

# Agribusiness Index

## Australia.

September Quarter 2010

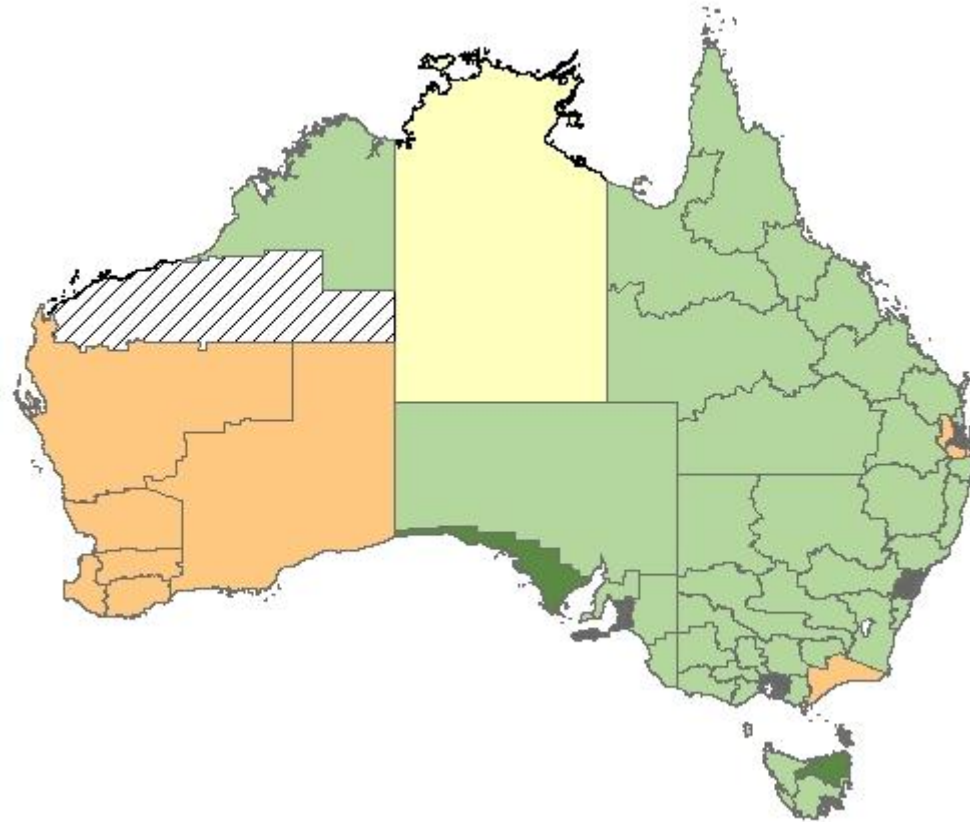
# Australia.

## What happened?

- EPI +0.12
- Up 0.05 from the June quarter
- Driven up by improvement in positive business performance and increased levels of capital expenditure and employment
- Best performed – New South Wales (0.19) and Tasmania (0.19)
- Most improved performance – New South Wales
- Worst performed and only negative result – Western Australia

## Insights.

- Rainfall across eastern states has improved business performance substantially
- Western Australia recorded worst result since December quarter 2006



## The forecast.

- EPI expected to increase in December quarter with good overall business performance
- WA the only state expecting a negative EPI

*“as long as the grasshoppers don’t do damage – things will be excellent throughout the country”*

Agricultural Machinery Manufacturing, Central West, NSW

# Australia.

## Business performance.

- Positive and improved performance
- Influenced by climatic conditions and seasonal factors
- A further improvement, moving to a good result, is expected in coming quarter

## Capital expenditure.

- Increased – WA only state to report decreased investment
- Increased investment is again expected, with all states anticipating increases

## Employment levels.

- Marginally increased with SA and WA reporting declining levels
- 51% of all businesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to increase slightly in the December quarter

## Operating costs.

- Continued to rise, with the rate of increase marginally lower than previous quarter
- Rise attributed to increased utility costs, rising wages and higher cost of raw materials

## Agribusiness sectors.

- All sectors recorded positive EPIs, with downstream the best performed
- All sectors reported positive business performance and increased levels of investment
- Employment increased in the upstream sector however levels fell in the downstream sector. Producers reported stable conditions
- All sectors expect positive performance in December quarter

