

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for Australia in the June Quarter of 2009. The index is based on a nationwide survey of 1,200 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 performance across Australia.

The Economic Performance Index (EPI) is the average of results for business performance, employment and investment (capital expenditure) indicators. The EPI for Australia by statistical division is shown on the map above.

The overall EPI for Australia for the June Quarter of 2009 was 0.05, a return to positive territory after one quarter of negative performance. The improved position is due to positive results in business performance and capital expenditure.

All states, except Victoria, reported positive or satisfactory economic performance in the June Quarter. Western Australia was the best performed state in the June Quarter while South Australia recorded the largest increase, moving from negative to positive territory.

The light green areas on the map represent statistical divisions that have reported a positive EPI. The number of statistical divisions recording a positive EPI increased substantially from 20 in the March Quarter to 33 in the June Quarter. Two divisions reported satisfactory economic performance in the June Quarter.

Nationwide, operating costs continued to increase, with the rate of increase rising again from lower levels recorded in the previous quarter. Cost increases continue to be attributed to the price of fertiliser/chemicals and fuel/freight.

Profit levels overall remain less than satisfactory, however are at a similar level to those recorded over the last year.

Nationally, 30% of agribusinesses indicated that they had accessed finance in the June Quarter. Of those that had sought finance, 22% reported difficulty obtaining the finance.

Business confidence rose in the June Quarter with 72% of agribusinesses indicating that they were confident about their business performance over the next 12 months. Business confidence was highest in Queensland (85%) and lowest in Victoria (64%).

The outlook for the September Quarter is for improving business performance and positive capital expenditure which is expected to result in a marginal increase in EPI.

"Fuel is going up but registration for trucks is a real killer - huge increases. Not at all confident about business in future due to economic climate and operating costs"
Transport Operator, Northern, SA

