

**AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED**

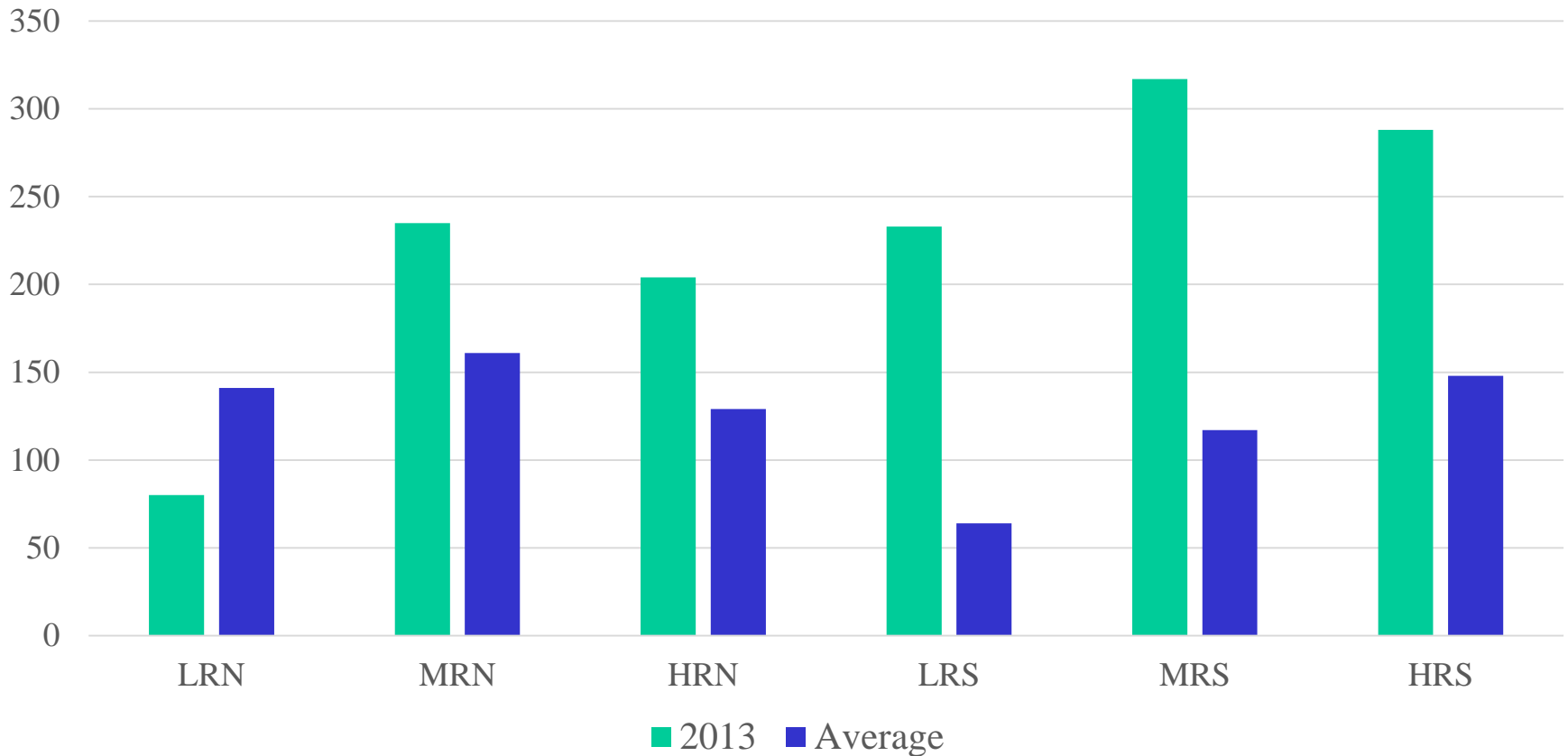
Regional wrap by AAAC Consultants



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What we've come off (2013).

Operating Surplus \$/eff ha 2013 v Previous 5 Year Average





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Planted areas 2014 (GIWA)

