



Rabobank

Media Release
November 28, 2016

NSW farmers optimistic about the year ahead

Results at a glance:

- *NSW farmer confidence remains historically strong, though dipping slightly from last quarter's high*
- *Seasonal conditions underpin sentiment in grain, cotton and beef/sheep*
- *But excessive rainfall in some areas sees crop downgrades and harvest delays*
- *Longer-term confidence across the agri sector remains robust, with 29% looking to boost their investment*

Farmers across New South Wales are looking to 2017 with an optimistic view, the latest quarterly Rabobank Rural Confidence Survey has shown.

Although reporting a slight easing in overall confidence levels – after a significant upswing to almost record levels last quarter – the survey showed the state's farmers are still feeling strongly positive about their prospects for the 12 months ahead.

Optimism was largely underpinned by good seasonal conditions – with the state's cotton producers particularly upbeat, grain growers anticipating a sizable harvest and graziers entering summer with an abundance of feed.

Excessive rainfall in some areas, however, has resulted in water logging of crops, quality downgrades and agronomic challenges.

The latest survey – completed last month – found 83 per cent of surveyed farmers in New South Wales were expecting conditions in the agricultural economy to improve or remain stable over the coming year. A total of 41 per cent were expecting an improvement – down slightly from 43 per cent last quarter – while 14 per cent expected conditions to worsen, up from eight per cent in the previous quarter.

Rabobank regional manager for Central New South Wales Peter Anderson said while sentiment on the ground was largely positive, he wasn't surprised that confidence had waned slightly, given the excessive rainfall in some parts of the state.

"While the rain has been welcomed by most, some areas have been inundated which has seen localised flooding, water logging of crops and pastures and crop yield downgrades," he said. "The canola crop has been hardest hit, with some farmers now looking at yields of around one tonne to the hectare.

"The wet conditions are also slowing up harvest progress, with canola only coming off the ground now, and the wheat harvest not yet in full-swing."

Mr Anderson said while the heavy rainfall had created some challenges, it had been very beneficial on the whole.

"There are some bumper winter crops out there, with areas such as Walgett looking at one of their best crops on record," he said.



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“We are also seeing a large cotton plant this year, with nearly double the acreage put down to cotton. The largest increase has been in dryland plantings, while water availability has shored up production prospects for irrigators.”

The positive conditions for cotton were reflected in the survey results, with 68 per cent of cotton growers reporting a positive outlook on the year ahead.

The state’s graziers were also buoyed by good seasonal conditions and strong market prices, with 47 and 41 per cent of beef and sheep producers expecting the agricultural economy to improve.

The strong sentiment prevailing across much of NSW continued to be driven by commodity prices and the season, with these factors nominated by 79 and 74 per cent of farmers as the reasons conditions would improve.

Commodity prices were not a positive driver across the board, however, with grain and dairy producers reporting concerns about the market outlook.

Mr Anderson said grain prices remained lacklustre with futures prices hovering around multi-year lows. “And given the record levels of grain stocks held around the world, this is limiting the upside to prices,” he said. “Thankfully for domestic producers, the low grain price will be largely offset by good crop yields. However it will be tough on cash flow this season for those who have crops with yields impacted by water damage.”

The state’s dairy producers also continue to face pricing headwinds, Mr Anderson said, with confidence in this sector falling further this quarter as the majority of farmers anticipate little change in conditions over coming months.

Longer-term confidence across all agri sectors remained sound however, with 94 per cent of the state’s farmers looking to increase or maintain the level of investment in their farm businesses over the coming year – up slightly from 92 per cent in the previous survey.

Of the 29 per cent intending to increase investment, the key priorities were improvements to on-farm infrastructure, increasing stocking rates and upgrades to plant and machinery. While close to a quarter of those looking to increase investment were hoping to purchase additional farmland.

Mr Anderson said this sentiment had been reflected in farmers’ activity on the ground around the state.

“There has been a lot of demand for plant and machinery upgrades, with a spike in our equipment financing of things such as tractors, tillage and planting equipment and headers,” he said.

“We are also seeing a lot of infrastructure going in, including on-farm grain storage, and – on sheep and cattle properties – new fences, yards, troughs or grain-feeding facilities.”

This quarter the survey also questioned farmers about their education and training needs, finding 35 per cent of NSW producers were looking to upskill through formal training over the next 12 months with the majority interested in improving their on-



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farm management skills (75 per cent), better understanding emerging technologies (60 per cent), the application of business planning and management tools (48 per cent) and finessing operational financial management systems (46 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 March 2017.

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