

# Agri Insights.

Understanding farmers' intentions for  
the coming 12 months.

**April 2015**



# Introduction to Agri Insights

Welcome to the latest Commonwealth Bank Agri Insights report.

In any industry, reliable data is a vital tool for planning and benchmarking. It is especially useful in agribusiness, to give farmers and other members of the supply chain a broader view of the sector.

Commonwealth Bank is committed to supporting Australian agribusiness through access to current insights and up to date industry data. Agri Insights is an important part of this commitment, offering an independent and unique view of the investment intentions of farmers in each state.

Our research is the most comprehensive of its type, canvassing 1,600 farmers every six months about their intentions for the year ahead, to provide insight into their goals, their challenges and their opportunities.

This is our third Agri Insights report and the results are very encouraging, signalling likely

growth in many areas of farm operation. The Agri Insights Index, which tracks farmer intentions over time, is the highest it has been to date. I hope you find the insights in this report interesting and valuable.

Commonwealth Bank has been supporting regional communities and the agribusiness sector for 100 years, and we are committed to continuing this support to keep our agribusiness industry moving forward.

Sincerely,

**Geoff Wearne**

**Executive General Manager, Regional and Agribusiness Banking, Commonwealth Bank**



# Executive summary

The Agri Insights Index sits at 10.3 points, the highest result since it was launched a year ago.

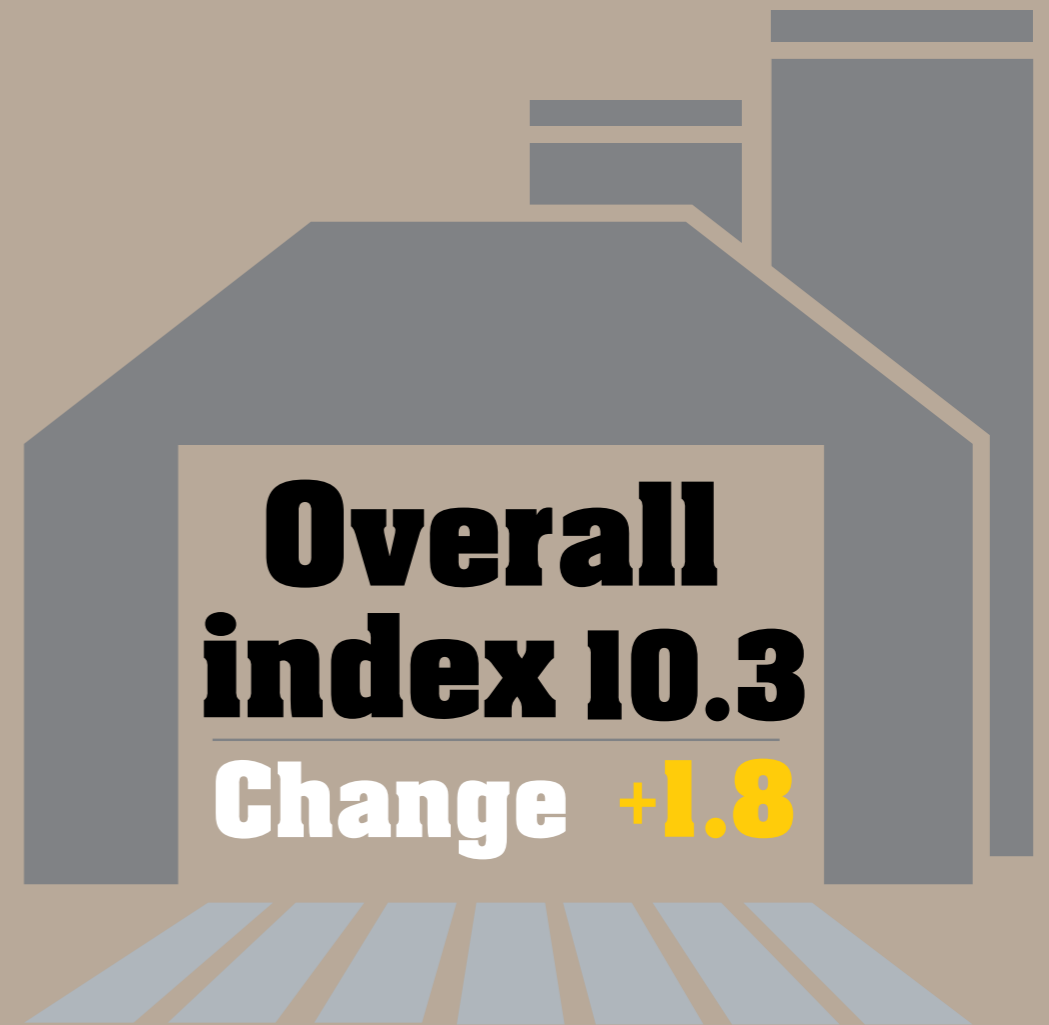
Growth in the index has resulted mainly from the strength of investment intentions across the physical aspects of farming, with positive intentions around beef, sugar cane, dairy, prime lamb and horticulture.

The sound results come on the back of improved seasonal conditions, stronger commodity prices and a weaker Australian dollar.

Dairy intentions are underpinned by an increase in the world dairy price index while strong global demand is driving livestock intentions.

In terms of the spread of investment, the latest survey shows that priorities remain largely unchanged, with fixed infrastructure; technology and innovation; plant and equipment; and education and training continuing to trend as the leading areas for planned investment.

Survey results show the majority of farmers are adopting some progressive approaches to farm management, product marketing and profit building, although overall there is a sound balance between innovative and proven management methods.



