



Victorian farmer confidence edges up, but input prices and Ukraine war cause for concern

Results at a glance:

- *Victorian farm sector confidence edges up in the face of rising costs thanks to high beef and dairy prices*
- *Half the state's farmers expect war in Ukraine to have a negative impact on their business*
- *Victoria bucks headline national trend, where farm confidence has declined for third consecutive quarter*

Exceptional livestock and dairy prices have helped soften the blow of rising input costs in the Victorian farm sector, with sentiment among the state's farmers edging higher in the latest quarter.

The Q2 Rabobank Rural Confidence Survey, released today, shows Victorian farmers have bucked the national trend and reported an improvement in overall net rural confidence levels thanks largely to recent step-ups in milk contracts and ongoing strength in the beef cattle trade.

Nationally, rural confidence levels slipped lower for the third consecutive quarter.

However, Victorian farmers remain cautious about their prospects in the year ahead, with high input costs flagged as a particular concern.

The state's farmers are also starting to acknowledge the potential impact the conflict in Ukraine could have on Australian agribusiness, with more than 50 per cent expecting a negative or very negative impact on their own business as a result of the war.

Rabobank regional manager for Southern Victoria Deborah Maskell-Davies said the climate and commodity price outlook were both very healthy across all sectors, but pressure on margins from high input and production costs was tempering optimism about the year ahead.

The survey, completed last month, found 31 per cent of Victorian farmers are expecting business conditions to further improve in the year ahead. This was up from 23 per cent with that view last quarter.

There was also though a slight increase in those with a pessimistic outlook, with 19 per cent expecting conditions to deteriorate (up from 15 per cent last quarter). And more than two thirds of those reporting a negative view blamed high input costs as a key reason for their pessimism.



A total of 47 per cent of Victorian farmers surveyed believed conditions will remain stable.

Ms Maskell-Davies said commodity prices were found to be the primary driver of optimism in the sector, with the new-season dairy pricing clearly a standout.

The survey found grain and dairy farmers most upbeat about the year ahead, largely due to prices.

“The current high pricing we see in the dairy sector is really capping off a number of profitable years,” Ms Maskell Davies said.

“But all farmers, not just those in dairy, are closely monitoring rising costs for key inputs like fertiliser, fuel and even interest rates, and expressing concerns about what is becoming a fiercely-competitive labour market.

“While these rising costs are being offset by high commodity prices at the moment, any reduction in those prices will put pressure on margins as production costs are just so high.”

Optimism in the state’s beef sector is almost entirely underpinned by pricing, although favourable seasons are also helping.

In Victoria’s sheep sector, solid demand for lambs and increasing fine wool prices have been good news for producers, although challenges with processing capacity and supply chain disruptions continue to impact the industry.

Seasonally, Ms Maskell-Davies said, conditions have been varied across the state, with a late break in the state’s south west meaning producers headed into winter with less feed than usual, and demand for feed and grain in these areas is now high as a consequence.

Autumn conditions in the Wimmera and Mallee regions had been “outstanding”, she said, with good sub-soil moisture, excellent planting conditions and high prices a winning combination for grain growers.

In northern Victoria, conditions are also “pretty good” with winter crop planting almost complete. “Irrigators have a good level of security heading into the new season underpinned by high carryover and a favourable outlook for seasonal determinations across the system,” she said.

Ms Maskell-Davies said successive years of good seasons and strong returns had strengthened farm viability and put producers in a good, long-term position.

The survey found 36 per cent of Victorian farmers are forecasting higher gross farm incomes in the year ahead, while 41 per cent expect their incomes to remain the same as



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the past year, which has been very positive. Income expectations are particularly positive among dairy farmers, with 66 per cent expecting higher incomes next year.

These strong income expectations are feeding into solid investment projections for the 12 months ahead – with more than 90 per cent of Victorian farmers surveyed planning to maintain or increase investment in their farm businesses.

On-farm capital works – such as fences, silos and machinery – were the dominant investment focus, while intentions to purchase property and expand existing farming operations had dropped off significantly among those Victorian farmers planning to increase investment.

“From my discussions with farmers, it’s clear many are still wanting to expand but there is either nothing for sale, or there are many parties vying for the same property,” Ms Maskell-Davies said.

However, she said, there was definitely a feeling among farmers that rural property prices “can’t continue escalating like they are at present”, yet there were still a lot of balance sheets with capacity to grow and borrow, which could ultimately keep demand high.

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 2022.

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