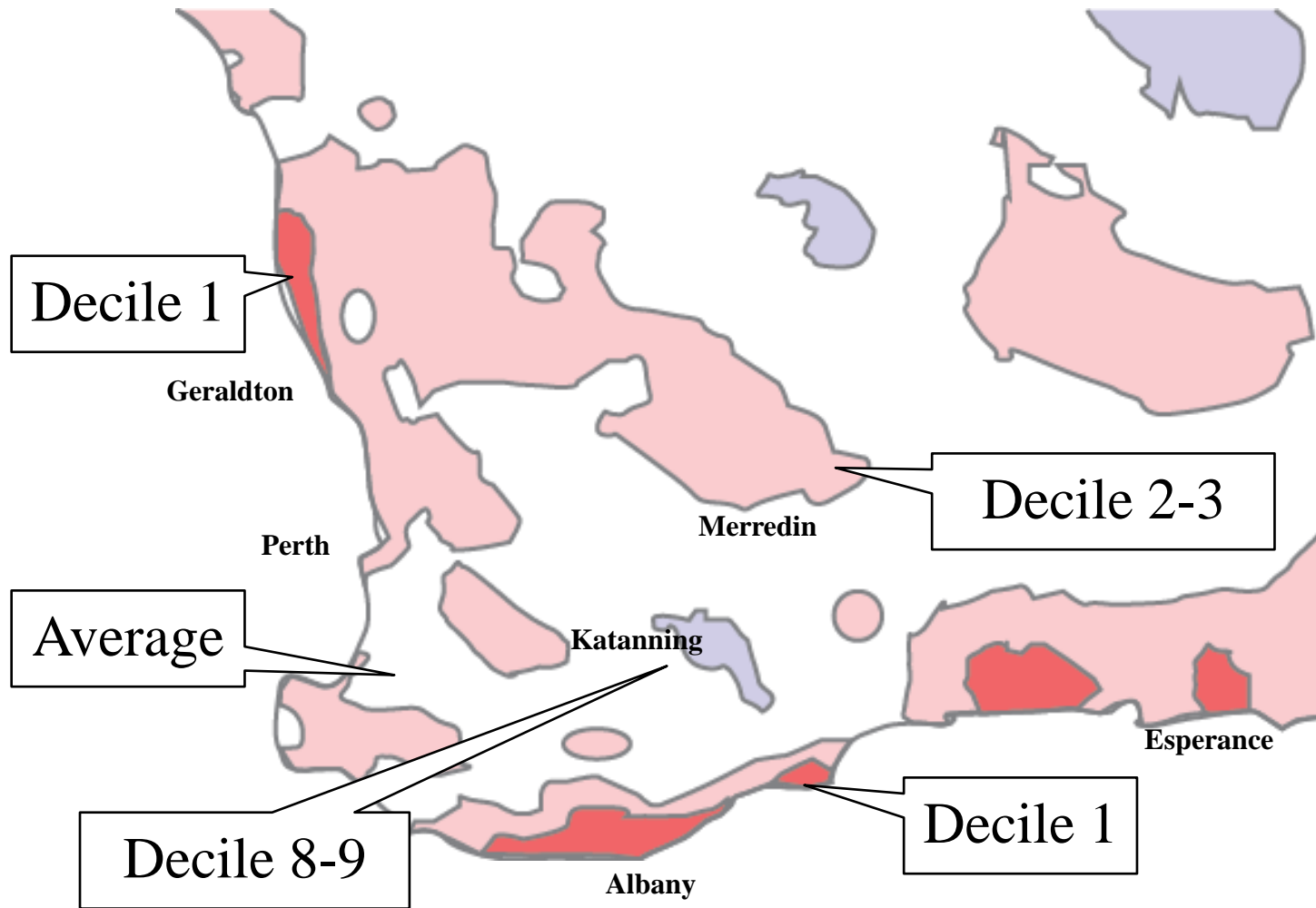
'000 ha

	Wheat	Barley	Canola	Oats	Lupins	TOTAL
2014	4,492	1,063	1,247	180	280	7,286
% change	3%	22%	6%	-4%	14%	6%



