

"Higher Australian Dollar is increasing pressure on farmers"

Producer, Murray Lands

This report discusses the Westpac / Charles Sturt University (CSU) Agribusiness Index for South 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 South Australia in the September Quarter of 2009 was 0.12, a slight decline on the result obtained in the June Quarter. This result places South Australia as the best performing state in Australia. This quarter's result is a significant improvement on the negative results of the September Quarter of 2008 (-0.04) and the September Quarter of 2007 (-0.15).

The positive performance statewide was a result of positive business performance and capital expenditure during the quarter, and most notably, the strong business performance results in the producer sector.

Upstream agribusinesses, producers and downstream agribusinesses all reported positive economic performance. All sectors reported positive results in business performance and capital expenditure; however, only upstream and downstream agribusinesses reported positive employment conditions.

Profitability was less than satisfactory in all three agribusiness sectors, a stark contrast to the overall better than satisfactory result obtained in the June Quarter.

Thirty-nine percent of agribusinesses indicated that they had accessed finance in the last 12 months, with 28% of those indicating that they had experienced difficulty obtaining finance.

The EPI for South Australia by statistical division is shown on the adjacent map. In the September Quarter, all statistical divisions reported positive economic performance. This is the second consecutive quarter in which all divisions have reported positive economic performance.

Business confidence in South Australia increased this quarter, with 81% of businesses confident about the performance of their business over the next 12 months (up from 66% in the June Quarter). Economic performance is expected to move further into positive territory in the December Quarter, with substantial improvement expected across all sectors and four out of five statistical divisions.

