



Weather worries weighs on Victoria's farm sector

Results at a glance:

- *Victorian farmer sentiment edged down this quarter – the third consecutive reading in “negative territory”.*
- *Drought conditions are increasingly weighing on confidence, with more than half of farmers surveyed expecting conditions to worsen.*
- *Confidence was strongest amongst the state's sheep producers, albeit recording a drop-off from last quarter.*

An ongoing struggle with dry weather in many parts of the state is taking its toll on Victorian farmer confidence heading into the end of the year, the latest Rabobank Rural Confidence Survey has found.

The quarter four survey, released today, found net farmer confidence in Victoria had edged down to -9 per cent (from -4 per cent in the September quarter).

This was the third consecutive quarter Victorian farmers had reported a net confidence reading in “negative territory” – with a greater percentage expecting conditions to worsen, rather than improve – and comes as many continue to grapple with dry seasonal conditions that have plagued parts of the state since early in the year.

Those Victorian farmers expecting conditions in the agricultural economy to improve in the year ahead now stands at 19 per cent, down from 25 per cent with that view last quarter. And while there was a slight decline in the number expecting conditions to worsen, this still stood at 28 per cent. The proportion of farmers in the state expecting conditions to remain the same stood at 49 per cent.

Completed last month, the latest survey found dry seasonal conditions were increasingly weighing on sentiment with more than half of the state's farmers (54 per cent) citing drought as a cause for pessimism – up from 38 per cent in the previous quarter.

Around a quarter of Victorian farmers (26 per cent) voiced concerns around the state of overseas markets/economies as well as government intervention/policies (at 25 per cent this quarter, up from 18 per cent in the previous survey). The impact of rising input costs and falling commodity prices were seen to be less of a concern in Victoria this quarter, cited by 19 per cent and 16 per cent respectively (down from 29 per cent and 26 per cent previously).



By region, the Rabobank survey found confidence was most subdued in the Goulburn Valley, while the biggest decline in sentiment was recorded in the Victorian High Country (after reporting the strongest confidence in the September quarter). Meanwhile sentiment improved significantly (albeit to remain in slightly negative territory) in the Wimmera/Mallee.

The survey found confidence was strongest amongst the state's sheep producers, albeit recording a drop off from last quarter, while sentiment also fell back in the beef sector. Confidence amongst Victorian dairy farmers and, to a lesser extent, grain producers showed signs of improvement but remained in negative territory.

Rabobank state manager for Victoria and Tasmania Sally Bull said the softening in rural sentiment did not come as a surprise as farmers, particularly in western Victoria, have battled with dry seasonal conditions for much of the year.

“The combination of prolonged dry conditions in the west, the impact of frost on winter crops and somewhat softer cattle prices in the last couple of months are all weighing on the state's farmers,” she said.

Ms Bull said there had been some “patchy rain” through south-west Victoria in recent weeks, “which will be of some benefit in terms of pasture growth”.

“Many livestock producers though are still looking at having to feed stock through summer until next year's autumn break,” she said.

The survey found despite the dry conditions in key sheep-producing regions of the state, sentiment among Victorian sheep producers remained relatively upbeat, with 31 per cent expecting farm economic conditions would improve in the year ahead – back from 40 per cent holding that view last quarter.

Ms Bull said producers have been receiving strong prices for lambs and have also seen a lift in mutton prices in recent months, which will have buoyed confidence levels.

“Many farmers were pleasantly surprised by how much lamb prices rose, and by how quickly they rose,” she said.

The survey found confidence levels among Victorian beef producers to be “reasonably stable” – with over half (59 per cent, up from 47 per cent previously) expecting agribusiness conditions to remain the same.

Ms Bull said while Australian cattle prices have softened slightly since September, the bank expects they will remain steady, holding into the new year.

For the state's grain growers, while the survey found some signs of an improvement in sentiment, confidence levels stayed in negative territory, with more still anticipating worsening conditions rather than an improvement.



“Grain growers in the Wimmera and Mallee regions have been managing a tough growing season this year,” Ms Bull said. “While they started out with good soil moisture levels going into the winter cropping season, a lack of rain in the latter part of the season has impacted crop yields. The lack of rain, coupled with the impact of frost, has seen average to below-average crops harvested in these regions.”

Ms Bull said, “ironically” in early December, rainfall totals of between 50 and 80 millimetres in parts of the Mallee and the north west had “really slowed up harvest and impacted not only the quality of grain, but also made life difficult for stone fruit, table grape and wine grape growers due to the unseasonal humidity experienced”.

Ms Bull said north-east cropping regions had fared better seasonally and as a result, have been reporting better harvest yields.

She said pulse crops in the Wimmera Mallee had struggled this year compared to the past couple of seasons. “Pea crops which were looking good early have been sprayed out for brown manure and many lentils were impacted by frost or those that weren’t generally yielded below average. Although decent lentil prices have helped,” she said.

The Rabobank survey found the majority of the state’s dairy farmers (56 per cent) thought farm economic conditions were likely to remain unchanged in the year ahead.

Ms Bull noted spring rainfall had been minimal across most of the major Victorian dairy-production regions – and the unfavourable seasonal conditions were taking a toll on milk output, particularly in western Victoria. “Looking to the future though, the latest rainfall outlook from the Bureau of Meteorology is for above-average rainfall for key dairying regions into early 2025,” she said.

Ms Bull said while dairy prices had “come off this season”, investment intentions among Victoria’s dairy farmers were not easing. “Many dairy farmers are confidently spending on on-farm infrastructure – with farmers investing in upgrading dairy sheds and integrating robotic technology. There is also appetite to invest in updating irrigation systems, boosting water efficiency,” she said.

Overall though, this quarter, the survey showed Victorian farmers were intending to wind back investment plans. The survey found with 14 per cent of farmers were looking to increase investment in their farm businesses in the coming 12 months, down from 21 per cent with that intention in the September quarter. A total of 16 per cent were planning to decrease investment (15 per cent last survey) while 67 per cent were looking to maintain investment at current levels.

Victorian farmers are primarily intending to spend on on-farm infrastructure, such as fences, silos, yards (62 per cent), and adopting new technologies (38 per cent, up from 25 per cent last quarter).



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In terms of property investment, Ms Bull said, farmers are prepared to make “strategic acquisitions” when considering farmland purchases. “The dry season in the state’s west has limited expansion plans, while desire to expand is stronger in Gippsland and northern Victoria,” she said.

The percentage of Victorian farmers who indicated they were planning to buy agricultural land in the coming year eased slightly this quarter (down to nine per cent, from 11 per cent previously).

The latest survey found the state’s farmers were less positive about their farm income expectations, with 17 per cent expecting their gross farm income to increase over the coming 12 months (down from 29 per cent with that expectation in the previous quarter). While a greater proportion of surveyed respondents at 36 per cent (up from 31 per cent) expect their farm incomes to decline, and 46 per cent expect a similar financial result to last year.

Ms Bull said income projections were weak across commodity sectors, particularly in grain and dairy.

Despite the drop off in confidence and farm income expectations, the ‘farm viability index’ in the state increased this quarter, with 97 per cent of Victorian farmers reporting their businesses to be easily viable, viable or just viable.

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 March 2025.

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