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Grain and Feed

Quarterly Update

2005

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Report Highlights:

Australian wheat production for 2005/06 is forecast at 23.0 MMT, which would be the fourth largest crop on record. If forecast volumes and expected quality are realized, exports are expected to increase nearly 2 MMT. Australian barley production for 2005/06 is forecast to be up sharply at 8.1 MMT. Sorghum production for 2006/07 is forecast to be up significantly at 2.2 MMT. Rice production for 2006/07 is expected at 924 TMT, two and a half times the previous year level.

Includes PSD Changes: Yes
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Quarterly Report
Canberra [AS1]
[AS]

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SECTION ONE: SITUATION AND OUTLOOK**General**

Above average seasonal conditions, which began in July 2005, have continued into December causing Post to revise crop production numbers upwards. Production of winter cereals, which are being harvested at time of writing this report, is expected to increase due to greatly improved yields. Summer crop production, most of which is already sown and will be harvested from March to June 2006, will likely increase due to increases in projected planted area.

Above average rainfall combined with cooler periods have allowed many late sown crops to yield at historically high levels. Despite some periods of hot weather, the lead-up to harvest has been almost ideal in terms of yield. This has occurred in stark contrast to earlier expectations of hot windy conditions, which would have seen a serious decline in yield potential.

Heavy rainfall in the lead-up to harvest has, however, created much concern about quality levels in winter cereal crops, which if continued could significantly decrease average crop quality, although Post has seen no evidence of significant quality decline thus far.

Weather Conditions

Official Australian Government Meteorology data shows rainfall levels surpassing long-term averages for the months of June through to November in cropping regions of South Australia, northern Victoria, New South Wales and southeast Queensland. This area accounts for the majority of the wheat crop.

Western Australia, which accounts for around 40 percent of production, has experienced near average rainfall according to official Australian Government data. However, the three months from September to November have seen below average temperatures, which has greatly assisted crop fill and ripening. Late sown crops can be particularly susceptible to hot and windy conditions (which did not occur) during this period.

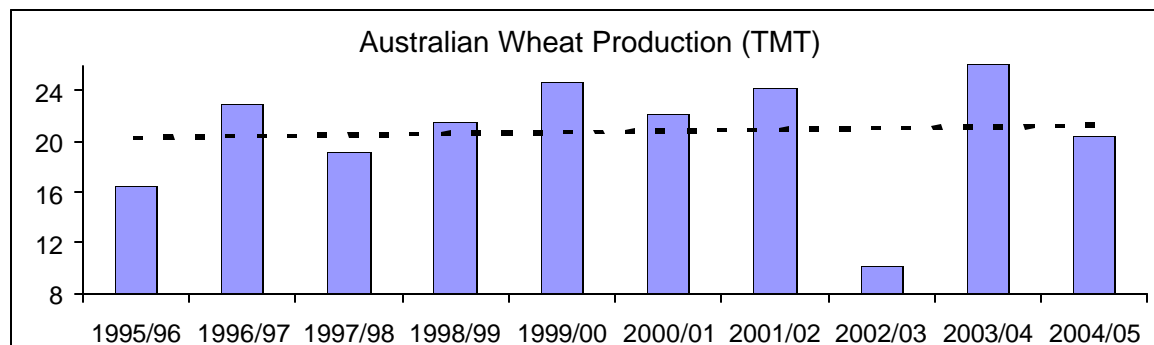
Heavy rains received in November and December were, on occasion, accompanied by severe winds and hail. These conditions, although destructive, affected only relatively small areas.

Finally, the late "break" in seasonal conditions (July) combined with the cooler wetter spring conditions (October-November) have the winter cereal harvest running two weeks late. The summer crop is also likely to be slightly behind schedule.

