USDA Foreign Agricultural Service
GAIN Report
Global Agricultural Information Network

Required Report - public distribution

Date: 10/22/2014

GAIN Report Number: AS1424

Australia

Grain and Feed Update

October 2014

Approved By:
Hugh Maginnis,
Agricultural Counselor

Prepared By:
Roger Farrell,
Agricultural Specialist

Report Highlights:
Australian wheat production for 2014-15 is expected to fall to 24 million tons due to lower than expected rainfall and declining yields. Wheat exports are forecast to fall to 18 million tons. Barley production is anticipated to decline by one fifth to 7.5 million tons, as some growers shift to wheat and canola crops and yields decline due to below average rainfall. Production of grain sorghum in 2014-15 is likely to increase to 1.8 million tons and the area planted to expand by 27 per cent. Rice production is predicted to rise 7.5 per cent to 644,000 tons due to higher acreage planted with yields to fall. As usual, the weather outlook is crucial for these estimates and below average September rains have impacted on crops.

Post:
Canberra

Commodities:
Wheat

Barley

Sorghum

Rice, Milled

WHEAT

PRODUCTION, SUPPLY AND DISTRIBUTION STATISTICS:

Wheat Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	12,979	12,979	13,512	13,512	13,800	13,837
Beginning Stocks	7,051	7,051	4,654	4,654	5,867	6,531
Production	22,856	22,856	27,013	27,013	25,000	24,000
MY Imports	144	144	150	150	150	150
TY Imports	136	136	151	151	150	150
TY Imp. from U.S.	2	2	3	3	0	0
Total Supply	30,051	30,051	31,817	31,817	31,017	30,681
MY Exports	18,657	18,657	19,000	18,336	18,500	18,102
TY Exports	21,269	21,269	18,339	18,339	19,000	18,515
Feed and Residual	3,400	3,400	3,600	3,600	3,400	3,400
FSI Consumption	3,340	3,340	3,350	3,350	3,400	3,400
Total Consumption	6,740	6,740	6,950	6,950	6,800	6,800
Ending Stocks	4,654	4,654	5,867	6,531	5,717	5,779
Total Distribution	30,051	30,051	31,817	31,817	31,017	30,681
1000 HA, 1000 MT, MT/HA						

Production

Adverse seasonal conditions across Australia have led to an 8 per cent downgrade in expected wheat production for 2014-15 to 24 million tons. The harvested area is expected to increase by two per cent to 13.8 million hectares. Low soil moisture levels in northern NSW and Queensland could reduce yields and output without average winter rainfall, while higher than average rainfall could boost output.

Wheat is the major winter crop in Australia, with sowing starting in autumn and harvesting, in spring and summer. Harvesting starts in central Queensland during August and progresses down the east coast to Victoria, finishing during January. On the west coast, the wheat harvest starts during October and is completed during January. The main producing states are Western Australia, NSW, South Australia, Victoria and Queensland. Major types of wheat include Prime Hard, Hard, Premium White, Standard, Soft and Durum, based on protein, grain size and moisture content and each grain has different end-uses.

Trade

Exports in 2014–15 are forecast at 18.5 million tons, down from the previous expectation of 19 million tons and after a 14 per cent fall in 2013–14. Australia is the seventh largest wheat producer in the world and the fourth largest exporter. Around 80 per cent of Australian wheat production is exported, with WA the leading State. The major export markets are in the Asian and Middle East regions and include Indonesia, Japan, South Korea, Malaysia, Vietnam and Sudan. Japan purchases around 900,000 tons of ASW blend noodle wheat from Australia each year, mainly for the production of udon noodles. In 2013-14, China became the third most significant destination for Australian wheat exports, increasing by 36 per cent due to higher demand for milling grade wheat to blend with domestic supplies.

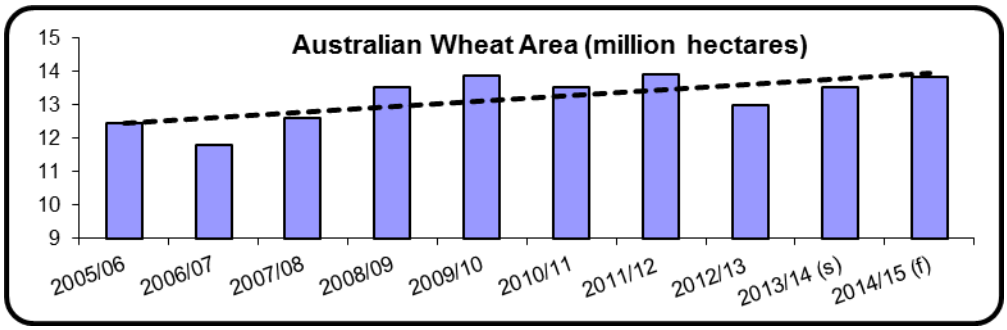
Australia has the capacity to export wheat in the December to May marketing window when the northern hemisphere season is ending. During this period, seasonal demand for grain, rail and port services and shipping slots increases significantly and a queuing system is used for bulk grain exporters. Around half of wheat grown in eastern Australia is consumed locally, while 90 per cent of grain produced in Western Australia and South Australia is exported. Australia is a strong supplier of noodle wheat into Asia, but is unable to compete with the US hard varieties in the production of Asian breads.

