USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 7/5/2019
GAIN Report Number: AS1911

Australia

Grain and Feed Update

July 2019

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Report Highlights:
Wheat and barley production in Australia is forecast to rise in MY 2019/20 as a result of expanded planting area for both of these crops, as well as improved moisture conditions in some production regions. Drought conditions, however, still remain in a substantial part of the growing area. For wheat, although production is forecast to increase to 21.5 MMT in MY 2019/20, this is still below average levels. The reduced wheat supply in MY 2018/19, as a result of the drought, has resulted in reduced exports to key markets such as Indonesia, as well as imports of bulk wheat grain for the first time in a decade.

EXECUTIVE SUMMARY

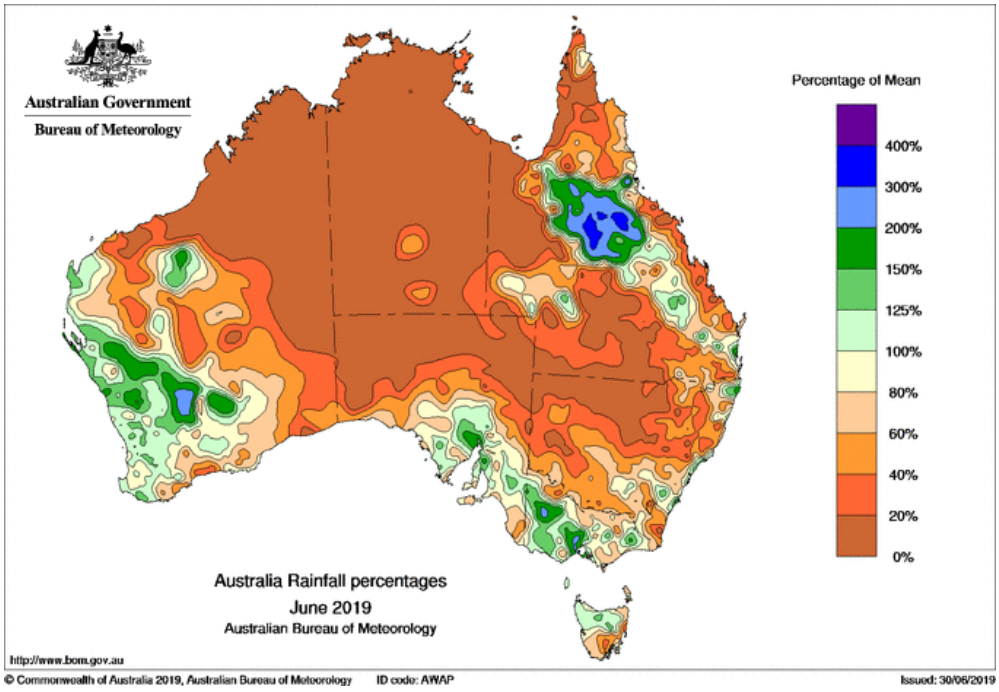
Wheat and barley production in Australia is forecast to rise in MY 2019/20 as a result of expanded planting area for both of these crops, as well as improved moisture conditions in some production regions. Drought conditions, however, still remain in a substantial part of the growing area. For wheat, although production is forecast to increase to 21.5 MMT in MY 2019/20, this is still below average levels. The reduced wheat supply in MY 2018/19, as a result of the drought, has resulted in reduced exports to key markets such as Indonesia, as well as imports of bulk wheat grain for the first time in a decade.

