

Agriculture Rural confidence survey

Farmers give economy the thumbs up

Tim Binsted

Most of the nation's farmers expect the agricultural economy to improve or remain stable, and plan to maintain or increase on-farm investment over the next 12 months, according to Rabobank's quarterly rural confidence survey.

While the survey shows that dry weather has shaken overall rural confidence, Australia's farmers are largely upbeat about 2014.

Three-quarters of those surveyed expect the economy to improve or stay flat.

Weather remains a key concern for pessimistic farmers. Close to 40 per cent – the majority in NSW and Queensland – expect weather conditions will worsen.

One-third of farmers have a negative outlook for commodity prices, while 28 per cent have positive expectations. Sugar cane growers were the most

pessimistic and dairy producers the most enthusiastic.

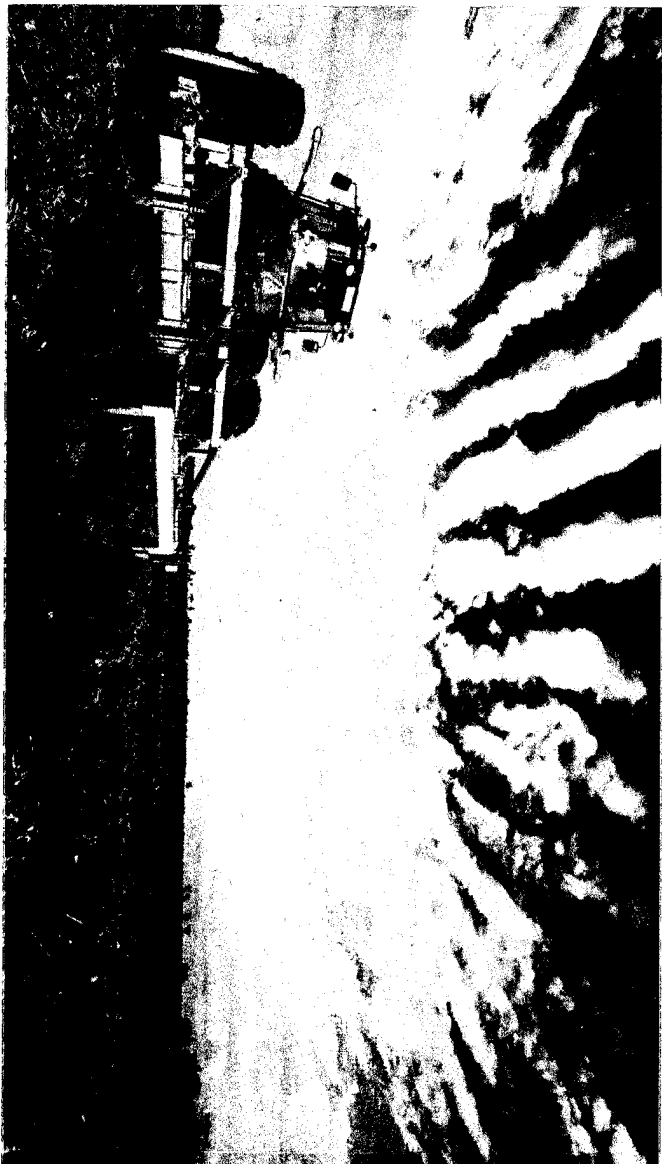
Dairy commodity prices have surged, and whole milk powder prices are near record levels. New Zealand dairy giant Fonterra said last week that Chinese demand for milk powders was so strong it could not keep up.

The Victorian farm gate milk price is highly sensitive to export prices for dairy commodities, such as powders, in the international market.

Rabobank Australia acting chief executive Peter Knoblanche said farm gate milk prices are tipped to rise at least 30 per cent on last year.

"The global fundamentals for dairy are positive, particularly in relation to China, with restraints to their domestic production while their demand continues to rise," he said.

ASX-listed Warrnambool Cheese & Butter is an example of the value industry players see in the Asian dairy boom. The dairy group has been the subject



Of those surveyed, most planned to increase or maintain investment in their farms over the next year. PHOTO: GLENN HUNT

of a dramatic \$500 million-plus takeover battle between Australian rivals Murray Goulburn and Bega Cheese, and Canada's Saputo.

Confidence in the grains sector was neutral overall and driven by varied harvest results in different parts of the sector.

Because the survey was completed last month, it is unclear if Treasurer Joe Hockey's shock decision to block Archer Daniels Midland's \$3 billion takeover bid for GrainCorp has had any impact on grain growers' confidence.

Confidence among beef producers was stable, while sheep producers are

more cautious about the coming year.

"The cattle market remains hampered by dry conditions in Queensland, while sheep producers are facing dry weather in some regions, although the market dynamics have improved for lamb, and wool prices have also kicked a little," Mr Knoblanche said.

Confidence among sugar cane growers picked up in the quarter, in the face of a lower Australian dollar and an expected uptick in yields and demand, but confidence remained at low levels.

Farmers were positive about the outlook for their own farm business performance, 34 per cent expecting an

improvement, 48 per cent expecting a stable result and only 18 per cent anticipating deterioration.

One in three farmers is expecting a higher income and 85 per cent of farmers expect to increase or maintain their level of on-farm investment over the next 12 months.

Mr Knoblanche said there were signs that positive investment intentions were flowing into the property market and machine purchases in some regions.

Rabobank's quarterly survey canvasses the attitudes of 1000 primary producers across the nation.