

*"We have had about 3 inches of rain in past 4 weeks and are hoping for a great spring, as past years have been poor"*

Crop Farmer, Yorke and Lower North

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for South 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 South Australia increased in the June Quarter, moving into positive territory for the first time on record. This represents the second highest economic performance across Australia for the quarter.

The positive result is due to increased business performance, capital expenditure and employment which were all positive or satisfactory in the quarter. Climate was reported as the major contributing factor, particularly by producers.

All sectors reported positive business performance in the June Quarter. Nevertheless downstream agribusinesses did report a decline compared with the March Quarter. Profitability was less than satisfactory in the downstream agribusiness sector, while producers and upstream agribusinesses reported better than satisfactory profitability. Operating costs increased this quarter and at a rate higher than that reported in the previous March Quarter. This result was reflected in all three agribusiness sectors.

The EPI for South Australia by statistical division is shown on the adjacent map. In the June Quarter all statistical divisions registered positive economic performance (shown in pale green). This represents an improvement from the previous quarter when all five regions recorded negative economic performance. Yorke and Lower North statistical division improved from negative economic performance in the March Quarter to be the best performing division in South Australia in the June Quarter of 2009.

Forty seven percent of agribusinesses indicated that they had accessed finance in the last 12 months. Of those that had sought finance, 20% indicated that they had experienced difficulty obtaining the finance.

Agribusiness confidence in South Australia increased marginally from 65% in the March Quarter to 66% this quarter. This is the highest level of business confidence reported since the March Quarter of 2008.

In the coming quarter, economic performance is expected to remain positive but decline slightly as a result of anticipated decreases in capital expenditure and employment. Business performance is expected to improve further in the coming September Quarter.

## South Australia

## SECTOR PERFORMANCE

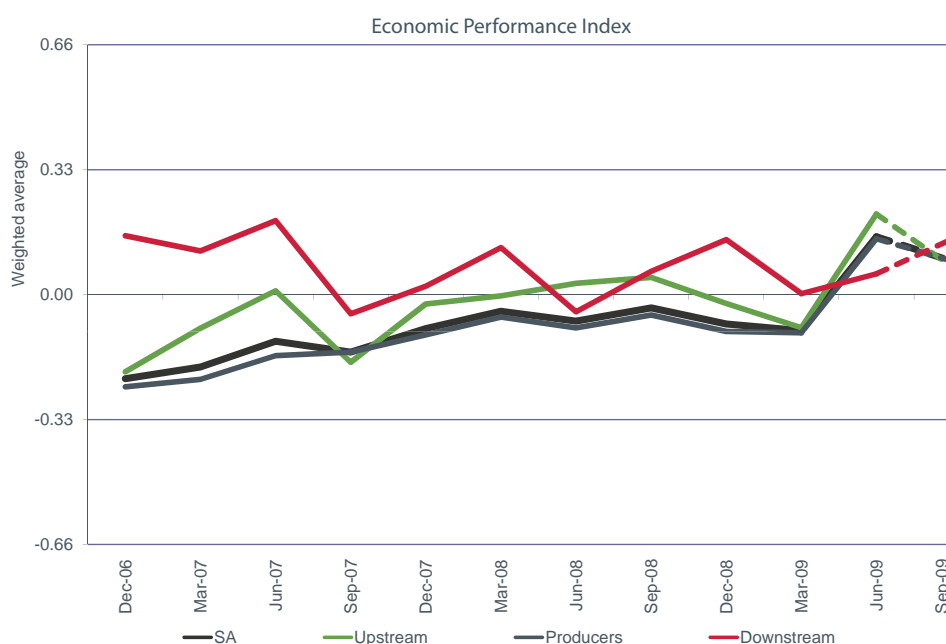
### Economic Performance Index

The economic performance results for South Australia in the June Quarter were:

- All statistical divisions reported positive economic performance, which is in sharp contrast to the previous quarter when all divisions reported negative economic performance.
- Eyre, Murray Lands, Northern and Yorke and Lower North divisions reported their best result on record, with Eyre and Yorke and Lower North divisions reporting positive economic performance after ten quarters of negative or poor performance.
- All agribusiness sectors reported positive economic performance, with producers reporting positive economic performance after ten quarters of negative performance. Producers and upstream agribusinesses reported their best economic performance on record.
- The positive economic performance of downstream agribusinesses was largely due to positive results in business performance and capital expenditure.
- The positive result for the upstream sector was due to strong results in business performance and capital expenditure. Employment growth was also positive in the June Quarter.
- Producers' positive economic performance was due to positive results in business performance and capital expenditure. Business performance was positive for the first time in eleven quarters. The improved business performance among producers was largely attributed to climate.

