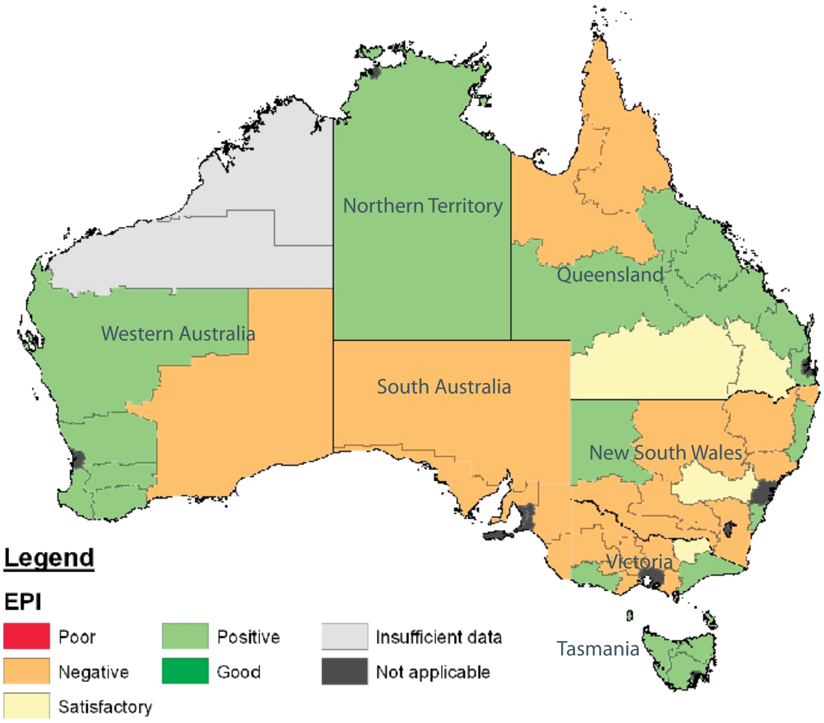
Agribusiness Index

Westpac Agribusiness

March Quarter 2009



This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for Australia in the March 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 March Quarter of 2009 was -0.01, a return to negative performance after one quarter of positive performance. The negative result is largely due to a fall in business performance and softening employment levels.

Three of the six states recorded positive EPIs with Tasmania reporting the highest EPI and the greatest improvement from the December Quarter. New South Wales recorded the greatest decline in economic performance moving from positive to negative 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 has fallen from 26 in the December Quarter to 20 in the March Quarter. Four divisions reported satisfactory economic performance in the March Quarter.

Nationwide, operating costs continued to increase, however, the rate of increase fell to the lowest level since the inception of the index. Cost increases continue to be attributed to the price of fertilisers/chemicals and fuel/ freight.

Profit levels overall remain less than satisfactory for the third consecutive quarter.

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

Business confidence fell slightly in the March Quarter with 64% of agribusinesses indicating that they were confident about their business over the next 12 months. Business confidence was highest in Queensland (75%) and lowest in Victoria (50%).

The outlook for the June Quarter is for improving business performance and increasing levels of capital expenditure which is expected to result in a return to a positive EPI.

"profit was still poor but all round business performance was good"

