



Better-than-expected harvest boosts confidence in SA

Results at a glance:

- *Confidence rebounds in South Australia following a better-than-expected grain harvest*
- *Continuing strength in beef markets has boosted the outlook for cattle graziers*
- *Investment intentions high following several profitable years*

A better-than-anticipated harvest following a hot, dry finish to the season has contributed to much-improved confidence for South Australia's grain growers, according to the latest quarterly Rabobank Rural Confidence Survey.

After dipping into negative territory in the final quarter of last year, rural sentiment across the state has improved significantly, supported by strong commodity prices.

The survey – completed last month – found 27 per cent of South Australia's farmers expected conditions to improve in the year ahead, up from 21 per cent last quarter.

There were fewer farmers with a negative outlook on the next 12 months, with just nine per cent expecting conditions to deteriorate, down from 22 per cent.

More than half of the state's farmers (56 per cent) expected conditions to remain similar to last year up (compared with 48 per cent in the previous survey).

Rabobank state manager for South Australia James Robinson said confidence among grain growers, which had fallen last quarter, had regained ground as farmers entered into a more usual weather cycle.

"I believe the negativity of last quarter's results had a lot to do with the disappointment of grain growers over what started out as a bumper crop for the state," Mr Robinson said.

"August of last year, crops were looking incredible and all estimates were for excellent yields. Unfortunately we basically didn't get any rain after that. The dry spring, combined with above-average temperatures in October, saw much of the state receive diminished yields."

However, while yields were brought back somewhat, Mr Robinson said, many growers still ended up with a successful season.

"A lot of growers were feeling pretty negative prior to harvest, but we ended up with close to the five-year average, which I believe has contributed to the rise in confidence this quarter," he said.

While conditions remain dry, grain grower confidence has improved markedly, albeit with the net grain grower confidence indicator now standing at neutral (at 0 per cent), up from -32 per cent.



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Confidence also lifted strongly among beef producers, making it by far the most positive sector while sheep producers retained their positive outlook on the coming year.

“We’re continuing to see strong livestock commodity prices, particularly in beef,” Mr Robinson said.

“It’s really been a pretty good 12 months for livestock producers. The poor spring conditions meant that some producers offloaded stock earlier than usual, and there was a softening in confidence, but strong prices seem to have outweighed the downside.”

One commodity which did see a fall this quarter was dairy, with producers reporting much weaker confidence which, Mr Robinson said, was a due to a combination of factors.

“Due to the dry spring, a lot of dairy producers had to buy in feed to support the herd, and the current high price of feed is potentially applying margin pressure on many dairy producers,” he said.

“The other factor is the general outlook for world prices in dairy, which is by no means as positive as many of the other commodities.”

In line with overall confidence levels, investment intentions remained strong for South Australian farmers, with a total of 86 per cent intending to either increase or maintain investment levels in their farm business over the coming 12 months (down slightly from 87 per cent last survey). While those farmers who were intending to increase their investment eased to 23 per cent (29 per cent the previous quarter), the number looking to maintain their investment increased to 63 per cent (from 58 per cent).

Of South Australian farmers looking to increase their investment, 40 per cent indicated they were intending to invest in new plant and machinery and 37 per cent in on-farm infrastructure. Mr Robinson said it was a pattern which reflected what the bank had been seeing over the past 12 months.

“Farmers have been taking advantage of the low interest rate environment to invest in equipment,” he said.

“Last year there was a lot of activity in regards to equipment purchasing and we’d expect that to continue this year, particularly while the confidence around continuing low interest rates remains.”

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 June 2016.

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