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Report Highlights:

Australia's wheat harvest in MY 2019/20 is estimated to have been the smallest in over a decade, and about 40 percent below the 10-year average. As a result, wheat exports are expected to fall for the third straight year. Sorghum and rice production are also anticipated to be the lowest level in decades, with decreased planted area. For sorghum, continued drought in the key growing area and a severe lack of soil moisture throughout nearly all of the planting season has cut area. For rice, very high water prices have eliminated many farmers incentive to grow rice.

EXECUTIVE SUMMARY

Australia's wheat harvest in MY 2019/20 is estimated to have been the smallest in over a decade, and about 40 percent below the 10-year average. As a result, wheat exports are expected to fall for the third straight year. Sorghum and rice production are also anticipated to be the lowest level in decades, with decreased planted area. For sorghum, continued drought in the key growing area and a severe lack of soil moisture throughout nearly all of the planting season has cut area. For rice, very high water prices have eliminated many farmers incentive to grow rice.

WHEAT

Production

FAS/Canberra's forecast for Australia's wheat production in MY (marketing year) 2019/20 is revised down to 15.0 MMT (million metric tons), 2.3 MMT lower than the previous year's poor crop. This is the smallest crop since MY 2007/2008, and nearly 40 percent below the 10-year average.

The smaller crop was caused by several factors including:

- Continued multi-year drought in much of northern New South Wales and southern Queensland resulted in a second year of reduced wheat sown area. For wheat that was sown, poor yields were widespread, with some winter grain crops being cut for hay. Although wheat production is estimated to have increased somewhat in southern New South Wales due to more precipitation, overall production in New South Wales is estimated to be less than half of average levels. While traditionally New South Wales is the second largest wheat producing State in Australia (after Western Australia), in MY 2019/20 it is estimated to be only the fourth largest.
- Following a huge crop last year, Western Australia experienced dry conditions and frost events in some key wheat growing regions. As a result, wheat production fell by about half of last year's level. In their December crop report, the Grains Industry of Western Australia estimates the MY 2019/20 crop at 5.38 MMT, compared to MY 2018/19 crop estimated by ABARES at 10.2 MMT.

Victoria was the one bright spot for wheat production in Australia, as much of the region there had plentiful rainfall during the growing season, resulting in a bumper harvest. While Victoria typically accounts for only about 13 percent of total wheat production, this year it is estimated to be as high as 25 percent.

Consumption

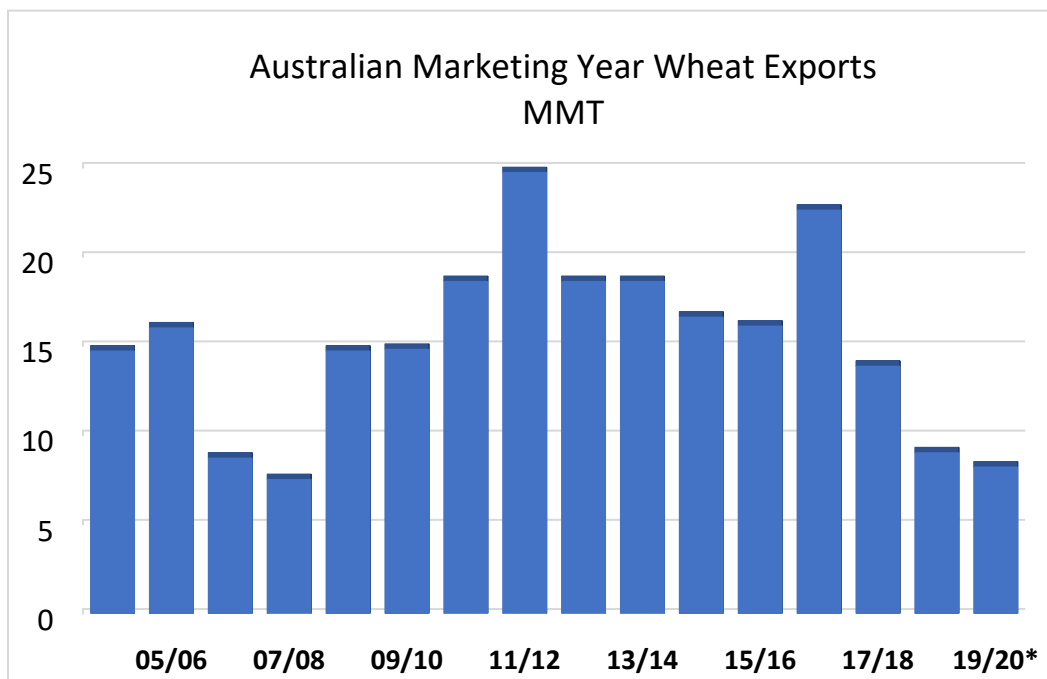
FAS/Canberra's estimate for MY 2019/20 wheat consumption is raised slightly compared to the previous forecast to 8.7 MMT, but still down from MY 2018/19 due to less feed use. Cattle on feed numbers have remained high because of the continued drought, but with a shrinking herd and expected stock rebuilding later in the marketing year (although the timing and extent of this rebuilding will be dependent on rain), it is anticipated that less wheat will be fed.