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Growing Season Rainfall



Decile 1

Geraldton

Perth

Average

Katanning

Merredin

Decile 2-3

Esperance

Decile 8-9

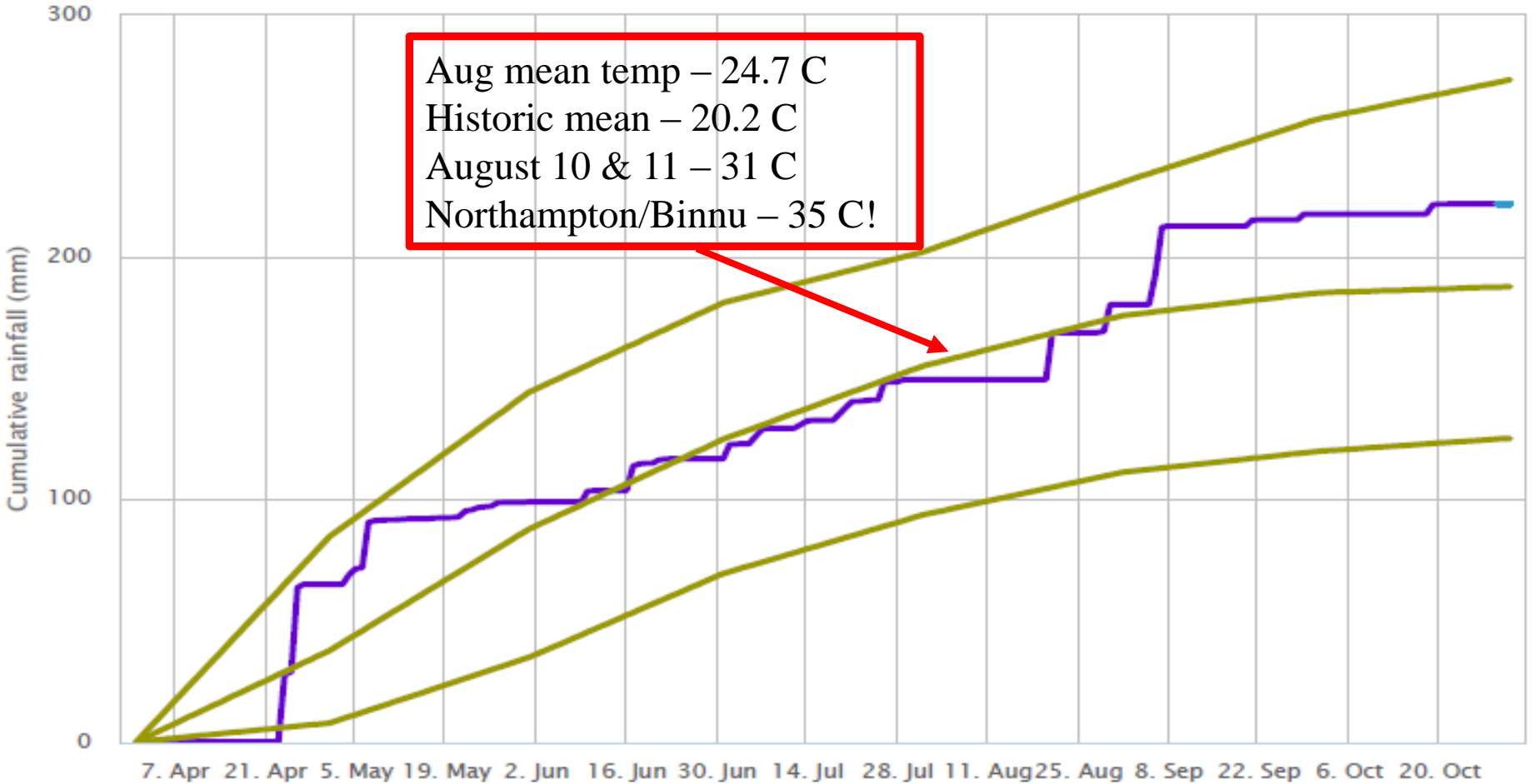
Albany

Decile 1



Growing Season Rain - Morawa

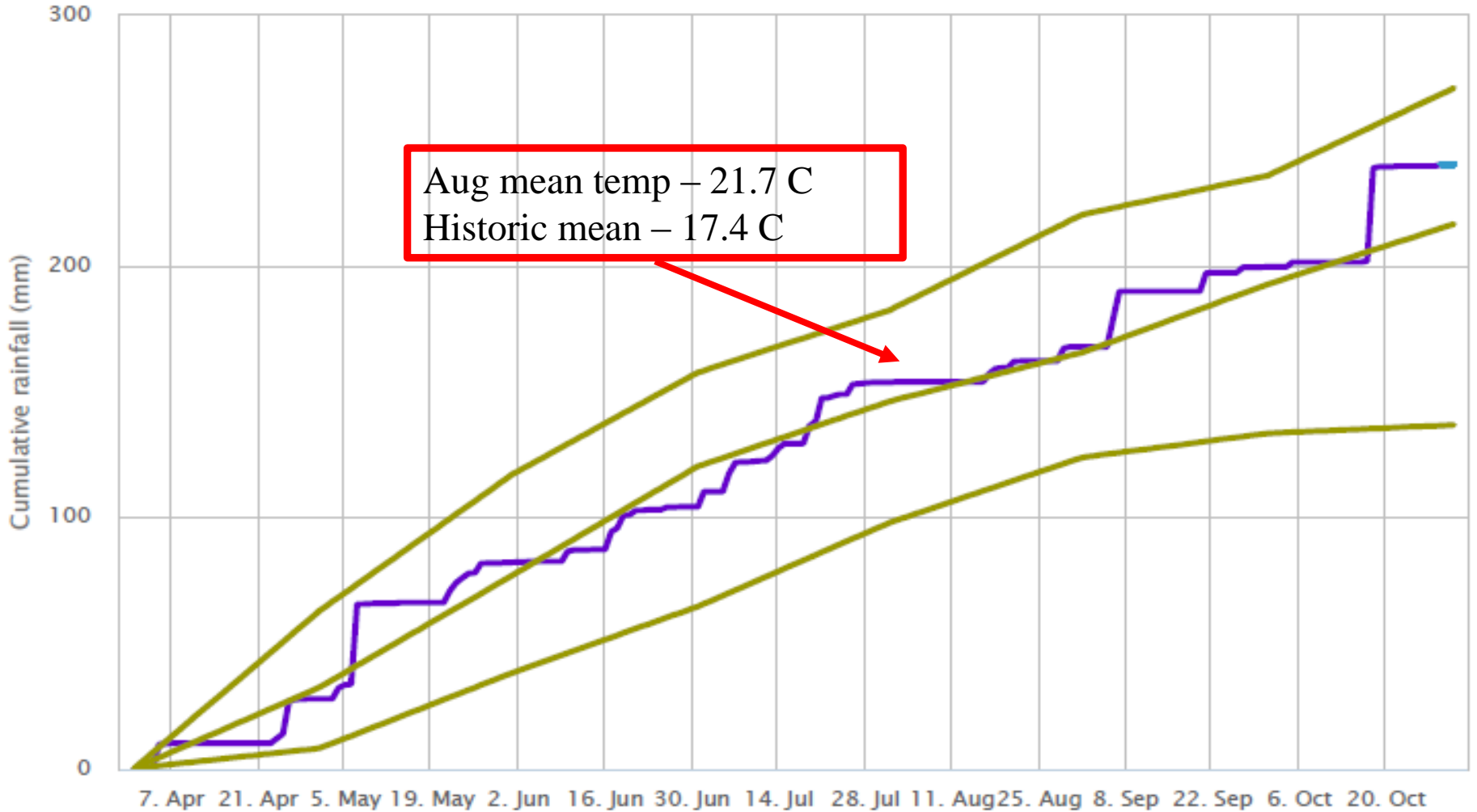
Rainfall to Date - MORAWA (DAFWA weather station)





