



South Australian farmers hang hopes on better year ahead

Results at a glance:

- *South Australian rural confidence rebounded this quarter, but farmers' optimism was tempered by recognition conditions can't get much worse.*
- *Seasonal conditions remain the leading cause for concern.*
- *SA grain growers were the most optimistic about what the year ahead will hold in store.*

Australian farmers have entered the year with renewed optimism and nowhere was this more evident than in South Australia, where sentiment rallied strongly.

However, although SA recorded the largest turnaround in confidence across the nation – with farmers in the state now the most optimistic in Australia about prospects for the year ahead – concerns about the impacts of recent poor seasonal conditions were still very evident in the sector.

The quarter one Rabobank Rural Confidence Survey, released today, saw SA farmer confidence return to positive territory – with more farmers anticipating conditions will improve than worsen in the coming 12 months – rebounding from a net -32 per cent in the December survey to now sit at 25 per cent.

This is the highest level of farm sentiment recorded in the state since September 2021, with 38 per cent of farmers anticipating the agricultural economy will improve in the coming 12 months, up from 18 per cent with that view in the previous quarter.

After grappling with very dry weather in a number of regions in 2024, this quarter, 56 per cent of the state's farmers cited beneficial seasonal conditions as having a positive impact on the outlook of the agricultural economy, up from 46 per cent the previous quarter. Just over a quarter (27 per cent) were also optimistic about rising commodity prices.

Confidence rallied across the state, up to a high of 48 per cent of respondents expecting an improved year ahead in the South East, and with farmers on the Yorke Peninsula experiencing the biggest surge in confidence. The state's grain growers were found to be the most positive about their prospects for the year ahead, although beef and sheep producer confidence also rose strongly, propped up by stable and favourable market conditions on the cards.

However, Rabobank regional manager for South Australia Roger Matthews said it was "telling" that the number of farmers who expect little change to current conditions had increased, up from 30 per cent last quarter to 42 per cent.



“SA farmers faced very challenging conditions during 2024, with a very late seasonal break, minimal rain during the growing season, compounded by significant frost events and topped off by some detrimental falls of rain during harvest,” Mr Matthews said. “So, when 42 per cent of our farmers say they expect the status quo to continue, this reflects that their confidence has already taken a hit and they don’t anticipate things to change.

“However, it is encouraging to see that the dial has shifted upwards, with only 13 per cent of SA farmers expecting conditions to deteriorate – well down from more than half (51 per cent) who held this negative outlook at the end of last year.”

The renewed optimism felt across the state also reflects the long-term trend of SA farmers entering the new year with confidence, he said.

“This reflects the timing of the first quarter survey period, ahead of the critical seasonal break and before grain growers start sowing their winter crops,” Mr Matthews said.

“The regional confidence we see in the South East, in particular, can be attributed to more favourable spring conditions which supported feed availability through summer and will underpin livestock reproduction rates.”

Drought concerns

As farmers emerge from summer and look to the year ahead, he said, it was unsurprising that seasonal conditions continue to play heavily on their minds.

Drought remained the leading cause for worry, however that concern eased slightly – nominated by 63 per cent, back from 70 per cent in the previous quarter.

“This time of year is naturally a dry period in SA so although farmers are looking ahead to the coming season with optimism, there is a genuine concern – especially among the state’s grain growers – about depleted sub-soil moisture,” Mr Matthews said.

“Last year, the yields SA grain growers managed to produce on historically-low rainfall were nothing short of amazing – but they were able to draw on soil moisture reserves from out-of-season rainfall in November/December 2023 and January 2024.

“This year, growers are heading into planting with nothing in the tank in terms of sub-soil moisture. We can expect to see some fine-tuning of cropping programs in response, for example potentially less canola in the rotation.”

Mr Matthews said, on the upside, the lack of summer rain had reduced the need for summer spraying.