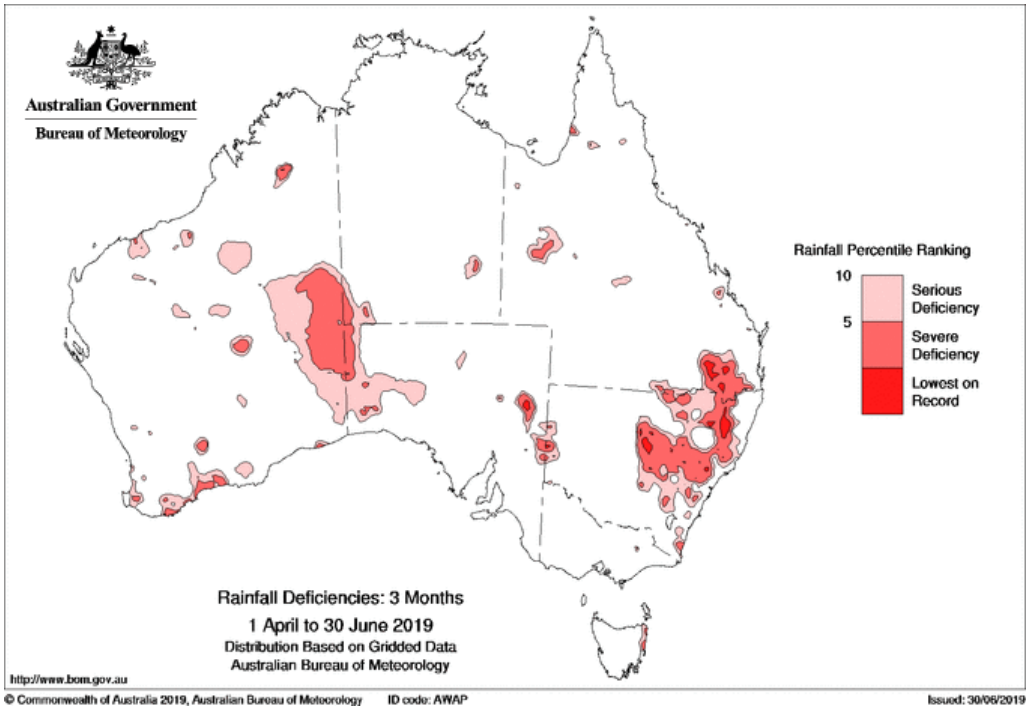
WHEAT

Production

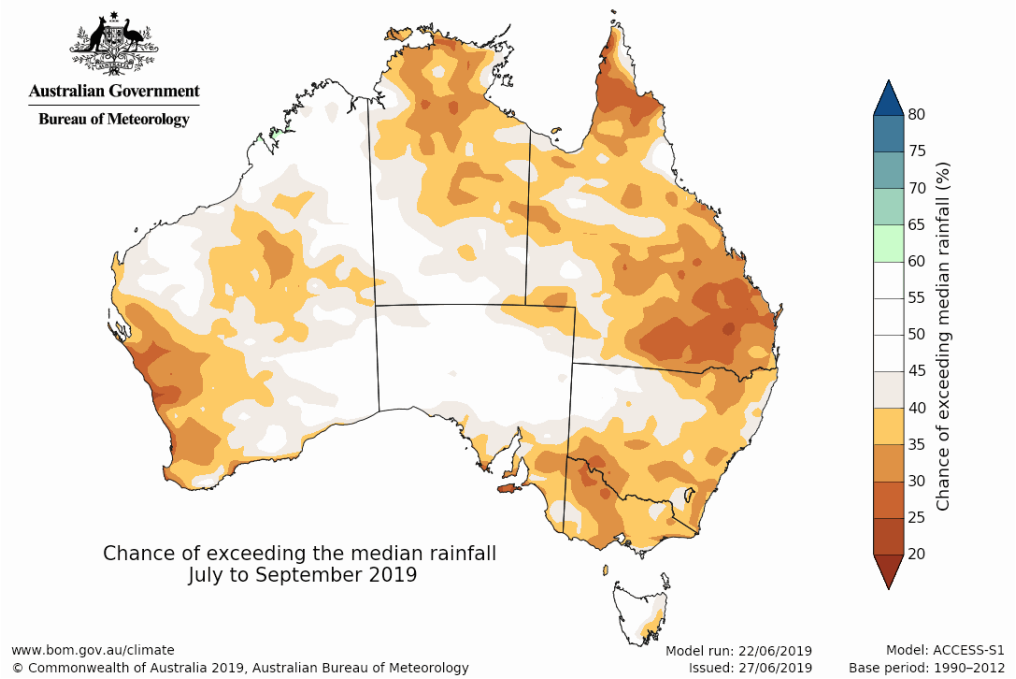
Wheat planting in most of Australia commences in April and concludes in early July. Wheat planted area in MY (marketing year) 2019/20 is estimated to have expanded from last year's drought impacted crop, although still remains below average levels due to continued dry (and even drought) conditions in some growing areas. For northern New South Wales, Southern Queensland and Western Australia soil moisture was especially dry around planting and because of this there was a greater amount of dry sowing of wheat into the soil. In Western Australia, although the fall weather (March-May) was extremely dry at planting (making a repeat of the bumper crop from last year unlikely), timely rains in June have improved the prospects.

