

# Agribusiness Index

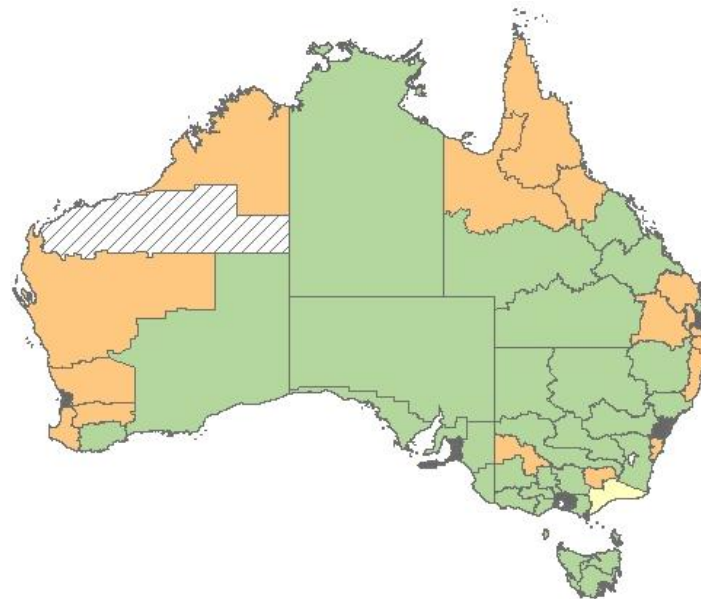
## Australia.

June Quarter 2011

# Australia.

## What happened?

- EPI +0.04
- Slightly lower than the previous quarter (+0.05)
- Positive result driven by positive business performance and marginal increases in investment. Employment levels were stable
- Best performed (+0.11) state was New South Wales
- Worst performed and recording negative performance - Queensland (-0.04) and Western Australia (-0.09)



## Insights.

- Live export ban a major concern especially in northern areas
- Mice plague impacting in southern states
- Operating costs, especially fuel and freight, have risen sharply

*“we’re doing what we have to do with an apprehension of things getting tougher”*

Producer, Tasmania

## The forecast.

- EPI expected to remain at the same level (+0.04) in the coming quarter
- Three states expecting a positive EPI – New South Wales, South Australia and Victoria

# Australia.

## Business performance.

- Positive, however lower performance than March quarter
- Influenced by climatic conditions and consumer demand
- A further decline, although remaining positive, is expected in coming quarter

## Capital expenditure.

- Rose marginally – declines experienced in Queensland and Western Australia
- A slight increase in investment is again expected, with 3 states anticipating increases

## Employment levels.

- Stable overall, however 4 of 6 states declined
- 70% of all businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to remain stable in the coming quarter

## Operating costs.

- Continued to rise, with the rate of increase the highest since the September Quarter of 2008
- Rise largely attributed to increased fuel / freight costs

## Agribusiness sectors.

- All sectors recorded positive EPIs, with the downstream sector the best performed
- All sectors reported positive business performance with only the upstream sector reporting increased performance
- Employment levels increased in the downstream sector however fell marginally in the producer and upstream sectors
- Increases in investment levels were reported in all three sectors
- Upstream and downstream sectors expect positive, improved performance in the coming September quarter
- Producers are anticipating a decline in performance, however, the EPI is expected to remain positive

