



Rabobank

Media Release

March 12, 2019

SA farmers draw comfort from 'season-defying' harvest and solid prices

Results at a glance:

- SA farmer's start year on more positive footing, as confidence rises from last year's low
- Positive sentiment driven by expectation of improved 2019/20 season and strong commodity prices
- SA farmers' investment appetite at three year high

Sentiment in South Australia's rural sector has continued to improve in the first quarter of the year, as the state's grain growers reflect on a season-defying 2018/19 harvest, the latest Rabobank Rural Confidence Survey has found.

The first quarterly survey for 2019, found farmers' confidence levels had risen from last year's 12-year low, with overall rural sentiment now back in positive territory.

Rabobank regional manager for South Australia Roger Matthews said while the 2018/19 season had been patchy for the state, grain growers who did obtain decent yields would have been buoyed by the solid grain prices.

The survey, completed last month, found the percentage of the state's farmers with a negative outlook on prospects for the agricultural economy in the year ahead had halved to 22 per cent (from 45 per cent last quarter), while those expecting conditions to improve held relatively steady at 27 per cent (previously 31 per cent).

Almost half of those surveyed (47 per cent) said they anticipated similar conditions to last year.

Mr Matthews said solid grain prices had been the main positive for the state's grain growers, who had experienced a mixed season, though some areas had harvested yields above what had been expected.

"In some regions, such as the lower Eyre Peninsula and the South East, we saw yields at average, and perhaps even better than average. However, for much of the rest of the state, the growing season was patchy and yields, while at times surprising, were still well below averages," he said.

"For the state we saw 5.3 million tonnes total crop, which, while better than expected, is almost half what we received a couple of years ago.

"On the price front though, with wheat stocks at their lowest in 10 years, it is expected that prices will remain above average throughout 2019 until new crop starts coming in toward the end of the year."

While the percentage of grain growers with a positive outlook remained similar to last quarter (32 per cent, compared with 31 per cent last survey), the number with a negative view of the year ahead had plummeted to 13 per cent (from 61 per cent previously). The majority (51 per cent) expected stable conditions.



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The survey found overall for South Australian farmers, the anticipation of better seasonal conditions in 2019 was the main driver of improved sentiment this quarter, with 55 per cent of those farmers with a positive outlook citing this as the key reason for their view.

Rising commodity prices were another significant factor behind the positive sentiment, nominated by 43 per cent of those who were expecting an improved year ahead.

Mr Matthews said the ongoing dry conditions in eastern Australia were supporting higher prices in grains and livestock.

“The significant dry conditions seen in much of the east coast has meant the continuance of low feed stocks and greatly reduced sheep and beef herds,” he said.

“Producers here have been able to take advantage of the flow-on effect of this, which has seen domestic crop and livestock prices well above the global averages, with RaboResearch forecasting these higher price points to last throughout most of 2019.”

Confidence in South Australia’s beef sector also improved, the survey showed, however there were still more beef producers expecting conditions to worsen, rather than improve, with concerns over drought and falling prices highlighted as their biggest concerns.

Mr Matthews said while the tightening of cattle numbers was expected to continue to support prices at similar levels to 2018, there were some significant global headwinds emerging. “Not the least of which is increasing production coming from the US,” he said.

“For sheep, the story is similar – the dry conditions are keeping supply low and propping up prices domestically despite some softening in global price drivers.”

Along with an improvement in overall sentiment this quarter, the survey showed South Australian farmers were also anticipating improved incomes with 28 per cent expecting their farm income to improve this year (previously 26 per cent) and 48 per cent expecting a similar financial result to 2018 (up from 31 per cent last quarter).

The number of farmers anticipating a reduced income fell substantially to 22 per cent (from 43 per cent last quarter).

Reflecting their outlook on the agricultural economy, grain growers also held the highest income expectations, with 44 per cent anticipating improved cash flow this year.

Investment appetite among the state’s farmers also rose this quarter and is now at its highest level in more than three years, with 27 per cent of those surveyed intending to increase their level of investment this year (up from 15 per cent at the end of 2018).

A further 65 per cent are looking to maintain their current investment levels.

Mr Matthews said investment intentions were strongest in the sheep and grains industries, with 38 per cent and 37 per cent, respectively, intending to increase investment.



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“While sheep producers’ overall outlook for the year has dipped into negative territory, they are coming off a good run and are now anticipating some headwinds in terms of season and markets,” he said.

“But with many sheep, and grain producers in a stable financial position, it really feels like there is a strong long-term confidence in agriculture and we are seeing this reflected both in terms of investing in on-farm infrastructure and equipment and in record land prices.”

The high sense of security in these two industries has been reflected in the survey, with 100 per cent of South Australian grain and sheep producers reporting business viability.

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 2019.

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