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Australia

Grain and Feed Update

Grain and Feed Lockup - February 2010

Approved By:

Grant Pettrie, Agricultural Counselor

Prepared By:

Michael Darby, Agricultural Specialist

Report Highlights:

Total wheat production for 2009/10 is forecast at 22.5 MMT, up on the revised estimate for the previous year and up on the 10-year average of 19.7 MMT. Total barley production for 2009/10 is forecast at 8.3 MMT, up sharply on Post's previous forecast and largely driven by a sharp upturn in assumed yield. Rice production for 2010/11 is forecast at 175,000 MT, unchanged from Post's previous report. Sorghum production for 2010/11 is forecast at 1.6 MMT, down significantly on Post's previous forecast and down sharply on the estimate for the previous year. Rainfall received during Christmas and New Year arrived too late to damage already harvested winter cereal crops and too late to significantly expand the total area planted to summer crops.

Post: Canberra

Commodities:

Wheat
Barley
Sorghum
Rice

Summary

At time of writing this report, the 2009/10 Australian winter cereal crop (wheat and barley) harvest is complete and the shipping of these crops to export markets is well under way. The 2010/11 summer crop (sorghum and rice) has been planted with harvest expected to commence by the end of March. Some planting of sorghum crops is expected to continue in central Queensland where conditions allow.

Most of the Australian continent was affected by a dryer-than-normal spring. In the worst cases, drought persisted. This adversely affected the winter cereal harvest which began in November with low rainfall and frost damage affecting yields in the southern of NSW and WA. Planting of summer crops was also constrained by these dry conditions prior to planting.

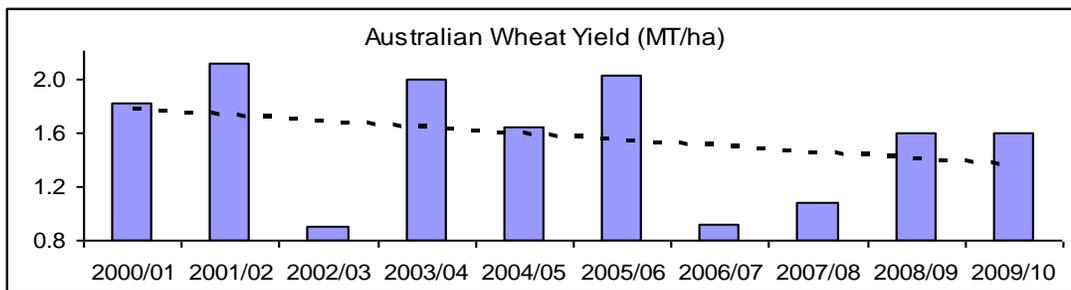
Widespread rainfall was received over Christmas and New Year and largely arrived too late to damage winter cereal crops, although some isolated weather damage had already occurred. This rainfall was also received too late to benefit area planted to summer crops as planting was mostly completed prior to this rainfall event. However, post expects summer crop yields to have benefited somewhat following difficult planting conditions. This rainfall has also improved the water supply outlook somewhat for the 2010/11 cropping season and has raised hopes markedly for the following 2011/12 summer crop season.

Recent regional crop travel undertaken by post revealed lower commodity prices and the strength of the Australian dollar is of greatest concern to Australian grain and feed producers.

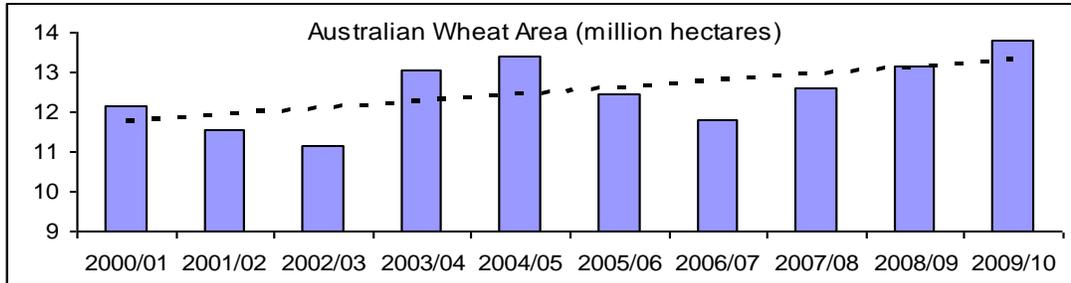
Wheat

Total wheat production for 2009/10 is forecast at 22.5 MMT, up on the revised estimate for the previous year and up the ten-year average of 19.7 MMT. This forecast increase in production for 2009/10 comes despite a poor finish to the season in some key production areas.

