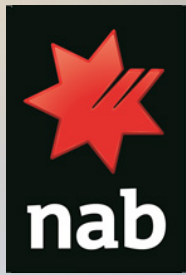


# WINTER CROP UPDATE



**JUNE 2020**

Author Phin Ziebell, Senior Economist – Agribusiness

# KEY POINTS

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Winter crop planting has been underway for over a month in Australia, with most crop now in the ground. Planting conditions have ranged from “patchy” to “best on record”, depending on location. Overall though, this season is shaping up much better than the generally dismal 2019-20.

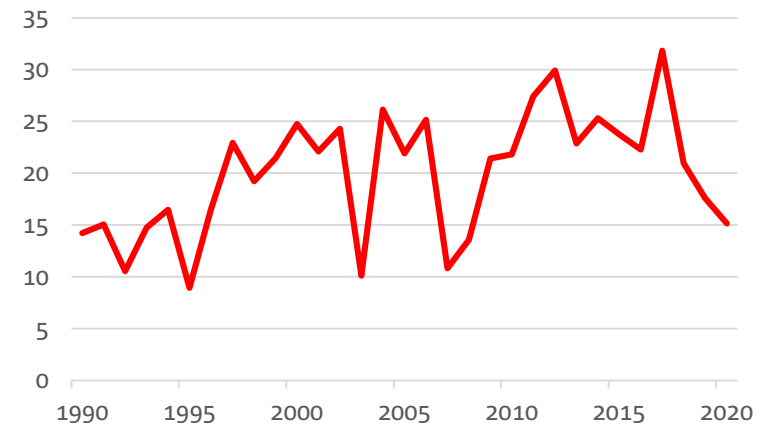
Rainfall across major cropping regions was generally above average earlier this year, but tended to be below average in May (although Victoria and South Australia were closer to average rainfall). The Bureau of Meteorology’s three-month outlook for winter is for generally average to above rainfall in major cropping regions, although the outlook is never guaranteed.

While some regions are now chasing rain (particularly in Western Australia and Queensland), if winter sees average or close to average rainfall, we should be on track for an average to somewhat above average national crop. If winter and spring are wet, then a big crop comes into play. With the season just beginning however – and not wanting to jinx it – our initial estimates are closer to average. Our model sees a *very speculative* 2020-21 wheat crop in the 25.9 million tonnes range based on average rainfall for the remainder of the season and 29.0 million tonnes based on 50% above average rainfall for the remainder of the season. But for now, our crop outlook can be best summarised as average to above average, with a big upside if winter rainfall delivers. ABARES’ June estimates suggest a 26.7 million tonne wheat crop.

The AUD is now essentially back up to pre-crisis levels, limiting price upside. We see grain prices tending lower this year and the historically large basis falling away. That said, with these forecast yields, producers should be very happy.

