

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for Australia in the September 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 September Quarter of 2009 was 0.02, a positive result though slightly lower than the June Quarter result. The positive result can be attributed to a positive position in all three indicators.

Four of the six states reported positive EPIs in the September Quarter with South Australia the best performed.

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 decreased from 33 in the June Quarter to 27 in the September Quarter. One division reported satisfactory economic performance and one poor performance in the September Quarter.

Nationwide, operating costs continued to increase, however the rate of increase has slowed to the lowest rate since the inception of the Index.

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

Nationally, 33% of agribusinesses indicated that they had accessed finance in the September Quarter. Of those that had sought finance, 19% reported difficulty obtaining the finance.

Business confidence fell in the September Quarter with 69% of agribusinesses indicating that they were confident about their business performance over the next 12 months. Business confidence was highest in South Australia (81%) and lowest in Tasmania (59%).

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

*"Having a great season due to good rain"*  
Crop Grower, Upper Great Southern, Western Australia



# Australia

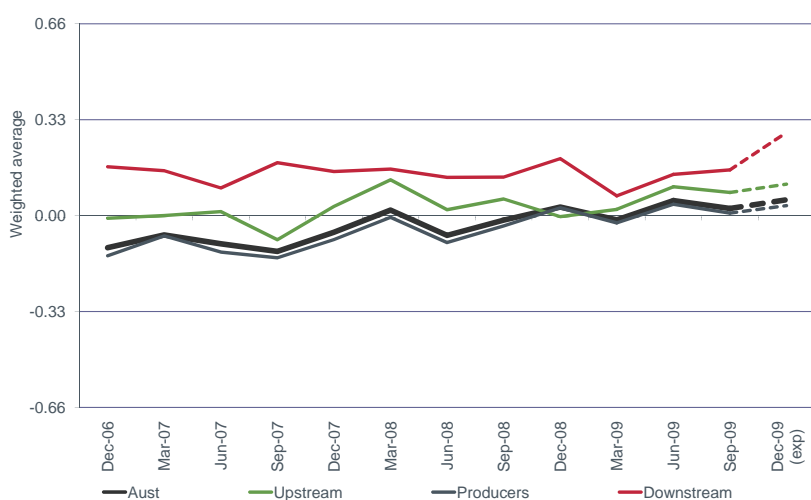
# PERFORMANCE INDICATORS

## Economic Performance Index

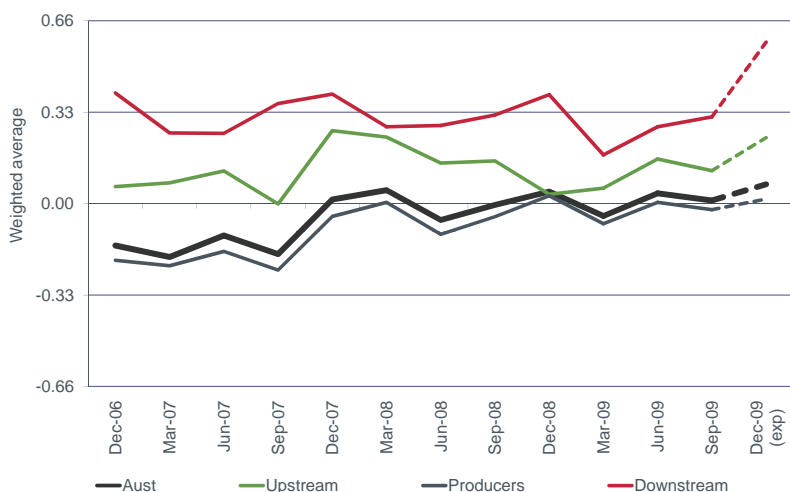
	Business Performance	Capital Expenditure	Employment	EPI Sep	Outlook Dec
New South Wales	-0.06	0.02	0.02	-0.01	↓
Queensland	-0.03	0.14	0.08	0.06	●
South Australia	0.25	0.15	-0.02	0.12	↑
Tasmania	0.09	0.15	-0.07	0.05	↑
Victoria	-0.04	-0.07	-0.01	-0.04	↑
Western Australia	0.24	0.04	0.00	0.09	↑
Upstream	0.12	0.06	0.06	0.08	↑
Producers	-0.02	0.04	0.01	0.01	↑
Downstream	0.31	0.14	0.02	0.16	↑
Australia	0.01	0.04	0.02	0.02	↑

The EPI for Australia decreased in the September Quarter, however remained in positive territory. This represents the best September Quarter result on record and the third positive result in the last year.

