



Fickle winter rainfall sees WA farmer confidence fall to four-year low

Results at a glance:

- *Overall farmer confidence has declined, despite good rainfall across the agricultural area for August*
- *The northern wheat belt suffered the biggest hit to confidence, with 46 per cent holding a negative outlook*
- *Sentiment for beef producers has declined this quarter, with concern around easing beef prices*

Timely winter rain in the south west of the state has failed to bolster Western Australian rural sentiment, which has slumped to its lowest level in four years, following a dry start to the cropping season.

The latest Rabobank Rural Confidence Survey – completed last month – found 28 per cent of WA farmers were anticipating worsening conditions in the agricultural economy over the next 12 months, rising from 13 per cent with that expectation last quarter.

Rabobank regional manager for Western Australian Crawford Taylor said, though, it was really “a tale of two parts” in the state, with the percentage of farmers expecting improved conditions also increasing slightly to 22 per cent, from 19 per cent previously.

“In the eastern and northern wheatbelt, they had an exceptionally dry start to the season and not much in the way rain since,” he said.

“The southern region, while also having a dry start, has had decent winter rain with crops now expecting to yield at least in line with averages, if not better.

“We’re really looking at one part of the state potentially receiving record yields and other parts hoping just to get enough seed back.”

Of those WA producers expecting the agricultural economy to worsen, 73 per cent cited the dry seasonal conditions as reason for their outlook, with 28 per cent nominating falling commodity prices.

Across the regions, Mr Taylor said, the northern wheat belt was not surprisingly the most negative in its outlook, with 46 per cent of respondents expecting worsening conditions in the agricultural economy, 33 per cent expecting conditions to stay the same and only 13 per cent anticipating an improvement.

“We have seen decent rainfall across the northern wheatbelt which has improved the base yields for most grains, however conditions remain very mixed for early sown canola and there has been some hail damage,” he said. “Some producers have taken the decision to spray out canola to preserve nutrient levels and fallow paddocks in readiness for the 2018 program.”



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Dry conditions have also dampened the spirits of WA's sheep producers, with a substantial increase in those with a negative outlook.

While a quarter of sheep farmers were anticipating an improved year, 38 per cent were expecting conditions to deteriorate (up from only five per cent last survey), with 29 per cent expecting similar conditions to the previous year.

Mr Taylor said while the season had not been great for many sheep producers, there was still plenty for them to feel confident about.

"We're seeing the decline in sentiment in the sheep sector as a direct result of seasonal conditions, insubstantial pasture and the additional costs of feeding stock for a longer period," he said.

"That said, sheepmeat prices remain strong and wool is doing very well indeed. And, while there has been an increase in wool production, this seems to have been easily absorbed by increasing demand, particularly from China."

Confidence also fell in the beef sector with 44 per cent of WA beef producers surveyed taking a negative outlook on the year ahead (compared with no beef producers with this view last quarter). Two thirds of this group indicated that easing prices were their chief concern.

Confidence in dairy however improved, with all respondents in that sector expecting conditions to either remain the same, or improve, in the coming 12 months.

In line with overall rural confidence, WA farmers revised down expectations for their farm incomes, with 37 per cent expecting their gross farm incomes to fall in the current financial year, up from 17 per cent with the same view last quarter.

Investment intentions, while slightly down on last quarter, remained strong with 21 per cent of WA farmers now expecting to increase the level of investment in their farm business over the coming 12 months (from 27 per cent last quarter) and 69 per cent intending to maintain investment at the same level.

Of the commodities, grain producers held the strongest expansionary intentions with 28 per cent looking to increase their investment.

"While this year has been a bit challenging, grain growers are coming off some decent years and many are enjoying a healthy balance sheet," Mr Taylor said.

"We're seeing good farms go for good prices and expect that this will continue."

Across the state, of those producers who were looking to increase their investment, the majority was for on-farm infrastructure (62 per cent) and there was a slight increase this quarter in the percentage looking at property purchase to 42 per cent (up from 39 per cent last quarter).

Conversely the survey showed a fall in the percentage of respondents intending to increase livestock numbers (38 per cent, compared with 54 per cent last quarter) and invest in new plant and machinery, which stood at 31 per cent compared with 46 per cent the previous quarter.



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“The drier season will have put a few producers off expanding flocks in the northern and eastern wheatbelt with some reduction in numbers underway,” Mr Taylor said.

“In regards to plant and machinery investment, we tend to see a bit more of that toward the end of the financial year or just prior to planting so it is unsurprising that it is down a bit on last quarter, which was at the tail-end of quite a decent financial year.”

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 December 2017.

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