



Agribusiness Index

Australia.

December Quarter 2009

Australia.

What happened?

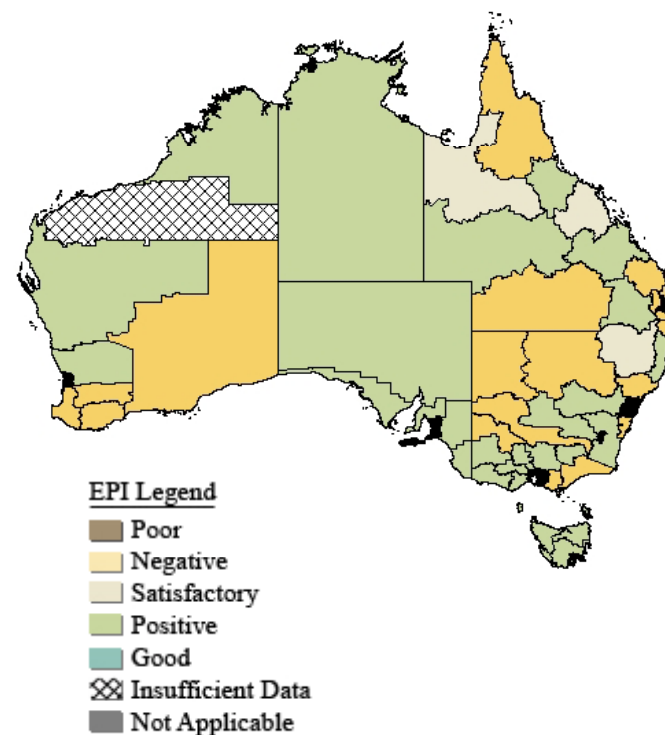
- EPI +0.04
- Up 0.02 from the September quarter
- Driven up by increased levels of capital expenditure and employment
- Best performer – South Australia
- Most improved performer – Victoria
- Worst performing – Western Australia

Insights

- Continued hot and dry conditions impacting performance in WA
- SA reported best EPI on record due to improved rainfall during 2009
- Drought conditions impacted in easterly states, however rainfall at the end of December has improved outlook

•The forecast

- EPI expected to improve slightly in the next quarter
- WA the only state expecting a negative EPI



“The grain price is low and the lack of rain is affecting people negatively.”

Crop grower, Lower Great Southern, WA

Australia.

Business performance

- Satisfactory performance
- Influenced by climatic conditions and the general economic climate
- Positive performance expected in March quarter

Capital expenditure

- Increased
- Government stimulus package impacting on levels
- Increased investment is again expected in March quarter

Employment levels

- Increased slightly
- 53% that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase in the March quarter

Operating costs

- Continued to rise, however rate of increase was lower than previous quarter
- Rise attributed to increased fuel and freight and raw material costs

	Business Performance	Capital Expenditure	Employment	EPI
NSW	-0.05	0.06	0.01	0.01
QLD	-0.04	0.10	-0.01	0.02
SA	0.36	0.12	0.04	0.17
TAS	0.19	0.08	0.01	0.09
VIC	0.03	0.12	0.02	0.06
WA	-0.14	0.11	0.04	0.00
<i>Australia</i>	0.00	0.09	0.01	0.04

Agribusiness sectors

- Table below shows the downstream and upstream sectors to be better performed than the producer sector.
- The positive result in the upstream and downstream sectors can be attributed to positive business performance as producers buy fuel, chemicals, fertiliser etc, due a more positive season.
- All sectors expect positive performance in March quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.25	0.14	0.06	0.15
Producers	-0.04	0.10	0.05	0.04
Downstream	0.33	0.32	-0.03	0.21
<i>Australia</i>	0.00	0.09	0.01	0.04

New South Wales.

What happened?