Growing Season Rain - Merredin

Rainfall to Date - MERREDIN (DAFWA weather station)

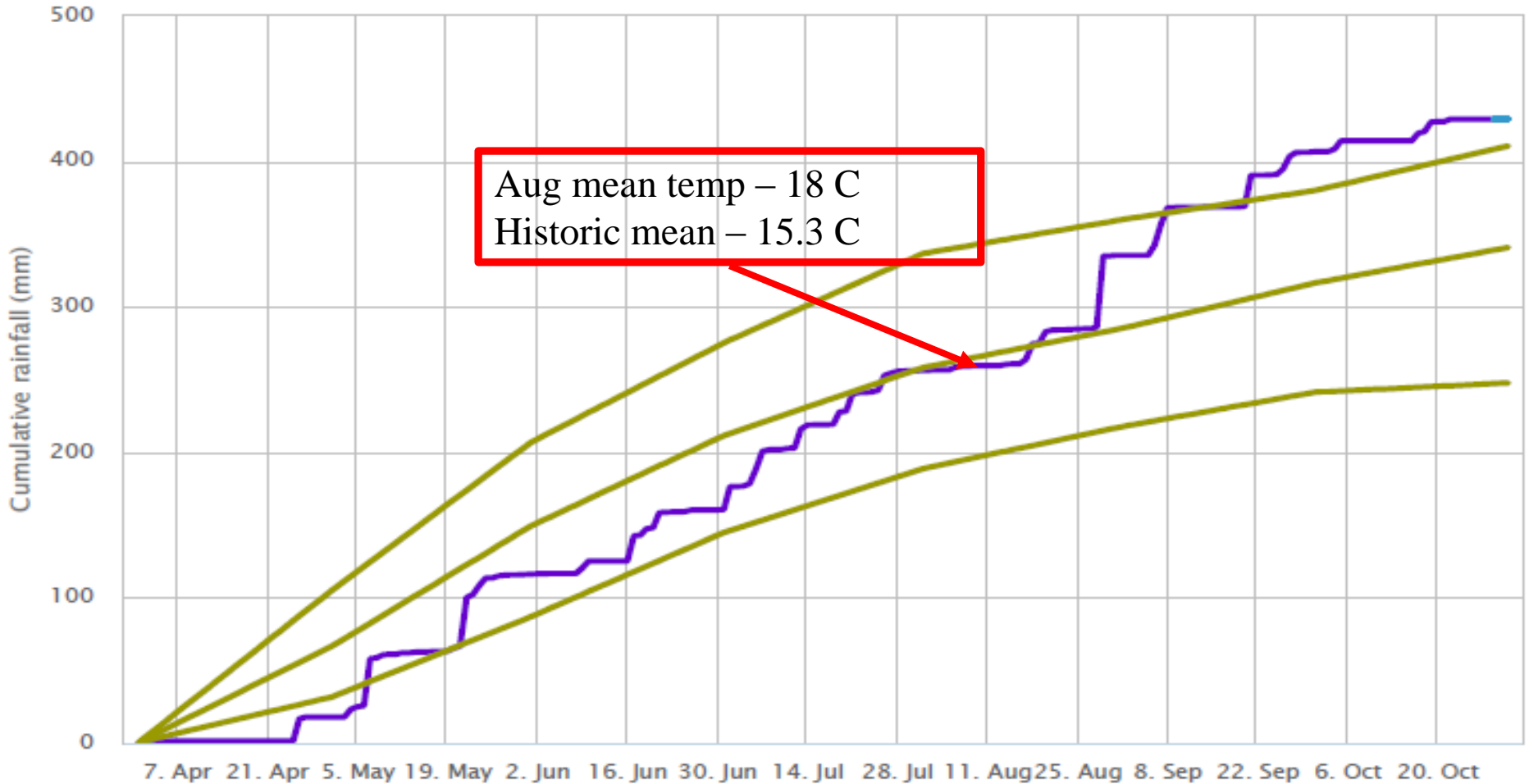




Growing Season Rain - Narrogin

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Rainfall to Date – NARROGIN (DAFWA weather station)

