Required Report: Required - Public Distribution **Date:** October 14, 2021

Report Number: AS2021-0023

Report Name: Grain and Feed Update

Country: Australia

Post: Canberra

Report Category: Grain and Feed

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Report Highlights:

Australia is set for a second consecutive bumper grain crop following two years of drought. For wheat and barley, during the fall planting period and winter and early spring growing period, rainfall has overall been very good across the growing regions. With harvest now commenced in the most northern winter crop producing regions, crops are now set up to achieve well above average yields. The large crops will allow for a second season of very robust exports, especially as global grain demand is expected to remain high. For the summer crops, sorghum production in MY 2021/22 is forecast to rise by seven percent and rice is forecast for a 75-percent boost in production. The good rains to date have enabled irrigation water storages to recover strongly and established above average soil moisture profiles at the point of planting and are supported by an above average rainfall forecast.

EXECUTIVE SUMMARY

Australia is set for a second consecutive bumper grain crop following two years of drought. For the winter crops, wheat area is estimated to have slightly increased in marketing year (MY) 2021/22 and barley area decreased a little. For these two crops, rainfall has overall been very good across the growing regions during the fall planting period and winter and early spring growing period. The rainfall forecasts for October to December for all winter crop growing regions is very favorable with expectations for above average rainfall. With harvest now commenced in the most northern winter crop producing regions, crops are now set up to achieve well above average yields. The large crops will allow for a second season of very robust exports, especially as global grain demand is expected to remain high.

For the summer crops, sorghum production in MY 2021/22 is forecast to rise by seven percent and reach the highest level in six years, and rice is forecast for a 75-percent boost in production. The good rains to date have established above average soil moisture profiles at the point of planting and, along with the forecast rains, will support a strong year, particularly for sorghum production. For rice, the irrigation water storages have recovered strongly to reach near capacity after being depleted from the drought. This has supported good irrigation water allocations at the start of October, coinciding with the start of the planting period, and has also provided confidence for a significant increase rice production to well above average levels.

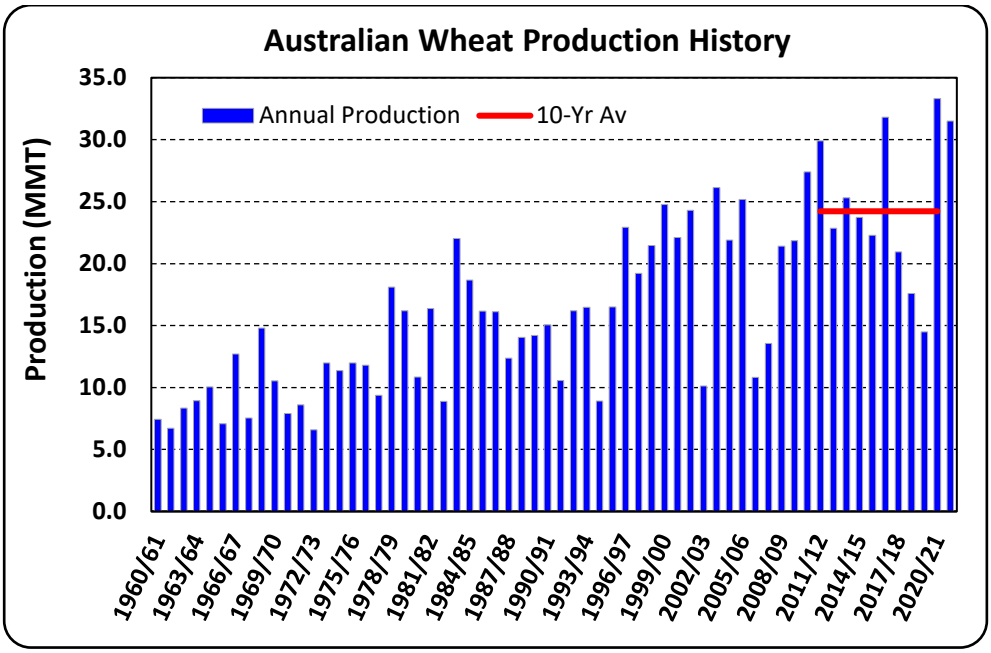
WHEAT

Production

For the second successive year, overall seasonal conditions have overall been very favorable across much of the grain growing regions of Australia. This along with an above average rainfall forecast has resulted in a FAS/Canberra estimate for Australian wheat production of 31.5 million metric tons (MMT) in MY 2021/22. This is 30 percent higher than the previous 10-year average and in line with the official USDA estimate. If realized this would be merely 1.8 MMT lower than the record-breaking MY 2020/21 wheat crop, and would be the third highest on record for Australia (see Figure 1).

FAS/Canberra estimates a slight increase in harvested area at 13.1 million hectares for MY 2021/22, relative to the 13 million hectares for last years record-breaking production, it is also in line with the official USDA estimate. This large wheat harvested area for MY 2021/22 was supported by the high world wheat prices over the last year, as well as caution around China duties on Australian barley resulting in some area shift to wheat.

Figure 1 – Australian Wheat Production History



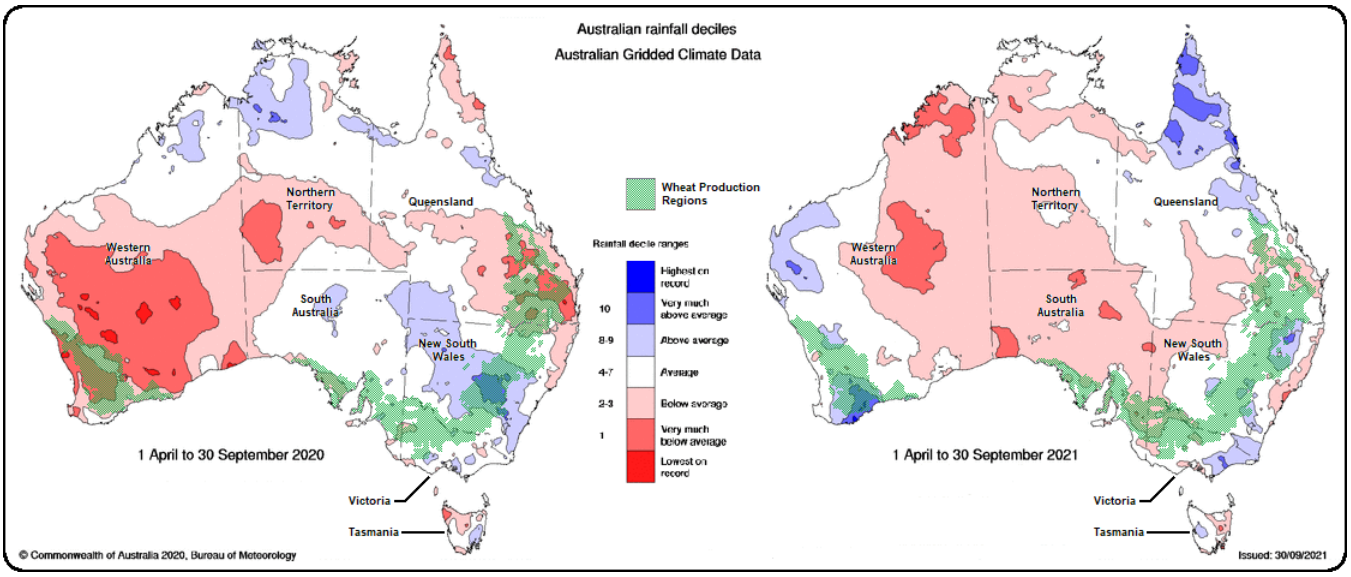
Source: *PSD Online / FAS/Canberra*

In Queensland, where the wheat harvest has now commenced, overall production is expected to be larger than the previous year after much higher, well-timed rainfall. New South Wales, the second largest producing state, has again overall received above average rainfall, not unlike the previous year (see Figure 2). Soil moisture levels in New South Wales are well above average at the end of September 2021 and generally higher than the same time the previous year (see Figure 3). Although positive in respect to the crop's high-water demand during the grain fill period, some regions - particularly in northern New South Wales - have been too wet which has hindered yield potential this season. The current conditions are expected to result in a decrease in production in New South Wales compared to the record-breaking prior year, but still result in a very good crop.