WHEAT**Production**

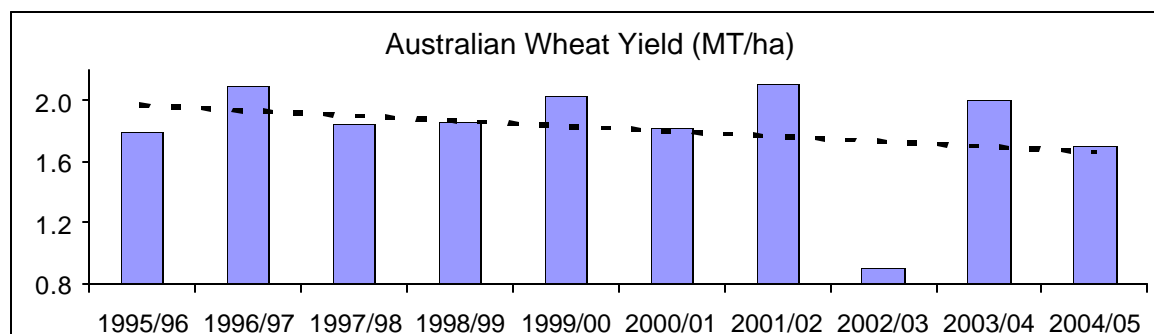
Australian wheat production for 2005/6 is forecast at 23.9 MMT, up 2.0 MMT on Post's previous estimate and up sharply on the 20.5 MMT for the previous year. Greatly improved seasonal conditions, following prolonged drought conditions, have seen yield increase sharply. Heavy rainfall and periods of cooler than average temperatures have combine to greatly increase yields. Previously anticipated hot and windy conditions, which would have greatly affected a late sown crop, did not occur.

If achieved, the forecast 2005/06 crop would represent the fourth largest crop on record. The 2003/04 crop remains the largest crop on record at 26.1 MMT, according to ABARE data.



Source: ABARE data

The 2005/06 forecast of 23.9 MMT, assumes a yield of 2.02 MT per hectare, using Post's forecast of 11.85 million hectares. This yield would represent the fourth highest yield on record and would be well above average according to historical data. Interestingly, this yield would be slightly higher than the record production year of 2003/04 where yield reached 2.00 MT per hectare. Persisting drought conditions since 2002/03 have caused yields to decline in recent years.

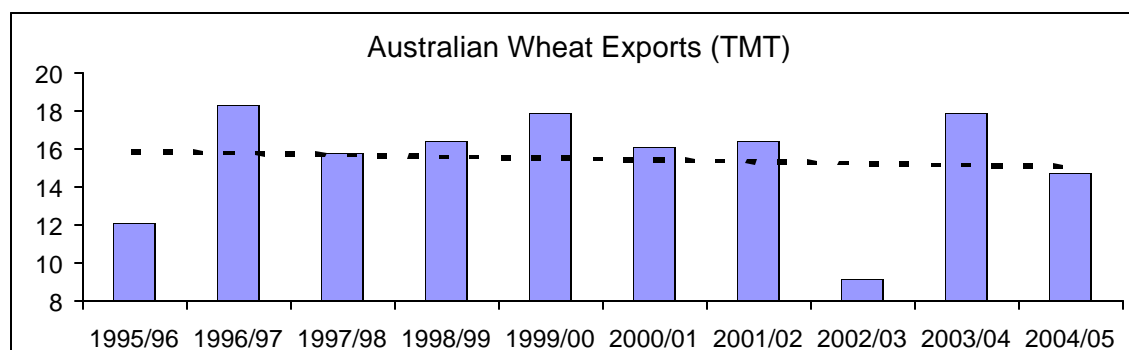


Source: ABARE data

Exports

Australian wheat exports for 2005/06 are forecast at 17.9 MMT (Oct-Sep), up around 1.8 MMT on the previous estimate. This increase is almost directly in line with the 2.0 MMT increase in forecast production. Post advises that this figure is contingent upon an "average quality" harvest. A significant downgrading in quality would likely result in a fall in export volumes.

Historical data shows that exports of 17.9 MMT would be the fourth largest export volume on record. ABARE has record exports at 19.2 MMT in 1996/97.



Source: ABARE data

At time of writing this report, harvest is well under way and recent heavy storms have created concern that bad weather over the next ten days could decrease crop quality. In this event, Post would expect the worst affected wheat to be diverted away from exports towards the domestic stock feed market.

Wheat exports for 2004/05 have been revised downwards to 14.4 MMT in line with recently published Australian Wheat Export Authority (WEA) data. WEA data shows that for the period October 2004 to September 2005, Australia shipped 13,613 TMT of bulk wheat; 746 TMT of containerized wheat; and 8 TMT of bagged wheat.

Consumption

Australian wheat consumption in 2005/06 is forecast at 5.8 MMT, unchanged from Post's previous report and up on the 5.5 MMT estimated for the previous year.

