AUSTRALIAN GRAIN ACCUMULATION

Western Australia 09/10 Season Report

19th of February 2010

"The year that could have been" - a common phrase that is quite often heard in the agricultural industry. This year in Western Australia (WA) was a fine example of this, with a record number of hectares being planted, the year had plenty of potential. Even if it was just an average year the 2003/04 delivery record of 14.7 million tonnes could have been pipped or if it turned out to be the exceptional year that it lead farmers to believe it was going to be, there could have been as much as 17 million tonnes delivered to WA's bulk handler. However, despite all this, the reality is that just over 11 million tonnes have been delivered as a result of the poor finish and other limiting factors that growers have faced in the 2009/10 season. These lower yields for the season could be put down to more cautious inputs due to increased fertiliser costs, patchy rainfall, frost and the hard finish, however, even with all this the limited amount of substantial rain is what restricted crops from performing the most. These variances in yield and quality (screening being the main issue) were not just between zones but from paddock to paddock. The poor results were a surprise to most growers and very disappointing to those that expected at least an average year.

Looking at other aspects of the 2009/10 season saw some changes to WA's markets. Mid last year the opening of the ASX Western Australian Wheat (WAW) contract occurred. The WAW contract allows a visible form of price discovery. For Western Australia this contract will allow prospective market participants to use an effective tool to manage price risk against WA production. However, this year the lower prices had a significant effect on growers marketing strategies with a number turning back towards pools or taking on options like post harvest pricing, for instance the No Price Established (NPE) contract. This contract allows growers to receive an upfront payment to help out with cash flow issues though still enables them to price their grain later on in the year. With the lower prices that WA have seen there has been a weaker demand for export space. This has relieved pressure on WA's bulk handler after the issues that resulted from last years bulk export throughout the months of harvest. The smaller demand for export space gave logistics time to sort out issues that were encountered last season. These lower prices have been reflected by growers warehousing large portions of their harvested crop, with grain moving only when growers need the cash flow or a spike occurs in the market.

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