



Tas farmer confidence declines on seasonal concerns, but recent rainfall provides promising late spring break

Results at a glance:

- *Tas farmer confidence retreats from previous highs to hit 15-month low*
- *Downturn driven by exceptionally dry October*
- *But late-November rains expected to help restore confidence going forward*
- *State's farm businesses remain in strong position, with healthy income expectations for next year*

Tasmanian farmer confidence has retreated from previous highs, with the third-driest October on record driving sentiment to a 15-month low, the latest quarterly Rabobank Rural Confidence Survey has found.

This is an abrupt turnaround in the trend witnessed throughout the year, which had seen Tasmanian farmer sentiment track, for the most part, above the other states. Tasmanian farmer confidence now trails the rest of the country, except Victoria and New South Wales.

But the arrival of much-needed rains across the state in late spring, since the survey was completed in November, are expected to help restore confidence in the sector.

The latest survey also found the state's farmers felt generally well prepared to navigate the impacts of dry conditions, reporting strong farm business viability and plans for ongoing investment.

A total of 95 per cent of those surveyed indicated a level of preparedness for drought, with more than half stating they more prepared now than five years ago.

Rabobank branch manager Tasmania Kathryn Brown said investment in water infrastructure in the state had helped mitigate the impact of drought, with irrigation schemes continuing to come on line and farmers also taking their own measures (such as dam permits) to increase on-farm storage.

"This has driven much of the land-use change we have seen in recent years, with many traditional grazing properties now having the infrastructure to diversify and grow fodder crops under irrigation," she said.

The survey found while 57 per cent of Tasmanian farmers expected little change in agricultural economic conditions over the coming 12 months, those with a negative view increased to 30 per cent, up from just 18 per cent in the September quarter.

Dry conditions emerged as the key driver of this pessimistic sentiment, cited by 83 per cent as the reason conditions in the agricultural economy were likely to worsen.



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Meanwhile the percentage of respondents expecting an improvement in conditions fell to 13 per cent, from 20 per cent previously.

“Although we had a pretty good start to spring, any momentum from these early spring rains were sapped during October, as the state recorded its third-driest October on record,” Ms Brown said.

Since then, Ms Brown said, the state had received its “spring break”, with rains of between 25 and 100 millimetres falling across much of the state.

“While the rain has been received later in the spring, it will still provide benefit to those who are doing late silage and hay conservation and will give irrigators some reprieve from their watering programs,” she said.

Ms Brown said the dry October had seen irrigators commence their programs earlier than usual, which has had a bearing on input costs. Costs have also been pushed up by the high cost of grain and fertiliser, she said, with dairy farmers, in particular, feeling the pinch.

“Some producers have decided to reduce their feed rations slightly to buffer the increase in feed prices,” she said, “and this could see milk production fall, although we haven’t seen evidence of this yet.”

The tougher dairying conditions saw dairy sector confidence in the state fall back in the latest quarter, with no surveyed dairy farmers expecting economic conditions to improve over the coming 12 months and a third expecting conditions to deteriorate.

With milk prices tracking in line with forecasts, dairy farmers were more positive though when it came to the outlook for their gross farm incomes, with 42 per cent of those surveyed expecting their incomes to increase next year.

“However the high feed cost is diluting these higher milk prices and margins will remain under considerable pressure until there is a sustained turnaround in the season,” Ms Brown said.

The ongoing strength of lamb and wool had flowed into the strong income expectations held by the state’s farmers, she said, although there had been a significant correction in the wool market in recent weeks.

“The survey found overall 92 per cent of Tasmanian respondents expect their incomes to either improve, or remain the same over the next 12 months,” Ms Brown said. “And these were among the strongest income projections in the country, just shy of those reported by farmers in Western Australia.”

Tasmanian farmers’ investment intentions were also shown to be still strong.

“While the percentage of farmers planning to increase investment has been wound back to 17 per cent, down from 40 per cent last quarter, the vast majority of survey respondents – 80 per cent – are still looking to maintain the level of investment in their business,” she said.

Of those planning to increase their investment, the survey found around half were looking at expansion opportunities via property purchase.



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“While there hasn’t been a noticeable jump in the number of properties up for sale, those that have been on the market are generally attracting strong competition and the growth in land prices have reflected that,” Ms Brown said.

“Recent Rabobank analysis has found Tasmanian property prices to have appreciated by a compound annual growth rate of seven per cent for dairy farms and 5.4 per cent for grazing land over the last five years. Demand is heavily outweighing the number of properties on the market, which is the driving force behind why we see land prices continuing to move higher.”

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 2019.

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To arrange an interview with Kathryn Brown, Rabobank branch manager Tasmania, or for more information on Rabobank’s Rural Confidence Survey, please contact:

Media contacts:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Skye Ward
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 02 4855 1111 or 0418 216 103
Email: skye.ward@rabobank.com