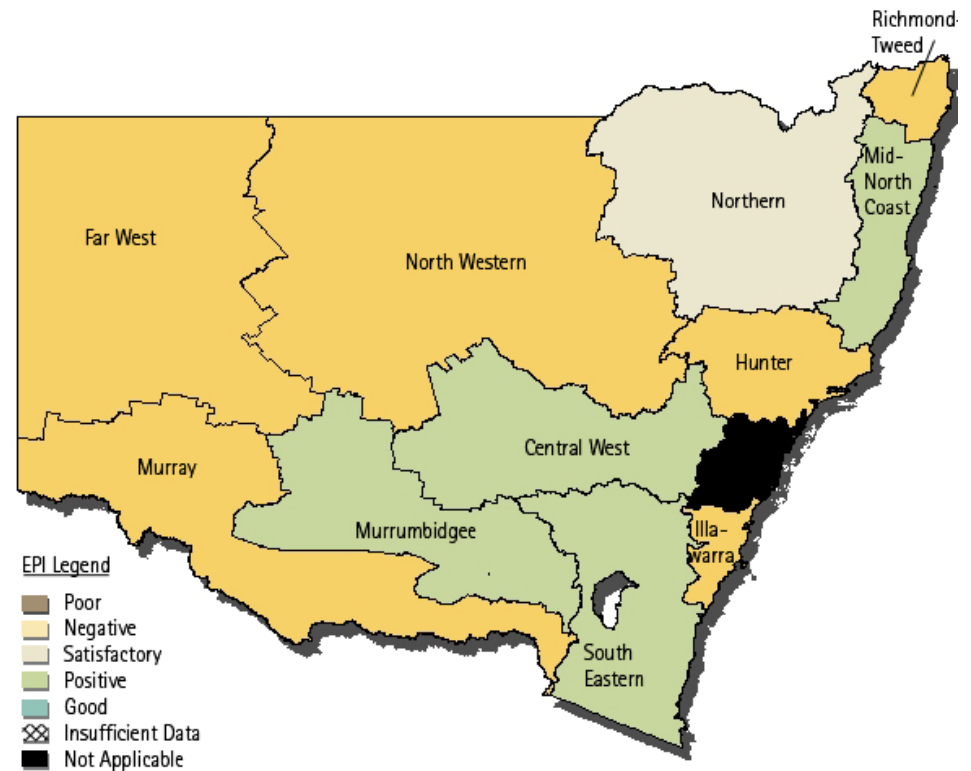
- EPI +0.01
- Increased 0.02 from the September quarter
- Driven up by increased levels of capital expenditure and employment
- 4/11 or 36% of regions were positive
- Best performed and most improved – Murrumbidgee
- Worst performed – Richmond-Tweed

Insights

- Drought conditions persisting
- Recent rainfall has improved conditions and outlook
- North - low cattle prices
- South - water allocation issues

The forecast

- EPI expected to improve slightly in March quarter with 63% of the state (7 divisions) expecting a positive performance



“Drought is affecting everyone and everything on the rural side of things. Recent rains have had an impact on most people -things will look up.”

Beef cattle producer, North Western

New South Wales.

Business performance

- Negative
- Influenced by climatic conditions and the general economic climate
- Positive performance expected in March quarter due to recent rainfall

Capital expenditure

- Increased
- Government stimulus package impacting on levels
- Increased investment is again expected in March quarter

Employment levels

- Increased slightly
- 56% that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase in the March quarter

Operating costs

- Increased
- Attributed to fuel, freight and raw materials costs

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.01	-0.06	0.06	0.01
Far West	-0.32	0.06	0.03	-0.08
Hunter	-0.03	-0.10	0.11	-0.01
Illawarra	-0.22	-0.13	0.11	-0.08
Mid-North Coast	0.19	0.27	0.01	0.16
Murray	-0.29	0.07	0.06	-0.05
Murrumbidgee	0.28	0.23	0.03	0.18
North Western	-0.18	-0.02	-0.06	-0.08
Northern	-0.12	0.12	0.01	0.00
Richmond-Tweed	-0.43	-0.17	-0.01	-0.20
South Eastern	0.08	0.18	-0.12	0.04
<i>NSW</i>	<i>-0.05</i>	<i>0.06</i>	<i>0.01</i>	<i>0.01</i>

