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Media Release
September 14, 2021

High prices and good season see spirits lift in Victoria's farm sector – offsetting COVID concerns

Results at a glance:

- *Solid climb in Victorian farm sector confidence driven by continuing high commodity prices and excellent seasonal conditions*
- *Hugh jump in grain grower optimism amid forecasts of average to above-average yields this year*
- *Wet winter sets state's farmers up for excellent spring*
- *Positive outlook contributing to demand for farmland*

High commodity prices and good seasonal conditions have fuelled Victorian farm sector confidence, offsetting any concerns about a potential fallout from COVID-19 on the industry, the latest quarterly Rabobank Rural Confidence Survey has found.

The survey, released today, found Victorian farmer sentiment rose considerably this quarter, with more than one third of the state's farmers expecting business conditions to improve in the coming year, while more than half expect a continuation of the current, excellent, conditions. Very few Victorian farmers forecast conditions to deteriorate.

Confidence is strong across most regions and commodity groups, with Victorian grain growers driving much of the upswing in sentiment, while dairy farmers were also very positive about commodity prices over the year ahead.

Rabobank regional manager for Southern Victoria, Deborah Maskell-Davies said seasonal and business conditions were both tracking well for the state's farm sector, with sustained high agri commodity prices and favourable weather conditions driving profitability and optimism.

Ms Maskell-Davies said Victoria had recorded a particularly wet winter, which – combined with forecasts for good spring rainfall – had set up producers well for the remainder of the year.

“Dairy, beef, sheep and cropping farmers are all experiencing buoyant prices, and many farmers have enjoyed quite a sustained period of profitability,” she said.

“After a slow start, crops are now starting to take off and grain growers are forecasting average to above-average yields.



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“The continuation of such favourable conditions is really allowing farmers to consolidate their debt, purchase more land to expand their enterprises, and upgrade equipment and infrastructure in their businesses.

“It really is a phenomenal time for the state’s farmers, and any concerns about the impact of COVID-19 restrictions are being offset by these other positive factors.”

The survey, completed last month, shows 34 per cent of the state’s farmers think conditions can improve even further over the year ahead (up from 25 per cent last quarter) while 57 per cent expect current conditions to remain. Just six per cent (down from nine per cent) expect conditions to worsen.

Of the small proportion expecting conditions to worsen, very few attributed their negative sentiment to COVID-19.

Of those Victorian farmers expecting conditions to improve, 79 per cent attributed their optimistic outlook to commodity prices (compared with 69 per cent last quarter) while 71 per cent pointed to continuing good seasonal conditions.

The survey recorded a significant jump in confidence among the state’s grain growers since the June survey, with 63 per cent tipping an improvement in business conditions (up from 22 per cent last quarter), while 37 per cent of growers expect similar conditions to last year.

Ms Maskell-Davies said “a bit more sun” would be welcomed by grains producers as winter had been largely wet and overcast, and farmers were eager to see crops finish off well in the approach to harvest in late spring and early summer.

The survey saw sentiment also improve in the sheep sector, with 70 per cent expecting similar conditions to last year, while 22 per cent expect conditions to improve.

Business confidence remained strong among beef producers, with 33 per cent expecting business conditions to improve and 56 per cent anticipating a continuation of current conditions over the next year.

“Commodity prices are still outstanding for beef and sheepmeat which is helping position producers well for the year ahead,” Ms Maskell-Davies said.

“Beef and sheep producers are having to pay a lot more across all categories of stock – trade stock, bulls, rams and replacement breeding stock – which is a challenge.”

While sentiment eased slightly in dairy, it remained strong and in line with sentiment in the beef and sheep sectors, with 28 per cent expecting an improvement in business conditions



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over the year ahead, (was 31 per cent) and 61 per cent expecting similar conditions to last year.

Ms Maskell-Davies said continuing good milk prices, alongside favourable pasture and fodder-making conditions, plus sound water allocations, were all helping sustain the positive dairy sentiment.

She noted, however, that labour concerns continued for dairy farmers and sourcing people to work in intensive industries generally was becoming difficult.

The survey reveals farmers in the Murray-Goulburn Valley as well as the High Country region and the Wimmera/Mallee were particularly buoyed by the season, however Ms Maskell-Davies said parts of the Mallee were still dry and spring rain would be “essential” for production in that area.

According to the survey, farmers in the Murray-Goulburn Valley and Wimmera/Mallee were the most positive in the state about the year ahead – with 46 per cent expecting conditions to improve.

Ms Maskell Davies said there had been some ‘slight apprehension’ – mainly among dairy farmers – in wetter areas of Gippsland following a very wet winter, however any difficulties were expected to be “more than offset by sustained positive prices”.

With such a positive outlook for agricultural business conditions for the year ahead, Victorian farmers were accordingly optimistic about the expected performance of their farm enterprises.

The survey found 43 per cent of the state’s producers expect their farm incomes to increase in the next 12 months (up from 32 per cent), while a further 47 per cent expect a similar financial result to last year. Those expecting a weaker financial result stood at just nine per cent (down from 16 per cent last quarter).

Victorian grain and beef producers were optimistic about the prospects for their gross farm incomes – revising up their income projections on last quarter’s forecasts – with 46 per cent of grain and beef producers, respectively, expecting a stronger gross farm income in 2021/22.

With the anticipated boost to farm incomes, Victoria’s farmers hold strong investment plans for the year ahead.

The survey found 37 per cent of those surveyed intend to increase investment and 56 per cent expect to maintain investment at current levels.



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Of those looking to increase investment, more than three-quarters (77 per cent) had it earmarked for infrastructure spending – such as fences, yards and silos – while new plant/machinery was identified by 55 per cent and adopting new technologies by 53 per cent.

A desire to increasing livestock numbers was flagged by 44 per cent of the state's farmers planning to increase investment over the year ahead, while there also remains a solid appetite to purchase property.

The survey revealed expansionary intentions were strong in Victoria's grain sector, with 46 per cent of growers saying they intended to increase investment and close to two thirds signalling property purchase in those plans.

Overall, viability in Victoria's farm sector remains strong, with 98 per cent of farmers surveyed saying they considered their businesses to be viable.

"Farmers are definitely telling us they want to secure more area," Ms Maskell-Davies said.

"However, we are still witnessing a red-hot property market and some buyers are missing out on multiple occasions.

"Farmers are wondering 'when will the market peak?' with productive prices already tracking behind the prices being paid for land.

"The very low interest rate environment is supporting the property boom."

Ms Maskell-Davies said despite the high prices and competition for land, if farmers could afford to buy a farm and could actually secure it, they were "definitely keen to expand."

"I think this, once again, demonstrates the strength of the farm sector right now and the positive forecasts for agriculture," she said.

"The outlook is very, very bright. Even with the broader economic uncertainty hanging over the Australian economy right now because of the pandemic, there is tremendous optimism in farming – for good reason."

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 2021.

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