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Australia

Grain and Feed

Annual

2008

Approved by:
Kathleen Wainio, Agricultural Counselor
U.S. Embassy

Prepared by:
Mike Darby, Agricultural Specialist

Report Highlights:
Wheat production for 2008/09 is forecast to rebound to 25 MMT, as post anticipates high grain prices combined with record low sheep numbers will result in record plantings. Barley production for 2008/09 is projected to reach 8.5 MMT, up significantly on the expectation of increased acreage. Comments are sought by April 3, 2008 on draft legislation to reform Australia's wheat export marketing arrangements.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK

Summary

Wheat and barley production are both forecast to rebound as seasonal conditions improve in the majority of winter cereal growing regions in Australia. This rebound is contingent upon normal weather conditions although heavy rainfall has already been experienced in most grain growing regions. The 2008/09 winter cereal crop is usually planted between April and June and harvested around December. The 2009/10 summer crop (rice and sorghum) is planted from October through to January and harvested from March through to June.

Since Post's last report, many grain growing regions have experienced excellent rainfall. Grain growing areas in northern New South Wales, Southeast and Central Queensland have experienced above average rainfall and some flooding. However, other grain growing areas have received less rain and some are still showing the effects of severe and long running drought. In these areas, the lack of subsoil moisture will continue to be problematic in 2008/09

Record high grain prices and record low sheep numbers are likely to see a greater emphasis placed on crop production in Australia for 2008/09 and 2009/10. Post expects planted area for wheat and barley to increase significantly in response. Despite the symbiotic relationship between sheep and crop production in mixed farming areas, the long term decline in sheep numbers will likely provide greater flexibility for growers to focus on grain production.

Rice production is expected to increase sharply from record low levels. However, this increase is not expected to bring production above historically low levels. The depletion of irrigation water reserves will likely continue to constrain rice production for the foreseeable future although post expects a gradual increase year-by-year over the long term.

Post has assumed average weather conditions in the lead up to, and during the 2008/09 season. However, even if this is achieved, post expects many grain growing districts to continue to suffer the accumulative effects of long running drought. Depleted soil moisture levels, particularly at depth, will likely place some constraint on production in areas that have not recently had the benefit of above average rainfall.

Sorghum production is forecast to decline in 2009/10 from the record levels estimated in 2008/09. Despite this fall, production is forecast to remain at historically high levels. High demand from domestic intensive livestock industries, such as dairy and lot fed beef cattle, will likely keep sorghum production at historically high levels.

SECTION TWO: STATISTICAL TABLES

PSD Table

Wheat

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2006	10/2006		10/2007	10/2007		10/2008	10/2008	MM/YYYY
Area Harvested	11624	11624	11624	12300	12200	12300	0	0	13437	(1000 HA)
Beginning Stocks	9618	9618	9618	4224	4224	4224	3199	3199	3199	(1000 MT)
Production	10641	10641	10641	13100	13000	13100	0	0	25000	(1000 MT)
MY Imports	93	93	93	75	75	75	0	0	75	(1000 MT)
TY Imports	94	94	94	75	75	75	0	0	75	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	20352	20352	20352	17399	17299	17399	3199	3199	28274	(1000 MT)
MY Exports	8728	8728	8728	8000	8000	8000	0	0	15400	(1000 MT)
TY Exports	11241	11241	11241	8000	8000	8000	0	0	15500	(1000 MT)
Feed Consumption	4700	4700	4700	3500	3400	3500	0	0	5300	(1000 MT)
FSI Consumption	2700	2700	2700	2700	2700	2700	0	0	2900	(1000 MT)
Total Consumption	7400	7400	7400	6200	6100	6200	0	0	8200	(1000 MT)
Ending Stocks	4224	4224	4224	3199	3199	3199	0	0	4674	(1000 MT)
Total Distribution	20352	20352	20352	17399	17299	17399	0	0	28274	(1000 MT)
Yield	0.915434	0.915434	0.915434	1.065041	1.065574	1.065041	0	0	1.860534	(MT/HA)

