



Rabobank

**Media Release**  
**August 29, 2016**

## **South Australian farmer confidence – a tale of two commodities**

### **Results at a glance:**

- *Rural confidence in SA remains at neutral levels due to subdued global grain markets*
- *Livestock producers' spirits lift after a wetter-than-average winter*
- *Dairy price concern continues, with all dairy producers surveyed expecting conditions to worsen*

**Farmer confidence in South Australia this quarter has emerged as a commodity 'tug-of-war,' with positivity in the livestock markets reined in by price concerns among grain growers.**

**Rabobank's latest quarterly Rural Confidence Survey has found the state's farmers to be equally split as to whether they expected conditions to improve or deteriorate over the next 12 months.**

**With substantial winter rain across much of the state, both crops and pastures are well situated, leaving commodity pricing to really dictate confidence levels, Rabobank state manager for South Australia James Robinson said.**

The latest survey, completed last month, found 24 per cent of South Australian farmers expected conditions for the agricultural economy to improve in the next 12 months, while 23 per cent expected conditions to deteriorate. A total of 52 per cent expected conditions to remain similar to last year. This equated to same level of net confidence seen last quarter.

Mr Robinson said while the crops were looking good in the state, some anxiousness remained among farmers.

"Crops are looking excellent across the state due to widespread rain during June and July," he said.

"A lot of growers though will be waiting to see whether there is any decent rain in September/October before they start anticipating yields.

"We haven't had good spring falls for a couple of seasons now so I think this has made growers a bit wary."

Sentiment amongst the state's grain growers remained negative this quarter with a net confidence reading in their sector of -25 per cent, down slightly from -29 per cent last quarter, with the majority citing prices as their primary concern.

Mr Robinson said he hoped a bumper crop would go some way to alleviating these concerns.

"For wheat, we are currently seeing a spot price of around \$220-230 a tonne," he said.



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“We’re anticipating this to be similar at harvest this year; this is compared to the \$280 a tonne we were seeing last year.

“If we see additional rain in the next month or so then I would anticipate the next confidence indicator for grain producers to be up significantly.”

For dairy producers, however, Mr Robinson is not anticipating a similar spike in confidence.

“We only have around 250 dairy producers in South Australia and they are experiencing what much of the rest of the country’s dairy sector is experiencing in terms of subdued farmgate prices,” he said.

Of those dairy producers surveyed, 100 per cent had a negative outlook for the 12 months ahead.

“It is expected that dairy prices will continue to struggle for the remainder of the year,” Mr Robinson said.

“However, we are anticipating that the current tightening of supply in global markets should start to show some relief in the first half of 2017.”

For livestock producers in South Australia, the story is much more positive.

Confidence amongst beef producers rose to a net 47 per cent, from only seven per cent in the previous quarter, while the net sentiment of sheep producers stood at 22 per cent, up from 11 per cent last survey.

Mr Robinson said the combination of season and price was “putting a smile on the faces of livestock producers across the state”.

“We’ve been seeing consistently good prices for beef and sheep,” he said.

“Once we see some warmer spring conditions we’d expect to see good pasture growth, which will further improve the condition of livestock.

“For many, the biggest challenge now is accessing affordable replacement stock.”

The confidence variance across commodities is also reflected in farmers’ financial results with 75 per cent of beef producers and 71 per cent of sheep producers reporting higher gross farm incomes in 2015/16 than in 2014/15.

This is in contrast to grain and dairy producers, of whom only 22 and 28 per cent reported higher incomes, respectively.

Mr Robinson said that while the grain sector was currently lagging behind livestock in terms of confidence it had not hampered investment intentions.

Investment intentions remained relatively steady this quarter with 92 per cent expecting to increase or maintain investment in their farm businesses in the coming 12 months. The proportion of farmers expecting to invest more increased to 25 per cent this quarter, from 20 per cent in the previous survey.



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Mr Robinson said a large number of those SA farmers wishing to invest further into their business were seeking additional stock numbers.

“Increasing stock numbers was a major factor for farmers this quarter, 41 per cent nominated their intention to invest in stock, which is almost double the 22 per cent that said the same last quarter,” he said.

“We’re seeing this demand come not just from beef and sheep producers, but also from grain producers looking to spread their risk.

“The amount of fodder currently sitting in paddocks is also giving producers the confidence to increase stock numbers.”

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 2016.

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