

Export market challenges and opportunities for southern grain producers

Ross Kingwell



Department of
Agriculture and Food



AEGIC is an initiative of the Western Australian State Government and Grains Research & Development Corporation



Take Home Messages

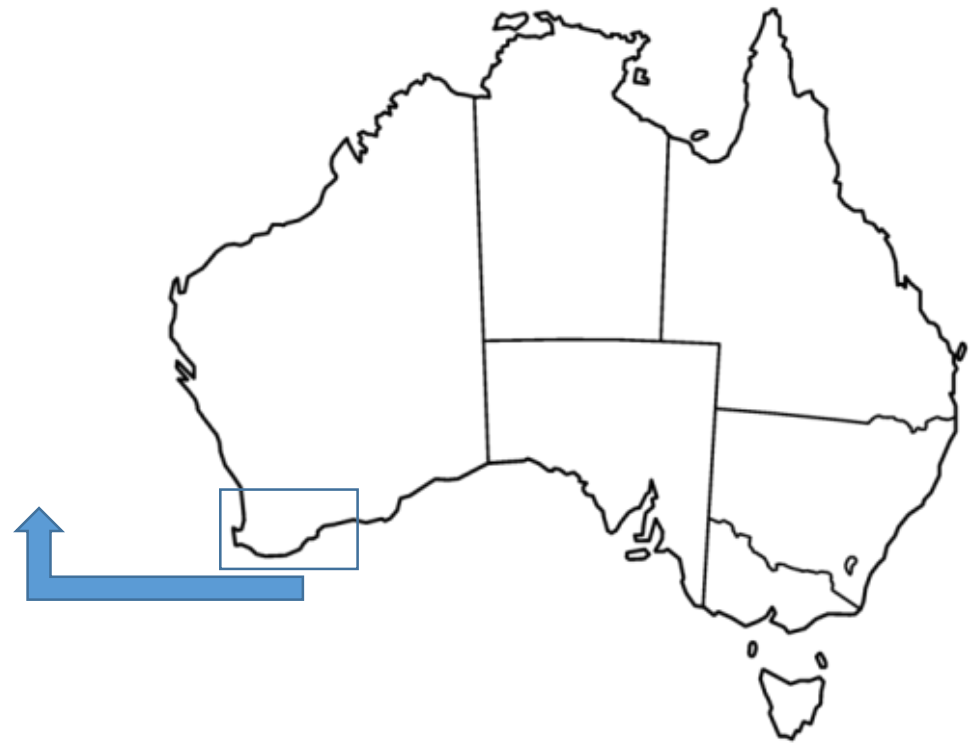
In wheat, face up to even more export competition.

Find sources of additional value within or outside the farm business.



Most of our grain is sold for export.....

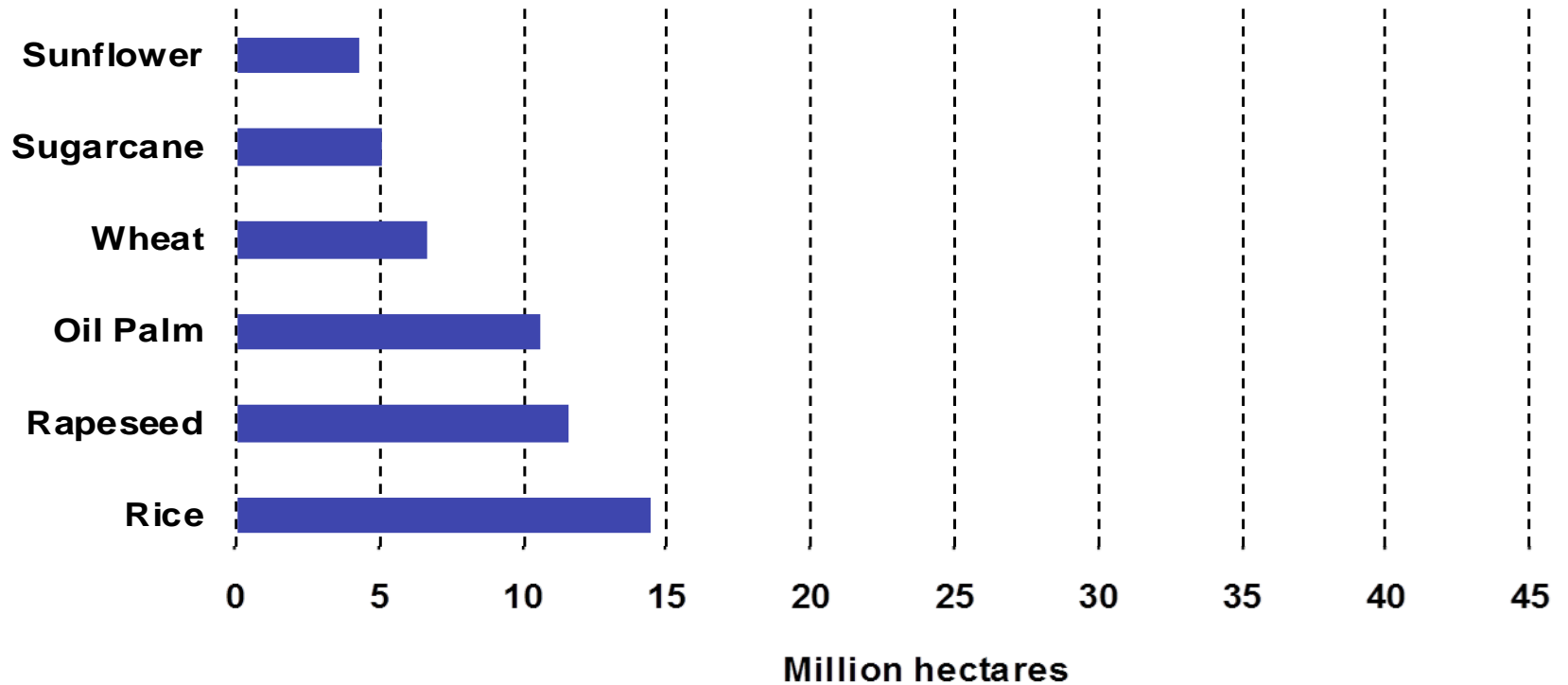
So what happens on global markets matters



