



Rabobank

Media Release  
December 14, 2022

## **High input costs take shine off second bumper harvest, keeping lid on WA farmer sentiment**

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

- *WA farmers cautious about the year ahead despite the state expecting another record harvest*
- *High input costs and prospect of falling commodity prices chief reasons for the outlook*
- *Investment intentions, however, remain robust with 95 per cent of farmers intending to increase or maintain their business investment*

As WA grain growers head towards delivering a second consecutive record winter grain crop, high input costs are keeping a lid on confidence levels among the state's farmers, the latest quarterly Rabobank Rural Confidence Survey has shown.

The survey has found confidence within Western Australia's farming sector remains constrained this quarter, with high farm input costs and the prospect of easing commodity prices the chief concerns.

Completed last month, the Q4 survey found only one-in-10 farmers were looking forward to improved prospects in the coming 12 months, which remains unchanged from last quarter. Those farmers expecting farm business conditions to remain the same is also unchanged from the September survey at 47 per cent, while the number of farmers with a pessimistic outlook sits at 38 per cent (down slightly from 40 per cent last quarter).

Rabobank regional manager for Western Australia, Steve Kelly said the flat sentiment is not surprising as farmers are concerned about inflation and its potential impact on their farming businesses.

"Fertiliser costs have more than doubled, and there have been significant increases to chemical and fuel prices. There is also a level of angst within the Western Australian farming sector surrounding interest rate rises, high land values and elevated machinery prices," he said.

However, the inflationary outlook has done little to reduce WA farmers' taste for growing their enterprises. Investment intentions remain robust, with 95 per cent of farmers intending to increase or maintain their investment (up from 84 per cent last quarter). This quarter, 30 per cent of WA farmers are expecting to increase their total investment (up from 22 per cent), with only five per cent expecting to decrease (down from 14 per cent).

As the state's grain growers progress the harvest, expectations are that WA will likely produce more than 24 million metric tonnes of winter grain, passing last year's record-breaking crop.

Mr Kelly said as harvest continues despite some disruptions due to wet weather in southern areas, grain growers across the state are seeing significant results.



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“While harvest is progressing slower than previous years, above-average yields are being recorded from the northern through to southern grain-growing areas,” he said.

Mr Kelly said there were, though, isolated areas of the state that have been impacted by hail storms or suffered water damage to crops where overall grain quality would be reduced.

The survey found grain growers are particularly concerned about the impact of high input costs – with 89 per cent of grain farmers who expect farm business conditions to decline citing input costs as a key reason. Labour shortage challenges were also a worry for those grain growers.

For the state’s beef producers – just over half (at 51 per cent) believe agribusiness conditions will remain the same in the coming 12 months – this is similar to sentiment expressed last quarter (52 per cent). No WA beef producers surveyed were expecting business conditions to improve and 34 per cent were anticipating a decline (previously 26 per cent).

Mr Kelly said generally WA beef producers had enjoyed another year of good seasonal conditions and were wrapping up the season and finishing mustering in the north of the state. The survey showed high input costs were the main cause for those in the beef sector with a pessimistic view on the year ahead.

Sheep producers in WA have a less optimistic outlook – this quarter over half (51 per cent), believe farm business conditions will decline in the year ahead (up from 45 per cent in the previous quarter). High input costs, deteriorating commodity prices and interest rate rises were all listed as reasons for concern by sheep producers expecting the agricultural economy to decline.

Mr Kelly said a lack of access to livestock-processing facilities in the state has been a concern for sheep and beef producers in recent months.

This quarter, exactly half of the state’s farmers expect gross farm income to remain the same in the year ahead – up from 43 per cent last quarter. The number of farmers expecting an increase in gross farm income remains unchanged at 19 per cent while 28 per cent believe their incomes will decline (down from 34 per cent in the September quarter).

The latest survey found WA farmers’ appetite to increase investment in their businesses increased this quarter – with 30 per cent now planning to lift investment levels, compared to 22 per cent last quarter. Of those farmers planning to increase their investment, 56 per cent, intended to purchase additional agricultural land (up from 43 per cent last quarter).

Mr Kelly said there continues to be “strong interest” in purchasing agricultural land and the property market is not slowing down, however, the number of potential buyers is reduced from numbers witnessed earlier this year.

The survey showed there was also an increased appetite among those WA farmers planning to spend more on their enterprises over the next 12 months to spend on on-farm infrastructure (fences, yards, silos and sheds), machinery and plant.



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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 March 2023.

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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)

Will Banks  
Media Relations Manager  
Rabobank Australia  
Phone: 0418 216 103  
Email: [will.banks@rabobank.com](mailto:will.banks@rabobank.com)