



## **Tasmanian farmer sentiment hits 14-year high**

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

- *Tasmanian farmer confidence hits its highest level since the survey began 14 years ago*
- *Lower \$A and stronger commodity prices drive much of the upswing*
- *Positive sentiment reflected in robust investment intentions*

**Tasmanian farmer sentiment jumped significantly this quarter, with net confidence hitting its highest recorded level since the Rabobank Rural Confidence survey began 14 years ago.**

**A combination of factors were behind the upswing, specifically the lower dollar and stronger commodity prices as well as the outlook for global markets and, albeit to a lesser degree, the season.**

**Longer-term confidence is also strong, reflected in robust investment intentions – with nine out of 10 farmers intending to increase or maintain their level of investment.**

The latest survey – completed last month – found Tasmanian farmers are the most positive in the nation with more than half of the state's farmers (57 per cent) expecting conditions to improve – up from 22 per cent in the previous survey. While around a third of farmers (38 per cent) are expecting similar conditions to last year and just two per cent (down from 16 per cent) are expecting them to worsen.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions, on average, 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

Rabobank state manager Tasmania Greg Bott said that while he was a little surprised that confidence was at 14-year high, the results reflected the positive mood on the ground.

“A lot of factors are working in the favour of farmers at the moment and there is the general feeling that there is a big future for agriculture in Tasmania,” Mr Bott said.

“This is reflected in strong investment interest from overseas parties as well as public and private investment in new irrigation schemes. The state government also has an increased focus on agriculture and sees it as one of the ‘key pillars’ of the state’s economy.”

These factors are certainly having a positive flow-on effect through the industry, Mr Bott said.

“We are seeing strong on-farm investment as well as an appetite for expansion via property acquisition,” he said.

“This is no doubt also helped by the rock-bottom interest rate environment.”



The biggest driver of Tasmanian farmer confidence this quarter was the dollar, with 62 per cent of those expecting conditions to improve citing the lower dollar – up from 48 per cent.

The fall in the dollar back to 70 US cents has strengthened returns for exporters, Mr Bott said, particularly for those in the dairy and beef sectors.

“While global dairy prices have been fairly lacklustre, farmers here have been largely shielded and prices remain around \$6/kg for milk solids due to the falling currency as well as, processor flexibility to adjust the product and market mix to higher returning streams, such as, cheese,” he said.

“There is uncertainty about opening prices for next season, but profit margins should still be supported by favourable input costs.”

Commodity prices were also front-of-mind for more than half of the state’s farmers, reported as a positive driver of confidence by 56 per cent of those expecting improved conditions in the agricultural economy – up from 17 per cent.

“Beef prices have been trading around record levels, while lamb prices remain strong,” Mr Bott said.

Conditions were also reasonable in the vegetable sector, Mr Bott said, with larger contracts offered to potato growers and prices remaining firm.

The state of overseas markets also increased its dominance as a positive driver of confidence at 30 per cent (up from 17 per cent), while the season pared back in importance to 27 per cent (from 48 per cent).

“The season really went off during summer however dry conditions are fairly typical for this time of year. While we are by no means facing drought conditions, farmers will be looking for that autumn break over the next few weeks,” Mr Bott said.

In line with the more buoyant outlook for the wider agricultural economy, producers’ expectations about the performance of their own farm business also increased – however not to the same degree as overall confidence with a net reading of 39 per cent, up from 16 per cent.

Those expecting a strong financial performance for their business stood at 44 per cent, while 49 per cent expected a similar performance to last year.

This flowed through into strong investment intentions, with 37 per cent of farmers holding expansionary intentions and 55 per cent expecting to maintain their level of investment.

“We are seeing strong demand for plant and machinery – particularly for irrigation equipment such as pivots,” Mr Bott said.

“We are also seeing more of an appetite for expansion particularly with there being a pick-up in the property market.”



**Rabobank**

## **Media Release**

**March 23, 2015**

This was reflected in the survey, with 24 per cent of those looking to increase debt (18 per cent of respondents) looking to purchase property.

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 2015.

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To arrange an interview with Rabobank state manager Tasmania Greg Bott or for more information on Rabobank's Rural Confidence Survey, please contact:

Denise Shaw  
Head of Media Relations  
Rabobank Australia & New Zealand  
Phone: 02 8115 2744 or 0439 603 525  
Email: [denise.shaw@rabobank.com](mailto:denise.shaw@rabobank.com)

Jess Martin  
Media Relations Manager  
Rabobank Australia & New Zealand  
Phone: 07 3115 1832 or 0418 216 103  
Email: [jess.martin@rabobank.com](mailto:jess.martin@rabobank.com)