



In Focus

Summer Crops – February 2015

Phin Ziebell, NAB Agribusiness Economist

Key points

- Forecast production across summer crops remains divergent. While grain sorghum has benefitted from timely summer rainfall in Queensland, reduced irrigation water allocations have seen a fall in area planted to cotton and rice. Our headline grain sorghum estimate shows a significant increase in production, however this largely reflects a poor season in 2013-14. We expect grain sorghum yields to be around average (10 year) to slightly below average.
- Prices across major summer crops are also mixed. Cotton is likely to see a significant fall in price year on year, as changes to Chinese subsidy arrangements and cheaper synthetic fibres eat into demand, outweighing the impact of reduced Australian supply. Grain sorghum is forecast to fall only slightly in 2014-15 as a falling Australian dollar cushions some of the impact of falling global grain prices.

Front page: Harvesting rice in the Murrumbidgee irrigation area.

Photo: Willem van Aken, [CSIRO](#)

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Price and production forecasts

	2014-15 annual production change	2014-15 annual price change (AUD)
Sorghum	▲ 63.6%	▼ 1.2%
Cotton	▼ 46.9%	▼ 13.8%
Rice	▼ 17.8%	▼ 11.0%
Maize	▲ 9.9%	▲ 1.2%

Source: NAB Group Economics, ABARES, Bloomberg and Profarmer. Forecasts represent year-on-year average changes. Production forecasts for cotton, rice and maize reflect those in the February 2015 ABARES [crop report](#).

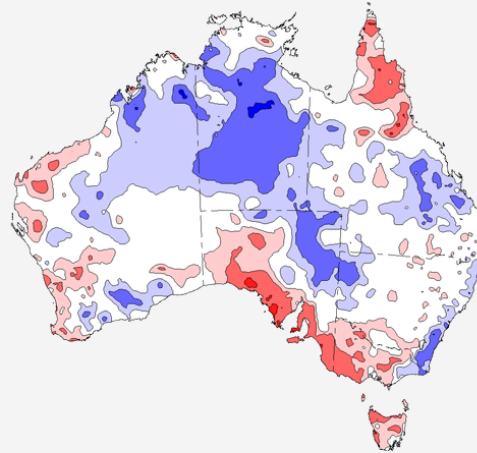


Rainfall and irrigation

Rainfall in spring 2014 was generally mixed to unfavourable for planting, with poor subsoil moisture reasonably common. However, decent rainfall in much of Queensland in December 2014 and January 2015 was a welcome change, especially for sorghum growers, who responded by sowing more of the crop.

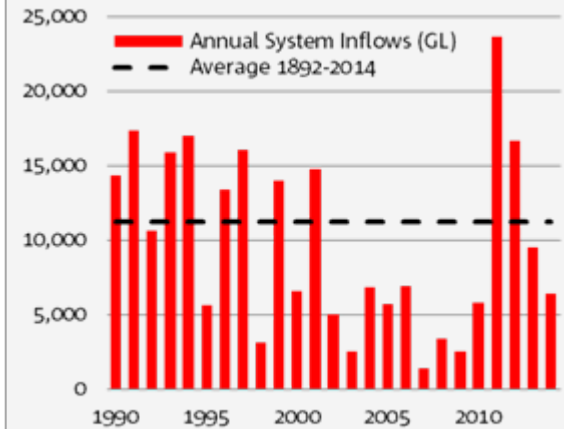
After good years in 2011 and 2012, below average inflows into water storages in 2013 and 2014 saw generally lower irrigation allocations, cutting the area planted for cotton and rice. Figure 2 shows inflows into the Murray system, which were only 56.9% of the long term average in 2013-14.

