



Recent rain gives NSW farmer confidence a nudge, but sentiment remains subdued as the drought wears on

Results at a glance:

- *Much-needed rains give NSW farmer confidence a nudge, but sentiment remains subdued*
- *Nearly half of the state's farmers expecting conditions to deteriorate in coming year*
- *Although 9-in-10 farming businesses indicate some level of drought preparedness*

Much-needed rains – which have fallen across much of New South Wales in recent weeks – have done little to significantly bolster sentiment among the state's farmers, with seasonal concerns still hanging over the agricultural sector, the latest Rabobank Rural Confidence Survey has found.

While NSW farmer confidence was found to have lifted from the historic lows of the previous quarter, to show early signs of recovery, sentiment remained at subdued levels.

The final quarterly Rural Confidence Survey for the year, released today, found nearly half of surveyed farmers in NSW still had a pessimistic outlook on the 12 months ahead, with drought the primary concern.

Positively though, farmers overall indicated they felt prepared to navigate the impacts of drought. A total of 92 per cent of surveyed NSW farm businesses indicated some level of preparedness for drought – with nearly two thirds stating they were more prepared now than five years ago.

Rabobank regional manager for Central New South Wales Toby Mendl said while many farmers had put in place strategies to try to manage drought – including building up cash reserves in previous good years and holding fodder in reserve – it was becoming increasingly challenging as the drought wore on.

“Many farmers have processes in place and trigger points for when to execute decisions, but these decisions are becoming tougher to make,” he said. “And for those feeding stock, costs remain high and are likely to remain so, well into 2019.”

Mr Mendl said while seasonal conditions remained challenging in many regions, they had done little to dent longer-term optimism, as reflected in ongoing investment in the sector and the strength of the rural property market. The state's farmers also continued to indicate strong business viability in comparison to past drought periods.

The latest survey, completed in November, found some rallying in farmer sentiment following rainfall across many parts of the state in spring.

The percentage of NSW farmers with a negative outlook on the agricultural economy in the coming 12 months fell to 47 per cent – from 69 per cent with that view in the September quarter. Drought remained the key driver of pessimistic sentiment, cited by 94 per cent of those with a negative view as reason conditions were likely to deteriorate.



Rabobank

**Media Release
December 3, 2018**

The remainder of farmers were equally split as to whether conditions were likely to improve (24 per cent, up from nine per cent) or remain the same (24 per cent, from 13 per cent) in the coming year.

Confidence showed signs of improvement across all commodity sectors, albeit to remain historically weak, with overall a greater percentage of farmers expecting conditions to worsen than improve.

Mr Mendl said while there had been “some very handy rain” in recent weeks, with some regions in the east of the state receiving their best falls for the year, the rainfall had not been drought-breaking as soil moisture profiles remained deficient.

“But the rain that has fallen has allowed some graziers to get off the feed carts for a while, and lock away some paddocks, although they will be looking to start feeding again with the hot weather approaching,” he said.

With the rains coming too late for much of the winter crop, Mr Mendl said it was estimated up to 80 per cent of planted area in parts of the state would not be harvested for grain, as farmers look to alternatives such as hay, silage and grazing.

“For those who will harvest a crop, or have cut their crop for hay, prices remain strong with little downside given the summer crop is unlikely to loosen the feed grain balance sheet,” he said.

The high cost of fodder, together with the escalating cost of water, was also placing considerable pressure on dairy farmer margins, Mr Mendl said, with 61 per cent of surveyed dairy farmers in New South Wales expressing a negative view on the coming 12 months.

“Many dairy farmers have already had to foot large feed bills to get them through this year,” he said, “and there is little respite foreseen until there is a sustained turnaround in the season.”

Seasonal concerns also weighed on sheep and beef sentiment, however grazier confidence levels were comparatively higher than those reported for cotton and dairy and, to a lesser extent, grain.

“With the planting window for cotton moving towards its December close, it is looking like it will be down significantly on last year and production could be half of last season’s 4.6 million bales,” he said. “The inability of growers to fulfil planting intentions is frustrating given the strength of the cotton market, with prices remaining over \$600 a bale.”

Rain was also the missing ingredient for the summer crop, Mr Mendl said, with soil moisture profiles likely to curtail yield potential. “Although last month’s rainfall has helped improve the soil moisture profile in the north-east of the state,” he said.

In line with overall rural confidence levels, the state’s farmers also slightly revised up expectations for their own gross farm incomes next year – although 56 per cent still anticipated lower incomes, compared with 69 per cent in the previous survey.

Longer-term confidence in the agri sector remained relatively sound, however, reflected in farmers’ investment intentions for the coming year.



Rabobank

Media Release
December 3, 2018

“While the percentage of farmers planning to increase investment stands at 16 per cent, the majority of survey respondents – 60 per cent – are still looking to maintain a similar level of investment in their business over the next year,” Mr Mendl said.

The investment appetite among cotton growers was particularly high, with 56 per cent intending to increase investment and the remaining 44 per cent looking to maintain current levels.

Mr Mendl said while farmers were indicating confidence in the longer-term outlook of the sector, the drought was having a mental and emotional toll on rural communities. “Initiatives that bring together the community are more important than ever,” he said, “and we have seen that high sense of community spirit shine through as people work together to get through these challenging times.”

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 2019.

<ends>

Rabobank Australia & New Zealand Group is a part of the global Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has nearly 120 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 38 countries, servicing the needs of approximately 8.4 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand Group is one of Australasia’s leading agricultural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

To arrange an interview or for more information on Rabobank’s Rural Confidence Survey, please contact:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Skye Ward
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 02 4855 1111 or 0418 216 103
Email: skye.ward@rabobank.com