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# AAAC Regional Round Up

*Consultants Review and Outlook*



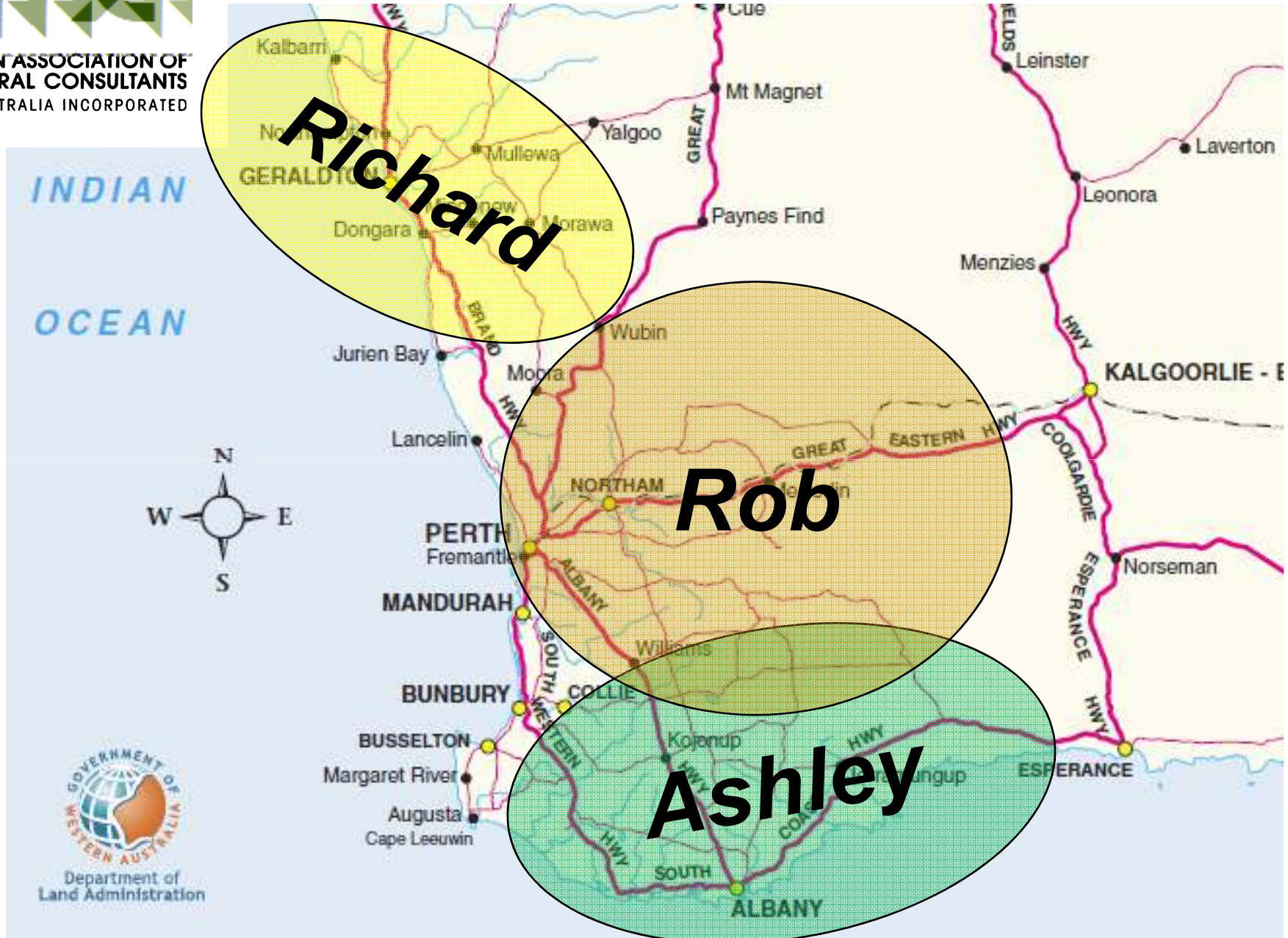
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# The Panel

Southern	Central	North
<p data-bbox="383 571 768 628"><b>Ashley Herbert</b></p>  <p data-bbox="436 943 775 970">Consultants to Agriculture</p>	<p data-bbox="976 571 1261 624"><b>Rob Sands</b></p>  <p data-bbox="891 938 1173 975">FARMANCO</p>	<p data-bbox="1453 571 1868 624"><b>Richard Quinlan</b></p>  <p data-bbox="1682 855 1854 995">Business solutions you can trust</p>
<p data-bbox="750 1161 1487 1214">Chair: Cameron Weeks (Planfarm)</p>		