South Australia

SECTOR PERFORMANCE

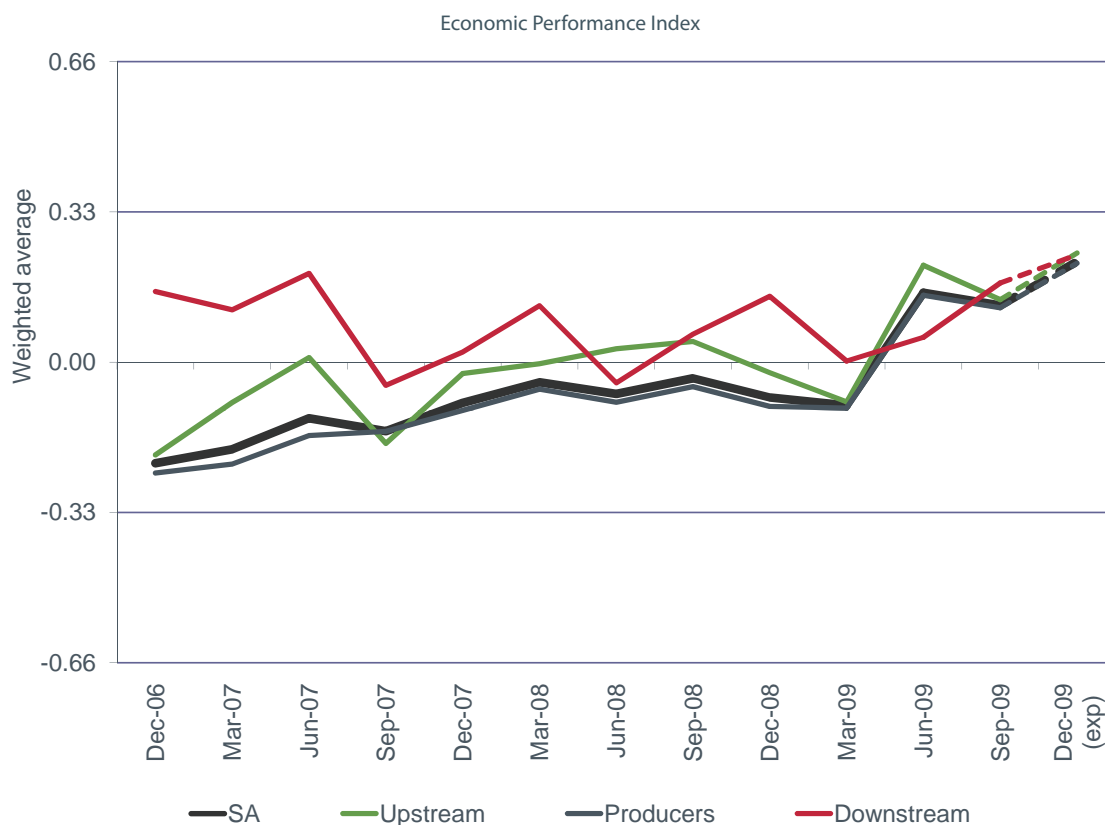
Economic Performance Index

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

- All statistical divisions reported positive economic performance, continuing the positive results of the previous quarter.
- Northern and South East divisions reported improved economic performance compared to the June Quarter, with South East division reporting its best result since the inception of the Index.
- All agribusiness sectors reported positive economic performance, with downstream agribusinesses reporting their best result since the June Quarter of 2007.
- The positive economic performance of downstream agribusinesses was largely due to strong positive results in business performance and capital expenditure. Employment conditions also improved for the second consecutive quarter.
- The positive result for the upstream sector was largely due to strong positive results in capital expenditure and continued growth in employment.
- Producers' positive economic performance was due to positive results in business performance and capital expenditure. Business performance was particularly strong, reaching its highest level since the inception of the Index. In contrast, employment decreased further, continuing the three-year downward trend.

	Business Performance	Capital Expenditure	Employment	EPI Sep	Outlook Dec
Eyre	0.15	0.04	-0.08	0.03	↑
Murray Lands	0.20	0.03	-0.09	0.05	↑
Northern	0.25	0.21	0.02	0.16	↑
South East	0.45	0.26	0.12	0.28	↑
Yorke and Lower North	0.16	0.23	-0.05	0.11	↑
Upstream	0.09	0.24	0.08	0.14	↑
Producers	0.28	0.13	-0.04	0.12	↑
Downstream	0.21	0.19	0.12	0.17	↑
South Australia	0.25	0.15	-0.02	0.12	↑

- Profitability was less than satisfactory across all agribusiness sectors. Producers and upstream agribusinesses returned to less than satisfactory profitability after reporting better than satisfactory profitability in the June Quarter.
- Statewide, the rate of operating cost increase slowed slightly during the quarter, however, the rate of cost increase rose for upstream agribusinesses.
- The outlook for South Australia in the coming December Quarter is for positive economic performance across the state, with positive performance expected in all statistical divisions and in all agribusiness sectors.



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.

