



## **Early season promise lifts spirits in Victoria's farm sector**

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

- *Arrival of autumn break – across much of Victoria – sees farmer spirits begin to lift*
- *Victorian farmer confidence climbs to highest level since late 2017*
- *But follow-up rains will be critical*
- *Dairy sector posts biggest confidence lift, albeit from low levels, signalling early signs of a recovery in sentiment*

**The arrival of a highly-anticipated – and much-needed – autumn break has lifted the spirits of farmers across much of Victoria, with sentiment in the state's rural sector climbing to its highest level since late 2017, the latest Rabobank Rural Confidence Survey has found.**

**The early-season promise, provided by widespread rains in early May and good follow-up falls since, has seen grain grower confidence outstrip the other surveyed commodity sectors in the state.**

**But it was the state's dairy sector which saw the biggest lift in confidence, albeit from low levels, signalling early signs of a recovery in dairy farmer sentiment.**

The latest survey, released today, found close to a third of Victorian farmers (31 per cent) had a positive outlook on the agricultural economy over the coming 12 months – up from 23 per cent with that view in the previous quarter.

And of those with an optimistic outlook, 64 per cent cited seasonal conditions as a key reason conditions were likely to improve, while commodity prices were nominated by 37 per cent.

That said, there are still a greater number of farmers in the state (at 39 per cent) holding the view that conditions are likely to remain similar to last year, while a further 22 per cent expect them to worsen.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said there was a lot of anxiousness leading up to what was a late autumn break, but widespread falls in early May had started to turn the season around, with follow-up received since. That said, it remains very dry in east Gippsland, although rain was received in the far-east of the region, with farmers battling drought conditions for the past two years.

Mr McAlpin said despite the good start to the season, spring rainfall would be critical, with soil moisture levels remaining low at depth following “the extended dry” in many parts of the state.

“With the Wimmera and Mallee receiving virtually no summer rainfall, follow-up falls will be needed to deliver solid yields,” he said. “But it is certainly a good start, with crops starting to emerge well.”



**Rabobank**

**Media Release**

**June 17, 2019**

The heaviest of the falls, he said, were north of the divide, particularly in the upper north-east regions around Corryong and the Kiewa Valley.

“This has seen the catchments for the Murray and Goulburn systems start to wet up and has alleviated the need for temporary water – which spiked around \$640 a megalitre a few weeks ago and is now trading around \$550 a megalitre – but many rain events will be needed to fill the catchments,” Mr McAlpin said.

By region, the biggest lift in confidence (although from a low base) was reported in the Goulburn Murray region, with 58 per cent of surveyed farmers there expecting conditions to improve (up from 28 per cent in the March quarter).

Mr McAlpin said this improvement in sentiment had also been driven by the region’s dairy producers, with “competition for milk intensifying as processors try and cover supply shortages out of an already depleted milk pool”.

“And it is this competition, together with stronger global fundamentals, that has driven expectations for full-year prices in the 2019/20 season to close at record high levels, with some dairy producers locking in multi-year contracts at elevated prices,” he said.

Mr McAlpin said while there was good evidence of a stronger milk price next season, headwinds remained in the form of high feed and water costs. And this was reflected in the survey, he said, with 36 per cent of dairy respondents expecting their prospects to improve (up from 18 per cent), but 33 per cent expecting a similar outcome to last year, and 30 per cent believing conditions could worsen.

Across other commodity sectors, the survey found grain growers to be the most positive about the coming 12 months, while sentiment improved among beef and sheep graziers.

“Through south-west Victoria and west Gippsland, many farmers started the year with good hay and silage reserves,” Mr McAlpin said. “However, reserves have dwindled over the last few months with a later than usual break.

“For those further north that missed a spring and didn’t get an opportunity to conserve feed, the sourcing and availability of feed remains challenging.”

Mr McAlpin said while the autumn break had come late, some farmers had been able to get a feed wedge before winter.

“Pasture growth has also been helped by the mild weather we experienced before it turned cold in late May, although the feed wedge is not as big as usual,” he said.

“But it remains desperately dry in east Gippsland, with much of the region looking for significant rain through winter and spring to bring much-needed relief.”

While sentiment in Victoria’s farming sector improved this quarter, there was little change in the investment appetite among the state’s farmers – although investment intentions remained at still strong levels. The survey found 18 per cent of respondents were looking to increase investment in their farm businesses over the next 12 months, while a further 66 per cent intended to maintain investment at current levels.



Rabobank

**Media Release**

**June 17, 2019**

“We are seeing stronger investment in regions that enjoyed a good season last year, like the Western District, but in other areas, such as the Mallee, expansion intentions have generally been put on hold after two tough years,” Mr McAlpin said. “While in the Wimmera, properties are still fetching good returns, and pushing records in some cases, but appetite for expansion is mixed with last year’s frost-damaged crop putting a dampener on investment plans.”

This quarter, the survey also questioned farmers about their uptake and use of sensor technology, such as drones, moisture probes, yield mapping, EID (electronic identification) and auto drafting. This topic was last asked about in the survey in June 2017.

Mr McAlpin said although the use of sensor technologies remained reasonably low at 23 per cent of those Victorian farmers surveyed (in line with its usage levels two years ago), there were more farmers ‘looking into it’ (12 per cent, up from four per cent). Usage was also found to be much higher in larger farming businesses with gross incomes above \$1 million, at 46 per cent.

“The first wave of adopters are now using the technology,” he said, “and are seeing benefits flow through into their bottom-line and this helps the second and third wave start looking into the technology,” Mr McAlpin said.

Of the farmers who had sensor technology in place, the survey found 72 per cent were using it to support decision making (up from 58 per cent in June 2017) and 53 per cent had found the sensor data-based decisions had increased profitability (up from 33 per cent).

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 2019.

***Rabobank Australia & New Zealand Group is a part of the global Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has 120 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 38 countries, servicing the needs of approximately 8.4 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand Group is one of Australasia’s leading agricultural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.***

<ends>

To arrange an interview with Hamish McAlpin, Rabobank regional manager Southern Victoria & Tasmania, or for more information on Rabobank’s Rural Confidence Survey, please contact:



**Rabobank**

**Media Release**  
**June 17, 2019**

Denise Shaw  
Head of Media Relations  
Rabobank Australia & New Zealand  
Phone: 02 8115 2744 or 0439 603 525  
Email: [denise.shaw@rabobank.com](mailto:denise.shaw@rabobank.com)

Skye Ward  
Media Relations Manager  
Rabobank Australia & New Zealand  
Phone: 02 4855 1111 or 0418 216 103  
Email: [skye.ward@rabobank.com](mailto:skye.ward@rabobank.com)