Although wheat production for 2009/10 is up on the previous year, final production remains well below previous expectations due to lower-than-previously expected yield. Current estimates place forecast yield at 1.63 MT per hectare, which is largely in line with the ten-year average. Post's previous production forecast relied on a yield of 1.75 MT per hectare, which is largely in line with the ten-year average minus the two lowest (and disastrous) yielding years.



The forecast of above average production in 2009/10 has been driven primarily by the forecast of an all time record planted area of 13.79 million hectares, which is up on post's previous forecast. This forecast, if achieved will easily surpass the previous record of 13.4 million hectares planted in 2004/05.

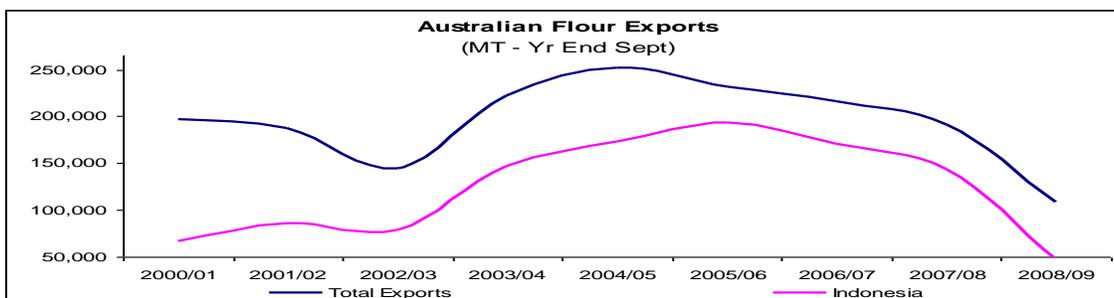


Early indications for 2010/11 wheat crop, which is yet to be planted, points towards a marked decline in planted area. Lower prices, combined with replenished inventories, are likely to see an increase in the area planted to break crops such as pulses and oilseeds. The area required for livestock production is also expected to increase, albeit marginally, as post expects growth in these sectors to be gradual.

Total exports for 2009/10 are forecast at 15.0 MMT, up on the revised estimate for the previous year. Increased production and limited growth in domestic consumption pushed exports higher in 2009/10. Export returns are expected to fall however, due to low world prices and the strong Australian dollar.

Post advises that above-average production levels in 2008/09 and 2009/10 have increased ending inventories somewhat, following record low levels created by severe and long running drought. Replenished stocks and improved production are also expected to provide some upside potential for exports in 2009/10.

Post has revised total 2008/09 MY exports to 14.72 MMT. World Trade Atlas figures report that Australia Exported 108,246 MT of flour in 2008/09. Using a conversion factor of 1.38, this would roughly equate to 149,380 MT. Post assumes a "wheat products" equivalent of approximately 30,000 MT. ABARE figures put Australian wheat exports for 2008/09 at 14.451 MMT together with flour exports and wheat products post reports a total of 14,721 MMT. Post investigation has revealed that ABARE figures include a "flour equivalent" (except monthly grain report numbers).

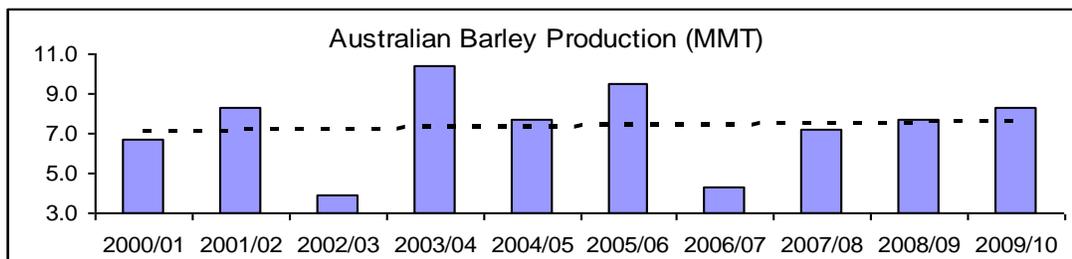


According to official trade statistics, Indonesia continues to provide the majority of Australia's export demand for flour despite rapidly falling trade volumes. Industry sources suggest that increased investment in flour milling capacity has resulted in more Australian wheat being milled at market and hence lower demand for Australian flour.

