



## **Australian farmer confidence hits three-year high**

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

- *Australian rural confidence bounced strongly, to levels last seen three years ago*
- *Good autumn rains drive much of the upswing, however areas of the nation remain dry*
- *Improved season and market dynamics lift beef, sheep and grain producer confidence – while dairy farmers remain the most positive about their prospects*
- *Longer-term confidence also sound – with six out of 10 farmers holding inter-generational succession plans*
- *Investment intentions also strengthened, with 75 per cent planning to increase or maintain investment.*

**Australian farmer confidence has bounced strongly to levels last seen three years ago, the latest Rabobank Rural Confidence Survey has found.**

**Good autumn rains across much of the nation's key cropping regions and southern grazing areas is behind much of the upswing, as is the outlook for commodity markets.**

**Longer-term confidence in the agricultural sector is also sound, with farmers revealing their plans around succession. Close to two-thirds of farmers are actively looking to incorporate the next generation into their business either through transfer of asset or shared ownership.**

The survey – completed last month – reported a strong lift in overall confidence levels led by the improved outlook for beef and sheep, as well as grains. Dairy farmers remained the most upbeat about their prospects for the coming year.

Overall, 40 per cent of farmers expect conditions in the agricultural economy to improve (up from 29 per cent in the previous survey) while 44 per cent expect similar conditions to last year. Those expecting conditions to worsen nearly halved to 15 per cent this quarter, down from 27 per cent.

Rabobank group executive for Country Banking Australia Peter Knoblanche said the strong rally in sentiment was not surprising given the good autumn rains that had boosted production prospects across Western Australia, South Australia, Victoria and into central and southern New South Wales.

“The rains couldn't have come at a better time, with much of the winter crop planted on an excellent sub-soil moisture profile. Graziers in many parts of Australia also have had more reason to smile, with the markets responding in March and April to the improved climatic conditions,” he said.

However, Mr Knoblanche said parts of the country were still badly affected by lack of rain. While much-needed rains were recorded in central Queensland and parts of the south, almost three-quarters of that state remains drought-declared and there has been little relief in the north-west and western areas of NSW.



**Rabobank**

**Media Release**

**June 2, 2014**

A comprehensive monitor of the 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 Rabobank survey showed seasonal conditions were the most dominant driver of sentiment this quarter, with 60 per cent of those farmers expecting conditions to improve citing the season as reason for their optimism – up from 43 per cent previously. The outlook for overseas markets and commodity prices was also front-of-mind for many, nominated by 47 per cent and 43 per cent of respondents respectively.

Mr Knoblanche said grain and sheep producers were particularly buoyed by the price outlook, despite the relatively bearish sentiment in international grain markets, while dairy and beef producers were also anticipating improved returns this year.

Looking to the longer-term, Mr Knoblanche said confidence was sound across all industries, with 61 per cent of respondents looking to involve the next generation into their business – either through transfer of the farm to family or shared ownership.

“This reflects what we are seeing on the ground as our team of succession planning specialists proactively work with farmers to help facilitate the younger generation into the business,” he said. “And importantly, this is being shown to be a very positive process for the farm businesses and the agricultural sector as a whole, with the next generation bringing in new ideas and expertise.”

### **Farm business performance, income and investment intentions**

In line with the improved outlook for the rural economy, Australian farmers were more upbeat about their on-farm prospects – reflected in stronger income expectations and investment intentions.

This quarter, 85 per cent of the nation’s farmers expected their own farm business performance to either improve (40 per cent) or remain the same as last year (45 per cent). While just 13 per cent expected it to worsen.

This correlated with income expectations, with over a third of farmers (36 per cent) expecting higher gross incomes over the coming year and close to half (46 per cent) anticipating a similar financial result to last year. Income projections were particularly strong amongst dairy farmers, reflecting the improvement in farmgate returns for exporters.

Investment intentions also strengthened this survey, with a quarter of farmers intending to increase investment in their business. A further 64 per cent were planning to maintain their level of investment, and just 10 per cent were looking to decrease it.

### **States**

Sentiment lifted across all states, with confidence rallying to three-year highs in Victoria, NSW, South Australia and Queensland.



“Victoria has now tallied up seven consecutive quarters of the highest sentiment across the country,” Mr Knoblanche said. “Over recent surveys this has been underpinned by the dairy sector, but this quarter we saw sentiment pick-up across beef, sheep and grains.”

Confidence also lifted in New South Wales, with timely rains turning around the season in the central and southern part of the state. Mr Knoblanche said, however, that NSW remained a state of ‘two halves’, with farmers in the north-west and western areas continuing to tackle dry conditions.

In the major grain-growing states of South Australia and Western Australia, good autumn rains drove the lift in confidence. “The rain combined with warm soil temperatures has been ideal for germination, and while much will depend on follow-up rains it is certainly a positive start to the season,” Mr Knoblanche said.

