



NSW farmer confidence wilts with hot, dry summer – though recent rains brings hope for better times ahead

Results at a glance:

- *Hot, dry summer takes its toll on NSW farmer confidence*
- *Outlook hinging on autumn rainfall*
- *Fundamentals for ag sector remain strong – with most commodities looking at another year of profitable prices*

New South Wales farmer confidence has ‘wilted’ over the course of the hot, dry summer, with sentiment levels taking a hit in Rabobank’s latest Rural Confidence Survey, released today.

As the first gauge of farmer sentiment for 2018, the survey found the net confidence indicator had dropped back over the past quarter to one of its lowest readings in four years, as many of the state’s farmers anxiously awaited rain to ‘set them up’ for the year ahead.

However, announcing the results of the latest survey, Rabobank regional manager for Riverina Peter Evans said widespread rainfall across the east of the state in late February had offered some recent respite and a promise of better times ahead.

Mr Evans said while this year’s agricultural outlook would be largely dictated by “what falls out of the sky”, there was still a lot of cause for positivity as most commodity sectors were looking at another year of strong prices.

“Investment activity – both on-farm and via property purchase – is a strong indicator as to how longer-term confidence is faring,” he said, “and the appetite remains high, particularly amongst graziers and broadacre croppers.”

The latest survey, completed last month, found with more NSW farmers now holding a negative than a positive view, the net confidence indicator had dipped into negative territory to -3 per cent, from 15 per cent in December last year.

The percentage expecting conditions in the agricultural economy to worsen stood at 23 per cent (up from 13 per cent last quarter), while 20 per cent expected conditions to improve (down from 28 per cent).

That said, more than half of the state’s farmers, at 54 per cent, expected similar conditions to last year.

Mr Evans said with “many of the planets still aligned” in terms of commodity prices, low interest rates, and softer input prices (for fertiliser, irrigation water and feed), it was the “uncertainty around how the season would pan out” that had impacted confidence.

“With farmers relying on opening rains to fire things up, the outlook all hinges on what falls out of the sky in coming weeks,” he said.



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“The hot, dry summer – with regions like the Hunter Valley desperately dry – has meant farmers are in the hands of the weather, and dependent on a decent autumn break, though this is not atypical for this time of year.

“And that said, much of eastern New South Wales received good rains in the last weekend of February, with many recording their best falls for many months.”

With the season front of mind for many, 55 per cent of those NSW farmers expecting conditions to deteriorate over the next 12 months cited the dry weather as the reason for their pessimism – with seasonal conditions particularly concerning for cotton producers.

“Dryland cotton yields have suffered from the lack of summer rainfall, but irrigated cotton is faring well across all valleys,” Mr Evans said.

The southern cotton plant in the Riverina was “looking superb”, he said, with more than 75,000 hectares planted – an increase of 70 per cent year-on-year.

By commodity sector, NSW grain growers were the most positive about the outlook for the next 12 months. With a lot of carryover grain being stored on-farm, Mr Evans said growers were hopeful the grain market would continue to strengthen – with global prices also rallying in recent weeks.

Meanwhile, confidence was down in all other surveyed sectors, albeit with sheep and beef coming off a high base.

“In the sheep sector, there are still 78 per cent of producers expecting similar, or even better, conditions than last year as sheep and lamb markets remain historically high, and wool continues its stellar run,” he said.

With sentiment in the beef industry dented by the drop in prices, Mr Evans said rain would dictate whether graziers could hold onto breeders or would have to start selling off stock.

“For cattle producers it is really a seasonal factor, as, while prices are not as good as they were last year, they are still fundamentally strong,” he said.

Confidence was also down in dairy and cotton, with dairy taking the biggest hit.

“The outlook for farmgate milk prices in the 2018/19 season is a little uncertain as the global market remains well supplied,” Mr Evans said. “But on the upside, we are starting to see increased competition among local processors for milk supply.”

Reflective of the positive commodity price outlook across most sectors, NSW farmers remained relatively optimistic about the outlook for their own gross farm incomes in 2018. Overall, 32 per cent of NSW farmers expected higher incomes in 2018 while a further 44 per cent expected a similar financial result to last year – in line with last quarter’s readings.

Grain and sheep producers were particularly positive about their prospects, with 48 per cent of grain and 41 per cent of sheep producers expecting an improved financial performance in 2018.



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Mr Evans said the positive income expectations in the agri sector were flowing into strong investment intentions with 26 per cent of the state's farmers looking to increase investment over the coming year and a further 62 per cent looking to maintain it at the existing levels.

Of those looking to up their investment, 67 per cent planned to invest in on-farm infrastructure, 49 per cent in new plant and machinery and 42 per cent in the adoption of new technologies, with 33 per cent to increase stock numbers and 26 per cent looking at property purchase.

"With the pasture job being so bullish, we are now seeing five or six active bidders on any one property when it goes to auction," he said. "And with it so competitive to buy land, farmers are increasingly reinvesting in their own properties to increase their efficiencies that way, whether that's for laneway fencing, grain storage facilities or water infrastructure."

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 2018.

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To arrange an interview with Peter Evans, Rabobank regional manager for Riverina, or for more information on Rabobank's Rural Confidence Survey, please contact:

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