PSD Table

Barley

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		11/2006	11/2006		11/2007	11/2007		11/2008	11/2008	MM/YYYY
Area Harvested	4098	4098	4098	4350	4400	4350	0	0	4524	(1000 HA)
Beginning Stocks	2682	2682	2682	1208	1208	1208	1158	1158	1158	(1000 MT)
Production	4176	4176	4176	5900	5800	5900	0	0	8500	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	6858	6858	6858	7108	7008	7108	1158	1158	9658	(1000 MT)
MY Exports	1900	1900	1900	2300	2300	2300	0	0	3700	(1000 MT)
TY Exports	1927	1927	1927	2300	2300	2300	0	0	3000	(1000 MT)
Feed Consumption	2850	2850	2850	2700	2600	2700	0	0	2900	(1000 MT)
FSI Consumption	900	900	900	950	950	950	0	0	1000	(1000 MT)
Total Consumption	3750	3750	3750	3650	3550	3650	0	0	3900	(1000 MT)
Ending Stocks	1208	1208	1208	1158	1158	1158	0	0	2058	(1000 MT)
Total Distribution	6858	6858	6858	7108	7008	7108	0	0	9658	(1000 MT)
Yield	1.019034	1.019034	1.019034	1.356322	1.318182	1.356322	0	0	1.878868	(MT/HA)

PSD Table

Sorghum

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2007	03/2007		03/2008	03/2008		03/2009	03/2009	MM/YYYY
Area Harvested	637	637	637	800	850	800	0	0	763	(1000 HA)
Beginning Stocks	23	23	23	43	135	43	188	80	188	(1000 MT)
Production	1367	1367	1367	2500	2250	2500	0	0	2000	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	1390	1390	1390	2543	2385	2543	188	80	2188	(1000 MT)
MY Exports	42	50	42	300	200	300	0	0	200	(1000 MT)
TY Exports	17	30	17	250	150	250	0	0	250	(1000 MT)
Feed Consumption	1300	1200	1300	2050	2100	2050	0	0	1700	(1000 MT)
FSI Consumption	5	5	5	5	5	5	0	0	0	(1000 MT)
Total Consumption	1305	1205	1305	2055	2105	2055	0	0	1700	(1000 MT)
Ending Stocks	43	135	43	188	80	188	0	0	288	(1000 MT)
Total Distribution	1390	1390	1390	2543	2385	2543	0	0	2188	(1000 MT)
Yield	2.145997	2.145997	2.145997	3.125	2.647059	3.125	0	0	2.621232	(MT/HA)

PSD Table

Rice, Milled

	2006	Revised		2007	Estimate		2008	Forecast		UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		03/2007	03/2007		03/2008	03/2008		03/2009	03/2009	MM/YYYY
Area Harvested	21	12	21	2	55	2	0	0	30	(1000 HA)
Beginning Stocks	515	511	515	182	187	182	25	69	25	(1000 MT)
Milled Production	115	76	115	13	332	13	0	0	179	(1000 MT)
Rough Production	161	106	161	18	464	18	0	0	250	(1000 MT)
Milling Rate (.9999)	7150	7150	7150	7150	7150	7150	0	0	7150	(1000 MT)
MY Imports	127	125	127	200	125	200	0	0	245	(1000 MT)
TY Imports	175	125	175	275	125	275	0	0	225	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	757	712	757	395	644	395	25	69	449	(1000 MT)
MY Exports	200	125	200	20	175	20	0	0	70	(1000 MT)
TY Exports	200	150	200	40	150	40	0	0	40	(1000 MT)
Total Consumption	375	400	375	350	400	350	0	0	325	(1000 MT)
Ending Stocks	182	187	182	25	69	25	0	0	55	(1000 MT)
Total Distribution	757	712	757	395	644	395	0	0	450	(1000 MT)
Yield (Rough)	7.666667	8.833333	7.666667	9	8.436364	9	0	0	8.333333	(MT/HA)

