



Dry start to season tempers South Australian farmer confidence

Results at a glance:

- *SA farmers rein in expectations for the year ahead on dry start to season*
- *Rural confidence, however, still at historically-high level for this time of year*
- *Farm income projections remain strong on back of wheat, canola, lentil, sheep and beef prices*

South Australian farmers have tempered their expectations for the season ahead with dry conditions across much of the state until the past week, the latest quarterly Rabobank Rural Confidence Survey has shown.

Sentiment particularly edged back in the grains sector, with many of the state's growers dry-sowing winter crops due to lack of season-opening rainfall.

However, overall confidence across South Australia's wider agricultural sector remained at historically-high levels for this time of year on the back of commodity prices – particularly for wheat, canola, lentils, sheep and beef.

The survey, released today, found approximately a quarter (23 per cent) of SA farmers were expecting conditions in the agricultural economy to improve in the next 12 months. This was down from the 32 per cent with that view in the previous quarter.

The majority though (67 per cent) expect business conditions to be unchanged from last year and just five per cent expected them to worsen.

Positive sentiment was largely underpinned by commodity prices, with 75 per cent of those SA farmers expecting conditions to improve citing markets as the key reason for their optimism – up from 61 per cent last quarter.

Seasonal conditions were less of a positive driver of confidence this quarter – nominated by 31 per cent as cause for optimism (down from 54 per cent last survey).

And of those farmers in the state who were expecting conditions to worsen, half blamed the season for their pessimistic outlook.

Rabobank regional manager for South Australia Roger Matthews said despite the dry seasonal conditions through summer and autumn, confidence had held up well.

"I expected farmer confidence could have come back a bit further," he said, "given below-average rainfall in the year to date and the very dry summer."

Mr Matthews said good falls of rain in many parts of the state in early June will have been very welcome.



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With much of the state's crop now in – and Rabobank forecasting SA winter crop plantings of 3.6 million hectares (down one per cent on last year) – Mr Matthews said the rain in the past week was an enormous relief for most given the majority of planting was dry sown.

While planting conditions have been far from ideal, the rainfall outlook is positive for the months ahead, with the prospect of a wetter-than-average winter.

“Currently the Bureau of Meteorology has pegged at least a 60 per cent chance for most of the state to receive above-average rainfall over winter,” he said.

Seasonal concerns saw sentiment in the state's grains sector ease, with the proportion of surveyed grain growers expecting an improvement in business conditions in the coming 12 months falling to 19 per cent, from 29 per cent in the March quarter. Those expecting stable conditions stood at 69 per cent, while just six per cent reported they were anticipating a deterioration.

Confidence also edged back in the SA sheep sector – albeit to remain strong – with 26 per cent of graziers expecting business conditions to improve (compared with 49 per cent last survey) and 70 per cent expecting little change to current conditions.

“While there has been some additional feeding going on, sheep prices remain high and wool prices have also improved in recent weeks,” Mr Matthews said.

The survey, completed last month, found beef producers, though, to be bullish about their prospects, with 46 per cent expecting conditions in the agricultural economy to improve – more than double the 21 per cent with that view in the previous quarter.

Mr Matthews said this was “a price story, with beef prices virtually at record levels”.

The strong commodity prices across sheep and beef – and also wheat, canola and lentils – are set to underpin incomes in the 2021/22 financial year, with the survey finding 34 per cent of SA farming businesses are expecting a higher gross farm income over the coming 12 months, albeit down from the 43 per cent that had that expectation last quarter. A total of 51 per cent were expecting a similar financial result to last year (up from 41 per cent).

Despite reporting lowered confidence levels, grain growers held particularly strong income projections, with 41 per cent expecting a higher gross farm income in 2021/22 – up from 31 per cent in the March quarter.

Mr Matthews said the bank was forecasting wheat prices to track around \$300/tonne this year, while canola prices were expected to remain elevated. Lentil prices were also likely to remain supported with news the Indian government is lowering its trade barriers on some pulses.

In terms of investment, 25 per cent of farmers reported they were looking to increase their investment in the 12 months ahead (from 32 per cent last quarter), while the majority – at 69 per cent – were planning to maintain investment at current levels.



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“Many farmers have already spent their instant write-offs this financial year, but the tax incentive has provided a boost to what is already a very strong appetite for investment,” Mr Matthews said.

“Meanwhile land prices remain high and this is indicative of the longer-term positivity prevailing in South Australia’s agricultural sector.

“Now all we need is continued good generalised soaking rain.”

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 September 2021.

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