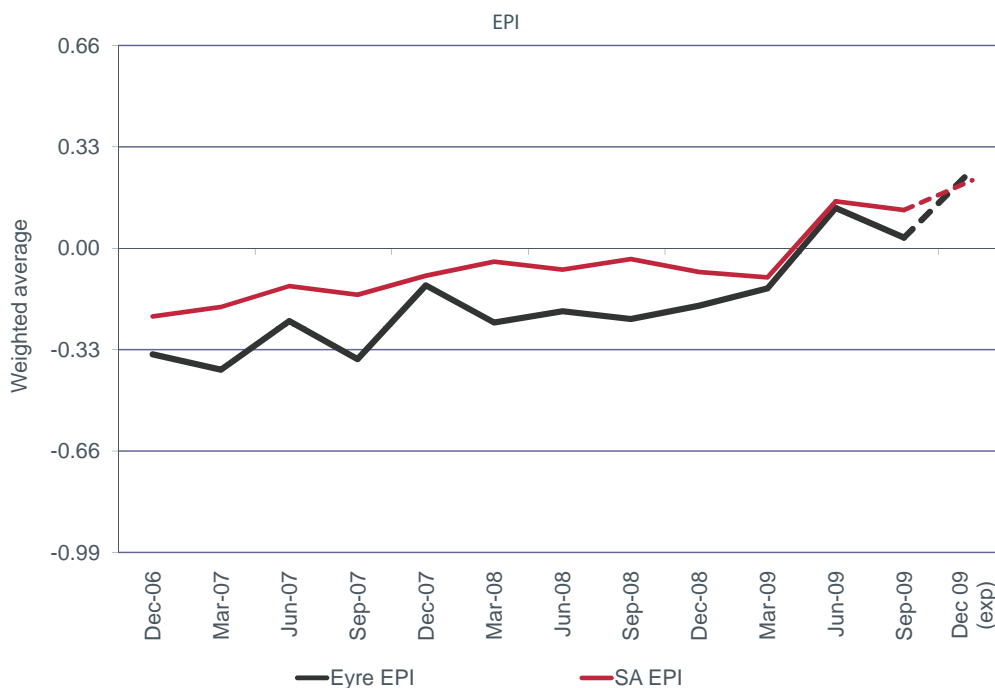
REGIONAL PERFORMANCE

Eyre

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
EPI	-0.36	-0.23	0.13	0.03	0.26	↑
Business Performance	-0.70	-0.46	0.11	0.15	0.62	↑
Capital Expenditure	-0.29	-0.17	0.26	0.04	-0.14	↓
Employment	-0.09	-0.06	0.03	-0.08	0.28	↑
Profit	-0.69	-0.35	0.00	-0.03	-	
Stock Levels	0.06	0.04	-0.13	0.25	0.10	↑
Operating Costs	0.31	0.83	0.12	0.34	-	

Economic performance in Eyre statistical division was positive in the September Quarter (0.03) for the second consecutive quarter. Performance in the September Quarter was a significant improvement on the results obtained in the September Quarter of 2008 (-0.23) and the September Quarter of 2007 (-0.36).

- Positive economic performance was due to strengthening business performance and positive, though reduced, levels of capital expenditure. Business performance has improved significantly over the last two quarters, reflecting a drastic turnaround when compared to results obtained throughout 2007 and 2008. Employment decreased in the September Quarter after increasing slightly in the June Quarter.
- Stock levels increased significantly in Eyre statistical division after three consecutive quarters of stock reductions. The rate of operating cost increase was higher than that reported in the June Quarter, though significantly lower than the record rate of increase reported in the September Quarter of 2008.



- Profitability amongst Eyre agribusinesses was less than satisfactory in the September Quarter, a slight worsening of the satisfactory profit result reported in the June Quarter.
- In the September Quarter, 36% of respondents in Eyre statistical division indicated that they had accessed finance in the last 12 months. This is a decrease from 38% in the June Quarter and a decrease from 43% who accessed finance in the September Quarter of 2008. Of those who had sought finance, 59% indicated that they had experienced difficulty obtaining the finance.
- In the September Quarter, 82% of agribusinesses across Eyre statistical division felt confident about the performance of their business over the next 12 months. This is a slight decrease on confidence levels expressed during the June Quarter (84%). In the coming quarter, good results in business performance and positive results in employment are expected to result in a positive and substantially improved economic performance for Eyre statistical division, despite expected decreases in capital expenditure.

