



WA farmers remain upbeat, despite global wheat price 'headwinds'

Results at a glance:

- *Rural confidence in WA remains positive despite global wheat price headwinds*
- *Half of all farmers reported better financial results in the most recent financial year*
- *Sheep producers remain strongly positive on the back of strength in the sheepmeat and wool markets*

An excellent outlook for the cropping season for the majority of the state has helped maintain confidence levels among Western Australia's farmers, despite softening global wheat prices.

Rabobank's latest quarterly Rural Confidence Survey has found WA farmers have maintained sentiment at high levels despite the anticipated headwinds from global markets.

Though moderating from last quarter's highs, overall WA net rural confidence still sat at a positive 11 per cent (down from 23 per cent last survey)

Rainfall throughout much of the state in June and July has Rabobank analysts anticipating an overall WA winter crop exceeding 12 million tonnes, with the main challenges currently being excess moisture in the southern region of the Central Wheat Belt.

A bumper crop is being banked on by growers this year to help alleviate some of the price pain being experienced in global wheat markets.

Rabobank state manager for Western Australia Crawford Taylor said while producers were feeling a pricing pinch, the lower dollar was providing a small but important buffer.

"The lower Australian dollar has done a lot to soften the fall in US reported prices for grains and locally this has been supported by the reluctant sale of carryover stock," he said.

"When you compare it to the US where farmers are having to contend with a stronger dollar, we're fortunate here that wheat producers are still seeing prices around \$250 a tonne."

Confidence levels in WA's grain sector moderated this quarter reflecting commodity price concern, with growers reporting a net confidence reading of zero per cent, down from a firmly positive 16 per cent last quarter.

Across the other commodities, confidence had also pulled back, with net beef sector confidence now at neutral levels (zero per cent), down significantly from 53 per cent last quarter, and net sheep sector confidence at 24 per cent, previously 38 per cent.

Mr Taylor said while confidence levels had softened across livestock, this was more indicative of how positive previous years had been.



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“For the beef and sheep producers surveyed, the vast majority indicated that they either expected conditions to improve or remain the same over the coming 12 months,” he said.

Of those surveyed, Mr Taylor said, only 12 per cent of beef producers were expecting conditions to deteriorate, along with eight per cent of sheep producers.

“The livestock markets in WA are pretty positive overall,” he said.

“Prices for red meat have been solid and while eastern states lamb prices are starting to decline as they head into spring – and it doesn’t look like we’ll get the same boost to WA prices we have seen in recent years – WA trade lambs continue to track around the \$5/kg mark which is up on the five-year average.”

“Wool prices have also been buoyant for some time now and we’re seeing that reflected in the sheep confidence level.”

In the survey, 50 per cent of WA farmers reported improved farm income in the 2015/16 financial year compared with the previous year.

Financial results were most positive in the beef sector, with 82 per cent of the state’s beef producers reporting their gross farm income in 2015/16 was higher than 2014/15.

The outlook for gross farm incomes for the next financial year (2016/17) was also bullish, with 85 per cent of WA producers expecting their gross farm income to either remain stable or increase.

Mr Taylor said financial confidence was also being reflected in investment intentions with almost a quarter of WA farmers intending to increase their business investment.

“What we are seeing at the moment is a bit a more conservatism in where producers are investing,” he said.

“Investment in on-farm infrastructure was highlighted as a key focus across all commodities.

“While we are still seeing plenty of competition in the market for larger cropping properties, a lot of this demand is being underpinned by interest from corporate investors.

“The property market has definitely moved off its base from two years ago, however transaction volume is still relatively thin, once producers get past the frost window and are more confident of their yields, we should see a greater level of activity in the market.”

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 December 2016.

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