



## ***Strong NSW farm sector confidence to be tested again by natural disaster***

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

- *High levels of optimism in NSW farm sector, but full impact of flooding in Northern Rivers is unclear*
- *Beef and sheep most confident sectors in NSW, thanks to ongoing high prices*
- *Plans to invest money back into farm businesses are at record levels*

**New South Wales farmers are once again counting the cost of natural disaster – with the recent devastating flooding in the state’s north – having just navigated challenging summer conditions with strong levels of confidence intact, the latest quarterly Rabobank Rural Confidence Survey has found.**

**The survey, released today, reveals high levels of optimism had prevailed across the state’s farm sector over the latest quarter, even in the face of December flooding, long drawn-out harvests and a burst of animal health concerns due to above-average summer rainfall.**

**But catastrophic rainfall events in the NSW Northern Rivers and North Coast region since the survey was completed last month will, once again, significantly impact production and income projections in that part of the state, where agribusiness confidence had been among the most positive in Australia just a few weeks ago.**

**Inland areas have thankfully been spared the devastation at this stage, however, and have been buoyed by ongoing strength in commodity prices as they make their plans for the year ahead.**

**The survey found beef and sheep producers the most confident sectors in NSW. Prior to the flooding, sentiment had been highest in the Northern Rivers, Hunter Valley and Riverina regions.**

**Before the latest flooding event, NSW farmers held some of the strongest investment plans in the country, with almost half of those surveyed indicating an intention to increase investment in their business.**

Rabobank regional manager for northern NSW Brad James said the total cost of the devastation from flooding and extreme rainfall in the Northern Rivers and Mid-North Coast farming zones was still being calculated, but it was already clear that there had been significant losses of livestock and high-value horticulture crops and major losses of fencing and farm infrastructure.



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He said agricultural freight and logistics networks had also been significantly affected and would remain impacted for some months and emphasised the fact that recovery from this type of event would be 'multi-seasonal'.

"The flooding, storms and inundation across the Northern Regions and Mid-North Coast have resulted in one of the most catastrophic natural disasters farmers have ever experienced in those areas," he said.

"This will have major ramifications for production and the livelihoods of many of the north-east region's farmers, who had previously been some of the most confident in the country."

Mr James said elsewhere in the state, farm confidence had remained strong, even in light of flooding of grain crops in some parts of the NSW North West and Central West cropping zones late last year, while lengthy harvesting delays due to wet weather had also been a challenging factor for farmers in the state's South West and Riverina.

"Fortunately, grain prices have been very strong, even for feed-quality or downgraded grain, and yields were exceptional in many areas, which has helped maintain income levels in the grains sector," he said.

Mr James said livestock producers, across the areas unaffected by recent flooding, were also very upbeat in the approach to winter with good seasonal conditions and continued market strength fuelling optimism.

Summer croppers and cotton producers were particularly upbeat. Mr James said water storages were in great shape and yields in sorghum and cotton were looking promising, although producers were eager for some warm, dry weather to help finish crops in the approach to harvest.

Across the state, this quarter's survey had found 38 per cent of NSW farmers were expecting improved agribusiness conditions in the year ahead while 47 per cent of those surveyed were forecasting last year's strong business conditions to continue. The number expecting a deterioration was 11 per cent. These figures were largely unchanged from the previous quarter.

While good seasonal conditions were the main driver of sentiment among farmers in 2021, it's the strength in commodity prices that has been the clear influencing factor on confidence so far this year both in NSW and nationally, cited by more than 80 per cent of those farmers with an optimistic outlook.

For those forecasting conditions will worsen over the year ahead, rising input costs were the biggest concern.

"Farmers have been closely monitoring supply and pricing for major inputs, such as diesel and fertiliser, and are concerned about the fallout for agriculture from the recent invasion of Ukraine, and what any protracted conflict there will mean for the sector," he said.



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According to the survey, sheep producers were the standout sector in terms of confidence levels in NSW. Mr James said summer conditions had been quite challenging for many sheep producers, however there was still incredible optimism throughout the sector thanks to ongoing demand for lamb.

He said the fine wool market had managed to navigate its way through the Covid pandemic fairly well, with recent pricing returning to solid levels which has restored confidence.

While income projections will undoubtedly change in flood-affected areas, the survey results reveal farmers in NSW had been forecasting another strong year financially – 50 per cent of those surveyed expected their gross farm incomes were likely to increase on the past year, while 39 per cent expect a similar return to last year.

Mr James said there had been a solid financial recovery following the drought, and anticipation of another good year in most regions bodes well for long-term investment plans.

“This is really positive for the long-term financial resilience of the sector,” he said. “Farmers have been using good cash returns from the past two years to consolidate debt, reinvest in their farms and prepare themselves practically and financially for the next drought.

“They are making the most of the current financial opportunities and reinvesting in their own businesses or expanding their productive capacity.”

The survey found just under half of those farmers surveyed in NSW intend to increase investment in their farm business during 2022 – among the strongest investment intention in the country. Sheep producers, as a sector, recorded the highest appetite for investment.

More than 80 per cent of investment is earmarked for on-farm works such as new fencing, silos, new or upgraded yards and other infrastructure.

Adopting new technology was now a major focus for the state’s producers, with 53 per cent of those surveyed identifying it as a priority this year. New plant and machinery is still a high investment priority this year, despite concern about rising costs and shipping delays.

The survey found property purchases to expand farming businesses were a goal for 20 per cent of those NSW farmers looking to increase investment this year, but with prices continuing to eclipse expectations and availability slim, some farmers were also looking to off-farm investment opportunities in the short term.

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.



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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 2022.

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