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Grain and Feed

Grain Update - March Lockup

2004

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Report Highlights:

Australia is estimated to have harvested a record winter crop in 2003/04, more than double the size of the drought-reduced 2002/03 harvest. Wheat and barley crops in 2003/04 are estimated at a record levels. The production outlook is largely mixed for Australia's current summer cropping cycle, with forecasts showing an improvement in sorghum production and a further reduced rice crop.

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GRAIN UPDATE**Overview**

Australia is estimated to have harvested a record winter crop in 2003/04, more than double the size of the drought-reduced 2002/03 harvest. Wheat and barley production in 2003/04 are both estimated at record levels, due largely to very favorable growing conditions in Western Australia, South Australia and Victoria. Unfavorable weather and lingering drought negatively impacted winter crops in New South Wales. Australia's primary winter crops are wheat, barley, oats, canola and pulses.

The production outlook is largely mixed for Australia's current summer cropping cycle, with output projected to be sharply higher than last year, but well below average. Lingering shortages of irrigation water sharply curtailed plantings of irrigated rice and cotton. Recently, generally favorable precipitation in northern New South Wales and in Queensland has boosted crop prospects, particularly for dryland cotton and sorghum. Rice and cotton production is expected to be sharply below average, while sorghum production is projected to return to a more average level. Cotton, rice and sorghum are the principal summer crops, with lesser quantities of corn, soybeans and sunflower also grown.

Production: Winter/Summer Crops, 1995/96-2003/04

(million metric tons)

Year	Winter	Summer
1995/96	27.79	3.98
1996/97	35.85	4.37
1997/98	31.12	3.84
1998/99	34.74	5.07
1999/00	36.94	5.01
2000/01	34.70	5.27
2001/02	39.27	5.03
2002/03	17.03	2.91
2003/04 (p)	39.39	3.83

Source: ABARE.

Winter includes: wheat, barley, oats, canola, pulses.

Summer includes: sorghum, rice, cottonseed, corn, sunflower.

The record winter and larger summer-grown crop will allow a sharp rebound in grain exports. However, Australia's grain export returns are being dampened by the sharply higher value of the Australian dollar, which is mostly offsetting the impact of relatively high international grain prices. Currently, the Australian dollar is valued at about US\$0.80, versus an average of US\$0.652 in 2003, US\$0.544 in 2002, and US\$0.518 in 2001. International freight rates for grain from Australia have also increased, but so have similar rates of Australia's major competitors. Indeed, Australia has a freight rate advantage over most competitors in major Asian markets.

WHEAT UPDATE**Production**

Australia's 2003/04 wheat production is estimated at a record 25 million metric tons (MMT), up 1.5 MMT from the previous forecast and about 2 ½ times the size of the drought-reduced 2002/03 harvest of 10.1 MMT. The previous record national wheat crop was 24.76 MMT in

1999/2000. The record 2003/04 harvest was driven by higher than average estimated area (12.4 million hectares) and near-record yields (2.02 MT/hectare). Record wheat area was established in 1983/84 at 12.93 million hectares, while the record yield was set in 1996/97 at 2.09 MT/hectare.

Record estimated wheat area and yield in Western Australia, and large harvests in Victoria and South Australia, were the major contributors to the record national crop. The 2003/04 wheat crop in Western Australia is estimated at 10.65 MMT, far in excess of the prior state record of about 9.0 MMT in 1999/2000. The large harvests in Western Australia, South Australia and Victoria more than compensated for a weather-reduced crop in New South Wales.

The 25 MMT wheat production figure for 2003/04 is in-line with recent estimates from the Australian Bureau of Agriculture and Resource Economics (ABARE), who, in their February 2004 Crop Report, estimate the crop at 24.9 MMT. AWB Ltd., Australia's monopoly wheat exporter, estimates the 2003/04 wheat crop at about 25 MMT, up from their estimate of 9.7 MMT for the 2002/03 crop. Further, AWB Ltd. reports that receivals into the 2003/04 AWB National Pool were expected to be about 19 MMT.

