

Wheat

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^a US no. 2 hard red winter, fob Gulf.

Wheat

Wheat prices to average lower due to increased global production.

World wheat prices to average lower

The world wheat indicator price (US no. 2 hard red winter, fob Gulf) is forecast to average 4% lower in 2019-20 at US\$225 per tonne. Forecast higher production in major exporting and importing countries will increase the supply of wheat on world markets. Wheat stocks in major exporting countries are forecast to increase by 7%.

World production to reach record high

Mostly favourable seasonal conditions in major wheat-producing countries are forecast to result in record world wheat production of around 770 million tonnes, a 5% increase from 2018-19. Increased production is forecast in Australia, Canada, northern Europe, the Russian Federation and Ukraine.

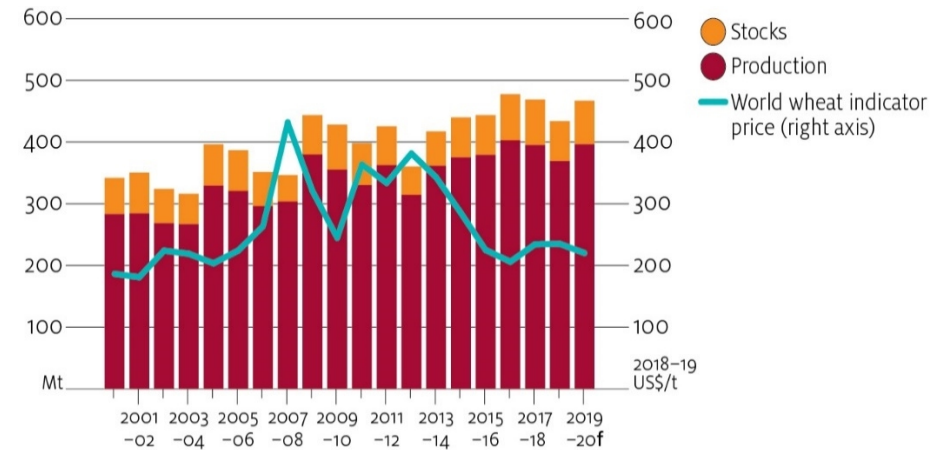
Lower production in North Africa is expected to result in increased demand for wheat imports.

Australian wheat production to recover in 2019-20

Australian wheat production is forecast to increase by 22% from the drought affected 2018-19 crop. Although planting conditions have been below average in parts of New South Wales, southern

Queensland and Western Australia production is expected to increase to around 21 million tonnes.

World supply, major exporters, 2000-01 to 2019-20f

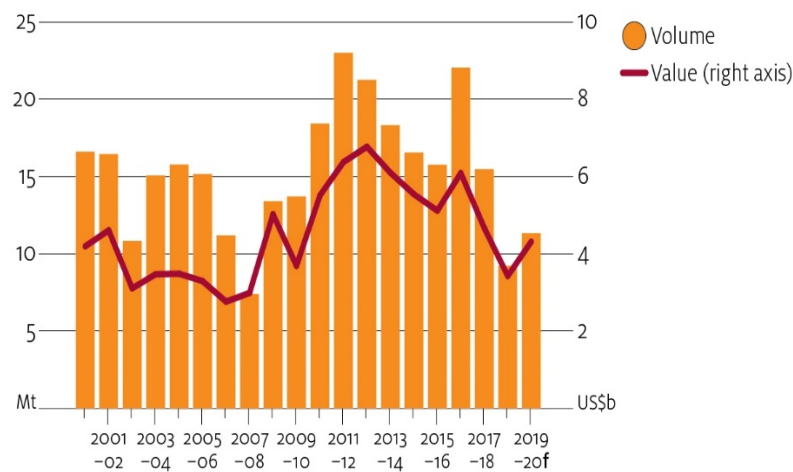


^f ABARES forecast.

Australian export value and volume to increase

Australian wheat exports in 2018-19 are estimated to be 45% below the 5-year average, at around 9.7 million tonnes. Australian wheat has been less competitive on world wheat markets due to high domestic prices. In 2019-20 wheat exports are forecast to increase in value and volume due to increased production and lower domestic demand as drought conditions ease. Continued growth in world food, feed and industrial consumption is expected to support demand for Australia's exports. However, increased supply from all major exporters will make global trade very competitive.

Australian wheat exports, volume and value 2000–01 to 2019–20f



f ABARES forecast.

Opportunities and challenges

Lower production limiting Australian feed grain supplies

Domestic feed grain prices in Australia's eastern states have been high due to low grain production in 2017–18 and 2018–19 and increased demand for livestock feed. As a result, wheat usually exported to global markets is being shipped from Western Australia and South Australia to Australia's eastern states.

