

Agribusiness Index

Australia.

June Quarter 2010

Australia.

What happened?

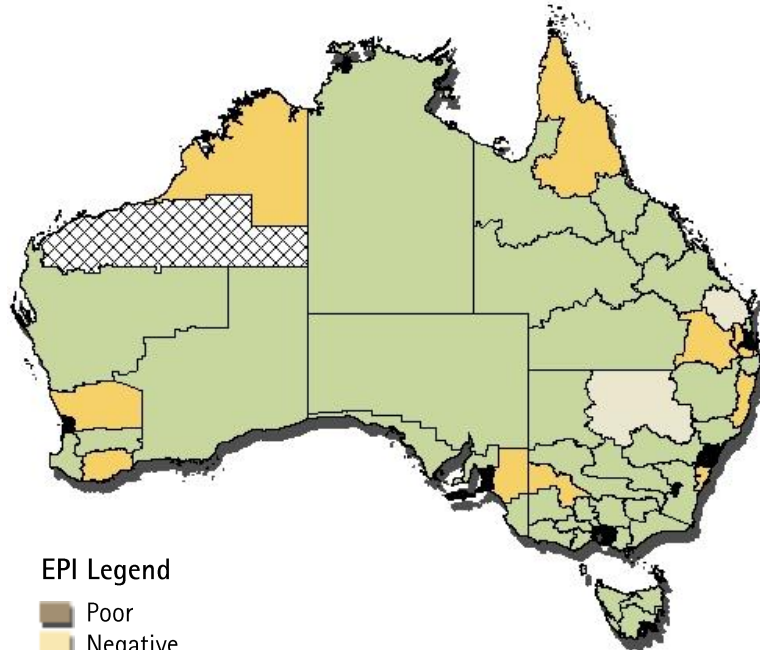
- EPI +0.07
- Up 0.01 from the March quarter
- Driven up by improvement in business performance and increased levels of capital expenditure
- Best performed – Tasmania
- Most improved performance – South Australia
- Worst performed - Queensland

Insights.

- Victoria achieved its best ever result
- All states recorded a positive EPI

The forecast.

- EPI expected to decrease marginally in the next quarter
- WA the only state expecting a negative EPI



EPI Legend

	Poor
	Negative
	Satisfactory
	Positive
	Good
	Insufficient Data
	Not Applicable

“the season is good but there would be lots of people still trying to recover financially from the drought and bushfires”

Beef cattle farmer, Ovens-Murray, VIC

Australia.

Business performance.

- Positive and improved performance
- Influenced by climatic conditions, increased consumer demand and seasonal factors
- A further improvement expected in coming quarter

Capital expenditure.

- Increased – all states reported increased investment
- Increased investment is again expected, with all states anticipating increases apart from WA which is expected to remain stable

Employment levels.

- Stable overall with NSW, SA and QLD reporting declining levels
- 48% of all businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to remain stable in the September quarter

Operating costs.

- Continued to rise, with the rate of increase slightly higher than previous quarter
- Rise attributed to increased cost of raw materials and utility and government charges

	Business Performance	Capital Expenditure	Employment	EPI
NSW	0.06	0.12	-0.02	0.05
QLD	0.03	0.08	-0.06	0.02
SA	0.16	0.20	-0.01	0.12
TAS	0.18	0.23	0.09	0.17
VIC	0.16	0.20	0.04	0.13
WA	-0.03	0.11	0.02	0.03
Australia	0.08	0.14	0.00	0.07

Agribusiness sectors.