Australia

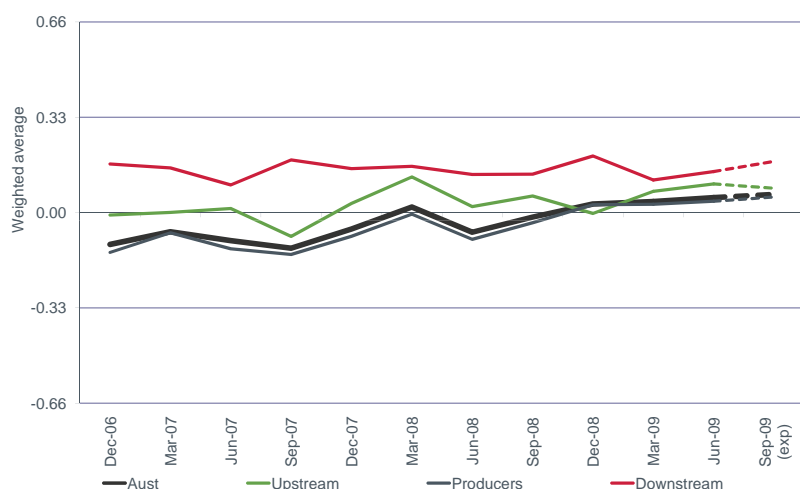
PERFORMANCE INDICATORS

Economic Performance Index

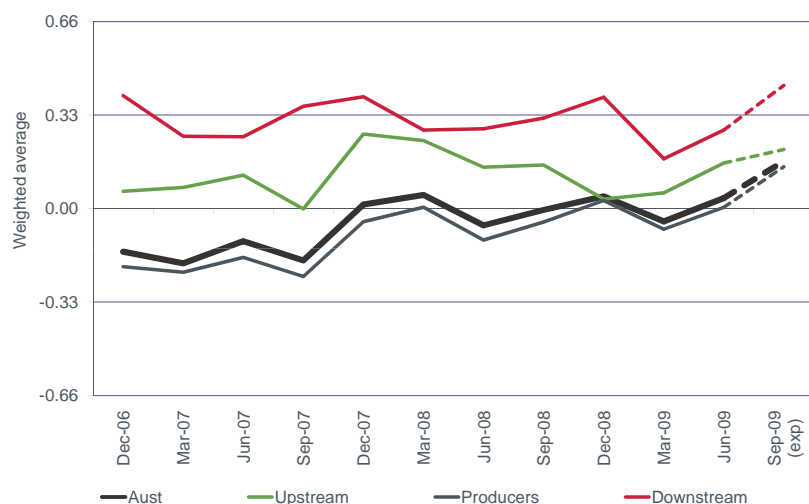
	Business Performance	Capital Expenditure	Employment	EPI Jun	Outlook Sep
New South Wales	-0.08	0.10	-0.03	0.00	↑
Queensland	0.16	0.10	0.04	0.10	↑
South Australia	0.22	0.24	0.00	0.15	↑
Tasmania	0.15	0.07	-0.03	0.06	↑
Victoria	-0.06	0.07	-0.05	-0.01	↓
Western Australia	0.16	0.28	0.05	0.16	↑
Upstream	0.16	0.14	0.00	0.10	↑
Producers	0.00	0.12	-0.01	0.04	↑
Downstream	0.28	0.17	-0.02	0.14	↑
Australia	0.04	0.12	-0.01	0.05	↑

The EPI for Australia increased in the June Quarter, returning to positive territory after one quarter of negative economic performance. The positive result also represents an increase from the negative EPIs recorded for the same quarter in 2007 and 2008.

- All states, except Victoria, reported positive or satisfactory economic performance in the June Quarter.
- Western Australia was the best performed state in the June Quarter while South Australia recorded the largest increase, moving from negative to positive territory.
- In the current quarter, all sectors reported both positive EPIs and increases from the previous quarter.
- The downstream sector continued to be the best performed sector, reporting an improved result from the previous quarter and from the same quarters in the last two years.
- The producer sector remains the worst performed sector, however it improved from negative to positive territory.
- The outlook for the September Quarter of 2009 is for the EPI to again increase nationally, with Victoria the only state expecting a negative EPI.
- All sectors expect positive performance in the coming September Quarter.



Business Performance



On average, agribusinesses nationally reported positive business performance in the June Quarter. This represents an improvement on the results recorded in the previous March Quarter and the same quarters of 2007 and 2008.

- South Australia recorded the most positive business performance as well as the greatest improvement in performance from the previous quarter.
- Negative business performance was reported in New South Wales and Victoria, however both states improved from the March Quarter.
- Upstream and downstream agribusinesses recorded positive business performance. The producer sector reported a satisfactory result.
- Nationally, climatic conditions had the most significant impact on both positive and negative business performance.
- Overall, business performance is expected to improve and remain positive in the coming September Quarter.

N.B. Each indicator is measured by a weighted average on a scale from -1 to 1, where 0 signifies satisfactory performance. Results less than -0.33 are considered to be poor, between -0.33 and 0 negative, between 0 and 0.33 positive and greater than 0.33 good.

Agribusiness Index

Capital Expenditure

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
New South Wales	-0.17	-0.19	-0.07	0.10	0.05	▲
Queensland	-0.10	-0.12	-0.03	0.10	0.03	▲
South Australia	-0.27	-0.07	-0.05	0.24	0.05	▲
Tasmania	-0.09	-0.26	0.21	0.07	0.11	▲
Victoria	-0.08	-0.08	0.18	0.07	-0.05	▼
Western Australia	0.01	-0.06	0.13	0.28	0.03	▲
Australia	-0.12	-0.13	0.03	0.12	0.02	▲

Overall, capital expenditure by agribusinesses increased in the June Quarter of 2009 for the third consecutive quarter. This is also an improvement on the decreases recorded in the past two June quarters.

- In the current quarter, all states reported increases in capital expenditure with Western Australia reporting the largest increase.
- All sectors reported increasing capital expenditure in the June Quarter with further increases expected in all sectors in the coming September Quarter.
- Nationally, capital expenditure is expected to increase in the September Quarter with all states except Victoria expecting increasing investment.

