



Rabobank

Media Release

March 12, 2019

Anticipation of positive autumn break spurs rise in Victorian farmer confidence

Results at a glance:

- *Anticipation of autumn break lifts Vic farmer confidence from near-decade lows*
- *23 per cent of farmers reporting positive outlook on 2019*
- *But seasonal conditions varied across state, with northern Vic and east Gippsland continuing to face dry conditions and escalating water prices*
- *Input cost pressures keeping lid on dairy farmer confidence*

Anticipation of a decent autumn break to turn around the season has driven up Victorian farmer confidence from the near-decade lows where it had been languishing late last year, the latest Rabobank Rural Confidence Survey has found.

The first quarterly survey for 2019, released today, found nearly a quarter of Victorian farmers hopeful that conditions will improve this year. While the percentage expecting conditions to worsen almost halved from the 50 per cent with that view in December last year.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said this year's autumn break was eagerly anticipated after a hot and dry summer – particularly in the north of the state and east Gippsland, where it remains extremely dry and the cost of water had escalated.

“At this stage of the year, the season is all ahead of us,” he said, “with the average autumn break around late April. If we get a decent break, it will see the crop planted into moisture and catchment areas start to wet up to take best advantage of winter and spring inflows to storages, and to provide some much-needed confidence for irrigators in the year ahead.

“That said, it will take time to recover from the dry. The harvest of the next winter crop is some way off to take pressure off feed prices, and irrigation storages are so low.”

Mr McAlpin said the bushfires have been impacting east Gippsland for some time but the more recent fires in west Gippsland started since the survey was in the field.

“While the fires at this stage have been largely confined to bushland and temperatures have cooled in the last week, a close watch needs to be maintained given so much of the state remains dry,” he said.

The latest survey, completed in February, found Victorian farmer confidence had improved markedly to around the levels reported a year ago.

Nearly a quarter of the state's farmers now expect conditions to improve (23 per cent, up from 18 per cent last quarter), while the percentage expecting conditions to worsen has nearly halved to 28 per cent, from 50 per cent previously.



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That said, 44 per cent of those surveyed were expecting little change in agricultural economic conditions from last year, which was challenging for those in the Wimmera/Mallee, Murray Goulburn Valley and east Gippsland regions.

Drought continued to suppress confidence in the sector, with 79 per cent of farmers with a pessimistic outlook citing dry weather as their primary concern. This was down slightly from 94 per cent with that view in the December quarter.

By surveyed commodity, confidence lifted across all sectors, with grains posting the biggest upswing – 47 per cent of grain growers now anticipating conditions to improve over the coming months (up from 24 per cent previously).

“With last year’s below-average harvest behind us, this improvement in sentiment reflects the hope that this year’s winter crop will be well up on last year’s,” Mr McAlpin said. “And although the crop was well down, particularly in the Mallee, growers were surprised how much they got off, given how little moisture was around, with the advancements in crop management practices and seed varieties.”

Confidence also picked up strongly in the sheep sector, with 20 per cent expecting conditions in the agricultural economy to improve and 55 per cent reporting a stable outlook. While in beef, sentiment also posted a lift, but remained subdued – with 32 per cent taking a pessimistic outlook on the year ahead.

“Graziers in the Western District have had a good run, both season-wise and with wool and lamb prices where they are,” Mr McAlpin said. “But in other areas, such as east Gippsland, farmers are facing one of the worst droughts in a generation. And there is little reprieve in sight from the high cost of feeding stock until the crop comes in later in the year.”

Sentiment was lowest in the dairy sector, with 49 per cent of the state’s dairy farmers expecting conditions to worsen (albeit down from 61 per cent last quarter). Concerns were high around drought and rising input costs.

“It is particularly challenging for dairy farmers on irrigation, with temporary water prices in the Southern Murray Darling Basin now triple what they were a year ago,” Mr McAlpin said. “Couple that with the price of fodder, and the cost pressures are significant.”

“In South West Victoria and west Gippsland, however, an extended spring allowed dairy farmers there to conserve above-average hay and silage volumes. And while some dairy farmers are buying in feed now, and the cost is taking some of the shine off, they don’t have the water issues of their counterparts in the north.”

In terms of investment appetite, the survey found two thirds of Victorian farmers (69 per cent) are intending to maintain investment in their farm businesses at current levels, while a further 17 per cent are looking to invest more. However, Mr McAlpin said, 14 per cent of survey respondents indicated they were intending to wind back investment over the coming year.

“But this is coming off a very high base, with strong investment over the past two seasons in on-farm infrastructure in the red meat, wool and cropping sectors, in particular,” he said.



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“Where we are seeing some investment appetite tapering off a bit is for plant and machinery, with farmers displaying a degree of caution until we see how the next season sets up.”

Mr McAlpin said the rural property market in the state remained solid, with the Western District around Hamilton recording the strongest land appreciation across the country over the past five years.

“The reliability of rainfall and stable outlook for beef, wool and lamb has seen the properties that go up for sale in the Western District attract multiple buyers as the market continues to rise,” he said.

While in the Wimmera, around Horsham, there are still very strong property sales, he said, with near record prices being paid.

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 2019.

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