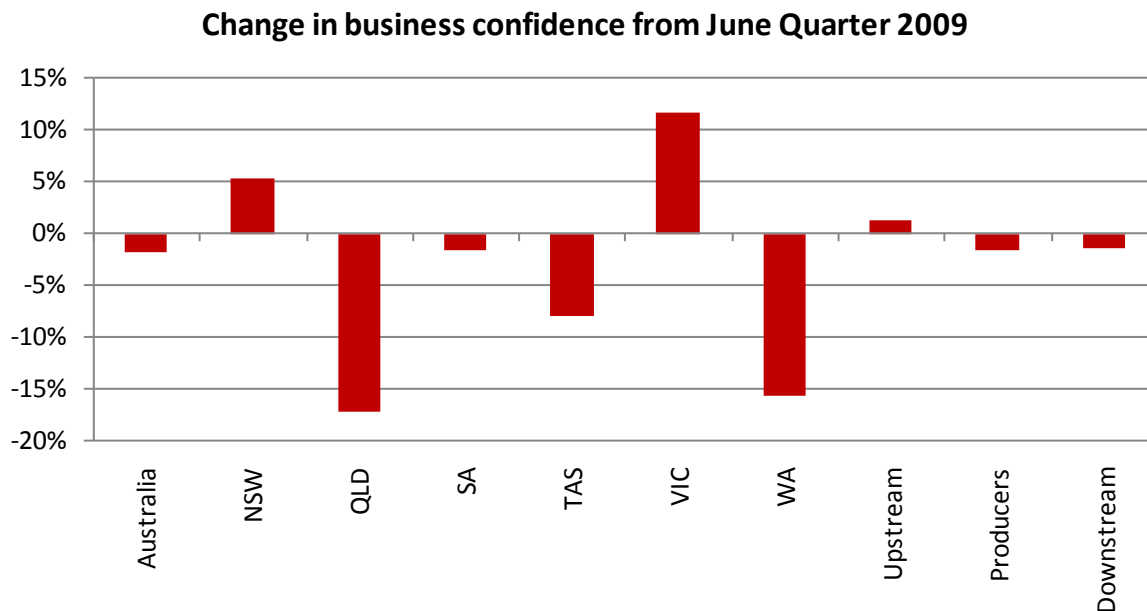
- All sectors recorded positive EPIs, with downstream the best performed
- All sectors reported positive business performance and increased levels of investment
- Employment fell slightly in the upstream sector with downstream and producers reporting stable conditions
- All sectors expect positive performance in September quarter with downstream expecting significant improvement

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.02	0.17	-0.02	0.05
Producers	0.09	0.13	0.00	0.07
Downstream	0.17	0.12	0.00	0.10
Australia	0.08	0.14	0.00	0.07

Australia.

Business confidence.

- Overall 70% - marginal decrease from same time last year (72%)
- Victoria highest level of confidence (76%)
- Victoria the largest increase in confidence since March quarter 2009 (64%-76%)
- Only 2 states reported increases in confidence, Victoria and New South Wales
- Greatest decrease in confidence in Queensland
- Downstream sector highest level of confidence but only upstream sector reported an increase in confidence



New South Wales.

What happened?

- EPI +0.05
- Decreased 0.03 from the March quarter
- Reduced business performance and employment levels pushed EPI down
- 9/11 of regions were positive - identical to last quarter
- Best performed – Hunter
- Worst performed – Illawarra

Insights.

- General economic climate impacting on spending
- Areas that have had good rainfall generally performing better
- Low commodity prices affecting outlook

The forecast.

- EPI expected to increase in the September quarter although 3 divisions expect negative performance



“as soon as it rained, people changed their whole outlook on things and became a bit brighter”

Agriculture machinery manufacturer,
Central West

Business performance.

- Positive - influenced by climatic conditions and consumer demand
- Improved performance expected in coming quarter

Capital expenditure.

- Increased
- Positive levels of investment also expected in September quarter

Employment levels.

- Decreased marginally
- 48% of businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase marginally in the next quarter

Operating costs.

- Increased
- Attributed to raw materials and utilities / government charges

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.40	0.07	-0.12	0.12
Far West	0.25	0.20	-0.01	0.14
Hunter	0.41	0.11	0.09	0.21
Illawarra	-0.20	-0.01	-0.05	-0.09
Mid-North Coast	-0.29	0.05	-0.01	-0.08
Murray	-0.11	0.22	-0.05	0.02
Murrumbidgee	0.08	0.18	0.20	0.15
North Western	0.00	-0.02	0.03	0.00
Northern	-0.10	0.19	-0.07	0.01
Richmond-Tweed	-0.12	0.21	0.03	0.04
South Eastern	0.32	0.08	-0.16	0.08
NSW	0.06	0.12	-0.02	0.05

Agribusiness sectors.