Beef Producer, South Eastern, Western Australia

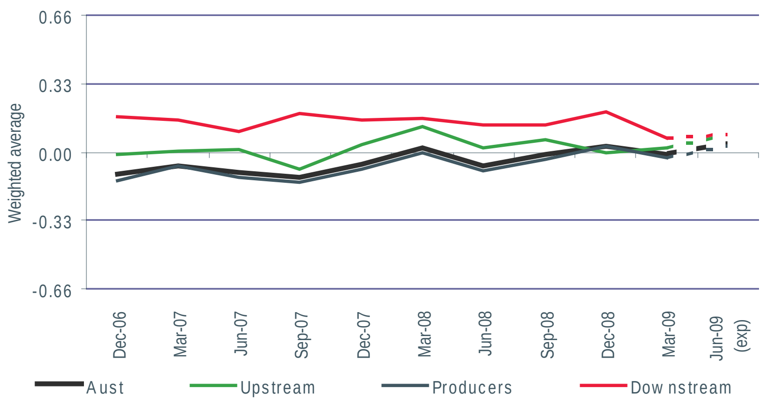
Australia

CHARLES STURT UNIVERSITY

PERFORMANCE INDICATORS

Economic Performance Index

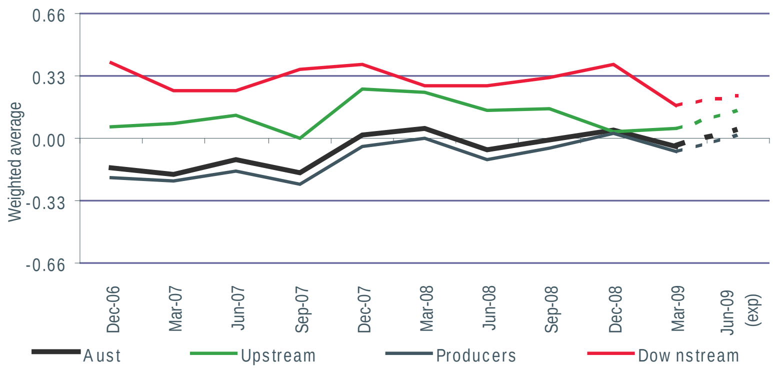
	Business Performance	Capital Expenditure	Employment	EPI Mar	Outlook Jun
New South Wales	-0.15	-0.07	-0.04	-0.09	↓
Queensland	0.17	-0.03	0.00	0.05	↑
South Australia	-0.18	-0.05	-0.06	-0.10	↑
Tasmania	0.38	0.21	-0.03	0.19	↑
Victoria	-0.25	0.18	-0.06	-0.04	↑
Western Australia	0.16	0.13	0.07	0.12	↑
Upstream	0.06	0.03	-0.02	0.02	↑
Producers	-0.07	0.02	-0.03	-0.02	↑
Downstream	0.18	0.03	0.00	0.07	↑
Australia	-0.05	0.03	-0.02	-0.01	↑



The EPI for Australia declined during the March Quarter, returning to negative territory after one quarter of positive economic performance. The negative result also represents a decline from the positive EPI recorded for the same quarter in 2008.

- Three of the six states recorded positive EPIs with Tasmania reporting the highest EPI and the greatest improvement from the December Quarter.
- South Australia reported the lowest EPI in the March Quarter. However, New South Wales recorded the greatest decline in economic performance moving from positive to negative territory.
- The downstream sector remained the best performer for the quarter, however, reported a substantial decline in economic performance from the December Quarter.
- Producer performance declined in the March Quarter, returning to negative territory, due to falling business performance and employment levels.
- The upstream sector returned to a positive result in the quarter, however, the result was lower than that for the same quarter in 2008.
- The outlook for the June Quarter of 2009 is for the EPI to increase to a positive position nationally, with New South Wales the only state expecting a negative EPI.

Business Performance



On average, agribusinesses nationally reported negative business performance in the March Quarter. This represents a deterioration on the results recorded in the previous December Quarter and the same quarter of 2008.

- Business performance was good in Tasmania and positive in Queensland and Western Australia.
- Negative business performance was reported in New South Wales, South Australia and Victoria with these states recording substantial falls from the December Quarter.
- Upstream and downstream agribusinesses recorded positive business performance, however, the producer sector returned to negative territory.
- Nationally, climatic conditions had the most significant impact on both positive and negative business performance.
- Overall, business performance is expected to increase across all sectors in the June Quarter with the

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.