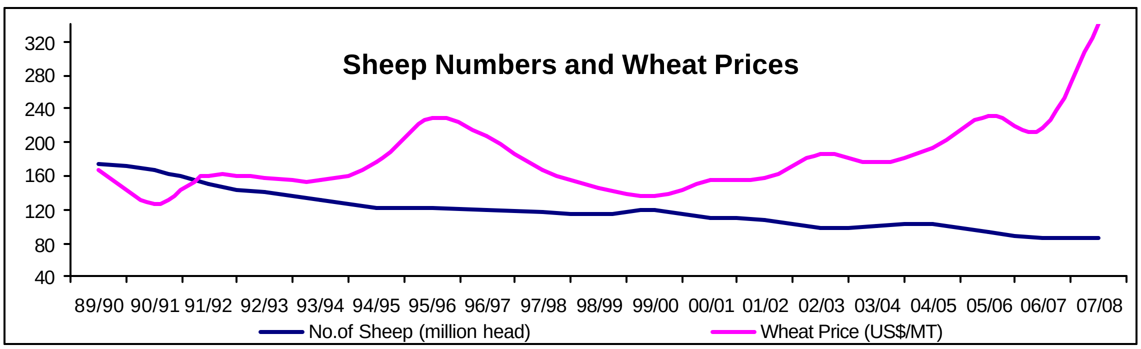
SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

Cross Commodity Developments

Australian sheep numbers have continued to decline under drought conditions and poor wool prices. Traditionally in a mixed farming environment, sheep have shared a symbiotic relationship with broad acre crops such as wheat and barley. Typically, sheep are used to consume residual crop stubble and utilize land left for fallow.

Relatively poor returns for wool growing have placed downward pressure on Australian sheep numbers since they reached a peak of 173.8 million head in 1989/90. Despite the compatibility of sheep and cropping, the decline of sheep generally has provided greater flexibility for crop production and, in the short term at least, has provided a greater land on which to plant cereal crops such as wheat and barley.

Conversely, as grain prices have increased in recent times, the area sown to crops such as wheat and barley has increased considerably and is now forecast at record levels for 2008/09.



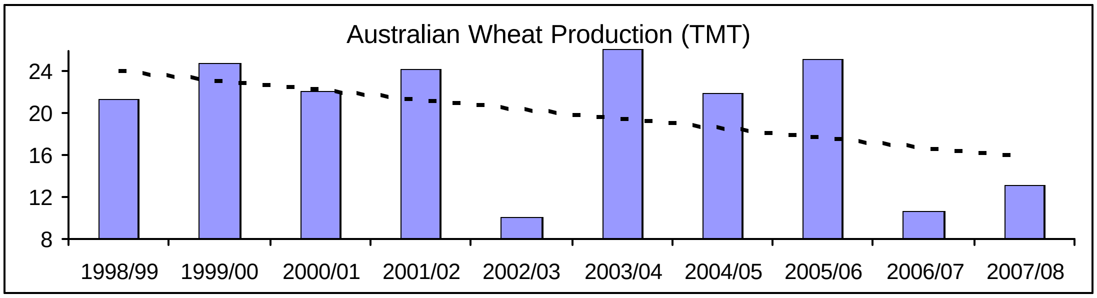
Source: ABARE Data (July-June)

Wheat

Production

Wheat production for 2008/09 is forecast to rebound to 25.0 million metric tons (MMT), up sharply on the drought affected crop of the previous year. If achieved, a crop of this size would represent the second largest wheat crop on record, surpassed only by the 2003/04 record crop of 26.13 MMT.

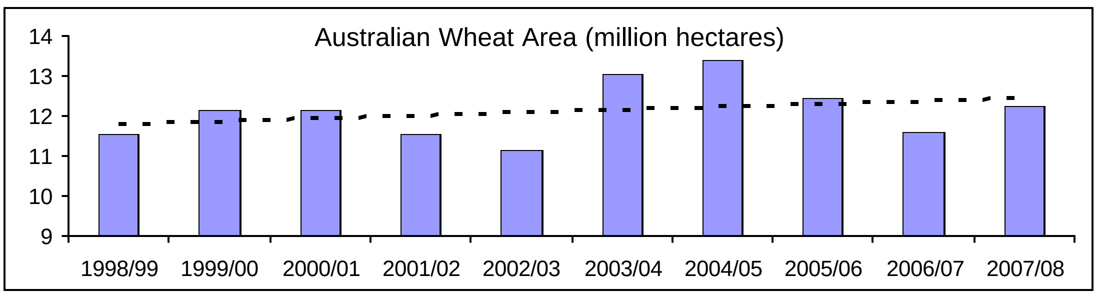
Record high wheat prices and record low sheep numbers are expected to push wheat plantings to record high levels. However, post has assumed a more normal overall yield which has effectively prevented the forecast of a record wheat crop for 2007/08.



