



Rabobank

**Media Release**

**March 12, 2019**

## **Good trading conditions expected to drive strong investment in Tas ag sector**

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

- *Two-thirds of Tasmanian farmers expect positive agricultural conditions to continue in 2019*
- *But much will hinge on the autumn break – after a dry start to summer*
- *Good trading conditions fuel strong appetite for on-farm investment*
- *Tas farmers hold among the strongest investment intentions in the nation, with 34 per cent of the state’s producers looking to increase investment in their farm businesses*

**Tasmanian farmers have started the year on a more positive footing, with the state’s overall rural sentiment climbing from 15-month lows reached at the end of last year, Rabobank’s latest Rural Confidence Survey has found.**

**Fewer of the state’s farmers have a negative outlook on the year ahead and close to two-thirds are expecting it to be similar to 2018, which had delivered solid returns for many in Tasmania’s ag sector. This has led to a strong appetite among farmers for investment over the next 12 months, particularly for on-farm infrastructure.**

**The positive sentiment comes despite the state experiencing its hottest January on record, which fuelled significant fires in the Huon Valley and Little Pine Lagoon up in the Highlands, before widespread rains in mid-February provided some relief.**

Rabobank branch manager Tasmania Kathryn Brown said while the fires were largely in areas of bushland, there had been devastating damage to homes, outbuildings, farm infrastructure and livestock, but fortunately no loss of life.

“The contribution from those in the fire service, both permanents and volunteers, has been nothing short of phenomenal,” she said, “and really showed the community spirit of getting in and helping your fellow Tasmanians.”

In terms of the impact on the state’s agricultural sector, Ms Brown said, there had been some fire damage to grazing properties in the Highlands, as well fears of smoke taint in wine grapes in the Huon Valley and Channel region.

“The wine grapes were in their ripening phase when the fires began and there is potential of smoke taint,” she said. “But growers won’t know the impact, and whether they can harvest and process their grapes, until they are tested prior to picking.”

Released today, the first quarterly Rabobank Rural Confidence Survey for the year found 67 per cent of surveyed farmers in Tasmania were expecting agricultural economic conditions to remain stable for another 12 months, up from 57 per cent with that view in December.



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While those expecting conditions to worsen fell back to 20 per cent (from 30 per cent last quarter) and 10 per cent were anticipating an improvement in conditions (similar to last quarter's reading of 13 per cent).

Of those with a pessimistic outlook, 65 per cent said they were concerned about dry conditions. However, this was down on the 83 per cent who reported that concern in the previous survey.

Ms Brown said Tasmania "ended up having a reasonable spring across much of the state, despite the late start to the season, and that helped many get through the very dry start to the year".

"And in mid-February, the state recorded widespread falls of between 20 and 100 millimetres, which fell over a few days and helped extinguish the fires," she said.

Ms Brown said the state's farmers were now "looking for a genuine autumn break – any time from now – to set them up for the year ahead".

While much hinged on a good autumn, Ms Brown said, commodity prices remained generally strong.

"In dairy, Saputo and Fonterra have recently made step-up announcements, with prices firming up around \$6.05 kg/milksolids," she said.

While the movement in the milk price is welcome, input cost pressure remains the key concern for the state's dairy farmers, she said, with the cost of supplementary grain and hay around double what it was a year ago.

"While the state yielded a good grain harvest, with reports of dryland crops yielding between four to six tonnes per hectare and up to around seven to nine tonnes per hectare for irrigated crops, Tasmania remains a net importer of grain," she said. "But a good crop here has meant it hasn't been too hard for farmers to source grain, but prices are high at more than \$400 a tonne."

Tasmania had also harvested a good cherry crop, she said, with good-sized fruit and prices aided by the weaker Australian dollar and reduced competition from alternative suppliers. While in the poppy sector, the harvest was aided by dry conditions, but many farmers were waiting to hear how their poppies yielded.

In the state's livestock sector, Ms Brown said, prices remained solid, particularly for wool and lamb.

"Confidence amongst graziers has been evident in the saleyards, with a sheep sale in the Southern Midlands in January seeing a drop of last year's lambs make between \$300 and \$350 a head," she said. "And the February wool sale in Melbourne, which features a lot of Tasmania's fine and superfine wool, saw strong demand for top making-style wools and pushed up prices, particularly for the finer microns."

The positive trading conditions are expected to drive solid investment in the state's agricultural sector during 2019, the survey showed, with Tasmanian farmers found to hold the strongest investment intentions in the country – alongside their counterparts in Western Australia.



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A total of 34 per cent of surveyed farmers indicated they were intending to increase investment in their farm business over the next 12 months (up from 17 per cent last quarter), while a further 59 per cent were planning to maintain investment at current levels.

Ms Brown said survey respondents were primarily intending to invest in on-farm infrastructure, but also irrigation/water infrastructure, increasing livestock numbers, new plant and machinery, and property purchases.

“Everyone is ‘talking water’ at the moment,” she said, “and there is a lot of investment in updating water infrastructure, with pivots going in ‘left, right and centre’.

“We are also seeing many capitalise on the good trading conditions by investing in pasture innovation, new fencing or fertilising paddocks that may not usually be part of their fertiliser program.”

While the survey found there was appetite among farmers to expand their businesses via property purchase, Ms Brown said there were few properties hitting the market. “And those that do go on the market are quickly snapped up, and for good money,” she said.

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 2019.

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