



Australian bulk wheat stocks below 8 million tonnes at 31 July 2010.

Key points

- Australian bulk wheat stocks at 31 July 2010 were 7.9mt, down from 9.9mt a month earlier. But inventories are still up 2.1mt year on year.
- Bulk wheat stocks are tightest on the east coast and comfortable in the west.
- The rate of drawdown in July was the fastest for the season. Improved demand should result in a continued strong rate of drawdown over the next few months.
- We have trimmed our estimate of end-of-season (30 Sep) bulk wheat stocks in Australia to 4.8mt.

Detail

The pace of the drawdown in Australian bulk wheat stocks hit a marketing year high of 2mt in July, resulting in total bulk wheat stockpiles contracting to 7.9mt by the end of the month. This was welcome news for market bulls, who readily point out that drawdown over the next few months will quicken because improved export opportunities. We agree that export opportunities have improved, but we also point out that current wheat stocks, from a national perspective, are still 2.08mt (36%) above year ago levels.

The latest set of ABS data indicates that the dynamics within the domestic industry – east vs west coast, old vs new crop – remain particularly interesting. Relative prices around the country and across the curve should continue to reflect these dynamics.

Stock tightness remains most severe in eastern Australia, reflecting the disappointing harvests in 2009/10. Indeed, as at 31 July 2010, east coast bulk wheat stocks were only 2.59mt, down 643kt from July 2009. But the relative rise in east coast prices has been held back by fantastic production prospects for the 2010/11 crop.

The situation in WA is the complete opposite. Large old season stocks – 3.1mt at the end of July – are 1mt higher over the year. But in the west, prospects for new season output are diminishing daily because of drought-like conditions. This has helped support WA prices, despite the hefty position of old season stocks.

We have trimmed our estimate of end-of-season (30 Sep 2010) bulk wheat stocks to 4.8mt from our previous estimate of 5½mt. This reflects improved Australian export opportunities because of the Black Sea drought and the Russian export ban. Despite the downward revision, our estimate is still nearly 1½mt above last season's ending stock position.

Fig 1: Australian bulk wheat stock position (31 Jul 2010)

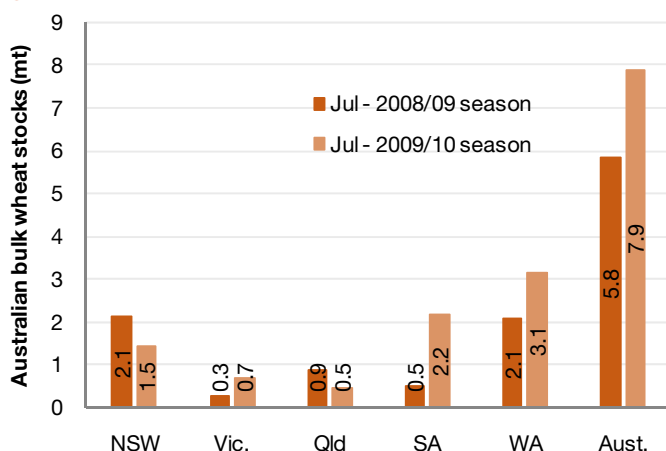


Fig 2: Bulk wheat stock estimates (end of season)

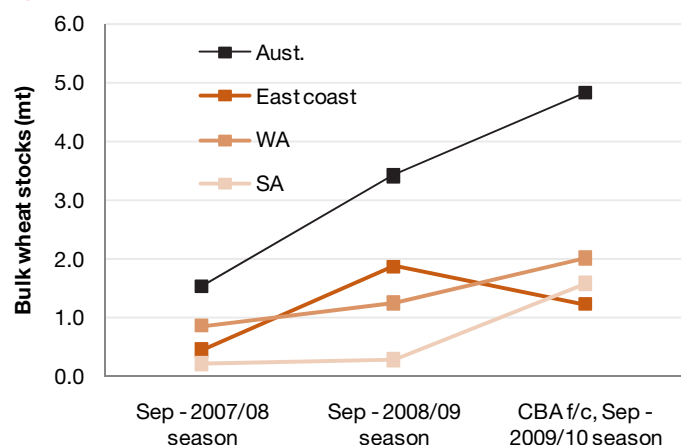




Fig 3: Australian bulk wheat stocks (2009/10 vs 2008/09)

