

"Things are looking up for the coming year as fuel and fertiliser costs are down and we have had some rainfall..."

Crop Farmer, Yorke and Lower North

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for South 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 South Australia decreased in the March Quarter, moving further into negative territory. This represents the worst economic performance across Australia for the quarter.

The negative result is due largely to decreased business performance, although capital expenditure and employment also decreased during the quarter.

The upstream and producer sectors reported negative economic performance while the downstream sector reported satisfactory business performance. Profitability was less than satisfactory in all agribusiness sectors, with producers and upstream agribusinesses reporting poor levels of profitability.

Operating costs increased this quarter, albeit at a rate significantly lower than that reported in any of the previous ten quarters. 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 March Quarter all statistical divisions registered negative economic performance (shown in orange). This represents a decline from the previous quarter, when four of the five regions recorded negative economic performance. Northern statistical division worsened from satisfactory economic performance in the December Quarter of 2008 to be the worst performing division in South Australia in the March Quarter of 2009.

Thirty-eight percent of agribusinesses indicated that they had accessed finance in the last 12 months. Of those that had sought finance, 25% indicated that they had experienced difficulty obtaining the finance.

Agribusiness confidence in South Australia grew from 59% to 65% this quarter. However, when compared with the other states and territories, agribusinesses in South Australia were least likely to feel confident about the performance of their business over the coming 12 months.

In the coming quarter, economic performance is expected to reach a satisfactory level for the first time in ten quarters, as a result of anticipated improvements in capital expenditure and employment. Business performance is expected to remain negative, despite considerable improvement.

South Australia

SECTOR PERFORMANCE

Economic Performance Index

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

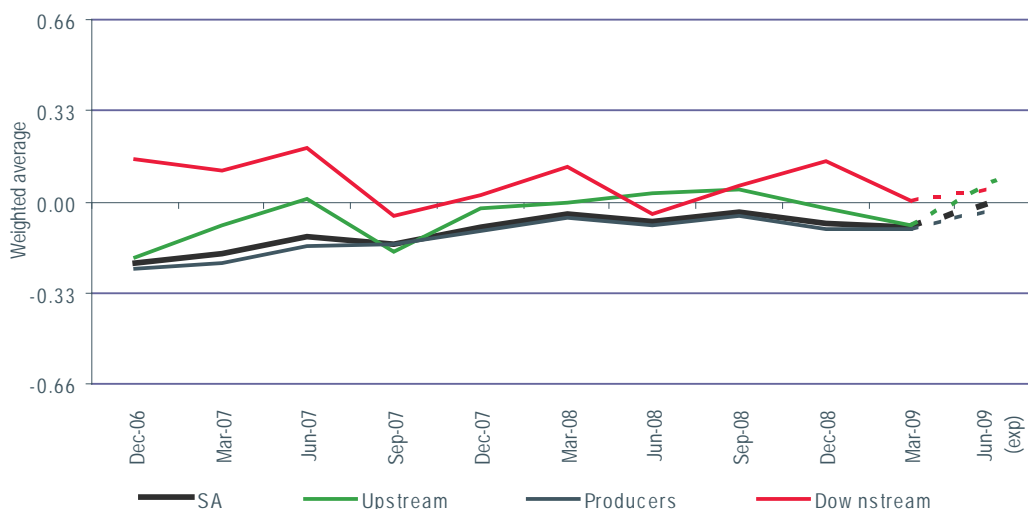
- All statistical divisions recorded negative economic performance during the quarter, for the first time since the June Quarter of 2007. Northern division recorded its worst result since the March Quarter of 2008 and South East division recorded its worst result since the September Quarter of 2007.
- The EPI of all divisions except Murray Lands worsened since the December Quarter of 2008, with Northern recording the greatest decrease (0.00 in the December Quarter to -0.15 in the March Quarter).
- Producers and the upstream sector recorded negative economic performance in the March Quarter while downstream recorded satisfactory economic performance.
- The upstream and downstream sectors recorded worsening economic performance compared to the December Quarter of 2008 while the producer sector recorded an identical result to the previous quarter.
- The satisfactory result for the downstream sector was due to contrasting results amongst the key input indicators. While business performance was recorded as positive, capital expenditure and employment results were negative.
- The upstream sector's negative economic performance was largely attributable to negative business performance. This was the worst result in business performance for the upstream sector since the December Quarter of 2006. Capital expenditure was slightly negative while employment increased.
- Producers' negative economic performance