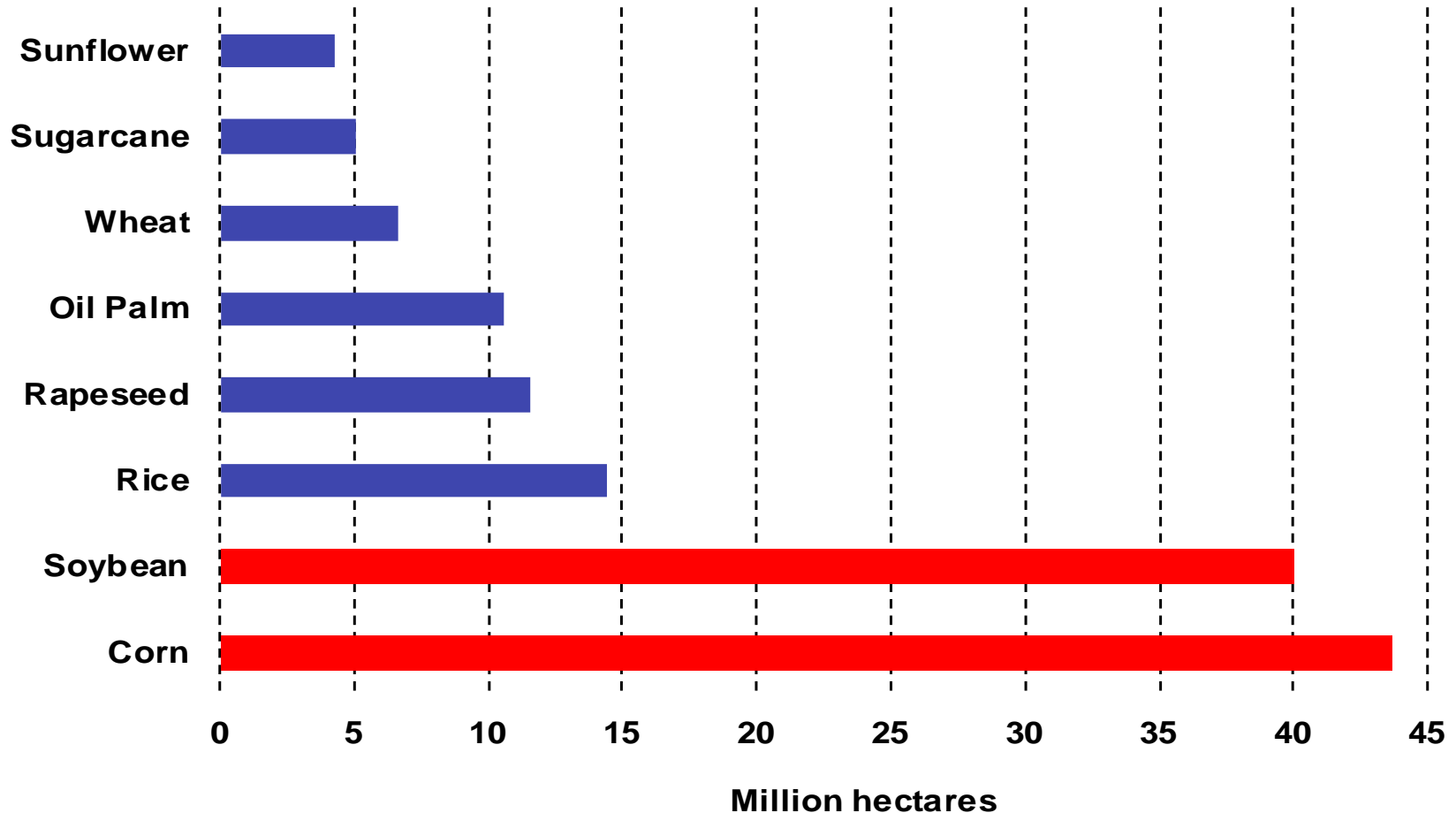
The **global** scene for grains: where we've been and where are we heading



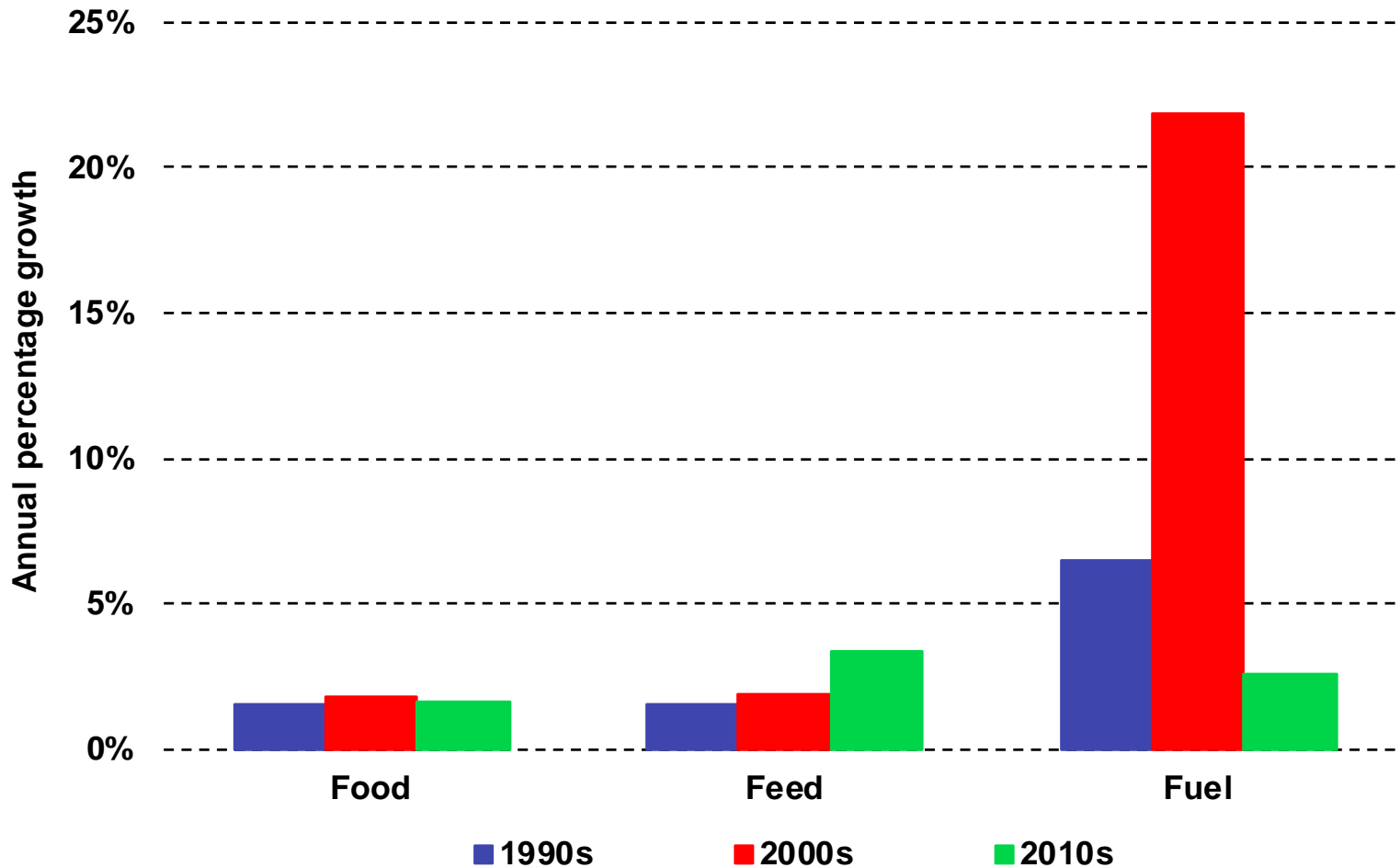
Change in world area of selected crops since 2000