Western Australia, the largest producing state, during this season's growing period has received much better rainfalls than the prior year (see Figure 2). This would typically suggest that wheat production would be vastly higher this year in Western Australia. However, some areas in the south have reportedly been too wet and some parts have also been affected by frost damage this season. In addition, although Western Australia had well below average rainfall last year, it was well timed and led to a better-than-expected harvest result. Also, there were no heat waves or frosts to impact the crop last year. Soil moisture levels are overall better than the same time in the previous year (see Figure 3) but range from well above average in the southern areas to well below average in the central and northern areas. Soils in Western Australian winter crop producing areas generally have low water holding capacity so rains in the coming weeks will be important in determining the final wheat production outcome for the state. Overall, there is an expectation of an increase in wheat production in Western Australian but not a large increase despite the vast difference in rainfall between the two years.

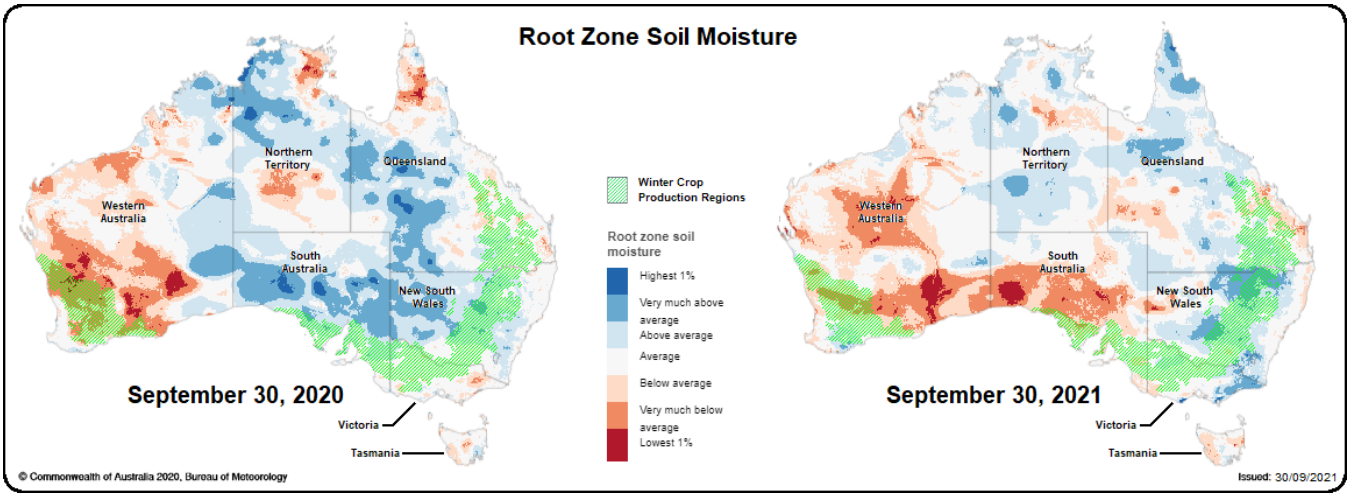
Victoria and South Australia are reported to have varied rainfall results during the planting and crop growing periods from average to below average. Overall rainfall during this period has been poorer this season compared to the previous season (see Figure 2). Soil moisture levels at the end of September are showing similar results (see Figure 3). These conditions are expected to impact the yields of crops across Victoria and South Australia, with total production lower than the previous year.

Figure 2 - Australia Rainfall Deciles – April, 1 to September, 30, 2020 & 2021



Source: Australian Bureau of Meteorology / FAS/Canberra

Figure 3 - Australia Root Zone Soil Moisture – as at September 30, 2020 & 2021

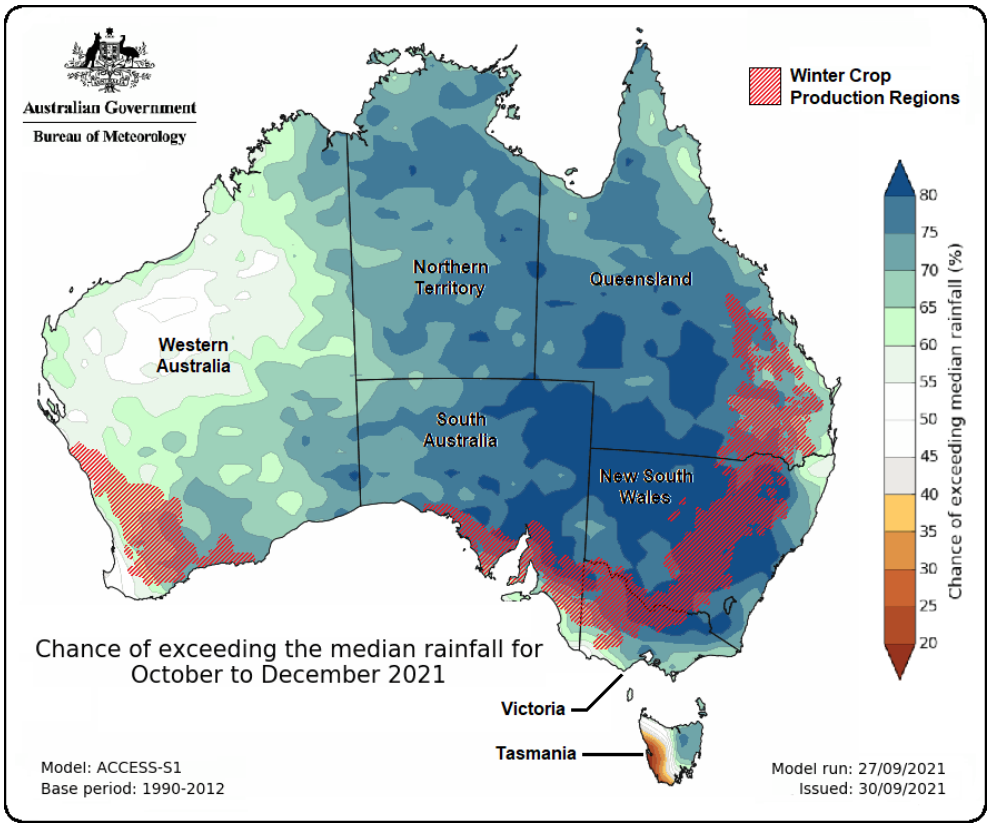


Source: Australian Bureau of Meteorology / FAS/Canberra

The Bureau of Meteorology forecasts for the October to December period (see Figure 4) indicate a moderate to strong chance of above average rainfall across all grain producing regions, particularly in

the eastern states. Although this will have no impact on crop yields in Queensland, where harvest has now commenced, rainfall in October will have some impact on crop yields in New South Wales and Western Australia. Crops in Victoria and South Australia could benefit from above average rainfall in October and November with harvest generally commencing in December and crossing into January. However, the strong rainfall forecasts are creating some concern regarding rain during harvest impacting quality.

Figure 4 - Australia Rainfall Forecast – October to December 2021



Source: Australian Bureau of Meteorology / FAS/Canberra

FAS/Canberra's wheat production estimate for MY 2020/21 is 33.3 MMT. This estimate is in line with the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimate now around nine months after the completion of harvest.

