



WA farmer confidence on the up

Results at a glance:

- *WA farmer confidence has reversed its downward trend, staging a rally in the latest quarter.*
- *However, farm sector sentiment remains in “negative territory”, with still more farmers negative than those positive about the year ahead.*
- *Easing concern around season despite continuing dry conditions.*

Western Australian farmers are starting the year with an increasingly optimistic outlook, with the state’s rural confidence levels bouncing back in the first quarter of 2024.

The latest Rabobank Rural Confidence Survey, released today, found after languishing at low levels for the past 18 months, farmer sentiment had staged a significant rally in the latest quarter, as economic drivers stabilise.

However, while significantly improved, WA rural confidence levels are still in negative territory, with more farmers taking a negative than positive view on the year ahead.

And this puts WA at the lowest level of confidence for farmers nationally, and one of only two states – along with Tasmania – to still report a negative level of confidence.

The latest survey, completed last month, found that although net WA farmer confidence remains in negative territory, it has jumped from -59 per cent last quarter to now sit at -17 per cent.

While only 12 per cent of WA farmers expect the agricultural economy will improve in the next 12 months, this was up from seven per cent with that view in the previous survey. And there were significantly fewer farmers expecting conditions would worsen – 30 per cent (down from 66 per cent last survey).

Dairy and beef producers were found to be the most optimistic of the state’s farmers, while sheep producers and grain growers had a less bullish outlook.

Commodity prices were a key cause for optimism for those WA farmers with a positive view on the year ahead.

But, conversely, they were also a concern for those farmers expecting the agricultural economy to worsen in the coming 12 months.

The intertwined factors of threats to live export and government interventions/policies vied for second place for why WA farmers expect economic conditions to worsen.

Rabobank regional manager for WA, Steve Kelly said the overall improved sentiment in WA’s farming sector could be attributed to one key factor – stability.



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“In the second half of 2023, there were a lot of factors at play which impacted confidence levels,” he said.

“WA farmers had a very dry growing season, grain yields took a hit, interest rates were increasing, beef and sheep prices were still falling and grain prices started to slide from August onwards.”

Now, many of these factors have either stabilised or slightly improved, Mr Kelly said.

“There has been widespread rain since late February which has topped up sub-soil moisture levels ahead of autumn sowing. And significant rain events on the east coast stopped the slide in livestock prices,” he said.

Drought was found to be less of a concern for WA farmers in the latest survey.

The state’s grains sector had been hardest hit by dry weather, Mr Kelly said, and persistent dryness across WA meant yields in the 2023 harvest were well below recent averages for most growers.

With optimism following forecasts that key cropping inputs, such as fertilisers and herbicides, will be below last season, only five per cent of WA farmers credited their pessimistic outlook to rising input costs in the latest survey, a drop from 21 per cent last quarter.

And as interest rates plateau, this also pushed down concerns for farmers, with no WA respondents citing interest rates as a cause for concern in the latest survey.

Mr Kelly said the commodity price outlook for WA farmers was variable.

“While grain prices continue to remain under pressure from a plentiful supply outlook for 2024, the beef and sheep price outlook is more optimistic as red meat prices rise from the lows of last year,” he said.

“The milk price is also likely to improve in 2024, although dairy farmers who had reduced hay and silage cuts must now budget to purchase feed, although they can take advantage of lower feed prices.”

Appetite among WA farmers to invest in their farm businesses nudged up this quarter, with 19 per cent looking to increase investment (up from 14 per cent) and only 17 per cent looking to reduce it, falling from 35 per cent in the previous quarter.

The latest survey indicated WA farmers were “reinvigorated” to invest in new property purchase and in on-farm infrastructure, such as fences, yards and silos, Mr Kelly said. However, there was less appetite for purchasing new plant and machinery, irrigation/water infrastructure and investing in new technology. Fewer farmers also reported plans to increase livestock numbers and to invest in more labour.



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WA farmers' income expectations also improved in the Q1 survey, with 35 per cent tipping an increase in income (up from just eight per cent last quarter) and 31 per cent expecting a decrease (compared with 79 per cent previously).

"After a period of eroded confidence and reduced income, it's encouraging to now see a lift in positivity around cashflow for the year ahead, with more than a third anticipating their income will increase," Mr Kelly said.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions an average of 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

The most robust study of its type in Australia, the Rabobank Rural Confidence Survey has been conducted since 2000 by an independent research organisation. The next results are scheduled for release in June 2024.

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To arrange an interview with Steve Kelly, Rabobank regional manager Western Australia, or for more information on Rabobank's Rural Confidence Survey, please contact:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Will Banks
Media Relations Manager
Rabobank Australia
Phone: 0418 216 103
Email: will.banks@rabobank.com