

IN FOCUS: WINTER CROPS

NOVEMBER 2018

Author | Phin Ziebell, Agribusiness Economist

KEY POINTS

CONTENTS

- 3 | Seasonal conditions
- 4 | Prices
- 5 | Rainfall data

CONTACTS

Phin Ziebell
Agribusiness Economist
+61 (0) 475 940 662

Alan Oster
Group Chief Economist
+61 3 8634 2927

Dean Pearson
Head of Economics
+61 3 8634 2331

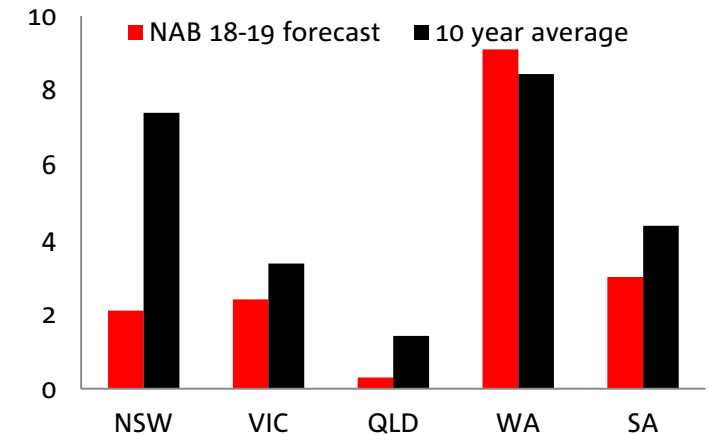
Harvest is now underway for 2018-19 winter crop, a season which will likely go down as one of the most mixed in years. While eastern Australia has had a tough season, particularly in New South Wales and Queensland, Western Australia is on track for an above average season.

Our latest forecast for Australian wheat production is 16.9 million tonnes, down from 17.4 million tonnes in last month's estimate. By state, Western Australia is forecast to produce 9.1 million tonnes of wheat, 108% of the 10 year average of 8.4 million tonnes. On the other hand, we forecast that New South Wales will only see 2.1 million tonnes of wheat this season – just over a quarter of the state's 10 year average production amid the worst season in decades. South Australia and Victoria will see below average crops, but nowhere near as bad as New South Wales and Queensland. We see South Australia harvesting 3.0 million tonnes of wheat and Victoria 2.4 million tonnes.

Winter crop prices remain very elevated, although ASX wheat futures have come off their peak in the mid 400s range reached in late September. ASX wheat is now trading at around \$415/t – still well above global benchmarks. East coast grain prices have probably found a ceiling at Western Australia prices (low-mid 300s) plus transport costs (in the order of \$100/t), and the kinder summer outlook for the east will hopefully deliver better summer crops and pasture. However, should summer and autumn remain hot and dry, livestock producers in the east will need to have feed plans into spring 2019.

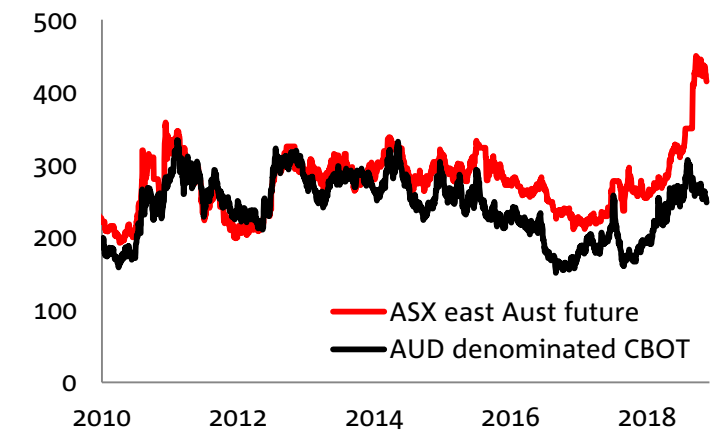
NAB WHEAT PRODUCTION FORECAST

Million tonnes



ASX AND CBOT WHEAT PRICES

AUD/t



Source: NAB Group Economics, ABARES, Bureau of Meteorology, Australian Bureau of Statistics, Bloomberg and Profarmer.

