



Input and FMD clouds hang over Victoria's ongoing run of great seasons and prices – latest farmer confidence survey

Results at a glance:

- *Seasonal conditions and ag commodity prices excellent in the state, but farmer confidence reined in by input costs and FMD concerns*
- *Dairy and grain farmers most positive in outlook*
- *More than 90 per cent of farmers report being very or extremely concerned about recent heightened threat of FMD*

The rise and rise of input costs and fears of a foot and mouth incursion have eaten away at optimism in Victoria's farm sector over the latest quarter, the Rabobank Rural Confidence Survey has found. However high levels of investment point to longer-term confidence in agriculture.

While seasonal conditions across Victoria are excellent and commodity prices – especially in the dairy sector – are very high, the elevated costs of fuel, fertiliser, energy and infrastructure materials, combined with the recent heightened threat of foot and mouth disease (FMD), have curbed the number of farmers anticipating business conditions to improve beyond what they are already.

However, the past two years have delivered strong returns for the state's farmers who have invested heavily to boost productivity and profitability, and the latest survey results – released today – reveal more than 80 per cent of farmers expect to maintain or increase their levels of investment over the year ahead.

Rabobank regional manager for northern Victoria, Sally Bull, said local conditions were very favourable, with crops and pastures all well set up for spring.

She said while recent heightened talk around FMD and the Russia-Ukraine conflict had subsided, farmers were certainly aware of the potential impact these were having on markets and prices.

This quarter, farmers were specifically asked their views about the potential impacts of biosecurity risks on the Australian agribusiness sector, with 92 per cent of Victorian respondents indicating they were extremely or very concerned about FMD.

Ms Bull said most farmers were very apprehensive about the ongoing rise in input costs, and concern about just how high they will climb.



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“I would say sentiment is very high across Victoria, but I think farmers have now hit a point where it’s clear conditions are ‘as good as it gets’ and based on some external pressures, they can only see conditions deteriorating, not getting any better,” she said.

The survey – completed last month – reveals 14 per cent of Victorian farmers expect business conditions will improve over the 12 months ahead, compared with 31 per cent in the June quarter survey. A total of 38 per cent of the state’s farmers tip conditions to remain stable or largely unchanged, while 40 per cent are now factoring in conditions worsening – and in the mixed sheep and cattle sector that figure is now as high as 73 per cent, primarily driven by FMD concerns.

Sentiment is most positive in the dairy sector, where milk price contracts have hit historically-high levels in recent months, as well as the grains sector, where a wet winter is underpinning hopes of a great grains harvest with high yields and quality.

It is wet, too, in the Western Districts and in southern Victoria, but farmers were positive about conditions for spring.

Even some of the traditionally drier parts of Victoria, in the Mallee regions, were looking good following winter, and crops in those regions were in great shape heading into spring, Ms Bull said.

Dairy prices “are on fire”, she said, and this year’s production, and most likely the next couple of years, is all-but assured because water is available, and currently is historically cheap.

“Beef prices are still quite good, whilst sheep and lamb prices have fallen from last year’s high, with increased lamb numbers and processor capacity, impacted by labour shortages, and buying activity having an impact on the market,” Ms Bull said.

“Water allocations are excellent, and irrigators can look forward to a full allocation for the next couple of years.

“However, the flood risk is high along the Murray, particularly west of the Hume Dam and a third wet spring and summer will only see this risk elevated for some time.”

Despite optimism falling away, the survey reveals 54 per cent of the state’s farmers will maintain high levels of investment in their farm business, while 14 per cent said they would increase business investment over the year ahead.

Investment appetite is particularly high in the dairy sector, with 42 per cent of dairy farmers surveyed planning to spend more on their business this coming year.



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More than three quarters of increased investment will be directed to on-farm infrastructure, according to the survey, while adopting new technologies is a priority for almost half the Victorian respondents.

Ms Bull said in the dairy and horticulture sectors, a growing number of farmers were making investments in labour-saving technology and automation as a way of overcoming mounting workforce issues.

The survey reveals the investment plans are being fuelled by strong balance sheets and another year of solid income.

It found 27 per cent of farmers surveyed expect their gross farm income to increase over the coming 12 months, while 38 per cent tip incomes to remain the same this year. A decrease in gross farm income was forecast by 34 per cent of those surveyed.

Ms Bull said rising interest rates had not affected sentiment surrounding the rural property market to the same extent as city real estate.

The survey data reveals 29 per cent of those Victorian farmers looking to increase investment in their business over the next year plan to do so through property expansion.

“The long-term outlook is good for the Victorian farm sector, but we acknowledge there are a number of factors at play at the moment and farmers will be carefully watching several concerning issues which might influence sentiment more negatively over the coming months,” Ms Bull said.

“But providing margins are not under too much pressure from input costs, and we remain FMD free, then the sector will continue to enjoy more of this really great period which has been dominated by the double rainbow of good seasons and high prices.”

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 2022.

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Media contacts:

Denise Shaw
Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Will Banks
Media Relations
Rabobank Australia & New Zealand
Phone: 0418 216 103
Email: will.banks@rabobank.com