



Tasmanian farmer confidence declines on dairy concerns

Results at a glance:

- *Tasmanian farmer confidence falls to its lowest level since late 2014, dragged down by dairy concerns*
- *Recent rains help alleviate seasonal worries, after dry summer/early autumn*
- *Longer-term outlook remains more positive, with 1 in 4 farmers looking to increase investment*

After lifting strongly last quarter, Tasmanian farmer confidence has declined to its lowest level since late 2014, the latest quarterly Rabobank Rural Confidence Survey has found.

Dairy farmers drove much of the downturn in sentiment, while farmers across all commodities raised concerns around seasonal conditions – although these have been lessened by the recent widespread rains.

The survey – completed last month – found after reporting strong confidence throughout 2015 and into 2016, Tasmanian farmers were feeling significantly less optimistic about the year ahead, with the net confidence indicator now sitting at four per cent, down from 21 per cent in the previous survey.

Overall, a smaller proportion of farmers surveyed expected conditions in the agricultural economy to improve (22 per cent, down from 33 per cent), while those believing conditions would worsen increased to 18 per cent, up from 12 per cent. A total of 48 per cent expected conditions to remain similar to the past 12 months.

Rabobank national manager Country Banking Australia Todd Charteris said the recent “seasonal break” would provide a boost to Tasmanian farmer confidence, with the rains coming just after the survey was conducted, when producers were grappling with very dry conditions.

However, he said, concerns about the economic challenges facing the dairy sector were still casting a shadow across the state’s agri sector.

“While the rainfall has been welcomed by all, it has been completely eclipsed in the dairy sector by the recent cut in milk prices,” Mr Charteris said.

Mr Charteris said while dairy farmers were deeply concerned by the drop in milk prices – in the vicinity of 12 to 18 per cent – it was the retrospective nature of the cut by the state’s two major processors that had hit the hardest.

“With the pay cut coming so late in the season, farmers are unable to rein in their costs for the season, as they have already gone out and bought feed to get their cows through the last few months,” he said. “And it is this inability to recoup costs that makes it very tough, as farmers may not have made the decision to get their milking cows right through the season if they knew their farmgate milk price would be around \$5 per kilogram of milk solids.”



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May 30, 2016

Mr Charteris said while next season's milk price hadn't been announced, dairy farmers were bracing for a low payout.

"Next season will be undeniably tough for dairy farmers, however the long-term fundamentals remain strong, and expectations are for the global dairy market to show signs of recovery beginning later in the year or early next year," he said.

Confidence was also down among the state's sheep farmers, reflecting seasonal concerns, however beef producers remained upbeat about their prospects.

"The recent rains, while coming late in the season, have seen pastures respond – with the growth being aided by the unseasonably warm conditions," Mr Charteris said. "And if the state continues to experience mild conditions, it will reduce the reliance for farmers to feed their livestock."

Water storages in hydro catchment areas have also benefited from the rain, Mr Charteris said, with levels increasing from 13 per cent, to above 20 per cent.

"Farmers are now hoping for a normal winter, which is typically wet, as it will recharge water storage levels and set farmers up for spring," he said.

With the season front of mind for many, 85 per cent of Tasmanian farmers with a negative outlook on the coming 12 months nominated drought as reason for their view, up from 76 per cent with that concern in the previous quarter.

Commodity prices was also a cause for concern among 65 per cent of those expecting conditions to worsen, down from 74 per cent.

On the flipside, commodity prices and seasonal expectations were also positive factors for the farmers who were expecting conditions to improve, particularly the market outlook for beef and lamb.

Mr Charteris said this reflected the mixed outlook for agri commodities in Tasmania.

"While the market outlook is positive for beef and sheep, it is a different story for dairy, and poppy growers are also facing difficulties with the 50 per cent cut in planted area – as dictated by contracts from processors," he said.

With many farmers in Tasmania running diverse operations, Mr Charteris said farmers are able to substitute some of their poppy acreage to winter cereals or fodder crops to trade lambs or cattle.

Despite the fall in overall farmer confidence, investment intentions among the state's farmers remained relatively strong, with 85 per cent looking to either increase or maintain the current level of investment in their farm businesses (down from 91 per cent last survey). Of those, a greater proportion of farmers (25 per cent, up from 21 per cent) are planning to increase investment.

Of those intending to invest more, on-farm infrastructure was top of the agenda, with farmers also looking to build stock numbers, employ more staff/contractors or purchase farmland.



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Mr Charteris said while overall on-farm investment intentions had been shown to be strong in the survey, investment would now be “put on hold” for those in the dairy sector as farmers directed their resources into getting through the next season.

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 2016.

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