



SA farmer confidence dips despite record harvest

Results at a glance:

- *Rural confidence has dropped in South Australia.*
- *SA farmers point the finger at falling commodity prices as leading reason business conditions will worsen.*
- *Concerns around rising input costs and labour shortages have eased.*

Despite a record harvest for many, South Australian farmers started 2023 with lowered confidence, eroded by falling commodity prices and rising interest rates.

The latest Rabobank Rural Confidence Survey, released today, found SA rural confidence dropped compared to last quarter, with only 15 per cent expecting agricultural economic conditions to improve in the year ahead (down from 19 per cent previous survey), 53 per cent expecting them to stay the same (up from 49 per cent) and 31 per cent tipping conditions to worsen (up from 24 per cent).

With commodity prices easing back from historical highs, 81 per cent of SA farmers cited this as a key reason they expect conditions to worsen, up from 51 per cent with that concern last quarter. A quarter (25 per cent) of farmers flagged rising interest rates, also up significantly from six per cent in the previous survey.

New drivers contributing to reduced confidence also emerged, with the rising Australian dollar listed by 12 per cent of those who anticipate conditions to worsen, and drought by six per cent – neither rated a mention by SA farmers in the previous survey.

Rabobank regional manager for South Australia Roger Matthews said although commodity prices have eased, grain growers across the state had received significant yields on the back of beneficial spring conditions.

“It really was an amazing spring, which set grain growers up for excellent harvest – we’re hearing so much optimism from growers on the ground,” Mr Matthews said.

“While there were some small pockets of the state which missed the sweet spot of the late spring rain, most regions produced the best yields they’ve had since 2016, from the Mallee to Ceduna.

“It’s fair to interpret the dip in confidence as reflecting farmers’ appreciation that it’s hard to get much better than the season they’ve just had.”

He said the drop in confidence in the livestock sector also reflected easing red meat prices.



“With the cattle and sheep industries well into the national flock and herd rebuild process, producers are coming to terms with the impact this is having on buying competition for livestock as well as sheepmeat and beef prices,” he said.

Mr Matthews said the emergence of drought on farmers’ radar reflected the anticipation of drier seasons, in line with the forecast that El Nino conditions are set to return after a run of La Nina years.

Previous influences which had placed downwards pressure on rural confidence in the state have eased, with fewer SA farmers now concerned about rising input costs (33 per cent, down from 49 per cent).

“Costs of key inputs such as fertiliser are often in lock-step with grain prices, so with easing commodity prices we frequently see easing of input prices,” Mr Matthews said.

Concerns about labour shortage were also alleviated, with no farmers listing this as a cause for concern this quarter, down from 11 per cent in the previous survey.

“Labour is less of a concern with the return of backpackers to Australia. This survey was also conducted at the end of the peak harvest period, reflecting that the pressure is off for grain growers when it comes to filling their seasonal harvest team,” Mr Matthews said.

On the back of the dry summer, concerns about too much rain also didn’t rate a mention for SA farmers (down from eight per cent in the previous survey, which coincided with the spring).

“The dry summer meant less summer weed control, which reduced reliance on inputs for grain growers. It also was less of a concern for red meat producers this year, as they have a good body of feed heading into the autumn break thanks to spring rains which set up feed base and also provided a bulk of stubbles for mixed enterprises,” Mr Matthews said.

The “balancing act” of increased interest rates and generally positive on-farm conditions saw farmers’ investment intentions ease in SA this quarter, albeit at still strong levels, Mr Matthews said.

“We have a situation where income far exceeded the budget for many farmers – so although input costs have definitely risen in recent years, bottom line profitability has risen more steeply and there’s plenty of cash in the system,” Mr Matthews said.

“As a result, it’s pleasing to see a bump up in the viability of SA businesses – 84 per cent of farmers believe they are viable/easily viable, up from 82 per cent last quarter.”

Despite this strong financial position, the number of SA farmers looking to decrease their investment was stable (up just one per cent), while the number looking to increase their investment reduced from 35 per cent to 25 per cent.



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March 16, 2023**

Debt levels are also expected to remain stable, with the number of surveyed farmers in SA looking to decrease debt staying unchanged at 30 per cent, while the number looking to increase debt has reduced from 18 per cent to 16 per cent.

“Increasing interest rates are a concern for a quarter of SA farmers, and we’ve now seen investment intention start to ease from the high levels of last year,” Mr Matthews said.

“However, it’s still strong with one in four SA farmers intending to expand. This reflects the robustness of farming in the state right now.”

More than half of SA farmers surveyed who intend to increase their borrowings over the next 12 months plan to purchase property to expand their farming enterprise.

“Interest rates do impact confidence as one of the main drivers around land values, along with the season and commodity prices,” Mr Matthews said.

“We’re still seeing land values hold in SA with very aggressive competition at farming auctions. For example, on the Yorke Peninsula, recent public auctions have delivered record prices. This region is a significant producer of lentils and, although lentil prices are back, the yields delivered this harvest are driving confidence.”

Mr Matthews has also observed farmers in the state taking a concerted look at their operations and scale, to assess how they can maintain efficiency.

This was supported in the latest survey, which found expanding property for scale benefits, investing in equipment, and improving processes and efficiency were the top three areas farmers will focus on in the next five years to maintain the success of their businesses.

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 2023.

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