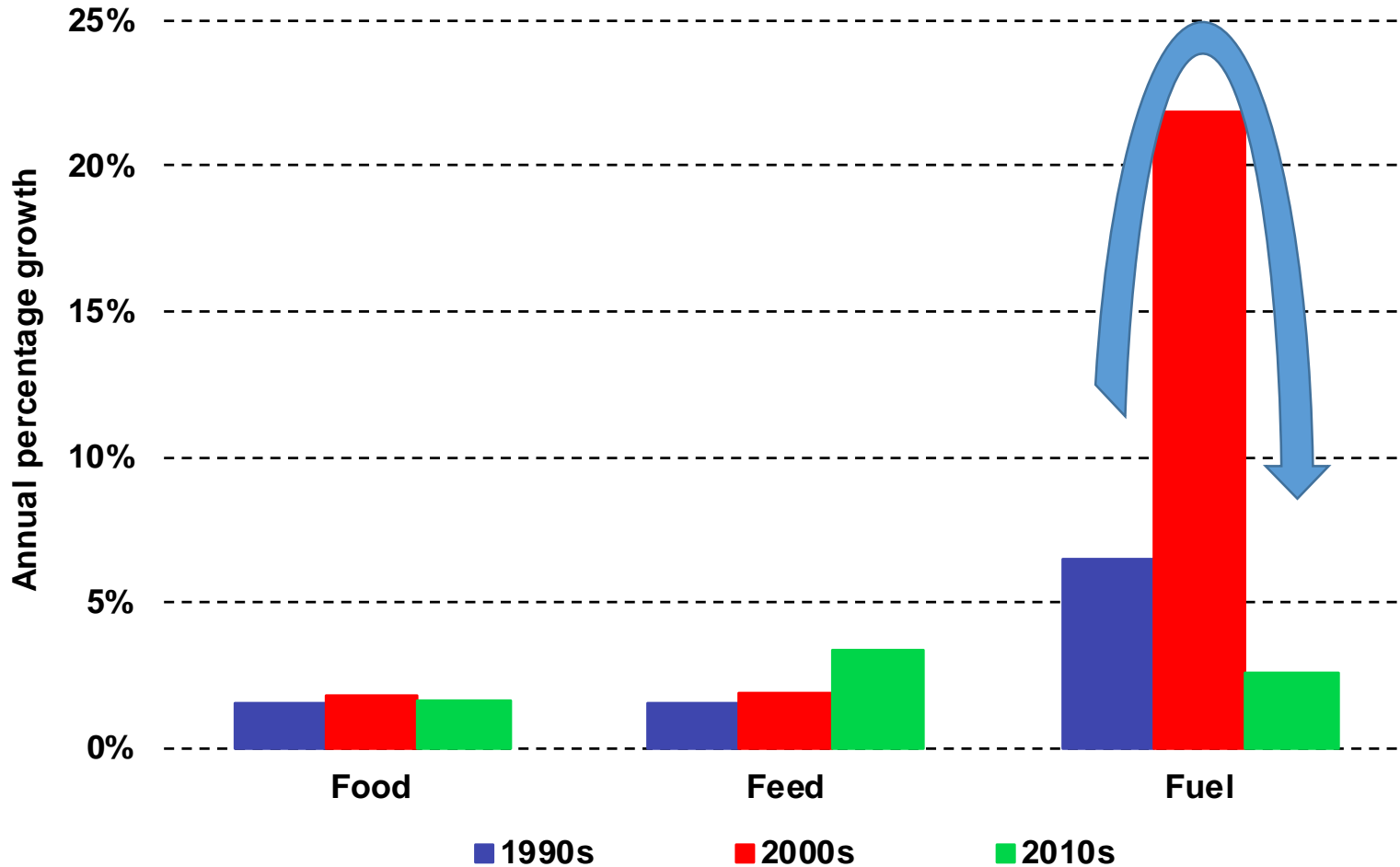
Change in world area of selected crops since 2000



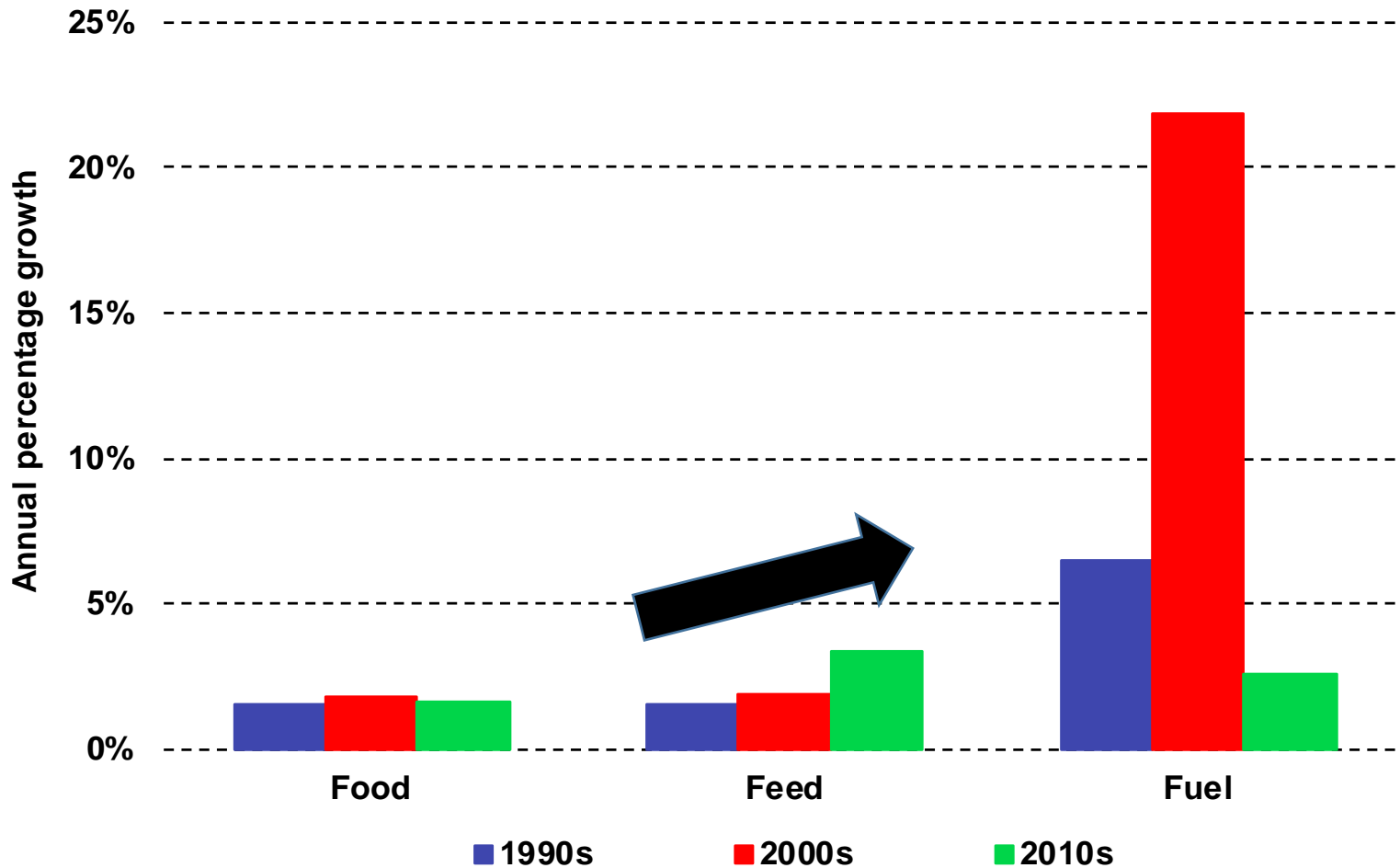
Annual growth in demand for all crops by end use



