

Agribusiness Index

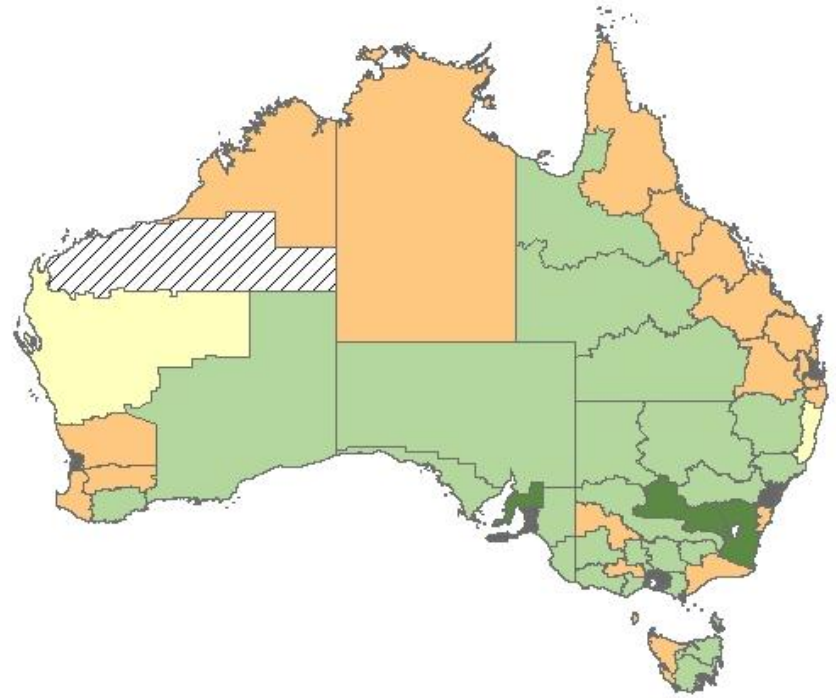
Australia.

March Quarter 2011

Australia.

What happened?

- EPI +0.05
- Slightly lower than the same quarter last year (+0.06)
- Positive result driven by positive business performance and marginal increases in employment. Overall lower investment levels were recorded.
- Best performed (+0.25) and most improved performance compared to March quarter last year - South Australia
- Worst performed and recording negative performance - Queensland (-0.08) and Western Australia (-0.05)



Insights.

- Flooding through Queensland, Northern NSW and Victoria has impacted heavily on results
- Rising commodity prices are improving outlook

“flooding has had an impact; harvest was delayed and caused economic impact throughout the area. It will take a while to recover”

Downstream, Wimmera, Victoria

The forecast.

- EPI expected to increase in the June quarter with positive results expected in all indicators
- All states expecting a positive EPI

Australia.

Business performance.

- Positive and improved performance from the March quarter last year
- Influenced by climatic conditions and consumer demand
- A further improvement is expected in coming quarter

Capital expenditure.

- Fell marginally – declines experienced in Queensland, Tasmania and Western Australia
- Increased investment is again expected, with 3 states anticipating increases

Employment levels.

- Marginally increased 3 states reported increases
- 70% of all businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase again in the June quarter

Operating costs.

- Continued to rise, with the rate of increase higher than the same quarter last year
- Rise attributed to increased fuel / freight costs and increasing utility / government charges

Agribusiness sectors.

- All sectors recorded positive EPIs, with upstream and producers the best performed
- All sectors reported positive business performance and improved performance on the March Quarter 2010
- Employment levels increased in the upstream and producer sectors, however, levels fell in the downstream sector
- Slight increases in investment levels were reported in the upstream and downstream sectors, with stable levels recorded for producers
- All sectors expect positive and improved performance in June quarter