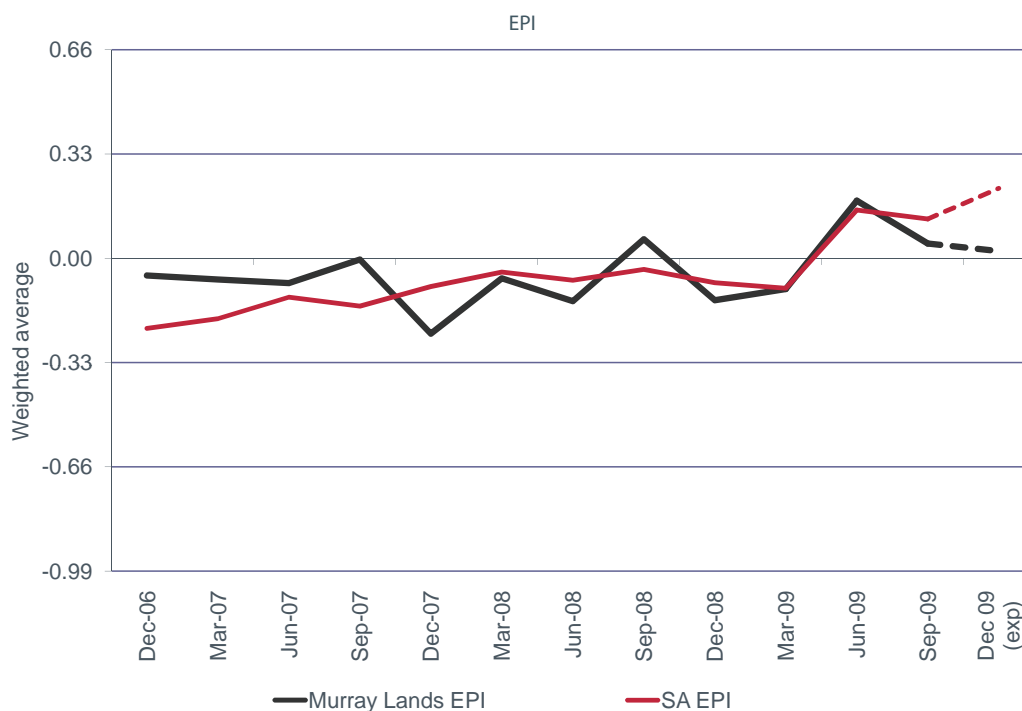
REGIONAL PERFORMANCE

Murray Lands

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
EPI	0.00	0.06	0.18	0.05	0.02	↑
Business Performance	-0.10	0.06	0.09	0.20	0.08	↑
Capital Expenditure	0.10	0.23	0.40	0.03	-0.05	↓
Employment	-0.01	-0.10	0.05	-0.09	0.04	↑
Profit	-0.26	-0.09	0.10	-0.30	-	↓
Stock Levels	0.11	-0.08	-0.03	-0.09	-0.03	↓
Operating Costs	0.53	0.72	0.28	0.40	-	

Economic performance in Murray Lands statistical division was positive in the September Quarter (0.05) for the second consecutive quarter. This result was similar to that reported in the September Quarter of 2008 (0.06) and a slight improvement on the September Quarter of 2007 (0.00).

- Positive economic performance was due to positive results in business performance and capital expenditure. Business performance has improved significantly over the last two quarters, after reporting a poor result in the March Quarter. Employment decreased in the September Quarter after increasing slightly in the June Quarter.
- Stock levels decreased in Murray Lands division for the eighth consecutive quarter, at a similar rate to that reported in the September Quarter of 2008. Operating costs increased in the September Quarter at a higher rate than in any quarter reported for 2009.



