



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Voluntary Report - public distribution

Date: 9/30/2003

GAIN Report Number: AS3034

Australia

Grain and Feed

Grain Update - October Lockup

2003

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Report Highlights:

Australia's 2003/04 wheat production is forecast at 22.8 MMT, unchanged from the previous figure. Industry and government forecasters are optimistic about the size of the crop, with some expecting a record or near-record output. The upbeat sentiment is being tempered somewhat by the lingering influences of the now dissipating drought and dry, hot and windy weather in September in some eastern producing areas. The boost in water supplies in southern New South Wales has improved the outlook for the upcoming rice crop.

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

WHEAT SITUATION AND OUTLOOK

Production

Australia's wheat production in 2003/04 is forecast at 22.8 million metric tons (MMT), unchanged from Post's previous forecast (see GAIN report #AS3027, 9/02/03), but sharply higher than the drought-reduced 2002/03 harvest. Industry and government sources are expressing considerable optimism regarding the size of the 2003/04 crop, with some expecting a record or near-record outturn. (The record Australian wheat crops are the 24.76 MMT produced in 1999/2000 and the 24.85 MMT in 2001/02.) However, the upbeat sentiment is being tempered somewhat by the lingering negative influence of the dissipating drought and by some adverse weather events in eastern Australia. The outcome of the 2003/04 wheat crop is still critically dependent on weather through the harvest. Australia's wheat harvest is finishing in some areas of central Queensland and will continue in more southern areas and Western Australia from October through to early January.

Precipitation during the month of September (through September 29) has been largely beneficial for maturing wheat across much of Western Australia, while major wheat producing areas in eastern Australia mostly received below normal precipitation during the month. This follows an average to well above average rainfall pattern in July and August across most producing areas that greatly enhanced the outlook for the crop. The recent rainfall patterns have gone a considerable way toward reversing the severe drought that ravaged the country from late 2001 into the early part of 2003.

Reflecting favorable weather and above average precipitation, Western Australia is forecast to harvest a 9.0 MMT wheat crop in 2003/04, virtually matching the record crop of slightly more than 9.0 MMT harvested in 1999/2000. Although there are reports of scattered problems with dryness and disease and insect outbreaks, the State's wheat crop is considered to be in excellent overall condition. The crop in Western Australia is still susceptible to frost damage, but the peak period for potential damaging cold weather events begins to close by early October. Some forecasters are projecting that the 2003/04 wheat harvest will be significantly higher than the previous record crop, with a continuation of favorable weather through to the harvest.

Prospects for the 2003/04 harvest, however, are still being tempered by the extremely dry conditions that characterized the planting season in parts of Australia. A significant percentage of the 2003/04 wheat crop was sown in extremely poor soil moisture conditions, particularly in drought-hit areas of eastern Australia. Dry soils at planting negatively impacted germination and early establishment of the crop, leaving plantings more vulnerable to plant diseases and weather anomalies. In addition, the earlier dry conditions resulted in significant wheat plantings beyond the most favorable planting window. These later planted crops will reach the critical flowering and grain-filling stage when there is a higher probability of yield-reducing hot temperatures.

There have been some negative weather events during September in western wheat growing areas of New South Wales (NSW) -- NSW traditionally vies with Western Australia as Australia's leading wheat producing state. Below normal September rainfall combined with unseasonably high temperatures and extremely high winds in late September have, according to reports, stressed crops and reduced yield prospects across the western part of the State. There are also scattered reports of stripe rust in southern NSW and in parts of Victoria and South Australia that is also trimming yield prospects.

A recent NSW Agriculture's Grains Report provides some evidence of the lingering impact of dry conditions in the State. The NSW Agriculture Department now reports that wheat area

and production in the State are expected to be well below previous expectations, and sharply lower than recent figures from the Australian Bureau of Agriculture and Resource Economics (ABARE). According to NSW Agriculture, the State's wheat area is estimated at 2.59 million hectares, well down on their July figure of 3.02 million and sharply lower than the 3.4 million hectares contained in the September ABARE Crop Report. Largely based on this lower area figure, NSW Agriculture is projecting the State's wheat crop at 5.76 MMT, well under the 7.17 MMT in the September ABARE Crop Report.

Stocks

The drought-reduced 2002/03 wheat crop and fairly robust exports during the marketing year is expected to result in a very low carryout. Recent reports have AWB Ltd. controlling about 1.5 MMT of old-crop wheat, which is mostly located in Western Australia. Reportedly, AWB Ltd. expects to have about 500,000 MT of old-crop wheat in storage when new crop wheat becomes available. AWB Ltd. accumulated only a small quantity of wheat in the eastern states last harvest, counting on Western Australia and South Australia for the bulk of their supplies.

The potentially large size of the grain crops in Western Australia is provoking some concern about storage at harvest. Emergency preparations are underway to ensure adequate storage for the expected bumper crop.