# Agri Insights.

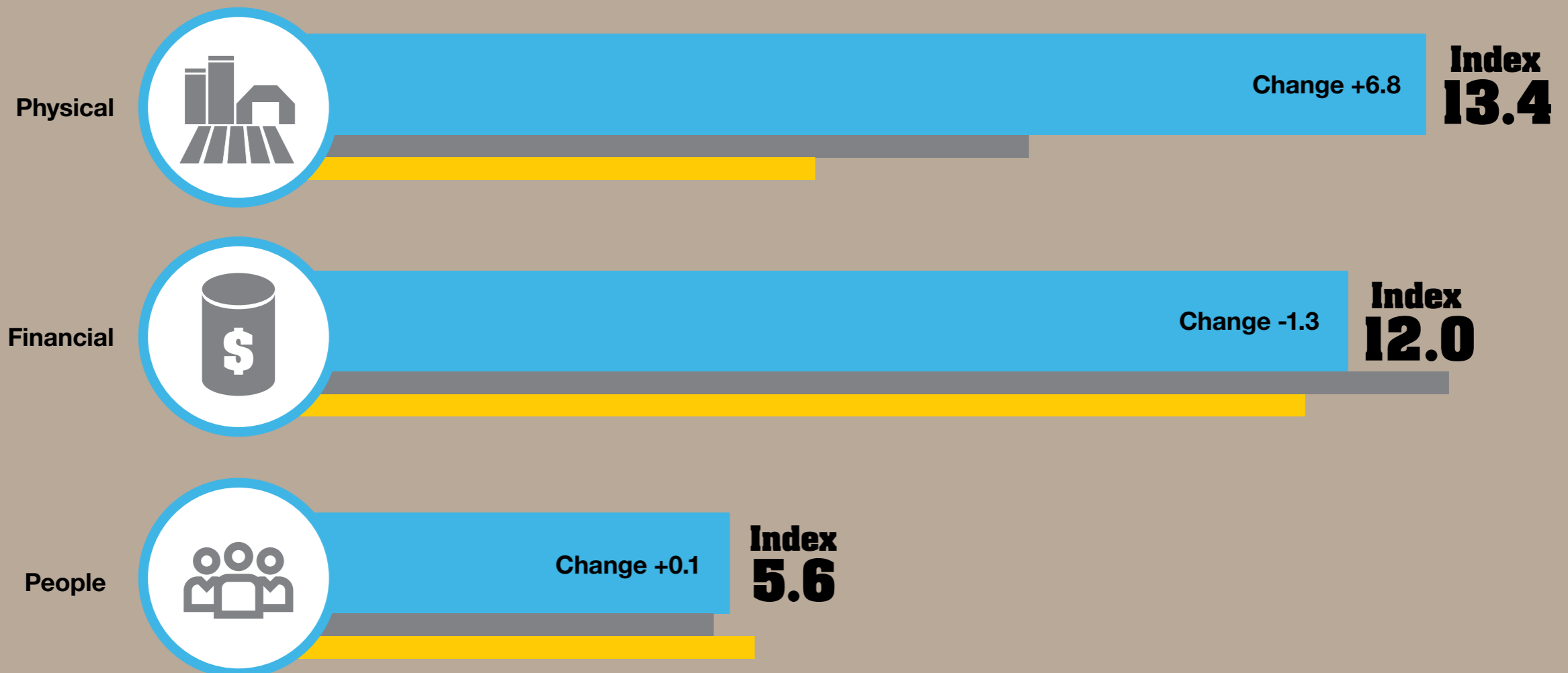
A National Analysis



# What farmers plan for the coming year

The research explores 14 areas of managing an agribusiness, across the physical aspects (including production scale and land size), financial investment intentions and people aspects (regarding people working in and for the farm business). The results are used to develop People, Financial and Physical indices as well as an overall Agri Insights index.

■ May-14   ■ Oct-14   ■ May-15

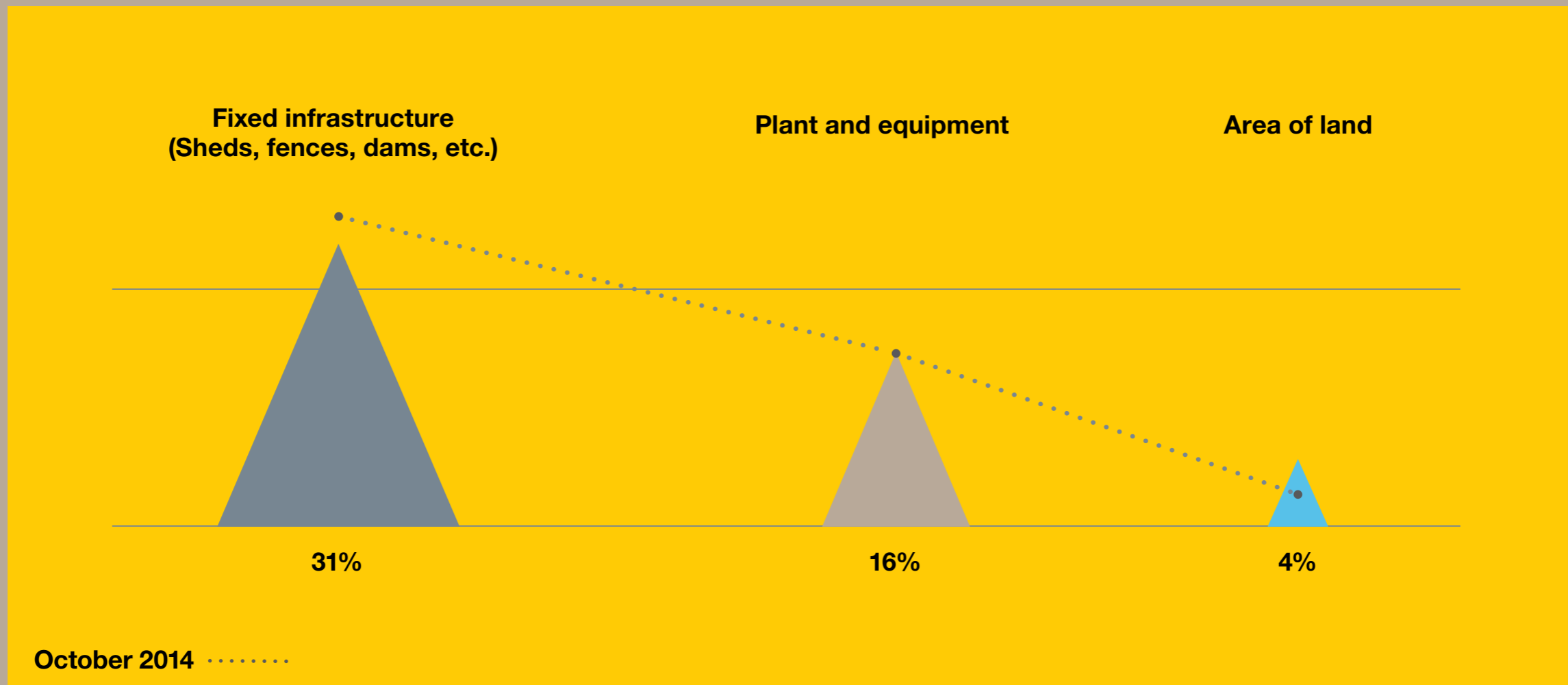


# Physical investment intentions.

## Land and infrastructure: national



Fixed infrastructure investment intentions remain at similar levels to the previous survey. Likewise, Australian farmers continue to look to update their plant and equipment to maintain sustainability and profitability.



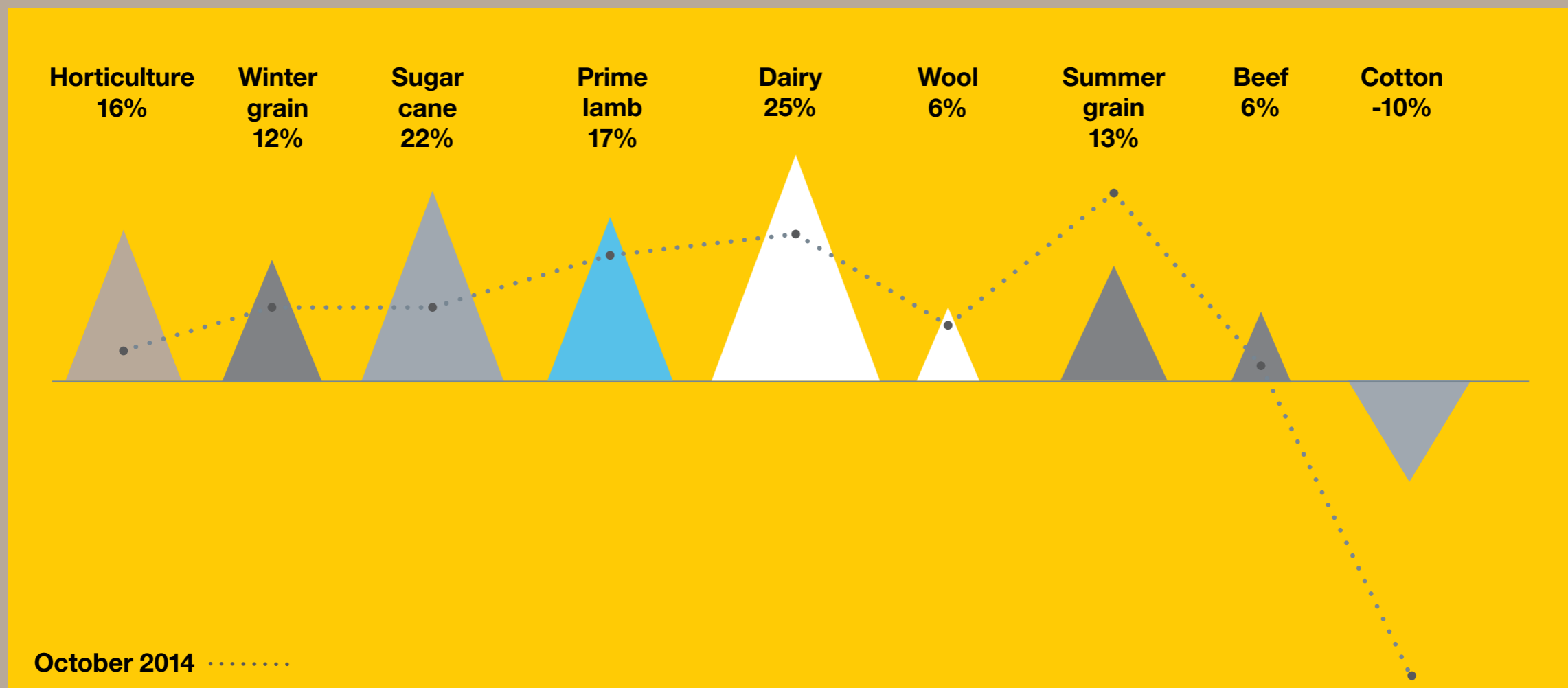
**Q. Where do farmers intend to focus their investment for their land, equipment and farm infrastructure for the next 12 months?**

# Physical investment intentions.

## Commodities: national



Intentions indicate most commodity sectors will expand over the coming 12 months, with dairy the standout.



