



Rabobank

Media Release

March 5, 2018

WA's farmers most positive in the country – 'bucking' national downturn in rural confidence

Results at a glance:

- *Significant upswing in WA farmer confidence to highest in nation*
- *Bucking national downward trend recorded this survey*
- *Supported by good seasonal conditions and generally positive price indicators in number of commodities*
- *Investment intentions at highest level since early 2008*

Western Australian farmers have emerged as the most positive in the country, bucking the national trend, which saw a downturn in rural confidence in the first quarter of 2018.

The latest Rabobank Rural Confidence Survey, released today, saw WA farmers reporting a strong upswing in confidence, as they become increasingly positive about their prospects in the year ahead.

This was 'at odds' with national rural confidence levels, which recorded a drop this survey, with farmer sentiment declining in most other states.

Supported by good seasonal conditions and positive indicators across some key commodities, WA farmers are hopeful for a successful year with 85 per cent of producers expecting their incomes to remain stable or increase over the coming 12 months.

Rabobank regional manager for Western Australia Crawford Taylor said the stage was set for a profitable 2018, following "the 'last innings' recovery of the grains sector last year to produce a surprising 14 million tonne plus total crop" and with the sheep industry having an "excellent run".

"The sheep sector, in particular, continues to thrive in WA with consistently strong meat and wool values," he said. "With a tight domestic market and strong export opportunities, we're expecting the sheep sector to remain in a strong position in 2018.

"We've also seen some decent rain events across the state and while there are definitely beef producers, particularly in the western Kimberley, who have received some damaging falls, it has meant that dry conditions have been taken off the table this quarter as a cause of concern."

The latest quarterly survey – completed last month – found WA farmer confidence had indeed built on the positivity of the previous quarter to register a net reading of 23 per cent, from 11 per cent last quarter.

Only six per cent of the state's producers held a negative outlook on the performance of the agricultural economy for the coming year (compared with 11 per cent previously), while 61 per cent were anticipating conditions similar to that of 2017, and 29 per cent expected an even better year ahead.



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Across the commodity sectors, sheep and grain producers were identified as being the most bullish about their prospects, with the number of sheep producers expecting an improving year almost doubling to 34 per cent, from 18 per cent last quarter. Those expecting stable conditions fell 10 points to 66 per cent while none of the sheep producers surveyed had a pessimistic outlook on the year ahead.

In the grain sector, producers were found to be feeling similarly positive, with 43 per cent now holding a positive outlook, up significantly from 23 per cent last quarter. A total of 43 per cent anticipated similar economic conditions to last year and only eight per cent thought conditions would deteriorate.

While cropping in WA experienced a rollercoaster 2017, Mr Taylor said, most producers had avoided catastrophe last year and were feeling somewhat positive about the current market.

“Last year we saw some fluctuation in wheat prices and, with a record global production year, it is expected that significant global stocks will keep the price range-bound for at least the first half of this year,” he said. “However, there is some upside on the horizon as the erosion of these stocks, combined with our export advantage to nearby markets, has the bank’s RaboResearch analysts expecting wheat prices to move at least slightly higher by the second half of this year.

“For those producing barley, the price outlook is more positive and it’s creating a bit more depth in the market, which is fantastic.”

While sentiment among WA beef producers improved this quarter, it remains slightly negative with an almost equal number of respondents anticipating an improving year (11 per cent) as to a worsening one (12 per cent).

However, more than three quarters of the state’s beef producers surveyed anticipated similar conditions to last year (77 per cent).

“There is some definite downward pressure being anticipated in the beef markets this year with growing global and domestic stocks expected to apply pressure in the second half of the year,” Mr Taylor said.

“However, there currently remains limited domestic cattle availability and this, combined with recent rain, should help buoy producer confidence levels.”

As well as feeling more confident about their income outlook this year, WA producers reported a substantial and growing appetite to invest in their businesses, with investment intentions now sitting at their highest reading since early 2008.

“We’re seeing investment in sheep country, particularly in the southern parts of the state,” Mr Taylor said.

“Competition and values have moved higher compared with 2017. It’s also been great to see family operations competing strongly for land and winning. While in the past there has been strong demand coming from corporate and investment funds, the financial strength that families have built up thanks to three successful farming years has provided an opportunity to consolidate their farming position, and some big investments are now being made.”



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While property investment intentions remained strong, there was also a significant increase in producers looking to invest in on-farm infrastructure (69 per cent, up from 40 per cent), livestock numbers (40 per cent, up from 30 per cent) and in adopting new technologies (39 per cent, up from 20 per cent).

Mr Taylor said Western Australian grain growers often tended to be early adopters of agricultural technology.

“Farmers here are keen to take advantage of any technology that can lead to better decision making on farm, whether that’s adoption of better farming techniques, drone technology, cloud-based management or even driverless-equipment. If it can give them an edge, they are definitely interested,” he said.

“We’re fortunate here that the strength of the grower groups means growers are able to create opportunity for technology to be tested and trialled and potentially adopted faster than might otherwise be possible for solo operators.”

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 2018.

Rabobank Australia & New Zealand Group is a part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 115 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 40 countries, servicing the needs of approximately 8.6 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand Group is one of Australasia’s leading rural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 94 branches throughout Australia and New Zealand.

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