



## **NSW farmer confidence hinges on autumn break ... with anxious wait for rain**

### **Results at a glance:**

- *Lack of drought-breaking rain keeps a lid on NSW farmer confidence*
- *Rural outlook hinging on an autumn break*
- *Some farmers indicate they may need to start winding back investment*

**Lack of drought-breaking rain is keeping a lid on sentiment across rural New South Wales, as the state's farmers start another year 'looking to the skies', the latest Rabobank Rural Confidence Survey has shown.**

**The first quarterly survey for 2019, released today, found while isolated storm activity had provided a short-lived reprieve from the dry for some in the state – nudging overall NSW farmer confidence slightly higher – sentiment remained at subdued levels.**

Rabobank regional manager for Central New South Wales Toby Mendl said the outlook for the next 12 months all hinged on an 'autumn break', as farmers across the state wait to see what April and May bring.

"After two very dry years, this autumn break is critical," Mr Mendl said. "With liquidity reserves starting to run down, management decisions are becoming more difficult to make, particularly at the moment when the seasonal outlook is still uncertain.

"However good autumn rains would significantly change the outlook and farmers are poised to jump into their farming programs with confidence when they get that break in the season. That said, it will take time to recover from prolonged drought, particularly in terms of rebuilding stock numbers."

The latest survey, completed in February, found NSW farmer confidence had edged up to its highest level in the past 12 months, although it remained weak. A total of 41 per cent of farmers indicated they were expecting conditions to deteriorate in the coming 12 months, slightly down from the 46 per cent with that view in the previous quarter.

Drought remained front of mind, with 92 per cent of farmers with a pessimistic outlook citing dry weather as their primary concern.

Those NSW farmers reporting a positive outlook on the 12 months ahead stood at 26 per cent (up from 24 per cent previously), while another 26 per cent expected conditions to remain the same.

Mr Mendl said it had been a hot, dry summer across much of New South Wales, which had seen fires at Tingha, Tabulam and Wallangarra – in the state's north – tear through large areas of bushland.

"While most of the area affected has been in the bush, there has been considerable loss to homes, outbuildings, farm infrastructure and livestock," Mr Mendl said. "And with not much relief to the hot, dry weather, the fire risk is far from over this season."



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While it had been hot and dry, Mr Mendl said, some farmers in central and southern parts of the state had “jagged a summer storm” although it hadn’t been enough to turn around the season.

“Summer storm activity has allowed some graziers to halt their feeding programs for a few weeks,” he said. “This has given some welcome short-term relief from the daily grind and the high feed prices, which are likely to stay elevated until the new crop becomes available later in the year.”

In the cotton sector, drought had taken its toll on farmer confidence, with the majority of surveyed NSW cotton growers expecting conditions to worsen, and all blaming the drought for their pessimistic outlook.

“In the Riverina, irrigators have had a reasonable season with the carryover water that has been available, but, with water storages now at around 30 per cent, there is very little water at this stage going into next season,” Mr Mendl said. “While in the north, production has been significantly curtailed by low water availability, with yields also impacted by the run of above-average temperatures.”

Looking further out to next season’s crop, Mr Mendl said, there was much uncertainty – at this early stage – given the low water storages.

Confidence was also subdued in the dairy sector, the survey found, with 68 per cent of surveyed dairy farmers having a negative view on the coming year.

“Dairy farmers, particularly those reliant on irrigation water, have a number of headwinds against them,” Mr Mendl said, “with the high cost of feed and irrigation water. Although those in the Southern Highlands and South Coast have had a more reasonable season, as far as fodder production goes.”

In the NSW sheep and beef sectors, confidence remained relatively steady, albeit subdued, with more graziers expecting conditions to worsen than to improve.

“The autumn break and availability of feed will drive stocking rate decisions for this year,” Mr Mendl said. “But after 12 months or so of feeding, and in some cases much longer, graziers are anxious about how long they may need to keep feeding, particularly with feed at such high prices.”

Grain was the only commodity sector to report an upswing in confidence, the survey found, with 37 per cent of the state’s grain growers expecting conditions to improve this year.

“This reflects there is still time for the moisture profile to fill for this season’s crop as well as, the hope that this year’s winter crop will be well up on last year’s,” Mr Mendl said. “There has been no real summer crop to speak of, and certainly not enough to alleviate the low grain stock situation.”

In terms of investment, the survey found more than half of the state’s farmers (56 per cent) are intending to maintain investment in their farm businesses at current levels, while a further 17 per cent are looking to increase it.



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However, 25 per cent of survey respondents said they were looking to wind back investment over the coming year.

“This is coming off a very high base, after two years of strong investment, and reflects the longevity of the dry season that we are experiencing,” Mr Mendl said. “In a drought, farmers generally maintain their investment for the first six to 12 months before starting to wind it back, and that’s what we are seeing now.

“But the outlook will all change if we get good rains in the next few months.”

Mr Mendl said despite the challenging season, the fundamentals across agriculture in the state were still strong.

“Underlying confidence is evident in the ongoing strength of the rural property market,” he said, “with no sign of a wind back in asset values. That said, demand for rural property has been tempered somewhat with a reduced number of buyers in the market.”

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 2019.

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