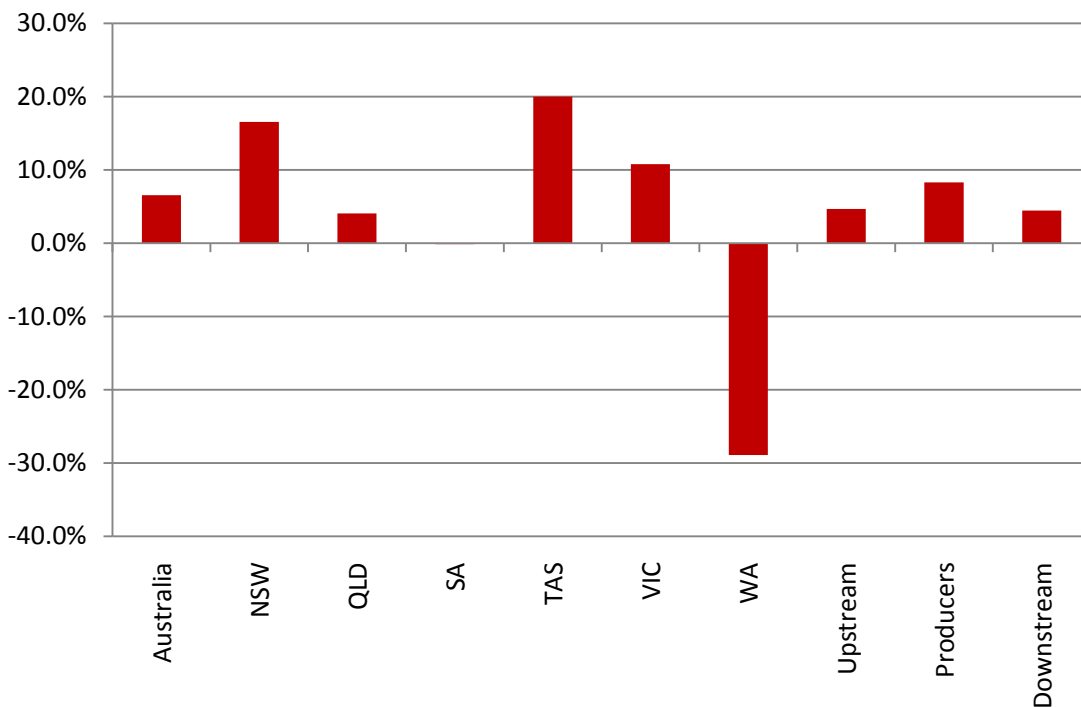
	Business Performance	Capital Expenditure	Employment	EPI
NSW	0.39	0.16	0.02	0.19
QLD	0.09	0.17	0.01	0.09
SA	0.39	0.10	-0.06	0.14
TAS	0.28	0.23	0.06	0.19
VIC	0.23	0.12	0.03	0.13
WA	-0.29	-0.01	-0.04	-0.12
Upstream	0.13	0.18	0.09	0.13
Producers	0.22	0.13	0.00	0.11
Downstream	0.25	0.18	-0.01	0.14
<b>Australia</b>	<b>0.21</b>	<b>0.14</b>	<b>0.01</b>	<b>0.12</b>

# Australia.

## Business confidence.

- Overall 76% - increase decrease from same time last year (69%)
- New South Wales highest level of confidence (84%)
- Tasmania the largest increase in confidence since September quarter 2009 (59%-79%)
- 4 of the 6 states increases in confidence
- Greatest decrease in confidence in Western Australia
- Upstream and downstream sectors recorded the highest level of confidence
- Producers reported the largest increase in confidence