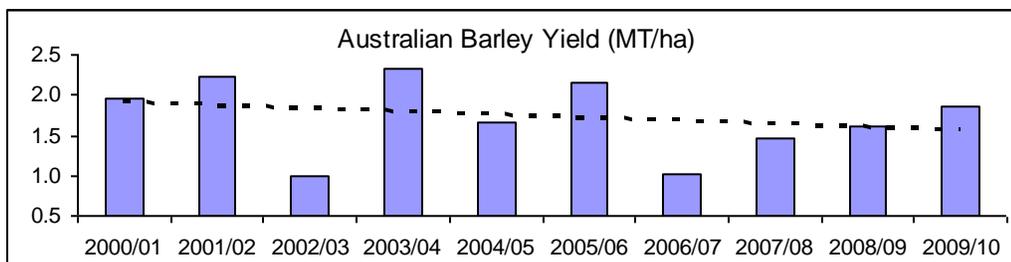
Post has revised total consumption across the series to reflect recently published ABARE feed consumption figures.

Barley

Total barley production for 2009/10 is forecast at 8.3 MMT, up sharply on post's previous forecast and largely in line with ABARE's recent forecast. Post advises that this would be considered the third largest crop on record, only surpassed by the record 10.38 MMT produced in 2003/04 and the 9.48 MMT produced in 2005/06. The ten-year average for barley production stands at 7.39 MMT, almost one million MT under the 2009/10 forecast.



The sharp upward revision for the 2009/10 barley crop has largely been driven by a sharp upturn in assumed yield. The assumed yield for the 2009/10 barley crop is 1.85 MT per hectare, up on the 1.7 MT per hectare previously reported by post and considered slightly above average according to ABARE's historical data.



The larger-than-expected 2009/10 barley crop combined with low world barley prices have significantly dampened domestic barley prices. Industry sources report domestic barley trade at around AU\$180 per MT, their lowest since 2005/06.

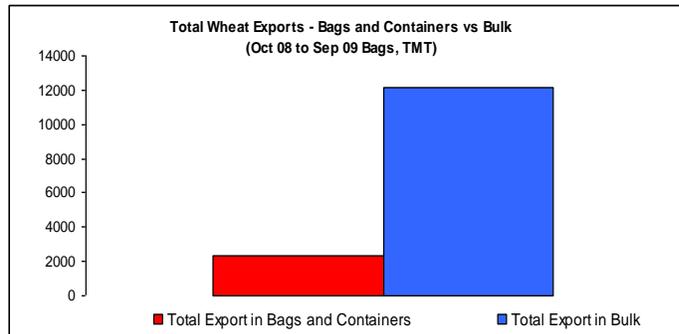
Total barley exports for 2009/10 are forecast at 4.15 MMT, up on post's previous forecast and up sharply on the revised estimate for the previous year. Despite this increase, this forecast remains lower than ABARE's forecast of 4.3 MMT. Ending inventories are likely to rise because of the poor export market.

The 2009/10 barley export forecast of 4.15 MMT, if achieved, would be considered slightly below the ten-year average of 4.51 MMT.

Australian Container Exports Rise

Since deregulation of Australian wheat exports in July 2008, containerized (and bagged) exports of wheat have grown in volume and importance. Previously, all containerized exports of wheat from Australia required consent from a statutory federal authority, and for a time, AWB Ltd (Australia's monopoly wheat exporter) was consulted as part of the approval process. Such legislation was criticized by would-be exporters as an unnecessary constraint.

Containerized wheat exports increased over seven percent in 2008/09 to 2.36 MMT (Oct-Sept). Despite this growth, containerized exports continue to be dwarfed by bulk exports which reached 14.45 MMT in the same period according to recently published ABARE data. The transport cost between containers and bulk all-time low during this period and sources suggest that a return to container transport costs will likely growth in this trade somewhat in 2009/10.

