



## **Improvement in SA farmer confidence**

### **Results at a glance:**

- *Rural confidence has picked up after two successive quarters of decline*
- *Confidence lowest among the state's grain growers*
- *Foreign investment in Australian agriculture viewed as a 'threat'*

**Despite farmer sentiment still in negative territory with more farmers expecting conditions to worsen than improve in the next 12 months, South Australia's rural confidence has staged an improvement.**

The latest Rabobank Rural Confidence Survey – completed a month ago – found 17 per cent of South Australian farmers surveyed expected the agricultural economy to improve in the next 12 months. While this was just marginally up from the 16 per cent with that view last survey, the number expecting conditions to worsen had dropped to 24 per cent (from 31 per cent in the previous quarter), while 60 per cent of SA farmers expected conditions to stay the same.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions an average of 1200 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

Rabobank state manager for South Australia James Robinson said while rural confidence remained relatively subdued in SA, it should be noted that sentiment had “come off a very high base” last year when the state had experienced an extraordinary 2010, both seasonally and commodity price-wise.

“The reality is, things are still pretty good in SA – but of course after a record-breaking crop and excellent conditions for livestock last year, South Australian farmers don't expect to see conditions as good as the 2010 year, even though they currently remain in pretty good shape,” he said.

Mr Robinson said the drop in grain prices in recent weeks had also contributed to farmers' pessimism.

Of those SA farmers surveyed who expected conditions to worsen over the next 12 months, 42 per cent cited falling commodity prices as a major contributing factor, while 28 per cent mentioned the overseas market and global economic factors as dampeners on confidence.

“These feelings about the global economy are pretty consistent across the nation which is weighing on people's confidence much further beyond the rural sector,” Mr Robinson said.

Of those who expect conditions to improve, 39 per cent cited favourable seasonal conditions, although rising input costs were nominated as significant concern for 28 per cent of respondents (up from six per cent in the previous quarter).



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Overall, foreign investment in Australian agriculture is viewed negatively by the state's farmers with 53 per cent of farmers seeing it a 'threat' and only 12 per cent considering it an opportunity.

"Although overall, SA doesn't have the farm sizes other states do, so that has somewhat limited international interest in agricultural land here," Mr Robinson said.

"Foreign investment in Australian agriculture is no surprise, nor is it new – it's understandable why outsiders look pretty enviously at Australia as we have some of the best country and farming practices worldwide."

In terms of farmers' perception of their own business performance, 33 per cent expect performance to improve in the next 12 months (up from 28 per cent in the previous quarter), while 53 per cent expect it to remain stable and only 13 per cent expect their business performance to worsen.

South Australian farmers' investment intentions remained stable, with 93 per cent intending to increase or maintain their level of investment in their farm business in the next 12 months.

In addition, 29 per cent of the state's farmers expect their gross farm income to increase in the next 12 months, down from 35 per cent in the previous quarter. While 48 per cent of SA producers expect no change, 23 per cent expect a decrease in income.

The most robust study of its type in Australia, the Rabobank Rural Confidence Survey has been conducted since 2000 by an independent research organisation.

The next results are scheduled for release in March 2012.

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