



Victorian farmers start year with optimism

Results at a glance:

- *Victorian rural confidence remains strong, with 87 per cent of the state's farmers expecting 2017 to be similar to, or better than, 2016*
- *Confidence driven by positive market fundamentals for dairy, lamb, wool and beef and, to a lesser extent, seasonal conditions*
- *Investment intentions hit a two-year high, with a quarter of farmers looking to increase their investment*
- *32 per cent concerned about potential negative impact of new Trump administration on Australian ag sector*

Victorian farmers have started 2017 on a positive note, with four out of five expecting this year to be similar to, or even better than, the last, Rabobank's quarterly Rural Confidence Survey has found.

Much of this positive outlook has been driven by renewed optimism in the dairy sector, with farmgate margins set to improve throughout 2017. Graziers are also upbeat – particularly sheep producers, with wool prices surging in recent months.

Meanwhile low wheat prices have put a dent in grain grower confidence, but this has been buffered by the bumper harvest result.

The latest survey – completed last month – found the majority of the state's farmers are expecting the agricultural economy to remain stable in the year ahead – with 60 per cent anticipating similar conditions to last year. Those expecting agricultural economic conditions to improve had declined slightly from the previous quarter – 27 per cent compared with 35 per cent last quarter. And just 10 per cent expected conditions to deteriorate, from 14 per cent previously.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said Victoria's farmers were poised for a good year, particularly those in the beef and sheep sectors, while the outlook for dairy farmers had improved considerably.

"It really is the trifecta for those in the livestock game," he said, "with favourable seasonal conditions, strong market prices and lower input cost pressures."

While "all the stars hadn't aligned" in the dairy and grain sectors, Mr McAlpin said farmers in these sectors had benefited from excellent growing conditions through the spring.

"Grain silos are overflowing after the bumper harvest and hay sheds are full, giving producers ample fodder reserves well into next season and in some cases the following season as well," he said.

Although seasonal conditions remained a positive driver of Victorian farmer sentiment this quarter – with 30 per cent of those expecting conditions to improve citing 'the season' as reason for their optimism – commodity prices were the largest driver of confidence, nominated by 71 per cent.



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The market outlook was particularly buoyant for those in the sheep sector, with all sheep producers who were expecting agricultural economic conditions to improve citing prices as a reason for their positive outlook.

“Although lamb prices remain very strong, it is the wool market that has been the star performer in recent months, with the Eastern Market Indicator continuing to reach new highs,” Mr McAlpin said.

Dairy producers were also much more positive about their market outlook.

“The dairy market is now well into recovery mode,” he said, “with this season’s closing price expected to be better than what was anticipated at the start of the season, albeit for many it is still below break-even.

“However, much of the benefit of higher export returns will come next season which – coupled with the favourable seasonal conditions and a healthier supply of home-grown feed and more affordable purchased feed – should start to see profitability return to the sector.”

The outlook for grain prices was not as positive, Mr McAlpin said, given the abundance of grain around the world.

“The markets have been more positive for oilseeds and pulses, benefiting those with a weighting of non-cereals in their crop rotation, while the high grain yields have certainly offset some of the price pain,” he said.

With confidence in the wider ag economy remaining relatively firm – with the net confidence index dipping only slightly from last quarter – the state’s farmers were increasingly optimistic about the prospects for their farm incomes in 2017.

This was evident in the survey results, with more than a third of surveyed Victorian farmers (34 per cent) expecting higher gross farm incomes in 2017, while a further 49 per cent were expecting a similar financial result to 2016. Dairy farmers, in particular, were of the view that incomes would increase, with 46 per cent having this expectation.

While the survey found the state’s farmers to be generally positive about the outlook for 2017, the results highlighted some uncertainty from the recent change in US government.

Mr McAlpin said although many survey respondents felt it was “too early to tell” what impact the new Trump administration would have on the Australian agricultural sector, 32 per cent were concerned it would be negative, particularly in respect to Australia/US trade.

Any concerns did little to dampen investment appetite in the sector however, with Victorian farmers’ investment intentions increasing to a two-year high. A total of 95 per cent of the state’s farmers reported that they were looking to increase or maintain the level of investment in their farm business over the coming year.

Of these, 25 per cent were looking to increase their investment – up from 17 per cent in the previous survey – particularly in on-farm improvements.



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Interest was particularly strong in investing in on-farm infrastructure (such as fences, yards and silos) as well as plant and machinery upgrades and increasing stocking rates.

Mr McAlpin said there had also been a move towards investment in farm business expansion.

“Before this season we saw strong investment in grain storage infrastructure, new plant and machinery and ways to increase on-farm efficiencies,” he said, “however we are now seeing investment in bigger ticket items as farmers look to the property next-door.”

“This has made for a very active property market across a range of sectors, not just beef and sheep, but also cropping and dairy.”

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 2017.

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