



SA farmer confidence hits four-year high – but hangs on rain

Results at a glance:

- *Confidence lifts for its fourth consecutive quarter to highest level in four years*
- *Beef and sheep graziers most upbeat, but grain growers hopeful of good harvest*
- *Survey reveals proactive steps farmers are taking to boost productivity – with 71 per cent reporting an increase*

South Australian farmers are hopeful their run of good years will continue, with confidence lifting for the fourth consecutive quarter to its highest level since early 2011, according to the latest Rabobank Rural Confidence Survey.

Beef and sheep graziers are particularly upbeat about their prospects on the back of high prices, while timely rainfall would shore up a good harvest for grain growers.

The survey also revealed the proactive measures the state’s farmers are taking to boost productivity, with nearly three-quarters of respondents reporting an increase in productivity over the past five years. This has been achieved as a result of factors including on-farm investment, improved genetics and better access to global markets.

The latest survey – completed last month – found nine out of 10 South Australian farmers expect agricultural economic conditions to improve or remain similar to last year. Of those, 40 per cent expect conditions to improve (up from 30 per cent) and 50 per cent expect conditions to remain stable (down from 63 per cent).

Rabobank state manager for South Australia, James Robinson said weather would dictate confidence going forward, with timely rain needed to realise the potential of the crop.

“Generally speaking, crops are in good nick for this time of year but we don’t have the security of good subsoil moisture like we did last year, which makes follow-up rainfall even more critical,” Mr Robinson said.

“The strengthening El Nino weather pattern is being watched carefully, but, that said it doesn’t seem to have as big an impact here as it does in the eastern states.”

While confidence was positive among grain growers, the survey showed beef and sheep producers were most upbeat about their prospects, with around half of the state’s graziers expecting conditions to improve.

“Cattle prices continue to reach new heights with little downside to the outlook,” Mr Robinson said.

The strong market outlook for beef and lamb and, to a lesser degree, wheat and barley drove much of the upswing in confidence this quarter, with 86 per cent of those expecting conditions to improve citing commodity prices as the reason for their optimism – up from 77 per cent.



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**Media Release
August 24, 2015**

The season also remained a key driver of confidence for 46 per cent of respondents, down slightly from 52 per cent, while 21 per cent were positive on the back of the state of overseas markets.

Meanwhile, the lower dollar had less importance as positive driver of sentiment, cited by 10 per cent of farmers compared to 23 per cent last quarter.

“The planets have essentially aligned across much of the agricultural industry, with commodity prices strengthening as farmers have had some reprieve with historically low interest rates, the drop in the dollar and lower fuel prices,” Mr Robinson said.

“However, farmers are very good at reining in their costs whether it be through the more efficient use of fuel or application rates of key inputs, and it is this strong focus on cost control that has been one of the key drivers of their profitability.”

The survey revealed that 71 per cent of the state’s farmers had increased productivity over the past five years, while it had remained steady for a further 19 per cent.

Farmers reported a number of measures they have adopted to drive future profitability with much coming down to good on-farm management such as cost management, access to information and on-farm investment.

Mr Robinson said the results also highlighted the need to reverse the decline in public research and development (R&D) spending and to provide access to new technology and genetics to unlock future productivity growth.

In terms of the longer-term outlook for the industry, the survey showed strong underlying confidence through investment and debt repayment intentions.

This quarter, 92 per cent of South Australian farmers indicated their intention to increase or maintain their level of investment – of which 16 per cent had expansionary intentions.

In terms of debt, the same proportion of farmers as last quarter (34 per cent) indicated their intention to reduce debt. While the 27 per cent of those farmers looking to increase debt (which was 11 per cent of respondents) are looking to purchase additional land.

This flowed through into the strong viability index – which measures farmers’ perceptions of their business viability – with 95 per cent of farming businesses in South Australia seeing themselves as viable. This measure was at 97 per cent among surveyed grain enterprises.

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 December 2015.



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