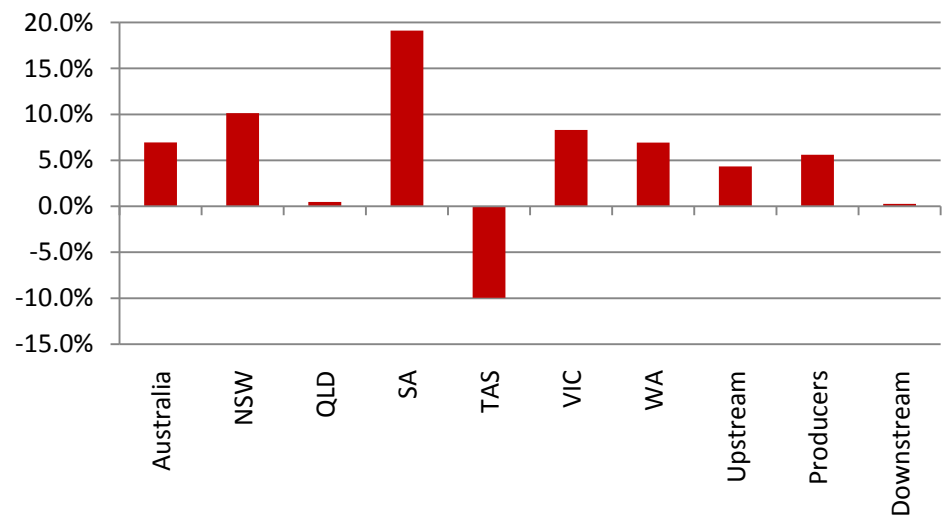
	Business Performance	Capital Expenditure	Employment	EPI
NSW	0.21	0.05	0.10	0.12
QLD	-0.11	-0.09	-0.03	-0.08
SA	0.56	0.14	0.04	0.25
TAS	0.17	-0.06	0.02	0.04
VIC	0.22	0.02	-0.03	0.07
WA	0.02	-0.15	-0.02	-0.05
Upstream	0.12	-0.04	0.07	0.05
Producers	0.14	0.00	0.01	0.05
Downstream	0.13	-0.03	-0.07	0.01
Australia	0.14	-0.01	0.02	0.05

Australia.

Business confidence.

- Overall 76% of businesses are confident about the performance of their business in the next 12 months - higher than same quarter last year (69%)
- South Australia recorded the highest level of confidence (86%) and the largest improvement since the March quarter of last year
- 5 of the 6 states have increased confidence compared to the same quarter last year
- Western Australia reported the lowest level of business confidence (66%)
- Tasmania was the only state to have decreased confidence over the last 12 months
- Upstream sector recorded the highest level of confidence
- Producers reported the largest increase in confidence

Change in business confidence
from March Quarter 2010 to March Quarter 2011



What happened?

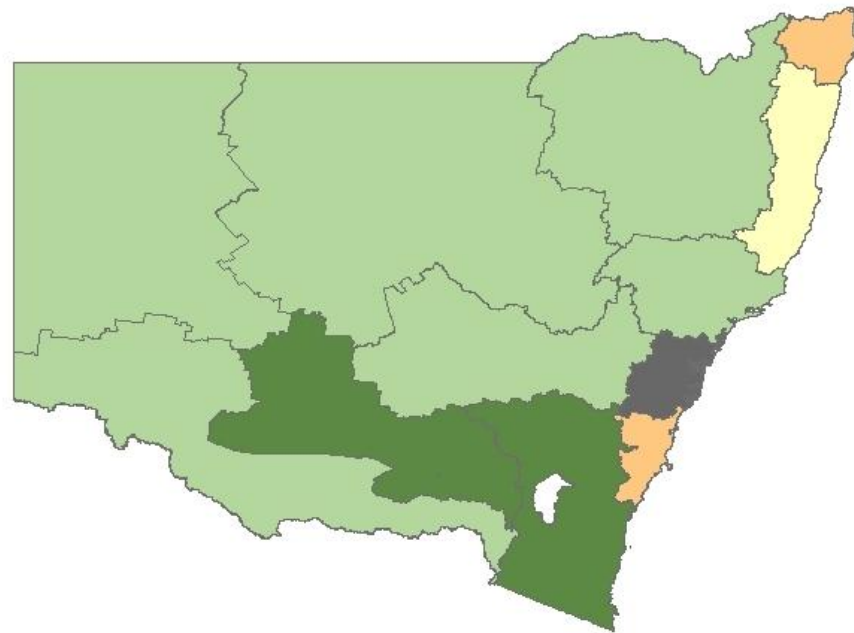
- Best March quarter result on record
- 2nd best performer overall
- 2 statistical divisions – Murrumbidgee and South Eastern reported good performance
- 6 of 11 divisions reported positive performance
- 1 division – Mid-North Coast reported satisfactory performance and 2 recorded negative EPIs

Insights.