Q. What proportion of farmers intend to increase or decrease production over the next 12 months?

# Physical investment intentions.

## Commodities overview.



*By Tobin Gorey, CommBank Director Agri Commodities Strategy*

The industry is preparing to further expand to meet the stronger demand from the dining boom. Expansion is concentrated in food or feed to go into food, with Australia set to move past stumbling blocks that have slowed the boom.



### Sheep for Lamb

More farmers are willing to build stock now price pressures from dry periods in the past have abated. There are still exceptions where dry conditions have persisted, in north-western Victoria and, to a lesser extent, in parts of South Australia.



### Beef Cattle

Survey results are consistent with price indicators, like the Eastern Young Cattle Indicator, that suggest fewer cattle are being sent to market for sale. Rainfall in Australia's summer crop regions was a catalyst for the pricing shift.



### Dairy

There is a high degree of optimism despite the fall last year in global dairy prices, demonstrating the value of diverse sources of demand - the domestic market continued to pay well despite the downturn offshore.



### Sugar Cane

Several factors are supporting sugar cane growers to take a long-term view. One is that more land is being released from forestry schemes, another is that there is also still rebuilding after weather issues and finally, some mills are offering incentives to plant.



# Physical investment intentions.

## Commodities overview.



### Summer Grain

Given the expansion in livestock production, extra production is likely to be easily absorbed by Australia's eastern grain market.



### Winter Grain

Planting has been at high levels in recent years, but Australian dollar prices remain attractive for the season ahead.



### Cotton

Irrigation water access is likely to remain a problem for this crop. Prices are also weak so growers are reluctant to take production risks.



### Wool

Most farmers will leave production unchanged while those planning to change production up or down, will balance one another out.



### Horticulture

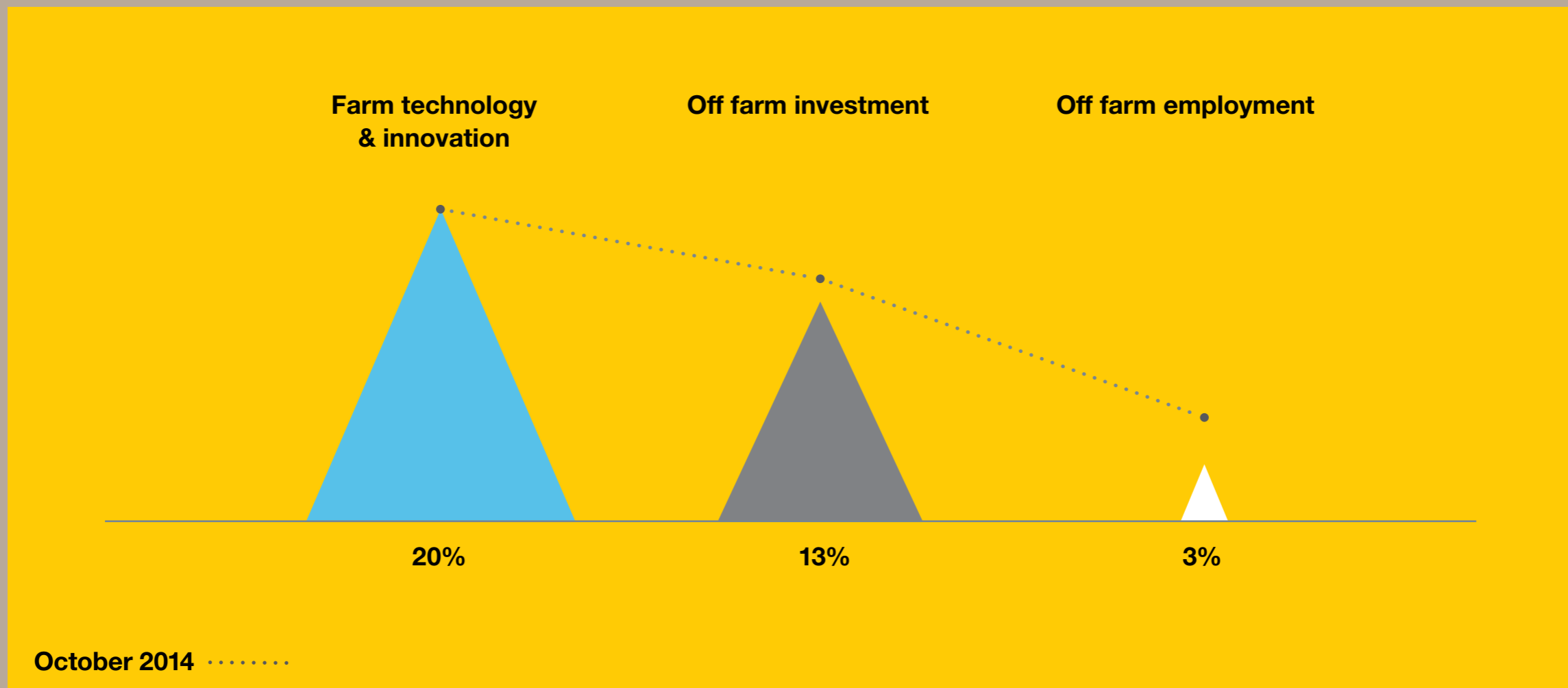
Horticulture is a sector where a significant proportion of businesses are planning to expand their production - as it has been since the inception of the Agri Insights survey.

# Financial investment intentions.

## Inputs and investments: national



Farm technology and innovation remains as a key investment focus. Intentions around off farm investment have softened slightly while fewer farmers say they will pursue off farm employment.