- Economic performance in Victoria remained negative, with New South Wales the only other state to dip into negative territory this quarter. All states however reported a decline in performance.
- South Australia was the best performing state. This is the second consecutive quarter of positive economic performance for the state, making this the best period in almost three years.
- All sectors reported positive EPIs for the September Quarter, with the strongest performance occurring in the downstream sector.
- The producer sector remains the worst performed sector, however it maintained its positive position from the June Quarter.
- The outlook for the December Quarter of 2009 is for the EPI to increase nationally. New South Wales is the only state expecting a negative EPI.
- Improvement is also expected in all sectors, with downstream agribusinesses anticipating the best performance.



## Business Performance



On average, agribusinesses nationally reported positive business performance in the September Quarter, despite a weakening from the June Quarter result. This is the first positive September Quarter result on record.

- The greatest improvement in business performance was reported in Western Australia. This marks two years of positive performance for the state.
- The largest decline in business performance was recorded in Queensland, with results dipping back into negative territory for the first time since June 2008.
- Once again, upstream and downstream agribusinesses recorded positive business performance. The producer sector experienced a slight decline in a return to negative territory.
- Overall, business performance is expected to improve in the coming December Quarter. South Australia and Western Australia anticipate good business performance for the first time.

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

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
New South Wales	-0.24	-0.12	0.10	0.02	-0.04	↓
Queensland	-0.06	0.05	0.10	0.14	0.09	↑
South Australia	-0.14	0.04	0.24	0.15	0.11	↑
Tasmania	-0.18	0.12	0.07	0.15	0.13	↑
Victoria	-0.09	-0.09	0.07	-0.07	0.12	↑
Western Australia	-0.03	0.12	0.28	0.04	0.15	↑
Australia	-0.13	-0.03	0.12	0.04	0.07	↑

Overall, capital expenditure by agribusinesses increased in the September Quarter of 2009, however at a lower rate than in the previous quarter. This is an improvement on the decreases recorded in the past two September Quarters.

- In the current quarter, all states except Victoria reported increases in capital expenditure with Tasmania and South Australia reporting the largest increase.
- All sectors reported increasing capital expenditure in the September Quarter with further increases expected in all sectors in the coming December Quarter.
- Nationally, capital expenditure is expected to continue to increase in the December Quarter with all states except New South Wales expecting positive investment results.

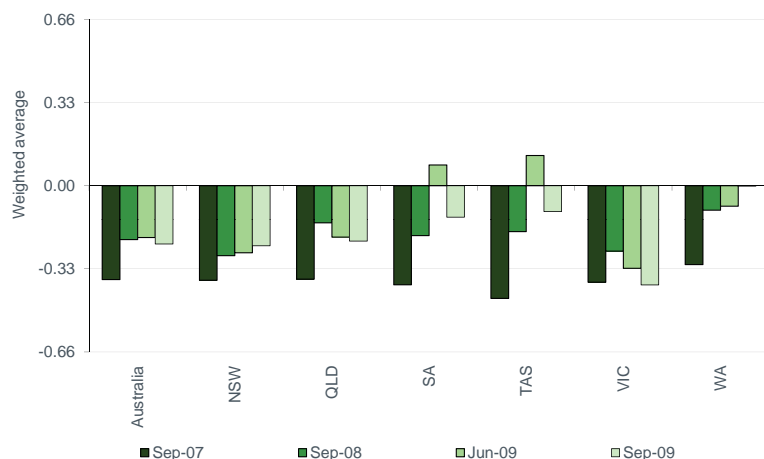
## Employment

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
New South Wales	-0.09	-0.09	-0.03	0.02	0.05	↑
Queensland	-0.06	0.05	0.04	0.08	-0.01	↓
South Australia	-0.06	-0.05	0.00	-0.02	0.11	↑
Tasmania	-0.04	0.05	-0.03	-0.07	-0.05	↓
Victoria	-0.06	-0.01	-0.05	-0.01	0.01	↑
Western Australia	0.07	0.04	0.05	0.00	0.06	↑
Australia	-0.06	-0.02	-0.01	0.02	0.03	↑

Employment increases were reported by agribusinesses across Australia during the September Quarter. Nationally, this is the first positive result on record, with further increases anticipated in the coming December Quarter.

- In the current quarter, the strongest employment growth was reported in Queensland. Western Australia reported stable employment levels and New South Wales recorded its first increase since March 2008.
- Tasmania and Victoria reported falling levels of employment.
- All sectors reported increasing employment levels, the greatest increases observed in the upstream sector.
- Further increases in employment levels are expected on a national level in the coming December Quarter, despite expected decreases in Queensland and Tasmania.

