



## **Commodity prices drive surge in Tasmanian rural confidence**

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

- *Strong commodity prices drive rebound in Tasmanian farmer confidence*
- *Prices particularly strong for wool, lamb, beef and dairy*
- *But seasonal conditions remain disparate between the north and west (good) and south and east (dry)*
- *State's farmers look to increase investment in water/irrigation infrastructure*

**Tasmanian farmer confidence has rebounded this quarter, coming off its recent four-year low to return to more robust levels, the latest quarterly Rabobank Rural Confidence Survey has found.**

**The driver of the improved rural outlook has largely been strong commodity prices, particularly for wool, lamb, beef and dairy. However, a significant disparity is evidenced in the state when it comes to seasonal conditions.**

Rabobank regional manager for Tasmania and Southern Victoria Hamish McAlpin said the “season couldn’t be better” in the north and west of the state, while in the southern Midlands and eastern Tasmania it was “extremely dry”.

“It is as though there is a line drawn across the state, with areas south of Campbell Town enduring unseasonably dry conditions,” Mr McAlpin said. “While in the north and west, once spring got going after the cold, long winter, it has turned into a fantastic season.”

The latest survey – completed last month – found overall, there had been a vast improvement in Tasmanian farmer confidence, with 37 per cent of the state’s farmers expecting conditions in the agricultural economy to improve over the coming year – compared with just five per cent last quarter. The percentage expecting conditions to worsen had halved to 12 per cent, from 23 per cent previously.

Those expecting agricultural economic conditions to remain similar to the last 12 months stood at 47 per cent.

Mr McAlpin said while rural confidence had improved in Tasmania, it was largely underpinned by the positive sentiment prevailing among farmers in the north and west of the state.

“With this area home to many of the state’s dairy production, farmers there are not only buoyed by the current seasonal conditions but also the material improvement in milk prices, with further step-ups expected before the close of the season,” he said.

“Mixed farming enterprises have also benefited from strong market prices for lamb and beef, and the recent resurgence in the wool market.”

In the south and east of the state, Mr McAlpin said, dry conditions had seen many farmers hand feeding or about to feed sheep and cattle, or put them on to dryland crops which hadn’t received enough rain to reach harvest.



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“It is very early in the season to be feeding sheep and cattle – and many farmers are looking to have to continue feeding for a while yet – but at least the cost is offset to a degree by the strong returns for lamb, cattle and wool,” he said.

Across the state, commodity prices were the biggest driver of positive sentiment, with 82 per cent of those Tasmanian farmers expecting conditions to improve citing prices as cause for their optimism – up from 50 per cent. In the dairy sector, all farmers who expected conditions to improve said prices were fuelling their optimistic outlook.

Seasonal conditions were also reported as a positive driver of sentiment by 31 per cent of those Tasmanian farmers who had an optimistic view of the year ahead. Reflecting the disparity in climatic conditions in the state, ‘the season’ was also nominated by 37 per cent of Tasmanian farmers with a negative outlook, as reason for their pessimism.

For farmers in horticulture and viticulture, Mr McAlpin said, the good availability of irrigation water had also alleviated concerns around the dry weather.

The development of irrigation infrastructure across Tasmania, and particularly in the Midlands, had helped mitigate the impact of dry seasonal conditions and also lifted the productivity of farming enterprises, he said.

“We are seeing farming enterprises becoming more diversified, and some farms in the Midlands that were traditionally sheep operations are now incorporating new crops and enterprise mixes into their business,” he said.

The strong investment in irrigation and water infrastructure was evident in the survey results, Mr McAlpin said.

Overall, 27 per cent of the state’s farmers said they would be looking to increase investment in their farm business over the coming 12 months, up considerably from 15 per cent with that intention in the previous quarter, while a further 62 per cent were looking to maintain their current level of investment.

Of those planning to increase investment, 50 per cent were looking to improve or develop irrigation and water infrastructure.

“This would also be underpinned by the incentives currently offered by the Tasmanian government, where farmers can apply for subsidised loans to develop their water infrastructure,” Mr McAlpin said.

There had also been strong on-farm investment in livestock infrastructure, such as fences and yards, as well as for new plant and machinery, he said.

There was an increased appetite for purchasing rural property identified among the state’s farmers in the survey, particularly for grazing enterprises, Mr McAlpin said. The property market was also starting to pick up in the dairy sector.

“What we are seeing in the dairy sector is probably a normalising of land prices, after the run-up in land values before the milk price downturn,” he said. “And the land prices for beef and sheep properties are probably just catching up to that.”



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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 2018.

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