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Australia

Grain and Feed

Annual

2009

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Report Highlights:
The outlook for Australian grain and feed production is on balance relatively optimistic. Wheat and barley production are both expected to increase while sorghum production is expected to decrease. Rice is also expected to increase albeit off record low levels. Post advises that production of all crops is forecast to move toward to the ten-year-average following a long period of low production and high prices.

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

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SECTION ONE: SITUATION AND OUTLOOK

Summary

At time of writing this report, the 2009/10 winter cropping season for wheat and barley has not yet begun with planting expected to run from April through to June depending upon seasonal conditions. The 2009/10 sorghum and rice planting (year begin March 2010) is expected to commence later this year beginning in October and November depending on seasonal conditions.

The 2008/09 cropping season was marred by incredibly dry conditions in the critical period of September and October damaging many winter cereal crops. However, above average rainfall in November and December greatly boosted prospects for summer crops. Moreover, this rainfall has created more confidence for crop producers generally with the return of normal weather patterns following prolonged and severe drought.

The outlook for Australian grain and feed production is on balance relatively optimistic. Wheat and barley production are both expected to increase while sorghum production is expected to decrease. Rice is also expected to increase albeit off record low levels. Post advises that production of all crops is forecast to move toward to the ten-year-average following a long period of low production and high prices.

Exports of Barley and wheat in 2009/10 are also forecast to increase in line with increased production. A lower Australian dollar, which is assumed by post to remain at lower levels to year previous, is also expected to assist export competitiveness.

Imports of rice, which began in larger quantities at the commencement of the drought in 2002/03, are expected to decline in 2009/10. Increased domestic production is expected to displace some imports while a lower Australia dollar is expected to make imports relatively more expensive.

Post has assumed a return to normal weather conditions in 2009/10. This will likely see production of wheat; barley and rice surpass the drought affected levels of year previous. However, such conditions will likely see production of sorghum fall below year previous when above average rainfall was received. Post has generally assumed yields slightly higher than the ten-year-average given the number of severe droughts over the past decade.

The state of Western Australia recently removed its licensing requirements for the export of barley, lupins and canola. This follows a review which found that no benefit existed for maintaining restrictions on international grain marketing.

SECTION TWO: STATISTICAL TABLES

PSD Table

Wheat

	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	13,000	12,500			12,903	(1000 HA)
Beginning Stocks	4,406	4,765	4,406	4,652	4,651	4,652			5,417	(1000 MT)
Production	13,838	13,838	13,838	21,500	20,150	21,500			23,015	(1000 MT)
MY Imports	110	82	110	75	75	75			65	(1000 MT)
TY Imports	113	82	113	75	75	75			65	(1000 MT)
TY Imp. from U.S.	11	0	11	0	0	0			0	(1000 MT)
Total Supply	18,354	18,685	18,354	26,227	24,876	26,227			28,497	(1000 MT)
MY Exports	7,502	7,502	7,502	14,000	13,000	14,000			15,500	(1000 MT)
TY Exports	7,449	7,421	7,449	13,500	13,000	13,500			14,500	(1000 MT)
Feed Consumption	3,500	3,832	3,500	3,750	4,704	3,760			4,000	(1000 MT)
FSI Consumption	2,700	2,700	2,700	2,700	2,700	3,050			3,000	(1000 MT)
Total Consumption	6,200	6,532	6,200	6,450	7,404	6,810			7,000	(1000 MT)
Ending Stocks	4,652	4,651	4,652	5,777	4,472	5,417			5,997	(1000 MT)
Total Distribution	18,354	18,685	18,354	26,227	24,876	26,227			28,497	(1000 MT)
Yield	1.	1.	1.0896	2.	2.	1.72			1.7837	(MT/HA)