	Business Performance	Capital Expenditure	Employment	EPI	Outlook
				Jun	Sep
Eyre	0.11	0.26	0.03	0.13	↑
Murray Lands	0.09	0.40	0.05	0.18	↑
Northern	0.39	-0.07	0.02	0.11	↓
South East	0.29	0.11	-0.11	0.10	↓
Yorke and Lower North	0.31	0.31	0.04	0.22	↑
Upstream	0.30	0.24	0.09	0.21	↑
Producers	0.21	0.24	-0.01	0.15	↑
Downstream	0.07	0.08	0.02	0.05	↑
South Australia	0.22	0.24	0.00	0.15	↑

- Profitability was better than satisfactory for producers and upstream agribusinesses and less than satisfactory for downstream agribusinesses. Producers reported better than satisfactory profitability for the first time on record, which is in sharp contrast to the previous quarter when profitability was reported as poor.
- Operating costs increased in the June Quarter in all three sectors at a slightly higher rate than in the previous quarter.
- The outlook for South Australia in the coming September Quarter is for positive economic performance with all sectors expecting a positive result.



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

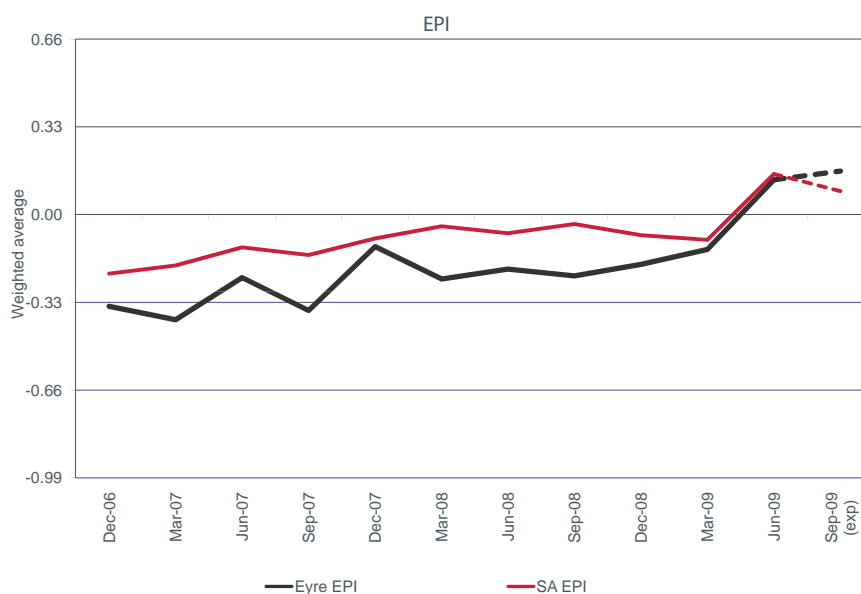
# REGIONAL PERFORMANCE

## Eyre

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
EPI	-0.24	-0.21	-0.13	0.13	0.16	↑
Business Performance	-0.31	-0.38	-0.25	0.11	0.59	↑
Capital Expenditure	-0.30	-0.15	-0.13	0.26	-0.04	↓
Employment	-0.10	-0.09	-0.02	0.03	-0.06	↓
Profit	-0.51	-0.51	-0.53	0.00	-	
Stock Levels	-0.08	-0.09	-0.02	-0.13	0.17	↑
Operating Costs	0.62	0.61	-0.06	0.12	-	

Economic performance in Eyre statistical division was positive for the first time since the inception of this index. This was a significant improvement from -0.13 in the March Quarter to 0.13 in the June Quarter.

- The positive economic performance was largely due to substantial positive results for business performance and capital expenditure with both moving into positive territory. This is the first time a positive result has been recorded for business performance. Employment conditions also saw a marginal improvement from negative to positive territory in the June Quarter, the highest result on record and the first positive result since March 2007.
- Stock levels decreased further in the June Quarter and operating costs increased again after falling in the previous quarter.
- Profitability was recorded as satisfactory for the first time after ten consecutive quarters of poor results.