- All sectors reported positive results with downstream reporting improved performance
- Business performance was positive in all sectors
- Upstream and producer sectors reported declining employment levels while downstream employment levels increased substantially
- All sectors are expecting positive and improved performance in the September quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.07	0.25	-0.07	0.08
Producers	0.05	0.10	-0.01	0.04
Downstream	0.19	0.12	0.15	0.15
NSW	0.06	0.12	-0.02	0.05

Queensland.

What happened?

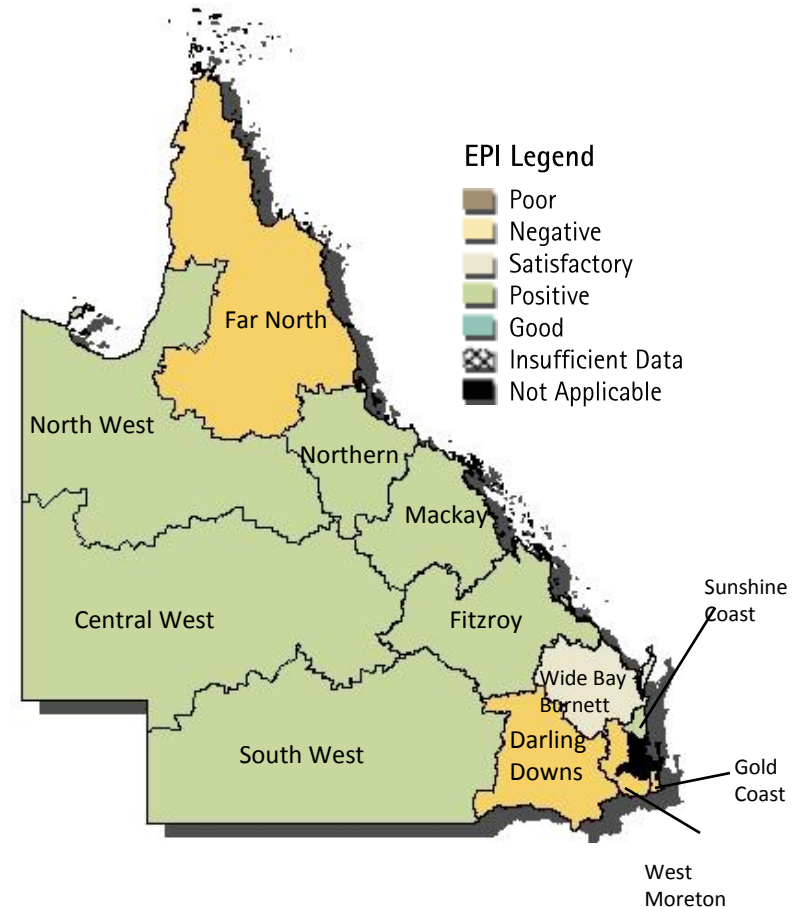
- EPI +0.02
- Decreased marginally from +0.03 in March quarter
- Falling employment levels contributed to decline, however investment levels remained high and business performance was positive
- 8/12 of regions were positive
- Best performed Mackay and North West
- Worst performed – Gold Coast

Insights.

- Widespread concern about the possible implications of the mining tax
- Tourist expenditure has decreased
- Sugar cane harvest and prices have been good
- Costs have increased particularly raw materials and fuel and freight charges

The forecast.

- EPI expected to improve in the next quarter with 9/12 divisions expecting positive performance



“a bit tough, recovering from a bad last year. Nobody has confidence in the cattle industry at the moment”

Beef cattle farmer, North West

Queensland.

Business performance.

- Positive
- Influenced by climatic conditions and seasonal factors
- Improved positive performance expected in coming quarter

Capital expenditure.

- Increased
- Five statistical divisions reported a fall in investment levels
- Increased investment is expected again in the September quarter

Employment levels.

- Decreased
- 53% of agribusinesses that had employed during the quarter, indicated that finding suitable staff was difficult
- Employment levels are expected to fall again in the next quarter

Operating costs.