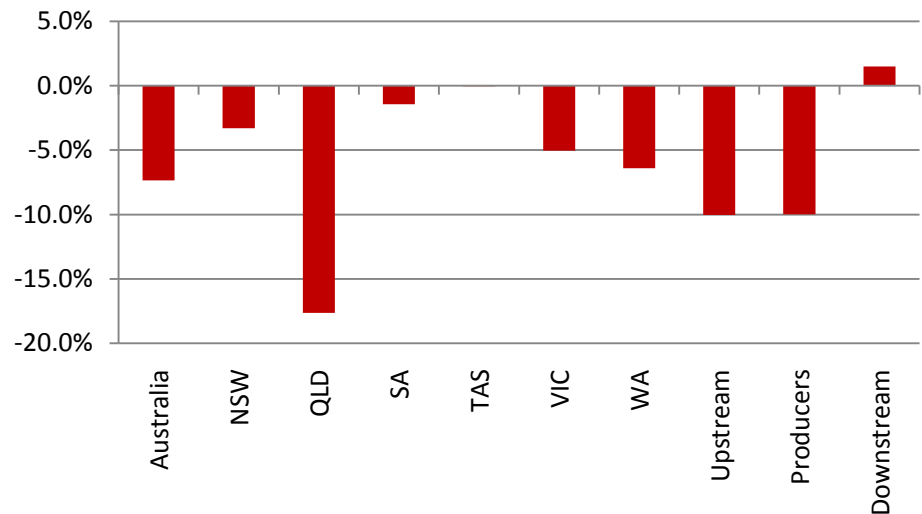
	Business Performance	Capital Expenditure	Employment	EPI
NSW	0.17	0.11	0.05	0.11
QLD	0.00	-0.09	-0.04	-0.04
SA	0.20	0.04	0.06	0.10
TAS	0.07	0.12	-0.03	0.05
VIC	0.21	0.01	-0.03	0.06
WA	-0.09	-0.11	-0.06	-0.09
Upstream	0.16	0.04	-0.01	0.06
Producers	0.10	0.01	-0.01	0.03
Downstream	0.13	0.06	0.04	0.08
<b>Australia</b>	<b>0.11</b>	<b>0.01</b>	<b>0.00</b>	<b>0.04</b>

# Australia.

## Business confidence.

- Overall 69% of businesses are confident about the performance of their business in the next 12 months – lower than previous quarter (76%), and marginally lower than the same quarter last year (70%)
- All states reported similar or decreased levels of confidence from the March quarter
- Queensland (56%) recorded the lowest level of business confidence and the largest fall from the previous quarter
- South Australia recorded the highest level of confidence (84%)
- Downstream sector recorded the highest level of confidence (82%) and the only rise in confidence from the previous quarter
- Producers reported the lowest level of business confidence (65%)

Change in business confidence from March Quarter 2011



# New South Wales.

## What happened?

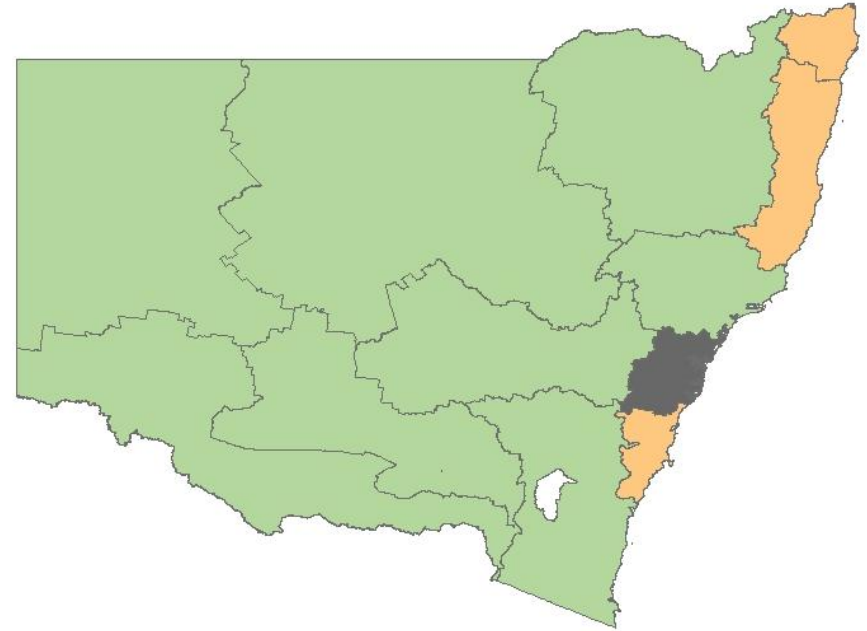
- EPI +0.11
- Best June quarter result on record despite a slight decrease from the March quarter result
- Best performed state overall
- 8 of 11 divisions reported positive performance – Murray the best performed
- 3 divisions reported negative performance – Richmond-Tweed the worst performed

## Insights.

- Strong commodity prices assisting producers
- Generally positive climatic conditions with the exception of northern NSW
- Mice plague and flooding in some areas still causing concern
- Increasing concern about local business trading conditions

*“people are confident – there is plenty of feed and water”*

Producer, Far West



## The forecast.

EPI expected to fall however remain positive in coming September quarter

8 of 11 divisions expecting positive performance next quarter

Business confidence 74% - lower than for the March quarter (78%) however higher than the same quarter last year (72%)

