



Business investment booming in Victorian farm sector – survey shows

Results at a glance:

- *Slight dip in Victorian farm confidence, but sentiment still very strong*
- *Record-breaking livestock prices and favourable seasonal conditions in many regions keeping farmers optimistic*
- *North-western regions still looking for rain to help winter cropping prospects*
- *By region, Gippsland reporting the most optimistic outlook*

The rise and rise of commodity prices continues to underpin strong business sentiment among Victorian farmers, the latest quarterly Rabobank Rural Confidence Survey has shown.

Record-breaking prices in the livestock sector and sustained high milk prices ahead of the 2021/22 season are helping temper concern about low rainfall in some regions over autumn and the increasing difficulty in securing farm labour.

The latest survey results, released today, reveal that while the number of Victorian farmers expecting agricultural business conditions to improve further in the year ahead was down on the March quarter, almost two thirds expect the current very positive conditions to continue.

And business investment is booming, the survey found, with more than one third of respondents looking to increase investment from already high levels – to hold the strongest investment intentions since mid-2008.

Rabobank regional manager for Southern Victoria Deborah Maskell-Davies said “all the stars were aligning” for beef and dairy farmers, which were the most confident sectors in Victoria this quarter.

The ideal combination of positive seasonal conditions, good water allocations, low water and fodder prices and excellent prices for milk and beef are underpinning an extremely positive outlook for the year ahead.

Beef producers are also very upbeat, she said, because global demand for animal protein and low local supply is continuing to push cattle prices to levels not seen before.

Ms Maskell-Davies said despite overall rural confidence easing slightly, sentiment was still very positive among the state’s agricultural producers.

She said while seasonal conditions were poor going into winter for farmers in the northern Wimmera and Mallee regions, the remainder of the state was in great shape.

Ms Maskell-Davies said the survey had preceded last week’s severe storm event which had hit parts of the state. “We understand some parts of Gippsland particularly have been impacted and now, with the weather front past, clearing the damage will be the first priority,” she said.



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The survey, completed last month, found 25 per cent of surveyed Victorian farmers expected an uptick in business conditions in the coming 12 months. While this was down on the 31 per cent with that view last quarter, a further 63 per cent were still expecting the overall very good conditions experienced last year to continue. And just nine per cent had a pessimistic outlook on the year ahead (in line with eight per cent last survey).

“While we do see a slight dip in the number of farmers expecting business conditions to improve further in the coming 12 months, there is also likely a view among some that when things are this good, how do they get better,” Ms Maskell-Davies said.

“Overall, I would say farmers are of the view that it’s a great time to be in agriculture – the seasons generally have been good over the past year and returns are excellent for many.

“Land prices are very high which also feeds into business sentiment, and there is significant on-farm investment taking place right now which demonstrates long-term confidence in the sector.”

The positive sentiment among Victorian farmers was primarily driven by strong commodity prices, followed by seasonal factors, cited by 69 per cent and 38 per cent, respectively, of farmers who were expecting conditions to improve.

Ms Maskell-Davies said while sentiment had edged lower across almost all agricultural sectors, dairy producers had reported a small lift in overall confidence levels.

Nearly one-third of dairy farmers expect business conditions to improve, and a further two thirds believe they will remain stable.

“Milk prices have been very positive and the major processors are indicating this will continue,” Ms Maskell-Davies said.

“The improvement in water allocations and water pricing, especially in the Goulburn-Murray Valley district, is also helping dairy farmers.

“However, we are starting to hear concerns from dairy producers about the difficulty in sourcing labour and certainly much of the investment taking place on dairy farms is being directed at labour efficiency.”

Most Victorian beef producers are expecting the current excellent business conditions in their sector to continue – the survey found 59 per cent expect stable conditions while 31 per cent expect an even better year ahead.

Confidence has eased in the state’s grains sector but is still considered strong – 22 per cent of Victorian grain growers expect conditions to improve on the past 12 months while 70 per cent are expecting a similar result to last year.

Ms Maskell-Davies said that was good news for a sector which enjoyed an excellent winter grains harvest last year.



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“Sowing is mostly complete in the eastern parts of the state, and in the north-western regions farmers are still waiting for more rain,” she said

“In these regions, rain now would be most welcome because there is still a significant amount of cropping land which has not been planted – or dry sown – and is waiting for more moisture.”

The survey found confidence in the state’s sheep sector was also back this quarter – with a slightly larger percentage of graziers expecting business conditions to worsen (16 per cent) rather than improve (13 per cent). Most sheep farmers though – 62 per cent – expect little change to current conditions.

Ms Maskell-Davies said sheep and lamb prices were still very high and improvements in the wool market would be helping stabilise sentiment.

Confidence edged back in all regions of Victoria, although only a very slight dip was reported in the state’s South West and Gippsland. Sentiment was only slightly back in the Wimmera/ Mallee also, despite concerns about low rainfall in the lead up to winter. Producers in the High Country reported the largest decline in confidence.

Income expectations for the coming financial year were strong among the state’s farmers, with 32 per cent of those surveyed expecting their gross farm incomes to improve on last year and 49 per cent expecting a similar financial result to the previous year. The number expecting a weaker financial result over the coming year was unchanged, at 16 per cent.

Factors such as higher milk prices and lower input costs for fodder and water meant dairy farmers are particularly positive about their incomes for the coming year – with 56 per cent forecasting higher gross farm incomes, up significantly from 37 per cent last quarter, while a further 38 per cent are expecting a similar financial result to last year.

Ms Maskell-Davies said dairy farmers were leading the charge with business investment both on and off the farm.

“There is a lot of barn building going on, and capital improvements to help increase efficiency and reduce workforce pressures,” she said.

“But it’s not just in dairy, there is a lot of on-farm investment taking place generally with significant infrastructure spending on new yards, sheds and water-efficiency projects. Upgrading machinery is also a high priority.

“The only setbacks are it’s all in short supply – prices are increasing for materials like steel and wait times are huge, while some farmers are waiting six months for new farm vehicles.”

Ms Maskell-Davies said the combination of good returns, favourable seasons, low interest rates and the ongoing instant-asset write off measures appeared to be driving business investment to levels not seen in generations.

The survey results show Victorian farmer investment intentions to be very strong, with 36 per cent of respondents looking to increase investment in their farm businesses



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(up from 33 per cent) and a further 58 per cent looking to maintain investment at current levels.

Fences, silos and yards were identified as the main area for investment, followed by new plant and machinery, increasing livestock numbers and adopting new technology.

And of those farmers who are planning to increase their investment, nearly a quarter were looking at property purchases to expand their existing farm enterprises.

Ms Maskell-Davies said many farmers had expressed interest in purchasing more land over the coming year, but supply was limited.

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 2021.

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