South NSW Market Report

17th of May 2010

Many farmers throughout the southern NSW regions were optimistic about the potential of the season ahead leading into the winter crop planting window. The promises of an early start to plantings and adequate soil moisture profile provided a positive outlook to the otherwise negative commentary on prices. Unfortunately the good summer rains were also beneficial to locusts causing some areas to experience huge numbers with devastating effects. Early sown canola and winter cereals in south western NSW have been attacked causing some growers to replant, and others to delay planting until cooler weather and frosts slow them down. The additional concern from here is the potential for hatching in spring and potential crop damage at the back end of the season. Despite this early set-back, production estimates for the season remain high.

Australian exports from the east coast have increased with Newcastle set to load 188,000mt and Port Kembla a further 40,000mt over the next 6 weeks. The increase in exports in NSW has been accompanied by strong competition for protein wheat in the old crop track market. The grower Port Kembla market bid for APW is $207/mt for May transfer, against a new crop multi-grade contract at $213/mt APW base. Domestic carry values have been eroded not so much by a declining new crop basis, but more so an increasing old crop basis brought on by buyer competition. The challenge going forward is going to be continuing to compete with other exporting nation for international demand.

Currently world carry-out figures are still high at 198.1 million metric tones, although the May USDA report suggested that increasing global demand through population growth, increasing economic status and use of commodities for bio-fuels will go toward balancing the equation. Global consumption is forecast to reach 668 million metric tones, which is only 4 million metric tones short of current global production of 672 million metric tones.

The weakening AUD has provided some relief to the domestic flat price of Australian wheat, although CBOT wheat futures have fallen below 500 US cents/bushel for nearby delivery. December futures are reflecting carries that still exist in the international markets, trading in the mid 530’s US cents/bushel.

Domestically opportunities still exist in the old crop markets throughout southern NSW as domestic consumers continue to buy in their requirements. Local Griffith markets showed $195 to $200 last week for nearby delivery of ASW/APW grades, whereas $205 to $210 could be achieved delivered Narranderra for >14% protein APH wheat.

For further details please contact your local Australian Grain Accumulation
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