- In the June Quarter of 2009, 38% of respondents in Eyre statistical division indicated that they had accessed finance in the last 12 months. This is a decrease from 57% in the March Quarter and lower than the 61% who accessed finance in the June Quarter of 2008. Of those who had sought finance, 21% indicated that they had experienced difficulty obtaining the finance.
- In the June Quarter 84% of agribusinesses across Eyre statistical division felt confident about the performance of their business over the next 12 months. This is an improvement on confidence levels expressed during the March Quarter (73%) and the highest on record for the division. It also represents the highest level of business confidence in South Australia. In line with this, Eyre division expects further improvement in economic performance in the coming June Quarter as a result of expected improvement in business performance.

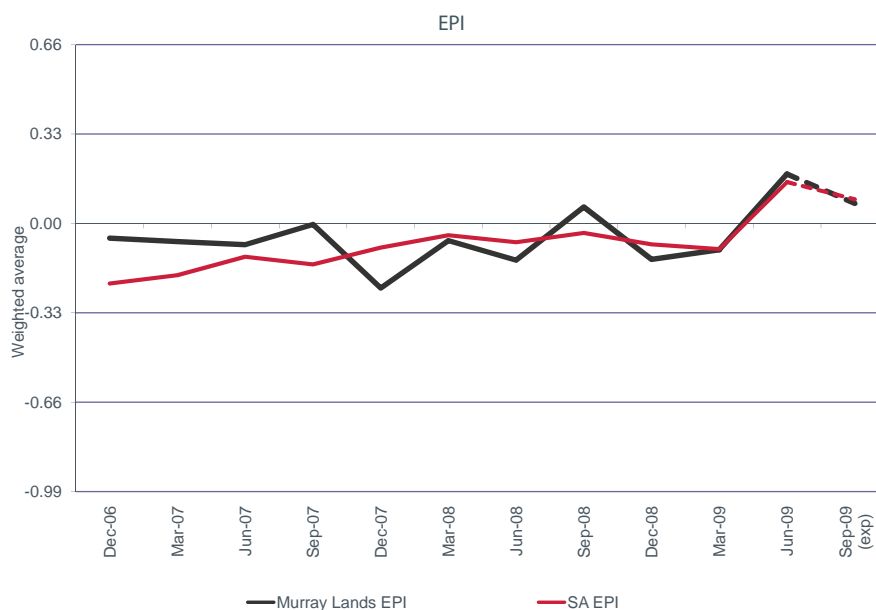
# REGIONAL PERFORMANCE

## Murray Lands

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
EPI	-0.08	-0.14	-0.10	0.18	0.07	↑
Business Performance	0.23	-0.29	-0.37	0.09	0.08	↑
Capital Expenditure	-0.38	-0.08	0.08	0.40	0.20	↑
Employment	-0.08	-0.04	0.00	0.05	-0.06	↓
Profit	-0.21	-0.34	-0.66	0.10	-	↓
Stock Levels	-0.06	-0.23	-0.29	-0.03	-0.06	↓
Operating Costs	0.51	0.83	0.37	0.28	-	

Economic performance in Murray Lands statistical division increased substantially in the June Quarter moving from negative (-0.10) to strongly positive (0.18). This is the strongest economic performance result on record for the division.

- The positive economic performance was due to improvements in all three indices. In particular, strong growth was recorded in business performance and capital expenditure. Business performance moved from poor to positive territory while capital expenditure was good, the highest result on record. Employment conditions improved marginally.
- Stock levels decreased again in the March Quarter though at a substantially reduced rate. Operating costs increased for the tenth consecutive quarter, but at the lowest rate on record in the division.
- Profitability was reported as better than satisfactory, the first time such a result has been recorded in Murray Lands division.



