



Rising input costs dampen South Australian farmer confidence

Results at a glance:

- *SA rural confidence moves into 'negative territory' for the first time since September 2020*
- *Rising input costs main factor dampening SA farmers' outlook*
- *Farm income expectations have also softened over the last quarter*

Good late winter rain has not been enough to prevent South Australian rural confidence declining in the latest quarter, as the state's farmers grapple with rising input costs.

The latest quarterly Rabobank Rural Confidence Survey, released today, found SA rural sentiment had moved into 'negative territory' for the first time since September 2020 – with more farmers now expecting agricultural conditions to deteriorate than improve in the year ahead.

Rising input costs were found to be the main factor dampening South Australian farmers' outlook – cited by 54 per cent of those who had a pessimistic view on the 12 months ahead.

Rising interest rates were mentioned by 15 per cent of those who were expecting agribusiness conditions to decline (up from no farmers voicing that worry in the previous quarter) while the heightened risk of foot and mouth disease (FMD) was also a concern for 31 per cent.

The latest survey, completed last month, found while 46 per cent of the state's farmers believed agribusiness operating conditions would remain stable in the coming 12 months, 29 per cent were expecting conditions to worsen. This was up on just 13 per cent with that view last quarter.

Those with an optimistic outlook also declined this survey – 16 per cent compared with 23 per cent previously.

Rabobank regional manager for South Australia Roger Matthews said after a dry start to winter this year, there had been good general rainfall across much of South Australia through July and August. But the improvement in seasonal conditions hadn't outweighed farmers' concerns about high input prices and easing commodity prices. While biosecurity worries were also adding to the mix.

"South Australia is enjoying a good crop growing season over much of the state. And we are seeing some good crops coming through in parts of the Mallee, after a tough season last year, although those Mallee producers are still concerned about the season ahead," he said. "But despite the good season, the combination of rising input costs and an easing



of commodity prices in the grain, sheep and beef markets has impacted local farmer confidence.”

Just over a quarter of South Australian farmers surveyed who were expecting agribusiness conditions to decline referred to falling commodity prices as a concern. This was up from eight per cent who had this concern last quarter.

Mr Matthews said the recent concerns regarding FMD was, understandably, found to have had the most impact on confidence in the state’s beef sector. Sentiment within this sector was the lowest in the state – with 38 per cent of beef producers anticipating business conditions to worsen in the 12 months ahead and just 10 per cent expecting them to improve.

“The presence of foot and mouth disease in neighbouring countries has created angst within the Australian livestock sector,” Mr Matthews said.

Grain growers, on the other hand, were the most optimistic sector in the state – with confidence largely driven by strong commodity prices and international economic opportunities. Rising input costs – for fertiliser and fuel – were cited as their main concern.

This quarter, all survey respondents were specifically asked their views about the potential impacts of biosecurity risks on the Australian agribusiness sector, with 80 per cent of South Australian farmers indicating they were extremely concerned about the risk of FMD. Other biosecurity risks were also reported as a concern, including Varroa Mite and Lumpy Skin Disease.

While concerned about the disease risks, South Australian farmers are confident in the sector’s ability to manage a biosecurity threat– with 20 per cent extremely confident, 32 per cent very confident and 31 per cent confident.

Income expectations among the state’s farmers had also softened over the past quarter, although more still expect their incomes to increase than to decrease – with 28 per cent anticipating a lift in incomes in the next 12 months (compared with 37 per cent in the previous survey), and 21 per cent expecting a decrease (previously 14 per cent). A total of 46 per cent expect their incomes to remain the same.

Farm investment intentions remained stable, with 24 per cent of the state’s agricultural producers planning to spend more on their farm businesses in the coming 12 months and 60 per cent to maintain current investment levels. The number of farmers intending to decrease investment in their business increased to 13 per cent (from two per cent last quarter).

Investment was primarily planned to go into on-farm infrastructure (including upgrading fences, yards and silos), new plant and machinery and increasing livestock numbers, as well as adopting new technologies.



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Mr Matthews said while 78 per cent of farmers planning to increase their investment were looking to buy new machinery, “we know they are going to face prolonged delivery times due to ongoing global supply chain issues”.

“These delays are making sourcing new machinery and equipment incredibly challenging for farmers,” he said.

Appetite for property purchase to expand farming operations in South Australia was shown to have picked up slightly – nominated by 27 per cent of those planning to increase their investment spending this quarter, compared with 21 per cent three months ago.

Mr Matthews said the current problem of accessing farm labour would be tempering some of the interest in business expansion.

“Access to labour is proving to be a major hurdle for farmers looking to expand their businesses, irrespective of the sector they operate within,” he said. “Those sectors with higher labour requirements – such as horticulture or dairy – are likely to be most challenged as there is little local labour available in South Australia and finding and retaining skilled international labour is not easy in the current market.”

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 2022.

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