



## **Good back-to-back seasons bode well for farmers in the West**

*Results at a glance:*

- 92 per cent of WA farmers think this year will be as good as, or better than 2014
- Balance sheets improve – creating strong investment, income and debt reduction intentions
- But confidence will depend on rain over the coming months

**Western Australian farmers are optimistic about the future, with nine out of 10 expecting this year to be as good as the last, if not better – according to the latest quarterly Rabobank Rural Confidence survey.**

**Two years of good seasonal conditions have seen most of the state’s farmers enter 2015 in a solid position – reflected in their investment intentions, income projections and plans to reduce debt.**

The survey – completed last month – saw confidence in the agricultural sector increase, with the net indicator sitting firmly in positive territory at 34 per cent (up from 21 per cent in the previous quarter).

The percentage of respondents expecting conditions to improve increased to 42 per cent (up from 35 per cent), while 50 per cent expect similar conditions to last year. Just eight per cent expect conditions to worsen – down from 14 per cent previously.

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

Rabobank state manager for Western Australia, Crawford Taylor said the strong sentiment was not surprising, with both broadacre cropping farmers and livestock producers entering the year in good shape.

“Last year’s winter crop was the fourth biggest on record for Western Australia and this was on the back of a record harvest in 2013. Grain prices also held up despite softer CBOT prices, underpinned by the lower dollar and quality of this year’s crop,” Mr Taylor said.

“Livestock producers are also buoyant, with sheep prices remaining strong and cattle prices hitting record levels.”

Mr Taylor said that cattle prices had picked up significantly across all categories – something that didn’t happen often - and that prices were sitting at higher levels than those in the eastern states.

“The strength of the cattle market has also helped underpin dairy confidence, with prices for cull cows and export heifers well up on historical levels. Milk prices have also improved, stemming from processor competition earlier in the season.”



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**Media Release**

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Mr Taylor said the past two years had enabled WA farmers to 'lock in some gains' – with nearly half of the state's producers (45 per cent) intending to reduce their debt levels, while around half of the (16 per cent) of farmers looking to increase debt intended to acquire property.

The strength of farm balance sheets is evident in the latest ABARES farm survey, which estimates Western Australian farm cash incomes to be 30 per cent above the ten-year average to 2014/15 at \$211,000 per farm.

Looking to the coming season, Mr Taylor said it was too early for farmers to predict how it would pan out. "The next two quarters' surveys will be a better determinant of this year's prospects as they will know then where they stand in regards to area planted and yield potential," he said.

Seasonal conditions were front-of-mind for the majority of the state's farmers, with 64 per cent of those who were expecting conditions to improve citing seasonal conditions as the reason (up from 25 per cent in the previous survey).

Mr Taylor said not all of the state had experienced a good season however, with parts of the northern wheat belt (north and east of Geraldton) and the north and eastern corner of the central wheat belt experiencing a below-average crop.

Lower input cost pressures also emerged as a positive driver of confidence, raised by 28 per cent of respondents who had an optimistic outlook (up from two per cent in the previous survey).

Mr Taylor said that while 58 per cent of the state's farmers reported that their input costs had risen over the past year, they may not have increased as much as expected given the drop in the dollar.

The state of overseas markets also had a positive influence on confidence, however it decreased in importance – cited by 27 per cent of WA producers with a positive outlook (down from 54 per cent previously), with the majority beef producers.

"Demand for live cattle remains strong. Despite the smaller Q1 quota for Indonesian-bound cattle, we have seen strong growth in recent years to Vietnam and there is positive talk that live trade could be established with China," Mr Taylor said.

In line with overall confidence levels, farmers were also positive about the outlook for their own business performance, with 39 per cent expecting a stronger performance to last year and 56 per cent expecting a similar outcome.

This flowed into positive expectations for gross farm income, with one-in-three farmers expecting their gross income to improve on last year.

"With farm equity positions improving, we are seeing farmers kick into expansion mode again. However the majority are investing 'inside their farm gate' and we are seeing good demand for plant and machinery upgrades, and other on-farm capital expenditure," Mr Taylor said.

Over the next 12 months, 92 per cent of farmers are looking to increase or maintain their level of investment, up from 83 per cent this time last year.



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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 2015.

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To arrange an interview with Rabobank state manager Crawford Taylor 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

Jess Martin  
Media Relations Manager  
Rabobank Australia & New Zealand  
Phone: 07 3115 1832 or 0418 216 103  
Email: jess.martin@rabobank.com