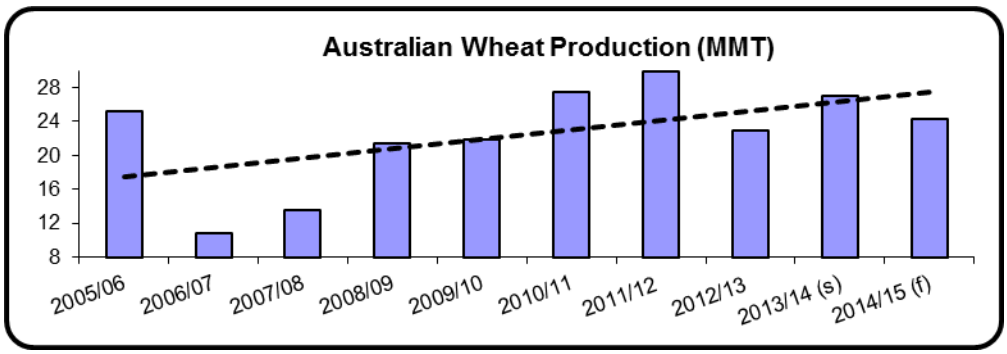
Consumption

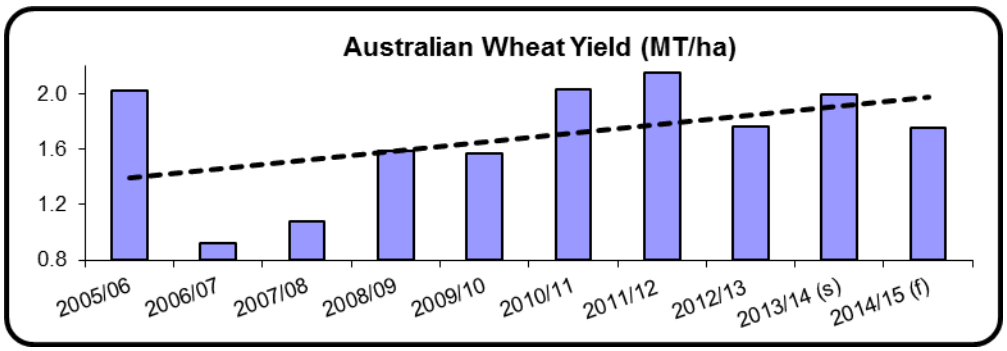
Wheat is Australia's major grain crop and is used for human consumption in the production of breads, noodles and pastas. Lower quality wheat is used as stock feed while some waste wheat starch is used to manufacture biofuel. Australia typically consumes 5 million tons of wheat annually, with the remainder exported. Around 2.5 million tons are used to produce flour, whole grain products and beverages for human consumption, as well as to produce gluten and starch for industrial uses. A further 3.5 million tons is used annually as stock feed and half a million tons is used as seed.

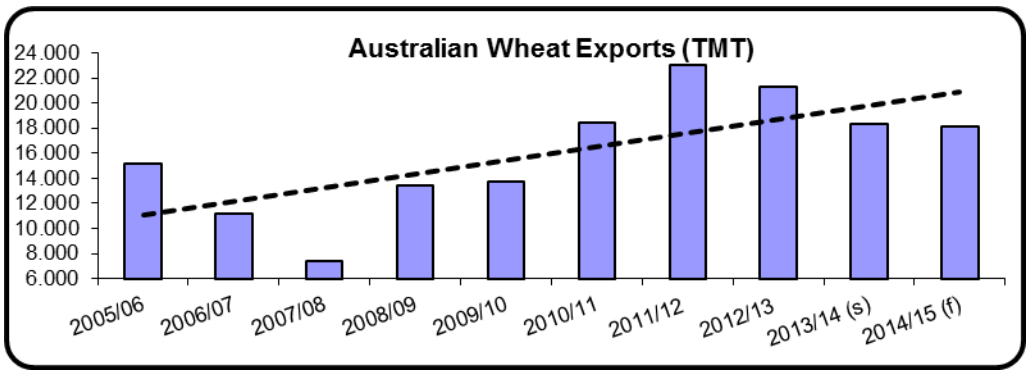
Wheat consumption in Australia has been stable at 70 kg of flour per capita consumed on average over the past decade. Flour producers face a mature domestic market with growth dependent on product innovations or to meet dietary needs for gluten free products. The biggest milling companies in Australia are Allied Mills, George Weston Foods and Manildra. The NSW complex of Manildra is one of the ten largest flour mills in the world and the company is also the leading Australian biofuels producer, using waste wheat starch for its feedstock.

