



NSW farmer confidence soars on promise of 'cracking' spring

Results at a glance:

- *Promise of good season drives NSW farmer confidence to one of its highest levels in 15 years*
- *Markets also provide a boost to beef and sheep producers – while grain and dairy markets remain hampered by high global supplies*
- *Improved returns flow into investment, with 30 per cent looking to increase investment*

The promise of a 'cracking' spring, following soaking winter rainfall across New South Wales, has given the state's farmers a boost – with rural confidence now at one of its highest levels in 15 years.

Rabobank's latest quarterly Rural Confidence Survey has found nine out of 10 NSW farmers expect agricultural economic conditions to either improve or remain similar to the past 12 months.

Beef and sheep graziers remain bullish and confidence lifted strongly in the cotton sector, although low farmgate milk prices continue to weigh on dairy sentiment.

The latest survey, completed last month, saw the net NSW Rural Confidence index (percentage of farmers expecting conditions to improve, less the percentage expecting conditions to worsen) more than double this quarter to 35 per cent, up from 16 per cent.

Overall, 43 per cent of the state's farmers expect conditions to improve over the coming 12 months (up from 30 per cent in the previous survey), while just eight per cent expect conditions to worsen, down from 14 per cent. A total of 47 per cent had a stable outlook, expecting similar conditions to the last 12 months.

Rabobank national manager Country Banking Australia Todd Charteris said the positivity prevailing across much of New South Wales' rural sector was "spurred by rain", with soaking winter rainfall and the promise of a good spring underpinning production prospects for the season ahead.

"This has set up the winter crop, with most areas of the state on the cusp of an average to above-average harvest," he said. "Even the north-west of the state has had the break to get crops in, albeit late in the season – which for many, will be their first crop in four years."

Mr Charteris said "yields would underpin margins" this season, with grain prices remaining under pressure from burgeoning global stocks of wheat, corn and soybeans – although returns remain strong for chickpeas, and to a lesser degree, canola.

In some areas of southern NSW, there had been too much rain, Mr Charteris said, with reports of crop loss from water logging.



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For most however, the rainfall has been a blessing, with 60 per cent of the state's farmers with a positive outlook citing seasonal conditions – up from 44 per cent in the previous survey.

Overall, commodity prices were also fundamental to the outlook, nominated by 64 per cent of respondents as a key driver of improved sentiment, similar to last quarter's reading of 69 per cent.

Beef and sheep producers were the most upbeat about their market prospects, with 79 and 59 per cent, respectively, citing commodity prices as the reason for their optimism. Conversely, there were no dairy farmers, and only a few grain producers who cited commodity prices as a reason for conditions to improve over the coming 12 months.

“The planets have really aligned for graziers,” Mr Charteris said, “with the Eastern Young Cattle Indicator trading at record levels above \$7 per kilogram and lamb and wool prices also strong. The season is also shaping up well, with a flush of feed expected in coming weeks and on-farm water storages at, or near, capacity.”

The state's cotton growers were also hopeful of improved prospects this season, after significant inflows into key irrigation storages in central and southern New South Wales.

“Dam levels remain low in the Gwydir and Namoi Valleys, however good soil moisture levels should see any rain that now falls run off into storages – and they will be looking for that typical summer rainfall pattern,” he said.

Cotton prices also rallied in July and, while they have retracted in recent weeks, Mr Charteris said the improved futures price and steady basis had seen local physical prices remain above \$500/bale.

Sentiment was lowest in the state's dairy sector, although the net confidence reading remained steady, and in slightly positive territory.

Mr Charteris said conditions in the dairy sector were set to remain challenging this season, with farmgate prices across of all Australia – including NSW – reduced as the new production kicks off, creating margin pressure.

This was evident in dairy farmers' income expectations for 2016/17, with 49 per cent of the state's dairy producers expecting lower gross farm incomes and the remaining 51 per cent expecting a similar financial result to the last financial year.

Across the board however, NSW farmers had strong income expectations for the coming 12 months, with 37 per cent expecting higher gross incomes (up from 34 per cent last survey) and a further 46 per cent expecting incomes to remain stable (from 44 per cent).

This income outlook came off the back of a strong financial result in the last financial year, with 62 per cent of NSW respondents reporting higher gross farm incomes in 2015/16 than in 2014/15.

Mr Charteris said these improved returns had flowed into high levels of investment both within and, increasingly, outside the farmgate, with funds directed towards



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improving on-farm infrastructure (such as fences and silos), plant and machinery upgrades and irrigation/water infrastructure.

Of the 30 per cent of NSW farmers intending to increase their investment over the coming 12 months (up from 26 per cent in the previous survey), Mr Charteris said 25 per cent were looking at purchasing additional farmland.

“After several years of sitting tight, healthy levels of profitability – combined with a low-interest rate environment and good weather and production prospects for the season ahead – have convinced many farmers that now is the right time to expand,” he said.

“And this is being reflected in the property market, with a big increase in demand and strong competition for both prime grazing land and broadacre farms.”

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 December 2016.

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