Sentiment was weakest in Queensland, although it did lift to its highest level since mid-2011 on the back of “handy rains” over parts of the state and some positive signals in the beef industry.

### **Sectors**

After reporting negative sentiment in the previous quarter, confidence picked up markedly amongst beef and sheep graziers, while grain growers were also more positive about their prospects.

Mr Knoblanche said the flush of feed in southern Australia and improved conditions in parts of Queensland had seen farmers increasingly hold on to stock. “And, with an improvement in confidence and increased re-stocker demand, there was a strong lift in beef prices, with the Eastern Young Cattle Indicator at a 12 to 18-month high in late April,” he said.

“Those in the north have also welcomed the positive market signals for the live cattle trade, with good demand coming out of Indonesia.”

Mr Knoblanche said dynamics had also improved for sheep producers, with lamb prices close to 200 cents above where they were this time last year.

Confidence lifted amongst the nation’s grain producers, albeit by a smaller margin than their grazing counterparts, with good planting conditions boding well for the establishment of this season’s crop. Mr Knoblanche said that while prospects for the winter crop were strong, the outcome would remain reliant on follow-up rains and there was some trepidation on around indications of a developing El Nino for east coast growers.

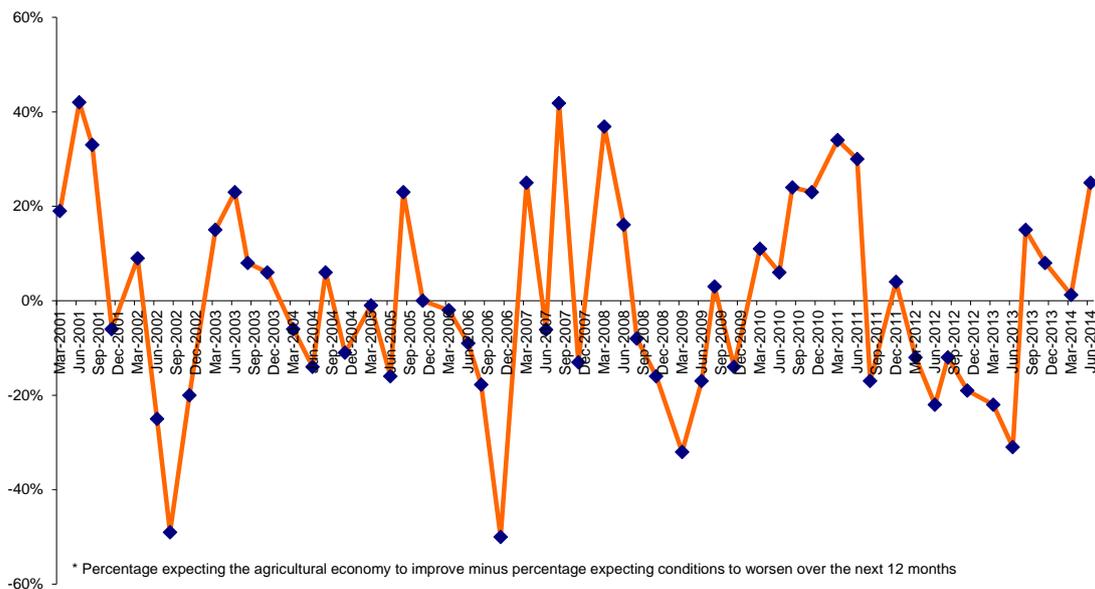
Dairy farmers remained the most optimistic of all the sectors – while confidence moderated slightly among dairy producers, a total of 47 per cent expected the next 12 months to be better than the last. “While there has been a modest easing in global prices in response to increased supplies from key exportable nations, prices are holding up well and the end-of-year forecast for farmgate prices remains strong at around \$6.80/kgMS,” Mr Knoblanche said.

In contrast, confidence remained subdued among cotton and sugar producers, he said.



“While the domestic cotton price remains around \$500/bale, producers in northern NSW and southern Queensland are concerned about their production prospects for next year given low irrigation storage levels,” Mr Knoblanche said.

“In the sugar industry, confidence is hampered by ongoing concerns around yellow-canopy syndrome, as well as input costs – which increased due to the dry conditions which have made it necessary to irrigate in some regions. Sustained low international sugar prices are also depressing sentiment.”



The most robust study of its type in Australia, the Rabobank Rural Confidence Survey has been conducted by an independent research organisation interviewing farmers throughout the country each quarter since 2000.

The next results are scheduled for release in September 2014.

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**Rabobank Australia is a part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 110 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 42 countries, servicing the needs of approximately 10 million clients worldwide through a network of close to 1600 offices and branches. Rabobank Australia is one of the country’s leading rural lenders and a significant provider of business and corporate banking and financial services to the Australian food and agribusiness sector. The bank has 61 branches throughout Australia.**

To arrange an interview with Rabobank group executive for Country Banking Australia, Peter Knoblanche, or for more information on Rabobank’s Rural Confidence Survey, please contact:

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