Agribusiness sectors

- Table below shows the upstream and downstream sectors recorded positive economic performance, a better result than for the producer sector.
- The positive result in both the downstream and upstream sectors may be attributed to improved business performance as producers buy fuel, chemicals, fertiliser etc, due a more positive season and increased capital expenditure possibly as a result of the government stimulus package.
- All sectors are expecting positive performance in the March quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.33	0.05	0.17	0.18
Producers	-0.14	0.04	-0.01	-0.04
Downstream	0.41	0.35	0.06	0.28
<i>NSW</i>	<i>-0.05</i>	<i>0.06</i>	<i>0.01</i>	<i>0.01</i>

Queensland.

What happened?

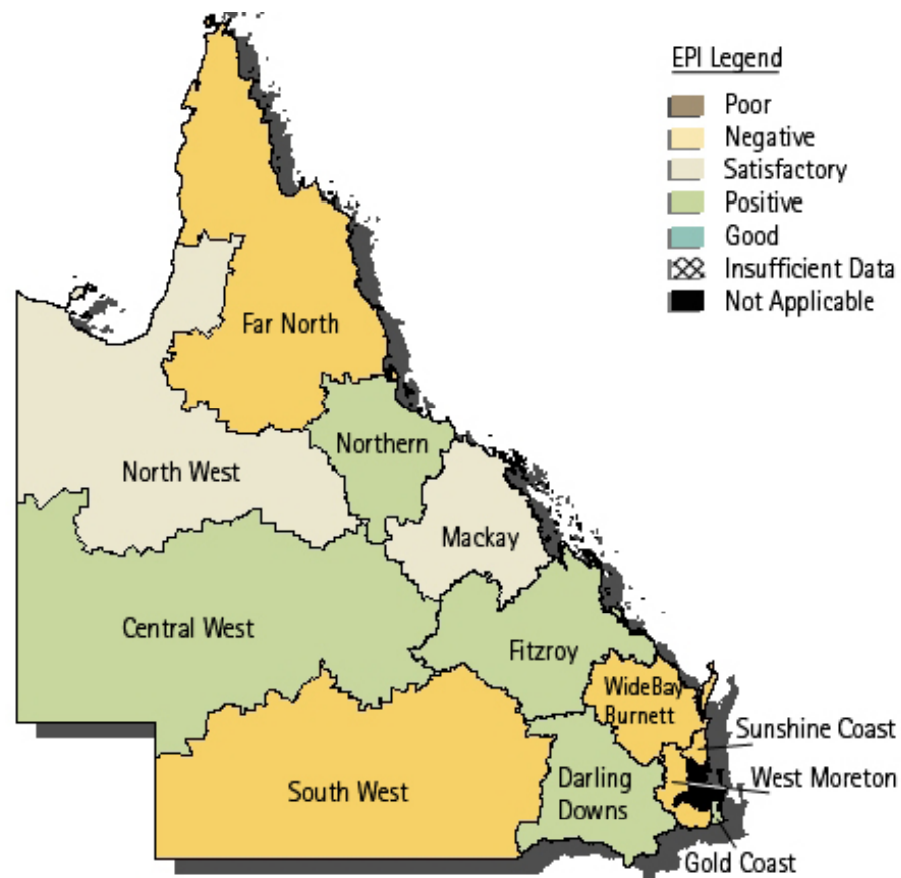
- EPI +0.02
- Decreased 0.04 from the September quarter
- Negative business performance and falling employment levels contributed to fall.
- 5/12 or 42% of regions were positive
- Best performed Darling Downs and Northern
- Worst performed – Sunshine Coast

Insights

- Drought conditions persisting
- Recent rainfall has improved conditions and outlook
- North – low cattle prices
- Mining sector remains strong

The forecast

- EPI expected to improve slightly in March quarter with 58% of the state (7 divisions) expecting a positive performance



“Everyone has had rain so farmers are relatively happy, just waiting for cattle prices to pick up”

Beef cattle producer, Central West

Queensland.