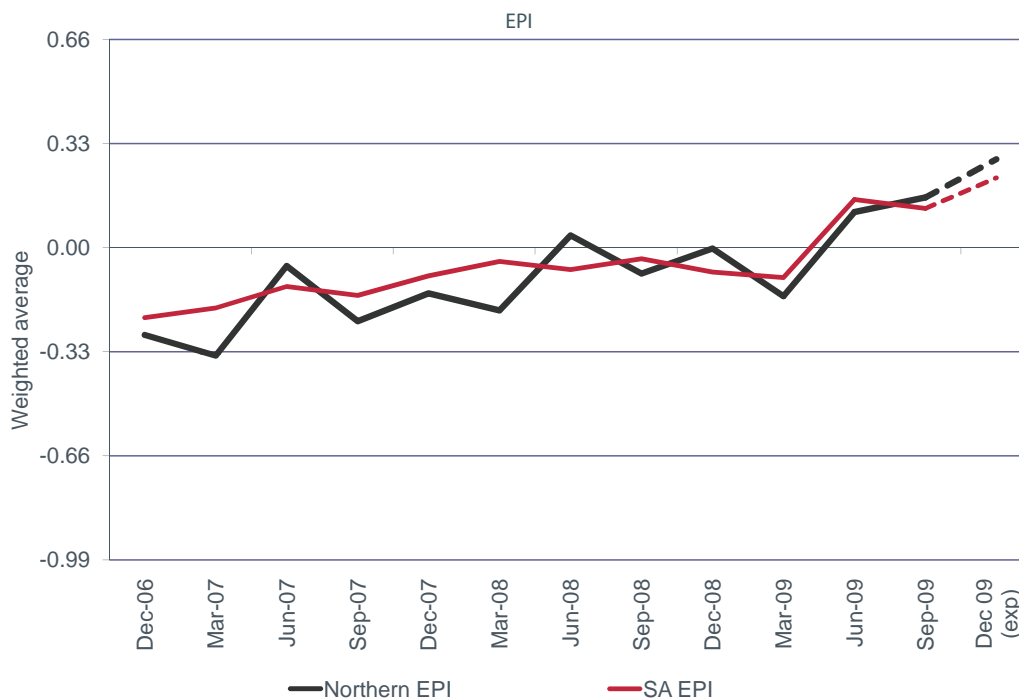
- Profitability amongst Murray Lands agribusinesses was less than satisfactory in the September Quarter, a significant decline on the better than satisfactory profit result reported in the June Quarter.
- In the September Quarter, 30% of respondents in Murray Lands statistical division indicated that they had accessed finance in the last 12 months. This is a decrease from 46% in the June Quarter and a decrease from 43% who accessed finance in the September Quarter of 2008. Of those who had sought finance, 18% indicated that they had experienced difficulty obtaining the finance.
- In the September Quarter, 79% of agribusinesses across Murray Lands statistical division felt confident about the performance of their business over the next 12 months. This is a significant increase on confidence levels expressed during the June Quarter (53%). In the coming quarter, positive results in business performance and employment are expected to be offset by decreasing capital expenditure, resulting in a positive though slightly reduced economic performance for Murray Lands division.

Northern

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
EPI	-0.23	-0.08	0.11	0.16	0.28	▲
Business Performance	-0.35	-0.29	0.39	0.25	0.49	▲
Capital Expenditure	-0.11	0.07	-0.07	0.21	0.23	▲
Employment	-0.23	-0.04	0.02	0.02	0.13	▲
Profit	-0.44	-0.37	-0.11	-0.23	-	
Stock Levels	-0.22	0.18	-0.11	0.01	0.05	▲
Operating Costs	0.43	0.53	0.52	0.33	-	

Economic performance in Northern statistical division was positive in the September Quarter (0.16) for the second consecutive quarter. This result was an improvement on the results obtained in the September Quarter of 2008 (-0.08) and the September Quarter of 2007 (-0.23).

- Positive economic performance was largely due to positive results in business performance and capital expenditure. Despite declining from the June Quarter, business performance has improved significantly since the negative result in the March Quarter. Capital expenditure increased again this quarter after two quarters of reductions. Employment increased slightly in the September Quarter, an identical result to that obtained in the June Quarter.
- Stock levels increased only marginally in Northern statistical division after two consecutive quarters of stock level reductions. Operating costs increased in the September Quarter at a lower rate than that reported in the previous quarter.



- Profitability amongst Northern agribusinesses was less than satisfactory in the September Quarter, a decline on the less than satisfactory profit result reported in the June Quarter but an improvement on the poor profitability reported in all quarters throughout 2007 and 2008.
- In the September Quarter, 36% of respondents in Northern statistical division indicated that they had accessed finance in the last 12 months. This is a significant decrease from 67% in the June Quarter and a decrease from 48% who accessed finance in the September Quarter of 2008. Of those who had sought finance, 27% indicated that they had experienced difficulty obtaining the finance.
- In the September Quarter, 69% of agribusinesses across Northern statistical division felt confident about the performance of their business over the next 12 months. This is a decrease on confidence levels expressed during the June Quarter (79%). In the coming quarter, good results in business performance and positive results in capital expenditure and employment are expected to result in further improvements in economic performance for Northern division.