- Rainfall has significantly improved outlook
- Commodity prices rising with the exception of milk
- Rural sector going well however other local businesses appear quiet

prices of commodities are looking good – lots of moisture after years of drought”

Producer, Central West



The forecast.

EPI expected to remain at a similar level in the coming June quarter

9 of 11 divisions expecting positive or good performance next quarter

Business confidence 78% - higher than for the same quarter last year (68%)

Business performance.

- Positive business performance overall with 4 statistical divisions reporting good performance
- Influenced by climatic conditions, consumer demand and commodity prices
- Commodity prices, climatic and seasonal conditions are expected to result in improved performance in the coming quarter

Capital expenditure.

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

Employment levels.

- increased overall with only 2 statistical divisions reporting declines
- 71% 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 and higher utilities / government charges.

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 business performance and employment levels, however declining investment levels during the quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.44	-0.17	0.13	0.13
Far West	0.46	0.00	0.15	0.20
Hunter	0.16	0.22	0.03	0.14
Illawarra	0.01	-0.05	-0.03	-0.02
Mid-North Coast	-0.02	0.06	-0.05	0.00
Murray	0.00	0.17	0.05	0.07
Murrumbidgee	0.77	0.18	0.16	0.37
North Western	0.05	0.02	0.14	0.07
Northern	0.04	0.03	0.12	0.07
Richmond-Tweed	-0.52	-0.17	0.12	-0.19
South Eastern	0.78	0.23	0.18	0.40
Upstream	0.10	0.01	0.18	0.10
Producers	0.23	0.07	0.09	0.13
Downstream	0.19	-0.14	0.09	0.05
NSW	0.21	0.05	0.10	0.12

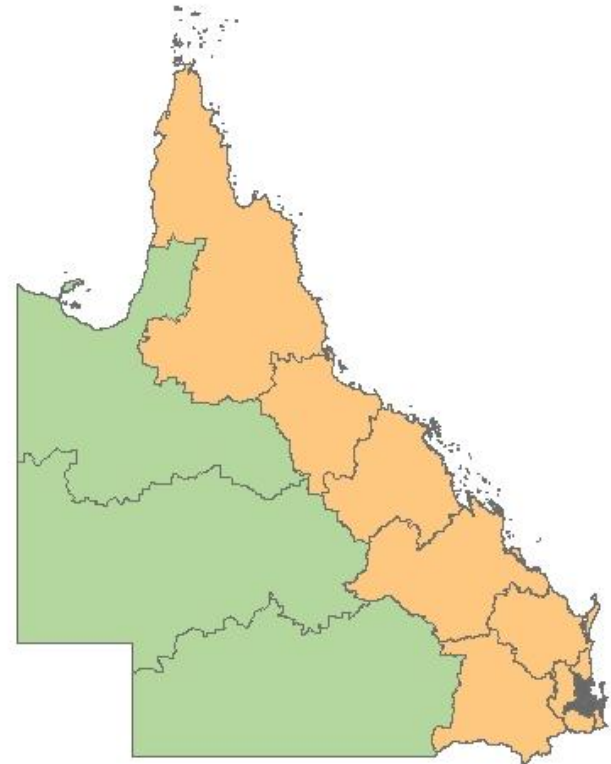
Queensland.

What happened?

- EPI -0.08
- A substantial decrease on the March Quarter 2010
- Second worst performed state
- 3 of 12 statistical divisions were positive – Central West best performed
- 9 statistical divisions were negative – Far North worst performed

Insights.

- Recent flooding, heavy rains and cyclones have impacted on the Queensland economy
- Beef cattle farming in particular performing well
- Mining sector continues to contribute strongly
- Tourism industry struggling in many areas



The forecast.

