



South Australian farmers start year on positive note, with confidence in rural sector continuing to climb

Results at a glance:

- *The outlook among SA's farmers continues to improve, following a 'rollercoaster' 2017 for grain growers*
- *Sheep graziers are revelling in the current markets for lamb and wool*
- *There are 'aggressive' investment intentions from sheep producers with 39% intending to increase farm investment in 2018*

2018 is off to positive start for South Australia's rural sector, with the state's farmers reporting growing confidence in their prospects for the year ahead.

The latest quarterly Rabobank Rural Confidence Survey, released today, found overall sentiment has continued to improve in the sector in South Australia, with growing confidence among sheep and grain producers outweighing concerns of those in the beef and dairy industry.

The survey – completed last month – found farmer sentiment in the state had improved for the third consecutive quarter and was now in positive territory.

While most of the farmers surveyed (69 per cent) had a stable outlook for the agriculture in the year ahead, 18 per cent expected an improvement (up slightly from 15 per cent with that view last quarter). The percentage with a negative outlook had also declined – to 12 per cent (from 19 per cent previously).

Rabobank regional manager for South Australia Roger Matthews said following last year's dry start to the season, farmers were now feeling cautiously optimistic of a return to normal seasonal conditions.

"We've had a long, hot and dry summer, but that is pretty normal for South Australia," Mr Matthews said.

"What growers will be waiting on is that seasonal break that usually happens around Anzac Day, to enable optimum planting or growing conditions, as the case may be.

"Last year had a bit of a mediocre start, particularly for the Eyre and Yorke Peninsulas, and, while most of the Yorke made a decent recovery, there were a number of growers on the Eyre Peninsula who missed getting a full crop planted."

With a new cropping season on the horizon, both Eyre and Yorke Peninsula farmers have recovered from the significantly negative sentiment they reported in the middle of last year, with more growers anticipating improving economic conditions this year.

In the South East region, sentiment has pulled back slightly, but remains in positive territory.

The improved outlook among South Australian farmers was largely underpinned by commodity prices this quarter, with 64 per cent of those survey respondents who



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were expecting conditions to improve in the agricultural economy citing commodity prices as cause for their optimism (compared with 62 per cent last quarter).

Sheep and grain producers currently hold the most positive outlook in SA, with the majority of those surveyed highlighting commodity prices as a key reason for improved sentiment.

“Lamb and wool have had a bit of a record run and have enjoyed some strong fundamentals in the market for almost three years now,” Mr Matthews said.

“Despite an increase in domestic production, lamb and wool prices are expected to remain strong in 2018.

“Export demand has continued to climb, with China being a major player. Exports to China of Australian lamb grew by 24 per cent in 2017, while wool exports also grew eight per cent despite China already being Australia’s biggest market for wool.”

Confidence among sheep graziers has lifted this quarter along with this positive market outlook, with 24 per cent now expecting conditions to continue to improve in 2018, increasing from 20 per cent last quarter, while a further 73 per cent were anticipating a similar year to last and only four per cent thought conditions might deteriorate.

Meanwhile confidence was down in the beef sector, with just six per cent expecting an improvement in their economy this year, down from 25 per cent last quarter. Conversely, 36 per cent of beef producers now held a negative outlook on the year ahead, up from only nine per cent last quarter, while 58 per cent expected stable conditions.

Among the state’s dairy producers, confidence was also down, with almost two thirds of those surveyed expecting worsening conditions in 2018.

Falling prices were the chief concern of both beef and dairy – cited by 72 per cent of beef producers and 66 per cent of dairy farmers with a negative outlook.

“We have been seeing projections for some time that there will be continuing downward pressure on beef prices this year as domestic and global stocks continue to rebuild,” Mr Matthews said.

“That said, confidence among beef producers in SA is coming down from a high level after experiencing an excellent season, coupled with strong prices, in 2017.”

Income projection and investment intentions both picked up among South Australian producers this quarter, in line with the uptick in overall confidence levels.

More of the state’s farmers now expect their gross farm income to improve (28 per cent) rather than deteriorate (20 per cent) in the year ahead, while 53 per cent expect a similar financial result to the previous 12 months.

Reflecting the long-term confidence in the sector, Mr Matthews said, the proportion of farmers with an appetite to increase their investment had also grown this quarter, and was now sitting at 25 per cent (from 22 per cent last quarter). Meanwhile, a total of



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67 per cent were looking to maintain their current investment levels and only eight per cent were looking to decrease their exposure.

“We’re seeing the biggest appetite for investment currently coming from those in the sheep industry with significant interest spreading across property acquisition, on-farm infrastructure and the adoption of new technologies,” he said. “However, the grains industry is not far behind and if we were to get those breaking rains we’d fully expect those in cropping to be quite aggressive in their investment intentions by the next quarter.”

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 2018.

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