Change in business confidence from September Quarter 2009

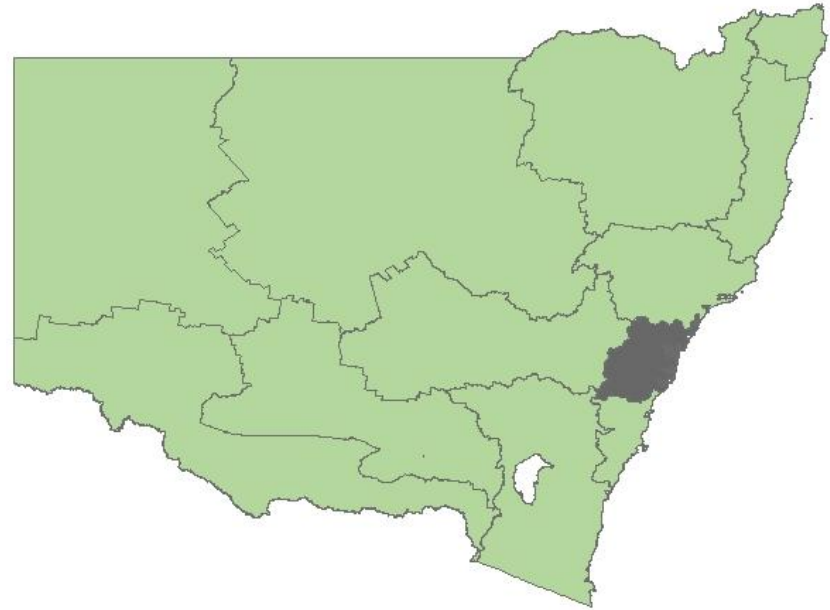


## What happened?

- Best result on record and a significant improvement on the previous quarter
- Equal best performer overall
- All 11 statistical divisions were positive – Murray best performed and most improved result
- 8 of 11 divisions reported their best performance on record

## Insights.

- Highest level of business confidence of all states and on record
- Rainfall has improved outlook
- Locusts the major concern



**“barring grasshoppers, everything will be rosy”**

Beef cattle farmer, South Eastern

## The forecast.

- EPI expected to increase again in the next quarter
- All states expecting positive EPI, Hunter expecting good result

## Business performance.

- Good - influenced by climatic conditions, seasonal factors and consumer demand
- Seasonal factors and climatic conditions expected to contribute to improved good performance expected in coming quarter

## Capital expenditure.

- Increased
- Positive levels of investment also expected in the December quarter

## Employment levels.

- Increased slightly
- 51% 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.

- Rose at a similar rate to previous quarter
- Attributed to rising costs of utilities / government charges and wages.

## Agribusiness sectors.

- Upstream - positive EPI with positive business performance , capital expenditure and employment levels.
- Producers – significantly improved positive economic performance. Good business performance and positive capital expenditure and employment levels.
- Downstream - positive EPI with positive business performance and capital expenditure levels, although marginally declining employment levels during the quarter.

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.43	0.19	0.06	0.23
Far West	0.34	0.17	-0.03	0.16
Hunter	0.36	0.21	0.03	0.20
Illawarra	0.29	0.12	-0.04	0.12
Mid-North Coast	0.16	0.13	-0.04	0.08
Murray	0.55	0.31	0.09	0.32
Murrumbidgee	0.44	0.14	0.03	0.20
North Western	0.39	0.00	-0.07	0.10
Northern	0.36	0.20	-0.04	0.17
Richmond-Tweed	0.41	0.15	0.17	0.24
South Eastern	0.43	0.15	0.07	0.22
Upstream	0.13	0.22	0.12	0.16
Producers	0.44	0.15	0.01	0.20
Downstream	0.28	0.17	-0.02	0.14
<b>NSW</b>	<b>0.39</b>	<b>0.16</b>	<b>0.02</b>	<b>0.19</b>

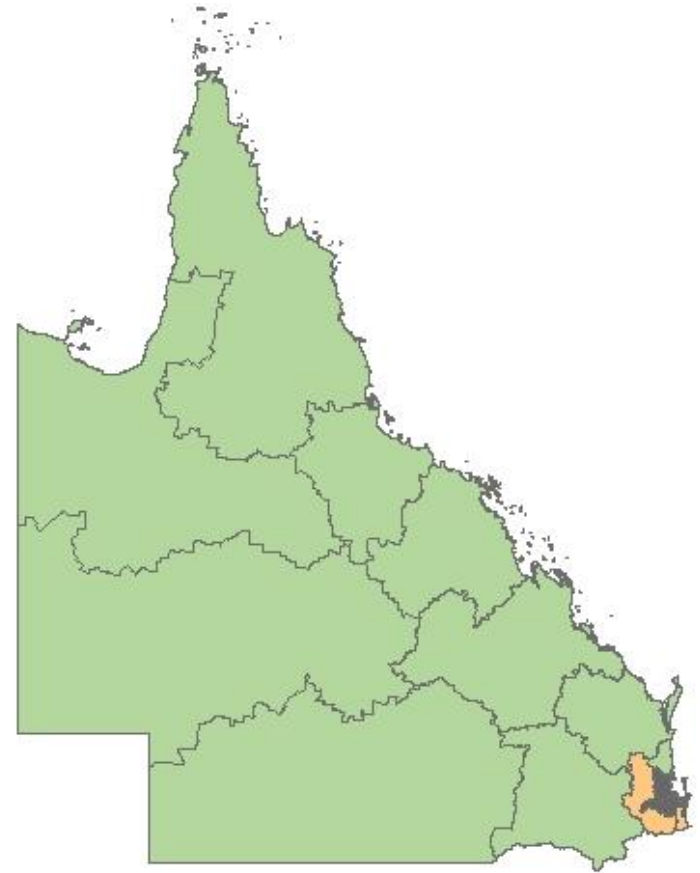
# Queensland.

