



Rabobank

Media Release
September 7, 2020

Seasonal turnaround sustains NSW farmer confidence amid COVID-19 uncertainty

Results at a glance:

- *Positive seasonal conditions continue to drive NSW rural confidence*
- *State records highest confidence levels in nation, despite sentiment easing back from early year highs*
- *COVID-19 impacts now concerning farmers, especially border restrictions and market uncertainty*
- *High rural property prices point to long-term confidence in the sector*

Exceptional seasonal conditions throughout New South Wales continue to underpin solid business confidence among the state's farmers, the latest Rabobank Rural Confidence Survey has found. This is despite increased concern about the impact of COVID-19 on trade and commodity prices.

The survey results, released today, reveal confidence among NSW farmers is still trending at its highest level since the 2016/2017 season, with the state's farmers currently the most positive in Australia.

Cropping prospects in particular have boosted optimism, spurred on by regular and well-timed rain which saw the largest planting of winter crop hectares in four years and are supportive of excellent yield potential. Beef producers also expressed a very positive sentiment, driven by record prices and continuing demand.

But while vastly improved seasonal conditions have been the major influencing factor on business sentiment this quarter, the impact of COVID-19 on agricultural trade and markets was concerning a growing number of farmers, according to the survey.

While this saw sentiment ease somewhat from the historic highs reached last quarter, NSW farmer confidence was still at its highest level in more than three years. It was also a significant turnaround from September 2019 when close to half the state's farmers expected business conditions to deteriorate over the coming year, overwhelmingly due to drought.

The latest survey, completed last month, found 39 per cent of NSW farmers were expecting business conditions to improve in the coming 12 months – down on the 52 per cent with that view in the previous quarter.

The percentage of respondents expecting little change was 34 per cent (24 per cent in the previous survey) while those expecting conditions in the agricultural economy to worsen has increased slightly to 20 per cent (from 17 per cent).

Rabobank regional manager for northern NSW Brad James said the complete turnaround in seasonal conditions across most regions and the chance for farmers to rebuild and recover from more than three years of drought was driving the confidence.



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The survey found sentiment to be particularly strong in the grains and beef sectors, and in cotton to a lesser extent. While this quarter's readings were lower across all commodity groups compared with the June results, Mr James said it was important to remember previously high confidence readings this year had reflected a rebound from "three appalling seasons".

Mr James said concern about the impact of COVID-19 restrictions and trade ramifications on markets and commodity prices was creeping into farmer sentiment, but this was currently outweighed by terrific seasonal conditions.

Border lockdowns and associated COVID-19 restrictions on the movement of agricultural equipment and expertise were a concern for a number of producers in the lead up to harvest.

Overall the survey found grain growers were particularly optimistic about the coming year's prospects with 55 per cent of those surveyed expecting conditions to improve in the next 12 months (down from 81 per cent in June).

The optimistic outlook can be overwhelmingly attributed to the excellent autumn and winter season, cited by 92 per cent of those grain growers expecting conditions to improve. Of the small percentage (17 per cent) expecting conditions in the grain sector to worsen, around half cited commodity prices, as well as an increase in COVID concerns.

Mr James said many cropping farmers were forecasting higher-than-average yield potential and higher total tonnes than seen for more than three years when harvest kicks off in the coming months, which will help the state's farmers generate cash flow, pay down debt and rebuild their businesses after more than three years of drought.

Confidence among sheep producers had however tumbled, largely due to the dramatic fall in wool prices and the recent impacts of COVID-19 restrictions on sheep and lamb processing in Victoria, which was feeding into concerns about longer-term demand and supply contracts.

Just 14 per cent of sheep graziers reported they were expecting business conditions to improve in the coming year, a sharp fall from 47 per cent with that view last quarter. However two-thirds of graziers (67 per cent) expected little change to the current business conditions over the coming year.

Dairy sentiment was down slightly on last quarter, but still strong overall due to robust prices, with 39 per cent of producers expecting agricultural economic conditions to improve over the coming year (compared with 59 per cent in the previous quarter) and 53 per cent expecting little change in conditions.

Beef producer sentiment is firm, underpinned by seasonal conditions and high commodity prices, with 45 per cent of producers having an optimistic outlook on the coming 12 months.

The survey found farmers were particularly upbeat about their prospects in northern and central NSW, with those in the north west pastoral region the most optimistic, followed by farmers in the Northern Rivers/ Hunter Valley, North West Slopes and Plains and Central NSW. Confidence was comparatively weaker among south coast and Southern Highlands farmers, and to a lesser extent, in the Riverina.



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The Monaro region, in south east NSW, has not had the same seasonal break as elsewhere in NSW, although recent rain has lifted spirits.

“In northern NSW, and the New England region especially, there is a lot of confidence in the pastoral sector, especially among beef producers, which we see reflected in the prices people are paying for pastoral land,” Mr James said.

“Beef prices are very high, underpinned by a lack of supply and as a result of high slaughter numbers last year, and producers are being very strategic about the way they rebuild their herd numbers and how they fund that. The season in these northern beef-producing regions is extraordinary.”

While overall confidence has been tempered a little this quarter, farmers are still revising up their gross-farm income projections for the 20/21 financial year, largely due to the positive seasonal break.

This quarter, 46 per cent of farmers say they expect a higher gross-farm income in 20/21 (up slightly from 45 per cent in the previous survey) while one third of farmers surveyed expect a similar income to last year. The number expecting a weaker result is down slightly to 20 per cent, compared with 22 per cent last quarter.

Grain and cotton growers are particularly positive about the prospect of higher incomes, with 74 per cent and 61 per cent respectively expecting an improved financial result in the coming season.

Sheep graziers, meanwhile, have revised down expectations for gross farm incomes, with 19 per cent expecting an improved result (was 38 per cent) and 37 per cent expecting a drop in their incomes (was 36 per cent).

Mr James said in recent weeks, lamb producers have encountered a significant fall in prices, largely stemming from COVID-19-induced softer demand plus restrictions on abattoirs, with contracts now difficult to secure and slow delays to turn off.

He said prices for rural property were currently at unprecedented levels in many regions which was a sign of longer-term confidence in the sector, predicated on the seasonal break, low interest rates and strong commodity prices.

Mr James said many of those farmers looking to expand were chasing property in reliable rainfall regions, often away from their home base.

According to the survey, grain growers in particular held the strongest expansionary intentions. Of the grain growers looking to increase investment this quarter (43 per cent of those surveyed), two out of five indicated they wanted to expand their business via a property purchase in the coming 12 months.

Overall, more than one third of the state’s farmers (35 per cent) are intending to increase investment in their farm businesses in the coming year. Of those, 69 per cent identified on-farm infrastructure as the primary investment, while pasture/fodder/crops and fertiliser were cited by 59 per cent and increasing livestock numbers was a priority for 53 per cent.



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Cotton and dairy farmers held the strongest investment intentions, with 76 per cent, 48 per cent respectively looking to increase investment in their farm businesses over the coming year.

Mr James said for many farmers, 2020 would hopefully be “a major catch-up and consolidation year” after successive years of drought which had crippled production levels and severely hampered incomes.

“Many farmers will use this good season to repay debt which was used to keep operating during the drought, many will rebuild their livestock numbers and others will reinvest in their businesses to build up some reserves of cash, fodder and silage again,” he said.

“We think this will continue to be the focus for many farmers for the next three years.”

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 2020.

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

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