



South Australian farmer sentiment at four-year high

Results at a glance:

- *Strong livestock prices and planting rains buoy farmer spirits*
- *93 per cent of farmers expecting improved or stable conditions*
- *Positive sentiment reflected in strong investment and debt repayment intentions*
- *However, farmers taking steps to prepare for drought*

South Australian farmers are looking to the season ahead with optimism, with the latest quarterly Rabobank Rural Confidence Survey finding that sentiment is now at its highest level since early 2011, underpinned by commodity prices and seasonal conditions.

Longer-term confidence is also sound, with strong investment and debt repayment intentions.

The survey – completed approximately a month ago – reported a slight lift in South Australian rural confidence to a net reading of 25 per cent, from 19 per cent last quarter.

While the proportion of farmers expecting conditions in the agricultural economy to improve over the coming 12 months remained similar to last quarter at 30 per cent (compared with 33 per cent), those expecting conditions to worsen more than halved to just five per cent, down from 14 per cent. The percentage expecting conditions to remain the same increased to 63 per cent, from 51 per cent.

Rabobank state manager for South Australia James Robinson said farmers were looking to the coming season with confidence, with mid-April rains kick-starting the winter cropping program while graziers were buoyed by current prices for beef, sheep and wool.

“While there was a sense of trepidation amongst grain growers going into autumn, this was alleviated by rain in the middle of April which gave them some soil moisture to plant their crops,” he said.

“This was consolidated by rain in May, but farmers will be hopeful for follow-up rainfall over this critical germination period.”

Mr Robinson said that while the season was currently typical for this time of year – except in the south-east of the state which remained drought-declared – farmers were being proactive in their approach to drought-preparedness.

“The survey indicated that around two-thirds (61 per cent) of the state’s farmers actively prepare for drought, implementing a range of measures to help mitigate the impact on their business,” he said.

“Measures include storing feed and growing fodder, managing livestock numbers and careful cashflow management through the utilisation of Farm Management Deposits (FMDs) or drawing on cash reserves.”



Mr Robinson said that while current forecasts point to an El Nino weather pattern emerging, this does not typically have a significant impact on climatic conditions in South Australia.

While seasonal conditions were front of mind for 52 per cent of the South Australian respondents expecting conditions in the agricultural economy to improve (up from 34 per cent), commodity prices remained the biggest driver of confidence this quarter.

This survey, more than three-quarters (77 per cent) of SA farmers with a positive outlook on the coming year cited commodity prices as the reason for their optimism – up from 71 per cent previously.

“Beef and sheep producers are particularly upbeat about their prospects, with beef prices trading at unprecedented levels while sheep prices remain strong. In recent weeks stronger wool prices have also provided a boost for wool growers,” Mr Robinson said.

“Australian wheat prices also remain relatively well supported, underpinned by the lower dollar and last year’s slightly smaller domestic crop. Farmers will be watching the wheat price more avidly heading into harvest, with current indicators pointing towards global prices tracking slightly higher although this will be dependent on the size of the northern hemisphere crop”.

The lower Australian dollar was also cited as a positive driver of sentiment – nominated as a factor contributing to confidence by 23 per cent of respondents with a positive outlook – while lower input costs were nominated by 17 per cent – up from three per cent.

“While farm costs have been generally rising in recent times, farmers are welcoming some reprieve from high fuel prices and borrowing costs – with the official cash rate now at an historically low level,” said Mr Robinson.

The positive sentiment among the state’s farmers was also reflected in their outlook for their own farm business performance, which also remained strong, with a small net improvement in the number of farmers expecting their own business to improve in performance over the next 12 months.

Translated into the outlook for gross farm incomes, 28 per cent of respondents expected a higher income over the coming year, while 54 per cent expected their income to be similar to last year and 15 per cent expected a poorer result.

Long-term confidence was also evident this survey, with farmers holding strong investment and debt repayment intentions.

This quarter, 96 per cent of farmers indicated their intention to increase or maintain their level of investment – of which 26 per cent had expansionary.

In terms of debt, 34 per cent of the state’s farmers indicated an intent to reduce debt (down from 46 per cent). While 28 per cent of those farmers looking to increase debt (which was 11 per cent of respondents) were looking to purchase additional land.



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“The recent run of reasonable seasons has put many in a good position to strengthen their balance sheet and take up opportunities if and when they arise,” Mr Robinson said.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions, on average, 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 September 2015.

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