



## ***Dry conditions see Tassie farmer confidence drop to 12-month low***

### **Results at a glance:**

- *State's rural confidence falls to 12-month low on the back of dry conditions*
- *Though down from record highs seen earlier in the year, sentiment remains relatively strong, underpinned by strong commodity markets, low interest rates and currency*
- *Dry conditions dampen appetite for expansionary investment, but farmers continue to invest on-farm*

**Dry weather conditions have put a dent in the high levels of optimism that had been prevailing across Tasmania's agricultural sector this year, with the latest quarterly Rabobank Rural Confidence Survey showing a significant drop in farmer sentiment.**

**While the state's rural confidence remained at relatively strong levels – underpinned by strong commodity prices (particularly for beef and lamb) as well as lower interest and exchange rates – it fell well below the record-high readings reported throughout the year.**

The latest survey – completed last month – saw the proportion of farmers who had an optimistic outlook for the agricultural economy over the next 12 months falling to 34 per cent, down from 54 per cent in the previous quarter.

Those expecting conditions over the coming year to worsen increased to 21 per cent, up considerably from no producers who held that view three months ago.

A total of 44 per cent of Tasmanian farmers surveyed expected the performance of the agricultural economy to remain similar to last year.

This result saw the net rural confidence indicator decline to 13 per cent, from 54 per cent in the previous quarter.

Rabobank state manager for Tasmania Greg Bott said it was not surprising farmer confidence had taken a hit given the dry conditions, and it would fall further unless significant rainfall was received in coming months.

“Low spring rainfall, after a relatively dry winter, has seen large parts of the state report severe rainfall deficiencies over the past six months, and for some areas it has been their driest period on record,” he said.

“This has not only seen farmers off-load their livestock earlier than usual, but has raised concerns around water availability.”

Mr Bott said irrigation systems had been “in full swing” since late September, and were likely to continue throughout the season until water entitlements become the limiting factor. “Many farmers are already reserving their allocations for their higher-value crops such as, potatoes,” he said.



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Mr Bott said water availability was creating some nervousness among farmers, with on-farm water storages also lower-than-usual due to the minimal run-off during winter.

Dry weather conditions were 'front-of-mind' for many farmers across the state – with drought cited as reason for pessimism by 87 per cent of respondents with a negative outlook.

Those with an optimistic view on the 12 months ahead were buoyed by strong commodity markets – nominated as a driver of positivity by 66 per cent.

Mr Bott said many producers had offloaded their sheep and cattle earlier than usual, but the strong prices received had more than compensated for the lighter condition of their sale stock.

Farmgate milk prices had also continued to hold up well, reflecting the diversity in product mix, with much of Tasmanian's milk production destined for higher-value export products, such as cheese and butter.

Despite the dry weather across much of the state, the season was also deemed to be a positive driver of sentiment for some farmers.

However seasonal conditions were now only nominated as a cause for optimism by 22 per cent of farmers with a positive outlook, compared with 40 per cent in the previous survey.

Contrary to previous surveys, farmers this quarter were more bearish about the outlook of their own farming business than they were about the wider agricultural economy.

The net indicator measuring producers' expectations of their own farm business performance over the next 12 months dropped to six per cent – from 34 per cent previously. A total of 27 per cent expected their business performance to decline, while 33 per cent expected it to improve and 40 per cent expected similar performance to last year.

This outlook was largely driven by expectations of lower gross farm incomes, with 43 per cent of Tasmanian farmers expecting their gross farm income to decline over the coming year – up from just nine per cent with that view last quarter.

Mr Bott said "thankfully", many of the state's farmers had entered this dry spell following two or three good years.

"So they have built up cash reserves to help tide them over and there has also been considerable improvements in infrastructure, such as irrigation, which will boost efficiencies," he said.

Mr Bott said the current seasonal conditions had put a 'brake' on investment, with now only 16 per cent of the state's farmers looking to increase their level of investment, down from 46 per cent in the previous survey – which had been the highest reading in the 14-year history of the survey.



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“We are still seeing an appetite for expansion, with several properties still transacting at current, or above, market prices – however the majority of farmers (60 per cent) indicated they are looking to retain their current level of investment,” he said.

This quarter, the survey also gauged farmers’ intentions to partake in education and training, with nearly one out of every five Tasmanian farmers looking to upskill.

Key areas of interest included; operational financial management, on-farm management practices, business planning and management, succession and environmental resource management.

Mr Bott said education in the agricultural sector was a key priority for the bank, with Rabobank working closely with other organisations in Tasmania to promote the importance of education which, he said, started with showcasing agriculture as an exciting occupation in schools.

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 March 2016.

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