	Business Performance	Capital Expenditure	Employment	EPI	Outlook
				Mar	Jun
Eyre	-0.25	-0.13	-0.02	-0.13	●
Murray Lands	-0.37	0.08	0.00	-0.10	●
Northern	-0.27	-0.18	-0.02	-0.15	↓
South East	0.10	-0.09	-0.12	-0.03	↑
Yorke and Lower North	-0.12	-0.07	-0.13	-0.10	↓
Upstream	-0.28	-0.05	0.07	-0.09	↑
Producers	-0.18	-0.05	-0.07	-0.10	↓
Downstream	0.20	-0.03	-0.16	0.00	↑
South Australia	-0.18	-0.05	-0.06	-0.10	●

was due to negative results in all three input indicators. Business performance recorded the worst result of the three input indicators, recording a negative result for the tenth consecutive quarter.

- Profitability was less than satisfactory for the downstream sector and poor for the producer and upstream sectors. Producers and upstream agribusinesses recorded their worst profitability results since the December Quarter of 2006.
- Operating costs increased in the March Quarter in all three sectors but at significantly lower rates than at anytime in the last twelve months.
- The outlook for South Australia in the coming June Quarter is for satisfactory economic performance. All agribusiness sectors are expecting to improve their EPI, with upstream and downstream sectors expecting positive economic performance.

Economic Performance Index



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.

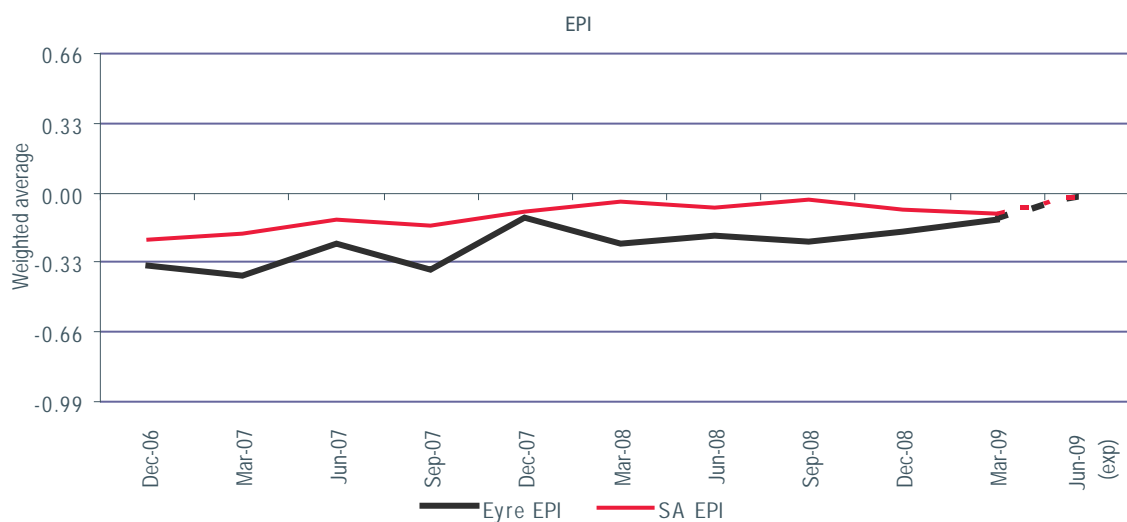
REGIONAL PERFORMANCE

Eyre

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
EPI	-0.40	-0.24	-0.19	-0.13	0.00	●
Business Performance	-0.59	-0.30	-0.48	-0.25	-0.04	↓
Capital Expenditure	-0.62	-0.18	0.04	-0.13	0.02	↑
Employment	0.02	-0.25	-0.12	-0.02	0.01	↑
Profit	-0.55	-0.53	-0.55	-0.53	-	
Stock Levels	-0.51	0.08	-0.26	-0.02	0.08	↑
Operating Costs	0.41	0.50	0.41	-0.06	-	

