



## **Victorian farm confidence weakens on coronavirus concerns**

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

- *COVID-19 dents farmer confidence despite positive start to the year*
- *Concerns about the economy and falling commodity prices behind subdued sentiment*
- *Water worries and drought conditions have eased, tempering the fall in rural confidence*

**Heightened concerns about the economy and falling commodity prices as a result of COVID-19 have undermined Victorian farm confidence, the latest Rabobank Rural Confidence Survey has shown.**

**Despite a strong start to the year and improved seasonal conditions in drought-affected areas, the number of farmers in the state expecting business conditions to worsen has almost doubled.**

**Grain growers have bucked the trend, however, with seasonal conditions in cropping regions helping bolster business confidence for the year ahead.**

**But while COVID-19 has created significant short-term uncertainty, long-term confidence in the sector remains strong, with the survey revealing investment intentions are still high among the state's farmers.**

Results from the latest quarterly Rabobank Rural Confidence Survey, released today, show a sharp retreat in Victorian farmer confidence this quarter from the highs of the March quarter, with overall more farmers now expecting conditions to worsen rather than improve.

The percentage of farmers expecting business conditions to improve in the coming 12 months has dropped back to 26 per cent this quarter compared with 41 per cent at the start of this year. A total of 29 per cent now reported a negative outlook on the year ahead (almost doubling from 15 per cent previously).

Completed last month and taken at the height of coronavirus restrictions, the survey found 56 per cent of Victorian farmers reported COVID-19 or related government restrictions were having a negative impact on their business. Among grain growers, this number increased to 66 per cent, while 60 per cent of beef and 57 per cent of sheep respondents also reported some negative fall-out from the pandemic.

The range of impacts included supplies being harder or slower to obtain or more expensive, not being able to go to sales, markets and auctions, and the impact on wool prices.

Rabobank regional manager for Southern Victoria, Hamish McAlpin said farmer confidence had fallen due mainly to concerns about commodity prices and uncertainty about markets from COVID-19.

But, he said, the mood among Victorian farmers was still generally upbeat, particularly as drought-affected areas have had good autumn rainfall and a positive winter cropping program.



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Mr McAlpin said the fire-impacted regions of East Gippsland and the Upper Murray had received good rainfall since the start of the year, which was helping support recovery combined with solid beef and dairy prices.

“Nobody who expects conditions to worsen is citing the drought,” he said. “In fact, the majority of those who expect business conditions to improve over the coming year say it’s because of seasonal conditions.

“Farmers in the North West are happy with the improved season after last year and generally there is a lot of optimism about good seasonal conditions continuing with positive forecasts for above-average winter rainfall keeping farmers upbeat about their production.

“Irrigation catchments are quite wet and irrigators are looking forward to much better allocations in the coming season.

“The negative sentiment really only comes from farmers’ uncertainty about the markets and what the pandemic could do to commodity markets.”

The latest survey results reveal overall Victorian rural confidence was primarily dragged down by a decline in sentiment in the sheep and dairy sectors.

In the state’s sheep sector, confidence fell sharply, with 48 per cent of the state’s sheep graziers expecting conditions to worsen over the next 12 months – a significant fall compared with 20 per cent holding the same view in the March quarterly survey.

Confidence in the Victorian dairy sector has also been significantly pared back, with 27 per cent of dairy farmers expecting business conditions to improve (down from 44 per cent the previous quarter) and 37 per cent now expecting a deterioration in conditions (was 12 per cent) – primarily driven around concerns about overseas markets and lower commodity prices as a result of COVID-19.

Victorian beef-producer sentiment remains in positive territory despite retreating slightly from earlier this year, and 44 per cent of beef producers currently expect business conditions to be the same or similar to last year.

A major turnaround in seasonal conditions, particularly in the Mallee and state’s north west, has sustained grain grower confidence for the year ahead, with 39 per cent expecting conditions to improve this year.

The survey found overall confidence had declined in all surveyed regions in the state, with the south west of Victoria reporting a particularly large drop-off in confidence.

Farmers in the state’s Murray-Goulburn Valley region were most positive about their prospects for the coming 12 months.

“After a run of really bad seasons, conditions have really turned around for farmers in the state’s north and north west regions,” Mr McAlpin said.

“There is a good feeling about the year ahead and farmers are well positioned with the season to hopefully enjoy a year of good production supported by above-average rainfall.”



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“For the south west,” he said “the erosion in confidence would have a lot to do with the downturn in the wool market, which has been significant in recent months, because seasonal conditions in that region are otherwise excellent and farmers in that area have not suffered the same impacts of drought as elsewhere in the state.”

The survey found farm viability is still extremely strong, with 96 per cent of Victorian farmers reporting viability despite a significant downward revision in expectations for farm incomes for the year ahead.

The proportion of farmers expecting a weaker financial performance in the coming year rose sharply this quarter from 13 per cent in March to 31 per cent now.

Those with a positive outlook for gross farm incomes fell back to 26 per cent (from 37 per cent in March) while 40 per cent expect a similar financial result to last year (from 48 per cent).

Income sentiment has improved for grain growers, with 28 per cent now expecting a higher gross-farm income this year (up from 19 per cent).

Sheep and dairy farmers have both wound back their income expectations from earlier this year – just 13 per cent of sheep farmers expect an improved financial result compared with 21 per cent at the start of the year, while 28 per cent of dairy farmers expect their incomes to increase, compared with 60 per cent in the last survey.

Positive opening milk price announcements in the days post survey should, however, help strengthen dairy sentiment, Mr McAlpin said.

Farmers are still displaying longer-term confidence in the sector, though, with investment intentions barely changing from the previous survey.

More than one quarter of Victorian farmers intend to increase investment in their farm business over the next 12 months and a further 64 per cent expect to maintain investment at current levels.

For those farmers intending to increase investment, more than half plan to spend on on-farm infrastructure such as silos, fencing and yards. Investment earmarked for pasture, fodder, crop and fertiliser spending has risen from five per cent last survey to 51 per cent this quarter. Increasing livestock numbers is also a key investment priority.

Dairy and grain producers hold the strongest investment intentions, with 38 and 37 per cent respectively looking to increase business investment in the coming year.

Mr McAlpin said there was a lot of talk in the dairy industry about the intention to build sheds to help secure greater feed supplies and buffer operations from future drought or the impacts of high fodder and water costs. Grain storage investment was also a priority in cropping regions, driven by government-backed drought loans and grants and generous instant write-off tax incentives.

Property purchase and expansion was identified by 29 per cent of Victorian farmers who said they would be increasing investment this year.



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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 2020.

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