



Key facts:

- * National wheat production was **22,079,000 tonnes** for the year ending June 2013.
- * **Tasmania** represents only a small portion of the domestic volume with **0.1%** of national production. **Western Australia** is the largest producer of wheat in Australia with **37%** of the national production.
- * Wheat exports were **21,240,099 tonnes** for the year ending June 2013, which accounted for **96%** of total production.
- * **Indonesia** is the largest purchaser of Australian wheat exports, accounting for **19%** of the national export volume.
- * The **livestock feed industry** is the largest consumer of domestic wheat, consuming an average of **49%** of the total domestic consumption over the last 5 years.
- * The dairy industry is the largest user of feed wheat in Australia, consuming **23%** of the national feed wheat volume.
- * Bread bakers are the largest user of flour in Australia, consuming **41%** of the of the total available flour.

Wheat production

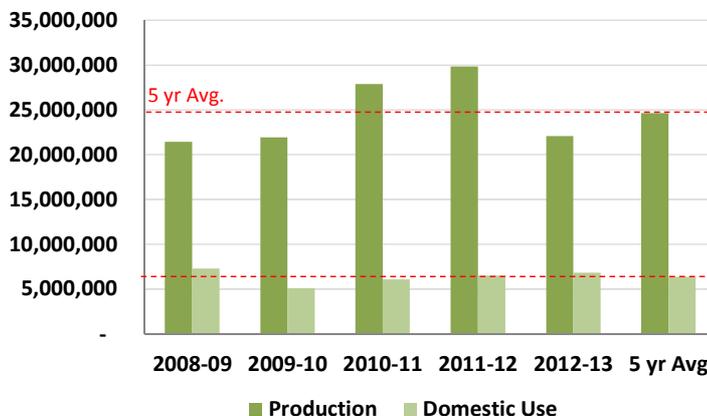
Australian wheat production

For the year ending June 2013 there was just over 22 million tonnes of wheat produced in Australia, and an average of 24.6 million tonnes produced over the last 5 years, with approximately 70% of this volume destined for export markets. This is outlined in Figure 1.

Australian production volumes are largely linked to seasonal conditions, with significant variations in total volume from year to

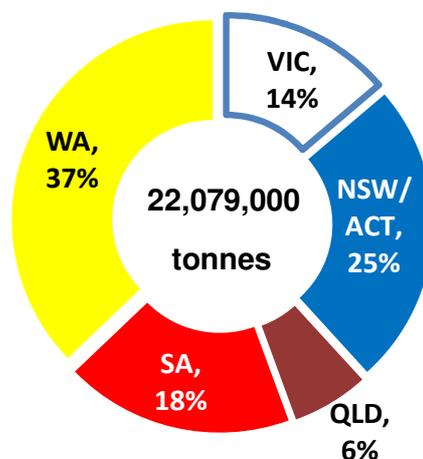
year. While Australia only represents a small proportion of the world market, it plays a key role in supplying manufacturers in Asian and the Middle Eastern markets.

Figure 1 Domestic Production and Use of Wheat—tonnes



As represented in Figure 2, Western Australia is the largest producer of wheat in Australia with 37% of the national production. This is followed by New South Wales (25%) and South Australia (18%). Tasmania produces approximately 0.1% of the national wheat production.

Figure 2 National Production of Wheat—by state



Tasmanian wheat production

Tasmania represents a very small proportion (0.1%) of the total Australian production, with the majority of this volume being used for stockfeed. There are only a small number of Tasmanian growers producing wheat on a large scale.

In the deregulated market, local wheat sales are conducted through a number of means. These include direct sales from the

grower to end user e.g. feedlots, selected trading agents and grower established co-ops. The use of these sales streams will vary depending on the type of growing operation.

The climate of Tasmania inhibits the production of higher value quality hard wheat, with higher rainfall often causing variations in the level of protein, yield and flavour. This varied output creates obstacles for local milling operations to access a reliable source of local product.

However, the conditions allow for production of lower value soft wheat varieties which can be produced efficiently in the Tasmanian climate to produce flour, which is unsuitable for bread, but suitable for the manufacture of shortcrust pastry, scones and biscuits.

A large proportion of Tasmanian wheat production is viewed as dual purpose wheat, meaning it can be harvested as a cereal or grazed by livestock to fill a feed gap. It is also used as a rotation crop with other cropping activity, therefore it is grown as an integral part of a farming system, not as the basis of the system.

Wheat production is broadly spread across Tasmania, with a concentration of growers in the northern Midlands and the north-west of the state.

International trade

Australia's major export market for wheat is the Asian and Middle Eastern markets. In 2012/13, Indonesia was the largest buyer of Australian wheat, accounting for 19% of total exports, followed by China (8%), Vietnam (8%), Korea (7%), Iraq (6%) and the Philippines (5%).