Economic performance in Eyre statistical division remained negative for the tenth consecutive quarter. However, this quarter's negative result was the best result since the December Quarter of 2007, indicating that although negative, economic performance in Eyre division has been improving.

- The negative economic performance was largely due to a substantial negative result for business performance and a slightly negative result for capital expenditure. Despite the negative business performance result, the March Quarter result was a substantial improvement on the poor result recorded in the December Quarter of 2008.
- Stock levels slightly decreased in the March Quarter and operating costs decreased for the first time in ten quarters.
- Profitability was recorded as poor for the tenth consecutive quarter.



- In the March Quarter of 2009, 57% of respondents in Eyre statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 43% in the December Quarter however lower than the 66% who accessed finance in the March Quarter of 2008. Of those who had sought finance, 41% indicated that they had experienced difficulty obtaining the finance.
- In the March Quarter 73% 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 December Quarter (66%). In line with this, Eyre division expects improvement in capital expenditure and employment in the coming June Quarter, resulting in a satisfactory economic performance for the first time in ten quarters. Business performance is expected to remain marginally negative despite considerable improvement.

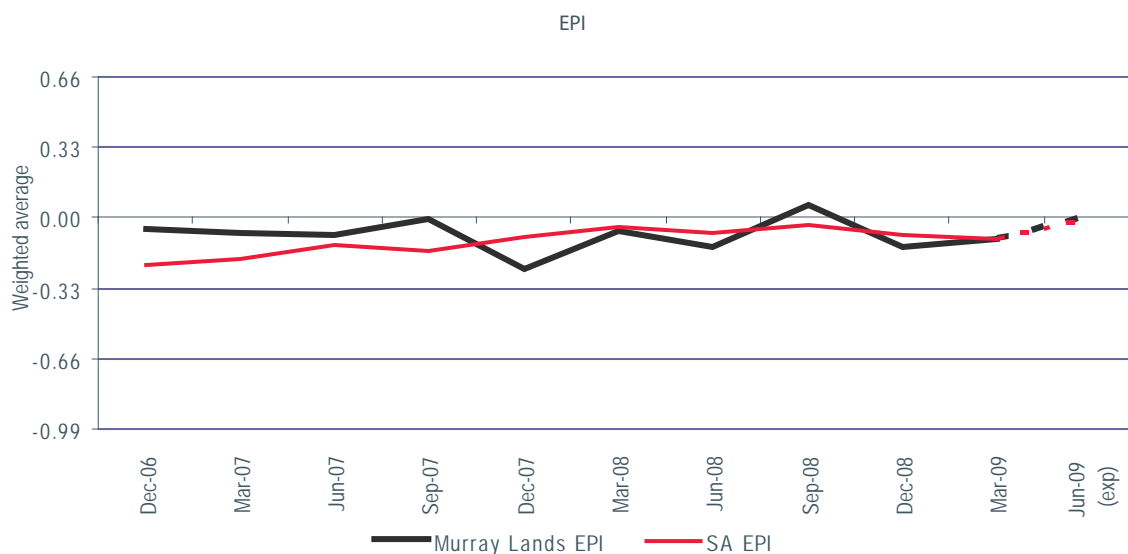
REGIONAL PERFORMANCE

Murray Lands

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
EPI	-0.07	-0.06	-0.13	-0.10	0.00	●
Business Performance	-0.08	-0.14	-0.28	-0.37	-0.13	↓
Capital Expenditure	-0.15	0.17	-0.13	0.08	0.14	↑
Employment	0.03	-0.22	0.01	0.00	-0.01	↓
Profit	-0.31	-0.18	-0.34	-0.66	-	↓
Stock Levels	-0.05	-0.09	-0.33	-0.29	-0.01	↓
Operating Costs	0.59	0.50	0.53	0.37	-	

Economic performance in Murray Lands statistical division remained negative for the second consecutive quarter. The EPI in this division has been negative for eight of the last ten quarters. This quarter's result is an improvement on the previous quarter's result and a worsening on the result obtained in the March Quarter of 2008.

