



Rabobank

Media Release

March 21, 2016

Year off to a positive start for Victoria's farmers

Results at a glance:

- *Victorian farmers have entered 2016 positive about their prospects*
- *Sentiment driven by seasonal conditions and commodity markets, but autumn rains critical to the outlook*
- *Longer-term confidence remains robust, with 25 per cent of farmers looking to increase investment in their business*

The year has got off to a positive start for the state's farmers, with rural confidence rebounding in Victoria after a sharp drop experienced at the end of 2015, the latest quarterly Rabobank Rural Confidence Survey has shown.

Summer rainfall early in the year was behind much of the upswing, with farmers also hopeful of the good autumn break suggested by weather models.

Longer-term confidence in the sector remains robust, with a quarter of the state's farmers looking to up investment in their businesses, via increasing livestock numbers, improving farm infrastructure or purchasing property.

The survey – completed last month – reported a strong lift in Victorian farmer sentiment, with the net confidence index now sitting in positive territory at 16 per cent, up from -16 per cent in the previous quarter.

Overall, 33 per cent of the state's farmers expect conditions to improve this year (up from 22 per cent in the previous survey), while those expecting conditions to worsen more than halved to 17 per cent (from 38 per cent). A total of 45 per cent expect similar conditions to last year (up from 34 per cent).

Rabobank state manager for Victoria Hamish McAlpin said good rainfall earlier in the year had alleviated the dry conditions which had been prevailing across much of the state, however he expects farmer confidence would have eased off in recent weeks with the return of a prolonged spell of hot, dry weather.

"After recording good rainfall in January, there has been little of note in February and March," he said.

"Following this dry spell and after last year's failed spring in many parts of the state, farmers will be pinning their hopes on a good autumn break. In line with the weakening El Nino weather system, the Bureau of Meteorology is forecasting above-average rainfall across much of Victoria, except in the east, where average rainfall is expected."

Seasonal conditions emerged as the key driver of confidence this quarter, with 51 per cent of respondents expecting conditions to improve citing the season as the reason for their optimism – up from 26 per cent in the previous survey.

Commodity prices were also front of mind for 50 per cent of farmers with a positive view on the rural economy, down slightly from 58 per cent last quarter.



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Beef and sheep graziers were the most positive about the market outlook, with strong prices offsetting the impact of tough seasonal conditions – particularly in the latter half of 2015.

“Farmers have been selling stock in a strong market,” Mr McAlpin said, “which has more than offset the lighter condition of their sale stock – said to be down by around 10 to 15 per cent on average.”

Confidence was also up amongst grain growers, which Mr McAlpin attributes to an expectation that next season will be much better than the last.

“With grain prices fairly lacklustre, farmers will be looking for a good season to maximise yields – as that will drive returns this year,” he said.

In contrast, dairy farmers were the most subdued in their outlook, although confidence did pick up slightly, albeit to remain in negative territory (with more dairy producers pessimistic than optimistic in their view).

“The longer-than-expected recovery in global dairy markets continues to weigh on local farmgate prices” Mr McAlpin said.

“The delayed global price recovery will see us fall well short of the forecast closing milk price, which was flagged around \$6.00/kg milk solids earlier in the season. With global prices likely to remain flat into the new season, it makes the autumn break and a return to more normal spring conditions that much more critical.”

While confidence in the overall agricultural economy improved, farmers revealed they were even more positive about the outlook for their own farming businesses, with 39 per cent of Victorian farmers expecting a stronger business performance this year – up from 27 per cent in the previous survey. Those expecting their business performance to deteriorate dropped to 12 per cent, down considerably from 32 per cent last quarter. A similar proportion to last survey – 46 per cent – expected business performance to remain stable.

Reflecting this optimism ‘within the farmgate’, Victorian farmers have strong investment intentions this year, with 92 per cent planning to increase or maintain the amount of investment in their farm business– up from 83 per cent with that expectation last quarter.

Of the 25 per cent looking to up their level of investment, increasing livestock numbers and improving on-farm infrastructure (such as, fences, yards and silos) were the key priority areas.

“There is definitely the appetite to build livestock numbers to take advantage of what many hope is a period of sustained good prices, however the ability of producers to do this will all hinge on rain,” Mr McAlpin said.

In addition, 28 per cent of those intending to increase their investment were considering property purchase.

“Even after the past two tough seasons, interest in rural property remains sound,” he said, “particularly for the property next door, as farmers look to secure assets at lower borrowing rates.”



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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 June 2016.

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 8.8 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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