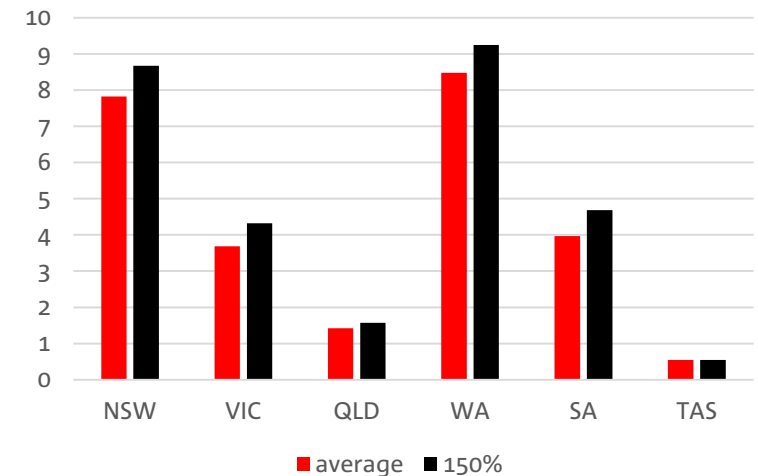
## AUSTRALIAN WHEAT PRODUCTION

Million tonnes per annum



## STATE LEVEL WHEAT FORECASTS

Million tonnes, 2020-21



Source: NAB Group Economics, ABARES

# SEASONAL CONDITIONS

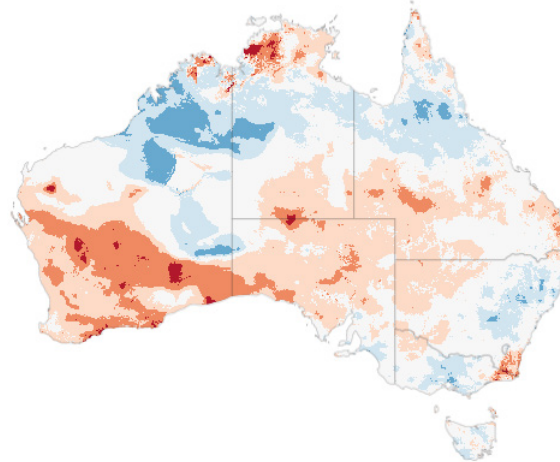
Seasonal conditions are looking very good in most of Victoria, New South Wales, South Australia and Tasmania, with most agricultural regions in these states enjoying above average soil moisture, drier conditions in May notwithstanding. While Western Australia and Queensland could do with more rain, the west has seen some falls over the past couple of weeks. The soil moisture deficit in WA is keeping the crop outlook dependent on forecast rainfall materialising.

The Bureau of Meteorology's three-month outlook points to a wet winter and early spring across most of the country and all major grain-growing regions. This is undoubtedly good news, particularly for New South Wales and Queensland, which suffered badly over the last couple of seasons.

The outlook reliability through winter is generally reasonable through winter and into spring, although nothing is guaranteed.