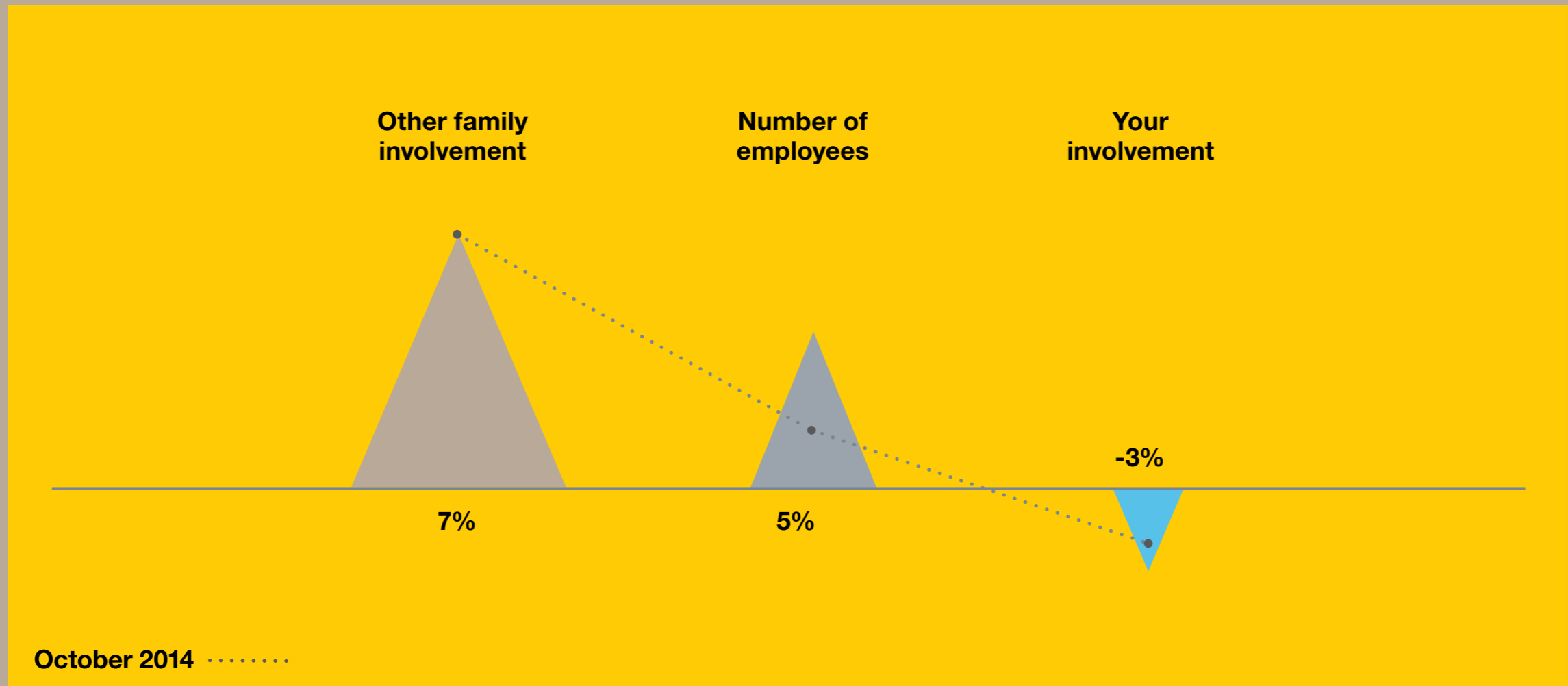


**Q. Where do farmers intend to focus their investment for financial aspects of their operations over the next 12 months?**

# People intentions. Family and employees: national



The number of farmers planning to increase employee numbers or boost family involvement in their farm offsets intentions by some to decrease their own involvement in their farm business over the next 12 months.



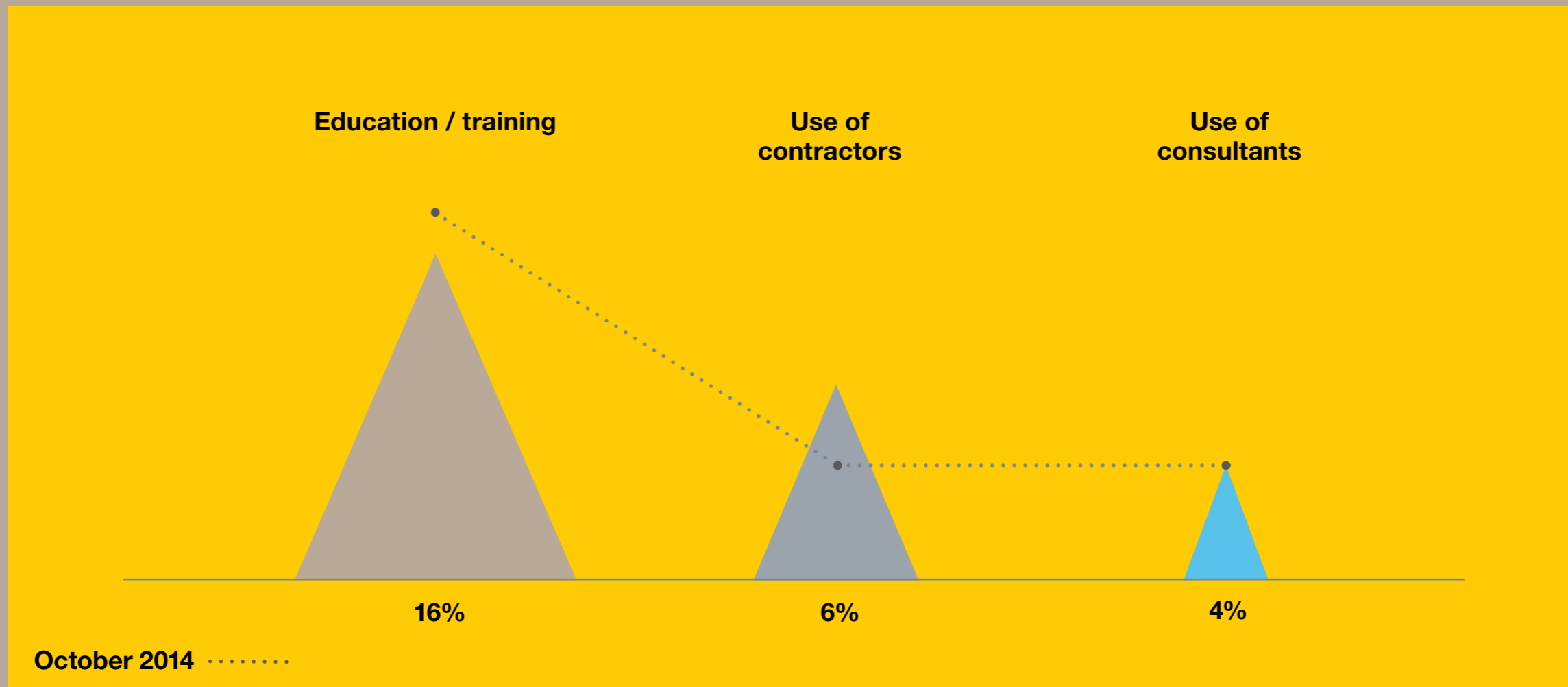
**Q. What are farmers' intentions for the people aspects of their operations over the next 12 months?**

# People intentions.

## Farmers and outside resources: national



Education and training remain high on the agenda for Australian farmers. Plans to increase investment in outside consultants remain at similar levels to six months ago.



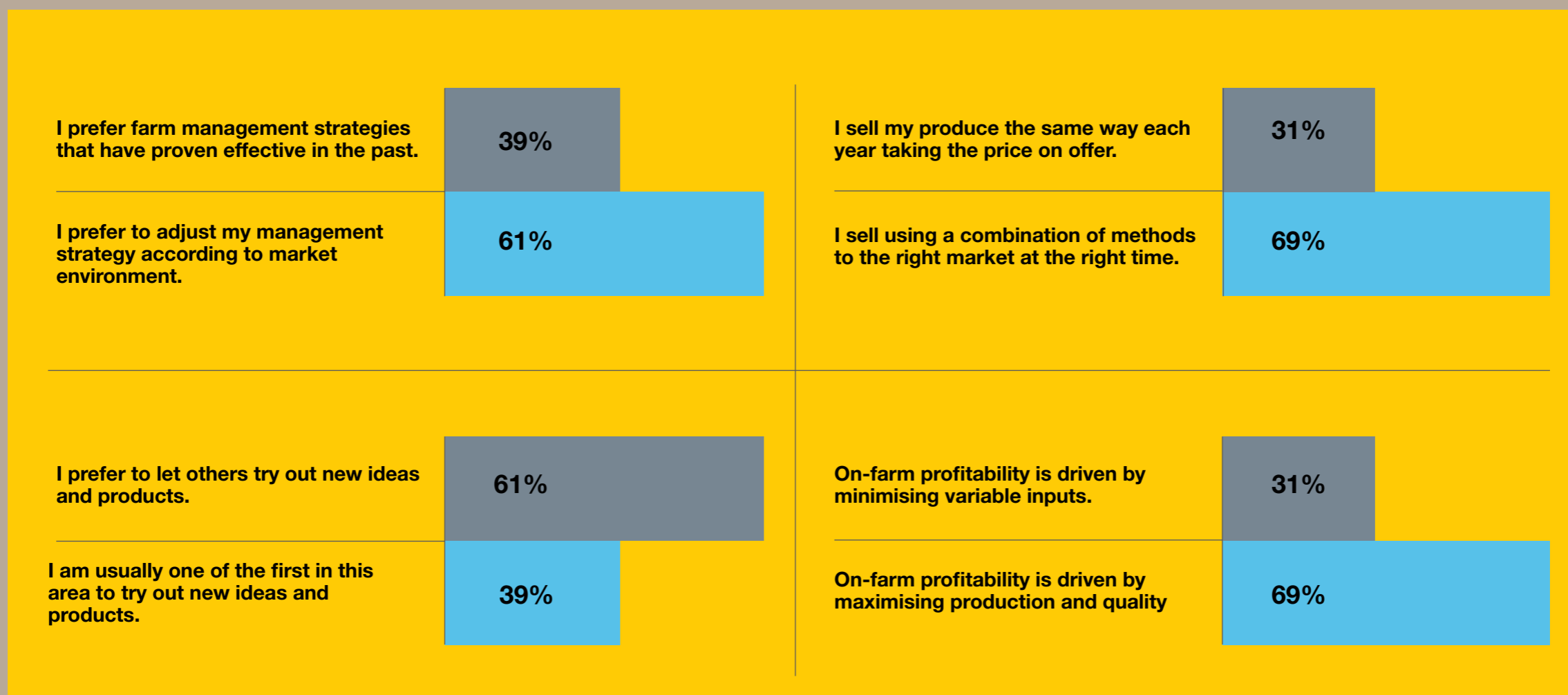
**Q.** What are farmers' intentions for the people aspects of their operations over the next 12 months?