Business Performance

- Negative
- Influenced by climatic conditions and the general economic climate
- Positive performance expected in March quarter due to recent rainfall

Capital expenditure

- Increased
- Increased investment is again expected in March quarter

Employment levels

- Decreased slightly
- 55% that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase slightly in the March quarter

Operating costs

- Increased
- Attributed to feed prices and fuel and freight costs

	Business Performance	Capital Expenditure	Employment	EPI
Central West	-0.03	0.03	0.03	0.01
Darling Downs	0.12	0.15	-0.01	0.09
Far North	-0.02	-0.02	0.00	-0.02
Fitzroy	-0.04	0.06	0.00	0.01
Gold Coast	-0.10	0.18	0.01	0.03
Mackay	-0.06	0.07	-0.02	0.00
North West	-0.03	0.04	0.00	0.00
Northern	0.03	0.15	-0.04	0.05
South West	-0.02	0.01	-0.05	-0.02
Sunshine Coast	-0.25	0.12	0.01	-0.04
West Moreton	0.01	-0.11	0.05	-0.02
Wide Bay-Burnett	-0.26	0.25	-0.03	-0.01
<i>Queensland</i>	<i>-0.04</i>	<i>0.10</i>	<i>-0.01</i>	<i>0.02</i>

Agribusiness groups

- Table below shows the upstream and downstream sectors recorded positive economic performance, a better result than for the producer sector.
- The positive result in both the downstream and upstream sectors may be attributed to improved business performance as producers buy fuel, chemicals, fertiliser etc, due a more positive season
- Strong levels of capital expenditure were recorded in all sectors possibly as a result of the government stimulus package.
- All sectors are expecting positive performance in the March quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.21	0.18	-0.03	0.12
Producers	-0.10	0.08	0.00	-0.01
Downstream	0.30	0.17	-0.13	0.11
<i>Queensland</i>	<i>-0.04</i>	<i>0.10</i>	<i>-0.01</i>	<i>0.02</i>

South Australia.

What happened?

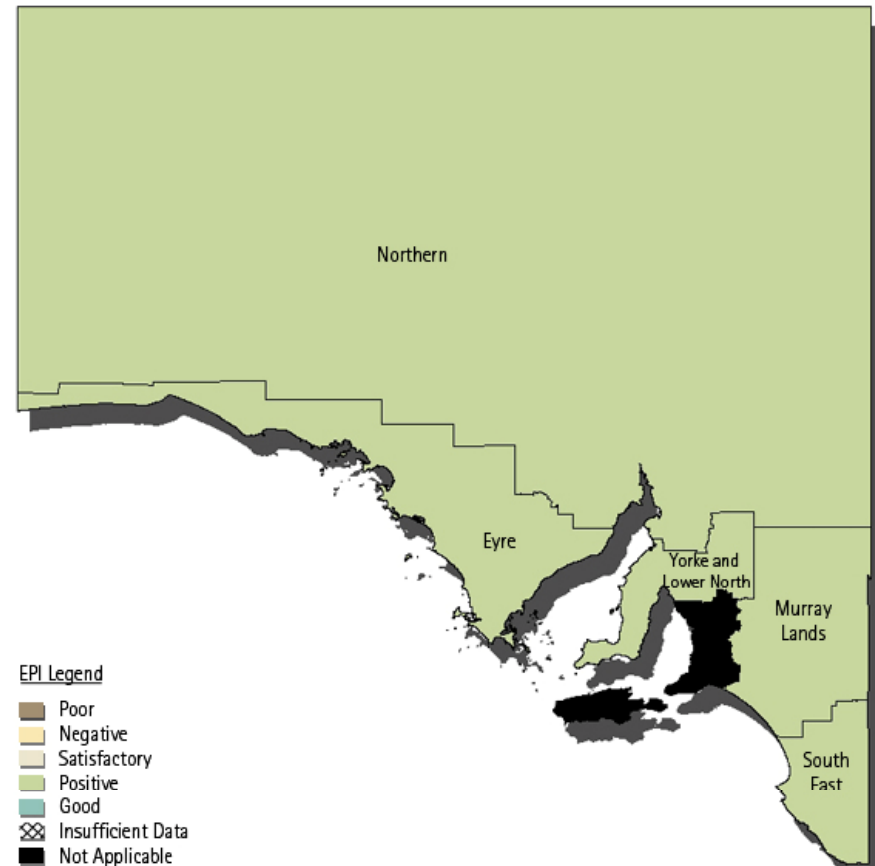
- EPI +0.17
- Increased 0.05 from the September quarter
- Best performed state
- Good business performance drove EPI result
- All regions were positive
- Best performed Eyre and Yorke and Lower North

