



COVID-19 dents WA farmer confidence

Results at a glance:

- *Confidence among WA farmers retreats from early-year highs*
- *The impact of COVID-19 global uncertainty behind drop in sentiment*
- *Local farm businesses still report strong viability.*
- *WA farmers report strongest appetite for new property purchase nationally*

Uncertainty surrounding COVID-19 is taking its toll on Western Australian farmers, diminishing early-year optimism despite good seasonal prospects, according to the latest quarterly Rabobank Rural Confidence Survey.

Overall, 22 per cent of WA's farmers expect improved prospects over the next 12 months, retreating from 31 per cent with that view last quarter, while the proportion expecting conditions to worsen doubled, from 12 per cent to 24 per cent.

Those forecasting conditions to stay the same remained firm at 49 per cent.

Increasing unease over commodity prices proved the strongest cause for concern, cited by 69 per cent of farmers as a reason agricultural economic conditions were likely to worsen, a significant increase from just 13 per cent last quarter.

Overseas market and global uncertainty were also behind 54 per cent of farmers' declining sentiment.

Confidence dropped across all sectors, falling particularly among WA sheep producers – with none of those surveyed expecting conditions to improve, and almost half expecting conditions to worsen.

Specifically questioned in this survey about the impact of COVID-19, just over half of WA producers reported a negative effect on their business.

Sheep producers were the most affected, with 61 per cent reporting they had been negatively impacted by COVID-19.

Rabobank regional manager for Western Australia, Steve Kelly said wool and lobster producers in the state were bearing the brunt of COVID-19 market disruption.

"The volatility of the export market into China and falling demand for textiles is causing angst among WA wool producers," he said.

Mr Kelly said sheep meat producers, on the other hand, had recently enjoyed one of their best seasons on record.

"Eastern Australian restockers sourcing sheep from Western Australia has resulted in prices elevated to record levels," he said.



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June 15, 2020

Sheep meat producers were able to take advantage of the unique set of circumstances driving prices, Mr Kelly said, with strong demand in a supply-constrained eastern Australian market after years of widespread drought.

However, this flurry of restocking was always destined to be short-lived, with prices expected to ease in the third quarter.

Confidence also eased back from early-year highs in the state's beef and grains sectors, however remained at positive levels, with 32 per cent of beef producers, and 31 per cent of grain growers still expecting conditions to improve.

Mr Kelly said overseas markets, in particular any inhibitors on trade into China, would have beef and grain producers wary.

"The domestic cattle market has maintained strong prices, and local pastoralists are also enjoying fair prices into Indonesia, yet a long, dry autumn in the north west and south has resulted in a shortage of feed on offer in some parts going into winter," he said.

With the threat of barley tariffs into China falling within the survey period, barley prices were the biggest concern for WA grain growers, second to rainfall, Mr Kelly said.

"Wheat prices remain firm, and while an unseasonably warm and dry autumn quashed hopes for a strong start to the season, rainfall in May across much of the wheatbelt has reignited prospects for an average season for most," he said.

The inability to source labour, particularly from backpackers – who were required to quarantine prior to employment – had caused worry within the industry prior to seeding, and uncertainty surrounding agricultural inputs was also cited as a concern this quarter.

Mr Kelly said while these issues had caused tension early in the pandemic, the WA supply chain had remained relatively unscathed through the season to date.

"These results suggest that many farmers initial concerns were based off looming fears and uncertainties surrounding COVID-19, of which, thankfully, many were not realised," he said.

Despite apprehensions, reported farm business viability remained extremely strong at 96 per cent.

While WA farmers revised down their expected gross farm incomes considerably, investment intentions – whilst lower than last quarter's figures – remained strong.

The survey found 20 per cent of WA farmers intended to increase their investment in the coming 12 months – down from 30 per cent in the previous survey – while 72 per cent intended to maintain current levels – up from 65 per cent.

Western Australia also continued to record the strongest appetite for new ag property purchase around the country, with 37 per cent of those intending to increase investment looking to buy property compared with the national average of 24 per cent.



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“Western Australian farmers are still in a really strong position – debt levels have been consolidated in recent years, interest rates are low, commodity prices are generally favourable and, apart from parts of the south coast, late-May rainfall has provided a start for grain growers,” Mr Kelly said.

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 September 2020.

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