# New South Wales.

## Business performance.

- Positive business performance overall with 5 statistical divisions reporting good performance
- Influenced by climatic and seasonal conditions
- A decreased, however positive, performance is expected in coming quarter largely due to climatic conditions

## Capital expenditure.

- Increased
- Stable levels of investment expected in the September quarter

## Employment levels.

- Increased overall with only 4 statistical divisions reporting declines
- 66% of agribusinesses that had employed during the quarter, indicated that finding suitable staff was difficult
- Employment levels are expected to increase again in the next quarter

## Operating costs.

- Rose with the highest rate of increase recorded since the September quarter of 2008. The rise was attributed to increasing fuel / freight costs

## Agribusiness sectors.

- Upstream - positive EPI with positive business performance, capital expenditure and employment levels.
- Producers – positive economic performance with positive business performance, capital expenditure and employment levels.
- Downstream - positive EPI with positive levels in all three indicators.

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.41	0.23	-0.04	0.20
Far West	0.63	-0.07	0.13	0.23
Hunter	0.01	0.12	0.04	0.06
Illawarra	-0.24	-0.17	-0.20	-0.20
Mid-North Coast	-0.05	-0.01	-0.04	-0.04
Murray	0.49	0.20	0.16	0.28
Murrumbidgee	0.41	0.19	0.20	0.27
North Western	0.19	0.28	0.06	0.18
Northern	0.11	0.05	0.14	0.10
Richmond-Tweed	-0.52	-0.09	-0.05	-0.22
South Eastern	0.45	0.11	0.03	0.20
Upstream	0.32	0.13	0.13	0.19
Producers	0.15	0.11	0.03	0.10
Downstream	0.04	0.07	0.10	0.07
<b>NSW</b>	<b>0.17</b>	<b>0.11</b>	<b>0.05</b>	<b>0.11</b>

# Queensland.

## What happened?

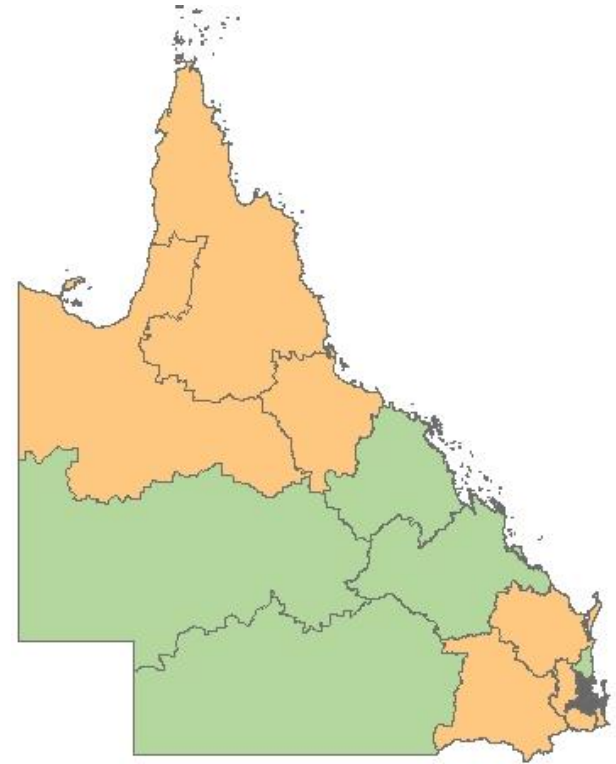
- EPI -0.04
- An improvement from the March quarter, although EPI remained negative
- 2nd poorest performed state
- 5 of 12 statistical divisions were positive – South West best performed
- 7 statistical divisions were negative – Far West Moreton worst performed

## Insights.

- Recent ban on live cattle exports causing widespread concern
- Aftermath of flooding and cyclone impacts still being felt
- Mining sector continues to contribute strongly but is creating concerns about the impact on wage and general costs
- Tourism industry struggling in many areas

*“reasonably well but the live export ban has people concerned – it has a flow-on effect”*

Producer, North West



## The forecast.

- EPI expected to improve marginally in the next quarter, however the EPI is anticipated to remain negative
- Only 3 statistical divisions expecting positive performance
- Business confidence – 56% - significantly lower than results for the previous March quarter (73%) and the same quarter last year (68%)