Parts of Victoria and southern New South Wales, however, received sufficient rains and are looking at a good start to the season with very positive prospects and soil moisture. The chart below shows rainfall percentages in June, showing above average rainfall in parts of Western Australia, South Australia and Victoria but also showing the continued below average rainfall in northern New South Wales and Queensland. The second chart shows that drought conditions are continuing in those areas.





According to the three-month rainfall outlook from the Bureau of Meteorology, rainfall from July to September in much of the cropping region is likely to be below average, which if realized would create even more strain on those crops planted into dry conditions.



The Australian Bureau of Agricultural and Resource Economics and Sciences (in their June crop report), estimate wheat area to expand 8 percent from MY 2018/19 with wheat area expected to increase in every major wheat-growing province except Western Australia (where some area is shifting to barley).

Wheat Planted Area

State	MY 2018-19	MY 2019-20	% change
New South Wales	1,800	2,500	+39%
Victoria	1,400	1,550	+11%
Queensland	400	460	+15%
South Australia	1,850	2,000	+8%
Western Australia	4,700	4,450	-5%

Source: ABARES forecasts and estimates (thousand hectares)

FAS/Canberra forecasts MY 2019/20 wheat production at 21.5 million metric tons (MMT), an increase of more than 4 MMT from the drought-impacted MY 2018/19 but still 13 percent below the 10-year average. As mentioned, although higher acreage and ample moisture in some areas is expected to boost production from last year, continuing drought conditions in other key wheat growing regions could constrain production growth. Overall production prospects, however, will largely be determined by spring rainfall totals.

Consumption

Wheat consumption is forecast to fall slightly in MY 2019/20 as a result of less expected feed use, although this will be driven by rainfall and availability of other feed stuffs. Wheat feed use in MY

2018/19 rose sharply as a result of the poor pasture growth, and cattle on feed in Australia reached record levels.

