

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Australia

Grain and Feed Update

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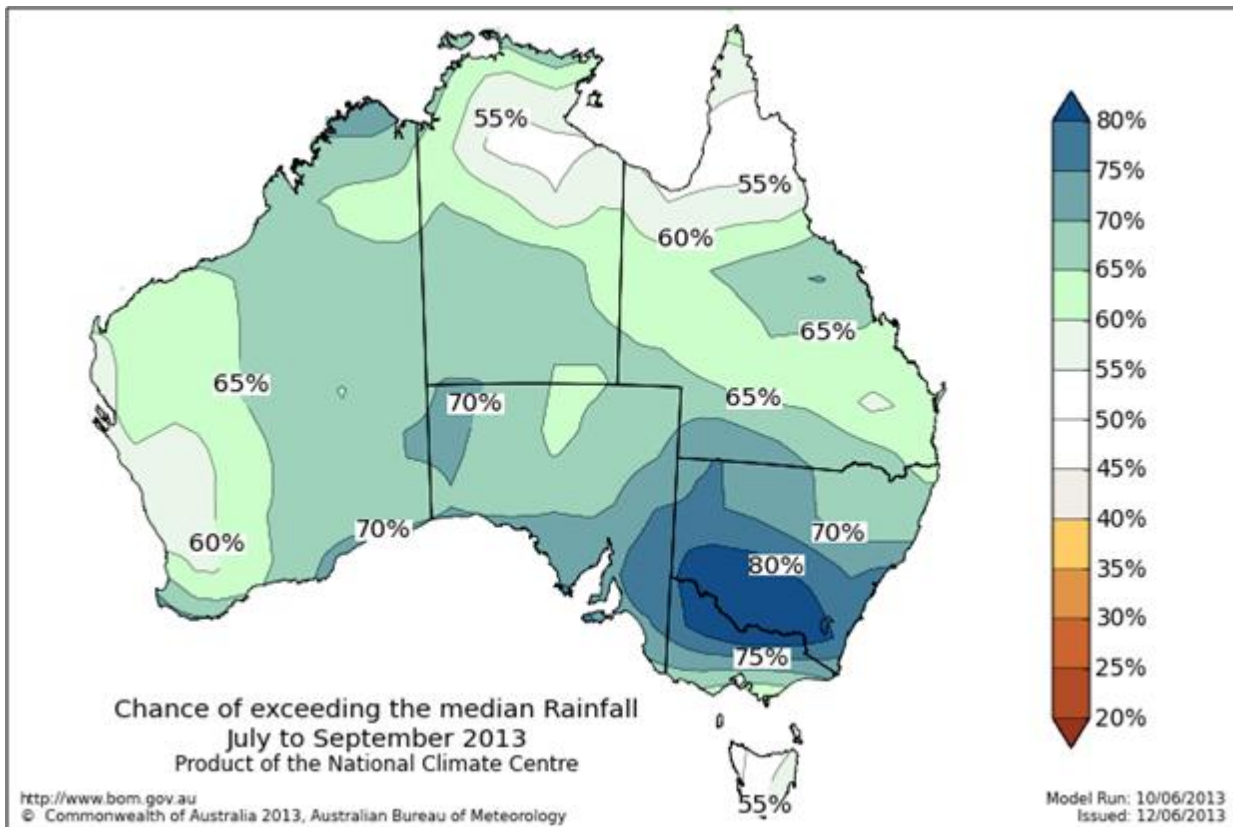
Report Highlights:

The seasonal break for the 2013-14 Australian winter cropping year was late which encouraged many grain producers to switch away from high risk crops such as canola and pulses to wheat and barley. However, the estimated area planted to winter cereals (wheat and barley) has still been reduced from the previous estimate due to the wide variation in seasonal conditions. Australian wheat production is forecast at 24.5MMT, 1MMT less than previously forecast but still nearly 2.5MMT higher than the 2012-13 production estimate.

Seasonal conditions

The Australian Bureau of Meteorology has consistently forecast higher than average rainfall for the Australian winter. However, rainfall during the key pre-planting and planting period of March – May was generally lower than average across most grain growing regions. The seasonal break which is traditionally expected in the last week of April did not arrive for many areas until the first week of June. As a result some growers elected to decrease the area planted to higher risk crops such as canola and chickpeas which have a higher rainfall requirement and an earlier planting window. However, most dry-sown wheat and barley crops have responded well to the subsequent rainfall. The exception is Western Australia where large areas are still suffering rainfall deficiencies. Although all major grain growing areas are forecast to receive above average rainfall for the period July – September, it may be too late for some crops.

The generally dry conditions over the southern hemisphere summer and into fall have severely affected large areas of cattle grazing land, particularly in western Queensland and the Northern Territory. As a result the number of cattle on feed for the 2013 January to March quarter was up six percent over the same period in 2012 and is expected to have increased again in the 2013 April to June quarter. Demand for feed grain has significantly increased grain prices, particularly in southern Queensland and northern New South Wales where the majority of feedlots are.