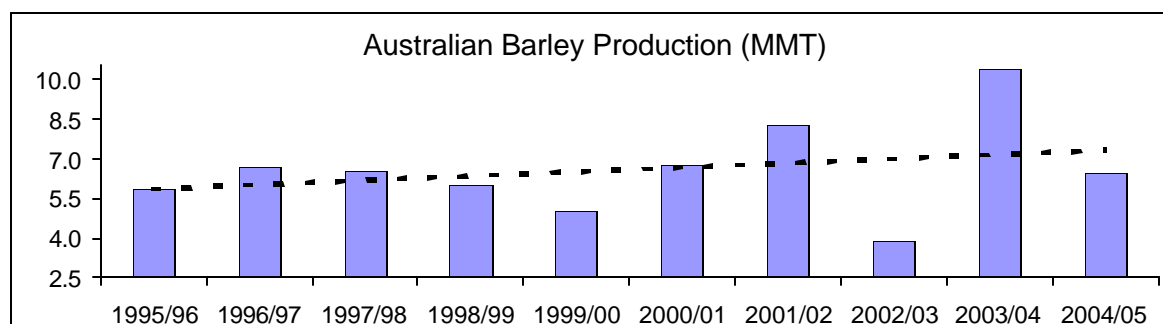
Domestic consumption of Australian wheat has been growing strongly over the past decade with consumption as stock feed providing much of the growth. Record numbers of cattle on feed (1.1 million head) as well as intensive pork and poultry production has driven this increase.

BARLEY

Production

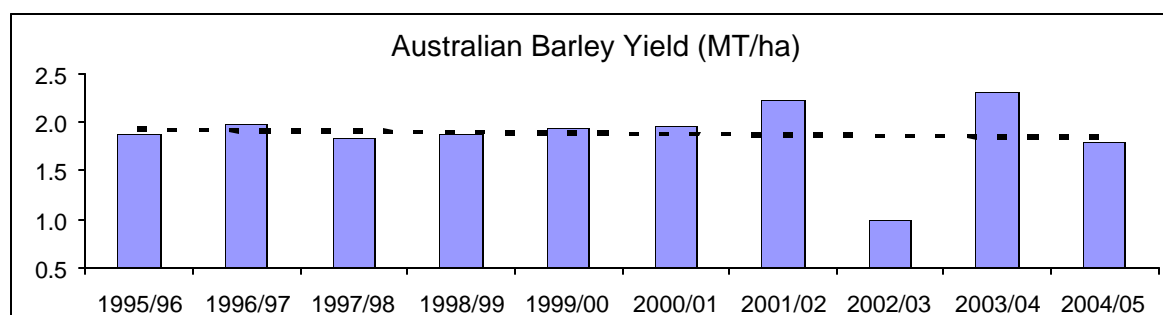
Australian barley production is forecast in 2005/06 at 8.1 MMT, up sharply on the 7.0 MMT estimated for the previous year. Above average seasonal conditions have seen heavy falls of rain during the crucial "filling" stage of production. Planted area is forecast at 3.9 million hectares, unchanged from Post's previous forecast.

If this 2005/06 forecast is achieved, it would represent Australia's third largest barley crop on record, the 10.4 MMT reached in 2003/04 remaining the all time record. A crop of around 8.1 MMT in 2005/06 is directly in line with the trend established over the past decade using historical data.



Source: ABARE data

Post has assumed a yield of around 2.08 MT per hectare for the 2005/06 barley crop, the second highest yielding crop on record. Previous to this crop, persistent drought conditions caused yields to decline in some recent years. The assumed yield for the 2005/06 forecast suggests a recovery.



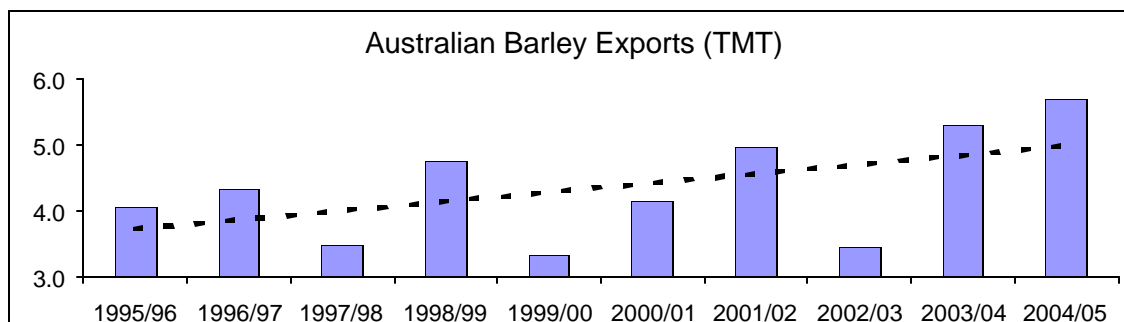
Source: ABARE data

Barley, a shorter season crop than wheat, is more susceptible to weather damage at this time of year. Despite recent heavy rainfall benefiting yields, continued heavy rainfall throughout the harvest period could result in significant quality decline. However, sources in areas such as southern New South Wales, which has perhaps seen some of the heaviest rain recently, are suggesting over 80 percent of the crop in this region is likely to make malting grade at this point.

