



Rabobank

**Media Release**  
**September 4, 2017**

## **'Record' dry start to winter sees SA farmer confidence hit near three-year low**

### *Results at a glance:*

- *Dry cropping conditions sees SA farmer confidence fall to an almost three-year low*
- *Eyre Peninsula hardest hit, with more than half of surveyed farmers in region anticipating worsening agricultural economy*
- *Despite weather concerns, grains sector reports largest investment appetite*

**South Australian farmer confidence has fallen to its lowest level in nearly three years, dragged down by record low rainfall in the critical early winter planting period in many parts of the state, the latest Rabobank Rural Confidence Survey has found.**

**With many areas posting the lowest June rainfall either on record, or for at least 20 years, the survey reflected concerns about below-average harvest prospects, particularly among those farmers on the Eyre Peninsula.**

The survey – completed last month – reported a sizable drop in the state's rural confidence, with 35 per cent of farmers now expecting conditions in the agricultural economy to deteriorate over the next 12 months, a considerable rise from 15 per cent with that view last quarter.

This saw the 'net' rural confidence index for the state decline to -18 per cent, from -4 per cent last survey.

Rabobank regional manager for South Australia Roger Matthews said there are definitely seasonal challenges for the state's grain growers, particularly on the Eyre Peninsula.

Confidence levels in the grain sector fell this quarter, with 60 per cent of the state's croppers now expecting conditions in the agricultural economy to worsen over the next 12 months (rising from 26 per last quarter). That said, the number feeling more upbeat about the outlook had also climbed – to 21 per cent from four per cent previously.

"Much of the downturn in sentiment among grain growers can be attributed to the Eyre and parts of the Yorke Peninsula with 54 per cent and 32 per cent of survey respondents there respectively, anticipating worsening conditions," Mr Matthews said.

"Some parts of the Eyre Peninsula did receive the July rain and have benefitted from it, but for many it is too little, too late.

"We usually anticipate around two million tonnes of total crop from that region, with last year coming in at around three million tonnes. However, this year the forecast is for under one million tonnes, so many farmers there are looking at substantial declines in income."

Dry seasonal conditions were found to be the biggest driver of the subdued sentiment among South Australian farmers this quarter, nominated as a concern by 61 per cent of those expecting conditions to worsen (up from 41 per cent in the previous survey).



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Weather, not surprisingly, was particularly an issue in the Eyre Peninsula where 92 per cent with a negative outlook said seasonal conditions were impacting on their confidence.

In the south-east region – while farmer sentiment remained slightly negative, with 22 per cent expecting improved conditions in the agricultural economy and 23 per cent for them to decline – weather conditions were less of a worry.

“The south east has received good rainfall and in some areas it is actually verging on being too wet,” Mr Matthews said.

“For farmers in the south-eastern part of the state, concerns have centered more on commodity prices and particularly in anticipation of easing beef prices.”

While falling commodity prices were shown to be a key concern for beef producers in South Australia, they were less of an issue for the state’s farmers overall, with 43 per cent of those expecting conditions to worsen nominating commodity prices as reason for their outlook, compared with 86 per cent last quarter.

While the latest survey found a substantial drop in short-term confidence, farmers’ longer-term outlook for the sector was shown to be more robust, with longer-term indicators, such as investment intentions, remaining firm. A total of 88 per cent of South Australian producers surveyed reported that they were intending to maintain or increase their level of investment in the farm businesses.

Mr Matthews said although the grain sector had been hardest hit in terms of overall confidence this quarter, the sector’s expansionary intentions were the strongest, with 28 per cent seeking to increase their investment and 62 per cent to maintain it.

Despite the seasonal challenges facing grain growers this year, he said, in general many were well placed to invest.

“Those in the grains industry are coming off the back of three good cropping years and while this season hasn’t been as good, we did experience some late rains in July that would have gone a long way to boosting the investment confidence of growers,” he said.

“We also tend to see more property coming up for sale in the spring so the opportunity for purchasing additional land begins to become front-of-mind at this point in the year.”

The state’s farmers were also relatively positive about the outlook for their farm incomes, which remained largely in line with last quarter’s expectations.

Of those surveyed, 50 per cent were expecting their gross farm income this financial year to be similar to last, while 22 per cent were expecting an increase (compared with 21 per cent last quarter) and 27 per cent were expecting their income to decline (30 per cent last quarter).

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions an average of 1000 primary producers



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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 2017.

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