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Global supply shortage presents big opportunities for Australian grain growers – visiting experts tell local producers

As global grain prices surge due to weather shocks, particularly in the United States, Australian farmers are presented with unique opportunities to capitalise on higher prices for the 2012 marketing year, local growers are being told by two visiting industry experts.

Currently on a week-long tour across Western and South Australia, United States-based AgResource Company president Dan Basse and Rabobank's senior grains analyst Graydon Chong, from Sydney, are presenting their views on the macro-economic fundamentals currently at play across the grains complex.

Agribusiness professionals and local farmers have begun meeting from Perth to Adelaide throughout the week to hear what's in store for grain markets in coming months.

Mr Basse, whose company provides agricultural research and advice to livestock producers, elevators, processors, wheat millers, importers and exporters globally, says there are 'unprecedented grain losses' taking place in the United States which is affecting prices globally.

"We're expecting 190-200 million metric tonnes to be lost in grain and oilseed production this year due to the adverse world weather," Mr Basse says.

"These losses are equivalent to losing 10 Australian wheat crops in the same year – so it's going to be very bullish on world grain markets while this plays out."

Mr Basse refers to a "trifecta of weather abnormalities" taking place around the world – the US drought being the worst since 1936, combined with significant production downgrades in Russia, and more recently the Indian monsoon – which will mean a lot of volatility in global grain markets.

"Australia will need a strong wheat harvest this year and will be a crucial player in bringing much-needed supply onto the market for the 2012 to 2013 seasons," Mr Basse says.

Raised on a dairy and grain farm in Wisconsin USA, Mr Basse graduated from the University of Wisconsin in 1979 and began his first job with Professional Farmers of America. He served as Director of Market Research with Brock Associates before heading the research division of GNP Commodities, Chicago. In 1989 Dan founded AgResource Company.

Mr Basse says that it's very important Australian farmers do what they can do to ensure the best production outcomes this season.

"Australian farmers are in a very good position to profit from the losses abroad – they are likely to harvest a big crop at a big price which is historically unusual," he says.



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“There will also be struggles for livestock feeders in finding enough a grain for their animals and this will be particularly evident for China who we expect will buy a larger share of Australian feed wheat in the year ahead.”

Mr Basse said the supply-driven market has “well and truly” arrived.

“We haven’t seen this for the past five years so Australian growers really need to think ahead for marketing and sales for 2013 and beyond,” he says.

Accompanying Mr Basse, Rabobank’s Graydon Chong is presenting the domestic view in light of world grain market fundamentals.

Mr Chong says Australian production is crucial to meeting growing regional demand.

“Its two-fold – in the short term, Australian grain will be absorbed by the Asian market particularly China, to replace lost production from the Black Sea and US crops, mainly in feed grains,” he says.

“Pending a good harvest, Australian grain growers are likely to take full advantage of the sustained higher prices with drought conditions continuing in the US and it is likely further production will be cut, supportive to global prices for the coming months.”

Mr Chong says that ‘down under’, it’s a pretty bright outlook – depending on the weather.

“The Australian crop is not yet in the bin, but if it’s a good harvest we’ll be in a strong place to take advantage of the fundamentals at play. It’s unusual for the market to see such a coming together of supply-side issues all in one marketing year.”

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