Insights

- Recent rainfall has improved conditions and outlook
- Rainfall has resulted in improved cropping yields
- Lower grain prices have reduced the impact of improved yields

The forecast

- EPI expected to decrease slightly in March quarter with only Yorke and Lower North expecting a negative EPI



“Great crop yields but commodity prices are low – confidence is rising”

Grain producer, Eyre

South Australia.

Business Performance

- Good
- Influenced by climatic conditions and the seasonal factors
- Positive performance expected in March quarter due to recent rainfall

Capital expenditure

- Increased
- Increased investment is again expected in March quarter

Employment levels

- Increased slightly
- 63% that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase slightly in the March quarter

Operating costs

- Increased
- Attributed to feed prices and fuel and freight costs

	Business Performance	Capital Expenditure	Employment	EPI
Eyre	0.65	0.06	0.05	0.25
Murray Lands	0.14	0.13	0.00	0.09
Northern	0.14	0.24	0.04	0.14
South East	0.50	-0.05	0.09	0.18
Yorke and Lower North	0.40	0.28	0.00	0.23
<i>SA</i>	<i>0.36</i>	<i>0.12</i>	<i>0.04</i>	<i>0.17</i>

Agribusiness groups

- Table below shows that all three sectors recorded positive economic performance
- The positive result in both the downstream and upstream sectors may be attributed to good business performance as producers buy fuel, chemicals, fertiliser etc, due a more positive season
- Strong levels of capital expenditure were recorded in the upstream and producer sectors, possibly as a result of the government stimulus package.
- All sectors are expecting positive performance in the March quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.65	0.11	0.08	0.28
Producers	0.31	0.12	0.03	0.15
Downstream	0.38	0.05	0.05	0.16
<i>SA</i>	<i>0.36</i>	<i>0.12</i>	<i>0.04</i>	<i>0.17</i>

Tasmania.

What happened?

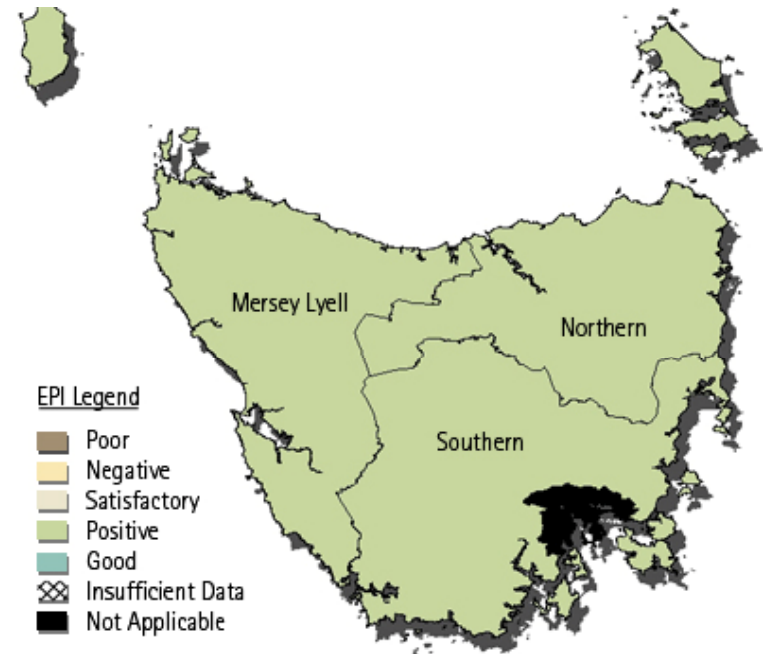
- EPI +0.09
- Increased 0.04 from the September quarter
- Strong business performance and increased capital expenditure drove EPI
- All regions were positive
- Best performed Mersey-Lyell
- Most improved Southern

