

Agribusiness Index

Australia.

March Quarter 2010

Australia.

What happened?

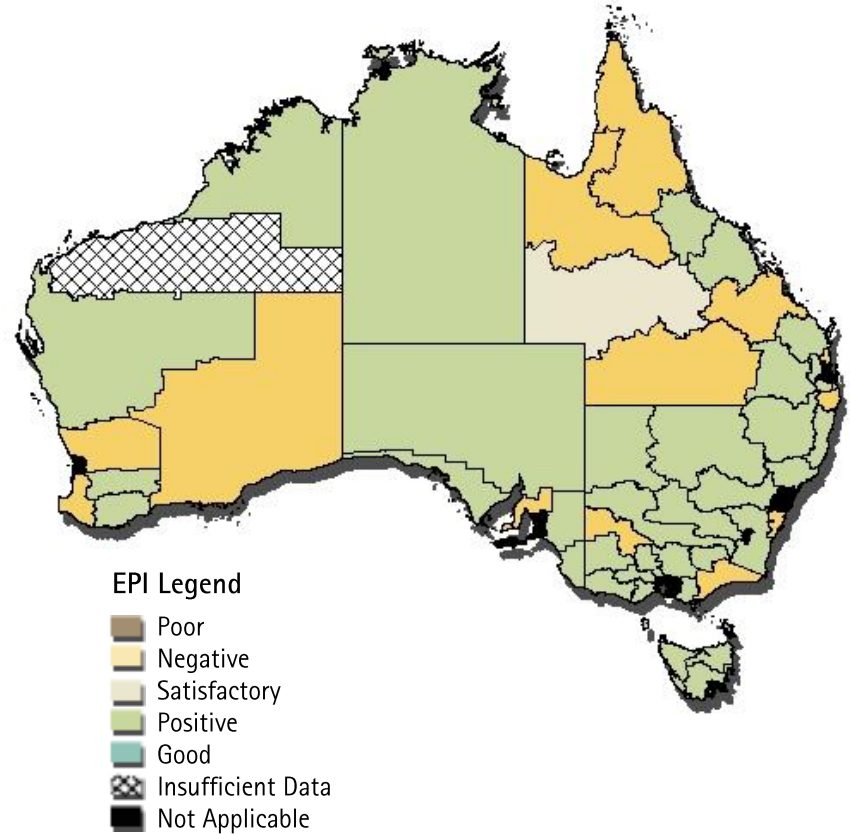
- EPI +0.06
- Up 0.02 from the December quarter
- Driven up by improvement in business performance and increased levels of capital expenditure.
- Best performed – Tasmania
- Most improved performance – New South Wales and Tasmania
- Worst performed - Western Australia

Insights.

- First negative result in WA since June 2007
- SA reported the largest drop in performance but remained positive
- Heavy rain and flooding in Queensland impacted in short term but overall optimism for the longer term

The forecast.

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



**“everybody has been hurt by
the drought followed by
torrential rain”**

Producer, Fitzroy, QLD

Australia.

Business performance.

- Positive and improved performance
- Influenced by climatic conditions and increased consumer demand
- A significant improvement expected in June quarter

Capital expenditure.

- Increased – all states reported increased investment
- Increased investment is again expected overall, however NSW and WA expecting investment to fall

Employment levels.

- Stable, however declining levels were reported in 4 of 6 states
- Half of all business that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase marginally in the June quarter

Operating costs.

- Continued to rise, with the rate of increase slightly lower than previous quarter
- Rise attributed to increased utility and government charges and cost of chemicals and fertilisers

	Business Performance	Capital Expenditure	Employment	EPI
NSW	0.12	0.11	0.02	0.08
QLD	-0.05	0.15	-0.01	0.03
SA	-0.04	0.09	0.06	0.03
TAS	0.33	0.17	-0.03	0.16
VIC	0.13	0.15	-0.02	0.08
WA	-0.09	0.06	-0.02	-0.02
Australia	0.05	0.12	0.00	0.06

Agribusiness sectors.

