



Australian farmers look to 2017 with optimism

Results at a glance:

- *Good seasonal conditions continue to underpin strong farmer sentiment*
- *Except in WA, with confidence hit by frost damage to crops*
- *Farmers also buoyed by strong market fundamentals – particularly for cotton, sugar, beef and sheep – with the outlook also improving for dairy*

Australian farmers are looking to 2017 with optimism, with the nation's rural confidence levels finishing the year on a high.

The final Rabobank Rural Confidence Survey for the year has found Australian farmer confidence has been sustained at historically high levels throughout the past quarter, buoyed by good seasonal conditions across much of the country and solid prices for many commodities.

The survey, completed last month, found cotton and sugar producers to be particularly bullish about the coming year, while sentiment remained strong in the sheep and beef sectors. Dairy farmers staged the largest turnaround in confidence, as global commodity markets continue to recover.

Meanwhile it was a mixed outlook for the nation's grains sector, with many looking to harvest a sizable crop, but expectations reined in by frost damage in Western Australia and excessive rainfall in parts of the eastern states.

After posting a significant upswing in rural confidence last quarter, the net confidence indicator remained unchanged and at strong levels, indicating a larger proportion of farmers continue to expect agricultural economic conditions to improve (36 per cent) rather than worsen (15 per cent) over the coming 12 months. While the majority (46 per cent) expect the next 12 months to be similar to the last.

Rabobank national manager Country Banking Australia Todd Charteris said confidence in the agri sector remained strong, underpinned by good seasonal conditions across much of the country and positive market fundamentals for beef, sheep, cotton and sugar – and increasingly, dairy.

“Much of the country is experiencing a good season, following the second wettest winter on record, and a wet start to spring,” he said.

The nation's grain producers are the biggest beneficiary of the rain, Mr Charteris said, with many on the cusp of harvesting a sizable crop – particularly in Victoria and South Australia.

“That said, the rain has been excessive in northern Tasmania and parts of New South Wales and Victoria, with flooding causing water logging of pastures and crops, which has led to some pretty significant downgrades to crop yields,” he said.

“The Western Australian crop has also been hit by mother nature, with the crop now expected to be three million tonnes down on earlier projections due to early spring frosts.”



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Mr Charteris said the rain had also given the cotton industry a considerable boost, with 62 per cent of cotton producers expecting conditions to improve over the coming 12 months.

“The rain has not only spurred a large dryland plant this year, it has also shored up water availability for irrigators, which has facilitated the largest planting in five years – nearly double that of last year,” he said. “The market is also looking favourable, with domestic prices now trading up around \$500 a bale.”

Graziers were also buoyed by the season and strong market conditions, with 40 per cent of beef and 35 per cent of sheep producers expecting conditions to be better next year.

With much of the strong sentiment prevailing across the country driven by commodity prices and the season, these factors were nominated, respectively, by 74 per cent and 68 per cent of farmers as reasons conditions were likely to improve.

Optimism in the market outlook wasn’t shared by all however, with the global grains complex remaining burdened by record stocks, Mr Charteris said.

“While the upside for grain prices is currently limited, thankfully the yields are there for many Australian farmers this year, which will help offset the low prices,” he said.

The survey also showed dairy farmers were concerned by the pricing outlook, but it was less pronounced this quarter, with the 2017/18 season expected to mark a return to on-farm profitability.

Education/Training

This quarter the survey also questioned primary producers across the country about their education and training needs, finding 34 per cent were looking to increase their skills and knowledge over the coming year.

Improving on-farm management practices was top of the agenda, with 75 per cent looking to increase knowledge around maximising crop and livestock productivity, while 57 per cent were interested in garnering more information on emerging technologies.

Business planning and management, operational and strategic financial management, succession, marketing and personal health and wellbeing were also key areas of interest among farmers for training and upskilling.

Farm business performance

In line with overall confidence levels, Australian farmers retained their strong outlook for the performance of their own farming business. Of those surveyed, 34 per cent expected an improved financial result next year, while 46 per cent expected incomes to be relatively unchanged – with both these readings in line with last quarter’s results.



Sugar and cotton producers were particularly positive about their income projections for the coming year, with 53 and 47 per cent, respectively, anticipating a higher gross farm income.

This quarter, there were also slightly more dairy farmers expecting an improved financial result, however their expectations continued to lag well behind those of other agri sectors.

In light of subdued grain prices, income projections were pared back in the grains sector, but the majority still expected incomes to remain stable or improve.

