



NSW farmers remain overall upbeat – but preparing for dry times ahead

Results at a glance:

- *Elevated commodity prices – particularly for beef, sheep and wool – underpin confidence*
- *Seasonal conditions also buoy sentiment, but the north-west remains in severe drought*
- *Farmers plan for the future, implementing strategies to prepare for drought, investing on-farm and reducing debt*

Confidence remains overall strong amongst New South Wales farmers, with the latest quarterly Rural Confidence Survey showing sentiment easing just slightly from last quarter's seven-year high.

The state's graziers remained the most positive about the year ahead, buoyed by beef, sheep and wool markets. Seasonal conditions were also cause for optimism among many farmers, particularly in the south-east of the state.

However, with an El Nino weather pattern now officially emerging and conditions remaining extremely dry in the north-west of the state, the survey found three-quarters of New South Wales farmers questioned were implementing a range of measures to mitigate the potential impact on their businesses.

The survey, completed approximately a month ago, found 85 per cent of NSW farmers expect conditions in the agricultural economy to either improve (45 per cent) or remain similar to last year (40 per cent). This compares to 88 per cent who held that view in the previous quarter.

Those expecting conditions to worsen stood at just 13 per cent.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions, on average, 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

Rabobank state manager for New South Wales 'TJ' (Tjerk-Martijn) Mulder said the mood on the ground was, on balance, one of optimism, with commodity prices remaining strong and a significant proportion of the state experiencing favourable seasonal conditions.

"That said, north-western New South Wales remains in the grip of extreme drought, with areas such as Walgett receiving only very minimal rain for more than two years now," he said.

"Conversely in the southern half of the state, particularly in the south-east, farmers are entering winter with a good soil moisture profile, which has supported cropping programs and given beef and sheep farmers some confidence going into the colder months."



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Mr Mulder said that regardless of current seasonal conditions, the survey showed that farmers across the state were taking a proactive approach to preparing for drought.

“In the drought-affected north west, 84 per cent of farmers indicated that they have actively adopted measures to help mitigate dry conditions, while across the state 79 per cent of farmers were actively preparing for the prospect of drought,” he said.

“Measures that farmers have been taking include storing feed and growing fodder, managing livestock numbers, investing in water infrastructure or utilising Farm Management Deposits (FMDs).

“This is a positive indicator, particularly in the light of current weather forecasts.”

Any concerns about an El Nino event weren't pronounced in the latest survey results however, with seasonal conditions and commodity prices underpinning much of the positive sentiment this quarter. Of those NSW farmers expecting conditions to improve over the coming year, 60 per cent cited the season and commodity prices as reasons for their optimism – a similar reading to last quarter.

Other factors underpinning confidence were the lower Australian dollar (nominated by 31 per cent) and the state of overseas markets (by 22 per cent).

“Cattle producers are particularly upbeat, with the Eastern Young Cattle Indicator (EYCI) currently trading in uncharted territory at about 150c/kg above prices seen this time last year,” Mr Mulder said.

“Lamb prices also remain strong, and the recent rally in wool prices has consolidated on confidence in this sector.”

Mr Mulder said grain producers were more concerned with seasonal conditions than the price outlook at this early stage of the season, while cotton growers were reporting excellent yields and quality.

“Irrigation storages in the north of the state remain a key concern however, with cotton production down to around half of last year,” he said.

In line with the ease in overall confidence levels, producer expectations of their own farm business performance also moderated this quarter, but remained strong with 45 per cent of NSW farmers expecting a better bottom-line than last year and 42 per cent anticipating a similar financial result. While those expecting their farm business performance to decline stood at just 12 per cent.

Longer-term confidence also remained sound, reflected in intentions to increase investment and reduce debt.

“This quarter, 30 per cent of New South Wales farmers are looking to increase their investment in their farm enterprise, while a further 63 per cent are set to maintain it,” Mr Mulder said.

In terms of debt, 25 per cent of the state's farmers indicated an intent to reduce debt. While 23 per cent of those looking to increase debt (which was 15 per cent of respondents) were looking to purchase additional land.



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“We are seeing many farmers utilise their profits to consolidate their balance sheet, but equally there is a strong appetite for on-farm investment with many farmers able to do things they have wanted to do for a while,” Mr Mulder said.

“And we would also expect to see a boost in investment stemming from the recent federal budget concession around the depreciation of fencing and water infrastructure.

“This is all positive in terms of increasing productivity, but also to provide a buffer for any potential downturn that could occur in either the season, or commodity markets.”

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 2015.

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To arrange an interview with Tjerk-Martijn 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

Jess Webb
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 07 3115 1832 or 0418 216 103
Email: jess.webb@rabobank.com