



Rabobank

**Media Release**  
**December 7, 2020**

## **NSW farmer confidence surges off back of big spring and good prices**

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

- *NSW farm business confidence at strongest level in more than a decade*
- *Seasonal conditions driving positive sentiment across all commodities*
- *Strong gross farm incomes forecast for year ahead, driving high levels of farm investment and expansion*

**New South Wales farmer confidence continues to soar to levels not seen in more than a decade – with exceptional spring conditions, a record-breaking grains harvest and strong commodity prices all feeding rural sentiment – according to the latest Rabobank Rural Confidence Survey.**

**The latest survey, released today, reveals previous farmer uncertainty about the impacts of COVID-19 on agriculture has been sidelined by the season and strong demand for commodities.**

**Confidence among NSW farmers is now the strongest of any state in the country and at its highest level since March 2008. Upswings are most evident in the north-west pastoral zones of the state, where drought was most pronounced but now largely over.**

**While confidence continues to climb across all commodity groups, cotton and grain growers in particular reported the biggest increases in positive sentiment, and this quarter sheep producer confidence has also rebounded strongly.**

**In one of the strongest signs of optimism, the survey results reveal an increasing number of the state's farmers intend to increase investment in their farm business over the coming year, and producers are also directing good returns to debt reduction – another sign of recovery after many years of drought.**

The survey, completed last month, found 57 per cent of NSW farmers believe agricultural economic conditions will improve over the coming year, compared with 39 per cent with that view in the September quarter.

Favourable spring conditions and forecasts for above-average rainfall this summer are driving the optimism, with 80 per cent of those expecting business conditions to improve citing the season, and 53 per cent pointing to commodity prices (particularly for beef and sheep commodities).

Only three per cent of NSW farmers surveyed expect agricultural economic conditions to worsen, down from 20 per cent in the previous survey.

COVID-19 and its impacts were shown to be factoring as less of a concern – nominated by only 13 per cent of those farmers with a negative outlook as a reason for their pessimism, down from 40 per cent last survey. China trade relations were however becoming an increasing concern – cited by 40 per cent of those expecting



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agricultural economic conditions to worsen, compared with just four per cent in the September quarter.

But the mood in the state's rural sector was overwhelmingly one of optimism, according to Rabobank regional manager for central NSW, Toby Mendl.

Mr Mendl said exceptional seasonal conditions and commodity prices had aligned to deliver farmers a phenomenal end to 2020.

He said this year's grain harvest in the state had the potential to be the biggest ever and one of the best-in terms of yield and, for many, quality – judging by early results.

Livestock prices were also extraordinary, although did present a hurdle to those farmers still trying to rebuild numbers after the drought, he added.

Mr Mendl said concerns about any impact from COVID-19 had largely been negated – for the short term at least – by such positive seasonal factors, and farmers were buoyed by longer-term outlooks for agricultural produce which were fundamentally still very strong.

“You would be hard-pressed to find an unhappy producer. Wherever you are in NSW, life seems pretty good for our farmers, particularly in comparison to the past couple of seasons,” he said.

“Unfortunately there were some pockets of the state adversely impacted by untimely storm activity but on the whole, things are looking good.

“Everyone is more than happy with how spring has unfolded, subject to the remainder of harvest going well, and the forecasts for summer are very encouraging.”

While confidence readings were up across all commodities in the state, cotton sentiment was a standout.

Mr Mendl said cotton sector sentiment had sky-rocketed in line with the improved cropping prospects, which have strengthened thanks to good soil-moisture profiles and rain after the recent planting. Water allocations have improved this season and, where traded, the temporary water price has fallen in some valleys, he said.

This year's big NSW winter grain harvest has reinforced the positive sentiment among grain growers with 60 per cent expecting conditions to improve over the coming year – up from 55 per cent with that view in the September quarter.

The state's sheep graziers also posted a strong rebound in confidence, with more than half (54 per cent) expecting conditions to improve (up from 14 per cent) and a further 43 per cent expecting a continuation of current conditions.

There's been a lift in confidence among beef producers, with 57 per cent expecting an improvement in conditions (up from 45 per cent) and a further 35 per cent predicting current conditions to continue in the year ahead.

Mr Mendl said beef and sheep slaughter rates were very low and it was clear producers were holding onto livestock longer to take advantage of favourable pasture



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growth. Wool prices, while still volatile, have increased from September lows and farmers were generally selling wool rather than holding onto it.

The survey found just a slight lift in dairy sector confidence, with 34 per cent of NSW dairy farmers surveyed expecting conditions to improve while two-thirds forecast conditions to remain relatively unchanged.

Mr Mendl said sentiment was positive in all regions, but exceptional in those areas harvesting grain for the first time in three or four years or where livestock production was closer to normal again.

He said a wet winter had turned seasonal prospects around in the Monaro, which had not received the summer rain delivered across the rest of the state in February and March.

The survey found there had been a strong lift in sentiment in the Riverina and Central NSW, which posted the biggest upswing, while 75 per cent of farmers in the north-west pastoral region of NSW expect business conditions will improve.

In perhaps the best sign of the strength of the farm sector post-drought, the survey found farm business viability is now at an all-time high, with 97 per cent of those farmers surveyed in NSW reporting their businesses to be viable.

Income expectations are also strong, with the survey finding 56 per cent of NSW farmers surveyed are forecasting higher gross-farm incomes in the next 12 months, compared with 46 per cent last quarter. Just 11 per cent expect a weaker financial result, compared with 20 per cent tipping lower incomes last quarter.

Farm income prospects are particularly strong among grain growers, with 88 per cent expecting incomes to increase in the coming 12 months.

Such high levels of positivity, underpinned by strong financial performances, were feeding into all areas of business investment, Mr Mendl said.

“Many farmers are taking proactive steps to invest in new equipment and infrastructure and pay down debt,” he said.

“New equipment will be a big focus and farmers are indicating they want to use this period to upgrade their infrastructure. Many are also conscious of doing more to drought-proof their farms.”

The survey found the bulk of increased investment would be directed towards fences, yards and silos, followed by increasing livestock numbers, new plant and equipment and adopting new technologies.

The survey found almost one quarter of NSW farmers surveyed who are planning to increase investment in their business want to do it through expansion, or buying more property. This was particularly strong in Central and North West NSW.

“There’s an overwhelming sense of relief among many farmers right now that the recent drought is now behind them and there’s hopefully a kind, wet summer season ahead.”



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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 2021.

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

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