



Rebound in Victorian farmer confidence

Results at a glance:

- *Victorian farmer sentiment rebounds strongly*
- *Confidence driven by beef and sheep, but also improves in grains and dairy*
- *Sentiment improves on the back of improved commodity prices, seasonal conditions and the lower \$A*

After dropping sharply last quarter, confidence amongst Victorian farmers has rebounded strongly, according to the latest Rabobank Rural Confidence survey.

Driving much of the upswing was improved sentiment amongst livestock producers, with beef producers buoyed by the lift in prices to record levels and lamb prices remaining strong.

Grain growers were also more positive about their prospects, while confidence amongst dairy farmers lifted strongly to around neutral levels – with half of surveyed dairy farmers expecting conditions to be the same as last year.

The latest survey – completed last month – found that more than a third of Victorian farmers (39 per cent) expect conditions in the agricultural economy to improve, up from 18 per cent in the previous survey. While a further half of the respondents (46 per cent) expect conditions to remain stable. The proportion of farmers expecting conditions to worsen fell to 13 per cent, down considerably from 45 per cent in the last quarter.

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.

Rabobank state manager for Victoria Todd Charteris said the pick-up in confidence wasn't unexpected given the combination of improved commodity prices, softening of the dollar and favourable seasonal conditions in some areas of the state.

"The situation has really turned around in the beef industry earlier this year, with the Eastern Young Cattle Indicator hitting record levels. While prices have since come off a little, the Eastern Young Cattle Indicator continues to trade well above the five-year average," he said.

"The upswing in price, together with a good season in key beef-producing areas such as the high country, has really seen sentiment pick up."

Mr Charteris said that while sheep producers were also much more positive about their prospects, grain growers were entering the year with a level of 'cautious optimism'.



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“Much will hinge on getting that autumn break, with farmers looking for rains to boost their sub-soil moisture profiles over that critical planting period,” he said.

In the dairy sector, Mr Charteris said, farmers had enjoyed a reasonable 12 months with the milk price remaining firm at around \$6/kg for milk solids and pressure from feed costs subsiding.

“While global prices have been fairly lacklustre, there are signs that prices could be coming off the bottom-of-the-cycle.

“And thankfully we have largely been buffered from the downturn in global prices, with the drop in the dollar, along with processors tailoring their product and market mix to higher returning streams (such as cheese), underpinning farmgate returns.

“From a production point of view, milk flows are up on last year with strong growth in northern Victoria and Gippsland – with good seasonal conditions in Gippsland seeing many farmers shore up fodder for the coming season.”

Mr Charteris said while there is uncertainty around the opening milk price for next season, and the consensus was that prices could open lower, dairy profit margins should remain positive due to lower feed costs and the favourable interest rate environment.

Looking at coming 12 months, overall the commodity price outlook was front of mind for the majority of surveyed farmers, with 68 per cent of those with a positive outlook citing the market outlook as the reason for their optimism – up from 42 per cent.

Seasonal conditions were also noted as a positive influence by 43 per cent of farmers – with the south-east of the state enjoying one of their best seasons on record. Notwithstanding that, some areas of the state remain particularly dry in central and northern Victoria, Mr Charteris said.

The lower dollar was also a driver of improved confidence – cited as a reason for optimism by 26 per cent of farmers with a positive outlook. The state of overseas markets was a less significant factor in Victorian farmer optimism, nominated by 20 per cent with a positive view (down from 35 per cent).

In line with overall confidence levels, producer expectations of their own farm business performance also rebounded, with 34 per cent of farmers expecting a better ‘bottom line’ in 2015 (up from 26 per cent last quarter). The majority (56 per cent) expected a similar result to last year, while just nine per cent expected their performance to deteriorate (down from 35 per cent).

Robust expectations for farm business performance correlated with investment intentions, with 94 per cent of farmers intending to maintain or increase the level of investment in their business over the next 12 months, up from 85 per cent. Of this number, 29 per cent held expansionary intentions.

“We are certainly seeing a pick-up in farmers looking to make a capital investment, with there being an increase in plant and machinery upgrades and there also being an appetite for property acquisition,” Mr Charteris said.



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“While this demonstrates longer-term confidence in the sector, farmers will be hopeful of a good season and much will hinge on rains over the coming weeks.” 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 2015.

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