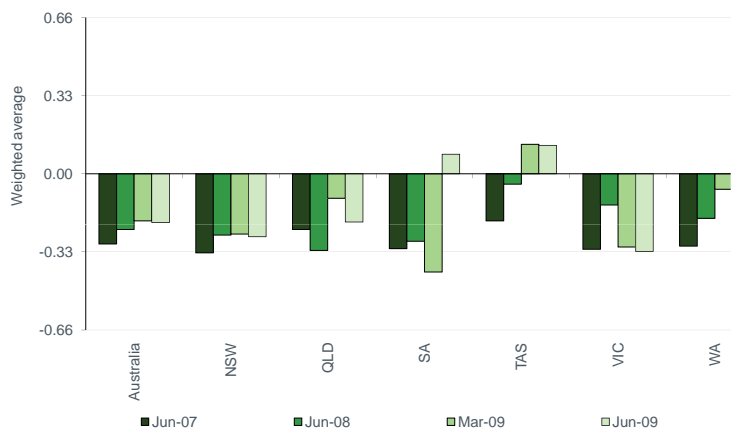
Employment

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
New South Wales	-0.09	-0.06	-0.04	-0.03	0.02	▲
Queensland	0.06	0.00	0.00	0.04	0.02	▲
South Australia	-0.04	-0.01	-0.06	0.00	-0.05	▼
Tasmania	0.02	-0.10	-0.03	-0.03	-0.03	▼
Victoria	-0.14	0.04	-0.06	-0.05	-0.05	▼
Western Australia	-0.07	0.02	0.07	0.05	0.04	▲
Australia	-0.05	-0.01	-0.02	-0.01	0.00	●

On average, employment results in the agribusiness sector improved marginally in the June Quarter of 2009, but remained in a negative position nationally. This represents a similar position to that of the previous June Quarter.

- In the current quarter, the strongest employment growth was reported in Western Australia and Queensland. South Australia reported stable employment levels.
- All other states reported staffing reductions, the greatest reductions being in Victoria.
- The upstream sector reported stable employment levels, however employment levels fell in the producer and downstream sectors.
- Employment levels nationally are expected to remain stable in the coming September Quarter.

Profit



Overall, agribusinesses across Australia experienced less than satisfactory profit levels (-0.21) in the June Quarter, for the fourth consecutive quarter. This represents a slightly improved position from the same quarter in 2007 and 2008.

- Tasmania reported satisfactory profit levels for the second consecutive quarter.
- South Australia also reported positive profitability in the June Quarter improving from poor levels recorded in the previous March Quarter.
- Victoria and New South Wales reported the worst levels of profitability.
- Downstream and upstream sector profitability was better than satisfactory in the June Quarter. The producer sector continued to report less than satisfactory profitability.

PERFORMANCE INDICATORS

Stock Levels

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
New South Wales	-0.18	-0.13	-0.05	0.01	0.02	▲
Queensland	-0.07	0.14	0.11	0.06	0.13	▲
South Australia	-0.15	-0.13	-0.06	0.00	-0.02	▼
Tasmania	-0.12	-0.29	0.14	0.02	-0.06	▼
Victoria	-0.26	-0.05	-0.14	-0.19	-0.14	▼
Western Australia	-0.05	-0.05	-0.03	0.03	-0.04	▼
Australia	-0.15	-0.04	-0.02	-0.02	0.00	●

Overall, agribusiness stock levels decreased in the June Quarter for the third consecutive quarter.

- Four of the six states reported increased stock levels during the June Quarter, however Victoria reported a significant decline in levels.
- Decreased stock levels were reported by the upstream and producer sectors in the June Quarter with the downstream sector remaining stable.
- Nationally, stock levels are expected to remain stable in the coming quarter.