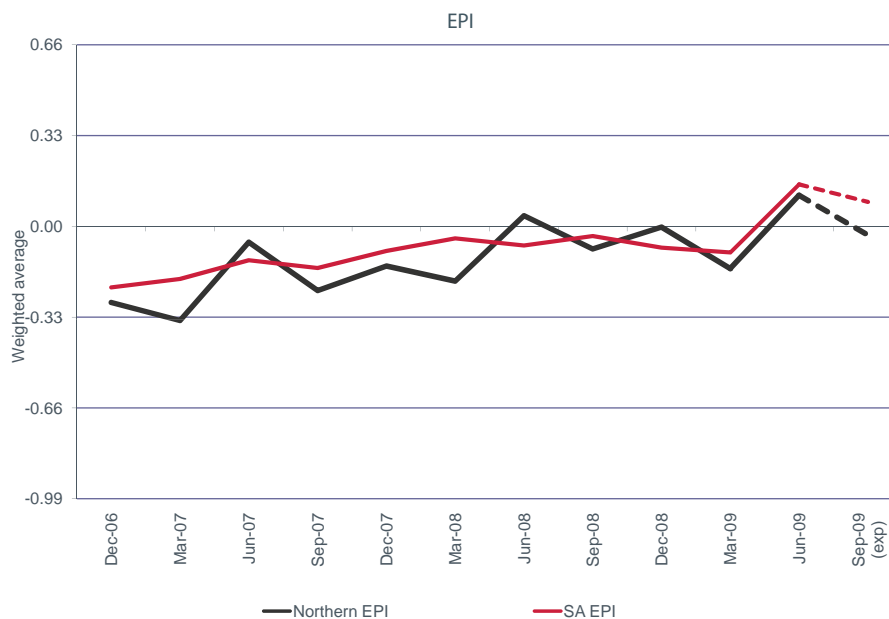
- In the June Quarter of 2009, 46% of respondents in Murray Lands statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 29% in the March Quarter and higher than the 39% who accessed finance in the June Quarter of 2008. Of those that had sought finance, 21% indicated that they had experienced difficulty obtaining the finance.
- In the June Quarter, 53% of agribusinesses across Murray Lands statistical division felt confident about the performance of their business over the next 12 months. This is a decline in confidence levels expressed during the March Quarter (61%). In line with this, Murray Lands division expects reductions in all indicators in the coming September Quarter, however the EPI is expected to remain positive.

## Northern

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
EPI	-0.06	0.04	-0.15	0.11	-0.03	↓
Business Performance	-0.08	-0.16	-0.27	0.39	0.13	↑
Capital Expenditure	-0.12	0.25	-0.18	-0.07	-0.09	↓
Employment	0.03	0.02	-0.02	0.02	-0.14	↓
Profit	-0.42	-0.38	-0.40	-0.11	-	
Stock Levels	-0.14	0.11	-0.04	-0.11	0.35	↑
Operating Costs	0.53	0.89	0.29	0.52	-	

Economic performance in Northern statistical division was positive in the June Quarter (0.11) after recording a negative performance in the March Quarter. This quarter's result was the best result on record for the division.

- The positive economic performance was largely due to a substantial positive result for business performance which moved from negative (-0.27) to good (0.39), the first time a result of satisfactory or above has been recorded. Employment conditions improved and were slightly positive. Capital expenditure also improved but remained negative.
- Stock levels decreased in the June Quarter and operating costs continued to increase with the rate of increase rising to its highest level in three quarters.
- Profitability was reported as less than satisfactory in the June Quarter, however, at -0.11, this was the best result in Northern division since the inception of the Index.



- In the June Quarter of 2009, 67% of respondents in Northern statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 46% in the March Quarter and an increase on the 45% who accessed finance in the June Quarter of 2008. Of those who had sought finance, 16% indicated that they had experienced difficulty obtaining the finance.
- In the June Quarter 79% of agribusinesses across Northern statistical division felt confident about the performance of their business over the next 12 months. This is an improvement on confidence levels expressed during the March Quarter (69%) and is the second highest level of business confidence recorded in South Australia. However, Northern division expects declines in all indicators resulting in negative economic performance in the coming September Quarter.