- All sectors recorded positive EPIs, with downstream the best performed
- Producer sector reported an increase in performance, whilst downstream and upstream showed an overall decline in performance
- All sectors expect positive and improved performance in June quarter

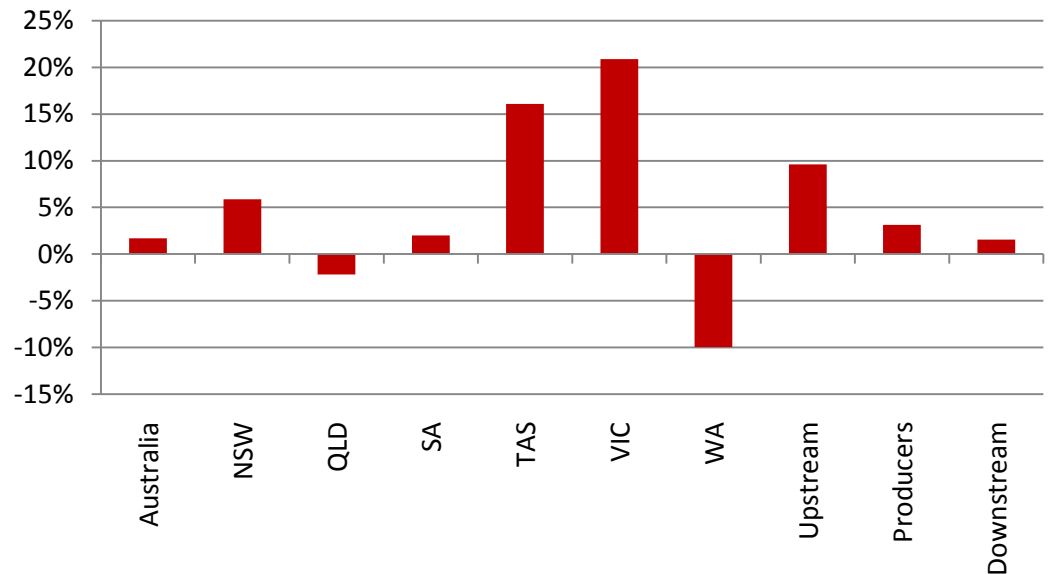
	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.13	0.20	0.04	0.12
Producers	0.04	0.13	-0.02	0.05
Downstream	0.19	0.29	0.00	0.16
Australia	0.05	0.12	0.00	0.06

Australia.

Business confidence.

- Overall 69% - marginal increase from same time last year (68%)
- Tasmania highest level of confidence 82%
- Victoria the largest increase in confidence since March quarter 2009 (50%-70%)
- 2 states reported declines in confidence, Queensland and Western Australia
- Upstream sector highest and most improved level of confidence

Change in business confidence from March Quarter 2009



New South Wales.

What happened?

