

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Australia

### LOCK-UP REPORT

### GRAIN AND FEED LOCK-UP - AUGUST 2009

**Approved By:**

Grant Pettrie, Agricultural Counselor

**Prepared By:**

Mike Darby, Agricultural Specialist

**Report Highlights:**

At the time of writing this report, planting of winter cereal crops in Australia is complete. Widespread soaking rain was received for the month of June and this has boosted early sown winter cereal crops. Area planted to wheat in 2009/10 is forecast by post at 13.5 million hectares, up 605,000 hectares on post's previous figure. Second only to the all time record of 13.55 million hectares achieved in the previous year. Area planted to barley in 2009/10 is forecast at 4.47 million hectares, largely unchanged from post's previous forecast. Area planted to sorghum in 2010/11 is forecast at 0.728 million hectares. Post advises that the estimated area planted to rice for 2009/10 has been revised downwards to 8,400 hectares. The second smallest planted area on record.

**Post:**

Canberra

**Commodities:**

Wheat

Barley

Sorghum

Rice, Milled

## **Author Defined:**

### **General**

Australian winter cereal crops (wheat and barley) are typically planted from April through to June depending on seasonal conditions. Wheat is traditionally planted prior to barley. Both are dry land crops.

At the time of writing this report, planting of winter cereal crops in Australia was complete. Crops planted on early rains are running slightly ahead of schedule while crops planted on later rains are running on time or slightly behind schedule.

At present it is too early to determine the proportion of early sown versus late sown crops. However, sources indicate that the crop is running to schedule and is likely to be in better condition than the majority of winter cereal crops planted since 2002/03 when a long running period of severe drought began.

Australian summer crops (sorghum and rice) typically commence planting in October and November. Summer crops harvested in forecast year 2010/11 are not due to be planted until October and November of 2009. All of Australia's rice crop is grown under irrigation while the majority of the sorghum is grown in dry land conditions.

### **Weather**

Prolonged and severe drought conditions experienced since 2002/03 appear to be breaking down. Widespread soaking rains were received in key cropping areas in April. This has seen some winter cereal crops germinate ahead of schedule. However, May proved to be an exceptionally dry month.

More widespread soaking rain was received for the month of June and this has boosted early sown winter cereal crops and allowed further planting. More importantly, key areas such as Western Australia and southern NSW, which missed much of the April rain, received valuable rainfall. Winter cereal planting in Australia is now complete.

For Australian winter cereal crops (wheat and barley) rainfall in the months of September and October will be the key to maximizing potential yield. Post has assumed average seasonal conditions during this period and would likely revise crop forecasts should severe or extreme weather be experienced during this time.

Recent rainfall has not been sufficient to improve the outlook for summer crops (rice and sorghum). Despite excellent falls of rain in April and June, a very dry month of May prevented soil moisture in eastern Australia from reaching saturation point and little to no runoff was recorded. July was also a dry month although the typically cold conditions prevent moisture stress during this period.

According to an official government report, the Murray-Darling Basin in southeast Australia, which produces all of Australia's rice as well as the overwhelming majority of Australia's sorghum, suffered its ninth consecutive autumn with below-average rainfall. Inflows of water during this period were the second lowest on record. This follows a 2008/09 season which was the third driest year since records began 118 years ago.

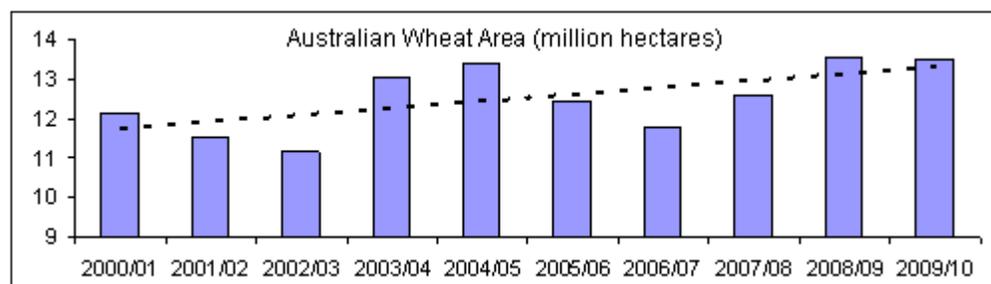
The severity and longevity of the past drought means that many more widespread rainfall events will be required to improve Australia's summer cropping prospects beyond current forecasts. Conversely, winter cereal crops are currently well placed.

