

INTERNATIONAL MILLING DIRECTORY 2006

AUSTRALIA

Expanding sales to Far East Asia

Wheat production in Australia retreated by about 4.7m tonnes in 2004/05 as farmers reduced plantings from the previous year's near-record high and a return from optimum to normal weather trimmed yields by about 10%. The decline was offset by large stocks carried in from the previous year's record harvest but total supply was still down by about 2.3m tonnes.

Australian 2004/05 wheat exports showed some significant shifts in custom, chiefly in terms of larger sales to Far East and South Asia, offset by smaller demand from North Africa (see table below). The most notable gain in Asian sales was to China which took almost 1.8m tonnes in July/May versus just 600,000 in the same period last season. Prior to 2003/04, China had not been a significant importer of Australian wheat.

Much of the African decline was down to poor sales to Egypt - just 725,000 tonnes in the July/May period against 2.4m at the same stage last season. This mainly reflected stiffer competition from EU and FSU wheat, both of which enlarged their export shares in this number one importing country. Another notable gain was in business to Iraq, up from less than 1m tonnes in Jul/May 2003/04 to 1.56m in the same 2004/05 period.

Australia's coming wheat crop seemed in severe danger of major losses after a prolonged drought delayed sowing in south-eastern states during the key Mar/May planting window. However, good rains from June onward seem to have renewed prospects of near average yields, if probably reduced the final sown area from target levels. In Western Australia by contrast, optimal rainfall promises above trend yields that may compensate enough to bring the national crop close to last season's 21.5m tonnes.

Given normal weather in the final stages of the crop, supply, including stocks should be fairly close to last year's, enabling exports to reach similar levels. While Australia seems to have a firm foothold in its top market, Indonesia (plus some advantages of freighting proximity), its sales efforts into the more contested markets of the Middle East and North Africa - especially Egypt - will probably face stiff competition again this year.

At one stage, there seemed a risk of losing business in the important Iraqi market, first after an Australian official seemed to imply Iraq was paying higher premiums than other customers, then when Iraqi officials threatened to reject an Australian cargo which they claimed had been contaminated with iron filings. In the event the latter claim does not seem to have been supported and Australian efforts to rebuild trading relationships appear to be paying off.

Larger sales to several Far East and South Asian markets last year were probably helped by the fact that Canada and the US had quality problems with milling wheat crops, curtailing competition in the sector and pushing up prices. If the present signalled recovery in the Canadian milling wheat crop takes place this summer, Australia might expect more competition for its own, normally high grade bread wheats. Sales may also be influenced by the extent to which US hard winter and spring wheat crops overcome quality problems apparent in the early harvest, given that these two suppliers are often in competition for milling wheat customers. The trend of some Near East importers to use more Black Sea (FSU/east European) and EU wheat may also create a more competitive pricing environment for Australian wheat in some of these markets.

main Australian wheat markets

	1998/9	1999/0	2000/1	2001/2	2002/3	2003/4	2004/05	
Indonesia	1,751	1,787	2,198	2,105	1,695	2,658	2,742	
China	na	na	na	45	38	756	1,894	
Iraq	1,179	2,265	2,587	2,245	1,037	1,111	1,550	
Japan	1,096	1,188	1,161	1,220	1,135	1,191	1,222	
S Korea		1,110	1,148	1,127	931	997	1,065	1,213
Malaysia		855	790	775	682	370	737	888
Egypt	1,495	1,132	962	1,680	602	2,612	818	
Sudan	193	283	389	450	452	676	758	
Pakistan		1,286	1,286	-	-	-	140	653
Vietnam		330	445	491	430	254	407	530
Thailand		338	282	272	285	292	423	477
EU	127	361	339	476	169	328	425	
New Zealand	na	na	na	330	310	323	340	
Yemen	530	588	507	450	412	198	314	
Turkey	na	na	na	62	50	308	-	
Kuwait	228	176	180	230	175	259	305	
S Africa		na	na	na	98	48	248	183
India	506	442	7	-	130	141	162	
Philippines	222	375	147	83	90	147	131	
Bangladesh	248	476	252	133	144	64	121	
Sri Lanka	189	102	262	209	117	132	66	
Muscat/Oman	204	376	136	114	27	91	63	
Iran	1,608	1,520	2,352	2,436	1,064	-	-	

Barley Production

Barley production in 2005/06 is forecast at 6.5m tonnes, down 500,000 from last year, 3.8m less than the bumper 2003/04 harvest but still well over the 10-year average. With carry-in stocks of around 1.1m tonnes, pipeline requirements probably closer to 500,000 tonnes and domestic use running at little over 3m tonnes, Australia remains in a position to export at least 4m tonnes, if markets are available. About two thirds of Australia's barley exports tend to be feed grade, the rest malting. Over the past season, export sales have slipped to East Asian markets but risen to Oceania.