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# Review

- Seasonal conditions
- Profit & loss
- Impacts



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## Review

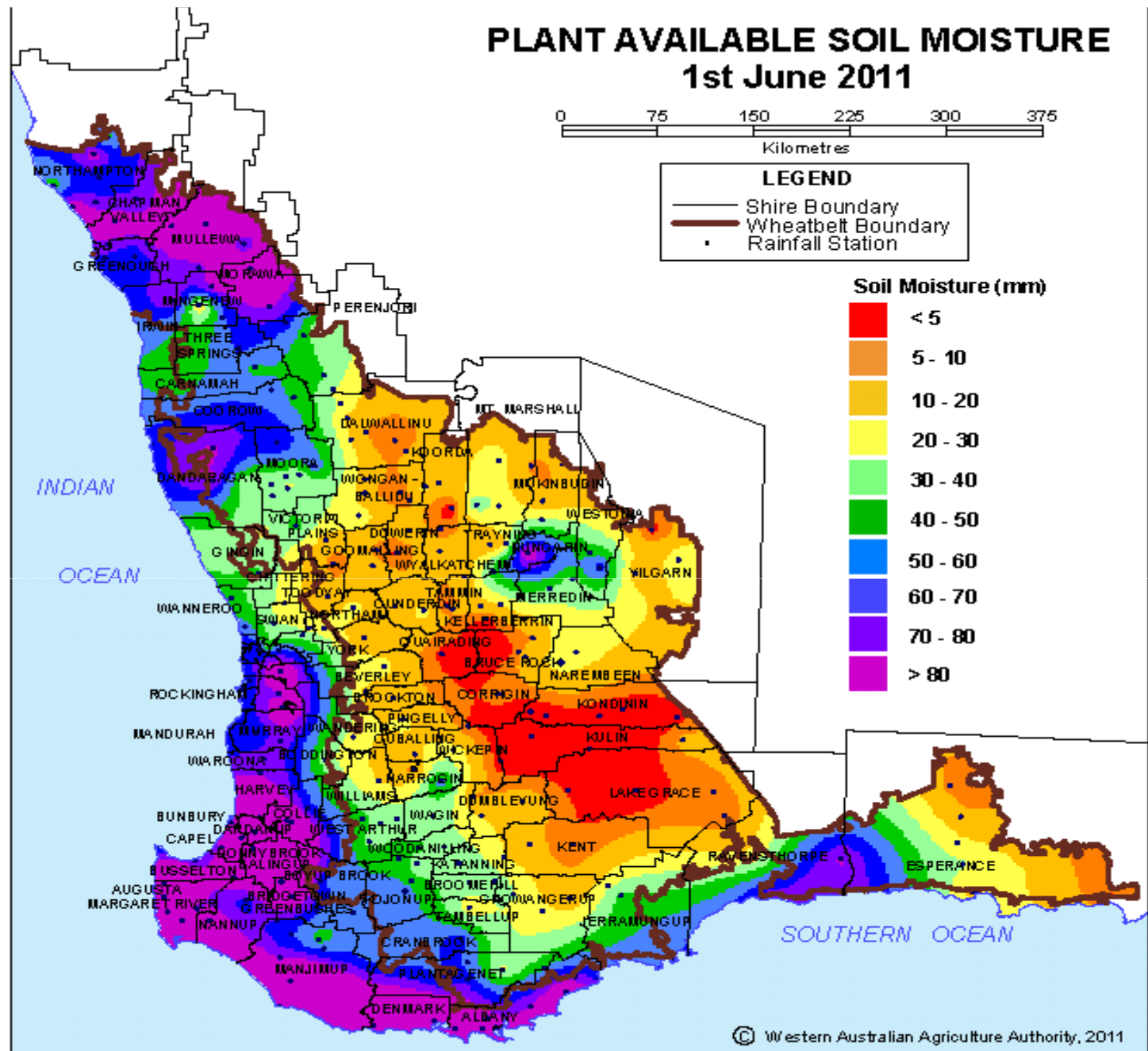
- Seasonal conditions
- Profit & loss
- Impacts