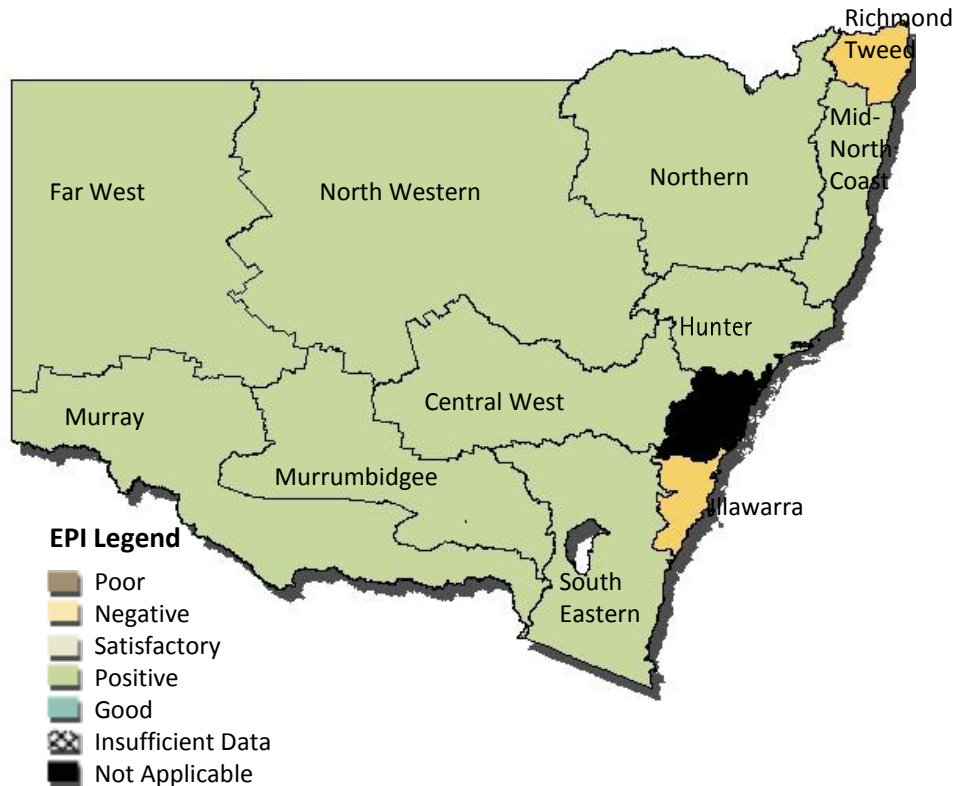
- EPI +0.08
- Increased 0.07 from the December quarter – equal best improved state
- Driven up by improved business performance and increases in capital expenditure and employment levels
- 9/11 or 82% of regions were positive - an increase from 4 positive regions last quarter
- Best performed – Mid-North Coast and Murray
- Worst performed – Richmond-Tweed

Insights.

- Rainfall has improved conditions and outlook
- Good feed crops
- Low cattle but higher lamb prices

The forecast.

- EPI expected to decline but remain positive in June quarter with 9 divisions expecting positive performance



“farming satisfactory – best seasonal outlook for a couple of years.”

Agricultural machinery manufacturer,
Central West

New South Wales.

Business performance.

- Positive - influenced by climatic conditions and consumer demand
- Improved performance expected in coming quarter
- Recent rainfall contributed to this expectation

Capital expenditure.

- Increased
- Reduced investment is expected in June quarter

Employment levels.

- Increased
- 51% that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to decrease marginally in the next quarter

Operating costs.

- Increased
- Attributed to utilities / government charges and cost of fertilisers and chemicals

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.23	0.05	0.03	0.10
Far West	0.18	0.08	0.03	0.10
Hunter	0.08	0.14	0.06	0.09
Illawarra	-0.11	-0.03	0.07	-0.02
Mid-North Coast	0.12	0.48	0.03	0.21
Murray	0.17	0.21	0.06	0.15
Murrumbidgee	0.13	-0.08	-0.03	0.01
North Western	0.16	0.01	-0.04	0.04
Northern	0.04	0.15	0.01	0.07
Richmond-Tweed	-0.27	0.15	0.02	-0.03
South Eastern	0.41	-0.04	0.01	0.13
NSW	0.12	0.11	0.02	0.08

Agribusiness sectors.

- All sectors reported positive results with upstream and downstream slightly more positive
- Business performance in the producer sector increased substantially moving from negative to positive territory
- Downstream sector reported declining employment levels while producer levels remained stable
- All sectors are expecting positive performance in the June quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.06	0.15	0.12	0.11
Producers	0.12	0.10	0.00	0.07
Downstream	0.25	0.11	-0.04	0.11
NSW	0.12	0.11	0.02	0.08

Queensland.

What happened?