Because of the drought, eastern Australia is expected to be deficit in grains for a second straight year. While last year much of this deficit was covered with grain from Western Australia, this year more grain is expected to flow northeast from Victoria due to the bumper crop there.

Trade

Exports

Due to the estimated smaller harvest, FAS/Canberra’s estimate for Australia’s wheat exports in MY 2019/20 is also revised down to only 8.0 MMT, 1 MMT lower than MY 2018/19. This is expected to be the third straight year of falling exports. While last year the vast majority of exports came from Western Australia (79 percent), this marketing year it is anticipated that there will be increased shipments from Victoria and South Australia.



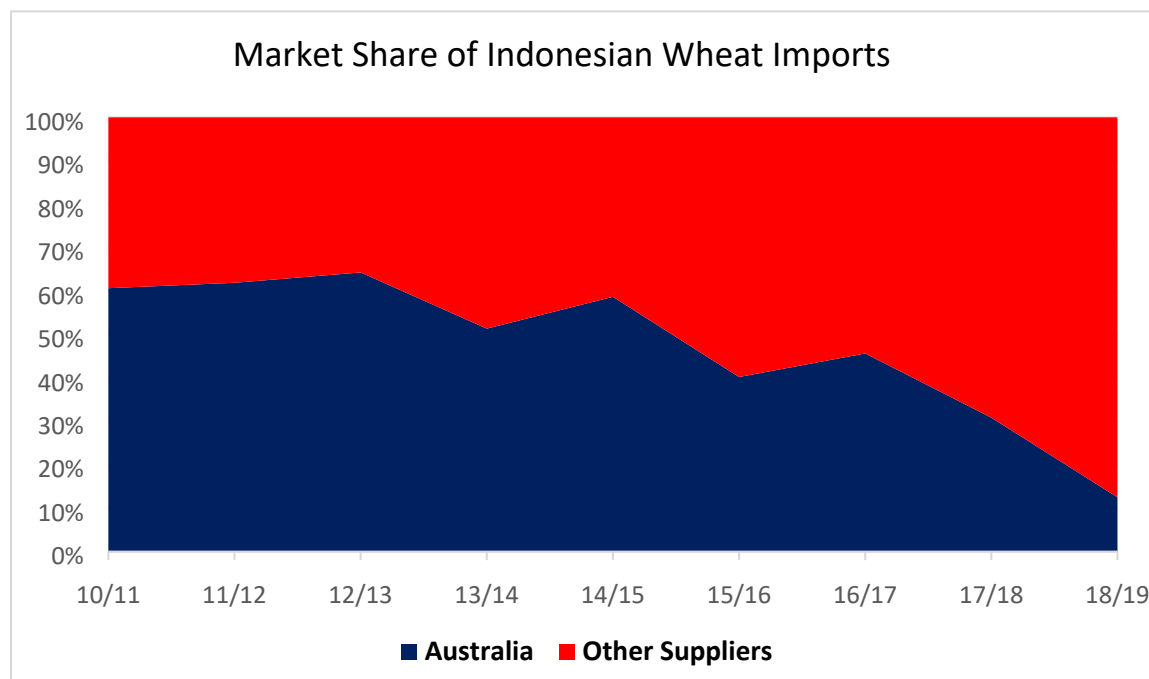
Source: Australian Bureau of Statistics *FAS/Canberra estimate

State	% of total wheat exports – 5 year average (MY 13/14-17/18)	% of total wheat exports – MY 18/19
Western Australia	48%	79%
South Australia	24%	16%
Victoria	14%	3%
New South Wales	12%	1%
Queensland	3%	<1%

Source: Australian Bureau of Statistics

Final MY 2018/19 wheat exports were 9.0 MMT, down nearly 5.0 MMT from the previous year. The market which saw the greatest decrease in Australian shipments was Indonesia, where exports fell by 62

percent compared to last year. This was the first time in over 15 years that Indonesia was not Australia’s largest wheat market. Also, Indonesia imported more from Ukraine, Canada, and Argentina than Australia. This has followed a trend of Indonesia purchasing wheat from a more diverse number of suppliers (see chart below).



