AUSTRALIAN GRAIN ACCUMULATION

SA Market Report

4th March 2010

With harvest, Christmas and annual holidays now a distant memory SA growers are busy planning their cropping strategy for 2010 and many are facing some difficult choices with regard to rotations and the mix between cropped area and livestock and other enterprises.

Recent upward movement in fertilizer prices has further squeezed gross margins for most crops whilst excellent prices both current and projected for prime lambs and sheep provide a tempting alternative for those looking for low risk cash flow.

From our discussions with growers and consultants recently, AGA's feelings are that we will see wheat hectares similar to last year as it is still the one crop that most growers can grow profitably with minimal risk. Similarly canola area should be maintained on the back of good results overall in 2009 but ultimately this will depend on a good opening to allow optimal time of sowing. Barley looks like being the big loser with reductions in area of between 5-10% possible across the state. Many growers are indicating they are sick of low prices for feed barley as well as the constantly moving goal posts associated with meeting the specifications for malt varieties. Alternatives to barley production vary from region to region across the state but include more wheat, export hay, grain legumes including lentils, peas and lupins as well as livestock and in particular prime lambs.

With the constant weather interruptions in many districts over harvest growers tended to concentrate on getting the crop in rather than marketing and a large percentage of grain was warehoused. It's fair to say that many have been disappointed with the lack of upward movement in prices since then and have been reluctant sellers, particularly of feed barley. More wheat was delivered into the various pools at the end of January than originally anticipated and only in the last couple of weeks have we seen growers coming to the market in any numbers. This has been driven by a combination of factors including annual bank reviews, opportunities to backload fertilizer whilst delivering to local mills and end users as well as a realisation that their business is now further exposed to market risk as they begin incurring costs of inputs for the 2010 crop.

We have even begun to see some sales of F1 barley from warehoused and on farm stocks at $133-$135mt port basis or around $141mt delivered to local mills. Canola is mostly sold with growers with remaining parcels revising price targets down from $420mt and making sales at $405 - $415mt port.

For further details please contact your local Australian Grain Accumulation Field Merchant – David Evans, Adelaide (08) 8408 8400.