## The future

- Crop production
- Livestock
- Other issues
- Financing the business



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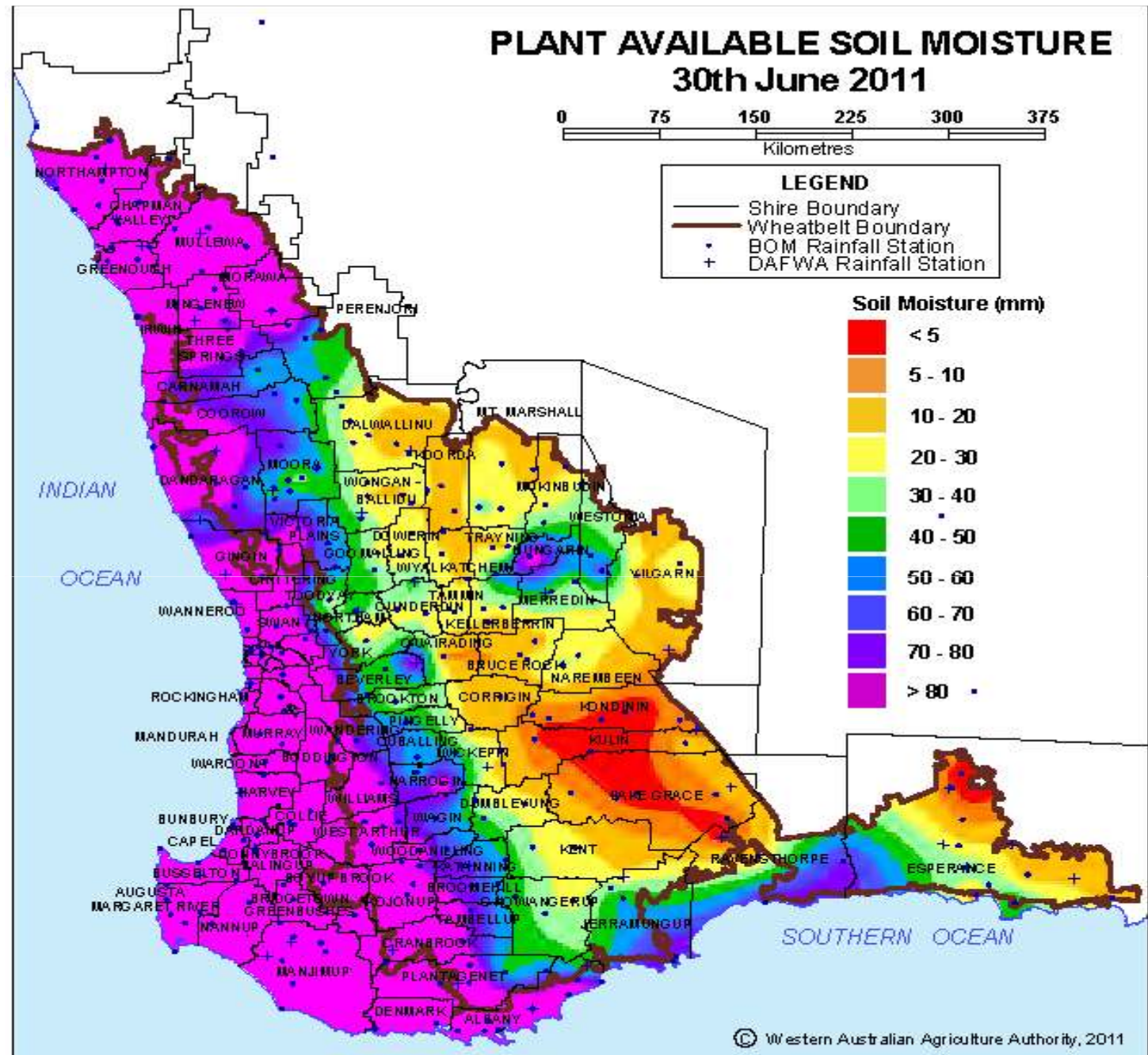


