



“Cautious optimism” among Victorian farmers as good prices and weather help offset input concerns

Results at a glance:

- *Forecast business spending reveals underlying confidence among Vic farm sector, despite short-term concern about rising input costs*
- *Grain growers and livestock producers in positive position heading into winter*
- *Appetite to expand business, purchase property continues to climb*

Growing concern about the significant rise in production costs – especially for key inputs like diesel and fertiliser – has seen a further easing in Victorian farmer confidence levels in the first quarter of 2022, the latest Rabobank Rural Confidence Survey has found.

However, strong commodity prices and good seasonal conditions are keeping the state’s farmers “cautiously optimistic”, with sentiment remaining at reasonably solid levels and a high number still planning to increase or maintain investment spending on their businesses in the year ahead.

Rabobank regional manager for Southern Victoria Deborah Maskell-Davies said strong commodity prices and great seasonal conditions heading into the cooler months were helping the sector remain upbeat about the year ahead.

Water allocations for the southern Murray Darling Basin are now at their highest level in many years, she said, with 100 per cent allocation for low-reliability shares helping to boost overall confidence.

Ms Maskell-Davies said while farmers will be closely watching the unfolding Russian-Ukraine conflict for market volatility and further impacts to farm inputs, at home the key factors of “rain at the right time and good pricing” have lined up very well.

“Farmers have had a couple of very good years now and are in a strong position to manage some of these challenges, helping underpin longer-term optimism,” she said. “Balance sheets are healthy and demand for commodities remains very strong.”

Ms Maskell-Davies said managing rising input costs would require some careful planning, but was something “most farmers will be equipped to work through”.



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This quarter's survey – completed last month – reveals 23 per cent of Victorian farmers expect business conditions to improve over the year ahead – down from 33 per cent with that view late last year. Meanwhile, 59 per cent expect conditions to stay the same (from 49 per cent in the previous quarter) while those expecting a deterioration is stable at 15 per cent.

The survey found the expectation of rising commodity prices among farmers who are optimistic (nominated by 78 per cent) is being offset by concern about rising input prices among those farmers who have a pessimistic outlook (nominated by 53 per cent).

Good seasonal conditions remain another driving factor of positive sentiment, cited by 45 per cent of those with the view agribusiness conditions will improve in the coming 12 months.

Sentiment was highest among the state's dairy producers, with 28 per cent expecting improved business conditions this year, while 60 per cent and 66 per cent of beef and sheep producers respectively forecast a continuation of last year's good business conditions.

Just over half of all Victorian grain and crop farmers surveyed tip a continuation of last year's operating conditions.

Ms Maskell-Davies said yields across the state's cropping regions, but particularly in northern and western Victoria, had been "phenomenal".

She said although harvest had dragged on well into the new year due to wet conditions, prices had still held up well for downgraded grain.

While conditions in the Wimmera-Mallee region were dry at present, producer confidence in the area was very high, while elsewhere, farmers are planning for a full winter cropping program thanks to consistent summer rainfall.

"A solid end to last year's winter cropping program has put those producers in a very good position to start this year," Ms Maskell-Davies said.

"Many farmers have budgeted for higher input and growing costs, and a lot have already secured inputs at the end of last year to help manage those costs and supply issues."

In the livestock sector, she said, seasonal conditions, as well as prices, were also very positive for beef cattle and dairy producers and recent rainfall in the cooler climates will enable producers to start planting crops like grazing canola.

"There have been some challenging conditions in some sheep areas, with flies, footrot and other animal health concerns adding to the workload for many producers over summer, but



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markets are still strong for sheep meat albeit easing since late January, and fine wool prices have strengthened considerably in recent months,” she said.

The survey found there had been a slight dip in the number of Victorian farmers expecting their gross farm incomes to increase over the year ahead, with 35 per cent forecasting higher incomes (was 39 per cent in the previous quarter) while 45 per cent expect the same or similar returns to last year. The number expecting a lower return is now 18 per cent (was 13 per cent). Dairy farmers continue to be the sector most upbeat about their income expectations for the year ahead.

Yet despite this slight downgrade in income expectations, Victorian farmers still have a healthy appetite for investing in their farm businesses.

More than one third reported that they intend to lift investment levels in their farm business this year, while 58 per cent intend to maintain their current investment spend.

On-farm capital expenditure is the main priority among those intending to increase business investment.

The survey also confirms demand for property and expansion continues unabated, with 30 per cent of those Victorian farmers increasing investment indicating they wanted to buy more land this year.

Ms Maskell-Davies said with farm balance sheets strong and a dramatic improvement in equity positions in recent years, there were many farmers actively looking to buy farms.

“This is a very strong sign about the health of the sector. Farmers are financially in a very good position and the long-term outlook for the sector is very encouraging,” she said.

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 2022.

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