



Rabobank

Media Release
September 10, 2019

As drought deepens, NSW farmers foresee little respite

Results at a glance:

- *Drought deepens across NSW, with 2-in-5 farmers expecting conditions to further worsen*
- *Confidence down across regions and commodity sectors, with NSW recording the lowest farmer sentiment in the country*
- *Even with rain, recovery from drought expected to be gradual – but supported by strong commodity prices and low interest rates*

New South Wales farmer confidence has waned considerably as drought deepens across the state, the latest Rabobank Rural Confidence Survey has shown.

With many areas of the state now in their third year of drought, two-in-five farmers report they are expecting conditions to further worsen, while 25 per cent expect little change in their current circumstances.

Confidence was shown to be down across commodity sectors and regions in the state – with the drought cited by almost all (97 per cent) as primary reason for their negative outlook.

The survey, released today, found 44 per cent of farmers surveyed in New South Wales expect conditions in the agricultural economy to deteriorate over the coming 12 months – an increase on the 31 per cent with that view in the June quarter. The number with a positive outlook declined to just 17 per cent (from 29 per cent last survey).

This saw the NSW rural confidence index drop to a net reading of -27 per cent to lag well behind the rest of the country.

Rabobank regional manager for Central New South Wales Toby Mendl said there had been “very little rain of note” anywhere in the state during winter, with areas such as Dubbo only receiving half their average rainfall this year.

“While farmers know it will rain, the longer the drought wears on, the longer it will take to recover when the season breaks,” he said. “Although current strong commodity prices and low interest rates will certainly help.”

For winter croppers, Mr Mendl said, there will need to be a fair amount of rain to lift the soil moisture profile to plant next year’s crop with confidence, while rain will be needed for those in the north of the state if they are to plant a summer crop.

And for graziers, he said, it would take two or three years to rebuild herds.

The survey, completed last month, found sentiment had taken the biggest tumble in the state’s grains sector, with 59 per cent expecting little change or a further deterioration in conditions.



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“Crops in the Riverina and parts of the South West Slopes are hanging on rain to minimise yield loss,” he said, “and as you head further north the area planted to crop, and the condition of those crops diminish significantly,” Mr Mendl said.

Meanwhile cotton growers will be hard pushed to plant a 2019 crop, he said, with 68 per cent expecting worsening agricultural economic conditions in the coming 12 months, as the prospect of low-to-zero water allocations looms large.

“Growers who had some water allocation this year focussed on a smaller crop area,” he said. “While overall bale numbers were down – as producers skip rowed the rest of their crop – crop yields were sound.”

In the sheep sector, confidence fell back – to be on par with beef – as a greater number of sheep farmers now expect conditions to worsen, rather than improve.

“While sheep and lamb prices continue to hold at extraordinary levels for this time of the season, wool prices have come off record highs very quickly,” Mr Mendl said. “And while many thought there would be some correction in the wool market, there is concern around how severely the market had dropped off.”

For cattle graziers, Mr Mendl said, while the season remained very challenging, there was good evidence of longer-term positivity in the beef sector.

“There have been sound prices and clearance rates achieved at bull sales given the season, although strong results will be under pressure in the spring sales,” he said. “And while young cattle and cow prices have dipped a little in recent weeks, ongoing limited supplies continue to support the market.”

In dairy, the survey found sentiment had fallen sharply, as concerns around seasonal conditions remain front-of-mind among producers.

Despite 95 per cent of New South Wales now affected by drought, Mr Mendl said, the rural property market continued to hold up – indicating underlying confidence in the ag sector.

“Properties are generally still achieving strong prices, even in drought areas,” he said, “and they continue to attract multiple buyers, which is currently underpinning the market.”

This was reflected in the survey results, Mr Mendl said, particularly among larger farming businesses (with annual gross incomes above \$1 million), where 31 per cent were intending to increase their level of investment. Of those, 60 per cent were looking at rural property purchase.

Overall, Mr Mendl said, 15 per cent of surveyed farmers across the state were planning to increase investment (down from 20 per cent in the previous quarter) and a further 58 per cent were intending to maintain investment at current levels. The number of farmers intending to wind back investment had grown however, to 24 per cent (up from 17 per cent).

“While farmers are winding back their on-farm investment – and we saw this recently at AgQuip with many ‘sitting on their hands’ – there is still an apparent appetite to invest, in new plant and machinery for example, when the seasons allow,” he said.



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With commodity prices remaining sound and interest rates at record lows, Mr Mendl said, underlying confidence in the future of the sector hadn't shifted, "and farmers are just waiting on that key ingredient, rain".

"But that doesn't take away from how challenging it is for so many at the moment, and we urge people to stay connected and in touch with their friends, community and business partners. There is a lot of support and help out there," he 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 December 2019.

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