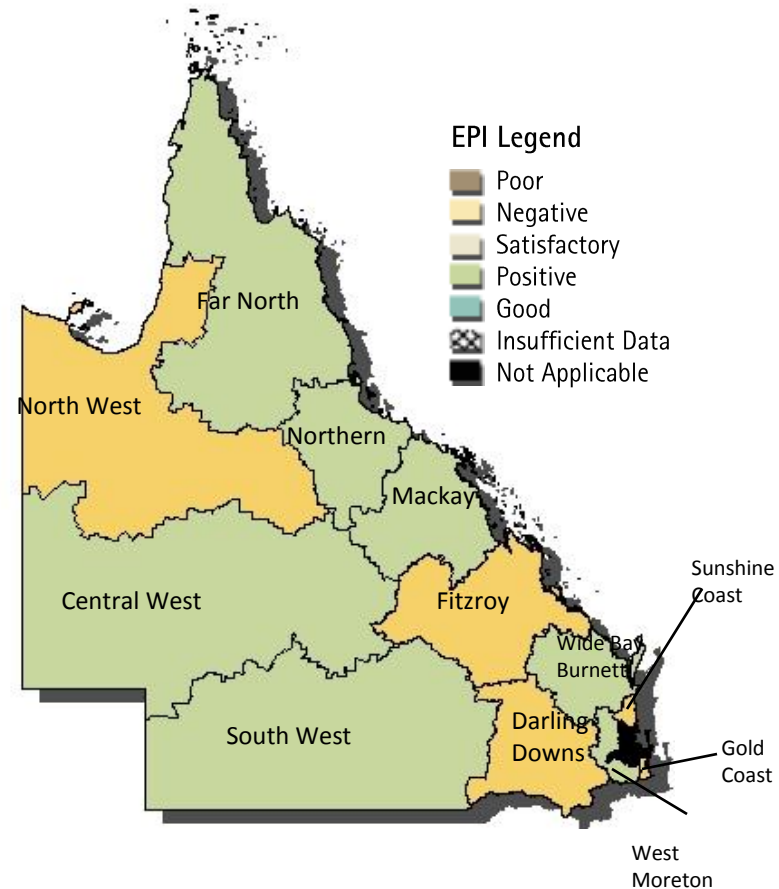
- EPI +0.03
- Increased marginally from +0.02 in December quarter
- Negative business performance and falling employment levels contributed to decline, however investment levels remained high
- 7/12 or 58% of regions were positive
- Best performed Mackay and West Moreton
- Worst performed – Gold Coast

Insights.

- Heavy rainfall and flooding has negatively impacted agribusiness
- Positive outlook due to rain
- Mining sector remains strong
- Costs have increased particularly utility and government charges

The forecast.

- EPI expected to improve significantly in the next quarter with all divisions expecting positive performance



“heavy rainfall has affected all businesses but we are looking good for year”

Agricultural machinery manufacturer, Wide Bay-Burnett

Queensland.

Business performance.

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

Capital expenditure.

- Increased
- Only one statistical division reported a fall in investment levels
- Increased investment is expected again in the June quarter

Employment levels.

- Decreased slightly
- 52% of agribusinesses that had employed during the quarter, indicated that finding suitable staff was difficult
- Employment levels are expected to increase slightly in the next quarter

Operating costs.

- Increased costs were attributed to a rise in utility and government charges and rising fuel and freight costs

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.05	0.19	-0.08	0.05
Darling Downs	-0.07	0.07	-0.03	-0.01
Far North	-0.11	0.14	-0.01	0.01
Fitzroy	-0.13	-0.03	-0.08	-0.08
Gold Coast	-0.57	0.09	-0.08	-0.19
Mackay	0.20	0.22	0.00	0.14
North West	0.00	0.09	-0.15	-0.02
Northern	0.01	0.05	-0.04	0.01
South West	-0.10	0.15	0.03	0.03
Sunshine Coast	-0.13	0.25	-0.18	-0.02
West Moreton	0.10	0.20	0.11	0.14
Wide Bay-Burnett	-0.04	0.32	0.11	0.13
Queensland	-0.05	0.15	-0.01	0.03

Agribusiness groups.

