

Dairy Industry Drought Response

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| Drought Bulletin No. 1 | |
| Subject | The current grain market situation in Australia |
| Date | 25 October 2006 |
| Author | John McQueen, Australian Dairy Industry Council Spokesman |
| Status | For immediate release to Australia's dairy farmers |

The Current Grain Market Situation in Australia

After significant investigation and recognising the different price points for grain across Australia, we believe the likely scenario is that grain prices have reached their peak for the next few months.

Grain prices are being established by global factors including the low supply of grain from Australia and other parts of the world. This is reflected in the Chicago Futures Exchange pricing as well as domestic prices in Australia.

We do know that the grain harvest in Australia is significantly down on prior years and while the futures prices on the Chicago Futures Exchange remain at current levels, it is likely domestic grain could remain at about the current prices.

The next key factors to affect the grain price will be the Northern Australian harvest in March/April 2007, and then the outlook for next year's southern grain crop in November/December 2007.

Following a request from the dairy industry and other domestic grain users, the Federal Government has agreed to undertake a stocktake of grain stocks in Australia. The results will include improved information on supply and enable grain users to make informed choices on the purchasing of grain. Industry groups are helping to fund the survey and initial results should be available by the end of November 2006.

Some significant domestic grain users are likely to import grain and this will take some pressure off domestic demand. However, importation does take some time to happen.

Dairy farmers should seek expert advice from industry advisers on the likely milk production response from grain feeding under their proposed ration.

Dairy farmers should make plans now regarding the future management of their herd. The likely scenario is that grain prices in coming months will be similar to those of today.

The **Dairy Industry Drought Response** is a coordinated response for dairy farmers across Australia. The response directly connects to over one hundred organisations and 2,000 people including state farmer organisations, Regional Development Programs, state departments, dairy companies and private service providers.

Contact: Robert Poole, Policy Director, Australian Dairy Farmers
Tel: (03) 9642 8066 or Mob: 0408 057 073

Chris Murphy, Program Manager - Change Management & Delivery, Dairy Australia
Tel: (03) 9694 3864 or Mob: 0412 318 831