



Rabobank

**Media Release**

**March 16, 2020**

## ***Farmers positive about year ahead with dramatic turnaround in rural sentiment in NSW***

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

- *Late summer rain prompts biggest turnaround in NSW farmer sentiment in two decades*
- *Farmers more confident of a return to better seasons and improved farm incomes*
- *But drought is far from over and rain will be needed all year to help farmers recover from drought and bushfires*

**New South Wales farmers are optimistic recent summer storms could be the start of a turnaround in seasonal conditions and farm incomes, according to the latest Rabobank Rural Confidence Survey.**

**The survey has recorded one of the biggest upswings in NSW farm business sentiment in its 20-year history, despite a shocking fire season and worsening drought during December and January, with 48 per cent of the state's farmers now expecting conditions to improve over the year ahead compared with just 13 per cent late last year.**

**NSW farmer confidence levels are now shown to be at their highest for three and a half years.**

**Positivity was greatest among grain growers, closely followed by beef and sheep producers, with income expectations for the coming year significantly improving on the back of substantial rainfall in late summer.**

**However results are tempered by the impact of bushfires which devastated many regions, and rain in southern NSW particularly had been not been as widespread, providing little-to-no beneficial inflows to southern irrigation catchments.**

Confidence has rallied across all commodity sectors in NSW and is now back in positive territory – with more farmers optimistic than pessimistic in their outlook – for all commodities except cotton and dairy.

The results also reveal farmers in central NSW and the north west slopes and plains regions have been particularly buoyed by good rain, signalling a positive start to the coming winter cropping season.

Rabobank regional manager for central NSW Toby Mendl said last month's big rainfall event – during the survey period – provided some relief across large swathes of the state, with a significant boost to on-farm water supplies and some early pasture growth boosting spirits and encouraging farmers to prepare for what many hope will be a better season ahead.

Of those farmers surveyed following the significant rainfall in February, positive sentiment was particularly high, with 60 per cent of those surveyed post-February rainfall having an optimistic outlook on the year ahead, compared with 39 per cent of



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surveyed prior to the rain falling. And just 10 per cent surveyed post-rain thought conditions would worsen (compared to 25 per cent before the rain).

Mr Mendl said prospects for winter cropping had dramatically improved following some decent summer rainfall however many dryland cropping areas will need additional rain to rebuild depleted subsoil moisture levels.

“For many regions, 2020 has started with some terrific falls of rain which have boosted optimism for a seasonal turnaround, which we see reflected in the survey results,” he said.

“Many farmers, especially in the North and Central West and New England regions, will be breathing a sigh of relief following the February rain. However we are also mindful many farmers are still waiting for decent rain, especially in southern NSW, to enable dryland cropping and pasture growth and fill irrigation storages ahead of the next season.”

The survey, completed last month, found seasonal conditions were the biggest driver of positive sentiment this quarter, cited by 86 per cent of NSW respondents as the reason for their improved confidence.

Overall, the number of NSW farmers expecting rural economic conditions to worsen has halved, with just 19 per cent taking a negative view on the year ahead compared with 55 per cent at the end of 2019.

Grain growers are most positive about the coming year's prospects – 52 per cent of NSW grain growers said they expect conditions to improve this year compared with just 17 per cent in the last survey taken at the end of 2019.

The state's beef and sheep producers are also positive, with 49 per cent in both sectors expecting an improved rural economy compared with just 16 per cent and 11 per cent respectively last survey.

However only five per cent of cotton producers had an optimistic view on the year ahead, with 34 per cent expecting conditions to stay the same and 28 per cent anticipating a deterioration.

In the dairy sector, sentiment has moved up from last quarter into more neutral territory, with 47 per cent expecting little change in conditions.

The survey results reveal that while confidence has risen sharply on the back of good early rain, expectations of gross farm incomes didn't rise by nearly the same degree as overall sentiment, reflecting a long road ahead for NSW farmers rebuilding their businesses.

While there has been a lift in the number of farmers expecting incomes to improve this year (at 36 per cent, compared with 11 per cent at the end of last year), many producers are still expecting a similar income to last year (31 per cent previously) while 30 per cent expect a weaker financial performance (was 58 per cent).

Mr Mendl said fortunately commodity prices have been strong across nearly all sectors, helping farmers stay optimistic about the coming year provided there is follow-up rain.



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On the flip side, Mr Mendl acknowledged strong prices would also mean some challenges for those livestock producers looking to rebuild stock numbers when seasonal conditions permit.

The survey results reveal the improved farm business sentiment across NSW has started to feed into investment intentions for the coming year, with 22 per cent of farmers reporting they planned to increase investment, up from 15 per cent last quarter.

Much of this investment is earmarked for on-farm infrastructure such as fences, yards and silos, while 32 per cent of respondents planning to increase investment say they hope to invest in building livestock numbers, signalling the start of a potential rebuild phase post drought.

The survey results revealed investment intentions were particularly strong in larger operations with gross incomes above \$1 million, with 49 per cent of those farmers looking to increase investment, and 44 per cent of that investment increase earmarked for property purchase in the coming year.

Mr Mendl said strong rural property prices were defying previous drought trends with sound demand for farms, especially in high rainfall areas.

Meanwhile strong commodity prices forecasts had encouraged many farmers to implement modern drought-preparedness measures such as improved water infrastructure or confinement lots to help feed livestock, he said.

This quarter, farmers were also asked about climate change and whether they think it will have an impact on their business over the coming decade.

The survey found 67 per cent of NSW respondents expect climate change will impact their businesses, with 25 per cent rating the impact as “major”.

Grain and cotton producers were most concerned about the impact of climate change on their businesses.

Yet the survey found 32 per cent of all respondents said they had “done nothing” to mitigate the impacts on their business. And six per cent of respondents said they did not believe in climate change.

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 2020.

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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](mailto:denise.shaw@rabobank.com)

Georgina Poole  
Media Relations Manager  
Rabobank Australia & New Zealand  
Phone: 02 4855 1111 or 0418 216 103  
Email: [georgina.pool@rabobank.com](mailto:georgina.pool@rabobank.com)