



## **Farmers start year on optimistic note**

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

- *Australian rural confidence lifts to its highest level in four years*
- *A pick-up in beef and sheep prices, seasonal conditions and the lower \$A behind the upswing*
- *Confidence reflected in stronger income projections and expansionary investment intentions*

**Australian farmers have started the year on an optimistic note, with rural confidence lifting to its highest level in four years, according to the latest quarterly survey of farmer sentiment.**

**The Rabobank Rural Confidence Survey found farmers across the country have been buoyed by elevated commodity prices, summer rainfall and the drop in the Australian dollar.**

**However, while good summer rains had turned around conditions for many farmers in the eastern states, a number of regions had missed out and are entering their third or fourth dry season, Rabobank group executive for Country Banking Australia, Peter Knoblanche said.**

The survey – completed last month – found farmer confidence at its highest level since March 2011 at a positive net reading of 32 per cent, up from a negative position of minus six per cent in the previous survey, released in December 2014.

Confidence was up in all states and across all commodity sectors, with the exception of sugar, which has been impacted by a surplus of global supply.

Driving much of the upswing in sentiment were livestock graziers, with beef markets recovering and prices reaching record levels early this year, while sheep prices remained strong.

This quarter, nearly half of the country's farmers (45 per cent) surveyed expected conditions to improve over the coming 12 months, up from a quarter that held that view in the previous survey. Those expecting stable conditions stood at 40 per cent, while just 13 per cent expect conditions to deteriorate (down from 31 per cent).

Rabobank group executive for Country Banking Australia, Peter Knoblanche said the positive sentiment was being driven by a combination of factors – improved commodity markets, a good start to the season in many areas and the lower dollar – all against the backdrop of historically low interest rates.

“Good January rains over large parts of Queensland and New South Wales saw the cattle market ignite, with prices across all categories lifting to record levels.

“This saw a flurry of restocker activity, which has since waned with the lack of follow-up rains, but prices have held up strongly – albeit down from their recent records.”



**Rabobank**

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Overall, those farmers expecting conditions to improve over the coming 12 months had cited commodity prices and the season as the biggest drivers of confidence, nominated by 63 per cent and 50 per cent of respondents, respectively.

The drop in currency to five-year lows was also deemed to be a positive driver for 36 per cent, while the state of overseas markets were cause for optimism for 19 per cent.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions, on average, 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

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

In line with overall confidence levels, farmers were also generally more optimistic about the outlook for their own farm business performance. Those expecting an improved performance in 2015 stood at 43 per cent, while a similar proportion (46 per cent) expected performance to remain the same as last year. Those expecting a deterioration stood at just nine per cent.

This flowed through into income projections, with 86 per cent of farmers expecting higher or at least similar incomes to last year – with beef, sheep and grain growers the most positive about their expected cashflow.

Reflecting the positive outlook for farm incomes, investment intentions also picked up across all states of Australia. Overall, 29 per cent were looking to increase their level of investment while 62 per cent were intending to maintain it at the same level.

### **States**

Rural confidence rose strongly in every state, with sentiment in Tasmania hitting its highest level since the survey began 14 years ago, and confidence in New South Wales at a seven-year high.

In Tasmania, farmers cited a range of factors behind their upswing in sentiment – which had driven strong on-farm investment intentions, as well as an appetite for property acquisition.

In New South Wales and Queensland a good start to the season and the subsequent lift in beef and sheep prices had driven a rebound in confidence.

“The outlook has certainly improved from where many were sitting last year, with large parts of the eastern states receiving good rains during January.

“That said, parts missed out on the much-needed rains or haven’t received follow-up – and it is certainly still tough in many areas,” Mr Knoblanche said.

Livestock producers were also more upbeat in Victoria, while dairy farmers expected this year to be similar to the last.



“The last 12 months have been reasonable for those in dairy, and while global prices have been fairly lacklustre, farmgate returns have held steady and feed costs have been lower,” Mr Knoblanche said.

For South Australia, while the season ‘cut-out’ early in the state last year, harvest had come in better than expected, he said. This had seen South Australian grain grower confidence recover from negative levels last quarter.

“In Western Australia, growers bagged the fourth biggest winter crop on record, and are hopeful of another good season – although this will be dependent on rains in the coming weeks,” he said.