- EPI expected to improve in the next quarter with 11 of 12 divisions expecting positive performance and Gold Coast division expecting marginally negative performance
- Business confidence – 73%, identical to results for the same quarter last year

“the summer has been disappointing due to the rain but things are OK”

Producer, Central West

Queensland.

Business performance.

- Negative
- Influenced by adverse climatic conditions
- Improved and strongly positive performance expected in the coming quarter

Capital expenditure.

- Investment levels decreased
- Only Central West and Wide Bay-Burnett divisions reported increased investment levels during the quarter
- Greatest decrease in investment reported in Darling Downs division
- Marginal increase in investment is expected in the June quarter

Employment levels.

- Employment levels fell slightly
- 76% of agribusinesses that had employed during the quarter indicated that finding suitable staff was difficult
- Employment levels are expected to increase slightly next quarter

Operating costs.

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

Agribusiness sectors.

- Upstream – negative EPI with negative business performance and capital expenditure levels, although positive employment levels
- Producers – negative EPI with negative business performance, capital expenditure and employment levels
- Downstream – negative EPI with negative business performance and decreases in capital expenditure and employment levels

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.17	0.10	0.02	0.09
Darling Downs	-0.03	-0.21	-0.02	-0.09
Far North	-0.34	-0.19	-0.14	-0.23
Fitzroy	0.07	-0.14	-0.02	-0.03
Gold Coast	-0.39	0.00	-0.09	-0.16
Mackay	-0.05	-0.03	-0.12	-0.07
North West	0.20	-0.11	-0.03	0.02
Northern	-0.27	-0.10	0.08	-0.10
South West	0.18	-0.06	0.06	0.06
Sunshine Coast	-0.41	-0.16	0.07	-0.17
West Moreton	-0.04	-0.17	-0.07	-0.09
Wide Bay-Burnett	-0.24	0.13	-0.05	-0.05
Upstream	-0.11	-0.09	0.15	-0.02
Producers	-0.11	-0.09	-0.07	-0.09
Downstream	-0.10	-0.05	-0.07	-0.07
Queensland	-0.11	-0.09	-0.03	-0.08

South Australia.

What happened?

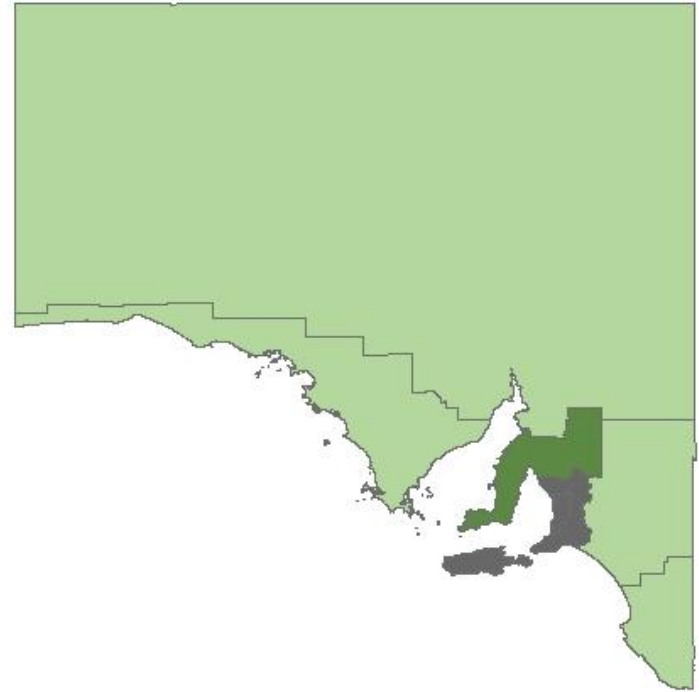
- EPI +0.25
- A considerable improvement on performance in the March Quarter 2010
- Best performing state
- All statistical divisions were positive or good – Yorke and Lower North reported a good result and was the best performed
- All divisions reported improvement on results reported at the same time last year

Insights.

- Good rainfall has led to good harvests across much of the state
- Better commodity prices have brought better returns
- Some economic uncertainty in smaller towns
- Optimistic about the upcoming season due to the weather outlook

“There’s optimism for the forthcoming season as fine weather is expected”

Producer, Yorke and Lower North



The forecast.

