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## Australia

### Grain and Feed

### Grain Quarterly Update

### 2005

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**Report Highlights:**

Significant changes in the weather patterns and associated late, soaking rains have avoided near disaster for Australian winter grain production in the eastern part of the country. Wheat production in 2005/06 is forecast at 21.5 MMT, down 1.5 MMT from Post's previous forecast, and barley production is forecast at 6.9 MMT, down 0.4 MMT. These declines reflect the earlier dryness and the late start to the winter season in eastern Australia. Western Australia, which typically grows nearly 40 percent of Australia's wheat, is having a great start to the season and is expected to produce a bumper winter grain crop.

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

**SECTION ONE: SITUATION AND OUTLOOK****General – Winter Cropping Season**

Significant changes in the weather patterns and associated late, soaking rains have avoided a near disaster for Australian winter grain production in the eastern part of the country (including South Australia). Since Post's last report (GAIN Report #AS5016, dated 5/24/05), widespread and well above normal rainfall has been registered across most of the eastern part of the country. This change went a long way toward reversing the very dry conditions that had seriously threatened the overall success of the winter cropping season in the region. With a continuation of more normal weather in the east, a near-average 2005/06 winter grain crop is expected. Western Australia was not plagued by this earlier dryness and, in sharp contrast, has received above normal, near-optimal seasonal rainfall. As a result, a bumper winter grain crop is expected in the state.

Optimum planting conditions for winter grain normally requires rainfall prior to the end of April. This year, however, March, April and May were the driest three months on record for many winter grain producing areas in eastern Australia. In the most extreme cases, some major grain producing areas in the east recorded no rainfall during this critical period. The window for planting winter grains in Australia is considered to close in most areas toward the end of June.

Heavy, favorable rains began falling in eastern Australia around the 10<sup>th</sup> of June, providing what many industry sources believe to be perhaps the latest possible reprieve from the previous dry conditions. In contrast, Western Australia, which typically grows nearly 40 percent of Australia's wheat, received rainfall much earlier and allowed for most planting to occur in near-optimum conditions.

Since the rains began in the east, key winter grain producing areas have received significant precipitation totals on a fairly regular basis. Practically all grain producing areas in eastern Australia have received more than 50 mm of rainfall thus far in June (through 6/29), with some receiving upward to 200 mm. This represents rainfall of twice to more than four times the monthly average expected for the month of June. Rainfall in Western Australia in June was more near normal, while the state received well above normal rainfall during the month of May.

Present weather patterns continue to look promising and are in sharp contrast to the dry weather patterns experienced from March to May 2005.

**Wheat Production**

Australian wheat production in 2005/06 is forecast at 21.5 MMT, down 1.5 MMT from Post's previous forecast (see GAIN Report #AS5008, 3/23/05), and reflect the earlier dryness and the late start to the season in eastern Australia. Despite this decline, a crop of this size would be 1.0 MMT more than the estimate for last season.

Wheat area in 2005/06 is forecast at 11.85 million hectares, unchanged from Post's previous forecast (#AS5008). The fall in forecast wheat production is, therefore, due to a slightly lower anticipated yield, due primarily to the earlier dryness and planting delay in eastern Australia. Post anticipates the national average wheat yield in 2005/06 to be about 1.81 MT/ha, slightly under the ten-year average of 1.82 MT/ha established using ABARE's historical data. Wheat area, yield and production in Western Australia are expected to be well above average levels.

The very late planting of much of the wheat crop in eastern Australia is likely to leave crops susceptible to poor seasonal conditions later in the season, should they eventuate. In addition, some of the crop was planted -- before the rains commenced -- in very dry conditions. These earlier planted crops suffered from poor germination, emergence and early development. Post will continue to closely monitor the situation in eastern Australia, particularly as it relates to abnormally cold weather events and the potential for dry, windy weather moving into the springtime period.

Relatively minor revisions were made in the 2003/04 wheat area and production estimates, based on newly available data from the Australian Bureau of Statistics.

### **Barley Production**

Barley production in 2005/06 is forecast at 6.9 MMT, down 0.4 MMT from the previous forecast (see GAIN Report #AS5008). Despite this decline, a crop of this size represents an increase of about 450,000 MT from a year earlier and is well above the ten-year average of 6.4 MMT established using ABARE's historical data.

Barley, a shorter season crop, is better suited to later planting rains and the subsequent shorter growing season. Typically, as planting time is pushed back, growers begin shifting land area out of wheat and into barley. Thus, barley would typically be less susceptible to problems associated with a later planting date.

### **Wheat Exports**

Wheat exports for 2005/06 (Oct-Sep) are forecast at 15.9 MMT, down 0.9 MMT or five percent from the previous forecast (#AS5008) and down fractionally from the projection of 16.0 MMT for MY 2004/05. The drop in the MY 2005/06 wheat export forecast reflects the lower than previously expected wheat production figure.