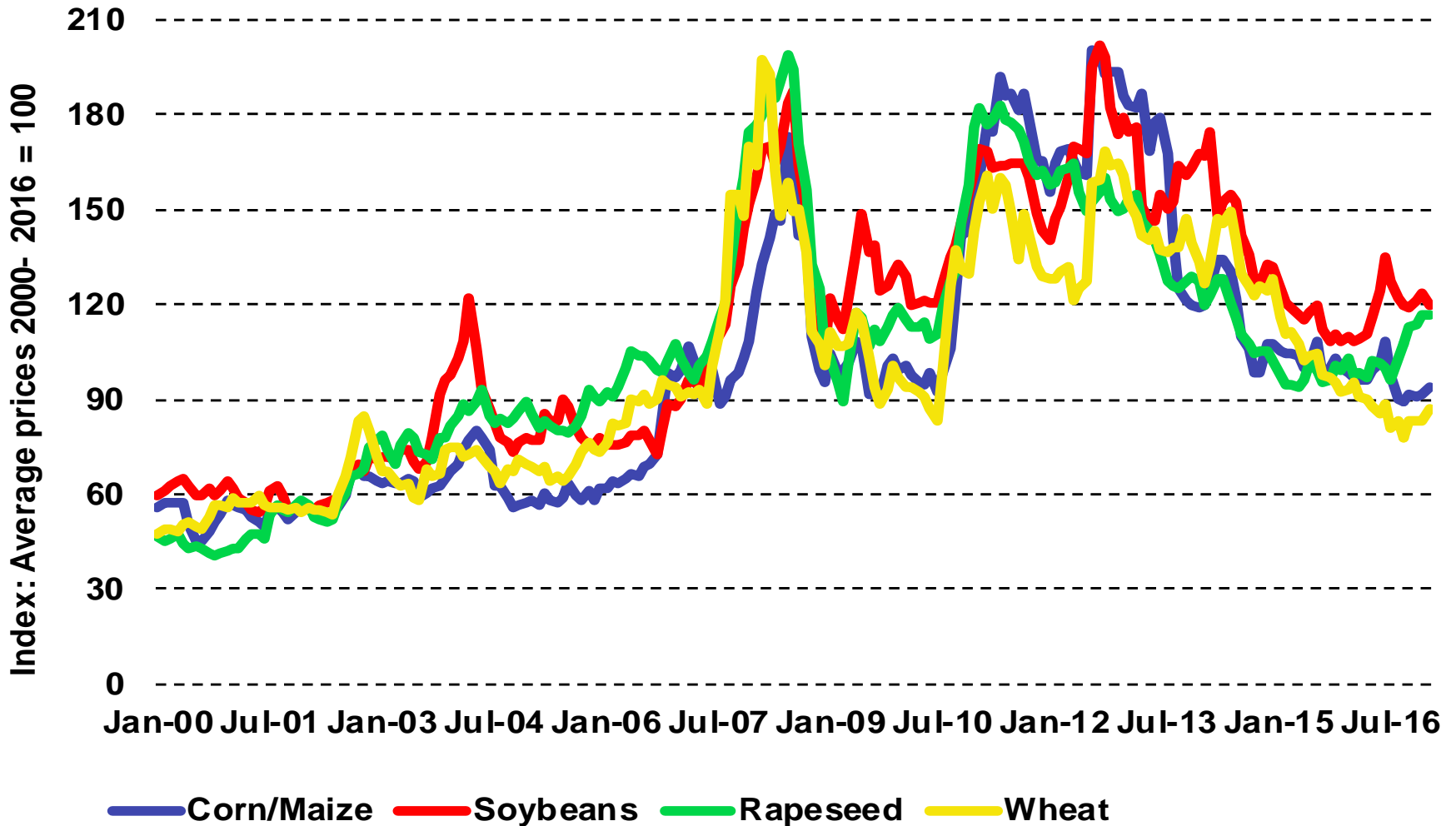
Annual growth in demand for all crops by end use