- The negative economic performance was largely due to a poor result in business performance. The other input indicators performed well, with employment recorded as satisfactory and capital expenditure recorded as positive.
- Stock levels decreased in the March Quarter, representing the sixth consecutive quarter of stock reductions. Operating costs increased for the tenth consecutive quarter, albeit at the lowest rate since the December Quarter of 2006.
- Profitability was recorded as poor for the second consecutive quarter. At no time during the last ten quarters has profitability been recorded as greater than satisfactory.



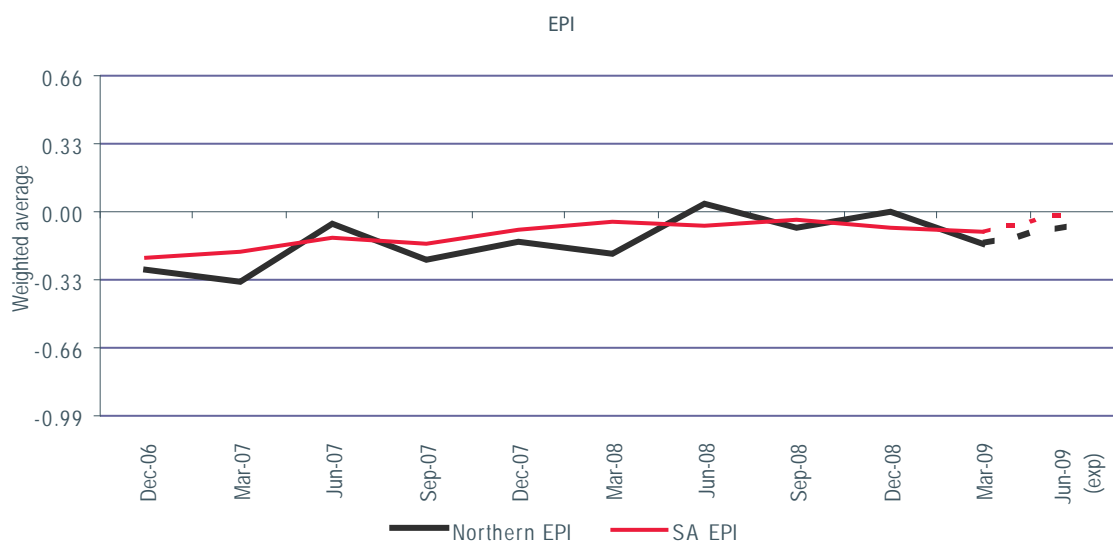
- In the March Quarter of 2009, 29% of respondents in the Murray Lands statistical division indicated that they had accessed finance in the last 12 months. This is a slight increase from 28% in the December Quarter however slightly lower than the 31% who accessed finance in the March Quarter of 2008. Of those that had sought finance, 33% indicated that they had experienced difficulty obtaining the finance.
- In the March Quarter 61% of agribusinesses across Murray Lands statistical division felt confident about the performance of their business over the next 12 months. This is identical to confidence levels expressed during the December Quarter of 2008. In line with this, Murray Lands division expects improvements in capital expenditure in the coming June Quarter, resulting in a satisfactory economic performance. Business performance is expected to move from poor to negative territory.