- Upstream and producer sectors recorded positive economic performance
- Business performance was negative in all three sectors and employment levels declined in the producer and downstream sectors
- Strong levels of capital expenditure were recorded in all sectors
- All sectors are expecting improved and positive performance in the June quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	-0.13	0.15	0.12	0.05
Producers	-0.03	0.15	-0.03	0.03
Downstream	-0.23	0.18	-0.14	-0.07
Queensland	-0.05	0.15	-0.01	0.03

South Australia.

What happened?

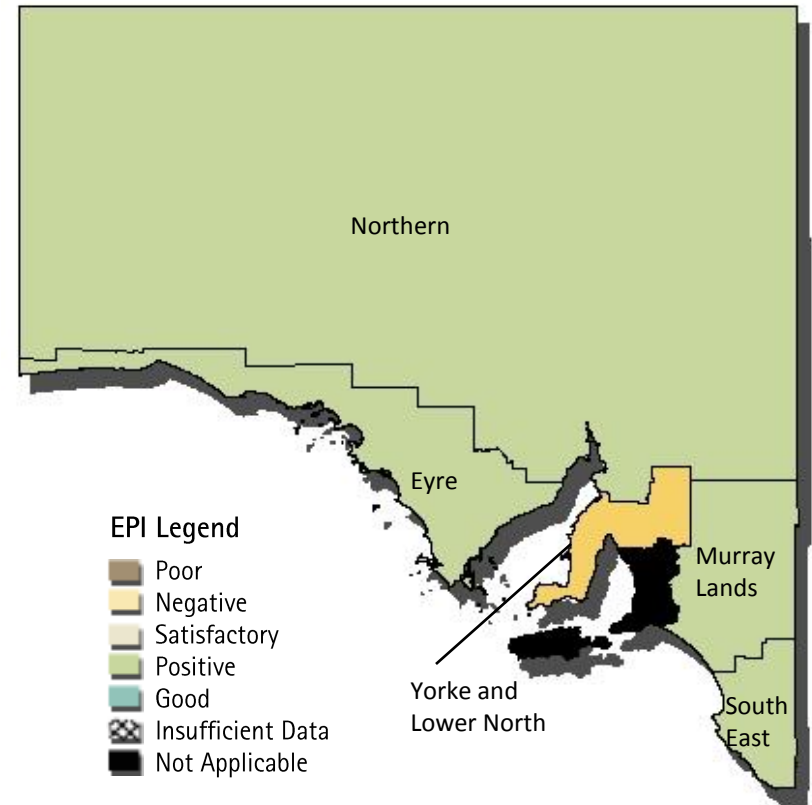
- EPI +0.03
- Declined 0.14 from the December quarter
- A decline in business performance pushed the EPI down, however employment and capital expenditure levels increased
- 4 of the 5 regions were positive
- Best performed – Eyre
- Worst performed – Yorke and Lower North

Insights.

- Recent good results have been dampened by low grain prices and an oversupply in the wine sector
- Higher sheep prices have helped some producers
- Rainfall has been patchy and damaging to crops in some areas – more is needed to continue confidence

The forecast.

- EPI expected to increase in June quarter with all regions expecting satisfactory or better performance



**“if grain prices picked up
we’d all be a lot happier”**

Grain producer, Yorke and Lower North

South Australia.

Business performance.

- Negative
- Influenced by general economic and difficult climatic conditions
- Positive and improved performance is expected in the coming quarter

Capital expenditure.

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

Employment levels.

- Increased
- 60% that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to continue to increase in the next quarter

Operating costs.

- Increased costs were attributed to rises in the cost of fuel/freight and fertilisers/chemicals

	Business Performance	Capital Expenditure	Employment	EPI
Eyre	0.40	0.09	-0.07	0.14
Murray Lands	-0.12	0.14	0.05	0.02
Northern	-0.06	0.12	0.10	0.05
South East	0.04	0.06	0.15	0.08
Yorke and Lower North	-0.37	0.01	0.02	-0.11
SA	-0.04	0.09	0.06	0.03

Agribusiness groups.

