



Rabobank

**Media Release**

**March 15, 2021**

## ***“Near perfect” summer conditions and record livestock prices keep NSW farmers spirits high***

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

- *Continued optimism among NSW farmers after a major change of fortune in 2020, topped off by near-perfect summer conditions*
- *Grain and beef producers the most confident*
- *Huge focus on productivity underpinning investment plans*
- *More than half the state’s farmers forecasting higher incomes this year*

**New South Wales farmer confidence continues to sit at historically-high levels thanks to a cool wet summer and soaring commodity prices, the latest Rabobank Rural Confidence Survey has shown.**

**Survey results, released today, reveal the state’s farmers have entered 2021 with ongoing optimism about the year ahead, with sentiment holding at close to the strongest readings in the survey’s 20-year history.**

**While overall net rural confidence had eased marginally from the decade-high level reached in December, the latest survey found still more than half of NSW farmers expected business conditions to improve over the year ahead. A further 40 per cent expected conditions to remain the same as last year – when confidence levels had rebounded following a number of years of drought and low production.**

Sentiment was shown to be strong across all commodity sectors in the state, but highest among grain growers and beef producers. By region, farmers surveyed in the Northern Rivers and Northern Tablelands region were most positive about their prospects for the coming year.

More than half the state’s farmers indicated they were expecting greater financial returns than last year – fuelling strong investment appetite, particularly for on-farm infrastructure and increasing livestock numbers.

The survey, completed last month, found 52 per cent of NSW farmers expect agricultural economic conditions to improve in the year ahead (down slightly from 57 per cent with that view in the December survey), while 40 per cent expect conditions to be similar to last year. Only five per cent of farmers surveyed expect business conditions to deteriorate, slightly up on three per cent with that expectation in the previous quarter.

Above-average summer rainfall in many parts of the state and cooler temperatures have combined to deliver “a kind green summer”, according to Rabobank regional manager for Riverina Sally Bull, who said farmers across much of NSW have enjoyed unusually fresh, green feed conditions for the latter part of summer.

She said a lot of grazing crops had already been planted and many cropping areas had good-to-full soil moisture profiles.



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“Wherever you go, it nearly all looks good,” Ms Bull said. “The countryside is a picture, it’s been an amazing summer.”

Ms Bull said 2020 had delivered a major turnaround in fortunes for the state’s farmers, with the breaking of the drought and a record winter grain harvest last year. And continuing good conditions, aligned with historically-high livestock prices, have set the state’s farmers up for what will hopefully be another terrific year, she said.

This view was reflected in the survey results, with seasonal conditions cited by 75 per cent of respondents with a positive outlook as a key reason for their optimism, while 64 per cent listed commodity prices as a driving factor.

NSW grain growers delivered one of their biggest winter harvests on record last season, and the survey results point to significant optimism in this sector for the coming year. Nearly two thirds of grain growers expect business conditions to improve in coming months, mainly due to the season.

In the state’s north, Ms Bull said, sorghum crops were looking “outstanding” with large areas planted over summer, and with hopes they will yield as well as they currently look.

She said cash flow and returns have been very good in the grain and cropping sector following years of drought, and the opportunity for another good production year was certainly buoying confidence.

For beef and lamb breeders, 2020 was a year to remember, Ms Bull said, and 2021 was shaping up to be just as strong in terms of returns and continuing good seasonal conditions.

“What do you say about the sheep and cattle market? It’s just remarkable. Prices are just so good, if you’re a sheep or cattle breeder you would be pretty happy with life,” she said.

Ms Bull said many producers in central and southern regions had been fortunate enough to hold on to a lot of their breeding numbers so there had not been as much herd rebuilding post drought as in some other areas.

She was mindful though that some areas, especially the western pastoral zones, were still recovering from drought and many farmers who were forced to de-stock were trying to rebuild herds and were enduring a very high cost of re-stocking – factors which could be weighing on confidence a little in some regions.

Confidence overall in the NSW beef sector was strong, with 58 per cent expecting conditions to improve even beyond what they are now, while 36 per cent of beef producers expected similar conditions to last year.

Sentiment did edge back in the sheep sector, with 43 per cent of sheep producers tipping an improvement in conditions, while the same number think conditions will be the same as 2020.

Ms Bull said wool yields were an issue 12 to 18 months ago, but not a concern now. She said wool growers experienced “pretty low” prices last year, but were generally



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well prepared to manage such market movements, and most wool producers were focussed on “boosting productivity to build yields and capture the market”.

The survey found confidence was up in the NSW dairy sector, with 42 per cent expecting conditions to improve and a further 53 per cent expecting conditions to remain the same.

Ms Bull said there had been a lot of cotton planted this season and while the survey found confidence was down among cotton growers compared to last year’s highs, it was still strong, with more than one third expecting business conditions to improve and the remainder expecting conditions to remain the same as last year.

In northern cotton areas, there had been some concern about the impact of the milder temperatures on yields, she said.

Looking regionally, Ms Bull said sentiment was positive in all regions but particularly strong in the state’s north. She said drought recovery, and what that looked like, did vary from sector to sector and within regions, but there was still some significant catching up to do financially for many producers.

The survey results point to very strong business confidence in the Northern Rivers and New England/Northern Tablelands regions, followed by Central NSW and the North West Slopes and Plains, with above-average rainfall and milder temperatures over summer which bodes well for planting crops this autumn.

In terms of incomes, there are continuing strong expectations about prospects for the year ahead, with more than half the farmers surveyed anticipating a higher gross-farm income in 2021. The survey found income forecasts were particularly strong in the state’s grains industry, where 65 per cent have revised up income prospects for the year ahead.

On the back of such positive cash-flow forecasts, the survey found a significant number of NSW farmers were planning to increase investment in their farm businesses over the coming year – at 42 per cent.

Of those farmers intending to increase their investment, 63 per cent said they planned to invest in on-farm infrastructure, such as fences, yards and silos, while 50 per cent intended to increase livestock numbers, 45 per cent to invest in new plant and machinery equipment and 29 per cent to adopt new technology.

Ms Bull said the federal government’s instant-asset write off measures were encouraging a lot of equipment finance applications, with many farmers taking the opportunity to upgrade and modernise equipment after successive dry years.

Pasture rejuvenation and a major focus on water infrastructure were also investment trends being seen across the state.

The survey found investment intentions were especially strong in the state’s cotton and grain sectors.

Ms Bull said there was also significant interest from wool producers to build or upgrade new woolsheds which may have been prompted by the current shortage of shearers in the industry.



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She said such high cash returns and good seasonal conditions would normally mean property expansion would be a high priority for many farmers, however prices continue to climb and there is a distinct shortage of properties coming on to the market.

Overall, she said, NSW farmers were certainly in a “good place”.

“There are certainly many people who wouldn’t have imagined they could string together another year like the one we’ve just had. Everyone is very optimistic about the year ahead, because two years like this would be just amazing,” she said.

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 2021.

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