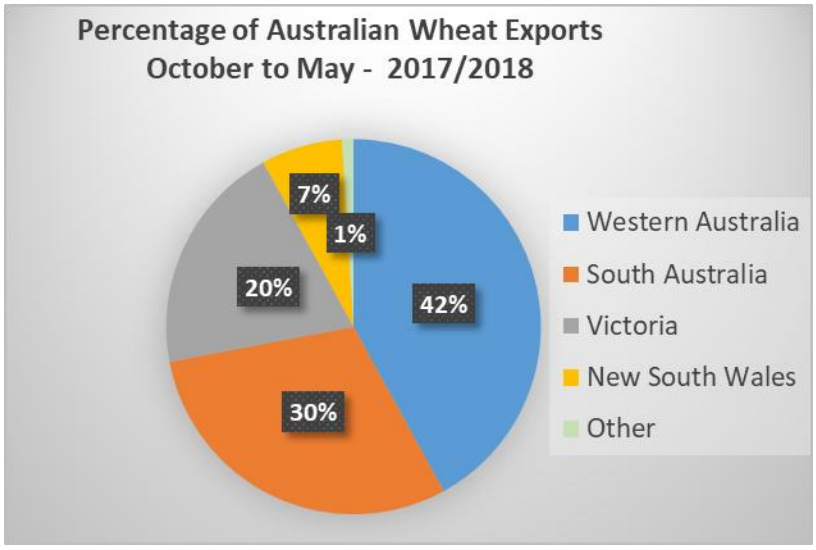
Trade

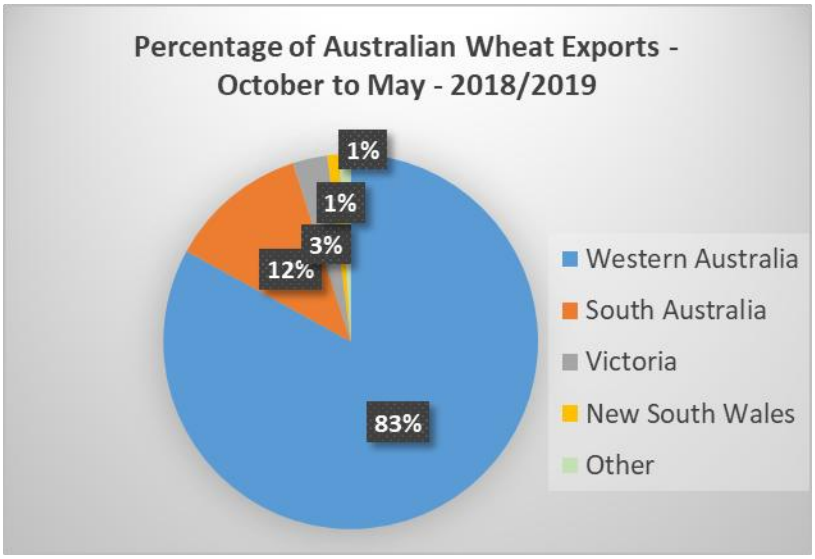
Exports

With increased production, Australia's wheat exports are forecast in MY 2019/20 at 12.5 MMT, up from the revised 9.1 MMT in MY 2018/19. Despite the larger anticipated crop, high prices and expected robust global wheat production could limit export increases.

For MY 2018/19, because of the short crop shipments so far have been slow, and as a result exports are estimated at 9.1 MMT, the lowest level since MY 2007/08.

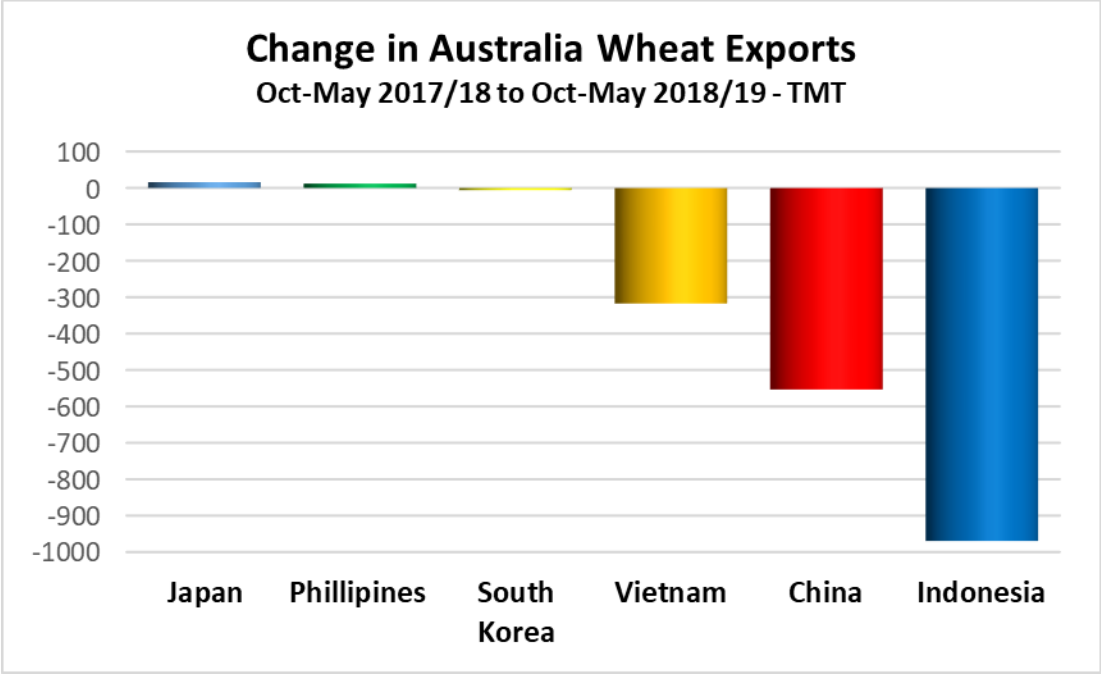
Because of the bumper wheat crop in Western Australia, the vast majority of exports so far this marketing year have come from this region. While last year during the first eight months of the marketing year (October-May) only 42 percent of exports came from Western Australia, during the same period this year that number has jumped to 83 percent.