PSD Table

Barley

	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	4,506	4,500			4,433	(1000 HA)
Beginning Stocks	1,338	1,355	1,338	1,993	1,896	1,993			1,927	(1000 MT)
Production	7,191	7,191	7,191	7,000	7,013	7,000			7,580	(1000 MT)
MY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	8,529	8,546	8,529	8,993	8,909	8,993			9,507	(1000 MT)
MY Exports	3,386	3,500	3,386	3,500	3,700	3,874			4,350	(1000 MT)
TY Exports	3,377	3,377	3,377	3,500	3,000	3,500			4,000	(1000 MT)
Feed Consumption	2,200	2,200	2,200	2,900	2,900	2,192			2,300	(1000 MT)
FSI Consumption	950	950	950	1,000	1,000	1,000			1,000	(1000 MT)
Total Consumption	3,150	3,150	3,150	3,900	3,900	3,192			3,300	(1000 MT)
Ending Stocks	1,993	1,896	1,993	1,593	1,309	1,927			1,857	(1000 MT)
Total Distribution	8,529	8,546	8,529	8,993	8,909	8,993			9,507	(1000 MT)
Yield	1.	1.	1.458	2.	2.	1.5556			1.7099	(MT/HA)

PSD Table Sorghum	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		03/2008	03/2008		03/2009	03/2009		03/2010	03/2010	MM/YYYY
Area Harvested	1,029	1,029	1,029	800	800	800			728	(1000 HA)
Beginning Stocks	16	16	16	183	133	202			509	(1000 MT)
Production	3,072	3,072	3,072	2,400	2,400	2,400			2,150	(1000 MT)
MY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imports	0	0	0	0	0	0			0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0			0	(1000 MT)
Total Supply	3,088	3,088	3,088	2,583	2,533	2,602			2,659	(1000 MT)
MY Exports	750	900	750	600	600	600			650	(1000 MT)
TY Exports	335	800	335	850	800	800			700	(1000 MT)
Feed Consumption	2,150	2,050	2,131	1,900	1,800	1,488			1,750	(1000 MT)
FSI Consumption	5	5	5	5	5	5			5	(1000 MT)
Total Consumption	2,155	2,055	2,136	1,905	1,805	1,493			1,755	(1000 MT)
Ending Stocks	183	133	202	78	128	509			254	(1000 MT)
Total Distribution	3,088	3,088	3,088	2,583	2,533	2,602			2,659	(1000 MT)
Yield	3.	3.	2.9854	3.	3.	3.			2.9533	(MT/HA)

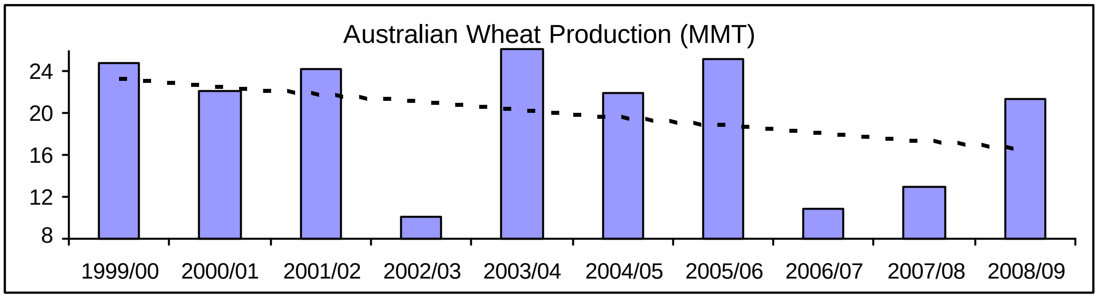
PSD Table
Rice, Milled

	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		03/2008	03/2008		03/2009	03/2009		03/2010	03/2010	MM/YYYY
Area Harvested	3	3	3	9	9	9			20	(1000 HA)
Beginning Stocks	230	230	230	11	11	11			10	(1000 MT)
Milled Production	23	23	16	73	73	54			114	(1000 MT)
Rough Production	32	32	23	102	102	75			160	(1000 MT)
Milling Rate (.9999)	7,150	7,150	7,150	7,150	7,150	7,150			7,150	(1000 MT)
MY Imports	200	200	200	285	285	285			226	(1000 MT)
TY Imports	198	200	198	175	175	175			200	(1000 MT)
TY Imp. from U.S.	24	0	24	0	0	0				(1000 MT)
Total Supply	453	453	446	369	369	350			350	(1000 MT)
MY Exports	92	92	92	20	20	20			40	(1000 MT)
TY Exports	100	100	100	40	40	40			50	(1000 MT)
Total Consumption	350	350	345	325	325	320			300	(1000 MT)
Ending Stocks	11	11	9	24	24	10			10	(1000 MT)
Total Distribution	453	453	446	369	369	350			350	(1000 MT)
Yield (Rough)	11.	11.	7.6667	11.	11.	8.3333			8.	(MT/HA)