Source: ABARE Data (July-June)

Despite above average rainfall in some wheat growing areas, post believes the accumulative affect of severe and prolonged drought will likely constrain yield in some areas and place some constraint on the overall national yield. Post has assumed a yield of 1.86 MT per hectare, slightly above the ten year average.

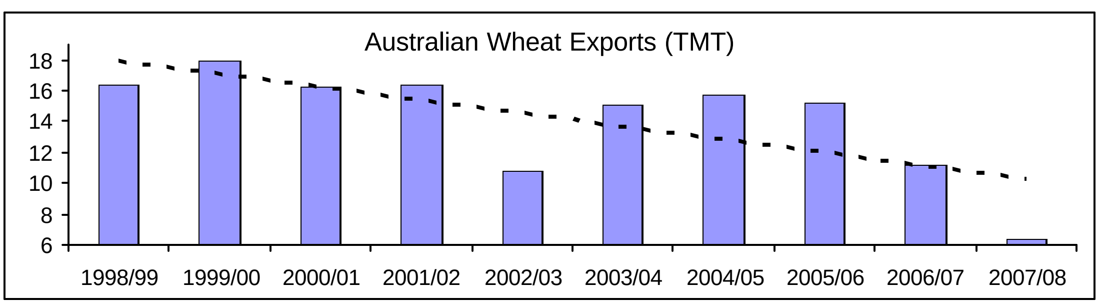
Planted area is forecast to increase sharply in 2008/09 to 13,437 which, if achieved, would represent an all time record. Record high grain prices, combined with record low sheep numbers are the key drivers for record planted area.



Source: ABARE Data (July-June)

Exports

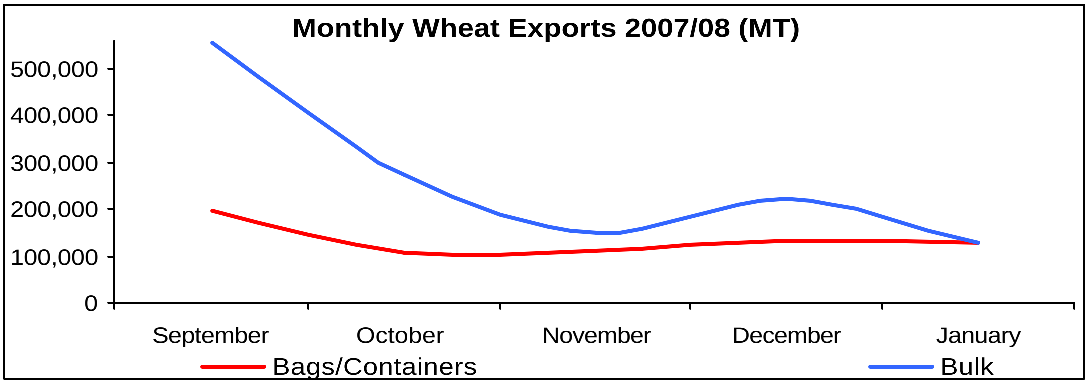
Total wheat exports are forecast to rebound in 2008/09 to 15.4 MMT. Higher production and strong global demand are expected to see exports of Australian wheat increase to a level more reflective of the longer term average. Post advises that despite the sharp increase in exports, this forecast if achieved would represent only the eighth largest export level on record.



Source: ABARE Data (July-June)

The deregulation of containerized and bagged wheat exports from Australia in September 2007 was reported at the time to have a positive impact on trade. The severe drought conditions which followed greatly reduced overall shipments of wheat from Australia.

Monthly wheat export statistics show overall container and bagged wheat exports remaining relatively static since deregulation began. However, post notes with interest the degree to which bagged and containerized exports have held firm while total exports have declined sharply. Post will continue to monitor containerized and bagged wheat exports throughout 2008/09.



Source: Export Wheat Commission data

Trade Policy

Draft Wheat Export Marketing Bill Released

On March 5, 2008, draft legislation to reform Australia's wheat export marketing arrangements was released by the Minister for Agriculture, Fisheries and Forestry Tony Burke. Comments are sought by April 3, 2008. (For further information see GAIN report AS 8006.)

