



Rabobank

Media Release
December 4, 2017

NSW farmer confidence 'riding on the sheep's back'

Results at a glance:

- *NSW farmer confidence rebounds, with sheep and beef producers driving the upswing*
- *Recent rainfall also a positive driver, but comes too late for winter crop – with NSW expecting one of its smallest crops in 10 years*
- *Long-term confidence remains unshaken as 1-in-3 farmers hold expansionary investment intentions*

Confidence has rebounded strongly among New South Wales farmers, with sheep and beef producers behind much of the upswing, according to the latest Rabobank Rural Confidence Survey.

Buoyed by high lamb, wool and beef prices, the recent rains have also been a positive driver of sentiment.

The rain came all too late, however, for the cropping season, with Rabobank forecasting the smallest winter crop in NSW for 10 years. This has done little to shake long-term confidence in the agri sector, though, with one-in-three of the state's farmers planning to expand investment, flowing into strong demand for rural property.

Rabobank national manager Country Banking Australia Todd Charteris said the appetite for agricultural land was strong in NSW, particularly for high-quality grazing and dryland properties – which had driven up land values, and reflected the bullish outlook for agriculture.

“We are seeing strong demand for rural property among family farming operations, as balance sheets are ‘rock solid’ after a few years of reasonable commodity prices and seasons, notwithstanding the seasonal challenges in the grains sector,” he said.

The latest Rabobank Rural Confidence Survey, completed last month, found the percentage of NSW farmers expecting agricultural economic conditions to improve in the coming year almost doubled this quarter, to 28 per cent – up from 15 per cent in the previous survey. At the same time, the number of farmers expecting conditions to worsen halved from 29 per cent to 13 per cent.

A total of 57 per cent expected conditions to remain stable for the coming year.

Mr Charteris said while the rebound in confidence had been partly driven by recent rains, seasonal conditions remained extremely mixed across the state.

“After an exceptionally dry winter, the rains finally arrived in October and there have been good follow-up falls in November, but it has done little to materially improve yield prospects in the state's crops,” he said.

“It has been a really ‘mixed bag’ this season, with growers east of the Newell Highway looking at reasonable grain yields, while many crops will not be harvested west of the Newell around Walgett, Coonamble and west of Coonabarabran and Dubbo.”



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Mr Charteris said the condition of crops was also extremely variable in the Riverina, with country around Albury looking at an above-average crop, “but you don’t need to go too far away for things to drop away quickly”.

“But it is the frosts that have had a really detrimental impact,” he said, “and while the impact on yields will be unknown until the header goes in, there are reports of significant crop loss in some areas.”

Concerns around seasonal conditions were most pronounced in the cropping sector, with 87 per cent of grain growers who had a pessimistic outlook, citing seasonal conditions as cause for view.

The cotton outlook was also mixed, Mr Charteris said. “Cotton growers have the water to fulfil planting intentions, but dryland plantings hang in the balance with some recent late rains and improved prices potentially supporting further hectares,” he said.

In vast contrast, the sentiment in the beef and sheep sectors was buoyed by the recent rains, with 73 per cent of beef producers and 58 per cent of sheep graziers who were expecting conditions to improve, nominating seasonal conditions as cause for their optimism.

But the positive sentiment prevailing in the grazing sector was also driven by the ongoing strength in the beef, lamb and wool markets, Mr Charteris said.

“You only need to look at the prices and clearance rates that are being achieved at bull and ram sales to see the positivity prevailing in the livestock sector,” he said, “with graziers investing in good genetics while building up their stock numbers and increasing their trading activity.”

Across sectors, commodity prices emerged as the biggest driver of improved sentiment in the state’s agri sector, cited as reason for their optimism by 74 per cent of farmers expecting conditions to improve – up from 64 per cent in the previous survey.

Seasonal conditions were also identified as a positive driver of sentiment by 57 per cent of NSW farmers expecting conditions to improve, up from 41 per cent.

The more bullish outlook among farmers this quarter flowed into improved expectations for gross farm incomes in the coming year, with a greater percentage (31 per cent, up from 19 per cent) expecting higher incomes. A total of 46 per cent expected their farm incomes to remain on par with the previous 12 months.

Dairy and sheep producers were particularly positive about their income projections, with 50 per cent of dairy farmers and 39 per cent of sheep producers expecting an improved financial result in 2018.

In contrast, grain producers were less positive about their cash flow, with 48 per cent of growers anticipating incomes to be down.

There was little variability in the longer-term outlook amongst commodity sectors however, with investment intentions in all surveyed commodities at strong levels.



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Overall, 32 per cent of the state's farmers indicated they were looking to increase investment in their farm businesses over the coming 12 months, up from 24 per cent in the previous survey. While a further 62 per cent are looking to maintain their current level of investment.

"We seem to be in the midst of another burst in rural property prices," Mr Charteris said, "with potential buyers lining up for good quality rural holdings, after sitting back for the past few years to consolidate cashflows and build-up equity to support future expansion."

Mr Charteris said the strong level of investment in the sector was evident in agricultural areas.

"You only had to drive around to see the strong on-farm investment in many areas, with a number of on-farm grain storage facilities going up and many farmers making improvements to livestock handling infrastructure, such as yards," he said.

This was reflected in the survey results, with 61 per cent of those intending to increase investment, planning to improve on-farm infrastructure while 30 per cent were looking at new property purchase.

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 2018.

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