Capital Expenditure

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
New South Wales	0.03	-0.05	0.05	-0.07	0.00	●
Queensland	0.07	0.02	0.03	-0.03	0.10	↑
South Australia	-0.31	0.06	-0.05	-0.05	0.02	↑
Tasmania	0.15	0.05	0.14	0.21	0.22	↑
Victoria	0.00	0.00	0.06	0.18	0.21	↑
Western Australia	0.01	0.17	0.12	0.13	0.06	↑
Australia	0.01	0.01	0.05	0.03	0.08	↑

Overall, capital expenditure by agribusinesses increased in the March Quarter of 2009 for the second consecutive quarter. This is a slight improvement on the increases of the past two March quarters.

- In the current quarter, three of the six states reported increases in capital expenditure with Tasmania reporting the largest increase.
- All sectors reported increasing capital expenditure in the March Quarter with further increases expected in all sectors in the coming June Quarter.
- Nationally, capital expenditure is expected to increase in the June Quarter with all states except New South Wales expecting increasing investment.

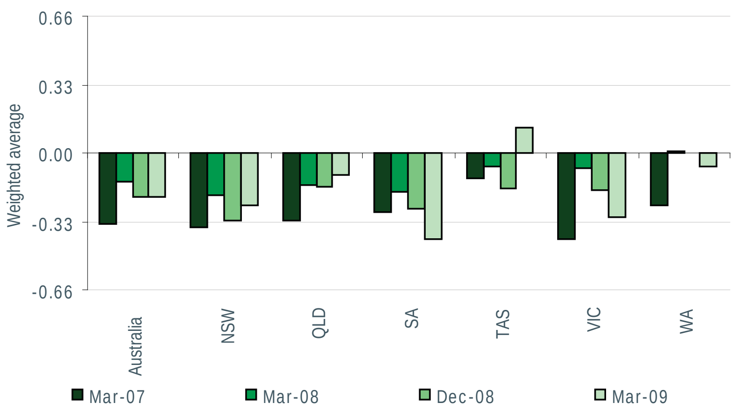
Employment

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
New South Wales	-0.01	0.02	-0.01	-0.04	-0.02	↓
Queensland	-0.01	0.01	-0.02	0.00	0.02	↑
South Australia	-0.03	-0.08	-0.07	-0.06	0.01	↑
Tasmania	0.01	0.00	-0.01	-0.03	0.04	↑
Victoria	-0.02	-0.03	0.02	-0.06	-0.07	↓
Western Australia	-0.03	0.00	0.07	0.07	0.02	↑
Australia	-0.01	0.00	0.00	-0.02	-0.01	↓

On average, employment results in the agribusiness sector decined marginally in the March Quarter of 2009, falling to a negative position nationally. This also represents a marginally worse result than that of the previous two March Quarters.

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

Profit



Overall, agribusinesses across Australia experienced less than satisfactory profit levels (-0.21) in the March Quarter, equivalent to the September and December Quarter results.

- Five of the six states reported less than satisfactory profitability, with Victoria and South Australia reporting the worst levels.
- In contrast, Tasmania reported satisfactory profitability during the quarter, the first positive result in ten quarters.
- Downstream sector profitability remained better than satisfactory in the March Quarter. The producer and upstream sectors continued to report less than satisfactory profitability.

PERFORMANCE INDICATORS

Stock Levels

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
New South Wales	-0.11	-0.03	0.00	-0.05	-0.09	↓
Queensland	0.05	0.09	0.08	0.11	0.05	↑
South Australia	-0.24	-0.07	-0.22	-0.06	0.09	↑
Tasmania	-0.12	-0.20	-0.01	0.14	-0.04	↓
Victoria	-0.32	-0.07	-0.17	-0.14	-0.06	↓
Western Australia	0.01	0.02	0.02	-0.03	-0.04	↓
Australia	-0.11	-0.01	-0.10	-0.02	-0.03	↓

Overall, agribusiness stock levels decreased in the March Quarter for the second consecutive quarter.