## Production

### Wheat

**Area planted** to wheat in 2009/10 is forecast by post at 13.5 million hectares, up 605,000 hectares on post's previous figure and in line with recently revised ABARE area numbers. Early planting rains combined with improved price relativities for wheat (compared with barley) are the primary drivers for the upward revision.

A forecast planted area of 13.5 million hectares in 2009/10, if achieved, would be considered very large and would be second only to the all time record of 13.55 million hectares achieved in the previous year.



Source: ABARE Data (July-June)

Post's area forecast is also supported by recent industry reports which suggest a very large planted area for 2009/10. Some sources suggest planted area could be as high as 14.0 million hectares.

**Yield** for wheat in 2009/10 is assumed to be around 1.75 MT per hectare. If achieved, this would be considered to be slightly above average with historical ABARE data putting the ten-year-average at 1.61 MT (which includes the

extreme low yields of 2002/03, 2006/07 and 2007/08).

**Production** for wheat for 2009/10 is forecast by post at 23.63 MMT, up on post's previous estimate. A significant increase in forecast planted area has pushed production 0.61 MMT higher despite a slight decrease in anticipated yield. Post has adjusted ending stocks to accommodate this increase.

If forecast production is achieved, a crop of this size would represent only the fifth largest crop on record according to ABARE's historical data. However, with such a large planted area, above average conditions during the crucial months of September and October would likely push production beyond that currently forecast by post.

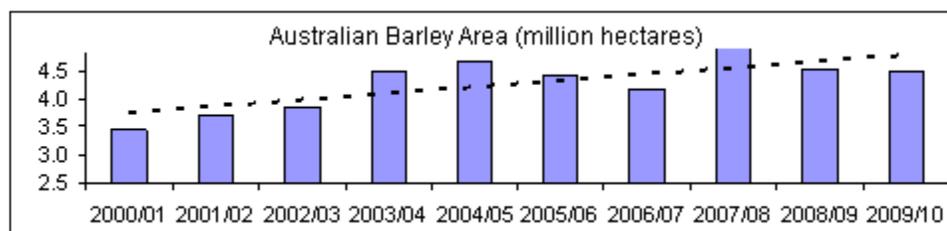
	Area (million hectares)			
<b>Yield</b> (MT/Ha)		<b>13.00</b>	<b>13.50</b>	<b>14.00</b>
	<b>1.65</b>	21.45	22.275	23.1
	<b>1.75</b>	22.75	<b>23.625</b>	24.5
	<b>1.85</b>	24.05	24.975	25.9

Rural media in Australia have recently reported a poorer long-term weather outlook which, if correct, could seriously constrain wheat production. However, post has assumed average weather conditions for the remainder of 2009/10.

## Barley

**Area planted** to barley in 2009/10 is forecast at 4.47 million hectares, largely unchanged from post's previous forecast. Post has received conflicting reports regarding area planted to barley, with ABARE recently revising its planted area upwards slightly to 4.47 million hectares and industry sources believing that actual planted area has not met previous expectations of 4.43 million hectares.

Relatively poor pricing for barley is believed by some sources to have somewhat constrained planted area. Industry sources suggest poorer pricing for exported malting grade barley, together with sharply lower feed grain prices, have combined to reduce barley prices "across the board" (relative to wheat). Post advises however, that 4.69 million hectares would represent only the fourth largest area on record.



Source: ABARE Data (July-June)

To a lesser extent, area planted to barley has not benefited from the "late break" scenario which has boosted barley numbers in previous years. Barley, a shorter season crop, is often boosted when planting rains arrive late and shorten

the planting window for winter cereals. Good soaking rains which arrived in April allowed much wheat to be planted slightly ahead of schedule and reduced the reliance on barley as a second planting option.