Consumption

FAS/Canberra's domestic consumption estimate for wheat is 8 MMT in MY 2021/22 and is aligned with the official USDA forecast.

Feed demand has reduced since the recent drought in part due to much improved pasture production over the last two years resulting in much lower on farm grain feed demand. In addition, the reduced

overall herd size, after heavy selling during the drought, has reduced cattle feedlot throughput and feed demand. Feedlot numbers, however, are expected to begin to slowly recover.

After almost two years since the drought started abating, particularly in the eastern states of Australia, the price differential between grains has normalized after the frenzied demand during the drought saw little differential in price between wheat and barley. This normalization in pricing has resulted in a gap of around AU$40 (US$30) per metric ton (MT) between wheat and barley, reflecting the differential in nutritional value between the grains. This has encouraged and increased feed barley demand over wheat in the domestic livestock feed sector.

Domestic consumption for flour milling is expected to remain unchanged from recent past years at 3.5 MMT in MY 2021/22. Consumption of wheat for flour has typically only been increasing with population growth which is expected to remain relatively flat in the short term.

FAS/Canberra's wheat consumption estimate for MY 2020/21 is 8 MMT and in line with the official USDA estimate but 500,000 MT lower than for MY 2019/20. As previously mentioned, the drought drove very high feed demand particularly from the beef industry, and after drought-breaking rains from early 2020 demand for grain for feed has declined.

Exports

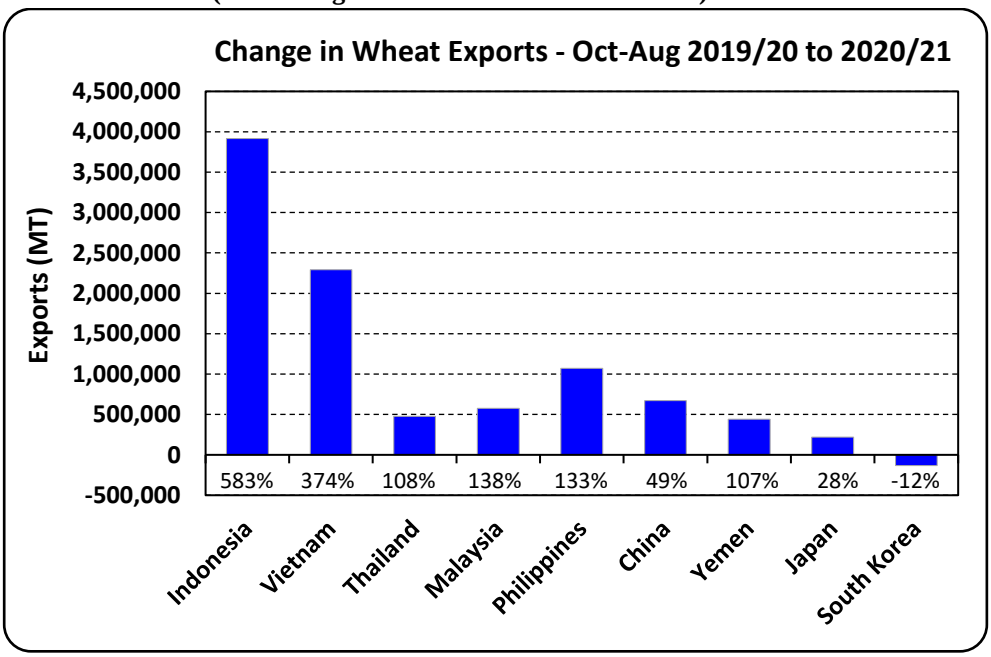
FAS/Canberra anticipates another big year of wheat exports in MY 2021/22 at 23 MMT, down by just 1 MMT from the prior year near-record exports. This estimate is 500,000 MT lower than the official USDA forecast. This robust export program is supported by the large crop, as well as very strong global import demand.

Australian wheat exports in MY 2020/21 have been extremely strong with 22.6 MMT exported in the 11 months of the marketing year to date (October 2020 to August 2021). At this rate Australia is well on track to achieve total exports of 24 MMT in MY 2020/21. If achieved this would be only around 700,000 MT below the record exports set in MY 2011/12.

The majority of the increase in export shipments for the first 11 months of MY 2020/21 have been to Indonesia and Vietnam. In comparison to the same time the previous year, exports to Indonesia and Vietnam have increased by 583 percent and 374 percent, respectively, with volume up 3.9 MMT and 2.3 MMT (see Figure 6). Exports to the Philippines have also shown strong growth of 1.1 MMT (133 percent) in MY 2020/21. Of the other significant trading partners - Thailand, Yemen and Malaysia - have all grown by over 100 percent. China, Japan and South Korea are also significant export destinations, on average accounting of around 29 percent of overall exports over the last 5 years. So far in MY 2020/21 there has been export growth to China and Japan, but a small decrease to South Korea when compared to the prior year.

Notably, there are numerous nations to which there have been relatively low exports over the last five years who have become strong wheat export markets in MY 2020/21, including South Africa, Kenya, Saudi Arabia, Sri Lanka, and Italy, with overall growth of 2.4 MMT combined to these markets from MY 2019/20. Other than South Africa and Kenya, many other African nations have also significantly increased imports from Australia from near zero levels in prior years, which including Tanzania, Malawi, Uganda, Mozambique, Sudan and Nigeria. This is largely attributed to the shortage of wheat supply from northern hemisphere wheat exporters.

Figure 6 – Change in Wheat Exports to Major Destinations
(Oct to August MY 2019/20 to MY 2020/21)



Source: Australia Bureau of Statistics

Imports

FAS/Canberra's wheat import estimate for MY 2021/22 remains low at 200,000 MT and aligned with the official USDA outcome. Imports primarily consist of wheat products and pasta and volumes for this purpose have been relatively stable in Australia.

Stocks

Australia's ending stocks of wheat in MY 2021/22 are expected to grow slightly as a result of a second anticipated big year of production. FAS/Canberra forecasts MY 2021/22 ending stocks to rise from 3.7 MMT to 4.4 MMT.

After a record-breaking production year in MY 2020/21, despite a strong export program, there are reports of higher than usual on-farm stocks of wheat. Despite another big production year forecast in

MY 2021/22, strong world market prices and robust import demand for wheat is expected to limit further build-up of stocks in the forecast year.

Wheat	2019/2020		2020/2021		2021/2022	
Market Year Begins	Oct 2019		Oct 2020		Oct 2021	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	9863	9863	13000	13000	13100	13100
Beginning Stocks (1000 MT)	4440	4440	2678	2178	3878	3678
Production (1000 MT)	14480	14480	33000	33300	31500	31500
MY Imports (1000 MT)	894	894	200	200	200	200
TY Imports (1000 MT)	820	820	464	464	200	200
TY Imp. from U.S. (1000 MT)	3	3	0	0	0	0
Total Supply (1000 MT)	19814	19814	35878	35678	35578	35378
MY Exports (1000 MT)	9136	9136	24000	24000	23500	23000
TY Exports (1000 MT)	10118	10118	19720	19720	24500	24000
Feed and Residual (1000 MT)	4500	5000	4500	4500	4500	4500
FSI Consumption (1000 MT)	3500	3500	3500	3500	3500	3500
Total Consumption (1000 MT)	8000	8500	8000	8000	8000	8000
Ending Stocks (1000 MT)	2678	2178	3878	3678	4078	4378
Total Distribution (1000 MT)	19814	19814	35878	35678	35578	35378
Yield (MT/HA)	1.4681	1.4681	2.5385	2.5615	2.4046	2.4046

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Wheat begins in July for all countries. TY 2021/2022 = July 2021 - June 2022

BARLEY

Production

FAS/Canberra's barley production estimate for MY 2021/22 is 12 MMT, 1.1 MMT below the MY 2020/21 estimate of 13.1 MMT, but in line with the USDA official estimate. If realized, the MY 2021/22 crop would be the third largest on record after the record crop of 13.5 MMT in MY 2016/17 and the MY 2020/21 estimate of 13.1 MMT.

