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Australian Wheat Weakness

The United States Department of Agriculture (USDA) is currently forecasting that Australian wheat exports during the 2018/19 grain trade cycle will total only 13 million tons. According to the USDA, Australia is now expected to harvest only 18.5 million tons of wheat in 2018/19 due to drought. This is 1.5 million tons (-8%) less than the USDA forecast a month ago and would mark a year-on-year decline of 2.8 million tons (-13%). As a point of reference, as recently as in 2016/17 the harvest totaled 31.8 million tons. 2016/17 went on to see Australia export 22.6 million tons of wheat, but the current 2018/19 cycle could see exports total only 13 million tons. There is even a chance that exports could come in below the 10 million ton level. Overall, Australian wheat weakness represents a headwind for the dry bulk market for later this year and for the first half of next year. Australia's wheat export season begins in earnest in December, and export volume typically maintains its strength through the first half of every year.

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