# Queensland.

## Business performance.

- Satisfactory
- Influenced by both positive and negative climatic conditions depending on location
- Decreased negative performance expected in the coming quarter

## Capital expenditure.

- Investment levels decreased
- Only South West and Sunshine Coast divisions reported increased investment levels during the quarter
- Greatest decrease in investment reported in Central West division
- Investment levels are expected to remain stable in the September quarter

## Employment levels.

- Employment levels fell
- 78% of agribusinesses that had employed during the quarter indicated that finding suitable staff was difficult
- Employment levels are expected to increase marginally next quarter

## Operating costs.

- Operating costs rose. Increased costs were attributed mainly to a rise in fuel / freight costs

## Agribusiness sectors.

- Upstream – negative EPI with negative business performance and employment levels, although satisfactory investment levels
- Producers – negative EPI with negative capital expenditure and employment levels, although marginally positive business performance
- Downstream – positive EPI with positive business performance and employment levels although decreased capital expenditure

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.53	-0.29	0.05	0.10
Darling Downs	-0.05	-0.10	-0.16	-0.10
Far North	-0.20	-0.17	-0.06	-0.14
Fitzroy	0.08	-0.05	0.15	0.06
Gold Coast	-0.27	-0.04	-0.08	-0.13
Mackay	0.25	-0.06	0.00	0.06
North West	0.02	-0.06	-0.06	-0.03
Northern	-0.26	-0.08	0.03	-0.10
South West	0.16	0.27	0.07	0.17
Sunshine Coast	-0.06	0.01	0.11	0.02
West Moreton	-0.26	-0.03	-0.24	-0.17
Wide Bay-Burnett	0.10	-0.20	-0.10	-0.07
Upstream	-0.11	0.00	-0.08	-0.06
Producers	0.01	-0.10	-0.04	-0.05
Downstream	0.13	-0.06	0.07	0.05
<b>Queensland</b>	<b>0.00</b>	<b>-0.09</b>	<b>-0.04</b>	<b>-0.04</b>

# South Australia.

## What happened?

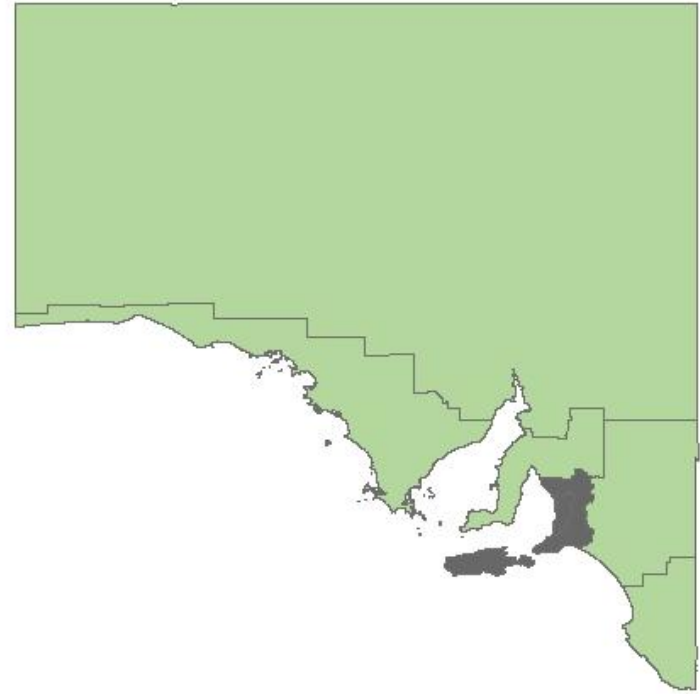
- EPI +0.10
- A positive result however a decline in performance from March quarter and lowest EPI for 12 months
- 2nd best performing state
- All statistical divisions were positive – Eyre the best performed
- Only Eyre statistical division reported an increase in performance

## Insights.

- Despite better rainfall, some areas are starting to need more
- Wine industry reported a difficult season
- Commodity prices remain strong
- Mining supporting many communities
- Australian dollar impacting on exporters

*“pretty good – the soil moisture is good so the crops have a good start”*

Producer, Northern



## The forecast.

- EPI is expected to increase in the next quarter
- All divisions expecting a positive result with 4 of the 5 anticipating an improvement
- Business confidence 84% - a slight decline from the previous quarter (86%) however significantly higher than the June Quarter of 2010 (64%)

