



**Rabobank**

*Media Release  
November 7, 2011*

## ***Third-largest Australian wheat crop on record expected – Rabobank report***

The 2011 total winter wheat crop is expected to be Australia's third-largest on record, despite variable crop conditions along the east coast and in South Australia, according to a new industry report released by Rabobank.

Author of the **Australian Crop Quarterly** report, Rabobank senior analyst Dean Smith says the bank estimates the total wheat crop to reach 25.6 million tonnes.

Mr Smith says while spring has proven to be Australia's season of discontent when it comes to global markets – with prices falling sharply for most soft commodities including wheat, barley and canola – the weather, however, had brought good news for producers, with excellent growing conditions across much of the country.

“Soft commodity prices have been influenced by continuing concerns over the European debt crisis and the resulting flight to safety by global investors,” he says.

“However, on the up side, a very significant rainfall event at the end of September dramatically improved crop conditions along the east coast, either consolidating or improving yields.

“While on the other side of the country, the majority of the Western Australian crop is in superb condition with some regions being declared as ‘best ever’.”

Australian wheat exports are “very likely” to exceed 18.3 million tonnes for the 2010/11 season, the report says, with exports already having reached 17.1 million tonnes by August 2011. Mr Smith forecasts China to become one of the top export destinations for Australian wheat over the coming six months.

The report estimates Australian cotton production in 2012 to reach a record of 4.73 million bales, driven by the availability of water and firm prices.

### **East coast winter crop rollercoaster**

Mr Smith says, “A wet summer, a dry July, a close-to-average August followed by crop-saving rains at the end of September has made for an interesting season so far this year”.

“If not for the wet summer and subsequent bank of sub-soil moisture, this year's winter crop production would have been well below average, however generally, a good season is expected on the east coast, but crop yields are not consistent.”

The report shows Queensland's total winter crop production will be close to historical averages, however protein levels are likely to be down.



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New South Wales is expecting average production with varied yields – areas surrounding Wagga Wagga are looking “particularly good” as is Moree. “Lower-yielding areas such as Walgett and Condobolin were not planted to their full extent, but the upside is that the grain produced is likely to be high in protein,” Mr Smith says.

“Crop conditions differ across much of Victoria also, with crops generally performing better than those later sown,” he says. “Interestingly, south-west Victoria, whilst losing acreage to excessive rainfall earlier in the season, now aims to have average-to-above average yields.”

The Rabobank report expects another strong year for South Australia yet yields are likely to be shy of their record-breaking levels set last year.

### **The wonderful west**

“In Western Australia the year started out with little sub-soil moisture and low levels of optimism for 2011, however WA is set for one of the biggest production years on record due to timely rain during planting and follow-up rain in the spring,” Mr Smith says.

“We’re forecasting 8.8 million tonnes out of the west this year – double last year’s result – which is a very dramatic turn-around in a short space of time.”

However, Western Australia’s crop is likely to be of lower-than-normal protein because of the high yields and a relatively “soft finish”, Mr Smith says.

### **International grain market picture**

Mr Smith says a key ‘signpost’ to watch out for in international grain markets will be Chinese involvement, with Chinese grain reserves at historically low levels.

“China has traditionally held a very large strategic grain reserve however, with domestic demand exceeding supply in recent years, stocks are very low meaning it is reasonable to suggest that China’s demand for feed grains should provide some real support for grain prices,” Mr Smith says.

“Recent evidence to support this took place in early October when prices for corn fell to six dollars a bushel – China entered the market and purchased close to one million tonnes.”

And China has only just begun to enter the grain market despite wheat being heavily discounted to corn for a historically unprecedented time, Mr Smith says.

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