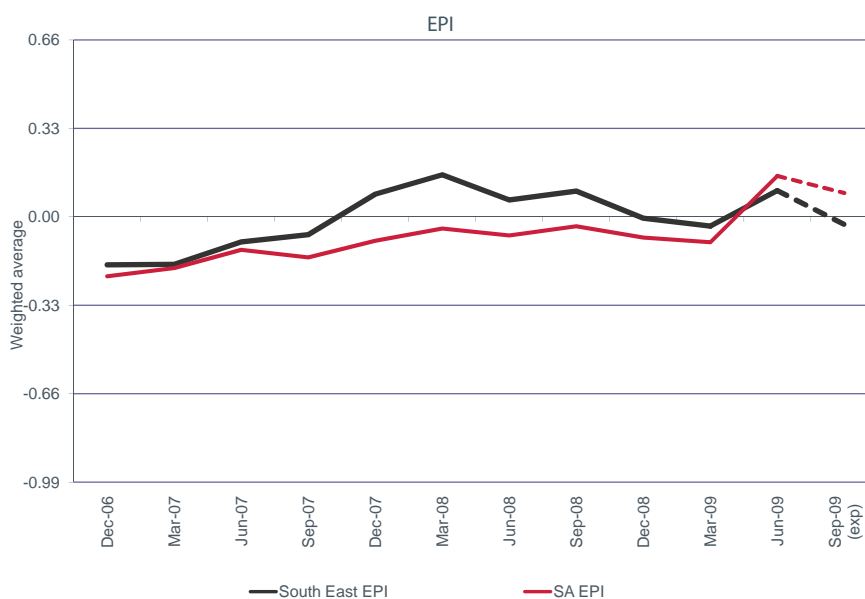
# REGIONAL PERFORMANCE

## South East

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
EPI	-0.09	0.06	-0.03	0.10	-0.03	↓
Business Performance	-0.09	0.21	0.10	0.29	0.05	↑
Capital Expenditure	-0.14	0.05	-0.09	0.11	-0.11	↓
Employment	-0.05	-0.08	-0.12	-0.11	-0.02	↓
Profit	-0.24	0.10	-0.21	0.26	-	
Stock Levels	-0.45	-0.16	0.10	0.07	-0.20	↓
Operating Costs	0.33	0.88	0.35	0.38	-	

Economic performance in South East statistical division was positive in the June Quarter (0.10) after two negative quarters. Prior to the December Quarter of 2008, this division had recorded four consecutive quarters of positive economic performance.

- The positive economic performance was largely due to positive results in business performance and capital expenditure. This was the eighth consecutive quarter of positive business performance. Employment conditions improved slightly but remained negative for the fifth consecutive quarter.
- Stock levels increased in the June Quarter for only the third time in the last ten quarters. Operating costs continued to rise with the rate of increase being slightly higher than that reported in the March Quarter.
- Profitability returned to being better than satisfactory in the June Quarter after recording less than satisfactory results in the March Quarter.



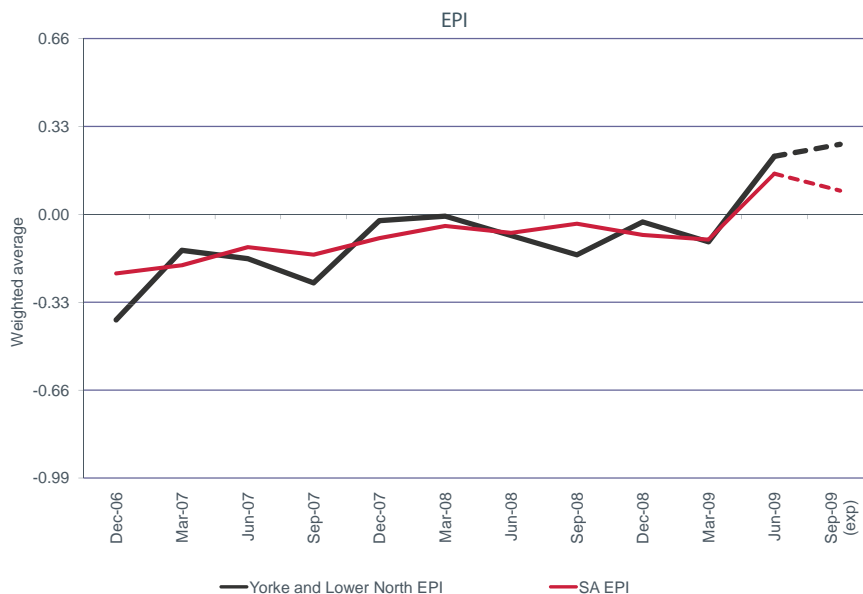
- In the June Quarter of 2009, 39% of respondents in South East statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 30% in the March Quarter and higher than the 23% who accessed finance in the June Quarter of 2008. Of those that had sought finance, 27% indicated that they had experienced difficulty obtaining the finance.
- In the June Quarter 63% of agribusinesses across South East statistical division felt confident about the performance of their business over the next 12 months. This is a decline on confidence levels expressed during the March Quarter (73%). In line with this, South East division expects a fall in business performance and a decrease in capital expenditure in the coming September Quarter, resulting in a return to negative economic performance.