# Topical Insights.

## Business profitability: national



The majority of Australian farmers believe that improving production and quality is a more important profitability driver than managing costs. They also prefer to adjust their farm management strategies to suit the current market environment and use a range of product sales methods to target the right market at the right time.



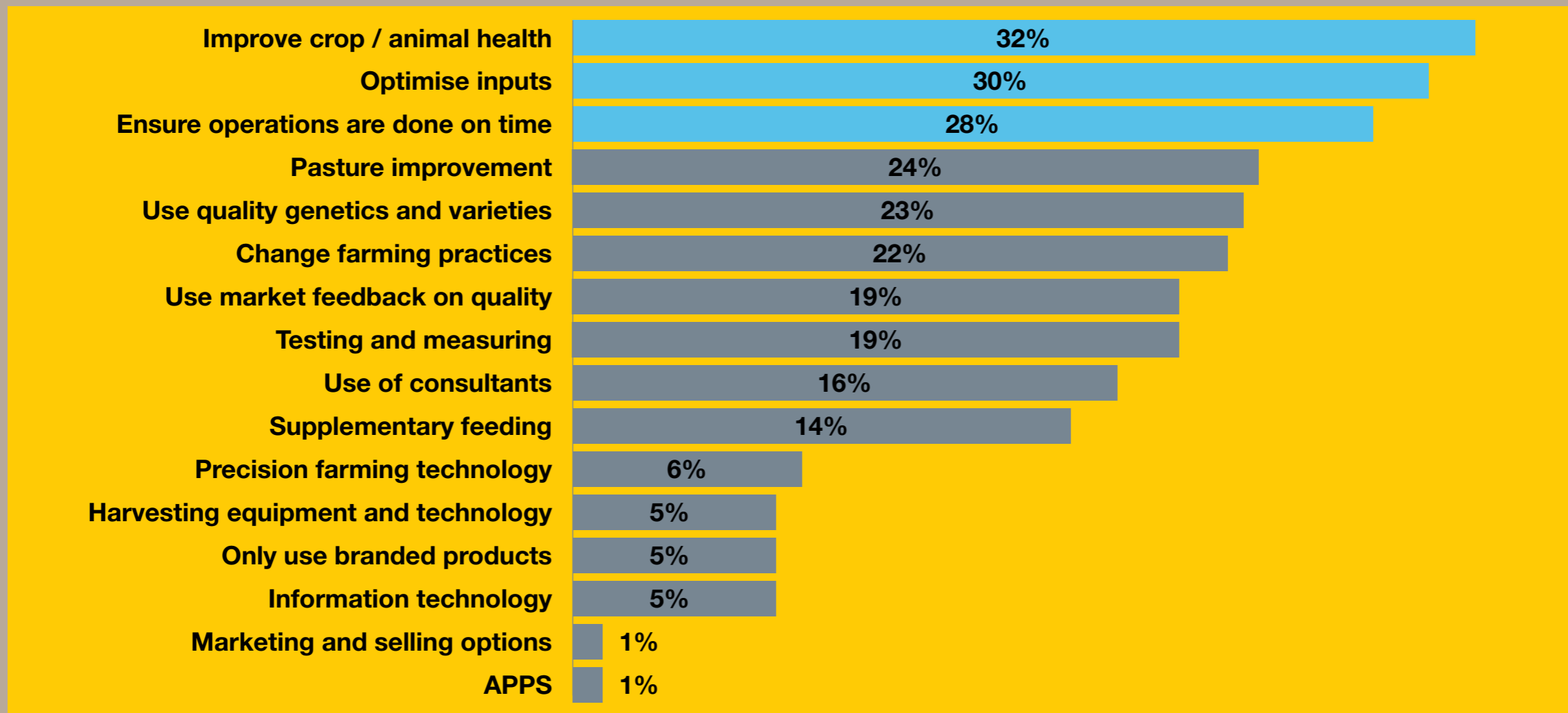
**Q. Which statements best describe your own approach to managing your farm business.**

# Topical Insights.

## Business profitability: national



For farmers who see production and quality as the key of profitability, animal health and crop improvement are the primary focus, while optimising inputs and ensuring timeliness of operations are also key.



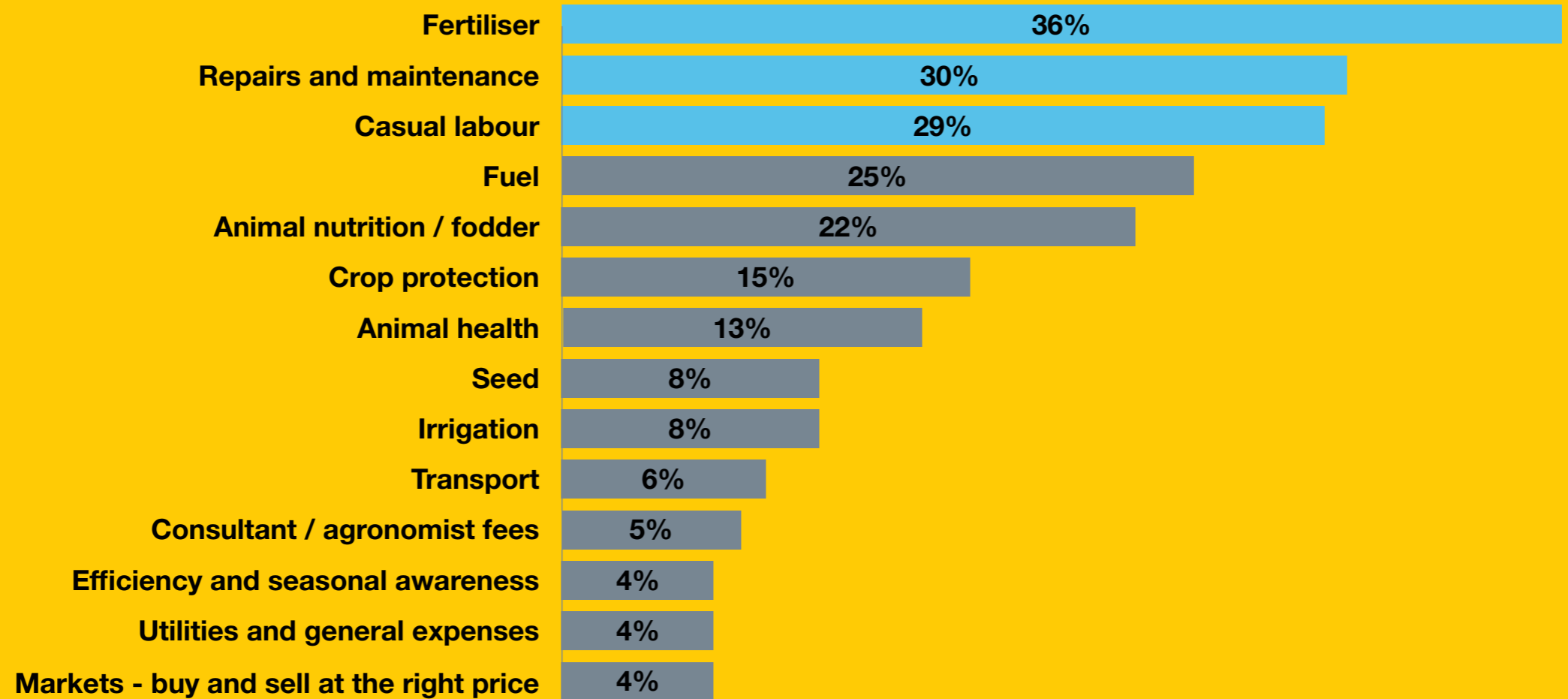
**Q. What are some methods you use to maximise production and quality?**

# Topical Insights.

## Business profitability: national



Those who see cost control as the key to profitability are most interested in managing fertiliser, maintenance and labour costs.