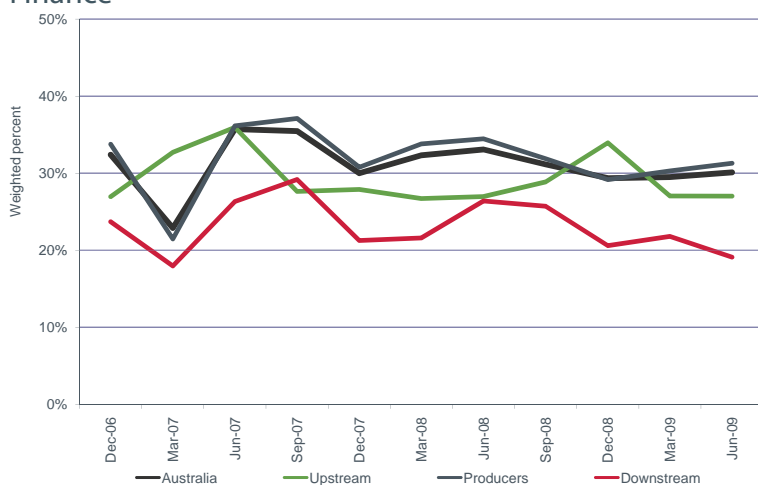
Operating Costs

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009
New South Wales	0.44	0.68	0.23	0.38
Queensland	0.51	0.72	0.27	0.47
South Australia	0.49	0.82	0.23	0.34
Tasmania	0.45	0.80	0.35	0.38
Victoria	0.55	0.77	0.32	0.45
Western Australia	0.54	0.80	0.37	0.45
Australia	0.50	0.74	0.38	0.42

Operating costs continued to increase in the June Quarter with the rate of increase higher than in the previous quarter.

- The largest increase in operating costs during the quarter was reported by Queensland followed by Victoria and Western Australia.
- Producers continue to report the largest increases in operating costs, followed by the downstream sector.
- The prices of fuel/freight, fertiliser/chemicals and the cost of raw materials continue to be the most significant factors contributing to increased costs.

Finance



In the June Quarter, 30% of agribusinesses Australia-wide reported seeking finance in the last 12 months. This is a similar level to those who sought finance in the March Quarter, however, slightly lower than the 33% who sought finance in the June Quarter of 2008.

- Overall, of those seeking finance in the June Quarter, 22% indicated that they experienced difficulty obtaining the finance. This is a similar level to those who reported difficulty in the March Quarter.
- South Australia (47%) and Western Australia (41%) had the highest level of agribusinesses seeking finance with New South Wales reporting the lowest level (26%).
- Agribusinesses in Victoria (30%) reported the greatest difficulty obtaining finance.

N.B. Each indicator is measured by a weighted average on a scale from -1 to 1, where 0 signifies satisfactory performance. Results less than -0.33 are considered to be poor, between -0.33 and 0 negative, between 0 and 0.33 positive and greater than 0.33 good.

