



Tasmanian farmers enjoying good times, but high input costs a growing concern

Results at a glance:

- *Tasmanian farmers expecting current good conditions to continue*
- *Input price concerns curb expectations of current economic conditions improving any further over year ahead*
- *On-farm investment intentions and income projections still very strong*

Tasmania's farmers are expecting another 12 months of positive business conditions for agriculture, but concerns about rising input costs are taking the edge off their bullish outlook, the latest quarterly Rabobank Rural Confidence Survey has found.

The survey, released today, shows close to two-thirds of the state's farmers are expecting a continuation of the high commodity prices and excellent seasonal conditions which have benefited the sector for more than two years.

But expectations of further improvement in Tasmania's strong agricultural economy have tapered off, with high input prices and concerns about a softening in commodity prices tempering farmer sentiment this quarter, after previously being the most buoyant in the country.

Rabobank area manager for Tasmania Stuart Whatling said while there was still a lot of positivity around agricultural commodity prices, this had been tempered by the sharp rise in the cost of key inputs, particularly fuel, fertiliser, freight and power.

"But I think any reduction in optimism about conditions improving over the year ahead is more a sign that there's an expectation among farmers that the current conditions will continue, rather than any negativity or view that things are getting worse," Mr Whatling said.

"Conditions are still very good, and good prices are still coming through for most commodities. But farmers are going to need those high prices if faced with these significantly higher costs."

The survey – completed last month – reveals just 20 per cent of Tasmanian farmers now think business conditions will improve over the coming 12 months, compared with 40 per cent at the start of the year. Most Tasmanian farmers surveyed, however, expect conditions to remain stable over the coming year (61 per cent, was 51 per cent) while 19



per cent are predicting a deterioration in business conditions (an increase from nine per cent last quarter).

Commodity prices were the sole reason farmers expect conditions to improve in the agricultural economy, while those anticipating conditions to worsen blamed rising input costs for their pessimistic outlook.

Mr Whatling noted prices for dairy, in particular, were very strong and feeding into very good levels of confidence, with record milk prices for the new season now formally announced.

He said while seasonal conditions in the state's north east and east coast regions had been favourable, summer and autumn had been very dry for farmers in north west Tasmania, as well as in the Midlands/south east region.

"In the first three months of this year, north west farmers only received about 50 per cent of their average rainfall for that period, which has really impacted their costs as they have had to buy in fodder," he said.

Mr Whatling said farmers were financially in a very strong position thanks to the past two years of positive agricultural conditions, but were closely watching the impact of rising production costs on margins.

He said the impact of the war in Ukraine was certainly coming up in conversations with farmers, especially in relation to driving up costs, or conversely, any opportunity it might create for Australian farmers.

"There is a growing expectation that prices will start to come off in the livestock sector, which is taking some of the shine from those high levels of optimism we'd seen in previous surveys," he said.

Mr Whatling said Tasmanian sheep producers had been challenged by shearer shortages and the rising cost of shearing, with a growing number of producers investing in shearing infrastructure to help alleviate labour constraints.

In the cropping sector, he said, there has been a jump in the number of farmers moving towards cereal grain production either for their own use or to sell into the local Tasmanian market. He said this could continue, given margin pressures in other crops.

Mr Whatling said rising costs of fertiliser were putting a lot of pressure on local potato growers which was translating into uncertainty about the amount of production growers would commit to for the coming year.

"Potato growers will be looking for an increase in the contract price from processors when contracts for the coming year are announced, which is expected shortly," he said.



Rabobank

Media Release

June 14, 2022

While expectations about an improvement in agricultural business conditions have declined, the survey results reveal 44 per cent of Tasmanian farmers are expecting their gross farm income to increase over the coming year, while 36 per cent expect their incomes to remain stable.

The state's farmers will largely maintain investment in their farm business, with 65 per cent saying they would keep spending at current levels.

On-farm capital investments – such as fences, silos and machinery – are the dominant focus for business investment in the coming year.

Mr Whatling said there was also strong appetite for investment in water infrastructure, both in the new Tasmanian schemes, but more broadly in any infrastructure which increases water efficiency.

He said there was still a lot of demand for reasonably-sized land holdings and “the heat had not yet come out of the property market”, although the survey found intentions to buy property to expand businesses had dropped considerably among those intending to increase their business investment.

“Also, it should be noted the survey was conducted prior to the RBA's most recent increase to the official cash rate in June,” Mr Whatling 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 September 2022.

<ends>

Rabobank Australia & New Zealand Group is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 120 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 38 countries, servicing the needs of approximately 8.4 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand Group is one of Australasia's leading agricultural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.



Rabobank

Media Release

June 14, 2022

To arrange an interview with Stuart Whatling, Rabobank area manager Tasmania, or for more information on Rabobank's Rural Confidence Survey, please contact:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Will Banks
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 0418 216 103
Email: will.banks@rabobank.com