Exports

Australian barley exports are forecast at 5.2 MMT (Nov-Oct), up sharply on Post's previous estimate and also up on the revised estimate of 4.8 MMT for the previous year. A sharp increase in forecast production is expected to greatly increase the level of barley suitable for export. Exports of this level, should they be achieved would represent the third highest export volume on record.

Barley grown in Australia is particularly susceptible to adverse conditions, during the ripening process in the lead-up to harvest. Significant downgrading would likely see the volume of barley suitable for export decline significantly.



Source: ABARE data

Consumption

Total barley consumption in 2005/06 is forecast at 2.6 MMT, almost unchanged from the revised estimate for the previous year. Post has revised barley consumption numbers in line with recent numbers reported by ABARE.

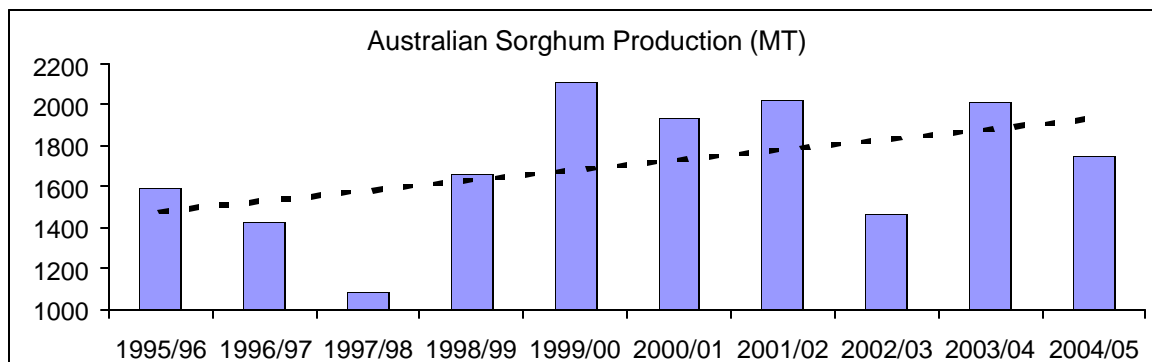
Post advises that in the event that there was significant downgrading in crop quality, significant volumes of barley production would likely be diverted from export to domestic consumption.

SORGHUM

Production

Sorghum production in 2006/07 is forecast at 2.2 MMT, up sharply on the 1.8 MMT estimated for the previous year. Sowing for the 2006/07 crop is now complete, for early sown sorghum, and recent heavy rainfall has been highly beneficial to these plantings. Industry sources anticipate further heavy falls of rain, which will likely facilitate a later planting early in 2006.

Improved seasonal conditions have seen soil moisture improve remarkably in key growing areas, along with irrigation water reserves in the catchment. The majority of Australia’s sorghum crop is dryland with only a minor portion planted under irrigation. As such, sorghum is typically an “opportunity” crop, planted in lower rainfall areas when soil moisture levels are historically high. Historic production data reflects the opportunistic nature of sorghum production in Australia.



Source: ABARE data

Exports

Sorghum exports in 2006/07 (March-Feb) are forecast at 445,000 MT, up on the estimate for the previous year. Increased production is expected to see an increase in the surplus of sorghum suitable for export.

Consumption

Post forecasts sorghum consumption at 1.6 MMT. Record numbers of cattle on feed, particularly in areas adjacent to sorghum production, is likely to create strong domestic demand for sorghum.

Post has revised sorghum consumption numbers in line with recently published ABARE numbers.

