



Tassie farmers stay upbeat despite 'dry start'

Results at a glance:

- *Tasmanian farmers relatively upbeat about the year ahead – although confidence retracts from recent high*
- *Sentiment buoyed by commodity price outlook, with season remaining dry in southern Midlands*
- *Longer-term outlook bullish, reflected in strong investment and viability indicators*

Unlike many of their counterparts on the mainland, Tasmanian primary producers have entered 2018 relatively optimistic about the year ahead, the latest Rabobank Rural Confidence Survey has found.

Released today, the survey found while the net confidence indicator had eased from its recent high, 90 per cent of the state's farmers still expect conditions in the agricultural economy to remain stable, or even improve.

This flowed into a strong viability measure across the state's agricultural sector, with the viability indicator (which measures farmers' perceptions of their business viability) now at its highest level since mid-2002.

The survey, completed last month, found more Tasmanian farmers hold a positive rather than negative view on the year ahead, resulting in a net confidence reading of 12 per cent. That said, confidence was down on last survey's reading (for the December 2017 quarter) when the index stood at 25 per cent.

Across the state, the latest survey found 22 per cent of the state's farmers expected conditions in the agricultural economy to improve over the coming 12 months (down from 37 per cent with that view in the previous quarter), while more than two-thirds of respondents (at 68 per cent) expect similar conditions to last year.

The percentage expecting conditions to worsen remained low, at just 10 per cent, compared with 12 per cent in the previous survey.

Rabobank regional manager for Tasmania and Southern Victoria Hamish McAlpin said the prevailing positivity was despite the detection of fruit fly in the state, which had seen biosecurity measures implemented and a control zone established to limit the potential impact on horticultural exports.

"The recent detections of fruit fly on Flinders Island and in Tasmania's control zone are concerning," he said, "given Tasmania's 'fruit fly-free' status and subsequent access to export markets – access the mainland states haven't shared.

"With the cherry harvest complete, the immediate focus now shifts to the apple crop and any risks that could affect this season's export program, and beyond that, cherries, apricots and berries for 2018/19 season."

Across the state, farmers cited the commodity price outlook and also overseas markets and economies as two key reasons economic conditions were most likely to



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Media Release

March 5, 2018

improve in the coming 12 months, nominated by 53 per cent and 47 per cent of respondents, respectively.

“While concerns around the dry season remain, particularly in the southern Midlands, the positive outlook for most commodity sectors continues to underpin farmer confidence levels,” Mr McAlpin said, “and we have seen this flow into strong investment within the ag sector.

“Investment intentions in Tasmania are among the highest in the country, with 29 per cent of the state’s farmers looking to increase their investment while a further 65 per cent are looking to retain similar investment plans to last year.”

The survey found investment in water infrastructure outstripped the other states, with 68 per cent of Tasmanian farmers who were intending to increase their investment directing it at irrigation and water. This compared with 26 per cent of survey respondents nationally.

“In the lead-up to the state election, during the period the survey was in the field, both major parties had indicated they were supportive of investment in the state’s ag sector and in particular, irrigation development across the state,” Mr McAlpin said.

“This would have fed into the positive sentiment prevailing across the state’s ag sector, as the abundance of water and the incentives in place for businesses to invest in irrigation are in contrast to other parts of Australia where there is uncertainty with the Murray Darling Basin Plan.”

By surveyed commodity sector, dairy farmers were the most positive about their prospects for the coming year. That said, the majority in this sector (70 per cent) expected similar conditions to last year, while 30 per cent expected an improvement.

“There has been a lot of discussion about the increased competition for milk supply, with Saputo looking for supply to better utilise assets should it acquire Murray Goulburn,” Mr McAlpin said, “and Fonterra, as a big player in Tasmania, also investing in infrastructure to process milk.

“With local processing facilities flagging that they will need more milk, this has underpinned confidence in the sector at a time when the global outlook remains uncertain given rising milk volumes out of the EU and US.”

Confidence in the livestock industry eased back this quarter, particularly among cattle producers, albeit coming off a very high base.

“While Tasmanian trade steer prices have fallen through 2017, prices remain above the five-year average,” Mr McAlpin said.

In the sheep sector, where confidence also eased, 86 per cent of graziers reported that they still expect last year’s profitable trading conditions to continue.

“With the southern Midlands challenged by dry conditions, which have seen farmers feeding their stock much earlier than usual, this has been somewhat counteracted by the fantastic returns for wool, mutton and lamb,” Mr McAlpin said.



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Across commodities, Tasmanian farmers were relatively positive in their gross farm income projections for the coming 12 months, with 41 per cent expecting their income to increase (up from 39 per cent last survey) and a further 35 per cent expecting a similar financial result to last year.

The positive financial outlook flowed into a strong viability measure across the ag sector, with 97 per cent of surveyed farming businesses reporting they had long-term viability (increasing to 100 per cent among businesses with a gross annual 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 June 2018.

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To arrange an interview with Hamish McAlpin, Rabobank regional 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