Northern

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
EPI	-0.34	-0.20	0.00	-0.15	-0.07	↓
Business Performance	-0.47	-0.31	-0.26	-0.27	-0.27	↓
Capital Expenditure	-0.48	-0.28	0.25	-0.18	-0.03	↓
Employment	-0.08	-0.01	0.00	-0.02	0.10	↑
Profit	-0.60	-0.32	-0.53	-0.40	-	
Stock Levels	-0.27	0.01	0.02	-0.04	0.02	↑
Operating Costs	0.39	0.58	0.49	0.29	-	

Economic performance in Northern statistical division was negative in the March Quarter after recording a satisfactory performance in the December Quarter. This quarter's result was the worst result since the March Quarter of 2008.

- The negative economic performance was largely due to substantial negative results for business performance and capital expenditure. Employment was slightly negative. Business performance has been reported as negative or worse for each of the last ten quarters while the negative result for capital expenditure was recorded after three quarters of positive results.
- Stock levels decreased slightly in the March Quarter and operating costs continued to increase, albeit at the lowest rate since the December Quarter of 2006.
- Profitability was recorded as poor for the fourth consecutive quarter. At no time during the last ten quarters has profitability been recorded as greater than satisfactory.



- In the March Quarter of 2009, 46% of respondents in Northern statistical division indicated that they had accessed finance in the last 12 months. This is a sharp increase from 29% in the December Quarter and a slight increase on the 43% who accessed finance in the March Quarter of 2008. Of those who had sought finance, 21% indicated that they had experienced difficulty obtaining the finance.
- In the March Quarter 69% of agribusinesses across Northern statistical division felt confident about the performance of their business over the next 12 months. This is a substantial improvement on confidence levels expressed during the December Quarter (40%). In line with this, Northern division expects improvements in employment in the coming June Quarter, and improved though still marginally negative capital expenditure. This should result in an improved, albeit still negative, economic performance.

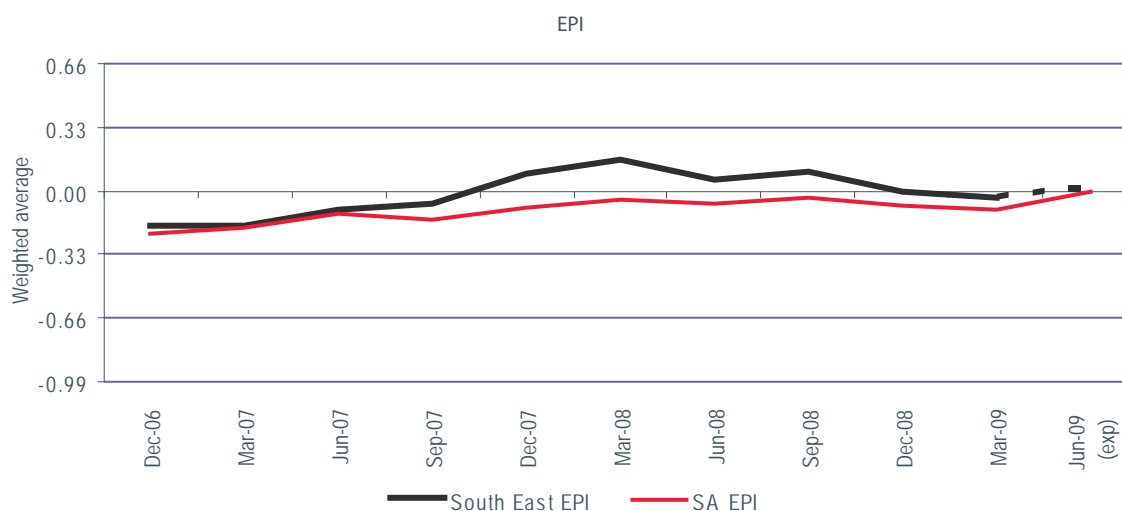
REGIONAL PERFORMANCE

South East

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
EPI	-0.18	0.16	-0.01	-0.03	0.02	↑
Business Performance	-0.27	0.13	0.34	0.10	0.16	↑
Capital Expenditure	-0.21	0.21	-0.20	-0.09	-0.08	↓
Employment	-0.05	0.14	-0.15	-0.12	-0.02	↓
Profit	-0.09	0.08	0.02	-0.21	-	
Stock Levels	-0.35	-0.05	-0.33	0.10	0.04	↑
Operating Costs	0.65	0.85	0.50	0.35	-	

Economic performance in South East statistical division was negative in the March Quarter for the second successive quarter. Prior to the December Quarter of 2008, this division had recorded four consecutive quarters of positive economic performance.

