Coarse grains

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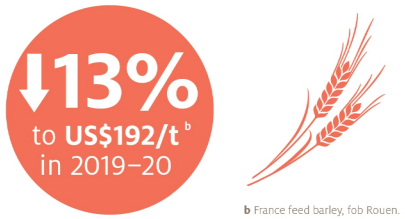
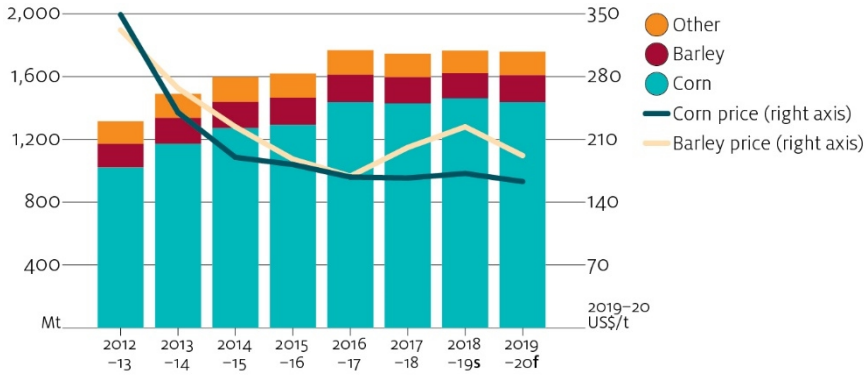


Supply to reduce world coarse grain prices in 2019–20

World coarse grain prices are forecast to average lower in 2019–20. This is because of a large carry-over of corn stocks and an expected increase in barley production in Australia, Canada and the European Union. Despite a significant fall in US corn production, world supply of coarse grain is expected to remain high. Substitution between corn and wheat is also expected to put downward pressure on corn prices.

World coarse grain supply and prices, 2012–13 to 2019–20



f ABARES forecast. s ABARES estimate.
Note: Other includes oats, grain sorghum, triticale, rye and mixed grain.

Barley to drive world production growth in 2019–20

World coarse grain production is forecast to rise, as increases in barley production more than offset falls in corn production. Following dry conditions in 2018–19, a forecast return to average seasonal conditions in Canada and the European Union is expected to increase barley area and improve yields.

World corn production is forecast to fall due to declines in China and the United States. This is a significant downward revision of the Agricultural commodities: June quarter 2019 forecast. The decline in China reflects a fall in support payments for corn planting in favour of soybeans, and lower yields. Outbreaks of the fall armyworm in China may also affect crops, posing a downside risk to the production forecast. The decline in corn production in the United States is a result of lower yields, following wet and cool weather in some of the major corn-growing regions.

Fall in corn feed to constrain world consumption growth

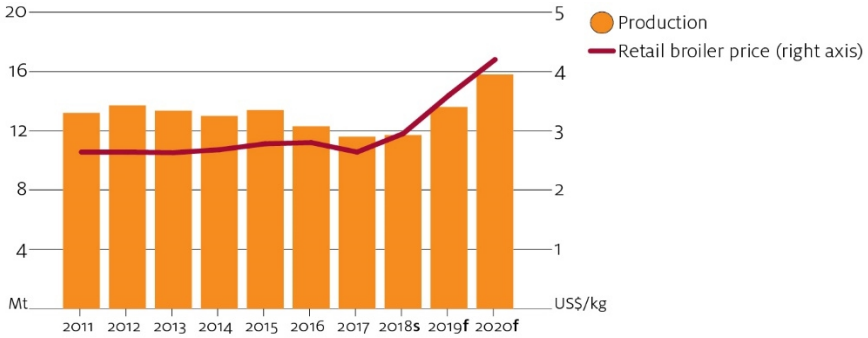
World coarse grain consumption is forecast to rise marginally in 2019–20. Growth in world coarse grain consumption is expected to be constrained by falling demand for corn in China and the European Union. The industrial use of corn is likely to rise in Argentina, Brazil, China and the United States. However, this is forecast to be largely offset by a fall in use of corn for feed. EU barley consumption is expected to return to the long term average as prices ease with increased barley production.

Chinese demand for livestock feed is forecast to fall. This is due to a significant reduction in pig numbers following the outbreaks of African

swine fever. This will reduce Chinese import demand and put downward pressure on world grain prices.