- Increased costs were attributed to a rise in the price of raw materials and rising fuel and freight costs

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.34	0.05	-0.10	0.10
Darling Downs	-0.19	-0.02	-0.21	-0.14
Far North	0.05	-0.09	0.02	-0.01
Fitzroy	0.17	0.15	0.02	0.11
Gold Coast	-0.34	-0.01	-0.15	-0.17
Mackay	0.37	0.23	0.03	0.21
North West	0.24	0.35	-0.01	0.19
Northern	0.22	0.11	-0.01	0.11
South West	0.29	-0.21	0.17	0.08
Sunshine Coast	0.09	0.22	-0.05	0.08
West Moreton	-0.20	-0.03	0.12	-0.04
Wide Bay-Burnett	-0.13	0.30	-0.17	0.00
Queensland	0.03	0.08	-0.06	0.02

Agribusiness groups.

- Producer sector recorded positive economic performance
- Business performance was positive for producers and downstream sector while employment levels declined in all three sectors
- Strong levels of capital expenditure were recorded in all sectors
- All sectors are expecting improved performance in the September quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	-0.10	0.05	-0.10	-0.05
Producers	0.05	0.09	-0.05	0.03
Downstream	0.01	0.08	-0.14	-0.02
Queensland	0.03	0.08	-0.06	0.02

South Australia.

What happened?

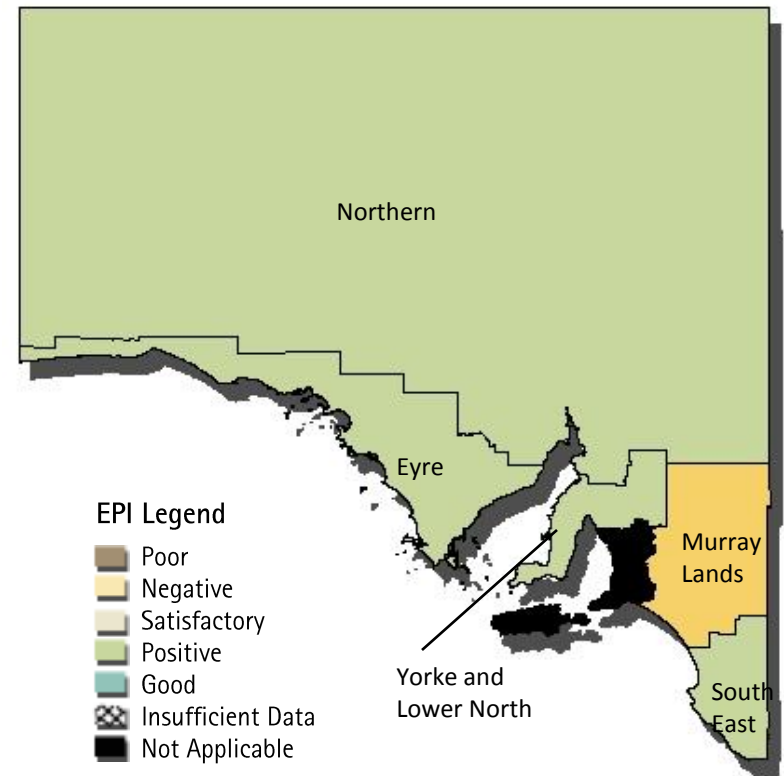
- EPI +0.12
- Increased 0.09 from the March quarter
- A significant increase in business performance and capital expenditure levels pushed the EPI up, however employment levels fell marginally
- 4 of the 5 regions were positive
- Best performed – Eyre
- Worst performed – Murray Lands

Insights.

- Northern statistical division achieved its best result on record
- Low grain prices and high Australian dollar causing concern
- Rainfall has been variable across the state impacting on confidence levels
- Sheep farming generally performing well

The forecast.

- EPI expected to decrease in September quarter but 4 out of 5 regions expect positive performance



“feel a bit of optimism as it has rained, so people are a bit more positive”

Crop and plant grower, Eyre

South Australia.

Business performance.

- Positive
- Influenced by seasonal factors and good climatic conditions
- Performance is expected to decrease in the coming quarter but remain strongly positive

Capital expenditure.

- Increased
- All statistical divisions reported increased investment
- Continued increases in capital expenditure are expected in September quarter

Employment levels.

- Decreased slightly
- 48% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to stabilise in the next quarter

Operating costs.

