



NSW farmers remain positive amid COVID-19 uncertainty

Results at a glance:

- *Significant seasonal turnaround bolstering NSW farmer confidence*
- *More than half the state's farmers expect conditions to improve in coming year*
- *Drought-breaking rain and the prospect of a return to full production overshadowing any impacts from COVID-19*

Business confidence among New South Wales farmers continues to soar at historically high levels, overshadowing concerns about the impact of COVID-19 on agricultural markets, according to the latest Rabobank Rural Confidence Survey.

A break in the drought has trumped market and trade uncertainty, with significant autumn rainfall helping fire-up farm production, particularly in the grains sector, following successive years of low or no rainfall.

NSW was the only state to report an upswing in confidence this quarter – bucking the national trend – with the impacts of COVID-19 contributing to a fall in confidence in all other states.

While the survey was taken in the midst of the coronavirus uncertainty, the fallout from the pandemic was not shown to have had any significant influence on overall rural confidence in NSW. This is despite more than half of the farmers surveyed conceding COVID-19 or related restrictions had negatively impacted their business in some way.

To the contrary, more than half of the state's farmers expect conditions to improve in the next 12 months (52 per cent, up from 48 per cent last quarter) with confidence strong across most regions and all commodity sectors.

The results point to a drastic turnaround in business sentiment in the past six months compared with last year's December survey when just 13 per cent of farmers expected conditions to improve in the year ahead.

The latest survey has revealed the season as the biggest influence on the strong sentiment, cited by 84 per cent of those respondents with an optimistic view as the main reason farm business conditions are likely to improve.

Rabobank regional manager for Riverina, Sally Bull said a timely turnaround in seasonal conditions in most areas of NSW and the opportunity to get back to full production were undoubtedly driving the positive outlook.

Ms Bull said the state's cropping areas were enjoying the best start to a winter season in four years, and despite challenges around restocking and the high cost of rebuilding sheep and cattle numbers, graziers were also incredibly positive.

But she was also mindful not all areas have had the break, particularly in the Monaro region, and irrigation allocations and all storages were still low. A significant fall in wool prices has also tempered optimism in the sheep sector.



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“Farmers right now are incredibly positive because the hand feeding of livestock has stopped for most, crops are going in and cash flow is on the horizon,” Ms Bull said.

The survey found farmers in the North West pastoral regions of NSW have been particularly buoyed by the improved seasonal conditions, and there was also strong sentiment among farmers in the Northern Rivers/ Hunter Valley region, the Riverina and Central NSW.

Of all commodity sectors, the state’s grain growers were most upbeat about prospects for the coming year, with 81 per cent of surveyed NSW grain growers expecting agricultural economic conditions to improve over the next 12 months compared with 52 per cent earlier this year. Seasonal conditions were behind the optimism for 95 per cent of growers.

NSW cotton growers have also recorded a dramatic turnaround in sentiment entirely driven by a better season, with 52 per cent expecting conditions to improve, compared with just five per cent in the March quarter.

Improved commodity prices and seasonal conditions have helped drive up sentiment among NSW dairy farmers, with those expecting conditions to improve jumping from 19 per cent last quarter to 59 per cent now.

Sentiment is firm among beef producers, with 46 per cent expecting conditions to improve (was 49 per cent last quarter).

Despite a sharp fall in wool prices in recent months, sheep graziers remain optimistic about the year ahead with 47 per cent of those surveyed saying they expect conditions to improve (compared with 49 per cent at the start of the year).

Overall, the latest survey showed the percentage of state’s farmers expecting little change in conditions now stands at 24 per cent (was 21 per cent) while the number expecting conditions to worsen was slightly down to 17 per cent (from 19 per cent).

Overseas markets and economic uncertainty were the main concerns for 54 per cent of those farmers expecting conditions to worsen, while 39 per cent cited falling commodity prices. In a sign of just how much times have changed since the previous survey, 29 per cent of those expecting conditions to worsen mentioned COVID-19 as a concern, compared with just one per cent at the start of the year.

While the survey shows NSW farmers are brimming with business confidence, 56 per cent still reported impacts from the fallout of COVID-19 on their businesses when specifically questioned about the coronavirus pandemic this survey, while 40 per cent reported no impact.

Close to one third of those impacted said problems obtaining supplies or supplies being more expensive were the main concern.

Sheep graziers were particularly concerned about the impacts of COVID-19 on their businesses, with 30 per cent of those expecting conditions to deteriorate citing it as the main reason behind the sentiment.



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Ms Bull said the impacts of COVID-19 were really not front of mind for most farmers though as they are so upbeat about the fact the drought has broken.

“The chance to get back to normal production is really the focus for many farmers now,” she said.

The seasonal turnaround is boosting confidence about an improvement in incomes, with 45 per cent of NSW respondents expecting a higher gross farm incomes over the coming 12 months (up from 36 per cent last quarter).

Cotton farmers have expressed the biggest improvement in sentiment related to incomes, with 56 per cent expecting stronger gross farm incomes in the coming 12 months (compared to no respondents in March), while 69 per cent of grain growers expect higher incomes (up from 55 per cent in March).

The continuing business confidence and forecasts of higher incomes means investment plans are now high on the agenda for many producers.

The survey found 31 per cent of the state’s farmers now intend to increase the level of investment in their farm business over the coming year (up from 22 per cent at the start of 2020).

Upgrading on-farm infrastructure is the big-ticket item, with 57 per cent of those intending to up investment identifying infrastructure such as fences, yards and silos as improvements for the year ahead.

The seasonal break is also making it possible for farmers to rebuild stock numbers and improve pastures, with the survey showing more than half the livestock farmers who plan to increase investment identifying stocking numbers as a priority, closely followed by spending on pasture, fodder, crops and fertiliser.

And as farmers begin to recover from the drought, planning for the next one is also reflected in the results with 29 per cent of planned additional investment earmarked for new or improved irrigation infrastructure.

“Now that they’ve come out of the drought, they’re thinking about what they can improve on their farms to help them during the next drought,” Ms Bull said.

“Investment in improved water infrastructure and fodder storages is now a priority for many farmers.”

Ms Bull said the state’s rural property market continued to defy all odds, with family farmers predominantly behind the solid demand for property – especially in higher-rainfall regions.

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 2020.



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