The fall in livestock feed demand is likely to be partially offset by rising demand for poultry feed due to increased poultry production. Since the start of the outbreak in August 2018 pork prices have risen significantly, encouraging consumers to shift to alternatives such as poultry and beef. Chinese poultry producers have responded to rising domestic prices by increasing production.

Chicken meat production and prices, China, 2011 to 2020



f ABARES forecast. **s** ABARES estimate.
Sources: ABARES; USDA-FAS

In Argentina, Brazil and the United States, increases in the industrial use of corn have been driven by growing demand for high fructose corn syrup and by ethanol blending mandates.

A forecast increase in EU barley production is expected to result in lower prices and lead to a rise in barley feed use in 2019–20. This followed a fall in 2018–19 when relatively cheaper corn was substituted for barley.

Australian production to increase in 2019–20

Australian coarse grain production is forecast to rise in 2019–20 and be around 5% above the 10-year average to 2018–19. This relatively high level of forecast production is driven by an increase in the area planted to barley nationally and good yield prospects in New South Wales, Victoria and South Australia. Relatively high prices and barley's ability to perform better in dry conditions encouraged an increase in area planted.

Grain sorghum production is forecast to fall to 992,000 tonnes in 2019–20, 41% lower than the 10-year average to 2018–19. Hot and dry winter weather in major grain sorghum–growing regions of New South Wales and Queensland reduced soil moisture to below average levels. According to the Bureau of Meteorology's August 2019 forecast, this weather pattern is expected to continue during spring. This will limit any recovery in soil moisture levels and reduce grain sorghum planting.

Despite strong domestic demand for feed grain, Australian coarse grain exports are forecast to rise to 7 million tonnes in 2019–20. A forecast increase in grain production is expected to reduce the feed grain deficit in the eastern states and allow an increase in exports.

Opportunities and challenges

Seasonal conditions in the United States and world corn exports

The United States accounted for around 37% of annual global corn exports in the 10 years to 2018–19. A continuation of wet and cool weather will negatively affect US crop development and reduce yields, providing an upside risk to the price forecast. Poor seasonal conditions in 2012–13 resulted in a reduction in US exports of around 53% and world prices rose by 11%.

Fall armyworm outbreaks in China threaten corn production

Recent outbreaks of the invasive fall armyworm in Africa and southern Asia have devastated crops and reduced corn yields by up to 50%. In China, the pest has been detected in 19 of the country's 34 provinces and is continuing to spread north. This poses a further downside risk to the corn production forecast and would put upward pressure on prices.

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 the domestic use of ethanol, which will increase world corn prices. However, increased ethanol production in China requires investment in additional ethanol production plants. The government recently commissioned the construction of several production plants but it is unclear how quickly domestic ethanol production can increase. This is likely to limit further growth in Chinese corn consumption in the short-term.

Outlook for coarse grains

Category	unit	2017–18	2018–19 s	2019-20 f	*% change*
World					
Production	Mt	1,356	1,396	1,402	*0.4*
barley	Mt	142	140	153	*9.7*
corn	Mt	1,078	1,123	1,109	*–1.3*
Consumption	Mt	1,374	1,397	1,415	*1.3*
Trade	Mt	186	208	205	*–1.4*
Closing stocks	Mt	370	355	339	*–4.3*
Stocks-to-use ratio	%	26.9	25.4	24.0	–
Corn price **a**	US$/t	160	168	163	*–3.3*
Barley price **b**	US$/t	192	220	192	*–12.7*
Australia					
Area	’000 ha	5,569	5,017	5,377	7.2
barley	’000 ha	4,124	3,719	4,125	10.9
grain sorghum	’000 ha	462	496	391	-21.2
Production	kt	12,210	10,957	12,138	10.8
barley	kt	9,254	8,310	9,479	14.1
grain sorghum	kt	1,255	1,278	992	-22.4
Exports	kt	8,824	5,234	7,017	34.1
value	A$m	2,577	2,070	2,387	15.3
closing stocks	kt	1,500	406	305	-24.9
Feed barley price **c**	A$/t	253	382	349	-8.7
Malting barley price **d**	A$/t	262	383	364	-5.0

a US no. 2 yellow corn, fob Gulf. **b** France feed barley, fob Rouen. **c** Feed 1, delivered Geelong. **d** Gairdner Malt 1, delivered Geelong. **f** ABARES forecast. **s** ABARES estimate.

Sources: ABARES; ABS; IGC; ITC Trade Map; UN Comtrade; USDA