- All sectors reported lower EPIs, however upstream and downstream remained positive
- Business performance declined in all sectors, with producers falling to negative levels
- Capital expenditure and employment levels increased in all three sectors
- All sectors are expecting positive performance in the June quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.27	0.18	0.20	0.22
Producers	-0.10	0.07	0.03	0.00
Downstream	0.18	0.02	0.06	0.09
SA	-0.04	0.09	0.06	0.03

Tasmania.

What happened?

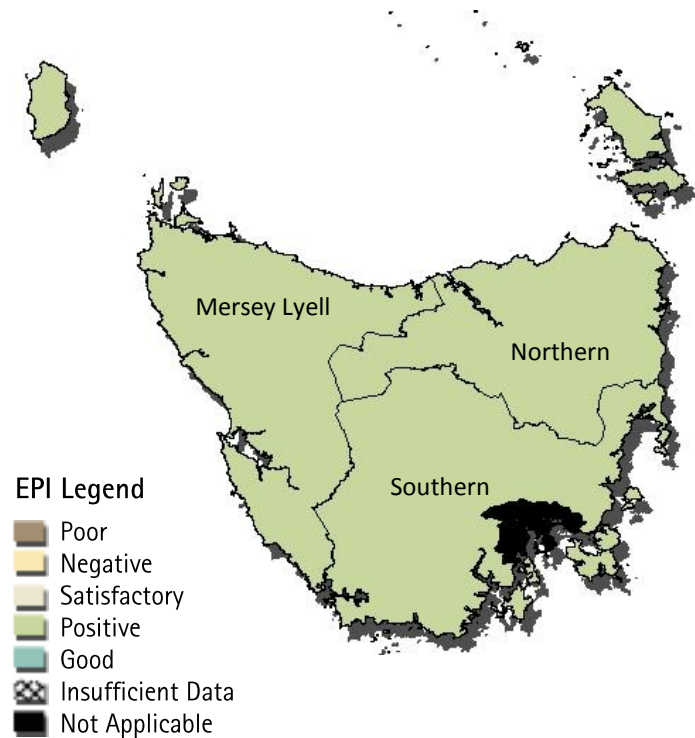
- EPI +0.16
- Increased 0.07 from the December quarter
- Positive business performance and increased capital expenditure drove up the EPI
- All regions were positive
- Best performed and most improved – Northern

Insights.

- Rain has improved optimism
- Lower beef and grain prices impacting
- Good tourist season
- Major manufacturers have closed in some areas

The forecast.

- Slight decline expected in coming quarter, although remaining positive.
- Southern statistical division expecting negative result



**“things are looking better
than previously”**

Producer, Southern

Tasmania.

Business Performance.

- Positive
- Best result in 12 months
- influenced by seasonal conditions and increased consumer demand
- An positive though weaker performance is expected in coming quarter

Capital expenditure.

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

Employment levels.

- Decreased
- 42% of businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to decline again in the next quarter

Operating costs.

- Increased costs were attributed to higher wages and raw materials

	Business Performance	Capital Expenditure	Employment	EPI
Mersey-Lyell	0.14	0.31	-0.05	0.13
Northern	0.51	0.13	-0.03	0.20
Southern	0.32	0.02	-0.03	0.10
Tasmania	0.33	0.17	-0.03	0.16

Agribusiness groups.

- All sectors recorded positive economic performance
- Positive business performance was recorded in all sectors
- Increased capital expenditures was recorded across all sectors, with the downstream sector reported strong investment levels
- Employment fell in the upstream and producer sectors
- All sectors are expecting positive performance in the June quarter

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.32	0.08	-0.11	0.09
Producers	0.33	0.18	-0.02	0.16
Downstream	0.28	0.35	0.00	0.21
Tasmania	0.33	0.17	-0.03	0.16

Victoria.

What happened?

