

Record wheat stocks in Australia

The ABS has confirmed that Australian bulk wheat stocks at the end of the 2010/11 season (30 September 2011) have set a new record high.

At the end of September 2011, Australia's bulk wheat stocks totalled 8.25 million tonnes, down 16% from August, but up 61% from 2009/10 ending stocks (5.1 million tonnes), and up 140% from 2008/09 ending stocks. The record large stock position reflects last year's record 26.3 million tonne national wheat harvest.

Wheat stocks by location

The location of the grain reflects the regional harvest results last year. Therefore 65% of the current wheat inventories are on the east coast.

- NSW bulk wheat stocks are 3.4 million tonnes, accounting for 41% of the national total, and 250% higher YOY.
- Victorian stocks are 1.65 million tonnes, up 240% YOY. Victorian wheat stocks account for 20% of the national total.
- SA stocks total 1.8 million tonnes, up 31% YOY.
- Qld stocks are 290 thousand tonnes, down 9% YOY.
- WA stocks are 1.1 million tonnes, down 44% YOY.

Wheat stocks by grade

An unprecedented quantity of feed wheat is currently on hand, owing to the excessive east-coast harvest rain last year. According to the ABS, 4 million tonnes of feed wheat is currently in the bulk system, representing nearly half of the total supplies. This represents a massive 6-fold YOY increase in feed wheat stocks, and the vast majority of which are located in NSW and Victoria.

Implication for exports

The record carry-in supplies for 2011/12, combined with our forecast for a large 25.2 million tonne crop this harvest, underwrites our expectation for record total wheat availability in 2011/12. This record wheat availability will underpin Australia's 2011/12 wheat export program, which we believe will exceed our forecast 19 million tonne program for 2010/11.

It is unlikely that exports and local demand will be sufficient to clear the total wheat supply over the coming year, implying that another large carryout result is likely in September 2012.

Implication for markets

Record wheat supplies should keep Australian wheat basis subdued over the coming year, particularly for south-eastern markets. In addition, feed grain prices are likely to remain weak compared to high protein milling wheat supplies. If additional rain induced quality downgrades occur again this year, which some weather forecasts suggest is possible, Australian feed grain markets will become saturated.

Figure 1: Australian bulk wheat stocks by region

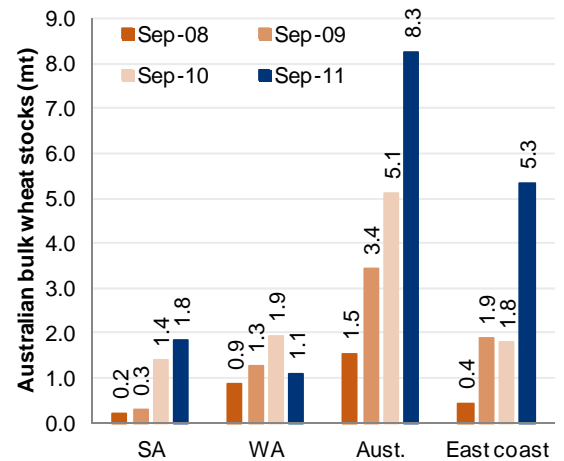


Figure 2: Australian bulk wheat stocks

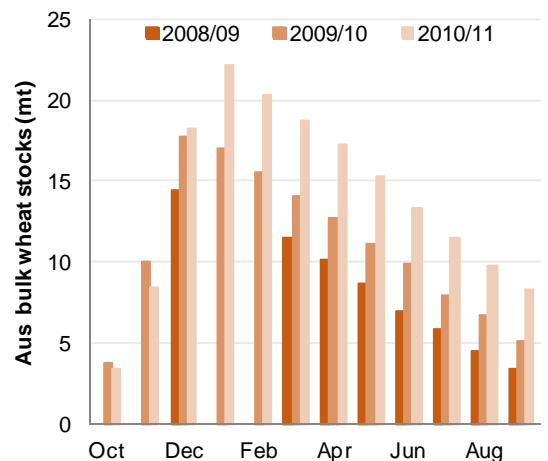
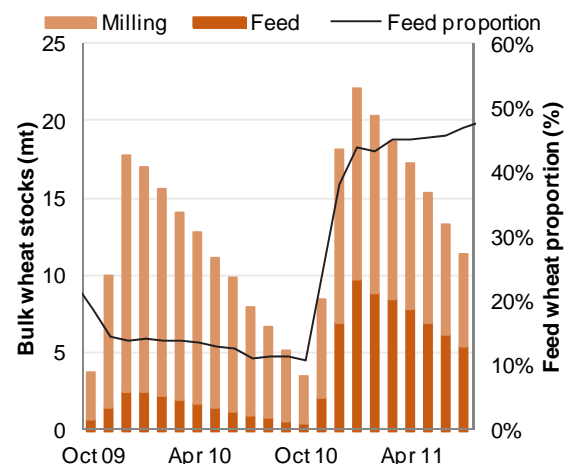


Figure 3: Australian bulk wheat stocks by grade



Source: ABS and CBA



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Unless otherwise noted, all data is sourced from Australian Bureau of Statistics material (www.abs.gov.au).



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