- Queensland and Tasmania reported increased stock levels and Victoria recorded the largest decline.
- Decreased stock levels were reported by all sectors in the March Quarter. The downstream sector is expecting stock levels to increase marginally in the coming June Quarter.
- Nationally, stock levels are expected to decline further in the coming quarter.

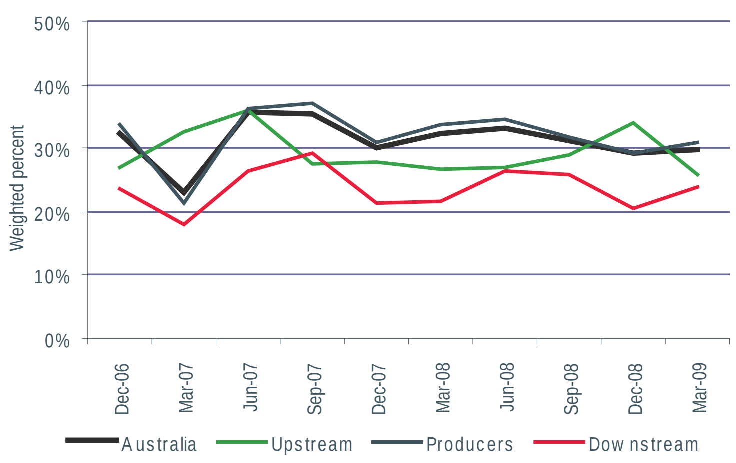
Operating Costs

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009
New South Wales	0.49	0.53	0.45	0.23
Queensland	0.49	0.56	0.41	0.27
South Australia	0.52	0.64	0.51	0.23
Tasmania	0.44	0.56	0.47	0.35
Victoria	0.48	0.76	0.36	0.32
Western Australia	0.44	0.69	0.42	0.37
Australia	0.48	0.61	0.42	0.28

Operating costs continued to increase in the March Quarter though the rate of increase was the lower result on record.

- The largest increases in operating costs during the quarter was reported by Western Australia.
- Producers continue to report the largest increases in operating costs, followed closely by the downstream sector. In contrast, the rate of cost increase for the upstream sector was significantly lower.
- The prices of fuel/freight and fertiliser/chemicals continue to be the most significant factors contributing to increased costs.

Finance



In the March Quarter, 30% of agribusinesses Australia-wide reported seeking finance in the last 12 months. This is a slight increase from the 29% who sought finance in the December Quarter, however, slightly lower than the 32% how sought finance in the March Quarter of 2008.

- Overall, of those seeking finance in the March Quarter, 22% indicated that they experienced difficulty obtaining the finance. This is slightly higher than the 19% who reported difficulty in the December Quarter.
- Western Australia (39%) and South Australia (38%) had the highest level of agribusinesses seeking finance with Victoria and Tasmania reporting the lowest level (26%).
- Agribusinesses in Western Australia (36%) 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.

