



Big January rainfall event sees Tasmania's farmer confidence return

Results at a glance:

- *Rural confidence has improved this quarter following last quarter's dip caused by a dry spring*
- *A large rainfall event at the end of January looks to have improved sentiment, however not to the same levels seen early last year*
- *Beef producers are the most positive, with sheep producer confidence falling to negative levels*

Confidence levels have bounced back among Tasmania's rural sector following an intense rainfall event that ended one of the state's driest periods on record.

Increased water supplies and overall confidence in commodity prices has seen an increase in positive farmer sentiment, according to the latest quarterly Rabobank Rural Confidence Survey.

The survey – completed last month – saw Tasmania's rural confidence indicator increase to a net reading of 21 per cent, after falling to 13 per cent last quarter.

The proportion of Tasmania's farmers who were expecting the agricultural economy to improve over the next 12 months fell very slightly to 33 per cent (from 34 per cent). However, farmers expecting conditions to worsen almost halved to 12 per cent, from 21 per cent. The majority of the state's farmers (48 per cent) expected similar conditions to last year.

While these results are up from last quarter, they do not reflect the same level of confidence seen in the first quarter of last year when Tasmania saw rural confidence hit its highest level in 14 years.

Rabobank state manager for Tasmania Greg Bott said the season had had a rather unexpected start to the year.

"Last year Tasmania saw one of its driest springs on record," he said.

"For many that dry spell continued until a massive rain event that took place at the end of January. Toward the east of the state, farmers received up to 300 millimetres in only two days.

"On the west of the state it was a different story though with some only receiving 15 to 16 millimetres. What this did do, however, was fill up many on-farm water reserves, which in many cases were running close to empty."

Of the commodities surveyed, confidence was highest among those in the beef industry, although sentiment waned among those in the sheep sector.



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Mr Bott said the fall in confidence among sheep producers was likely influenced by last year's dry weather.

"The dry conditions probably hit the sheep industry the hardest," he said.

"A lot of farmers culled their flock numbers in November, which is a few months earlier than usual, however prices were good at the time. A lot of farmers are now seeking to restock, but are having trouble accessing the numbers.

"That said, sheep meat and wool prices have been fairly solid so I would expect sentiment to improve next quarter if the season is good," he said.

For beef, Mr Bott said, it is a case of continued optimism due to commodity prices.

"Beef prices have been solid for a couple of months now – with the rain in January increasing feed and water supplies they have every reason to feel positive," he said.

Of those Tasmanian farmers expecting conditions to improve, the season was cited as a positive factor by 38 per cent (up from 22 per cent), the lower Australian dollar by 20 per cent (previously 16 per cent) and the state of overseas markets also by 20 per cent (up slightly from 19 per cent).

However, commodity prices were the biggest driver of confidence. Fifty-five per cent of the state's farmers expecting conditions to improve nominated increasing commodity prices as a key factor. Conversely, though, of those farmers expecting conditions to worsen, 74 per cent cited concern about falling commodity prices.

Mr Bott said this reflected the mixed bag they were seeing for commodities in Tasmania.

"We're seeing solid pricing in the livestock sector, but for other commodities such as dairy and poppies, it's a bit more uncertain," he said.

"While farmgate milk prices had been holding fairly well, last year's dry spell slowed milk flow somewhat. That, coupled with substantial feed costs, has meant that dairy producers aren't feeling as confident as some of the other sectors."

While net confidence has improved for dairy in the last quarter, it remains neutral at zero per cent, up from -10 per cent.

Along with overall confidence, investment intentions among the state's farmers also improved this quarter, with 91 per cent looking to either increase or maintain their current level of investment in their farm businesses (up from 76 per cent last survey). Of those, 21 per cent were planning to increase investment (up from 16 per cent) and 70 per cent to retain current investment levels (up from 60 per cent).

Of those looking to increase their investment, 58 per cent were planning to invest in on-farm infrastructure and 27 per cent in increasing stock numbers. There was also some interest in new property purchase (17 per cent), plant/machinery (17 per cent) and irrigation/water infrastructure (17 per cent). A total of 15 per cent of farmers were also looking at adopting new technologies.



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Mr Bott said this wide spread of investment intentions was indicative of the direction that many Tasmanian farmers were taking.

“For farmers here, it’s about productivity and the bottom line,” he said.

“For some, that may be about acquiring additional land, but more often than not it’s about improving efficiencies, technologies and infrastructure on their existing land.

“In part due to self-education and in part due to the increasing cooperation of the large companies with their suppliers, we’re seeing farmers here with greater control and understanding of their business. This is a key factor that I believe will continue to keep confidence levels up amongst Tasmanian farmers well into the future.”

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 2016.

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