



Rabobank

Media Release
November 30, 2015

Dry weather pushes Victorian farmer confidence to yearly low

Results at a glance:

- *Victorian rural confidence falls to its lowest level in 12 months*
- *Dragged lower by hot, dry seasonal conditions – slashing winter harvest prospects*
- *Dry weather also a key concern for dairy and livestock producers*
- *Investment intentions remains stable, indicating more positive long-term outlook*

Victorian farmers are concerned about their prospects for the coming year, with the hot, dry conditions in the state taking a toll on sentiment, the latest Rabobank Rural Confidence Survey has shown.

As large parts of the state experienced among their driest periods on record, the latest quarterly survey saw Victorian farmer sentiment fall to its lowest level in 12 months, dragged down by below-average harvest prospects, while dairy farmers also remained subdued in their outlook.

The survey – completed last month – reported a sizable drop in rural confidence, with the overall net indicator of confidence falling to -16 per cent, down from 19 per cent in the previous quarter.

The survey found 38 per cent of the state's farmers expected conditions in the agricultural economy to deteriorate over the next 12 months, up considerably from 18 per cent with that view last quarter.

The proportion of those expecting agricultural economic conditions to improve fell to 22 per cent (from 37 per cent in the previous quarter), while 34 per cent expected conditions to remain the same as last year.

However, while short-term confidence took a hit, indications are longer-term confidence remains sound in the rural sector, with 25 per cent of the state's farmers looking to increase investment in their farm businesses over the coming 12 months and a further 58 per cent looking to maintain investment at its current level.

Farmers were also looking to invest in themselves, with nearly one-in-three intending to enhance their skills and knowledge through training programs over the coming year.

Rabobank national manager Country Banking Australia Todd Charteris said consistently below-average rainfall across much of Victoria had taken its toll on farmer confidence, which had been further exacerbated by heatwave events – with last month the warmest October on record in the state.

"Much of north-western Victoria has recorded below-average rain over winter and spring, but this comes on the back of two pretty dry years, with some areas experiencing their driest period ever," he said.



Rabobank

Media Release
November 30, 2015

"This has cut back expectations of this year's grain harvest, with the wheat crop expected to come in around 20 per cent below the ten-year average.

"Generally-speaking, the Wimmera and Mallee has been the hardest hit, with much of the wheat crop being cut for hay."

Seasonal conditions were front of mind across all sectors this survey, with 90 per cent of Victorian farmers expecting conditions to worsen nominating the season for their pessimistic outlook – up from 60 per cent in the previous survey. Meanwhile, concern about commodity prices pared back in significance as a negative driver of confidence, reported by 16 per cent of respondents, down from 44 per cent.

Mr Charteris said for the state's dairy sector, there were concerns the seasonal peak had come and gone much earlier than usual creating an early feed gap. "And we are starting to see the impact of the dry reflected in higher irrigation water prices, with the potential of an increase in purchased feed prices," he said.

"This pressure on dairy producers' cost base is hitting margins, but farmers are hopeful the anticipated step-up in milk prices will materialise by the end of the year."

Sentiment also fell among Victorian sheep graziers, while it moderated – though remained relatively strong – in the beef sector.

"Over recent months we have seen big yardings of sheep and cattle as farmers have offloaded stock, but prices are holding up well, which is helping to compensate for the lighter condition of sale stock," Mr Charteris said.

In line with the drop in overall confidence in the agricultural economy, Victorian farmers also downgraded expectations of their own farm businesses, with 32 per cent of respondents expecting a weaker business performance in the next 12 months (compared with 15 per cent with that view in the previous survey). The proportion expecting their businesses to perform better in the coming 12 months declined to 27 per cent, from 41 per cent.

Investment intentions remained strong – albeit moderating slightly – with 83 per cent looking to either increase the level of investment in their farm businesses (25 per cent) or maintain it (58 per cent), compared with 91 per cent with that view in the previous survey.

Mr Charteris said the survey also revealed many Victorian farmers were looking to invest in themselves, with 29 per cent intending to develop their skills via education or training over the coming year.

On-farm management practices were the key areas farmers were interested in, with 62 per cent considering training in this field while 51 per cent were looking at emerging technologies such as genomics, robotics, drones and apps.

Other areas of interest included business planning and management, personal health and wellbeing, succession, practical/mechanical skills as well as marketing and communications.



Rabobank

**Media Release
November 30, 2015**

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 March 2016.

Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 115 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 40 countries, servicing the needs of approximately 8.8 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading rural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 94 branches throughout Australia and New Zealand.

<ends>

To arrange an interview with Todd Charteris, Rabobank state manager Victoria, 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

Skye Ward
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 02 4855 1111 or 0418 216 103
Email: skye.ward@rabobank.com