



NSW farmers brace for another tough winter as drought wears on

Results at a glance:

- *Below-average autumn rainfall weighs on the state's rural sector – with 58% of farmers expecting either little change or a further deterioration in circumstances over the next 12 months*
- *Parts of southern NSW, however, have received much-needed rains, boosting early crop prospects*
- *Despite the dry, investment appetite remains firm – with expansionary intentions highest among larger farm businesses*

Farmers across much of New South Wales are bracing for another tough winter, following below-average autumn rains, with close to 60 per cent expecting circumstances to stay the same or worsen further over the coming 12 months, the latest Rabobank Rural Confidence Survey has found.

And of those with a negative outlook, nine out of 10 blamed the drought for their pessimism.

Southern New South Wales has had some reprieve from the dry, with late April/early May rains – up to 100 millimetres in parts – boosting initial crop prospects and pasture growth. And follow-up rains have been received since.

However very low soil moisture in the central and northern regions of the state continue to hinder plantings, and significant rain over the next few weeks will be critical to fulfilling planting intentions.

The latest survey, released today, found NSW farmers remained fairly split in their outlook for the next 12 months – with 31 per cent expecting a deterioration in agricultural economic conditions (down from 41 per cent last quarter) and 29 per cent an improvement, while 26 per cent expected it to remain relatively unchanged.

This saw the confidence index edge to its highest level since late 2017, at a net reading of -2 per cent (up from -15 per cent), albeit off a low base following two dry years.

Rabobank regional manager for Riverina Sally Bull said many of the state's farmers had now seen two failed autumns in a row and, while good rain in parts of the south and west of the state had provided some reprieve in recent weeks, it was far from drought-breaking.

“Although patchy in parts, late April/early May rains saw north of Griffith and Hay, through to Deniliquin and then to the east, record falls of up to 100 millimetres, with the crop now in the ground and emerging well,” she said, “but the inner western district – west of Forbes, Dubbo and Condobolin – largely missed out, with reports suggesting around 20 to 30 per cent of the crop is currently planted.



Rabobank

Media Release

June 17, 2019

“Meanwhile Walgett and Narromine and around Moree and Narrabri haven’t had the moisture to get much in, with significant rains needed if farmers are to plant a crop at all.”

The mixed start to the NSW cropping season saw overall confidence in the grains sector rise, with 45 per cent of grain growers expecting their prospects to improve (up from 37 per cent). However, there were still 21 per cent expecting a similar outcome to last year and 26 per cent thought conditions would deteriorate.

Meanwhile with the cotton harvest now virtually complete, Ms Bull said, growers were looking toward the next season and the prospect of low to no water allocations, unless significant rain falls in the catchment. And this has seen confidence in cotton lag well behind the other surveyed sectors, with nearly all surveyed NSW cotton growers expecting worsening agricultural economic conditions in the coming 12 months.

In contrast, confidence remained relatively sound in the sheep sector, with 65 per cent expecting conditions in the agricultural economy to improve or remain similar to last year. While in beef, sentiment was more subdued.

“In the south of the state and Tableland regions, there has been an increase in area planted to forage crops,” Ms Bull said, “which has helped take some of the pressure off feeding livestock. But many graziers continue to feed, and there is little respite foreseen over coming months as pasture growth prospects diminish over winter.

“In the New England region, farmers are facing their second year of half their average annual rainfall, making it extremely challenging for those who have got their stock through to now as to whether they will keep feeding or sell down further.”

Ms Bull said in light of the season, sheep prices thankfully remained high, with strong demand for lambs, ewes and wethers in good condition.

“Cattle in good condition are also fetching reasonable returns,” she said, “but prices for lighter stock have come off. And while there is upside for cattle prices, it all hinges a decent break in the season to see restockers re-enter the market.”

Meanwhile in dairy, the survey found sentiment had improved markedly from last quarter, however there were still double the number of dairy producers with a negative outlook than those who were optimistic about the coming 12 months.

“While there are signals that the milk price will improve, and early opening forecasts are good, the cost of feed and water remain elevated and that’s what is weighing on sentiment,” she said.

While the drought continues to hang over overall rural confidence levels in New South Wales, Ms Bull said the longer-term outlook among farmers remained sound, reflected in ongoing investment in the sector.

“The survey found 20 per cent of farmers in the state are intending to increase their level of investment over the next 12 months – primarily for on-farm infrastructure – while a further 60 per cent are looking to maintain investment at current levels,” she said.



Rabobank

Media Release

June 17, 2019

“But it is the larger farm businesses, with an annual gross income above \$1 million that have the biggest appetite to invest, with 39 per cent holding expansionary intentions – of which, 52 per cent are looking at property purchase.”

This quarter the survey also questioned farmers about their uptake and use of sensor technology, such as drones, moisture probes, yield mapping, EID (electronic identification) and auto drafting. This topic was last asked about in the survey in June 2017.

Ms Bull said although the use of sensor technologies remained reasonably low at 22 per cent of those surveyed (in line with its usage levels two years ago), its application was much higher in larger farming businesses with gross incomes above \$1 million, at 51 per cent.

“While we are hearing more people talk about ways to save on labour, and they are gathering information on new technologies around automated water or feeding systems, it is still the early adopters that have integrated this technology into their businesses,” she said.

Of the farmers who had sensor technology in place, the survey found 70 per cent were using it to support decision making (a similar percentage to June 2017) and 62 per cent had found the sensor data-based decisions had increased profitability (up considerably from 38 per cent).

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 September 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 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