



## **COVID-19 concerns rattle Victorian farmer confidence**

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

- *Victorian farmers upbeat about seasonal conditions, but there is growing concern about the impact of COVID-19 on markets*
- *Dairy, grains and beef producers optimistic, while sheep producer confidence is down*
- *Strong investment intentions point to long-term confidence in the outlook for the agricultural sector*

**The impacts of COVID-19 on commodity prices and international markets are proving to be of increasing concern for Victorian farmers, the latest Rabobank Rural Confidence Survey has found.**

**While the state's farmers are upbeat about the current season and spring ahead, the fallout of the COVID-19 pandemic and its impact on agriculture, both domestically and overseas, is weighing more heavily on Victorian producers, with rural confidence declining in the past quarter.**

**The latest survey, released today, showed one third (33 per cent) of Victorian farmers expect conditions in the agricultural economy to worsen over the coming 12 months, up from 29 per cent with that view last quarter. And nearly two thirds of these farmers attribute their pessimistic outlook to concerns about the state of overseas markets, with 39 per cent specifically citing the impacts of COVID-19. Commodity prices were cause for worry for 38 per cent.**

**Although the survey was primarily in field prior to the second Victorian lockdown – with restrictions on abattoir capacity – confidence was still found to be most depressed in the sheep sector, with wool and lamb producers currently bearing the brunt of a softening in demand caused by international uncertainty and the impact of the coronavirus pandemic.**

**But dairy farmers and grains producers were still positive about the season's prospects thanks to strong prices for dairy and a bumper harvest forecast in the cropping sector.**

**And, although short-term sentiment was shown to be constrained by market uncertainty this quarter, farmers' confidence in the longer-term outlook for the sector in Victoria was reflected in strong investment intentions and robust appetite for rural property.**

The latest survey found only 16 per cent of Victorian farmers were expecting an improvement in agricultural economic conditions in the coming 12 months, compared with 26 per cent who held that view in the June quarter. The percentage with a negative outlook rose to 33 per cent (from 29 per cent previously).

Seasonal conditions are cause for optimism though, with 65 per cent of those farmers expecting some business improvement in the coming year pointing to the season.



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Rabobank regional manager for Southern Victoria, Deborah Maskell-Davies said concerns about COVID-19 were now weighing heavily on some producers, particularly in the lamb and wool sectors.

But she said farmers were still upbeat about the season and a number of the state's key commodity sectors, most notably beef and dairy, were enjoying very favourable prices which was helping underlying confidence in Victorian agriculture.

Strong farmgate milk prices for dairy combined with a major turnaround in seasonal conditions is driving confidence for the state's dairy producers, with 60 per cent expecting little change in agricultural economic conditions, while 20 per cent were forecasting an improvement.

Confidence in the grains sector had dipped slightly due to concerns about international markets, but growers were nonetheless positive about their prospects with 56 per cent expecting little change to current conditions and 24 per cent expecting an improvement in conditions, mainly due to the season.

Ms Maskell-Davies said most of the state's grain-producing regions were looking good in the lead up to harvest later in the year, but some northern and western areas would need further rainfall in spring. She said allocations in irrigation regions for the coming season were "still tight" but more promising than previous years.

The sheep sector was where confidence was suffering the most and more than likely affecting the overall decline in sentiment across the state, she said.

More than half the state's sheep graziers (53 per cent) expect conditions in the agricultural economy to worsen over the coming 12 months – up from 48 per cent with that view last quarter. Concerns about the impact of COVID-19, followed by the state of overseas markets, were the primary factors behind that sentiment, cited by 60 per cent and 54 per cent respectively.

Buoyed by solid commodity prices, beef graziers were more positive than their sheep farming counterparts, with 51 per cent expecting little change to business conditions, while 21 per cent think conditions will improve, and 22 per cent say they will get worse.

By region, sentiment had dipped in every part of the state except Gippsland, where dairy prices and excellent winter rain have combined to bolster optimism in an area that has experienced both drought and bushfires in recent times.

"The season is well set up there and the recovery is very welcome," Ms Maskell-Davies said. "Good milk prices and a great hay and silage season last year are positives for dairy farmers in West and South Gippsland, however after a wet winter, there is some concern about managing a wetter-than-expected spring over coming months."

Farmers in south west Victoria and the Wimmera/ Mallee reported the most pessimistic outlook on the season ahead.

Ms Maskell-Davies said the Mallee region was looking better than in previous years, but the season was still a concern coming into spring and the harvest period.



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In the far west of the state, the Wimmera was looking good, but confidence had been affected there, as well as in the western districts, by the uncertainty and recent downturn in wool pricing.

In line with a drop in overall rural confidence, Victorian farmers also revised down expectations for their gross farm incomes, with the proportion of farmers surveyed expecting a weaker financial performance rising to 35 per cent this quarter (from 31 per cent last quarter).

Those with a positive outlook for their farm incomes edged back to 23 per cent (from 26 per cent) while 42 per cent expected a similar result to last year (was 40 per cent). Dairy farmers were the most positive about their income prospects, followed by beef producers, with 32 per cent and 25 per cent (respectively) anticipating a stronger financial result in the 2020/21 financial year.

Roughly two-thirds of grain growers were expecting the same financial result as last year, while 52 per cent of the state's sheep producers are expecting a weaker financial performance.

However despite the drop in confidence and income forecasts, the state's farmers reported that they were still positive about investing in their business – 20 per cent of those surveyed said they will increase investment in the next 12 months, while 71 per cent say they will maintain investment at current levels.

Of those intending to up investment levels, spending will be directed towards on-farm infrastructure such as fences and silos (59 per cent), followed by spending on pasture, fodder, crops and fertiliser (48 per cent), increasing livestock numbers (41 per cent) and new machinery purchases (41 per cent).

Ms Maskell-Davies said there was considerable infrastructure building underway to boost drought resilience and preparedness, with new dairy barn construction and sheep lots for containment feeding a noticeable trend.

Expansionary interests were most prevalent in the dairy sector, with 26 per cent of dairy farmers intending to increase investment in their business. Of these, more than half had earmarked investment for additional property purchases.

“The Victorian rural property market is incredibly strong and many farmers are expressing interest in expanding their operations, particularly in terms of drought-proofing enterprises with property in reliable rainfall regions,” she 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 December 2020.

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

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