SEASONAL CONDITIONS

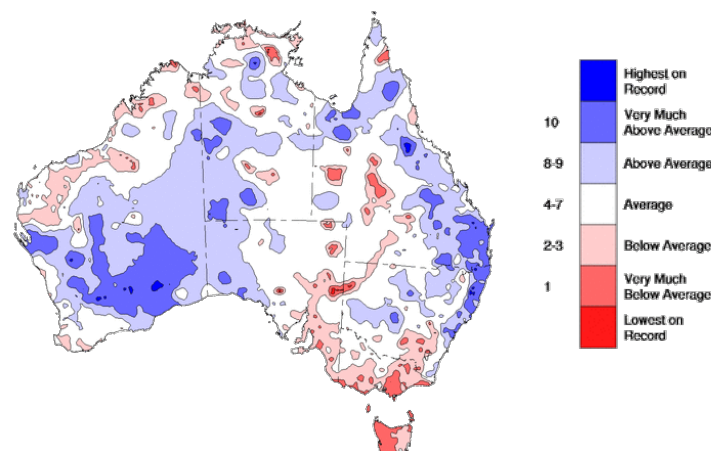
Seasonal conditions in eastern Australia remain generally mixed to poor, although October and early November have seen very respectable rain totals in many - but by no means all - areas. This is probably too late to do much for the winter crop in most areas, but is an upside for pasture and dryland summer crop prospects.

Overall, New South Wales and much of Queensland remain in drought. Big and sustained follow-ups will be needed to get back on track. Victoria and South Australia remain a mixed bag - some areas remain very dry but other districts (e.g. south-west Victoria) have enjoyed a good season. Western Australia remains the pick of the bunch as far as seasonal conditions are concerned.

The latest BoM three month outlook is – somewhat surprisingly given the 70% chance of El Nino – wetter than average for much of New South Wales and parts of Victoria. If Northern NSW receives good rain there could be an upside for sorghum, although that is a small (1-2 million tonne) crop that is unlikely to replace the shortfall of grain in eastern Australia at present.