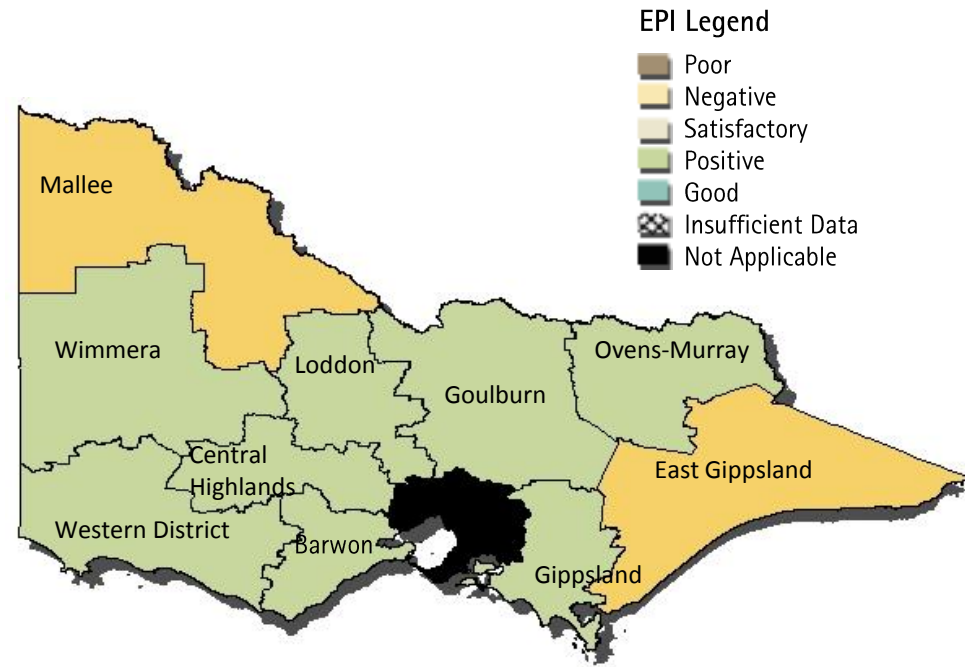
- EPI +0.08
- Increased 0.02 from the December quarter
- 8 of 10 statistical divisions (80%) were positive
- Goulburn and Ovens-Murray best performed
- Mallee was worst performed

Insights.

- Regions which have received good rainfall are generally optimistic but there are many areas still struggling with the drought
- Low grain and dairy prices are having a negative impact on expenditure
- Many vineyards are finding business difficult with a glut of grapes and poor prices
- Rain has resulted in a good supply of fodder crops in many areas

The forecast.

- EPI expected to increase in June quarter with 8 divisions expecting positive performance



“optimistic, although cautious about prices and sales, but the rain has lightened the mood”

Beef cattle producer, Ovens-Murray

Victoria.

Business performance.

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

Capital expenditure.

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

Employment levels.

- Marginally reduced
- 42% of those that had employed indicated that finding suitable staff was difficult
- Marginal employment decreases are again expected in the next quarter

Operating costs.

- Increased costs were attributed to utilities / government charges and fertiliser or chemical costs

	Business Performance	Capital Expenditure	Employment	EPI
Barwon	0.00	0.12	0.11	0.08
Central Highlands	-0.09	0.11	0.06	0.02
East Gippsland	-0.23	0.02	0.09	-0.04
Gippsland	0.06	0.22	-0.06	0.07
Goulburn	0.35	0.27	-0.03	0.20
Loddon	0.15	0.11	0.05	0.10
Mallee	-0.21	0.06	-0.15	-0.10
Ovens-Murray	0.22	0.29	0.02	0.18
Western District	0.43	0.06	-0.15	0.11
Wimmera	0.13	0.14	0.06	0.11
Victoria	0.13	0.15	-0.02	0.08

Agribusiness groups.

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

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.22	0.17	0.04	0.15
Producers	0.10	0.14	-0.04	0.07
Downstream	0.27	0.26	0.04	0.19
Victoria	0.13	0.15	-0.02	0.08

Western Australia.

What happened?

