



Rabobank

Media Release
November 28, 2016

'Bumper' seasonal conditions drive Victorian farmer confidence to near two-year high

Results at a glance:

- *Victorian rural confidence jumps to highest level since early 2015*
- *Underpinned by good seasonal conditions with expectations of a bumper winter crop*
- *While beef and sheep graziers continue to benefit from strong markets*
- *Dairy farmers also post a strong lift in confidence – albeit constrained by pricing concerns*

Sentiment among Victorian farmers is at a near two-year high, fuelled by strong harvest prospects and buoyant livestock markets, according to the latest quarterly Rabobank Rural Confidence Survey.

The survey found the state's grain producers had driven much of the upswing in confidence, while dairy farmers also posted a marked improvement in sentiment – albeit with confidence constrained by ongoing milk price concerns.

The latest survey – completed last month – found more than a third of Victorian farmers (35 per cent) were now expecting conditions in the agricultural economy to improve over the next 12 months, up from 29 per cent with that view in the previous survey. Just 14 per cent believed the conditions would worsen, down significantly from 26 per cent last quarter. A total of 47 per cent expected the agricultural economy to remain stable.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said farmers across the state were experiencing one of the best seasons in living memory.

"For many of the state's grain growers, it is the best growing season in many years," he said, "with Victoria on the cusp of a big crop."

Mr McAlpin said that while some crops had been affected by flooding, the impact was fairly localised.

"While flooding had caused some damage, many farmers who were adversely affected had other areas of crop that benefited from the rainfall – so the effect was largely offset," he said.

Mr McAlpin said farmers were looking for a spell of dry weather to get their crops off, with this year's harvest running later than usual.

Farmers are looking for a dry finish with the Bureau of Meteorology forecasting around-average rainfall for the next three months," he said.

Across all agri sectors surveyed, the 'season' was the biggest driver of farmer confidence with 73 per cent of those expecting conditions to improve citing seasonal conditions as reason for their optimism, up from 66 per cent with that view last survey.



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Good seasonal conditions were also behind some of the pick-up in dairy sentiment, Mr McAlpin said, with net confidence in the dairy sector lifting from a negative reading of -50 per cent to -9 per cent in the current survey.

“After a long and wet winter, dairy farmers are enjoying a fantastic spring with an abundance of feed, hay and silage,” he said.

“It has also taken the pressure off input prices, with the cost of temporary water dropping significantly and a reduced reliance on and cost of bought in feed.”

Mr McAlpin said while the improved weather conditions weren’t enough to offset milk price concerns, dairy farmers were hopeful the improvement in global dairy prices would start to flow into the farmgate.

“While the recent rally in global prices may be too late to have a material impact on farmer margins this season, the 2017/18 season is shaping up well and should see a return to profitability on-farm,” he said.

The commodity price outlook was also a key driver of positive sentiment among Victorian farmers – albeit to a lesser extent in the dairy and grains sectors – with market prices nominated by 64 per cent of those with an optimistic outlook on the coming year.

“While low grain prices are likely to be offset to a degree by good crop yields, there has been an increase in farmers intending to sit on their stocks with the hope that grain prices will improve after harvest,” Mr McAlpin said.

The impact of good yields on profitability was reflected in expectations for gross farm incomes, with 65 per cent of surveyed grain growers expecting their gross farm incomes to increase over the coming 12 months. In the beef and sheep sectors the majority of Victorian graziers expected their incomes to increase or remain stable.

“Beef and sheep graziers continue to sell their stock into strong markets,” Mr McAlpin said, “with their only real concern being the sustainability of prices at current levels.”

In line with overall confidence levels, investment intentions in the sector remained strong with 88 per cent of the state’s farmers looking to increase or maintain the same level of investment in their farm businesses over the coming year. This was a similar reading to the previous quarter.

Of the 17 per cent looking to up their level of investment, the vast majority were intending to increase stocking rates.

“With graziers conserving fodder and silage, many have the means to maintain their stocking rates at current levels or hold on to more stock,” Mr McAlpin said. “While in the dairy sector, those producers who offloaded chopper cows are waiting for an improvement in milk prices before they look to build numbers.”

This quarter the survey also questioned farmers about their education and training needs, finding 29 per cent of Victorian producers were looking to upskill through formal training in the coming 12 months. Surveyed farmers were interested in improving on-farm management skills (69 per cent), better understanding emerging



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technologies (47 per cent) and application of business planning and management tools (41 per cent).

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 2017.

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 8.6 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.

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