The probability of the 2019–20 winter cropping season being affected by equally adverse seasonal conditions is low. However if this did occur, grain stocks would be expected to fall to record low levels, already high domestic grain prices would increase as would the demand for bulk grain imports.

Australia to import wheat in 2019

For the first time since 2006, a number of [bulk grain import permits](#) for high-protein Canadian milling wheat were issued in May 2019. The applications for the permits reflect a significant fall in supplies of high-protein milling wheat following consecutive years of low production in the eastern states. In a normal season, importing grain from Canada would not be economically viable.

Indonesia–Australia Comprehensive Economic Partnership Agreement

Australia and Indonesia signed the agreement (IA-CEPA) in March 2019. In the first year of the agreement, Indonesia will issue automatic import permits granting duty-free access for 500,000 tonnes of Australian feed grain, including wheat. The tariff quota volume will increase by 5% annually. IA-CEPA is expected to come into effect in 2020, pending ratification. This agreement will boost Australia's competitiveness in our biggest export market.

Argentina to produce consecutive record wheat crops

Argentina is forecast to produce a second consecutive record wheat crop in 2019–20 of around 20 million tonnes. Last season's record crop surpassed Australia's drought-affected production. Argentina's exportable supplies will be competitively priced due to the depreciation of the Argentine peso. The increase in supply will likely lead to increased competition with Australian wheat exports, particularly in price-conscious Asian markets.

Black Sea wheat exports gaining acceptance in Asian markets

Recent export trends indicate that Black Sea wheat is gaining acceptance in more price-conscious Asian markets such as Indonesia's instant noodle market. Australian wheat is preferred because of its

unique quality attributes, but it has become uncompetitive. Australia is likely to retain its market share when seasonal conditions improve and Australian production and prices return to more normal levels.

Change in Australian indicator price

ABARES is now using the price of APW1 Port Adelaide fob as the Australian indicator price of wheat because it more accurately reflects movements in domestic grain prices. The APW pool return that ABARES used historically was a legacy of single-desk marketing. Post-deregulation, this price series was an average of fob pool returns across each state. Over time, it has become less indicative of domestic grain prices.

ABARES has also amended its methodology for calculating the gross value of crop production to better reflect the influence of current domestic market conditions. The revised estimates for 2018–19 and 2019–20 are higher than previous estimates. Lower production and increased domestic use has resulted in low wheat stocks and high domestic prices, increasing their influence on GVP.



Australian Government
Department of Agriculture
ABARES

Outlook for wheat

Category	unit	2017–18	2018–19s	2019-20f	% change
World					
Production	Mt	763	733	770	4.9
Black Sea region a	Mt	127	111	120	7.8
China	Mt	134	131	131	-0.3
European Union	Mt	151	138	150	8.5
India	Mt	98.5	99.7	99.6	-0.2
United States	Mt	47.4	51.3	51.0	-0.6
Consumption	Mt	738	738	753	2.0
human	Mt	513	519	526	1.4
feed	Mt	143	140	146	4.6
Closing stocks	Mt	269	264	281	6.2
Stocks-to-use ratio	%	36.4	35.8	37.3	-
Trade	Mt	179	174	178	2.3
Exports b					
Argentina	Mt	12.8	13.8	13.9	0.3
Australia c	Mt	15.5	9.7	11.7	20.6
Black Sea region a	Mt	67.7	61.0	61.2	0.4
Kazakhstan	Mt	8.7	8.4	7.7	-8.2
Russian Federation	Mt	41.6	36.1	35.6	-1.4
Ukraine	Mt	17.4	16.5	17.9	8.6
Canada	Mt	22.1	22.8	23.1	1.3
European Union	Mt	23.4	24.4	26.2	7.1
United States	Mt	24.5	25.2	24.5	-2.7
Price d	US\$/t	229	235	225	-4.3
Australia					
Area	'000 ha	10,919	10,159	10,970	8.0
Production	kt	20,941	17,298	21,191	22.5
Domestic Use	kt	8,686	9,068	8,845	0
Exports c	kt	15,492	9,688	11,688	20.6
value	A\$m	4,672	3,601	4,454	23.7
Closing stocks	kt	4,448	4,164	4,042	0
Price e	A\$/t	297	404	345	-14.6

a Kazakhstan, Russian Federation and Ukraine. **b** Local marketing years. **c** July–June years. **d** US no. 2 hard red winter wheat, fob Gulf, July–June. **e** Australian premium white no. 1 wheat, fob Adelaide, July–June. This price superseded the previous indicator, the APW pool return. ABARES ceased collection of the APW pool return in 2018-19 as it is no longer a good indicator of returns for Australian wheat. **f** ABARES forecast. **s** ABARES estimate.

Sources: ABARES; Australian Bureau of Statistics; International Grains Council; US Department of Agriculture