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**Media Release**

**March 15, 2021**

## **Strong Tas agricultural sentiment driving major productivity investment**

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

- *Positive sentiment abounds in Tasmania's ag sector due to "perfect combination" of high returns and favourable seasonal conditions*
- *Majority of state's farmers expecting last year's good business conditions to continue*
- *Farmers' investment appetite highest in Australia, as sector prioritises productivity projects*

**Stellar commodity prices and a "perfect" summer season have underpinned continuing positive sentiment in Tasmania's farm sector, according to the latest Rabobank Rural Confidence Survey.**

**With farmer confidence already hitting a 15-month high at the end of last year, the latest survey, released today, found more than one quarter of the state's farmers (26 per cent) expect conditions to improve even further in the year ahead. And more than two thirds (67 per cent) expect similar conditions to last year.**

**The state's dairy farmers are the most positive about the coming year, while the solid confidence seen among sheep and beef producers for most of last year continues.**

**The sector's optimism is reflected in the investment appetite of the state's farmers, which is now the strongest in the country, as producers prioritise infrastructure projects to help drive increased productivity and profitability in their own businesses.**

Rabobank regional manager for Tasmania Stuart Whatling said "it's as good as it gets" for Tasmanian farmers.

Mr Whatling said a mild, wet summer – combined with excellent returns in most commodities and favourable business incentives, such as low interest rates and the federal government's instant asset write-off measures – had aligned perfectly to give farmers both cash and confidence for the year ahead.

"We've had a beautifully mild summer in Tasmania, with solid rainfall across all agricultural regions," he said.

"There's been great haymaking over the summer and livestock are in great condition.

"Some crops are a bit slower to finish off because the temperatures haven't been high, but the conditions otherwise have been extremely favourable, on top of excellent commodity prices."



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Mr Whatling said concerns about market volatility due to COVID-19 had mostly eased, adding many farmers had worked to diversify their enterprises over recent years, which was paying off during periods of market uncertainty.

But, he said, there were still some lingering workforce challenges as the state's horticultural producers move into autumn and winter picking.

"The worst of the challenge has eased, but workforce and labour constraints are still present for some businesses."

This quarter's Rabobank Rural Confidence Survey, completed last month, found the proportion of the state's farmers expecting business conditions to improve over the year ahead had climbed to 26 per cent (from 20 per cent last survey), while 67 per cent expected conditions to remain stable (up from 63 per cent). Those expecting a deterioration of conditions had increased to eight per cent, from three per cent last quarter.

Commodity prices had the largest influence on sentiment, cited by 60 per cent of those farmers expecting conditions to improve.

Seasonal conditions were the other positive driver of sentiment, cited by 39 per cent farmers with an optimistic view.

By sector, the survey found dairy farmers had the most positive outlook for the year ahead, with 27 per cent of Tasmanian dairy producers anticipating improved prospects and the remaining 73 per cent expecting last year's good conditions to continue.

Mr Whatling said the "perfect combination" of factors was behind such a positive view among dairy producers.

"Dairy farmers are enjoying good seasons, there is an abundance of feed going into autumn, grain prices are lower this year, milk prices are solid and there are strong prices forecast going into next year.

"It really is a 'perfect storm' for the dairy sector."

Mr Whatling said livestock commodity prices in Tasmania were being driven by the same competitive factors as mainland Australia – enormous re-stocker demand and large quantities of feed and pasture.

In the beef sector, the survey found there had been little change in sentiment – with Tasmanian beef sector confidence having run at very high levels during 2020.

"Beef prices are the main driver of confidence now and longer term, with strong forecasts for demand indicating good above-average returns for some time we hope," Mr Whatling said.



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“Lamb prices are solid and wool prices have lifted in recent months, but producers are still closely watching what Chinese buyers are doing and saying.”

With confidence in agriculture and the outlook for the year ahead remaining positive into 2021, Tasmanian farmers are also quite upbeat about their own farm business performance this year.

While the state’s farmers revised down expectations for their own gross farm incomes in 2021, more than two-thirds of those surveyed (69 per cent) are forecasting their business to generate a similar return to last year. The number expecting a stronger financial return in 2021 now sits at 21 per cent, down from 42 per cent in December. However, Mr Whatling said, this figure was likely a reflection of the strong year the state’s ag sector had experienced in 2020, resulting in a high base.

Sheep producers were particularly optimistic about their income prospects. Following last year’s drop in wool prices and COVID-related impacts in sheep processing in Victoria, Tasmanian sheep producers expected higher returns in the year ahead.

Overall, strong income expectations were shown to be underpinning future investment plans among the state’s farmers, which had increased significantly since last quarter – 49 per cent of Tasmanian farmers intending to increase business investment this year, compared with 32 per cent in December. With the 36 per cent of farmers nationally planning to increase their investment, Tasmania also had the highest farmer investment intentions in the country.

Additionally, a further 49 per cent of Tasmanian respondents said they would maintain investment at current levels.

Of those farmers looking to increase investment, the majority (89 per cent) were intending to invest in on-farm infrastructure, such as fences, silos and yards, while irrigation and water infrastructure were a major focus in the year ahead (nominated by 68 per cent). Increasing livestock numbers was shown to be a priority for 58 per cent of those planning to up investment, followed by new plant and machinery (31 per cent).

Mr Whatling said strong cash returns, coupled with government incentives, were encouraging many farmers to undertake major infrastructure projects which were helping them increase their own productivity and profitability.

“Low interest rates and the instant asset tax measures are just the icing on the cake in terms of business investment right now,” Mr Whatling said.

“There is tremendous confidence to invest in ag at the moment and we’re seeing many farmers keen to invest in their own businesses to boost productivity.



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“The high level of investment, both from local farmers and from other states, is driving property prices higher in Tasmania, but it also signals a longer-term confidence in agriculture as a good business and industry to be in.”

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 2021.

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