



Rabobank

Media Release
March 16, 2023

WA bucks national trend, with confidence up in state's farm sector

Results at a glance:

- *WA, along with Tasmania, are only states reporting increased farmer confidence this quarter.*
- *Still-strong commodity prices are a key factor driving positive sentiment, but concerns about prices easing are also fuelling concerns about the year ahead.*
- *Inflation and dry seasonal conditions emerge as a growing concern.*

Western Australia's second consecutive record-breaking winter grain crop – delivered over recent months – has seen the state's farmers look to the year ahead with increasing optimism.

WA, along with Tasmania, were the only states in Australia to buck the national trend, recording improved farmer confidence levels in the Q1 Rabobank Rural Confidence Survey, released today.

Nationally, the survey found sentiment in Australia's agricultural sector had dropped to its lowest level in more than four years as farmers reported concerns about softening commodity prices, higher interest rates and the return of dry conditions.

For WA, the latest survey found 13 per cent of the state's farmers are expecting conditions in the agricultural economy to improve in the coming 12 months (up from nine per cent with that view last quarter), while 53 per cent expect the current economic conditions to be maintained. And, although 34 per cent of WA farmers surveyed anticipate business conditions to worsen in the coming 12 months, this was an improvement on 38 per cent last survey.

For those WA producers with an optimistic view of the year ahead, still-strong commodity prices were a key driver of their positive outlook (for 50 per cent), along with positive overseas markets and economies and lowering input prices.

Concerns about commodity prices falling though also factored into the outlook for the state's farmers who expected conditions to decline in the 12 months ahead, cited by 70 per cent (up from 25 per cent last quarter).

This quarter, inflation and dry seasonal conditions also emerged as a concern – nominated, respectively, by 19 per cent and 15 per cent of those farmers with a pessimistic view. Neither had rated a mention in the previous quarter. 'Too much rain' was also a concern for 18 per cent.

The survey, completed last month, found WA farmers were somewhat less concerned about high input costs this quarter – identified as a worry for 64 per cent expecting conditions in the agricultural economy to decline (compared with 79 per cent previously). And the number of farmers concerned about finding and retaining staff/labour was also slightly down.



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Rabobank regional manager for Western Australia, Steve Kelly said the lift in agricultural sector sentiment reflects the positivity generated by WA grain growers harvesting and delivering the state's second consecutive record-breaking winter grain crop, which was "a significant achievement".

"The state's grain growers faced some challenges in 2022 – dealing with high input costs, staff shortages and lengthy machinery delivery delays – to produce a bumper crop for a second time. And this demonstrates the resilience of our farmers," he said.

Mr Kelly said as WA grain growers look to the year ahead, costs for fertilisers, chemicals and fuel continue to be a challenge.

The survey found the state's grain farmers were particularly concerned about the impact of high input costs. Easing commodity prices and labour shortage challenges were also a worry for the grain sector.

For the state's beef producers – just under half surveyed believe agribusiness conditions will remain the same in the coming 12 months – similar to last quarter.

Mr Kelly said northern WA beef producers have generally experienced fair seasonal conditions, with the Kimberley being an exception with widespread flooding in January.

The survey showed easing commodity prices were the main cause for pessimism for those in the beef sector with a less bullish view on the year ahead.

Sheep producers in WA were found to hold a more optimistic outlook this quarter. However, concerns about high input costs, declining commodity prices, inflation and international economies were all listed as causes for concern by sheep producers.

Mr Kelly said a lack of access to livestock-processing facilities in WA continues to be a major issue for the state's sheep producers.

This survey found the number of WA farmers expecting an increase in gross farm income in the coming year increased to 28 per cent (up from 19 per cent in the December quarter) while 30 per cent believe their incomes will decline. A total of 42 per cent expected incomes to remain the same.

The latest survey found WA farmers' appetite to increase investment in their businesses declined slightly this quarter – with 29 per cent expecting to lift investment levels (compared with 30 per cent last quarter) and 14 per cent planning to curb investment spending (up from just five per cent).

Of those WA producers planning to increase their business investment, 41 per cent intended to purchase additional agricultural land (down from 56 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, availability of land is a challenge for WA farmers looking to expand their business.

"'Blue chip' properties always sell well, but the demand is so strong, second-tier properties are also selling quickly at present," he said.



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The survey showed there was also an increased appetite among those WA farmers planning to invest more in their enterprises to spend on on-farm infrastructure – fences, yards, silos and sheds –and machinery and plant.

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 2023.

Rabobank Australia & New Zealand is a part of the global Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 120 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 38 countries, servicing the needs of approximately 8.4 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading agricultural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 90 branches throughout Australia and New Zealand.

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