## What happened?

- EPI +0.09
- A reasonable increase on the previous quarter
- Second worst performed state despite positive result
- 10 of 12 statistical divisions were positive – North West and Mackay best performed
- 2 statistical divisions were negative – Gold Coast worst performed

## Insights.

- Business confidence – 71%, up on results for the same quarter last year (67%)
- Optimism due to recent rainfall – anticipating good cropping season
- Concern about cattle prices and exports to Indonesia
- Concern about impact of mining on staffing costs



## The forecast.

- EPI expected to improve in the next quarter with 11 of 12 divisions expecting positive performance and Gold Coast division expecting satisfactory performance

*“we’re thriving with the rain we’ve had”*

Exporter, South West

# Queensland.

## Business performance.

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

## Capital expenditure.

- Increased
- All divisions except Darling Downs and Gold Coast increased investment levels during the quarter
- Increased investment is expected again in the September quarter

## Employment levels.

- Decreased
- 57% of agribusinesses that had employed during the quarter indicated that finding suitable staff was difficult
- Employment levels are expected to remain relatively stable again next quarter

## Operating costs.

- Increased costs were attributed to a rise in the price of raw materials and utility / government charges

## Agribusiness sectors.

Upstream – positive EPI with positive business performance, employment and capital expenditure levels

Producers – positive EPI with positive business performance and capital expenditure but slight reductions in employment

Downstream – positive EPI with positive business performance and capital expenditure levels, but only marginal increases in employment

	Business Performance	Capital Expenditure	Employment	EPI
Central West	0.44	0.12	-0.03	0.18
Darling Downs	0.16	-0.01	-0.05	0.03
Far North	-0.03	0.16	0.00	0.04
Fitzroy	0.18	0.17	0.07	0.14
Gold Coast	-0.43	0.00	-0.14	-0.19
Mackay	0.38	0.16	0.03	0.19
North West	0.27	0.40	0.00	0.23
Northern	0.07	0.14	0.01	0.07
South West	0.39	0.06	-0.10	0.12
Sunshine Coast	-0.06	0.36	-0.05	0.08
West Moreton	-0.14	0.03	0.07	-0.01
Wide Bay-Burnett	-0.09	0.47	0.09	0.16
Upstream	0.28	0.17	0.10	0.18
Producers	0.06	0.17	-0.01	0.07
Downstream	0.19	0.24	0.01	0.15
<b>Queensland</b>	<b>0.09</b>	<b>0.17</b>	<b>0.01</b>	<b>0.09</b>