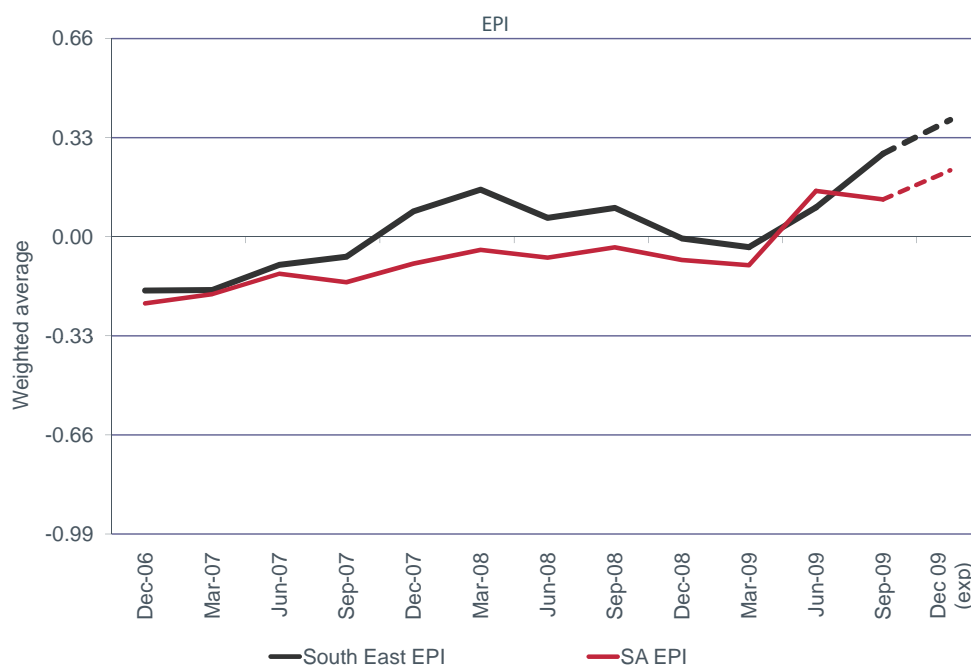
REGIONAL PERFORMANCE

South East

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
EPI	-0.07	0.10	0.10	0.28	0.39	↑
Business Performance	0.06	0.19	0.29	0.45	0.71	↑
Capital Expenditure	-0.37	0.12	0.11	0.26	0.31	↑
Employment	0.10	-0.02	-0.11	0.12	0.15	↑
Profit	-0.13	0.05	0.26	0.15	-	
Stock Levels	-0.20	0.01	0.07	-0.01	-0.04	↓
Operating Costs	0.36	0.60	0.38	0.26	-	

Economic performance in South East statistical division was positive in the September Quarter (0.28) making it the best performing division in South Australia. This result was a marked improvement on results obtained in the September Quarter of 2008 (0.10) and the September Quarter of 2007 (-0.07).

- The positive economic performance result was due to a good result in business performance, the best on record for the division, and positive results in capital expenditure and employment. Business performance has been reported as good or positive for the past two years. Capital expenditure was the best on record, and employment was reported as positive after five consecutive quarters of negative employment conditions.
- Stock levels decreased slightly in South East statistical division after two quarters of moderate increases. The rate of operating cost increase was the lowest on record for the division.