Source: Australian Bureau of Statistics

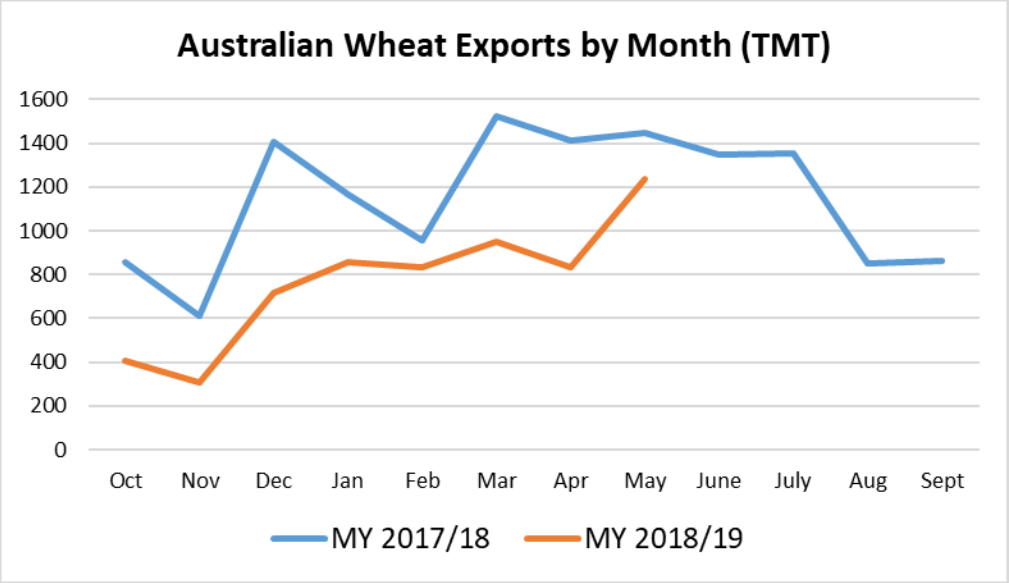
With the reduced exportable supply, there has been a dramatic decline in exports to some key Australian markets. While exports to more premium markets such as Japan and South Korea have remained steady, shipments to other more price-sensitive markets such as Indonesia have dropped sharply as a result of higher Australian prices (see chart below).



Source: Australian Bureau of Statistics

For Indonesia, lower Australian shipments have been largely offset by greater shipments from Argentina and Canada, while imports from other key suppliers have remained relatively steady. In fact, although Indonesia is traditionally always Australia's largest import market, during the first eight months of the

marketing year both South Korea, Japan and Philippines have purchased more Australian wheat than Indonesia.



Source: Australian Bureau of Statistics

Imports

Because of the drought, and despite steady shipments of Western Australian wheat to eastern Australia, wheat grain imports are occurring for the first time in over a decade with some Canadian wheat having already arrived for milling. Additional permits for further imports have also been issued.

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	10200	10160	12000	11000
Beginning Stocks	5732	5732	5509	5509	4809	4809
Production	20941	20941	17300	17300	22500	21500
MY Imports	159	159	200	300	150	150
TY Imports	163	163	175	275	175	175
TY Imp. from U.S.	2	2	0	0	0	0
Total Supply	26832	26832	23009	23109	27459	26459
MY Exports	13848	13848	9000	9100	13500	12500
TY Exports	15512	15512	9800	10000	13000	12000
Feed and Residual	4000	4000	5700	5700	5500	5500
FSI Consumption	3475	3475	3500	3500	3500	3500
Total Consumption	7475	7475	9200	9200	9000	9000
Ending Stocks	5509	5509	4809	4809	4959	4959
Total Distribution	26832	26832	23009	23109	27459	26459
Yield	1.9178	1.9178	1.6961	1.7028	1.875	1.9545
(1000 HA) ,(1000 MT) ,(MT/HA)						

BARLEY

Production
As mentioned for wheat, current prospects for barley production are mixed as a result of continued dry and drought conditions in northern New South Wales and southern Queensland but greatly improved conditions in Victoria and southern New South Wales.

Barley area is estimated to have had very strong expansion. The Australian Bureau of Agricultural and Resource Economics and Sciences (in their June crop report), estimate barley area in MY 2019/20 to increase 12 percent from MY 2018/19 with area expected to expand in every major barley growing state.

Western Australia is by far the largest barley producing state (accounting typically for about 40 percent of Australia's production, although in MY 2018/19 this jumped to nearly 60 percent). The Grain Industry Association of Western Australia is forecasting an even larger increase in barley area and expect it to reach the highest level on record. The switch from wheat to barley is being driven by very positive financial returns for barley due to strong domestic feed demand, as well as dry conditions during the planting window causing some farmers to delay sowing and then plant to barley due to its shorter growing time.