Charts on the Australian Wheat Industry, 2005 to 2015









Source: ABARES Data

BARLEY

PRODUCTION, SUPPLY AND DISTRIBUTION STATISTICS:

Barley Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Nov 2012		Market Year Begin: Nov 2013		Market Year Begin: Nov 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,644	3,644	3,920	3,920	3,800	3,778
Beginning Stocks	549	549	539	539	284	284
Production	7,472	7,472	9,545	9,545	7,600	7,547
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8,021	8,021	10,084	10,084	7,884	7,831
MY Exports	4,482	4,482	6,500	6,500	4,300	4,300
TY Exports	4,621	4,621	6,300	6,300	4,300	4,300
Feed and Residual	1,800	1,800	2,000	2,000	1,900	1,900
FSI Consumption	1,200	1,200	1,300	1,300	1,300	1,300
Total Consumption	3,000	3,000	3,300	3,300	3,200	3,200
Ending Stocks	539	539	284	284	384	331
Total Distribution	8,021	8,021	10,084	10,084	7,884	7,831
1000 HA, 1000 MT, MT/HA						

Production

In 2014-15, barley production is projected to decline by one fifth to 7.5 million tons. The area planted to barley is forecast to fall by 4 per cent to 3.8 million hectares, as some growers shift to wheat and canola crops. Due to below average rainfall in the growing season, the average yield is expected to fall by around one fifth to 2 tons a hectare. Barley is generally harvested from October to late November. It is Australia's second largest cereal crop, with two thirds crushed into meal for animal food while one third is used to produce malt for the brewing and food industries.

Consumption

Malt barley is for human consumption, while feed barley is for animal feed. Malt from barley is a key ingredient in beer production. Consumption of beer in Australia has more than halved since the 1970s, so that barley producers have focused on markets in Asia where beer production is increasing. Malt is also used in baking, confectionery, breakfast cereals, malt beverages, dairy products, condiments and as a caramel substitute. Processed barley grain products are used as components of consumer products in the form of thickeners, binders or extenders. Examples include pearled barley, barley flakes and barley flour. Consumer products which would include these are malt drinks, malt chocolate confectionary, and various bakery items, soups, bread and cereals.

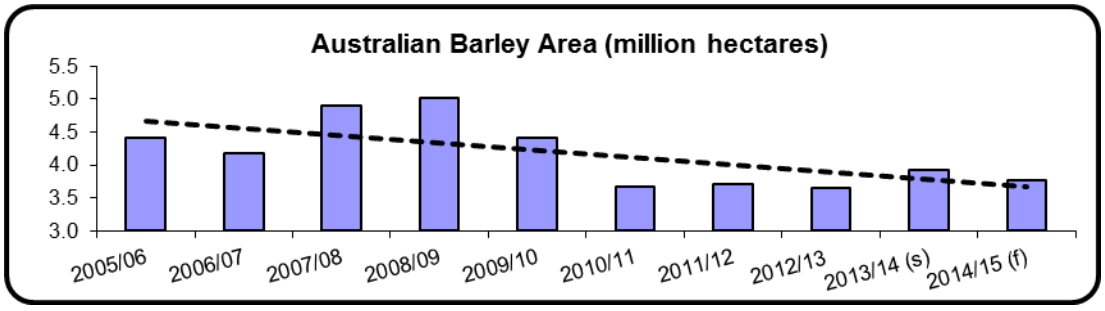
Trade

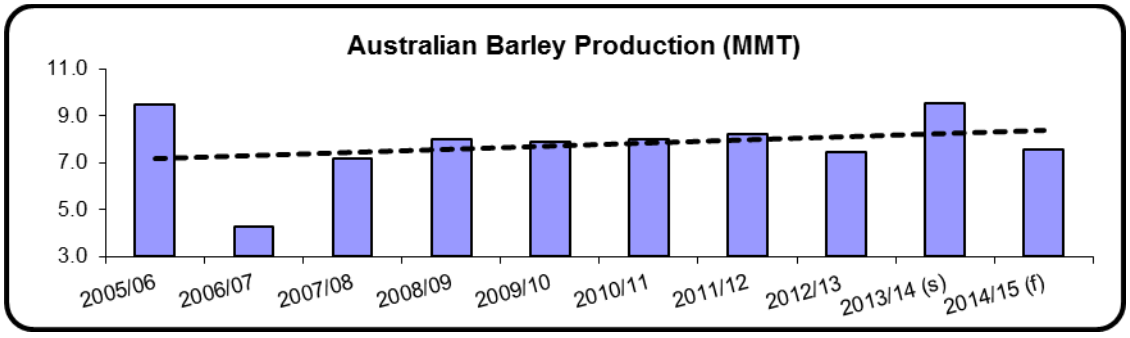
Australia was the second largest barley exporter in 2013–14, with 30 per cent of world barley exports. In 2014-15, exports are likely to fall by two thirds to 4.3 million tons, comprised of both feed barley and malting barley. The decline in barley exports reflects lower domestic production and falling demand for feed barley, as corn is substituted for barley in livestock feed due to lower world corn prices.