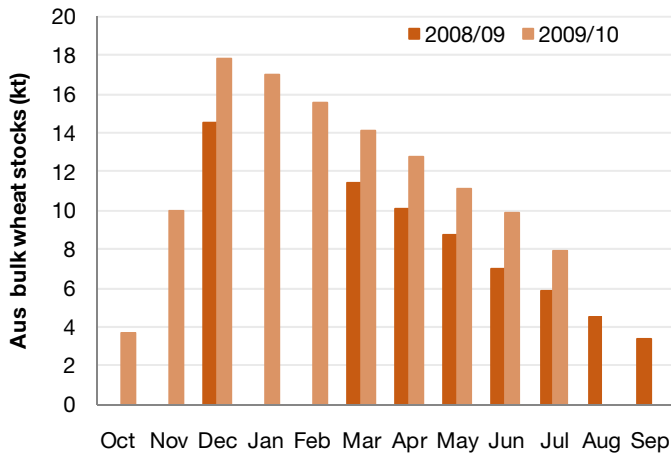


Fig 4: Australian bulk wheat stocks by state (2009/10)

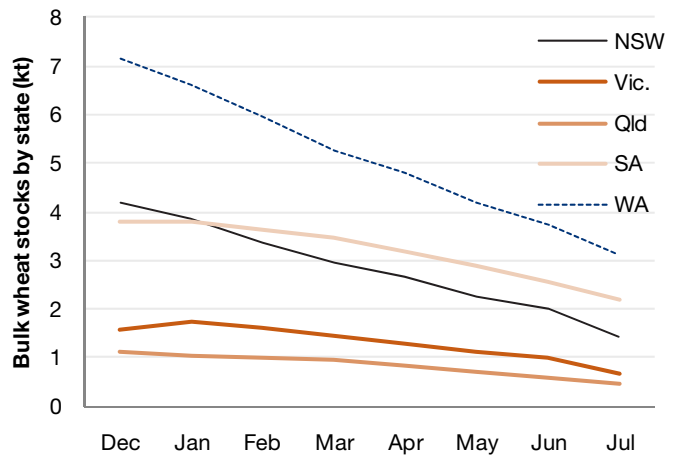


Fig 5: Australian bulk wheat stock drawdown

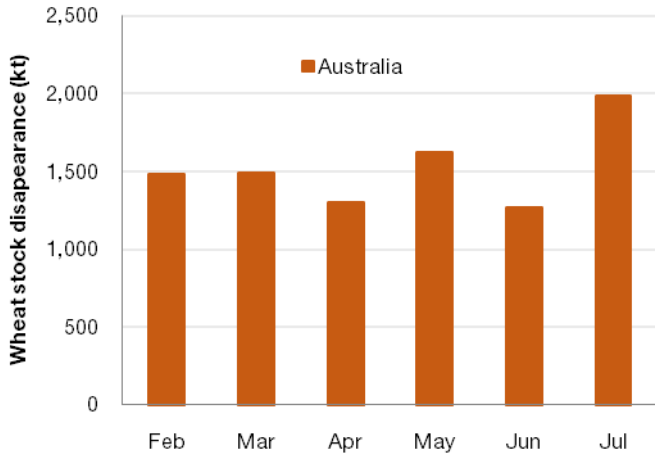
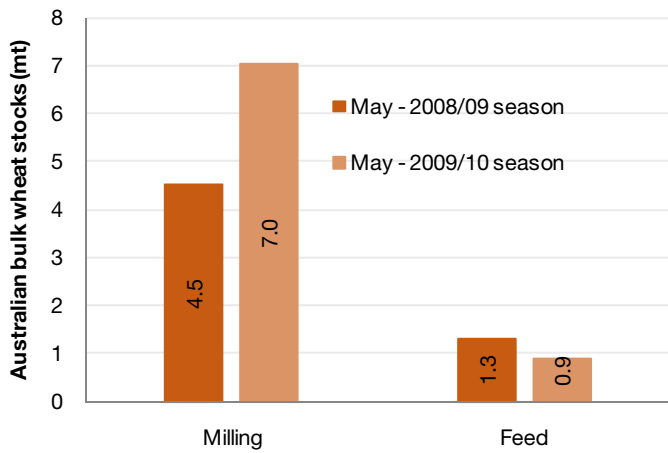


Fig 6: Australian bulk wheat stock drawdown by state



Fig 5: Australian bulk wheat stocks by grade





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