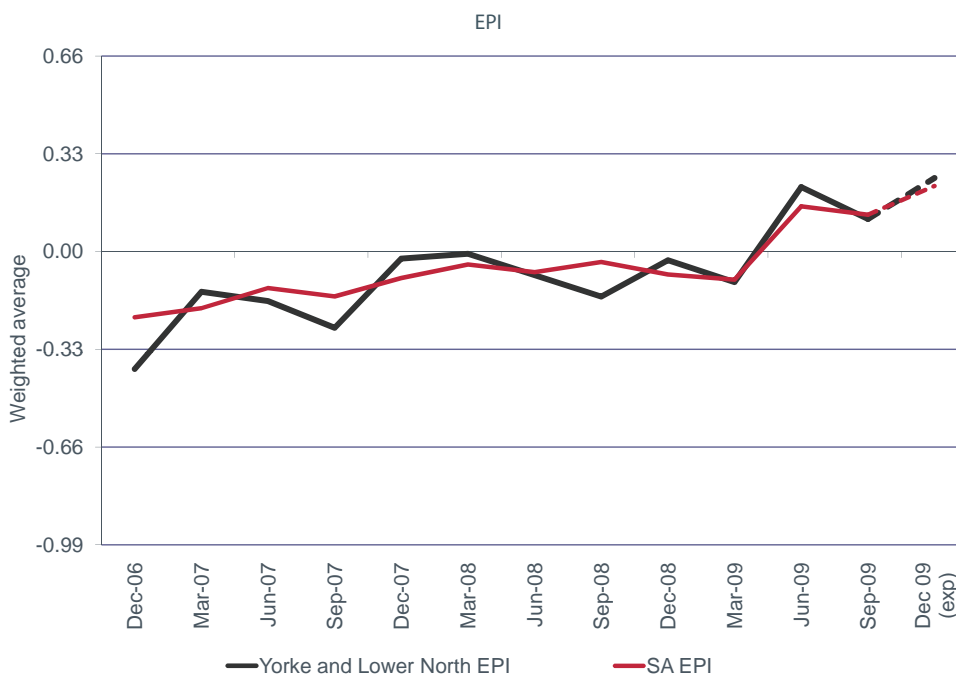
- Profitability amongst South East agribusinesses was better than satisfactory in the September Quarter. The last two quarters have provided the best profitability results for the division.
- In the September Quarter, 40% of respondents in South East statistical division indicated that they had accessed finance in the last 12 months. This is a slight increase from 39% in the June Quarter and an increase from 30% who accessed finance in the September Quarter of 2008. Of those who had sought finance, 27% indicated that they had experienced difficulty obtaining the finance.
- In the September Quarter, 94% of agribusinesses across South East statistical division felt confident about the performance of their business over the next 12 months. This is a significant increase on confidence levels expressed during the June Quarter (63%). In the coming quarter, good results in business performance and positive results in capital expenditure and employment are expected to result in a good economic performance for South East statistical division.

Yorke and Lower North

	Sep Qtr 2007	Sep Qtr 2008	Jun Qtr 2009	Sep Qtr 2009	Dec Qtr (exp)	Outlook Dec
EPI	-0.26	-0.15	0.22	0.11	0.25	▲
Business Performance	-0.41	-0.31	0.31	0.16	0.48	▲
Capital Expenditure	-0.14	-0.16	0.31	0.23	0.27	▲
Employment	-0.23	0.01	0.04	-0.05	0.00	●
Profit	-0.65	-0.44	0.01	-0.22	-	
Stock Levels	-0.02	0.08	0.15	0.16	0.18	▲
Operating Costs	0.59	0.63	0.47	0.13	-	

Economic performance in Yorke and Lower North statistical division was positive in the September Quarter (0.11) for the second consecutive quarter. This result was an improvement on the results obtained in the September Quarter of 2008 (-0.15) and the September Quarter of 2007 (-0.26).