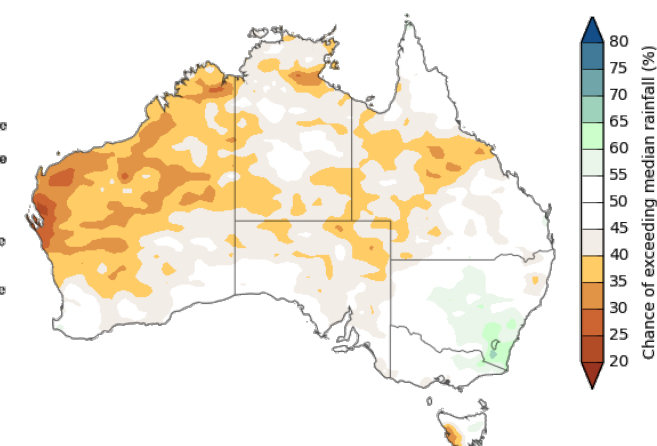
RAINFALL – OCTOBER

Deciles



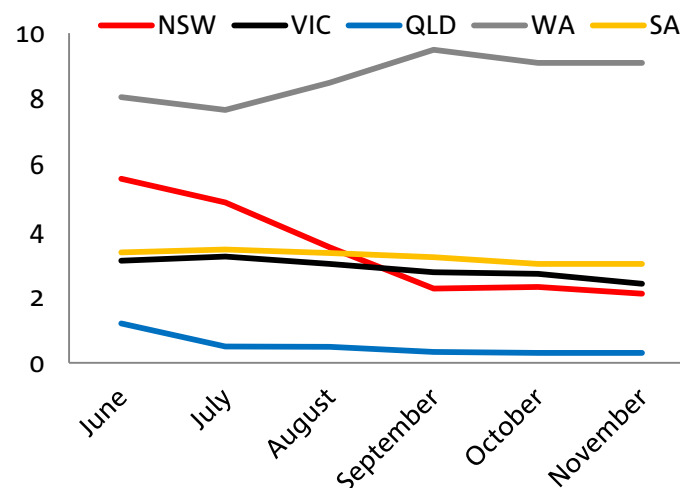
RAINFALL OUTLOOK

December to February



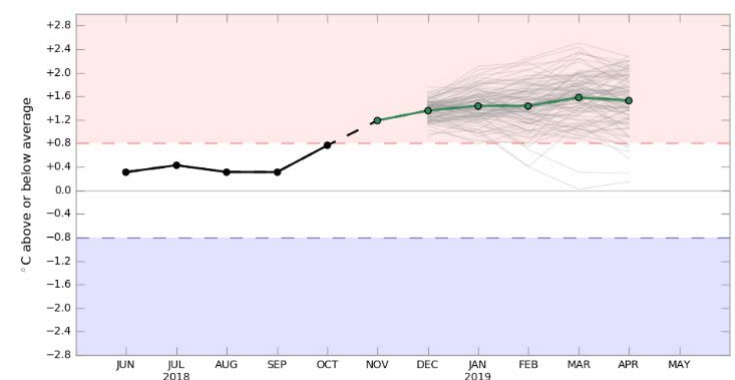
NAB WHEAT FORECAST HISTORY TRACK

Million tonnes



BOM ENSO TRACKER

NINO34 sea surface tracker



Source: Bureau of Meteorology, ABARES, ABS and NAB Group Economics

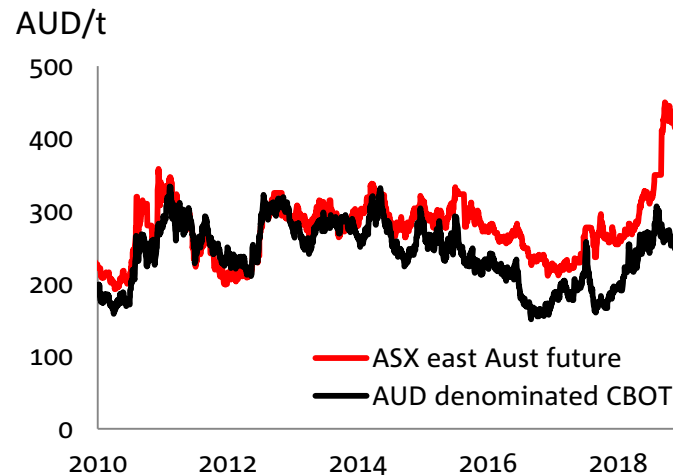
PRICES

This season has been very tough for crops in the eastern states, with NSW and Qld performing generally very poorly and SA and Vic looking somewhat better, but overall below average. October saw good rain in some areas, but it was probably too late for many. Given the late frosts, many cereal crops have already been cut for hay.

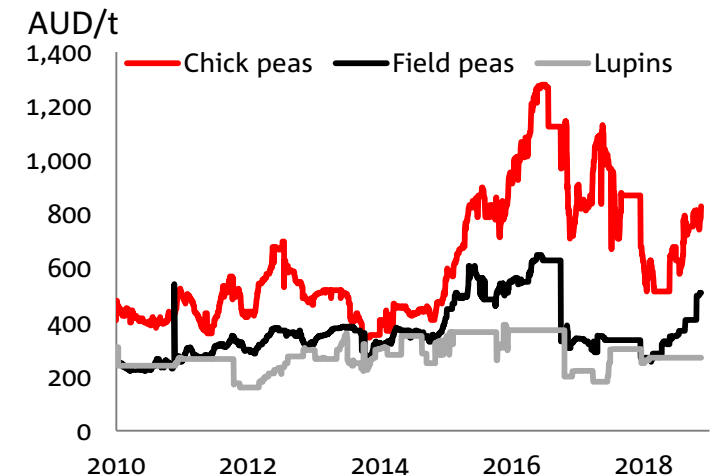
Domestic grain prices remain at extreme levels compared to international benchmarks, although they have fallen somewhat from their September peak just below \$450/t to around \$415/t now (ASX wheat).