Source: Trade Data Monitoring, Indonesian Import Data, July-June year

Top Markets for Australian Wheat	MY 2017/18 (MT)	MY 2018/19 (MT)	% Change
1. Philippines	1,554,427	1,459,049	-6%
2. South Korea	1,090,786	977,079	-10%
3. Indonesia	2,449,933	931,509	-62%
4. Japan	926,831	924,586	-0%
5. Vietnam	1,115,434	881,533	-20%
6. Yemen	529,451	557,466	+5%
7. Malaysia	731,351	544,338	-26%

Source: Australian Bureau of Statistics

Imports

FAS/Canberra’s estimate for wheat imports is also raised to 550,000 metric tons as the poor harvest necessitates continued purchases of high-quality wheat throughout the marketing year. Regular import shipments of Canadian wheat for an Australian mill began in June 2019, and since that time on average one Panamax vessel of wheat has arrived every month.

Wheat Market Begin Year Australia	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	10919	10919	10159	10159	10100	10100
Beginning Stocks	5732	5732	5508	5508	4960	4964
Production	20941	20941	17298	17298	15600	15000
MY Imports	159	159	360	360	550	550
TY Imports	163	163	362	362	550	550
TY Imp. from U.S.	2	2	3	3	0	0
Total Supply	26832	26832	23166	23166	21110	20514
MY Exports	13849	13849	9006	9002	8200	8000
TY Exports	15512	15512	9835	9835	8400	8200
Feed and Residual	4000	4000	5700	5700	5200	5200
FSI Consumption	3475	3475	3500	3500	3500	3500
Total Consumption	7475	7475	9200	9200	8700	8700
Ending Stocks	5508	5508	4960	4964	4210	3814
Total Distribution	26832	26832	23166	23166	21110	20514
Yield	1.9178	1.9178	1.7027	1.7027	1.5446	1.4851
(1000 HA) ,(1000 MT) ,(MT/HA)						

BARLEY

Production

FAS/Canberra's forecast for Australia's barley production in MY 2019/20 is revised down to 8.2 MMT, only slightly less than last year's crop, and seven percent below the 10-year average.

Western Australia typically produces about half of Australia's barley. Although yields in Western Australia are down this year, many barley areas in the southern regions had good harvests. Also, barley planted area in Western Australia was up this year, as sowing delays due to dryness resulted in more farmers planting barley because of its shorter growing season. Because of these factors, the decline in barley production was less severe than for wheat production.

Consumption

MY 2019/20 barley consumption is raised from the previous estimate but still down slightly from the previous year. Although drought conditions have limited forage supplies and resulted in high levels of grain feeding, shrinking sheep and cattle numbers will begin to reduce grain feed use.

Trade

FAS/Canberra's MY 2019/20 barley export estimate is 3.8 MMT, up slightly from last year's level. Exportable supply is anticipated to be similar to last year, and domestic consumption is expected have a small decline.

On November 14, 2019 China's commerce ministry announced that the anti-dumping investigation into imports of Australian barley will be extended for another six months. The investigation is now

supposed to be finished on May 19, 2020. This extension will continue to create uncertainty for growers and exporters as China remains by far the largest buyer of Australian barley.

Top Markets for Australian Barley	MY 2017/18 (MT)	MY 2018/19 (MT)	% Change
1. China	4,449,663	2,377,153	-47%
2. Japan	824,500	655,769	-20%
3. Thailand	210,837	203,962	-3%
4. Vietnam	126,751	131,724	+4%