The lower MY 2021/22 crop compared to the prior year is in part due to the estimated reduction in harvested area from 4.4 million hectares to 4.3 million hectares. This lower area is due to sentiment associated with China imposing an 80.5 percent duty on imports from May 18, 2020 for a period of five years. The small shift away from barley planting is also due to high demand and strong international prices for oilseeds, which have encouraged increased canola planting. The estimated barley yield in MY 2020/21 was exceptionally high at almost 3 MT/Ha, the highest on record by far. Although winter crop production conditions are overall very good, as previously outlined, the estimated barley yield for MY 2021/22 is expected to be a little lower at 2.8 MT/Ha, but still well above the previous 10-year average of 2.3 MT/Ha. The high chance of above average rainfall across the October to December period (see Figure 4), if realized, could encourage better than estimated barley yields.

FAS/Canberra's barley production estimate for MY 2020/21 is 13.1 MMT. Now around nine months after the completion of harvest, the FAS/Canberra estimate is in line with the ABARES estimate.

Consumption

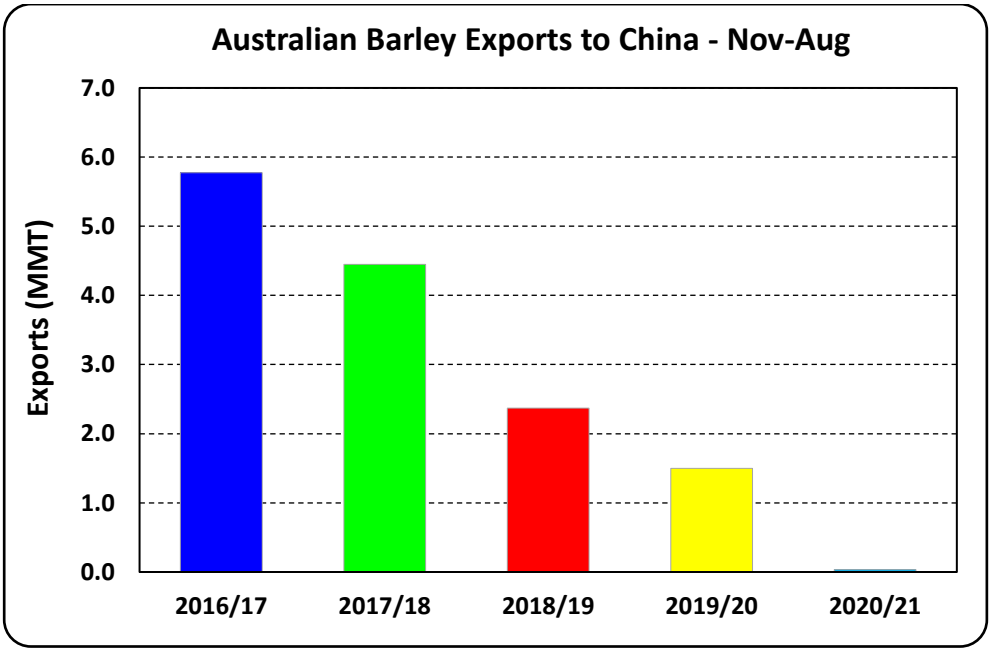
FAS/Canberra's barley consumption estimate for MY 2021/22 is 5.5 MMT, in line with the MY 2020/21 estimate but 500,000 MT higher than the official USDA estimate. Domestic consumption for malting purposes is relatively stable with livestock feed consumption being the primary variant from year to year. With the price gap between barley and wheat expected to support barley feeding, as well as the beginning of an expected recovery in feedlot numbers in Australia, feed demand is anticipated to remain steady with last marketing year.

FAS/Canberra's consumption estimate for MY 2020/21 is 5.5 MMT, and in line with the official USDA estimate.

Exports

Australia's barley exports for MY 2021/22 are estimated at 7 MMT, down 1 MMT from the MY 2020/21 estimate of 8 MMT and 1 MMT lower than the official USDA estimate. The lower FAS/Canberra estimate for MY 2021/22 is driven by a 1.1 MMT estimated reduction in barley production while domestic consumption is anticipated to remain stable. Australian barley is also expected to face greater competition in Middle Eastern markets next year, and exports to China are expected to remain non-existent. However, world feed grain prices remain high and global feed grain demand is extremely strong, encouraging continued strong barley exports from Australia into MY 2021/22.

Figure 7 – Australian Barley Exports to China – Nov-Aug



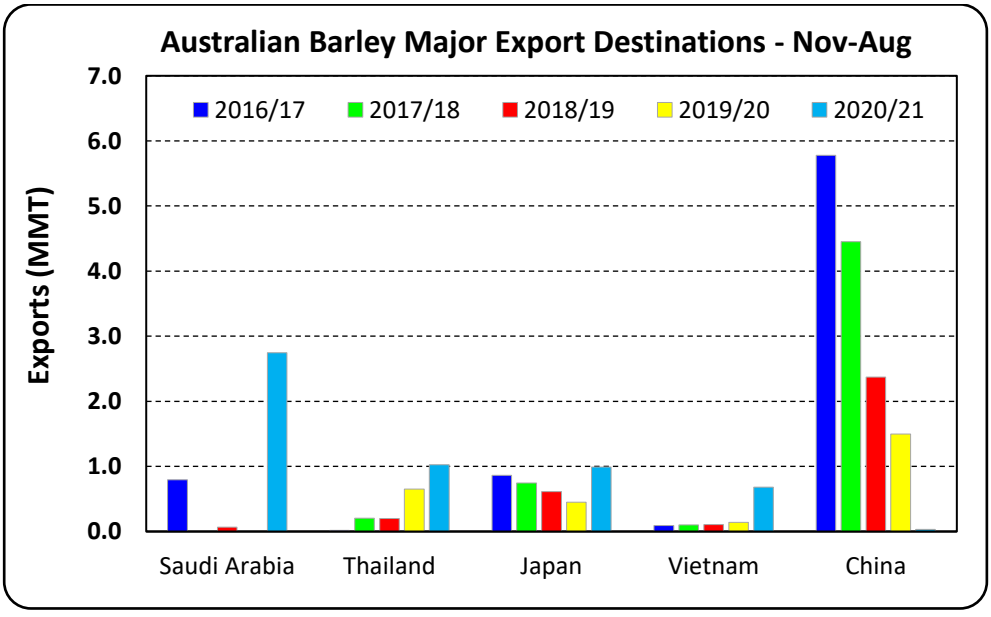
Source: Australia Bureau of Statistics

China had been a large, albeit declining, export destination for Australian barley prior to China's Commerce Ministry imposing an 80.5 percent duty on Australian barley in May 2020. Since then, barley exports to China have declined dramatically and for the November 2020 to August 2021 period of MY 2020/21, there has been only 34 MT of barley exported to China, which was all in November 2020 (see Figure 7).

Despite the huge drop in exports to China caused by the imposed tariffs, nevertheless total Australian exports have increased dramatically with the larger supply. Barley exports for the first 10 months of MY 2020/21 (November 2020 to August 2021) have been extremely strong, reaching 7.3 MMT and on track to achieve full year exports of 8 MMT, meeting the FAS/Canberra and official UDSA estimates. The growth in exports has been driven by large shipments to Saudi Arabia, as well as significant increases to other Middle Eastern markets.

