Rabobank

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Sheep producers drive recovery in Victorian farm sector sentiment, despite growing seasonal concerns

Results at a glance:

- *Victorian farmers continued to gain confidence in the most recent quarter, with sheep producers the most positive.*
- *Better seasonal conditions and strong commodity prices chief factors driving improved sentiment overall.*
- *The state's farmers had a positive outlook on income for the 12 months ahead.*

Sheep producers have led a lift in Victorian farm sentiment seen in the most recent quarter and are the most optimistic commodity sector in the state, the latest Rabobank Rural Confidence Survey has found.

A combination of strong prices for sheep and lambs and improving seasonal conditions – following some of the driest years on record in many of the state's key sheep production regions – are driving the improved outlook in the sector.

Overall, the latest Rabobank survey, released today, found Victorian farmers continue to gain confidence, with the state's net rural confidence reading rising to 21 per cent, up from seven per cent last survey.

Among Victorian farmers surveyed, there has been an increase in those expecting business conditions to improve in the coming year – to 41 per cent, up from 38 per cent previously – while 20 per cent expect worsening prospects in the next 12 months (down from 30 per cent previously). A further 33 per cent are predicting conditions will remain the same.

The quarter three survey, completed last month, found Victorian farmers to be particularly positive about strong commodity prices (cited by 56 per cent) and better seasonal conditions (52 per cent).

However, seasonal conditions were also a worry for many, with 40 per cent indicating they were concerned about drought (albeit down from 50 per cent last survey). Rising input costs were also a concern for 40 per cent.

Rabobank state manager for Victoria and Tasmania Sally Bull said late winter and early spring rainfall across much of the state was appreciated by farmers and had boosted morale in the short term. However, she said, many regions in Victoria have not yet reached their average rainfall levels, and farmers remain hopeful for additional rain in the coming weeks.

"Livestock producers are worried about their pasture, and its potential to respond, as there is still very little moisture in the soil," Ms Bull said. "And grain growers are closely watching moisture levels going into harvest. With the temperature increasing and little subsoil moisture, significant rainfall is needed now, as the earlier forecasts of a wet spring are quickly diminishing."

By region, the survey found farmers in nearly all areas in the state gained confidence in the latest survey period, with the Western District reporting the highest sentiment, at a net reading of 34 per cent (up from eight per cent previously). However, the survey found sentiment had declined among High Country producers, with net rural confidence dropping to 33 per cent in the region (from 59 per cent), although it still boasts the second-highest rural confidence in the state.

"While areas in the south west of the state have received useful rain through spring, many Victorian farmers are still anxiously waiting for more rain before summer," Ms Bull said.

By commodity, the survey found confidence has increased for nearly all sectors in the state.

Victoria's sheep producers have the highest confidence levels at net 54 per cent (climbing from 22 per cent last survey). This quarter, 61 per cent of sheep producers are expecting business conditions to improve (up from 46 per cent last survey), while only six per cent are expecting conditions to worsen (was 24 per cent).

The survey found 70 per cent of sheep producers cited high prices as the key reason for their optimism.

"The reduced number of lambs coming to market – as a result of the back-to-back dry years – will be helping to support higher prices," Ms Bull said.

Victorian dairy and grain farmers have also reported higher confidence levels this survey, although grain grower sentiment remains in negative territory, with more pessimistic than optimistic about the coming 12 months.

Net confidence in the dairy sector was found to now sit at 25 per cent (from 10 per cent last survey) and in the grain sector to be at -36 per cent (from -50 per cent).

Ms Bull said as grain growers go into the winter crop harvest, their expectations for the season are "very cautious, given the lack of soil-moisture profile".

"The dry conditions mean growers in the north west of the state – such as in areas around Birchip – are facing a challenging harvest. And the onset of early warm weather will have a negative impact on crop yields," she said.

"And there are areas in the state where crops are already being cut for hay production, which, given recent demand for fodder, may translate into a profitable decision.

“Disappointing spring conditions, softer grain prices and the potential for reduced yields will all be contributing to grain growers’ negative outlook.”

Sentiment had declined among the state’s beef producers. While 40 per cent have an optimistic view on the year ahead, this was down from 61 per cent in the previous survey. This resulted in an overall net confidence reading of 26 per cent for Victoria’s beef sector, compared with last quarter’s 50 per cent.

“The survey found dry seasonal conditions were the major concern for beef producers,” Ms Bull said. “Many livestock producers have been feeding their stock for an extended period, which is an expensive undertaking. And sourcing fodder has been challenging with many competing for limited resources.”

Ms Bull said farmers in the north of the state were keeping a close eye on irrigation allocations. “For the current season, allocations are mixed with the Campaspe River system having the highest allocation at 100 per cent, followed by VIC Murray Water at 73 per cent. However, the Goulburn River is only at 47 per cent allocation,” she said.

“This may result in temporary irrigation water being sought after, with the current spot price at $300 per megalitre for water below the Barmah Choke and we may see farmers who normally grow some form of summer crop or fodder instead sell their allocation temporarily for a higher return.”

Investment intentions among Victorian farmers have declined slightly this survey, with 21 per cent planning to increase their business investment in the coming 12 months (compared with 24 per cent last quarter), although only 12 per cent intend to decrease investment (down from 17 per cent). Meanwhile, 65 per cent of farmers indicated the intention to keep investment at current levels.

“Farmers’ unease about the possibility of slipping back into drought will be holding back the appetite for additional spending on their businesses,” Ms Bull said.

Victorian dairy producers were shown to have the strongest appetite to up investment with 24 per cent planning an increase in spending.

Ms Bull said dairy farmers are receiving good milk prices presently, but continue to face the challenges of sourcing labour, so many farmers are choosing to invest in infrastructure – such as robotic dairies – to lift production and reduce labour dependency.

Overall, investment priorities for Victorian farmers remain similar to the previous quarter, with 62 per cent focusing on on-farm infrastructure (such as fences, yards and silos) – the highest among grain producers, at 73 per cent. There has also been a rise in appetite for adoption of new technologies across the state, nominated by 40 per cent of those surveyed (up from 30 per cent).

The intention to increase livestock numbers among Victorian farmers remain unchanged at 23 per cent.

The survey found the state's producers had a positive outlook on income for the 12 months ahead, with 38 per cent expecting their incomes to increase (up from 31 per cent) and 23 per cent expecting a decrease (down from 33 per cent). A total of 37 per cent were anticipating incomes to stay the same.

Dairy farmers continue to have the highest optimism about gross income, with 54 per cent expecting improved incomes in the year ahead.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions an average of 700 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 2025.

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