**Q. What variable costs do you manage to make your business more profitable?**

# Agri Insights.

A State by State Analysis





# State overview

## New South Wales

**Index**  
**10.6**  
**+3.2**

New South Wales farmers' investment intentions have grown over the past six months, pushing the state's Agri Insights Index above the national average. Beef, prime lamb, cotton and winter grain intentions have all grown and NSW farmers are the most likely to increase their use of contractors and advisers over the year ahead. When selling their product, NSW farmers are more likely to take a flexible approach than to rely on saleyards or spot markets.

## South Australia

**Index**  
**11.0**  
**-0.5**

South Australia's Agri Insights Index remains relatively steady at 11 points, ahead of all other states. Investment intentions remain positive in key commodities sectors including wool, lamb and winter grain. South Australian farmers are more likely to be planning additional investment in plant and equipment than farmers in any other state and are also the most likely to choose a flexible sales approach rather than taking the price on offer.

## Western Australia

**Index**  
**10.9**  
**+0.2**

Western Australian farmers' investment intentions have remained relatively stable over the past six months, with the state's Agri Insights Index at 10.9, a slight increase over the previous survey and ahead of the national average. The result is fuelled by solid investment intentions around winter grain, wool and prime lamb. Farmers in the state are the most likely to be planning to employ more staff this year and are also most likely to view crop improvement and animal health as the key way to improve production and quality.

# State overview

## Queensland

**Index**  
**10.1**  
**+3.1**

Queensland farmers' investment intentions have grown significantly, with the state Agri Insights Index up nearly 7 points from this time last year, to put it close to the national average in the latest survey. Investment intentions for cotton, sugar cane and beef have all improved and fixed infrastructure is a key investment focus for the coming year. Queensland farmers are the most likely in the country to adjust their farm management strategies to suit market environment.

## Tasmania

**Index**  
**10.3**  
**-3.3**

The Tasmanian Agri Insights Index has come back somewhat in April but remains strongly positive, in line with the national average. Dairy and horticulture investment intentions are quite strong. The survey results show Tasmanian farmers to be industry shapers, with many comfortable to try new products and ideas in their farming operations.

## Victoria

**Index**  
**8.9**  
**-1.6**

Victoria's Agri Insights Index has fallen in April, probably at least in part due to concerns about below average weather predictions at the time of the survey. Despite the contraction, the Index remains in soundly positive territory overall. Investment intentions are strong for dairy and winter grain and Victorian farmers are more likely than those from any other state to be planning to buy more land this year.

# Physical investment intentions.

## Land and infrastructure: state



Fixed infrastructure remains the main focus of investment across all states, with Queensland seeing a sizeable increase in investment intention. Queensland is also slightly ahead of the national average in terms of plant and equipment investment intentions, while Western Australia and South Australia are also both ahead of the national trend.



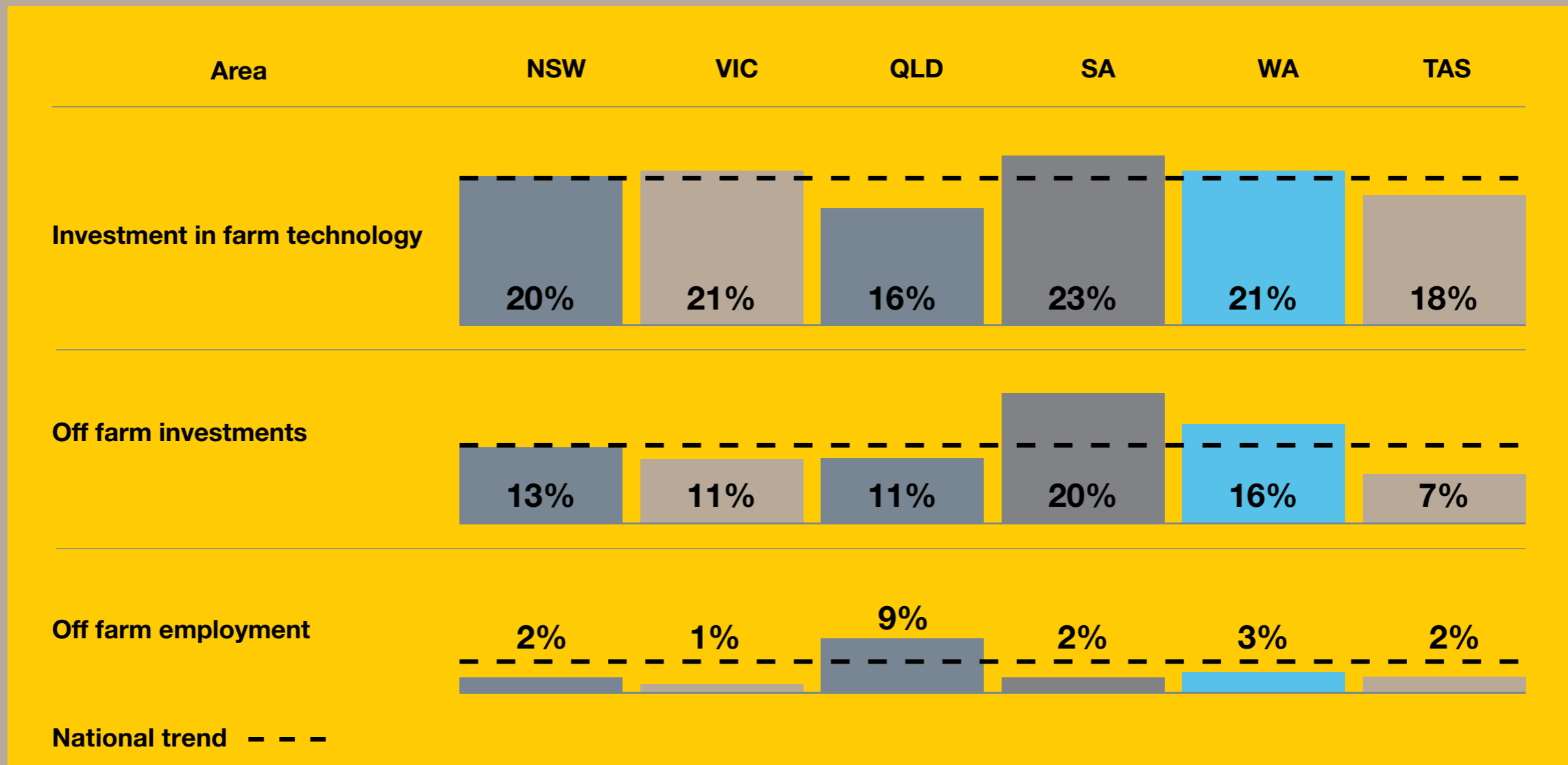
Q. Where do farmers intend to focus their investment for their land, equipment and farm infrastructure for the next 12 months?

# Financial investment intentions.

## Inputs and investments: state



Technology and innovation remain key areas for investment across all states, with South Australian farmers leading the pack on tech investment intentions. Queensland farmers are the most likely to pursue off farm employment.



