



Rabobank

**Media Release**

**March 13, 2017**

## **SA farmers buoyant and on hunt for hectares**

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

- *South Australian farmers remain positive following record grain harvest and strong market prices for beef, lamb and wool*
- *Following several good years, there is growing investment interest from large farming businesses*
- *Nearly 30 per cent worried about potential impact of new US administration on Australian agriculture*

**Farmer confidence in South Australia has remained buoyant this quarter as grain growers complete a record harvest and beef and sheep producers continue to enjoy strong prices and excellent seasonal conditions, the latest Rabobank Rural Confidence Survey has found.**

Three years of above-average seasons have provided an excellent foundation for investment and prompted SA's larger farming businesses to begin aggressively expanding their operations.

The survey, completed last month, found that of those farm businesses with an income exceeding \$1 million, well over half intended to increase their investment dollars this year. While the survey results showed an appetite for investment in most aspects of their business, 49 per cent of respondents said they wished to purchase additional property.

Rabobank regional manager for South Australia Roger Matthews said bank was beginning to see competition for additional land bolster rural property prices in the state.

"Across the board there is definitely increasing demand for farming and grazing land," he said.

"Among grazing businesses there is a lot of investment confidence that has come from having sequential good years, both seasonally and price wise."

While overall net rural confidence continues to be positive at eight per cent, from 10 per cent last quarter, confidence among beef producers remained in negative territory despite improving to -13 per cent (up from -36 per cent). The state's sheep producers remained firmly confident at net 24 per cent, albeit back a little from 33 per cent last quarter.

Coming off such a great year last year, Mr Matthews said the slight easing back in the state's overall confidence was to be expected as producers in some sectors would be unlikely to expect this year to be as good as 2016.

"Last year was a fantastic one for both beef and sheep producers – it's rare that you get such a good season coupled with strong prices, so it is to be expected that some graziers are not anticipating conditions to further improve this year," he said.



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The sector most anticipating an improved 2017 was dairy, with South Australian dairy farmers reporting a net confidence reading of 57 per cent, up from 43 per cent last quarter.

Mr Matthews said he expected the improved dairy confidence was in direct response to the climbing global prices.

“Global milk prices have continued to edge higher and are up almost 30 per cent on what we were seeing 12 months ago,” he said.

Commodity prices were indeed nominated as reason for optimism by the majority of SA farmers with a positive outlook for the year ahead – cited by 70 per cent, up from 61 per cent last quarter.

On the other side of the coin, commodity prices were also a key contributor for those farmers who were expecting conditions to deteriorate this year, particularly grain growers.

Of the 26 per cent of grain producers who expected conditions to worsen this year, the majority (88 per cent) cited prices as the reason for their subdued outlook.

However, despite this concern, overall confidence improved – though remained relatively subdued – in the grains sector with a net reading of -one per cent, up from -14 per cent last quarter.

“Although we harvested a record winter crop due to yields being bolstered by spring rains, the summer rains hampered harvest and impacted the quality of grain in the state,” Mr Matthews said.

“While cereal prices haven’t been great, the crop is off and in silos and that adds a lot more certainty for farmers engaging in business planning for the year.

“Also, in the areas where there are lentils grown, we’ve seen confidence up because of strong production along with sound prices.”

Reflecting the commodities grown in the regions, there has been variance in rural confidence levels throughout South Australia.

Confidence rose in the predominantly livestock region of the south-east of the state to net 26 per cent, from 20 per cent last quarter. In the Yorke Peninsula, confidence eased back to net 13 per cent, from 17 per cent last survey, while in the Eyre Peninsula confidence dropped to a net reading of -21 per cent from -13 per cent previously.

“While both Yorke and Eyre Peninsulas are grain-growing regions, Yorke has the ability to grow lentils and there was a fair bit of it grown last year. The price benefit received has no doubt pushed up sentiment in that region,” Mr Matthews said.

This quarter, the state’s producers were also asked about the impact of the new Trump administration on their confidence for the outlook for the Australian agricultural sector.



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Of those surveyed, 27 per cent believed the new US administration would have a negative impact while just seven per cent expected it to have a positive bearing on the sector.

The majority with a negative view on the change in US presidency cited worries around the impact on Australian/US trade (43 per cent), while 18 per cent raised concerns around uncertainty/unpredictability and 17 per cent about protectionist ideology.

“The majority of farmers we talk to are keen to see a freer global marketplace and there is always concern if there are signs that this might begin to retract,” Mr Matthews said.

“While this particular question was about the US administration, I’d expect similar concern regarding policy changes in any of the larger economies, particularly those who are our close trading partners.”

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 June 2017.

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