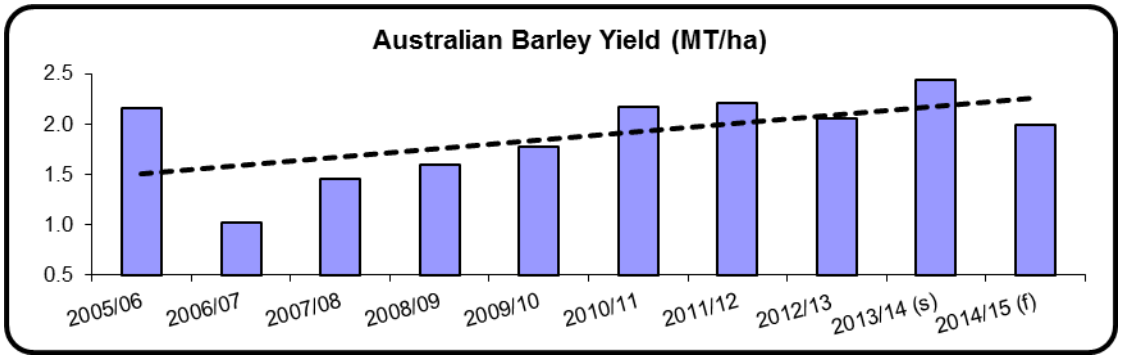
Over 800,000 tons of malting barley are produced annually, of which around three quarters is exported. China is the largest importer of Australian malt from barley, which meets 60 per cent of the Chinese demand. Australia has become more important as a source for Asian breweries as international supplies of malt from quality barley are declining. Around 200,000 tons of barley is exported annually to the Japanese market to be used in the manufacture of Shochu, a distilled spirit.

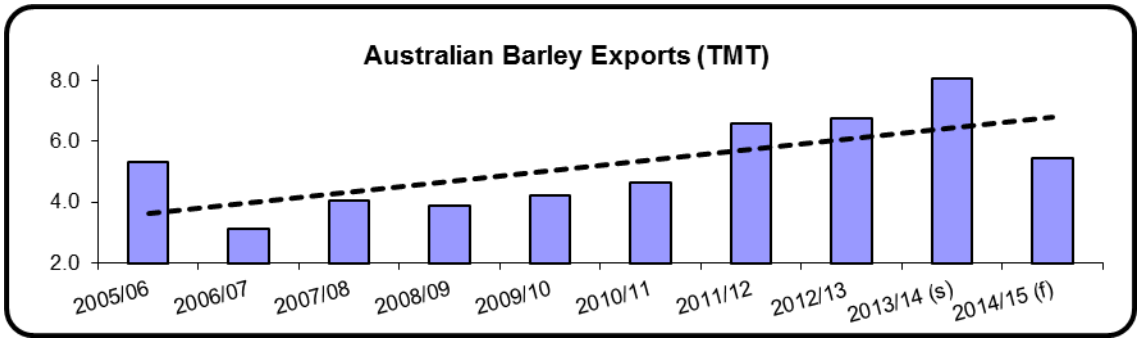
In August 2013, Cargill acquired Joe White Maltings to make it the largest malt producer in Australia. The larger company has an annual capacity of 550,000 tons and is the world's third largest malt producer behind Malteurop and Soufflet. In October 2014, Cargill claimed that premium grade malt production at its new subsidiary was falling below expectations and took legal action against the previous owner. It is unclear how this development will significantly affect Australian malt production and exports in 2014-15.

Charts on the Australian Barley Industry, 2005 to 2015









Source: ABARES Data

SORGHUM

PRODUCTION, SUPPLY AND DISTRIBUTION STATISTICS:

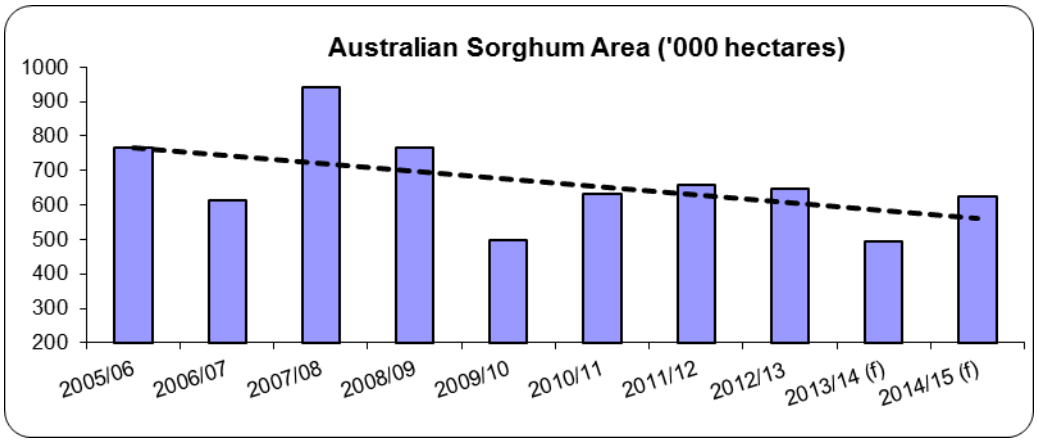
Sorghum Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	648	648	493	493	660	625
Beginning Stocks	230	230	195	195	147	147
Production	2,230	2,230	1,107	1,107	2,000	1,800
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2,460	2,460	1,302	1,302	2,147	1,947
MY Exports	1,160	1,160	350	350	800	500
TY Exports	1,425	1,425	400	400	800	500
Feed and Residual	1,100	1,100	800	800	1,200	1,200
FSI Consumption	5	5	5	5	5	5
Total Consumption	1,105	1,105	805	805	1,205	1,205
Ending Stocks	195	195	147	147	142	242
Total Distribution	2,460	2,460	1,302	1,302	2,147	1,947
1000 HA, 1000 MT, MT/HA						

