



WA farm sector confidence bounces back – buoyed by strong commodity prices and international opportunities

Results at a glance:

- *WA rural confidence rebounded in the second quarter, and is now back in positive territory with more farmers positive than negative about the 12 months ahead*
- *Rising commodity prices and international market opportunities are the main reasons for the optimistic view*
- *WA farmer investment intentions are also up, with the state's farmers having the strongest appetite to buy new property in the nation*
- *Impacts of Ukraine conflict on local farm sector shown to be mixed*

Western Australian farmer confidence has staged a bounce back in the second quarter of the year, as the state's farmers look forward to high commodity prices and international market opportunities in the year ahead, the latest Rabobank Rural Confidence Survey has found.

Appetite to invest in their farm businesses has also increased, with WA farmers holding the strongest intentions in the nation to purchase new property to expand their operations.

Overall, WA net rural confidence rebounded into positive territory this quarter – with more of the state's farmers reporting an optimistic view of the 12 months ahead than those who are pessimistic. This follows two consecutive quarters of declining confidence among WA agricultural producers, primarily driven by concerns about rising input costs and access to farm labour.

The number of WA farmers expecting agribusiness conditions to improve in the coming 12 months increased to 26 per cent, (up from 18 per cent last quarter), while those expecting conditions to worsen decreased to 15 per cent (from 30 per cent previously).

The majority (56 per cent) expect conditions in the agricultural economy to remain stable.

Rabobank regional manager for Western Australia, Steve Kelly said the recovery in farmer sentiment was also reflecting "another very good start" to the WA cropping season.

"Significant rain in late March in many cropping regions with some follow-up rain has seen the state's grain growers beginning the season with an optimistic outlook," he said.

"In the main, we have enjoyed an excellent start to the 2022 season, where we have seen all the benefits of reasonable rainfall without the negative effects of frontal winds, and this has given grain growers plenty of time to prepare for the season ahead. With the early break to the season, growers have had the opportunity to manage weeds.



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“Though while there has been adequate soil moisture to date, in some areas there are relatively advanced crops which require further moisture in the profile.”

Importantly, Mr Kelly said, “this great start to the season has given grain growers the confidence to be able to take advantage of forward selling at historically-high prices because the crops are up and away”.

Of those WA farmers with an optimistic outlook on the coming 12 months, expectations of continuing strong commodity prices (cited by 82 per cent) and factors relating to positive international market opportunities were the main drivers of confidence.

For those who expected business conditions in WA’s agricultural sector to deteriorate, the overriding concern was high input prices, nominated by 92 per cent.

This quarter, farmers were specifically asked their views about the impacts of the war in Ukraine on local agribusiness, with 27 per cent of WA respondents believing the conflict would have a negative impact on their farming businesses. Of these, 73 per cent cited increased costs for fertiliser, freight, commodities and inputs, while 43 per cent nominated fuel prices.

A total of 48 per cent though believed there would be some positive market impacts, primarily in maintaining high commodity prices and in increasing demand for agricultural produce, due to Black Sea supply disruptions.

In line with the rebound in overall confidence this quarter, WA farmers were also optimistic about their income expectations for the year ahead. More than a third (36 per cent) are expecting higher returns (up from 21 per cent last quarter), while 48 per cent expect their incomes to remain stable. Just 13 per cent were concerned their incomes would decline (compared with 38 per cent previously).

WA’s grain sector was most bullish when it came to income expectations, buoyed by optimism about commodity prices, while mixed beef and sheep operations had the highest overall confidence when it came to the outlook for the agricultural economy in the 12 months ahead.

Mr Kelly said 95 per cent of WA beef producers indicated they were expecting agribusiness conditions to improve or remain the same in the year ahead. All those expecting conditions to get even better cited commodity prices as the reason for their positive outlook.

Mr Kelly said the beef market continues to be “super strong” and recent rainfalls through the western Pilbara that have delayed the start of mustering will still be welcomed by beef producers.

“Further south, for the pasture-based beef producers, the early rain and warm weather through autumn has set producers up well for the year ahead,” he said.

Similarly, sentiment among the state’s sheep producers continues to be strong, with 73 per cent (previously 70 per cent) of those in the sector surveyed expecting conditions to improve or remain the same.



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“For those sheep producers feeding sheep, though, the rising grain prices will be adding costs to their business,” Mr Kelly said, “and those producers will be keeping a close eye on their gross margins.”

Mr Kelly said farmers’ improved confidence levels were translating into an increased appetite to invest in their businesses.

The latest survey, completed last month, found 91 per cent of the state’s farmers were planning to increase or maintain current levels of business investment in the coming 12 months. This was up from 88 per cent last quarter.

Of those farmers planning to increase investment, 66 per cent intend to spend on new machinery, 56 per cent are looking to upgrade infrastructure (fences, yards, sheds and silos) and 46 per cent to purchase property to expand their farming operation.

This is the strongest appetite for property purchase in the nation.

However, there are some challenges when it comes to investing, Mr Kelly said.

“WA farmers continue to struggle to source new equipment and machinery as long delays continue to plague global supply chains,” he said.

“And those farmers looking to expand through the purchase of additional farming land face the challenge of a very tight rural property market, with limited supply. We are not expecting to see a significant change in Western Australia’s rural property availability until the spring selling season.”

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 2022.

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