



WA rural sentiment rides high on back of bumper season, but farmers temper expectations for year ahead

Results at a glance:

- *WA farmers remain the most confident in the nation, although they have entered 2019 with lowered expectations for the year ahead*
- *Confidence, however, remains high on the back of a record year for grain and strength in the sheep sector*
- *Intensive livestock operations are feeling the pinch of high feed grain prices*

Western Australian farmers remain the most confident in the nation, although they are entering 2019 with lowered expectations following last year's bumper season, the latest Rabobank Rural Confidence Survey has found.

While the surge in WA rural confidence experienced last quarter – as the harvest kicked off – has tempered, farmer sentiment remains in positive territory with a quarter of the state's producers expecting conditions in the agricultural economy to improve in the coming year, down from 39 per cent with that view at the end of 2018.

More than half of the WA farmers surveyed (57 per cent) are anticipating similar conditions to last year, which had delivered solid returns for many in WA's ag sector, while 18 per cent indicated they were expecting the agricultural economy to worsen.

Rabobank regional manager for Western Australia Crawford Taylor said after such a positive end to 2018 for WA's agricultural sector, particularly for grain growers, it was understandable that farmers were entering 2019 with somewhat moderated expectations.

"For grain farmers, particularly in the northern agricultural zone, 2018 will be one of the most profitable years they have had," he said.

"Not only did they achieve above-average yields, but prices were exceptional. For those producers banking the proceeds, farm positions will have strengthened further with an increase in equity.

"We're already seeing that improved equity position stimulate further investment both within the farm boundaries and prices above what we've seen previously for land acquisition."

Mr Taylor said this strong appetite for investment had been captured in the previous survey, when nearly 40 per cent of farmers were looking to increase investment. "This quarter, farmers' investment intentions have eased somewhat, to 30 per cent, as most growers would not be expecting to be lucky enough to have a year that exceeded last year," he said.

This sentiment was reflected in grains sector confidence. While 60 per cent of WA grain growers surveyed were expecting agricultural economic conditions to remain stable, there were far fewer grain farmers anticipating further improvement, with 27 per cent now holding this view (down from 43 per cent last quarter).



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For the state's sheep producers, however, confidence levels were shown to be rising with 41 per cent of sheep graziers having an optimistic view on the year ahead (up from 39 per cent with that view in the previous quarter), while a further 52 per cent were expecting a similar year to last (37 per cent last quarter).

"Many sheep producers also had a decent season last year supported by above-average prices," Mr Taylor said.

"With domestic sheep numbers relatively low and expected to be so for most of the rest of the year, prices for sheepmeat and wool should remain fairly strong. And with a bit of luck season-wise it should be another good year for those in the industry."

Confidence eased in the WA beef sector this quarter, with 35 per cent of surveyed cattle producers anticipating deteriorating conditions, based primarily on their concern over drought and softening prices.

Mr Taylor said conditions in the north of the state were starting to be of concern.

"The Pilbara, Gascoyne and Murchison have had a long dry spell and we're hoping for a late rain. Things will start to get a lot tougher up there if there isn't any rain within the next month," he said.

For dairy producers, Mr Taylor said there is substantial pressure being felt due to the higher feed grain prices.

"Feed costs haven't been helpful at all for dairy and other intensive industries, such as pork and chicken, which are really finding it tight at the moment," he said.

In terms of farmers' investment intentions, this quarter it was sheep producers who indicated the strongest appetite to invest in their farm businesses, with 45 per cent of sheep graziers intending to increase their investment (up from 26 per cent last survey).

Across the agricultural sector, those planning to increase their investment were looking at on-farm infrastructure (67 per cent), new plant and machinery (48 per cent), property purchase (38 per cent), increasing livestock numbers (30 per cent) and adopting new technologies (25 per cent).

Mr Taylor said while adopting new technology is often lower in the list of farmers' investment plans, technology had been a key contributor in the success that many farmers experienced in 2018.

"The resilience of the farm sector in WA has come about through the adoption of leading farm practices," he said.

"We've seen this early adoption help to mitigate the variability we have been seeing recently in farm rainfall. It means that producers can stay in the game and even achieve record profits such as we saw last year despite a less-than-perfect 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 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 June 2019.

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