Trade

Exports: Australia's 2003/04 marketing year (Oct-Sep) exports are forecast at 15.5 MMT, reflecting the significant improvement in forecast production. Based on partial year actual export data through August, MY 2002/03 wheat exports are projected at 9.0 MMT, reflecting the sharply lower harvest and, thus, the greatly reduced availability of wheat for export.

According to AWB Limited, bulk wheat exports in 2002/03 (July-June) totaled 10.6 MMT, down from the nearly 16.0 MMT exported in 2001/02. An additional quantity of wheat was exported in bags and containers; these exports in 2002/03 are estimated at about 250,000 MT.

Australia: Bulk Wheat Exports, 2001/02 & 2002/03 (July-June) (thousand metric tons)

Country	2001/02	2002/03
Indonesia	2,025	1,576
Japan	1,144	1,096
Iraq	2,180	1,072
Iran	2,412	1,064
Korea	909	1,002
Sudan	442	452
Yemen	416	446
Malaysia	675	448
Others	5,786	3,477
TOTAL	15,989	10,633

Source: AWB Limited.

AWB Ltd. has recently announced their intention to work on further developing export markets in Asia. According to AWB Ltd, they plan to have markets in this region accounting for 60 percent of total wheat exports in 2007/08, up from about 30-40 percent currently.

This re-targeting of export markets is partly due to the aggressive selling of the non-traditional exporters from Eastern Europe and the former Soviet Union, and to take advantage of Australia's freight advantages.

Imports: Australia imported 299,064 MT of wheat during the first half of calendar year 2003, in reaction to tight grain supplies and high feed grain prices. These were the first major feed grain imports into Australia since about 0.5 MMT of grain was imported in 1994/95 as a result of the 1994 drought. Virtually all the imports consisted of feed wheat from the United Kingdom. According to official ABS (Australian Bureau of Statistics) figures, the imported wheat was valued at A\$51.5 million. The only other significant feed grain imported by Australia in 2002/03 was 48,269 MT of U.S. corn that arrived in early 2003.

With the expected rebound in 2003/04 grain production, no significant feed grain imports (including wheat) are forecast for 2003/04.

RICE SITUATION AND OUTLOOK

Heavy rainfalls in June-August in southern NSW have helped to improve the soil moisture and irrigation water situation for dryland and irrigated areas in this part of the State, and have improved the outlook for Australia's upcoming rice crop. Murrumbidgee and Murray Valley (the two major rice growing regions) irrigators are now expecting sharply higher than previously expected entitlements in the run-up to the November start of sowing. Sunrice (the trading and value-adding part of the Rice Marketing Board) is now forecasting rice production in the State at 750,000 to 900,000 MT (rough basis). Virtually all of Australia's rice crop is grown in NSW.

Post forecasts the 2004/05 Australian rice crop at 1.1 MMT (rough basis), unchanged from the forecast provided in the Annual Grain and Feed Report (#AS3006, 3/10/03), and sharply higher than the 400,000 MT estimated for 2003/04. In their September Crop Report, ABARE projects the upcoming rice crop at 440,000 MT from 45,000 hectares.

Clearly, there is a divergent view on the potential size of the upcoming rice crop. The recent improvement in irrigation water supplies is enhancing rice production prospects for what was shaping up to be a very poor rice season. The outlook for the crop now depends critically on rainfall and irrigation water availabilities leading up to the November planting period.

RECENT POST REPORTING ON GRAIN

ABARE September Crop Report, AS3029, 9/09/03
Grain Update – September Lockup, AS3027, 9/02/03
Grain Update – August Lockup, AS3024, 8/01/03
Grain Update – July Lockup, AS3020, 7/02/03

Australia Wheat							
	2001	Revised	2002	Estimate	2003	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2001		10/2002		10/2003	MM/YYYY
Area Harvested	11592	11597	10831	11031	12000	12000	(1000 HA)
Beginning Stocks	4537	4308	7630	7431	2265	1630	(1000 MT)
Production	24854	24854	9385	10000	24000	22800	(1000 MT)
TOTAL Mkt. Yr. Imports	75	0	500	299	10	0	(1000 MT)
Jul-Jun Imports	75	0	350	299	150	0	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	29466	29162	17515	17730	26275	24430	(1000 MT)
TOTAL Mkt. Yr. Exports	16409	16304	8500	9000	17500	15500	(1000 MT)
Jul-Jun Exports	16494	16406	11000	10850	15000	13500	(1000 MT)
Feed Dom. Consumption	2700	2700	4025	4300	3500	3200	(1000 MT)
TOTAL Dom. Consumption	5427	5427	6750	7100	6200	6055	(1000 MT)
Ending Stocks	7630	7431	2265	1630	2575	2875	(1000 MT)
TOTAL DISTRIBUTION	29466	29162	17515	17730	26275	24430	(1000 MT)