



Vic farmers look to 2018 with optimism, with confidence climbing on prices and rainfall

Results at a glance:

- *Farmer confidence rebounds strongly, with Vic farmers most positive in the nation*
- *Optimistic outlook in all sectors – particularly sheep and dairy*
- *81 per cent of state's farmers expecting higher, or stable, farm incomes in 2018*

Farmers across Victoria are looking to 2018 with optimism, with strong positive sentiment reported across all agri sectors, but particularly sheep and dairy, the latest Rabobank's Rural Confidence Survey has found.

Victoria has retained its position of having the highest rural confidence levels in the nation for the third consecutive quarter.

Buoyed by both commodity prices and seasonal conditions, eight out of 10 Victorian farmers are anticipating higher or stable gross farm incomes in the coming year.

With climatic conditions favourable for much of the year, Victoria has 'bucked the national trend' as the only state on-track to harvest an above-average grains crop.

The latest quarterly survey – completed last month – found Victorian farmer confidence to have rebounded to a net reading of 26 per cent, after dipping to seven per cent the previous quarter.

This survey, the proportion of the state's farmers expecting agricultural economic conditions to improve in the next 12 months increased to 36 per cent, up from 24 per cent in the previous survey. The percentage expecting conditions to worsen fell to 10 per cent, from 17 per cent, while more than half (52 per cent) had a stable outlook on the coming year.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said the positive sentiment prevailing across the state was largely due to late winter rains and timely follow-up rainfall, with many grain growers looking to harvest an average to above-average crop, while dairy farmers were also enjoying a good season.

Mr McAlpin said the heavy rainfall experienced in Victoria at the weekend, while a significant weather event for some parts of the state, had less of a negative impact on crops than had been anticipated.

"Fortunately the heaviest falls focussed on predominantly grazing country in the north east of the state, rather than cropping areas. Although, horticulture in the northern part of the state will experience some negative impacts as a result of the large volumes of water," he said.



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Mr McAlpin said Victoria had generally had a good spring, moving into summer.

“And, although the warmer weather took a while to get here, the widespread falls in October helped crops reach their potential, with a seven million tonne winter grain crop on the cards,” he said.

“That said, there has been some significant damage to crops from frost, particularly the early November event, with lentils in the north and cereals in the south the biggest casualty.”

Mr McAlpin said the full extent of the frost damage was not yet known, with many farmers assessing frost-affected crops to see what could be harvested. However, those crops which had sustained significant damage had been cut for hay or grazed by livestock.

For the dairy sector, Mr McAlpin said, the season was favourable, particularly in the south-west of the state and also west Gippsland.

“In northern Victoria, dairy farmers have good irrigation availability, albeit water prices have jumped significantly in recent months,” he said, “but it remains unseasonably dry in east Gippsland.

Good seasonal conditions, together with the improved price outlook, were seeing dairy farmers play catch-up after two very tough years, he said. “Although there is a fair bit of focus on the Murray Goulburn sale process, which is creating some short-term uncertainty.”

The generally positive conditions in the dairy sector were reflected in the survey results, Mr McAlpin said, with 40 per cent of the state’s dairy farmers expecting the agricultural economy to improve over the coming 12 months, compared with 23 per cent this time last year.

Of all farmers in the state, sheep producers were the most bullish about their prospects, Mr McAlpin said. A total of 46 per cent of sheep graziers reported a positive outlook on the year ahead, with a further 51 per cent expecting stable conditions in the agricultural economy.

“Lamb prices have been strong for a number of years now,” he said, “while wool prices continue to hit new records.”

In the beef sector, confidence levels were also strong and well-up on the previous quarter, Mr McAlpin said. “This has been aided by the recent lift in beef prices as restocker demand has reignited following widespread rain in parts of Queensland and northern New South Wales,” he said.

Across the sectors, commodity prices were deemed to be the biggest driver of positive sentiment, cited by 66 per cent of those Victorian farmers with an optimistic outlook. This percentage rose to 82 per cent in the sheep sector, with sheep farmers the most bullish about price prospects.

Seasonal conditions were also behind the optimism in the state’s agri sector, nominated as a key driver of confidence by 53 per cent of those with a positive outlook (up markedly from 28 per cent in the previous survey). Farmers in south west



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Victoria and the Wimmera/Mallee regions were the most upbeat about seasonal conditions.

Victorian farmers also reported healthy expectations for gross farm incomes in 2018, with 38 per cent expecting their incomes to increase over the coming 12 months, while a further 43 per cent expected their financial position to remain stable.

Dairy farmers, in particular, expected farm incomes to increase, with 51 per cent anticipating an improved financial result in 2018.

Mr McAlpin said the survey found longer-term farmer confidence was also robust, reflected in investment intentions, with 25 per cent of the state's primary producers looking to increase their investment and 67 per cent looking to maintain current levels over the next 12 months.

"While much of this investment is being pegged for on-farm infrastructure, we are seeing an increase in the number of family farm operations actively looking to buy the property next door or the block down the road," he said. "This has been underpinned by sustained profitability in the sheep, beef and cropping sectors, as well as a pay down in debt and the low interest rate environment.

"In contrast, investment activity is still measured in the dairy industry, albeit the rate of rural property transactions has lifted since the middle of the milk price downturn."

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 2018.

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To arrange an interview with Hamish McAlpin, Rabobank regional manager Southern Victoria & Tasmania, or for more information on Rabobank's Rural Confidence Survey, please contact:

Denise Shaw
Head of Media Relations

Skye Ward
Media Relations Manager



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Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Rabobank Australia & New Zealand
Phone: 02 4855 1111 or 0418 216 103
Email: skye.ward@rabobank.com