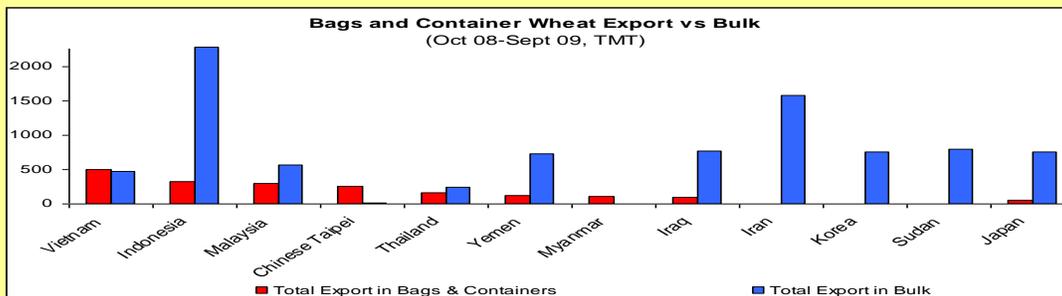


published differential reached an industry normal see this constrained

ABARE - Jan Exports

Source: 2010 Australian Wheat Supply and Monthly

According to official trade data for 2008/09, containerized wheat exports are particularly important in maintaining and developing certain markets. Export markets such as Vietnam, Taiwan (Chinese Taipei) and Myanmar all receive more Australian wheat in containers and bags than in bulk. Indonesia, Malaysia and Thailand also receive significant quantities of Australian wheat in containers and bags. Industry sources indicate that containerized wheat exports are suited to smaller and developing markets which lack the infrastructure and credit facilities to buy bulk shipments of wheat.



Source: ABARE - Jan 2010 Australian Wheat Supply and Exports Monthly

Recent regional travel undertaken by post revealed the strengths of the containerized wheat trade. Since deregulation of wheat marketing in July regional buyers of Australian wheat have used containerization of wheat to gain a the export market (although, some of these organizations were exporting with permits deregulation). Containers have proven easy remote regional locations, and the premium from export customers allows for higher costs to port from regional locations.

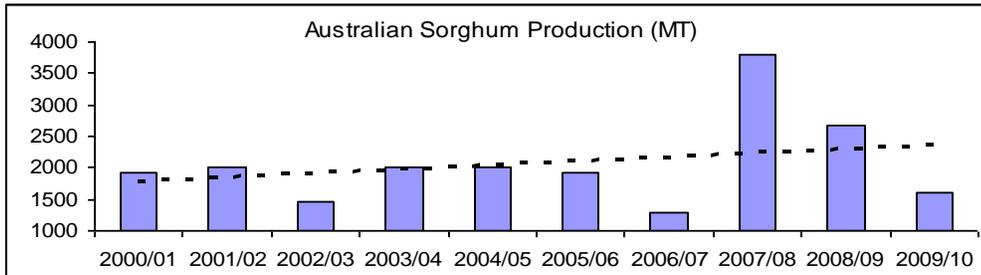
Photo by Mike Darby



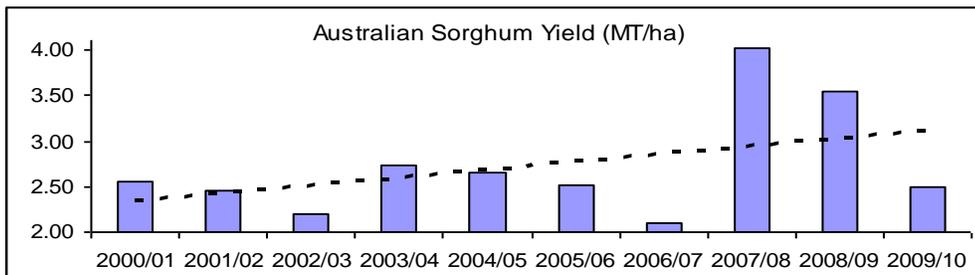
2008, smaller successfully foothold in small prior to to load in they attract transport