Figure 1: Rainfall deciles – 6 months to January 2015



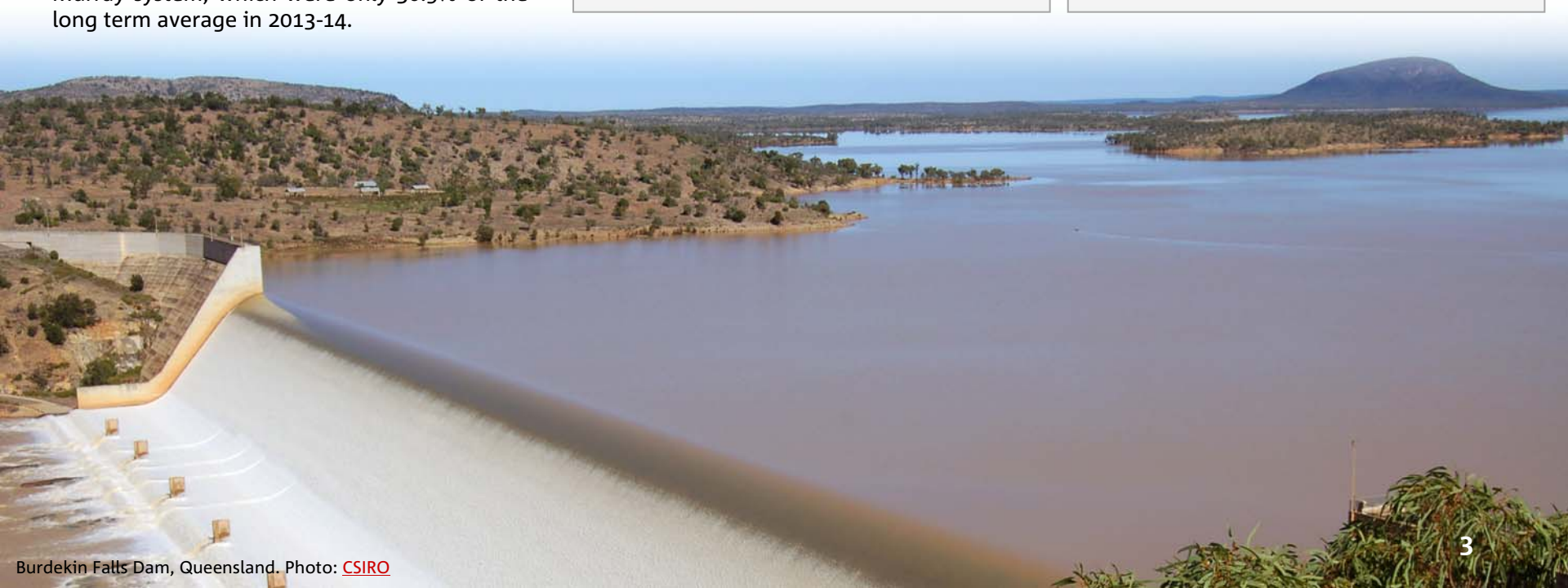
Source: Bureau of Meteorology

Figure 2: Annual Murray system inflows to 30 June 2014, including Menindee Lakes



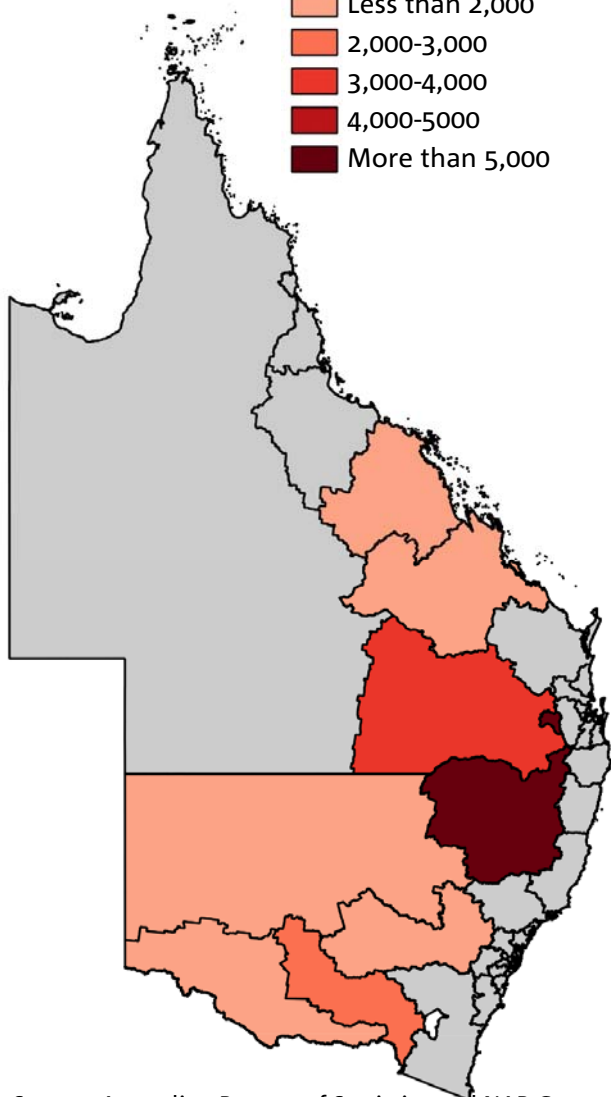
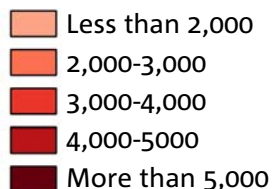
Source: Murray Darling Basin Authority