- Increased costs were attributed to rises in the cost of raw materials and fertilisers/chemicals

	Business Performance	Capital Expenditure	Employment	EPI
Eyre	0.36	0.45	-0.09	0.24
Murray Lands	-0.17	0.07	-0.02	-0.04
Northern	0.27	0.25	0.08	0.20
South East	0.29	0.13	-0.04	0.13
Yorke and Lower North	0.23	0.24	0.06	0.18
SA	0.16	0.20	-0.01	0.12

Agribusiness groups.

- All sectors reported positive EPIs, although upstream and downstream recorded reduced levels
- Business performance declined in the upstream sector falling to negative levels
- Capital expenditure increased in all three sectors but employment levels declined for producer and downstream sectors
- All sectors are expecting positive performance in the September quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	-0.05	0.16	0.23	0.11
Producers	0.20	0.21	-0.04	0.12
Downstream	0.18	0.20	-0.19	0.06
SA	0.16	0.20	-0.01	0.12

Tasmania.

What happened?

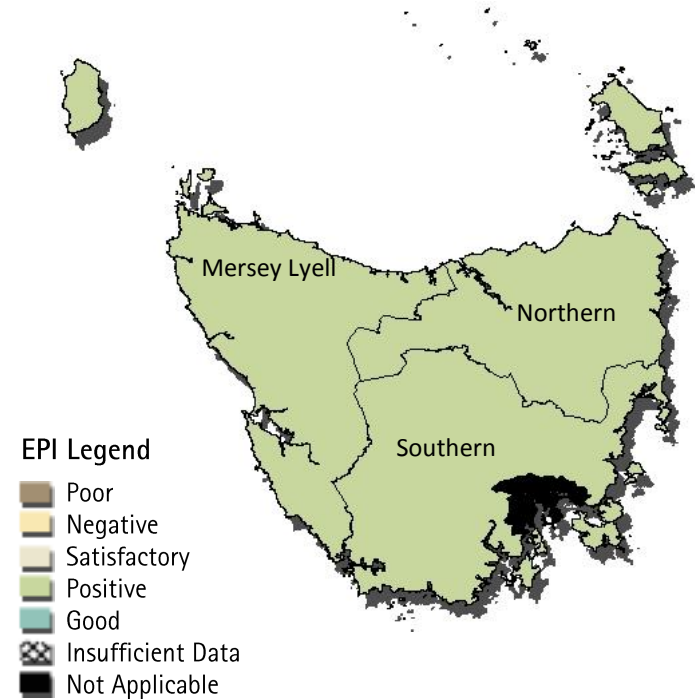
- EPI +0.17
- Increased 0.01 from the March quarter
- Increased capital expenditure and employment levels and positive business performance drove up the EPI
- All regions were positive
- Best performed – Northern

Insights.

- Closure of major manufacturers has impacted some areas
- Tourist expenditure has been decreasing
- Forestry sector has been badly hit
- Some areas still recovering from drought

The forecast.

- Decline expected in coming quarter, although remaining positive
- Southern statistical division expecting negative result



“drought is still affecting and making agribusiness very difficult”

Crop and plant grower, Southern

Tasmania.

Business Performance.

- Positive
- Influenced by increased consumer demand and climatic conditions
- A similar positive performance is expected in coming quarter

Capital expenditure.

- Increased
- All statistical divisions reported increased investment
- Further increases in investment are expected in September quarter

Employment levels.

- Increased
- 44% of businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase marginally in the next quarter

Operating costs.

- Increased costs were attributed to higher costs of raw materials and wages

	Business Performance	Capital Expenditure	Employment	EPI
Mersey-Lyell	0.11	0.28	0.06	0.15
Northern	0.19	0.15	0.21	0.18
Southern	0.29	0.27	-0.06	0.17
Tasmania	0.18	0.23	0.09	0.17

Agribusiness groups.

- All sectors recorded positive economic performance
- Positive business performance was recorded in all sectors
- Increased capital expenditure was recorded across all sectors
- Employment fell in the upstream and downstream sectors
- All sectors are expecting reduced but positive performance in the September quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.32	0.28	-0.01	0.20
Producers	0.15	0.21	0.12	0.16
Downstream	0.33	0.32	-0.08	0.19
Tasmania	0.18	0.23	0.09	0.17

Victoria.

