



Commodity price concerns drive down SA farmer confidence

Results at a glance:

- *SA rural confidence declines in latest quarter.*
- *Commodity prices leading reason for farmers' negativity.*
- *Concerns around rising interest rates have eased.*

The number of South Australian farmers who are concerned about the agricultural economy has increased, driven by falling commodity prices and seasonal uncertainty coming into spring.

Although SA's rural sentiment had held steady last quarter, the latest Rabobank Rural Confidence Survey, released today, saw the state join the rest of Australia, with farmer confidence falling nationally.

SA farm sector sentiment declined significantly from a net -16 per cent last quarter to -43 per cent in the latest survey, with falling commodity prices cited as a concern by 64 per cent of farmers who anticipate conditions to worsen.

The survey, completed last month, found 50 per cent of the state's farmers were anticipating deteriorating conditions in the agricultural economy in the 12 months ahead (up from 26 per cent with that view last quarter), while just seven per cent expected an improvement (from 11 per cent previously). A total of 42 per cent were anticipating conditions in the agricultural economy to remain the same.

Rabobank regional manager for South Australia Roger Matthews said a dip in sector confidence was not unusual at this time of year.

"There's a long-term trend of reduced confidence at this time of year, as the third quarter survey falls in the middle of uncertainty around what the crucial spring period will deliver," he said.

"This is especially so for the state's grain growers who are still facing the main frost risk period.

"It also goes hand-in-hand with farmers' anticipation for a drier finish this year, following the forecast that El Niño conditions are set to return after a run of La Niña years."

Respondents to the latest Rabobank Rural Confidence Survey were more concerned about dry conditions this quarter, with 20 per cent of SA farmers who expect conditions to worsen nominating drought as a key reason, up from 12 per cent in the previous quarter.



“SA’s grain growers had a late seasonal break this year, especially in the Mallee, Mid-North and Eyre Peninsula. This was especially compounded by a dry July for many regions,” Mr Matthews said.

“However, August delivered useful falls of rain across the state which, while not arriving in time to ease concern for this survey’s respondents, have since been welcomed by farmers.

“The south east of SA experienced one of the best seasonal breaks in years, which was reflected in the survey with fewer growers in this region concerned about drought compared with other areas which have weathered a drier growing season.”

Although falling commodity prices remained top of mind for SA farmers who were anticipating declining conditions in the agricultural economy, there was a slight easing of concern with 64 per cent listing this as a worry, down from 68 per cent in the previous quarter, and back from a high of 81 per cent in the first quarter of 2023.

While interest rate concerns eased last quarter, they resurfaced in the latest survey, with 23 per cent of farmers citing rates as a reason they anticipate economic conditions worsening, up from 10 per cent in the previous survey.

There was also more unease this quarter around overseas markets/economies – nominated by 23 per cent as a cause for their pessimistic outlook (up from nine per cent with that concern in the previous survey) – and threats to live exports (a worry 12 per cent, compared with four per cent previously).

“Sheep producers in SA are very mindful of the federal government’s plan to phase out the live export of sheep,” Mr Matthews said.

Seasonal and market factors combined to see only 13 per cent of SA farmers expect their farm income to increase over the next 12 months (down from 19 per cent in the previous survey). And while a quarter of SA farmers expected their farm income to decrease last survey, this jumped significantly to 61 per cent in the latest results.

These factors played into a deteriorating investment outlook in SA, where fewer farmers expect to increase their on-farm investment (12 per cent, down from 27 per cent in the previous quarter) and more expect to decrease investment (15 per cent, up from 10 per cent).

Fewer SA farmers are also looking to increase their level of debt (eight per cent, down from 16 per cent the previous quarter).

Mr Matthews said this reflected how farmers are coming to terms with the ‘new normal’ of pricing, down from historical highs experienced in recent years, especially for red meat and wool.



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**Media Release
September 13, 2023**

“Commodity prices are really impacting investment intention in South Australia,” he said.

“Whereas over the past two years, there was strong interest in property purchases, we’re now seeing more requests for working capital. This is indicative of margins being squeezed, especially for prime lamb enterprises where prices have really pegged back a long way from what they were 12 to 18 months ago.”

There’s more positivity from grain growers, however, he said. “For example, with recent improvements in lentil prices. Many growers have also had cashflow injections from holding last year’s grain and selling it into this financial year, so we haven’t seen the same level of working capital requests coming through from grain producers.”

Of those looking to increase investment, significantly fewer farmers indicated they intended to invest in on-farm infrastructure (just 29 per cent compared with 67 per cent last quarter).

New plant/machinery was the main area where SA farmers intended to invest (identified by 59 per cent of those planning to increase their investment).

While the survey indicated nearly a quarter of SA farmers who intend to increase investment have earmarked property purchases to expand their farming operations – up from 18 per cent in the previous quarter – Mr Matthews said the rural property market was experiencing reduced appetite.

“The depth of buyers has reduced compared with the past 12 to 18 months, so while we are still seeing strong prices, there are fewer registered bidders,” he said.

“South Australian farmers are making more discerning property purchases, focusing on ‘must have’ acquisitions such as strategic expansion to their enterprise, rather than ‘nice to have’ land purchases.”

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 2023.

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