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**Media Release**

**March 13, 2017**

## **Hot summer takes some 'heat' out of NSW farmer confidence**

### **Results at a glance:**

- *NSW rural confidence has eased, but state's farmers remain largely optimistic about the outlook*
- *While hot weather puts a dent in confidence, sentiment remains supported by strong commodity prices*
- *Sheep and beef graziers particularly upbeat, while confidence improves in dairy*
- *A third of state's farmers cite concerns around potential impact of new US administration on Australia's ag sector*

**2017 is shaping up to be a positive year for New South Wales farmers, however the very hot summer has 'taken the edge off' farmer sentiment, the latest Rabobank Rural Confidence survey has found.**

**While farmer confidence levels eased this quarter, farmers remained optimistic about their prospects, and have done so for the past three years.**

**Underpinned by strong market fundamentals for most agri commodities, the state's sheep and beef graziers were particularly upbeat, while the dairy sector reported a strong turnaround in confidence.**

The latest survey – completed last month – found 26 per cent of New South Wales farmers expected the agricultural economy to improve in the next 12 months (down from 41 per cent with that view in the previous survey), while 61 per cent expected it to remain stable (up from 42 per cent).

Only eight per cent expected conditions to worsen, down slightly from 14 per cent with that view last quarter.

Rabobank regional manager for Riverina Peter Evans said while the “bulk of the state had sizzled under the heat and it had driven the pull-back in confidence”, the commodity price outlook remained relatively unchanged and continued to underpin the positive sentiment prevailing in the farming sector.

This was reflected in the survey results, with 74 per cent of those expecting conditions to improve citing the commodity price outlook as reason for their optimism.

“If you put all the commodities in one bucket, the overall outlook for the agri sector is very positive,” Mr Evans said, “however, at a granular level, there some exceptions, with the grains and oilseed markets remaining under pressure.

“The beef and lamb market remains particularly strong and you only need to look at the demand at stud sales to see the optimism prevailing across the livestock sector.”

Mr Evans said wool prices had also “surged” in recent months, with the lift in the prices at the finer-end driving renewed confidence in the industry.

Dairy farmers posted the largest improvement in sentiment in New South Wales this quarter, he said, with farmgate prices for southern export-orientated producers



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expected to improve in 2017/18 while those in the fresh milk market were facing stable, albeit elevated, prices.

“While much of the benefit is set to come next season, most dairy farmers have access to a good supply of home-grown feed and irrigation water, which should assist with profitability returning to the sector,” Mr Evans said.

Reflecting the hot, dry summer, seasonal conditions were less of a positive driver of farmer sentiment this quarter – nominated as reason for optimism by just 28 per cent of farmers expecting conditions to improve (down from 74 per cent last survey).

“Much of the state has sweltered through a number of heatwaves, which has seen the state record one of its hottest and in some areas their hottest summer on record,” Mr Evans said.

“Thankfully farmers entered summer with a good availability of feed and water, and the higher dam storage levels have ensured water prices are more affordable.”

Mr Evans said the hot weather had resulted in some impact on cotton yields, and while the effect was more marginal on irrigated cotton, it had hit dryland cotton.

“While the impact will not be known until harvest, plants have been stressed by the heat, and there has only been very patchy rainfall,” he said.

In the grains sector, Mr Evans said, farmers would be hoping for a “good early break” in the season as the 2017/18 sowing period was fast approaching.

“Giving the current market outlook for grain, farmers are probably entering the season with an element of uncertainty,” he said, “given the significant overhang of global stocks is preventing any immediate silver bullet for prices.”

While confidence in the wider agricultural economy eased this quarter, albeit remaining at relatively strong levels, farmers were more upbeat about the outlook for their farm incomes. The survey found 36 per cent of the state’s farmers were expecting an increase in gross farm incomes in the coming 12 months, while 49 per cent were looking at a similar financial result to the previous year.

The survey did, however, report some uncertainty in the medium-term outlook, Mr Evans said, particularly in relation to the recent change in US government.

“Although it is too early to assess the impact of the new Trump administration, 33 per cent of respondents saw the new US administration as potentially having a negative impact on Australia’s agricultural sector, particularly in respect to trade,” he said.

This concern did little to dent appetite for investment in the sector however, with farmers’ investment intentions remaining strong. A total of 31 per cent of the state’s farmers reported that they were looking to increase their investment in their farm business in the coming 12 months, while a further 61 per cent were looking to maintain investment at current levels.

Mr Evans said improvements to on-farm infrastructure remained a key priority for those surveyed, while farmers were also looking to increase livestock numbers and



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upgrade plant and machinery. Of those planning to increase investment, a quarter were looking to expand via property purchase.

“The rural property market remains tight,” he said, “with not a lot of property changing hands and those properties that are listed going quickly – which is another good sign of longer-term confidence in the industry.”

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 2017.

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