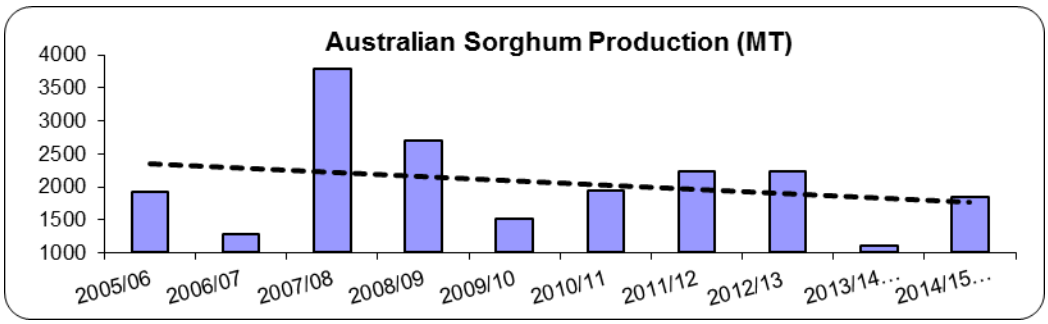
Production

In 2014-15, Australian production of grain sorghum is forecast to increase by over 70 per cent to 1.8 million tons. The area planted is expected to rise by 27 per cent in 2014-15 to 625,000 hectares, after shrinking in the previous year due to unfavorable seasonal conditions. This expansion, though revised down from the previous Post forecast, reflects favorable grain sorghum prices and hopes for average rainfall in growing regions. There is uncertainty forecasting sorghum export because harvesting and export occurs at the end of the financial year. Post expects exports will be 500,000 tons in 2014-15. Sorghum yields are expected to recover from two to three tons per hectare if more normal seasonal rains occur over the growing period.

Sorghum is a summer crop used mainly for livestock feed. Australia produces around two to three per cent of global sorghum, but accounts for over five per cent of global exports. Approximately 60 per cent of the Australian crop is grown in Queensland and the remainder in northern NSW. Planting times are from September to January and sorghum is classified as either grain sorghum or forage sorghum according to the tannin content. Grain sorghum is often used for feed grain for the beef, dairy, pig and poultry industries and is the main summer grain crop in most regions of Queensland. The grain, stalks and leaves are all used for animal feeding products.

Charts on the Australian Sorghum Industry, 2005 to 2015





Source: ABARES Data

RICE

PRODUCTION, SUPPLY AND DISTRIBUTION STATISTICS:

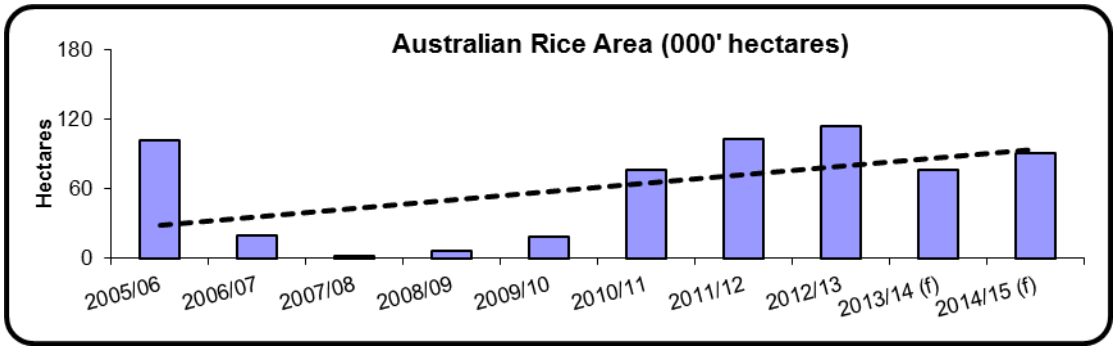
Rice, Milled Australia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Mar 2013		Market Year Begin: Mar 2014		Market Year Begin: Mar 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	114	116	76	75	90	94
Beginning Stocks	40	40	231	231	131	162
Milled Production	836	836	600	599	648	644
Rough Production	1,161	10,000	833	832	900	894
Milling Rate (.9999)	7,200	836	7,200	7,200	7,200	7,200
MY Imports	145	145	150	142	150	150
TY Imports	148	148	150	142	150	150
TY Imp. from U.S.	13	13	0	12	0	12
Total Supply	1,021	1,021	981	972	929	956
MY Exports	440	440	500	460	475	475
TY Exports	460	460	500	466	475	475
Consumption and Residual	350	350	350	350	360	360
Ending Stocks	231	231	131	162	94	121
Total Distribution	1,021	1,021	981	972	929	956
	114	116	76	75	90	94
1000 HA, 1000 MT, MT/HA						

