



Rural confidence holds steady in Western Australia

Results at a glance:

- *Farmer confidence has eased, but remains positive*
- *Beef producers continue to underpin WA rural confidence*
- *Property investment is a key focus for those farmers intending further investment in 2016*

Western Australian farmer confidence has pulled back slightly, but remains in positive territory, supported in large part by solid pricing in the cattle industry, the latest quarterly Rabobank Rural Confidence Survey has found.

While optimism in the beef sector continues to underpin rural confidence, the sentiment across other commodities is not as buoyant.

The survey – completed earlier this month – showed a slight fall in the state’s farmer confidence levels with a net reading of 15 per cent (previously 17 per cent). The number of WA farmers expecting conditions to improve in the year ahead declined slightly to 21 per cent (from 29 per cent in the last quarter). However, the proportion of farmers expecting conditions to worsen also went down and now sits at just six per cent (previously 12 per cent).

Two-thirds of Western Australian farmers are expecting conditions to remain similar to last year (66 per cent, up from 55 per cent).

Rabobank acting state manager for Western Australia Steve Kelly said while the rural confidence indicator remained very similar to last year, there was some caution around the state.

“The timing of the survey meant that it probably hasn’t captured the recent softening of the wheat price,” he said.

“We’ve seen wheat prices come back around 10 per cent since harvest and the bank is anticipating these to remain soft for the foreseeable future.”

Net confidence in the grain sector eased slightly in the survey, with grain growers sitting at three per cent (down slightly from five per cent).

Mr Kelly said these numbers were a very different story compared to August of last year when grain producers were feeling much more confident.

“In the middle of last year we were seeing decent wheat prices and, with a fantastic start to the season, were looking at bumper crop,” he said.

“Unfortunately, the hot dry spring saw yields taper off significantly and, in the wash up of the 2015 harvest, there has been a great deal of variance amongst farms and regions.”



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Mr Kelly said farmers in Western Australia were beginning to see some of the recent falls in grain prices offset by falling input prices.

“Lower fuel and fertiliser prices are just beginning to filter on to farms in WA. A lot of the fertiliser negotiations are still taking place, but compared to last season the lower input prices will go some way to offsetting the lower grain prices,” he said.

Beef producers remain among the most confident farmers in the state with 41 per cent having an optimistic outlook (down slightly from 50 per cent in the previous survey).

Mr Kelly said the significant rainfalls received throughout WA in January would have supported grazier confidence in the state.

“In the southwest, there were reported falls of between 100 to 150 millimetres, with some unofficial reports exceeding 200 millimetres,” he said.

“For livestock producers in this part of the state, this would have done wonders for on-farm water supplies and building soil moisture profiles.”

Cattle producers also continue to experience strong prices with 70 per cent citing commodity prices as the reason for their positive view.

For sheep producers, confidence pulled back with five per cent expecting conditions to improve (down from 19 per cent).

“While prices have been fairly steady for sheep meat and wool, they aren’t achieving the same levels of buoyancy that we saw last year in the beef market,” Mr Kelly said.

Indicating long-term confidence, investment intentions remained strong among WA farmers, with 33 per cent intending to increase investment in their farm business and 55 per cent expecting to maintain similar investment levels to last year.

Of those intending to increase their investment, 45 per cent were considering property acquisition.

Mr Kelly said this was a trend they had been seeing over the past couple of years.

“Some farmers in WA have now had three consecutive good years, they’ve consolidated their balance sheet and are looking to expand when the opportunity presents itself,” he said.

“However, in a lot of the key cropping areas, land is being tightly held and values holding firm so, whilst the intention to expand is high, we have not seen the turnover to reflect these numbers.”

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.



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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 2016.

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