



Rabobank

**Media Release**  
**September 13, 2022**

## ***Dip in WA farmer confidence as input costs and commodity price concerns take edge off 'stellar' season'***

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

- *WA farmer confidence declines in latest quarter*
- *High input costs and prospect of falling commodity prices main reasons for downturn in sentiment*
- *Nationally, WA has the highest net proportion of farmers who expect their gross farm income will fall over the next 12 months*
- *However, WA farmers' appetite for purchasing land remains the highest in the country*

Concerns about high operating costs and lower agricultural commodity prices have taken the edge off what's otherwise shaping up to be another stellar season for the state's farmers, the latest quarterly Rabobank Rural Confidence Survey has shown.

The survey has found confidence within Western Australia's agricultural sector took a dip in the latest quarter, with high farm input costs and the prospect of easing commodity prices the chief concerns.

This is despite the state experiencing excellent seasonal conditions, with a strong production outlook and expectations that WA will produce near to 21 million metric tonnes of winter grain in the coming harvest, the second highest on record following last year's 24 million metric tonnes.

The survey, completed last month, found only one-in-10 farmers were now looking forward to improved prospects in the coming 12 months, down from one-in-four with that view last quarter.

Nationally, WA also reported the highest net proportion of farmers who expect their gross farm income will fall over the coming year, with 34 per cent expecting their incomes to be lower (compared with 13 per cent last quarter) and 19 per cent anticipating higher incomes (down from 36 per cent previously).

The decline in confidence and lowered income expectations had done little to diminish WA farmers' appetite for expansion, however, with the state reporting the strongest intentions to purchase land in the coming 12 months than anywhere else in the country.

Overall, the latest survey found 40 per cent of the state's farmers expected business conditions to deteriorate in the year ahead (up from 15 per cent last quarter). Just nine per cent were expecting improved conditions (down from 26 per cent), while 47 per cent had a stable outlook.

Rabobank regional manager for Western Australia, Steve Kelly said the easing in sentiment is not surprising as farmers are concerned about falling commodity prices and ongoing input cost uncertainty being driven by geopolitical events and inflation.



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For those WA farmers with a negative outlook on the 12 months ahead, the chief concerns were high input costs (cited by 60 per cent) and falling commodity prices (56 per cent).

The heightened threat of foot and mouth disease (FMD) was also an issue for 25 per cent, though this was found to be less of a concern in Western Australia than in all other states, except Tasmania.

While international factors and, to a lesser degree, biosecurity concerns are driving the decline in confidence this survey, Mr Kelly said, locally, Western Australia is enjoying another “excellent season”, particularly for the cropping sector, and growers are expecting very high levels of production.

“WA grain growers are looking set for their second-best cropping season ever – with production well-above average – following on from the bumper harvest in 2021,” he said.

Though while the crop outlook is positive, Mr Kelly said there had been challenges this season. “Some areas experienced a dry start to winter, which affected the early vigour of crops. In addition, some farmers had a reduced nitrogen application, while farmers on the south coast in particular have experienced water logging in paddocks, which will affect yield,” he said.

Farmers operating in the Central Wheat Belt are the most optimistic in the state, with 59 per cent expecting agribusiness conditions to improve or remain the same in the next 12 months.

Mr Kelly said 67 per cent of WA beef producers indicated they were expecting agribusiness conditions to improve or remain the same in the year ahead (down from 95 per cent previously). Of those in the beef sector expecting business conditions to decline (26 per cent), rising inputs, falling commodity prices and the heightened risk of foot and mouth disease were the primary concerns.

Mr Kelly said the local beef market continues to be strong despite some recent price corrections. “Cattle prices have hit incredible highs in recent years and, while they have eased, prices remain historically high,” he said.

Similarly, sentiment among the state’s sheep producers has also eased, with none expecting business conditions to improve and 45 per cent anticipating a decline. Of the remainder, 45 per cent had a stable outlook on the 12 months ahead, while 10 per cent were unsure.

“WA sheep producers are facing the challenge of securing abattoir space, as the processing sector battles with labour shortages due to COVID,” Mr Kelly said, “and this reduced capacity has created a back-log of sheep in the supply chain.”

Mr Kelly said the livestock export season recommencing soon will hopefully take some pressure out of the sheep sector.

“In terms of production, the positive seasonal conditions have meant there has been a very good lambing this year,” he said.



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This quarter, all survey respondents were specifically asked their views about the potential impacts of biosecurity risks on the Australian agribusiness sector, with 70 per cent of Western Australian farmers indicating they were extremely concerned about the risk of FMD.

Other biosecurity risks were also a concern – with WA farmers worried about the impacts of Varroa Mite, Lumpy Skin Disease and Japanese Encephalitis.

The majority of the state's farmers, however, are confident in the sector's ability to manage a biosecurity threat – with 70 per cent indicating they were either extremely confident, very confident or confident.

The latest survey found, in line with reduced income expectations, WA farmers' investment intentions had also eased. A total of 85 per cent of the state's farmers were still planning to increase or maintain current levels of business investment in the coming 12 months, but this was down from 91 per cent in the previous quarter.

Of those farmers planning to increase investment in their businesses in the year ahead, 51 per cent intend to spend on new machinery, 62 per cent are looking to upgrade infrastructure (fences, yards, sheds and silos) and 43 per cent to purchase property to expand their farming operation.

Interest in business expansion remains relatively stable among the state's farmers and is the strongest appetite for property purchase in the nation. Last survey, 46 per cent of WA farmers who were planning to increase their business spending were looking to purchase land.

The agricultural property market continues to be "hotly contested", but there are some challenges, Mr Kelly said.

"Land values are holding high, however over the last couple of months, there are less applications when farms do come on the market," he said. "Farmers are considering interest rates and the relativity between input costs and forecast commodity prices when considering property purchases.

"And those farmers thinking about expansion through the purchase of additional farming land face the challenge of a tight rural labour market in WA. Finding staff to work in farming businesses has improved, however is an ongoing concern. Farmers are innovating and developing strategies to manage with a smaller workforce. Access to labour is definitely part of the conversation farmers are having when they are considering expanding."

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 December 2022.



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