



Tasmanian farmer confidence takes a tumble

Results at a glance:

- *Rural confidence levels in the state have declined for the second consecutive quarter.*
- *Commodity prices continue to be a leading concern, as well as El Niño-driven seasonal uncertainty.*
- *Farmers' investment intentions have eased.*

Tasmanian rural confidence has fallen for the second quarter in a row, as the state's farmers feel the ongoing pinch of lower commodity prices combined with uncertainty for what the crucial season ahead could deliver.

The latest Rabobank Rural Confidence Survey, released today, saw net Tasmanian confidence fall to -44 per cent, down significantly from -30 per cent last quarter.

While a similar number of Tasmanian farmers expect the agricultural economy to improve over the next 12 months (seven per cent, compared with six per cent last quarter), more than half now expect conditions to worsen (51 per cent, up from 36 per cent).

Once again, commodity prices were shown to be the driving factor for negativity, although fewer nominated this as a reason for conditions to worsen over the next 12 months compared with the previous quarter (74 per cent, down from 92 per cent).

However, there was increasing worry about drought – nominated this quarter as a concern by 19 per cent of farmers with a pessimistic outlook on the year ahead (up from six per cent with that worry last quarter).

Rabobank area manager for Tasmania, Stuart Whatling, said while there was a long-term trend of farmer confidence dipping at this time of year due to seasonal uncertainty, this year it was compounded by commodity price pain.

"The continued downward trend of red meat prices – coming off historical highs – is the driving factor for lowered rural confidence in Tasmania," Mr Whatling said.

"The red meat industry has also been hit by a double whammy of reduced prices hand-in-hand with increased interest rates and input costs. When you factor in the time of year, with spring lambing upon us and concerns about a dry spring and summer – especially in the south and on the east coast – it's contributing to decreased confidence levels."



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**Media Release
September 13, 2023**

Although concerns around falling commodity prices were highest for sheep and beef producers, they also remained top of mind for Tasmanian dairy producers.

“In the dairy sector, although farm-gate milk prices remain at a profitable level thanks to domestic demand in Australia, we’re seeing some factors play out in the dairy industry which are impacting confidence. These include the falling away of the Chinese heifer market, as well as the recent announcement by Fonterra in New Zealand of a reduction in milk forecast – these have cast a bit of a cloud on the dairy industry’s outlook beyond the 2023/24 financial year.

“Risk factors for Tasmanian dairy farmers could include structural changes as processors adjust prices to compete with imported butter and cheese products.”

On a plus for Tasmania’s dairy industry, Mr Whatling said, the main milk-producing regions had a wet, warmer winter so soil temperatures are good leading into the beginning of spring and anticipating an early break.

“If we do shift into an El Niño pattern, this could actually bring more rain for the west coast of Tasmania where the dairy industry is concentrated, although conversely this means drier conditions elsewhere in the state,” he said.

In reflection of commodity prices, half of Tasmanian farmers now expect their income to decrease over the next 12 months (up from 38 per cent the previous quarter) and only 12 per cent are hopeful of income increasing (down from 23 per cent the previous quarter).

Despite declining cashflow expectations, the proportion of Tasmanian respondents who view their business as viable/easily viable has increased from 74 per cent to 79 per cent this quarter.

Mr Whatling said this could be due to the impact of recent investments which shore up the resilience and sustainability of farming enterprises in the state.

“We’ve just come out of a period of high investment in irrigation and water infrastructure, supported by a lengthy period of taxation support for capital expenditure. These investments helped to support the viability of individual holdings through dry periods,” he said.

Previously strong investment intentions among Tasmanian farmers took a hit this quarter, along with falling confidence levels. The number of farmers who expect to increase investment in their farm business over the next year has halved (16 per cent this quarter, down from 32 per cent the previous quarter).

Borrowing intention also eased with 19 per cent of Tasmanian farmers expecting to increase borrowing (down from 24 per cent previously) and 14 per cent expecting to decrease borrowing (up from 12 per cent).



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Investment in the Tasmanian farming sector continues to be directed towards on-farm infrastructure, adopting new technologies, property purchases and increasing labour.

“A lot of capital expenditure in Tasmania is being directed towards technologies and systems which simplify operations and improve efficiencies. For example, in the dairy industry, where there is growing interest in technologies such as electronic collars to reduce the labour-intensity of activities such as moving electric fences and bringing cows into milk,” Mr Whatling said.

There remains strong interest in rural land in Tasmania, with Mr Whatling pointing to several notable large sales this quarter.

“Rural land continues to transact at solid prices driven by interest from local families who have strong balance sheets following recent uplifts in land valuation together with a number of profitable seasons,” he said.

“The diversity of rural land use in Tasmania helps to drive property confidence, as our farmland lends itself to many uses, allowing farmers to adjust their mix to increase the proportion of whichever enterprise is most profitable at this time.”

Mr Whatling said there was a level of reassurance from Tasmanian farmers who have experience in managing businesses through seasonal and market cycles, however he noted the very sudden and tough time experienced by many farmers as they see a dry season play out.

“Coming off the dream run of commodity prices hit hard in Tasmania, where the high prices and low interest rates had also coincided with a run of fantastic seasons. The situation farmers now face, with lower commodity prices, higher interest rates plus a drier seasonal outlook, has been a blow to confidence,” he said.

“However, we now know where commodity prices have landed and there’s confidence the interest rate cycle is nearing its peak, so the outlook should be underpinned by recognition that the adverse economic factors are starting to plateau.”

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 2023.

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September 13, 2023*

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