Note: Excludes Snowy



Cotton

Gross value of cotton lint production per square kilometre (AUD) 2012-13



Below average inflows into Queensland and New South Wales water storages throughout much of 2013 and 2014 saw reduced irrigation water available for cotton growers. Poor rainfall also led to generally suboptimal subsoil moisture conditions. Consequently, the area planted to cotton this season is estimated to fall significantly. ABARES forecasts approximately 210,000 hectares planted to cotton this season, down 46.4% from 392,000 hectares last season. Combined with lower forecast yields, ABARES estimates that cotton production will fall 46.9% in 2014-15.

Cotton prices have likewise fallen of late. Last year, the Chinese Government announced changes to subsidy and stockpile arrangements, with inventory overhang sending prices significantly lower. Recently, a falling AUD has provided a cushion to local producers as sluggish global demand reflecting lower synthetic fibre prices pushed cotton prices lower. While Cotlook A was down 1.4% (USD) in January this year, the lower AUD saw prices up 0.6% in local terms. Nonetheless, cotton is trading well below the same time last year as decent supply and sluggish Chinese demand (amid elevated inventories and a slowdown in the textile industry) the continues to weigh on sentiment. We forecast that cotton prices will fall 13.8% (AUD) year on year in 2014-15.

Conditions in Narrabri, New South Wales

Locally we've seen a large reduction in planting as less irrigation water is available, with low storage levels in the dams.

The cotton that has been planted is looking good at this stage, benefitting from a mostly softer summer, although February has been very hot and dry.

Low irrigation storage levels will make added planting next season difficult.

James Pittman
Senior Agribusiness Manager, Narrabri

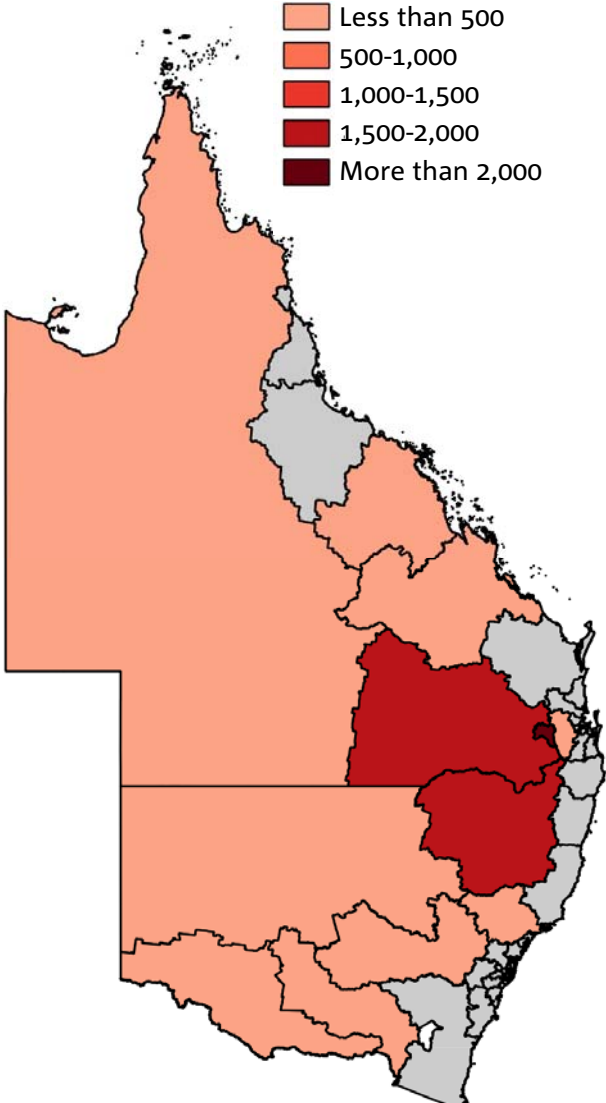
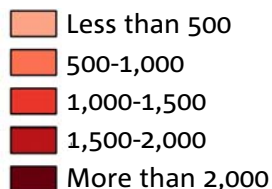
Figure 3: Cotlook A cotton (AUD/tonne)



