



SA farmer confidence builds, but outlook remains heavily dependent on spring rain

Results at a glance:

- *South Australian farmer confidence has continued to build, but additional moisture is needed and frost risk remains*
- *Grain growers hold the strongest income projections for their farm businesses over the next 12 months*
- *Farmers particularly upbeat in the South East, flowing into strong investment interest – especially in additional land*

Confidence continues to ‘cautiously’ build in South Australia’s farm sector, but the outlook for the year remains heavily dependent on spring rainfall, the latest Rabobank Rural Confidence Survey has showed.

After parts of the state began this year’s winter cropping season with the driest conditions in a century, rain received over the past quarter has eased concerns for many.

The latest survey, completed last month, found 37 per cent of surveyed South Australian farmers were optimistic about the outlook for the agricultural economy in the coming year, up from 29 per cent with that view in the previous quarter.

The percentage of farmers expecting conditions to remain stable fell slightly from 43 per cent to 37 per cent, while the number expecting a deteriorating rural economy remained stable at 21 per cent.

Rabobank regional manager for South Australia Roger Matthews said rain received in the state in June and early July had eased the uncertainty that many growers had been feeling after such a late break to a very long hot and dry summer.

“For close to half the state, it would be fair to say that rain over the last quarter has been more in line with average rainfall, but even those areas are short of their yearly average, with subsoil moisture still lacking in many areas,” he said.

“However, the Mallee I would say is still sitting well below average and parts of the eastern Eyre Peninsula have had poor rainfall and inadequate subsoil moisture.

“For those in the northern pastoral region who missed out on the autumn rains, things are still very dry and they’ll be counting on an early spring break.”

The improved season, along with commodity price potential, almost evenly contributed to the increase in South Australian farmer sentiment this survey, respectively cited by 57 per cent and 53 per cent of farmers who had an optimistic view on the year ahead.

Farmers in the South East were particularly positive about the season, with seasonal conditions nominated as the reason the agricultural economy was likely to improve in the coming 12 months by 82 per cent of those with an optimistic outlook.



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“The South East has had an incredible run with seasonal conditions over the last few years and they’re expecting this to continue in 2019,” Mr Matthews said.

“We’re also seeing this confidence impact investment in the South East where land prices have jumped significantly this year.”

Of the farmers surveyed in the South East, 92 per cent intend to maintain or increase the current level of investment in their farm businesses. This is the highest in the state and a more substantial appetite for investment than in the Yorke Peninsula (86 per cent) or Eyre Peninsula (83 per cent).

Farmers in the South East also held the most expansionary intentions with 46 per cent of farmers interested in increasing investment intending to put more money into land.

“The South East continues to experience a golden run and it is perhaps also helped by the spread of commodities produced in the region,” Mr Matthews said.

From a commodity perspective, sentiment has increased substantially in South Australia’s dairy sector this quarter.

“As most people would know, dairy has had a horrible run over the past few years but with milk supply continuing to fall, we have seen retailers increasing their milk prices and farmgate prices continue their upward trajectory,” Mr Matthews said.

“However, while prices are improving, they are still coming off a very low base, so it is perhaps not surprising that most farmers are confident of an improvement.

“On the flip side, we’ve seen confidence among sheep producers pull back a bit this quarter after experiencing a highly profitable 2018/19.”

This quarter, 23 per cent of South Australian sheep producers were expecting conditions in the rural economy to continue to improve, down from 30 per cent in the previous survey.

There was also an increase in the number of farmers in the sheep industry anticipating a decline in conditions, with 27 per cent now holding this view (up from 21 per cent previously).

“For those sheep farmers who are expecting worsening conditions, the majority highlighted drought as their primary concern, although commodity prices came in not far behind,” Mr Matthews said.

“Sheepmeat continues to show amazing strength and, while declining as new season lambs come to market, prices are likely to remain strong.

“Wool prices on the other hand have seen a dramatic drop in August as demand from China eases.”

South Australian beef producers maintained high confidence levels, with 55 per cent optimistic about the year ahead and only eight per cent reporting negative sentiment.



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“Beef prices, while easing recently, remain good as supply tightens but there is long-term confidence across the meat industries as seen in the recent announcement by Thomas Foods to rebuild its meat processing plant at Murray Bridge,” Mr Matthews said.

“After the Murray Bridge facility was completely destroyed by fire, some feared the facility may not be rebuilt, but Thomas Foods announced in June that they are not only rebuilding, but expanding.”

For cropping, confidence remained firm, with 30 per cent of the state’s grain growers expecting conditions to improve (up from 21 per cent last quarter). This was counteracted by an increase in the percentage expecting worsening conditions – now sitting at 24 per cent, up from 16 per cent last quarter.

Grain growers also held the strongest projections for their gross farm income this survey with 33 per cent confident of increasing cash flow over the coming 12 months compared with both beef and sheep producers where eight per cent had this expectation.

Mr Matthews said the current outlook for grain growers was mixed and continued to hinge on spring rain.

“While we’re by no means anticipating a record year for grains, some decent spring falls could ensure we achieve average yields,” he said.

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 and is a comprehensive monitor of outlook and sentiment in Australian rural industries. As 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 2019.

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