Bulk wheat exports during the first half of the current Oct-Sep marketing year (2004/05) were about two percent higher than the same period in MY 2003/04. This half-year comparison is perhaps not an accurate precursor to the full-year comparisons, particularly since bulk wheat exports in the second half of MY 2003/04 were substantially higher than in the first half. Nevertheless, the half-year comparisons do indicate some major shifts in exports by destination. Notably, bulk wheat exports during the first half of MY 2004/05 were up substantially (versus the first half of MY 2003/04) to the following major markets: China, Iraq, Malaysia and Pakistan. Interestingly, China was the third largest export destination for Australian bulk wheat exports during the first half of MY 2003/04, closely behind Indonesia and Iraq. Conversely, major markets where bulk exports fell substantially during the first half of MY 2004/05 were Bangladesh, Egypt and South Africa. In addition, no bulk exports to Turkey were registered in the first six months of MY 2004/05, versus 230,000 MT in the comparable period in MY 2003/04. (see Table #1 for a summary of the half year exports.)

### **Summer Crop Outlook**

The change in the weather pattern and the accompanying rainfall is improving the outlook for the upcoming summer cropping season, which commences late in the year. Dry weather and low reservoir levels were beginning to lessen production prospects for this cropping season. The recent rains should help to recharge soil moisture profiles and begin to refill some of the very low reservoir levels feeding summer cropping areas. Continued rainfall will be needed, however, to completely end the drought that has plagued much of eastern Australia since 2002.

**Post's Recent Grain Reports**

Winter Grain Situation Update, AS5016, 5/24/05  
Grain Quarterly Update, AS5011, 4/26/05  
Grain and Feed Annual, AS5008, 3/23/05

| PSD Table<br>Wheat            |                           |                           |                           |                           |                           |                           |           |
|-------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
|                               | 2003                      | Revised                   | 2004                      | Estimate                  | 2005                      | Forecast                  | UOM       |
|                               | USDA<br>Official<br>[Old] | Post<br>Estimate<br>[New] | USDA<br>Official<br>[Old] | Post<br>Estimate<br>[New] | USDA<br>Official<br>[Old] | Post<br>Estimate<br>[New] |           |
| <b>Market Year Begin</b>      |                           | <b>10/2003</b>            |                           | <b>10/2004</b>            |                           | <b>10/2005</b>            | MM/YYYY   |
| <b>Area Harvested</b>         | 13024                     | 13100                     | 12200                     | 11991                     | 11500                     | 11850                     | (1000 HA) |
| <b>Beginning Stocks</b>       | 3142                      | 1708                      | 5459                      | 4472                      | 5734                      | 3532                      | (1000 MT) |
| <b>Production</b>             | 26231                     | 26100                     | 21500                     | 20500                     | 21500                     | 21500                     | (1000 MT) |
| <b>TOTAL Mkt. Yr. Imports</b> | 73                        | 59                        | 75                        | 60                        | 75                        | 60                        | (1000 MT) |
| <b>Jul-Jun Imports</b>        | 71                        | 60                        | 75                        | 60                        | 75                        | 60                        | (1000 MT) |
| <b>Jul-Jun Import U.S.</b>    | 0                         | 0                         | 0                         | 0                         | 0                         | 0                         | (1000 MT) |
| <b>TOTAL SUPPLY</b>           | 29446                     | 27867                     | 27034                     | 25032                     | 27309                     | 25092                     | (1000 MT) |
| <b>TOTAL Mkt. Yr. Exports</b> | 18031                     | 18007                     | 15700                     | 16000                     | 15500                     | 15900                     | (1000 MT) |
| <b>Jul-Jun Exports</b>        | 15096                     | 15104                     | 16500                     | 16800                     | 15500                     | 15700                     | (1000 MT) |
| <b>Feed Dom. Consumption</b>  | 3231                      | 2500                      | 2900                      | 2500                      | 3400                      | 2600                      | (1000 MT) |
| <b>TOTAL Dom. Consumption</b> | 5956                      | 5500                      | 5600                      | 5500                      | 6100                      | 5600                      | (1000 MT) |
| <b>Ending Stocks</b>          | 5459                      | 4360                      | 5734                      | 3420                      | 5709                      | 3480                      | (1000 MT) |
| <b>TOTAL DISTRIBUTION</b>     | 29446                     | 27867                     | 27034                     | 25032                     | 27309                     | 25092                     | (1000 MT) |