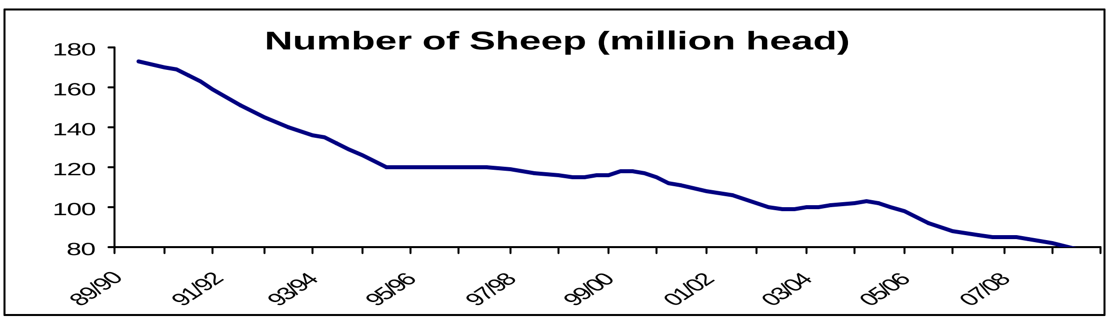
SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

Wheat

Total wheat production for 2009/10 is forecast at 23.015 MMT, up significantly on the revised estimate of 21.5 MMT for the previous year. This forecast is driven by increased plantings of wheat and remains well above the ten-year-average of 20.0 MMT established using ABARE's historical data.



Planted area for wheat is forecast at 12.9 million hectares, up 400,000 hectares on the previous year. Despite a forecast decline in prices received for wheat, falling input costs and historically low sheep numbers are expected to see planted area for wheat continue at above average levels.

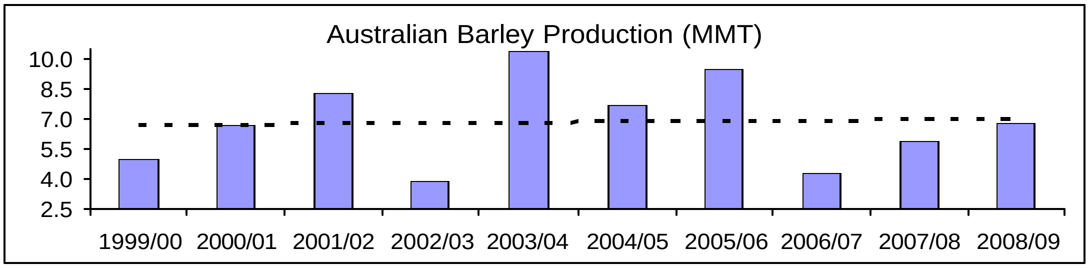


Post has assumed a slight increase in yield for 2009/10 reaching 1.78 MT per hectare. If achieved, this yield would marginally exceed the ten-year-average for yield and is essentially the decade long average minus the two lowest yields.

Total exports of wheat for 2009/10 are forecast at 15.5 MMT, up 1.5 MMT on the previous year. A forecast increase in production is expected to see imports increase accordingly. Despite the current economic uncertainty, industry sources suggest export demand has recently placed pressure on facilities at port in Western Australia. High export demand has been experienced following the phase out of Australia's single desk wheat marketing monopoly and created some logistical issues.