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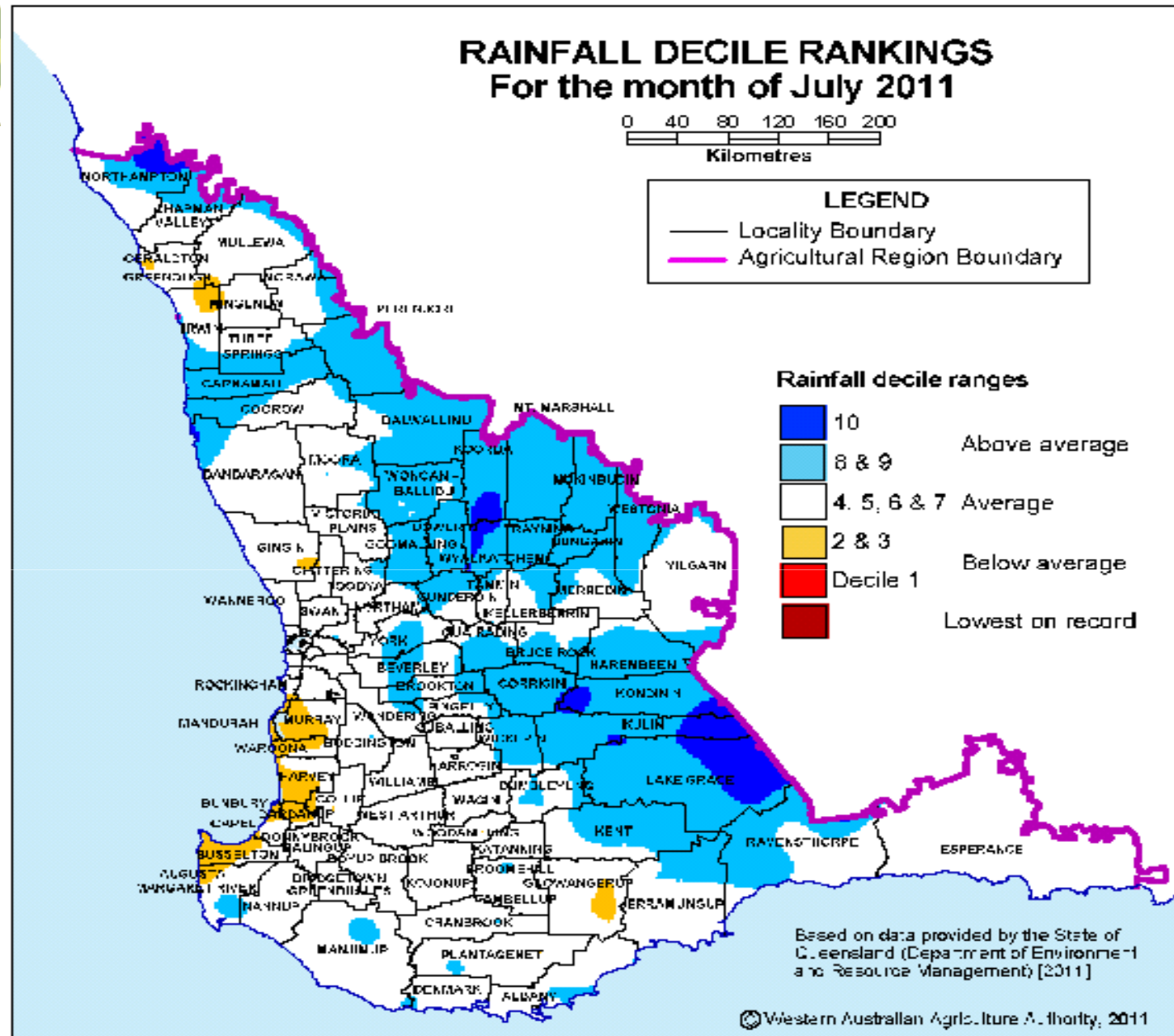