Figure 4 Australian Wheat Exports—'000 tonnes

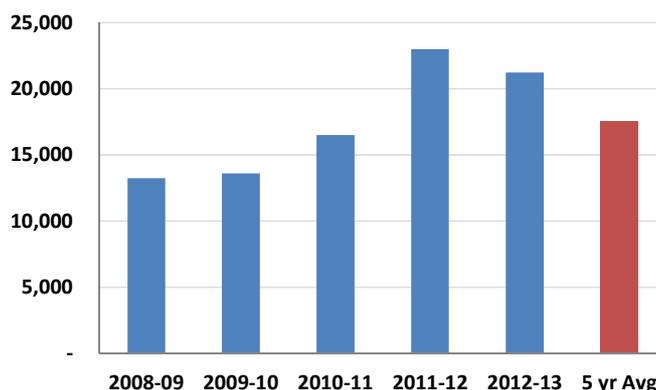


Figure 3 shows the share of the top ten buyers of Australian wheat exports, who account for 72% of total exports.

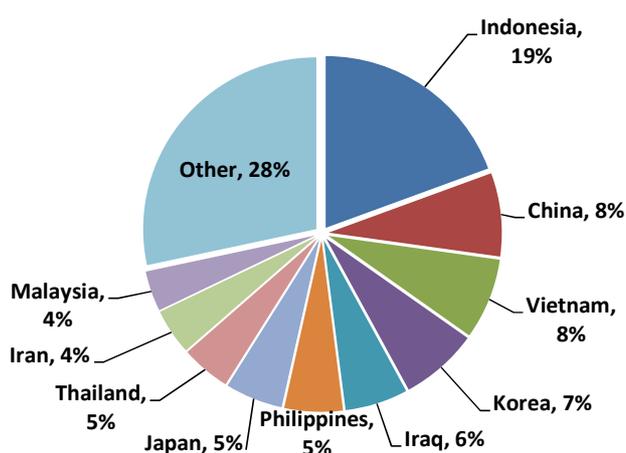
Figure 4 portrays the export volumes of wheat over the last 5 years. It indicates an upward trend over the 4 years to 2011/12, in line with increasing production, followed by a small decline in 2012/13, largely the result of seasonal factors.

Pricing

Given that wheat is a relatively stable product that can be safely moved and stored, it is influenced by world market conditions that in turn frames domestic market prices. The variables that impact the world market conditions and therefore influence world prices include:

- Currency values and relative exchange rates
- Weather impacts on production
- Speculative futures trading
- Alternative uses and prices e.g. bio fuels
- Population growth
- Intensive production demand.

Figure 3 Top 10 Wheat Export Countries



Wheat uses

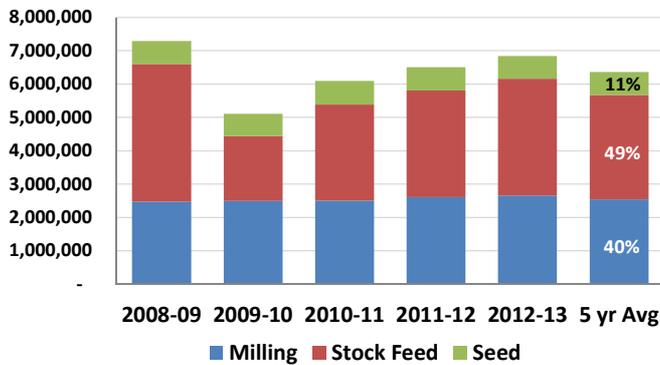
There are a large number of wheat varieties grown in Australia. However, these varieties can be broadly grouped into hard wheat and soft wheat, based on quite distinct properties.

Hard wheat (including prime hard wheat, standard hard wheat, noodle wheat and durum wheat), is typically used for milling to produce wheat products for human consumption (e.g. bread and noodles).

Soft wheat is largely used for stock feed, but is also used in milling.

The different wheat categories have certain characteristics that dictate their range of uses. Wheat for milling receives a premium over wheat for stock feed and as such is the preferred use.

Figure 5 Domestic Wheat Uses by Type—tonnes



However, typically almost half of all wheat produced is used for stock feed, around 11% for seed and the remaining 40% is for milling, as per Figure 5.

Flour milling

Flour is an ingredient in a large number of food types including; bread, biscuits, pastry, pasta, noodle and packet cake mixes. Flour is largely derived from hard wheat, although soft wheat is also used for some food types.

Figure 6 Domestic Flour Uses

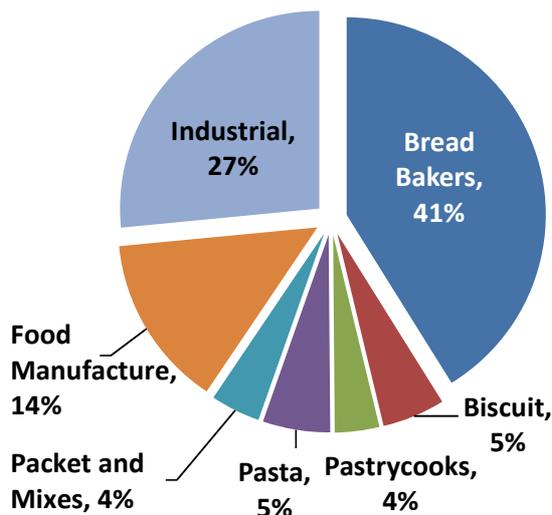


Figure 6 outlines the major uses of flour domestically; bread bakers (41%), industrial (27%) and food manufacture (14%).

