



Tasmania, land of 'milk and money'

Results at a glance:

- *Tas farmers increasingly bullish about their prospects, reporting strong profitability projections for their farm businesses*
- *85 per cent expecting a higher, or similar, gross farm income in 2019/20*
- *Dairy farmers particularly upbeat, buoyed by milk price signals and season*
- *But Tassie remains state of two halves, as dry conditions prevail across east and south*

Tasmanian farmer optimism continues to grow – with the state’s rural sector reporting overall strong profit projections and robust investment plans for the year ahead – the latest Rabobank Rural Confidence Survey has found.

Across the state, 85 per cent of survey respondents expect their gross farm incomes to increase or remain stable in the 2019/20 financial year.

Dairy farmers were found to be particularly upbeat, with close to two thirds anticipating a better financial performance for their business in the coming 12 months.

The quarterly survey, released today, found 32 per cent of Tasmanian respondents expected conditions in the agricultural economy to improve in the coming 12 months, up from 26 per cent with that view in the June quarter.

Of those with a positive outlook, the vast majority (91 per cent) cited commodity prices as the main reason for their optimism, while seasonal conditions were a positive driver for 44 per cent.

Just seven per cent of the state’s farmers reported a negative outlook on the 12 months ahead, while those expecting little change to current conditions stood at 62 per cent.

Rabobank branch manager Tasmania Kathryn Brown said while it was “uncommon to see so many sectors as positive as they are at the moment” – with strong market conditions prevailing across most commodity sectors – it remained a “tale of two stories on the weather front” for the state.

“Winter rainfall was well above average in the north and west of the state, but the fronts have continued to elude the east coast and areas south of Campbell Town, where it remains dry for the second consecutive year,” she said.

After a relatively mild winter, those areas of the state which had received rain had good feed cover heading into spring, Ms Brown said. And rainfall had also lifted the soil moisture profile for those who would be planting vegetables next month.

Ms Brown said positive seasonal conditions in the north of the state and the commodity price outlook had fed into improved confidence in the dairy sector, with 55 per cent of Tasmanian dairy producers surveyed expecting conditions to improve in the coming 12 months – up from 45 per cent in the previous quarter.



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“But it is the milk price that is really the icing on the cake for the sector,” she said, “with the forecast weighted average price for the 2019/20 season sitting at \$6.80/kilogram.”

Ms Brown said many farmers were looking at ways to increase their production to take advantage of the strong milk price.

“We have seen farmers really ramp up their feeding regime – despite the high grain price – as there is still a good margin to be made with milk prices where they are,” she said.

Confidence was also up in the beef sector, and in sheep – although it had eased – it remained sound.

“Prices for store and finished cattle remain strong,” Ms Brown said, “while the sheep market is also holding up.”

She said the wool price had come off in recent weeks to now well below last year’s peak, but, while there was concern around how quickly the market had dropped off, prices had only just slipped below the five-year average.

“There is concern that consumer confidence and subsequently demand has been affected by the US/China trade war,” she said. “And this is creating some uncertainty amongst wool growers, as to how the market will continue to react.”

Across commodity sectors, farmers held strong income projections for the 2019/20 financial year, the survey, which was completed last month, found. A total of 39 per cent were expecting a higher gross farm income in 2019/20 (up from 30 per cent in the previous quarter) and a further 46 per cent expecting a similar financial result to last year.

“At the end of the financial year, we saw many farmers use that liquidity to pay down debt or prepay interest, put away funds into farm management deposits or reinvest in their farming business,” Ms Brown said.

With positive trading conditions fuelling on-farm investment, 26 per cent of Tasmanian survey respondents said they were looking to increase investment – compared with the national average of 17 per cent. A further 70 per cent intended to maintain investment at current levels.

Investment appetite was found to be highest among the state’s dairy farmers, the survey found, with investment pegged for infrastructure – such as increasing vat capacity – and increasing herd numbers.

While across the board, Ms Brown said, there was strong ongoing investment particularly in irrigation infrastructure, such as centre pivots.

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



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Confidence Survey has been conducted since 2000 by an independent research organisation. The next results are scheduled for release in December 2019.

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