- Positive economic performance was due to positive results in business performance and capital expenditure. Despite minor declines on June Quarter levels, business performance and capital expenditure have both improved on results obtained throughout 2007 and 2008. Employment decreased in the September Quarter after increasing slightly in the June Quarter.
- Stock levels increased in Yorke and Lower North statistical division at a similar rate to that of the June Quarter. The rate of operating cost increases in the September Quarter was the second lowest on record for the division, similar to the rate reported in the March Quarter of 2009.
- Profitability amongst Yorke and Lower North agribusinesses was less than satisfactory in the September Quarter, a significant decline on the better than satisfactory profit result reported in the June Quarter.



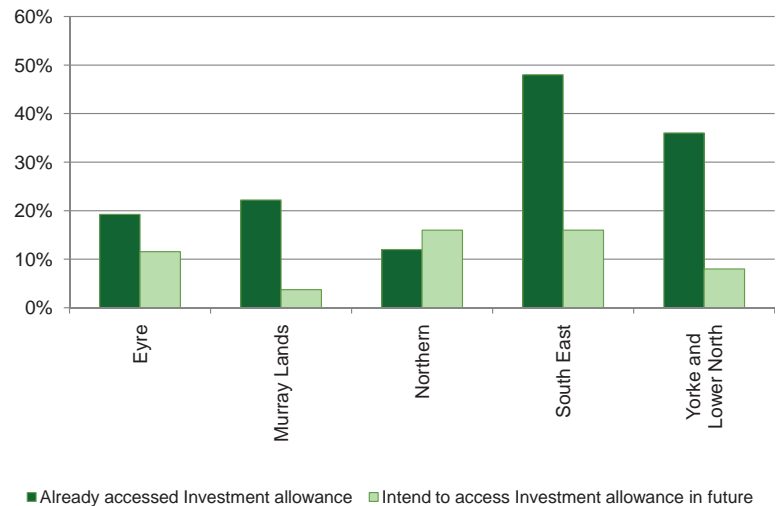
- In the September Quarter, 56% of respondents in Yorke and Lower North statistical division indicated that they had accessed finance in the last 12 months. This is an increase from 52% in the June Quarter and a decrease from 58% who accessed finance in the September Quarter of 2008. Of those who had sought finance, 18% indicated that they had experienced difficulty obtaining the finance.
- In the September Quarter, 74% of agribusinesses across Yorke and Lower North statistical division felt confident about the performance of their business over the next 12 months. This is an increase on confidence levels expressed during the June Quarter (67%). In the coming quarter, good results in business performance and a positive result in capital expenditure are expected to result in an improved and positive economic performance for Yorke and Lower North division. Employment is expected to be satisfactory.

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.

- Just over one quarter (27%) of respondents across regional South Australia had utilised the investment allowance. The greatest uptake occurred in the South East region (48%) and the lowest in the Northern region (12%).
- Almost half (49%) of South Australian respondents who had accessed the investment allowance had invested in machinery and equipment. A further 34% invested in vehicles, 9% in computer and IT equipment, 6% in buildings and 3% in other capital equipment.
- Thirty-seven percent of respondents would not have made the investment had the investment allowance not been available. A further ten percent would have delayed the investment.

- Sixty-six percent of all South Australian respondents who invested sought financial advice before making the purchase, and 80% believed the purchase would increase the profitability of their business.
- Eleven percent of respondents intend to access the investment allowance in the future.



Business Confidence

Eighty-one 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 June Quarter result of 66%, and on confidence levels expressed in the September Quarter of 2008 (58%) and the September Quarter of 2007 (66%).

- Upstream agribusinesses reported the highest confidence levels (94%), followed by producers (79%) and downstream agribusinesses (75%). Producers and upstream agribusinesses reported increased confidence levels since the June Quarter while downstream agribusinesses reported decreased levels of confidence.
- Murray Lands, South East and Yorke and Lower North statistical divisions reported increased business confidence, while Eyre and Northern divisions reported decreased business confidence compared with the previous quarter.
- The greatest improvement in business confidence occurred in South East statistical division, which increased from 63% in the June Quarter to 94% in the September Quarter. By contrast, business confidence in Northern division decreased by ten percentage points between the June Quarter and the September Quarter.

