



**Rabobank**

*Media Release  
December 13, 2023*

## ***Lower commodity prices and concerns about government intervention see continued decline in WA farmer confidence***

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

- *WA farmer confidence continues downward trend.*
- *Falling commodity prices are now the leading cause of pessimism.*
- *Concerns about government intervention/policies also key factor driving negative outlook.*

**Farmer confidence in Western Australia has declined again this quarter, on the back of softer commodity prices, mixed seasonal conditions and continuing uncertainty about the future of the live export market.**

**The Q4 Rabobank Rural Confidence Survey, released today, found a further net decline in WA farmer sentiment following falls seen in the previous two quarters.**

**There was an uptick in the number of positive farmers, with seven per cent now anticipating the agricultural economy will improve in the next 12 months, up from just four per cent in the previous quarter.**

**But that was more than offset by an increase in the number of the state's producers taking a bearish outlook on the agricultural economy in the coming year – with two thirds fearing conditions will worsen (66 per cent, an increase from 57 per cent with that view in the previous quarter).**

**This reflects a shift away from the expectation of 'status quo', with only 22 per cent of farmers expecting conditions to say the same, a drop from 39 per cent in the previous quarter.**

**But while the latest survey, completed last month, saw rural confidence in the state reach the second lowest level since September 2006, Rabobank regional manager for WA, Steve Kelly, said current drivers are very different.**

*"Last time we saw confidence fall to – and past – this level was during the drought of 2006/07, when WA's farming industry went through one of its toughest periods," Mr Kelly said.*

*"This time around, lowered confidence is the realistic response to the market and seasonal conditions experienced in 2023 after a record two years prior.*

*"We've had two cracking seasons in WA, but a drier and warmer end to the 2023 growing season, paired with a period of low cattle, sheep and wool prices plus rising interest rates, has put downward pressure on confidence."*

**Lower commodity prices, driven by the livestock sector, jumped to the top of farmers' concerns about the agricultural economy worsening – cited by 63 per cent of those WA respondents with a negative outlook on the year ahead (compared with 37 per cent in the previous survey).**



Mr Kelly said there was more optimism around prices in the grains sector on the back of buoyant wheat and barley prices, although canola prices have softened since August.

### **Live export**

“While commodity prices and the season were consistently a concern nationally, the situation in WA is unique as our sheep producers also place significant weighting on the uncertainty facing the live export market,” Mr Kelly said.

“This continues to be a main topic of conversation, so it’s not surprising that government intervention/policies remain a reason for half of WA farmers expecting the agricultural economy to worsen over the next year.

“The live export issue is complex and sheep producers’ concerns about market stability are also captured where they listed government interventions/policies as well as overseas markets/economies as factors for the agricultural economy worsening.”

Half of WA producers who are anticipating the agricultural economy to worsen in the next 12 months listed government intervention/policies as a key driver of their pessimistic outlook (unchanged) and 23 per cent listed live export (was 22 per cent in the previous quarter).

Mr Kelly said sheep producers were experiencing some reprieve from recent processor bottlenecks, as well as positive signals from the sheepmeat and wool markets. WA trade lamb prices jumped 49 per cent between early October and early December.

“However, market uncertainty and reduced income has rocked confidence in the WA sheep industry and some producers are considering revising their flock structure. As a result, there is reduced investment into livestock and infrastructure,” he said.

Confidence in WA’s beef sector improved since last quarter, lifting from a net reading of -73 per cent to -26 per cent, driven by the increase from zero to 20 per cent of beef producers who believe the economy will improve.

“Fortunately, significant rain on the east coast in late November seems to have stopped the price slide in the beef cattle market which will provide some optimism for WA producers as local prices have increased marginally,” Mr Kelly said.

“Cattle producers in WA are looking forward to the next rainfall event.”

WA grain farmers’ concerns around the dry weather decreased slightly this quarter, with 21 per cent of growers citing this as a reason they expect conditions will worsen, down from 23 per cent.

“However, the timing of the survey captured seasonal sentiment coming into harvest. After two record grain harvests in a row, this year farmers have been presented with a very mixed season,” Mr Kelly said.

“Northern Wheatbelt growers came into harvest expecting less-than-average yields and this has been the reality, underpinning lowered confidence there.



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“The southern and central cropping area experienced a mixed bag, with some regions experiencing a better-than-average season while elsewhere, the harvest result has not met expectation.

“Overall, this has eroded confidence and reduced income for this season, and we’re seeing reduced investment intention and likely to see more finance applications for working capital in the 2024 season.”

### **Investment**

There were several changes seen in WA farmers’ investment intentions this survey. Although a small portion expect their total investment in their farm business to increase (14 per cent, up from 10 per cent), there was a greater shift in those planning to decrease spending (35 per cent, up from 23 per cent).

The areas of investment also changed. Of those who expect to increase their investment, new plant/machinery will still be the focus for just over half (51 per cent, a marginal shift from 53 per cent), followed by adopting new technologies (47 per cent, was 37 per cent) and irrigation/water infrastructure (45 per cent, up from 33 per cent).

Of this group of farmers though, there was a big drop in plans to spend on on-farm infrastructure (31 per cent, back from 96 per cent last quarter), as well as increasing labour (43 per cent, was 76 per cent) and education (31 per cent, was 66 per cent).

The economic factors driving sentiment – including reduced farm-gate prices – will see more WA farmers increase their borrowings, according to the survey. Only 12 per cent expect borrowings to decrease (down from 24 per cent) while 40 per cent plan on increasing levels of farm-related debt, a jump from 19 per cent last quarter.

Without the cashflow of previous years, more WA farmers will use new borrowings for working capital – planned by 56 per cent of those intending to increase their debt (up from 41 per cent).

Slightly fewer of the state’s farmers appear to be looking to buy land – with six per cent of those increasing their borrowing planning to purchase property, back from seven per cent in quarter three.

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 2024.

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