



South Australian farmers looking to year ahead with increasing optimism

Results at a glance:

- *South Australian rural confidence is in net positive territory for first time since June 2022.*
- *Positivity buoyed by improved seasonal conditions.*
- *Commodity prices remain the leading cause for concern.*

South Australian farmers have started the year on an optimistic note, with the state's rural confidence surging in the latest quarter, thanks to reduced seasonal concerns and some commodity price relief.

The Q1 Rabobank Rural Confidence Survey, released today, saw farmer confidence in the state increase for the second consecutive quarter and return to positive territory, with more farmers taking a positive than negative outlook on the year ahead. Net confidence this quarter reached 19 per cent, a turnaround from -31 per cent last survey.

More than a third of SA farmers are now hopeful agricultural economic conditions will improve over the next 12 months (35 per cent, up from 15 per cent last survey) and only 16 per cent anticipate conditions will worsen (was 45 per cent).

This positions SA farmers as among the most positive in the country – just behind Victoria (with a net 21 per cent confidence reading) and New South Wales (at net 20 per cent).

The survey, completed last month, found 35 per cent of farmers in the state now had a positive outlook on the agricultural economy in the coming 12 months (up from 15 per cent with that view in the previous survey). Meanwhile, just 16 per cent expected conditions in the agricultural economy to worsen (compared with 45 per cent previously). The remaining nearly half (49 per cent) expected the agricultural economy to remain stable.

SA producers who have beef in their enterprise were the most positive that conditions will improve, while sheep producers were more worried about conditions deteriorating, albeit more optimistic than last quarter.

Market improvement was cause for optimism for 66 per cent of the SA farmers surveyed who believe conditions will improve.



Farmers who hold a positive outlook also credit their confidence to the good season (30 per cent, up from 20 per cent last quarter) and overseas markets/economics (17 per cent, was five per cent).

For those South Australian farmers expecting conditions to deteriorate, the concerns also shifted. While falling commodity prices remain the leading cause for worry, this eased back from 86 per cent with that concern to 73 per cent quarter-on-quarter.

Rabobank regional manager for South Australia Roger Matthews said it was pleasing to see confidence continue to climb in the state and return to positive territory – with more optimistic than pessimistic – for the first time since June 2022.

“Last year, farmers were grappling with depressed markets and uncertainty around how El Nino would play out,” he said.

“Confidence started to rise at the end of 2023 thanks to more positive market signals – especially for beef – and with an early start to what shaped up to be a strong grain harvest.

“Rain events through summer have helped to top up sub-soil moisture in many grain-growing regions in SA. This sets up grain growers to plan more optimistically for the upcoming planting period for winter crops, although confidence is tempered by expectation grain prices will remain under pressure.”

Mr Matthews said for South Australia’s livestock sector, restocker interest from the eastern states following favourable seasonal conditions has increased cashflow for beef producers.

“Although sheepmeat prices haven’t held up as well as cattle prices, they are still outperforming the lows of last year. The beef and sheep price outlooks are more optimistic for the year ahead, and summer rain has helped to bolster pasture feed supplies,” he said.

“It’s safe to say graziers are confident the downward trend of low prices has ended, and improvements are more likely.”

There was a decline in concerns around drought in SA, with just 11 per cent of farmers expecting conditions to worsen, nominating drought as a reason for their pessimism, compared with 29 per cent last quarter.

Interest rates also no longer registered as a concern for the state’s producers this quarter – a fall from 17 per cent in the previous survey.

“As we move away from the sharp rise in interest rates in 2023, there’s an expectation interest rates will start to plateau for at least the first half of this year,” Mr Matthews said.

Concern about the threat to the live export market fell away this quarter to zero, however there was increased worry about rising input costs (nominated by 53 per cent of those



farmers expecting the agri economy to deteriorate, up from 28 per cent previously), and an emerging concern about inflation (12 per cent, was zero previously).

Global factors were also top of mind for this cohort of SA farmers, including overseas markets/economies (nominated by 38 per cent of farmers with a pessimistic outlook on the year ahead, up from 17 per cent), the impact of war (11 per cent, was three per cent) and the rising Australian dollar (16 per cent, was one per cent).

“While expectations are that the Australian dollar will rise further later this year, it has lifted since late 2023 and, as such, is impacting Australia’s competitiveness when it comes to agricultural exports,” Mr Matthews said. “However, as the US cattle herd enters a period of rebuild this year following drought conditions, this should create an opportunity for Australian beef globally.”

Despite buoyed confidence this quarter, investment appetite remained virtually unchanged with 19 per cent of SA farmers planning to increase investment in their farm business (was 18 per cent) and 16 per cent still planning to decrease investment.

“Although overall investment intention levels haven’t increased, the enthusiasm of farmers to invest in a wide range of areas across their business is the result of improved confidence in seasonal and economic drivers,” Mr Matthews said.

“SA farmers are focusing on efficiency gains as they continue to grapple with labour shortages,” he said. “There’s clear intention from farmers to improve the efficiency of their enterprises, by investing in fencing, laneways, automated stock handling equipment etc.”

Mr Matthews said there were also indications of a healthy appetite to invest in livestock, labour, education and in rural property.

“Strong interest in investing in rural property goes hand-in-hand with confidence in the economic outlook,” he said.

“We’ve seen appetite for farmland reined in somewhat in recent years, but with another good harvest under their belts and good sub-soil moisture to set up this year’s crops, there’s renewed vigour with more farmers confident to take on more land.”

Recent and forecast economic and seasonal conditions combined to inject positivity into SA farmers’ income expectations for the year ahead, with 34 per cent of those surveyed predicting their cashflow will increase, up from nine per cent, and fewer expecting it to decrease (27 per cent, was 69 per cent).

“There’s renewed confidence as farmers recalibrate on current seasonal outlooks, current commodity prices and interest rates, and their intention to continue expanding their enterprises indicates resilient cash flows,” Mr Matthews said.



Rabobank

**Media Release
March 13, 2024**

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions an average of 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

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 June 2024.

<ends>

Rabobank Australia & New Zealand Group is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 120 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 38 countries, servicing the needs of approximately 8.4 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand Group is one of Australasia's leading agricultural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 90 branches throughout Australia and New Zealand.

Media contacts:

Denise Shaw
Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Will Banks
Media Relations
Rabobank Australia
Phone: 0418 216 103
Email: will.banks@rabobank.com