



Rabobank

Media Release
September 13, 2023

WA farmer confidence takes another hit

Results at a glance:

- *WA farmer confidence has continued on a downward trend.*
- *Concerns around government policies are now the leading cause for pessimism.*
- *Eroded confidence contributes to a softening of investment intentions among farmers.*

Western Australian farmers are feeling the pinch of policies, markets and seasonal conditions, with rural sentiment falling further into negative territory.

The latest quarterly Rabobank Rural Confidence Survey, released today, saw WA farm confidence reach the lowest level since September 2006.

Net confidence dropped from -44 per cent last quarter to -53 per cent, with only four per cent of the state's farmers expecting agricultural economic conditions to improve over the next 12 months and 57 per cent expecting them to worsen. A total of 39 per cent expected conditions in the agricultural economy to remain the same.

Unlike other states – where falling commodity prices consistently topped the list of concerns – government intervention/policies was the leading factor for half of WA farmers who expect the agricultural economy to worsen in the coming year (up from 34 per cent with that concern in the previous quarter).

Falling commodity prices were also a significant driver of pessimism for these farmers (cited by 37 per cent), though less of a concern than last quarter (when 46 per cent had that concern).

Drought, however, emerged as a growing worry – nominated by 23 per cent of farmers with a negative outlook on the year ahead, up significantly from the nine per cent with that view in the previous quarter.

However, there was relief around rising interest rates. While nearly a quarter listed interest rates as a key reason for their negative outlook in the previous survey, this was down to only five per cent in the latest survey.

Interestingly, although WA sheep producers continue to face uncertainty around what the future will hold for this key market, concern eased around threats to live export. Last quarter, 32 per cent of WA farmers expecting conditions to decline had nominated threats to live export as a concern, but this dropped to 22 per cent in the latest survey.

Rabobank regional manager for WA, Steve Kelly said the looming phase out of live export was a concerning issue for many farmers in the state.

“There has been a significant level of action in WA recently to try to turn around – or at least defer – the government’s decision to phase out live export of sheep,” he said.



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“This may influence confidence to some level, but it’s important to recognise the issue runs deep and sheep producers’ concerns are multi-layered.”

Mr Kelly said the concerns around live export were reflected in the high number of WA farmers listing government interventions/policies and overseas markets/economies as cause for their pessimistic outlook in the latest survey.

He said worry around the live export sector have been further compounded by continuing supply bottlenecks in the state’s processing sector, although some WA producers have been able to access markets in the eastern states.

“WA sheep producers are considering strategies to minimise their exposure to the impacts of price and oversupply,” Mr Kelly said.

“Significant reduction in prices for beef relative to the past two years has seen confidence in the industry drop, however most producers are maintaining current numbers.”

The WA dairy industry had more cause for positivity around commodity prices, thanks to profitable milk prices.

More favourable input costs also provided some relief for WA farmers across the board, with fewer nominating input prices as a reason for their pessimistic outlook – 21 per cent, dropping from 33 per cent last quarter.

Lower input costs were also an emerging driver for those WA farmers expecting improved agricultural economic conditions – nominated by 10 per cent, compared with none last quarter.

According to the survey, drought was the leading cause for concern for around three quarters of farmers who had a negative outlook in the Northern Wheatbelt of WA, where conditions have been less than favourable and grain growers anticipate a less-than-average harvest.

Mr Kelly said the heightened concerns about drought in northern WA reflect the timing of this latest survey, as growers came to terms with a dry finish, and others had been waiting for the frost window to close.

“The season is a main driver of sentiment in WA – we’ve had two record grain harvests in a row but are now looking at a very mixed season across the state,” Mr Kelly said.

“This year has presented a varied season. The Great Southern and central regions had good opening rains which set them up, but it’s been below average in the north due to a dry start backed up with a dry finish.”

Softening livestock prices and concerns about dry conditions contributed to subdued expectations of cashflow over the next 12 months, with nearly three quarters of WA’s farmers expecting their income to decrease (73 per cent, up from 54 per cent).

“Budgets were tight at the start of the year, but this has turned around for grain growers in the southern half of the state as input prices come off, combined with some movement upwards in grain prices,” Mr Kelly said.



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“This has put some positivity back into budgets, helped by sentiment that interest rates are now at the upper end of the rate rise cycle.”

Farmers’ investment intentions continued to decline in WA, with only 10 per cent looking to increase investment in their farm businesses, down from 17 per cent the previous quarter.

The survey found those WA respondents who do intend to increase investment plan to focus on developing on-farm infrastructure such as fences, yards and silos (96 per cent, compared with 81 per cent in the previous quarter) – although supply delays continue to put brakes on this intention – as well as increasing investment in labour (76 per cent up, from 46 per cent) and education (66 per cent, up from 11 per cent).

Mr Kelly said this focus on labour – cited by all the grain growers who intend to increase their investment – reflected the required expansion to WA’s seasonal workforce coming into harvest.

Although the overall number of WA farmers intending to increase investment has declined, of those looking to invest, the survey indicated a lift in those planning to expand their farmland (53 per cent this quarter, up from 45 per cent).

“This reflects what we’re seeing in WA’s rural property market – while farmers are still looking to buy land, the volume of bidders has reduced,” Mr Kelly said.

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 2023.

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