**Yield** for barley is assumed by post at 1.7 MT per hectare, almost unchanged from post's previous report. This yield is considered average although post acknowledges a wide range of scope for barley yields. According to historical data, barley yields vary between 0.79 and 2.32 MT per hectare.

**Production** of barley in 2009/10 is forecast at 7.60 MMT, almost unchanged from post's previous forecast. If achieved, this crop would be considered Australia's fourth largest crop. Yield has a broad scope for change going forward and potentially has a large impact on final production numbers.

	<b>Area</b> (million hectares)			
<b>Yield</b> (MT/Ha)		<b>4.20</b>	<b>4.47</b>	<b>4.60</b>
	<b>1.5</b>	6.30	6.65	6.90
	<b>1.7</b>	7.18	<b>7.60</b>	7.87
	<b>1.9</b>	7.98	8.42	8.74

Industry sources suggest that poorer global demand for meat and dairy, and subsequent lower prices are greatly constraining local feed grain demand (particularly barley). Due to a sharp fall in global commodity prices, cattle lot feeders and dairy producers remain under a great deal of price pressure and this is limiting demand for feed grade barley.

**THE GRAINS COUNCIL OF AUSTRALIA** is to come to an end after more than 70 years because it has run out of money. The GCA board has unanimously agreed to commence winding down its activities unless a rescue package is delivered by July 1.

Despite losses of about \$356,000 in the past year and forecasts of a further deficit this year the winding down process would be carried out over four months. GCA has been in poor health for some years, but the Oil for Food scandal and the implications this had for the retention of the single desk was undoubtedly the straw that broke the camel's back.

In early 2007, soon after the release of the Cole Inquiry report into the scandal, WA Farmers Federation, followed by the NSW Farmers Association, resigned their membership over GCA's policy moves away from supporting the single desk and for apparently not listening to members who wanted a single desk kept. The official NSW Farmers line last week, however, said it was because GCA had itself resigned from the National Farmers' Federation. (Source: *The Land* - June 18, 2009)

**THE AUSTRALIAN WHEAT BOARD (AWB)** declared it will not keep any of the \$US98 million funds Iraq owes Australian farmers, who supplied three wheat pools in the late 1980's, if Iraq pays their debt. When Iraq invaded Kuwait in 1990, Iraq's international funds were frozen, so the country could not pay for \$US480 million worth of Australian wheat. While 80 per cent of the debt was claimed on insurance and distributed to growers, 20 per cent was still owed. As part of an agreement with Iraq, the debt should be paid between 2011 and 2028. (Source: *The Weekly Times* - June 19, 2009)

**SALT TOLERANT GM WHEAT, RICE AND BARLEY** is expected to be trialed next year. Purportedly up to 70pc of Australian farmers are affected in some way by excess salinity.

Wheat, Australia's most important crop, reportedly is the most difficult species to develop salt tolerance, due to its complex genetic make-up. The genetic modification allows the plant to keep salt out of the leaves of the plant.

This development will be of particular interest to farmers in the eastern wheat belt of WA and parts of the south-eastern Mallee in Victoria. (Source: *Stock & Land* - July 16, 2009)

**THE FEDERAL GOVERNMENT HAS AGREED TO PROVIDE \$40M TO FUND REFORMS ON AQIS EXPORT CHARGES** and has finalized the new fee structure for export certification which came into effect from July 1. The changes to export certification represent the biggest reforms in this area in a generation and it is hoped a world-class Australian agricultural export sector will be achieved. The reforms include:

- Increasing the use of electronic processing, rather than inefficient paperwork. Under the reforms, more than 89 per cent of the 33,000 clearance certificates to be issued next financial year will be done electronically.
- Removing duplication in auditing and inspection requirements between state, Commonwealth and customers. This will particularly benefit the horticulture, dairy and seafood industries.
- Grains could be cleared for export much earlier in the process. Previously they were cleared at the last minute, which meant exporters had to pay demurrage costs if the loading of a vessel was delayed due to clearance issues. Meat, dairy, grains, fish and live export sectors have supported the revised fees. The government has made it clear that if the opposition parties do not pass the fee increases it will no longer be able to fund the reforms that are supposed to improve the efficiency of quarantine inspections and to cut red tape.

