



Rabobank

Media Release
March 16, 2020

WA farmers look to strong season ahead

Results at a glance:

- *A strong upswing in confidence amongst WA farmers.*
- *Robust commodity prices and seasonal conditions driving buoyant outlook*
- *Local farm businesses report strong viability, the success of the 2018 season still contributing to business strength despite a poorer result in 2019.*

While Western Australian rainfall tallies haven't been as impressive as their eastern counterparts, the latest quarterly Rabobank Rural Confidence Survey reveals the state's farmers are enjoying a strong increase in sentiment regardless.

Around one third of WA's farmers have an optimistic outlook on the year ahead, up almost double from last quarter's projections of just 16 per cent.

While 48 per cent expect conditions in the agricultural economy to remain the same as last year, the percentage of farmers expecting them to worsen was just 12 per cent, well down from last quarter's 35 per cent reading.

WA farmers have entered 2020 buoyed by the season but also the commodity price outlook, with seasonal conditions cited as reason for optimism by 58 per cent of those expecting conditions to improve (up from 38 per cent), whilst commodity prices were the driving factor for 47 per cent (up from 39 per cent).

Confidence was up strongly in all commodity sectors, particularly among beef and grain growers, with this optimism reflected across all surveyed regions in the state.

Rabobank regional manager for Western Australia, Steve Kelly, said that while rain across the state was not as widespread as in the eastern states, east coast rainfall and its positive impact on livestock prices was helping drive confidence.

"After last season's disappointing finish, with only two thirds of WA's average crop produced, the potential prospect of a better season and strong commodity prices has farmers buoyed," he said.

In the state's beef sector, 30 per cent of producers now expected conditions to improve, up from just 11 per cent last quarter. Likewise confidence also turned around in the sheep sector, with 30 per cent of sheep graziers expecting an improvement in conditions, up from 18 per cent in the previous survey.

Yet, as an export-market-dominated state, Mr Kelly said, the coronavirus was creating angst amongst some producers.

From a global perspective, he said, the low Australian dollar was providing optimism in the cropping sector, thanks to the opportunity to potentially boost export markets for local grain.



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Of the grain growers surveyed, 32 per cent now expected conditions to improve, up from 19 per cent last quarter, with the vast majority of these, 80 per cent, citing seasonal conditions for their renewed enthusiasm.

Sentiment had increased strongly in the Central Wheatbelt and Northern Wheatbelt, two regions Mr Kelly said had endured a dry, warm spring and a below-average season.

“Rainfall across the state has given farmers confidence that it can rain again, particularly in regions that missed out last year,” he said.

“Summer thunderstorm activity and Tropical Cyclone Damien provided renewed optimism regarding moisture profile for a winter crop and, with follow-up rain, will place the state in a promising position come planting.”

Sheep prices at local sales have also escalated off the back of eastern Australian rainfall, reflected by a strong swing in demand from eastern states graziers.

The survey, completed last month, found 30 per cent of WA sheep graziers expected an improvement in conditions for the year ahead, up from 18 per cent last quarter.

Investment appetite remains healthy across the state, with Western Australian farmers reporting the strongest reading for new property purchases in the nation, at 34 per cent compared to the national average of 20 per cent.

Farm business viability was also extremely strong, with 96 per cent of surveyed farmers reporting viability.

Mr Kelly said the strong viability sentiment was of little surprise, with low interest rates and east coast drought keeping commodity prices buoyant for local farmers over the past few years.

“Phenomenal results from the 2018 season are also still proving valuable, having strengthened balance sheets which provided a strong foundation for businesses to expand” he said.

Interest is still strong in the WA rural property market, exemplified by recent cropping property transactions.

“There is a significant amount of interest adding to the demand for land in WA, thus leading to a scarcity of property for sale,” he said.

This quarter, for the first time, farmers were also asked their thoughts on climate change and its potential impacts on their farm business over the next 10 years.

Concerns surrounding climate change were much higher in WA than other states, with 80 per cent of farmer’s surveyed expecting climate change to impact their business, of which 26 per cent expected it to be major.

Mr Kelly said farmers were no doubt conscious of climate change, given the sharp drop in grain production in 2019, from 14 million tonne in 2018 down to 10 million tonne, coupled with recent seasonal anomalies.



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“Increasingly hot days in spring are becoming a reminder of the risk. Likewise last year’s frosts severely impacted traditionally low risk frost areas, which was quite unusual,” he 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 June 2020.

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