



Dry season takes toll on SA farmer confidence, but long-term position remains strong

Results at a glance:

- *South Australian rural confidence dips amid ongoing seasonal concerns*
- *Income expectations down across all farm sectors*
- *Long-term outlook remains strong, reflected in investment intentions and strong viability levels*

Sentiment amongst South Australian farmers may be low as they reflect on a disappointing end to the season, but the latest Rabobank Rural Confidence Survey suggests the state's long-term prospects remain firm – reflected in robust farm business investment and strong reported viability.

Dry conditions have taken a considerable toll on local farmers, with the state's rural confidence slumping to its lowest level in 12 months, from a net reading of +16 per cent last quarter to -4 per cent this survey.

Despite the decline though, optimism among South Australian farmers still outstrips that of their inter-state counterparts.

And regardless of the sharp drop in confidence, the overwhelming majority of farmers in the state – 95 per cent – still rate their farms as viable.

The latest survey, released today, found half of surveyed South Australian farmers were expecting little change in economic conditions over the next 12 months, while those with an optimistic outlook dropped to 20 per cent (down from 37 per cent last survey). Almost a quarter (24 per cent) expected conditions to deteriorate.

As drought conditions creep further across the state, so too has negative sentiment, with 91 per cent of those expecting operating conditions to worsen blaming the season (up from 79 per cent last quarter).

Rabobank regional manager for South Australia, Roger Matthews said after having endured two comparatively tough seasons, including limited winter rain and a tight spring, farmers were preparing themselves for a typical dry summer.

“The past two seasons have typically been drier across the state, so, with the summer dry spell about to kick in, there's little surprise sentiment is down,” he said.



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With the disappointing finish to the season coming off the back of a stellar few years up until 2017, particularly in the south-east, historic expectations may also have contributed to the drop in grower sentiment, he said.

The decline in confidence was recorded across all commodity sectors, but particularly beef, where sentiment took a significant hit from last quarter's high.

A total of 30 per cent of SA beef producers surveyed reported a pessimistic view on the coming 12 months, up from just eight per cent with that view last quarter. That said, 43 per cent of beef farmers expect conditions to improve – the most optimistic outlook of any surveyed commodity sector in the state.

Confidence in the sheep sector remained relatively steady, albeit at slightly subdued levels, with more than half (56 per cent) expecting a continuation of current conditions.

Mr Matthews said sheep producers in the south-east, where drier conditions can often be more favourable, had benefited from the season.

However, he said, the tight spring resulted in a sharp lack of production across many other regions, with low lambing percentages a major contributing factor.

After a roller-coaster winter cropping season, which began off the back of the driest summer/autumn conditions in a century, just-in-time rainfall had farmers' hopes cautiously raised, but limited spring rain had resulted in only some regions managing to achieve average yields.

Rainfall for the year to date in some parts of the Eyre Peninsular has been close to a 10-year low, while, in a cruel twist, September frost delivered the final blow across a number of regions.

As such, confidence in the grains industry also deteriorated. Those SA grain growers expecting conditions to worsen climbed to 34 per cent (from 24 per cent previously) and just 14 per cent (half of last quarter's 30 per cent) looked forward to an improvement in the year ahead.

Dry weather was the key factor driving deteriorating confidence in all sectors, however Mr Matthews was confident that the long-term prospects for the region remained strong.

"South Australia has enjoyed strong past seasons and we have robust, viable businesses that are continuing to seek investment opportunities," he said.

"An escalation in land prices, with property continuing to sell well despite the season, also drives long-term confidence and is indicative of the safe nature of the region."



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The survey results reinforce this long-term optimism, as reflected in investment intentions, with almost a quarter (24 per cent) of surveyed SA farmers looking to increase their investment over the coming 12 months, up from 17 per cent.

Of those intending to up investment, 44 per cent said this would be earmarked for property (up from 25 per cent).

While SA farmers are expecting a decline in their own gross farm incomes over the next 12 months, Mr Matthews believed the robust investment figures tell the real story.

“Overall SA producers can see beyond the current dry spell and are maintaining a longer-term focus,” he said.

“The fact that livestock prices have held up despite the incredibly dry season is a rare phenomenon, and builds enormous optimism. I can’t recall such an extensive, dry season as this where livestock prices held strong.

“For those who have retained breeding stock with capacity to re-build their herd, future prospects remain positive, with prices expected to further increase once the season turns.”

Income projections were highest among the state’s beef producers, with almost half (49 per cent) expecting a higher farm gross income in 2020, while sheep producers were also relatively positive about their income prospects, with 37 per cent expecting an improved financial result in 2020.

Even in the embattled cropping sector, 2019 proved SA’s resilience under seasonal pressure.

“To harvest a crop this season off very little in-crop rain came as a surprise, and indicates the potential of the state’s agricultural land,” Mr Matthews said.

“While summer rain was minimal, fallowed paddocks proved their strength, enabling producers to grow a crop during a very tight season.

“Confidence may be lacking right now as the state’s farmers assess the below-average season, but with the very vast majority still confident in the viability of their operation and the region, a break in the season is all that’s needed to turn negative sentiment around.”

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 2020.



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