Insights

- Recent rainfall has improved conditions and outlook
- Low cattle and dairy prices impacting

The forecast

- EPI expected to increase in March quarter with only Southern division expecting a negative EPI



“Most farmers are trying to build up their stock after selling during the drought”

Beef Producer, Southern

Tasmania.

Business Performance

- Positive
- Influenced by seasonal and climatic conditions and increased consumer demand
- An improved positive performance expected in March quarter

Capital expenditure

- Increased
- A slight reduction in investment is expected in March quarter

Employment levels

- Increased marginally
- 38% that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase marginally again in the March quarter

Operating costs

- Increased
- Attributed to fuel, freight and raw materials

	Business Performance	Capital Expenditure	Employment	EPI
Mersey-Lyell	0.06	0.15	0.13	0.11
Northern	0.26	0.05	-0.12	0.06
Southern	0.27	-0.02	0.05	0.10
<i>Tasmania</i>	<i>0.19</i>	<i>0.08</i>	<i>0.01</i>	<i>0.09</i>

Agribusiness groups

- Table below shows that all three sectors recorded positive economic performance
- The positive result in both the downstream and upstream sectors may be attributed to good business performance as producers buy fuel, chemicals, fertiliser etc, due a more positive season
- Strong levels of capital expenditure were recorded in the downstream sector, possibly as a result of the government stimulus package.
- All sectors are expecting positive performance in the March quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.29	0.03	0.08	0.13
Producers	0.15	0.07	-0.01	0.07
Downstream	0.55	0.31	0.07	0.31
<i>Tasmania</i>	<i>0.19</i>	<i>0.08</i>	<i>0.01</i>	<i>0.09</i>

Victoria.

What happened?

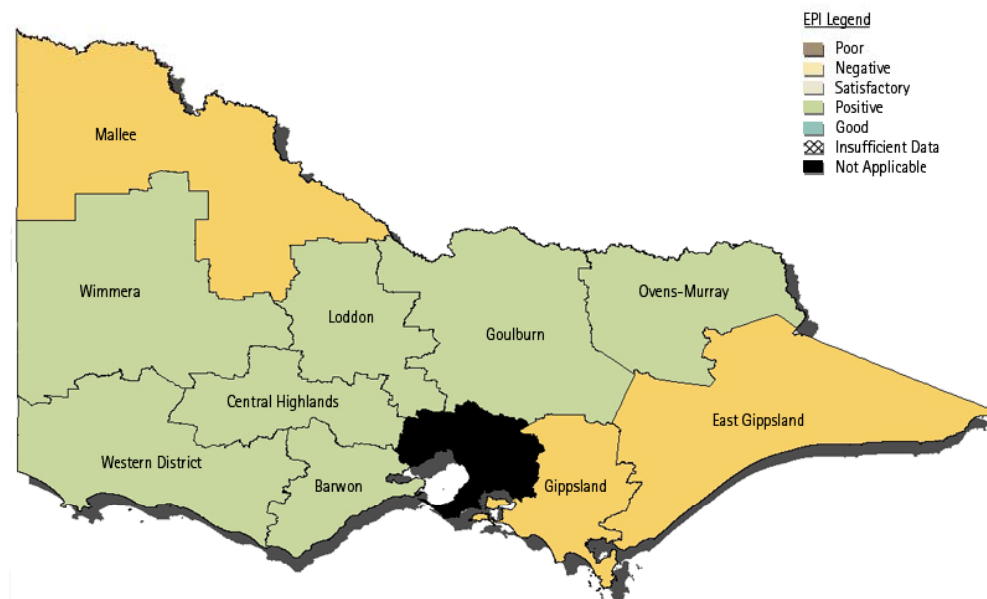
- EPI +0.06
- Increased 0.10 from the September quarter – moved from negative to positive
- 7 of 10 statistical divisions (70%) were positive
- Wimmera and Ovens-Murray best performed
- East Gippsland was worst performed

