



NSW farmer confidence bounces back to seven-year highs – led by grain, beef and sheep optimism

Results at a glance:

- *Strong commodity prices and production prospects drive upswing in confidence*
- *Grain, beef and sheep producers particularly buoyant – while sentiment falls in dairy*
- *60 per cent report productivity gains in past five years*

Optimism among grain, beef and sheep farmers has seen New South Wales rural confidence bounce back to seven-year highs, in the latest quarterly Rabobank Rural Confidence Survey.

After moderating last quarter, the state’s rural confidence levels re-bounded, with more than half of the NSW farmers surveyed expecting conditions to improve over the coming 12 months.

Grain growers drove much of the upswing in sentiment, while confidence lifted further amongst beef and sheep graziers.

Across all commodities, the survey showed, NSW farmers were proactive in boosting their productivity, with 60 per cent reporting efficiency gains over the past five years through prudent cost management, remaining well informed, better access to global markets and on-farm investment.

The survey, completed last month, found 56 per cent of the state’s farmers expected conditions to improve in the next 12 months (up from 45 per cent with that view in the previous quarter) while a further 30 per cent expected them to remain stable.

Only 10 per cent expected conditions to worsen.

Rabobank state manager for New South Wales ‘TJ’ (Tjerk-Martijn) Mulder said New South Wales farmers were positive about the future of the industry with agriculture increasingly recognised as an important pillar of the economy and attracting increased investment from outside parties.

Mr Mulder said confidence was also apparent in strong on-farm investment intentions, with 30 per cent of farmers surveyed looking to increase their investment.

“With land values where they are, farmers are increasingly investing in infrastructure and farm inputs to maximise their production capability before they look to expand their operation through property acquisition,” he said.

“So we have been seeing upgrades to plant and machinery, a keen focus on pasture innovation and fertiliser programs and increased investment in infrastructure such as silos for grain and fodder storage.”

Mr Mulder said this had contributed to productivity gains with 60 per cent of the state’s farmers reporting an increase in efficiency over the past five years, while productivity levels had remained steady for a further 22 per cent.



“While R & D and access to new technology and genetics is imperative, much of the increase in productivity has stemmed from good on-farm management, access to information and on-farm investment,” he said.

The latest survey showed commodity prices continued to be the biggest driver of farmer confidence this quarter, with 76 per cent of those expecting conditions to improve citing the market outlook as cause for optimism, up from 60 per cent previously.

Beef and grain producers were particularly buoyed by the price outlook – with beef prices continuing to hit new records and wheat and barley prices holding up well compared to international values.

Mr Mulder said farmers were able to take advantage of the strong commodity markets with the season across much of the state allowing them to maximise their production – except in the cotton industry where production was curtailed by water availability.

“Farmers are particularly hopeful of a good crop and while much will depend on spring rain, the potential is in the ground for a good harvest across much of central and southern New South Wales,” he said.

However, Mr Mulder said, for the north-west of the state, conditions were not so positive.

“While recent rains have been welcomed in the north-west, they haven’t been enough to kick-start widespread planting and many are looking down the barrel of their fourth year with no crop,” he said.

Overall, seasonal conditions were a positive driver of sentiment for 48 per cent of NSW respondents, down from 60 per cent in the previous survey.

Mr Mulder said farmers may likely be less optimistic about the seasonal outlook due to the strengthening El Nino weather pattern which is creating concern.

Other positive drivers of sentiment reported by NSW farmers were the weaker Australian dollar (cited by 18 per cent respondents), the state of overseas markets (18 per cent) and ‘improved marketing’ (16 per cent).

While confidence picked up across all other major commodity sectors, it fell amongst dairy farmers and remained in negative territory.

“While the domestic dairy market is generally stable and has so far been buffered somewhat from movements in the international market, confidence across the whole industry would be shaken by the slump in global prices particularly if it starts to have an impact on domestic returns when contracts are renewed,” Mr Mulder said.

From a farmgate perspective, NSW farmers’ expectations of their own individual farm business performance also strengthened this quarter, underpinned largely by strong projections among grain and beef producers. Although this measure didn’t rally by the same degree as overall confidence levels.

A total of 50 per cent of NSW farmers expected improved performance in their own businesses in the coming 12 months (up from 45 per cent last survey).



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This was largely due to strong income expectations, with nearly half of the state's farmers (48 per cent) expecting higher gross farm incomes over the coming year and a further 36 per cent expecting similar incomes to last year. This left just 14 per cent with the view that incomes would deteriorate.

"Across the state, balance sheets are generally in good shape as strong dynamics are playing out simultaneously across the industry – prices, season, interest rates and the lower dollar," 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 survey has been conducted since 2000 by an independent research organisation.

The next results are scheduled for release in December 2015.

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