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Tasmanian farmer confidence drops on back of dry autumn

Results at a glance:

- *Dry autumn sees Tasmanian rural confidence ease this quarter.*
- *Farmers most concerned about drought, markets and input costs.*
- *Increased investment expected, with a focus on on-farm infrastructure.*

The resurgence in optimism seen among Tasmanian farmers at the start of 2024 has been quelled with ongoing below-average seasonal conditions – but the dry has failed to water down farmers' enthusiasm to invest in their businesses.

The Q2 Rabobank Rural Confidence Survey, released today, saw net Tasmanian farmer confidence slide to -16 per cent, down from -7 per cent last quarter.

Although nearly a quarter of survey respondents in the state (24 per cent) thought farm business conditions would improve in the year ahead – a lift from 20 per cent in the previous quarter – this was offset by a larger increase in the cohort who expected conditions would worsen (40 per cent, up from 26 per cent).

Meanwhile, a third of the state's farmers (34 per cent) expect the status quo to be maintained, down from 51 per cent last quarter.

Of those Tasmanian farmers surveyed, beef producers were more positive than other sectors, while sheep producers were the most pessimistic about the agricultural economy's performance over the next 12 months.

Drought was identified as the leading concern in the state's agricultural sector, cited by with 55 per cent of Tasmanian farmers.

Close behind the dry seasonal conditions were falling commodity prices – nominated by half of Tasmanian farmers surveyed as a cause for their worry – and rising input costs, which were a concern for 45 per cent of respondents.

Rabobank area manager for Tasmania, Stuart Whatling said the drop in farmer confidence reflected ongoing dry conditions through the survey period, which was completed last month before some areas of the state received rain in the final days of autumn.

"In the previous survey, we saw farmers hopeful of a good seasonal break – but this never eventuated," Mr Whatling said.

"King Island and Flinders Island, together with parts of the south east of the state, have been particularly impacted by below-average summer and autumn rainfall, on the back of a failed spring. Their seasonal concerns have been consolidated by logistical issues created by an influx of stock moving off, as farmers destock."

The latest ABS slaughter numbers showed a 55 per cent increase in Tasmanian sheep slaughter volumes in Q1 compared to the same period in 2023.

"This increase in stock movements has not only impacted the capacity of boats to move stock to markets and abattoirs in Tasmania and Victoria, but also created processing bottlenecks in markets," he said.

Mr Whatling said while stability has returned to the red meat markets, seasonal factors underpinned Tasmanian sheep and beef producers' sentiment around commodity prices.

"Some of the concern we're seeing from producers around commodity prices captures the fact they're missing price premiums due to these logistical delays," he said.

"Feedbase challenges mean producers are destocking where they can and containment feeding, but the costly exercise of purchasing feed puts more pressure on margins."

Rabobank regional manager for Southern Victoria and Tasmania Deborah Maskell-Davies said Tasmanian dairy producers were most concerned about rising input costs, which were intensified by market signals.

"Although forecasts are for a fifth consecutive year of overall profitability, the dairy industry is facing lower minimum farmgate milk prices for the season ahead," she said.

"A depressed market for export heifers and culled cows – combined with soaring feed costs – has taken some of the cream out of the game for dairy producers, which is reflected in lowered confidence of Tasmanian dairy farmers."

With input costs flagged as a concern by farmers, Mr Whatling said the pinch from inflationary pressures was taking its toll.

"While increased costs are embedded in farm businesses, a run of good seasons has provided a buffer. Now, as farmers come to terms with the poorer season and tighten their belts, costs really are impacting farmers' confidence levels," he said.

The survey found a third of Tasmanian respondents also believed interest rates will negatively impact economic conditions over the next 12 months.

"We're hearing mixed forecasts about what interest rates will do – and this uncertainty in itself is sufficient for many farmers to view financial costs as an increased risk to their bottom line," Mr Whatling said.

Despite seasonal and economic pressures impacting their bottom line, Tasmanian farmers showed no signs of reducing investment with an increase in investment intentions noted this quarter.

The latest survey saw 21 per cent of Tasmanian respondents signal they will increase investment in their farm business over the next 12 months, up from 11 per cent last quarter. The number who will reduce investment eased from 13 per cent to 10 per cent this quarter, with 68 per cent expecting no change (was 73 per cent).

The majority – 65 per cent – of Tasmanian farmers surveyed indicated they were planning to spend on silos, fences, yards and other on-farm infrastructure, with 31 per cent also earmarking funds specifically for irrigation/water infrastructure.

"We continue to see the push from farmers to develop properties to sustainably maximise their capacity," Mr Whatling said. "A dry season generally also goes hand-in-hand with a refocus on water infrastructure, to convert dryland farming to irrigation to optimise productivity and provide a seasonal buffer."

Just over a quarter of Tasmanian farmers are planning to invest in new plant and machinery, and 37 per cent are looking to adopt new technologies.

"With the mandatory adoption of sheep electronic identification coming into force in January, we're seeing sheep producers get on the front foot to adopt this technology," Mr Whatling said.

Tasmanian farmers still hold an appetite for farmland, with 17 per cent indicating they will look to expand their farming operation over the next 12 months.

Although fewer of the state's farmers expect their income to increase over the next year – 16 per cent, down from 20 per cent last year – this was offset by a bigger reduction in those who expect their income to drop (30 per cent, was 39 per cent).

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 2024.

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