



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

AAAC Regional Round Up

Consultants Review and Outlook



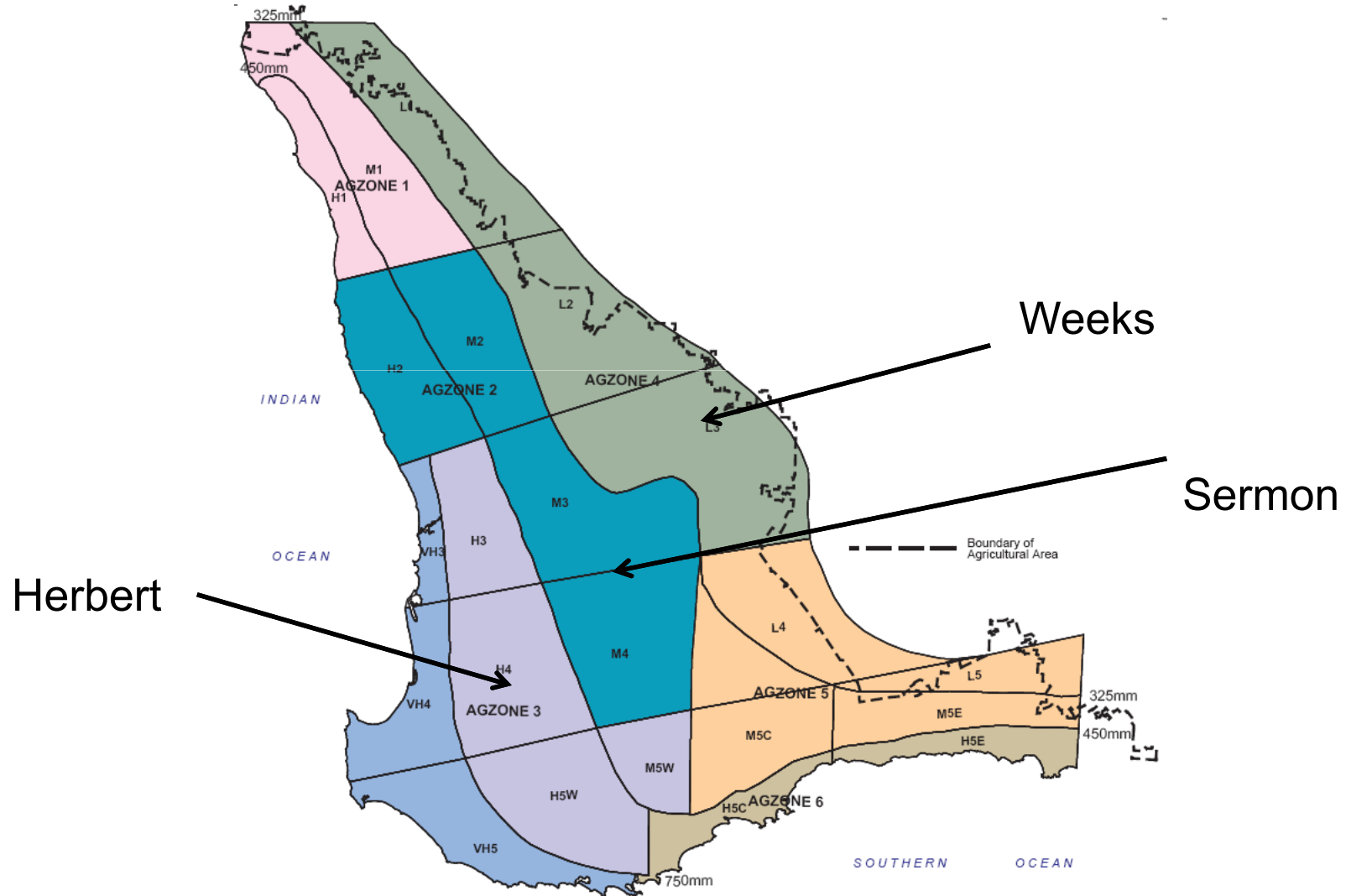
AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

The Panel

<u>Rainfall Zones</u>		
Low	Medium	High
Cameron Weeks 	David Sermon 	Ashley Herbert 



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED





AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Seasonal Conditions

	Rainfall Zone
	Low
Rainfall (GSR mm)	No summer rain. Average to well below average GSR. Deciles: Mullewa 5, Merredin 2-3 Lake Grace <1
Highlights	OK start - 21st May. North - soft finish, E/SE - soft finish until hot days in mid Oct forced late crops to hay off
Lowlights	W on W typically lacked N and got leaf disease, weeds. Some frost in north and east.
Production	North - Above average (1.8 t/ha on 1.4 t/ha average). E/SE - average to below.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Seasonal Conditions