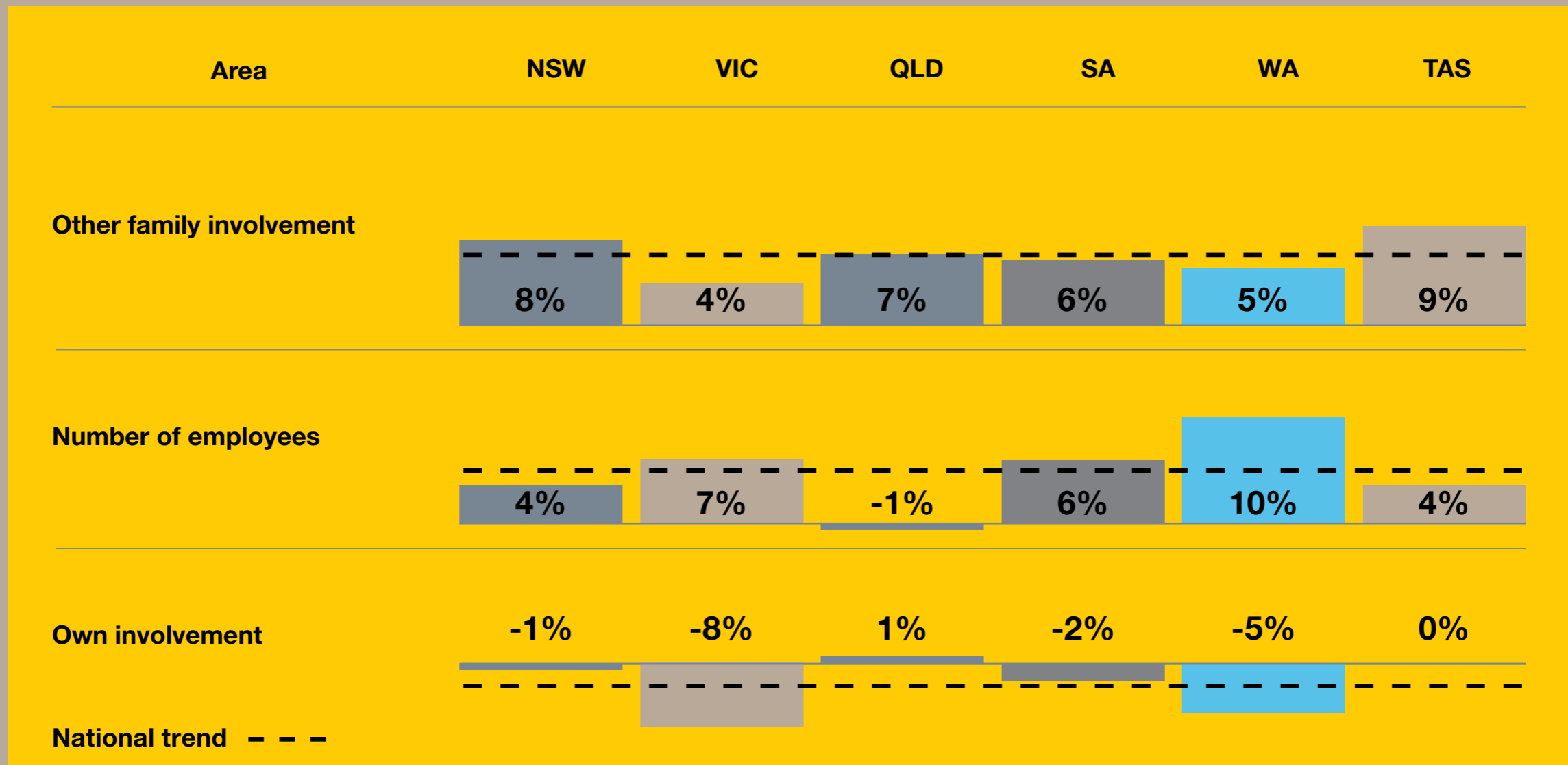
Q. Where do farmers intend to focus their investment for financial aspects of their operations over the next 12 months?

# People intentions.

## Farmers, family and employees: state



In all states apart from Tasmania and Queensland, intentions suggest farmers are looking at reducing their personal involvement in their farm businesses. Western Australian farmers are the most likely to add new staff.



Q. What are farmers' intentions for the people aspects of their operations over the next 12 months?

# People intentions.

## Farmers and outside resources: state



Education is the key people-related investment focus across all states. Farmers in New South Wales and Queensland will be looking to contractors to support their businesses over the next 12 months.



Q. What are farmers' intentions for the people aspects of their operations over the next 12 months?

# Topical insights.

## Business profitability: state



Queensland farmers are most likely to say they try new ideas and products on their farms. Western Australians are most likely to adopt a variety of selling methods to get their product to the right market.



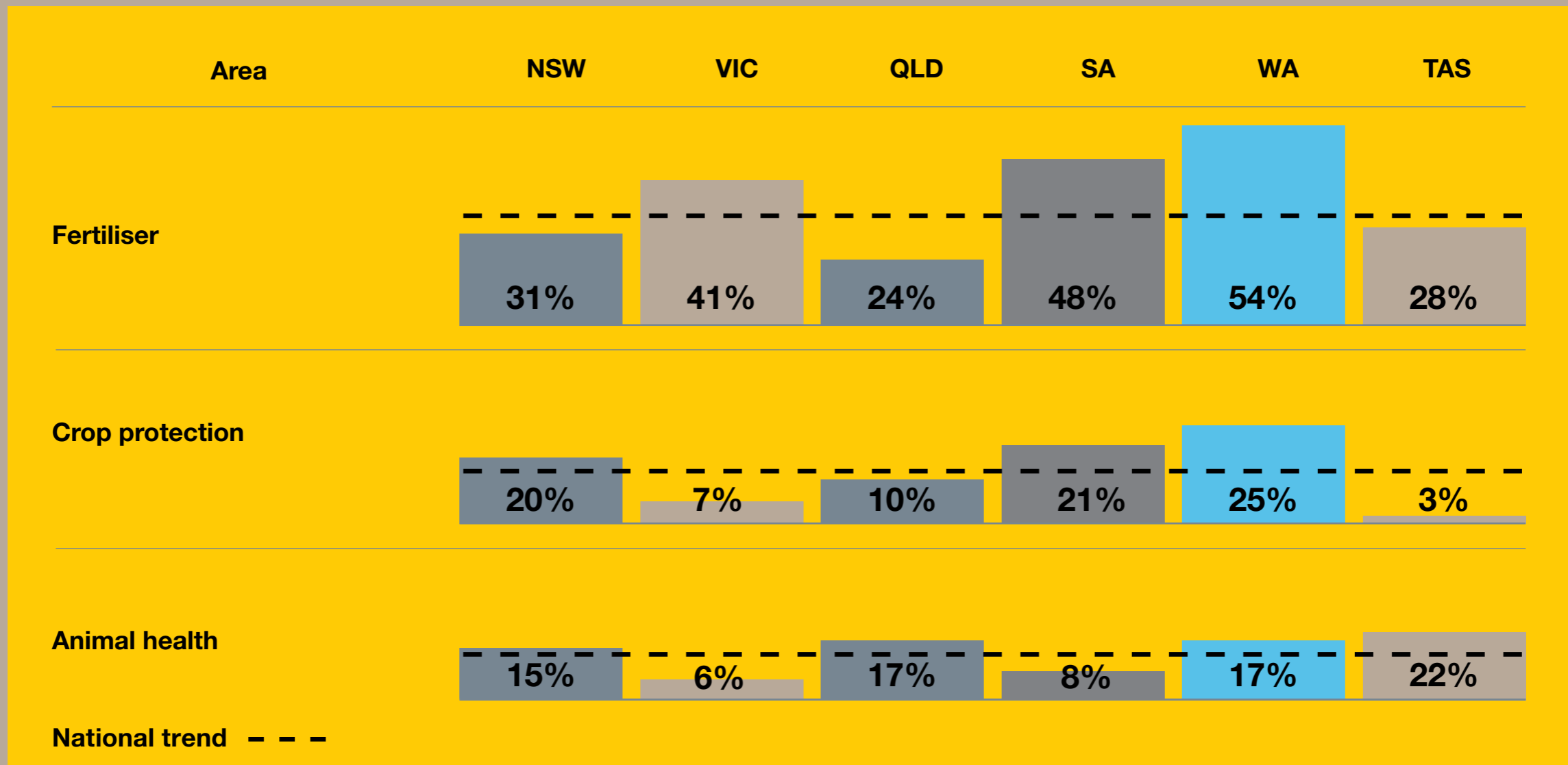
Q. Which statements best describe your own approach to managing your farm business?

