



## **Tasmanian farm sector heading into 2020 “in good shape”, survey shows**

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

- *Tasmanian farmers poised to enter 2020 in good shape, holding the most bullish income expectations in the country*
- *This is in spite of seasonal concerns, which saw rural confidence drop to multi-year lows in the latest survey*
- *While seasonal conditions have since improved in the north, it remains dry in southern Tas*
- *But long-term outlook remains strong, reflected in investment and debt repayment intentions*

**Tasmanian farming businesses are poised to enter 2020 in good shape, with around three quarters expecting to generate a higher income in the year ahead – the most bullish income projections in the country – the latest Rabobank Rural Confidence Survey has found.**

**This comes despite the state’s farmers reporting a much less optimistic outlook for the rural economy in the year ahead, after a dry start to spring drove Tasmanian rural sentiment to a seven-year low.**

**In spite of the hit to confidence, the survey found farmers hold an overwhelmingly positive view of their long-term business strength, reflected in investment and debt repayment intentions and with 95 per cent reporting business viability.**

Rabobank branch manager Tasmania Kathryn Brown said seasonal concerns which had been weighing on farmers had since been alleviated across the state’s north, with the arrival of good late-spring rains. Although it remains dry through much of the Midlands and southern regions, she said.

“While an unseasonably-dry September and October saw confidence waver from its recent highs, it has done little to dent the long-term positivity prevailing in the sector which has been fuelled by strong commodity prices across the board,” she said.

Of the Tasmanian farmers surveyed, 42 per cent expect conditions in the agricultural economy to remain stable for another year, however the proportion expecting conditions to worsen rose to 44 per cent (from just seven per cent in the September quarter). And the percentage expecting an improvement in conditions fell back to 14 per cent, from 32 per cent in the previous survey.

Ms Brown cautioned while confidence levels were down, it was off a very high base, and seasonally-driven. Of those expecting conditions to worsen, 82 per cent cited dry weather as the key concern. This saw confidence drop across commodity sectors – particularly beef and sheep.

The survey also highlighted some commodity price concerns among sheep producers, with wool prices well off their historic highs of August 2018.



**Rabobank**

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“While wool prices dropped sharply in the middle of the year, they have since found some solid ground around the five-year average,” Ms Brown said.

And the mutton and lamb market was also holding up well, she said, with good domestic and export fundamentals.

While sentiment in the beef sector was also down, this all appeared to be seasonally-driven, Ms Brown said, with 72 per cent of beef producers still expecting similar, or higher, gross farm incomes in the year ahead, compared with 2019.

Ms Brown said the state’s dairy farmers were particularly positive about their income prospects, with 80 per cent of those surveyed expecting an improvement in gross farm incomes in 2020.

“While the dry start to spring was a short-term glitch, the cold fronts that have moved across in recent weeks will help prolong the season,” she said.

From a price perspective, Ms Brown said recent farmgate milk price step-ups should see a good margin maintained over feed costs.

“Although the mainland east coast wheat harvest is looking smaller than expected earlier in the season, and this will see wheat prices remain firm, the milk price will go a fair way to offsetting these ongoing elevated feed costs,” she said.

Farmers’ investment intentions matched the positive sentiment flowing from overall farm income expectations, with 22 per cent of the state’s farmers looking to increase investment in their businesses over the coming 12 months, compared with the national average of 17 per cent. While a further 65 per cent are intending to maintain investment at current levels.

The survey found that of those Tasmanian farmers intending to increase investment, it was primarily earmarked for adopting new technologies, on-farm infrastructure, including irrigation and water, and sourcing additional labour. While 40 per cent of those planning to increase investment said they were looking additional property acquisitions, Ms Brown said.

“Any rural property that is listed is looked at with a fair amount of interest, with a number of buyers lined-up and properties generally selling above market,” she said.

Ms Brown said the health of the agricultural sector in Tasmania was shown to be strong, with 95 per cent of farmers surveyed reporting business viability. And among dairy farmers that figure rose to 100 per cent, she said.

“In the past couple of years we have seen farmers in the state take the opportunity to consolidate their businesses,” she said, “with on-farm investment largely funded by cashflow as businesses have repaid debt.”

This was evident in the survey results with only six per cent of surveyed Tasmanian farmers looking to increase their debt in the coming year, while 33 per cent are intending to reduce their debt levels.



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“Balance sheets are in a very good position and this long-term vitality in the ag sector is bringing a lot of impressive young farmers back to the land and with it, a wave of enthusiasm.”

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 2020.

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