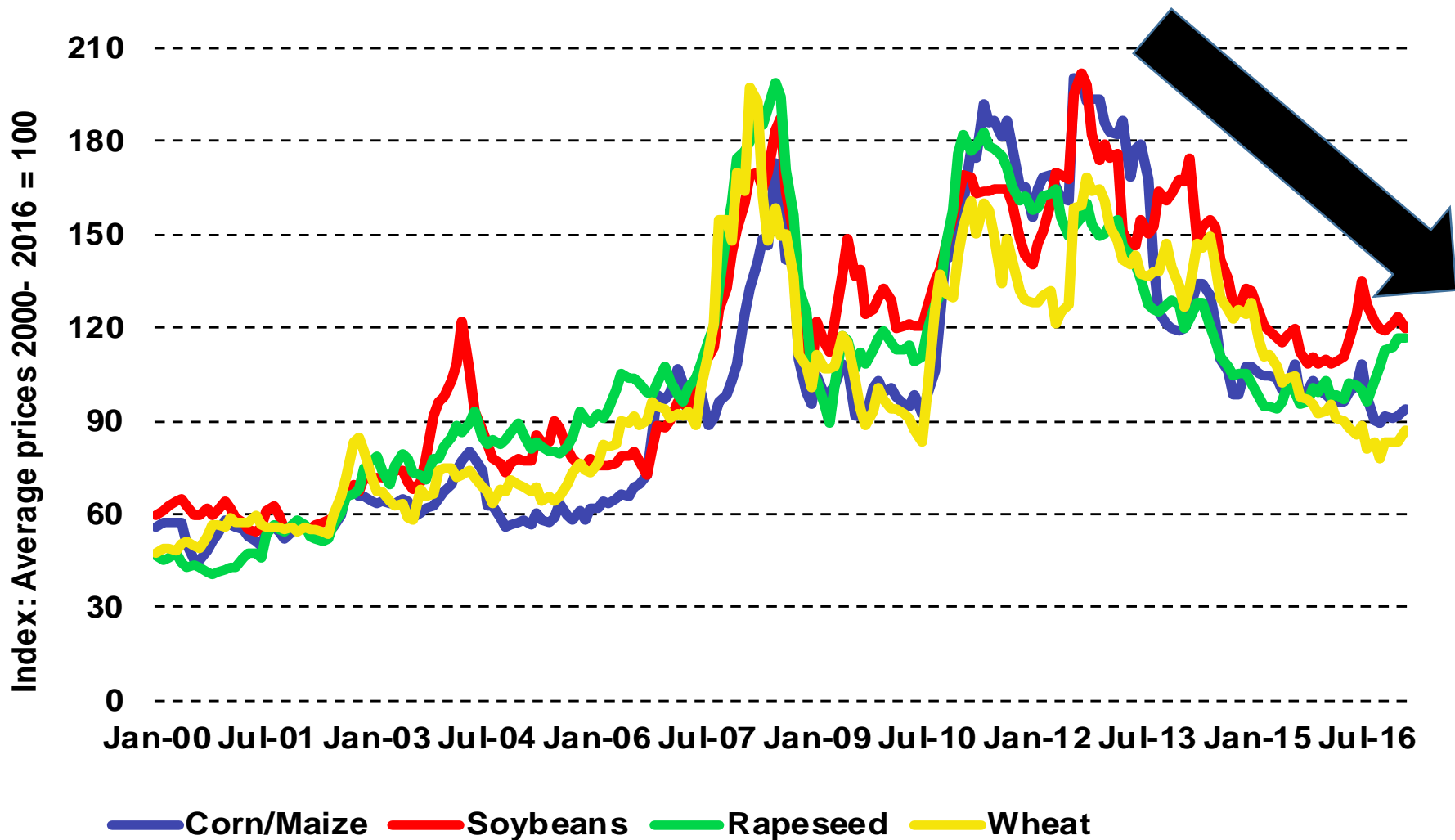
Annual growth in demand for all crops by end use



