



Rabobank

Media Release

March 15, 2021

WA farmer confidence hits five-year high

Results at a glance:

- *WA ag sector confidence hits five-year high as farmers capitalise on good returns*
- *Grain growers particularly bullish, with more than half expecting incomes to rise further in 2021*
- *Prevailing optimism fuels near-record investment in the sector*

Confidence among Western Australian farmers is at a five-year high as the state's agricultural sector looks to capitalise on last year's good returns and ongoing strength in commodity markets, the latest quarterly Rabobank Rural Confidence Survey has found.

Nine out of 10 farmers across the state say they expect business conditions to improve or remain similar to last year. This optimistic outlook – along with low interest rates and capital gains – is fuelling near-record investment in the sector.

The survey, completed last month, found 40 per cent of the state's farmers expect conditions in the agricultural economy to improve over the next 12 months – up from 26 per cent with that view three months ago.

More than half of those surveyed expect similar conditions to last year and just six per cent expect a deterioration.

Confidence was up strongly across most commodity sectors, particularly grains, with optimism reflected across all surveyed regions in the state.

Rabobank regional manager for Western Australia Steve Kelly said the ability of the grains sector to generate such good returns in the 2020 season – despite receiving below-average rainfall – demonstrated the strong productivity gains farmers had been able to achieve.

“Getting such a big crop off without a lot of moisture really shows the uptake of new and improved technologies in terms of grain varieties, precision planting, harvesting capability, soil amelioration and spraying techniques,” he said.

“Coupled with wheat and canola prices in the top decile throughout the year, 2020 ended up being a really successful year for most growers.”

Recent March rains had also given farmers a boost for the year ahead, he said, with good subsoil moisture in hand.

With farmers hoping for another good year, close to two thirds of WA grain growers (64 per cent, up from 39 per cent in the December quarter) are expecting business conditions to improve, while the remaining third (33 per cent) anticipate similar conditions to last year.



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Mr Kelly said it was not just grain growers positive about the year ahead, but also sheep and beef producers as their balance sheets have been bolstered by record sheep, lamb and beef prices.

The number of sheep producers expecting conditions to improve in the coming 12 months more than doubled to 40 per cent (from 19 per cent in the previous survey), while 35 per cent of the state's beef producers were also optimistic about their prospects (in line with last quarter's 38 per cent).

"The sheep outlook remains positive," Mr Kelly said. "With the lowest national flock size in decades, we saw record numbers of sheep heading east last year as their flock-rebuilding efforts continued."

Mr Kelly said the wool price had lifted from last year's low and this was also buoying confidence in the state's sheep sector.

Meanwhile beef prices continue to reach new heights, he said, "with prices for steers and heifers at levels never seen before".

"It is really the ideal scenario for the state's beef producers as significant re-stocker pressure from the east coast – at a time when the national herd is so far down – continues to push up the market."

Mr Kelly said live cattle were also continuing to generate strong returns and the season had "broken in a big way" for producers in the West Pilbara.

"Most of the region recorded more than 100 millimetres, with some receiving upwards of 300 millimetres, which saw the Gascoyne river peak at 7.1 metres," he said.

In line with the positive sentiment prevailing across the state's ag sector, WA farmers were overall more optimistic about their incomes over the coming year, with around 35 per cent (up slightly from 34 per cent) expecting a higher gross farm income in 2021 and just 10 per cent anticipating their incomes to be down on last year (a significant turnaround from 29 per cent with that view three months ago). Around half (53 per cent) were looking at a similar financial result to last year.

Grain growers, in particular, were expecting another strong year of returns, with 54 per cent expecting an increase in farm business income – up from 46 per cent in the December quarter.

The survey found WA farmers' investment intentions were now at the second-highest level in the survey's 20-year history, reaching levels not seen since early 2008.

Mr Kelly said the "combination of a fantastic 2020 and the prospect of another good year with above-average commodity prices" was underpinning significant investment in the sector, with 38 per cent of surveyed farmers in the state looking to increase investment in their business over the coming 12 months (up from 28 per cent in the previous survey). A further 58 per cent were intending to maintain investment at current levels.

Of those looking to increase investment, three quarters (76 per cent) intend to invest in on-farm infrastructure (such as fences, yards and silos), 63 per cent in new



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plant/machinery, 46 per cent in irrigation/water infrastructure and 39 per cent in property purchase.

“The upgrades to plant and machinery have been significant in the last couple of years and that momentum looks set to continue as farmers continue to invest in new and improved technologies,” Mr Kelly said.

But it is the significant increase in land values over the past 18 months that has really been apparent, he said.

“We are seeing significant attendance at property auctions across the state and anything going up for tender has been very strongly contested,” he said.

“While this has been aided by low interest rates and good seasons, values have also remained firm due to limited supply of farm listings for sale, while corporate buyers are putting a floor in the market and creating competitive pressure for farming families to expand.”

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 2021.

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