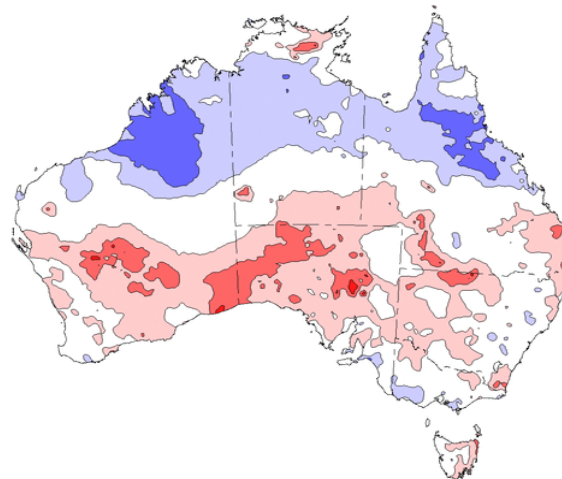
## ROOT ZONE SOIL MOISTURE

11 June, relative to average



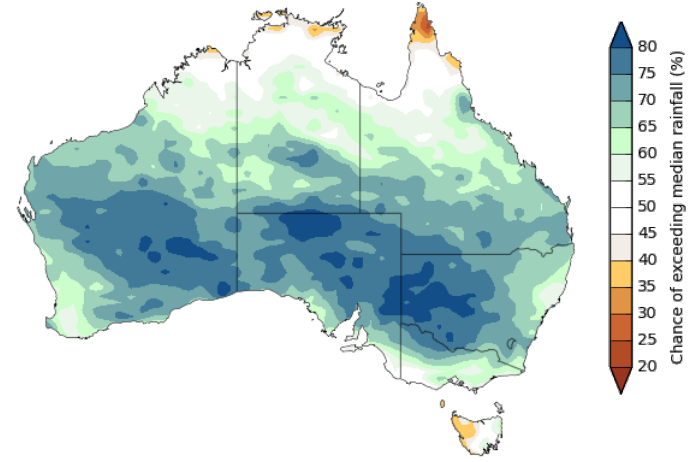
## RAINFALL DECILES

May 2020



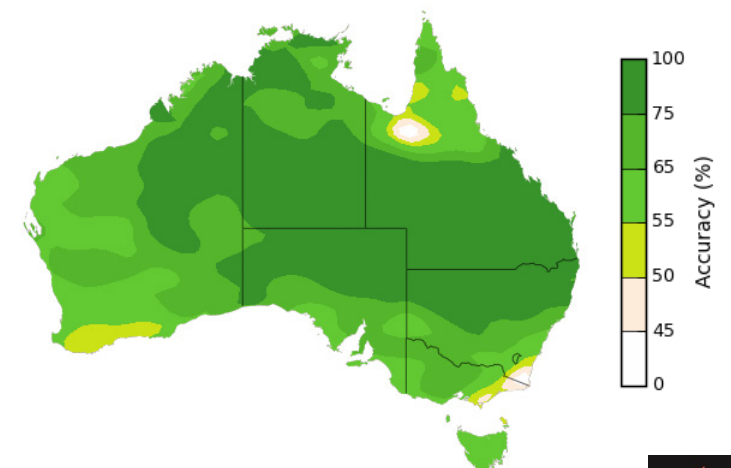
## BOM RAINFALL OUTLOOK

July – September 2020



## BOM RAINFALL OUTLOOK ACCURACY

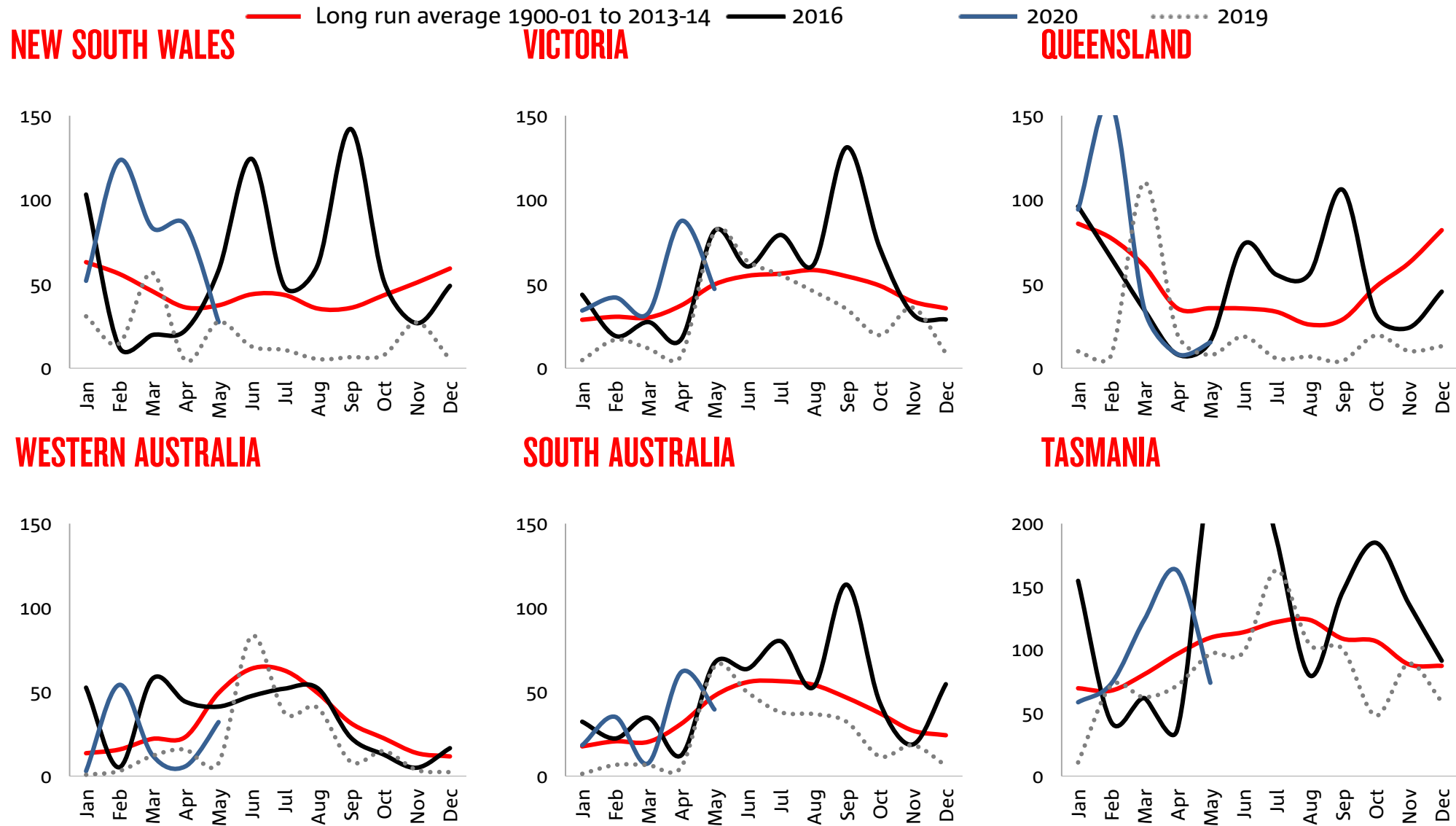
July – September 2020



Source: Bureau of Meteorology



# MONTHLY AVERAGE RAINFALL IN WINTER CROPPING REGIONS (MM)

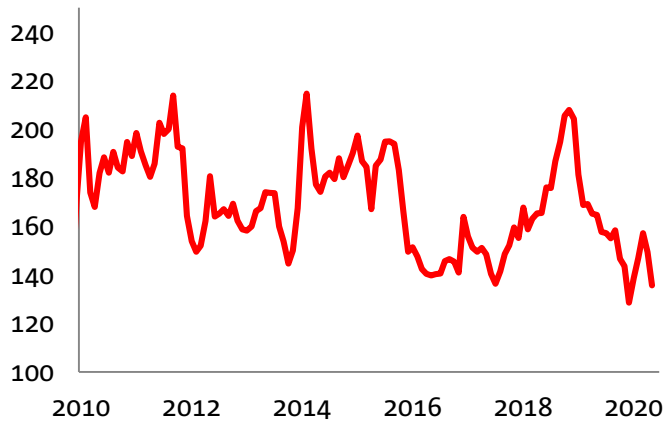


Source: Bureau of Meteorology and NAB Group Economics

# FARM INPUT COSTS AND AUD

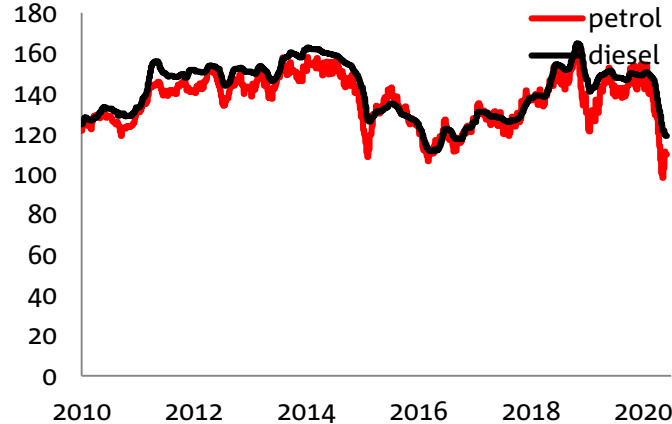
## NAB FERTILISER INDEX

AUD index



