



## **South Australian farmers back in the game**

### **Results at a glance:**

- *SA farmer confidence surges, recording biggest upswing in sentiment in almost 15 years*
- *Almost half of the state's farmers expect business conditions to improve over the coming year*
- *Optimism improved across all commodities, with the livestock sector particularly bullish*
- *Viability of the SA ag sector now reported as highest in the country*

**The South Australian rural sector is enjoying an agricultural renaissance, with confidence amongst the state's farmers surging to an almost 15-year high and local producers recording the highest rates of business viability nationally, the latest Rabobank Rural Confidence Survey has shown.**

**The survey found 98 per cent of South Australian farmers reported their farm businesses were viable. For those with larger businesses – with incomes over \$300,000 – this measure rose to 100 per cent.**

**The proportion of the state's farmers expecting business conditions to improve in the coming 12 months now sits at 46 per cent, up considerably from just 11 per cent last quarter, the survey found. Just eight per cent of farmers have a negative outlook, down from 42 per cent in the September quarter.**

**The season and, to a lesser extent, commodity prices were behind the significant rebound in confidence, cited by 68 per cent and 44 per cent respectively of those South Australian producers anticipating conditions to improve in the agricultural economy as the leading reasons for their optimism.**

Rabobank regional manager for South Australia Roger Matthews said widespread spring rain across the state – including in some of its driest pastoral areas – coupled with the prospect of an emerging La Nina, had bolstered confidence across the rural community.

The diversity of enterprise mix within South Australia – with many farmers running combinations of sheep, grain, hay and cattle – also helped mitigate risk, and this diversity no doubt helped secure farm viability, he said.

“South Australia has been fortunate in that we haven't had complete fails or a complete lack of rain like in other parts of the country. Even in the tough years our farmers have generally been able to emerge with something,” he said.

Mr Matthews said the results of this quarter's survey – completed last month – were reflective of just how critical spring rain was.



“Obviously it’s the key growing period across southern Australia with the potential to ‘make or break’ a season and, with some good spring rains, all of a sudden confidence jumps dramatically.”

Confidence surged across all commodity sectors in the state, with sheep producers enjoying a significant increase in confidence this quarter – 49 per cent now expect conditions to improve compared with just five per cent with this view three months ago.

The favourable season and strong commodity prices were behind the uplift in sentiment, factors cited equally by 58 per cent of sheep graziers as key reasons for their optimistic outlook.

“Some pastoral areas have received more rain over spring than they had in the past four years combined and these regions are generally now well set up going into summer, so producers can rest a little easier,” Mr Matthews said.

He said South Australian sheep sector confidence was also being buoyed by local sheep studs, and that the turn in the season was supporting strong demand for breeding stock – reflected by a jump in prices for stud stock.

In the beef sector, more than two thirds of producers (67 per cent) expect conditions to improve, up from 18 per cent last quarter, largely on the back of commodity prices.

“There’s still high demand for South Australian cattle as eastern producers look to build breeding stock, the market is exceptionally strong, however possibly artificially inflated due to this demand,” Mr Matthews said.

Confidence in the grain sector improved – albeit not to the same extent as in the livestock sectors – with 29 per cent of the state’s grain growers expecting conditions to improve, up from 11 per cent last quarter. More than half (at 53 per cent) expect little change in the current conditions.

Mr Matthews said the lack of winter rain had negatively impacted yield potential, with spring rain bringing both huge benefits to some and headaches to others.

“The rain has meant many areas haven’t been able to have a good run at harvest, but of the crop that has been stripped, yields have been average, with good prices making up for any production losses.”

He said a late frost event – including snow which fell in the mid-north on September 25 – also limited the uplift expected from the South Australian grains sector.

Confidence was up across all South Australian regions, with farmers in the Yorke Peninsula particularly upbeat – over half (52 per cent) expected conditions to improve, up from only nine per cent three months ago.



Confidence also rallied strongly in the Eyre Peninsula and South East, with 43 per cent of farmers in both these regions expecting conditions to improve – up from just six per cent and 16 per cent respectively last quarter.

While the season had been slightly patchy in these regions, Mr Matthews said, the more marginal areas recorded better rainfall, with the upper and lower Eyre Peninsula faring particularly well.

Reflecting renewed confidence, South Australian farmers were increasingly bullish about the outlook for their farm business performance, with 39 per cent expecting a higher gross farm income in the coming 12 months – up from 20 per cent last quarter.

The improved farm income expectations were largely driven by diversified operations, with 68 per cent of beef and sheep businesses and 50 per cent of livestock and grains operations expecting improved turnover over the coming year.

Grain producers were not so sure, with 24 per cent of croppers expecting incomes to rise, and 26 per cent expecting them to fall.

The overall confidence in farm incomes was, however, starting to flow into on-farm investment, with more than one third (34 per cent) planning to increase their investment over the coming 12 months, up from 19 per cent in the previous quarter. Spending was pegged for on-farm infrastructure (66 per cent), new plant and machinery (54 per cent) and increasing livestock numbers (50 per cent).

This, Mr Matthews said, had bolstered South Australian farmer investment plans to their highest level in close to a decade – since March 2011 – and at levels outstripping all other states except New South Wales.

And, with one-in-five of those farmers intending to increase investment looking at property purchases, he said South Australian farmland was proving its worth.

“In the South East, where the appetite for land purchases was particularly strong, there’s been quite aggressive growth in land values – you think the prices are going to slow down but they just keep getting higher, reflective of the strong demand,” he said.

The exceptional farm business viability of the South Australian agricultural sector, Mr Matthews said, was reflective of the Australian industry in general. “In a year marred by COVID-19 uncertainty, our Australian farmers seem to have come out on top compared with many other global industries,” he said.

“Across the board we have strong commodity prices, a turn in the season, low interest rates and a growing appreciation across the nation for where our food and fibre comes from – and our South Australian farmers are in the box seat to take advantage of this renewed opportunity.”



**Rabobank**

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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 March 2021.

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