### **Sectors**

The survey showed confidence had lifted strongly across all commodity groups, except the sugar industry where global prices remain pressured by the Brazil real/US dollar currency rate as well as high global stocks – albeit domestic returns have been shielded somewhat by the lower Australian dollar.

Beef producers were particularly upbeat this quarter, while confidence also rebounded strongly in the sheep industry.

“The cattle market has recovered and prices hit record levels earlier in the year. While they have since come off a little, the Eastern Young Cattle Indicator continues to trade well above the five-year average. Sheep prices remain strong, although declining slightly through January to March,” Mr Knoblanche said.

“This had boosted confidence in the livestock sector, with a general feeling that if the season turns and stock needs to be sold-off, the returns will be there to help manage any dry conditions a little easier.”

Confidence also kicked up in the grains industry, despite the crop coming in below mid-year expectations.

“A dry finish across much of the grain-growing regions curtailed production prospects, however Western Australia bagged a good crop and many farmers in South Australia and the eastern states harvested a better-than-expected crop in terms of yield and protein levels,” Mr Knoblanche said.

“This was further boosted by the lift in grain prices around harvest time.”

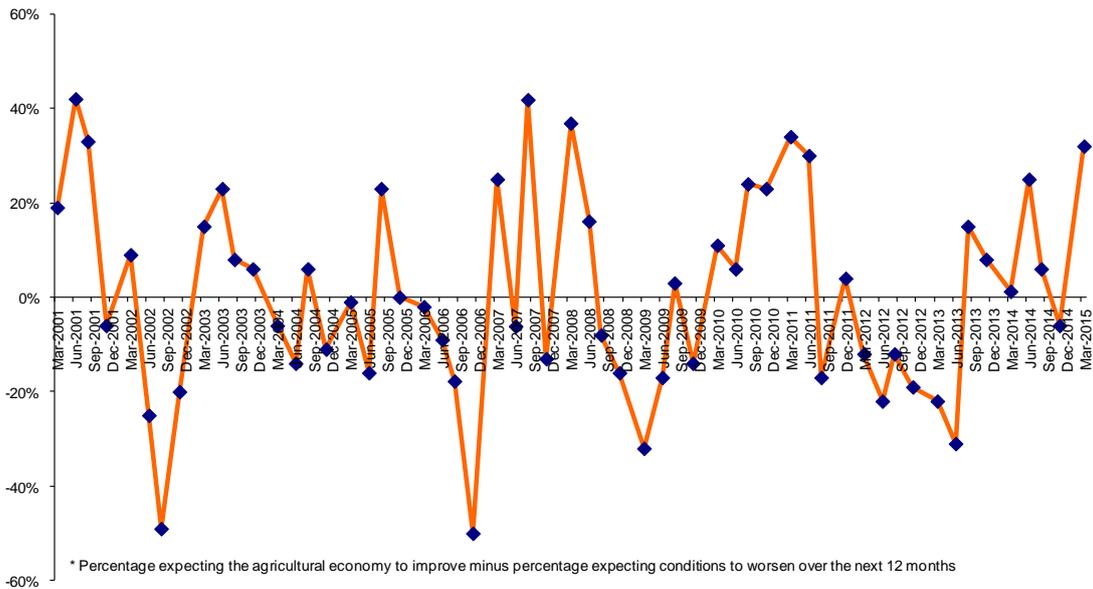
Sentiment also improved among cotton growers, however low water storages in many key growing areas will see national production in 2014/15 well below last year.

“The situation is very mixed for cotton,” Mr Knoblanche said. “Plantings and water storages are much lower year-on-year in a number of areas, including the Gwydir, Namoi and Macquarie valleys, whereas growers in the south of New South Wales and central Queensland, particularly around Emerald, are generally in a much better position. For those who are well placed, quality and the Australian basis have been the drivers for some improved sentiment.”



In the dairy industry, confidence lifted from subdued levels to around a neutral reading with farmers expecting a similar year to the last.

“From a production point of view, milk flows are up on last year and margins for Australian dairy producers have held up better than those in most other export regions due to reasonable farmgate prices and lower feed cost pressures,” Mr Knoblanche said.



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 June 2015.

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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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