| PSD Table<br>Barley    |                           |                           |                           |                           |                           |                           |           |
|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------|
|                        | 2003                      | Revised                   | 2004                      | Estimate                  | 2005                      | Forecast                  | UOM       |
|                        | USDA<br>Official<br>[Old] | Post<br>Estimate<br>[New] | USDA<br>Official<br>[Old] | Post<br>Estimate<br>[New] | USDA<br>Official<br>[Old] | Post<br>Estimate<br>[New] |           |
| Market Year Begin      |                           | 11/2003                   |                           | 11/2004                   |                           | 11/2005                   | MM/YYYY   |
| Area Harvested         | 4404                      | 4404                      | 3800                      | 4159                      | 3600                      | 3900                      | (1000 HA) |
| Beginning Stocks       | 948                       | 873                       | 1787                      | 1720                      | 1087                      | 1024                      | (1000 MT) |
| Production             | 10287                     | 10287                     | 7000                      | 6454                      | 6500                      | 6900                      | (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           | 11235                     | 11160                     | 8787                      | 8174                      | 7587                      | 7924                      | (1000 MT) |
| TOTAL Mkt. Yr. Exports | 6398                      | 6374                      | 4500                      | 3900                      | 3800                      | 3400                      | (1000 MT) |
| Oct-Sep Exports        | 6105                      | 6300                      | 4500                      | 3950                      | 3800                      | 3350                      | (1000 MT) |
| Feed Dom. Consumption  | 2150                      | 2134                      | 2300                      | 2200                      | 2150                      | 2250                      | (1000 MT) |
| TOTAL Dom. Consumption | 3050                      | 3066                      | 3200                      | 3250                      | 3050                      | 3300                      | (1000 MT) |
| Ending Stocks          | 1787                      | 1720                      | 1087                      | 1024                      | 737                       | 1224                      | (1000 MT) |
| TOTAL DISTRIBUTION     | 11235                     | 11160                     | 8787                      | 8174                      | 7587                      | 7924                      | (1000 MT) |

**TABLE #1 - AUSTRALIA: WHEAT EXPORTS, 2003/04 AND PARTIAL YEAR 2004/05, METRIC TONS**

| <b>COUNTRY<br/>/by type of export</b> | <b>OCT-SEP<br/>2003/04</b> | <b>OCT-MAR<br/>2003/04</b> | <b>OCT-MAR<br/>2004/05</b> | <b>half-year<br/>Pct/Chg</b> |
|---------------------------------------|----------------------------|----------------------------|----------------------------|------------------------------|
| <b>Bulk wheat</b>                     |                            |                            |                            |                              |
| Bangladesh                            | 214,380                    | 65,900                     | 22,250                     | -66.2%                       |
| China                                 | 1,392,472                  | 171,687                    | 1,065,640                  | 520.7%                       |
| Egypt                                 | 2,764,737                  | 1,651,718                  | 214,876                    | -87.0%                       |
| Fiji                                  | 121,108                    | 71,307                     | 66,919                     | -6.2%                        |
| Indonesia                             | 2,861,436                  | 1,150,671                  | 1,237,929                  | 7.6%                         |
| Iraq                                  | 1,597,991                  | 742,635                    | 1,066,257                  | 43.6%                        |
| Italy                                 | 389,915                    | 232,801                    | 220,799                    | -5.2%                        |
| Japan                                 | 1,198,065                  | 544,448                    | 578,017                    | 6.2%                         |
| Korea, Republic of                    | 1,249,440                  | 491,287                    | 537,416                    | 9.4%                         |
| Kuwait                                | 248,125                    | 61,199                     | 98,749                     | 61.4%                        |
| Malaysia                              | 734,558                    | 306,568                    | 441,924                    | 44.2%                        |
| New Zealand                           | 267,565                    | 126,435                    | 149,535                    | 18.3%                        |
| Oman                                  | 151,132                    | 81,328                     | 7,085                      | -91.3%                       |
| Pakistan                              | 191,342                    | 140,131                    | 602,158                    | 329.7%                       |
| Philippines                           | 214,950                    | 74,612                     | 55,239                     | -26.0%                       |
| South Africa                          | 299,067                    | 160,687                    | 49,862                     | -69.0%                       |
| Sri Lanka                             | 197,728                    | 0                          | 0                          | NA                           |
| Sudan                                 | 715,303                    | 343,470                    | 378,003                    | 10.1%                        |
| Thailand                              | 327,243                    | 150,472                    | 207,248                    | 37.7%                        |
| Turkey                                | 308,065                    | 229,297                    | 0                          | NA                           |
| UAE                                   | 274,711                    | 94,033                     | 77,755                     | -17.3%                       |
| Vietnam                               | 396,301                    | 84,667                     | 132,436                    | 56.4%                        |
| Yemen                                 | 322,672                    | 197,577                    | 127,781                    | -35.3%                       |
| <b>Subtotal – in bulk</b>             | <b>17,049,190</b>          | <b>7,555,782</b>           | <b>7,697,209</b>           | <b>1.9%</b>                  |
| <b>Subtotal – in bags</b>             | 12,446                     | NA                         | NA                         | NA                           |
| <b>Subtotal – in containers</b>       | 511,601                    | NA                         | NA                         | NA                           |
| <b>Subtotal – flour equiv.</b>        | 434,229                    | NA                         | NA                         | NA                           |
| <b>Total WHEAT Equivalent</b>         | <b>18,007,466</b>          | <b>NA</b>                  | <b>NA</b>                  | <b>NA</b>                    |

NA: Not applicable or data not available.

SOURCE: AWB Ltd., Wheat Export Authority and Australian Bureau of Statistics.