If the export estimate of 8 MMT for MY 2020/21 is achieved, it will be the second largest on record despite the challenge imposed by the China tariffs on Australian barley. Exports to nearby Asian markets such as Thailand, Vietnam, and Japan have also risen (see Figure 8). In the first 10 months of MY 2020/21, Saudi Arabia has gone from importing no Australian barley for the same period in the previous year to 2.7 MMT, accounting for 38 percent of Australia's barley exports in MY 2020/21 to date.

Figure 8 – Australian Barley Major Exports Destinations (Nov-Aug)



Source: *Australia Bureau of Statistics*

Strengthening world feed grain prices since September 2020 have supported the marketing of the large volume of Australian barley to export markets in MY 2020/21. Current world feed grain prices remain strong in the lead up to another large Australian barley harvest for MY 2021/22 which is expected to support another large export program.

The Australian government on March 15, 2021, referred the matter of China imposing duties on Australian barley imports from May 2020 to the World Trade Organization (WTO). The WTO appeals board is not operating at present but on July 27, 2021 China and Australia voluntarily agreed to use a multi-party interim appeal arrangement (MPIA) process. Some analysts indicate that this increases the likelihood that the body will achieve a meaningful finding and that it improves the chances of a positive outcome for the Australian barley industry.

Stocks

Australia's ending stocks of barley are estimated to remain relatively low and stable at around 2.3 MMT in MY 2021/22. This is driven by expectations of strong exports in MY 2020/21 and MY 2021/22.

Barley	2019/2020		2020/2021		2021/2022	
Market Year Begins	Nov 2019		Nov 2020		Nov 2021	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	5041	5041	4400	4400	4300	4300
Beginning Stocks (1000 MT)	1908	1908	2711	3211	1911	2811
Production (1000 MT)	10127	10127	13000	13100	12000	12000
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	12035	12035	15711	16311	13911	14811
MY Exports (1000 MT)	3324	3324	8300	8000	8000	7000
TY Exports (1000 MT)	3231	3231	8000	8000	8000	7000
Feed and Residual (1000 MT)	4500	4000	4000	4000	3500	4000
FSI Consumption (1000 MT)	1500	1500	1500	1500	1500	1500
Total Consumption (1000 MT)	6000	5500	5500	5500	5000	5500
Ending Stocks (1000 MT)	2711	3211	1911	2811	911	2311
Total Distribution (1000 MT)	12035	12035	15711	16311	13911	14811
Yield (MT/HA)	2.0089	2.0089	2.9545	2.9773	2.7907	2.7907

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Barley begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

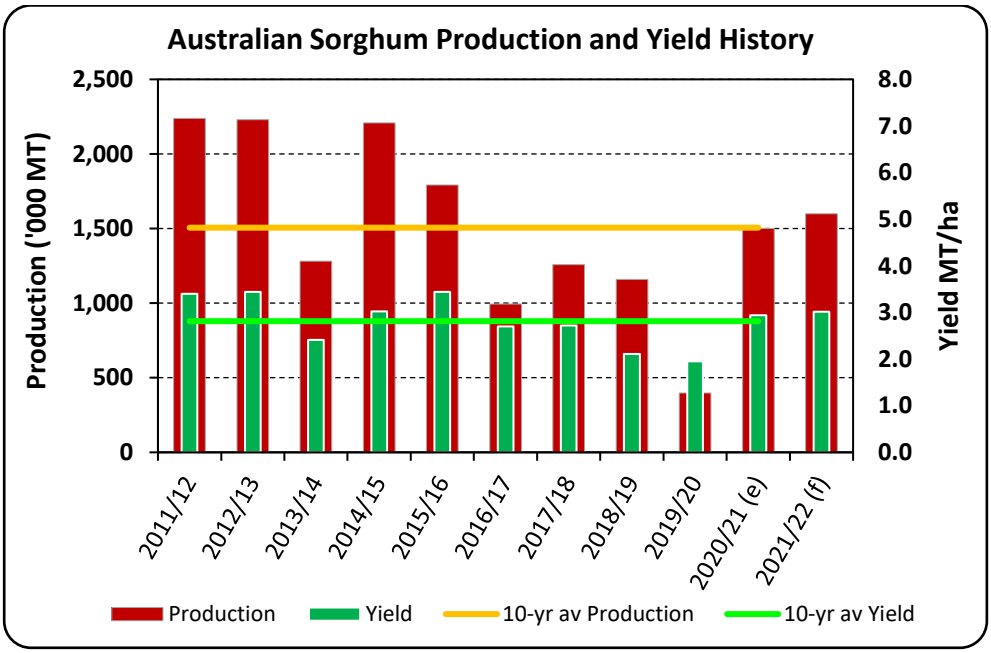
SORGHUM

Production

The FAS/Canberra sorghum production forecast for MY 2021/22 remains at 1.6 MMT, unchanged from the previous forecast and is in line with the official UDSA forecast. This forecast is around seven percent above the previous 10-year average (see Figure 9). Harvested area is forecast at 530,000 hectares, slightly up from an estimated 510,000 hectares in MY 2020/21. Good soil moisture conditions along with high prices for sorghum should encourage the increase in area. These conditions should also

support a strong yield. With the crop yet to be planted, yield at this point is expected to be at a little over the 10-year average of 2.8 MT/ha.

Figure 9 – Australian Sorghum Production and Yield History

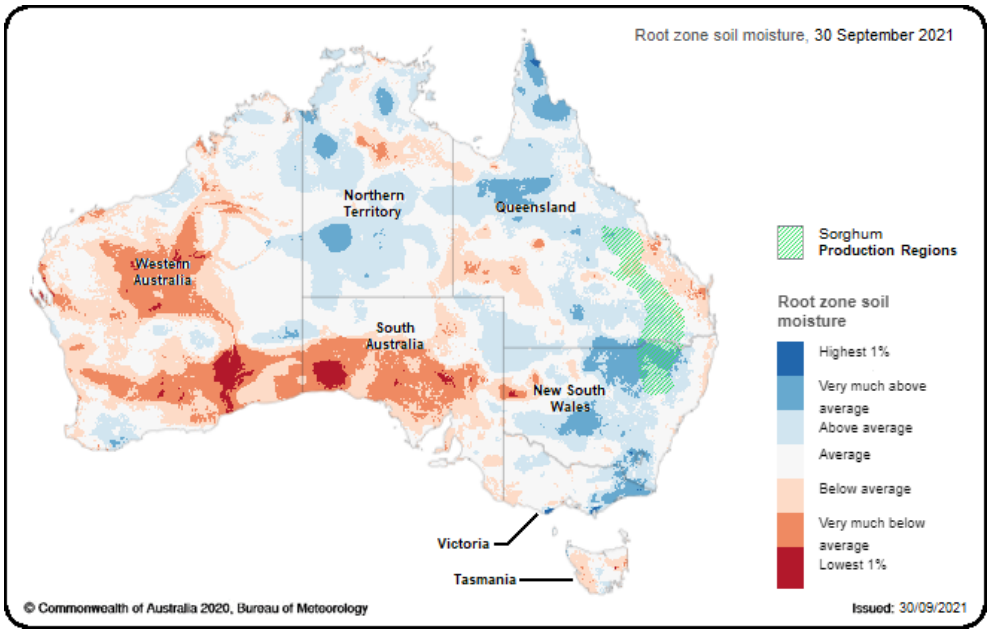


Source: PSD Online / FAS/Canberra

The sorghum producing regions, particularly in the more southern areas, have had good autumn and winter rainfalls which has built up soil moisture profiles to generally above average levels as at the end of September 2021 (see Figure 10). Sorghum planting typically occurs from October and with above average soil moisture profiles immediately prior to planting, confidence is high for an increase in planting area in MY 2021/22.