What happened?

- EPI +0.13
- Increased 0.05 from the March quarter
- Positive business performance, increased capital expenditure and employment levels all contributed to the rise
- 9 of 10 statistical divisions were positive
- Goulburn and Barwon best performed
- Mallee was worst performed

Insights.

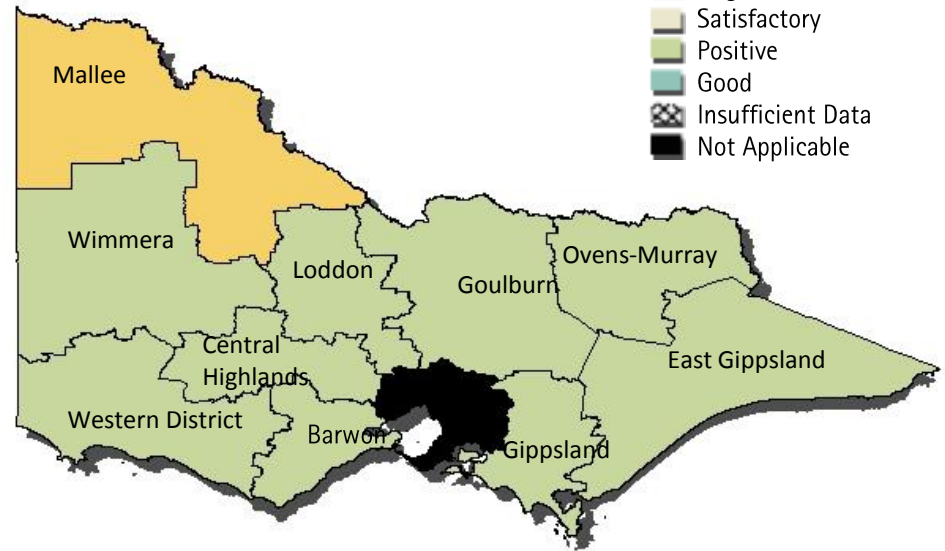
- Best performance for Victoria on record
- Improved dairy prices are having a positive impact on the local economy
- Good prices for sheep and lambs causing optimism
- Concern about potential locust plague in spring

The forecast.

- EPI expected to decrease slightly in September quarter with 8 divisions expecting positive performance

EPI Legend

- Poor
- Negative
- Satisfactory
- Positive
- Good
- Insufficient Data
- Not Applicable



“good season, better than anyone can remember. Confident and fully stocked with livestock”

Producer, Goulburn

Business performance.

- Positive and improved on previous quarter
- Influenced by consumer demand, climatic conditions and seasonal factors
- Strongly positive performance expected in coming quarter

Capital expenditure.

- Increased
- All divisions reported increased capital expenditure levels
- Investment levels are expected to increase again in the September quarter

Employment levels.

- Increased
- 42% of those that had employed indicated that finding suitable staff was difficult
- Employment levels expected to stabilise in the next quarter

Operating costs.

- Increased costs were attributed to raw materials and fertiliser or chemical costs

	Business Performance	Capital Expenditure	Employment	EPI
Barwon	0.26	0.24	0.14	0.21
Central Highlands	0.23	0.13	-0.03	0.11
East Gippsland	0.22	0.08	-0.03	0.09
Gippsland	0.06	0.22	0.12	0.13
Goulburn	0.27	0.39	0.17	0.28
Loddon	0.19	0.21	-0.02	0.13
Mallee	-0.14	0.16	-0.09	-0.02
Ovens-Murray	0.23	0.15	0.07	0.15
Western District	0.28	0.06	0.01	0.12
Wimmera	-0.04	0.09	-0.03	0.01
Victoria	0.16	0.20	0.04	0.13

Agribusiness groups.

- All sectors all recorded positive economic performance with producers reporting an improved result
- Producer sector recorded improved business performance
- All sectors reported increased levels of investment
- Upstream sector recorded a decline in employment levels
- All sectors expecting positive EPIs in September quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.01	0.16	-0.02	0.05
Producers	0.18	0.20	0.06	0.15
Downstream	0.24	0.16	0.00	0.13
Victoria	0.16	0.20	0.04	0.13

Western Australia.

