



Victorian farmer confidence 'beefed' up

Results at a glance:

- *Victorian rural confidence lifts slightly to remain in positive territory*
- *Underpinned by strong sentiment in beef and grains, while confidence lags in dairy and sheep*
- *Across all sectors, long-term confidence remains robust – with 95% reporting business viability*
- *59 per cent of state's farmers report increasing productivity in past five years*

Victoria's beef and grain producers remain positive about the coming year, contrary to the outlook held by dairy and sheep farmer in the state, the latest Rabobank Rural Confidence Survey has found.

Across all commodities, longer-term confidence remains sound however, with farmers holding strong investment and debt repayment intentions and 95 per cent reporting business viability.

The survey – completed last month – saw net rural confidence lift slightly to remain positive for the third consecutive quarter. While a larger percentage of Victorian farmers expected conditions to improve (37 per cent, up from 32 per cent last quarter) the majority continued to expect similar conditions to last year (42 per cent, down from 46 per cent).

The percentage expecting conditions to worsen also remained relatively steady at 18 per cent.

Rabobank state manager for Victoria Todd Charteris said commodity prices were the biggest driver of confidence this quarter, with 68 per cent of those expecting conditions to improve citing the markets as the main reason for their optimism.

"This explains much of the disparity in sentiment between beef and dairy producers, with two-thirds of beef producers holding a positive outlook on the coming year, compared to 18 per cent of dairy farmers," Mr Charteris said.

"Cattle prices continue to trade in uncharted territory as they hit new records, with limited downside risk in the market outlook.

"Conversely, the weak sentiment in global markets is weighing on the minds of dairy farmers, although so far the domestic market has remained largely buffered from the downturn with the opening farmgate price pegged around AUD5.60/kg MS."

Mr Charteris said the season was also a key determinant of confidence, with 50 per cent of the state's farmers reporting a favourable view of seasonal conditions.

"Given that the rain has been fairly patchy, the crops are looking good for this time of year," he said.



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“However, spring rain will be critical to the outcome, and there is a sense of caution around the strengthening El Nino weather pattern.”

While the state’s grain growers were hopeful about their prospects, with 35 per cent expecting conditions to improve, just 14 per cent of sheep graziers were upbeat.

“The cold weather has really knocked pastures around and farmers just don’t have that solid feed base going into spring. There has also been limited runoff into dams and other on-farm water storages which is also reason for concern,” Mr Charteris said.

The state of overseas markets, the lower currency and improved marketing were also drivers of confidence, cited by 20, 16 and 14 per cent of respondents, respectively.

While overall confidence remained relatively firm, Victorian farmers were more upbeat about the future performance of their own farm business performance, with 41 per cent expecting a better bottom-line over the coming 12 months and 42 per cent expecting it to be the same as last year.

Longer-term confidence also remained sound, reflected in intentions to increase investment and reduce debt.

This quarter, 23 per cent of the state’s farmers are expecting to increase their on-farm investment while a further 68 per cent are looking to maintain it.

In terms of debt, a third of farmers were planning to reduce debt over the coming 12 months – with nearly half of the surveyed grain growers having this intention.

The viability index – which measures farmers’ perceptions of their business viability – hit a four-year high this quarter, with 95 per cent of farming businesses in Victoria describing themselves as viable. This indicator was even higher in the dairy industry, at 97 per cent.

Despite the shock waves in the global dairy market at present, Mr Charteris said local farmers have capitalised on three good years, however with downward pressure on price forecasts and potentially higher feed and water costs, dairy farmers will be monitoring their margins this season.

The latest survey indicated that across all sectors, 59 per cent of Victorian farmers reported increasing their farm productivity over the past five years.

“Farmers are constantly looking at ways to remain more competitive, whether it be through prudent cost management, remaining up-to-date with the latest information and research, reinvesting in themselves through further education/training or adopting new technology,” Mr Charteris said.

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 December 2015.



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