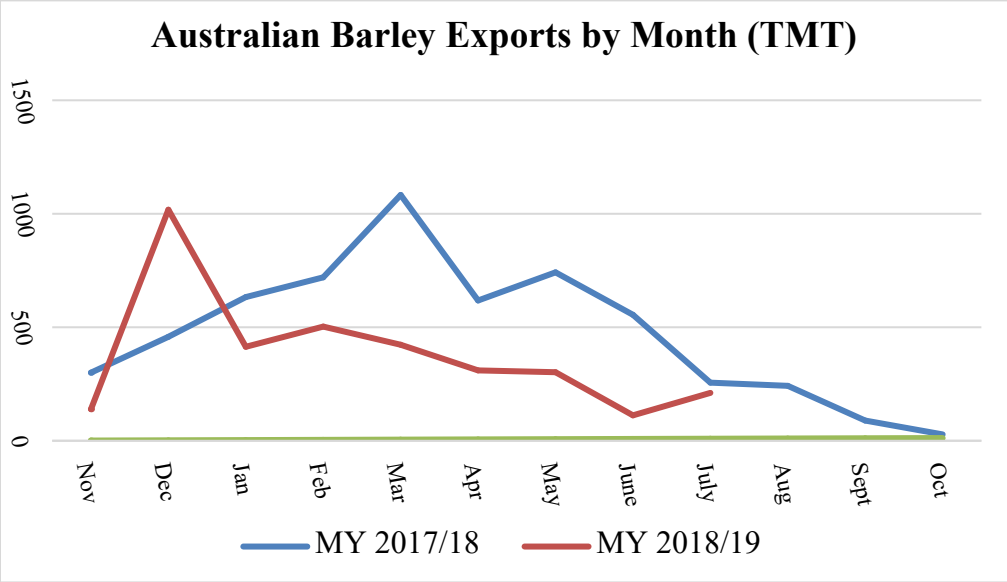
Consumption

MY 2019/20 barley consumption is also revised downward because of lower anticipated feed use. The combination of drought and very high lamb and mutton export demand has boosted slaughtering in 2018 and 2019, and sheep flock numbers have fallen to a 100-year low.

Trade

With deteriorating crop prospects in key barley producing regions, FAS/Canberra's barley export forecast for MY 2019/20 is lowered to 4.5 MMT, just 500,000 MT higher than the revised MY 2018/19 estimate.

Over 90 percent of barley exports so far this marketing year are from Western Australia. In the first nine months of MY 2018/19 (Nov-Jul), exports are running 36 percent below last year's pace. China has remained the top market for Australian barley (accounting for two-thirds of exports), but shipments to China are down by half. Exports to Japan (the second largest market), however, have been steady.



Source: Australian Bureau of Statistics

Barley	2017/2018		2018/2019		2019/2020	
Market Begin Year	Nov 2017		Nov 2018		Nov 2019	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4124	4124	3719	3719	4100	4100
Beginning Stocks	1884	1884	1776	1776	1786	1786
Production	9254	9254	8310	8310	8600	8500
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	11138	11138	10086	10086	10386	10286
MY Exports	5662	5662	4300	4000	4500	4500
TY Exports	6088	6088	4300	4000	4500	4500
Feed and Residual	2400	2400	2500	2800	2700	2600
FSI Consumption	1300	1300	1500	1500	1500	1500
Total Consumption	3700	3700	4000	4300	4200	4100
Ending Stocks	1776	1776	1786	1786	1686	1686
Total Distribution	11138	11138	10086	10086	10386	10286
Yield	2.2439	2.2439	2.2345	2.2345	2.0976	2.0732
(1000 HA) ,(1000 MT) ,(MT/HA)						

SORGHUM

Production

Because of very dry expected conditions at planting in much of the sorghum growing region, FAS/Canberra's forecast for production is lowered to 1 MMT, about 300,000 MT below last year. Sorghum planting typically takes place from September through January. The key sorghum growing area is in northern New South Wales and Queensland. Other than in central Queensland, where there has been positive rains and soil moisture, much of northern New South Wales and southern Queensland continues to be in a severe multi-year drought. The lack of soil moisture and poor rain outlook in these areas is expected to reduce area that planned to be sown to sorghum.

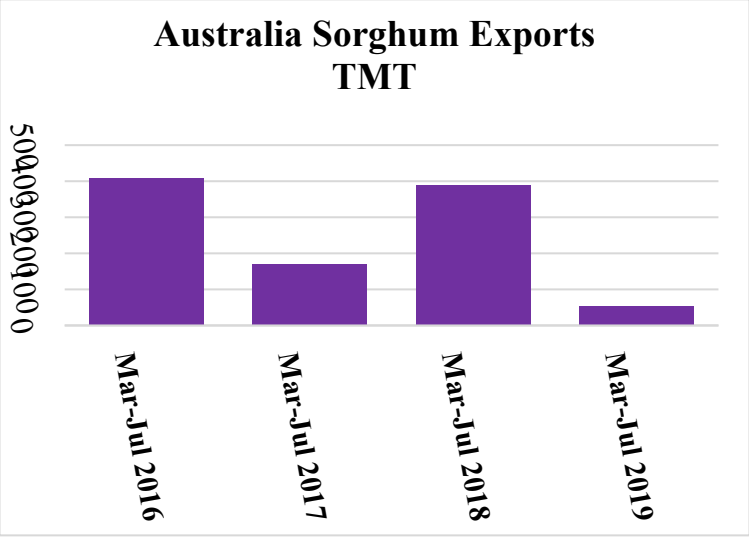
Consumption

The MY 2019/20 forecast for sorghum consumption is revised down because of a smaller expected crop.

The MY 2018/19 consumption estimate is raised as less sorghum is being exported and more being fed domestically. A large amount of cattle production is located near sorghum growing areas, and with cattle on feed being at record levels, demand for sorghum has been extremely strong.

Trade

FAS/Canberra's MY 2019/20 sorghum export forecast is revised down to 200,000 MT as a result of a forecast smaller crop size. The MY 2018/19 export estimate is also revised down to only 150,000 MT as high feedlot numbers and shortage of other feed ensures more sorghum is fed domestically. Export shipments from Mar-Jul 2019 (a period that on average accounts for two-thirds of year exports) were only about 50,000 MT, compared to nearly 400,000 MT during the same period last year.



Sorghum	2017/2018	2018/2019	2019/2020
Market Begin Year	Mar 2018	Mar 2019	Mar 2020

Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	462	462	496	496	600	400
Beginning Stocks	272	272	273	273	251	251
Production	1257	1257	1278	1278	1700	1000
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	1529	1529	1551	1551	1951	1251
MY Exports	456	456	350	150	500	200
TY Exports	449	449	350	150	500	200
Feed and Residual	600	600	750	950	950	550
FSI Consumption	200	200	200	200	200	200
Total Consumption	800	800	950	1150	1150	750
Ending Stocks	273	273	251	251	301	301
Total Distribution	1529	1529	1551	1551	1951	1251
Yield	2.7208	2.7208	2.5766	2.5766	2.8333	2.5
(1000 HA) ,(1000 MT) ,(MT/HA)						

Attachments:

No Attachments