	Rainfall Zone		
	Low	Medium	High
Season	No summer rain. Ave. to below ave. GSR.	North 327/348, Central 220/260, South 160/260, South East 286/367	
Highlights	OK start - 21st May. North - soft finish,	Good Winter Rains. Good Break (32mm) - North	
Lowlights	Lack of N, leaf disease, weeds. Some frost	Weeds. Some Frost in central/Southern areas. Late Break, dry Oct.	
Production?	Wheat? North - 1.8 t/ha on 1.4 t/ha ave. E/SE - ave. to below.	Wheat 1.0-2.5t/ha (1.7T), Barley: 1.2- 2.8 t/ha,(1.8t Ave), Canola : 0.7- 1.4t/ha(0.9t Ave)	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Seasonal Conditions

	Rainfall Zone		
	Low	Medium	High
Season	No summer rain. Ave. to below ave. GSR.	North 327/348, Central 220/260, South 160/260, South East 286/367	450 Av/ 417 2009. (Darkan)
Highlights	OK start - 21st May. North - soft finish,	Good Winter Rains. Good Break (32mm) - North	Good May start
Lowlights	Lack of N, leaf disease, weeds. Some frost	Weeds. Some Frost in central/Southern areas. Late Break, dry Oct.	Wet winter, dry October. Weed control. Poor lambing result.
Production?	Wheat? North - 1.8 t/ha on 1.4 t/ha ave. E/SE - ave. to below.	Wheat 1.0-2.5t/ha (1.7T), Barley: 1.2- 2.8 t/ha,(1.8t Ave), Canola : 0.7- 1.4t/ha(0.9t Ave)	Canola 1.1 - 1.6t/ha (Ave 1.6) Wheat 2.3 - 2.7 (Ave 2.8)



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Grain Marketing?

		Rainfall Zone		
		Low	Medium	High
Reaction to Change				Better than last year. Still grappling with a grain marketing strategy. What is the true value of forward selling to the business. Some confusion particularly pool vs. cash.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Grain Marketing?

		Rainfall Zone		
		Low	Medium	High
Reaction to Change			Coped pretty well. Learnt to adapt. Number of pools complicates issues. Resort to pools with price uncertainty.	Better than last year. Still grappling with a grain marketing strategy. What is the true value of forward selling to the business. Some confusion particularly pool vs. cash.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Grain Marketing?

		Rainfall Zone		
		Low	Medium	High
Reaction to Change	2008/09 - Sold more for cash, warehoused and sold later. No Action in 2009. Pools rule? 'Bonus pools' proliferate in 2009/10	Coped pretty well. Learnt to adapt. Number of pools complicates issues. Resort to pools with price uncertainty.	Better than last year. Still grappling with a grain marketing strategy. What is the true value of forward selling to the business. Confusion, pool vs. cash?	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Profitability??

	Rainfall Zone		
	Low	Medium	High
Change in Profitability?		Very small. Break even or less. Better in North. \$100-200k Cash Deficit on average.	
Working Capital?		Up \$100-150k. Lower inputs may reduce pressure. Machinery effect?	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Profitability??

	Rainfall Zone		
	Low	Medium	High
Change in Profitability?	OK as costs well down. Operating surpluses of \$40 - \$100/ha. Drier parts GM's could be negative.	Very small. Break even or less. Better in North. \$100-200k Cash Deficit on average.	
Working Capital?	Same to up by >40% (North). Op Exp - down 20%.	Up \$100-150k. Lower inputs may reduce pressure. Machinery effect?	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Profitability??

	Rainfall Zone		
	Low	Medium	High
Change in Profitability?	OK as costs well down. Operating surpluses of \$40 - \$100/ha. Drier parts GM's could be negative.	Very small. Break even or less. Better in North. \$100-200k Cash Deficit on average.	Range from losses (<\$60/ha) to small surpluses. Those with >60% pasture, sheep income has offset crop income.
Working Capital?	Same to up by >40% (North). Op Exp - down 20%.	Up \$100-150k. Lower inputs may reduce pressure. Machinery effect?	Croppers will more in 2010. Those with exposure to sheep will be ok.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Rotations #1?

	Rainfall Zone		
	Low	Medium	High
Is this true? Changes in behaviour?	Weeds have exploded, Wheat on Wheat N use and disease issues common. Canola possible, fallow or pasture & even some legumes!		