# South Australia.

## Business performance.

- Positive business performance - Influenced mostly by climatic conditions and good commodity prices
- Eyre and Northern statistical divisions reported good performance – only Murray Lands reported a negative result
- All divisions are expecting good or positive performance in the coming quarter, due mostly to climatic and seasonal conditions

## Capital expenditure.

- Increased with 3 of the 5 statistical divisions reporting increased investment
- Overall, increases in capital expenditure are expected in the September quarter

## Employment levels.

- Increased
- 80% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase slightly in the next quarter

## Operating costs.

- Rose and the rate of increase was the highest recorded since the September Quarter of 2008. Increased costs were attributed to rises in the price of fuel / freight

## Agribusiness sectors.

- Upstream - positive EPI as a result of positive business performance and increased employment. Investment levels fell in the June quarter
- Producers – positive EPI as a result of positive business performance and positive levels of capital expenditure and employment.
- Downstream – negative EPI as a result of a sharp decline in employment. Business performance was marginally positive and investment levels increased.

	Business Performance	Capital Expenditure	Employment	EPI
Eyre	0.51	0.08	0.12	0.24
Murray Lands	-0.09	0.13	0.11	0.05
Northern	0.57	-0.05	0.15	0.22
South East	0.29	-0.02	-0.14	0.04
Yorke and Lower North	0.04	0.03	0.16	0.07
Upstream	0.33	-0.07	0.18	0.15
Producers	0.19	0.06	0.05	0.10
Downstream	0.01	0.06	-0.17	-0.04
<b>SA</b>	<b>0.20</b>	<b>0.04</b>	<b>0.06</b>	<b>0.10</b>

# Tasmania.

## What happened?

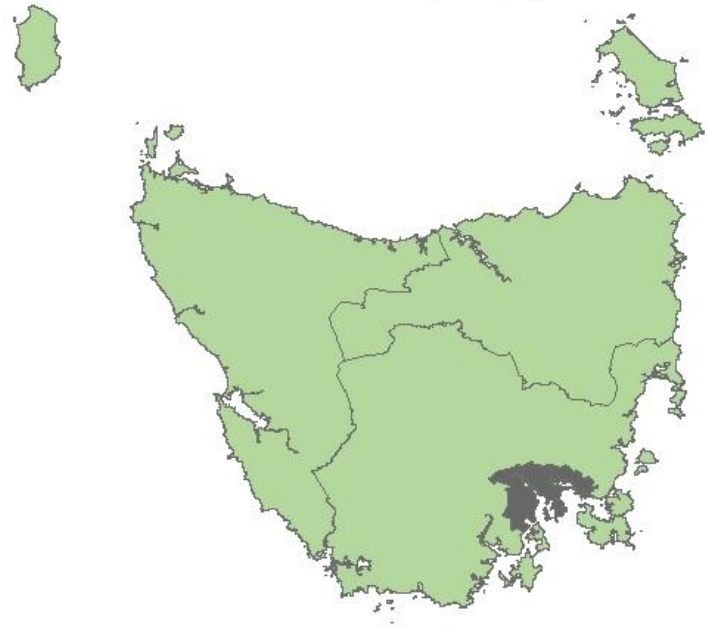
- EPI +0.05
- A slight increase in performance from the March quarter
- Remained the 4th best performed state
- All 3 statistical divisions were positive with Southern the best performed
- Mersey-Lyell the only division to improve performance compared with the March quarter

## Insights.

- Rainfall has helped farmers
- Downturn in the forestry industry impacting on some areas
- Small business reporting slower trade
- Tourism sector is quiet

*“agri sector doing well – small business, not so well”*

Producer, Northern



## The forecast.

- Sharp decrease expected in the coming quarter with all statistical divisions expecting a decrease in performance
- Business confidence 72% - same result as the March quarter however a slight increase from same quarter last year (70%)

# Tasmania.

## Business Performance.

- Positive business performance
- Influenced by consumer demand, seasonal factors and commodity prices
- A sharp fall to a negative result is expected largely as a result of the general economic climate

## Capital expenditure.

- Capital expenditure levels increased
- All statistical divisions reported increased investment
- A decrease in investment is expected in the September quarter

## Employment levels.

- Employment levels decreased slightly
- 64% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to fall again in the next quarter