- EPI is expected to fall marginally in the next quarter
- All divisions expecting at least positive results with Northern division expecting a good result
- Business confidence 86% - the highest confidence level on record for the state

South Australia.

Business performance.

- Good performance influenced mostly by climatic conditions, seasonal factors and good commodity prices
- All statistical divisions reported good performance
- 3 out of 5 divisions are expecting continued good performance in the coming quarter, due mostly to climatic conditions and good commodity prices

Capital expenditure.

- Increased
- 4 of the 5 statistical divisions reported increased investment
- Overall, increases in capital expenditure are expected in the June quarter

Employment levels.

- Increased slightly
- 76% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase again in the next quarter

Operating costs.

- Increased costs were attributed to rises in the price of fuel / freight, wages and utilities / government charges.

Agribusiness sectors.

- Upstream - positive EPI as a result of good business performance and increased capital expenditure and employment.
- Producers – positive EPI as a result of good business performance and positive levels of capital expenditure and employment.
- Downstream – marginally positive EPI as a result of positive business performance and capital expenditure levels. Employment levels decreased during the quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Eyre	0.46	0.13	0.11	0.23
Murray Lands	0.60	0.11	-0.09	0.21
Northern	0.58	0.14	-0.03	0.23
South East	0.57	-0.01	0.11	0.22
Yorke and Lower North	0.56	0.39	0.10	0.35
Upstream	0.57	0.06	0.11	0.24
Producers	0.57	0.16	0.04	0.26
Downstream	0.25	0.08	-0.24	0.03
SA	0.56	0.14	0.04	0.25

Tasmania.

What happened?

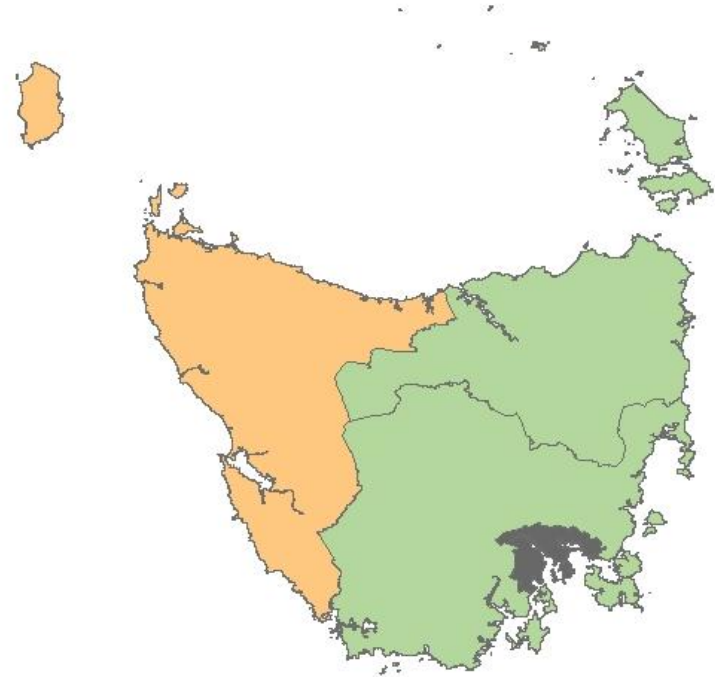
- EPI +0.04
- A substantial decrease compared with the March Quarter 2010
- 4th best performed state
- Two statistical divisions were positive although Mersey-Lyell was negative
- Southern, the only division to improve performance compared with the March Quarter 2010

Insights.

- Downturn in the forestry industry impacting on some areas
- Rainfall has helped some farmers but been detrimental to others
- Improved commodity prices generally helpful

“farming is pretty much the same and always will be”

Upstream, Northern



The forecast.

- Slight increase expected in the coming quarter although Mersey-Lyell statistical division expecting significant decrease in performance
- Business confidence 72% - a decrease from same time last year (82%)

Tasmania.

Business Performance.

- Positive business performance
- Influenced by increased consumer demand and internal business factors
- Improvement to a good result is expected in the coming quarter due to consumer demand

Capital expenditure.