Wheat

Production

Total Australian wheat production is forecast at 24.5 MMT for 2013-14, down 1MMT from the previous forecast but still nearly 2.5MMT higher than the 2012-13 production estimate. The total area of wheat for harvest in 2013-14 is estimated at 13.6 million hectares, 100,000 hectares less than previously forecast. Average yield has been reduced from 1.86 tons per hectare to 1.8 tons per hectare. This is still well above the 10 year average of 1.65 tons per hectare.

These reduced estimates are based on significant variability in seasonal conditions across key cropping regions. Reports from Victoria, southern New South Wales and central Queensland are generally positive however there is still significant variability within these regions. Northern New South Wales, south-west Queensland and Western Australia remain very dry and there have been reports of frost damage in some areas of Western Australia. Rainfall and temperature conditions for the remainder of August and through September will be crucial in determining final yield and total production.

Consumption

Forecast consumption of wheat for food, seed and industrial use for 2013-14 has been reduced by six percent to account for the lower forecast production and low opening stocks. Feed wheat consumption is also expected to fall due to tight supplies which are expected to increase domestic feed grain prices.

Stocks

Reduced production and strong export demand are expected to reduce closing stocks for 2012-13 to just under 3.2MMT which are the lowest levels on record. The forecast low stock levels are already starting to cause some concern within the grain industry, particularly in the feed grain sector which is experiencing greater pressure on capacity. Stock levels in 2013-14 are forecast to reduce further to less than 3MMT as production levels are not forecast to be sufficient to build stocks while maintaining export demand.

Trade

The most recently available data indicates that for the period October 2012 to May 2013 Australia exported 13.6MMT of wheat. Historically approximately two-thirds of the total wheat exports for the year have been shipped during the first eight months of the market year. Based on this pattern and industry reports of shipping plans for the remainder of the market year (ending September 2013) it is forecast that total exports for 2012-13 will be 19.5MMT. This is 2 percent higher than previously forecast and reflects the increase in shipping rates since January 2013.

Final import and export figures for the 2011-12 year were updated based on revised official statistics but have not changed significantly from previous estimates.

Production, Supply and Demand Estimates - wheat

Wheat Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	13,963	13,502	13,243	13,243	13,700	13,600
Beginning Stocks	8,183	8,183	7,063	7,033	3,422	3,192
Production	29,923	29,905	22,079	22,079	25,500	24,500
MY Imports	123	94	120	120	120	120
TY Imports	124	97	120	120	120	120
TY Imp. from U.S.	0		0	0	0	0
Total Supply	38,229	38,182	29,262	29,232	29,042	27,812
MY Exports	24,661	24,644	19,000	19,500	19,000	18,500
TY Exports	23,031	23,015	21,300	19,000	19,000	19,000
Feed and Residual	3,200	3,200	3,500	3,200	3,700	3,200
FSI Consumption	3,305	3,305	3,340	3,340	3,350	3,150
Total Consumption	6,505	6,505	6,840	6,540	7,050	6,350
Ending Stocks	7,063	7,033	3,422	3,192	2,992	2,962
Total Distribution	38,229	38,182	29,262	29,232	29,042	27,812
1000 HA, 1000 MT, MT/HA						

Barley

As for wheat, the late seasonal break persuaded many farmers to increase Australian barley plantings over oilseeds and pulses. However, with the continued variability in seasonal conditions, forecast production has been reduced by 200,000MT to 7.2MMT. This would reflect an average yield of 1.92 tons per hectare which is still well above the 10 year average of 1.78 tons per hectare.

As a result of the reduced production, forecast exports for 2013-14 have been reduced by 100,000MT. Domestic consumption of barley for feed grain is expected to remain strong and demand for barley from the malting and food production sectors is relatively inelastic but high prices as stocks fall is likely to reduce consumption slightly. Therefore forecast consumption for animal feed has been reduced by 2.5 percent and consumption of higher grades of barley reduced by four percent compared to previous estimates.

Final official data for 2011-12 showed that total production of barley was 8.2MMT, 1.5 percent less than previously estimated. With export and consumption estimates remaining unchanged, total estimated ending stocks were reduced to 548,000MT. This tightening of barley stocks is in line with trends seen in other sectors of the grains industry.

Production Supply and Demand Estimates - barley

Barley Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Nov 2011		Market Year Begin: Nov 2012		Market Year Begin: Nov 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,774	3,718	3,680	3,681	3,750	3,750
Beginning Stocks	1,004	1,004	677	548	538	319
Production	8,349	8,221	6,761	6,671	7,400	7,200
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	9,353	9,225	7,438	7,219	7,938	7,519
MY Exports	5,376	5,377	3,800	3,800	4,100	4,000
TY Exports	5,819	5,819	3,800	3,800	4,100	4,100
Feed and Residual	2,100	2,100	1,900	1,900	2,100	2,050
FSI Consumption	1,200	1,200	1,200	1,200	1,200	1,150
Total Consumption	3,300	3,300	3,100	3,100	3,300	3,200
Ending Stocks	677	548	538	319	538	319
Total Distribution	9,353	9,225	7,438	7,219	7,938	7,519

1000 HA, 1000 MT, MT/HA

Sorghum

Final figures for the 2012-13 sorghum crop showed total production of 1.7MMT, unchanged from previous estimates. With a total harvested area of 565,000 hectares average yield was 3.0 tons per hectare, also unchanged from earlier estimates.

