



Rabobank

**Media Release**

**March 16, 2020**

## **Victorian farm confidence bounces back with seasonal break**

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

- *State's farmer sentiment bounces back.*
- *Strong commodity prices, combined with good seasonal conditions, revive confidence*
- *More rain needed to ease water shortages and impacts of bushfire*

**Victorian farmers are stepping positively into 2020 with farm business sentiment revived by strong commodity prices and good summer rain across much of the state, according to the latest Rabobank Rural Confidence Survey.**

**Confidence in the state's farm sector has rallied this quarter after dropping off at the end of 2019 and is now at its highest level in two years.**

**The year is off to a good start with 41 per cent of farmers expecting conditions to improve in 2020 – more than double the number with that view in the previous quarter – and 37 per cent expect conditions to remain similar to last year (was 36 per cent).**

**Yet the impact of bushfires in the Upper Murray and Gippsland region, along with ongoing water shortages and continuing drought conditions in northern parts of the state mean not all farmers share the same upbeat view, and more rain and recovery time will be needed throughout the year to help these businesses back into full production.**

Results from Rabobank's quarter one Rural Confidence Survey, released today, reveal the number of farmers expecting conditions to worsen has decreased significantly from late last year, with just 15 per cent expecting a deterioration compared with 35 per cent in the previous survey.

Rabobank regional manager for Southern Victoria, Hamish McAlpin, said many of the state's farmers were well set up going into 2020 thanks to strong livestock sales and good seasonal conditions.

Mr McAlpin said the soaring increase in red meat prices, spurred on by big January rain in NSW and Queensland, had buoyed farmer confidence about business conditions and their own incomes for the year ahead.

He said there had been reasonable rainfall in southern Victoria in recent months and western Victoria was in good shape, but there were isolated areas, particularly throughout East Gippsland, still needing relief.

"There is definitely a solid level of confidence among Victorian farmers at the start of this year, with farmers positive about conditions and the potential for a good season," Mr McAlpin said. "But we are cognisant of the hardships faced over summer by farmers in those regions affected by bushfires and the recovery they have ahead of them. "Water shortages are also still a concern for irrigation districts in northern Victoria with little run-off into major irrigation storages."



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Mr McAlpin said the Goulburn Valley in particular had been hit hard by reduced water allocations and high temporary water prices, with many farmers choosing to buy in feed for livestock and dairy enterprises rather than purchasing water to grow fodder.

But despite some regions not having a good summer, the survey found confidence generally was up across all commodity sectors in Victoria, but strongest among beef and dairy producers.

The proportion of Victorian dairy farmers confident of improved conditions rose from 15 per cent last year to 44 per cent this year, while in beef 53 per cent of producers expect conditions to improve, up from 22 per cent at the end of last year.

Confidence has also rallied in the sheep and grains sector, with 29 per cent of sheep graziers (up from 20 per cent) and 38 per cent of grain growers (was 22 per cent) expecting business conditions to improve this year.

Mr McAlpin said sheep producers especially were currently enjoying some of the strongest prices on record.

“Sheep producer sentiment is very high with the year kicking off with exceptional prices for lamb and a record-breaking mutton market,” he said.

“Sheep producers are in a very strong position and confident about the year ahead providing the season sticks with them.”

Mr McAlpin said while grain-growing areas in the north west of the state have been in prolonged drought, cropping country in parts of the Mallee and much of the Wimmera have had a good season which has also lined up with strong commodity prices.

Seasonal factors, especially increased rainfall, have been the main drivers of confidence in the survey, with 75 per cent of those Victorian farmers expecting conditions to improve citing good seasonal factors as the reason for their optimism.

High Country and Gippsland farmers have been most buoyed by the improvement in seasonal conditions, both areas recording some of the biggest turnaround in confidence.

The state’s farmers were also particularly upbeat about the outlook for their own gross farm incomes this year, with 37 per cent expecting an improvement (was 30 per cent in the last quarter) and 48 per cent expecting a similar result to last year (previously 43 per cent). The number of farmers expecting weaker incomes has come back to 13 per cent, compared with 25 per cent late last year.

Dairy farmers were most upbeat, with 60 per cent expecting stronger gross farm incomes in 2020, up from 41 per cent last quarter.

The confidence surrounding strong incomes this year is feeding into investment planning for the year ahead, with more than a quarter of farmers (27 per cent) looking to increase their business investment.

Mr McAlpin said 2020 should be a good year for ongoing investment on-farm based on current sentiment among farmers, with fertiliser, pasture and infrastructure spending all high priorities for producers this year.



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According to the survey findings, on-farm infrastructure and new machinery and equipment make up the bulk of planned investment, meanwhile 22 per cent of farmers who plan to increase their investment want to purchase new property and expand their farming operation this year.

Dairy farmers especially were leading the charge with investment on-farm, Mr McAlpin said, modernising sheds and developing confinement feeding structures. The survey found 39 per cent of Victorian dairy farmers were looking to increase their business investment this year, up from just 17 per cent at the end of 2019.

In larger operations, where annual gross incomes exceed \$1 million), 37 per cent of respondents are looking to increase their investment, with 34 per cent of those respondents identifying expansion plans for the year ahead.

Mr McAlpin said inquiry for farm purchase in Victoria was strong, and a lack of supply was translating to an increase in prices in many instances.

This survey, farmers were also asked their views about climate change and the impact it may be having on their farming enterprises.

The survey found 69 per cent of Victorian farmers expect climate changes to have an impact on their business over the coming decade, with 22 per cent rating that impact as “major”. Sheep producers were shown to be the most concerned about the impact of climate change on their business.

While managing water usage and irrigation were identified as the main action taken to minimise the impact of climate change on their business, 31 per cent of respondents said they had done “nothing” to minimise the impact.

Mr McAlpin acknowledged that climate change, or more specifically how to manage the impacts, were “conversations more and more farmers are now having” which he thinks will be followed by action.

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 2020.

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