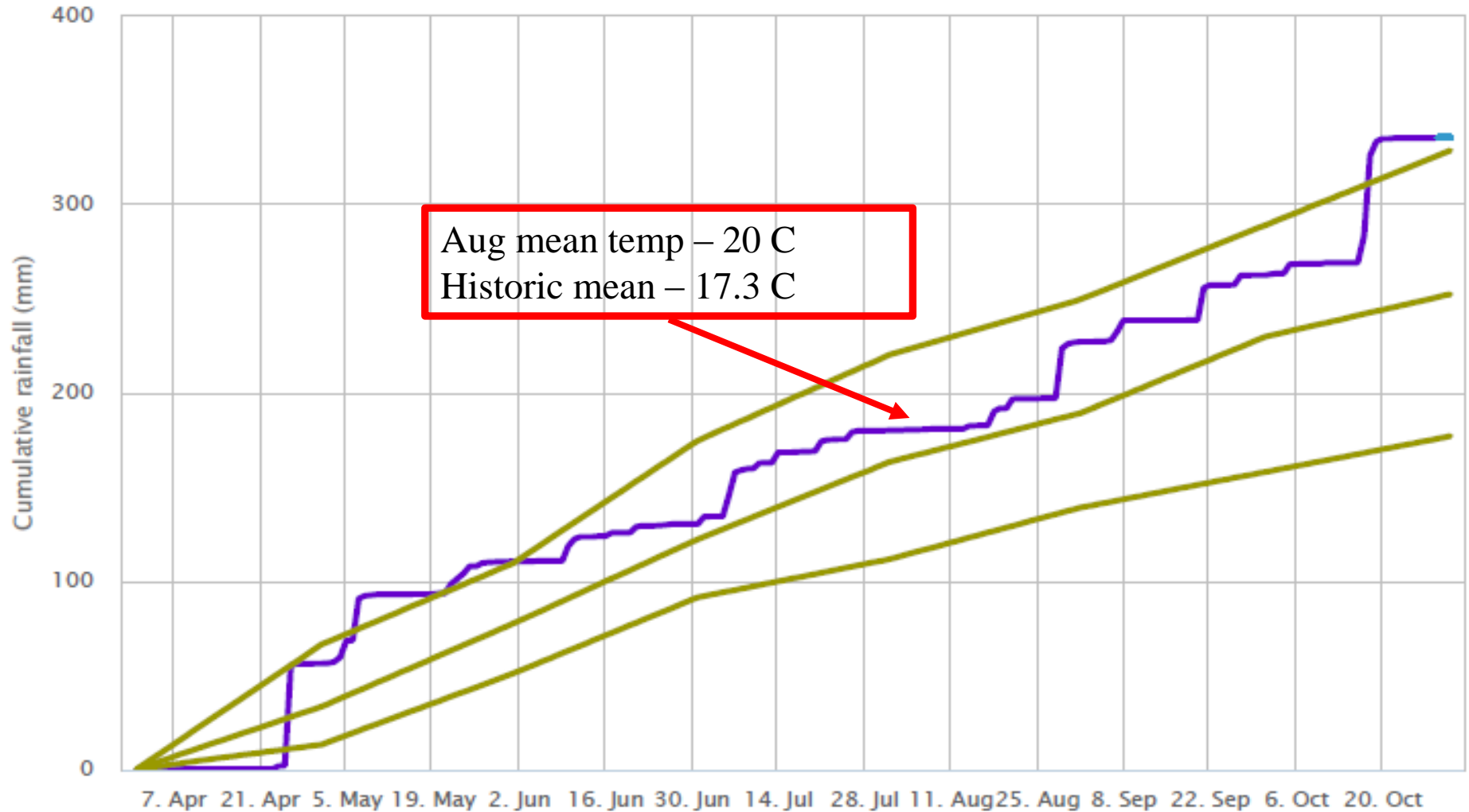




Growing Season Rain - Ravensthorpe

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Rainfall to Date - RAVENSTHORPE (DAFWA weather station)





Production

North

**Wheat – mostly below.
LRZ better than 2013.**

Canola – average to below. RR Hybrids all over TT!

Lupins – average to below. Not much harvested.

Quality mostly good.



Key production issues/factors

North

**Very early seeding =
high early N prior to
drying out.**

**Double knock, clean
paddocks, chem \$
down!**

Canola
**- Sclerotinia even
in dry year.**
- A 'hassle' to grow!

**Nematodes (RLN),
crown rot & LRZ
wheat on wheat.
ROTATION!**



Operating surplus estimates (\$/ha)

North

Low: \$70-120

Med: \$120-180

High: \$100 - \$250

**Average – below
average for most.**



Working capital requirements 2014

North

**Most stuck to budget
or came in under.**

**Chemical – down
Fert – over budget**

**LRZ using
alternatives (CBH,
deferred chem, etc)**

**50% have peak debt
in June**



Grain Marketing

North

Wheat - more went early than I can ever recall (\$310+).

Early swaps the winner.

Spring selling did not pay off this year.

Don't even try and pick price direction!!



