



Positivity prevails, but caution creeping into Tasmanian farmers' outlook

Results at a glance:

- *Concerns about softening livestock prices and rising input costs have significantly curbed expectations of business conditions improving beyond current levels*
- *Though more than 50 per cent of state's farmers expect current positive conditions to continue and another nearly 10 per cent for them to improve*
- *Investment intentions continue to be high, especially for on-farm improvements*

While the majority of Tasmania's farmers are expecting the strong and profitable farming conditions seen over the past two years to continue, there is increasing caution creeping into their outlook on the year ahead, the latest Rabobank Rural Confidence Survey has found.

The survey results, released today, reveal rising input costs and a forecast softening of commodity prices following several years of record high returns is dampening farm sector optimism, however, more than half of those surveyed still expect the fundamentally good conditions currently being experienced to continue over the year ahead.

And while farmer optimism is back significantly compared with the start of the year, strong income forecasts and very positive investment intentions reveal overall business confidence among Tasmanian farmers is still healthy.

Rabobank area manager for Tasmania, Stuart Whatling, said overall sentiment was very positive among Tasmanian farmers with many still keen to invest in their businesses.

"That says to me there is a very solid long-term view, and that farmers see the fundamentals to still be very positive for agriculture in Tasmania," Mr Whatling said.

"It's true there are some current challenges and some uncertainty around markets, pricing and FMD (foot and mouth disease), but, overall, conditions are still very profitable."

The latest survey – completed last month – found just nine per cent of Tasmanian farmers believe business conditions will improve on current levels over the year ahead, compared to 20 per cent with that view in the June quarter survey, and 40 per cent at the start of the year.



However, more than half the farmers surveyed in the state believe business conditions will stay the same, while 32 per cent are expecting conditions to deteriorate (was 19 per cent last quarter).

A drop in commodity prices was the dominant factor for those expecting conditions to decline, followed by rising input costs.

Mr Whatling said farmers were “wary” of what was happening with input prices and costs – especially for fertiliser, fuel, energy and infrastructure materials – but could manage the costs whilst ever commodity returns remained strong.

While the recent heightened threat of FMD was not identified as a significant contributing factor for those Tasmanian farmers who had a pessimistic view of the 12 months ahead – particularly compared with farmers on mainland Australia – it was definitely causing concern in the local sector.

This survey, farmers were specifically asked their views about the potential impacts of biosecurity risks on the Australian agribusiness sector, with 100 per cent of Tasmanian respondents indicating they were extremely concerned about FMD.

Mr Whatling said the survey found the state’s dairy producers were particularly positive thanks to record-high milk price contracts this season, while there was also a lot of positivity among pea and potato growers following recent price increases.

He said seasonally, winter has been quite wet, but farmers were well-prepared, and there was now a full moisture profile in most regions moving into spring.

“Farmers are looking for a bit more sunshine in spring to kick off some pasture growth, but the seasonal conditions otherwise are very good,” he said.

Tasmanian farmers were in a very strong cash position following successive years of high prices and good seasons, according to Mr Whatling, and balance sheets were still strong, which was encouraging ongoing business investment and, for some, expansion.

The survey results reveal almost half of those Tasmanian farmers surveyed expect their gross farm incomes to increase over the year ahead, while 26 per cent expect incomes to be stable. A similar number are expecting their incomes will decrease next year.

While livestock prices for beef and sheepmeat had softened, Mr Whatling said, returns were still good, and those businesses continued to be healthy and profitable.

He said all sectors were finding workforce shortages a growing problem for their business, whether it be skilled, or unskilled labour. “And farmers are certainly making investment plans based around infrastructure upgrades that ease some of those workforce constraints,” Mr Whatling said.



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Intentions to purchase property to expand enterprises have declined in Tasmania according to the survey. This could be due to lack of availability for land to purchase on the market, Mr Whatling said, as well as the difficulty in securing labour and the rising interest rate environment.

The survey found most increased business spending would be targeted towards on-farm infrastructure such as irrigation and labour-saving technology, in addition to the traditional fences, silos and yards, while new plant and machinery was a priority for more than half of those maintaining or increasing investment in their business.

Mr Whatling said the increase in interest rates hadn't seemed to dampen farmers' investment intentions.

"Most have a long-term view of where interest rates should be, and I think many view them still being quite reasonable as long as commodity prices remain strong and input costs don't keep climbing."

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 December 2022.

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