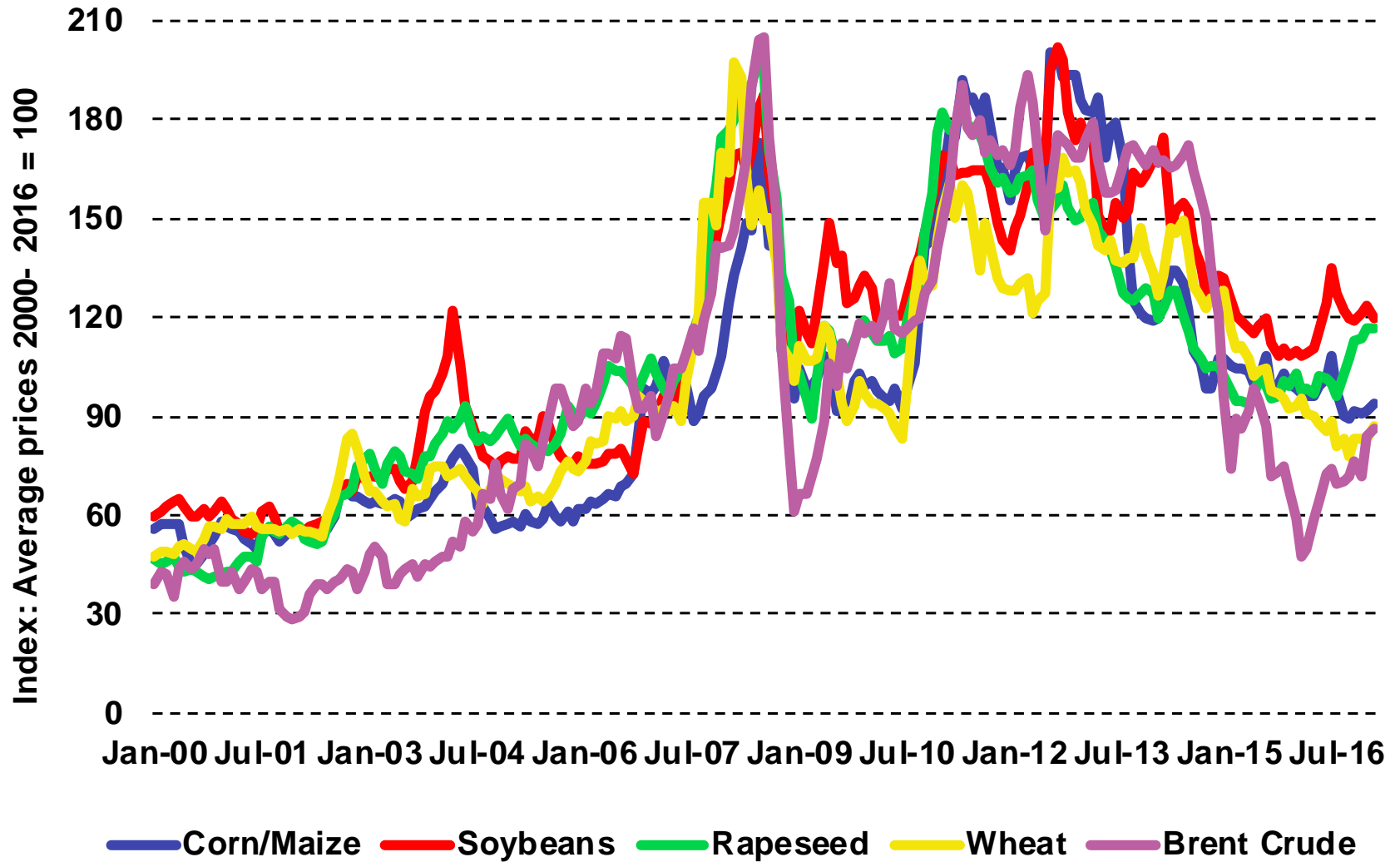
Change in grain prices since 2000



Change in grain prices since 2000

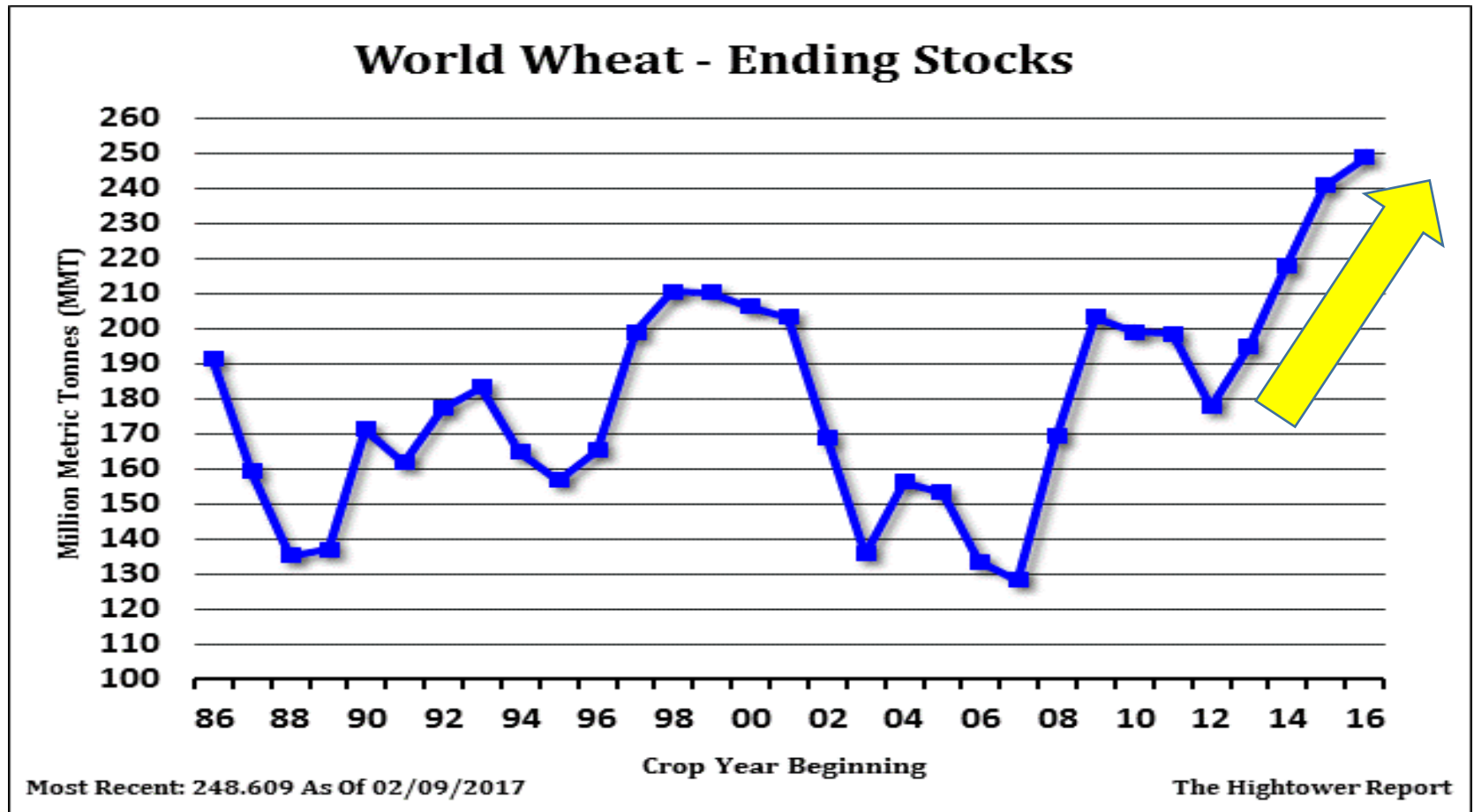


Change in oil prices and grain prices since 2000



Market challenges

A world currently awash with wheat



Market challenges

A world currently awash with wheat

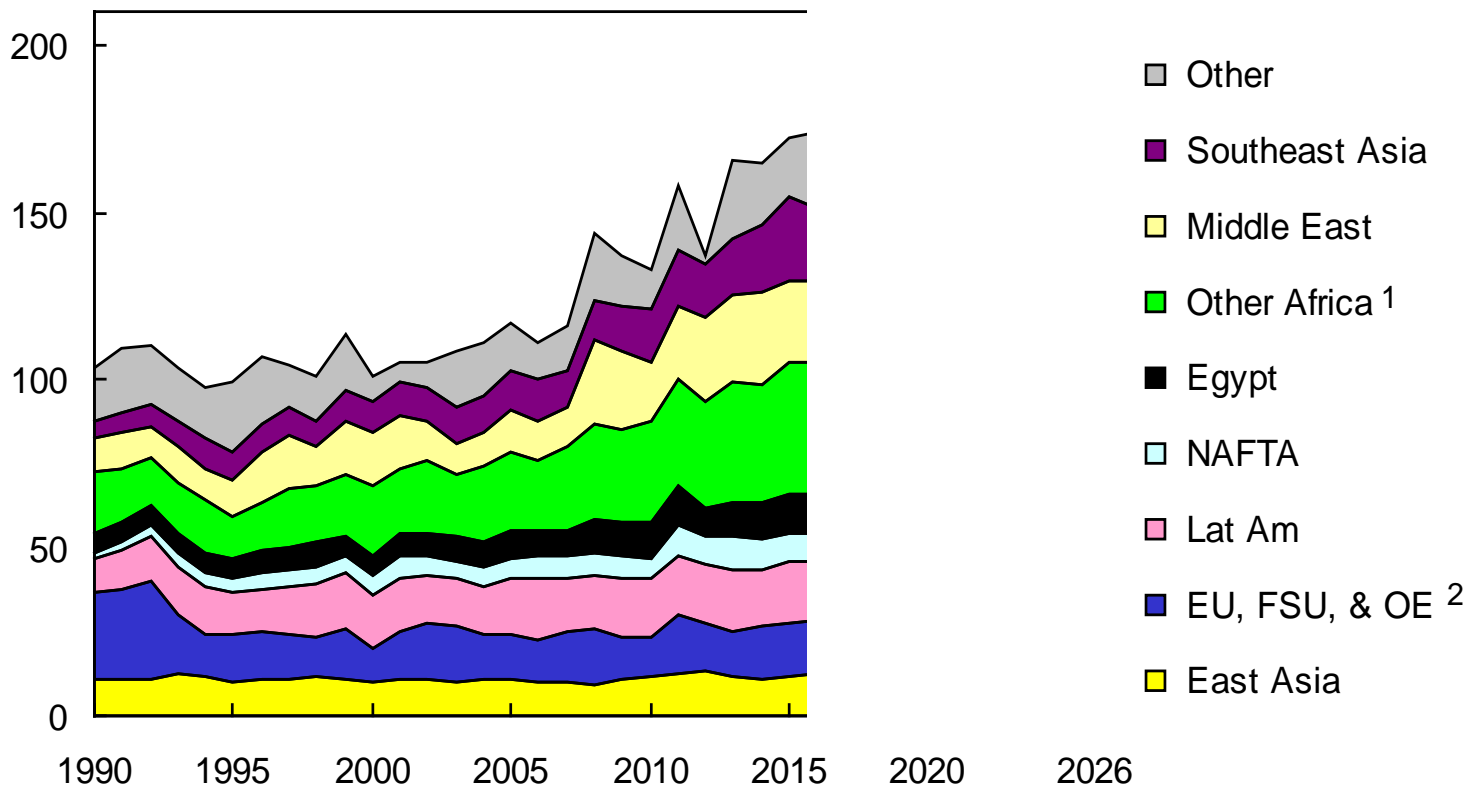
Current wheat price	\$US3.85/bu	\$A185/t
Last year	\$US4.89/bu	\$A234/t
Last 5 years	\$US6.55/bu	\$A313/t

The current price is about 40% lower than the average over the last 5 years!!

