



“Fantastic” start to season drives Vic farmer confidence to two-year high

Results at a glance:

- *Victorian farmer confidence rises to two-year high – to be the strongest in the country*
- *Underpinned by positive seasonal conditions and high beef, lamb, mutton and wool prices*
- *Positive pricing signals for 2017/18 season also drive renewed confidence in dairy*

A “fantastic” start to the season – along with strong beef, sheep and wool returns – has driven confidence among Victoria’s rural sector to a two-year high, with the state’s farmers now the most positive in the country.

The latest quarterly Rabobank Rural Confidence Survey has found an improvement in confidence across all commodities in the state, with dairy leading the pack following two tough years and with the sector poised to return to profitability next season.

The survey – completed last month – found more than a third of the state’s farmers (34 per cent) expected conditions in the agricultural economy to improve over the coming 12 months, up from 27 per cent with that level of optimism last quarter. A further 55 per cent were expecting conditions to remain stable, while just eight per cent were pessimistic about the year ahead.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said the widespread autumn break had benefited all commodity sectors – but particularly grain producers.

“The winter crop, which is nearly all in the ground, has been sown into fantastic conditions,” he said, “and in some areas, it has been a little too wet.

“The start has been particularly good in the north and west of the state with the regions recording above-average April rainfall.”

The good seasonal outlook for cropping was reflected in the survey results, with 34 per cent of Victorian grain growers expecting agricultural economic conditions to improve and 55 per cent believing they would remain stable.

Sheep and beef producers were also buoyed by the season, the survey showed, however market prices were the biggest driver of the bullish sentiment prevailing in the livestock sector, Mr McAlpin said.

“The sheep and beef sector is having its ‘place in the sun’, with the triple whammy of high prices, good seasonal conditions and the low cost of fodder,” he said.

“While wool prices have come back off their recent peak, they remain historically strong, and beef, lamb and mutton prices have continued to trade at record levels. Red meat breeders and wool producers are enjoying positive conditions at the moment and, although re-stockers are having to buy in at high prices, good seasonal conditions across most areas have ensured healthy operating margins.”



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In the dairy sector, Mr McAlpin said, it was also price outlook that had farmers more optimistic about their prospects for the coming season, with 49 per cent of the state's dairy producers expecting conditions to improve.

"While on-farm cashflow will remain tight for a few months yet, positive pricing signals for next season are certainly helping to restore confidence in the sector," he said.

"We have recently seen Fonterra come out with their forecast farmgate price range of 5.30 to 5.70/kgMS for 2017/18, plus an additional 40 cents per kgMS on top of that, while Murray Goulburn are forecasting a price range of 5.20 to 5.40/kgMS for their suppliers."

Reflecting the healthy confidence levels, investment intentions across Victoria's rural sector are also strong, the survey showed – with nine-out-of-10 farmers surveyed looking to increase, or at least maintain, their level of business investment over the coming 12 months.

Overall, 24 per cent of farmers were expecting to increase investment in their farm businesses, with that figure increasing to 38 per cent in the grains sector.

"Among grain growers, there has been strong demand for on-farm infrastructure, particularly for grain storage facilities such as silos, with farmers holding onto greater volumes of grain due to the low grain price," Mr McAlpin said.

In the sheep and beef sectors, 93 and 92 per cent of producers (respectively) were looking to increase or maintain their level of investment, while in the dairy sector this stood at 88 per cent.

"While confidence in the dairy sector has improved with good price signals and seasonal conditions, an increase in investment – particularly the impetus to re-build herds for those who had destocked after last year's price drop – will be driven by the season, and what type of spring we get," he said.

Mr McAlpin said the historically-high returns for sheep, beef and wool were also flowing into an increased demand for farm management deposits.

"We are also seeing a pretty active property market – particularly for grazing operations, which are fetching strong prices," he said.

This quarter, Rabobank's survey also questioned farmers about their uptake and use of sensor technology, such as drones, moisture probes, yield mapping, EID (electronic identification) and auto drafting.

Mr McAlpin said although the survey found the uptake of sensor technologies was still relatively low among farmers (at 25 per cent of Victorian farmers surveyed), usage was higher in the grains sector (55 per cent) as technologies such as yield mapping are increasingly being adopted.

"Larger-scale operations were also shown to adopt sensor technologies more readily, with 68 per cent of Victorian farm businesses with gross incomes above \$1 million utilising these technologies," he said. "However lack of technology infrastructure and the 'cost versus benefit' of some of these technologies for smaller scale operations has been limiting uptake."



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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 September 2017.

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