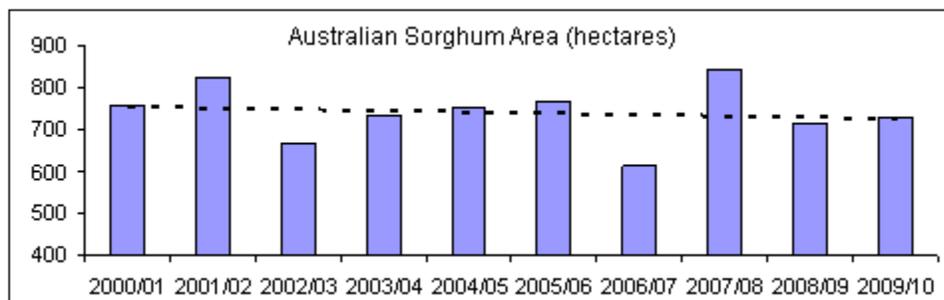
Grain exports are expected to benefit from the changed through faster clearance and lower demurrage. (Source: *The Land* - June 19, 2009)

**AUSTRALIAN FEDERAL MINISTER FOR AGRICULTURE, TONY BURKE, BACKS UP GM TECHNOLOGY** with a ringing endorsement of genetically modified crops at his address at the recent Australian Grains Industry Conference, recognizing the need for the world to double food production over the next 20 years. There was also an assurance to the pro-GM lobby in South Australia, the grain-producing state with the strongest State Government opposition to GM and where a moratorium against GM production is still in place, that he had made his views known to the SA government. It is believed that there is growing grower approval of GM lines with some market resistance. (Source: *Stock & Land* July 30, 2009)

## Sorghum

**Area** planted to sorghum in 2010/11 is forecast at 0.728 million hectares, unchanged from posts previous forecast and in-line with current ABARE figures. Planting is expected to be greatly affected by rainfall events between now and the commencement of planting in October.

Regular rainfall activity and the apparent breaking down of the drought have created a degree of optimism regarding cropping generally. However, post advises that lower feed grain prices, due to improved supply and lower livestock returns (particularly dairy) has inhibited the improved seasonal outlook.

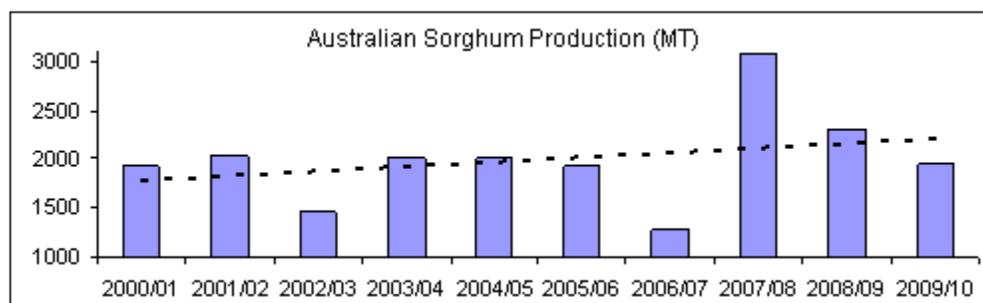


Source: ABARE data (July-June)

**Yield** for the 2010/11 crop is expected to be around 2.95 MT per hectare, unchanged from post's previous report. This figure would be considered slightly higher than the ten-year-average which includes poorer yields due to prolonged and severe drought.

The sorghum yield record stands at 3.64 MT per hectare in 2007/08. By comparison, post's yield forecast of 2.95 MT per hectares remains relatively conservative.

**Production** of sorghum for 2010/11 is forecast at 2.15 MMT, unchanged from posts previous forecast and slightly higher than that forecast by ABARE. If achieved, this would be considered near above average and largely in line an assumed return to more normal weather conditions.