Land sales

North

**\$1,500/arable acre at
Mingenew!**

**Much of N/NE for
sale but no takers!**

**Many larger farmers
'have enough' land.
Appetite limited.**

**Quality sells, rubbish
only if bundled with
quality.**



Other issues/opportunities in 2014

North

**NE - trouble exiting
for many.**

**Soil type & water
holding capacity.
WUE is king!**

**How best to 'play the
season'?**

**Poor tax driven
decisions.**



2015/16 Outlook

North

Working capital required will not change much.

Plant – keeping under 10% of income tough.

Tax – variable. Most of 2008 & 2011 has now worked through.

Failure not an option for much of NE.



Other issues/opportunities- local

North

**Mining down –
labour now more
available.**

**Confidence highly
variable. Climate
change might be
real!**

**Growing the business
without buying land.**

**High school boarding
options in Geraldton
or lack of.**



Production

North

Eastern / Central

**Wheat – mostly below.
LRZ better than 2013.**

**Central ave/slightly above
East ave/below to well below**

Canola – average to below. RR Hybrids all over TT!

Average. Oil levels very good

Lupins – average to below. Not much harvested.

Barley yields disappointing

Quality mostly good.

Lupins yield good area not large though



Key production issues/factors

North

Eastern / Central

**Very early seeding =
high early N prior to
drying out.**

**Excellent start for
most. Dry August
hurt**

**Double knock, clean
paddocks, chem \$
down!**

**N over runs in
Central
Lime, Lime, Lime**

Canola

**- Sclerotinia even
in dry year.
- A 'hassle' to grow!**

**double knock done
Crown rot late**

**Nematodes (RLN),
crown rot & LRZ
wheat on wheat.
ROTATION!**

**High Protein – H1 &
ANW2
Quality good**



Operating surplus estimates (\$/ha)

North **Eastern / Central**

Low: \$70-120 **East: \$40-70**

Med: \$120-180 **Central: \$70-125**

High: \$100 - \$250 **West: \$120-350**

**Average – below
average for most.** **East – below
Central/West –
average**



Working capital requirements 2014

North

Eastern / Central

**Most stuck to budget
or came in under.**

**Generally in line with
budget**

**Chemical – down
Fert – over budget**

**Additional N used
Was it needed?**

**LRZ using
alternatives (CBH,
deferred chem, etc)**

**Funding
requirements
significantly lower**

**50% have peak debt
in June**

**Surpluses from 2013
were generally well
spent**



Grain Marketing

North

Eastern / Central

Wheat - more went early than I can ever recall (\$310+).

**Wheat was hedged well.
Canola under sold everywhere early**

Early swaps the winner.

Ditto

Spring selling did not pay off this year.

Barley price signals are difficult to interpret

Don't even try and pick price direction!!

What is a good basis level?



Land sales

North

Eastern / Central

**\$1,500/arable acre at
Mingenew!**

**Little interest in
Eastern country local
or corporate**

**Much of N/NE for
sale but no takers!**

**Strong demand West.
\$1,000 - \$1,500/acre.**

**Many larger farmers
'have enough' land.
Appetite limited.**

**Limited quality
offerings in higher
rainfall areas**

**Quality sells, rubbish
only if bundled with
quality.**

**Has been some
movement of
distressed assets**



Other issues/opportunities in 2014

North

Eastern / Central

**NE - trouble exiting
for many.**

**East – another poor
finish despite a great
start**

**Soil type & water
holding capacity.
WUE is king!**

**What is land value
when there are no
buyers?**

**How best to ‘play the
season’?**

**Low yields 2014 &
summer rain now
leading to higher cost
structure**

**Poor tax driven
decisions.**

**Sheep doing well for
those who choose to
participate**



2015/16 Outlook

North

Eastern / Central

Working capital required will not change much.

**East – slightly more
Central – No change
West – less**

Plant – keeping under 10% of income tough.

Variable seasons have seen the average client under invest in plant

Tax – variable. Most of 2008 & 2011 has now worked through.

Some tax planning issues. Tax V Peak Debt

Failure not an option for much of NE.

Advice on inputs to be based on profit - balance the fiscal risk



Other issues/opportunities- local

North Eastern / Central

Mining down – labour now more available.	Strong demand for lease country in better rain zones
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Confidence highly variable. Climate change might be real!	Re-positioning of banks. Largest re-finance year in past 10
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Growing the business without buying land.	Business moral. Very low East & N/East
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High school boarding options in Geraldton or lack of.	Drought scheme not hitting the mark
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Production

North	Eastern / Central	Great Southern
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Wheat – mostly below. LRZ better than 2013.	Central ave/slightly above East ave/below to well below	Wheat –above average but still a bit disappointing
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Canola – average to below. RR Hybrids all over TT!	Average. Oil levels very good	Barley and Canola Above Average expectations 1.8 & 3.5
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Lupins – average to below. Not much harvested.	Barley yields disappointing	Wool & Lamb Production up.
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Quality mostly good.	Lupins yield good area not large though	Scope Barley!
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Key production issues/factors

