



Rabobank

Media Release
December 7, 2020

Strong commodity prices and “near- perfect” season buoy state’s farmers

Results at a glance:

- *High commodity prices and positive seasonal conditions trigger rally in Tasmanian farmer confidence*
- *Strong bounce back in optimism among sheep producers*
- *Higher confidence levels flowing through to on-farm investment*

The rise and rise of commodity prices – combined with an almost perfect spring – has seen Tasmanian farm confidence finishing the year on a high, the latest Rabobank Rural Confidence Survey has found.

The quarter four survey, released today, showed optimism among the state’s farmers has continued to climb, despite uncertainty about international markets and the impact of COVID-19 on agricultural commodities.

The latest survey – completed last month – revealed rural business sentiment in Tasmania had shot to a 15-month high, with the state’s agricultural producers enjoying terrific seasonal conditions throughout the year, and many commodity markets also performing well.

Very few farmers were found to be expecting a deterioration in business conditions, while there was growing optimism among sheep farmers, in particular, about the coming 12 months.

Improved rural business sentiment has also helped boost forecasts around farm business performance and incomes, with almost one third of Tasmanian farmers surveyed planning to increase investment in their farm business over the year ahead.

Rabobank regional manager for Tasmania Stuart Whatling said farmers across the state have enjoyed “an almost perfect spring on the back of a perfect autumn and winter this year”.

He said there was “an abundance of feed” in all regions, with terrific seasonal conditions consistent throughout Tasmania.

“All regions are faring very well,” Mr Whatling said.

“Beef and lamb producers in particular are enjoying a great run of commodity prices, which are at unprecedented levels.

“The challenges in Tasmania are really faced by those exposed to wool prices, which have been extremely volatile for more than 12 months, and intensive industries reliant on casual labour. The current travel restrictions are resulting in challenges for horticulture and other commodities reliant on seasonal labour, which is a challenge given harvest in many intensive sectors will be shortly upon us.”



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The latest Rabobank Rural Confidence Survey found that only three per cent of the state's farmers had a negative outlook, expecting business conditions to worsen in the next 12 months – down significantly from 27 per cent with that view in the previous quarter.

Around two thirds expected little change to current conditions (63 per cent, up from 48 per cent in the September survey), while those expecting an improvement remained relatively stable at 20 per cent – in line with last quarter's reading of 21 per cent.

Commodity prices were the lead driver of confidence this survey, but positivity was also heavily influenced by seasonal conditions.

Mr Whatling said farmers were very upbeat about commodity prices, especially for beef, lamb and dairy.

He said many wool producers had elected to “take this year's prices and move on”, with “very few hanging on to, or not selling, wool”.

The survey showed sheep producer sentiment, in particular, had been given a major lift from commodity prices.

In the beef sector, the majority expected little change to current business conditions, however Mr Whatling noted sentiment among beef producers was already very high.

“Beef producers already think conditions are fantastic, and are convinced those conditions are going to continue,” he said.

In the dairy sector, confidence eased from last quarter's high – albeit remaining strong.

With confidence trending up, so too are the forecasts for farm business performance. This quarter, 42 per cent of Tasmanian farmers were expecting a higher gross-farm income in the coming 12 months – up from 21 per cent with that view three months ago.

Just 16 per cent expected a weaker financial result (down significantly from 35 per cent last quarter), while those expecting a similar financial result to the previous year stood at 35 per cent.

Higher income expectations are helping underpin planning around business investment, with 32 per cent of the state's farmers expecting to increase their investment over the coming 12 months – up from 23 per cent last quarter. A further 58 per cent plan to keep investment at current levels.

Of those farmers looking to increase investment, this is primarily earmarked for on-farm infrastructure (such as fences, yards and silos), increasing livestock numbers and new plant and machinery. Mr Whatling said there was also continued investment by farmers in Tasmania's new irrigation schemes which were currently under construction.

He said the continuing strength of the state's rural property market underscored the long-term confidence of Tasmanian farmers.



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“Many of our farmers are very exposed to beef and lamb prices, and the current values we are seeing there is underpinning continued investment in the sector and a very active – even hot – rural property market,” he said.

“There is not just expansion to buy farms next door, but we are seeing a big trend in farmers investing to further develop their assets, with significant property improvement taking place to help mitigate risks.”

Mr Whatling said the combination of the Federal Government’s ‘instant asset write-off’ tax incentive, along with current high cash earnings and low interest rates, “all bodes well for investment in agriculture”.

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 2021.

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