



Rabobank

Media Release
December 9, 2019

Rural sentiment declines as NSW farmers brace for hot, dry summer

Results at a glance:

- *Rural confidence declines, with 55% of NSW farmers expecting conditions to worsen in year ahead*
- *Drought conditions continue to intensify to now grip 99.9% of the state*
- *Confidence subdued across all NSW regions and commodity sectors*
- *But sentiment remains at considerably higher levels than at height of previous significant droughts*

New South Wales farmers are bracing for a hot, dry summer as drought conditions continue to intensify across the state, the latest Rabobank Rural Confidence Survey has found.

With 99.9 per cent of New South Wales now in drought – and bushfires heralding an early start to summer – sentiment in the state’s rural sector declined to a 15-month low as more than half of surveyed farmers expect conditions in the agricultural economy to worsen in the next 12 months.

However, while NSW farmer confidence is at the fifth-lowest reading in the survey’s 18-year history, it remains at considerably higher levels than at the height of previous significant droughts.

The quarterly survey, released today, found farmer sentiment was low across all surveyed regions and commodity sectors in the state, particularly cotton and grains.

Of the New South Wales farmers surveyed, 55 per cent reported they were expecting agricultural economic conditions to deteriorate in the next 12 months (up from 44 per cent in the previous survey), while 17 per cent believed they would stay the same. Only 13 per cent had a positive outlook on the year ahead, compared with 17 per cent in the September quarter.

Despite some parts of the state receiving significant rain in early November, Rabobank regional manager for Riverina Sally Bull said the much-needed downpour was far from drought-breaking.

“Areas around Bourke recorded their best fall in years, with some receiving up to 100 millimetres, which will go a long way to filling dams and providing some reprieve heading into summer,” she said.

“Decent falls were also recorded in the Riverina and parts of the South West Slopes, but came too late to boost crop yields and the deluge resulted in crop loss around Narrandera.”

Ms Bull said while some rain had since reached drought-stricken areas in northern New South Wales and the New England, conditions remained largely unprecedented.



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“Confidence is totally predicated on the season,” she said, “with 99 per cent of those farmers surveyed who were expecting conditions to worsen citing drought as the reason for their pessimistic outlook.”

Seasonal woes had been further compounded by the recent devastating bushfires, Ms Bull said, with more than 1.5 million hectares affected – including large swathes of farmland.

“While the extent of livestock and infrastructure losses are not yet known, it has been devastating for those who have also lost what little feed they had left,” she said. “And this severe, and early, start to the bushfire season will certainly weigh further on sentiment in the sector.”

By commodity, sentiment was lowest amongst croppers – with 90 per cent of cotton producers and 60 per cent of grain growers reporting a negative view on the coming 12 months.

“In the Murrumbidgee, Lachlan and Murray only 15,000 hectares of cotton has gone in compared to 50,000 last year, and 90,000 the year before,” she said, “with the national crop forecast to come in below 750,000 bales.”

The survey, completed in November, showed confidence had also dropped away in the grains sector, with little in-crop rainfall.

“Much of the little crop that was on offer in central New South Wales has been baled, while a lot of canola and some wheat has been cut in the Riverina,” she said. “For those able to harvest their canola, yields have been in line with expectations given the little rainfall in spring, whilst barley has been reasonable.”

With low expectations of a summer crop, Ms Bull said most would be looking to autumn and hoping for a good break.

“While the short-term seasonal outlook is not promising, it doesn’t take into account potential storm activity,” she said. “And while they are often isolated events, occurring largely in the north of the state, they would provide some relief by filling up dams.”

Ms Bull said confidence had also declined among beef and sheep producers as graziers continued to face difficult decisions around feeding regimes and what stock to retain. And in dairy, confidence was also down – entirely due to the season.

Due to seasonal woes, the survey results indicated an easing in on-farm capital investment over the coming 12 months, with 29 per cent reporting they would wind back their on-farm investment in the next 12 months (up from 24 per cent). A total of 15 per cent however, were still intending to increase investment (same reading as last quarter).

“The underlying fundamentals of the sector remain sound, however, and we are seeing this with asset values holding up and properties changing hands, particularly in higher rainfall areas,” Ms Bull said.



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As the state looks set to enter 2020 in either its third or fourth year of drought, she said it was vital for farmers and their business advisors and financial partners, including banks, to keep in close communication, with the onus on all parties to ensure this was maintained.

“As with any circumstance of depleted confidence, maintaining open, two-way communication becomes increasingly important to ensure you are on the same page and aware of all your options,” she said.

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 2020.

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