



South Australia defies national trend, with confidence rising in rural sector

Results at a glance:

- SA farmer confidence kept elevated by livestock producers in the state's South East
- Concern starting to build in grain-growing regions of the Yorke and Eyre Peninsulas
- While confidence is up, investment intentions pulled back this quarter

South Australian farmers have defied the national trend and reported rising confidence levels over the past quarter, the latest Rabobank Rural Confidence Survey has shown.

While much of Australia has been impacted by the dry start to 2018 – with the majority of areas reporting declining rural confidence – the positive outlook among the state's livestock producers, particularly in the South-East pastoral region, has kept overall South Australian rural confidence firmly in the positive.

The latest Rabobank Rural Confidence Survey, released today, found overall sentiment among South Australian farmers had risen for a third consecutive quarter, with beef and sheep producers particularly confident about the commodity price outlook.

The survey – completed last month – showed that nearly a third of South Australian farmers (31 per cent) were anticipating improved economic conditions over the next year (considerably up from 18 per cent with that view last quarter) while 43 per cent expected conditions to remain stable.

There was also a slight increase in the number of producers with a negative outlook, with 19 per cent holding that view this quarter (up from 12 per cent).

Rabobank regional manager for South Australia Roger Matthews said while rural confidence in the state was being pushed higher by livestock producers, it was a different story for those in cropping and dairy.

"The season's definitely been patchy, but there has been a decent break in the South East benefiting livestock producers and grain growers," he said.

"For grain growers, the outlook seems less certain. While most farmers have got their crop in the ground, rainfall has been patchy, particularly on the Eyre and Yorke Peninsulas, and growers are definitely starting to get concerned about the possibility of another dry year."

This seasonal variance across the regions was reflected in the survey. Confidence levels were strongest – and up significantly from last quarter – in the South East, where 35 per cent of farmers expected conditions in the agricultural economy to improve and only seven per cent feared a decline.

While on the Yorke and Eyre Peninsula's a substantial number of farmers surveyed had a positive outlook on the year ahead (32 per cent and 23 per cent respectively),



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there were also a significant proportion of farmers concerned about the year deteriorating. On the York Peninsula, 21 per cent of respondents were concerned about worsening conditions and 33 per cent on the Eyre Peninsula.

State-wide, farmers anticipating a declining rural economy in all regions highlighted seasonal conditions as key reason for their concern. Conversely, rising commodity prices were the chief contributor to those farmers expecting an improved year.

Mr Matthews said the survey had again found confidence to be strongest among the state's livestock producers, with 38 per cent of beef and 36 per cent of sheep producers expecting economic conditions to improve over the coming 12 months.

"While beef prices have pulled back a bit over the past 12 months, they seem to have stabilised at still relatively high prices," he said.

"With the dry conditions we are seeing over a lot of the east coast, sheep numbers were culled quite heavily in April and we saw that push prices down somewhat but we're starting to see prices lift a little in line with the normal seasonal trend heading through winter."

Despite the lift in overall confidence levels, South Australian farmers were shown to be feeling a bit more conservative about their income prospects and investment plans for the coming 12 months.

Most SA producers (55 per cent) were expecting a similar financial result to last year, while 24 per cent were anticipating an improvement (down slightly from 28 per cent last quarter) and 18 per cent believed their income would be less this year (20 per cent last quarter).

Not surprisingly, income expectations were strongest in the sheep sector with 42 per cent of sheep producers expecting higher incomes in the coming 12 months, and a further 45 per cent expecting incomes to remain similar to the previous year.

SA farmers also had less appetite for investing. Of those surveyed, 17 per cent indicated they were looking to increase their investment over the next 12 months, down from 25 per cent with that intention in the previous survey.

Mr Matthews said while there were still plenty of livestock and cropping producers in a position to invest, the rapid increase in property prices had likely contributed to subduing investment intentions.

"We've seen a steep rise in land prices over the past two years, particularly on the back of strong livestock and wool prices, but also the impact of prior price highs across the grain complex," he said.

"While some of these prices, particularly the chickpeas and lentils, have pulled back, the land values have remained elevated at these higher prices. We may see investment plateau for a while before kicking off again."

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 September 2018.

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