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Rotations #1?

	Rainfall Zone		
	Low	Medium	High
Is this true? Changes in behaviour?	Weeds have exploded, Wheat on Wheat N use and disease issues common. Canola possible, fallow or pasture & even some legumes!	Yes. 30-40% Break Crops/Pasture in 2010 with exceptions.	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Rotations #1?

	Rainfall Zone		
	Low	Medium	High
Is this true? Changes in behaviour?	Weeds have exploded, Wheat on Wheat N use and disease issues common. Canola possible, fallow or pasture & even some legumes!	Yes. 30-40% Break Crops/Pasture in 2010 with exceptions.	Weed control in the long cropping phases is now hard to manage. Crop phase and the proportion of the farm in crop may fall 5-10%.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Rotations #2?

	Rainfall Zone		
	Low	Medium	High
Attitude to Livestock?		Mixed. Retention of cull ewes. High buy in price of ewes.	
What sort of Livestock?		Diminishing. Most cutting numbers. Mating older ewes to terminal sire. Less breeding of merino ewes.	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Rotations #2?

	Rainfall Zone		
	Low	Medium	High
Attitude to Livestock?	Small changes, fallow may get grazed. Trading? Typically <10% income. Av approx 2,500 ewes.	Mixed. Retention of cull ewes. High buy in price of ewes.	
What sort of Livestock?	XB production more common - what ever is easiest! Current lamb prices putting more emphasis on XB's	Diminishing. Most cutting numbers. Mating older ewes to terminal sire. Less breeding of merino ewes.	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Rotations #2?

	Rainfall Zone		
	Low	Medium	High
Attitude to Livestock?	Small changes, fallow may get grazed. Trading? Typically <10% income. Av approx 2,500 ewes.	Mixed. Retention of cull ewes. High buy in price of ewes.	Problem paddocks being dropped out. The high price of stock is a real barrier
What sort of Livestock?	XB production more common - what ever is easiest! Current lamb prices putting more emphasis on XB's	Diminishing. Most cutting numbers. Mating older ewes to terminal sire. Less breeding of merino ewes.	Merino remains the core ewe source. Slight bias towards more ewes. Anticipate strong ewe demand 2010.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Finance Costs

	Rainfall Zone		
	Low	Medium	High
Changes in Banking Behaviour?			Widespread use of bills for seasonal and core debt. More variation in margins between clients, much tighter attitude from banks.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Finance Costs

	Rainfall Zone		
	Low	Medium	High
Changes in Banking Behaviour?		Client margins have increased. Large difference in quotes (>1% Equipt. Finance). Large difference between Bank Bill products and Overdraft products (3-4%)	Widespread use of bills for seasonal and core debt. More variation in margins between clients, much tighter attitude from banks.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Finance Costs

	Rainfall Zone		
	Low	Medium	High
Changes in Banking Behaviour?	Using bank bills, margins have escalated, much tighter attitude from banks, shopped around. Need to be smarter. Harvest loan finance looking cheaper going into 2010.	Client margins have increased. Large difference in quotes (>1% Equipt. Finance). Large difference between Bank Bill products and Overdraft products (3-4%)	Widespread use of bills for seasonal and core debt. More variation in margins between clients, much tighter attitude from banks.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Land Values

	Rainfall Zone		
	Low	Medium	High
Price Movements	North - strong, quite a few sales. \$200 - \$350/acre. E/SE - holding, less appealing farms selling lower.		
Land Price Overvalued?	No - still good buying in much of LR. But some sellers have over inflated view of value!		



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Land Values

	Rainfall Zone		
	Low	Medium	High
Price Movements	North - strong, quite a few sales. \$200 - \$350/acre. E/SE - holding, less appealing farms selling lower.	Levelled out. Still high prices being asked but not selling. High supply. Genuine Sellers?	
Land Price Overvalued?	No - still good buying in much of LR. But some sellers have over inflated view of value!	Yes. Return on equity too low. Increased costs, cost of finance, reduced borrowing capacity.	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Land Values

	Rainfall Zone		
	Low	Medium	High
Price Movements	North - strong, quite a few sales. \$200 - \$350/acre. E/SE - holding, less appealing farms selling lower.	Levelled out. Still high prices being asked but not selling. High supply. Genuine Sellers?	Little activity (unchanged?). Leases for mixed farms \$50- 60/ac. Cropping leases up to \$70/ac.
Land Price Overvalued?	No - still good buying in much of LR. But some sellers have over inflated view of value!	Yes. Return on equity too low. Increased costs, cost of finance, reduced borrowing capacity.	Yes. Still strong demand from locals for quality. Larger landowners better placed. Size of parcels out of reach for small landowners.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Uncertain Times

