



Improving commodity prices and positive seasonal conditions drive leap in Victorian farmer confidence

Results at a glance:

- *Victorian farmer confidence rose significantly the latest quarter.*
- *Rising commodity prices and a good season credited as the main drivers of the improved outlook.*
- *Farmer investment intentions are up, along with farm income expectations.*

Stronger commodity prices and good seasonal conditions across much of the state through summer have seen a significant improvement in sentiment among Victorian farmers, the latest quarterly Rabobank Rural Confidence Survey has found.

This upward trend, following a decline in the last quarter of 2023, is in line with strong farmer confidence seen along the east coast and into South Australia.

The quarter one survey, released today, found net rural confidence levels in Victoria have increased from -39 per cent last quarter to +21 per cent.

The latest survey, completed last month, saw the state's rural confidence return to positive territory for the first time since June 2022 – with considerably more farmers reporting an optimistic view than pessimistic outlook on the year ahead. Previous surveys saw confidence weighed down by concerns about rising input costs, heightened risk of foot and mouth disease (FMD), lumpy skin disease, falling commodity prices and El Niño forecasts and declarations.

The number of Victorian farmers who expect agribusiness economic conditions to decline in the year ahead fell from 52 per cent last quarter to 15 per cent. Meanwhile, those farmers now taking an optimistic view of the year ahead increased to 36 per cent, from 13 per cent previously, while 44 per cent expect conditions to remain stable.

Of those farmers in the state who are expecting agribusiness conditions to improve, rising commodity prices (61 per cent) and good season (33 per cent) were the main drivers of optimism. The percentage expecting a good season increased from 18 per cent last quarter. For those farmers expecting business conditions to decline, weak commodity prices (42 per cent) and rising input costs (32 per cent) were the main concerns.



Rabobank regional manager for Southern Victoria and Tasmania Deborah Maskell-Davies said while much of the state has enjoyed good seasonal conditions this summer, “it has not been without its challenges”.

“And since the survey was completed, we have seen major storm damage in the east of the state and extreme heat and fires have taken their toll in areas to the west of Ballarat,” she said.

“However, the turn around in the seasonal outlook – from last year’s El Nino forecasts – coupled with the expectation that the livestock market had bottomed out last year and the subsequent improved commodity prices, has seen a notable rise in farmer sentiment.”

The survey found Victorian sheep producers were shown to be the most optimistic of all the state’s farmers this quarter, with 61 per cent anticipating agribusiness conditions to improve in the year ahead – a major turnaround from 14 per cent holding that view last quarter.

Ms Maskell-Davies said sheep producers will be looking to 2024 with hope the market will hold more promise than the variable conditions experienced in 2023.

“The large volume of livestock that hit the market last year, coupled with the dry outlook led to sheepmeat prices falling to some of their lowest levels in over 10 years,” she said “Strong rainfall late last year and the return of re-stocker demand has since seen prices rise but we continue to experience high volumes of lambs in the markets which are seeing prices – while higher than the lows from last year – soften again.”

The majority of Victorian dairy producers believe agribusiness conditions are set to remain unchanged in the year ahead (61 per cent this quarter, previously 34 per cent).

“The sentiment of farmers attending the recent Australian Dairy Conference was upbeat,” Ms Maskell-Davies said. “Farmers are receiving strong prices for their milk, with many locking in on two- or three-year contracts.

“And while global dairy prices may have bottomed out – the Australian market is insulated from that. Domestically we have a growing market, with dairy processors chasing milk to secure supply. As a result, Victorian dairy farmers are seeing good farmgate returns.”

Ms Maskell-Davies said the summer rainfall had delivered good water availability and affordability, giving dairy farmers the opportunity to build up feed reserves.

Beef sector confidence in the state has experienced a significant increase in the first quarter of 2024, with 40 per cent expecting the agricultural business conditions to improve in the coming year (up from 16 per cent in the previous quarter). Of these, over half (55 per cent) cited rising commodity prices as the key reason for their optimism, while 41 per cent are confident about the outlook for seasonal conditions.



Ms Maskell-Davies said Victorian beef producers are pleased to see the cattle market recovering, after a difficult 2023. “And strong competition – better than anticipated – for young cattle at recent weaner sales is hopefully a positive market signal,” she said.

The survey found confidence among Victorian grain growers to be relatively stable.

“The state’s grain growers enjoyed an above-average harvest last year, with reasonable yields,” Ms Maskell-Davies said. “The summer crops and irrigated crops are looking really good at present. And there has been enough summer rain to keep grain growers’ moisture strategies in place, ahead of planting the winter crop.”

Overall this quarter, investment appetite has lifted among Victorian farmers. More are expecting to increase investment in their farming business (17 per cent, up from 11 per cent last quarter) and fewer farmers are now looking to decrease investment levels (12 per cent, down from 35 per cent previously).

Interest in property purchase eased slightly, with 27 per cent of the farmers who are intending to increase their investment levels planning to buy farmland (down from 32 per cent).

“Interest in purchasing properties is a mixed bag across the state – ranging from subdued in some areas, to plenty of interest and activity in other localities,” Ms Maskell-Davies said. “Victorian farmers are expected to be more discerning when looking to purchase property this year. And increasing their levels of due diligence if they are considering expanding.”

Among those Victorian farmers planning to increase their farm business investment, there was more appetite to spend on farm infrastructure – such as fences, yards and silos – this quarter (planned by 61 per cent, up from 49 per cent previously), as well as new plant/machinery (43 per cent, up from 35 per cent).

Farm income is expected to increase, with 29 per cent of the state’s farmers expecting incomes to increase (up from nine per cent previously), while 23 per cent of farmers expect incomes to decrease (down from 68 per cent).

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 2024.

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*Media Release
March 13, 2024*

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