- Capital expenditure levels fell
- All statistical divisions reported decreased investment
- Further decreases in investment are expected in the June quarter

Employment levels.

- Employment levels increased slightly
- 60% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to fall marginally in the next quarter

Operating costs.

- Operating costs rose during the quarter. Increased costs were attributed to the cost of fuel / freight and utilities / government charges

Agribusiness sectors.

- Upstream – positive EPI with positive business performance and increased employment levels, but decreased capital expenditure
- Producers – positive EPI with positive business performance and increased employment levels, but reduced capital expenditure levels
- Downstream - positive EPI with positive business performance and increased capital expenditure, although reduced employment levels

	Business Performance	Capital Expenditure	Employment	EPI
Mersey-Lyell	0.05	-0.08	-0.13	-0.06
Northern	0.12	-0.05	0.11	0.06
Southern	0.53	-0.06	0.11	0.19
Upstream	0.24	-0.22	0.07	0.03
Producers	0.16	-0.05	0.03	0.04
Downstream	0.33	0.14	-0.38	0.03
Tasmania	0.17	-0.06	0.02	0.04

Victoria.

What happened?

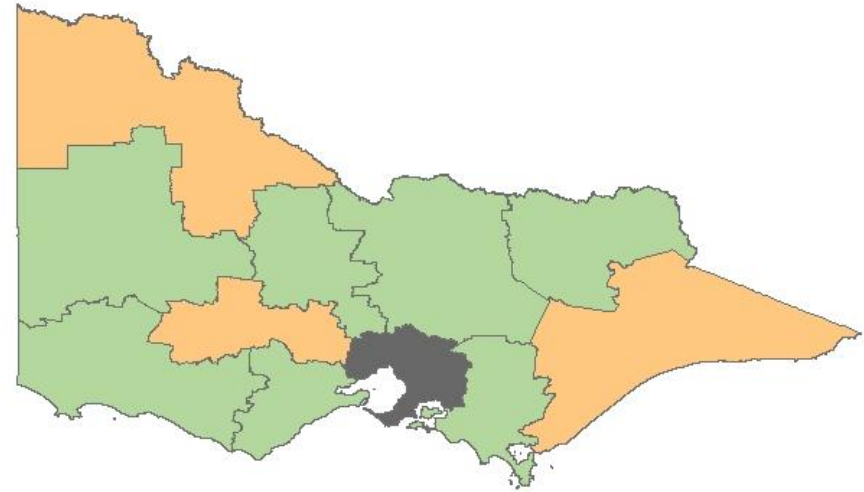
- EPI +0.07
- A similar result to that recorded in the March Quarter 2010
- 3rd best performed state
- 7 of 10 statistical divisions were positive – Goulburn best performed
- 3 of 10 statistical divisions were negative – Mallee worst performed

Insights.

- Performance in many areas influenced by the level of flooding
- Livestock producers generally performing well due to good prices and supply of fodder
- Many crop producers adversely affected by heavy rain and flooding
- Many grape growing properties struggling

“very good – lamb prices are good, had good rain and cattle prices are the best they have been in ten years”

Producer, Western District



The forecast.

- EPI expected to increase in the next quarter with 9 divisions expecting positive performance. Only Mallee anticipating negative performance
- Business confidence 79% - significantly higher than same time last year (70%)

Business performance.

- Positive and improved compared with the March Quarter 2010
- Influenced by climatic conditions and consumer demand
- Significantly improved and strongly positive performance expected in coming quarter as a result of the same factors

Capital expenditure.

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

Employment levels.

- Slight fall in employment levels
- 60% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment is expected to increase marginally in the next quarter

Operating costs.

- Operating costs rose with increases attributed mainly to fuel / freight costs and, to a lesser extent, rising wage costs

Agribusiness sectors.