## Yorke and Lower North

	Jun Qtr 2007	Jun Qtr 2008	Mar Qtr 2009	Jun Qtr 2009	Sep Qtr (exp)	Outlook Sep
EPI	-0.17	-0.08	-0.10	0.22	0.26	▲
Business Performance	-0.23	-0.04	-0.12	0.31	0.60	▲
Capital Expenditure	-0.30	-0.34	-0.07	0.31	0.19	▲
Employment	0.04	0.14	-0.13	0.04	0.00	●
Profit	-0.35	-0.43	-0.21	0.01	-	
Stock Levels	0.02	-0.11	0.06	0.15	-0.09	▼
Operating Costs	0.52	0.85	0.11	0.47	-	

Economic performance in Yorke and Lower North statistical division was positive in the June Quarter (0.22) for the first time on record. This quarter's result was a significant improvement on the March Quarter (-0.10).

- The positive economic performance was due to improvements in all three indicators, with each moving from negative to positive territory since the March Quarter. Business performance and capital expenditure recorded their highest results on record.
- Stock levels increased in the March Quarter, for the fourth consecutive quarter. Operating costs continued to increase and the rate of increase was significantly higher than in the previous quarter.
- Profitability was recorded as slightly better than satisfactory for the quarter. This was the first positive result for profitability since the December Quarter of 2007.



- In the June Quarter of 2009, 52% of respondents in Yorke and Lower North statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 40% in the March Quarter and higher than the 47% who accessed finance in the June Quarter of 2008. Of those that had sought finance, only 9% percent indicated that they had experienced difficulty obtaining the finance.
- In the June Quarter 67% of agribusinesses across Yorke and Lower North statistical division felt confident about the performance of their business over the next 12 months. This is a substantial increase on confidence levels expressed during the March Quarter (50%). In line with this, Yorke and Lower North division expects improvements in business performance in the coming September Quarter, resulting in expectations of improved economic performance.

## Topical Question

	Sell business	Handover business	Stop managing - receive income	Not considered	Other / don't know	Total succession plan
Eyre	2%	39%	5%	0%	0%	46%
Murray Lands	7%	1%	5%	5%	22%	41%
Northern	0%	55%	11%	0%	5%	71%
South East	15%	16%	0%	0%	5%	36%
Yorke and Lower North	3%	41%	5%	0%	4%	53%
South Australia	6%	24%	5%	2%	9%	46%

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 businesses were asked about succession planning in their business.

- Overall, 46% of agribusinesses in South Australia reported having a succession plan. Twenty-four percent indicated that they are planning to handover the business, 6% plan to sell and 5% plan to stop managing the business and still receive income.
- Of those with a succession plan, 44% plan to retire/handover in less than five years with 15% expecting to retire/handover in 5 to 10 years. Thirty percent plan to retire/handover in more than 10 years.

- In South Australia, 75% of respondents indicated they would seek advice about succession planning from their accountant, with 12% seeking advice from their family, 10% from a solicitor, and 3% from a banker.
- Twenty-nine percent of respondents in South Australia would seek advice about succession planning locally or from the capital city while 23% would access the nearest large city.
- In a similar question in the March Quarter 2007 Index, 56% of respondents indicated that they had considered the future of their business without necessarily having a formal succession plan.

## Business Confidence

Sixty-six percent of agribusinesses in South Australia felt confident about the performance of their business over the next 12 months. This is a slight improvement on the March Quarter result of 65%. It is comparable with the confidence levels expressed in the June Quarter of 2008 (65%) but lower than that in the June Quarter of 2007 (74%).

- Downstream agribusinesses again reported the highest confidence levels (85%), followed by upstream agribusinesses (78%) and producers (63%). All sectors reported greater confidence levels than that reported in the March Quarter.
- Eyre, Northern and Yorke and Lower North divisions reported increased business confidence, while Murray Lands and South East divisions reported decreased business confidence compared with the previous quarter.
- The greatest improvement in business confidence occurred in Yorke and Lower North statistical division, which increased from 50% in the March Quarter to 67% in the June Quarter. Business confidence in Eyre and Northern divisions also substantially increased, both improving by 11 percentage points in the June Quarter.