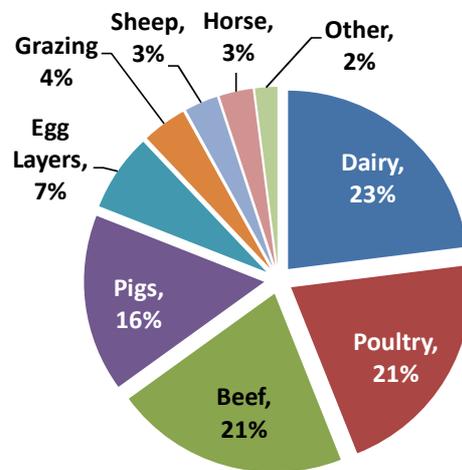
Below is a summary of the major wheat types and their uses:

- **Prime hard wheat** is a high protein wheat and is primarily used for bread making, or as a blender for other types of bread making flours to improve protein content. It typically contains 13% or more protein.
- **Hard wheat** is used for flat breads, noodles and pastries, as well as other breads. It contains 11.5%-13% protein.
- **Noodle wheats** are specifically bred for udon and Chinese noodle products.
- **Durum wheat** is used specifically for pasta, semolina flour, cous cous and other bakery products.
- **Soft wheat** is used for cakes, biscuits, buns and snack foods such as chips. This flour contains less than 9.5% protein.

Stock feed

The use of stock feed is directly linked to the demand for protein domestically and internationally. The dairy and poultry industries are the largest consumers of Australian stockfeed, followed by the beef and pork industries. Of these, the poultry industry is the fastest growing and least volatile.

Figure 7 Feed Wheat Consumption by Industry



The domestic manufactured stockfeed sector operates as part of the wider industry, and contributes around half of Australia's total stockfeed supply.

In terms of raw materials, wheat is the most commonly used grain in the domestic stockfeed industry with approximately 40% market share.

Figure 7 outlines the consumption of feed wheat by industry. It indicates that the major users include; dairy (23%), poultry (21%), beef (21%) and pigs (16%).

Dairy industry

In terms of consumption, the dairy industry is one of the largest consumers of feed wheat in Australia, together with beef and poultry. Feed wheat in dairy is used to provide a supplement to animals on a predominately pasture based diet, which will depend on the level of intensity of the enterprise. This allows farmers to gain an extension in their milking season and improve volume output.

Red meat industry

The red meat industry (beef and sheep) uses feed wheat for two main purposes; to provide feed supplements to their stock during dryer seasons and gestation, and for finishing. The industry currently consumes 24% of the total feed wheat supply.

White meat industry

White meat (pig and chicken) production is considered to be much more intensive, as grain and manufactured feed make up a much larger part of their diet.

The white meat industry is also considered less volatile than the red meat industry, as production is typically more consistent, as it is less susceptible to seasonal fluctuations.

Combined, the poultry and pig industries account for 37% of the feed wheat consumed in Australia. Further, manufactured stock feed makes up a much larger proportion of their diet than many of the other intensive industries.

Outlook for sector

- Weather conditions will continue to have a significant impact on local and global production volumes, wheat quality and prevailing price.
- Exchange rates can have a marked impact on demand for protein for livestock feed.
- There is an apparent opportunity to supply a good quality soft wheat for use in the biscuit market.
- Growth of the dairy industry in Tasmania will be a major driver of wheat for stockfeed consumption in the state.
- There is an opportunity to replace some of the imported

volume of stock feed into Tasmania, estimated to be over 100,000 tonnes.

- Wheat is expected to continue to play an integral role as a rotational complement to other crops. This practice has led to a greater use of dual purpose wheat varieties allowing growers to generate good yields as well as be poised to meet the feed needs of the expanding livestock enterprises.
- National exports continue to stay strong on the back of growing global demand, which may potentially challenge domestic stocks.

Data sources

- DFAT import and export data
- ABARES
- ABS
- Freshlogic ThruChain™ models

Further information

1. University of Tasmania
www.utas.edu.au Ph. +613 6226 2999
2. Freshlogic
www.freshlogic.com.au Ph. +613 9818 1588
3. Australian Bureau of Agriculture and Resource Economics and Science (ABARES)
www.daff.gov.au/abares Ph. +612 6272 3933
4. Australian Bureau of Statistics (ABS)
www.abs.gov.au Ph. +612 9268 4909
5. Australian Department of Foreign Affairs and Trade (DFAT)
www.dfat.gov.au Ph. +612 6261 1111

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