## NATIONAL AVERAGE FUEL PRICES

AUc/litre

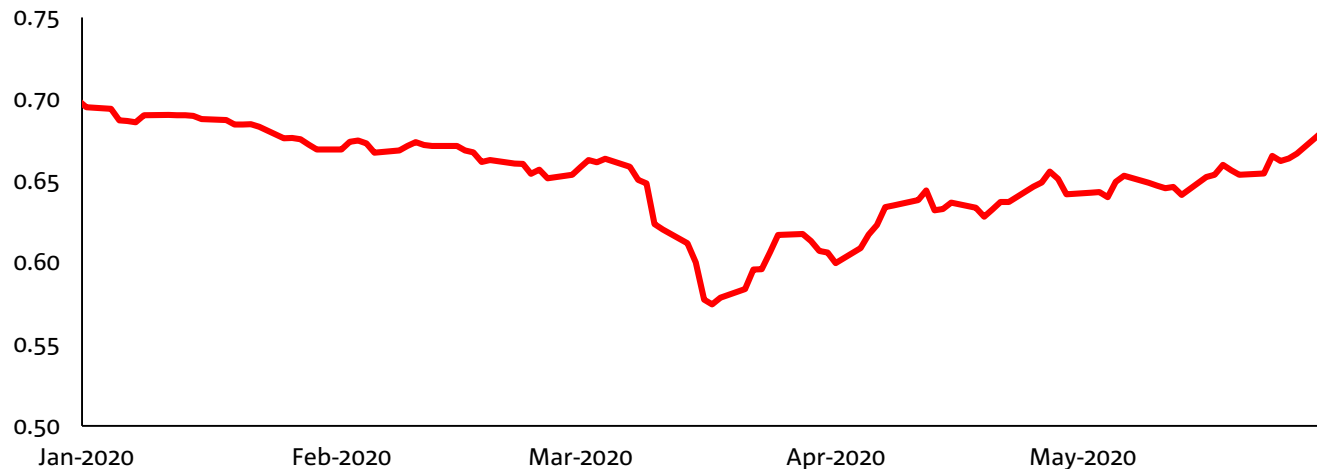


Oil prices collapsed to sub-US\$20/bbl during April, but are now back up, just below US\$40/bbl. We expect the Brent to rise to US\$45/bbl by the end of 2020. Domestic petrol prices had tanked, but are now back up somewhat. That said, national average diesel prices have fallen from around 150c/l to around 120c/l (depending on location).

Fertiliser prices have jumped around somewhat this year, but overall remain well below levels seen 18 months ago. We had harboured fertiliser supply concerns earlier this year (along with agricultural chemical) but this seems to have stabilised.