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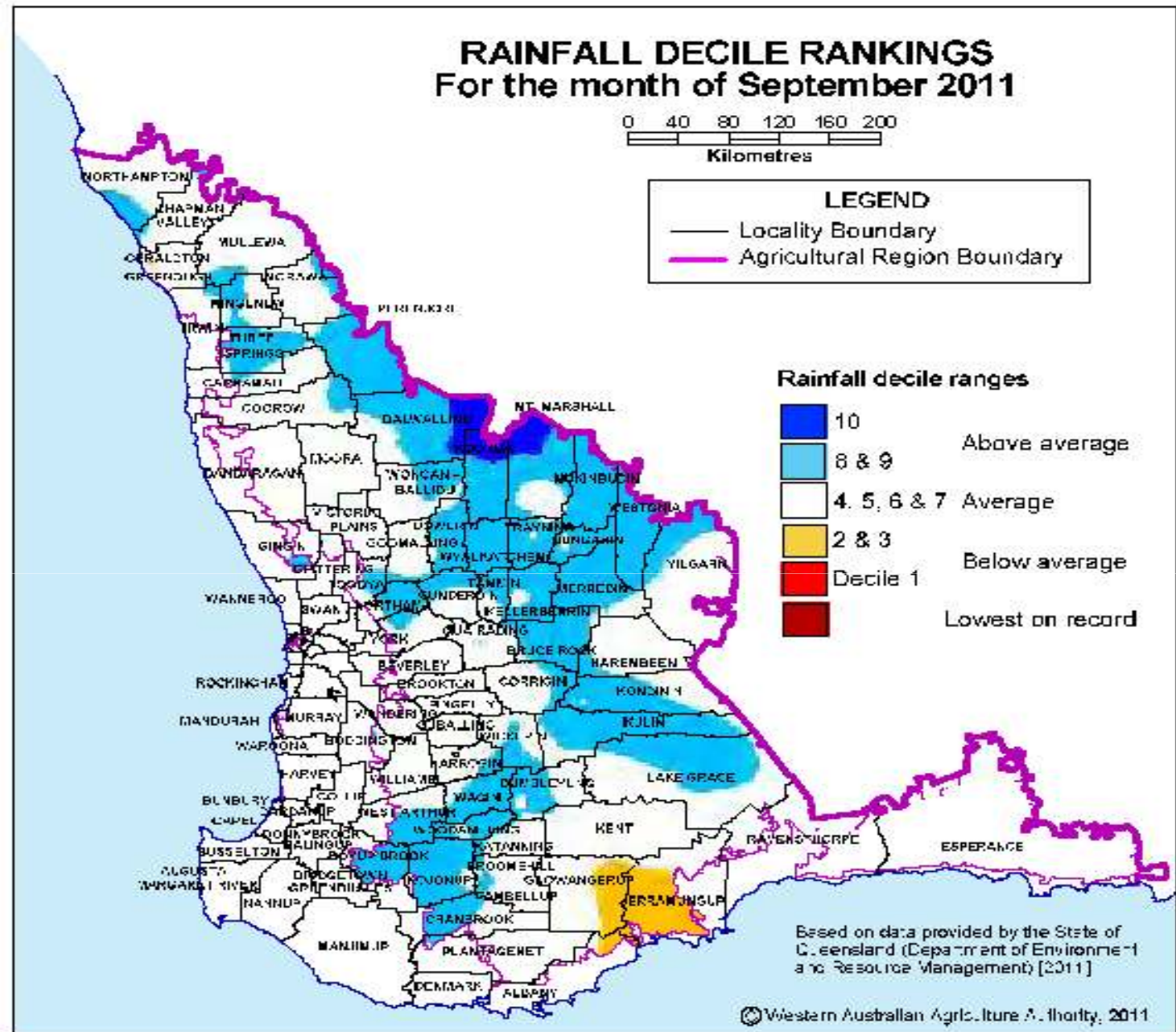


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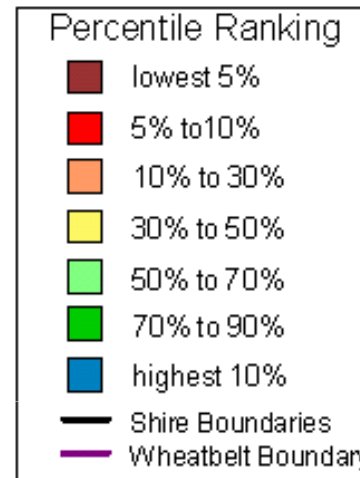