# South Australia.

## What happened?

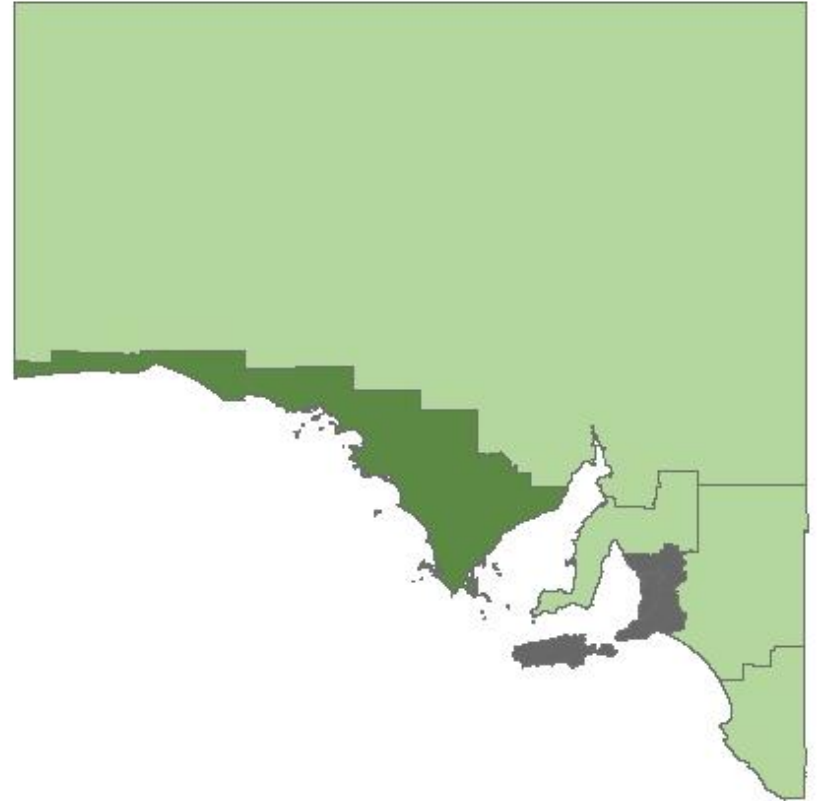
- EPI +0.14
- Increased 0.02 from the June quarter
- Good business performance and capital expenditure levels pushed the EPI up, however employment levels fell marginally
- All regions were positive or good
- Best performed – Eyre
- South East and Yorke and Lower North reported a decrease in EPI however remained positive

## Insights.

- Good rainfall across much of the state has seen optimism return
- Increased sheep and grain prices good for industry
- Grape oversupply and low prices affecting some regions

*“very good rain so things are looking good for farmers other than locust plague coming. Good sheep prices are helping”*

Crop Producer, Northern



## The forecast.

- EPI is expected to increase further in the next quarter
- All divisions expecting at least positive results with Eyre expecting a good result

# South Australia.

## Business performance.

- Good - influenced by climatic conditions and seasonal factors
- All statistical divisions reported good or positive performance apart
- Improved good performance is anticipated in the coming quarter due expected good climatic and seasonal conditions

## Capital expenditure.

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

## Employment levels.

- Decreased slightly
- 66% of agribusinesses that had employed indicated that finding suitable staff was difficult
- Employment levels are expected to stabilise in the next quarter

## Operating costs.

- Operating costs rose however the rate of increase was the lowest recorded over the last 12 months.

## Agribusiness sectors.

- Upstream - positive EPI as a result of positive business performance and increased capital expenditure and employment.
- Producers – positive EPI with good business performance and positive levels of capital expenditure. Employment levels remained negative.
- Downstream - positive EPI with good business performance and positive levels of capital expenditure and employment.

	Business Performance	Capital Expenditure	Employment	EPI
Eyre	0.72	0.22	0.07	0.34
Murray Lands	0.35	-0.06	-0.25	0.02
Northern	0.61	0.15	0.07	0.28
South East	0.19	0.07	0.05	0.11
Yorke and Lower North	0.29	0.19	-0.14	0.12
Upstream	0.13	0.20	0.13	0.15
Producers	0.44	0.07	-0.10	0.14
Downstream	0.36	0.17	0.04	0.19
<b>SA</b>	<b>0.39</b>	<b>0.10</b>	<b>-0.06</b>	<b>0.14</b>

