



Tasmanian farmers focus on investment even as economic confidence falls

Results at a glance:

- *Tasmanian rural confidence significantly reduced this quarter.*
- *More farmers intend to increase their farming investments.*

Rural confidence in Tasmania has dropped away significantly, as once again farmers in this state buck the national trend in the latest quarterly Rabobank Rural Confidence Survey.

Whereas last quarter Tasmania was one of only two states to deliver a lift in confidence, the latest survey, released today, recorded a drop in Tasmanian farmers' confidence from one per cent to -30 per cent, compared with an overall increase nationally.

Only six per cent of Tasmanian farmers expect the agricultural economy to improve over the next 12 months (compared to 19 per cent the previous quarter), whereas 59 per cent expect it to stay the same and 36 per cent expect it to worsen (up from 18 per cent).

Rabobank area manager for Tasmania, Stuart Whatling, said the exposure of Tasmanian farmers to changes in animal protein, dairy and wool markets was a critical driver of confidence levels.

"Confidence has taken a hit as we come off what have been almost non-discriminatory highs for most agricultural commodities in Tasmania," Mr Whatling said.

"Dairy farmers are monitoring farm-gate prices at this time of year as they head towards 1 July, when milk is repriced.

"There's early indication of a reduction in milk prices off historical highs, so it's logical for dairy farmers to expect conditions to worsen after enjoying exceptional milk prices in recent years.

"However, milk prices remain at a profitable level and, with costs of inputs such as fertiliser also easing, margins will still be solid for most farmers.

"While there's been notable decreases in beef and lamb prices, and wool has also just taken a dip, it's important to note these commodities remain at reasonable prices when compared with historical levels. "



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There was a shift in the outlook for other front-of-mind factors, with drought now a concern for six per cent of Tasmanian farmers who expect conditions to worsen, compared to zero in the previous quarter.

Rabobank regional manager for Southern Victoria and Tasmania Deborah Maskell-Davies said the seasonal break in Tasmania was drier than normal, although it came on the back of a wet spring.

“With the Bureau of Meteorology’s latest seasonal forecast predicting a drier-than-average winter, farmers are conscious they are facing a drier year than the previous couple,” she said.

Mr Whatling said it was pleasing to see that, while confidence had dropped, it failed to curb investment intention in Tasmania.

Nearly a third of respondents expect to increase investment in their farm business (32 per cent, up from 22 per cent in the previous quarter), which went hand-in-hand with more farmers expecting to increase their borrowing (24 per cent, up from 16 per cent the previous quarter).

“Labour challenges in Tasmania are a part of the confidence story, and we’re seeing significant investment to reduce reliance on skilled and unskilled labour,” Mr Whatling said.

“Some of the investment in irrigation infrastructure includes automation of existing irrigation systems, so they can be managed remotely rather than relying on additional labour. Anecdotally, some of our clients have listed concerns about sustainable labour as a factor in decisions to consolidate their holdings and release land onto the market.

“We’re witnessing continued strength in the land sales market with considerable interest in blue chip properties when they become available.”

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 2023.

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