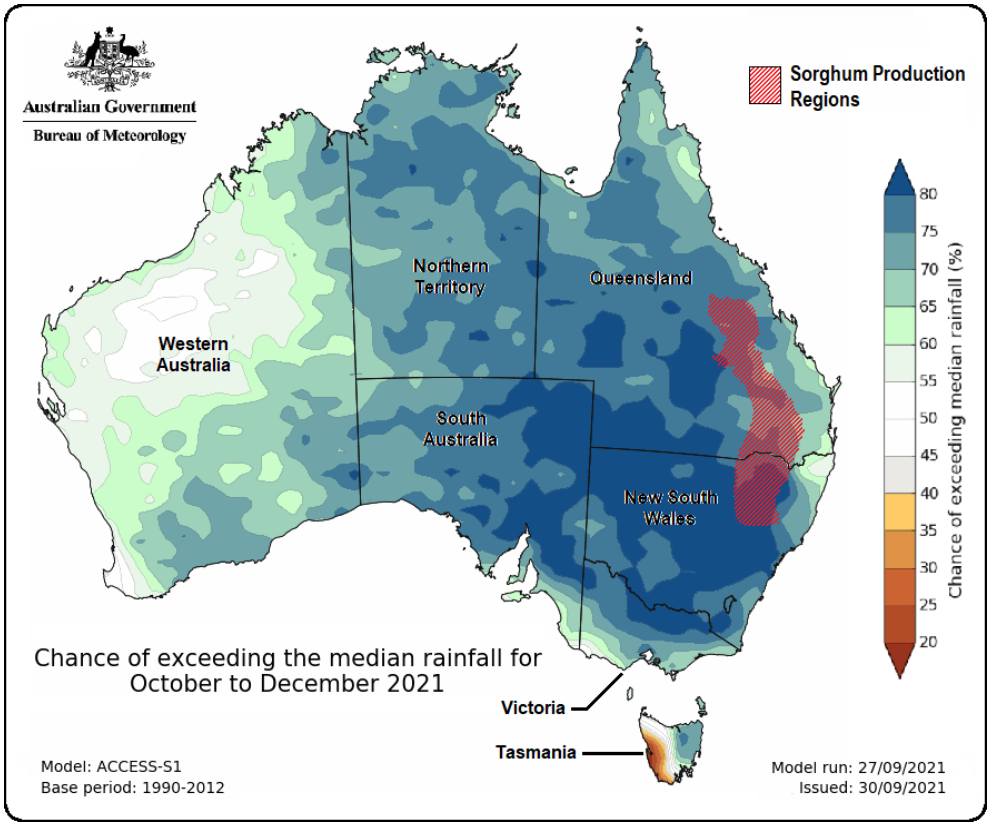
A further boost in confidence for sorghum producers is the positive three-month Bureau of Meteorology forecasts indicating a high likelihood of above average rainfall for the October to December 2021 period (see Figure 11). If this is realized, producers will have every opportunity to achieve above long-term average yields in the forecast year.

Figure 10 – Root Zone Soil Moisture – as at September 30, 2021



Source: *Australian Bureau of Meteorology / FAS/Canberra*

Figure 11 – Rainfall Forecast – October to December 2021



Source: *Australian Bureau of Meteorology / FAS/Canberra*

As mentioned, a further influence on the planted area is the high sorghum price. Producers will be encouraged to increase sorghum planting with strong Australian sorghum export prices which had on average increased by around five percent for the first 10 months of MY 2020/21 relative to the same period in the prior year.

Consumption

FAS/Canberra's forecast sorghum consumption in MY 2021/22 remains unchanged at 810,000 MT, which is 300,000 MT higher than the MY 2020/21 estimate. The expected increase in supply of sorghum from the much improved MY 2020/21 harvest is expected to result in higher opening stocks in the forecast year. In conjunction with the forecast of another good production year, it is anticipated that sorghum prices will decline somewhat, which is expected to result in an improvement in domestic demand from the livestock feed sector. Sorghum production areas are also located near the key livestock production and feedlot areas in Australia.

Industrial consumption of sorghum for the production of fuel ethanol is not expected to resume as the only processing facility in Australia remains mothballed. The facility in the past has consumed around 150,000 MT of sorghum but indications are that sorghum prices are expected to remain too high in the short term to attract the recommissioning of the facility.

With the anticipation of an increasing supply and availability of sorghum, there is an expectation that this will attract a moderate increase in consumption for livestock feeding.

FAS/Canberra's sorghum consumption estimate for MY 2020/21 is 510,000 MT, and 210,000 MT higher than the official USDA estimate. This is primarily a result of the largest estimated crop size.

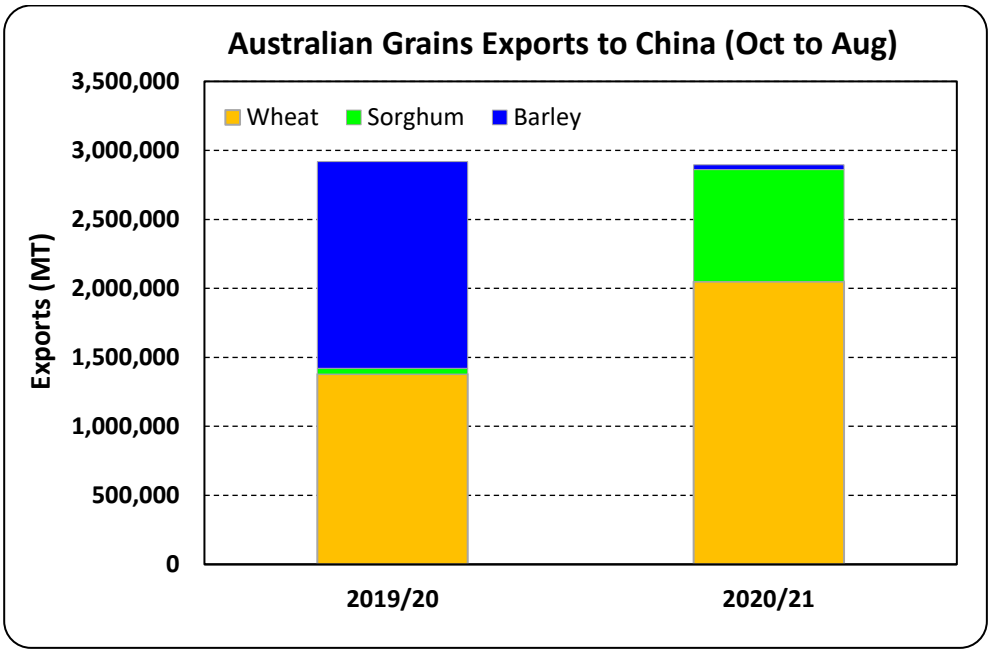
Exports

The FAS/Canberra sorghum export forecast for MY 2021/22 is at 800,000 MT, up 300,000 MT from the USDA official forecast. A continued large export program is expected as a result of the bigger crop and continued strong global feed grain demand.

The rate of exports in the first six months of MY 2020/21 has been very strong with 835,000 MT exported. Based on the strong early export result, and taking account of export seasonality and available supply, FAS/Canberra's sorghum export estimate is 1 MMT in MY 2020/21, and is also in line with the official USDA estimate.

China is traditionally the major export destination of Australian sorghum. For the first six months of MY 2020/21, 85 percent of overall exports have been to China, and shipments to China have increased dramatically. With the increase in production of wheat and sorghum in Australia, exports of these grains to China have increased, keeping overall grain exports to China steady by offsetting the almost no barley exports in 2020/21.