Source: ABARE data (July-June)

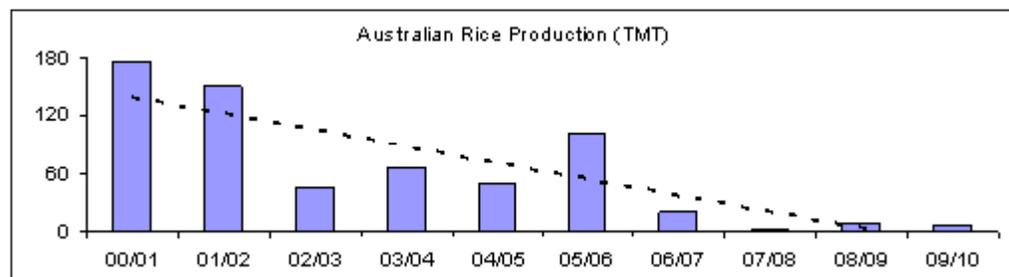
Post notes with interest that ABARE recently revised its sorghum production figure for 2008/09 upwards significantly to 2.3 MMT, slightly under post's figure of 2.4 MMT which remains unchanged.

## Rice

**Area** planted to rice for 2010/11 is forecast at 9,000 hectares, down dramatically on post's previous forecast of 20,000

hectares, and only slightly higher than the revised estimate for the previous year. Near record low reservoir inflows have recently tempered expectations of increased rice plantings. Post acknowledges that this figure would probably increase given above average rainfall prior to planting, however average rainfall will see planted area trimmed to levels forecast by post.

Post advises that the estimated planted area for 2009/10 has been revised downwards to 8,400 hectares in line with recent industry data. This figure is considered very low and according to historical data would be the second smallest planted area on record. Long running and severe drought, which began in 2002/03, has seen a cumulative decline in irrigation water reserves. Despite recent widespread rainfall events, the extent and the severity of the drought conditions will likely require continued rainfall over an extended period in order to see irrigation water reserves return to levels reflective of the long term average.

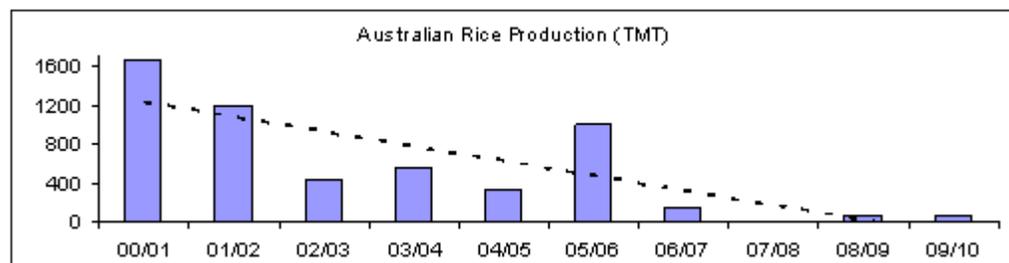


Source: ABARE Data (July-June)

**Yield** for rice in 2010/11 is forecast at 8.6 MT per hectare in line with the historical average and largely in line with industry expectations.

Estimated yield for 2009/10 has been revised downward to 7.86 MT per hectare in line with industry estimates. Extremely hot weather in February is believed responsible for the significant yield decline and has constrained production to levels below previous expectations.

**Production** of rice for 2010/11 is forecast at 77,000 MT, down sharply on post's previous estimate and in line with industry expectations. If achieved, this level would represent the third lowest crop on record, according to historical data.



Source: ABARE data (July-June)

Post believes any shortfall in production will likely see imports boosted to maintain consumption. Post has revised forecast imports upwards to accommodate lower forecast production.