## AUD/USD

daily, 2020



The AUD has rallied relatively strongly recently from its lows in April to the high 60s range at present. We have revised up our forecast profile for the exchange rate and now see the AUD/USD at US72c at end-2020 and US75c at end-2021. This will help with input costs but limit local grain prices.

Source: Bloomberg, Profarmer and NAB Group Economics

# CROP PRICES

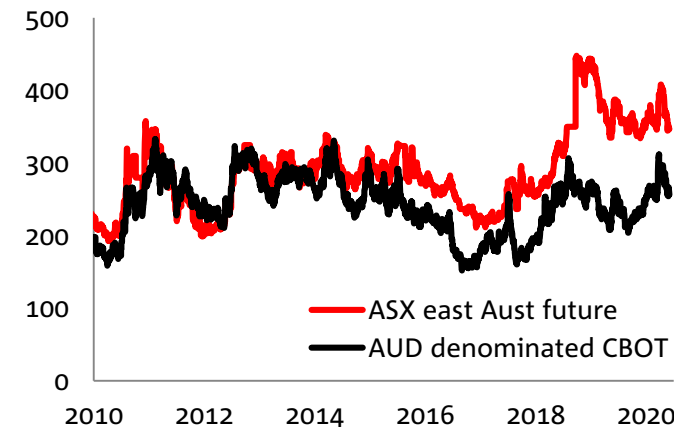
AUD denominated wheat prices spiked earlier this year in response to a plunge in the AUD combined with coronavirus-related buying activity and fears of global export restrictions.