Estimated area in 2003/04 and has been revised to 12.4 million hectares to reflect ABARE's most recent estimate (February 2004). Wheat production estimates for 2001/02 and 2002/03 were also revised to reflect the most recent figures from the Australian Bureau of Statistics (ABS). Post normally uses the ABS estimates when available. Accordingly, wheat production in 2001/02 is now estimated at 24.299 MMT and 10.059 MMT in 2002/03.

Wheat Production Statistics, 1995/96-2003/04

Year	Area	Yield	Production
	THa	MT/Ha	MMT
1995/96	9.22	1.79	16.50
1996/97	11.27	2.10	23.70
1997/98	10.44	1.84	19.22
1998/99	11.54	1.86	21.46
1999/00	12.17	2.03	24.76
2000/01	12.14	1.83	22.11
2001/02	11.53	2.11	24.30
2002/03	11.04	0.91	10.06
2003/04	12.40	2.02	25.00

Source: FAS/Canberra and ABS estimates

Trade

The larger wheat harvest will allow Australia to more aggressively export wheat in the remainder of the 2003/04 marketing year (Oct-Sep), particularly since the bulk of the wheat grown in Western Australia is typically destined for export markets. MY 2003/04 wheat exports are projected at 17.2 MMT, up 1.0 MMT from previous forecast and up sharply from the estimate of 9.1 MMT for 2002/03. Wheat exports in MY 2002/03 were revised upward by 100,000 MT, reflecting more complete export data.

Of late, Australia has made some key wheat sales to Pakistan and China, the first such sales in a number of years. Pakistan, after ceasing wheat imports for several years, is recently reported to have purchased 150,000 MT of Australian wheat at a price of \$224/MT C&F. This wheat was being offloaded in Pakistan in late February 2004. Pakistan, imported more than 1 MMT of Australian wheat as recently as 2000. Additionally, as previously noted, in

December 2003, AWB Ltd. signed a one million metric ton milling wheat contract with the China National Cereals, Oils and Foodstuffs Import and Export Corporation (COFCO), the sole buying agent for China. This transaction, which was reported in December 2003, was the first significant sale made by AWB Ltd. to China since 1996.

AWB Ltd. has also reported successes in some other key markets. For Iraq, AWB Ltd. targets 2004 wheat sales at 1.0 MMT, with about 600,000 MT comprising earlier sales under existing contracts for the first half of 2004, and the remaining 400,000 MT consisting of new sales for delivery during the second half of 2004. Australia has also managed some key wheat sales to Egypt, the most recent of which involved a 300,000 MT sale in the later part of February 2004.

Pakistani sources indicate that two of Australia's recent shipments of wheat were rejected because they were believed to be contaminated with karnal bunt, which reportedly is not known to occur in Australia. The wheat is reported to have been loaded under the supervision of the Australian Quarantine and Inspection Service. AWB Ltd. and Australian Government officials are reported to be traveling to Pakistan to discuss the issue.

Distribution

Feed Consumption

Revisions have also been made in wheat feed consumption estimates, in large part so Post's estimates fall more in-line with Australian government statistics. Post considers, however, that official statistics may underestimate the quantity of wheat used for feed. In addition, the 299,000 MT of wheat imported in 2002/03 (which was feed-quality) is not incorporated into Australian government (ABARE) calculations of feed use.

Stocks

Ending-year 2003/04 wheat stocks are projected to be significantly higher than in 2002/03, but still below what would be considered as an average level. ABARE, in their February 2004 Crop Report, shows a much more dramatic swing in wheat stocks over the 2001/02 – 2003/04 period, with MY 2002/03 ending stocks falling by 4.5 MMT and then rising by 4.8 MMT in MY 2003/04. ABARE does not report up-to-date stock levels, but, rather, the quantity that stocks change year-to-year.

BARLEY UPDATE

Production

Like wheat, Australia's barley production in 2003/04 is estimated at a record level -- the 2003/04 crop is estimated at 8.5 MMT, sharply higher than the upwardly revised estimate of 3.7 MMT for the drought-reduced 2002/03 harvest. The record 2003/04 barley harvest is attributed to record area and yield in Western Australia, and above-average harvests in Victoria and South Australia. Barley yields in New South Wales, although sharply higher than last year, are estimated at below average levels. The previous record barley crop was 8.42 MMT in 2001/02. Post's production estimates for 2002/03 and 2003/04 are in-line with recently released figures contained in ABARE's February 2004 Crop Report.

