



Dry conditions dent national farmer confidence

Results at a glance:

- *Australian farmer confidence has fallen this quarter, with dry conditions in western Victoria and much of South Australia weighing on sentiment.*
- *Western Australia farmers remain the most confident, with a better seasonal outlook than other states and improved prospects in overseas markets.*
- *While drought was reported as the primary driver of reduced confidence, easing commodity prices – particularly for dairy and grains – were other key reasons for reduced sentiment in those sectors.*
- *Despite the drop in confidence, investment intentions remained robust.*
- *More than one-third of farmers reported using a smart phone or tablet to access the internet in the operation of their business.*

Australian farmer confidence has dipped into overall negative territory with more of the country's farmers reporting a pessimistic view on the future agricultural economy than those with an optimistic outlook, the latest quarterly Rabobank Rural Confidence survey has found.

Significant falls in confidence among farmers in Victoria and South Australia, due to below-average rainfall in recent months, contributed most to reduced national rural confidence.

Western Australian farmers continued to lead the country as the most optimistic, while South Australian producers reported the lowest confidence levels.

Falling commodity prices at the time of the survey, particularly for dairy and grains, were other key drivers behind lower sentiment. Beef producers on the other hand reported stronger confidence levels, largely driven by robust prices and positive news in overseas markets.

The focus on food and agriculture at the G20/F20 and positive reports about the Free Trade Agreement (FTA) with China, were welcome news for the bulk of the industry.

The survey – completed approximately a month ago – reported 31 per cent of the nation's farmers expected conditions in the agricultural economy to deteriorate in the coming 12 months (up from 24 per cent with that view in the previous quarter). A quarter (25 per cent) expected conditions to improve (down from 30 per cent), while 42 per cent expected similar conditions to last year (compared to 45 per cent in the previous survey).

Rabobank group executive for Country Banking Australia Peter Knoblanche said the results showed the sustained period of dry weather was now a major concern for many of the country's farmers.

"Dry weather has been a major concern for many farmers in northern New South Wales and Queensland for a number of quarters, and these recent results indicate that similar concerns are now setting in for western Victoria and across much of South Australia," he said.



While climatic conditions were the main factor impacting confidence, the results indicated easing commodity prices at the time of the survey, particularly for grains and dairy, were another key reason for a negative outlook.

“At the time of the survey global grain prices were easing, which explains some of the declining results, but since that time there’s been some rebound in prices, which should help to ease those concerns,” Mr Knoblanche said.

“Global dairy prices have also eased from previous highs, and there’s still some concern out there about global factors like oversupply in China and the flow on effects of the trade embargo in Russia, but few would argue against the healthy longer-term fundamentals for dairy farmers.

“The Free Trade Agreement with China for example should be a boon to dairy farmers and has been warmly welcomed by most other sectors, and the elimination of tariffs for many agricultural products will bring us in line with New Zealand and ahead of many of our biggest competitors.

“In fact, for the period of this survey, the agricultural sector was in the spotlight on the back of FTA’s wrapping up with Japan and Korea, news of the impending FTA with China, and the focus on global food security around the G20 and Rabobank’s F20, all of which signals to farmers that policymakers are working with them.”

Farm business performance, income and investment intentions

In line with declining confidence in the outlook for the agricultural economy, Australian farmers reported reduced expectations about the performance of their own farm enterprises.

This quarter, 31 per cent of the nation's farmers expected their own farm business performance to improve, while 42 per cent expected performance to remain the same as last year. A total of 25 per cent expected performance to worsen. Higher levels of optimism about farm business performance were recorded in Western Australia and New South Wales compared to other states.

A quarter of farmers (25 per cent) expected higher gross incomes in the coming 12 months while 43 per cent anticipated a similar income result to last year. A total of 30 per cent expected gross farm income to decrease. Income projections were highest among beef producers and canegrowers.

Despite the declining confidence, investment intentions remained stable, with 24 per cent of Australian farmers surveyed expecting to increase investment in their business over the coming year (compared to 25 per cent last quarter) and 61 per cent intending to maintain investment (from 60 per cent). A total of 14 per cent reported their intention to decrease investment (stable at 14 per cent previously).

"I think many farmers can see strong tailwinds for the industry, particularly in terms of market access, so while seasonal conditions are cause for some worry at the moment, I expect longer-term many farmers across the country are looking to upgrade equipment and keep an eye on opportunities for expansion," Mr Knoblanche said.

