



Abare Crop Report – June 2010

Production forecasts are reasonable but export expectations look high.

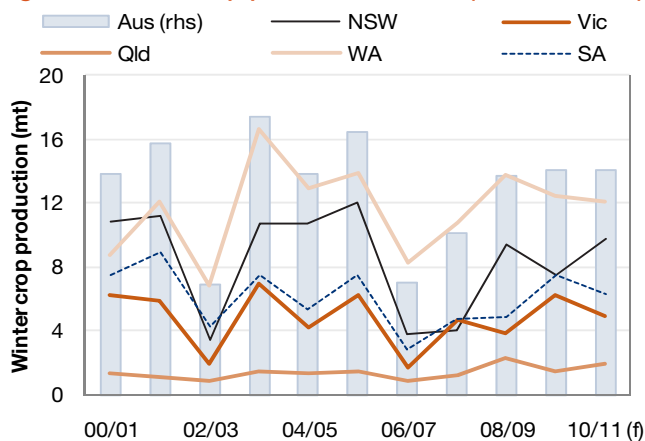
- Abare released their June crop production report yesterday. This included their first complete preview of the 2010/11 winter cropping season.
- Abare has forecast 2010/11 winter wheat production at 22.1mt, up slightly from their March estimate of 21.9mt. Our early season forecast is for a 20-21mt wheat crop. The difference at this early stage of the season is not material.
- The number that caught our eye was Abare's estimate of 2009/10 wheat exports, which they peg at 14.8mt. We feel this forecast has at least 1mt downside.

Total winter grain output is forecast at 35.1mt in 2010/11, which is virtually unchanged from 2009/10 output. The forecast is significantly larger than output in the drought seasons of 2002/03 (17.4mt), 2006/07 (17.6mt) and 2007/08 (25.4mt), but well down from the bumper harvests of 2003/04 and 2005/6. Winter crop production in NSW crop is forecast to increase by more than 2mt this season, but this is nearly offset by declining production in SA, Vic and WA.

Not surprisingly, wheat remains the most important winter crop with production forecast at 22.1mt in 2010/11, followed by barley (7.3mt) and canola (2mt). The total winter crop area has remained largely unchanged this year at 22mha, however Abare has forecast a swing out of wheat and barley acres into canola, lupins and chickpeas. The lower wheat area reflects lower prices and rotational requirements. The reduction in barley area is mainly a result of weak prices.

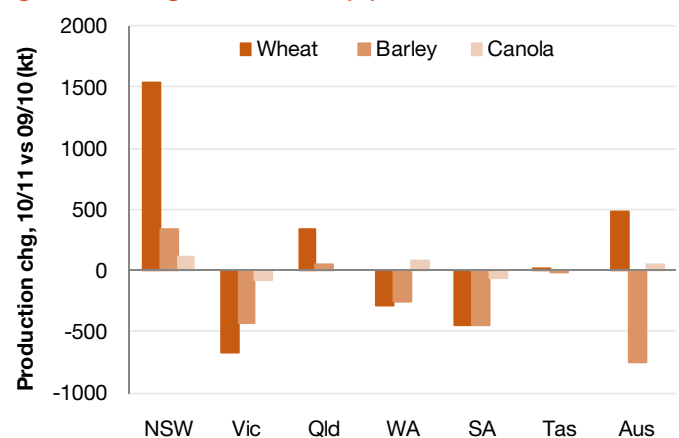
Despite the smaller area planted to wheat this season, strong yield expectations have resulted in a slight year-on-year increase in total wheat output. Figure 2 indicates a significant increase in wheat production is forecast in NSW (up 1.5mt), followed by Qld (up 340kt). National barley production is forecast to decline by nearly 800kt year-on-year, but interestingly NSW production is forecast nearly 400kt higher because of a higher planted area and improved yields.

Figure 1: Winter crop production, Abare (million tonnes)



Source: Abare Crop Report (June 2010), CBA Research

Figure 2: Change in winter crop production, 09/10-10/11



Source: Abare Crop Report (June 2010), CBA Research

Weather conditions and outlook

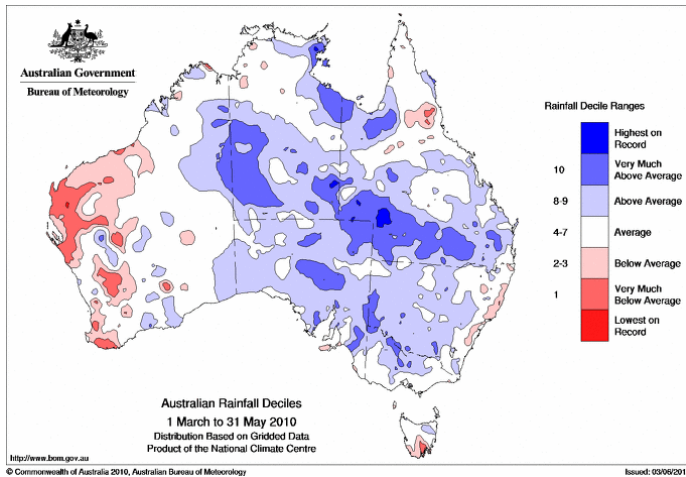
Abare noted that current seasonal conditions are favourable in the eastern states due to adequate autumn rainfall, however they note that conditions in the west were more variable due to relatively dry conditions. Figure 3 clearly indicates the drier than normal bias that has confronted many WA growers during the key planting period.