Source: Australian Bureau of Statistics

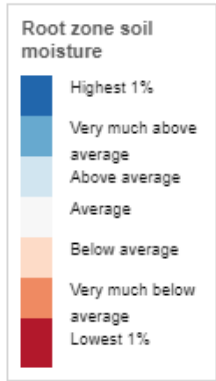
Barley Market Begin Year Australia	2017/2018		2018/2019		2019/2020	
	Nov 2017		Nov 2018		Nov 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4124	4124	3719	3719	3950	3950
Beginning Stocks	1884	1884	1776	1776	1936	1899
Production	9254	9254	8310	8310	8200	8200
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	11138	11138	10086	10086	10136	10099
MY Exports	5662	5662	3750	3687	3800	3800
TY Exports	6088	6088	3666	3666	3800	3800
Feed and Residual	2400	2400	2900	3000	3000	2900
FSI Consumption	1300	1300	1500	1500	1500	1500
Total Consumption	3700	3700	4400	4500	4500	4400
Ending Stocks	1776	1776	1936	1899	1836	1899
Total Distribution	11138	11138	10086	10086	10136	10099
Yield	2.2439	2.2439	2.2345	2.2345	2.0759	2.0759
(1000 HA) ,(1000 MT) ,(MT/HA)						

SORGHUM

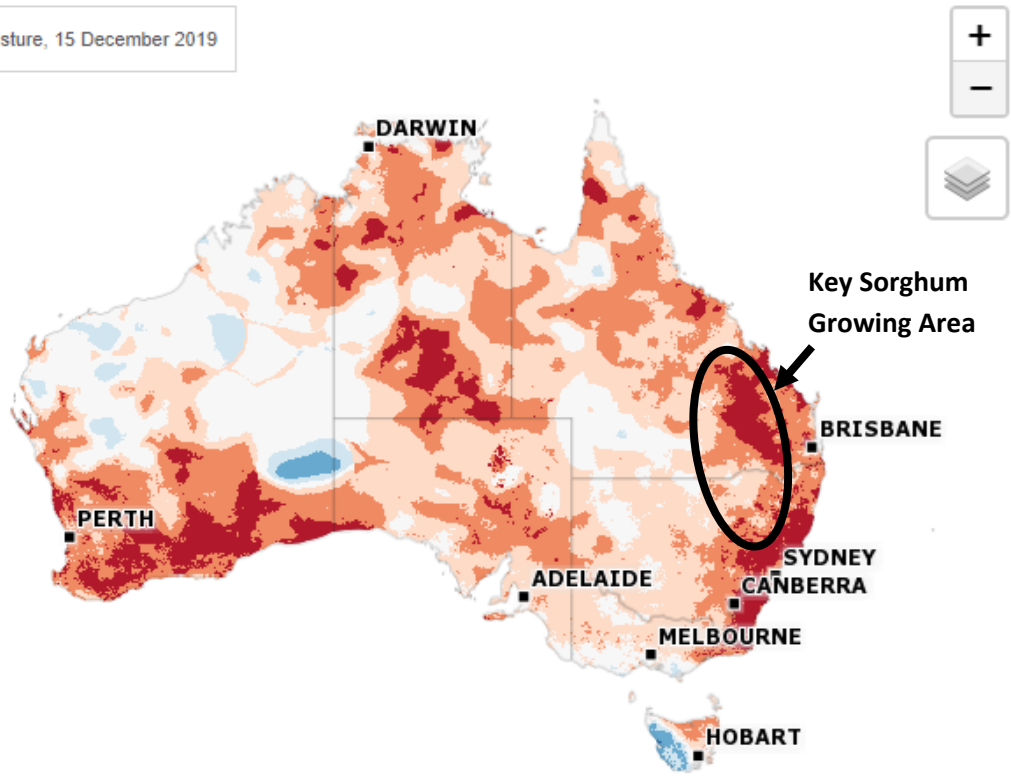
Production

Sorghum production in Australia is expected to drop this year as a result of a sharp reduction in area. Multi-year drought through the key sorghum area of northern New South Wales and southern Queensland resulted in exceptionally low soil moisture during much of the planting season (September-January), resulting in a sharp reduction in planted area. Although rains came to the region in mid-January, this likely arrived too late to significantly boost area. For the sorghum that was planted earlier, however, this rain could help establish plants.