North	Eastern / Central	Great Southern
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Very early seeding = high early N prior to drying out.	Excellent start for most. Dry August hurt	Best ever start for crops and pasture
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Double knock, clean paddocks, chem \$ down!	N over runs in Central Lime, Lime, Lime	N Spend: a lot caught out!
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Canola - Sclerotinia even in dry year. - A 'hassle' to grow!	double knock done Crown rot late	Grass weeds getting away. Chemical \$ up
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Nematodes (RLN), crown rot & LRZ wheat on wheat. ROTATION!	High Protein – H1 & ANW2 Quality good	Sclerotinia Alternaria Low protein risk
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Operating surplus estimates (\$/ha)

North	Eastern / Central	Great Southern
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Low: \$70-120	East: \$40-70	East \$200
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Med: \$120-180	Central: \$70-125	Central \$300
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High: \$100 - \$250	West: \$120-350	West \$250
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Average – below average for most.	East – below Central/West – average	Above average for most (\$180)
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Working capital requirements 2014

North

Eastern / Central

Great Southern

**Most stuck to budget
or came in under.**

**Generally in line with
budget**

**Most stuck to
budget.**

**Chemical – down
Fert – over budget**

**Additional N used
Was it needed?**

**Chemical – up
Fert – over budget
but more needed?**

**LRZ using
alternatives (CBH,
deferred chem, etc)**

**Funding
requirements
significantly lower**

**Continued
reduction.**

**50% have peak debt
in June**

**Surpluses from 2013
were generally well
spent**

**Most opted to bank
2013 results and
reduce debt**



Grain Marketing

North	Eastern / Central	Great Southern
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Wheat - more went early than I can ever recall (\$310+).	Wheat was hedged well. Canola under sold everywhere early	Very little sold (Opportunity & effect)
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Early swaps the winner.	Ditto	Canola window missed on production worries
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Spring selling did not pay off this year.	Barley price signals are difficult to interpret	Not selling barley pays off again!
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Don't even try and pick price direction!!	What is a good basis level?	Forward sales sheep at \$80/min
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Land sales

North

**Eastern /
Central**

**Great
Southern**

**\$1,500/arable acre at
Mingenew!**

**Little interest in
Eastern country local
or corporate**

**\$1,100-\$1,500/arable
acre**

**Much of N/NE for
sale but no takers!**

**Strong demand West.
\$1,000 - \$1,500/acre.**

Not much for sale

**Many larger farmers
'have enough' land.
Appetite limited.**

**Limited quality
offerings in higher
rainfall areas**

**Running out of
buyers**

**Quality sells, rubbish
only if bundled with
quality.**

**Has been some
movement of
distressed assets**

Very slow market



Other issues/opportunities in 2014

North

Eastern / Central

Great Southern

**NE - trouble exiting
for many.**

**East – another poor
finish despite a great
start**

**Canola disease
(everything except
blackleg)**

**Soil type & water
holding capacity.
WUE is king!**

**What is land value
when there are no
buyers?**

**Sheep & Wool will
be very good**

**How best to ‘play the
season’?**

**Low yields 2014 &
summer rain now
leading to higher cost
structure**

**Lamb price leads
shippers?**

**Poor tax driven
decisions.**

**Sheep doing well for
those who choose to
participate**

**Barley delivery risk
outweighs
agronomy?**



2015/16 Outlook

North Eastern / Central Great Southern

Working capital required will not change much. **East – slightly more
Central – No change
West – less** **Reduced working capital expected**

Plant – keeping under 10% of income tough. **Variable seasons have seen the average client under invest in plant** **Plant Investment? How to justify to cost?**

Tax – variable. Most of 2008 & 2011 has now worked through. **Some tax planning issues. Tax V Peak Debt** **Tax looming now**

Failure not an option for much of NE. **Advice on inputs to be based on profit - balance the fiscal risk** **Strong Livestock results**



Other issues/opportunities- local

North Eastern / Central Great Southern

Mining down – labour now more available.	Strong demand for lease country in better rain zones	How to expand a business? Who can do it?
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Confidence highly variable. Climate change might be real!	Re-positioning of banks. Largest re-finance year in past 10	Peak Canola
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Growing the business without buying land.	Business moral. Very low East & N/East	Winter droughts+ late break?
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High school boarding options in Geraldton or lack of.	Drought scheme not hitting the mark	Winter drought + late break?
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Production

North	Eastern / Central	Great Southern	South Coast
Wheat – mostly below. LRZ better than 2013.	Central ave/slightly above East ave/below to well below	Wheat –above average but still a bit disappointing	Wheat – above average yield quality good APW1+
Canola – average to below. RR Hybrids all over TT!	Average. Oil levels very good	Barley and Canola Above Average expectations 1.8 & 3.5	Barley – above average yield quality mixed Malt 40%+
Lupins – average to below. Not much harvested.	Barley yields disappointing	Wool & Lamb Production up.	Canola - wide yield variation oils 46-50.5%
Quality mostly good.	Lupins yield good area not large though	Scope Barley!	Lamb% disappointing. Wool cuts well up.



