



Rally in Vic farmer sentiment, as dairy and grain lead the charge

Results at a glance:

- *Strong rally in Vic farmer sentiment, to sit among the highest levels in the nation, just behind Tasmania*
- *Dairy sector behind much of the upswing – as milk prices open at record high levels – but conditions remain tough in northern dairy regions*
- *Grain growers also upbeat, with crops shaping up to be the best in the nation*

Victorian rural sentiment has staged a strong rally, with the state’s farmers now among the most confident in the nation, the latest Rabobank Rural Confidence Survey has found.

Dairy farmers were behind much of the upswing, with 45 per cent expecting conditions to improve on the back of strong milk price signals – with record high opening prices – and improving seasonal conditions in the southern dairy regions.

But it is a tale of two halves in Victoria’s dairy sector, as milk production continues to tumble in the north of the state as farmers contend with high water and fodder costs.

Meanwhile the state’s grain growers retained their upbeat outlook on the year ahead – and are more positive than their counterparts across the country – as Victoria’s crops shape up to be the best in the nation.

Across the state, the latest survey, released today, found 37 per cent of farmers have a positive outlook on the agricultural economy in the coming 12 months, up from 31 per cent with that view in the previous quarter.

Of those with an optimistic outlook, 65 per cent cited seasonal conditions as a key reason for their view, while commodity prices were nominated by 53 per cent.

Just 16 per cent of Victorian farmers surveyed were anticipating a deterioration in the agricultural economy (down from 22 per cent previously), while 39 per cent expected no change.

Rabobank regional manager for Southern Victoria & Tasmania Hamish McAlpin said good winter rainfall, consolidating on the state’s late autumn break, was behind much of the prevailing positivity, particularly among the state’s grain growers.

“The Wimmera is looking fantastic, particularly around Horsham, where the soil moisture profile is almost full,” he said. “Yield potential begins to dissipate as you head into the Mallee, however, with below-average prospects around Mildura.”

Mr McAlpin said the crops were also faring well in the Goulburn Valley around Echuca, Shepparton and Benalla, and in southern Victoria around Ballarat and Hamilton.



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“While it is still early in the season, and frost risk looms large, a reasonable spring could see many harvest their best crop in three years and in some pockets, one of the best crops on record,” he said. “But it all hinges on timely rainfall in the next few months.”

Mr McAlpin said the outlook for grain prices also remained positive, with growers “acutely aware of the dry conditions over the border and the impact on local supply and demand”.

While there was an uptick in grain grower confidence this quarter, with 44 per cent expecting conditions to improve in the coming year (up from 33 per cent in the previous survey), Mr McAlpin said it was the state’s dairy producers who had posted the strongest upswing in sentiment – with dairy confidence now outstripping other surveyed commodities.

“Most dairy regions in southern Victoria have benefited from good winter rainfall, but it is the strong price environment that has driven the rebound in confidence,” he said. “However in the north, high water and fodder costs have taken the gloss off the high milk price – with little respite foreseen in coming months.”

With lack of milk and latent capacity in the processing sector driving record high opening milk prices, Mr McAlpin said this was starting to feed into business bottom-lines, with 65 per cent of dairy farmers expecting a higher gross farm income in 2019/20 than the previous financial year.

“We are also starting to see this flow into investment intentions, with 22 per cent of dairy farmers looking to increase their investment in the coming year by upgrading ageing infrastructure, rebuilding herds or buying next door,” he said.

In the livestock sectors, Mr McAlpin said, confidence had improved among the state’s beef producers, with 41 per cent expecting an improvement in conditions (up from 26 per cent). Meanwhile sentiment in the sheep sector had waned, with 16 per cent expecting an improvement (down from 24 per cent), although 57 per cent were still expecting a continuation of current conditions.

“While graziers benefited from the late autumn break, many continue to feed their stock, as there are patches around the state that remain very dry,” he said. “East Gippsland has had some rain events over winter, but it has been far from drought-breaking and there are parts that have missed the rain altogether.”

Mr McAlpin said the state’s farmers were also acutely aware of how tough it is, season-wise, in New South Wales and Queensland but also in parts of Victoria – in the Mallee and east Gippsland.

“I have heard many say that while it could be better, it could also be a lot worse as there are plenty out there doing it a lot tougher,” he said. “And I think this is also feeding into the sentiment prevailing across much of the state – that we are comparatively very lucky.”

The improvement in rural confidence flowed through into strong investment intentions among the state’s farmers, Mr McAlpin said, with 20 per cent looking to increase their investment and a further 72 per cent intending to maintain investment at current levels.



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Appetite for investment was highest among grain growers, with 30 per looking to increase investment in their farm businesses, up from just 13 per cent last quarter. Investment plans had also increased 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 December 2019.

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