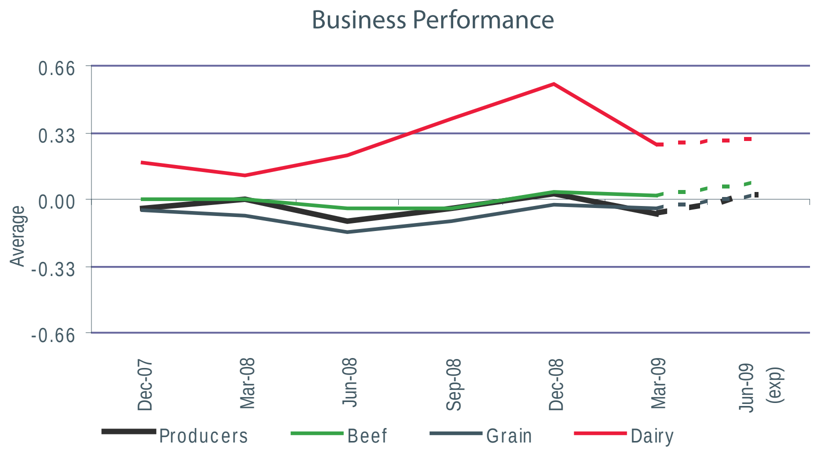
Agricultural Sectors

Business Performance	Dec 2007	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009	Jun 2009 (exp)	Outlook Jun
Beef	0.00	0.00	-0.04	-0.05	0.04	0.02	0.08	↑
Grain	-0.05	-0.08	-0.17	-0.11	-0.02	-0.05	0.02	↑
Dairy	0.18	0.12	0.22	0.40	0.57	0.27	0.30	↑
Producers	-0.05	0.00	-0.11	-0.05	0.03	-0.07	0.01	↑

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 March Quarter of 2009, producers overall recorded negative business performance. The sector returned to negative territory after one quarter of positive business performance. This result is also lower than for the same quarter in 2008.
- Dairy reported the highest level of business performance in the March Quarter, despite a substantial decrease from the good results of the previous two quarters.
- Grain continued to report negative business performance, declining slightly from the December Quarter. The result was however, slightly higher than the previous March Quarter.
- Beef recorded positive business performance in the March Quarter, albeit slightly lower than the December Quarter result. The result was however, slightly higher than the same quarter in 2008.
- All sectors are expecting improved business performance in the coming June Quarter, with dairy expecting the best result. The grain sector is expecting to improve from negative to positive territory and the beef sector expecting the best result in seven quarters.



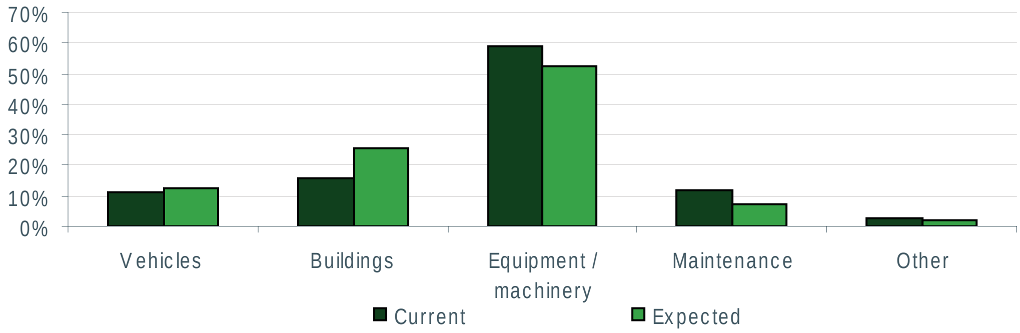
PERFORMANCE INDICATORS

Topical Question

As part of the Westpac / Charles Sturt University (CSU) 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 March Quarter of 2009, agribusinesses that had increased spending on capital expenditure were asked to describe what they purchased in the previous quarter, and what they expected to purchase in the coming quarter.

- Nationally 22% of respondents indicated that they had increased spending in the March Quarter with 19% expecting to increase spending in the coming June Quarter.
- Overall, 59% of spending was on equipment/machinery in the March Quarter followed by 15% on buildings. Twelve percent of respondents had purchased items as part of general maintenance and 11% had bought vehicles.
- In the coming June Quarter just over half (52%) of respondents expect to spend on equipment/machinery followed by 26% on buildings and 13% on vehicles.



Business Confidence

Nationally, 64% of agribusinesses felt confident about the performance of their business over the next 12 months. This is a decrease on December Quarter confidence (67%), and lower than the level of confidence recorded in the previous March Quarter.

- Business confidence was highest amongst Queensland agribusinesses (75%), followed by those from Western Australia (69%).
- Victoria (50%) reported the lowest and the greatest fall in business confidence in the March Quarter.
- Business confidence remained lower than for the previous March Quarter in five of the six states, with only South Australia reporting unchanged levels of confidence.
- Falls in business confidence were reported by both the producer (62%) and downstream sectors (73%).
- All sectors reported lower business confidence levels than for the previous March Quarter.