However rainfall observed in WA throughout the past few days has improved local conditions noticeably – this has ensured that at-least average yields are achievable.

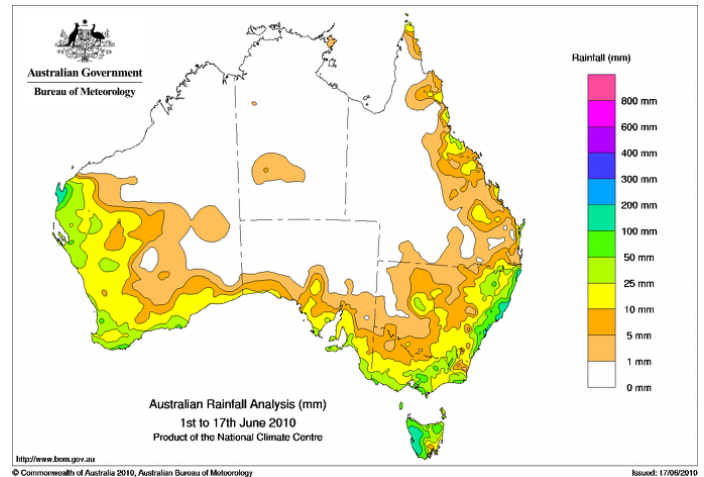
Abare also note that the Bureau of Meteorology’s latest three month weather forecast favours drier than normal conditions from June to August throughout Australia’s winter grain belt. But they also note that the likely evolution of a La Nina weather event by late winter may result in above average rain during the critical spring development period. If spring conditions prove favourable then above average yields are likely.

Figure 3: Recent rainfall deciles (March-May 2010)



Source: Bureau of Meteorology

Figure 4: Recent rainfall (1-17th June 2010)



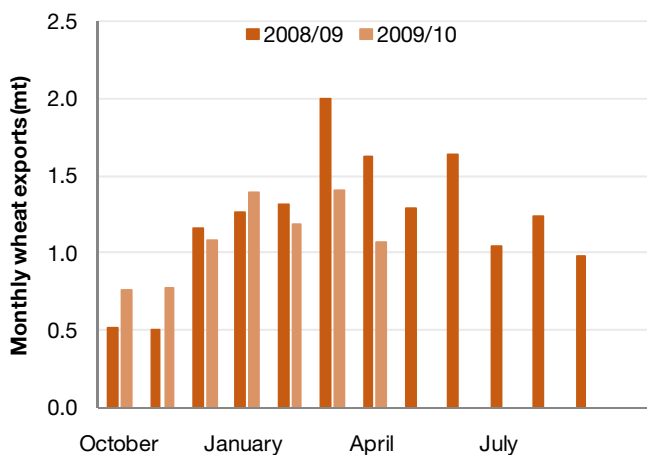
Source: Bureau of Meteorology

Export expectations

The number which raised our eyebrows most significantly was Abare’s estimate of 2009/10 exports. Put simply, we think Abare’s estimate of 14.8mt (verse 14.7mt in 2008/09) is too high considering exports thus far have been lacklustre and Australian wheat remains expensive.

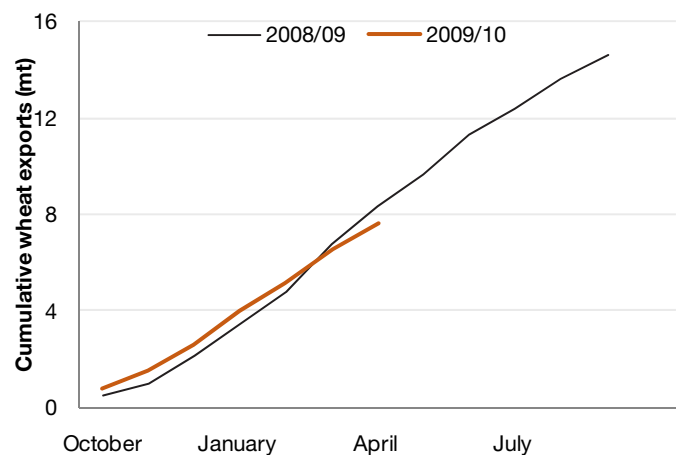
Figure 6 indicates that cumulative exports in the year to April had fallen behind the pace observed in 2008/09, with average monthly exports of 1.1mt. To achieve Abare’s estimate, Australia must shift an average of 1.4mt each month from May to September. This is unlikely, particularly considering exports in the final 5 months of 2008/09 only averaged 1.2mt.