East coast price grain prices have probably found a ceiling at Western Australia prices (low-mid 300s) plus transport costs (in the order of \$100/t), and a good summer crop and pasture growth put some downward pressure on the market. That said, given that prices reflect strong feed demand in very challenging seasonal conditions in much of eastern Australia, any further dry conditions are likely to keep the pressure on. Feed could still easily be in short supply for many months to come. If there is a poor autumn break, we are looking at one year feed plans.

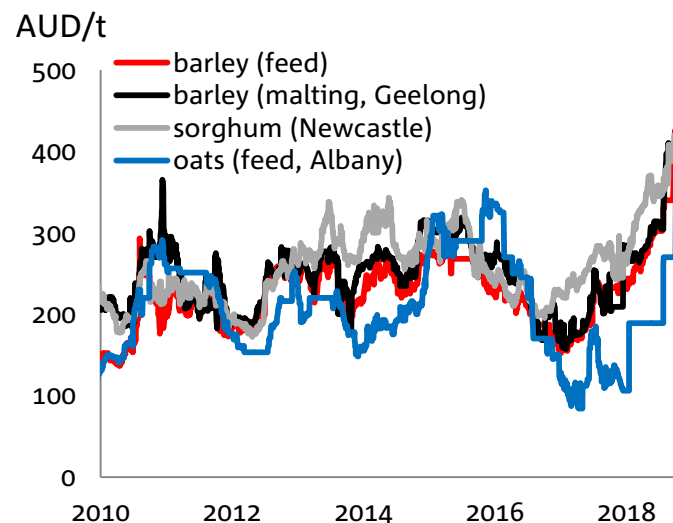
WHEAT



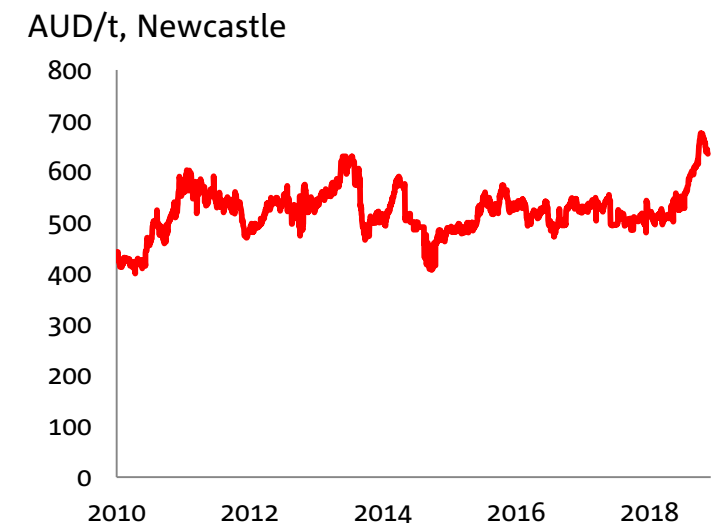
PULSES



COARSE GRAINS

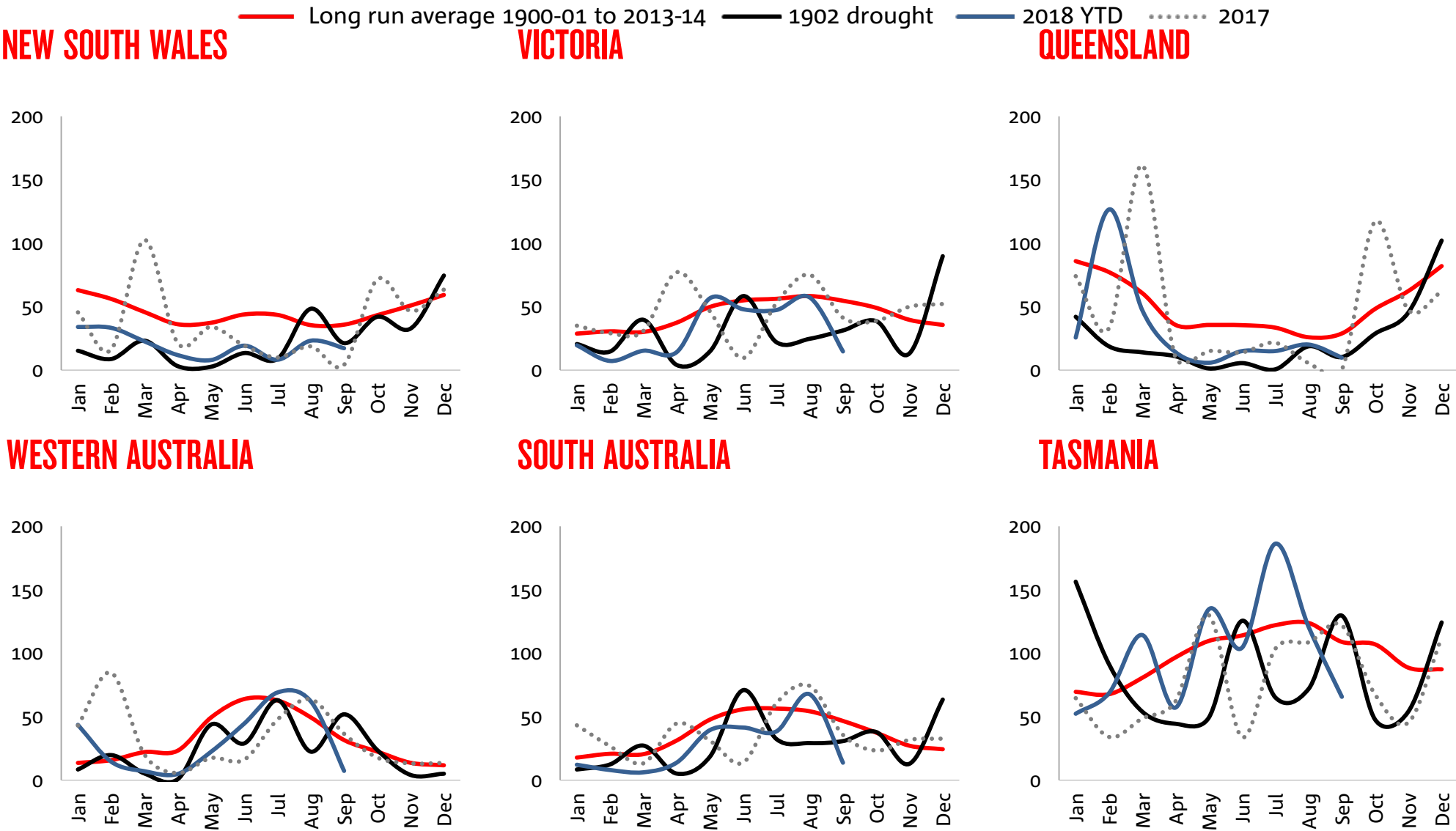


CANOLA



Source: NAB Group Economics, ABARES, Meat and Livestock Australia, Australian Pork, Ausmarket Consultants, Australian Bureau of Statistics, Bloomberg and Profarmer.

MONTHLY AVERAGE RAINFALL IN WINTER CROPPING REGIONS (MM)



Source: Bureau of Meteorology and NAB Group Economics



Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it. Please click **here** to view our disclaimer and terms of use.

