



Rabobank

Media Release

March 15, 2021

'Cracking' summer and stellar prices underpin continued confidence among Victoria's farmers

Results at a glance:

- *Good summer weather conditions keep Victorian farmers positive about prospects for 2021*
- *While net confidence eased slightly, more than half state's farmers expect good business conditions to continue while nearly a third expecting improved year ahead*
- *Dairy most optimistic sector, but confidence sustained in all commodities*
- *By region, Gippsland reporting the most optimistic outlook*

There is continuing optimism among Victorian farmers, with strong commodity prices underpinning a positive outlook on business conditions for the year ahead, the latest quarterly Rabobank Rural Confidence Survey has found.

While net rural confidence eased slightly from the high levels reported in the December quarter – after a major end-of-year surge – Victorian farmers' spirits remain high thanks to “near-perfect” summer conditions and solid commodity prices, especially in the livestock sector.

The latest survey, released today, found almost a third of Victorian farmers questioned are expecting improved business conditions over the coming 12 months while more than half are anticipating the very good conditions enjoyed at the end of last year to continue.

A combination of strong commodity prices and favourable seasonal conditions is driving the continuing positive outlook and, while sentiment across all sectors is upbeat, dairy farmers are the most confident about business conditions in the year ahead.

By region, farmers in Gippsland had the most positive outlook about the coming 12 months.

Victoria's farmers have revised up their income expectations for the coming year, which, in turn, is fuelling strong investment plans, especially among dairy farmers, with all sectors keen to modernise water infrastructure.

Rabobank regional manager for Southern Victoria Deborah Maskell-Davies said it had overall been “a cracking summer” for the state.

Ms Maskell-Davies said Victoria has been spared any sustained or significant heat events this summer and the mild temperatures had been a welcome change from previous years.

“With summer now over, we look through March and April to the autumn break and there always remains some uncertainty that weighs on farmers at this time of year,” she said.

“But summer has been kind to us with the seasonal conditions near perfect.



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“And the impacts of COVID-19 which were felt in the meat and dairy processing sectors are now dissipating and the imminent introduction of vaccines is also helping keep sentiment strong.”

The survey found 31 per cent of Victorian farmers surveyed were expecting business conditions to improve in the year ahead, down slightly from 39 per cent with that view last quarter. Meanwhile 58 per cent expect conditions will remain the same as last year, while only eight per cent anticipate a deterioration (down slightly from 10 per cent in the previous quarter).

Ms Maskell-Davies said overall, most commodity sectors and regions were faring well, with very good prices keeping sentiment strong.

The survey found commodity prices were the driving factor in this quarter’s results. Of the farmers expecting conditions to improve, 72 per cent attribute their optimistic outlook to commodity prices, while 62 per cent point to the good season.

Ms Maskell-Davies said the excellent weather conditions have meant pasture growth has been sustained throughout the summer and water supplies have held up very well in nearly all regions.

“Irrigation allocations in the McAllister irrigation district and Goulburn Murray irrigation district are both good and farmers in those areas look forward to what is hoped will be a positive traditional winter in-flow in coming months,” she said.

The state’s dairy farmers were the most positive about their prospects for the year ahead with 35 per cent expecting business conditions to improve and 54 per cent expecting them to remain stable.

Ms Maskell-Davies said conditions this year for dairy producers in particular were very positive, with a number of processors recently stepping up their milk prices in response to improving global conditions. This was supported by significant on-farm feed buffers, she added.

The survey found dairy producers were particularly buoyed by the commodity price outlook, with 86 per cent of those expecting conditions to improve citing the market as a key reason for their positive outlook.

While confidence among Victorian grain growers had dipped slightly, 34 per cent were still expecting better business conditions in the year ahead while 60 per cent expected another year like 2020.

Victoria’s grain harvest generally finished well, Ms Maskell-Davies said, although some regions were affected by significant rainfall events at times.

In the beef and sheep sectors, confidence was also sound this quarter, with 33 per cent of beef producers and 29 per cent in the sheep sector expecting improved business conditions. More than half of the producers surveyed in both sectors were expecting the good conditions enjoyed last year to continue.

Prices were the driving factor among 79 per cent of sheep producers expecting conditions to improve.



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Ms Maskell-Davies said beef sector confidence was solid, largely underpinned by the strong demand for cattle which is fuelling historically high prices. January bull sale results broke past records and pointed to significant long-term confidence in the sector.

In the sheep sector, she said, confidence was strengthened by similar robust pricing and strong demand, largely influenced by restocking across the eastern states.

“While wool prices fell in 2020, the market is showing signs of improvement and increasing confidence as prices have lifted through late 2020 and into the New Year.”

Ms Maskell-Davies said overall, all areas were faring extraordinarily well seasonally, and land prices in all regions – and especially where rainfall is reliable – have been escalating quickly,

“The Wimmera region is almost turbo-charged at the moment and farmers there are on an absolute high,” she said.

“Crops are formidable, potentially better than many may have seen before.

“Rainfall in the Mallee has been patchy, but those who received rain had good results. Overall the crop was above-average in that region.”

The survey found farmers in Gippsland were most positive about their prospects for the year ahead with 44 per cent of farmers surveyed from that region expecting conditions in the agricultural economy to improve, while a further 49 per cent expect conditions to remain similar to last year.

While the number of farmers in the Murray-Goulburn Valley expecting conditions to improve over the year ahead has dropped compared to the December quarter (38 per cent, compared with 61 per cent previously), farmers in that region are still comparatively upbeat about the year ahead and sentiment levels outstrip all other regions except for Gippsland.

For South West Victoria, confidence has eased.

Solid levels of optimism across the state’s rural sector see 32 per cent of farmers expecting their gross-farm incomes to increase in 2021 with 52 per cent expecting a similar financial result to last year.

Dairy farmers were particularly confident about their incomes outlooks, with 37 per cent expecting a higher gross-farm income.

Victorian farmers have also started the year with strong investment intentions, with 33 per cent looking to increase investment in their farm business over the coming year and a further 61 per cent planning to maintain business investment at current levels.

Of those planning to increase investment, 62 per cent were intending to spend on on-farm infrastructure, such as fences, yards and silos, while 49 per cent identified investment in new plant and machinery. Increasing livestock numbers was a priority for 40 per cent of respondents, alongside adopting new technology (38 per cent).



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One quarter of Victorian farmers intending to increase their business investment said they would do so through property purchase and expansion. In the dairy sector, property expansion was flagged by more than half the respondents.

Ms Maskell-Davies said additional property was one of the main investments being seen on the ground, while new milking sheds and dairy barns were also a key focus in Victoria, as was the case last year.

She said farmers were enjoying a sweet combination of good seasonal prices, high returns, low interest rates and favourable tax incentives, and were using this unique opportunity to invest well in their enterprises either through productivity measures, or expansion.

“The Victorian farm sector is certainly brimming with optimism and confidence about the year ahead,” Ms Maskell-Davies said.

“Last year finished very well for our farmers and the prospect of an excellent year ahead on all fronts is certainly helping keep sentiment very positive.”

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.

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