Barley Planted Area

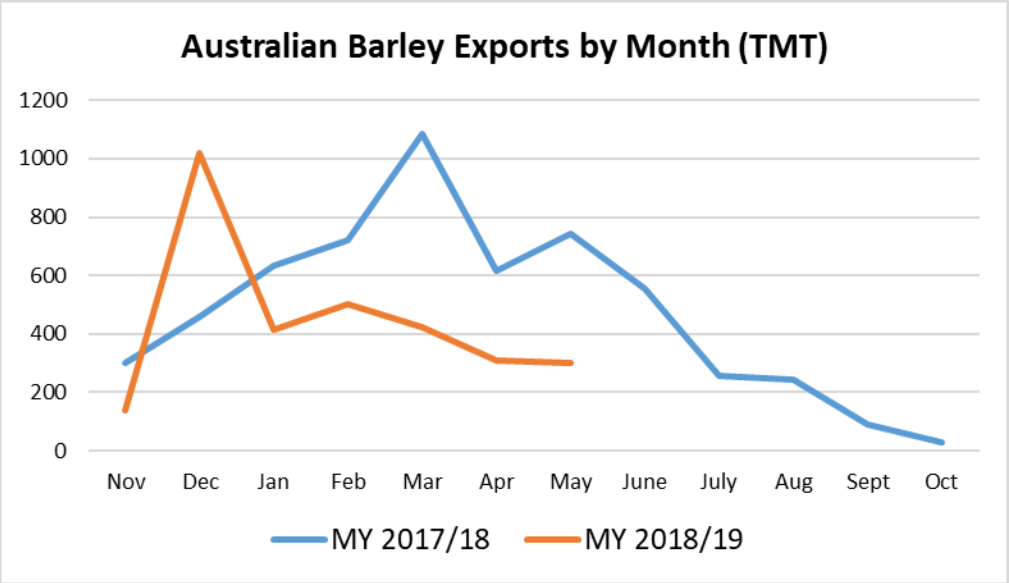
State	MY 2018-19	MY 2019-20	% change
New South Wales	600	750	+25%
Victoria	770	850	+10%
South Australia	820	900	+10%
Western Australia	1,450	1,600	+10%

Source: ABARES forecasts and estimates (thousand hectares)

With expanded area and expected better yields, MY 2019/20 barley production is forecast at 9.2 MMT, up nearly 1 MMT from MY 2018/19 and slightly above the 10-year average.

Consumption
Feed consumption is forecast to rise in MY 2019/20 as a result of the larger expected crop. Strong feed demand in MY 2018/19 from the sheep sector in eastern Australia, coupled with the small crop there, has resulted in a steady flow of bulk shipments of barley arriving from Western Australia to the east coast.

Trade
With expected larger production due to area growth, Australia's barley exports are forecast in MY 2019/20 at 5 MMT, up from the revised 4.5 MMT in MY 2018/19. Similar to wheat, the vast majority of barley exports this year have come from Western Australia, accounting for 91 percent of shipments between November 2018 and May 2019.



Source: Australian Bureau of Statistics

China has remained by far the largest market during the first seven months of the marketing year (Nov-May), accounting for over two-thirds of Australian exports. Shipments to China during this time, however, have been down by over 1.5 MMT. Japan has continued to be the second largest market, which shipments there down slightly. Late last year China announced an investigation into Australian barley pricing but no determinations have yet been announced.

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	4000	3720	4200	4200
Beginning Stocks	1884	1884	1713	1713	1613	1613
Production	9254	9254	8300	8300	9200	9200
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	10013	10013	10813	10813
MY Exports	5725	5725	4600	4500	5000	5000
TY Exports	6088	6088	4600	4100	5000	5000
Feed and Residual	2400	2400	2300	2400	2700	2700
FSI Consumption	1300	1300	1500	1500	1500	1500
Total Consumption	3700	3700	3800	3900	4200	4200
Ending Stocks	1713	1713	1613	1613	1613	1613
Total Distribution	11138	11138	10013	10013	10813	10813
Yield	2.2439	2.2439	2.075	2.2312	2.1905	2.1905
(1000 HA) ,(1000 MT) ,(MT/HA)						

SORGHUM

Production

Sorghum production in MY 2019/20 is forecast to rise to 1.6 MMT, up 300,000 metric tons from the MY 2018/19 estimate as a result of area expansion as farmers continue to switch from cotton due to lack of water resources. Sorghum and cotton are both grown in southern Queensland and northern New South Wales, where there has been almost no relief from drought conditions. Sorghum sowing typically runs from September through January.

MY 2018/19 production is estimated at 1.3 MMT, slightly up from the previous year as a result of expanded area.

Consumption

Sorghum consumption is expected to continue to rise in MY 2019/20 as a result of strong demand from the livestock sector. In MY 2018/19, because of the drought conditions and record number of cattle on feed, demand has also been strong and could reduce export availability.

