



Rabobank

**Media Release**  
**November 30, 2015**

## **NSW rural confidence eases on back of weather concerns – down from record highs**

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

- *NSW farmer confidence moderates, but 2015 averages the strongest sentiment in 14 years*
- *Seasonal outlook, in light of El Nino, looms as biggest concern for farmers*
- *Beef and sheep producers remain upbeat, while hot/dry conditions dampen grain grower outlook*

**Confidence levels among New South Wales farmers have eased from record highs earlier in the year as the state's primary producers take a cautious outlook going into summer, the latest quarterly Rabobank's Rural Confidence Survey has found.**

**However, while confidence moderated this quarter, it remained at relatively strong levels, with nearly three-quarters of farmers still expecting the coming year to be better, or as good as, the last.**

**Seasonal conditions emerged as the biggest concern for farmers this quarter, with the strengthening El Nino weather pattern looming large in the latter part of the year.**

**Despite the moderation in rural confidence, this latest quarter capped off a record year for NSW farmer sentiment overall, with 2015 seeing the highest average levels of confidence in the state since the survey's inception in 2001.**

The latest survey, completed last month, found while nearly a third of NSW farmers (32 per cent) had an optimistic outlook on the agricultural economy for the 12 months ahead, this was well down from 56 per cent with that view in the previous quarter.

The proportion of the state's farmers expecting conditions to worsen increased to 18 per cent, from 10 per cent, while 40 per cent were expecting conditions in the agricultural economy to remain similar to last year.

Rabobank state manager for New South Wales 'TJ' (Tjerk-Martijn) Mulder said rural confidence this quarter had been largely underpinned by beef and sheep producers, with grain growers much more cautious about their prospects.

"Returns in the beef and sheep sectors are among the best they have ever been, with producers selling their stock into very strong markets," he said.

"Though, while farmers have the appetite to increase their stock numbers to capitalise on these returns, the seasonal outlook is dampening restocker demand as many fear they are in for a hot and dry summer."

The survey found a significant drop-off in grain grower confidence, with hot, dry weather during September and October hitting the yield potential of the state's crop – particularly those crops planted later in the season.



**Rabobank**

**Media Release  
November 30, 2015**

“A bumper crop was on the cards going into spring – except in the north-west of the state – but it now looks like the winter crop will only be marginally ahead of last year, and in line with the 10-year average. That said, there are still some very big yields being reported,” Mr Mulder said.

He said late-season rains had raised concerns about grain quality, with some growers reporting downgrades from milling grade to feed wheat.

The recent rains were welcomed by cotton growers however, with widespread rain in the north-west of the state spurring some dryland plantings.

“We are now anticipating a slightly larger cotton crop than what was harvested this year, at around 2.3 or even 2.4 million bales, but this is still down by around 40 per cent on 2014,” he said.

Overall, commodity prices remained the biggest driver of positive sentiment in the survey, with the market outlook cited by 63 per cent as reason for their positive view on the rural economy (down from 76 per cent last survey).

Seasonal conditions were no longer cause for optimism among as many farmers, nominated as a positive factor by only 23 per cent (down from 48 per cent last quarter).

Other reasons for farmer optimism this survey included: overseas markets, free trade agreements and the lower Australian dollar.

For those farmers with a negative view, seasonal conditions also factored high as a concern, with 82 per cent of those who expected conditions to worsen in the next 12 months nominating the season as a cause for their pessimism, up from 54 per cent.

Mr Mulder said Bureau of Meteorology forecasts were being closely monitored by farmers. “And with the El Nino weather pattern now classed as ‘severe’, it is certainly creating a sense of trepidation as farmers brace for hot, dry conditions,” he said.

From a farmgate perspective, NSW producers’ expectations of their own farm business performance also lowered this quarter.

This was largely due to softer income projections, with 36 per cent of the state’s farmers this survey reporting they were expecting higher gross farm incomes over the coming year, down on the 48 per cent with that view previously. A total of 17 per cent expected their farm income to deteriorate in the coming year, up slightly from 14 per cent with that expectation previously.

Despite the anticipated downgrade to gross farm incomes, NSW farmers retained their strong appetite for investment with 30 per cent looking to increase their on-farm investment in the year ahead and a further 57 per cent intending to maintain it at current levels.

Mr Mulder said the survey showed the appetite among graziers to invest in infrastructure – such as silos, fences, yards and plant/machinery – hadn’t waned, with 34 per cent and 23 per cent of beef and sheep producers respectively looking to increase their on-farm investment.



Rabobank

**Media Release**  
**November 30, 2015**

NSW farmers overall also had a strong appetite to invest in the 'human capital' component of their business, with 34 per cent intending to increase their skills and knowledge through education or training over the coming year.

Of those, farmers were particularly interested in improving their on-farm management practices, with 72 per cent looking to develop their skills in that area while 56 per cent wanted to upskill in the area of emerging technologies such as, drones, GPS, robotics and apps.

"Grain and cotton growers have been at the forefront of technology adoption for years, and there are some exciting new technologies out there that could increase productivity in the livestock sector, although much of the uptake has been hindered by internet connectivity issues," Mr Mulder said.

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 March 2016.

***Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 115 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 40 countries, servicing the needs of approximately 8.8 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading rural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 94 branches throughout Australia and New Zealand.***

< ends >

To arrange an interview with Tjerk-Martijn (TJ) Mulder, Rabobank state manager New South Wales, or for more information on Rabobank's Rural Confidence Survey, please contact:

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 & New Zealand  
Phone: 02 4855 1111 or 0418 216 103  
Email: [skye.ward@rabobank.com](mailto:skye.ward@rabobank.com)