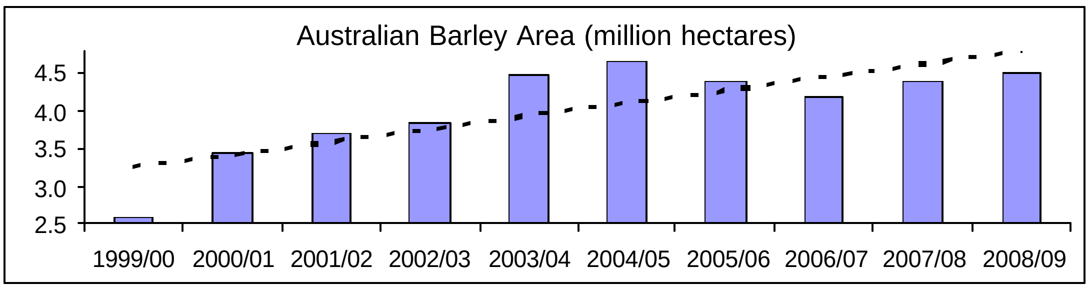
Barley

Barley production for 2009/10 is forecast at 7.58 MMT, up on the 7.0 MMT estimated for the previous year and closer to the ten-year-average. Despite a lower planted area the anticipated return to average weather conditions is expected to see yields improve and production higher in 2009/10.



Planted area is forecast to decline slightly to 4.43 million hectares in 2009/10. Despite this decline, this figure would be considered well above average. Post has assumed a return to more normal weather conditions in 2009/10 and this is expected to see area decline from year previous.

Post advises that barley acreage has averaged much higher since drought conditions began in CY 2003 as barley is a shorter season crop that is better suited to dry conditions. A return to dry conditions in 2009/10, or a "late break" in the season could see barley plantings exceed current forecasts.



Post anticipates yield to increase slightly in 2009/10 as a return to more normal weather conditions would likely represent an improvement of last years drought affected crop. Post anticipates yield at 1.71 MT per hectare, close to the ten-year-average for yield.

Barley exports in 2009/10 are forecast to reach 4.0 MMT, up 500,000 MT on the previous year. Forecast increased production, assisted by a lower Australian dollar, will likely see exports increase beyond the year previous level.

Policy

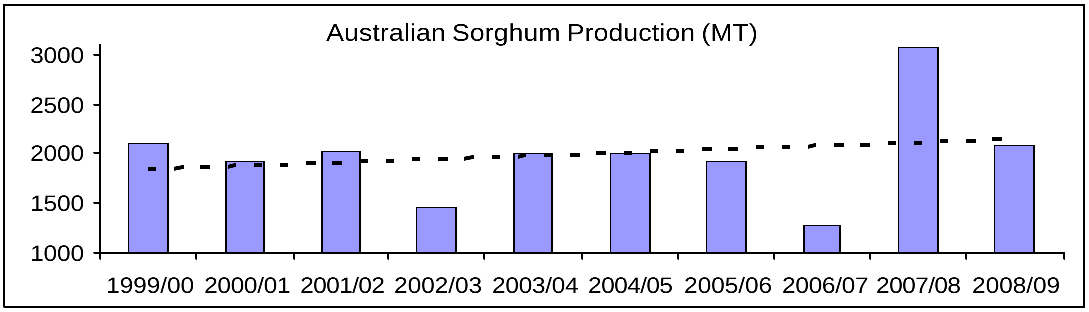
The state of Western Australia has announced its intention to dismantle its licensing arrangements for barley, lupins and canola. Currently, exporters of these crops are required to seek approval from the state government licensing authority (GLA) prior to shipping.

The announcement follows a recent review of the "Grain Marketing Act 2002" which recommended a deregulation of grain exports. The agriculture and food minister in Western Australia stated that *"there is no indication that regulation achieves a higher price for these grains in export markets or that there is any benefit to retaining the restrictions on export grain marketing"*.

The WA licensing system for exporting barley, lupins and canola was introduced in 2002 to replace single desk marketing of those commodities. Post notes with interest that the new national wheat export licensing system recently introduced was also implemented to replace single desk exports of wheat.

