



Rabobank

Media Release
September 10, 2019

WA farm sector confidence rebounds following reprieve of early winter rains

Results at a glance:

- *WA farmer confidence improved after concern for the season eased, with late autumn break*
- *Sentiment improved across all sectors, but remains highest in beef and sheep*
- *Despite some seasonal challenges, 98 per cent of WA farmers consider their operations to be viable*

Western Australian farmer confidence has rebounded, with the state's primary producers buoyed by early winter rains, the latest quarterly Rabobank Rural Confidence Survey has shown.

The third-wettest June on record offered reprieve to many in the state's rural sector, following an exceedingly dry start to the year, which had seen farmer sentiment slump in the previous quarter.

However, despite parts of the state enjoying well in excess of 100 millimetres in June, many regions have still received below-average rain for the year so far.

Rabobank regional manager for Western Australia Steve Kelly said it had been a year of extremes, with one of the longest dry periods on record being followed by one of the wettest months in June.

"The June rainfall has definitely gone a long way in turning around the outlook, for grain in the region particularly," Mr Kelly said. "However, we had a 'dry July' with very little in the way of follow-up before some more decent rainfall came in August. So, while a lot of worry regarding the dry start had eased for grain growers, there is still concern about what sort of yield we're going to see this year."

Farmers would now be closely watching the warm, dry start to spring, Mr Kelly said, with unseasonably high temperatures forecast across many of the state's cropping regions this week, combined with low moisture levels in the ground.

The latest Rabobank survey, completed last month, found the number of WA farmers with a pessimistic outlook on the year ahead had declined considerably from the previous quarter – from 28 per cent to 18 per cent.

Those anticipating even better conditions in the agricultural economy increased to 23 per cent (from 20 per cent previously).

Mr Kelly said while June's rain had gone a long way towards easing anxiety, especially in the cropping regions, the lack of good follow-up rain since meant a soft spring finish was going to be important to ensure reasonable tonnes.

"With basically no moisture profile to speak of prior to June, the amount of canola planted has been greatly reduced," he said.



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“For wheat and barley, we’re entering a critical time now though and seasonal conditions over the next month or so will dictate what sort of year this turns out to be for the grains industry.”

The survey showed half as many grain farmers were now expecting worsening conditions over the coming year than had been in the previous survey – 22 per cent compared with 44 per cent last quarter.

In WA’s livestock commodities, sentiment was more positive, with 29 per cent of beef producers expecting an improved year (up from 14 per cent in the previous quarter) and 33 per cent of sheep graziers holding the same positive outlook (an increase from 22 per cent previously).

Mr Kelly said commodity prices, particularly for sheep producers, were a big driver of confidence this quarter.

Of those surveyed in the sheep industry who held a positive outlook for the year ahead, 86 per cent indicated improved commodity prices were a key reason for their optimism.

“RaboResearch is forecasting that sheepmeat prices – while declining as new season lambs come to market – will continue to remain strong in the medium-term,” Mr Kelly said.

Lower sheep numbers are also affecting wool supply, but it is demand that is impacting wool prices at the moment, he said.

“Volatility, uncertainty and generally softening economic conditions have seen buying activity decline and as a result wool prices have dropped dramatically through August. The Western Market Indicator has dropped more than 16 per cent since the beginning of August,” he said.

Across the commodities, the state of overseas markets was also highlighted as a key reason for optimism about the year ahead by WA farmers, cited by 34 per cent.

The survey showed the state’s primary producers felt generally secure about the future performance of their own farm businesses, with 27 per cent expecting an improved bottom-line over the coming 12 months and 46 per cent expecting the same financial return as last year.

Longer-term confidence also remained sound, reflected in the intention of WA primary producers to increase investment and reduce debt.

This quarter, 22 per cent of the state’s farmers were expecting to increase their investment levels over the next 12 months while an additional 73 per cent were looking to maintain investment in their farm businesses at current levels.

When looking at debt, over a third (36 per cent) of farmers were planning to reduce their exposure in the next year.

The state’s farm viability measure was also very high this quarter with 98 per cent of farmers surveyed describing their operations as viable.



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Mr Kelly said despite the challenging season, there was still plenty of capacity for WA producers to invest.

“Last year’s harvest repaired a lot of balance sheets and while the current seasonal uncertainty may have eased appetite slightly, there is still huge demand for any properties that come on to the market,” he said.

“Many more farmers now have the ability to invest, but property turnover continues to sit below average, so we’re seeing land prices at levels never seen before.”

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 and is a comprehensive monitor of outlook and sentiment in Australian rural industries. As 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 2019.

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