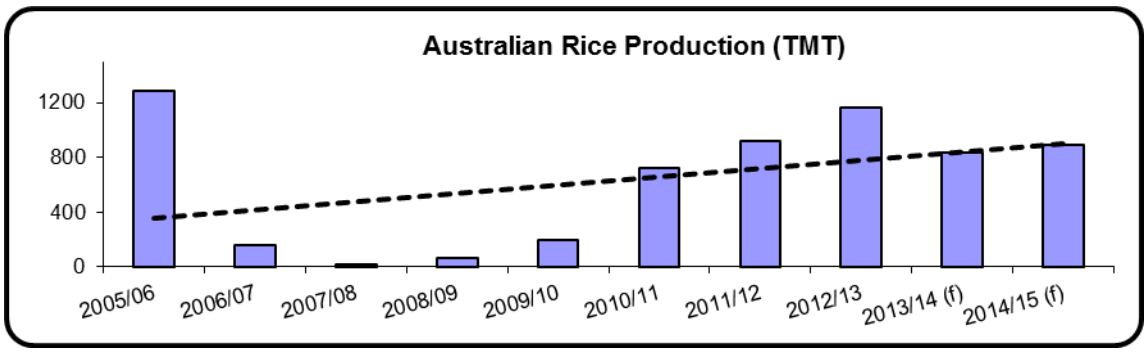
Production

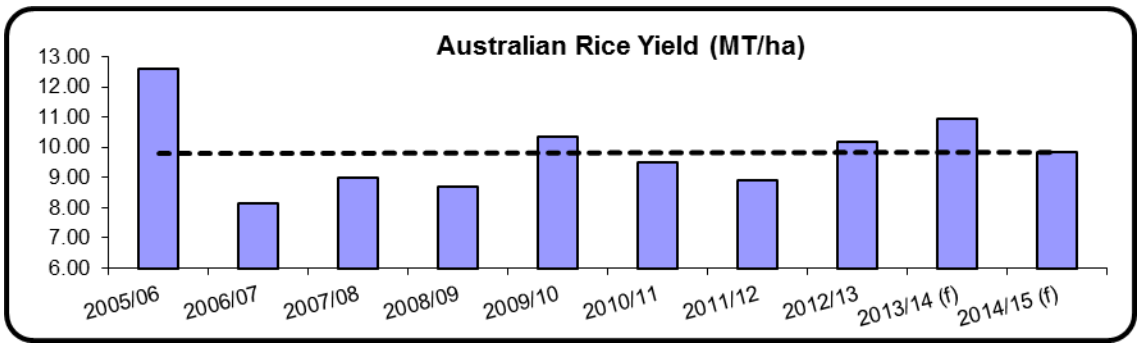
In 2014-15, Australian rice production is expected to increase by 7 per cent to 890,000 tons, provided that irrigation water is available. Milled production in 2014-15 is projected to increase by 7.5 per cent to 644,000 tons due to higher acreage planted and expected favorable returns to growers. In 2014-15, yields are forecast to fall to 9.5 tons per hectare. The industry averages a yield of 9.7 tons per hectare. The 2013-14 crop averaging 11 tons per hectare, the highest in the world. Eighty five per cent of rice is exported and the rest is consumed domestically.

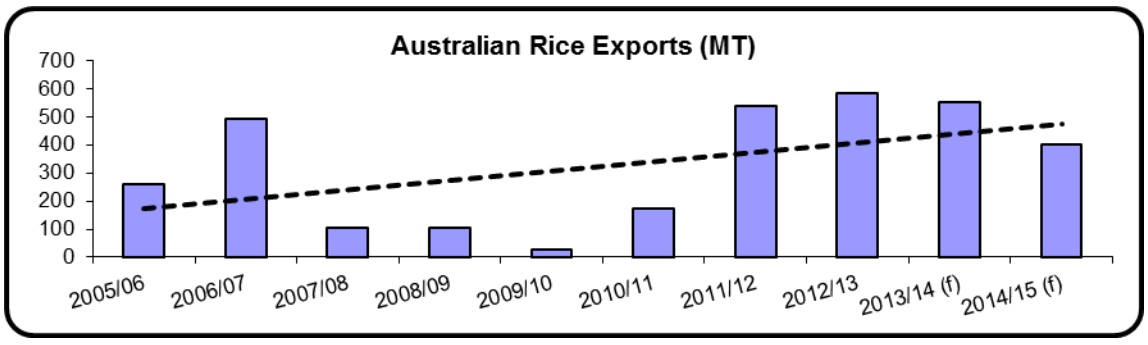
Rice is grown from October until March mainly in the Murrumbidgee and Murray River valleys of NSW. The average size of an Australian rice farm is 400 hectares and water use is tightly regulated. Murrumbidgee and Murray River allocations have been announced at 40 per cent in 2014, although some farms have a 30 per cent carryover available from the previous year. The sole Australian producer markets over 1 million tonnes of rice but only two thirds are from domestic production. By–products from the processing of rice include rice husks, rice stubble, rice bran, broken rice and rice straw, which are used by the horticultural, livestock and building and food industries.