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

	Business Performance	Capital Expenditure	Employment	EPI
Barwon	0.13	-0.17	0.06	0.01
Central Highlands	-0.15	0.06	0.04	-0.02
East Gippsland	0.02	-0.06	-0.04	-0.03
Gippsland	0.20	0.11	-0.24	0.03
Goulburn	0.51	0.07	0.06	0.21
Loddon	0.03	0.10	0.16	0.10
Mallee	-0.11	-0.07	-0.11	-0.10
Ovens-Murray	0.14	-0.06	-0.06	0.01
Western District	0.63	-0.03	-0.01	0.20
Wimmera	0.05	0.14	-0.12	0.02
Upstream	0.21	0.00	-0.15	0.02
Producers	0.22	0.02	0.00	0.08
Downstream	0.26	0.03	-0.06	0.08
Victoria	0.22	0.02	-0.03	0.07

Western Australia.

What happened?

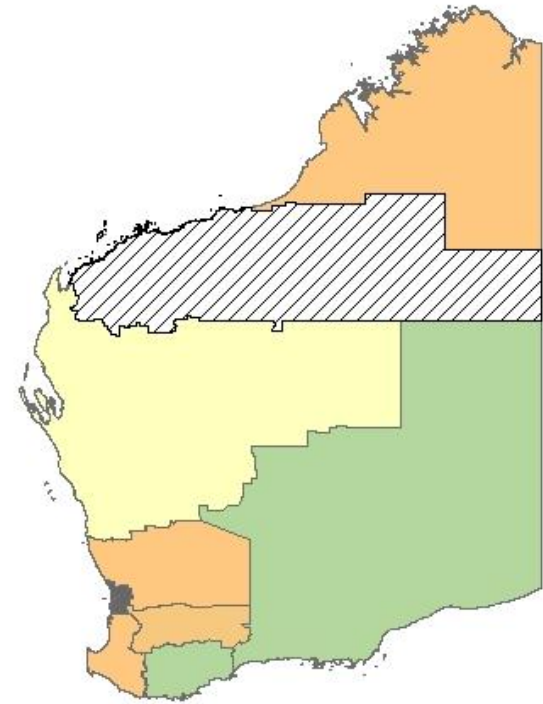
- EPI -0.05
- A slightly poorer result than that for the March Quarter 2010
- 2nd poorest performed of all states.
- 3 of 7 statistical divisions positive – South Eastern best performed
- 4 of 7 divisions negative – Upper Great Southern worst performed

Insights.

- Some parts of the State still in drought while others have suffered from flood damage
- Mining helping local economies in some areas
- Reduced spending by farmers in some areas having a detrimental effect on other businesses

“quite a lot better than the rest of the State – we have had a good harvest”

Producer, South Eastern



The forecast.

- EPI expected to improve to positive territory in the June quarter
- Only 1 statistical division, Upper Great Southern, expecting a negative EPI in the next quarter
- Business confidence – 66%, a significant improvement compared with twelve months ago (59%)

Western Australia.

Business performance.

- Positive
- Influenced by seasonal factors and commodity prices
- Significantly improved performance is expected in the coming quarter with improved climatic conditions anticipated

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 June quarter

Employment levels.

- Fell slightly
- 72% of businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase in the next quarter

Operating costs.

- Increased costs were attributed to rising fuel / freight costs and utility / government charges.

Agribusiness sectors.

- Upstream – satisfactory EPI with positive business performance and stable employment levels. Capital expenditure levels decreased sharply.
- Producers – negative EPI as a result of negative business performance and falling employment and investment levels.
- Downstream - negative EPI with positive business performance and capital expenditure levels. Significant reductions in employment levels were reported.

	Business Performance	Capital Expenditure	Employment	EPI
Central	0.08	-0.06	-0.02	0.00
Lower Great Southern	0.35	-0.05	-0.01	0.10
Midlands	-0.03	-0.40	-0.10	-0.18
South Eastern	0.27	0.22	-0.10	0.13
South West	-0.01	-0.06	0.04	-0.01
Upper Great Southern	-0.49	-0.35	0.03	-0.27
Kimberley	0.00	-0.02	-0.14	-0.06
Upstream	0.19	-0.18	0.00	0.00
Producers	-0.01	-0.16	-0.01	-0.06
Downstream	0.09	0.06	-0.32	-0.06
WA	0.02	-0.15	-0.02	-0.05

Methodology.

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for Australia for *the March 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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