# Tasmania.

## What happened?

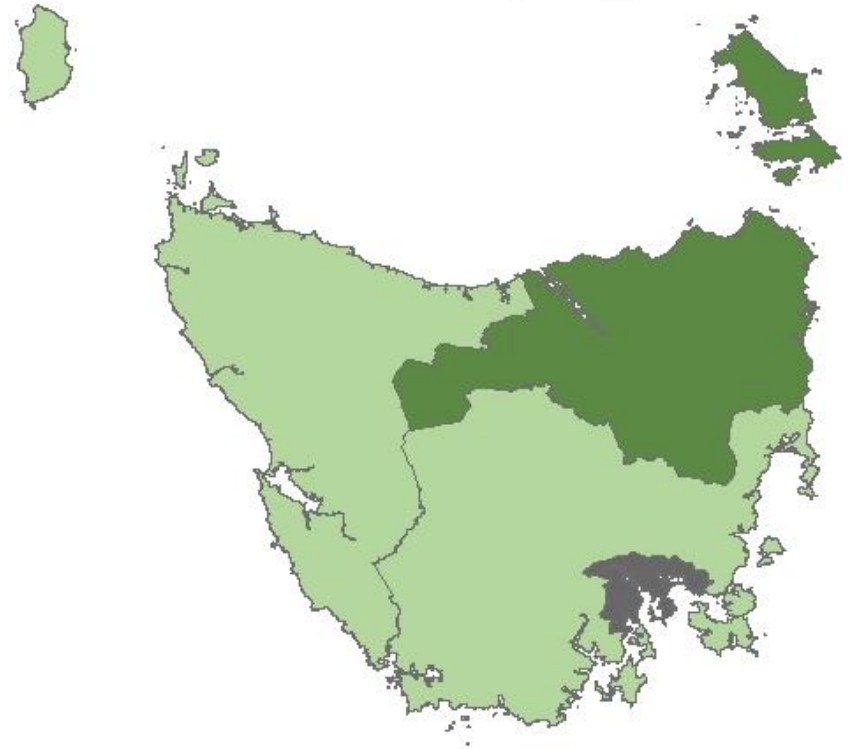
- EPI +0.19
- A slight improvement on the previous quarter and equal best result recorded
- Equal best performed state
- Two statistical divisions were positive and Northern was good
- Northern significantly improved performance

## Insights.

- Business confidence 79% - a significant increase from same time last year (59%)
- Downturn in the apple industry impacting on some areas
- Tourism industry experiencing a declining number of visitors
- Good rainfall has helped some agriculture sectors

*“people are a bit more positive as the weather has been good to them”*

Fruit grower, Northern



## The forecast.

- Slight increase in economic performance expected in coming quarter
- Mersey-Lyell statistical division expecting significant improvement

# Tasmania.

## Business Performance.

- Strongly positive
- Influenced by increased consumer demand and internal business factors
- An improved good result is expected in the coming quarter due to seasonal factors

## Capital expenditure.

- Increased
- Only Southern statistical division reported decreased investment
- Further increases in investment are expected in December quarter

## Employment levels.

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

## Operating costs.

- The highest rate of increase since September quarter 2008. Increased costs were attributed to the cost of utilities / government charges

## Agribusiness sectors.

- Upstream – satisfactory EPI with positive business performance and increased capital expenditure, but decreased employment levels
- Producers – positive EPI with a positive result in all indicators
- Downstream - positive EPI with a positive result in all indicators

	Business Performance	Capital Expenditure	Employment	EPI
Mersey-Lyell	-0.02	0.21	0.01	0.06
Northern	0.57	0.37	0.10	0.35
Southern	0.25	-0.04	0.07	0.10
Upstream	0.08	0.02	-0.09	0.00
Producers	0.31	0.26	0.08	0.22
Downstream	0.33	0.29	0.08	0.23
<b>Tasmania</b>	<b>0.28</b>	<b>0.23</b>	<b>0.06</b>	<b>0.19</b>

# Victoria.

## What happened?

- EPI +0.13
- An identical result to the previous quarter and the equal best performance on record
- 4th best performed state
- 9 of 10 statistical divisions were positive – Goulburn best performed
- East Gippsland was worst performed – the only negative result



## Insights.

- Business confidence 79% - significantly higher than same time last year (68%)
- Recent rainfall has improved the situation for much of Victoria but there are still areas where dry conditions are impacting negatively
- Many grape growing properties struggling

**“concerned but optimistic – locusts will be the main issue – a bit different from the water worries of the past few years”**

Vegetable grower, Wimmera

## The forecast.

- EPI expected to increase significantly in the next quarter with 9 divisions expecting positive performance and Goulburn anticipating good performance

## Business performance.

- Positive and improved on previous quarter
- Influenced by climatic conditions and seasonal factors
- Significantly improved good performance expected in coming quarter as a result of the same factors

## Capital expenditure.

- Increased
- Investment levels are expected to increase again in the December quarter

## Employment levels.

- Marginally increased
- 42% of those that had employed indicated that finding suitable staff was difficult
- Employment levels expected to increase strongly in the next quarter

## Operating costs.

- Increases attributed to utilities / government charges and fuel / freight costs