Current forecasts predict Australian spring rainfall to be above average and demand for feed grain is also strong thus the area planted to sorghum for 2013-14 is expected to increase to 660,000 hectares. Assuming an average yield of 3.2 tons per hectare, total production is forecast at 2.1MMT.

Domestic demand for sorghum by the feed grain industry is expected to remain strong as the number of cattle on feed increases. Thus forecast domestic consumption for 2013-14 is expected to absorb the increase in opening stocks resulting from the higher than previously expected production in 2011-12.

Production Supply and Demand Estimates – sorghum

Sorghum Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: Mar 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	657	659	565	565	660	660
Beginning Stocks	361	361	214	228	130	146
Production	2,223	2,239	1,721	1,721	2,100	2,100
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	2,584	2,600	1,935	1,949	2,230	2,246
MY Exports	1,265	1,267	900	900	950	950
TY Exports	1,185	1,184	1,000	1,000	900	900
Feed and Residual	1,100	1,100	900	900	1,100	1,115
FSI Consumption	5	5	5	3	5	5
Total Consumption	1,105	1,105	905	903	1,105	1,120
Ending Stocks	214	228	130	146	175	176
Total Distribution	2,584	2,600	1,935	1,949	2,230	2,246

1000 HA, 1000 MT, MT/HA

Rice

The Australian rice harvest for 2012-13 concluded with total production of 1.16MMT, the same as previously forecast. Seasonal conditions are currently indicating a return to above average rainfall which is expected to further increase irrigation water availability before the next rice crop is planted to above the 80 percent allocation level already reached. Assuming average weather patterns, with forecast plantings of 110,000 hectares, forecast production for the 2013-14 year remains unchanged from the previous forecast at 1MMT.

Final trade figures for 2011-12 indicate that imports were nearly five percent higher than previously forecast which increased ending stocks by 8 percent compared to the previous estimate.

Production Supply and Demand Estimates - Rice

Rice, Milled Australia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Mar 2012		Market Year Begin: Mar 2013		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	108	103	116	116	110	110
Beginning Stocks	27	27	34	37	114	117
Milled Production	662	662	835	835	730	730
Rough Production	919	919	1,160	1,160	1,014	1,014
Milling Rate (.9999)	7,200	7,200	7,200	7,200	7,200	7,200
MY Imports	127	133	100	100	110	110
TY Imports	135	134	100	100	110	110
TY Imp. from U.S.	14	0	0	0	0	0
Total Supply	816	822	969	972	954	957
MY Exports	457	460	500	500	520	520
TY Exports	449	452	500	500	520	520
Consumption and Residual	325	325	355	355	350	350
Ending Stocks	34	37	114	117	84	87
Total Distribution	816	822	969	972	954	957
1000 HA, 1000 MT, MT/HA						

Policy and Market changes

ADM bid for Graincorp

In April 2013 a takeover offer of \$3.4 billion (\$AU12.20 per share) from the American-based company, Archer Daniels Midland (ADM) was accepted by the Graincorp Board of Directors. Graincorp is the largest grain handler and exporter in eastern Australia. The deal has received first stage approval from the Australian Competition and Consumer Commission (ACCC) but must still be reviewed by the Australian Foreign Investment Review Board (FIRB) and approved by the Treasurer. An Australian Senate committee is also reviewing the proposal. On July 18, 2013 ADM appeared before the Senate committee to respond to questions about market compliance and concerns about potential monopoly power. The Senate review is still ongoing and several Australian industry groups have expressed their opposition to the proposed sale.

On August 4, 2013 the Australian Prime Minister, Kevin Rudd announced that the next Federal election is to be held on September 7, 2013. As of August 5, 2013 the Australian Government has entered 'caretaker mode' and as such FIRB has declared that a final decision on the ADM proposal will be withheld until the election process is concluded.

Wheat Industry Advisory Taskforce

The Australian wheat industry advisory taskforce (AWIA) was established in February 2013 to provide recommendations on industry policy and codes of conduct following the closure of the Wheat Export Authority in December 2012. On July 16, 2013 the taskforce released a discussion paper on a proposal to produce a collated wheat stocks report on a regular basis. Comments on the discussion paper are due by August 9, 2013.

Grain Trade Australia – Code of Conduct

Grain Trade Australia (GTA) is the body responsible for standardizing grain trading protocols and quality standards. On July 25, 2013 GTA released a voluntary code of conduct for the grains industry which covers complaint handling, quality assessments and operating standards for pool providers. The code will be mandatory for all GTA members from July 1, 2014 and other industry participants will be encouraged to comply. The stated purpose of the Code is to demonstrate that the industry is committed to self-regulation and avoid the need for further government regulation. A copy of the Code can be found on the Grain Trade Australia [website](#).