



Rabobank

Media Release
November 28, 2016

Positive seasonal conditions lift SA farmer spirits

Results at a glance:

- *Rural confidence in SA has improved off the back of positive seasonal conditions*
- *With the beginning of harvest showing strong yield indicators*
- *Confidence is mixed in the livestock sector, as sheep improves and beef pulls back*

An 'ideal season' for grain and livestock producers has resulted in an improved outlook among South Australia's farmers, the latest Rabobank Rural Confidence Survey has shown.

The survey, completed last month, found that despite a number of damaging storms, a cooler and wetter-than-average winter and spring had boosted confidence among the state's farmers as they head into 2017.

After moderating over the previous two quarters, the South Australian Rural Confidence Index has lifted to 10 per cent, up from just one per cent last quarter.

The survey found 31 per cent of the state's farmers now expected the agricultural economy to improve over the coming 12 months (up from 24 per cent last quarter) while 21 per cent expected conditions to worsen, easing slightly from 23 per cent previously. A total of 48 per cent of respondents expected conditions in the agricultural economy to remain the same as the previous year.

Rabobank deputy regional manager for South Australia James Robinson said for many in the state, the current season has been exceptional.

"The rain we've received this year has been excellent really, and it's up substantially on last year," he said.

"There have been good flows down the Murray and the majority of people are working on full water allocations.

"With the regular falls we've been getting, a lot of farmers have really reduced their number of waterings, which is helping lower input costs."

The positive seasonal conditions were reflected in the survey with 63 per cent of those South Australian farmers with a positive view on the 12 months ahead citing seasonal conditions as cause for their optimism.

However while good climatic conditions have improved confidence levels across the majority of commodities, the grains sector remains in negative sentiment, albeit improving to -14 per cent, from -25 per cent in the previous survey.

Of the SA grain producers surveyed, 33 per cent indicated they expected conditions to deteriorate next year – all of which nominated falling commodity prices as a contributing factor.



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“Wheat and barley prices have been fairly subdued for some time now and while the increased yield will go some way to alleviating that price pain this year, this will become increasingly challenging if these prices continue in 2017,” Mr Robinson said.

In livestock commodities, sheep producers are increasingly positive (and currently the most positive commodity in the state). In contrast, confidence in the SA beef sector pulled back from last quarter’s highs.

Mr Robinson said while he had expected beef confidence to pull back somewhat, he had not expected it to drop so significantly.

“Across the majority of the state there are substantial feed and fodder reserves to get us through this usual dry period,” he said.

“We have been seeing beef prices pull back somewhat but they are still sitting at record levels compared with the historical average, so we can only assume that producers are expecting these prices to retract further in 2017.

“With sheep, while we have seen the usual spring price decline, this has been from good levels and is being well-supported by wool where low supply continues to prop up pricing.”

The variance in confidence across the commodities has been reflected in farmers’ outlook for their gross farm incomes, where, despite the upswing in general confidence, their outlook remained fairly flat.

Those farmers expecting a stronger gross farm income over the coming 12 months stood at 28 per cent (down slightly from 30 per cent), while 48 per cent expected their income to remain stable (45 per cent last quarter) and the number of farmers expecting their income to fall remained steady at 23 per cent.

Despite this, long-term confidence indicators remained strong in the South Australian rural sector, with 93 per cent of farmers indicating they will either maintain or increase their investment next year and 97 per cent considering their operations to have long-term viability.

This quarter the survey also questioned farmers about their education and training needs, finding 37 per cent of South Australian producers were looking to upskill through formal training over the next 12 months, down slightly from 40 per cent with that intention a year ago.

On-farm management practices and emerging technologies were highlighted as two key areas where farmers wanted to increase their skills.

Mr Robinson said while the increasing demands of farming made it harder to take the time to engage in training, this was “the very reason” farmers needed to do so.

“Farming is getting more and more complex and the pace of change is increasing,” he said.

“These days farmers tend to be successful businessmen and women running multi-faceted organisations and the skills they need to do that are very diverse.



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“It will continue to be important that farmers take the time out of their business to improve their knowledge and skills to ensure they can keep pace with the changing face of agriculture.”

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 March 2017.

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