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**Media Release**  
**September 3, 2018**

## ***Drought takes Vic ag sector confidence to near-decade low, but farmers report strong business viability***

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

- *Victorian farmer confidence drops to near-decade low, as concerns over drought increase*
- *Grain grower sentiment takes biggest hit, although down in all commodities*
- *Season mixed across Victoria – dry in north and east, but okay elsewhere*
- *Farmer viability remains unshaken and well above previous droughts*

**Victorian farmer confidence has dropped to near-decade lows, as the state's agricultural producers report heightened concerns around the drought, the latest quarterly Rabobank Rural Confidence Survey has found.**

Released today, the survey found just over half of Victorian farmers surveyed (51 per cent), expect business conditions to worsen in the coming 12 months, more than double the 24 per cent with that expectation in the previous survey in June.

**And 92 per cent of those with a negative view blame their outlook on drought – with grain growers the most anxious about seasonal conditions.**

**Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said despite the overall drop-off in confidence, Victoria was a state “divided” – with dry conditions spreading across the north and east, but shaping up to be a good spring elsewhere.**

**And despite the disparity in seasonal conditions, farm businesses across the state were continuing to report strong viability levels, he said.**

“Viability is at levels much higher than in past dry periods, with 95 per cent of surveyed farming businesses reporting viability,” Mr McAlpin said.

Completed last month, the latest survey found the number of Victorian farmers with an optimistic outlook for the agricultural economy in the coming 12 months fell back to 14 per cent (from 22 per cent last survey), while 31 per cent expect similar conditions to last year (compared with 50 per cent previously).

By commodity, grain grower sentiment took the biggest hit, with 72 per cent of surveyed grain producers in the state expecting agricultural business conditions to worsen (compared with just 19 per cent in June).

“Crops look good around Ballarat and further west out towards Hamilton and south of Horsham, but the crops north of Horsham and the Mallee sown into very little soil moisture are in desperate need of a drink,” Mr McAlpin said.

It was a similar story for the state's graziers, with 65 per cent of beef producers (up from 49 per cent) and 41 per cent of sheep producers (up from 14 per cent) reporting a negative outlook on the coming 12 months.



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That said, 51 per cent of surveyed sheep graziers expect similar conditions to last year, which was characterised by strong wool and lamb prices, Mr McAlpin said.

“Sheep and cattle in the right condition are still fetching good money and the expectation is those that ‘get a spring’ will be able to capitalise on the market for some great returns,” he said.

But the real standout is lamb, Mr McAlpin said, with lambs making more than \$8 a kilogram.

“There are, however, also plenty of graziers who have been feeding their stock for some time in the north of the state and in east Gippsland and the Victorian High Country, and it is becoming increasingly challenging to do so with the rising cost of grain and limited hay and silage in storage,” he said.

Mr McAlpin said south and west Gippsland had recently received some good falls of rain, but in east Gippsland and the High Country drought conditions continued.

This had contributed to the drop-off in dairy farmer confidence, with 47 per cent of Victorian dairy producers now expecting business conditions to worsen, more than double the 21 per cent with that view last quarter.

“Dairy farmers are looking for a good spring to alleviate current cost pressures with the very high cost of bought-in feed,” he said.

Despite the drop-off in overall rural confidence, farmers’ expectations for their farm incomes didn’t fall to the same degree. The survey found 22 per cent of Victorian farmers were expecting higher gross farm incomes in the next 12 months and a further 35 per cent were anticipating incomes to be on par with previous year. There were however 38 per cent expecting their incomes to fall (up from 25 per cent) – with income projections revised down furthest in the dry-affected Wimmera, Mallee and Gippsland regions.

Underlying confidence in the state’s agri sector remained strong, reflected in investment intentions amongst surveyed farmers – with 17 per cent (down slightly from 18 per cent last quarter) looking to increase their investment in the coming 12 months and a further 70 per cent (was 75 per cent) intending to keep investment at the same levels.

Sheep graziers held the highest expansionary intentions, with 30 per cent looking to increase their investment, up from 14 per cent in the June survey.

“There’s been increased investment in the sheep sector and that has continued with the strong market signals and it is particularly evident in those areas of the state not impacted by dry conditions” Mr McAlpin said.

Longer-term confidence was also reflected in business viability levels being reported by farmers, Mr McAlpin said, with 95 per cent surveyed reporting viability.

“Many farmers have used the recent run of reasonable seasons and commodity prices to position themselves to manage these dry times as best they can,” he said,



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“notwithstanding it is becoming increasingly difficult to feed livestock at current prices.”

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 2018.

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