



## **Hot, dry weather dents SA farmer confidence**

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

- *Hot, dry weather slashes harvest prospects, driving SA farmer sentiment to 12-month low*
- *Decline in confidence limited by optimism among sheep and beef graziers, buoyed by strong market prices*
- *Longer-term confidence remains sound, reflected in investment intentions and appetite to upskill via education/training*

**A hot, dry finish to the winter cropping program has hit the yield potential of South Australia's harvest, dragging the state's farmer confidence to its lowest level in a year, according to the latest quarterly Rabobank's Rural Confidence Survey.**

**After recording strong sentiment throughout the year, South Australia's farmer confidence levels declined notably in the final quarter of the year, although the drop was limited by a positive outlook in the beef and sheep sectors.**

The survey – completed last month – found just 21 per cent of the state's producers had an optimistic outlook on the agricultural economy in the 12 months ahead, down from 40 per cent with that view in the previous survey. Conversely, 22 per cent expected conditions to deteriorate, up from just nine per cent previously.

A total of 48 per cent expected conditions to remain the same.

Overall, longer-term confidence remained sound, with farmers retaining robust investment intentions and expressing a strong appetite for training and education – with 40 per cent of farmers looking to upskill over the coming year.

Rabobank state manager for South Australia James Robinson said the crops, which had looked so promising up until late September, had been "knocked around by the unseasonably hot weather, as well as the limited rainfall during spring".

Mr Robinson said the recent devastating bushfires in agricultural areas north of Adelaide – which had tragically caused loss of life and injury, as well as significant damage to agriculture, including stock loss and destruction of crops and infrastructure – had brought home the severity of the current seasonal conditions.

Despite the hot, dry spring conditions, South Australia's harvest was anticipated to be roughly in line with the five-year average, he said.

"Crops are faring well in the eastern Eyre Peninsula, but the lack of sub-soil moisture has seen farmers in the South East cut their crops for hay or silage," he said.

There are also concerns about the quality of this year's crop, Mr Robinson said, on the back of recent storm activity which "dumped up to 150 millimetres in some areas".



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"While it is too early to assess the damage, it appears that the impact hasn't been too severe, although we may see more feed wheat in the market as a result," he said.

Mr Robinson said farmers were bracing themselves for a hot, dry summer, which was the 'norm' for this time of year, but could potentially be exacerbated by the prevailing severe El Nino weather pattern.

"This is reflected in the survey results, with 79 per cent of those expecting conditions to worsen citing concern about seasonal conditions," he said.

On the flipside, farmers who had an optimistic outlook were buoyed by commodity prices, reported as the key driver of positive sentiment by the 55 per cent of respondents expecting conditions to improve – particularly beef and sheep graziers.

"Livestock prices continue to hold up well, which has helped those producers who have been offloading stock earlier than usual because of the dry conditions," he said.

Mr Robinson said grain prices remained under pressure however, with the "world awash with wheat" and little upside given subdued global demand.

In line with overall confidence levels, farmers also revised down their farm income expectations, with 31 per cent expecting a weaker financial performance in the next 12 months (up from 16 per cent previously). Those expecting a stronger result fell to 22 per cent (down from 35 per cent), with 43 per cent expecting a similar gross farm income to last year.

The survey revealed that longer-term confidence remained sound however, with a greater proportion of farmers this quarter (29 per cent, up from 16 per cent) looking to increase investment in their farm business in the coming 12 months, while a further 58 per cent were looking to maintain it.

Mr Robinson said while farmers had the appetite to increase their scale, they were more likely to "buy the block next door, rather than look at a place further away" so they could utilise their current management structures and infrastructure.

Longer-term confidence was also evident in the appetite among South Australian farmers to develop their skills and knowledge through education and training, with 40 per cent looking to upskill over the coming year.

While the majority of these (77 per cent) were looking at enhancing their on-farm management practices, more than half of the respondents (59 per cent) were interested in emerging technologies – for example, data capture, GPS and drones.

"Grain producers have been leading the way in the uptake of new technologies over the past decade or so, with GPS and auto-steer now common-place," Mr Robinson said. "The next wave will see drones and robotics come into play, and there is some excitement around how digital technology can increase efficiencies."

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.



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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 2016.

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