



Rabobank

Media Release
September 3, 2018

Drought drives NSW farmer confidence to record low – but sector resilience shows through

Results at a glance:

- *Drought drives NSW farmer confidence to lowest level in survey's 17-year history*
- *Nearly 70% report negative outlook on coming 12 months*
- *Confidence down in surveyed regions and commodity sectors*
- *But farmers remain resilient, with reported business viability at higher levels than in previous droughts*

Deepening drought conditions have taken their toll on New South Wales rural sentiment, with the state's farmers reporting their lowest confidence levels in the 17-year history of the Rabobank Rural Confidence Survey.

The latest quarterly survey, released today, found sentiment among NSW farmers had slumped as the drought continued to intensify over winter, with nearly 70 per cent now reporting a pessimistic outlook on the year ahead. This was up from just over 45 per cent with that view in the previous survey.

Drought was the primary reason for the negative outlook, cited by 97 per cent of those NSW farmers with a pessimistic view.

Farmers' assessment of their business viability, however, remained relatively strong and at levels higher than in previous droughts.

Rabobank regional manager for Riverina Peter Evans said farmers were demonstrating enormous resilience to get through this difficult time, with 88 per cent of surveyed farm businesses' reporting viability – higher than the levels reported through much of the past decade.

Mr Evans said while some decent rainfall across parts of the state in late August (after the survey was taken) would have buoyed farmers' spirits, it was nowhere near enough to be drought-breaking.

The latest survey, completed last month, found more than two thirds of the state's farmers (69 per cent) had a negative outlook on the agricultural economy over the coming 12 months, jumping up from 46 per cent with that view in the June quarter.

Those expecting an improvement in the agricultural economy stood at just nine per cent, down from 14 per cent, while 13 per cent expected similar conditions to last year (down from 33 per cent).

Confidence was down across all surveyed geographical regions and commodity sectors in the state, with cotton, grain and dairy producers reporting the biggest drop.

"While the whole state is now officially in drought, its grip tightens the further north you go," Mr Evans said.



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“Crops in the Riverina and where planted in the Central West are in their critical growth stage, and reliant on rain in the next month to get them through, but you don’t have to go much further north where the crops haven’t been sown at all and graziers are feeding stock on full-feed regimes.”

Mr Evans said for some regions of NSW, it had been dry for an extended period. “It remains terribly dry in the north-west of the state and in the Hunter Valley,” he said, “and for those in the Liverpool Plains it is almost unprecedented, with many missing a winter crop and potentially a summer crop as well, unless there is follow-up to the late-August rains.”

The concerns around drought were evident, with 97 per cent of those farmers expecting conditions to worsen citing drought as reason for their pessimism. And in the grains and cotton sector, drought was a concern for 100 per cent of growers who had a pessimistic outlook.

“Cropping regions around Dubbo and Moree have had around 70 millimetres since the start of April, less than half of what they typically receive at this time of year,” Mr Evans said. “While some crops would bounce if we got some rain in coming weeks, others are too far gone, and the overall NSW grains crop is shaping up to be well below-average.”

The dry weather conditions were also impacting cotton and summer cropping intentions, Mr Evans said, with low water availability constraining planting at this early stage. “Anyone who has water in storage or has secured bore water would be buoyed by the price prospects for cotton, which remains above \$600 a bale, but substantial spring rain is needed to turn the production outlook around,” he said.

Confidence in the state’s cotton and grains sectors had taken the biggest hit, with 95 per cent of cotton growers and 73 per cent of grain farmers expecting conditions to deteriorate in the coming 12 months. Sentiment was also considerably down in dairy and in beef and sheep.

In the dairy sector, 62 per cent expected economic conditions to worsen over the next 12 months (up from 41 per cent with that view in the previous quarter). A total of 68 per cent of beef producers also had a pessimistic outlook (up from 52 per cent previously) as did 54 per cent of sheep graziers (from 28 per cent).

Mr Evans said dairy farmers’ operating costs had spiked as they competed with beef and sheep graziers to secure the feed needed to get them through, with carryover fodder reserves nearly depleted.

“The fodder price has been escalating in recent weeks, as dairy farmers and graziers scramble to get whatever feed they can get hold of,” he said. “Going into winter, many had already made tough decisions around whether they would hold on to breeding and core stock, but they are now faced with harder decisions if they don’t get a spring break, given the current cost and availability of feed.”

“Thankfully for sheep producers, wool prices continue to hover around record levels and lambs are fetching prices previously not dreamed of, but for ‘light’ sheep and cows coming onto the market, there is no demand and significant price discount.”



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In line with NSW farmers' reduced expectations for the agricultural economy, many were anticipating a significant decline in incomes for the 12 months ahead. A total of 69 per cent of those surveyed were expecting a decline in gross farm incomes, compared with 40 per cent with that expectation last quarter.

This saw the state's farmers wind back their investment plans for the coming year. However, Mr Evans said, the planned reduction came off four years of very strong on-farm investment levels. "And the investment intentions farmers are holding are still above the levels reported in previous drought periods," he said.

The survey found close to a third of the state's farmers (29 per cent) were expecting to decrease the level of investment in their farm businesses, almost double the 15 per cent with that intention in the previous quarter, while a half (48 per cent) were intending to maintain investment at current levels, down from 62 per cent in the previous survey.

Mr Evans said while investment plans have been wound back, "there are still operators out there looking at expansion opportunities, with the rural property market holding up. And the clearance rates at recent bull and ram sales have also been high, indicating underlying confidence as graziers continue to invest in genetics."

This indication of longer-term confidence was reflected in the survey's viability index, Mr Evans said, which demonstrated many farmers had positioned themselves to manage drought better than in the past. "As farmers are only too aware, droughts are part of the cycle of agriculture," he said, "and they plan as best as they can to have the systems and infrastructure in place to try to mitigate the impact. And we are here to work closely alongside our clients to help get them through this time and rebuild when the season breaks."

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 2018.

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



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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