## Operating costs.

- Rose during the quarter, with the rate of increase the highest since the September quarter of 2008. Increased costs were attributed to the cost of fuel / freight and utilities / government charges

## Agribusiness sectors.

- Upstream – negative EPI with negative business performance and employment levels. Capital expenditure was positive
- Producers – positive EPI with positive business performance and increased investment levels, however employment levels fell
- Downstream – negative EPI with negative levels of employment and investment. Business performance was positive

	Business Performance	Capital Expenditure	Employment	EPI
Mersey-Lyell	-0.04	0.14	-0.01	0.03
Northern	0.11	0.01	0.00	0.04
Southern	0.16	0.32	-0.15	0.11
Upstream	-0.06	0.07	-0.07	-0.02
Producers	0.09	0.15	-0.03	0.07
Downstream	0.08	-0.15	-0.05	-0.04
<b>Tasmania</b>	0.07	0.12	-0.03	0.05

# Victoria.

## What happened?

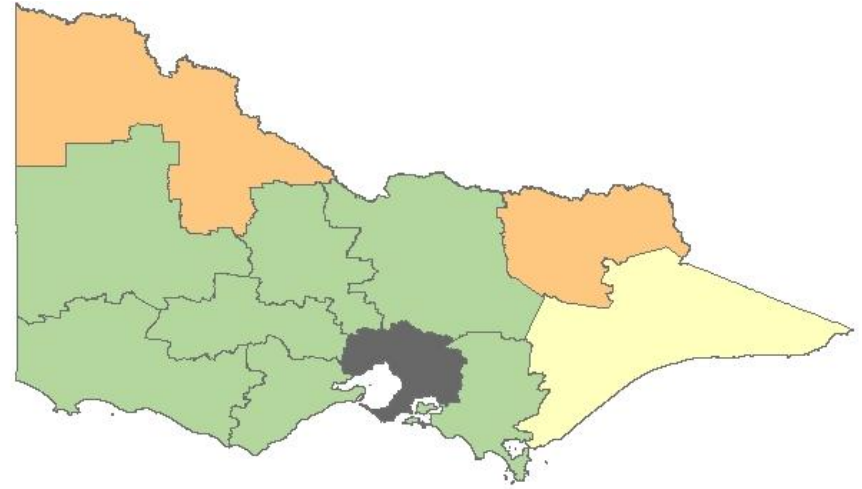
- EPI +0.06
- A decreased result to that recorded in the March quarter
- 3rd best performed state
- 8 of 10 statistical divisions were positive – Goulburn best performed
- 2 of 10 statistical divisions were negative – Mallee worst performed

## Insights.

- Concern about the impact of the ban on live cattle exports on beef prices overall
- Some areas badly affected by mouse plague
- Wool producers generally doing well
- Significant regional variations depending on weather patterns

*“fairly well – we are back to an average season this year – prices are holding up”*

Producer, East Gippsland



## The forecast.

- EPI expected to increase in the next quarter with 8 divisions expecting positive performance. Only Mallee and Ovens-Murray anticipating negative performance
- Business confidence 74% - lower than last quarter (79%) and slightly lower than same time last year (76%)

## Business performance.

- Positive business performance
- Influenced by consumer demand and climatic conditions
- Further improved and strongly positive performance expected in coming quarter as a result of consumer demand and seasonal factors

## Capital expenditure.

- Increased slightly
- Investment levels are expected to increase further in the September quarter

## Employment levels.

- Slight fall in employment levels
- 65% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment is expected to decrease again marginally in the next quarter

## Operating costs.

- Rose with increases attributed mainly to fuel / freight costs and, to a lesser extent, utilities / government charges

## Agribusiness sectors.

- Upstream - positive EPI reported, with positive business performance and capital expenditure although reduced employment levels
- Producers – positive EPI with positive business performance and stable capital expenditure although reduced employment levels
- Downstream - positive EPI with positive levels reported for business performance, capital expenditure and employment levels