Figure 5: Australian wheat exports (Oct to Sept)



Source: ABS and CBA Research

Figure 6: Australian wheat exports (Oct to Sept)



Source: ABS and CBA Research



We believe that Australian wheat exports in the 2009/10 marketing year are more likely to be in the order of 13-13.5mt.

Our numbering implies a significant increase in Australian wheat stocks prior to the 2010/11 harvest. Our current estimate is that stocks could swell by 2mt this season to be more than 5mt by 30 Sept 10. Abare has forecast an increase in wheat stocks of less than 200kt this season.

Figure 7: Australian wheat export estimates, Abare verse CBA

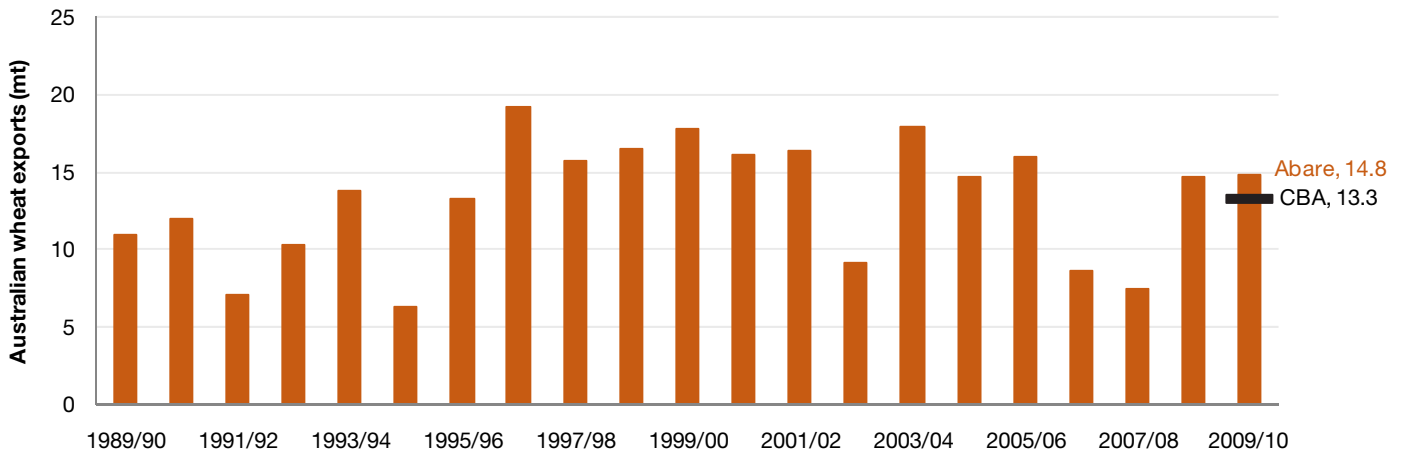
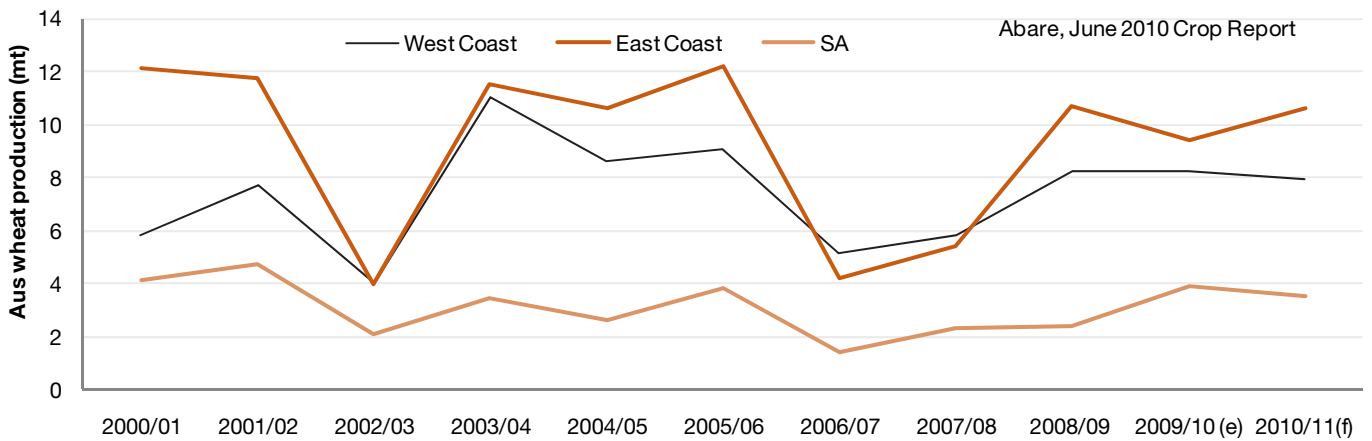


