



## ***Tasmanian farmer confidence soars as run of good seasons and prices continues***

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

- *Tasmanian rural confidence at highest level in six years*
- *Dairy farmer sentiment has jumped significantly on back of strong milk price offers for the 2021/22 season*
- *Positive outlook for incomes fuelling farm investment boom*

**Tasmanian farmer confidence is soaring, with the latest Rabobank Rural Confidence Survey recording the state's highest confidence readings in six years.**

**The continuation of historically-high beef and lamb prices as well as positive opening milk price contracts for the year ahead have further bolstered business sentiment among Tasmanian farmers following a strong 2020 across the state's rural sector.**

**The survey results, released today, reveal 98 per cent of the state's farmers expect the excellent business conditions being experienced in Tasmania's agricultural sector to either continue or improve in the year ahead.**

**Dairy farmers are largely behind soaring sentiment, with more than 82 per cent expecting conditions to improve over the year ahead – a huge jump from the 27 per cent with that view in the March quarter.**

The survey, completed last month, found no Tasmanian beef, sheep or dairy farmers were expecting conditions to worsen over the year ahead.

And one third of the farmers surveyed in the state were intending to increase investment in their businesses over the coming year, with ongoing investment in Tasmania's new irrigation schemes a high priority for many.

Rabobank regional manager for Tasmania Stuart Whatling said all factors had been supportive of farm business confidence over the past quarter, with an ideal combination of seasonal and pricing conditions setting up the state's farmers for another great year.

He said a relatively-dry autumn across the state had followed a near-perfect spring and summer growing season, which resulted in an abundance of feed.

Another factor contributing to farm performance and confidence had been the ongoing success of the rollout of the Pipeline to Prosperity project, which is delivering new irrigation to agricultural regions across the state, he said.

"These water schemes have been big drivers in not just productivity but also boosting land values," Mr Whatling said.



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“We are seeing that the immediate return is significant following the investment in these new irrigation infrastructure projects. Farmers are recouping more than their investment in increased land values, on top of greater returns.”

Mr Whatling said animal protein prices were also very strong and expected to remain that way for some time, and those returns – combined with low interest rates – were giving farmers confidence to invest and expand.

The survey showed 45 per cent of the state’s farmers were expecting business conditions to improve in the coming 12 months (up from 26 per cent last quarter), while 53 per cent expected conditions to remain stable. Just two per cent had a pessimistic outlook on the year ahead.

Commodity prices were shown to be underpinning much of the positive sentiment among the state’s farmers – nominated as a key cause for optimism by 63 per cent of those who were expecting the agricultural economy to improve in the year ahead.

While the jump in dairy sentiment has been astounding, the survey results also point to abounding optimism among Tasmanian beef producers, with half now expecting business conditions to improve further, while the remaining half expect ongoing positive conditions.

In the sheep sector, confidence held steady with 13 per cent expecting conditions to improve (down from 25 per cent) and 88 per cent expecting stable conditions (was 63 per cent).

Mr Whatling said the beef, lamb and dairy sectors were “benefitting from every influence – good prices, good seasons, low interest rates and an extremely favourable outlook”.

“Beef prices continue to break records, and we are continuing to see big investment intentions in that sector,” he said. “Beef producers are now competing for what was traditionally dairy farming land, which – until now – has been unheard of.”

This quarter, one third of Tasmanian farmers reported that they expected a higher gross farm income over the year ahead, while just under two thirds expect a similar income to last year. Dairy and beef producers were particularly bullish about their income prospects for 2021/22.

The strong outlook for incomes, combined with all the other positive factors, was driving a flurry of farm business investment in Tasmania as farmers took the opportunity to make capital improvements which increased productivity and profitability, Mr Whatling said.

The survey found solid investment intentions among Tasmanian farmers – 33 per cent planned to increase investment in their farm business in the 12 months ahead, while 65 per cent planned to keep investment at the solid levels witnessed last year.

Of those planning to spend more on their farm businesses, more than 60 per cent will direct funds into irrigation and water infrastructure, with Tasmanian farmers continuing to make massive upgrades in water infrastructure as the state’s major new irrigation scheme comes to life. On-farm infrastructure – such as fences, yards and silos – were



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also a priority area for investment (for 44 per cent of those increasing investment, albeit down from 89 per cent last quarter), along with new plant and machinery (33 per cent).

Mr Whatling said securing supplies and machinery was currently very difficult and becoming extremely expensive, and this could tempering some plans to spend on on-farm infrastructure.

“A few factors are likely contributing to the difficulties in securing machinery, including COVID-related impacts to manufacturing and shipping. There has also been increased local demand exacerbated by the instant-asset write off measures,” he said.

Mr Whatling said challenges in securing farm staff – which had been reported across all commodity sectors – was also influencing some of the infrastructure investment, with farmers keen to increase efficiency and reduce their reliance on additional manual labour.

Overall, he said, farmers had the confidence to invest in their properties as they were seeing those investments realised in rising land values, which were still extraordinary.

“We are still seeing farmers signalling an interest in expanding their business through property acquisition, however, with such a shortage of land on the market and the high land prices, many are now looking at ways to expand their business within their holdings,” Mr Whatling said.

“They are using measures, like the various irrigation schemes and on-farm water storage, to maximise their productivity.”

This was particularly evident in the dairy sector, with the survey revealing 45 per cent of dairy farmers were intending to increase investment in their businesses, primarily through irrigation infrastructure.

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 2021.

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



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

Skye Ward  
Media Relations Manager  
Rabobank Australia  
Phone: 0418 216 103  
Email: [skye.ward@rabobank.com](mailto:skye.ward@rabobank.com)