Source: Bloomberg

Sorghum

Gross value of grain sorghum production per square kilometre (AUD) 2012-13



Grain sorghum is grown primarily in the Fitzroy and Darling Downs regions of Queensland and northern and central New South Wales. It is generally sown between November and January and harvested in early autumn. Grain sorghum is almost exclusively used for domestic stock feed.

While the season started with subdued expectations owing to dry conditions, rainfall across much of Queensland and northern New South Wales this summer saw a jump in confidence and further planting in January, particularly in Queensland. ABARES forecasts Australian sorghum production to jump 61.7% this year to around 1.8 million tonnes, based largely on increased forecast planting in Queensland. It is however, important to note that 2013-14 production was the lowest for over a decade. We expect grain sorghum yields to be in the order of average (10 years to 2013-14) to slightly below average and expect the year on year change in production to be around 55.4% to 63.6%. Post cyclonic rains in the Darling Downs point to production being in the upper end of the range at this stage.

Sorghum prices fell in mid 2014 in line with lower international grain prices, but have since trended upwards somewhat. We forecast sorghum prices to fall 1.2% (AUD) year on year in 2014-15.

Figure 4: Sorghum, Newcastle NSW (AUD/tonne)



Source: Bloomberg, Profarmer

Conditions in the Darling Downs

The early planted crop has started coming off, but with very poor seasonal conditions and a lack of planting rain the crop is likely to be below average. The later crop, planted around December, is now coming into head and is looking much better with inner downs yields around 6 t/ha.

Post cyclonic rain of around 80mm would help the later crop, although we expect the year to be average to below average after a poor harvest last season.

Warren Patch
Agribusiness Manager, Toowoomba

Rice

Lower irrigation water availability, stemming from below average inflows into Murray Darling basin storages in New South Wales, saw a smaller area planted to rice this season. Combined with lower forecast yields, ABARES expects rice production to decline 17.8% in 2014-15.

International rice prices have trended mostly lower since mid 2014, although the falling AUD has provided some support to local implied prices. Overall, we forecast rice prices to fall 11.0% (AUD) year on year in 2014-15.

Figure 5: Rice, US rough (AUD/tonne)



Source: Bloomberg



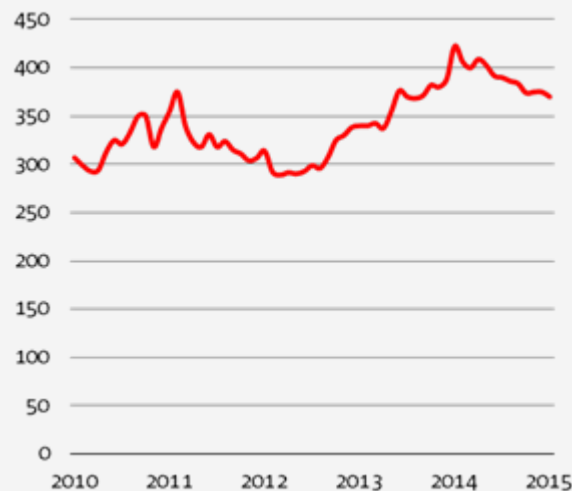
Maize

ABARES forecasts maize production to rise by 9.9% this season, based largely on an increased area planted in New South Wales and Queensland. Yields are not expected to differ greatly compared to last season.

Feed maize prices have been trending downwards since early 2014, although we see an upturn in 2015 in line with the falling AUD.



Figure 6: Maize, feed (AUD/tonne)



Source: ABARES

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