



Victorian farmer confidence on the up

Results at a glance:

- *Victorian rural confidence has staged a mild recovery*
- *Favourable seasonal conditions and positive commodity prices were the main factors boosting confidence*
- *Sentiment was up among grain and beef producers*
- *Farmers' investment intentions have remained relatively stable*

Victorian rural confidence has staged a modest recovery, with the state's farmers boosted by good spring seasonal conditions.

However, confidence remains relatively weak as grain producers nervously await the outcome of harvest, with concerns about a repeat of last year's wet conditions which damaged crops.

The latest Rabobank Rural Confidence Survey – completed approximately a month ago – shows Victorian farmer confidence has improved from last quarter's lows.

The survey found Victorian farmer confidence had climbed to positive territory with more primary producers now expecting the agricultural economy to improve than those expecting conditions to deteriorate. While 23 per cent of Victorian primary producers expected the agricultural economy to improve over the next 12 months – down slightly from 24 per cent last survey – only 19 per cent expected conditions to worsen (significantly less than the 28 per cent with that view previously).

A comprehensive monitor of outlook and sentiment in Australia's rural industries, the Rabobank Rural Confidence Survey questions an average of 1200 farmers across a wide range of commodities and geographical areas throughout the nation on a quarterly basis.

Rabobank general manager Rural Australia Peter Knoblanche said all areas of Victoria had benefited from a reasonably good start to spring, although some southern parts of the state remained very wet with potential problems expected in Gippsland.

“So far it's been a very good year for grain and the cereal crop harvest is expected to be average or slightly larger than average,” he said, “although some variation exists between locations.

“In Gippsland, there are concerns in particular about wet paddocks and facial eczema disease in livestock impacting dairy and meat production.”

Mr Knoblanche said the comparatively subdued confidence levels among the state's farmers were likely a reflection of concerns about the possibility of wet conditions during harvest downgrading grain quality.



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December 12, 2011

“With a La Nina weather pattern back this year, farmers are on tenterhooks that there might be a repeat of last year’s wet summer that saw what would have been a good year for grain marred by a wet harvest,” he said.

Mr Knoblanche said good grain yields – of average to above-average – should compensate for any downgrades as a result of lower protein levels.

Favourable seasonal conditions and commodity prices were cited as the two main factors driving confidence among farmers who had an optimistic outlook – cited by 47 per cent and 43 per cent respectively.

Victorian graziers, in particular, cited rising commodity prices as a cause for their optimism, Mr Knoblanche said.

“For dairy, while prices have softened, they remain at reasonable levels and dairy production throughout the state has been good,” he said. “This has been helped by a sharp increase in production in northern Victoria, which is enjoying the best conditions in some time, with major water storages full and the allocation outlook the most positive in years.”

Of those Victorian primary producers surveyed who expected the agricultural economy to worsen over the next 12 months, 28 per cent nominated concerns about the Australian dollar and 24 per cent cited government intervention and policies.

“The currency has shown some volatility over the recent quarter, but was at a high level during the time the survey was taken and is obviously a significant concern for exporters,” Mr Knoblanche said.

In terms of farmers’ own businesses, the latest survey found 38 per cent of Victorian respondents expected to see improved performance in the next 12 months (up slightly from 37 per cent in the previous survey). Only seven per cent expected performance to decline (down from 20 per cent previously). A total of 53 per cent expected performance to remain the same.

Victorian farmers’ investment intentions remained relatively stable, with 92 per cent intending to maintain or increase the level of investment in their business (compared to 90 per cent last survey).

A total of 47 per cent of Victorian producers reported higher gross farm incomes over the third quarter of 2011, compared to the same period the previous year, with 11 per cent reporting lower incomes.

Queried on the topic of foreign investment in agriculture, just over half (51 per cent) of Victorian farmers viewed it as a threat to Australian agriculture. Only 16 per cent of the state’s farmers believed foreign investment presented an opportunity for the Australian agricultural sector.

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 March 2012.



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