Sorghum

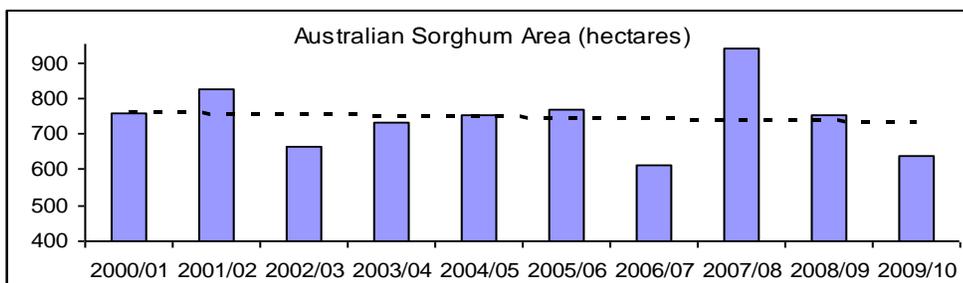
Sorghum production for 2010/11 is forecast at 1.6 MMT, down significantly on post's previous forecast and down sharply on the estimate for the previous year. This would be the lowest since 2006/07 and well under the ten-year average of 2.1 MMT. Despite the forecast having been revised downwards, it remains above the forecast of some industry analysts which put the 2010/11 crop below 1.5 MMT.



Lower forecast production in 2010/11 has been driven by downward revisions in forecast planted area and yield. Industry sources advise that extremely dry conditions in the lead-up to planting the 2010/11 crop both constrained area and reduced yield potential. Heavy rainfall in key production areas since planting has improved the production outlook somewhat but, at this stage, not enough to reach previous production expectations.



The forecast for 2010/11 assumes a yield of 2.51 MT per hectare which, despite remaining below the ten-year average of 2.7 MT per hectare, and merely represents a return to more normal yields following record and near record yields of the past two crops. Planted area is forecast at 637,000 hectares, down on the previous forecast and down on the revised estimate for the previous year.



The production figure for 2008/09 has been revised upwards sharply to 3.79 MMT, boosting ending stocks. Despite this increase, post has ending stocks falling in 2009/10 supported by increased exports and high feed consumption.

		d			te			st		
	USDA Offici al	Post Estima te	Post Estima te New	USDA Offici al	Post Estima te	Post Estima te New	USDA Offici al	Post Estima te	Post Estima te New	
Market Year Begin		10/20 07	10/20 07		10/20 08	10/20 08		10/20 09	10/20 09	MM/YY YY
Area Harvested	12,578	12,700	12,578	13,151	13,552	13,151	13,800	13,500	13,788	(1000 HA)
Beginning Stocks	3,953	4,426	3,953	3,651	4,687	3,651	3,144	5,462	3,166	(1000 MT)
Productio n	13,569	13,838	13,569	20,939	21,500	20,938	22,500	23,625	22,500	(1000 MT)
MY Imports	116	110	116	125	75	125	75	65	75	(1000 MT)
TY Imports	112	113	112	107	75	107	75	65	75	(1000 MT)
TY Imp. from U.S.	11	11	11	1	0	1	0	0	0	(1000 MT)
Total Supply	17,638	18,374	17,638	24,715	26,262	24,714	25,719	29,152	25,741	(1000 MT)
MY Exports	7,487	7,487	7,487	14,721	14,000	14,721	15,000	15,500	15,000	(1000 MT)
TY Exports	7,449	7,449	7,449	13,452	13,500	13,452	15,000	14,500	15,000	(1000 MT)
Feed Consumpti on	3,500	3,500	3,500	3,750	3,750	3,727	4,000	4,000	4,000	(1000 MT)
FSI Consumpti on	3,000	2,700	3,000	3,100	3,050	3,100	3,100	3,000	3,100	(1000 MT)
Total Consumpti on	6,500	6,200	6,500	6,850	6,800	6,827	7,100	7,000	7,100	(1000 MT)
Ending Stocks	3,651	4,687	3,651	3,144	5,462	3,166	3,619	6,652	3,641	(1000 MT)
Total Distributio n	17,638	18,374	17,638	24,715	26,262	24,714	25,719	29,152	25,741	(1000 MT)
Yield	1.	1.	1.0788	2.	2.	1.5921	2.	2.	1.6319	(MT/H A)

