Coarse grains

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b France feed barley, fob Rouen.

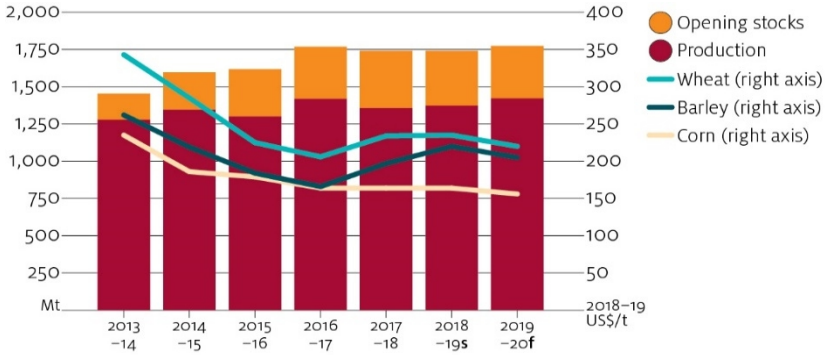
Coarse grains

Barley prices to fall due to rising world coarse grain production and substitution of wheat for feed.

Growing supply to reduce world prices

World coarse grain prices are forecast to average lower in 2019–20. Rising world coarse grain production and substitution of wheat for feed, particularly in China, are forecast to put downward pressure on world prices.

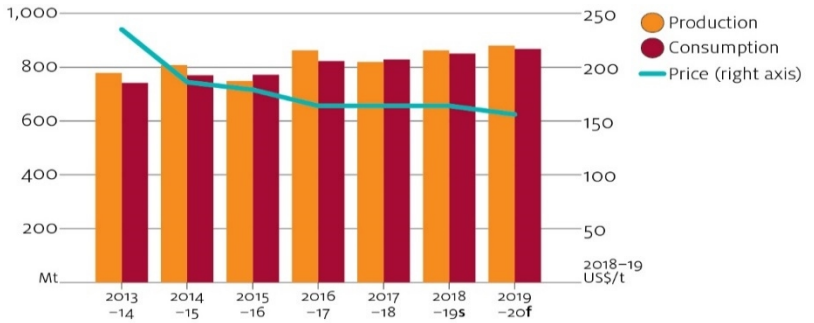
World coarse grain supply and prices, 2013–14 to 2019–20



s ABARES estimate. **f** ABARES forecast.
Note: Wheat is US no.2 hard red winter, fob Gulf; barley is France feed barley, fob Rouen; corn is US no. 2 yellow corn, fob Gulf.

Increases in world corn production (excluding China) are forecast to reduce world prices. World corn consumption is expected to increase, mostly due to industrial use in China. This consumption will be drawn mostly from domestic stocks due to the Chinese Government's biofuel policies that aim to reduce national corn stocks levels.

World (excluding China) corn production, consumption and prices, 2013–14 to 2019–20



s ABARES estimate. **f** ABARES forecast.

Corn to drive increasing world coarse grain production

Higher corn production in Brazil, the European Union and the United States is forecast to more than offset declines in China. Production is expected to grow as area planted expands. Lower production in China reflects a fall in area as a result of farmers shifting to soybean production. The Chinese Government's subsidy for planting soybeans is US$670 per hectare compared with US$223 per hectare for planting corn. China has been subsidising soybeans since 2018 to reduce its reliance on US imports, made more expensive by tariffs.

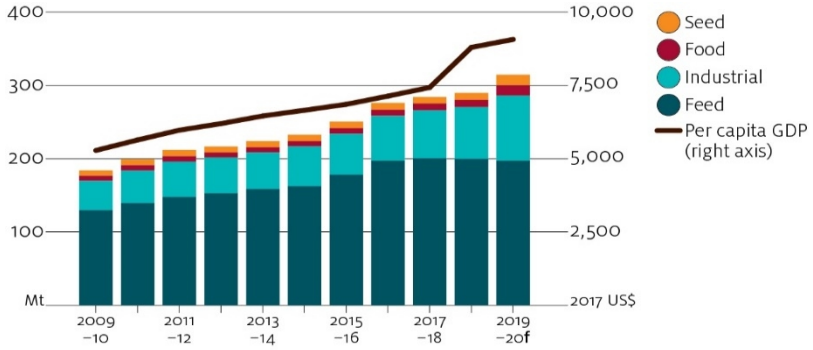
World barley production is also forecast to rise in 2019–20 because of yield improvements in Canada, the European Union, Ukraine and the

Russian Federation. A return to average seasonal conditions is expected in these countries following dry seasons in 2018–19. Despite higher production, world trade is expected to rise at a slower pace in 2019–20. This is because high domestic demand in major exporting countries is expected to reduce supplies available for export.