## Statistical Tables

<b>PSD Table</b>										
<b>Wheat</b>										
	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		10/2007	10/2007		10/2008	10/2008		10/2009	10/2009	MM/YYYY
Area Harvested	12,700	12,700	12,700	13,500	12,500	13,552	13,000	12,903	13,500	(1000 HA)
Beginning Stocks	4,426	4,406	4,426	4,687	4,652	4,687	5,462	5,417	5,462	(1000 MT)
Production	13,838	13,838	13,838	21,500	21,500	21,500	23,000	23,015	23,625	(1000 MT)
MY Imports	110	110	110	75	75	75	75	65	65	(1000 MT)
TY Imports	113	113	113	75	75	75	75	65	65	(1000 MT)
TY Imp. from U.S.	11	11	11	0	0	0	0	0	0	(1000 MT)
Total Supply	18,374	18,354	18,374	26,262	26,227	26,262	28,537	28,497	29,152	(1000 MT)
MY Exports	7,487	7,502	7,487	14,000	14,000	14,000	15,500	15,500	15,500	(1000 MT)
TY Exports	7,449	7,449	7,449	13,500	13,500	13,500	14,500	14,500	14,500	(1000 MT)
Feed Consumption	3,500	3,500	3,500	3,750	3,760	3,750	4,000	4,000	4,000	(1000 MT)
FSI Consumption	2,700	2,700	2,700	3,050	3,050	3,050	3,050	3,000	3,000	(1000 MT)
Total Consumption	6,200	6,200	6,200	6,800	6,810	6,800	7,050	7,000	7,000	(1000 MT)
Ending Stocks	4,687	4,652	4,687	5,462	5,417	5,462	5,987	5,997	6,652	(1000 MT)
Total Distribution	18,374	18,354	18,374	26,262	26,227	26,262	28,537	28,497	29,152	(1000 MT)
Yield	1.	1.	1.0896	2.	2.	1.5865	2.	2.	1.75	(MT/HA)

<b>PSD Table</b>										
<b>Barley</b>										
	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/YYYY
Area Harvested	4,932	4,932	4,932	4,500	4,500	4,500	4,400	4,433	4,469	(1000 HA)
Beginning Stocks	1,338	1,338	1,338	1,993	1,993	1,993	2,293	1,927	2,293	(1000 MT)
Production	7,191	7,191	7,191	7,000	7,000	7,000	7,500	7,580	7,600	(1000 MT)
MY Imports	0	0		0	0		0	0		(1000 MT)
TY Imports	0	0		0	0		0	0		(1000 MT)
TY Imp. from U.S.	0	0		0	0		0	0		(1000 MT)
Total Supply	8,529	8,529	8,529	8,993	8,993	8,993	9,793	9,507	9,893	(1000 MT)
MY Exports	3,386	3,386	3,386	3,500	3,874	3,500	4,000	4,350	4,000	(1000 MT)
TY Exports	3,377	3,377	3,377	3,500	3,500	3,500	4,000	4,000	4,000	(1000 MT)

<b>Feed Consumption</b>	2,200	2,200	2,200	2,200	2,192	2,200	2,300	2,300	2,300	(1000 MT)
<b>FSI Consumption</b>	950	950	950	1,000	1,000	1,000	1,000	1,000	1,000	(1000 MT)
<b>Total Consumption</b>	3,150	3,150	3,150	3,200	3,192	3,200	3,300	3,300	3,300	(1000 MT)
<b>Ending Stocks</b>	1,993	1,993	1,993	2,293	1,927	2,293	2,493	1,857	2,593	(1000 MT)
<b>Total Distribution</b>	8,529	8,529	8,529	8,993	8,993	8,993	9,793	9,507	9,893	(1000 MT)
<b>Yield</b>	1.	1.	1.458	2.	2.	1.5556	2.	2.	1.7006	(MT/HA)

