



South Australian farmer confidence continues to slide

Results at a glance:

- *SA farmer confidence continues to decline*
- *Optimism drops across all commodities, with the sheep sector particularly bearish*
- *Uncertainty over global markets and economies the key driver of decreased sentiment*

Heightened concerns surrounding overseas markets and commodity prices have weighed heavily on South Australian farmers, with sentiment in the rural sector continuing a steady decline, the latest Rabobank Rural Confidence Survey has shown.

The proportion of the state’s farmers expecting business conditions to worsen in the coming 12 months now sits at 42 per cent, up from 19 per cent last quarter, the survey found. Just 11 per cent have a positive outlook, with 40 per cent expecting little change in the current conditions.

Of those South Australian producers anticipating conditions to deteriorate in the agricultural economy, the state of overseas markets proved the greatest concern, cited by 61 per cent. Commodity price uncertainty was another cause for worry, nominated by 53 per cent of those with a pessimistic outlook.

Drought concerns and COVID-19 were also shown to be dampening sentiment, although to a lesser extent – with drought reported as a concern by 30 per cent with a pessimistic outlook, and the coronavirus pandemic by 26 per cent.

Confidence was down across all commodity sectors in the state, with sheep producers reporting the biggest drop-off in sentiment. Half of South Australia’s sheep graziers (at 50 per cent) now expected conditions to worsen over the coming 12 months, up from a quarter (24 per cent) in the previous survey.

Rabobank regional manager for South Australia Roger Matthews said the declining wool market had forced the state’s wool growers to reassess their prospects – the recent price nosedive dashing any hopes of a near-term recovery.

“Most wool growers held onto their stock after prices declined earlier in the year, but, with this latest price drop, I think there will be a greater preparedness to sell and we could see more South Australian sheep hit the market,” he said.

However, with livestock prices holding up well, he said, “trade for both sheep and cattle in South Australia” had been strong.

“For sheep producers, there are two different scenarios, depending on your enterprise mix. If you’re a lamb producer enjoying a good season, say in the south east, things are looking



pretty good – but if you're a wool producer enduring a poor season, the current uncertainty in the market surrounding wool pricing is taking away some of the shine, even if the livestock price is still sound," Mr Matthews said.

The survey, completed last month, showed confidence also fell back in the SA beef sector, albeit not to the same degree as sheep, with a larger proportion of beef producers (at 29 per cent) now expecting conditions to deteriorate, compared with 16 per cent last quarter.

In the grains sector, growers were still reeling from China's barley tariff announcement, with commodity price and drought concerns lingering – and confidence decreasing accordingly.

Of the South Australian croppers surveyed, 35 per cent expected conditions to worsen, up from 20 per cent last quarter.

Mr Matthews said crops across the state were currently holding on, but with only a few regions benefitting from substantial sub-soil moisture, more rain was needed.

"Drought remains front of mind, particularly in the Yorke and Eyre Peninsula regions, and while there has been some rain around the state, it has been patchy," he said.

Reflecting this, sentiment was down across all surveyed regions, however most pronounced in the Eyre Peninsula, where 48 per cent of surveyed farmers were now expecting a worsening agricultural economy over the next 12 months, up from 25 per cent with that view last survey.

Sentiment across the Yorke Peninsula also tumbled, with 44 per cent of local farmers expecting business conditions to deteriorate, up from 20 per cent in June.

In the South East, 36 per cent of producers were reporting a negative outlook on the year ahead, up threefold from the last survey, despite the predominantly grazing region enjoying a favourable season, with limited 'spoiling' winter rain.

In line with the decline in overall rural confidence, South Australian farmers considerably revised down expectations for their own gross farm incomes for the next 12 months.

Over half the farmers surveyed, 52 per cent, were now expecting a decline in income – compared to 33 per cent with that view last quarter– while the proportion expecting a stronger on-farm financial performance in 2020/21 was down from earlier-season estimates of 34 per cent, to 20 per cent.

This decline in farm income expectations was largely driven by the grains sector, with 66 per cent of croppers surveyed now forecasting a lower gross farm income in the 2020/21 season, from 23 per cent with that view last quarter.

"There's a high degree of uncertainty in the market at the moment – with patchy seasonal conditions, decreasing grain prices, geopolitical issues and the challenge of sourcing a



market for Australia's predicted bumper 26 million tonne crop – and grain growers are wary," Mr Matthews said.

The prospect of tighter farm margins, he said, had also started to flow into investment intentions, with the survey revealing 16 per cent of surveyed SA farmers were looking to pare back their on-farm investments, up from just three per cent in June. Those farmers expecting to increase their on-farm investment sat at 19 per cent, a slight drop from 21 per cent previously.

That said, two thirds of the state's farmers (66 per cent) intended to maintain investment at current levels.

Investment intentions remained strongest among larger farm businesses (with turnovers in excess of one million dollars), with 80 per cent of these operations planning to maintain current investment levels, and 17 per cent looking to increase investment.

Mr Matthews said the strong investment intentions of South Australia's larger farm businesses reflected the professionalism and quality of the state's agribusiness sector.

"Our producers are some of the most progressive in the world, and their commitment to reinvest in their operations is testament to their long-term vision, despite the season, or global uncertainty," he said.

And notwithstanding the sheep sector's challenges, sheep producers still held the strongest investment intentions of all farmers in the state – with 28 per cent looking to increase their investment over the coming 12 months, pegged largely for on-farm infrastructure.

Mr Matthews said this indicated sheep producers felt "the numbers still stacked up", despite the decreased confidence.

"Sheep producers may be feeling the pinch at the moment, particularly wool growers, but commodity prices for sheep meat and prime lambs had been strong – although dropping recently – and balance sheets across the state are still pretty handy," he said.

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 December 2020.

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