	Rainfall Zone		
	Low	Medium	High
Clients Reaction		Well. Reduced spending in the second half of the year. Tax Purchases? Delayed purchase of fertiliser.	
Consultants Reaction		Stick to business principles. Reduce debt during good times. Know where your business is at all times. Farm to GSR. Be flexible.	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Uncertain Times

	Rainfall Zone		
	Low	Medium	High
Clients Reaction	Decisions deferred, re-thinking future profitability, staying positive	Well. Reduced spending in the second half of the year. Tax Purchases? Delayed purchase of fertiliser.	
Consultants Reaction	Look for opportunities, focus on basics, need to obtain sufficient margins to counter the risk.	Stick to business principles. Reduce debt during good times. Know where your business is at all times. Farm to GSR. Be flexible.	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Uncertain Times

	Rainfall Zone		
	Low	Medium	High
Clients Reaction	Decisions deferred, re-thinking future profitability, staying positive	Well. Reduced spending in the second half of the year. Tax Purchases? Delayed purchase of fertiliser.	Reducing the risks. cutting back on non essential non operating costs where possible.
Consultants Reaction	Look for opportunities, focus on basics, need to obtain sufficient margins to counter the risk.	Stick to business principles. Reduce debt during good times. Know where your business is at all times. Farm to GSR. Be flexible.	Maintain a low fixed cost base and concentrate production strengths.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Good News

		Rainfall Zone		
		Low	Medium	High
Good News Stories.				
				Sheep prices doubled, wool doing OK! Where sheep are still >60% the increase in prices has equalled the expected decline in grain receipts.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Good News

	Rainfall Zone		
	Low	Medium	High
Good News Stories.	North - 2 good prod years - amazing recovery from 06/07 droughts. Good nitrogen decisions for W on W. Dry seeding wheat. Grain selling in July when good yields obvious.		Sheep prices doubled, wool doing OK! Where sheep are still >60% the increase in prices has equalled the expected decline in grain receipts.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Good News

		Rainfall Zone		
		Low	Medium	High
Good News Stories.	North - 2 good prod years - amazing recovery from 06/07 droughts. Good nitrogen decisions for W on W. Dry seeding wheat. Grain selling in July when good yields obvious.		Profitable years can more than balance out the poorer years.	Sheep prices doubled, wool doing OK! Where sheep are still >60% the increase in prices has equalled the expected decline in grain receipts.



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Positive Outcomes

		Rainfall Zone		
		Low	Medium	High
Positives			2010 returning to 2008 profit levels. \$70/ha less costs for Wheat.	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Positive Outcomes

		Rainfall Zone		
		Low	Medium	High
Positives			2010 returning to 2008 profit levels. \$70/ha less costs for Wheat.	The Sheep's Back. (Never went away actually).



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Positive Outcomes

		Rainfall Zone		
		Low	Medium	High
Positives	Cost of production at v. low level in 2010 = reduced risk. Medium term look = good news for farmers! Chance of a good year in 2010 is as good as any other year!	2010 returning to 2008 profit levels. \$70/ha less costs for Wheat.	The Sheep's Back. (Never went away actually).	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Big Tickets for 2010?

		Rainfall Zone		
		Low	Medium	High
Big Tickets	Planning, rotations, management of weed seed bank. Be aware of what is profitable / not. Don't chase rainbows!			



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Big Tickets for 2010?

		Rainfall Zone		
		Low	Medium	High
Big Tickets	Planning, rotations, management of weed seed bank. Be aware of what is profitable / not. Don't chase rainbows!	Profit. Strategic use of fertiliser. Working capital requirements.		



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

Big Tickets for 2010?

		Rainfall Zone		
		Low	Medium	High
Big Tickets	Planning, rotations, management of weed seed bank. Be aware of what is profitable / not. Don't chase rainbows!	Profit. Strategic use of fertiliser. Working capital requirements.	High cost of AUD. Ability of sheep numbers to increase in the medium term. Hedge sheep or wool price?	



AUSTRALIAN ASSOCIATION OF
AGRICULTURAL CONSULTANTS
WESTERN AUSTRALIA INCORPORATED

And I quote....

Someone's sitting in the shade today
because someone planted a tree a long
time ago.

– As quoted in *The Real Warren Buffett : Managing
Capital, Leading People* (2002) by James
O'Loughlin