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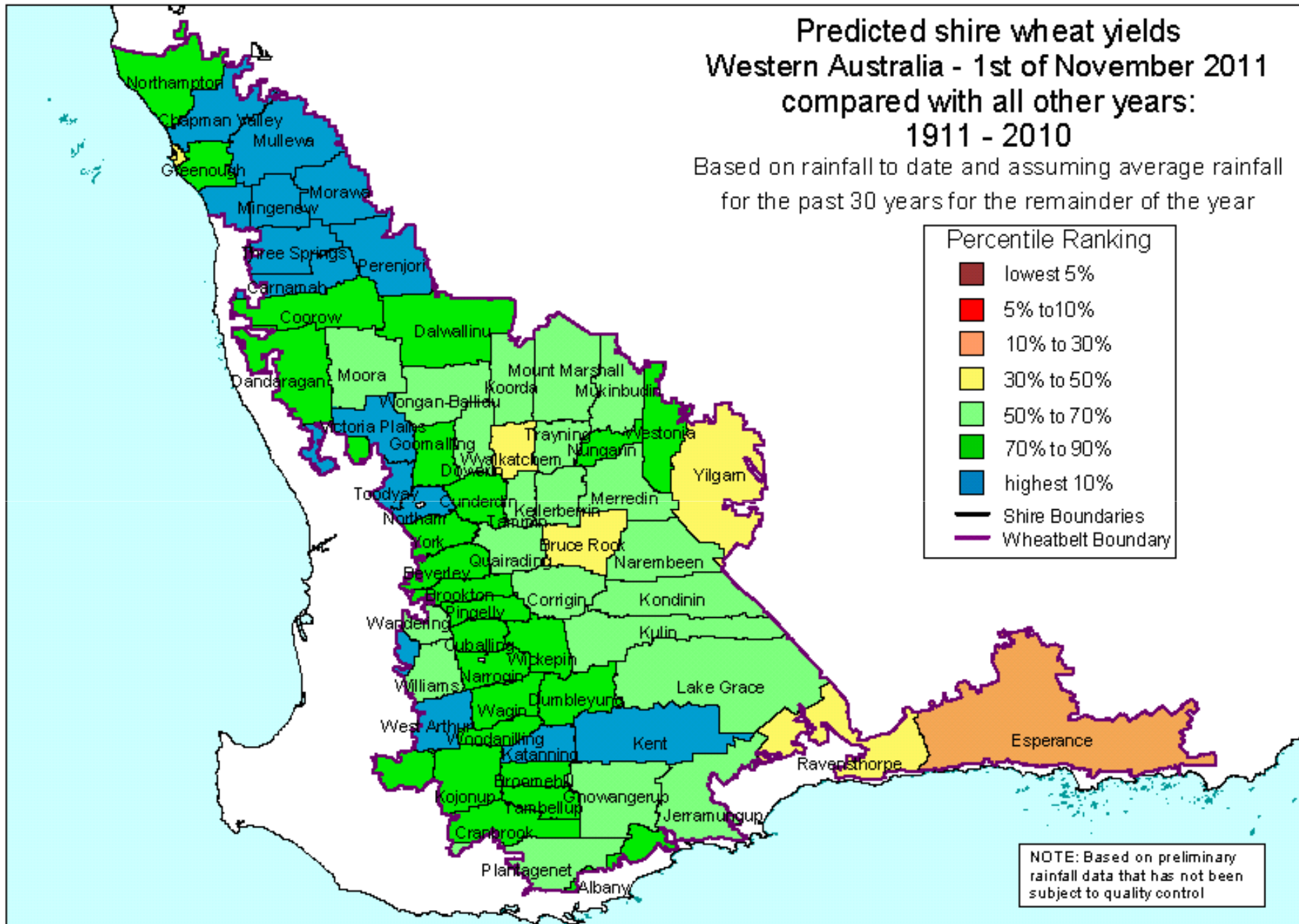


# Predicted shire wheat yields Western Australia - 1st of November 2011 compared with all other years: 1911 - 2010

Based on rainfall to date and assuming average rainfall for the past 30 years for the remainder of the year



NOTE: Based on preliminary rainfall data that has not been subject to quality control





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# Review: Seasonal Conditions

## North

### Rainfall

Decile 9 summer rain b/t N and SE of Geraldton.  
Elsewhere more varied to nil.  
Winter rain: Between decile 4 & 8. The perfect season!

### Highlights

Timely break, few cereal disease issues, great finish, excellent gross margins even at low prices.

### Lowlights

Weeds / expensive chemical bills (\$50 - \$90/ha), harvest rain, lack of Spring selling at \$270 - \$295/t.

### Production

Best ever. Canola 1.3–2.2 t/ha, wheat 2.0–4.5 t/ha

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# Review: Seasonal Conditions

## Central

Rainfall

Dry patchy start and low moisture to end of June, good July/August rain boosted soil moisture, some areas of moisture stress in Sept/Oct

Highlights

Canola Yields  
Lots of Spring growth in Pastures

Lowlights

Weeds – rye grass and barley grass  
Lots of rain on high yielding hay and grain crops  
Fly Strike and loss of dry feed.

