



Rabobank

*Media Release
March 15, 2021*

South Australian farmers looking to another year of strong returns

Results at a glance:

- *SA farmers upbeat about the year ahead, despite the patchy season*
- *A third of farmers expecting improved business conditions and more than half expecting little change*
- *Farmers poised to capitalise on last year's strong returns, as commodity prices drive income projections higher*

South Australian farmers are looking forward to another year of strong returns, with many farm businesses forecasting improved incomes off the back of high agricultural commodity prices, the latest quarterly Rabobank Rural Confidence Survey has shown.

This prevailing positive sentiment comes despite last year's patchy season and little in the way of summer rain in the state.

The survey, released today, found while South Australian farmers have tempered their outlook from last quarter – where confidence levels spiked to a nine-year high on the back of spring rain – sentiment remains at historically-strong levels.

The latest survey found approximately a third (32 per cent) of the state's primary producers expect conditions in the agricultural economy to improve over the year ahead, while more than half (58 per cent) expect similar conditions to last year.

Rabobank regional manager for South Australia Roger Matthews said while the 2020 growing season had been patchy with spring rains falling too late for some, for others it had come at "just the right time to get them across the line". Particularly for those growing lentils, he said, with the rain doubling yield expectations for some enterprises.

"But overall the rain has come in narrow bands with patchy storm activity," he said, "resulting in some producers having one of their best seasons on record, but 15 kilometres down the road it may have been one of their worst."

Despite this disparity, Mr Matthews said, the ability of the grains sector to harvest an above-average crop in 2020, and good returns, demonstrated the strong productivity improvements farmers have been able to achieve.

"The resilience of farmers continues to amaze me, despite increasing volatility in markets and greater variability in seasons, they continue to invest and improve," he said. "And the collection of these improvements pays off big time in a challenging season like we had in 2020."



With the state's grain growers hoping for another year of strong returns, Mr Matthews said 29 per cent were expecting business conditions to improve, while 58 per cent were expecting similar conditions to last year.

But it was South Australia's sheep graziers who were the most bullish about their prospects, he said, with nearly half – at 49 per cent – expecting conditions to improve further in the months ahead.

“Following good spring rainfall across much of the pastoral zone – and plenty of follow-up in recent months – there is now a lot of restocking going on,” he said.

“This follows three years of low stock numbers, with sentiment in the sector also buoyed by the lift in the wool price.”

While confidence was down in the beef sector from last quarter's high, more than two thirds (67 per cent) expect similar conditions to last year – underpinned by the ongoing strength of the cattle market.

Mr Matthews said the “price complex” for grain, beef, sheep, wool and dairy was feeding into strong income projections for SA farm businesses in the 2021 year, with 43 per cent expecting a higher gross farm income (up from 39 per cent) and a further 41 per cent expecting a similar financial result to last year.

Mixed enterprises – grain and livestock – are expecting particularly strong returns, with 59 per cent anticipating an increase in farm business income.

Mr Matthews said the combination of relatively high commodity prices and very low interest rates was underpinning significant investment in the sector, with 32 per cent of South Australian farmers surveyed looking to increase their investment in the coming 12 months, while a further 61 per cent are intending to maintain investment at current levels.

“The government stimulus measures – in terms of instant asset tax write-offs – are also helping driving on-farm investment,” he said.

Of those looking to increase investment, 73 per cent have it pegged for on-farm infrastructure, 47 per cent for new plant/machinery, 46 per cent for adopting new technologies and 42 per cent for irrigation/water infrastructure.

And, with two-in-five of those farmers intending to increase investment looking at property purchases – with this figure increasing to three-in-five in the South East corner of the state – demand for property was high, he said.

“Land values have really escalated over the last three to four years as very strong balance sheets and low interest rates have come together to drive this appetite to grow the business,” he said.



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“The underlying confidence is really strong at the moment, even in areas that missed out with the poor season. And for the state to produce an above-average crop in a below-average season is really exceptional.”

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.

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