Longer-term confidence across the agri sector also remained strong, as reflected in investment intentions, with 92 per cent of the nation's farmers looking to increase or maintain their level of farm business investment over the coming 12 months – up slightly from 90 per cent in the previous survey.

States

Across the states, much of the upswing in confidence reported in Tasmania, Victoria and South Australia was driven by favourable seasonal conditions.

While there was a slight easing in confidence in New South Wales and Queensland, it remained historically strong, with farmers among the most positive in the nation.

Western Australia was the only state to report a material decline in confidence, with net confidence now in slightly negative territory at a three-year low.

Mr Charteris said the fall in confidence had a lot to do with frost damage to crops, with Western Australia experiencing a series of damaging frosts in early spring.

“Areas in the Central and Eastern Wheat Belt were hardest hit, with the state's harvest now expected to be down by some three million tonnes,” he said.

Sectors

Across all surveyed commodities, confidence remained embedded in positive territory, except dairy where the net confidence reading was slightly negative.

That said, dairy posted the largest turnaround in confidence this quarter, with sentiment lifting strongly from its four-year low.

“While seasonal conditions have been behind some of the lift in dairy sentiment, it has largely been market-driven, with global commodity markets now in their recovery phase,” Mr Charteris said. “While the recent rally may be too late to have a material impact on farmer margins this season, it should start to flow through into improved returns in the 2017/18 season.”

The strongest sentiment continued to be reported in the cotton sector, while sugar growers were also upbeat about their prospects.

“The rain has given cotton growers the go-ahead to plant one their largest crops in recent years, with the solid price forecast also auguring well for confidence levels,”



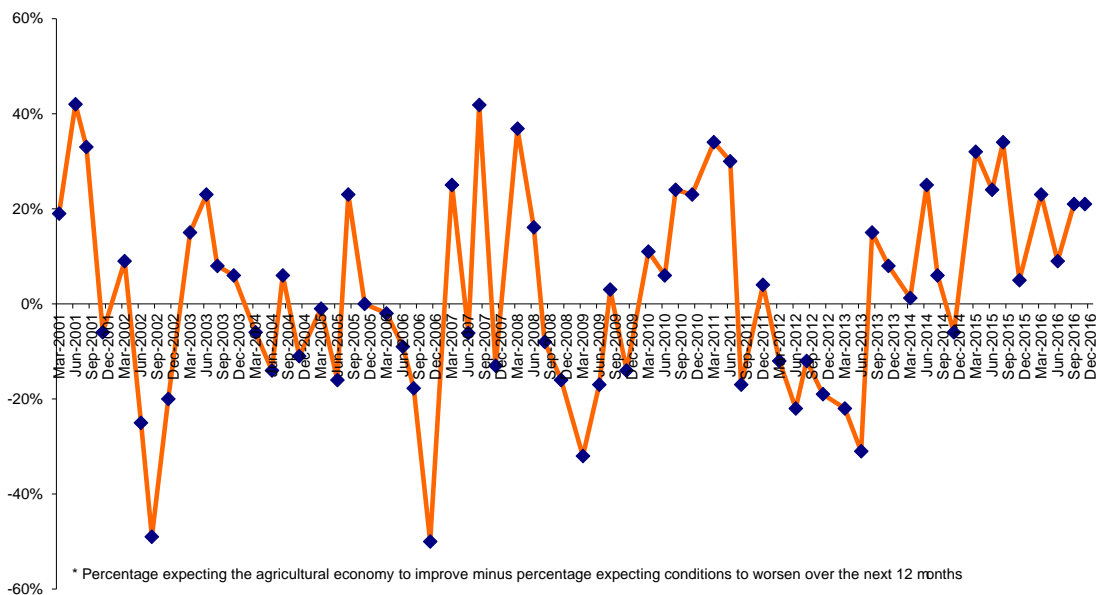
he said. “While in sugar, cane grower confidence is largely market-driven, with the wet weather delaying harvest.”

Sentiment remained steady in the grains sector, Mr Charteris said, with good yield prospects overhung by low prices.

“With many producers counting on high yields to take away some of the price pain, this will no longer be the case for those facing yield downgrades from wet weather, frosts or storm damage,” he said.

For those in the beef and sheep sectors, confidence fell back slightly but remained strong, with graziers remaining very bullish about their prospects for the past two years.

“Not only are graziers fetching strong prices for their livestock, albeit prices have come off their highs, the season is also favourable with most enterprises boasting abundant feed reserves and full water storages,” he 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 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 2017.

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