

## Wheat

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### Wheat

Wheat prices to average lower due to increased global production.

### World wheat prices forecast to be lower on average

The world wheat indicator price (US no. 2 hard red winter, fob Gulf) is forecast to average 6% lower in 2019-20 at US\$218 per tonne. Forecast higher production in major exporting and importing countries will increase the supply of wheat on world markets.

### World production to reach record high

World wheat production is forecast to reach a record 766 million tonnes. This is despite hot and dry June conditions lowering yield potential for some major northern hemisphere producers. Increased production is forecast in Argentina, Australia, Canada, northern Europe, the Black Sea region and the United States.

### Australian wheat production mixed in 2019-20

Despite mixed seasonal conditions, Australian wheat production is forecast to increase by 10% (to 19 million tonnes) from the drought-affected levels in 2018-19. Drought conditions have persisted in central and northern New South Wales and southern Queensland. In contrast, conditions in central Queensland, southern New South Wales, Victoria and parts of South Australia have improved from those in 2018-19. However, the outlook for below average spring rainfall may

reduce yield potential in these regions. The spring outlook for Western Australia is more positive, and although not expected to match 2018-19, yields are forecast to be close to the 10 year average.

### Forecast change in world wheat production, 2019-20



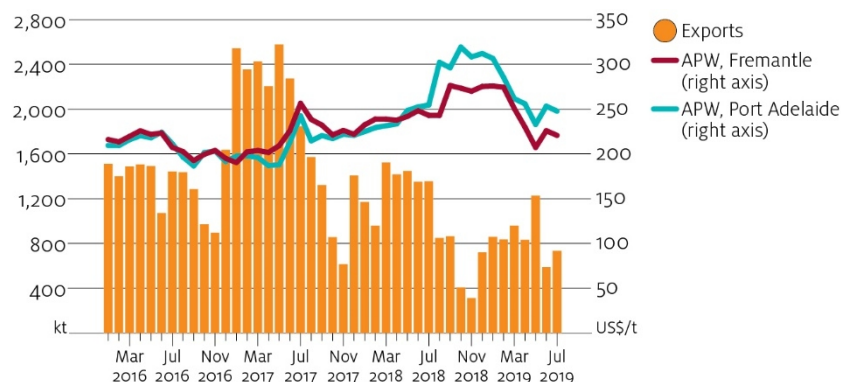
### Australian export value and volume to increase

Australian wheat exports in 2018-19 were 46% below the 10-year average, at around 9.8 million tonnes. Wheat exports have been diverted from the world market as increased domestic feed demand and lower supply resulted in high domestic prices. In 2019-20 wheat exports are forecast to increase as a result of increased production and lower domestic demand following an easing in drought conditions in some regions.

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 add to downward pressure on prices.

### Australian wheat exports and prices, January 2016 to July 2019



Sources: ABARES; Australian Bureau of Statistics

## Opportunities and challenges

### Lower production limiting Australian feed grain supplies

Domestic feed grain prices have been high due to poor seasonal conditions in Australia's eastern states. Dry conditions have limited grain production and pasture availability since 2017–18 and increased demand for livestock feed. As a result, wheat usually exported to global markets has been shipped from Western Australia and South Australia to Australia's eastern states.

These shipments are likely to continue in 2019–20 as drought conditions persist in northern New South Wales and Southern Queensland, where the majority of intensive livestock industries are located. Shipments are likely to be less than 2018–19 as conditions have improved in central Queensland, southern New South Wales and Victoria.

Feeding grain to livestock has remained profitable despite high grain prices due to high prices for beef cattle, sheep and wool. The number of animals in feedlots and fed on-farm has increased to record levels since the second half of 2017–18, when poor seasonal conditions started to affect pasture availability.

### Australian wheat imports

For the first time since the 2006–07 drought, Australia has issued [bulk grain import permits](#). At 30 August 2019, 6 permits to import around 360,000 tonnes of high-protein Canadian milling wheat have been issued. In a normal season, importing grain from Canada would not be economically viable. These imports reflect a significant fall in supplies of high-protein milling wheat following consecutive years of low production in eastern Australia. Most of this wheat is expected to be re-exported as value-added products such as starch, gluten and syrups.