States



While rural confidence eased overall, farmers in Tasmania and Queensland reported some improvement in overall rural sentiment coming off a low base last quarter, while their counterparts in New South Wales maintained stable levels of optimism.

Although rural sentiment eased in Western Australia, that state's farmers remained firmly optimistic, with 83 per cent expecting better (35 per cent) or stable (48 per cent) conditions in the year ahead. A total of 14 per cent of WA farmers were expecting conditions to worsen (up from nine per cent previously).

Sentiment dipped significantly in Victoria and South Australia after a number of stronger quarters for both these states.

Mr Knoblanche said the overall dip in national confidence could be attributed to this significant decline in sentiment among farmers in Victoria (particularly in the west of the state) and South Australia. "Farmers in these regions haven't seen much moisture since August, which is a concern for soil conditions, pasture growth and stock water," he said.

After a good start to the crop, grain-growers in parts of South Australia and Victoria also experienced significant frost events over winter, which impacted confidence around the quality and yield at harvest, but, Mr Knoblanche, said the results have generally turned out better than expected.

Farmers in northern New South Wales and central west Queensland also continued to struggle with dry conditions.

Sectors

Sentiment softened across most sectors, although beef producers remained upbeat, with 36 per cent reporting confidence in the rural economy (compared to 32 per cent last quarter) and 34 per cent expecting conditions to remain stable (from 36 per cent). A total of 27 per cent expected conditions to deteriorate (down from 29 per cent)

"Despite the high turn off and record slaughter levels due to dry conditions, the Australian beef price has held up well as a result of record boxed beef exports to the US in September, while live exports are also having a stronger year," Mr Knoblanche said.

Sentiment among crop farmers dipped this quarter, with 35 per cent expecting deterioration in the rural economy (up on 19 per cent last survey), while 14 per cent expect improvement (down from 21 per cent). The remainder held an even view.

"With very little in the way of spring rains, many growers in the major cropping regions started harvest about three weeks early and whilst quality and yield has turned out better than many expected, the compounding effects of poorer conditions and prices has had a moderating effect on confidence," Mr Knoblanche said.

After reporting improved confidence last quarter, sheep graziers sentiment went down, with 34 per cent reporting a negative outlook (up from 14 per cent previously), while 14 per cent held an optimistic view (down from 35 per cent).

"The fundamentals for sheepmeat are generally on the positive side, with lamb and



mutton prices continuing to track higher than previous years for this time of the year, and an improved export picture around the Middle East, US and China,” Mr Knoblanche said.

“However, with poorer climatic conditions gripping much of the north-west of New South Wales, western Victoria and into South Australia, many graziers are doing it tough in terms of feed and stock water. If they catch a break in seasonal conditions we may well see a rebound in confidence.”

Coming off the back of a strong run of good results, confidence among dairy farmers slipped this survey, with 46 per cent reporting worsening rural sentiment (up from 25 per cent previously). A total of 17 per cent expected improved conditions ahead.

“Compared to the highs earlier in the year, confidence has been dented by the twin pressures of easing prices and the flow-on effects of oversupply in China and the trade embargo in Russia,” Mr Knoblanche said.

Overall, sentiment among canegrowers was mixed this quarter, with 54 per cent holding a stable outlook (from 36 per cent previously), 26 per cent expecting conditions to deteriorate (down from 36 per cent) and 18 per cent reporting improved sentiment (down from 28 per cent).

“Compared with last year, many canegrowers in the north have had a better year, with increased volumes of cane crushed. However, with prices on the futures market under pressure, I think there is some cautious anticipation about the year ahead,” Mr Knoblanche said.

The outlook among cotton growers remained weak with downward pressure on prices and prolonged drought in the growing areas of Queensland and northern New South Wales seeing confidence drop further, with only eight per cent expecting improvement in the rural economy in the year ahead.

Use of technology

In a new question added to this survey, over one-third (36 per cent) of the nation’s farmers reported using a smartphone or tablet to access the internet in the operation of their business. While half (56 per cent) said they did not. The remainder did not record a result.

Farmers in South Australia (48 per cent) and Western Australia (49 per cent) reported the highest usage of this technology.



Rabobank

Media Release

December 1, 2014



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 March 2015.

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 41 countries, servicing the needs of almost 10 million clients worldwide through a network of approximately 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.

<ends>

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:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Jess Martin
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 07 3115 1832 or 0418 216 103
Email: grant.dowling@rabobank.com