



## **International market concerns see WA farmer confidence continue to slide**

### **Results at a glance:**

- *WA farmer confidence continues to retreat from early-year highs*
- *Concerns around the state of overseas markets/economies behind drop in sentiment*
- *Grain growers comparatively more positive about their prospects than other sectors*

**Western Australian farmer confidence has retreated to its lowest level since late 2019, with the uncertainty surrounding overseas markets and economies driving a downward slide in sentiment, the latest Rabobank Rural Confidence Survey has found.**

**Although slightly more than half of the state's farmers surveyed (53 per cent) expect little change in the agricultural economy in the coming 12 months, those with a pessimistic outlook had risen to 27 per cent (up from 24 per cent in the previous quarter). The number expecting improved prospects also declined – to 16 per cent (from 22 per cent).**

**Of those WA producers believing business conditions will worsen, more than half attributed their negative view to concerns over the state of overseas markets and economies.**

**COVID-19 was also taking its toll, cited by 40 per cent of surveyed farmers with a pessimistic outlook as a key reason they believed conditions would worsen – well up on 25 per cent with that concern last quarter.**

**Commodity price woes and dry seasonal conditions were also negatively impacting farmer sentiment in the state, however WA had received widespread, meaningful rain since the quarterly survey was completed last month.**

Rabobank regional manager for Western Australia, Steve Kelly said while this quarter's survey results did not reveal a dramatic downturn in sentiment, the gradual decline in optimism reflected a general feeling of unease across the agricultural sector, as geopolitics and uncertainty over international markets start to impact grower returns.

Despite the overall drop in WA rural sentiment, confidence remained relatively steady in the grains sector, with WA grain growers comparatively more positive than other farmers about their prospects this season.

Mr Kelly said while there had been a reduction in the number of WA grain producers reporting an optimistic outlook on the 12 months ahead (to 20 per cent from 31 per cent last quarter), fewer grain growers also expected conditions to deteriorate (11 per cent, down from 20 per cent). And the majority (64 per cent) expected little change to current conditions.

However, he said, widespread rain that had fallen in August significantly improved the potential for the 2020 crop, with the outcome dependent on "finishing" September rain.



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**September 7, 2020**

“Crops are generally well established, and this rain event in August resulted in most cropping regions receiving between 30 to 50 millimetres, which has been a game changer, and significantly lifted the season’s expectations,” he said.

“However, September is still the money month when it comes to WA crops, so any rainfall this month will determine the strength of the season.”

Significant price drops in barley and wheat this quarter had, he said, deflated croppers’ expectations – but the stronger yields expected after the August rain would now offset some of the price falls.

In the beef sector, confidence took a hit, with just 15 per cent of surveyed beef producers in WA expecting business conditions to improve – down from 32 per cent in the previous survey. Those expecting worsening conditions rose to 37 per cent (up from 25 per cent).

While the domestic cattle market had maintained strong prices, seasonal conditions had growers wary, Mr Kelly said, with the long dry autumn resulting in a shortage of feed on offer during winter, particularly in the south west.

“Feed pastures have struggled through July and in some areas of the south graziers have actually had to cart water,” Mr Kelly said. “But these producers are placed in a much better position going into spring thanks to recent generous falls of well over 50 millimetres across the south.”

It was a similar story for WA’s sheep graziers, with confidence on-par with their beef counterparts, despite plummeting prices for wool and sheep meat.

While Mr Kelly said the decreased demand for textiles had left wool vulnerable during COVID-19 and reduced Australian wool prices, sheep meat producers had enjoyed strong prices during 2020, although these had now dropped significantly.

“Sheep meat producers had enjoyed an exceptional run thanks to east coast restockers sourcing sheep from Western Australia, however that flurry of demand is now over, and prices have fallen below the five-year average,” he said.

Regionally, Mr Kelly said confidence was down considerably across the Northern Wheatbelt, with almost half surveyed producers in the area expecting business conditions to worsen in the coming year – more than double the amount with that view last quarter.

Confidence also took a knock in the South West corner, with 33 per cent of the local farmers surveyed holding a pessimistic outlook (from 23 per cent), while farmers in the Central Wheatbelt remained firm, with over half – 56 per cent – believing conditions in the agricultural economy would remain similar to last year.

While commodity prices and seasonal concerns were causing farmers angst in these regions, Mr Kelly said the looming harvest, and the ability to source the required workforce, was also adding pressure.



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“With a late October harvest scheduled, farms are now looking to build their harvest workforce, and with border closures and dwindling itinerate workers, it is a concern for some grain growers,” he said.

Mr Kelly said supply chains, however for now, were still moving in the most part across WA, with agricultural parts and services still largely available.

And with all districts having received post-survey rain, he said seasonal concerns would now focus on finishing spring rainfall. “The recent rain event was widespread and timely, and those really dry regions, such as the South Coast, seemed to pick up the heaviest falls, improving the season’s prospect,” he said.

The survey found the subdued confidence levels had done little to dent investment appetite in the WA rural sector, with 21 per cent of the state’s producers looking to increase investment, and 66 per cent planning on maintaining investment at current levels.

“Larger farm businesses with an income of over one million dollars were the keenest to expand, with 34 per cent of these larger operators looking to increase investment,” Mr Kelly said.

With one third of this spending pegged for property acquisitions, Mr Kelly said it proved that, despite COVID-19 uncertainty and geopolitical concerns, WA agricultural land was still a very attractive investment.

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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To arrange an interview with Steve Kelly, Rabobank regional manager Western Australia, or for more information on Rabobank’s Rural Confidence Survey, please contact:

Denise Shaw  
Head of Media Relations  
Rabobank Australia & New Zealand  
Phone: 02 8115 2744 or 0439 603 525  
Email: [denise.shaw@rabobank.com](mailto:denise.shaw@rabobank.com)

Georgina Poole  
Media Relations Manager  
Rabobank Australia & New Zealand  
Phone: 0418 216 103  
Email: [georgina.poole@rabobank.com](mailto:georgina.poole@rabobank.com)