PSD Table

Barley

	2007	Revised		2008	Estimate		2009	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		11/2007	11/2007		11/2008	11/2008		11/2009	11/2009	MM/YY YY
Area Harvested	4,802	4,932	4,902	4,790	4,500	4,790	4,500	4,469	4,479	(1000 HA)
Beginning Stocks	1,038	1,338	1,038	1,662	1,993	1,662	2,631	2,293	2,352	(1000 MT)
Production	7,160	7,191	7,160	7,669	7,000	7,669	8,300	7,600	8,300	(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	8,198	8,529	8,198	9,331	8,993	9,331	10,931	9,893	10,652	(1000 MT)
MY Exports	3,386	3,386	3,386	3,500	3,500	3,500	3,800	4,000	4,150	(1000 MT)
TY Exports	3,377	3,377	3,377	3,278	3,500	3,278	3,800	4,000	3,800	(1000 MT)
Feed Consumption	2,100	2,200	2,303	2,200	2,200	2,579	3,200	2,300	2,630	(1000 MT)
FSI Consumption	1,050	950	847	1,000	1,000	900	1,050	1,000	950	(1000 MT)
Total Consumption	3,150	3,150	3,150	3,200	3,200	3,479	4,250	3,300	3,580	(1000 MT)
Ending Stocks	1,662	1,993	1,662	2,631	2,293	2,352	2,881	2,593	2,922	(1000 MT)
Total Distribution	8,198	8,529	8,198	9,331	8,993	9,331	10,931	9,893	10,652	(1000 MT)
Yield	1.	1.	1.4606	2.	2.	1.601	2.	2.	1.8531	(MT/HA)

PSD Table

Sorghum

	2007	Revised		2008	Estimate		2009	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		03/2008	03/2008		03/2009	03/2009		03/2010	03/2010	MM/YY YY
Area Harvested	1,029	1,029	942	800	800	754	680	728	637	(1000 HA)
Beginning Stocks	16	16	16	73	133	791	118	178	657	(1000 MT)
Production	3,072	3,072	3,790	2,400	2,400	2,671	2,000	2,150	1,600	(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	3,088	3,088	3,806	2,473	2,533	3,462	2,118	2,328	2,257	(1000 MT)
MY Exports	810	800	810	1,200	750	1,200	1,000	650	1,000	(1000 MT)
TY Exports	340	340	340	1,375	1,050	1,375	1,100	700	1,100	(1000 MT)
Feed Consumption	2,200	2,150	2,200	1,150	1,600	1,600	1,000	1,500	1,000	(1000 MT)
FSI Consumption	5	5	5	5	5	5	5	5	5	(1000 MT)
Total Consumption	2,205	2,155	2,205	1,155	1,605	1,605	1,005	1,505	1,005	(1000 MT)
Ending Stocks	73	133	791	118	178	657	113	173	252	(1000 MT)
Total Distribution	3,088	3,088	3,806	2,473	2,533	3,462	2,118	2,328	2,257	(1000 MT)
Yield	3.	3.	4.0234	3.	3.	3.5424	3.	3.	2.5118	(MT/HA)

PSD Table

Rice, Milled

	2007	Revised		2008	Estimate		2009	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		03/2008	03/2008		03/2009	03/2009		03/2010	03/2010	MM/YY
Area Harvested	2	2	2	8	9	8	20	3	20	(1000 HA)
Beginning Stocks	230	230	230	50	9	52	24	3	26	(1000 MT)
Milled Production	14	16	16	45	47	45	125	55	125	(1000 MT)
Rough Production	20	22	22	63	66	63	175	77	175	(1000 MT)
Milling Rate (.9999)	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	(1000 MT)
MY Imports	188	200	188	250	285	250	215	285	226	(1000 MT)
TY Imports	204	198	204	200	175	200	225	225	225	(1000 MT)
TY Imp. from U.S.	24	24	24	0	0	24	0	0	20	(1000 MT)
Total Supply	432	446	434	345	341	347	364	343	377	(1000 MT)
MY Exports	36	92	36	20	20	20	40	40	40	(1000 MT)
TY Exports	48	100	48	25	40	25	40	50	40	(1000 MT)
Total Consumption	346	345	346	301	318	301	314	300	314	(1000 MT)
Ending Stocks	50	9	52	24	3	26	10	3	23	(1000 MT)
Total Distribution	432	446	434	345	341	347	364	343	377	(1000 MT)
Yield (Rough)	10.	11.	11.	8.	7.	7.875	9.	26.	8.75	(MT/HA)

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AS9037	Dairy and Products Annual 2009	10/20/09
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AS9035	Sugar Semi-Annual 2009	09/30/09
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