What's happening to Wheat Imports?

Global wheat imports

Million metric tons

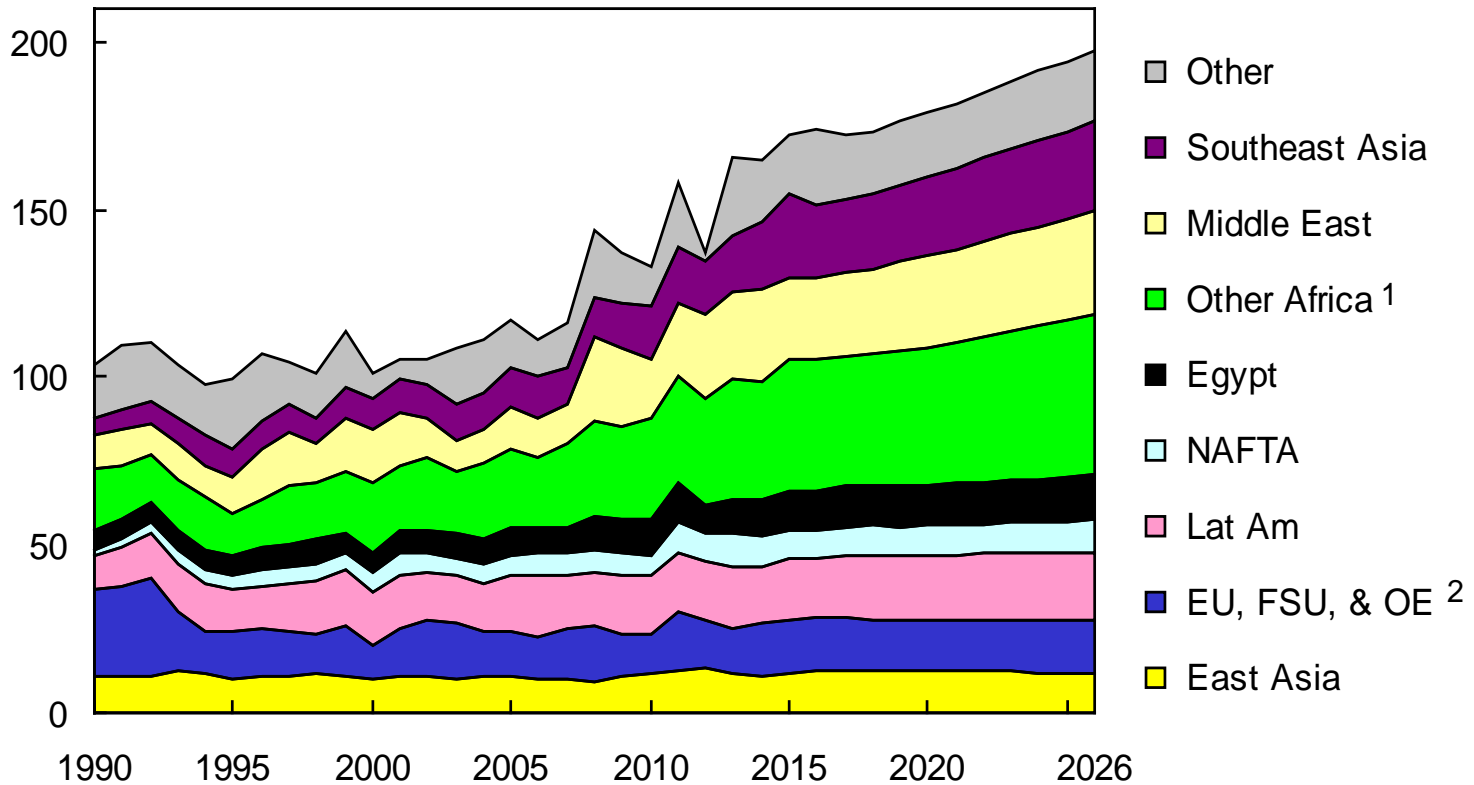


¹ Africa, excluding Egypt. ² European Union, former Soviet Union, and Other Europe. Includes intra-FSU trade.

What's projected for Wheat Imports?

Global wheat imports

Million metric tons

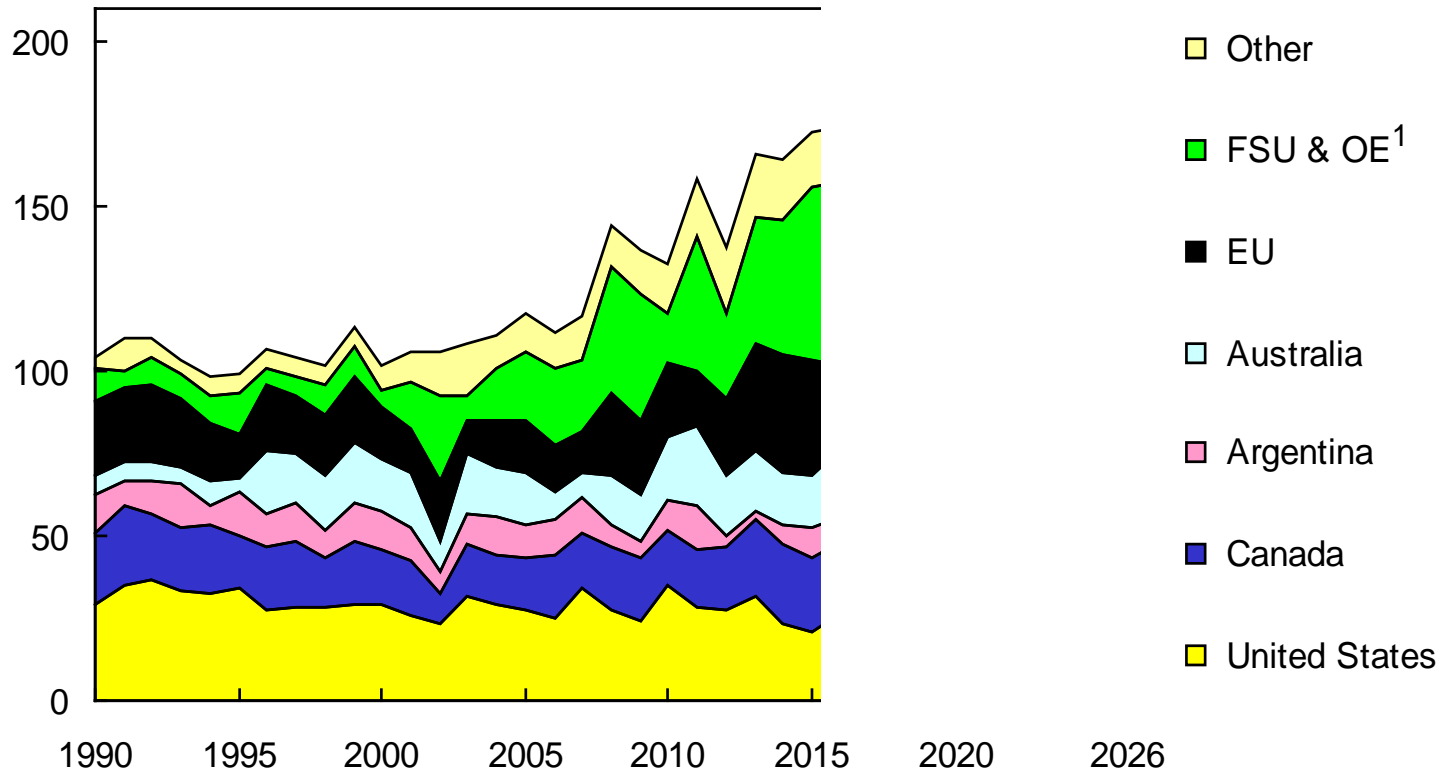


¹ Africa, excluding Egypt. ² European Union, former Soviet Union, and Other Europe. Includes intra-FSU trade.

