



Rabobank

Media Release
November 30, 2015

Promise of another good harvest supports WA farmer sentiment

Results at a glance:

- *Rural confidence remains positive for seventh consecutive quarter*
- *Underpinned by expectations of an above-average crop, despite the hot, dry conditions*
- *Increasing appetite for on-farm investment, as well as potential property expansion*

Expectations of an above-average harvest – the third in a row – have seen Western Australian farmer confidence remain at relatively strong levels in the latest quarterly Rabobank Rural Confidence Survey.

While the survey – completed last month – recorded a slight drop-off in rural sentiment this quarter, impacted by the dry finish to the season, WA farmers were, on the whole, relatively optimistic about the year ahead.

Overall, a third (29 per cent) of WA farmers expected agricultural economic conditions to improve in the next 12 months (down from the 37 per cent with that view in the previous survey), while 55 per cent expected similar conditions to the previous year.

Those expecting conditions to worsen remained relatively steady at 12 per cent, from 13 per cent previously.

Rabobank acting state manager for Western Australia, Steve Kelly said the recent devastating fires in the Esperance region – which had tragically resulted in the loss of lives – would have taken the shine off rural confidence levels since the survey was conducted, as the risk of fire during harvest would resonate with most farmers in the WA wheat belt.

"Esperance, from a seasonal perspective, was the pick of the state with the region's crop expected to be up on previous records. While it is too early to gauge the full extent of the damage and there will be agronomic impacts for years to come, there is likely to be a significant loss of grain, with the harvest only about 40 per cent complete when the fires came through."

Mr Kelly said that while the state overall was on track to harvest an above-average crop, production prospects had been downgraded over the past couple of months.

"Last month was really a shocker and was the hottest October on record for the state," he said. "It essentially slashed over one million tonnes off the anticipated winter harvest and has also impacted grain quality, with many accounts of small and light grain."

Mr Kelly noted that even in regions where the grain harvest was looking positive overall, there would be pockets where farmers would have missed out on a good crop. "It's a mixed bag, depending on how the dry finish and frost has impacted," he said.



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In terms of prices, Mr Kelly said canola was holding up well, although the wheat price was below the 'magic' \$300 a tonne and there was little upside given ample global stocks and relatively subdued global demand.

The survey found confidence remained strongest among the state's beef producers, while it had come back in the sheep sector.

"The softening in confidence among sheep producers was no surprise, especially given the south west of the state has just experienced its driest winter on record, and there has been little respite since," he said. "As a result, we are seeing some graziers cart water for their stock, and there has been a pick-up in hand feeding as a result of poor growth rates for pastures, well below what would normally be expected." As a result, sheep graziers are in the process of reducing stock numbers."

The commodity price outlook remained the key driver of confidence this quarter, with 58 per cent of respondents who expected conditions to improve citing prices – down slightly from 63 per cent previously. The state of overseas markets was also cause for optimism for 33 per cent, while seasonal conditions were less of a positive (nominated by 30 per cent, compared with 40 per cent previously).

The lower Australian dollar and recent developments in free trade agreements also had a positive bearing on confidence.

This quarter, 88 per cent of the state's farmers indicated their intention to increase or maintain the level of investment in their farm businesses. Of these, 30 per cent intended to expand their businesses, compared with 22 per cent in the previous quarter.

In order to finance the increased appetite for investment, the survey found 19 per cent of the survey's respondents were looking to increase their debt over the coming year, of which 27 per cent planned property purchases and 27 per cent on-farm capital investment.

Mr Kelly said the past three years had overall been among the best the state had ever seen, from a grain-production perspective, and this was now giving farmers the confidence to reinvest in their business.

"We have seen upgrades to plant and machinery as well as infrastructure, while there has also been a pick-up in the appetite for property expansion," he said.

Mr Kelly said there was also a strong trend for farmers to invest in their own development, with the survey finding one-third of the respondents were looking to improve their skills and knowledge through education or training over the next 12 months.

Farmers were particularly interested in emerging technologies, with 59 per cent looking to upskill in this area.

"Producers are continually looking at ways to boost their productivity, and those in the cropping sector have a good track record of successfully adopting technology to aid this," Mr Kelly said.



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"It will be interesting to see what drives the next wave of productivity, but no doubt there will be a bigger focus on technology."

Other key areas in which WA farmers were looking to enhance their skills included on-farm management practices, business planning/management, succession, personal health and wellbeing, strategic financial management, marketing and communications and compliance.

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 March 2016.

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