



Victorian farmers stay positive in face of rising input costs and seasonal concerns

Results at a glance:

- *Commodity market strength helps keep Victorian farmer confidence at solid levels*
- *Beef and dairy sectors most positive in state*
- *Grain grower sentiment falls with cool, wet conditions a concern in approach to harvest*
- *Farmer income projections remain at one of the highest levels in 20 years*

Victoria's farmers have held on to their positive outlook, despite mounting concerns about input prices and conditions leading into harvest, the latest Rabobank Rural Confidence Survey has shown.

While overall rural confidence in the state eased back in the latest quarter, it remained at solid levels, underpinned by continuing strength in commodity markets.

However cool and wet conditions running into summer, combined with workforce concerns and high input costs, appear to be contributing to the increase in those forecasting conditions to deteriorate.

The survey, released today, found sentiment remained firm among beef and dairy producers, while there was no significant change in confidence among sheep producers.

Grain growers, however, were found to be largely behind the drop off in sentiment this quarter, with confidence among those in the sector well down compared to the September survey. More than one in five Victorian grain growers surveyed reported a pessimistic outlook, expecting conditions to worsen over the year ahead.

Rabobank regional manager for Southern Victoria, Deborah Maskell-Davies said overall business conditions were very good across most regions in Victoria, with excellent commodity prices in most sectors keeping farmers positive about the year ahead.

She said seasonal conditions had been excellent for croppers and livestock producers in the north of the state, while in the northern Mallee around Swan Hill there had been less rain, but crops were still yielding well, and prices were well in their favour.



“Producer confidence across the state is still very good. Livestock prices have assured good income levels, and rapidly-increasing land values, with record prices in nearly all sales, are boosting that confidence,” she said.

“It was a cool and grey spring however and grain and pasture growers are certainly looking for some consistently warm, sunny days to support final maturing of crops and good harvesting conditions later this month.”

Ms Maskell-Davies said water allocations were looking good across the board which was shoring up longer-term optimism and investment certainty among irrigators.

This quarter’s survey, completed last month, reveals 33 per cent of Victorian farmers surveyed expect better business conditions over the year ahead. While this was in line with the 34 per cent with that view last quarter, the number expecting a deterioration in conditions has risen to 15 per cent, from six per cent last quarter. Those expecting business conditions to remain stable stood at just below half (49 per cent).

The survey showed Victorian farmers have been particularly buoyed by ongoing high commodity prices, with 82 per cent of those expecting conditions to improve citing prices as the key reason. The state’s grain growers were especially confident about the outlook for commodity prices.

Seasonal conditions were also a still driver of confidence in the latest survey – cited by 55 per cent of those with an optimistic view on the year ahead. However, this was down on the 71 per cent who were bullish about the season in September.

Of those Victorian farmers expecting conditions to deteriorate in the coming 12 months, a small percentage (six per cent) attributed their negative sentiment to COVID-19, which Ms Maskell-Davies said, could be related to the impact of travel restrictions on the workforce, which was a growing concern in the horticulture sector as harvest looms.

The survey found business confidence remained firm among the state’s beef and dairy producers, with 32 per cent and 35 per cent respectively expecting conditions to improve over the year ahead. Ms Maskell-Davies said very good pasture and feed conditions on top of excellent prices was driving optimism in both these sectors.

The most notable drop in sentiment was among grain producers where conditions in the lead up to harvest were weighing on confidence. This quarter, while 40 per cent of growers surveyed still expected improved business conditions over the year ahead, this was down from the 63 per cent with that view last quarter.

By region, sentiment among Victorian farmers is highest in the Murray-Goulburn Valley as well as the Gippsland area. Confidence eased among producers in the Wimmera/Mallee region with 29 per cent of farmers forecasting improved conditions, down from 43 per cent in September.



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“The Wimmera region is looking very good with excellent crops, but the Mallee is just average in the approach to harvest,” Ms Maskell-Davies said. “Confidence is really being held up by commodity prices in those areas. There is some concern about seasonal conditions and too much rainfall as harvest nears.”

Victorian farmers’ income projections for the coming year remain at one of the highest levels in the past 20 years.

Overall, 39 per cent of the state’s farmers surveyed are expecting a higher gross farm income over the next year. Almost half expect incomes to remain the same or similar to this year, while 13 per cent are expecting lower farm incomes over the year ahead (was nine per cent last quarter).

Dairy farmers are the most upbeat about the coming year’s fortunes, with 45 per cent expecting stronger gross farm incomes in 2022.

Ms Maskell-Davies said Victorian farmers were also still showing a strong appetite for investing in the future of their businesses.

The survey found 34 per cent of respondents intend to increase investment in their businesses over the coming year, while 60 per cent plan to maintain investment at current levels.

Two thirds of those looking to increase investment plan to spend on on-farm infrastructure, while increasing livestock numbers will be a priority for just under half.

Property purchase is still a hot option for farmers, with the survey revealing a significant number of Victorian producers still intend to expand their business through buying more land. This was particularly strong among grain growers.

“Land and infrastructure are key to investment plans for most of our farmers right now,” Ms Maskell-Davies said.

“Property prices are shifting so quickly, many are evaluating whether land is too high to purchase, although it is good for farmers’ own equity levels. There is definitely also a view that there are not enough properties on the market.”

Ms Maskell-Davies said the big issue for farmers heading into 2022 will be the supply and cost of key farm inputs, which could take the shine off farm sector confidence next year.

“Farm inputs are rising rapidly, and a lot of farmers have worked to source chemical and fertiliser for next year, or part thereof, in order to secure supplies before the cost rises too much or they cannot be secured at all,” she said.



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“That will be a challenge, but it’s one which farmers are in a good position to manage at the moment.”

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 2022.

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