Key production issues/factors

North	Eastern / Central	Great Southern	South Coast
Very early seeding = high early N prior to drying out.	Excellent start for most. Dry August hurt	Best ever start for crops and pasture	Grazing crops comes at a yield penalty.
Double knock, clean paddocks, chem \$ down!	N over runs in Central Lime, Lime, Lime	N Spend: a lot caught out!	No summer rain – weedy/volunteer crops
Canola - Sclerotinia even in dry year. - A ‘hassle’ to grow!	double knock done Crown rot late	Grass weeds getting away. Chemical \$ up	Barley – high screenings again!!
Nematodes (RLN), crown rot & LRZ wheat on wheat. ROTATION!	High Protein – H1 & ANW2 Quality good	Sclerotinia Alternaria Low protein risk	Stock water was a big problem.



Operating surplus estimates (\$/ha)

North	Eastern / Central	Great Southern	South Coast
Low: \$70-120	East: \$40-70	East \$200	Kendenup \$300-\$350
Med: \$120-180	Central: \$70-125	Central \$300	Gnowangerup \$350-\$400
High: \$100 - \$250	West: \$120-350	West \$250	Ravy \$180-\$230
Average – below average for most.	East – below Central/West – average	Above average for most (\$180)	Esperance \$180+



Working capital requirements 2014

North	Eastern / Central	Great Southern	South Coast
Most stuck to budget or came in under.	Generally in line with budget	Most stuck to budget.	Well down on 2013 – despite catch-up
Chemical – down Fert – over budget	Additional N used Was it needed?	Chemical – up Fert – over budget but more needed?	Wool sales on budget sheep sales well up
LRZ using alternatives (CBH, deferred chem, etc)	Funding requirements significantly lower	Continued reduction.	Productivity catch-up spend not capital
50% have peak debt in June	Surpluses from 2013 were generally well spent	Most opted to bank 2013 results and reduce debt	Happy to have large buffer of working capital



Grain Marketing

North	Eastern / Central	Great Southern	South Coast
Wheat - more went early than I can ever recall (\$310+).	Wheat was hedged well. Canola under sold everywhere early	Very little sold (Opportunity & effect)	More mature attitude Price/Budget Effect
Early swaps the winner.	Ditto	Canola window missed on production worries	Barley varieties – dogs breakfast
Spring selling did not pay off this year.	Barley price signals are difficult to interpret	Not selling barley pays off again!	Canola – 2014 problem child.
Don't even try and pick price direction!!	What is a good basis level?	Forward sales sheep at \$80/min	Alternative delivery options not well understood.



Land sales

North	Eastern / Central	Great Southern	South Coast
\$1,500/arable acre at Mingenew!	Little interest in Eastern country local or corporate	\$1,100-\$1,500/arable acre	More discerning - Land ain't land
Much of N/NE for sale but no takers!	Strong demand West. \$1,000 - \$1,500/acre.	Not much for sale	Holding steady but below peak 20%?
Many larger farmers 'have enough' land. Appetite limited.	Limited quality offerings in higher rainfall areas	Running out of buyers	Mortgagee in possession - orderly
Quality sells, rubbish only if bundled with quality.	Has been some movement of distressed assets	Very slow market	Ex Blue Gum plantation difficult to sell



Other issues/opportunities in 2014

North

Eastern / Central

Great Southern

South Coast

**NE - trouble exiting
for many.**

**East – another poor
finish despite a great
start**

**Canola disease
(everything except
blackleg)**

**Hybrid canola –
chronic
underperformer**

**Soil type & water
holding capacity.
WUE is king!**

**What is land value
when there are no
buyers?**

**Sheep & Wool will
be very good**

**Ex blue Gum
plantations – the MIS
curse**

**How best to ‘play the
season’?**

**Low yields 2014 &
summer rain now
leading to higher cost
structure**

**Lamb price leads
shippers?**

**Sheep – slightly lower
returns than crop –
less risk!**

**Poor tax driven
decisions.**

**Sheep doing well for
those who choose to
participate**

**Barley delivery risk
outweighs
agronomy?**

**Leasing – loss in
capital value?**



2015/16 Outlook

North	Eastern / Central	Great Southern	South Coast
Working capital required will not change much.	East – slightly more Central – No change West – less	Reduced working capital expected	Tax not profit driven spending
Plant – keeping under 10% of income tough.	Variable seasons have seen the average client under invest in plant	Plant Investment? How to justify to cost?	Succession planning back on agenda
Tax – variable. Most of 2008 & 2011 has now worked through.	Some tax planning issues. Tax V Peak Debt	Tax looming now	Significant debt repayment
Failure not an option for much of NE.	Advice on inputs to be based on profit - balance the fiscal risk	Strong Livestock results	Livestock – generate significant profit!



Other issues/opportunities- local

North	Eastern / Central	Great Southern	South Coast
Mining down – labour now more available.	Strong demand for lease country in better rain zones	How to expand a business? Who can do it?	DIDO – social issues?
Confidence highly variable. Climate change might be real!	Re-positioning of banks. Largest re-finance year in past 10	Peak Canola	More interest in sheep?
Growing the business without buying land.	Business moral. Very low East & N/East	Winter droughts+ late break?	Confidence & spending up = flow on effects
High school boarding options in Geraldton or lack of.	Drought scheme not hitting the mark	Training Backpackers	Albany – very positive post ANZAC



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Thankyou.