- The negative economic performance was largely due to negative results in capital expenditure and employment. This was the fourth consecutive quarter of negative employment results. On the positive side, business performance was reported as positive for the seventh consecutive quarter.
- Stock levels increased in the March Quarter for only the second time in the last ten quarters. Operating costs continued to increase, albeit at the lowest rate since the September Quarter of 2007.
- Profitability was recorded as negative for the first time since the December Quarter of 2007. It is the worst profitability result since the June Quarter of 2007.



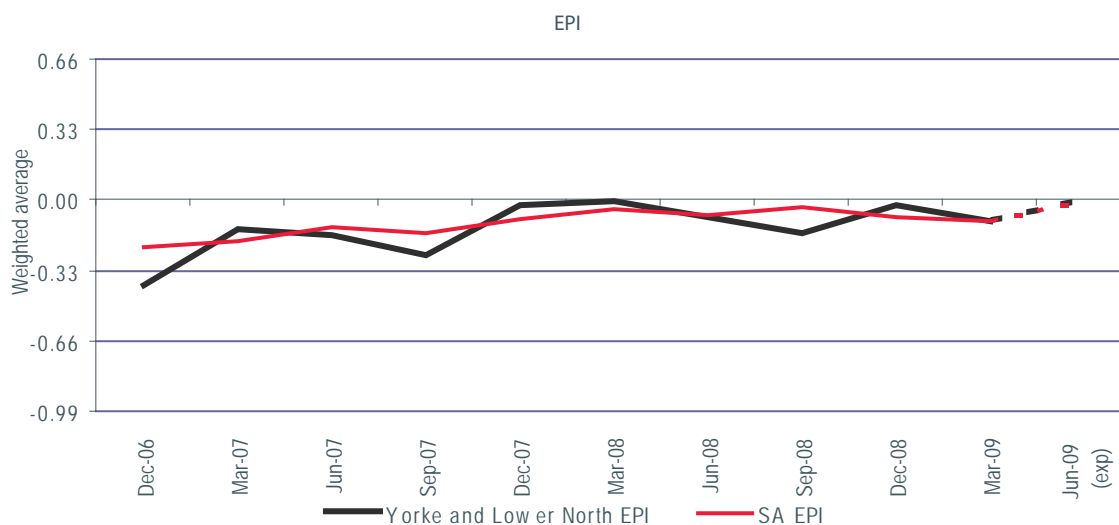
- In the March Quarter of 2009, 30% of respondents in the South East statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 27% in the December Quarter and higher than the 27% who accessed finance in the March Quarter of 2008. Of those that had sought finance, 24% indicated that they had experienced difficulty obtaining the finance.
- In the March Quarter 73% of agribusinesses across South East statistical division felt confident about the performance of their business over the next 12 months. This is a substantial improvement on confidence levels expressed during the December Quarter (55%). In line with this, South East division expects an improvement in business performance in the coming June Quarter, resulting in a return to positive economic performance.

Yorke and Lower North

	Mar Qtr 2007	Mar Qtr 2008	Dec Qtr 2008	Mar Qtr 2009	Jun Qtr (exp)	Outlook Jun
EPI	-0.14	-0.01	-0.03	-0.10	-0.01	↓
Business Performance	0.03	-0.11	-0.05	-0.12	-0.03	↓
Capital Expenditure	-0.31	0.11	0.03	-0.07	0.01	↑
Employment	-0.13	-0.02	-0.07	-0.13	0.00	●
Profit	-0.08	-0.15	-0.14	-0.21	-	
Stock Levels	-0.15	-0.27	0.01	0.06	0.36	↑
Operating Costs	0.42	0.74	0.60	0.11	-	

Economic performance in Yorke and Lower North statistical division was negative in the March Quarter for the tenth consecutive quarter. This quarter's result represents a worsening on the result obtained in the December Quarter of 2008.