<b>PSD Table</b>										
<b>Sorghum</b>										
	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	
<b>Market Year Begin</b>		03/2008	03/2008		03/2009	03/2009		03/2010	03/2010	MM/YYYY
<b>Area Harvested</b>	1,029	1,029	1,029	800	800	800	750	728	728	(1000 HA)
<b>Beginning Stocks</b>	16	16	16	133	202	133	178	509	178	(1000 MT)
<b>Production</b>	3,072	3,072	3,072	2,400	2,400	2,400	2,250	2,150	2,150	(1000 MT)
<b>MY Imports</b>	0	0		0	0		0	0		(1000 MT)
<b>TY Imports</b>	0	0		0	0		0	0		(1000 MT)
<b>TY Imp. from U.S.</b>	0	0		0	0		0	0		(1000 MT)
<b>Total Supply</b>	3,088	3,088	3,088	2,533	2,602	2,533	2,428	2,659	2,328	(1000 MT)
<b>MY Exports</b>	800	750	800	750	600	750	750	650	650	(1000 MT)
<b>TY Exports</b>	340	335	340	1,050	800	1,050	800	700	700	(1000 MT)
<b>Feed Consumption</b>	2,150	2,131	2,150	1,600	1,488	1,600	1,500	1,750	1,500	(1000 MT)
<b>FSI Consumption</b>	5	5	5	5	5	5	5	5	5	(1000 MT)
<b>Total Consumption</b>	2,155	2,136	2,155	1,605	1,493	1,605	1,505	1,755	1,505	(1000 MT)
<b>Ending Stocks</b>	133	202	133	178	509	178	173	254	173	(1000 MT)
<b>Total Distribution</b>	3,088	3,088	3,088	2,533	2,602	2,533	2,428	2,659	2,328	(1000 MT)
<b>Yield</b>	3.	3.	2.9854	3.	3.	3.	3.	3.	2.9533	(MT/HA)

<b>PSD Table</b>										
<b>Rice, Milled</b>										
	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	
<b>Market Year Begin</b>		03/2008	03/2008		03/2009	03/2009		03/2010	03/2010	MM/YYYY
<b>Area Harvested</b>	2	3	2	9	9	8	20	20	9	(1000 HA)
<b>Beginning Stocks</b>	230	230	230	11	9	9	24	10	24	(1000 MT)
<b>Milled Production</b>	19	16	16	66	56	47	114	114	55	(1000 MT)
<b>Rough Production</b>	27	22	23	92	78	66	159	159	77	(1000 MT)
<b>Milling Rate (.9999)</b>	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	7,150	(1000 MT)
<b>MY Imports</b>	200	200	200	285	285	285	226	226	285	(1000 MT)
<b>TY Imports</b>	198	198	198	175	175	175	200	200	225	(1000 MT)
<b>TY Imp. from U.S.</b>	24	24	24	0	0	0	0	0	0	(1000 MT)
<b>Total Supply</b>	449	446	446	362	350	362	364	350	364	(1000 MT)
<b>MY Exports</b>	92	92	92	20	20	20	40	40	40	(1000 MT)
<b>TY Exports</b>	100	100	100	40	40	40	50	50	50	(1000 MT)

Total Consumption	346	345	345	318	320	318	314	300	314	(1000 MT)
Ending Stocks	11	9	9	24	10	24	10	10	10	(1000 MT)
Total Distribution	449	446	446	362	350	362	364	350	364	(1000 MT)
Yield (Rough)	14.	7.	11.5	10.	9.	8.25	8.	8.	8.5556	(MT/HA)

### 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
AS9028	FAIRS Country Report	07/27/09
AS9027	Agricultural Biotechnology Report	06/14/09
AS9025	Australia Gains Improved Access for Citrus & Mangos to China	06/17/09
AS9024	Global Biosecurity Conference to be held in Australia: Call for Abstracts	06/11/09
AS9020	Dairy & Products Semi-Annual	05/15/09
AS9018	Cotton Annual	04/28/09
AS9016	Sugar Annual	04/02/09
AS9015	Grain and Feed Annual 2009	03/20/09
AS9014	Stone Fruit Annual 2009	03/13/09
AS9012	Agricultural Economy and Policy Report	03/12/09
AS9010	Livestock Semi-Annual	03/06/09
AS9009	Government Announces A\$32m Research into Soil Carbon & Emissions	03/06/09
AS9008	Wine Annual 2009	03/05/09
AS9007	New Import Conditions for Chicken Meat Finalized	03/05/09
AS9006	Cotton Quarterly Update – March	02/20/09
AS9005	Agricultural situation 2009	02/11/09
AS9004	Govt. announces A\$9 million boost to wood export industries	01/29/09
AS9003	February Grain Lockup	01/29/09
AS9002	New Support for Wheat Exporters to Develop Markets Announced	01/27/09
AS9001	Australian Government Announces Food Production Grants Programs	01/23/09