Figure 12 – Australian Grains Exports to China – October to August



Source: *Australia Bureau of Statistics*

Stocks

Stocks are forecast to remain relatively low but stable in MY 2021/22 relative to the previous two years, including the drought-impacted production year of MY 2019/20.

Sorghum	2019/2020		2020/2021		2021/2022	
Market Year Begins	Mar 2020		Mar 2021		Mar 2022	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	204	204	510	510	530	530
Beginning Stocks (1000 MT)	287	287	34	155	84	145
Production (1000 MT)	297	398	1350	1500	1600	1600
MY Imports (1000 MT)	0	0	0	0	0	0
TY Imports (1000 MT)	0	0	0	0	0	0
TY Imp. from U.S. (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	584	685	1384	1655	1684	1745
MY Exports (1000 MT)	250	250	1000	1000	500	800
TY Exports (1000 MT)	107	102	1000	1100	500	800
Feed and Residual (1000 MT)	200	250	200	500	650	800
FSI Consumption (1000 MT)	100	30	100	10	200	10
Total Consumption (1000 MT)	300	280	300	510	850	810
Ending Stocks (1000 MT)	34	155	84	145	334	135
Total Distribution (1000 MT)	584	685	1384	1655	1684	1745
Yield (MT/HA)	1.4559	1.951	2.6471	2.9412	3.0189	3.0189

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Sorghum begins in October for all countries. TY 2021/2022 = October 2021 - September 2022

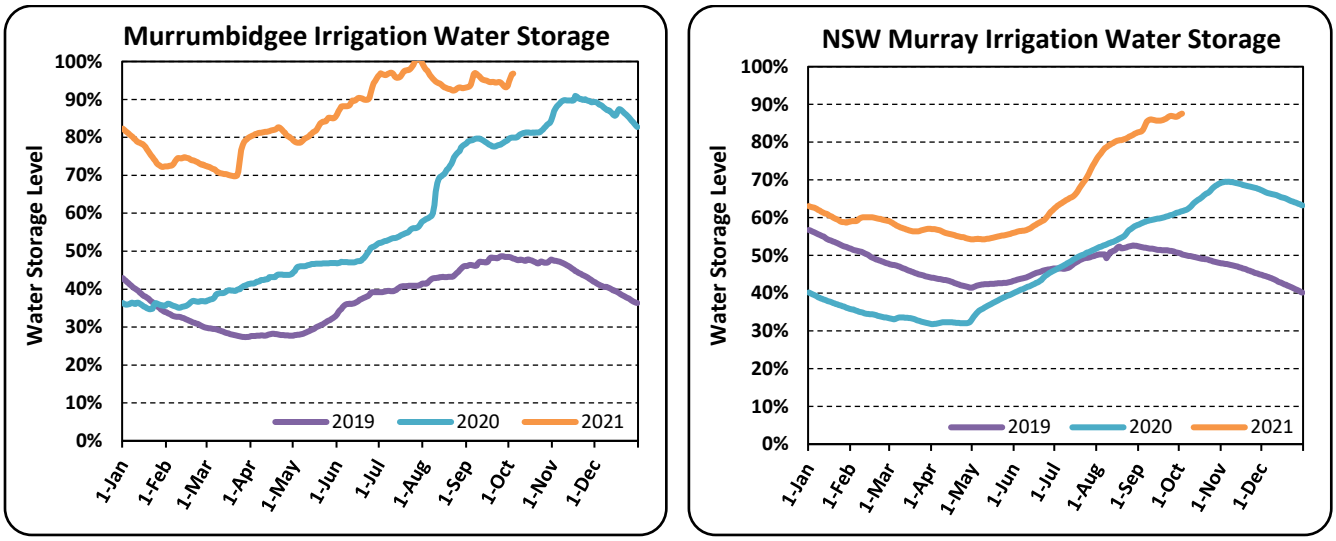
RICE

Production

FAS/Canberra's milled rice production for MY 2021/22 is forecast at 576,000 MT, a 75-percent increase over the MY 2020/21 estimate and in line with the official USDA forecast. This increase is primarily as a result of a strong improvement in irrigation water storage levels and an associated improvement in irrigation water availability for the MY 2021/22 rice crop (to be planted from October 2021). The forecast production, if realized, would be around 36 percent higher than the 10-year average.

Above average rains in the autumn, winter, and early spring period have resulted in strong inflows of water into the major water storage dams from which irrigation water is delivered to rice producing regions. As at the end of September 2021, water storages overall are at near capacity (see Figure 13) with scope for further improvement in spring during the early part of the irrigation season. This has significantly improved grower confidence in the lead up to planning, helping to significantly boost irrigated rice area for MY 2021/22.

Figure 13 – Irrigation Water Storage Levels



Source: *WaterNSW / FAS/Canberra*

Notes: *Murrumbidgee Irrigation Water Storage chart is the combination of Burrinjuck and Blowering Dams*
NSW Murray Irrigation is the combination of Hume Dam and Dartmouth Dam storage levels

The strongest influence on rice production is the availability of water from the irrigation storage dams influencing the irrigation schemes in southern New South Wales. This is supported by overland and high waterway flows, enabling growers to fill their on-farm storage dams. The above average rains in the autumn and winter period this year have strongly supported on farm water harvesting in readiness for the MY 2021/22 season.

From mid-July each year, the water authority provides water license holders with monthly reviews of water allocation for the upcoming irrigation season, as additional water storage inflows occur, to support

producers planning for the upcoming summer crop program. Water allocations as at October 1, 2021 are overall significantly improved for most rice producers. The Murrumbidgee irrigation system water allocation is at 52 percent which is a small improvement on the same time the previous year (see Table 1). However, the New South Wales Murray Irrigation system has a vastly improved water allocation as at October 1, 2021 of 55 percent compared to the same time the previous year of 17 percent.

Table 1 – Irrigation Water Allocations in Rice Production Regions

Irrigation Catchment	Capacity (GL)	Water Allocation as at October 1st 2021		
		Drought 2019/20	Transition from drought 2020/21	Post-drought 2021/22
Murrumbidgee	2,659	6%	48%	52%
NSW Murray	1,600	0%	17%	55%

Source: New South Wales Department of Planning Industry and Environment
Notes: GL = Giga Liters (1.0 GL = 1.0 billion liters)
Water Allocation = percent of irrigators licensed water holdings

The Bureau of Meteorology rainfall forecast for the October to December 2021 period in the rice production regions and associated irrigation water catchment areas is for a high likelihood of above average rainfall. With this, there is an expectation that water allocations for those in the rice growing regions will improve markedly in the coming months. If further improvements in water allocations occur as anticipated, it is likely that water availability will not be a significant limiting factor to grower considerations around planted area for MY 2021/22.

FAS/Canberra's milled rice production estimate for MY 2020/21 is unchanged at 330,000 MT and is in line with the official USDA estimate. This production estimate correlates with the ABARES rough production estimate of 458,000 MT.

Consumption

Forecast rice consumption by FAS/Canberra in MY 2021/22 is 360,000 MT, some 20,000 MT higher than the MY 2020/21 estimate and in line with the official USDA forecast. Prior to drought influenced production impacting domestic supply, consumption was relatively stable with a five-year average of around 365,000 MT. With a return to near average-production it is anticipated that consumption will move more rapidly towards past average levels.

FAS/Canberra's rice consumption estimate for MY 2020/21 is 340,000 MT, which is also in line with the official USDA estimate.