	Business Performance	Capital Expenditure	Employment	EPI
Barwon	0.22	0.05	-0.04	0.07
Central Highlands	0.06	0.11	0.00	0.06
East Gippsland	0.09	0.00	-0.08	0.00
Gippsland	0.05	-0.01	-0.02	0.01
Goulburn	0.54	0.17	-0.05	0.22
Loddon	0.27	-0.14	-0.06	0.02
Mallee	-0.09	-0.08	-0.10	-0.09
Ovens-Murray	-0.06	-0.10	0.07	-0.03
Western District	0.35	-0.04	-0.04	0.09
Wimmera	0.23	0.06	0.10	0.13
Upstream	0.23	0.03	-0.13	0.04
Producers	0.21	0.00	-0.02	0.06
Downstream	0.26	0.26	0.06	0.19
<b>Victoria</b>	<b>0.21</b>	<b>0.01</b>	<b>-0.03</b>	<b>0.06</b>

# Western Australia.

## What happened?

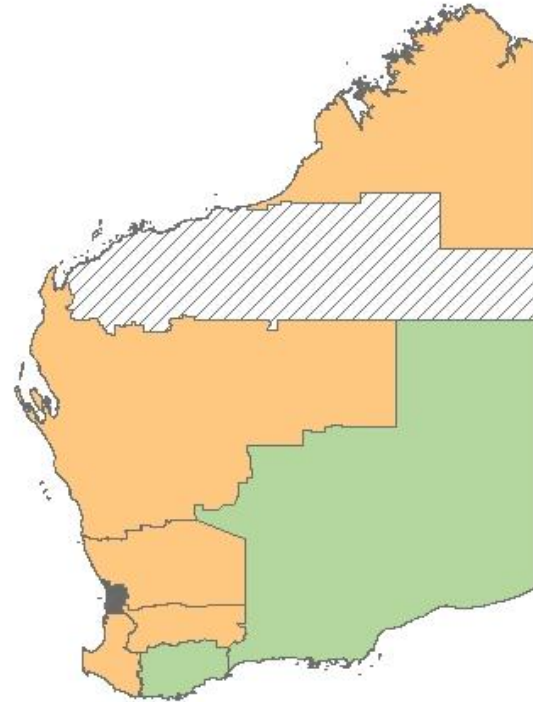
- EPI -0.09
- A fall in the EPI compared to the March quarter
- Poorest performed of all states.
- 2 of 7 statistical divisions positive – South Eastern and Lower Great Southern best performed
- 5 of 7 divisions negative – Midlands worst performed

## Insights.

- Rainfall has been patchy across the state with many areas still needing significant rainfall
- Live cattle export bans a big issue in many areas
- Reduced spending by farmers having a flow on effect to other businesses
- Mining still strong

*“reasonable season however live export bans are a concern”*

Producer, South Eastern



## The forecast.

- EPI expected to improve, however remain negative, in the September quarter
- Business confidence – 60%, a fall in confidence from the March quarter (66%) , however marginally higher than the same quarter last year (59%)

# Western Australia.

## Business performance.

- Negative
- Influenced by adverse climatic conditions
- Improved performance is expected in the coming quarter with more favourable climatic conditions anticipated, however the live export ban is impacting

## Capital expenditure.

- Decreased substantially
- Only one statistical division, South Eastern, reported increased investment levels
- Further, albeit smaller, reductions in capital expenditure are expected in the September quarter

## Employment levels.

- Fell
- 71% of businesses that had employed 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 rising fuel / freight prices.

## Agribusiness sectors.

- Upstream – negative EPI with negative capital expenditure and employment levels. Business performance was positive
- Producers – negative EPI as a result of negative performance in all three indicators
- Downstream – satisfactory EPI with negative capital expenditure and employment levels. Business performance was positive

	Business Performance	Capital Expenditure	Employment	EPI
Central	0.14	-0.16	-0.03	-0.02
Lower Great Southern	0.11	-0.12	0.06	0.02
Midlands	-0.26	-0.13	-0.32	-0.23
South Eastern	0.02	0.05	-0.01	0.02
South West	-0.14	-0.03	0.03	-0.04
Upper Great Southern	-0.25	-0.22	-0.04	-0.17
Kimberley	-0.11	-0.31	-0.08	-0.17
Upstream	0.10	-0.07	-0.08	-0.02
Producers	-0.13	-0.12	-0.06	-0.10
Downstream	0.20	-0.08	-0.11	0.00
<b>WA</b>	<b>-0.09</b>	<b>-0.11</b>	<b>-0.06</b>	<b>-0.09</b>

# Methodology.

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for Australia for *the June Quarter of 2011*.

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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