Charts on the Australian Rice Industry, 2005 to 2015





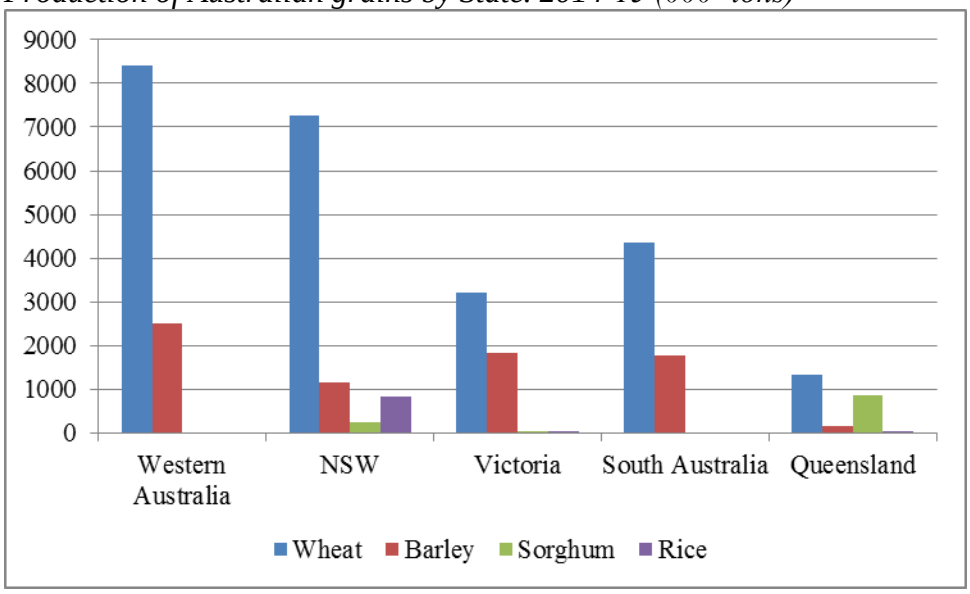




Source: ABARES Data

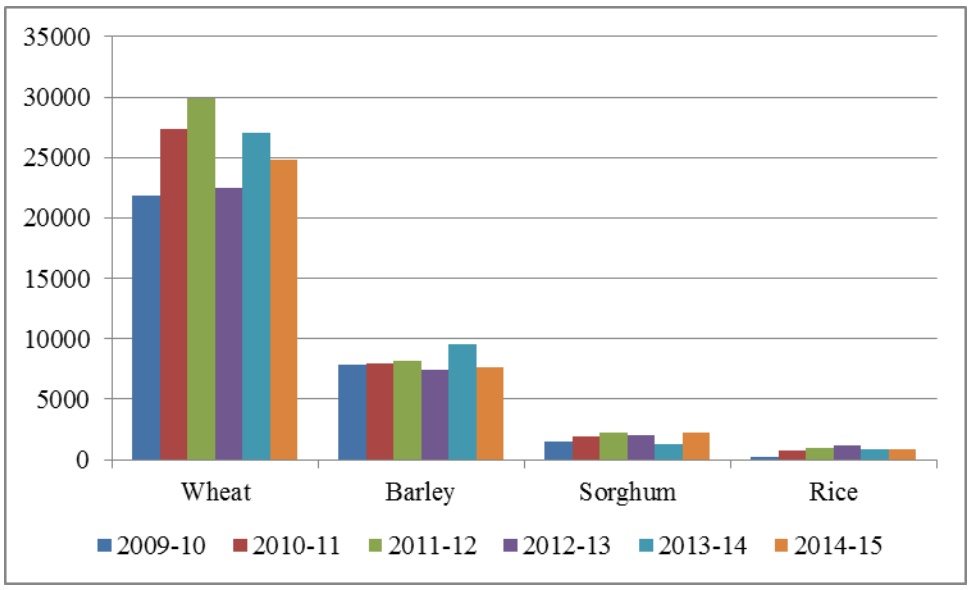
Charts on the Australian Grains Industry

Production of Australian grains by State. 2014-15 (000' tons)