## Profit



Profitability for agribusinesses remained less than satisfactory in the September Quarter, falling further into negative territory.

- Western Australia was the only state to report improved profitability this quarter, with profits now at a satisfactory level.
- The largest declines were recorded in Tasmania and South Australia, which both moved back to an unsatisfactory level. Victoria reported poor profitability.
- Downstream agribusinesses indicated that profit levels remained better than satisfactory, with the upstream sector returning to less than satisfactory profitability.

# PERFORMANCE INDICATORS

## Stock Levels

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
New South Wales	-0.20	0.02	0.01	-0.06	-0.03	↓
Queensland	-0.06	0.14	0.06	0.15	0.05	↑
South Australia	-0.03	0.02	0.00	0.04	0.04	↑
Tasmania	-0.17	-0.06	0.02	0.19	0.05	↑
Victoria	-0.21	-0.02	-0.19	-0.21	-0.05	↓
Western Australia	0.11	0.09	0.03	0.03	0.04	↑
Australia	-0.12	0.05	-0.02	-0.02	0.00	●

Overall, agribusiness stock levels continued to decline in the September Quarter.

- Four of the six states reported increased stock levels during the September Quarter, however further declines were reported in Victoria.
- Upstream and producer sectors continued to experience reduced stock levels in the September Quarter, however the downstream sector reported a slight increase.
- Nationally, stock levels are expected to remain stable in the coming quarter.

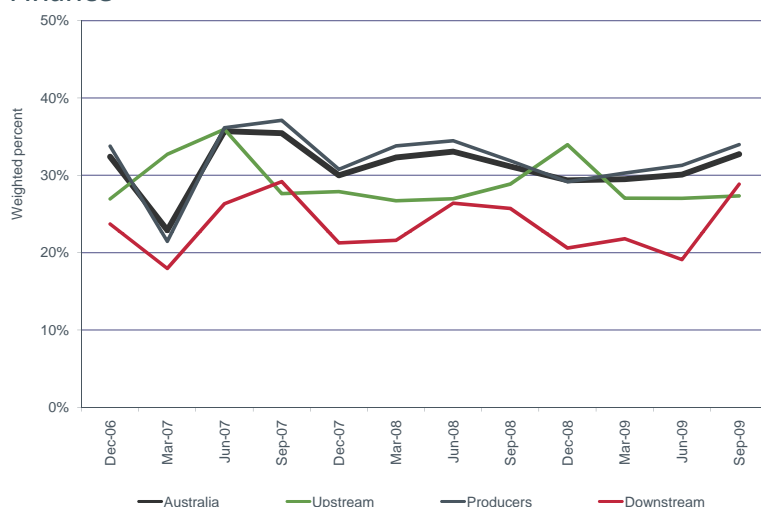
## Operating Costs

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009
New South Wales	0.45	0.67	0.38	0.34
Queensland	0.50	0.64	0.47	0.36
South Australia	0.45	0.67	0.34	0.30
Tasmania	0.61	0.67	0.38	0.47
Victoria	0.46	0.57	0.45	0.34
Western Australia	0.52	0.58	0.45	0.48
Australia	0.48	0.63	0.42	0.36

Operating costs continued to rise in the September Quarter, however the rate of increase is the lowest recorded since the inception of the Index.

- All states recorded increased operating costs with the highest rate of increase recorded in Western Australia and Tasmania.
- Despite a slow down in the rate of increase, producers continue to report the largest increases in operating costs, followed by the downstream sector.
- The main factors contributing to increased operating costs were the cost of inputs, freight/fuel and utilities or government charges.

## Finance



In the September Quarter, one third of agribusinesses Australia-wide reported seeking finance in the last 12 months. This is up slightly from levels reported in September 2008.

- Overall, of those seeking finance in the September Quarter, 19% indicated that they experienced difficulty obtaining the finance.
- 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 Tasmania (39%) 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.