The legislation will establish a new industry regulator, Wheat Exports Australia (WEA), and give it the power to administer a wheat export accreditation scheme.

A wheat export applicant must meet a number of tests, including:

- it must be a corporation
- it must be a fit and proper company to trade in wheat and
- if the applicant operates a port terminal facility for bulk grain, it must have an access arrangement in place. After September 30, 2009, those access arrangements must be agreed to by the Australian Competition and Consumer Commission. Prior to that, the company must commit to grant access and publish the terms and conditions for that access.

In another first, the legislation will empower Wheat Exports Australia to suspend or revoke accreditation, where conditions have been breached.
The Minister would retain the power to direct the regulator to investigate a matter and companies will be required to provide annual compliance reports and certain export data.

The final legislation is expected to be introduced to Parliament by May, ahead of the planned implementation of the reforms by July 1, 2008. The draft Wheat Export Marketing Bill 2008 and explanatory notes are available on the Department of Agriculture, Fisheries and Forestry website at: http://www.daff.gov.au/agriculture-food/wheat-sugar-crops/wheat-marketing/legislation (For further information see Gain Report AS 8010.)

Creation of the Wheat Industry Export Group (IEG)

In February 2008 an independent Industry Expert Group (IEG) was set up to advise the Government on the transition of key wheat industry development functions. The IEG was tasked with publishing a discussion paper (recently released) and, following a comment period, providing a report of its findings to the Minister for Agriculture, Fisheries and Forestry by April 24, 2008.

IEG Releases Discussion Paper

The Wheat Industry Expert Group (IEG) recently released its Discussion Paper on future industry development functions under the GOA wheat marketing reforms. The IEG made a range of preliminary recommendations on the delivery of a number of functions under the proposed wheat marketing arrangements including research and development, variety classification, receival standards, promotion and trade advocacy. Commnets on the paper closed on March 27, 2008, and are publicly available on the IEG's website. The IEG's full report can be viewed at: http://www.daff.gov.au/agriculture-food/wheat-sugar-crops/wheat-marketing/wheat_industry_expert_group/discussion_paper

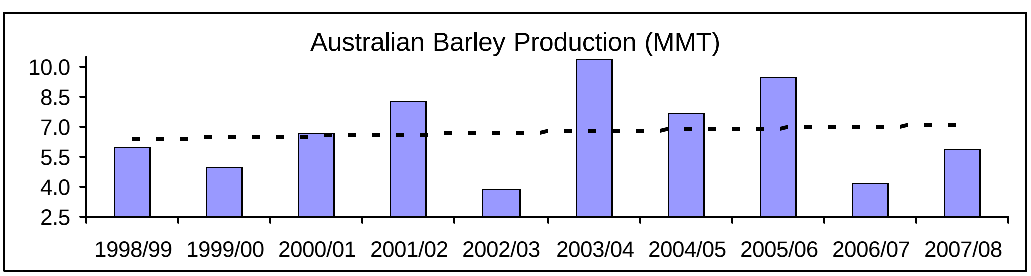
Barley

Production

Barley production for 2008/09 is forecast at 8.5 MMT, up sharply on the drought affected crop of the previous year. This increase will likely be driven by increases in both planted area and yield. Post has assumed average weather conditions in the lead up to and throughout 2008/09 and this will likely see yield increase.

Post has assumed a yield of around 1.88 MT per hectare, slightly above the 10 year average. Post anticipates that some barley growing areas will likely continue to be constrained by the accumulative affects of long running and severe drought conditions, despite recent rainfall.

High prices for grain generally are likely to see the area planted to barley remain high for the foreseeable future. Post reports that intensive livestock feeders have increased their consumption of barley relative to more traditional users. Post's forecast of 4.52 million hectares for 2008/09, if achieved, would be the second largest area planted to barley on record.