Barley Production Statistics, 1995/96-2003/04

Year	Area	Yield	Production
	Tha	MT/Ha	MMT
1995/96	3.11	1.87	5.82
1996/97	3.37	1.99	6.69
1997/98	3.52	1.84	6.48
1998/99	3.17	1.89	5.99
1999/00	2.60	1.94	5.03
2000/01	3.45	1.95	6.74
2001/02	3.71	2.23	8.28
2002/03	3.77	0.98	3.71
2003/04	3.80	2.24	8.50

Source: FAS/Canberra and ABS estimates.

Distribution

The higher level of production will provide increased quantities of barley available for export. MY 2003/04 (Nov-Oct) barley exports are projected at 4.6 MMT, up from the revised estimate of 2.0 MMT in 2002/03. ABARE projects barley exports at 4.55 MMT in 2003/04, comprising 2.83 MMT of feed barley and 1.72 MMT of malting barley. ABARE also forecasts malt exports of 674,000 MT (in grain equivalent) in MY 2003/04. (Post includes malt export figures in total domestic consumption, which also includes feed, domestic malt use, other human use, and seed.)

According to the most recent ABS statistics, in MY 2002/03, Australia's barley exports totaled 1,984,000 MT. Of this quantity, an estimated 1,099,000 MT consisted of malting barley and 885,000 MT of feed barley. Australia also exported an estimated 624,000 MT of malt (in grain equivalent) in 2002/03.

Post's estimates of domestic barley feed use have been revised to more closely reflect figures from ABARE. ABARE estimates barley feed use at 2.2 MMT in 2001/02, 1.6 MMT in 2002/03, and 2.1 MMT in 2003/04.

SORGHUM UPDATE**Production**

Australia's 2004 (marketing year 2004/05 – Mar-Feb) sorghum crop is projected at 2.3 MMT, up from Post's previous projection of 2.05 MMT (see GAIN #AS3006, 3/10/03), and sharply higher than the revised estimate of 1.5 MMT for the drought-reduced 2003 crop. The 2004 sorghum crop benefited from favorable rains in October 2003, although hot, dry weather in December negatively affected establishment and early development of the crop. Heavy rains in January and into February 2004 favorably impacted sorghum in major producing areas of New South Wales and Queensland, particularly the later-planted portion of the crop. These heavy rains and the associated increases in soil moisture levels also allowed significant late planting of sorghum, which extended into mid-February. Harvesting has begun for some of the early-planted fields.

ABARE, in their February 2004 Crop Report, projects the 2004 sorghum crop at 2.11 MMT, up from the 1.54 MMT harvested the previous year. According to ABARE, sorghum area in 2004 is projected at 730,000 hectares, 190,000 hectares in New South Wales and 540,000 hectares in Queensland.

Distribution

Sorghum exports in MY 2004/05 are projected to rise sharply from the drought-reduced levels registered in 2003/04. Avian influenza outbreaks in the region could have a dampening effect on regional demand for feed grains like sorghum.

RICE UPDATE

Rough rice production in 2004 (MY 2004/05 – Mar-Feb) is projected at 700,000 MT, down from Post's previous forecast of 900,000 MT, but still significantly higher than the year-earlier harvest of 390,000 MT (see Report #AS3044, 11/03/03). Rice area in 2004 is projected at 70,000 hectares, down from the previous forecast of 100,000 hectares. Restricted supplies of irrigation water trimmed rice area to a level substantially less than that registered in the late 1990's and early 2000's.

ABARE, in their February 2004 Crop Report, projects Australia's 2004 rough rice crop at 600,000 MT, from an area of 65,000 hectares. According to ABARE, the season started poorly, with low October 2003 temperatures causing poor crop establishment and some replanting. More recently, above average temperatures in November through January 2004 improved yield prospects.