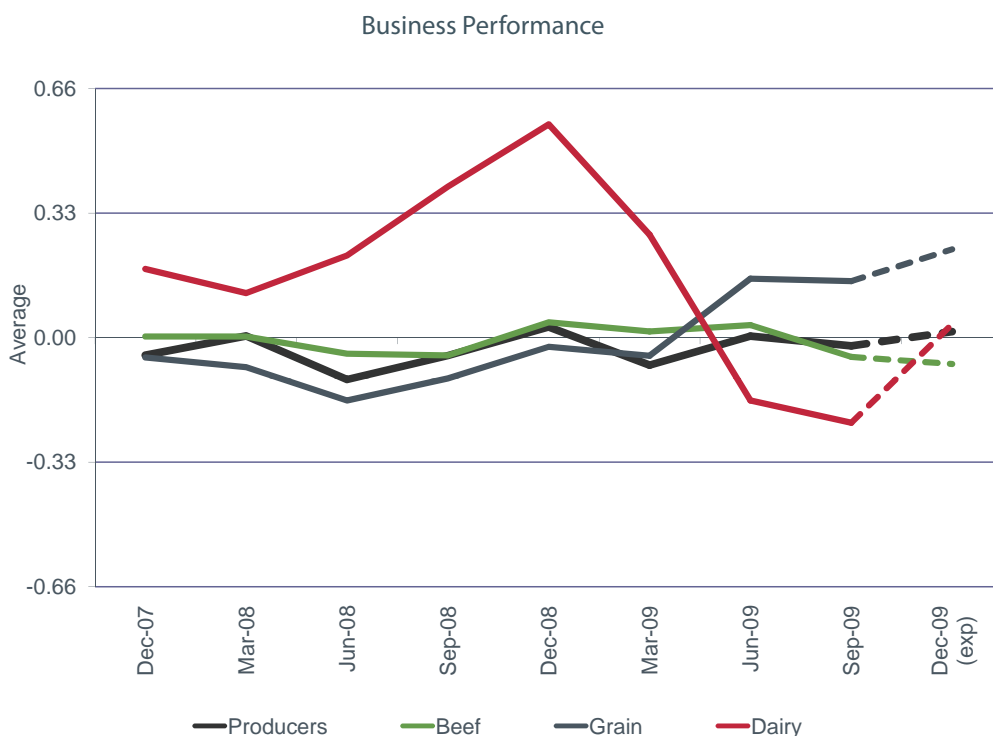
## Agricultural Sectors

Business Performance	Dec 2007	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009	Jun 2009	Sep 2009	Dec 2009 (exp)	Outlook Dec
Beef	0.00	0.00	-0.04	-0.05	0.04	0.02	0.03	-0.05	-0.07	↓
Grain	-0.05	-0.08	-0.17	-0.11	-0.02	-0.05	0.16	0.15	0.23	↑
Dairy	0.18	0.12	0.22	0.40	0.57	0.27	-0.17	-0.23	0.04	↑
Producers	-0.05	0.00	-0.11	-0.05	0.03	-0.07	0.00	-0.02	0.02	↑

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 September Quarter of 2009, producers overall recorded negative business performance. The sector returned to a negative position after one quarter of satisfactory business performance. This result is however an improvement on the same quarter in 2008.
- Dairy reported the lowest level of business performance in the September Quarter, moving further into negative territory from the June Quarter.
- Grain reported positive business performance, although a slight decline on the level in the June Quarter. The positive result is however, significantly higher than for the same quarter in 2008.
- Beef recorded negative business performance in the September Quarter, the first negative result since the same quarter last year.
- Grain and dairy are expecting improved business performance in the coming December Quarter, with grain expecting the most positive result. The beef sector, however, expects to worsen further in negative territory.



# PERFORMANCE INDICATORS

## Topical Question

As part of the Westpac/Charles Sturt University (CSU) Agribusiness Index in the September Quarter of 2009, agribusinesses were asked about their use of the Federal Government's business stimulus investment allowance for capital expenditure.

- Nationally, 27% of respondents indicated they had accessed the investment allowance. The greatest uptake occurred in Tasmania (32%) and the lowest in the Northern Territory (18%).
- Almost half (47%) of those who had accessed the investment allowance had invested in machinery and/or equipment. A further 41% invested in vehicles, 6% in computer and IT equipment and the remainder in buildings and other capital equipment.
- One third (33%) of respondents would not have made the purchase had the investment allowance not been available. A further 24% would have delayed the investment.

- Half of all respondents who invested sought financial advice before making the purchase, and 82% believed the purchase would increase the profitability of their business.
- Nationally, 15% of respondents intend to access the investment allowance in the future.



## Business Confidence

Nationally, 69% of agribusinesses felt confident about the performance of their business over the next 12 months. This is a decrease on June Quarter confidence (72%), however is the highest September Quarter result on record.

- Business confidence improved in four of the six states in the September Quarter.
- Business confidence was highest in South Australia (81%), this state also showed the greatest increase in confidence from the June Quarter.

- Tasmania reported the largest decline and lowest level of business confidence (59%). Confidence levels for the state now at their lowest level on record.
- Upstream was the only sector to report increased confidence in the September Quarter. The downstream sector continued to be the most confident about business performance over the next 12 months.
- All sectors reported higher business confidence levels than for the previous September Quarter.

