



Dry start to winter takes toll on Tas farmer confidence

Results at a glance:

- *Dry start to winter sees Tasmanian farmer confidence fall from recent highs – to a four-year low*
- *Dairy farmers ‘buck the trend’, with outlook remaining positive*
- *Long-term confidence in agri sector remains sound – with strong investment and viability indicators*

Tasmanian farmers have significantly revised down expectations for the coming 12 months, with confidence in the agri sector coming off recent highs to its lowest level since mid-2013, the latest Rabobank Rural Confidence Survey has found.

The dry conditions prevailing across the Midlands and south of the state were behind much of the downturn in confidence, although recent rains have alleviated conditions in the north.

The dairy sector bucked the trend however, with the state’s dairy farmers the only surveyed sector to report ‘net’ positive sentiment.

The survey – completed last month – found overall Tasmanian farmers increasingly expect conditions in the agricultural economy to deteriorate in the coming 12 months – with 23 per cent now holding that view (up from seven per cent in the previous survey). Just five per cent had an optimistic outlook on the 12 months ahead (down from 29 per cent previously).

That said, more than half of the state’s farmers (at 59 per cent) still expect conditions in the agricultural economy to remain similar to the last 12 months.

Rabobank regional manager for Tasmania and Southern Victoria Hamish McAlpin said while rural confidence had come off its recent highs, this didn’t signify a material downturn in the outlook for the agri sector, but was rather a reflection that “conditions in the sheep and beef sectors, in particular, can’t remain as good as they have been forever”.

“Many of the state’s farmers have benefited from last year’s good season and high prices for beef, mutton, lamb and wool so the retraction in livestock prices – which still remain well above their five-year average – has seen confidence come off a bit.

“This is resulting in a level of caution amongst restockers, who are waiting to see what the store market does in lieu of new season pricing. However, many cattle sold through until the end of September were ‘locked in’ on contracts, and at good premiums, so the softening in the market will be felt in the coming months.”

This outlook was reflected in the survey results, with 53 per cent of farmers nominating commodity prices as a key reason they expected conditions to worsen. In addition, dry conditions were a concern for 40 per cent of the state’s farmers.



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“June was an exceptionally dry month for most of Tasmania, with the east of the state reporting its driest June on record,” Mr McAlpin said.

“While good rain has fallen over the past few weeks, it has been largely confined to the north, with conditions remaining dry in the south and across the Midlands.”

In the dairy sector, Mr McAlpin said, sentiment was largely underpinned by the improved price outlook, with 70 per cent of dairy farmers surveyed expecting their gross farm incomes to increase over the coming 12 months.

This compared with 29 per cent of farmers across Tasmania as a whole, who were projecting a stronger result in the 2017/18 financial year.

“Dairy processors have been coming out with improved farmgate milk prices for this season, supporting Rabobank’s forecast for a full-year southern Australia farmgate price in the vicinity of \$5.40 to \$5.80/kgMS,” he said.

This outlook flowed into improved investment intentions for the dairy sector, with 30 per cent of the state’s dairy farmers looking to increase their investment over the coming 12 months.

“This is likely to be centred on herd-rebuilding efforts, with many dairy farmers culling more heavily than usual in the wake of the milk price cut in April 2016,” he said.

Across the wider agri sector, expansionary investment intentions were wound back to 15 per cent, compared with 43 per cent of Tasmanian farmers who were looking to increase investment in their farm business last quarter.

Around three quarters of surveyed farmers (73 per cent) were looking to maintain their level of investment over the coming 12 months – up from 52 per cent.

Mr McAlpin the “good financial shape” of Tasmanian farm businesses was evident in the survey’s viability index, which measures farmers’ perceptions of their business viability.

“The survey found 96 per cent of farming businesses across the state reported long-term viability,” he said. “And this increased to 100 per cent of surveyed farm businesses with an annual gross income above \$300,000.”

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 2017.

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