# Topical insights.

## Business profitability: state



Farmers see input cost management as the key to profitability, especially in Western Australia where they are focused on their fertiliser usage and crop protection, well above the other states.



Q. What variable costs do you manage to make your business more profitable?

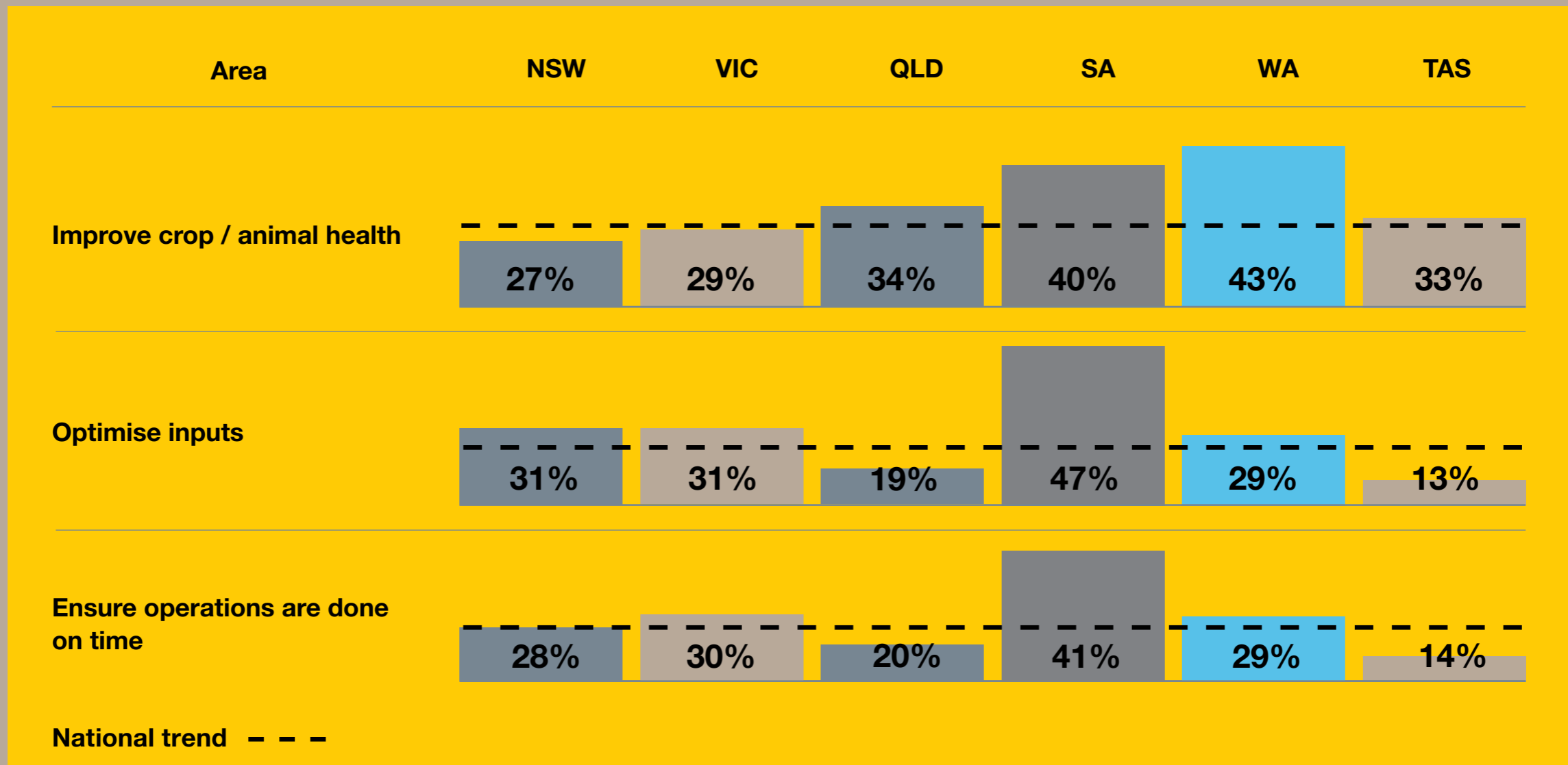


# Topical insights.

## Business profitability: state



Improving crops and boosting animal health are the main ways farmers say they improve production and quality in their operations, with Western Australian farmers most likely to cite these methods. In South Australia, optimising inputs and ensuring timeliness of operations is a key focus.



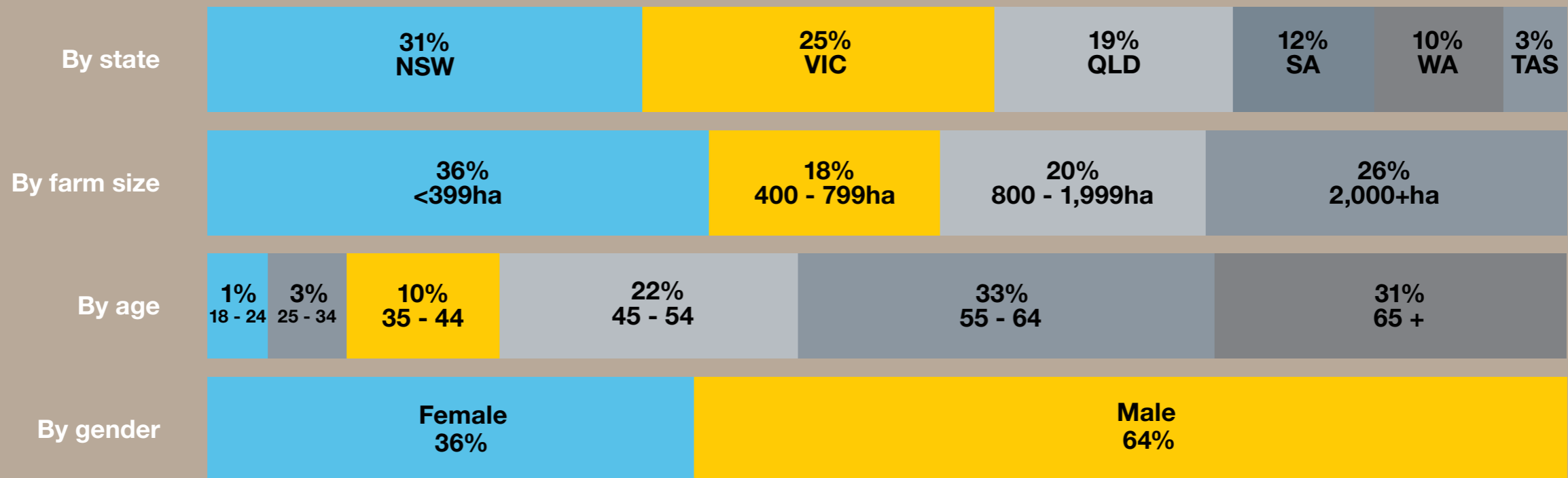
Q. What are some methods you use to maximise production and quality?

# Methodology



Agri Insights canvasses 1,600 Australian farmers about their intentions for their farm enterprise over the coming 12 months.

We spoke to a representative sample of rural producers across Australia. Fieldwork was executed by Fairfax Agricultural Research and Marketing using its database of more than 100,000 rural producers. Calls were conducted in January and February 2015.



An aerial photograph showing a winding river with clear blue water cutting through a landscape of rolling red sand dunes. The dunes have a distinct ripple-like texture. Lush green trees and vegetation line the banks of the river, creating a sharp contrast with the red sand. The perspective is from a high angle, looking down at the river as it meanders through the dunes.

**Talk to us**

**Contact your Regional and Agribusiness  
Banking Relationship Manager.**

**Visit [commbank.com.au/agribusiness](http://commbank.com.au/agribusiness)**

**Call 1300 772 968**

**24 hours a day, seven days a week.**