Displaying: Root zone soil moisture, 15 December 2019



Values
Actual **Relative**

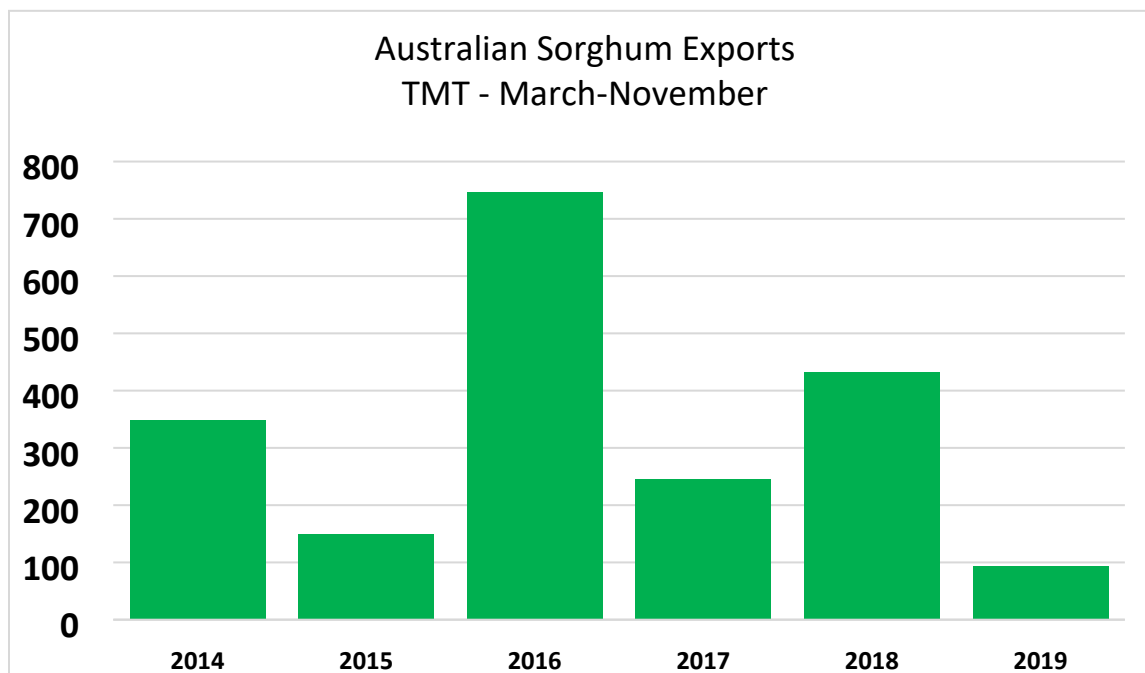


Consumption

Because of the expected drastically smaller MY 2019/20 sorghum crop, FAS/Canberra's consumption estimate is revised down with less available for livestock feed.

Trade

FAS/Canberra's MY 2019/20 sorghum export forecast is revised down to only 50,000 MT as a result of much lower expected production. If realized, this would be the smallest exports in 25 years. Nearly all of Australia's sorghum exports go to China for feed and alcohol production.



Source: Australian Bureau of Statistics

Sorghum Market Begin Year Australia	2017/2018		2018/2019		2019/2020	
	Mar 2018		Mar 2019		Mar 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	462	462	496	496	250	250
Beginning Stocks	272	272	273	273	251	251
Production	1257	1257	1278	1278	400	400
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	1529	1529	1551	1551	651	651
MY Exports	456	456	150	150	50	50
TY Exports	449	449	91	91	50	50
Feed and Residual	600	600	950	950	400	300
FSI Consumption	200	200	200	200	100	200
Total Consumption	800	800	1150	1150	500	500
Ending Stocks	273	273	251	251	101	101
Total Distribution	1529	1529	1551	1551	651	651
Yield	2.7208	2.7208	2.5766	2.5766	1.6	1.6
(1000 HA) ,(1000 MT) ,(MT/HA)						