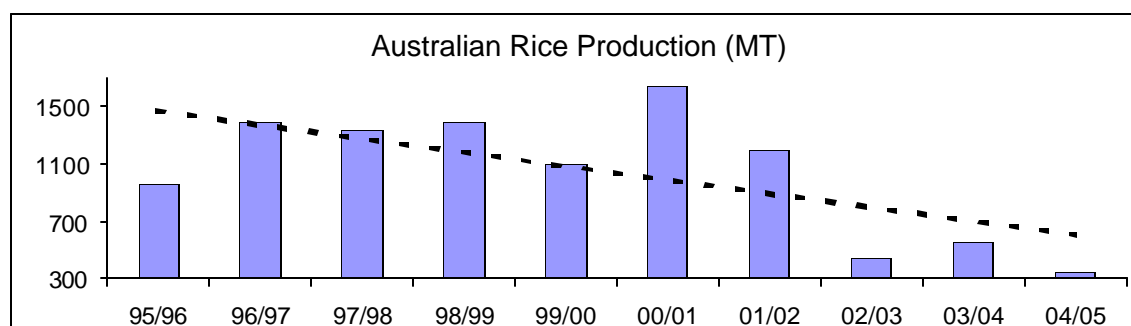
Post advises that a significant downgrading in the quality of winter cereals (wheat and barley) could place downward pressure on domestic feed grain prices and result in sorghum diverted away from domestic consumption towards exports in 2006/07.

RICE

Production

Australian rice production in 2006/07 is forecast at 924 TMT (rough), or approximately 661 TMT of milled production using a conversion factor of 0.715. If achieved this forecast represents a two and a half fold increase on the revised estimate for the previous year.

Despite the dramatic increase in forecast production, a crop of this size remains lower than those consistently achieved before the drought, which has affected the rice industry for the past four years. Post anticipates that with the continuation of the heavy rainfall recently received and the subsequent improvement in irrigation water supplies; rice production could continue to increase incrementally in subsequent years.



Source: ABARE data

Exports

Australian rice exports in 2006/07 are forecast at 175 TMT, up on the 156 TMT estimated for the previous year. Improved supplies of rice suitable for export is likely to see export levels increase significantly.

Post advises however, that the full impact of increased production is not likely to all go to exports as stocks need replenishing. A recent industry restructure, brought about by years

of drought, has seen a significant reduction in milling capacity. Post anticipates that much of the increase in production is likely to be held in stocks for consumption and export at a later date.

According to industry sources, medium grain varieties account for around 90 percent of Australian rice production. Long grain varieties account for around 10 percent of production, while short grain varieties are grown in small quantities.

Imports

Australian imports of rice are forecast at 110 TMT, down slightly on the figure for the previous year. Imports of rice have grown steady in recent years, driven by a reduced supply of domestic rice and a stronger Australian dollar. The recent dramatic increase in domestic production is likely to see rice imports ease in 2006/07.

Rice imports for 2005/06 are estimated at a record 115 TMT. Imports for the period March to September 2005 show a 29 percent increase. Post has revised the 2005/06 import number in line with this increase.

According to industry sources, Australian mostly imports long grain varieties of rice for which domestic demand exceeds production.

Policy

In 1995, a review of rice marketing powers in Australia recommended the retention of export monopoly powers, but recommended the deregulation of domestic vesting powers. In October 2005, the New South Wales (NSW) state government moved to deregulate the Australian Rice Industry's domestic monopsony powers that gave "SunRice" monopsony purchasing powers for rice in NSW. The change is expected to become effective in July 2006.

SECTION TWO: STATISTICAL TABLES

PSD Table							
Wheat							
	2003	Revised	2004	Estimate	2005	Forecast	<i>UOM</i>
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	<i>MM/YYYY</i>
Area Harvested	13024	13100	12200	11991	11500	11850	<i>(1000 HA)</i>
Beginning Stocks	3142	1708	5459	5218	5992	5914	<i>(1000 MT)</i>
Production	26231	26100	21500	20500	22500	23900	<i>(1000 MT)</i>
TOTAL Mkt. Yr. Imports	73	59	75	63	75	64	<i>(1000 MT)</i>
Jul-Jun Imports	71	60	76	62	75	65	<i>(1000 MT)</i>
Jul-Jun Import U.S.	0	0	0	0	0	0	<i>(1000 MT)</i>
TOTAL SUPPLY	29446	27867	27034	25781	28567	29878	<i>(1000 MT)</i>
TOTAL Mkt. Yr. Exports	18031	17573	14742	14367	16000	17878	<i>(1000 MT)</i>
Jul-Jun Exports	15096	15073	15826	15557	16000	15900	<i>(1000 MT)</i>
Feed Dom. Consumption	3231	2185	3600	2500	3700	2800	<i>(1000 MT)</i>
TOTAL Dom. Consumption	5956	5076	6300	5500	6400	5800	<i>(1000 MT)</i>
Ending Stocks	5459	5218	5992	5914	6167	6200	<i>(1000 MT)</i>
TOTAL DISTRIBUTION	29446	27867	27034	25781	28567	29878	<i>(1000 MT)</i>

