

## Grains Outlook for 14/15.

Recently ABARES released their March Quarter Outlook for Agricultural commodities with wheat export values expected to increase in 14/15 by about 2% to \$6.4b, but barley and canola export values expected to decrease by 29% (\$1.39b) and 32% (\$1.10b) respectively.

The report is forecasting a decline in Australian wheat production by 8% in 14/15 to 25 Mt due to an expectation of a drop in yield from 13/14 levels, though an increase in area planted is expected to offset the drop in yield. A higher volume of wheat exports in the 2<sup>nd</sup> half of 13/14 will see an increase in export values to \$6.4b.

Similarly, Australian barley production is forecast to fall by 20% in 14/15 to 7.7 Mt again reflecting a return to more average yields than seen in 13/14. Area planted to barley is also expected to decline by 5% with the volume of barley exports dropping by an expected 26%. Lower barley export prices are forecast to see the value of barley exports drop by 29% to \$1.4 billion.

Also Australian canola production is forecast to fall by 17% in 14/15 to about 3 Mt with the canola area planted expected to decrease by 5% predominantly in the East where conditions have been dry and not conducive to favourable planting conditions. Due to the drop in production, the volume of canola exports is expected to drop by 32% with the export values forecast to fall by 35% to \$1.1b.

Globally the short term outlook for grain prices is expected to be bearish for wheat & oilseeds with the world wheat indicator price forecast to be 7% lower in 14/15 than 13/14 at US\$285/t, due to increased global wheat production (711 Mt) and the world oilseeds indicator price forecast to decline by 5% in 14/15 to US\$500/t, due to record soybean production and increasing global soybean stocks. Growth in grains & oilseeds production is expected to predominantly occur in the low cost production areas of Latin America and the Black Sea region. Higher wheat production for 14/15 in India, the EU and Argentina are expected, at this stage, to more than offset any potential declines in other major wheat producing areas. Conversely, global canola production is forecast to fall by 8% to 39 Mt reflecting lower production in 14/15 in Canada, China and at home here in Australia.

The world coarse grains indicator price is forecast to be largely unchanged in 14/15 at US\$214/t with global coarse grains production forecast to fall by 2% in 14/15 to 1.2BT. World corn production is also forecast to fall by 1% in 14/15 to 957 Mt reflecting lower production in the US and Ukraine. The world barley indicator price is forecast to drop by 4% to US\$230/t with world barley production forecast to fall by 6% to 135 Mt.

World consumption of grains and oilseeds is projected to grow strongly over the next few years with rising demand for feed grains and protein meals being a key driver. The expected rise in coarse grains demand is predominantly due to a forecast increase in feed usage globally of 2% (743 Mt) for 14/15 driven by lower prices and increased demand, with the feed use of corn specifically forecast to rise by 3% to 591 Mt. World consumption of oilseeds is forecast to rise by 3% in 14/15 to a record 500 Mt with global consumption of vegetable oils in 14/15 also forecast to increase by 4% (173 Mt). Global consumption of protein meals is forecast to increase by 4% in 14/15 (287 Mt) due to an expected increase in the Chinese consumption of soybean meal.

Overall, stronger demand from broad based global consumption of grains and oilseeds will continue to support pricing and production expectations closer to home here in Australia. Hopefully also the weather locally will help support our grain production requirements for the upcoming season.

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