- The negative economic performance was due to negative results in all three input indicators, all three indicators worsening since the December Quarter of 2008. Employment recorded its worst result since the September Quarter of 2007.
- Stock levels slightly increased in the March Quarter, for the third consecutive quarter. Operating costs continued to increase, although at the lowest rate in ten quarters.
- Profitability was recorded as less than satisfactory for the fifth consecutive quarter. Only once in the last ten quarters has profitability been recorded as greater than satisfactory (December Quarter of 2007).



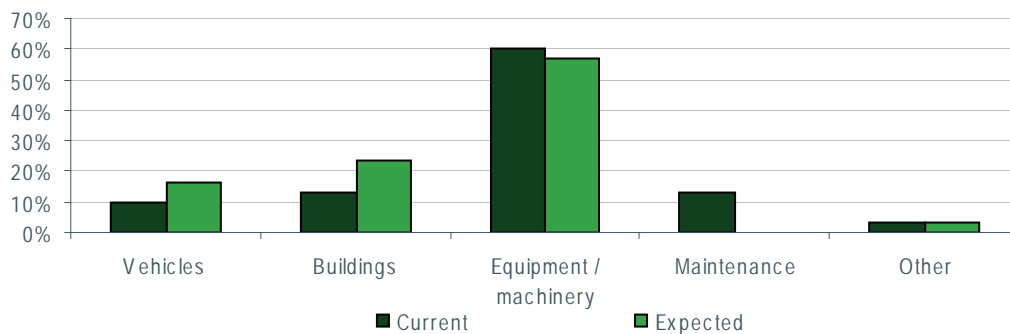
- In the March Quarter of 2009, 40% of respondents in the Yorke and Lower North statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 33% in the December Quarter and higher than the 28% who accessed finance in the March Quarter of 2008. Of those that had sought finance, only two percent indicated that they had experienced difficulty obtaining the finance.
- In the March Quarter 50% 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 reduction on confidence levels expressed during the December Quarter (66%). Despite this, Yorke and Lower North division expects improvements in business performance, capital expenditure and employment in the coming June Quarter, resulting in an improved, albeit still negative, economic performance.

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.

- In South Australia 21% of respondents indicated that they had increased spending in the March Quarter with 21% expecting to increase spending in the coming June Quarter.
- Overall, 60% of spending was on equipment/machinery in the March Quarter followed by 13% on buildings and on purchasing items as part of general maintenance. Ten percent of respondents had purchased vehicles.
- Spending varied between the sectors with 70% of producers indicating that they had purchased equipment/machinery compared to 50% of downstream respondents and 33% of producers.
- In the coming June Quarter 57% of respondents expect to spend on equipment/machinery followed by 23% on buildings and 17% on vehicles.



Business Confidence

Sixty-five percent of agribusinesses in South Australia felt confident about the performance of their business over the next 12 months. This is an improvement on the December Quarter result of 59%, but remains lower than confidence levels expressed in the March Quarters of 2008 (71%) and 2007 (75%).

- Downstream agribusinesses again reported the highest confidence levels (88%), followed by upstream agribusinesses (77%) and producers (61%). All sectors reported greater confidence levels than that reported in the December Quarter of 2008.
- Eyre, Northern and South East divisions reported increased business confidence, Murray Lands division reported similar confidence and Yorke and Lower North division reported decreased business confidence compared with the previous quarter.
- The greatest improvement in business confidence occurred in Northern statistical division, which increased from 40% in the December Quarter to 69% in the March Quarter. Business confidence in South East division also substantially increased, from 55% in the December Quarter to 73% in the March Quarter.