Production

Above average yields  
Low quality

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# Review: Seasonal Conditions

## Southern

### Rainfall:

Most areas had +50mm January rain.  
Above average GSR.  
Sth Stirlings to Wellstead poor seeding & winter rain.

### Highlights

Good cropping season. Great finish.

### Lowlights

Very tight pasture. Sheep feeding into July.  
Late rain causing quality downgrades.

### Production

General average to 10 – 20% above average.  
Some area Sth Coacst ~10% below average.

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# Review: Profit or loss?

	<b>Southern</b>	<b>Central</b>	<b>North</b>
<b>Change in Profitability?</b>	Big turn around from 2010. Operating surpluses across the board. Most will have a cash surplus – Less than budgeted.		
<b>Working Capital?</b>	Working capital needs increased in 2011 as expected. Generally stayed within budget. Many will still need some additional working capital 2012		

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# Review: Profit or loss?

	<b>Southern</b>	<b>Central</b>	<b>North</b>
<b>Change in Profitability?</b>	<p>Big turn around from 2010. Operating surpluses across the board. Most will have a cash surplus – Less than budgeted.</p>	<p>Grain Prices Down around 20% Grain Yield Up 20% Av. Quality =budget All feed = 20% below budget Sheep Up on Budget</p>	
<b>Working Capital?</b>	<p>Working capital needs were increased in 2011 as expected. Generally stayed within budget. Many will still need some additional working capital.</p>	<p>Dry June – not much spent More constrained by available finance. Those that could spent more on fungicides and extra N late in the season</p>	



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# Review: Profit or loss?

	<b>Southern</b>	<b>Central</b>	<b>North</b>
<b>Change in Profitability?</b>	<p>Big turn around from 2010. Operating surpluses across the board. Most will have a cash surplus – Less than budgeted.</p>	<p>Grain Prices Down around 20% Grain Yield Up 20% Av. Quality =budget All feed = 20% below budget Sheep Up on Budget</p>	<p>Operating profits: \$150 – 300/ha Not as good as 2008 apart from more coastal areas where better. Everyone will make a profit!</p>
<b>Working Capital?</b>	<p>Working capital needs were increased in 2011 as expected. Generally stayed within budget. Many will still need some additional working capital.</p>	<p>Dry June – not much spent More constrained by available finance. Those that could spent more on fungicides and extra N late in the season</p>	<p>Typically peaked higher than projected in 2011 (nitrogen, herbicide, fungicide)</p>



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# Review: Impacts

	<b>Southern</b>	<b>Central</b>	<b>North</b>
<b>Land sales?</b>		Limited buyers looking for good deals	
<b>Succession / Exit?</b>		Businesses looking to exit if land prices reasonable	
<b>Regional businesses</b>		Machinery Dealers had a boost in Sept	
<b>Communities</b>		Confidence rocked by quality issues	

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# Review: Impacts

	<b>Southern</b>	<b>Central</b>	<b>North</b>
<b>Land sales?</b>		Limited buyers looking for good deals	High asking prices currently. Waiting to see in Feb/March. Lease in high demand
<b>Succession / Exit?</b>		Businesses looking to exit if land prices reasonable	Stable currently. Capital available = succession to sibling.
<b>Regional businesses</b>		Machinery Dealers had a boost in Sept	Machinery dealers!! Mining boom spreading through Midwest.
<b>Communities</b>		Confidence rocked by quality issues	Strong to stabilised

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# Review: Impacts

	<b>Southern</b>	<b>Central</b>	<b>North</b>
<b>Land sales?</b>	Large numbers of farms available for sale – few selling.	Limited buyers looking for good deals	High asking prices currently. Waiting to see in Feb/March. Lease in high demand
<b>Succession / Exit?</b>	Remains mostly on hold.	Businesses looking to exit if land prices reasonable	Stable currently. Capital available = succession to sibling.
<b>Regional businesses</b>	Builders & tradesmen busy. Retailers positive.	Machinery Dealers had a boost in Sept	Machinery dealers!! Mining boom spreading through Midwest.
<b>Communities</b>	Generally very positive.	Confidence rocked by quality issues	Strong to stabilised



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# The Future

## Southern

### Crop production & agronomy

**Rotation:** Continued adoption of GM canola.  
Increased pasture in rotation.

**Weeds:** Resistance widespread.  
More aggressive control options being considered in long  
term cropping paddocks.

**Nutrition:** Maintaining a moderate approach to inputs.

**Decisions:** The role & value of livestock in the system.  
How to increase the livestock enterprise.

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# The Future

## Central

### **Crop production & agronomy**

High yields will draw on nutrient banks need to replace  
Soil testing and liming  
Amelioration of non wetting is paying off

Weed Seed production high, need capture or destroy and  
assess options for next year  
Herbicide resistance testing is needed

Hay Risk back to the fore, Canola got out of jail, avoid  
knee jerk response. RR Canola margins tighten up quickly



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# The Future

## North

### Crop production & agronomy

Rotations: Canola growing across all rainfall zones (although seasonally dependant), lupins only reducing, fallow reliance increasing.