Insights

- Recent rains have improved morale but have not been sufficient to improve the long-term outlook for drought affected areas
- Cautious consumers are keeping returns across all agribusinesses low
- Dairy farmers are struggling with low milk prices

The forecast

- EPI expected to increase in March quarter with 5 divisions (50%) expecting positive performance



“Whole farming industry is suffering because costs are increasing but prices are staying the same as they are dependant on consumers.”

Beef cattle producer, Goulburn

Victoria.

Business Performance

- Positive
- Influenced by seasonal factors, consumer demand and climatic conditions
- An positive performance expected in March quarter

Capital expenditure

- Increased
- Investment levels are expected to remain stable in the March quarter

Employment levels

- Increased
- 46% that had employed indicated that finding suitable staff was difficult
- Marginal employment increases are again expected in the next quarter

Operating costs

- Increased
- Attributed to fuel, freight and raw materials

	Business Performance	Capital Expenditure	Employment	EPI
Barwon	0.04	0.20	0.01	0.08
Central Highlands	0.01	0.28	0.05	0.11
East Gippsland	-0.42	-0.13	-0.01	-0.19
Gippsland	0.08	-0.06	-0.05	-0.01
Goulburn	0.03	0.18	0.12	0.11
Loddon	0.22	0.13	-0.02	0.11
Mallee	-0.27	0.17	-0.10	-0.07
Ovens-Murray	0.12	0.17	0.06	0.12
Western District	0.20	0.03	0.05	0.09
Wimmera	0.32	0.32	0.06	0.23
<i>Victoria</i>	<i>0.03</i>	<i>0.12</i>	<i>0.02</i>	<i>0.06</i>

Agribusiness groups

- Table below shows that all three sectors recorded positive economic performance
- The positive result in both the downstream and upstream sectors may be attributed to positive business performance as producers buy fuel, chemicals, fertiliser etc, due a more positive season
- Strong levels of capital expenditure were recorded in the upstream and downstream sectors, possibly as a result of the government stimulus package.
- Upstream and downstream sectors are expecting positive performance in the March quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.27	0.28	-0.01	0.18
Producers	-0.02	0.08	0.03	0.03
Downstream	0.29	0.32	0.04	0.22
<i>Victoria</i>	<i>0.03</i>	<i>0.12</i>	<i>0.02</i>	<i>0.06</i>

Western Australia.

What happened?