RICE

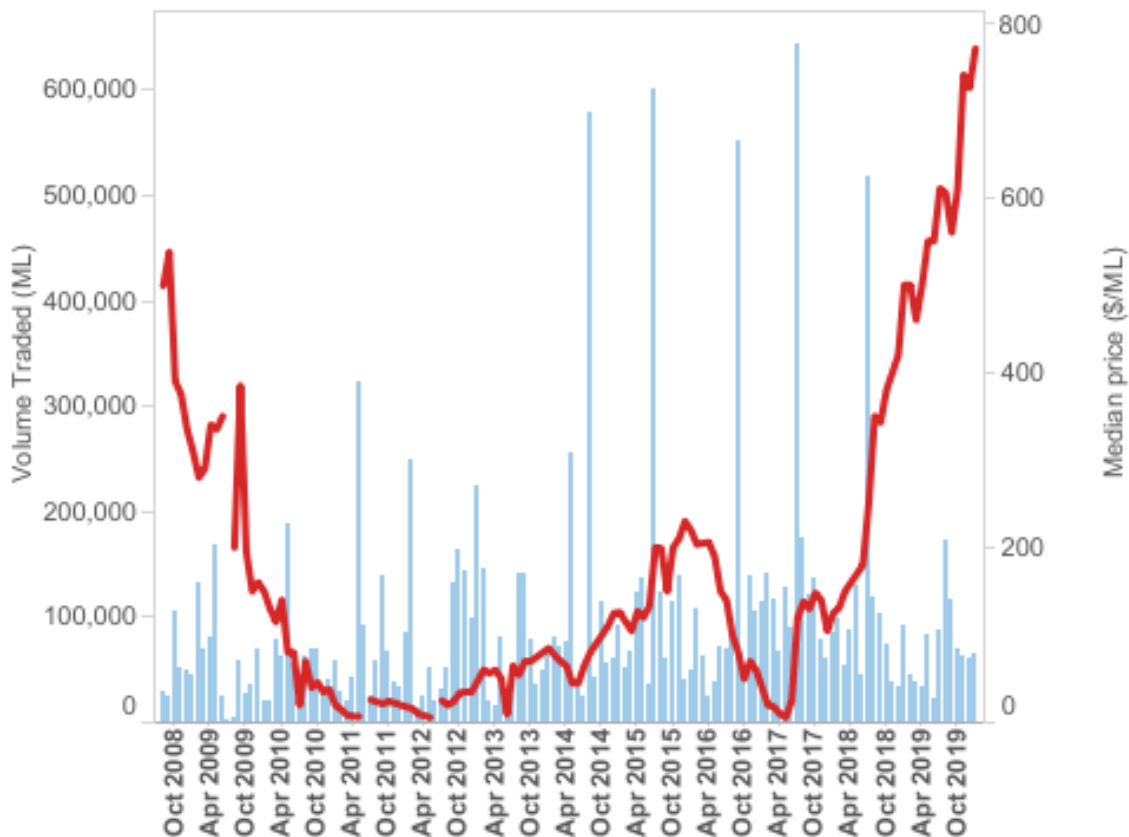
Australia's rice production is expected to remain very small for the second straight year as continued drought and skyrocketing water prices have kept sown area extremely low. Milled production is forecast at 36,000 MT, down only slightly from last year but 90 percent lower than the 10-year average. Although record prices were offered to farmers to return to planting rice, water costs made it not feasible for most farmers. Water prices have skyrocketed in the rice growing region, reaching A\$770/ML in

January 2020, compared to A\$500/ML in January 2019, A\$125/ML in January 2018, and only A\$40/ML in January 2017 (see chart below).

Allocation trade-volume and price Murrumbidgee (SS15)

Graph time scale Month

- Regulated, Volume Traded
- Median price (\$/ML)



Source: bom.gov.au/water

Consumption

Australia’s rice consumption is expected to fall as a result of the small crop, and nearly all of consumption will need to be met with imports. Because of the dearth of domestic rice, mills have had to lay off staff in Australia and sharply reduce milling operations.

Trade

Because of the second straight year of low production, Australian rice exports in MY 2019/20 are forecast to be only 20,000 MT, the lowest in 10 years and less than one-tenth the level of MY 2017/18.

While last year some carry-in domestic rice stocks allowed for exports despite the small harvest, this is not expected to be the case in MY 2019/20.

In order to cover domestic needs, imports for MY 2019/20 are forecast to rise to record levels, with imports forecast at 300,000 MT. Thailand is typically the largest supplier to Australia, followed by India.

Rice, Milled Market Begin Year Australia	2017/2018		2018/2019		2019/2020	
	Mar 2018		Mar 2019		Mar 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	61	61	5	5	5	5
Beginning Stocks	208	208	217	217	41	41
Milled Production	457	457	44	44	36	36
Rough Production	635	635	61	61	50	50
Milling Rate (.9999)	7200	7200	7200	7200	7200	7200
MY Imports	173	173	230	230	300	300
TY Imports	167	167	200	200	260	260
TY Imp. from U.S.	10	10	0	0	0	0
Total Supply	838	838	491	491	377	377
MY Exports	241	241	100	100	20	20
TY Exports	262	262	130	130	20	20
Consumption and Residual	380	380	350	350	330	330
Ending Stocks	217	217	41	41	27	27
Total Distribution	838	838	491	491	377	377
Yield (Rough)	10.4098	10.4098	12.2	12.2	10	10

(1000 HA),(1000 MT),(MT/HA)

Attachments:

No Attachments