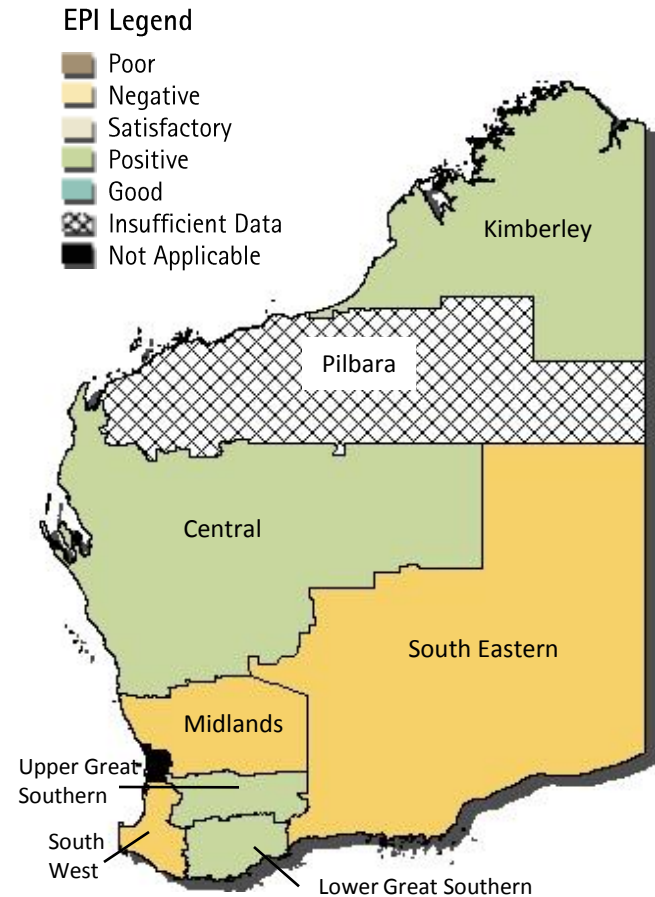
- EPI -0.02
- A decline from 0.00 and the worst result in almost 2 years
- 4 of 7 statistical divisions were positive - Central best performed
- 3 of 7 statistical divisions negative – South Eastern worst performed

Insights.

- Lower grain prices
- Poor rainfall in many areas
- Beef producers are doing well in northern part of state
- Mining supporting economy in many areas
- Tourism numbers ok along the coast

The forecast.

- EPI expected to decline further in June Quarter



“price of grain low at the moment, impacting on agribusiness sector”

Agricultural machinery manufacturer,
Midlands

Western Australia.

Business performance.

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

Capital expenditure.

- Increased
- Only two statistical division reported falling investment levels
- A fall in capital expenditure levels is expected in June quarter – the first reduction in 2 years

Employment levels.

- Decreased
- 57% 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 chemicals and fertilisers and increased wages.

	Business Performance	Capital Expenditure	Employment	EPI
Central	-0.05	0.34	0.02	0.10
Lower Great Southern	0.13	0.02	-0.03	0.04
Midlands	-0.17	0.04	-0.02	-0.05
South Eastern	-0.43	-0.10	-0.10	-0.21
South West	-0.15	-0.05	-0.06	-0.09
Upper Great Southern	0.03	0.08	0.12	0.08
Kimberley	-0.22	0.24	0.03	0.02
WA	-0.09	0.06	-0.02	-0.02

Agribusiness groups.

- Upstream and downstream sectors reported positive economic performance.
- Employment levels fell in producer and downstream sectors
- Increased levels of capital expenditure were recorded in all sectors
- Upstream and downstream sectors are expecting positive performance in the June quarter while producers are expecting negative and deteriorating performance

	Business Performance	Capital Expenditure	Employment	EPI
Upstream	0.12	0.21	0.08	0.14
Producers	-0.13	0.02	-0.03	-0.05
Downstream	-0.05	0.19	-0.06	0.03
WA	-0.09	0.06	-0.02	-0.02

Methodology.

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

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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