



Commodity prices and seasonal conditions bode well for WA farmer outlook

Results at a glance:

- *Rural confidence moderates, but remains strong with recent rains providing a boost*
- *Good prices and season underpin sentiment across all sectors*
- *99% in grains sector report viable businesses*

Sentiment among Western Australia’s farmers remains strong, with the state’s grain growers on the brink of the third good crop in a row, the latest quarterly Rabobank Rural Confidence Survey has shown.

WA graziers are also upbeat about their prospects, with the majority expecting conditions over the coming 12 months to be better than – or at least as good as – the last.

Although moderating from last quarter’s four year-highs, WA rural confidence continued to be at robust levels in the latest survey, completed last month.

Overall, 37 per cent of Western Australia farmers surveyed expected conditions in the agricultural economy to improve in the next 12 months (down from 51 per cent) while 44 per cent expected similar conditions to last year. Only 13 per cent expected conditions to worsen (although this was up from just two per cent with that view in the previous survey).

Rabobank state manager for Western Australia, Crawford Taylor said he would expect confidence levels to be even stronger since the survey was taken, on the back of widespread rains earlier this month.

“Much of the wheat belt recorded good rain in early August, which has put farmers back on track for an average to above-average season,” he said.

“While dry weather throughout much of winter may have limited the earlier potential of the crop, farmers are looking at a very positive result if we continue to get follow-up rain.”

Mr Taylor said the wheat price was also continuing to hold up strongly at just below \$300/tonne compared to international values, due to strong domestic demand and low carry-in stocks.

“The potential of another good result for grain growers from both a production and price perspective has boosted grain growers expectations around viability – with 99 per cent reporting business viability – compared to the state average of 95 per cent,” he said.



“Since mid-2013 we have seen the viability index strengthen in line with the turnaround in the season – and 2014 further consolidated that outcome with another solid harvest for many.”

Mr Taylor said confidence was also very robust in the beef and sheep industries, with close to half of the state’s graziers expecting the next 12 months to be better than the last.

“Beef prices continue to hit new records, despite the disruption to the live cattle trade in the third quarter of 2015. Which really highlights the diversity of our markets, with good demand coming out of Vietnam and the potential for live trade into China,” he said.

Mr Taylor said while sheep prices hadn’t followed suit, they remained strong and wool prices appeared to be on an upwards trajectory at present.

Commodity prices and seasonal conditions remained the key drivers of confidence this quarter, nominated respectively as reasons for optimism by 63 per cent and 40 per cent of WA respondents with a positive outlook.

The state of overseas markets, the lower currency and ‘improved marketing’ were also behind the strong sentiment, cited by 32 per cent, 18 per cent and 17 per cent of respondents, respectively.

The latest survey also revealed that close to two-thirds of WA farmers (62 per cent) had increased their on-farm productivity over the past five years, while a further 22 per cent had maintained it.

Mr Taylor said farmers were focussed on improving their productivity through driving down costs, remaining up-to-date with the latest information and research, investing in on-farm infrastructure and adopting new technology and genetics.

“It will be interesting to see what drives the next wave of productivity, but no doubt there will be a bigger focus on technology such as, drones and unmanned aerial vehicles,” he said.

Looking to the longer-term outlook, the survey highlighted strong underlying confidence through investment and debt repayment intentions.

This quarter, 91 per cent of WA farmers indicated their intention to increase or maintain the level of investment in their farm businesses – of which 22 per cent had expansionary intentions (down slightly from last quarter’s reading of 27 per cent).

“We are seeing strong reinvestment on farm, but also an increased appetite for expansion whether through property acquisition or off-farm investment,” Mr Taylor said.

In terms of debt, 34 per cent of the state’s farmers indicated that they intend to reduce debt over the coming 12 months. While the 16 per cent who were looking to increase their debt have this pegged for property purchases (26 per cent) and both on and off-farm capital (21 per cent).



Rabobank

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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 survey has been conducted since 2000 by an independent research organisation.

The next results are scheduled for release in December 2015.

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