



Rabobank

Media Release
December 3, 2018

WA farmers look forward to reaping rewards of seasonal turnaround – with state’s agricultural producers the most positive in the nation

Results at a glance:

- *WA rural confidence pushes strongly into positive territory, to again be highest in the nation*
- *While it was a dry start to the year, a turnaround in the season has benefited both crops and livestock*
- *With the state’s grain growers able to reap the benefits of strong domestic demand and good prices*
- *61 per cent of WA producers indicate their businesses are better prepared to handle drought than five years ago*

After a rollercoaster year, Western Australian farmers are finishing 2018 on a strong footing and have bounced back to be the most optimistic in the nation, the latest quarterly Rabobank Rural Confidence Survey has found.

While overall, national farmer confidence has shown early signs of a recovery over the past quarter – following spring rainfall in some drought-impacted parts of the eastern states – it remains at low levels.

It is a different story, however, in the nation’s west, with WA farmers by far the most buoyant about their prospects for the year ahead.

The final quarterly survey for the year, completed in November, found 39 per cent of surveyed WA farmers had a positive outlook on the agricultural economy in the coming 12 months, up from 30 per cent last quarter. There were also far fewer WA producers expecting conditions to deteriorate, with only 18 per cent now holding that view – down from 30 per cent previously – while 38 per cent were expecting the agricultural economy to remain stable.

The latest results represent a steep recovery from the subdued confidence levels seen in the state’s rural sector in the middle of the year.

Rabobank regional manager for Western Australia Crawford Taylor said for many farmers, their anxious wait for rain at the start of the year had been well rewarded.

“While both grain growers and livestock producers started the year off in a good position, we had already been through a long dry, hot summer and we saw tensions begin to mount as the wait for a decent break continued,” he said. “By the time the mid-year survey was taken (in May), there still hadn’t been any substantial rain and we saw the Rural Confidence indicator hit a five-year low.

“Finally, by early June we received the rain we needed and many farmers – apart from in the south coast which remained dry – saw a complete turnaround in their fortunes and have had one of their best years, particularly in the northern wheatbelt.”



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Across the commodities, grain growers – with harvest now underway – have retained the improved confidence levels reached last quarter, while the big upward push in the state’s rural confidence has been driven by sheep graziers.

Sheep producers have posted a significant upswing in confidence, with 39 per cent now having a positive outlook on the coming 12 months, lagging just slightly behind grain growers at 43 per cent.

“At the time of the previous survey, concerns over changes to the live export market were being felt across the industry,” Mr Taylor said. “In the middle of the year, there was a suspension on live sheep exports for the northern summer.

“With sheep already destined for the boats, producers were worried about the price impact and their ability to hold over large numbers of stock given the later start to the season.”

In terms of sheepmeat prices, Mr Taylor said, while there had been some volatility, they remained above five-year averages.

“Another factor that has helped buoy the confidence of sheep producers has been the exceptional wool price experienced throughout the year,” he said. “While it has pulled back recently, it would have softened the financial blow of having to hold stock on farm for longer.”

For WA grain growers, Mr Taylor said, their positive outlook contrasted with grain growers in most other parts of Australia and reflected “a situation of decent yields in the west being met with a spike in domestic pricing caused by tight supply in the east”.

“It was by no means an ideal start to the WA cropping season this year, but when the rain did finally come, most growers were in a situation to take full advantage of it,” Mr Taylor said.

“With the soft finish to the season and strong prices continuing, there are a lot of grain growers in the state who will experience a strong financial performance and it’s a testament to many years of hard work and investment that they are now enjoying this reward.”

In beef and dairy, WA producers were not feeling as optimistic about the outlook, with an equal percentage surveyed negative as positive.

Concerns about drought and threats to live export were highlighted by beef producers as key reasons for their more subdued outlook while, with record feed grain prices hitting much of the country, dairy producers were concerned about rising input costs.

For most beef producers across the state, Mr Taylor noted, seasonal conditions had also improved substantially. “The very dry start to the year had graziers beginning to get worried and some had already started looking at plans to begin reducing stock numbers, but the turnaround in May put a halt to those plans and they are now entering summer in a pretty good position,” he said.



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This quarter, the Rabobank Rural Confidence Survey also questioned farmers about their level of drought preparedness, finding 91 per cent of WA producers surveyed felt either somewhat or very prepared to handle drought and its impact on their business.

Farmers also indicated their ability to manage drought had improved in recent years, with 61 per cent saying their businesses were better prepared for drought now than five years ago.

“To survive in agriculture in Western Australia, our farmers have become very good at handling periods of dry conditions and also to effectively manage any moisture that comes their way,” Mr Taylor said.

“They’ve continued to learn from past experiences, to reach out to specialists, to engage in training and development and participate in grower groups to aid learning but also to mentor others within the industry. There are many farmers who are doing great things to improve their environment and farm practices to ensure the health of their animals and land. These are stories that often go untold but I think farmers are becoming increasingly aware of the need to engage with consumers and tell their story.

“While in WA, our producers are often farming in quite challenging environments, they should feel confident in their ability to continue to evolve and adapt to meet these challenges head on.”

This long-term confidence in the WA rural sector was strongly reflected in the survey, with 95 per cent of WA farmers saying they felt their business was viable, and 100 per cent of grain growers holding this view.

The bullish projection for on-farm income continued this quarter and flowed through to investment intentions with appetite for rural property acquisition shown to be particularly strong in WA, with 43 per cent of farmers who were intending to increase investment currently looking at property purchase, compared to the national average of 21 per cent.

“We’re currently in an exciting position for agriculture in WA, Mr Taylor said. “There are of course some challenges to keep an eye out for, but there is plenty going our way, including the majority of commodity prices, the Aussie dollar, low interest rates and a pretty decent season,” he said.

“Our producers have worked very hard for this and what we’re going to see this year is the culmination of many years of growth, development and hard work which hopefully they will now get to reap the benefits of.”

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 by an independent research organisation interviewing farmers throughout the country each quarter since 2000. The next results are scheduled for release in March 2019.



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