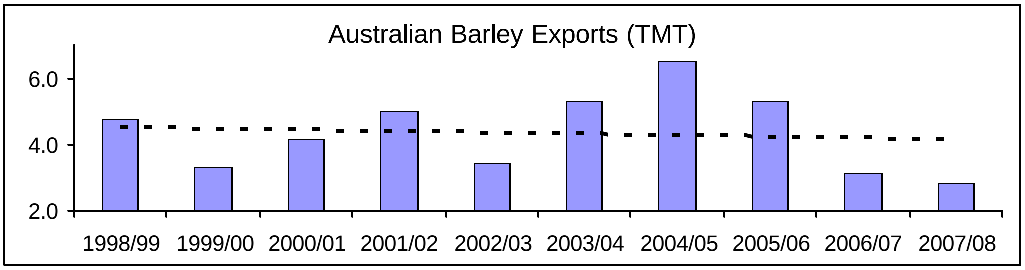
Source: ABARE Data (July-June)

Exports

Total exports of barley are forecast to rebound to 3.7 MMT. Post advises that exports of barley will likely be constrained somewhat by improved domestic demand and improvements in stock levels.

Over the past decade, improved demand from local intensive animal feeders has seen incremental increases in share of Australian barley fed domestically to livestock. How much barley is fed to livestock is often determined by weather condition during harvest as weather-damaged barley is primarily fed to livestock rather than exported.

Post advises that difficult weather conditions prior to harvest, combined with high domestic demand could see the exportable surplus of barley fall significantly below forecast.



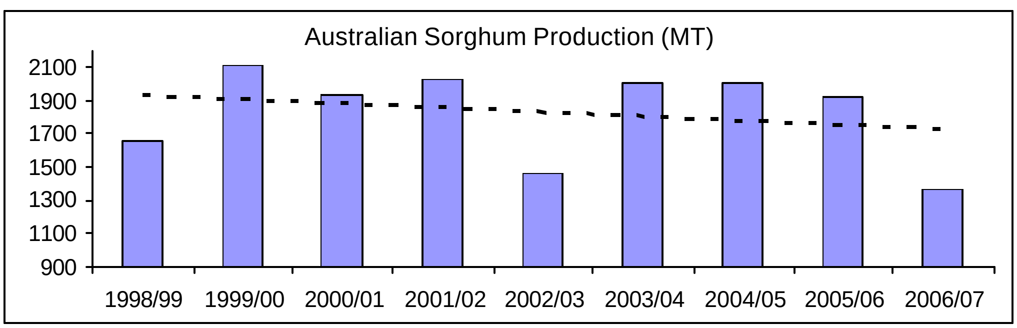
Source: ABARE Data (July-June)

Sorghum

Production

Total sorghum production for 2009/10 is forecast at 2.0 MMT down from the all time record of 2.5 MMT estimated for the previous year. Despite this fall this crop would be considered above average according to ABARE's historical data.

The overwhelming majority of Australian sorghum is grown as a dry land crop and is highly sensitive to climatic conditions at planting time. Post has assumed average weather conditions and believes that high grain prices and strong domestic demand will continue to see larger than average sized crops.



Source: ABARE Data (July-June)

Exports

Exports of sorghum for 2009/10 are forecast at 200 TMT, down from the estimate for the previous year. Sorghum is primarily consumed domestically as stock feed, although significant quantities are exported.

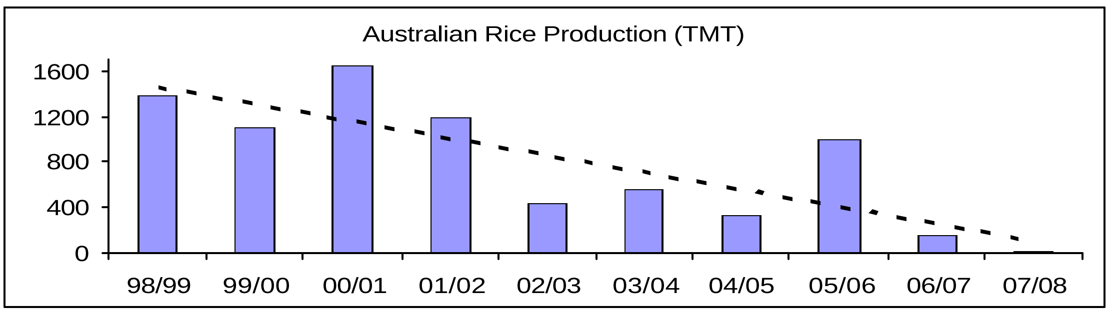
Rice

Production

Total rice production for 2009/10 is forecast to increase sharply to 250 thousand metric tons (TMT), up dramatically from the record low crop of the previous year. Despite the increase, this forecast remains well below the 10 year average of 913 TMT, established using ABARE data.