RECENT POST REPORTS REGARDING GRAIN

Grain Update, January 2004 Lockup, AS3051, AS3051
Grain Update, December Lockup, AS3049, 11/25/03
Partial Deregulation of Barley Exports in WA, AS3047, 11/19/03
Wheat and Rice Update, November Lockup, AS3044, 11/03/03
Grain and Feed Annual, AS3006, 03/10/03

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	11529	11045	11045	12500	12400	(1000 HA)
Beginning Stocks	4537	4308	7630	6803	2724	1661	(1000 MT)
Production	24854	24299	10058	10059	24500	25000	(1000 MT)
TOTAL Mkt. Yr. Imports	75	0	286	299	10	0	(1000 MT)
Jul-Jun Imports	75	0	284	299	50	0	(1000 MT)
Jul-Jun Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	29466	28607	17974	17161	27234	26661	(1000 MT)
TOTAL Mkt. Yr. Exports	16409	16304	9146	9100	17500	17200	(1000 MT)
Jul-Jun Exports	16494	16406	10946	10850	14000	14700	(1000 MT)
Feed Dom. Consumption	2700	2700	3379	3600	3500	3000	(1000 MT)
TOTAL Dom. Consumption	5427	5500	6104	6400	6200	5800	(1000 MT)
Ending Stocks	7630	6803	2724	1661	3534	3661	(1000 MT)
TOTAL DISTRIBUTION	29466	28607	17974	17161	27234	26661	(1000 MT)

Australia Barley							
	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		11/2001		11/2002		11/2003	MM/YYYY
Area Harvested	3724	3707	3772	3772	4000	3800	(1000 HA)
Beginning Stocks	983	775	1906	1557	719	721	(1000 MT)
Production	8423	8280	3713	3713	8000	8500	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	35	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	34	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	9406	9055	5619	5305	8719	9221	(1000 MT)
TOTAL Mkt. Yr. Exports	4300	4398	2100	1984	4300	4600	(1000 MT)
Oct-Sep Exports	4150	4300	2200	2159	4300	4500	(1000 MT)
Feed Dom. Consumption	2200	2200	1800	1600	2200	2200	(1000 MT)
TOTAL Dom. Consumption	3200	3100	2800	2600	3200	3000	(1000 MT)
Ending Stocks	1906	1557	719	721	1219	1621	(1000 MT)
TOTAL DISTRIBUTION	9406	9055	5619	5305	8719	9221	(1000 MT)

Australia Sorghum							
	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		03/2002		03/2003		03/2004	MM/YYYY
Area Harvested	852	823	673	673	800	835	(1000 HA)
Beginning Stocks	108	100	191	92	127	67	(1000 MT)
Production	2123	2021	1541	1541	2100	2300	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2231	2121	1732	1633	2227	2367	(1000 MT)
TOTAL Mkt. Yr. Exports	385	375	50	87	400	500	(1000 MT)
Oct-Sep Exports	515	400	45	50	200	475	(1000 MT)
Feed Dom. Consumption	1650	1650	1550	1475	1650	1700	(1000 MT)
TOTAL Dom. Consumption	1655	1654	1555	1479	1655	1704	(1000 MT)
Ending Stocks	191	92	127	67	172	163	(1000 MT)
TOTAL DISTRIBUTION	2231	2121	1732	1633	2227	2367	(1000 MT)

Australia Rice, Milled							
	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		03/2002		03/2003		03/2004	MM/YYYY
Area Harvested	147	147	38	38	80	70	(1000 HA)
Beginning Stocks	435	429	627	720	401	479	(1000 MT)
Milled Production	888	888	279	279	515	500	(1000 MT)
Rough Production	1242	1242	390	390	720	699	(1000 MT)
MILLING RATE (.9999)	7150	7150	7150	7150	7150	7150	(1000 MT)
TOTAL Imports	57	64	50	70	60	70	(1000 MT)
Jan-Dec Imports	57	62	50	70	60	70	(1000 MT)
Jan-Dec Import U.S.	1	1	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1380	1381	956	1069	976	1049	(1000 MT)
TOTAL Exports	375	281	175	210	325	330	(1000 MT)
Jan-Dec Exports	360	378	150	150	300	280	(1000 MT)
TOTAL Dom. Consumption	378	380	380	380	380	380	(1000 MT)
Ending Stocks	627	720	401	479	271	339	(1000 MT)
TOTAL DISTRIBUTION	1380	1381	956	1069	976	1049	(1000 MT)