What's happening with Wheat Exports?

Global wheat exports

Million metric tons

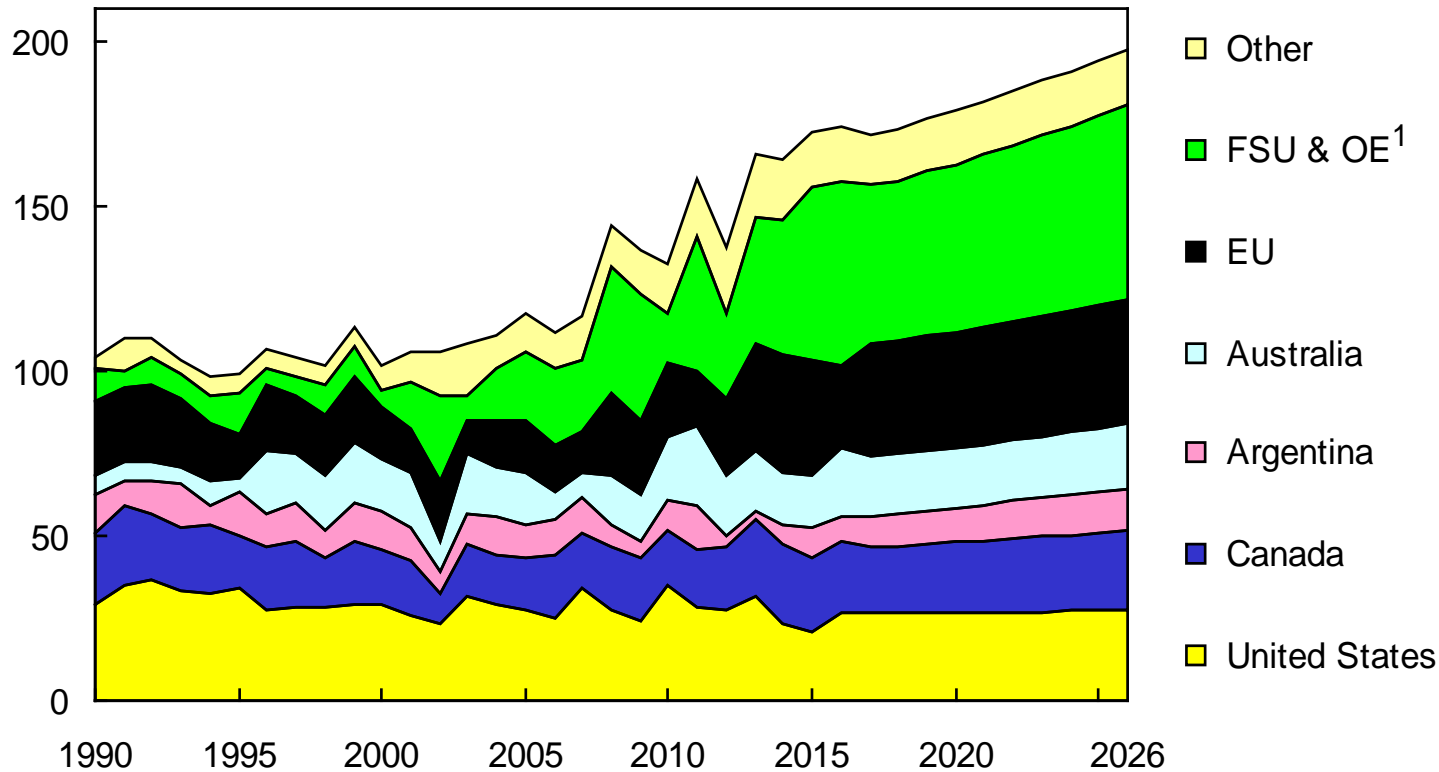


¹ Former Soviet Union and Other Europe; prior to 1999, includes Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

What's projected for Wheat Exports?

Global wheat exports

Million metric tons



¹ Former Soviet Union and Other Europe; prior to 1999, includes Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia.

Understand our export competition

Black Sea (Russia, Ukraine & Kazakhstan) is increasing its market share.

Argentina is increasing its market share.

These countries are sources of low-cost, often lower quality wheat.
Australia is increasingly less price competitive.

What can Australian farmers do?

Opportunities? How to make more money out of wheat?

Farm business changes

Economies of size

Intensification (crop grazing, new pastures, grain parcelling at harvest)

Soil amelioration

Adopt practices and technologies that deliver profits or de-risk the business

Opportunities? How to make more money out of wheat?

Off-farm activity

Supply chain cost efficiency.

Demand government investment in infrastructure, social services and R&D.

Value-adding or de-risking activity.

Value-adding wheat options?

1. New uses for Off-grade Australian Noodle Wheat (ANW2) and low protein Australian Standard White (ASW)

Are these wheats suitable for Asian cakes and biscuits.

New uses help reduce the cliff-face in ANW pricing and help maintain ANW prices.

2. Use downgraded wheat and barley in animal feed mills and feedlots (i.e. value-add to the grain)

Find more uses for off-grade ANW; a value-adding option?

WA is the only Australian supplier for Udon noodle

- **Western Australian “ASW” blend (=ANW+APW)**

ANW production over last 10 years in WA

- **Highest ~ 2 mt (2003/4)**
- **Lowest ~ 0.45 mt (2010/11)**
- **Oversupply**
- **Undersupply**

Estimated annual requirement of ASW blend (kt)

	<u>Japan</u>	<u>%</u>	<u>Korea</u>	<u>%</u>	<u>Total</u>
ANW	510	60	255	30	765
APW	340	40	595	70	935
<u>Total “ASW” blend</u>	850	100	850	100	1700

Take-Home Message

More export competition.

Find sources of additional value within or outside the farm business.



Australian Export Grains Innovation Centre

Thank You

Connect with AEGIC

 aegic

 [australianexportgrainsinnovationcentre](https://www.facebook.com/australianexportgrainsinnovationcentre)

[aegic.org.au](https://www.aegic.org.au)