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Australia

Grain and Feed

October Update

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Report Highlights:

Australian wheat production for 2008/09 is forecast at 21.6 MMT, down on the previous estimate. This decrease is driven purely by a reduction in area, with yield forecasts remaining unchanged. Crop losses in south western NSW, combined with some crops cut early for hay instead of harvested for grain, has resulted in losses of around 500,000 hectares. Post deems it too early to forecast the impact of frost events in Western Australia. Forecast barley production for 2008/09 remains unchanged at 7.875 MMT, with adverse weather conditions not expected to have the same impact on barley as has been the case for wheat.

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

Production

Wheat

Post forecasts 2008/09 Wheat production at 21.6 MMT, down from our previous forecast of 22.4 MMT. This decrease has been driven by a reduction in area, now forecast at 13.5 million hectares, down from the previous forecast of 14.0 million hectares. This area, if achieved, would continue to represent a record area despite the recent downward revision.

Crop losses, together with some areas of the wheat crop cut for hay instead of harvested for grain, remain the primary drivers for this decrease in forecast area. Frost events in Western Australia will likely also reduce total production although this remains unclear at present. Post has not altered yield for 2008/09.

Post believes the potential range for Australian wheat production to be between 19.5 and 23.8 MMT depending on final area and yield, as shown in the table below.

Wheat Production Potential (TMT)				
		Area (000 Ha)		
Yield (MT)		13,000	13,500	14,000
	1.5	19.5	20,250	21,000
	1.6	20.8	21,600	22,400
	1.7	22.1	22,950	23,800

Barley

Barley production for 2008/09 is forecast at 7.875 MMT, unchanged from the previous forecast. Forecast area also remains unchanged at 4.5 million hectares. If achieved, this forecast would represent an above-average-sized-crop, according to historical ABARE data.

Adverse weather conditions experienced are less likely to have damaged the barley crop to that same extent as wheat. Barley, a shorter season crop, was less affected by the late arrival of planting rain and was generally well positioned to take advantage of recent rainfall. Post believes there may even be up-side potential for barley production although this remains to be seen.

Barley Production Potential (TMT)				
		Area (000 Ha)		
Yield (MT)		4,250	4,500	4,750
	1.7	7,225	7,650	8,075
	1.75	7,438	7,875	8,313
	1.8	7,650	8,100	8,550

Weather

Widespread rain in late August and through September has somewhat alleviated the affects of the historically dry conditions experienced during most of August. Rainfall received since the end of August has been also timely.

However, rainfall has not been received in all areas and some areas have returned to drought conditions. South western NSW is a classic example of drought conditions, recently experiencing severe dust storms which reached as far as Canberra, the Nation's Capital. In

south western NSW many crops have failed. In southern NSW, where crops have not been so badly affected by dry conditions, some winter cereal crops are being cut for hay, with spring conditions deemed insufficient to yield a viable grain crop. A recent NSW State Department of Agriculture report placed the area of the state to be "drought declared" at 70 percent. The state of NSW typically accounts for around 25 percent of Australia's wheat production and around 18 percent of barley production, according to ABARE's historic five year average.

Western Australia, which has suffered periods of dry weather throughout the winter cereal production season, has recently received widespread and significant falls of rain. However, certain isolated parts of this state have also experienced at least one significant frost event which, according to industry sources, has caused "some damage". At this early stage, post does not expect this event alone to have significantly altered national winter cereal production, although this remains to be seen.

Queensland, one of Australia's smallest winter cereal producing states, is tipped by some analysts to exceed current production expectations. Excellent growing conditions combined with a large area are driving these expectations. However, post expects that any upward revision in this state would likely be more than offset by production reductions in other states.

Going forward, much of the Australian winter cereal crop would continue to benefit from rain over the next month. However, harvest is approaching for some early sown crops and rain before the end of October would likely cause some quality damage. Unseasonably hot winds during the month of October, as seen in the past, could reduce overall tonnage by a significant amount.

Post has assumed average seasonal conditions for the upcoming months of October, November and December.

Recent Reports from FAS/Canberra

The reports listed below can all be downloaded from the FAS website at:
<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>.

Report Number	Title of Report	Date
AS8047	Sugar Semi-Annual	09/26/08
AS8046	Exporter Guide	09/15/08
AS8044	FAIRS Export Certificate Report	09/04/08
AS8043	2008 September Voluntary Grain Report	08/28/08
AS8041	Cotton Quarterly Lock-up	08/27/08
AS8040	Competitiveness of Grocery Pricing in Australia Investigated	08/20/08
AS8039	2008 Livestock Annual	08/22/08
AS8038	FAIRS Country Report	07/31/08
AS8037	The Australian Emissions Trading Scheme NFF Policy	07/22/08
AS8036	Draft Organic Standard Released for Comment	07/22/08
AS8035	Biotechnology Annual	07/15/08
AS8033	Grain and Feed Quarterly Update	07/08/08
AS8032	Wheat Reform Legislation Passes in Parliament	06/25/08
AS8030	Grain and Feed Situation Update	06/13/08
AS8029	Response to the "Safeguards Inquiry Into The Imports of Pigmeat"	06/06/08