China to lead world demand for coarse grains

Chinese demand for corn as livestock feed is expected to fall in 2019–20 because of a significant reduction in Chinese pig numbers due to the spread of African swine fever. However, this is expected to be more than offset by growth in demand for corn for industrial use as Chinese biofuel policies encourage substitution of corn ethanol for fossil fuels. This is forecast to drive an increase in world coarse grain consumption in 2019–20.

Coarse grain consumption, by use and per capita GDP, China 2009–10 to 2019–20



f ABARES forecast.
Note: Per capita GDP are in annual years.
Sources: International Grains Council; USDA; World Bank.

Australian production to increase in 2019–20

Area planted to Australian coarse grains is forecast to increase by 14% in 2019–20 to 5.7 million hectares, due to an expansion in plantings of barley, oats and grain sorghum. The forecast reflects average to above average autumn rains in Victoria, South Australia and southern New South Wales, and relatively high prices for barley and oats compared with alternatives. Barley production is forecast to rise to around 9.2 million tonnes, 3% higher than the ten year average to 2018–19. Oats production is forecast to rise to 1.3 million tonnes, slightly above the ten year average.

Assuming average seasonal conditions during spring and summer in New South Wales and Queensland, the area planted to grain sorghum is forecast to rise by 15% in 2019–20 to 604,000 hectares. Growing demand for grain sorghum for feed and ethanol use and forecast lower cotton prices are expected to encourage a shift from cultivation of dryland cotton to grain sorghum. Despite strong domestic demand for feed grain, Australian coarse grain exports are expected to increase to 6.8 million tonnes in 2019–20.

Challenges and opportunities

African swine fever poses further downside risks to consumption

African swine fever continues to spread in China. Since August 2018, 129 outbreaks have been reported, resulting in China's pig population decreasing by more than 40 million. This decline has significantly reduced the consumption of corn for feed and is likely to reduce it further. The extent to which livestock numbers will fall in China is uncertain and poses a high risk to feed demand in 2019–20.

Biofuel policies in China

The forecast rise in industrial use of corn in China depends on the implementation of biofuel policies in 2020. These policies require a significant rise in domestic use of ethanol. However, increased ethanol production in China requires investment in additional production plants. While a number of production plants have been commissioned recently, there is still substantial uncertainty about how quickly domestic ethanol production can increase.

Climate variability and production

The forecast growth in world barley production is based on yield improvements, assuming a return to average seasonal conditions in Australia, Canada, the European Union, Ukraine and the Russian Federation. Early season indications are that soil moisture profiles have improved and seasonal conditions have been favourable in the Russian Federation and Ukraine. However, it has been unusually wet and cold in Canada and dry in some parts of Australia and the European Union. Any further worsening of seasonal conditions in these countries present downward risks to the barley production forecast.

US–China trade dispute

The US–China trade dispute continues to increase competition for land among grain crops and distort grain markets. See the Economic overview for a summary of the current state of the US–China trade dispute.

Outlook for coarse grains

Category	unit	2017–18	2018–19s	2019-20f	*% change*
World					
Production	Mt	1,356	1,372	1,425	*3.9*
barley	Mt	142	140	152	*8.7*
corn	Mt	1,076	1,099	1,135	*3.3*
Consumption	Mt	1,374	1,397	1,454	*4.0*
Trade	Mt	185	200	201	*0.6*
Closing stocks	Mt	369	352	323	*– 8.2*
Stocks-to-use ratio	%	26.9	25.2	22.2	–
Corn price **a**	US$/t	160	164	160	*– 2.7*
Barley price **b**	US$/t	192	220	209	*– 5.0*
Australia					
Area	’000 ha	5,569	5,017	5,710	*13.8*
barley	’000 ha	4,124	3,719	4,175	*12.3*
grain sorghum	’000 ha	462	496	604	*21.8*
Production	kt	12,210	10,957	12,581	*14.8*
barley	kt	9,254	8,310	9,191	*10.6*
grain sorghum	kt	1,255	1,278	1,555	*21.6*
Exports	kt	8,824	5,552	6,905	*24.4*
value	A$m	2,577	2,103	2,455	*16.7*
Feed barley price **c**	A$/t	253	382	369	*– 3.3*
Malting barley price **d**	A$/t	262	375	348	*– 7.3*

a Us no. 2 yellow corn, fob gulf, July-June, derived from average daily price quote. **b** France feed barley, fob Rouen, July–June. **c** Feed 1, delivered Geelong. **d** Gairdner Malt 1, delivered Geelong. **f** ABARES forecast. **s** ABARES estimate.
Sources: ABARES; Australian Bureau of Statistics; International Grains Council; ITC Trade Map; UN Commodity Trade Statistics Database (UN Comtrade); US Department of Agriculture