



Rabobank

**Media Release**

**June 13, 2017**

## **Patchy planting conditions soften South Australian farmer outlook for the season**

### *Results at a glance:*

- *Variable rainfall in the lead up to planting has impacted the confidence of cereal producers*
- *Strong prices continue to buoy sentiment for livestock producers*
- *The percentage of farmers intending to invest in education has more than doubled to 35 per cent*
- *28 per cent of all SA farmers are employing sensor technology, increasing to 47 per cent among larger operations*

**A less-than-stellar start to the 2017/18 cropping season has seen farmers in some parts of South Australia taking a cautious outlook on the year ahead, the latest quarterly Rabobank Rural Confidence survey has found.**

**After enjoying excellent rainfall and a bumper crop in 2016, the state's grain producers were still looking skyward for additional planting rain when the survey was undertaken, with only patchy rains received since.**

**However, for livestock producers – particularly those in the south – seasonal conditions have been more favourable, while solid prices have also buoyed confidence.**

The latest survey – completed last month – found a softening in overall South Australian farmer confidence, reflecting varying seasonal conditions across the state.

The number of SA farmers expecting the agricultural economy to improve in the coming 12 months had fallen to 11 per cent, from 25 per cent the previous quarter. A total of 15 per cent of the state's producers were expecting conditions to deteriorate, albeit this was down from 17 per cent last survey. The majority (73 per cent) were anticipating similar conditions to last year.

Rabobank regional manager for South Australia Roger Matthews said the dry autumn conditions had been a key factor in the altered sentiment.

"The fall in confidence hasn't been huge and we are also coming off a very successful few seasons across the state," he said.

"While cereal prices have been subdued for some time now, the excellent seasons we've seen over the past few years have gone a long way to cushioning the impact of that.

"However, the Bureau of Meteorology is forecasting a drier-than-average winter this year and that outlook – combined with a dry start to the season particularly in the Eyre Peninsula – has led to a less optimistic view among grain growers."



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Dry conditions were identified by 41 per cent of SA farmers expecting conditions to deteriorate as reason for their outlook, up significantly from nine per cent with that concern last quarter.

However, commodity prices were still the main worry, cited by the majority of producers expecting the agricultural economy to worsen, with 86 per cent nominating these as a key factor, up slightly from 84 per cent previously.

“While commodity prices continue to be the major worry for producers anticipating the coming 12 months to be worse than last, this concern sits predominately with our cereal producers,” Mr Matthews said,

“We’re still seeing wheat plantings across the state being maintained, however Rabobank is forecasting barley hectares to fall by around 15 per cent due to subdued pricing.

“Conversely, for our livestock producers, prices continue to be a source of optimism.”

Sheep producers were the most confident farmers in the state this quarter, while beef producers also showed considerable improvement in sentiment.

Mr Matthews said although there had been some anticipation of a price correction in the beef market at the start of the year, producers were now counting on stronger prices throughout winter.

“While we did see prices pull back a little at the start of the year, there was a rally in March and Rabobank is now anticipating prices to stabilise at this higher price point for the next few months,” he said.

“For sheep producers, the global demand for sheepmeat and wool continues to put pressure on supply and our analysts are again anticipating these price levels to maintain at least until August.”

Reflecting three good years of production, the investment plans among the South Australia’s agricultural sector remained at high levels, with 92 per cent of farmers looking to increase or maintain their level of investment.

Of those planning to increase investment in their business, 87 per cent indicated they would be looking at additional farm infrastructure, up from 60 per cent previously. There was also a substantial jump in farmers intending to invest in education – 35 per cent this quarter, up from 16 per cent previously.

Mr Matthews said the strong appetite for investment, particularly in education, was a welcome sign for the industry.

“Seeing interest in investing in education this high is fantastic,” he said.

“We so often see farmers investing in infrastructure and machinery, but invariably investing in those who are running and operating the business is overlooked. If the trend is now accelerating for producers to be more focussed on investing in their human capital, we’re very happy to see this.”



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This quarter, the Rural Confidence Survey also asked farmers about their adoption of sensor technology such as moisture probes, yield mapping and drones. Of those SA farmers surveyed, 28 per cent were currently using the technology.

For the larger operations (with incomes exceeding \$1 million per annum), the number of adopters increased, with 47 per cent using sensor technology and 65 per cent saying they were using it to support decision making on farm.

“For grain growers in particular, using sensor technology to understand moisture has been standard practice for some time,” Mr Matthews said. “We’re seeing all this information being used by farmers to make timelier, better-informed decisions.

“Often the farmers who are generating better cash returns are those doing a lot of things slightly better than their neighbours, and the use of technology and its bearing on business decisions can be one of those elements that adds that extra edge.”

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 2017.

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