Weeds: High level of seed set in 2011. Rye grass. Radish very hard to kill – often only one herbicide works. Glyphosate pressure (fallow and RR Canola). Step up in herbicide costs (first in many years)

Nutrition: Need to replace P & K after massive crops in 2011, higher N inputs b/c straw tie up, K deficiency (windrows).

Other: Stubble management.

Dry seeding cereals.

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# The Future

## Central

Low sheep numbers, economics still good, off spec grain and hay could be turned into meat.

### Livestock

Need to watch profit per DSE as well as stocking rate

Good sheep producers in southern region - very profitable  
Meat is a significant part of profit margin



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# The Future

## North

Mixed operations reaping rewards from persisting with sheep.

### Livestock

Those who have exited not contemplating a return.

Cattle: Live export ban affected numbers from pastoral areas early in year.

Mixed cattle / sheep businesses decreasing cattle for sheep.



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# The Future

## Southern

### Livestock

Continued strong demand for ewes - \$150/ hd  
Store market very strong. Merino wth lambs \$60 - \$65.

A shift towards more merino joinings for 2012.

Summer feeding costs 2010/11 \$12 - \$18/dse.

Wool price remains strong. \$7.00 - \$8.00/kg greasy.

Widespread talk of changes to a later time of lambing.

Fundamentals remain positive for 2012.

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# The Future

## North

Allocation of profits – clients need to make good decisions whilst going is good!

Managing plant / machinery costs.

### Other issues

Herbicide resistance. Can't understate.

Impact of mining and infrastructure projects on farmers – farmers need to know rights and not be bullied!

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# The Future

## Southern

A continued focus on cost control and retention of profits within the business.

Lease land remains in strong demand.

### Other issues

Grain marketing remains a dilemma for many.

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# The Future

## Central

In 2012 we should all promote agriculture in the year of the farmer, and improve the Agricultural Brand.

All businesses rely on improving knowledge and skills. Make professional development for your clients a priority.

### Other issues

We need good leadership in grower organisations, grower owned entities, service industries, and government to make a strong agricultural industry. Every effort makes a difference.



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# The Future

## Southern

Financing requirements 2012: generally lower than 2011.

Sizeable exposure to livestock has improved liquidity.

Losses from 2009 & 2010

### Financing the business

Most remain in a consolidation phase.

Greater appreciation for financial risk.

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# The Future

## Central

Debt reduction needs to be a high priority for many businesses they must reduce risk

Some businesses will need to exit the industry, unfortunately these include some good operators

### Financing the business

Profit Margins are the key  
Low production costs \$/t protects against low prices  
Need greater efficiencies in use of inputs

Finance requirements should be less than last year if quality ok. Most should recover 50-75% of the 2010 loss. Some will do a lot better.

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# The Future

## North

Working capital requirement for 2012 reduced

HP payments often on the increase

Opportunity for debt reduction

### Financing the business

Appetite to more land (lease and/or purchase)

Tax management will certainly be an issue for many –  
need to be able to finance strategies – i.e. FMDs

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# Good news?

## **South**

2011 was a great season that will reward good managers.

## **Central**

I think 2011 will be better financially than 2010 for most businesses but the money is not in the bank yet,

## **North**

Best ever production year by far!

Region has well and truly consolidated following 06 / 07



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# Summary

## **South**

After the shockers of 2009 & 2010, the 2011 season was just what the doctor ordered.  
Confidence and motivation has been restored with the good season and a terrific finish.

## **Central**

The season has ranged from below average to best ever, but rain at harvest has taken all the cream and has put a big dent in farmers confidence.  
Good management is the biggest profit driver.  
Good managers react quickly to changes.

## **North**

Great year in 2011  
Herbicide resistance largest threat  
Working capital reduced in 2012  
Many businesses in strong position to grow