## Agribusiness sectors.

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

	Business Performance	Capital Expenditure	Employment	EPI
Barwon	0.31	0.20	0.06	0.19
Central Highlands	0.07	0.05	0.09	0.07
East Gippsland	-0.07	-0.09	0.08	-0.03
Gippsland	0.09	0.11	0.10	0.10
Goulburn	0.43	0.18	0.12	0.25
Loddon	0.27	0.24	-0.11	0.13
Mallee	0.14	0.17	-0.01	0.10
Ovens-Murray	0.11	0.17	0.02	0.10
Western District	0.25	0.05	-0.10	0.07
Wimmera	0.40	0.06	-0.02	0.15
Upstream	0.04	0.16	0.13	0.11
Producers	0.26	0.11	0.01	0.13
Downstream	0.26	0.15	0.02	0.14
<b>Victoria</b>	<b>0.23</b>	<b>0.12</b>	<b>0.03</b>	<b>0.13</b>

# Western Australia.

## What happened?

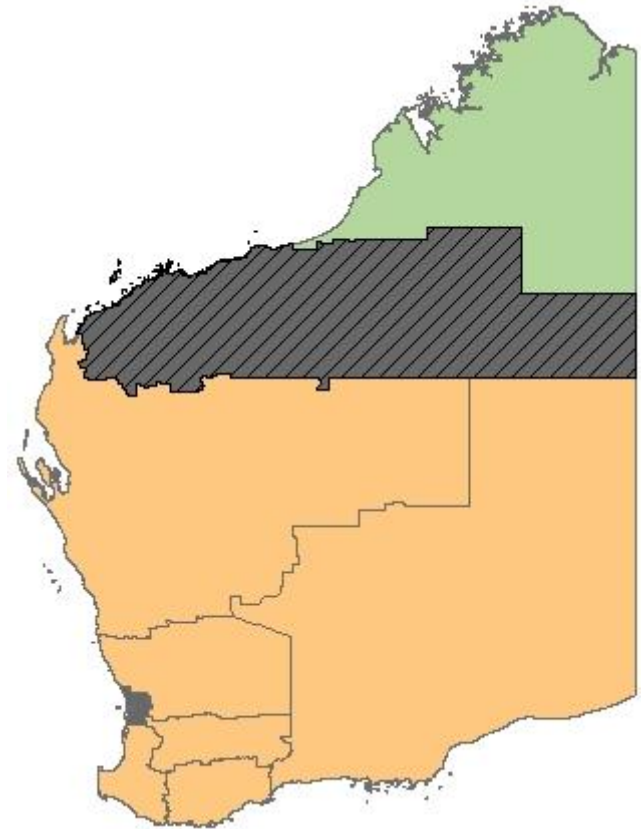
- Returned to negative territory after one quarter of positive results
- Only negative and worst performed of all states. Worst result since December quarter 2006
- 6 of 7 statistical divisions negative – Only Kimberley positive

## Insights.

- Business confidence – 48%, lowest level since inception of Index
- Poor rainfall across much of the state has impacted crop production
- Mining helping local economies in some areas

*“people feeling very shaky - feeling dubious and hesitant about next year - this season is hitting hard”*

Crop producer, Upper Great Southern



## The forecast.

- EPI expected to decline and remain in negative in the December quarter
- Only 2 statistical divisions, Kimberley and South Eastern, expecting positive EPIs in the next quarter

# Western Australia.

## Business performance.

- Negative
- Influenced by poor climatic conditions
- 2 statistical divisions reported poor business performance and 3 reported negative performance
- Worsening poor performance is expected in the coming quarter with poor climatic conditions anticipated

## Capital expenditure.

- Decreased marginally
- Three statistical divisions reported increased investment levels
- Slightly increased capital expenditure is expected in December Quarter

## Employment levels.

- Decreased
- 45% 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 utility / government charges and higher wages.

## Agribusiness sectors.

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

	Business Performance	Capital Expenditure	Employment	EPI
Central	-0.12	0.00	-0.07	-0.06
Lower Great Southern	-0.24	0.09	0.07	-0.03
Midlands	-0.44	0.00	-0.13	-0.19
South Eastern	0.08	-0.26	-0.13	-0.10
South West	-0.31	0.04	0.03	-0.08
Upper Great Southern	-0.45	-0.25	-0.15	-0.28
Kimberley	0.22	0.41	0.05	0.23
Upstream	-0.03	0.13	-0.13	-0.01
Producers	-0.36	-0.04	-0.02	-0.14
Downstream	0.15	0.06	-0.15	0.02
<b>WA</b>	<b>-0.29</b>	<b>-0.01</b>	<b>-0.04</b>	<b>-0.12</b>

# Methodology.

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