



Rabobank

**Media Release**

**December 7, 2020**

## **Victorian farm confidence surges despite months of COVID-19 uncertainty**

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

- *Victorian farm confidence at its highest level in more than six years*
- *Bumper spring season and strong commodity prices driving optimism*
- *Growing number of farmers are forecasting higher incomes in the coming year*
- *Sentiment strongest in the Goulburn-Murray region, but up right across Victoria*

**Exceptional conditions through spring and historically-high livestock prices are behind a major surge in Victorian farm business confidence, according to the latest Rabobank Rural Confidence Survey.**

**Previously-held concerns about the impact of COVID-19 on rural markets had been weighing on Victorian confidence this year, but have all-but dissipated with regular rainfall during spring aligning with very high commodity prices, pushing farm business sentiment to its highest level since mid-2014.**

**The survey, released today, found the number of Victorian farmers expecting business conditions to improve over the coming 12 months has more than doubled since the September survey.**

**Sentiment is up across all commodities, but has increased most among grain producers, while also strong in the beef and dairy sectors which are both experiencing a stellar run of prices.**

**Such positivity and optimism, combined with low interest rates, is now fuelling investment intentions among Victorian farmers, which are also their strongest in six years.**

Rabobank regional manager for Southern Victoria Deborah Maskell-Davies said strong commodity prices and great seasonal conditions were outweighing any concerns farmers had about international markets and the economy.

Ms Maskell-Davies said the fact the COVID-19 restrictions had eased in Victoria and life was returning to normal for many people would also be contributing to the improved sentiment.

The survey, completed last month, found the number of farmers expecting conditions to improve in the coming 12 months more than doubled to 39 per cent (up from 16 per cent), while half of those surveyed expect little change to current conditions.

The number of farmers expecting conditions to worsen now stands at just 10 per cent, well down from 33 per cent with that view three months ago. For those, overseas markets/economies were the most significant concern (nominated by 58 per cent), while China trade relations were registering as an increasing worry (cited by 20 per cent, up from 10 per cent last quarter).



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Ms Maskell-Davies said conditions across Victoria were now exceptional, even in areas badly damaged by bushfires at the start of the year.

The survey found the optimism levels were largely being driven by the season, with 71 per cent of those expecting conditions to improve citing seasonal conditions as the reason for their confidence, while 52 per cent nominated commodity prices, especially in the beef sector.

“Seasonal and production conditions in cropping areas are mostly good and there is lots of hay and fodder production right across Victoria; it has been a huge year for it,” Ms Maskell-Davies said.

She said conditions for dairy producers were excellent, especially in irrigation regions, while livestock producers were also having an incredible finish to the year.

The survey found the state’s grain growers were the most upbeat about their prospects, with 45 per cent reporting an expected improvement in business conditions, nearly double the 24 per cent of grain growers with that view three months ago.

In the beef sector specifically, 44 per cent of Victorian producers have an optimistic outlook on the next 12 months (more than double September’s figure) and a further 43 per cent expect little change to current conditions.

Ms Maskell-Davies said beef sector confidence has been spurred on by extraordinary returns which continue to exceed industry expectations this year.

She said dairy farmers were having a terrific season, with good seasonal conditions, lower water prices for irrigators, the opportunity to replenish fodder stocks and low grain prices all helping keep production costs low, combining with good milk prices.

This is reflected in the survey’s dairy results, with Victorian dairy farmers increasingly confident about their prospects over the coming year – 36 per cent are expecting an improvement in conditions, up from 20 per cent in the September survey.

Sheep sentiment has also been bolstered by the season, with 60 per cent of the state’s sheep graziers expecting little change in the current conditions, while 28 per cent expect an improvement – up from seven per cent with that view in the previous quarter.

Ms Maskell-Davies said confidence has rebounded in the sheep sector with prime lambs selling really well and Merino producers were also selling lambs for very good prices.

“Sheep producers are selling stock very well and wool producers are navigating their way through the current volatility and most are selling when they normally would,” she said.

Ms Maskell-Davies said it had been an incredible year for stud stock sales, which were not affected by COVID uncertainty or restrictions.



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Confidence strengthened in all regions of Victoria, but farmers in the Murray Goulburn Valley were the most upbeat about their prospects, with 61 per cent expecting an improvement in conditions over the year ahead. Confidence also increased in the Wimmera/Mallee, where cropping conditions have picked up, and south west Victoria, where sheep sentiment is improving.

Ms Maskell-Davies said grain growers were hopeful of a very good harvest in the Wimmera and Mallee regions this year where some excellent-looking crops were finishing well.

With the seasonal conditions lining up with strong commodity prices, the state's farmers have grown increasingly optimistic about prospects for their farm business performance.

The survey results show 37 per cent of Victorian farmers expect their business to generate a higher gross farm income in the coming 12 months, up from 23 per cent three months ago.

Dairy and beef producers were the most positive about their income prospects, with 47 per cent and 45 per cent respectively anticipating a stronger financial result in the coming 12 months.

With the forecast growth in farm incomes comes increased investment intentions. This quarter, 30 per cent of the state's farmers say they plan to increase investment in their business over the coming 12 months – up on the 20 per cent with that view in the September quarter and the strongest level of investment planned in close to six years in Victoria.

Of those looking to increase investment, on-farm infrastructure – such as fences, yards, silos – is the priority for more than half of respondents, while planned spending on new plant and machinery has increased to 55 per cent (was 41 per cent). Increasing livestock numbers as well as investing in technology are also options for on-farm spending.

The survey also found one third of those intending to increase investment are looking at property purchase to expand their farming operation, with expansion plans particularly strong in the state's grains sector.

Ms Maskell-Davies said the state's rural property market continues to defy expectations – a further sign of longer-term confidence in agriculture.

She said farmers were also looking at property expansion as a way of drought-proofing their enterprises, either moving to areas with higher rainfall, or building more autonomy into their enterprises with the capability to make fodder or grow their own grain.

The survey found the state's farm viability index – measuring farmers' assessment of their own business viability – was also very strong, with 97 per cent of those surveyed indicating their businesses were viable.



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“The Victorian farm sector is in very good shape, with the season and prices combining to put farmers in a really good position at the end of 2020,” Ms Maskell-Davies said.

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 March 2021.

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To arrange an interview or for more information on Rabobank’s Rural Confidence Survey, please contact:

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