



## ***Red meat markets prop up South Australian farmer confidence***

### ***Results at a glance:***

- *South Australian rural sentiment has improved this quarter.*
- *Improved red meat markets helped prop up confidence levels.*
- *Seasonal conditions remain the leading cause for concern.*

**South Australian farmer confidence has rallied in the latest quarter – on the back of positive signals from red meat markets – however sentiment remains at low levels as the state grapples with the impact of dry weather conditions.**

**The quarter three Rabobank Rural Confidence Survey, released today, found there had been an uptick in SA farmer sentiment, however net rural confidence remains firmly in ‘negative territory’, with more of the state’s farmers expecting agribusiness conditions to worsen than to improve.**

**Net rural confidence in South Australia climbed to -27 per cent, from -38 per cent last quarter.**

**This was in line with the national trend, which saw farmer confidence levels increase across the country in the latest quarter. However, SA farmer sentiment was found to be the lowest in the nation.**

**Ongoing dry conditions, rising input prices and falling commodity prices were the leading worries for the state’s farmers, however concern about all three factors did ease this quarter.**

**The latest survey, completed last month, found 17 per cent of South Australian farmers surveyed were expecting agri economic conditions to improve in the coming 12 months (up from just eight per cent last quarter). Slightly fewer SA farmers were also expecting conditions to decline – at 44 per cent, compared with 46 per cent previously. A total of 35 per cent believed conditions in the agri economy would remain the same.**

**As farmers across the state continue to feel the pinch from below-average winter rainfall, drought remained the greatest cause for concern. It was cited by 44 per cent of South Australian farmers, albeit down from 47 per cent with that concern last quarter.**

**Rabobank state manager for South Australia Roger Matthews said the wide-spread dry conditions across the state continued to weigh heavily on many farmers’ minds.**



“SA confidence took a nosedive last quarter as farmers waited on a seasonal break. When it did eventuate, it was marginal at best and rainfall totals remained below average across most of the state through winter,” he said.

“This latest survey period did overlap with some small rain events, which may have contributed to the slight reduction in worry about drought, but it remains top of mind for nearly half of the state’s farmers.”

There was only a small increase in optimism about weather conditions, with 28 per cent of respondents listing improved seasonal factors as a cause for positivity, compared with 26 per cent last quarter.

“The seasonal impact is being felt by all sectors. Grain growers are preparing for significantly-reduced tonnage and livestock producers are continuing to bear the brunt of costly feed bills, thanks to reduced pasture growth which necessitates continuing supplementation,” Mr Matthews said.

With no useful rain on the horizon during the survey period, commodity prices – particularly more promising cattle prices – provided the bright spot to buoy red meat producers’ spirits.

Rising commodity prices were found to be an increasing cause for optimism among the state’s farmers this survey – nominated by 37 per cent, compared with 24 per cent last quarter. Likewise, overseas markets/economics rose in prominence as a driver of positivity – for 29 per cent this quarter, from 20 per cent previously.

Mr Matthews said cattle prices had been “solid”, with improvements through July for cows and heavy steers, “and young cattle prices are also starting to move up as the impact from global beef demand – especially from the US – flows back to the Australian market to help elevate prices”.

Rabobank analysis points to cattle prices being expected to continue tracking upwards in coming months.

“Livestock producers are hanging their hopes on positive signals from the red meat markets,” Mr Matthews said.

“However, in discussions with farmers and clients, the feeling is certainly one of cautious optimism.”

The markets have been less favourable to grain growers, with global bearish trends, combined with promising yields in other Australian grain-growing states, putting pressure on domestic wheat prices.



“In addition to soft grain prices, SA growers are on tenterhooks as we move towards warmer weather and the risk of hot, windy days which will really impact how crops finish, given the reduced soil moisture levels,” Mr Matthews said.

“So much is relying on a good spring this year, more so than in previous years where a dry growing season was offset by soil moisture reserves. If La Niña conditions do eventuate, it could bring much-needed rain – as long as it doesn’t arrive too late for SA’s grain growers.”

Other factors eroding farmer confidence in the state included rising input costs, although these were of less concern this quarter, the survey found – cited by 29 per cent, down from 36 per cent.

Concerns also eased around government intervention/policies and the impact of interest rates, however worries about threats to live export increased, following the July announcement that live export of sheep will end in May 2028.

The survey found the number of SA farmers who plan on increasing investment in their farm business was stable at 19 per cent (18 per cent last quarter), although more plan on decreasing their investment (17 per cent, was 11 per cent).

“Despite the overall lift in confidence, the seasonal conditions have pushed down farmers’ confidence to invest,” Mr Matthews said.

“Livestock producers who have destocked don’t have the confidence to rebuild flocks and herds the way the season is tracking, and those who have retained stock are still footing costly feed bills. For grain growers, expectations of reduced yields are likely to result in tightened margins.”

On-farm infrastructure was still the leading area of planned investment, but fewer farmers intend to build fences, yards and silos over the next 12 months (46 per cent, back from 61 per cent last quarter). There was also reduced appetite to spend on adopting new technologies (planned by 28 per cent this quarter, down from 35 per cent). Investment in new plant/machinery held steady with a fifth of SA farmers looking to spend on equipment.

“Nearly half of SA farmers still intend to invest in on-farm infrastructure, which is not insignificant,” Mr Matthews said “However, a rebalance is occurring, following on from the incentives during the COVID period which underpinned a lot of investment in equipment, machinery and shedding infrastructure over the past two or three years. We expected this to eventually ease, and signals are this is now happening.”

There was a small uptick in the number of the state’s farmers who plan to purchase property to expand their farming operation (13 per cent, was 10 per cent), supported by tempered concerns about interest rate rises.



**Rabobank**

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Mr Matthew said Rabobank had revised its current forecast on the RBA cash rate to no longer include further hikes, although a rate cut isn't expected for the rest of the year.

SA farmers' income expectations remained stable – grain growers anticipated a decline in their income on the back of reduced harvest expectations, but livestock producers were more confident their income levels would increase or stay the same.

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 2024.

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