



NSW farmer confidence starts year at seven-year high

Results at a glance:

- *Confidence amongst NSW farmers lifted to its highest level in seven years in the first quarterly survey for 2015*
- *Good summer rains drove much of the upswing, with graziers particularly upbeat*
- *However, several regions in the state remain very dry*
- *One-in-three farmers in the state reported holding expansionary investment intentions*

New South Wales rural confidence has risen to its highest level in seven years, with the state's farmers buoyed by a promising start to the season in many regions and elevated returns for beef and sheep, according to the latest quarterly Rabobank Rural Confidence Survey.

However, while much of state welcomed good summer rains, there were parts of the north and west that missed out and remain extremely dry.

And with hot, dry weather across much of the state in recent weeks, autumn rains will be needed to maintain confidence levels in coming months, Rabobank state manager for New South Wales 'TJ' (Tjerk-Martijn) Mulder said.

The survey – completed last month – reported a sharp upswing in overall sentiment with net confidence now at its highest level since March 2008 at 45 per cent – up from six per cent in the previous survey.

Confidence had rallied across all sectors, with beef and sheep producers the most upbeat about their prospects, but cotton and grain growers also reported stronger sentiment.

Overall, more than half of the state's farmers (55 per cent) expected conditions to improve over the coming year – almost double the previous quarter at 28 per cent. While a third (33 per cent) expected conditions to remain stable and just 10 per cent expected them to deteriorate (down from 22 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.

Mr Mulder said the outlook had certainly improved from where much of the state had been sitting last quarter, with around three-quarters of New South Wales having recorded above-average rainfall in January. "This had turned the season around across many regions," he said.

Mr Mulder said parts of New South Wales had missed out however, with areas including west of the Newell Highway (west of Moree and Narrabri) remaining very dry.



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“Conditions remain really tough in these regions, and there is a sense of nervousness as they enter another sowing window with low sub-soil moisture.”

For other areas though, he said, the ‘planets had aligned’ for many of the state’s primary producers in the early part of the year – with “the general break in seasonal conditions, an uplift in commodity prices, the drop in the dollar and low interest rates all at play”.

This survey, confidence was highest amongst the state’s beef and sheep producers, on the back of good seasonal conditions in key grazing regions and the uplift in prices.

“The Eastern Young Cattle Indicator hit record levels earlier in the year, and continues to trade well above the five-year average, while sheep prices have also held up strongly,” Mr Mulder said.

“This has boosted confidence in the livestock sector, with the general feeling that if the season turns and stock need to be sold off, the returns will be there to help manage any dry conditions a little more easily.”

Confidence also picked up in the cotton industry, with prices over \$500 a bale – which is deemed by many to be the ‘magic number’, Mr Mulder said.

“The drop in the dollar and the strong demand for high-quality cotton grades has driven the elevated basis level here in Australia. But from a production point of view, the area planted is considerably less this year and may also be curtailed next season due to low water storages in some areas,” he said.

Confidence also rose in the grains sector, while sentiment remained stable among dairy producers at just above neutral levels.

“Most of the state had a dry finish to the winter cropping program, however, as a result, the quality was better than expected and the harvest came in with higher protein levels than anticipated – particularly in the northern regions,” Mr Mulder said.

“This has given producers some confidence as they enter this season, and current soil moisture profiles are good in many areas, but much will depend on rains over the growing season.”

Meanwhile in the dairy industry, Mr Mulder said, seasonal conditions have been relatively favourable and the domestic market continues to exhibit modest growth in both value and volume terms.

Seasonal conditions and commodity prices were the main drivers of optimism among NSW farmers. A total of 59 per cent nominated seasonal conditions as a reason for their positive outlook, while 60 per cent nominated commodity prices. This was up from up from 53 per cent and 40 per cent respectively last quarter.

The lower Australian dollar also increased in importance as a driver of confidence, nominated by 43 per cent (up from 26 per cent last quarter).

“This is flowing through into stronger returns for exporters, however we would expect a lag and some increased input costs over time,” Mr Mulder said.



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In line with overall confidence levels, farmers' expectations about the performance of their own business increased with 55 per cent of NSW respondents expecting an improved bottom line in 2015 (up from 34 per cent). While a further third (34 per cent) expect a similar performance and only nine per cent expect a deterioration.

Investment intentions also increased, with 90 per cent looking to either increase or maintain their level of investment (up from 84 per cent). Of these, 31 per cent held expansionary intentions.

"The low interest rate environment is certainly underpinning some of the strength in investment, but it is by no means the sole driver," Mr Mulder said.

"There is a more positive mood on the ground, and there has been increasing interest in property in many areas, as well as capital improvements such as machine upgrades, pasture innovation and sheep yards.

"While much of this was on hold previously, many farmers are now looking to boost production with what they have got and take up opportunities to expand if and when they arise."

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 June 2015.

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