



Victorian farmer confidence holds steady, with recent rain arriving in 'nick of time' for many

Results at a glance:

- *Vic farmer confidence holds steady, bucking overall national trend*
- *Mixed outlook among commodities, with strong sentiment in grain and sheep, while dairy lifts, and beef lags behind*
- *Across commodities, dry season weighs on sentiment, but recent rains put winter crop back on track*

Sentiment has held steady among Victoria's farmers, bucking the national trend which has seen a significant overall decline in Australian rural confidence as many parts of the country battle ongoing dry conditions.

The latest Rabobank Rural Confidence Survey, released today, found the Victorian rural confidence index remained unchanged from last quarter, albeit sitting at lower levels than had been seen during 2016 and 2017.

The survey found the state's grain and sheep producers to be the most positive about their prospects, while confidence improved markedly in the dairy sector, but lagged well behind in beef.

Although Victorian farmers remained generally less pessimistic than many other primary producers around the nation, dry seasonal conditions still weighed on the state's rural sentiment, cited by 75 per cent of farmers with a negative outlook as reason for concern, up from just eight per cent last quarter.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said there had been a heightened level of anxiety about the dry season, but recent rains had fallen in the 'nick of time' to put the winter crop back on track.

The survey, completed last month, found the net rural confidence index for Victoria remained steady at minus two per cent, though trailing the levels reported over the previous two years.

That said, half of the state's farmers, at 50 per cent, were of the opinion that agricultural economic conditions would remain fairly similar to the past 12 months. While the remainder were relatively evenly divided as to whether conditions were likely to improve (22 per cent) or deteriorate (24 per cent).

Mr McAlpin said recent widespread rain, which fell a couple of weeks after the average 'break' date, had been welcomed by the state's grain growers to fulfil planting intentions, but follow-up rain would be critical with low soil moisture profiles.

"After a very dry February, March and April, there was a fair bit of nervousness on the eve of this break," he said.

"Expectations are for winter crop plantings to be in line with last year, but canola hectares have been wound back in the Wimmera and Mallee by an estimated 35 per cent and 45 per cent, due to the dry start to the season and the comparatively high



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price of cereals. Northern Wimmera and Mallee particularly will be looking for follow-up rains in the next week or 10 days with the crop sown into low levels of soil moisture while south and west of Horsham, crop emergence has been excellent with satisfactory soil moisture”

Pulses had also been a casualty of the dry start to the season and of significantly lower year-on-year prices, he said, with plantings down in the Mallee and south west of the state.

Despite seasonal concerns, the survey found grain growers to be the most positive about the coming 12 months, with 29 per cent expecting agricultural economic conditions to improve and a further 49 per cent with a stable outlook.

Sheep producers also retained a relatively optimistic view on the year ahead, with nearly two-thirds (65 per cent) expecting conditions to remain comparatively unchanged. But in the beef sector it was a different story, with 49 per cent expecting economic conditions to deteriorate.

“While the season has been tough for graziers, with many feeding and offloading older classes of stock, record wool and high lamb and mutton prices are providing the incentive to feed sheep,” Mr McAlpin said.

“But in beef, cattle prices haven’t held up as well, although they are still above long-term averages.”

Mr McAlpin said the season was particularly dry in the far east of the state, with the survey reporting low confidence in the High Country and to a lesser extent Gippsland, where beef producers had already offloaded surplus numbers and were running their core breeding herd, as the rains had come too late in the High Country to promote pasture growth.

The state’s dairy farmers posted the largest upswing in confidence, the survey found, with 20 per cent expecting improving economic conditions in the coming year and 54 per cent expecting stable conditions.

“A full-season milk price well and truly in the ‘six dollars’ is potentially on the cards,” Mr McAlpin said, “with a number of dairy companies releasing opening prices between \$5.60 and \$6 per kilogram of milksolids and the market eagerly awaiting Saputo.

“As a starting line, these prices should deliver pretty good margins, particularly if we have an average or normal spring.”

Mr McAlpin said with a fair bit of movement continuing between processors, domestic competition for milk remained strong and was helping underpin prices.

“The recent sell down of Murray Goulburn shares has also given those dairy farmers a short-term cashflow boost for debt repayment or capital reinvestment,” he said.

Despite the mixed outlook for commodities, farmers across the state held strong investment plans for the coming 12 months – although those intending to increase investment declined slightly to 18 per cent, from 25 per cent in the previous survey.



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The percentage expecting to maintain investment at the same level as the previous 12 months increased to 75, from 66 per cent.

Those looking to increase investment were intending to spend on on-farm infrastructure (such as fences, yards and silos) and also to increase livestock numbers, invest in new plant and machinery and upgrade water infrastructure.

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 2018.

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