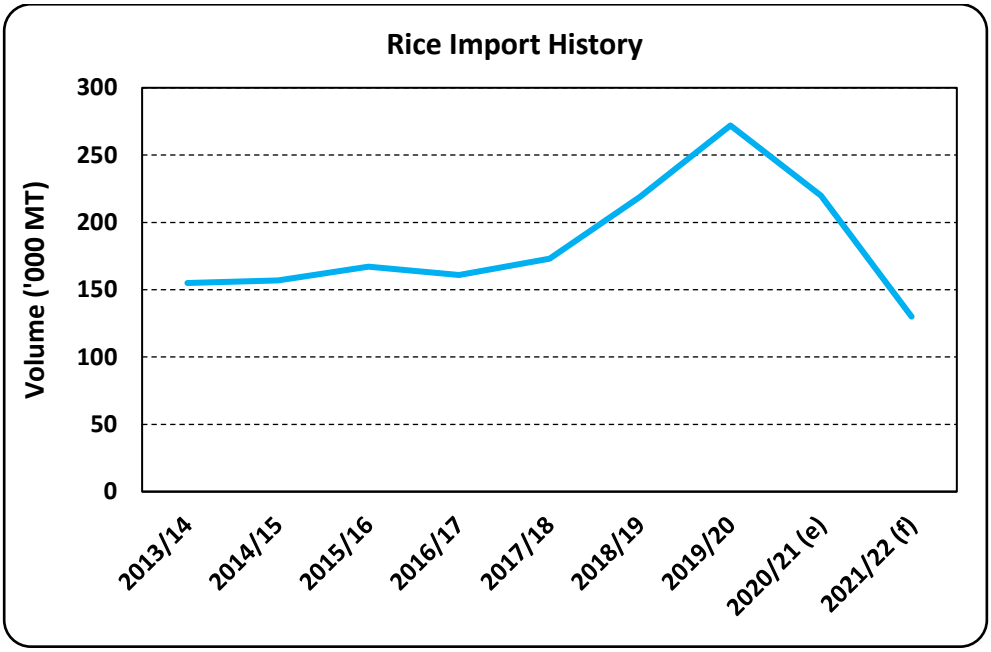
Trade

Imports

FAS/Canberra forecast imports of 130,000 MT in MY 2021/22, a 90,000 MT (69 percent) decline from the MY 2020/21 estimate of 220,000 MT, which are both in line with the official USDA position. The large decline from the MY 2020/21 estimate to MY 2021/22 is directly related to the large increase in forecast rice production. With this large improvement in production in MY 2021/22, after two years of very low drought-affected results, estimated imports are expected to fall to 20 percent below the five-year pre-drought average of 163,000 MT (see Figure 14).

Imports for the March to August 2021 period are at 102,159 MT and after accounting for seasonality variances for the remaining six months, imports are on track to achieve the estimated 220,000 MT for MY 2020/21.

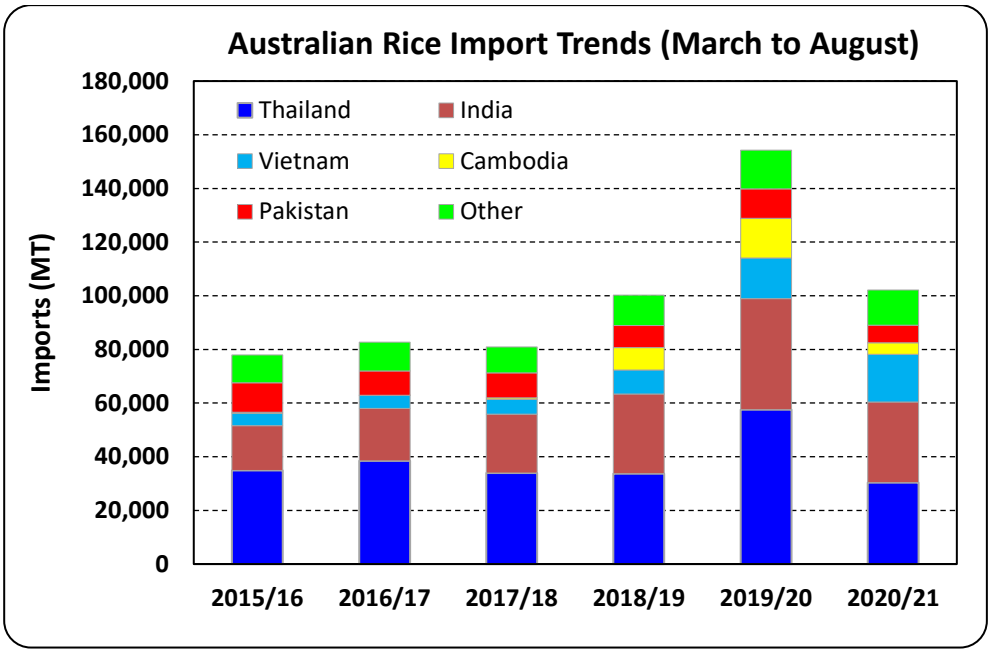
Figure 14 – Rice Import History



Source: Australian Bureau of Statistics / PSD Online / FAS/Canberra

Traditionally, the major sources of rice imports by Australia have been from Thailand and India, accounting for around two-thirds of overall imports. However, there has been a shift in the balance of sources in MY 2020/21 with a large fall in imports from Thailand and a small fall from India but a noticeable increase from Vietnam (see Figure 15).

Figure 15 – Australian Rice Import Trends – March to August



Source: Australian Bureau of Statistics

Exports

FAS/Canberra's forecast for exports in MY 2021/22 of 260,000 MT is in line with the official USDA forecast and is a vast increase from the MY 2020/21 estimate of 80,000 MT. This increase is directly related to the anticipated 75-percent increase in rice production, allowing Australian rice to return in large quantities to key export markets. If realized this would be the highest export volume since MY 2014/15.

FAS/Canberra's rice export estimate for MY 2020/21 at 80,000 MT is 30,000 MT lower than the official USDA estimate. Exports for the first six months from March to August 2021 were only 21,890 MT, but taking into account increasing milled supply from prior year production a significant increase in the rate of exports in the final six months of the marketing year is anticipated.

Stocks

Rice stocks are forecast to recover further in MY 2021/22 on the back of an anticipated large improvement in rice crop production. Rice stocks were heavily depleted at the end of MY 2019/20 due to two successive years of drought affected poor production and is estimated to have partially recovered in MY 2020/21 after improved rice production. Ending stock are expected to return to more typical levels after the expected above average production in MY 2021/22.

Rice, Milled	2019/2020		2020/2021		2021/2022	
Market Year Begins	Mar 2020		Mar 2021		Mar 2022	
Australia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested (1000 HA)	5	5	46	46	80	80
Beginning Stocks (1000 MT)	52	52	15	15	115	145
Milled Production (1000 MT)	36	36	330	330	576	576
Rough Production (1000 MT)	50	50	458	458	800	800
Milling Rate (.9999) (1000 MT)	7200	7200	7200	7200	7200	7200
MY Imports (1000 MT)	272	272	220	220	130	130
TY Imports (1000 MT)	276	276	220	220	130	130
TY Imp. from U.S. (1000 MT)	9	9	0	0	0	0
Total Supply (1000 MT)	360	360	565	565	821	851
MY Exports (1000 MT)	35	35	110	80	260	260
TY Exports (1000 MT)	42	42	60	60	260	260
Consumption and Residual (1000 MT)	310	310	340	340	360	360
Ending Stocks (1000 MT)	15	15	115	145	201	231
Total Distribution (1000 MT)	360	360	565	565	821	851
Yield (Rough) (MT/HA)	10	10	9.9565	9.9565	10	10

(1000 HA) ,(1000 MT) ,(MT/HA)
MY = Marketing Year, begins with the month listed at the top of each column
TY = Trade Year, which for Rice, Milled begins in January for all countries. TY 2021/2022 = January 2022 - December 2022

Attachments:

No Attachments