



Rabobank

**Media Release
December 14, 2021**

Optimism dashed as NSW farmers count the cost of recent state-wide deluge

Results at a glance:

- *NSW farm sector confidence at high levels, but recent rainfall and flooding expected to significantly affect production and income*
- *Cotton and beef producers most upbeat due to seasonal and price factors*
- *Long-term positive outlook evident in farm investment plans*

High levels of optimism among New South Wales farmers have been met by a deluge of late-spring rain and flooding.

Rabobank's latest quarterly Rural Confidence Survey, released today, found that just a few weeks ago, NSW farm confidence was among the strongest recorded nationally, with 88 per cent of the state's farmers predicting excellent business conditions would either continue or improve over the year ahead.

But significant rainfall and widespread flooding since the survey was completed last month has devastated large areas of the state's grain crops, especially in central and northern NSW.

This will mean a major downward revision of the previously-high gross farm incomes projections which had been forecast by farmers only a few weeks ago.

Fortunately, production losses have not been as significant for livestock producers, meaning the still very firm confidence found in the survey of those sectors, particularly among dairy and beef producers, is likely to be less affected.

Rabobank regional manager for central NSW, Toby Mendl said farmers were still assessing the full cost of damage to crops inundated after heavy rainfall and flooding, but it was already clear there has been widespread devastation, especially throughout the Central West, many parts of the North-West Slopes and Plains and across the Liverpool Plains.

Mr Mendl said the survey results – collated shortly before harvest – pointed to the massive potential of this year's crop.

"A few weeks ago, it was hard to imagine that cropping conditions in NSW could get any better, but we now have a situation where some growers, who had been preparing to harvest record-yielding crops, will actually harvest nothing," he said.



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Mr Mendl said fortunately yields for crops harvested prior to the excessive rain had been phenomenal, while conditions for livestock producers were overwhelmingly positive, and potentially improved further by the spring rainfall.

He said NSW farmers, and especially grain growers, had been very upbeat about conditions and their incomes for the year ahead with the promise of high quality and high tonnage crops, coupled with very strong pricing, less than one month ago.

“It’s been a heartbreaking scenario for grain growers right across New South Wales,” Mr Mendl said.

“There have been downgrades to grain quality everywhere, and that’s made much worse when we think about what could have been – it was one of the biggest and best-looking crops on record, coupled by excellent pricing, and for many farmers that has now been obliterated.

“In the south west, we are expecting downgrades but the damage – so far – is not of the same magnitude as that recorded further north, and farmers in the Riverina especially are still hoping to harvest crops even though their yields and quality have been impacted.”

Mr Mendl said hopefully further rain would hold off for those growers.

“In the summer cropping regions, the excessively wet start to their growing season had many growers contemplating replanting, but with input costs so high, and many areas expected to be underwater and water-logged for some time, replanting may not be an option any longer.”

Prior to the rain, 39 per cent of NSW farmers expected business conditions to improve over the year ahead, down from 48 per cent with that view in the September quarter. Close to half were expecting business conditions to remain stable.

The number expecting conditions to deteriorate had climbed from four per cent to 11 per cent this quarter.

Good seasonal conditions, which have now turned on many farmers, underpinned the solid levels of sentiment recorded in the latest survey, with 73 per cent of those farmers expecting conditions to improve citing the season. Commodity pricing underpinned the strong sentiment for a similar number of respondents.

At the time of the survey, just seven per cent of the small number of NSW farmers expecting conditions to deteriorate identified the impact of too much rain as a factor.

This quarter’s survey did point to a level of apprehension among grain growers in the approach to harvest, with positive sentiment back on last quarter, however more than 52 per cent (down from 64 per cent) were still expecting improved business conditions over the year ahead, while 32 per cent were tipping similar conditions to last year.



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With water storages full and planting season completed at the time of the survey, the state's cotton growers were particularly optimistic about the year ahead.

The ongoing strength in the domestic and export cattle trade has continued to keep a smile on the faces of beef producers, with 44 per cent forecasting improved business conditions over the year ahead, while 50 per cent tip the current conditions will continue.

Optimism among sheep producers has dropped back, however more than half of the NSW sheep farmers surveyed still expect stable conditions throughout next year.

By region, the survey found the north-west pastoral region and North West Slopes and Plains to be the most positive about prospects for the year ahead, while confidence was down in the Riverina.

Mr Mendl said widespread rainfall across the north-west pastoral zone would be very beneficial for livestock producers as they approach the warmer summer months.

Survey results reveal that, before the deluge of rain, the state's farmers were still upbeat about the prospects for their own farm business performance, with expectations in line with last quarter's strong results.

More than half the NSW farmers surveyed were expecting higher gross farm incomes over the next 12 months, with 39 per cent expecting a similar result to last year. Cotton growers were the most upbeat about earnings, with the majority expecting higher gross farm incomes in the year ahead.

At the time of the survey, just eight per cent of NSW farmers were expecting a deterioration in farm incomes, yet Mr Mendl said the picture around farm incomes would become clearer in coming weeks as the full extent of rainfall and flooding damage on crops, livestock and infrastructure was calculated.

Investment intentions were also high, with 97 per cent of NSW respondents looking to maintain or increase investment in their businesses.

Of those looking to increase investment, almost three quarters planned to spend on on-farm infrastructure – such as silos, fencing and new yards – while increasing livestock numbers was a focus for more than half.

Mr Mendl said expansion through property purchase was a priority for 18 per cent of those NSW farmers wishing to increase investment, but that may be reviewed in light of the extensive damage to crops.

“Despite the ever-increasing prices being paid for land, people are still confident about the future of farming and the strength in their own businesses and they are keen to grow their farm base,” he said.



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Mr Mendl said the biggest concern for farmers across all sectors going into 2022 was the price and availability of farm inputs and machinery, with shortages and shipping delays triggering major supply issues.

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 2022.

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