



‘Normal’ seasonal conditions and commodity prices drive up Victorian farmer confidence

Results at a glance:

- *Primary producer confidence lifted in Victoria this quarter.*
- *Farmers attributed this increase to reasonable seasonal conditions and commodity prices.*
- *However, fewer respondents are looking to increase their investment in their farm business over the next 12 months.*

Victorian farmer confidence has lifted, with the increase attributed to good seasonal conditions and commodity prices, the latest quarterly Rabobank Rural Confidence Survey found.

The survey, released today, found while still in negative territory overall, 13 per cent of Victorian farmers now expect business conditions to improve in the coming 12 months (up from nine per cent for the first quarter of 2023), and 37 per cent anticipate conditions to worsen (from 39 per cent previously). Just under half (49 per cent) expect conditions to stay the same (down from 51 per cent).

The main driver for those farmers expecting the agricultural economy to improve are good seasonal conditions (at 33 per cent, up from 27 per cent previously). And while cattle and sheep prices have eased in recent months and wool prices are softer, Victorian farmers listed commodity prices (at 67 per cent, up from 61 per cent in the first quarter) as a further reason for optimism.

Of those Victorian farmers expecting the agricultural economy to worsen in the coming 12 months, fewer were concerned about easing commodity prices (58 per cent, down from 69 per cent previously), and input costs (33 per cent, down from 38 per cent last quarter). However, there was increased concern amongst farmers around drought (12 per cent, up from six per cent in the first quarter), government intervention/policies (17 per cent up from seven per cent previously), and overseas markets/ economies (29 per cent up from 14 per cent previously).

Rabobank regional manager for Southern Victoria and Tasmania Deborah Maskell-Davies said farmers are aware that commodity prices are still reasonable and while prices may have eased in some sectors this year, farmers are generally still receiving good returns.

“We’re seeing a return to more ‘normal’ conditions after a few back-to-back boom years for Victorian agriculture,” Ms Maskell-Davies said.



“And the emergence of drought as a concern for Victorian farmers may also indicate they are anticipating drier seasonal conditions ahead, following some extremely wet years recently.”

“The rainfall throughout 2022 has delivered feed availability, filled water storages and provided full soil moisture profiles – setting farmers up well for this season,” Ms Maskell-Davies said. “But forecasts for a drier year ahead and predictions of the return of El Niño weather systems were weighing on some farmers’ minds when surveyed.”

“However, since the survey’s completion last month, widespread rain has set up the state with adequate moisture coming into the spring,” she said.

The dairy industry had the greatest lift in those expecting the agricultural economy to improve, with 19 per cent of dairy farmers holding an optimistic outlook compared with 11 per cent in quarter one. Almost half (47 per cent) of dairy farmers expect agribusiness conditions to remain unchanged in the year ahead (previously 49 per cent). While 31 per cent are anticipating economic conditions will decline.

“Dairy farmer confidence is upbeat – despite last week’s opening milk prices being around five to 10 per cent lower than last year’s prices – which were at record levels.

“Labour is an ongoing issue for Victorian dairy farmers, but the recent strong prices mean many farmers have taken the opportunity or are looking to upgrade dairy facilities – improving labour efficiency.”

Ms Maskell-Davies said access to quality fodder is an issue this year for some dairy farmers as many fodder and grain growers had grain and hay crops adversely affected by the wet season in 2022.

“While the previous survey conducted in the first quarter of the year reflected the frustrations felt by many Victorian grain growers due to the long and often delayed harvest – the latest survey reveals grain growers are now holding concerns about drier weather conditions and input costs,” she said.

This quarter, 50 per cent of Victorian grain growers expect agricultural economic conditions to decline in the year ahead (up from 21 per cent in Q1). While 40 per cent expect business conditions to remain unchanged (previously 67 per cent) and only 10 per cent anticipate an improved outlook, (previously 12 per cent).

“Many of the state’s grain growers were badly affected by last year’s wet season and delayed harvest combined with crop damage – these farmers are hoping for a better year this year,” Ms Maskell Davies said.

For the season ahead, Ms Maskell-Davies said, overall winter crop plantings in the state are expected to fall slightly from last year to 3.5 million hectares, although various regions in the state are “showing increased area”.



“Early opening rains and strong sub soil moisture levels means there is quite a bit of confidence in terms of the outlook for the 2023 crop. However, mention of El Niño weather patterns does temper this confidence, with grain growers aware of increased risk of frost damage – a key risk to flowering and grain filling,” she said.

Beef producer confidence picked up this quarter, with 12 per cent of the state’s beef producers (up from nine per cent) expecting the agricultural economy to improve over the next 12 months. And the number of beef producers expecting conditions to remain the same increased from 45 per cent last quarter to 67 per cent this quarter.

Ms Maskell-Davies said the Victorian beef sector is experiencing a market “correction” due to the large numbers of cattle on offer. “The string of good seasons has seen cattle numbers rise. And the challenges created by the higher cattle numbers is compounded by staffing issues in processing facilities limiting their ability to increase throughput,” she said.

The sentiment of sheep producers with an optimistic outlook is stable at six per cent, (previously five per cent). While there was an increase in the number of sheep producers expecting agribusiness conditions to decline, at 53 per cent (previously 44 per cent).

“The Victorian sheep sector is in a similar position to the beef sector,” Ms Maskell-Davies said. “There are a large number of lambs currently hitting the market. Lambs that would normally have been finished and sold earlier are now being pushed on to the market as winter kicks in and prices keep falling. The late spring last year combined with cooler conditions kept lamb growth rates lower, which has meant carcass weights and yields are lower than optimum.”

This quarter, fewer farmers said they are looking to increase their investment in their farm business over the next 12 months, down to 14 per cent, a decrease from 20 per cent previously.

“Following consecutive years with the rare combination of a good season and good markets, Victorian farmers are now realigning their investment intentions and focusing their spending on projects that will deliver essential productivity gains,” Ms Maskell-Davies said.

On-farm infrastructure – such as fences, yards and silos – was the main area for planned increased investment (nominated by 62 per cent of those intending to invest more, down from 72 per cent previously), followed by new plant and machinery (54 per cent, up from 44 per cent last quarter) and adopting new technologies (41 per cent, up from 36 per cent previously).

Ms Maskell-Davies said appetite to expand farming businesses through the purchase of additional property remains stable and shows the long-term confidence Victorian farmers have in the industry.



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Property purchase was being considered by 23 per cent of Victorian farmers planning to increase business investment over the next 12 months. A slight increase on 21 per cent holding that intention in the previous quarter.

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 2023.

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