



NSW farmers upbeat about their prospects, with state's rural confidence the highest in the nation

Results at a glance:

- *NSW farmers are the most positive in the nation, with 39 per cent expecting 2016 to be better than last year*
- *Investment intentions are at near five-year highs, with strong plans for on-farm investment and property expansion*
- *Sentiment driven by commodity markets and seasonal conditions, but autumn rains critical to the outlook*

New South Wales farmers have emerged as the most positive in the nation, according to the latest quarterly Rabobank Rural Confidence Survey.

Good summer rainfall early in the year drove much of the boost in confidence, with farmers also pinning their hopes on weather forecasts which point to above-average autumn rainfall across much of the state.

Confidence levels are driving an appetite to invest, with NSW farmers' investment intentions at a near five-year high. Almost a third of the state's farmers are looking to up investment in their farm businesses in areas including improving farm infrastructure, increasing livestock numbers, upgrading plant/machinery and in property purchase.

The latest survey, completed last month, found after dipping last quarter, NSW farmer confidence rebounded to strong levels. The net confidence indicator for NSW has now remained in positive territory for eight consecutive quarters.

Overall, 39 per cent of the NSW farmers surveyed were expecting conditions to improve this year (up from 32 per cent in the previous quarter).

Those expecting conditions to worsen more than halved to just seven per cent of respondents, down from 18 per cent.

A total of 50 per cent expected similar conditions to last year (up from 40 per cent).

Rabobank state manager for New South Wales 'TJ' (Tjerk-Martijn) Mulder said while the state's rural sentiment remained robust, he expected it would have waned in recent weeks with the extended period of hot, dry weather in many regions.

"After recording good January rains, NSW recorded its driest February in nearly 40 years, and there has been little rain to in many regions so far in March," he said.

"Farmers will be pinning their hopes on a good autumn break, with the Bureau of Meteorology forecasting above-average rainfall across much of New South Wales (except the eastern part of the state, where average rainfall is expected) in line with the weakening El Nino weather system."



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The survey found the state's cotton and grain growers to be particularly upbeat about their prospects, with confidence in those sectors rebounding strongly into positive territory.

"While the cotton price has dropped over recent weeks with physical offers currently sitting around \$430 per bale, growers who locked in prices earlier in the season will still be looking at reasonable returns," Mr Mulder said. "Water remains the key constraint however and until there is a vast improvement in water storages, particularly in northern NSW, production will remain well below its potential."

Mr Mulder said grain grower confidence hinged on rain, with the topsoil drying off over the past few weeks.

"It is too early in the season to predict how the wheat crop will pan out, but there is certainly an intent to maximise production, as yields drive much of the return," he said.

Meanwhile, confidence improved among the state's dairy farmers – albeit to remain at neutral levels – with domestic farmgate prices largely shielded from the downturn in global markets.

Overall, commodity prices remained the biggest driver of positive sentiment in the survey, with commodity market outlook cited as reason for optimism by 82 per cent of those NSW farmers with a positive view (up from 63 per cent positive about market outlook last survey).

Beef producers were the most upbeat about commodity prices, with the Eastern Young Cattle Indicator still trading around record levels.

The season was also cited as a cause for optimism by 39 per cent of those expecting conditions to improve (up from 23 per cent), while the state of overseas markets was a positive factor for 26 per cent (up from 22 per cent).

In line with improved overall confidence levels, farmers were also more positive about the prospects for their own farming businesses, with 45 per cent of NSW producers expecting higher gross farm incomes over the coming year – up from 36 per cent with that view previously. The proportion of farmers expecting similar incomes to last year remained stable (at 43 per cent), while just 11 per cent expected incomes to fall (compared with 17 per cent previously).

Reflecting overall optimism, NSW farmers also expect to invest more in their businesses this year, with this indicator close to a five-year high. A total of 92 per cent are looking to increase or maintain their level of investment – up from 87 per cent in the previous quarter.

Of the 31 per cent looking to increase their level of investment, approximately half of the respondents are planning to improve on-farm infrastructure such as fences, yards and silos. Increasing stock numbers and purchasing new plant and machinery were also high on the agenda (nominated by 29 per cent), while 25 per cent were considering purchase property.

"There is certainly a lot of optimism in the sector," Mr Mulder said. "And we have seen this reflected in the increased demand for rural property, with land values



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strengthening over the past three to six months – which follows a fairly stagnant pricing environment over the past decade or so.”

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 June 2016.

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