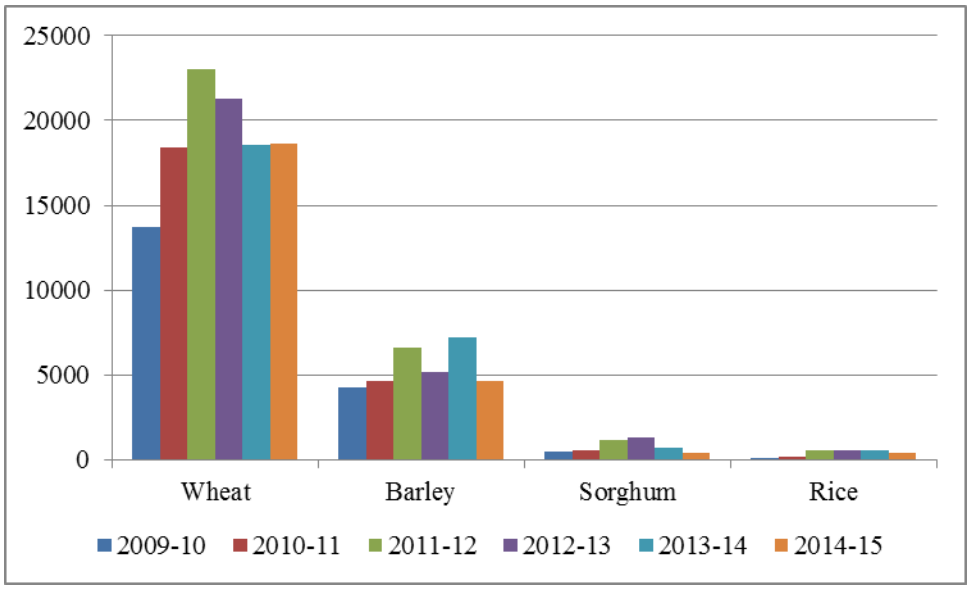
Source: ABARES data.

Production of Australian grains, 2009-10 to 2014-15 (000' tons)



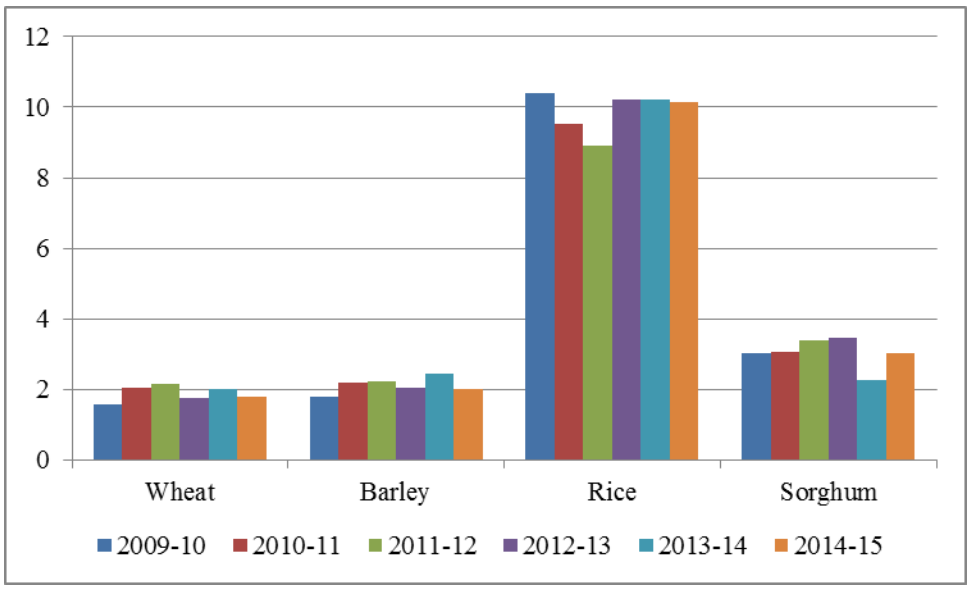
Source: ABARES data.

Exports of Australian grains, 2009-10 to 2014-15 (000' tons)



Source: ABARES data.

Average farm yields for Australian grains, 2009-2015 (tons/hectare)



Source: ABARES data.

REFERENCES

Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES, 2014), *Australian Commodities*, September quarter, Canberra link

ABARES (2014), Production costs in the Australian grains industry, 2010–11 to 2012–13, Research report 14.13, September 2014

ABARES (2014), *Australian Crop Report*, September, Canberra link

ABARES (2014), *Weekly Australian climate, water and agricultural update*, September, Canberra link

Australian Broadcasting Commission (2014), *Rural reports*, See: http://www.abc.net.au

Barley Australia website: www.barleyaustralia.com.au

Grain Trader Australia website: link

Grain Producers Australia website: link

Rice Growers Association website: link

DEFINITIONS

Area Harvested	Land surface for crops (hectares)
Beginning stocks	Unprocessed grains in known storage facilities (metric tons)
Total supply	Beginning Stocks + Production + Total Imports
Consumption	Domestic consumption for wheat and coarse grains includes two components: (1) feed and residual; and (2) non-feed (food, seed and industrial: FSI). Feed and residual is the quantity of grains consumed by animals. FSI is the quantity of grain utilized for seed, industrial purposes (e.g. starch and ethanol) and for human consumption (metric tons)
Distribution	Total Distribution + Total Exports + Domestic Consumption + Ending Stocks