What happened?

- EPI +0.03
- An increase of 0.05
- Improvements in business performance, capital expenditure and employment levels pushed EPI up
- 4 of 7 statistical divisions were positive – South West best performed
- 3 of 7 statistical divisions negative – Midlands worst performed

Insights.

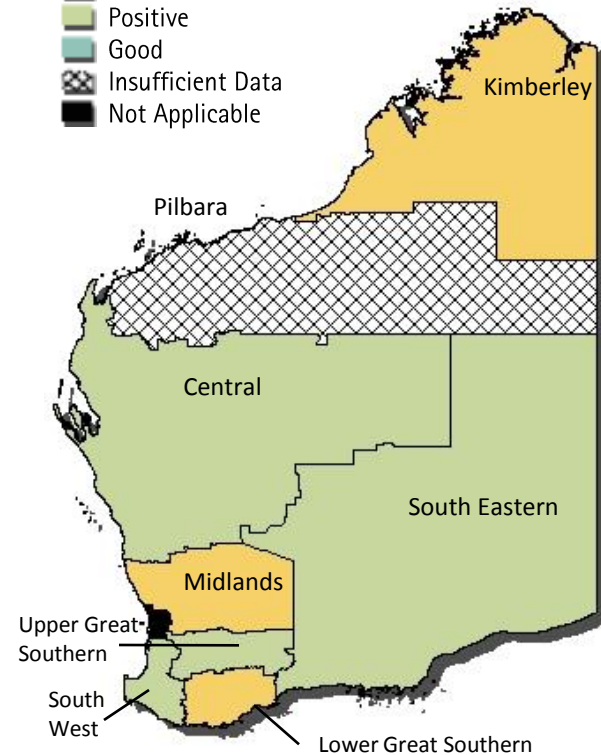
- Concern about poor start to winter rains
- Low commodity prices also a concern
- Mining industry continues to be a major benefit to the local economy

The forecast.

- EPI expected to decline into negative territory in September Quarter

EPI Legend

- Poor
- Negative
- Satisfactory
- Positive
- Good
- Insufficient Data
- Not Applicable



“lots of rain but not enough to keep us happy. Need a lot more as it’s the winter wet period”

Sheep-beef cattle farmer, Midlands

Business performance.

- Negative although improved
- Influenced by the general economic climate and climatic conditions
- Only 2 statistical divisions reported negative business performance
- Negative performance expected in coming quarter

Capital expenditure.

- Increased
- Only one statistical division reported falling investment levels
- Capital expenditure levels are expected to stabilise in September quarter

Employment levels.

- Increased marginally
- 55% that had employed indicated that finding suitable staff was difficult
- Marginal employment increases are again expected in the next quarter

Operating costs.

- Increased costs were attributed to the cost of raw materials, utilities / government charges and increased wages

	Business Performance	Capital Expenditure	Employment	EPI
Central	-0.02	0.02	0.19	0.06
Lower Great Southern	0.01	-0.06	0.03	-0.01
Midlands	-0.26	0.03	0.00	-0.08
South Eastern	0.18	0.18	-0.01	0.11
South West	0.09	0.29	-0.03	0.12
Upper Great Southern	0.04	0.23	0.00	0.09
Kimberley	0.09	0.06	-0.16	-0.01
WA	-0.03	0.11	0.02	0.03

Agribusiness groups.

- All sectors reported positive economic performance with producer and downstream sectors reporting improvements
- Employment levels increased in upstream and downstream sectors whilst remained stable for producers
- Increased levels of capital expenditure were recorded for upstream and producer sectors
- Upstream and downstream sectors are expecting positive performance in the September quarter while producers are expecting negative and deteriorating performance

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.07	0.20	0.10	0.12
Producers	-0.06	0.11	0.00	0.02
Downstream	0.27	-0.02	0.05	0.10
WA	-0.03	0.11	0.02	0.03

Methodology.

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for Australia for *the June Quarter of 2010*.

The Index is based on a survey of 1,375 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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