PSD Table							
Barley							
	2003	Revised	2004	Estimate	2005	Forecast	<i>UOM</i>
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		11/2003		11/2004		11/2005	<i>MM/YYYY</i>
Area Harvested	4404	4500	3800	4159	0	3900	<i>(1000 HA)</i>
Beginning Stocks	948	873	1787	1847	1087	838	<i>(1000 MT)</i>
Production	10287	10400	7000	6454	0	8100	<i>(1000 MT)</i>
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	<i>(1000 MT)</i>
Oct-Sep Imports	0	0	0	0	0	0	<i>(1000 MT)</i>
Oct-Sep Import U.S.	0	0	0	0	0	0	<i>(1000 MT)</i>
TOTAL SUPPLY	11235	11273	8787	8301	1087	8938	<i>(1000 MT)</i>
TOTAL Mkt. Yr. Exports	6398	6996	4500	4819	0	5189	<i>(1000 MT)</i>
Oct-Sep Exports	6104	6950	4500	4900	0	5150	<i>(1000 MT)</i>
Feed Dom. Consumption	2150	2100	2300	2300	0	2300	<i>(1000 MT)</i>
TOTAL Dom. Consumption	3050	2430	3200	2644	0	2649	<i>(1000 MT)</i>
Ending Stocks	1787	1847	1087	838	0	1100	<i>(1000 MT)</i>
TOTAL DISTRIBUTION	11235	11273	8787	8301	0	8938	<i>(1000 MT)</i>

PSD Table							
Sorghum							
	2003	Revised	2004	Estimate	2005	Forecast	<i>UOM</i>
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		03/2004		03/2005		03/2006	<i>MM/YYYY</i>
Area Harvested	761	734	800	659	0	744	<i>(1000 HA)</i>
Beginning Stocks	54	70	57	150	202	153	<i>(1000 MT)</i>
Production	2108	2009	2400	1748	0	2200	<i>(1000 MT)</i>
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	<i>(1000 MT)</i>
Oct-Sep Imports	0	0	0	0	0	0	<i>(1000 MT)</i>
Oct-Sep Import U.S.	0	0	0	0	0	0	<i>(1000 MT)</i>
TOTAL SUPPLY	2162	2079	2457	1898	202	2353	<i>(1000 MT)</i>
TOTAL Mkt. Yr. Exports	600	543	300	312	0	445	<i>(1000 MT)</i>
Oct-Sep Exports	425	425	375	650	0	455	<i>(1000 MT)</i>
Feed Dom. Consumption	1500	1383	1950	1436	0	1598	<i>(1000 MT)</i>
TOTAL Dom. Consumption	1505	1386	1955	1433	0	1594	<i>(1000 MT)</i>
Ending Stocks	57	150	202	153	0	314	<i>(1000 MT)</i>
TOTAL DISTRIBUTION	2162	2079	2457	1898	0	2353	<i>(1000 MT)</i>

PSD Table							
Rice, Milled							
	2003	Revised	2004	Estimate	2005	Forecast	<i>UOM</i>
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		03/2004		03/2005		03/2006	<i>MM/YYYY</i>
Area Harvested	65	65	50	50	75	110	<i>(1000 HA)</i>
Beginning Stocks	604	479	519	308	337	146	<i>(1000 MT)</i>
Milled Production	382	395	218	259	465	661	<i>(1000 MT)</i>
Rough Production	534	552	305	362	650	924	<i>(1000 MT)</i>
MILLING RATE (.9999)	7150	7150	7150	7150	7150	7150	<i>(1000 MT)</i>
TOTAL Imports	88	89	95	115	110	110	<i>(1000 MT)</i>
Jan-Dec Imports	88	88	90	90	105	105	<i>(1000 MT)</i>
Jan-Dec Import U.S.	2	0	0	0	0	0	<i>(1000 MT)</i>
TOTAL SUPPLY	1074	963	832	682	912	917	<i>(1000 MT)</i>
TOTAL Exports	175	275	115	156	160	175	<i>(1000 MT)</i>
Jan-Dec Exports	131	225	125	175	175	170	<i>(1000 MT)</i>
TOTAL Dom. Consumption	380	380	380	380	380	380	<i>(1000 MT)</i>
Ending Stocks	519	308	337	146	372	362	<i>(1000 MT)</i>
TOTAL DISTRIBUTION	1074	963	832	682	912	917	<i>(1000 MT)</i>