Both of these factors have now unwound (in the case of the AUD, spectacularly so), pushing both domestic and AUD denominated global prices lower. A historically large basis remains, a function of very limited carryout after two poor seasons. With the current season largely on track, we expect this gap to close (on the downside for local prices) with new season crop availability at the end of this year.

The Chinese Government's decision to impose steep tariffs on Australian barley has hit prices, although with little carryout it will be November before this is largely felt by producers.

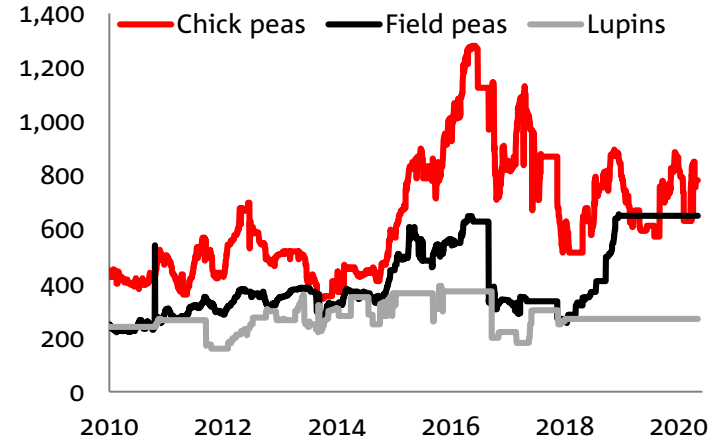
## WHEAT

AUD/t



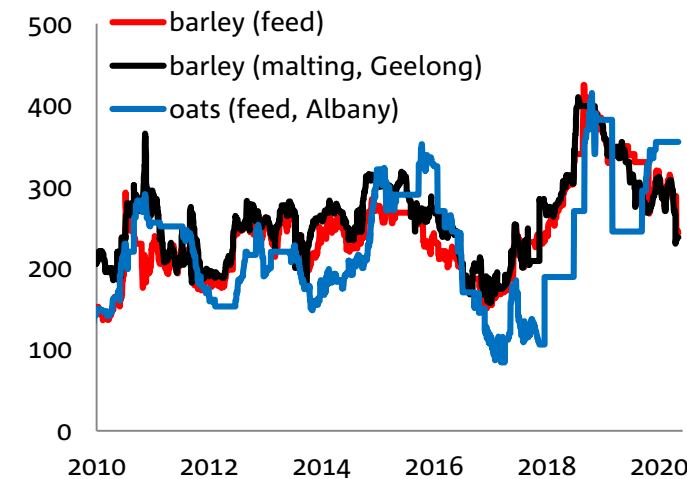
## PULSES

AUD/t



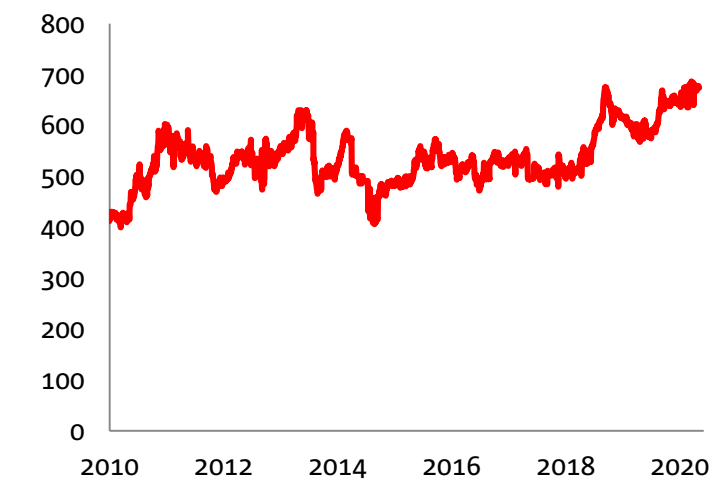
## COARSE GRAINS

AUD/t



## CANOLA

AUD/t, Newcastle



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

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