



Rabobank

Media Release
December 9, 2019

WA farm businesses remain robust despite disappointing season

Results at a glance:

- *WA farmers' investment appetites still strong in spite of seasonal downturn*
- *A dry, warm spring and September frost saw WA rural confidence drop to multi-year lows*
- *Primary producers across all sectors have benefited from an exceptional 2018 season, helping support confidence despite dry spring*

While much of Western Australia suffered a disappointing finale to the 2019 season, the latest quarterly Rabobank Rural Confidence Survey reveals the state's farmers are feeling well-placed to weather the current downturn, with investment intentions remaining among the highest in the country.

An exceptional 2018 season continues to drive investment appetite, with on-farm infrastructure identified as a spending priority across most sectors, despite the fact farmer sentiment dropped to its lowest level since 2013.

Over a quarter of WA farmers (26 per cent) indicated they intend to increase their investment during the coming 12 months, and of these respondents, on-farm infrastructure spending intentions increased significantly – to 70 per cent, up from 35 per cent in the previous quarter.

Rabobank regional manager for Western Australia, Steve Kelly, said investment in infrastructure was indicative of farmers' business strength, with re-investment into farm businesses – in the form of grain storage, machinery, water infrastructure, fencing and pasture improvements – a strong sign of long-term confidence in the industry.

Certainly, the results of the latest survey – completed last month – agree, with 98 per cent of WA farmers surveyed reporting business viability.

While the long-term position of WA's primary producers was strong, Mr Kelly said, the slump in sentiment seen in the most recent survey – with confidence levels at their lowest since 2013 – was in direct response to this season's hard finish.

Those WA farmers expecting conditions in the agricultural economy to worsen rose considerably to 35 per cent (from 18 per cent last quarter) while the number optimistic about the outlook for the next 12 months edged down to 16 per cent (from 23 per cent).

WA farmers expecting similar conditions to last year stood at 38 per cent. While down from 56 per cent with that view last quarter, still a healthy figure considering last year's positive season, Mr Kelly said.

Figures in the survey confirm Australia's most reliable grain-producing region in recent years is not immune to seasonal downturns, with 93 per cent of WA farmers with a negative outlook on the coming year blaming the season above commodity price concerns (18 per cent) and worries about overseas markets/economies (11 per cent).



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Mr Kelly said early winter rain in parts of the state had buoyed primary producers, with the third wettest June on record providing reprieve across much of the rural sector.

However, it was a short-lived rebound, with a warm, dry spring across much of the state dashing hopes of an above-average season, particularly in the grains sector.

“There’s no surprise farmer sentiment is down,” Mr Kelly said, “with a warmer-than-usual spring, with many days above 30 degrees, coupled with below-average rainfall and a catastrophic frost in the south east, proving the end of hopes for a reasonable crop.”

With the state’s harvest nearing completion, Mr Kelly believed production was expected to be around two thirds of last year.

The disappointing harvest was driving a drop in confidence within WA’s grains sector, with 41 per cent of growers pessimistic about the coming 12 months (up considerably from 22 per cent last survey) while 29 per cent expected similar conditions to last year’s strong result (down from 56 per cent previously), and 19 per cent were anticipating an improvement (from 22 per cent).

Yet despite the general downturn, Mr Kelly confirmed some areas will enjoy a reasonable season.

“This year has certainly not been average across all regions, rather a mixed bag,” he said.

“In some cases, farmers in the Great Southern and south coast will enjoy a fair outcome, while the dry, warm spring significantly impacted the central and northern regions.

“Adding to disappointment, parts of the south east also suffered catastrophic September frosts around Esperance, which significantly downgraded production.”

Accordingly, the survey found confidence down in all surveyed regions, particularly the central region, with 43 per cent of primary producers expecting conditions to deteriorate in the next 12 months, compared to 19 per cent last quarter.

Confidence also fell back in the northern region and, although the south west corner dipped, sentiment remained comparatively strong.

While drought has ravaged much of eastern Australia’s grain-production capacity, it has also proved somewhat of a saving grace to WA growers, boosting prospects through price benefits.

“Due to the lack of national supply, wheat prices remain above the \$300 a tonne mark, which has taken some of the sting out of the downgraded season,” Mr Kelly said.

Within the livestock industry, he said, a dry spring had producers worried, with feed and water availability a growing concern.



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The latest survey results reflected this apprehension, with confidence in the beef sector enduring the biggest hit. The survey found 42 per cent of beef producers now expect conditions to deteriorate in the next 12 months, a significant jump from just nine per cent last quarter.

“From a pastoral point of view, feed on offer is generally low, with pastoralists hopeful of a wet summer,” Mr Kelly said.

Although sentiment was also down among sheep and wool producers, WA sheep graziers had the strongest confidence in future prospects compared with other local sectors.

Of WA sheep graziers surveyed, 18 per cent were looking forward to an improved 12 months ahead (down on last survey), while the percentage of those expecting conditions to worsen in the coming year doubled from last quarter, to 28 per cent.

“Again, water and feed worries due to the dry spring would be driving this concern, but, overall, sheepmeat and wool have been performing relatively well, off the back of good commodity prices,” Mr Kelly said.

And judging from the survey’s robust investment figures, long-term optimism continues to override any current seasonal concerns for WA farmers.

Expansionary appetites, particularly towards on-farm infrastructure, were robust among sheep graziers, with 31 per cent looking to increase investment over the coming 12 months – up from just 14 per cent last quarter.

With strong performances in the livestock sector over recent years thanks to favourable commodity prices, Mr Kelly said the outlook remained buoyant, as suggested by this surge in on-farm infrastructure.

“The livestock sector is expected to remain positive price wise, so this planned rise in infrastructure spending may also suggest a slight shift towards an increase in livestock capacity in parts of the state,” he said.

With the sheep and wool industry enjoying a renaissance in recent years after a long-standing downturn, he believed key industry infrastructure was overdue for re-investment.

“Many graziers have identified that they’re in a strong position to put money into the farm, which is a really positive indicator of long-term confidence,” he said.

Western Australian primary producers largely eased back expectations for their own gross farm incomes over the next 12 months, however, coming off last year’s record-breaking season. Though Mr Kelly believed financial health across all sectors was still robust.

“Western Australian farmers enjoyed an enormous 2018. It was a record income year thanks to the second-highest level of grain production recorded combined with outstanding commodity prices,” he said.

“There was a large consolidation of debt and generally balance sheets are in a position to withstand the current season.”



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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 March 2020.

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