



Tasmanian farmer confidence hits three-year low

Results at a glance:

- *Extensive flood damage and ongoing challenges in dairy drive confidence to three-year low*
- *Drop in confidence curtailed by strong livestock prices, low interest rates and easing cost pressures*
- *Longer-term outlook remains sound, with 9 in 10 farmers looking to increase or maintain on-farm investment*

Tasmanian farmer confidence has bucked the national trend and dipped to a three-year low, Rabobank's latest quarterly Rural Confidence Survey has found.

Extensive flood damage, inflicted by the deluge received by Tasmania in early June, was behind much of the drop in confidence, while significant challenges in the dairy sector continue to hang over the outlook for the state's agri sector.

Meanwhile farmers in mainland Australia (with the exception of dairy) are considerably more optimistic, with overall national rural confidence improving on the back of winter rains and the promise of a good finish to the season.

Rabobank national manager Country Banking Australia Todd Charteris said despite the downturn in Tasmanian farmer confidence, there were still a "number of positive factors at play" which had kept sentiment from sliding further, including strong livestock prices, low interest rates and easing cost pressures (fertiliser and fodder).

The survey, completed last month, saw the net rural confidence indicator for Tasmania ease for the second consecutive quarter to remain well down from the highs reported throughout 2015.

While slightly more of the state's farmers expected conditions to improve over the coming 12 months than in the last quarter (26 per cent, compared to 22 per cent previously), the survey found a greater proportion had the opposite view, expecting the agricultural economy to worsen (30 per cent, up from 18 per cent).

The majority however, continued to expect similar conditions to the past 12 months (44 per cent, from 48 per cent).

Mr Charteris said the effects of the flooding – which hit the Northern Midlands, North West and North East areas in early June – were still being felt, with extensive damage to irrigation infrastructure, fencing and pastures.

"Some areas in the north of the state have recorded double their winter rainfall and this is stalling the recovery from the floods, with paddocks remaining water logged, hampering opportunities to re-establish damaged pastures or plant early crops," he said.



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“The wet” had also impacted potato yields, he said, with reports of crops unable to be harvested due to rot or water logging, as well as ramifications for next season’s crop unless the soil dried out in coming weeks.

“The area sown to poppies could also be affected if we don’t see some dry weather soon, with this year’s crop already significantly down on previous years,” Mr Charteris said.

“On the flipside, the wet winter has provided a welcome reprieve to the dry conditions earlier in the year, boosting water storages, and pastures should bound away as we enter spring.”

This quarter, commodity prices were reported as the biggest factor impacting confidence among Tasmania’s farmers, with 81 per of those expecting conditions to worsen citing the market outlook as reason for their pessimism – up from 65 per cent in the previous survey.

Dairy farmers were the most concerned about the price outlook, with farmgate milk prices remaining below the cost of production, Mr Charteris said.

“Tasmanian dairy farmers have been hard hit, with the bulk of the state’s milk supply going to the two largest milk processors,” he said.

“While there is light at the end of the tunnel, with the taps of supply starting to turn off around the world, it will take most, if not all, of the 2016/17 season to flow through into farmgate milk prices.”

Mr Charteris said while conditions remained extremely challenging in the dairy sector, input cost pressures were down, with fertiliser prices at around decade lows and grain prices also under pressure.

“The beef market is also underpinning strong prices for dairy cull cows, despite higher numbers of chopper cows hitting the market,” he said.

Strong market dynamics continue to underpin confidence in the beef and sheep sectors, Mr Charteris said, with graziers looking at good production prospects over coming months.

Across the board however, Tasmanian farmers were expecting gross farm incomes to be similar to, or down on, 2015/16. Overall, 42 per cent were expecting incomes in the 2016/17 financial year to be similar to last year’s result, while 43 per cent were anticipating a weaker result. Those expecting a stronger financial performance stood at 15 per cent.

These income projections came off the back of a strong financial result in 2015/16 however, Mr Charteris said, with 49 per cent of Tasmanian survey respondents reporting higher gross farm incomes in 2015/16 than 2014/15.

“We have seen this flow into on-farm investment, with 18 per cent looking to increase their investment over the coming 12 months while a further 72 per cent are planning to maintain investment at current levels,” he said.



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Of those intending to increase investment, on-farm infrastructure remained at the top of the agenda, with farmers also looking to build stock numbers or purchase farmland.

Mr Charteris said there had also been increased interest in investment in water and irrigation infrastructure, driven by dry conditions earlier in the year and to mitigate the impact of future dry weather.

“Many farmers are looking at what they can do to better capture or manage their water, whether that be building dams or setting up pivot irrigation systems,” he said.

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 December 2016.

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