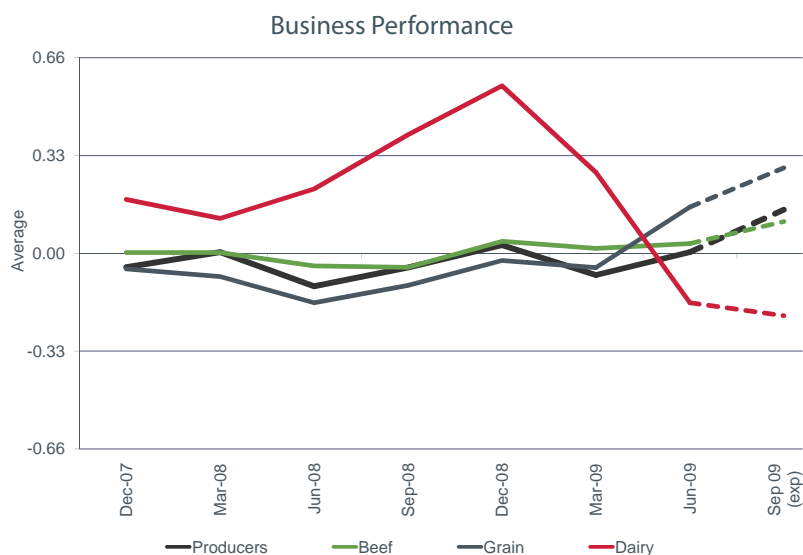
Agricultural Sectors

Business Performance	Dec 2007	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009	Jun 2009	Sep 2009 (exp)	Outlook Sep
Beef	0.00	0.00	-0.04	-0.05	0.04	0.02	0.03	0.11	↑
Grain	-0.05	-0.08	-0.17	-0.11	-0.02	-0.05	0.16	0.29	↑
Dairy	0.18	0.12	0.22	0.40	0.57	0.27	-0.17	-0.21	↓
Producers	-0.05	0.00	-0.11	-0.05	0.03	-0.07	0.00	0.15	↑

As part of the Westpac/Charles Sturt University Agribusiness Index, respondents are asked to describe the type of produce or stock on their farm. The results in this section are based on the respondent classification and do not include those respondents who answered "mixed farming".

The analysis in the Agricultural Sector section of the report is done nationally and is based on the business performance indicator only. The data for each agricultural sector is not weighted, however a comparison with the weighted result for producers is provided as a reference.

- In the June Quarter of 2009, producers overall recorded satisfactory business performance. The sector returned to satisfactory levels after one quarter of negative business performance. This result is also an improvement on the same quarter in 2008.
- Dairy reported the lowest level of business performance in the June Quarter, with a negative result for the first time since the December Quarter of 2007.
- Grain reported a positive business performance, for the first time, registering a significant increase over the preceding March Quarter.
- Beef recorded positive business performance in the June Quarter, similar to the results in the previous two quarters. The result was an improvement on the same quarter in 2008.
- Grain and beef are expecting improved business performance in the coming September Quarter, with grain expecting the best result. The dairy sector, however, expects to worsen and remain firmly in negative territory.



PERFORMANCE INDICATORS

Topical Question

	Sell business	Handover business	Stop managing - receive income	Not considered	Other/ don't know	Total succession plan
New South Wales	9%	15%	4%	3%	7%	38%
Queensland	13%	20%	3%	4%	5%	45%
South Australia	6%	24%	5%	2%	9%	46%
Tasmania	6%	9%	3%	6%	8%	32%
Victoria	12%	20%	5%	2%	6%	45%
Western Australia	9%	19%	4%	2%	2%	38%
Australia	10%	18%	4%	3%	7%	42%

As part of the Westpac/Charles Sturt University Agribusiness Index, a number of topical questions are asked each quarter to gather additional information about issues affecting businesses in rural and regional Australia. In the June Quarter of 2009, businesses were asked about succession planning in their business.

- Overall, 42% of agribusinesses nationally reported having a succession plan. Eighteen percent indicated that they are planning to handover the business, 10% plan to sell and 4% plan to stop managing the business and still receive income.
- Of those with a succession plan, 45% plan to retire/handover in less than five years and 15% expect to retire/handover between 5 and 10 years. Twenty percent plan to retire/handover in greater than 10 years.

- Nationally, 63% of respondents indicated they would seek advice about succession planning from their accountant, with 19% seeking advice from their family, 15% from a solicitor, and 3% from a banker.
- Thirty-nine percent of respondents would seek advice about succession planning locally, 24% seek advice from the nearest large city and 16% would access the capital city.
- In a similar question in the March 2007 Index, half of respondents indicated that they had considered the future of their business without necessarily having a formal succession plan.

Business Confidence

Nationally, 72% of agribusinesses felt confident about the performance of their business over the next 12 months. This is an increase on March Quarter confidence (68%), and higher than the level of confidence recorded in the previous June Quarter.

- Business confidence improved in all six states in the June Quarter and was higher in all states than for the June Quarter of 2008.
- Business confidence was highest amongst Queensland agribusinesses (85%), followed by those from Tasmania (78%).

- Victoria (64%) again reported the lowest business confidence but reported the greatest increase in confidence from the March Quarter.
- Increases in business confidence were reported by all three sectors in the June Quarter with the downstream sector remaining the most confident (82%).
- All sectors reported higher business confidence levels than for the previous June Quarter.

