



Rabobank

Media Release

May 30, 2016

SA farmer confidence wanes on back of patchy start to season

Results at a glance:

- *Confidence retracts to neutral levels as many grain growers feel slow start to autumn break*
- *Livestock producers continue to uphold confidence levels*
- *Almost a third of SA farmers have intentions to purchase additional property*

Confidence among South Australian farmers waned this quarter as grain growers felt the effects of the slow-coming seasonal break.

The latest quarterly Rabobank Rural Confidence Survey found that after lifting strongly early in the year to a net level of 18 per cent, the state's rural confidence index had declined to a very moderate one per cent.

While confidence had fallen across all commodities, the biggest decline was in cropping, where many growers had been experiencing dry conditions through much of autumn, in addition to weaker grain prices.

The survey – completed last month – found that while 23 per cent of South Australian farmers still expected conditions to improve in the year ahead, the number of farmers expecting conditions to worsen increased to 22 per cent, from only nine per cent last quarter.

The majority of farmers were, however, expecting similar conditions to last year with 53 per cent expecting the agricultural economy to track sideways (down slightly from 56 per cent last quarter).

Rabobank state manager for South Australia James Robinson said confidence levels among grain growers had suffered similar falls at this time in previous years when the season had a slow start.

“We generally look at ANZAC day as a strong indicator of where the season's at for planting,” Mr Robinson said.

“At the time of the survey, there had yet to be any significant planting rains and we're seeing that reflected in the results.”

Mr Robinson said while South Australia's season was still considered patchy, recent good rainfall had been very beneficial.

“Sowing commenced in a number of areas,” he said. “Conditions still remain well below average in the lower and upper south east of the state, but rain in the last week has improved the outlook for all.”

Confidence among the state's grain growers had fallen to a net reading of -29 per cent, from 0 per cent in the previous quarter.



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Mr Robinson said that while sentiment had declined for grain growers in this survey, it was likely to improve along with improving seasonal conditions.

“The Bureau of Meteorology is forecasting above-median rainfall for the May to July period,” he said. “And hopefully growers can now look forward to better year ahead now.”

However, it was not only rainfall that was concerning grain growers, with 91 per cent citing falling commodity prices as contributing to their opinion of a worsening agricultural economy.

Mr Robinson said Rabobank’s Food & Agribusiness Research and Advisory team were anticipating wheat and barley prices to remain under pressure in the short term.

“With continuing favourable weather conditions in the northern hemisphere there is expectation of considerable global wheat stocks this year,” he said.

“However, if we continue to see falls in the Australian dollar it will go a long way to alleviating this downside.”

The state’s livestock producers appear to be feeling significantly more confident than their grain-growing counterparts, with beef and sheep producer sentiment remaining in positive territory despite confidence levels falling from last quarter.

Beef producer confidence did take a substantial hit from last quarter, though remains positive at net seven per cent, down from 59 per cent last survey, while sheep producers also retained their positive outlook at 11 per cent (18 per cent in the previous quarter).

Mr Robinson said that many livestock producers were expecting prices to flatten out this year.

“Last year was a great one for beef and lamb prices and wool also held its own, while this year producers are still anticipating decent prices they aren’t expecting the rises that we saw in 2015,” he said.

In line with easing confidence levels across the commodities, South Australian farmers lowered their expectations around gross farm income for the coming year, with 29 per cent saying they expected higher incomes in the coming 12 months (compared with 35 per cent in the previous survey) and 27 per cent expecting incomes to decline (from 19 per cent previously).

Despite some short term concern, there appears to be significant underlying confidence among the state’s farmers with 98 per cent believing their businesses were viable – the strongest reading of all the states over the past year.

In line with this long-term confidence, farmers’ investment intentions strengthened with 93 per cent planning to maintain or increase the level of investment in their farm business over the next 12 months (up from 86 per cent previously).

This quarter the Rabobank Rural Confidence Survey sought to gauge farmers’ medium-term aspirations for expansion via property purchase. In South Australia, 30



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per cent of farmers indicated they were looking to purchase additional property over the coming five years.

Of the commodities, grain growers had the highest appetite for more land, with 56 per cent indicating their desire to purchase.

The biggest obstacles to expanding through purchase were nominated as high prices and limited available property.

Mr Robinson said the responses reflected what Rabobank was seeing in the market. "Over the last 30 years or so we have seen a slow consolidation as growers continue to expand," he said.

"While a few decades ago we had around 30,000 farms in South Australia, we are now closer to 12,000 so it is to be expected that available farms are becoming more scarce and indeed more valuable."

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 September 2016.

Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 115 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 40 countries, servicing the needs of approximately 8.6 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading rural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 94 branches throughout Australia and New Zealand.

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To arrange an interview with James Robinson, Rabobank state manager South Australia, or for more information on Rabobank's Rural Confidence Survey, please contact:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Skye Ward
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 02 4855 1111 or 0418 216 103
Email: skye.ward@rabobank.com