Australia is assessing 14 other applications for the importation of canola, corn, wheat and grain sorghum from the USA and Canada. Permits will only be issued if rigorous biosecurity protocols can be met.

### Australian exports facing intense competition

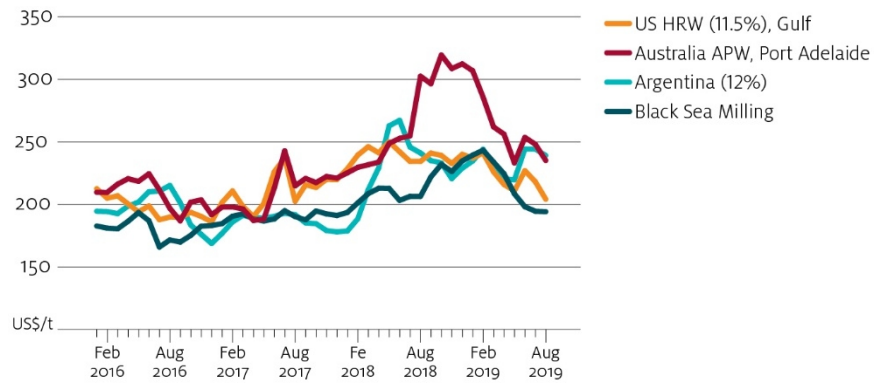
Black Sea wheat has displaced Australian wheat in price-conscious Asian markets, but Australia is likely to regain market share when production and exports return to more average levels. Reports of a 10% increase in the availability of high-protein grain from the Russian Federation will add to the short-term pressure on Australia's exports.

Argentina is forecast to produce a second consecutive record wheat crop in 2019–20 of around 21 million tonnes. A depreciation of the

Argentine peso will add to the competitiveness of Argentina's exports, but this may be undermined by an increase in wheat export taxes.

An increase in Australian production is expected to lead to a fall in domestic prices. This combined with a forecast depreciation of the Australian dollar will boost Australia's competitiveness.

### Wheat monthly export prices, January 2016 to August 2019



Source: International Grains Council



**Australian Government**  
**Department of Agriculture**  
**ABARES**

## Outlook for wheat

Category	unit	2017–18	2018–19 s	2019-20 f	% change
<b>World</b>					
Production	Mt	761	732	766	4.7
Black Sea region <b>a</b>	Mt	127	111	115	4.0
China	Mt	134	131	132	0.4
European Union	Mt	151	138	150	8.8
India	Mt	98.5	99.8	101	1.4
United States	Mt	47.4	51.3	53.9	5.1
Consumption	Mt	738	738	753	2.0
human	Mt	513	518	526	1.5
feed	Mt	143	140	150	7.4
Closing stocks	Mt	269	264	274	3.7
Stocks-to-use ratio	%	36.4	35.8	36.3	1.6
Trade	Mt	179	167	178	6.7
<b>Exports <b>b</b></b>					
Argentina	Mt	12.8	13.2	14.5	9.9
Australia <b>c</b>	Mt	15.5	9.8	10.9	10.8
Black Sea region <b>a</b>	Mt	67.8	60.5	59.9	-1.0
Kazakhstan	Mt	8.7	8.6	7.2	-15.5
Russian Federation	Mt	41.6	35.7	33.6	-6.0
Ukraine	Mt	17.4	16.3	19.1	17.6
Canada	Mt	22.1	22.8	23.1	1.3
European Union	Mt	23.4	24.6	26.0	5.9
United States	Mt	24.5	25.5	26.5	4.2
Price <b>d</b>	US\$/t	229	233	218	-6.3
<b>Australia</b>					
Area	'000 ha	10,919	10,159	10,770	6.0
Production	kt	20,941	17,298	19,102	10.4
Domestic Use	kt	8,685	9,153	8,845	-3.4
Exports <b>c</b>	kt	15,492	9,807	10,871	10.8
value	A\$m	4,672	3,676	3,819	3.9
Closing stocks	kt	4,448	3,881	2,984	-23.1
Price <b>e</b>	A\$/t	297	395	340	-13.9

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

Sources: ABARES; ABS; IGC; USDA