



## ***Victorian farmers temper expectations, waiting on 'autumn break'***

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

- *Vic farmer confidence drops, as outlook hinges on timing of the autumn break*
- *Despite seasonal uncertainty, long-term fundamentals for ag remain unshaken*
- *Reflected in robust plans for investment*

**Victorian farmers have entered 2018 with tempered expectations, Rabobank's latest Rural Confidence Survey has found, with some uncertainty around 'how the season will unfold'.**

**With much hinging on a decent autumn break, the survey found Victorian farmer confidence levels had dropped to their lowest level since late 2015 – following a two-year run of strong positive sentiment.**

**Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said despite seasonal uncertainty, the long-term fundamentals for agriculture remained unshaken.**

"The general global food story – underpinned by population growth and changing diets – as well as improved market access, is feeding into good price prospects for most commodities," he said. "And this is seeing increased investment interest, both within and outside the sector, as people want to be a part of it."

As the first gauge of rural confidence for 2018, the survey – completed last month – found slightly more of the state's farmers were anticipating the agricultural economy to worsen in the coming 12 months than the number expecting it to improve, resulting in the net confidence reading dipping to -2 per cent, from 26 per cent in the December quarter survey last year.

The percentage with a negative view now stood at 22 per cent (climbing from 10 per cent last quarter), while 20 per cent expected conditions to improve (down from 36 per cent).

That said, more than half of the state's farmers, at 55 per cent, anticipated similar conditions to last year.

"Last year's season was pretty good, although late season frosts had a large impact on crops in the Wimmera. Now farmers are now wondering 'what's around the corner' as they hope for good autumn rains to set them up for winter and the upcoming cropping program," Mr McAlpin said.

"While it is still early in the season and there is a bit of time yet – with the average break in late April – this year's outlook all really hinges on when, and how much rain, falls in the rain gauge during autumn."

The survey found confidence levels were down across all commodity sectors in the state, with beef and dairy taking the biggest hit.



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Commodity prices were cited by 61 per cent of the Victorian farmers surveyed as a key reason they expected conditions to worsen, however they were mainly a worry for those in dairy and beef – with prices raised as a concerning factor for 78 per cent and 58 per cent of dairy and beef producers, respectively.

In the beef sector, Mr McAlpin said, the drop-off in confidence was largely price-related, with the Eastern Young Cattle Indicator dropping by around 10 per cent since the start of December, as there was limited restocker demand.

“However, cattle prices are still really good and trading well above the five-year average,” he said, “so while confidence has fallen, it is coming off a really high base.”

In the dairy sector, sentiment was also down, with more producers now expecting conditions to deteriorate in the coming 12 months – 36 per cent of surveyed dairy farmers, up from 14 per cent.

“It is an interesting time in dairy,” Mr McAlpin said. “On the one hand, there is increased competition locally for milk, with Saputo looking for milk supply to better utilise assets should it acquire Murray Goulburn, and Fonterra is also investing in infrastructure to process more milk.

“And seasonal conditions, while dependent on a timely autumn break, are mitigated somewhat by the abundance of hay, with many filling up their hay sheds last year, and also good water availability and reasonable water prices.

“However, this is overlaid by pressure in global dairy markets, with the EU and US increasing milk supply, which is depressing the world outlook for prices and also feeding into uncertainty for local farmgate milk prices in 2018/19.”

While confidence also eased in the sheep and grains sectors, the majority of farmers in those commodities expected a similar year to last, albeit with a smaller proportion anticipating an improvement in conditions.

“For sheep graziers, the relatively small size of the domestic sheep flock and strong export demand for lamb and mutton – particularly out of China – continues to underpin high prices,” Mr McAlpin said, “while wool prices are at record levels.”

In the grains sector, he said, there was some concern around the impact of currency on prices, with the Australian dollar at the upper range of where it has traded in the past couple of years.

“Record global grain stocks also continue to weigh on the price outlook, but there has been an uplift in wheat prices in recent weeks on the back of dry conditions in the US and Argentina, while locally the ongoing dry has lifted grain demand,” he said.

In the pulse market, Mr McAlpin said, the Indian tariff on chickpeas had led to significant price volatility, with the 30 per cent tariff announcement in December resulting in an immediate price drop, removing some of the price premium the crop has commanded in recent years.

Despite the drop-off in farmer confidence levels, Mr McAlpin said “it did little to dent underlying positivity prevailing across the ag sector, with investment intentions remaining at robust levels”.



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The survey found 25 per cent of the state's primary producers were intending to increase their investment over the coming 12 months while a further 66 per cent were looking to maintain investment at current levels.

"Across the sector, farmers are pushing and driving improvements to their on-farm productivity and we are seeing this with investment in fencing, yards, water infrastructure and grain storage facilities," Mr McAlpin said.

"We are also seeing strong demand for rural property, particularly for beef, sheep and broadacre cropping operations, and the property market is showing signs of picking up after being relatively flat in the dairy sector."

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 2018.

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