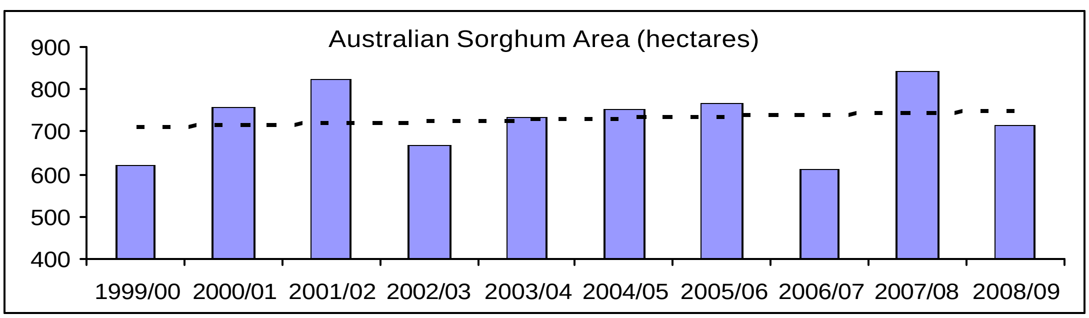
Sorghum

Production of sorghum for 2009/10 is forecast at 2.0 MMT, down on the historically large crop of the previous year and slightly higher than the ten-year-average. The assumed return to average weather conditions is expected to see planted area and yield decline toward the ten-year-average.



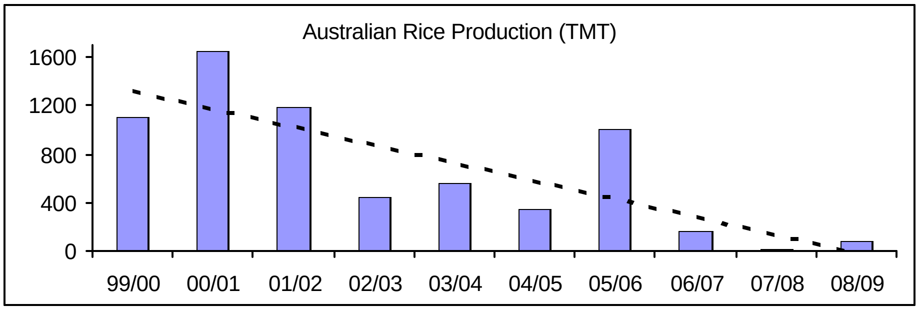
Post forecasts planted area to decline in 2009/10 to 728,000 hectares as a return to more normal seasonal conditions would represent poorer conditions than those experienced in the year previous. Post advises that the 2008/09 season benefitted from above average rainfall which drove production beyond initial expectations.

Total exports of sorghum in 2009/10 are forecast to rise to 650,000 MT despite falling production. Increased production of sorghum in 2008/09, combined with higher wheat and barley production numbers has greatly boosted the carry out stocks of feed grains. A lower Australian dollar is expected to boost exports at the expense of stocks in 2009/10.



Rice

Post forecasts rice production for 2009/10 to increase to 160 TMT (rough), representing an increase of over 100 percent on the previous year's level of production. Despite this increase, forecast production remains well below the ten-year-average of 652 TMT.



The forecast increase for rice production in 2009/10 is primarily driven by an expected rise in planted area. Improved irrigation water supply is expected to allow for greater planted area. Industry sources advise however, that this expansion is contingent upon; existing "carry-over" water being committed to growers; a modest increase in the "general security allocation"; and average seasonal conditions in the area where rice is grown. Post sees these factors being likely in 2009/10.

Imports of rice for 2009/10 are expected to decline slightly as higher domestic production is expected to begin to displace imports. A lower Australian dollar will also likely constrain future growth in imports for the foreseeable future.

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
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
AS8061	Recent Weather & Crop Impact	12/29/08
AS8060	Dried Distillers Grain	12/29/08
AS8059	Wine	12/08/08
AS8058	December Grain & Feed Update	12/03/08
AS8057	Cotton Quarterly Update	11/26/08
AS8056	Western Australia lifts ban on GM Cotton	11/25/08
AS8055	Fresh Deciduous Fruit Annual	11/21/08
AS8053	Citrus Annual	11/14/08
AS8052	November Grain Lockup	11/03/08