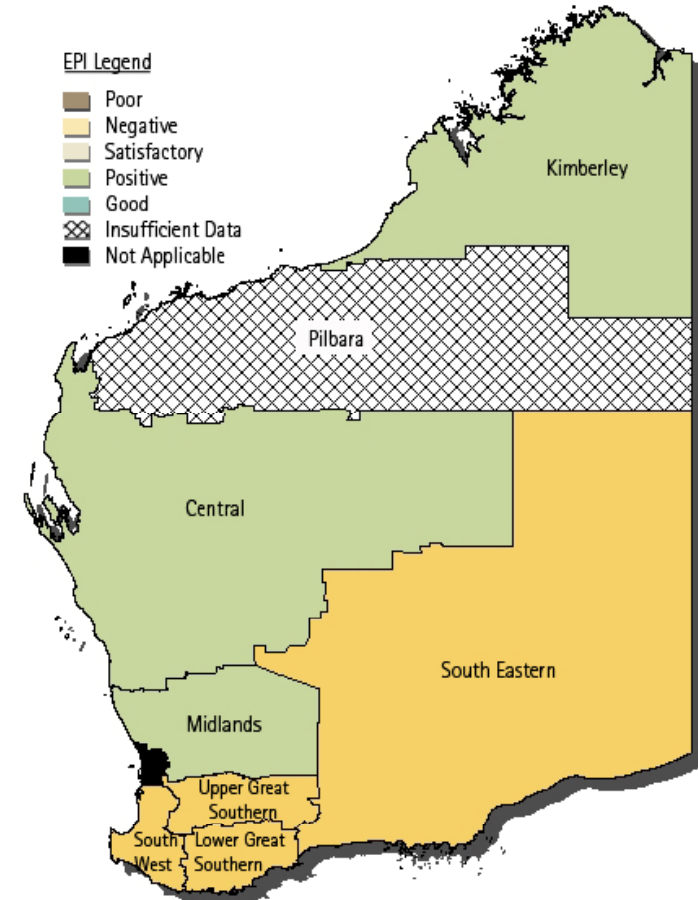
- EPI 0.00
- Decreased 0.09 from the September quarter
- 3 of 7 statistical divisions (43%) were positive
- Central division best performed and only division to report an increase
- Lower Great Southern worst performed

Insights

- Lower grain prices
- Variable weather conditions impacting on crops
- Mining activity picking up
- Wet season in north is the quiet time

The forecast

- EPI expected to decrease in March quarter for the first time since June 2007.



“Below average incomes in the area due to poor grain prices”

Crop grower, Upper Great Southern

Western Australia.

Business Performance

- Negative
- Influenced by climatic conditions and the general economic climate
- A negative performance expected in March quarter

Capital expenditure

- Increased
- Investment has remained positive in WA for last 18 months
- Marginal increase expected in March quarter

Employment levels

- Increased
- 51% that had employed indicated that finding suitable staff was difficult
- Marginal employment increases are again expected in the next quarter

Operating costs

- Increased
- Attributed to fuel, freight and wages

	Business Performance	Capital Expenditure	Employment	EPI
Central	0.10	0.22	0.04	0.12
Lower Great Southern	-0.41	-0.01	0.10	-0.11
Midlands	0.03	0.25	-0.06	0.07
South Eastern	-0.26	0.18	0.05	-0.01
South West	-0.19	0.01	0.09	-0.03
Upper Great Southern	-0.20	0.01	0.02	-0.06
Kimberley	0.11	0.14	0.00	0.08
<i>WA</i>	<i>-0.14</i>	<i>0.11</i>	<i>0.04</i>	<i>0.00</i>

Agribusiness groups

- Table below shows that the upstream and downstream sector reported positive economic performance.
- Employment levels rose in all sectors.
- Increased levels of capital expenditure were recorded in the upstream and downstream sectors, possibly as a result of the government stimulus package.
- Upstream and downstream sectors are expecting positive performance in the March quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.54	0.07	0.05	0.22
Producers	-0.28	0.11	0.03	-0.04
Downstream	0.31	0.07	0.07	0.15
<i>WA</i>	<i>-0.14</i>	<i>0.11</i>	<i>0.04</i>	<i>0.00</i>

Methodology.

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for Australia for *the December Quarter of 2009*.

The Index is based on a survey of 1,325 businesses in the agribusiness sector. Similar reports are available for each state.

The survey includes agricultural producers as well as suppliers to agriculture (upstream) and related transport, manufacturing, wholesale and retail businesses (downstream). The aim of the survey is to provide a timely snapshot of agribusiness across Australia.

The *Economic Performance Indicator (EPI)* is the average of results for business performance, employment and investment (capital expenditure).

Each indicator is measured by a weighted average on a scale of -1 to 1, where 0 signifies satisfactory performance. Results less than -0.33 are considered poor, between -0.33 and 0 negative, between 0 and 0.33 positive and greater than 0.33 good.



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