Post anticipates that the acute irrigation water storages bought about by severe and prolonged drought conditions will not likely dissipate completely in the foreseeable future. Post advises that Australian rice exports will likely remain at historically low levels until water storages are replenished over the longer term.

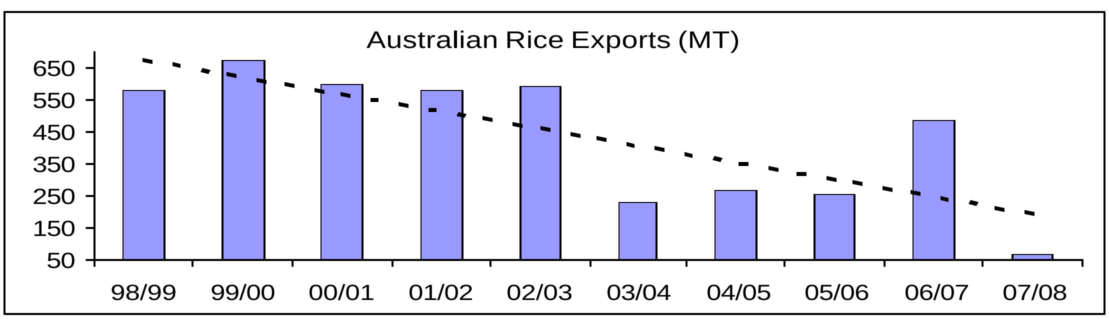
Post has assumed average rainfall in lead to and during the 2009/10 season. And this will likely improve irrigation water supplies somewhat but will constrain production to levels well below the historical average.



Source: ABARE Data (July-June)

Exports

Total exports of rice are forecast at 70 TMT for 2009/10, up from the record low levels of the previous year. Despite this increase, exports remain at very low levels.



Source: ABARE Data (July-June)

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at: http://www.fas.usda.gov/scriptsw/AttacheRep/default.asp.

Report Number	Title of Report	Date
AS8012	Livestock Semi-Annual	03/20/08
AS8011	Commencement of IRA for U.S. Apples Announced	03/19/08
AS8010	Wheat Industry Export Group Discussion Paper Released	03/18/08
AS8009	Call for Comments on Quarantine & Biosecurity Review	03/17/08
AS8008	Commencement of IRA for Stone Fruit Announced	03/14/08
AS8006	Draft Wheat Export Marketing Bill Released	03/06/08
AS8005	Wine Annual	02/26/08
AS8004	Government Announces Review of Australia's Quarantine & Biosecurity Processes	02/21/08
AS8002	Productivity Commission Invites Further Submissions to Pork Safeguards Inquiry	01/23/08
AS8001	Impact of Grain Prices on GOA Policy	01/11/08
AS7076	Productivity Commission Release Accelerated Report into Pigmeat Safeguards	12/21/07
AS7075	Bulk Wheat Export Applications	12/13/07
AS7074	Potato Report	12/11/07
AS7072	Ag Down Under Vol. 14	12/06/07
AS7071	GM Moratoria to be Lifted in Two States	11/29/07
AS7070	Cotton Quarterly Update	11/29/07
AS7069	Ag Down Under Vol. 13	11/26/07
AS7068	Fresh Deciduous Fruit Report	11/21/07
AS7067	Retail Sector Report	11/08/07
AS7066	Citrus Annual	11/07/07
AS7065	Ag Down Under Vol. 12	11/02/07
AS7063	Dairy & Products Annual	10/24/07
AS7062	Issues Paper – Safeguards Inquiry into Imports of Pig Meat	10/24/07
AS7061	Govt. Announces Safeguards Inquiry into Imports of Pig Meat	10/22/07
AS7060	ALP Wheat Marketing Proposal	10/15/07
AS7059	Ag Down Under Vol. 11, 2007	10/15/07
AS7058	Export Wheat Commission Established	10/15/07
AS7057	Sugar Semi-Annual	10/10/07
AS7056	Biosecurity Australia – Transitional Arrangements for Import Work Program	10/09/07
AS7055	October Grain Lockup	09/28/07
AS7054	Ag Down Under Vol. 10, 2007	09/21/07
AS7053	Livestock Annual	09/20/07