



Rabobank

**Media Release**

**March 13, 2017**

## **Record-breaking harvest sees confidence return to WA's rural sector**

### **Results at a glance:**

- *Net rural confidence is back in positive territory with record harvest now complete*
- *Widespread rain in February has also contributed to sentiment*
- *Sheep producers currently the most positive in the state*

**After dipping into negative territory at the end of last year, Western Australian rural confidence is 'back in the black', with the majority of the state's farmers taking a positive outlook on the year ahead.**

**The first quarterly Rabobank Rural Confidence Survey for 2017 has shown 64 per cent of WA farmers expect the agricultural economy to remain stable in the year ahead, while 18 per cent believe it will improve.**

**Just 12 per cent had a negative view on the coming 12 months.**

Rabobank regional manager for Western Australia Crawford Taylor said grain growers were much more confident now the crop was in the silos.

"Despite some fairly damaging frosts, particularly around the Lakes district, last year was a record-breaking harvest, yielding over 18 million tonnes of total crop for the state," he said.

"The crop was up over 22 per cent on the previous year so growers will be feeling pretty good about the harvest.

"A relatively large percentage of last year's crop remains unsold. We're seeing a lot of growers electing to hold grain and potentially push into next financial year for tax reasons, indicating that while prices aren't great, the financial position of grain producers remains strong."

The survey, completed last month, found the net confidence index had returned to positive territory – with more farmers expecting conditions to improve rather than deteriorate – and was sitting at six per cent. This compared with the previous quarter, where concerns about the impact of last year's late-season frosts on cereal harvest yields had brought farmer sentiment down to a net reading of minus four per cent.

This survey, net confidence among grain growers had risen to five per cent, from -16 per cent last quarter.

However, in terms of the commodity outlook, confidence was highest among sheep producers whose net confidence rose significantly this quarter to 28 per cent, from -20 per cent last survey.

Mr Taylor said commodity prices were a significant driver of confidence for sheep farmers.



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“For trade lamb prices, we’ve seen a surge in the price earlier than usual this year with prices already hitting \$6/kg cwt. This bodes well for 2017,” he said.

“In wool, they’re experiencing the highest prices since 2011, driven in large part by Chinese demand.”

Confidence among the state’s beef producers, however, had moderated, with the net reading falling to minus six per cent, from 29 per cent the previous quarter.

Of those WA beef producers surveyed, seven per cent were anticipating an improved year, 13 per cent were expecting conditions to deteriorate, but the majority (60 per cent) were forecasting similar conditions to last year.

“Beef had an excellent year in 2016,” Mr Taylor said. “However, global beef prices remain soft, which has tempered the outlook for producers.”

Of the WA farmers expecting conditions to worsen this year, 85 per cent nominated falling commodity prices as reason for their outlook, with grain growers particularly bearish on prices.

When it came to farm incomes – despite concern around falling prices, beef producers were upbeat, with 100 per cent of those surveyed expecting their gross farm incomes to either improve or remain the same in 2017.

This compared with all WA primary producers surveyed, where 26 per cent were expecting gross farm incomes to increase over the next 12 months, 59 per cent to remain the same and 14 per cent for incomes to fall.

WA farmers’ investment intentions were stronger this quarter with 91 per cent expecting to increase or retain the level of investment in their farm businesses in the coming 12 months (up from 88 per cent last quarter).

Of those planning to increase investment, 63 per cent were looking at improving on-farm infrastructure and 60 per cent intended to invest in new plant and machinery.

Mr Taylor said the successful 2016 season had been a driver for increasing investment activity.

“We’ve come through a strong season and are starting to head into a new one,” he said. “While this is the time of year that producers generally look at investing in farm equipment, the success of last year and the wet start to this year is likely to give farmers a bit more confidence to make those bigger purchases.”

This quarter, farmers were also asked about the impact of the new US Trump administration on their confidence in the outlook for the Australian agricultural sector.

Of those WA farmers surveyed, 27 per cent saw the new US administration as having a potentially negative impact while 10 per cent expected it to have a positive bearing on the sector.

The majority of respondents with a negative view on the change in US presidency cited concerns around the impact on Australian/US trade (38 per cent), while 19 per



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were worried about protectionist ideology and 18 per cent about uncertainty/unpredictability.

“From the producers I’ve spoken to, for most it’s concern around the unknown,” Mr Taylor said.

“There is a view that the uncertainty from the US could provide some volatility in the agri market space. While this has its downsides, there could also be the potential for producers to take advantage of some of the upswings in futures markets over the coming year.

“There are also farmers who are hoping the Trump agenda may result in a stronger US currency and softer Aussie dollar for Australian farmers, but we’ll just have to wait and see.”

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 June 2017.

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