



## **Late winter rain sees Vic farmers remain the most positive in the nation**

### **Results at a glance:**

- *Dry start to winter sees Victorian farmer confidence fall back, but recent rain limits the decline*
- *Victorian farmers remain the most positive in the nation*
- *Grain producers particularly upbeat, while outlook also positive for dairy*

**Good late-winter rainfall in the state has seen Victorian farmers retain their position as the most positive in the nation for the second consecutive quarter, the latest Rabobank Rural Confidence Survey has found.**

**While the driest June on record saw confidence in Victoria's agri sector retreat from last quarter's two-year high in the latest survey, the recent rain came 'just in time' to curtail any negative impact on the state's grain crop.**

**Dairy farmers also helped underpin the state's positive rural sentiment, with better seasonal conditions and farmgate milk prices expected to support improved on-farm profitability.**

The survey – completed last month – found while the 'net' Victorian Rural Confidence index fell to seven per cent (from last quarter's strong reading of 26 per cent), the majority of the state's farmers (57 per cent) expected conditions in the agricultural economy to remain the same as the last 12 months.

A smaller proportion of the state's farmers (24 per cent, from 34 per cent in the previous survey) expected conditions to improve, while those expecting the agricultural economy to deteriorate increased to 17 per cent (from eight per cent).

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said with widespread rain falling in the state in early to mid-August, the turnaround in seasonal conditions may not have been fully captured in the survey.

"After an exceptionally dry June, there was certainly an element of nervousness that winter could remain dry and downgrade the potential of the winter crop," he said.

"Thankfully August brought with it the much-needed rain, with most of the state recording at least an inch of rainfall, if not three to four inches, over a two-week period."

Mr McAlpin said parts of east Gippsland had missed the rain however, which was placing pressure on pasture for the region's dairy, beef and sheep producers.

Across the state, grain producers were the most positive about their prospects, with 36 per cent of growers expecting agricultural economic conditions to improve and a further 61 per cent expecting similar conditions to last season.



**Rabobank**

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“The recent rains have consolidated on the fantastic start to the cropping season in autumn, with Victoria the only state on-track to produce an above-average winter crop,” he said.

With the three-month outlook from the Bureau of Meteorology pointing to below-median rainfall for much of Victoria, Mr McAlpin warned that September and early-October rainfall would be critical to “fulfil the potential of crops in the ground” and sustain ongoing confidence in the sector.

Confidence was also relatively strong in the dairy sector, with 37 per cent of the state’s dairy farmers holding a positive outlook for agricultural economic conditions in the current season.

“The improved sentiment in dairy is really a price story,” Mr McAlpin said, “with processors actively chasing milk supply and lifting their farmgate milk prices.”

He said price signals were supportive of improved on-farm profitability for dairy farmers (seasonal conditions permitting), with Rabobank forecasting a full-year southern Australia farmgate milk price of \$5.40-5.80/kgMS.

In contrast to recent surveys, Mr McAlpin said, confidence had waned in the beef and, to a lesser extent, sheep sectors.

“The past 12 months have really been exceptional for graziers, with record prices, excellent seasonal conditions and lower input costs for fertiliser and fodder,” he said. “So this drop-off in confidence is largely a moderation from a high, reflecting that the ‘alignment of the stars’ can’t last forever, rather than indicating a material decline in grazier sentiment.”

The overall financial health of Victoria’s agri sector was reflected in gross farm income projections, with Victorian farmers more positive about their cashflow for the coming financial year compared with their counterparts in other states.

The survey found 39 per cent of the state’s farmers were expecting their gross farm incomes to increase in the 2017/18 financial year (the same percentage as in the previous quarter) while a further 42 per cent were expecting a similar income to the previous year. Eighteen per cent (up slightly from 13 per cent) were expecting a decline in farm incomes.

Dairy farmers in particular were expecting farm incomes to increase in 2017/18 – with 62 per cent holding that view. Grain and sheep producers were also upbeat – with 35 per cent (in both sectors) expecting an improved financial result.

Investment intentions among the state’s farmers remained robust, with 23 per cent looking to increase their investment and a further 71 per cent planning to maintain investment at current levels – a similar result to last quarter.

“As we enter spring and what is usually a more active property market, we would expect to continue to see strong interest in beef, sheep and cropping properties among farmers looking to expand and also corporate players,” Mr McAlpin said.



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“In the dairy sector, the promising price outlook is starting to lift the hatches on on-farm investment, with farmers looking at way to improve productivity after a period of cutting costs and culling poor-performing cows.”

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 December 2017.

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