“In addition to reducing their input costs, growers now have a good stock of knockdown herbicides and, as a result of reduced requirements last year, fertiliser inventory in reserve on-farm for the year ahead,” he said



“We often learn most through adversity and if there was a positive of 2024, we now have a whole generation of farm managers who experienced their toughest year ever, and they are now equipped with insights to guide management decisions into the future.”

Economic concerns showed some easing this quarter. SA farmers were less worried about falling commodity prices (nominated by 18 per cent, back from 29 per cent last quarter) and rising input costs (17 per cent, back from 33 per cent).

With lambing rates down in SA, as a result of wide-spread destocking during the drought or poorer condition on ewes, sheep producers are positive about market signals which indicate some upside to prices in response to the reduction in lamb volumes, Mr Matthews said.

Commodities

Red meat producers with sheep in their system were found to be the most confident about the positive impact of improved commodity prices for the year ahead.

For beef producers, their optimism was largely driven by expectations of stable prices in 2025, underpinned by domestic and global factors, Mr Matthews said.

The state’s milk producers were also optimistic about supply and demand, with dairy farm margins poised to benefit from improving farmgate prices through 2025, high commodity returns and a softer currency.

Although concerns about the impact of overseas markets/economies remained stable this quarter at 19 per cent, there was increased worry in SA about the impact from government intervention/policies (19 per cent, up from 10 per cent last quarter) and the threat to live export (15 per cent, up from eight per cent).

The survey period captured some optimism around lowered interest rates, with an increase in SA farmers thinking this will be a factor for improved economic conditions for the year ahead (13 per cent, up from four per cent last year).

In the wake of the US elections, concerns about tariffs and President Donald Trump emerged as a slight concern (respectively, four per cent and seven per cent) for SA farmers.

Investment and income

Although there was a rebound in positive farmer sentiment in the state, investment appetite failed to follow, with just 18 per cent of SA farmers intending to increase their investment in the year ahead (back from 26 per cent with that intention in December). However, around two thirds of SA farmers expect to maintain investment at current levels (65 per cent, up from 48 per cent) and fewer plan on winding back spending.



On the back of the renewed optimism, Yorke Peninsula farmers hold the strongest investment appetite, with a quarter planning to increase investment.

Across the board, 60 per cent of SA farmers intend to spend more on on-farm infrastructure such as fences, silos and yards (up from 54 per cent), a third plan to adopt new technologies (stable quarter-on-quarter) and there is also a renewed focus on irrigation/water infrastructure (23 per cent, was 16 per cent) and new plant/machinery (20 per cent, up from 14 per cent).

“This increased interest in water infrastructure reflects SA farmers’ desire for water security, as well as uptake of drought infrastructure rebates to offset costs of upgrading pipes, tanks and troughs,” Mr Matthews said.

The more optimistic outlook for seasonal conditions also influenced investment intentions around herd/flock expansions – at the end of 2024, only 12 per cent of the state’s farmers expected to increase livestock numbers but this quarter, 16 per cent plan to increase numbers this year.

“This reflects potential restocking by those who reduced numbers last year and an expectation of improved feed availability this year,” Mr Matthews said.

There was a small increase in the number of SA farmers who hold expansionary intentions via property purchase (15 per cent, up from 12 per cent). Grain growers were the most likely to invest in new farmland over the next 12 months.

“SA farmers remain reluctant to take on expansion at the moment and we’re not seeing much depth in the rural property market,” Mr Matthews said. “There are fewer transactions and buyers are far more discerning, meaning rural properties are spending more time on market.”

In line with the surge in confidence levels, on-farm income expectations increased to the highest level since December 2022, with three times as many SA respondents (39 per cent, up from 13 per cent) expecting their gross farm incomes to increase in the year ahead, while those who expected their income to decline nearly halved (27 per cent, down from 60 per cent last quarter).

South Australian sheep producers were the most bullish about their income projects, with 45 per cent expecting their income to increase over the next 12 months, up from just nine per cent at the end of last year.

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.



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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 2025.

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