



Victorian farmer confidence dips on the back of harvest delays and easing commodity prices

Results at a glance:

- *Confidence fell in Victoria's farming sector this quarter.*
- *Farmers are most concerned about easing commodity prices.*
- *Beef and dairy were the two sectors in the state leading the lowered sentiment.*

Victorian farmer confidence has dipped, driven down by harvest delays in the aftermath of last year's excessive rain, and compounded by easing commodity prices and increasing interest rates.

The latest quarterly Rabobank Rural Confidence Survey, released today, found farmer sentiment across Victoria dropped compared with the previous quarter – echoing the situation nationally.

Only nine per cent of Victorian farmers expect business conditions to improve in the coming 12 months (down from 12 per cent for the last quarter of 2022), while 39 per cent anticipate conditions to worsen (from 38 per cent). A total of 51 per cent expect conditions to stay the same (up from 46 per cent).

The main driver for those farmers expecting the agricultural economy to worsen are falling commodity prices, with 69 per cent citing this, a significant jump from the 17 per cent who listed it as a factor in the previous quarter.

Rabobank regional manager for Southern Victoria and Tasmania Deborah Maskell-Davies said concerns around falling commodity prices should be tempered with the reality they are coming off record high levels.

“Most agricultural commodity prices have already – or are predicted to – come off the highs of the past few years. However, although cattle prices have backed off a significant peak, the milk price remains strong, and the quality of broadacre crops was better than many anticipated,” she said.

“The situation reflects the settling of factors which influence agricultural economics in Victoria, so we're seeing a return to 'normal' conditions after a few boom years.

“Many producers have come to terms with this over the past quarter, so it is no surprise this is the main reason farmers anticipate some decline in the agricultural economy.”



Other factors which contributed to the drop in Victorian farmer confidence were concerns about drought (six per cent, up from zero last quarter), rising interest rates (12 per cent, up from nine per cent) and the ongoing challenge of accessing labour (four per cent, up from one per cent).

“The emergence of drought as a concern is interesting, as the seasonal conditions experienced in 2022 set many farmers up for the season ahead, with feed availability and soil moisture reserves,” Ms Maskell-Davies said.

“This potentially reflects some uncertainty, which is normal at this time of year for grain growers in particular as they look towards the coming autumn break and the unknown of how it will impact this year’s growing season.

“Forecasts of a drier year ahead could also be weighing on some farmers’ minds.”

Unsurprisingly, too much rain was not as big a driver of pessimism among those farmers with a negative view on the year ahead this quarter, with just seven per cent listing it as a concern, down from 45 per cent in the previous quarter. Concern about overseas markets/economies also declined (14 per cent, down from 22 per cent).

The latest survey, completed last month, captured farmers’ relief around easing input costs, with 38 per cent of Victorian farmers now citing input costs as a factor in worsening economic conditions (down from 43 per cent in the previous quarter).

“This takes some pressure off the inputs’ side of the ledger, with urea prices in particular coming off the highs we saw last year,” Ms Maskell-Davies said.

“However, many grain growers may have purchased essential inputs at a high point last year, which has compounded the impact to cashflow and margins from the drop in commodity prices.”

The grains industry had the greatest drop in those expecting the agricultural economy to improve, to only 12 per cent compared with 21 per cent in quarter four, 2022. Interestingly, the number of grain growers expecting the agricultural economy to worsen had also reduced, from 41 per cent last quarter to 21 per cent this survey.

While the previous survey was conducted late last year when grain growers were buoyed with anticipation of a record harvest – these latest results reflect the mixed bag of seasonal conditions and harvest yields served up across the states, Ms Maskell-Davies said.

“A common theme with grain growers is their frustration due to a long, drawn-out harvest,” she said.

“Many growers would have still been finalising harvest and had plenty of grain on-farm when the previous survey was conducted, while at the same time they were looking ahead to what the next season could hold in terms of the autumn break for seeding.”



Cattle confidence also declined, with only nine per cent of the state's beef producers (down from 12 per cent) and 11 per cent of dairy farmers (down from 14 per cent) expecting the agricultural economy to improve over the next 12 months.

Sheep production was the only sector in Victoria where more producers expect the agricultural economy to improve, albeit at low levels, creeping up from three per cent last quarter to five per cent.

Ms Maskell-Davies said there are many factors playing into this mixed bag of sentiment.

"Although confidence was up in the sheep sector, many producers are also managing poor growth rates in lambs following the late, wet spring, which meant lambs were either sold later than usual or redirected into the stores market rather than being finished on-farm," she said.

"Both these factors have impacted cashflow and confidence going into a new season of unknowns."

Victorian farmers' investment intentions reflected these production and financial drivers.

This quarter, the number of farmers expecting to increase investment in their businesses in the coming 12 months stayed stable at 20 per cent, while those expecting to decrease investment climbed to 16 per cent (from 11 per cent last quarter).

"It's fair to say the four big levers faced by farmers – land value, seasonal conditions, commodity prices and interest rates – are being pulled in tandem, creating a pinch point for many which is reflected in these latest survey results," Ms Maskell-Davies said.

"Property prices in Victoria are very high, reflecting the unfailing confidence in the industry.

"However, robust land prices, when coupled with an easing of commodity prices and the production hiccup in flooded regions of Victoria, mean producers now have to service higher debt, hand-in-hand with higher interest rates, which may also have driven down confidence this quarter."

Property purchase was being considered by 21 per cent of Victorian farmers planning to increase business investment over the next 12 months.

On-farm infrastructure – such as fences, yards and silos – was the main area for planned increased investment (nominated by 72 per cent of those intending to invest more), followed by new plant and machinery (44 per cent) and adopting new technologies (36 per cent) – reflecting Victorian farmers' focus on improving productivity and efficiency measures on-farm.



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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 2023.

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