



Late ‘seasonal break’ drives down sentiment in Victoria’s farm sector

Results at a glance:

- *Victorian farmer confidence declined this quarter after a significant rally seen in early 2024.*
- *Dry seasonal conditions, softer commodity prices and high input costs nominated as main factors behind negative outlook.*
- *Farmer investment intentions remain stable.*

The lack of a widespread autumn break – traditionally the first good rainfall for the season – in many parts of Victoria has seen a notable decline in sentiment among the state’s farmers in the latest quarter.

The quarter two Rabobank Rural Confidence Survey, released today, found net farm confidence in Victoria had undertaken a significant U-turn, declining to -31 per cent this survey, from the +21 per cent in the first quarter of 2024.

This downward trend, following a surge in confidence recorded at the beginning of the year, is in line with more subdued farmer sentiment reported across Australia in the latest quarter.

Completed last month, the survey found rural confidence levels in Victoria had returned to negative territory, after briefly “being back in the black” last quarter – with now significantly more farmers pessimistic than optimistic about the 12 months ahead.

This quarter, just 12 per cent of Victorian farmers reported expecting agribusiness conditions to improve – down from 36 per cent in the Q1 survey. Meanwhile, those Victorian producers now taking a negative outlook on the year ahead increased to 43 per cent (from 15 per cent previously), while 42 per cent expect conditions to remain unchanged.

Dry seasonal conditions were nominated as the chief concern – by 44 per cent of the state’s farmers – while 35 per cent listed softer commodity prices and 33 per cent noted high input costs.

Rabobank regional manager for Southern Victoria and Tasmania Deborah Maskell-Davies said Victorian farmers had been dealing with many challenges, including uncertain weather conditions, fluctuating commodity prices, higher interest rates and subdued land prices.



“Grain and livestock farmers are trying to manage the late break – facing the repercussions of low rainfall over much of autumn,” she said.

“The El Niño, declared in September last year, directly impacted producers’ intentions regarding stocking levels and breeding plans for 2024. And even though the Bureau of Meteorology announced the El Niño had ended in April, we have had ongoing dry conditions across much of the state. Without meaningful rain in the next couple of weeks – there has been little rain recorded in the east of the state and light falls in the west, which is a start but not nearly enough – we would expect significant numbers of livestock being put on the market.”

The survey found sentiment among Victorian sheep producers had significantly declined this quarter, with only six per cent now anticipating agribusiness conditions would improve in the 12 months ahead – a major turnaround from 61 per cent holding that view last quarter.

Ms Maskell-Davies said Victorian sheep producers identified dry seasonal conditions, low commodity prices and subdued interest from overseas markets/economies as their chief concerns in the survey.

“Sheep prices have not picked up this year and the recent news regarding the ending of live sheep export is likely to have further weighed on the sector,” she said.

Beef sector confidence in the state also experienced a decline in the latest quarter, with 20 per cent of beef producers expecting agricultural business conditions to improve in the coming year (down from 40 per cent in the previous survey). Over half the beef producers surveyed (52 per cent) cited dry seasonal conditions as a concern, while a quarter (25 per cent) held a pessimistic view about the outlook for commodity prices.

Ms Maskell-Davies said the dry conditions were seeing beef producers – particularly in the north east of the state – “keen to off-load stock before winter really sets in, in a bid to avoid having to feed stock through the coming months”.

She said Victorian beef producers were hopeful of improving commodity prices driven by an increase in demand from the US for Australian beef and also interest from the Queensland restocker market.

For the state’s grain growers, the survey found the majority expect agricultural economic conditions to remain unchanged in the year ahead.

“Grain growers in the north west of the state and across the Mallee have experienced relatively good conditions and have been able to sow their normal crop program,” Ms Maskell-Davies said. “And with planting well underway or almost complete in other cropping regions – growers are now impatiently waiting for decent rain.”



Ms Maskell-Davies said this season, the bank expects to see Victorian grain growers crop the second-biggest winter area ever, just 1.4 per cent under the 2020/21 record. “In Victoria, planted area is forecast to remain steady at 3.541 million hectares – albeit down marginally (by 0.1 per cent) on the previous season,” she said.

The survey found the majority of Victorian dairy producers (55 per cent) believed agribusiness conditions were likely to decline in the coming 12 months (up from 25 per cent with that view in the previous quarter), while 42 per cent expected conditions to remain unchanged.

Ms Maskell-Davies noted that at the time of the survey, dairy companies had not yet released their milk prices for the coming season.

“We now know there will be lower minimum milk prices in 2024/25 across parts of the manufacturing-exposed sector, which will see farmgate margins squeezed and prevent them from reaching the lofty heights of recent seasons,” she said. “To put this in context, this change in pricing takes place against the unparalleled run with the 2022/23 season as the high watermark for margin performance and against a backdrop of a downturn in profitability levels across many Australian agriculture sectors since the 2022 peak in the commodity price upswing.

“The expectation for Australian dairy farmer margins for the 2024/25 season remains positive, although it will require careful budgeting and planning.”

Ms Maskell-Davies said while sentiment eased for dairy farmers this quarter, many are still confident about the long-term outlook for the sector. “Dairy farmers are still prepared to make significant investments in on-farm infrastructure, with new dairy sheds being built or existing infrastructure being upgraded to improve efficiencies,” she said.

Overall, this quarter, the survey showed Victorian farmers’ investment intentions have remained relatively stable. The number of producers expecting to increase investment in their farming business remains the same as last quarter (17 per cent) and slightly more are now looking to decrease investment levels (16 per cent, up from 12 per cent previously).

Ms Maskell-Davies said farmers generally were in a “holding pattern” regarding further investments. “We expect to see the ‘fork in the road’ moment being reached in the next few months based on winter rain outcomes, commodity prices and what happens with interest rates,” she said.

“While there are still good levels of interest from farmers planning to expand their business through property purchase in the north west of the state, in other areas, there are few farms coming to market and subdued buyer interest when compared to recent years.”

The survey found 13 per cent of survey respondents in Victoria indicated they were planning to buy farmland and 54 per cent were planning to spend on on-farm infrastructure in the coming 12 months.



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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 September 2024.

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