Figure 8: Australian wheat production by region (Abare forecast)



Source: Abare Crop Report (June 10) and CBA Research



abare

AUSTRALIAN CROP REPORT

1 Crop production in Australia At 16 June 2010

| | area planted | | | | yield | | | | production | | | |
|--------------|---------------------|---------|-----------|-----------|---------------------|---------|-----------|-----------|---------------------|---------|-----------|-----------|
| | Five year average a | 2008-09 | 2009-10 s | 2010-11 f | Five year average a | 2008-09 | 2009-10 s | 2010-11 f | Five year average a | 2008-09 | 2009-10 s | 2010-11 f |
| | '000 ha | '000 ha | '000 ha | '000 ha | t/ha | t/ha | t/ha | t/ha | kt | kt | kt | kt |
| Wheat | 12 750 | 13 530 | 13 788 | 13 507 | 1.45 | 1.58 | 1.57 | 1.64 | 18 573 | 21 420 | 21 656 | 22 138 |
| Barley | 4 630 | 5 015 | 4 479 | 4 088 | 1.58 | 1.59 | 1.81 | 1.78 | 7 327 | 7 997 | 8 098 | 7 294 |
| Oats b | 987 | 870 | 919 | 937 | 1.31 | 1.33 | 1.35 | 1.47 | 1 276 | 1 160 | 1 244 | 1 374 |
| Triticale | 367 | 323 | 350 | 330 | 1.32 | 1.12 | 1.56 | 1.52 | 491 | 363 | 545 | 502 |
| Sorghum b | 769 | 767 | 389 | 502 | 2.96 | 3.51 | 3.16 | 2.82 | 2 341 | 2 692 | 1 228 | 1 415 |
| Maize | 66 | 65 | 59 | 54 | 5.40 | 5.82 | 5.55 | 6.28 | 357 | 376 | 327 | 341 |
| Canola | 1 274 | 1 693 | 1 394 | 1 622 | 1.03 | 1.09 | 1.37 | 1.21 | 1 318 | 1 844 | 1 910 | 1 960 |
| Sunflower | 47 | 43 | 27 | 29 | 1.40 | 1.85 | 1.54 | 1.56 | 66 | 80 | 41 | 46 |
| Cottonseed c | 205 | 164 | 211 | 328 | 2.78 | 2.84 | 2.61 | 2.23 | 560 | 466 | 550 | 733 |
| – lint | 205 | 164 | 211 | 328 | 2.00 | 2.01 | 1.84 | 1.58 | 401 | 329 | 389 | 518 |
| Rice | 37 | 7 | 19 | 30 | 8.29 | 8.71 | 10.79 | 9.00 | 317 | 61 | 205 | 270 |
| Lupins d | 744 | 577 | 483 | 592 | 1.09 | 1.23 | 1.27 | 1.06 | 812 | 708 | 614 | 629 |
| Field peas d | 351 | 300 | 285 | 277 | 0.87 | 0.79 | 1.25 | 1.01 | 304 | 238 | 356 | 280 |
| Chickpeas d | 235 | 338 | 363 | 500 | 1.06 | 1.31 | 1.23 | 1.20 | 250 | 443 | 445 | 602 |
| Faba beans d | 164 | 125 | 129 | 134 | 1.07 | 1.08 | 1.68 | 1.43 | 175 | 135 | 217 | 192 |
| Lentils d | 150 | 117 | 104 | 142 | 0.81 | 0.55 | 1.38 | 0.98 | 121 | 64 | 143 | 140 |

a Based on data from ABS, *Principal Agricultural Commodities*, cat. no. 7111.0, 5 years to 2008-09; ABS, *Agricultural Commodities, Australia*, cat. no. 7121.0; Pulse Australia. b Area harvested for grain. c Cottonseed area is estimated harvested area. d Source: Pulse Australia. s ABARE estimate. f ABARE forecast.

Note: The crop year refers to crops planted during the 12 months to 31 March. Winter crops are generally both sown and harvested within the nominated 12 month period. Slight discrepancies may appear between table 1 and tables 2 and 3 as a result of the inclusion of the Australian Capital Territory and Northern Territory in the Australian totals. Area and production estimates are from the sources detailed in footnotes to tables 2 and 3. Coverage is for all farms with an estimated value of agricultural operations of more than \$5000.



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