



Rabobank

Media Release
May 30, 2016

Dry autumn start dents NSW farmer confidence

Results at a glance:

- *Dry start to autumn dents NSW farmer confidence, but 78 per cent still expect conditions to improve, or remain similar, to the last 12 months*
- *Commodity markets underpin sentiment, but season paramount to outlook*
- *Recent rains help alleviate seasonal concerns – particularly for grain producers*
- *Longer-term confidence remains robust, with 1 in 5 farmers looking to buy land in next 5 years*

After starting the year on a high, New South Wales farmer confidence has taken a knock, impacted by dry conditions through much of autumn, the latest quarterly Rabobank Rural Confidence Survey has found.

While the state's rural confidence remains relatively strong, it is down from levels seen in the first quarter, where NSW farmers were the most confident in the nation.

Rabobank state manager for New South Wales 'TJ' (Tjerk-Martijn) Mulder said unseasonably warm conditions throughout much of summer and autumn were behind the more cautious outlook, however recent widespread rain in early May had alleviated some concerns by falling "just in time."

Farmers across the state also remained upbeat about their longer-term prospects, with one in five actively looking to expand their business through property purchase over the next five years.

The latest survey, completed last month, found after rebounding strongly last quarter, NSW farmer confidence has moderated to similar levels reported in late 2015. Net confidence remains positive however, with around three-quarters of farmers expecting conditions to improve or remain similar to the last 12 months.

Overall, 30 per cent of the state's farmers are expecting conditions to improve this year, down from 39 per cent with that view in the previous survey. While those expecting similar conditions remained relatively stable at 48 per cent (from 50 per cent).

The proportion of farmers expecting conditions to worsen doubled this quarter, to stand at 14 per cent.

Mr Mulder said it was not surprising that farmer confidence had waned in recent months, with no reprieve from dry conditions until widespread rainfall in early May – just after the survey was conducted.

"After very little rain to speak of since January, farmers entered autumn on a 'knife edge'," he said. "And just when most were thinking it was almost too late in the season for a break, the rains came, delivering falls of between 20 and 80 millimetres across much of the state."



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The Riverina and Central NSW recorded particularly good falls, Mr Mulder said, while rain was patchier in the north.

“Farmers across much of northern NSW, from Walgett through to Moree and into the Liverpool Plains region recorded falls of around 20 millimetres, which has spurred some winter crop plantings, however more rain is needed – and soon – to fulfil planting intentions in the north,” he said.

Mr Mulder said before the rain, some farmers had “taken the punt” by dry sowing their crops, however “many were now looking to get as much in the ground as they could”.

While conditions had improved for the state’s grain growers, many beef and sheep producers had minimal feed reserves and faced the prospect of feeding stock through winter.

“For some, the rains have come too late for pasture growth, however with the weather remaining unseasonably warm, there will still be some benefit – but not as much as there would have been if the rains had come a few weeks earlier,” Mr Mulder said.

Reflecting this, confidence was relatively subdued amongst sheep producers (with the net confidence indicator falling to five per cent, from 33 per cent) however it remained strong amongst beef producers, off the back of continued strength in cattle markets.

In the cotton sector, confidence retracted from last quarter’s high, with the vast majority of cotton producers (78 per cent) expecting similar conditions to the last 12 months.

“While farmers are reporting record cotton yields this season, a sustained lift in confidence across the cotton sector will remain dependant on water storage levels, with inflows reliant on a wet winter,” Mr Mulder said.

In the dairy sector, NSW producers were relatively neutral in their outlook, which remained overshadowed by the downturn in global dairy markets.

Commodity prices remained the key driver of confidence in those farmers with a positive outlook – with 69 per cent of those expecting conditions to improve citing markets as the reason for their optimism (down from 82 per cent in the previous survey).

Seasonal conditions were the biggest influence on those with a bearish view of the 12 months ahead, with 71 per cent of respondents citing dry conditions as the reason for their more subdued outlook (up from 34 per cent).

However, some farmers were more optimistic about the outlook for the season, with 44 per cent of those NSW farmers with a positive outlook crediting seasonal conditions as reason for their view (up from 39 per cent).

NSW farmers had lowered their income expectations for the year ahead. The percentage of respondents expecting higher gross farm incomes over the coming 12 months declined to 34 per cent (from 45 per cent), although the majority (44 per cent) still expected similar gross incomes. The proportion expecting lower incomes stood at 20 per cent, up from 11 per cent.



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Mr Mulder said, despite the lowered confidence in the wider agricultural economy and farm business performance, the state's farmers still had healthy investment intentions, pointing to underlying longer-term confidence in the sector.

“Over the coming 12 months, 26 per cent of New South Wales respondents have indicated they are looking to increase their investment in the sector (compared with 31 per cent in the previous survey), while a further 64 per cent are looking to maintain it,” he said.

Of those intending to increase investment, Mr Mulder said on-farm infrastructure such as fences, yards and silos was top of the agenda. Increased stocking numbers, new plant/machinery and property purchase were also highlighted as priorities.

This quarter, farmers' longer-term expansionary plans were also surveyed, with one out of five NSW producers looking to purchase additional property over the coming five years – in line with the national average of 22 per cent.

Mr Mulder said competition in the rural property market had increased markedly and was being reflected in a jump in property values – in the vicinity of 20 per cent in some areas.

“We are seeing strong activity at auctions as more people have the capacity to expand,” he said. “However this heightened competition in the market has also been reflected in the survey, with farmers nominating lack of properties for sale, high property prices and competition at auction as the three factors that may hinder their ability to expand.”

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 September 2016.

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To arrange an interview with Tjerk-Martijn (TJ) Mulder, Rabobank state manager New South Wales, or for more information on Rabobank's Rural Confidence Survey, please contact:



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