Trade

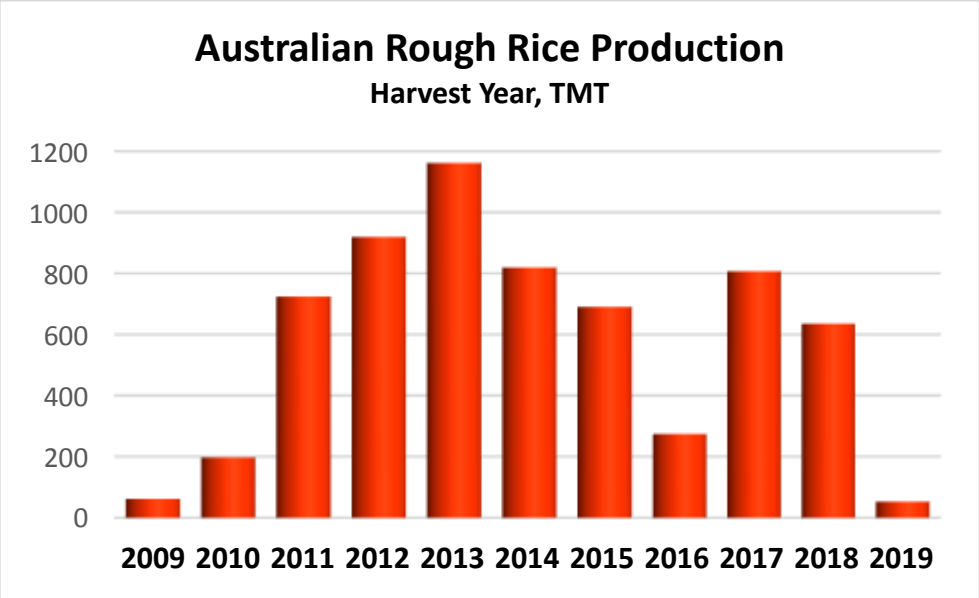
MY 2019/20 exports are forecast at 500,000 MT, up 100,000 MT from the revised MY 2018/19 estimate. Export availability will be impacted by domestic demand from the livestock sectors.

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	540	500	600	600
Beginning Stocks	272	272	273	271	273	271
Production	1257	1255	1300	1300	1700	1600
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	1527	1573	1571	1973	1871
MY Exports	456	456	500	400	600	500
TY Exports	449	449	600	400	600	500
Feed and Residual	600	600	600	700	900	900
FSI Consumption	200	200	200	200	200	200
Total Consumption	800	800	800	900	1100	1100
Ending Stocks	273	271	273	271	273	271
Total Distribution	1529	1527	1573	1571	1973	1871
Yield	2.7208	2.7165	2.4074	2.6	2.8333	2.6667
(1000 HA) ,(1000 MT) ,(MT/HA)						

RICE

Production

Rice production in MY 2018/19 fell by over 90 percent to 37,000 MT, the lowest level in more than a decade. High water prices and low water allocations caused area to drop to only 5,000 hectares from 60,000 the previous year. MY 2019/20 is forecast to increase slightly but this will be determined by rainfall and water availability in coming months.



Source: ABS, ABARE

Consumption

Rice consumption is estimated to fall in MY 2018/19 because of the very small crop resulting in less residual losses. Food consumption is expected to remain largely steady.

Trade

Rice exports are estimated to drop sharply because of the very small crop and Australia is expected to be a net rice importer.

Rice, Milled	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	61	60	10	5	10	10
Beginning Stocks	208	208	217	212	62	49
Milled Production	457	452	75	37	75	75
Rough Production	635	628	104	51	104	104
Milling Rate (.9999)	7200	7200	7200	7200	7200	7200
MY Imports	173	173	200	200	250	250
TY Imports	167	167	200	200	250	250
TY Imp. from U.S.	10	10	0	0	0	0
Total Supply	838	833	492	449	387	374
MY Exports	241	241	70	60	20	20
TY Exports	262	262	90	90	20	20
Consumption and Residual	380	380	360	340	340	330
Ending Stocks	217	212	62	49	27	24
Total Distribution	838	833	492	449	387	384
Yield (Rough)	10.4098	10.4667	10.4	10.2	10.4	10.4
(1000 HA) ,(1000 MT) ,(MT/HA)						