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**Media Release**
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# *NSW farmer confidence 'wilts' with dry winter*

***Results at a glance:***

- *Dry winter weather ends three years of strong NSW farmer confidence*
- *Sentiment falls across all regions and commodities*
- *Longer-term indicators for agri sector remain sound – with strong investment and viability indicators*

**New South Wales farmer sentiment has dropped to its lowest level since mid-2013, as "one of the driest winters on record" dashes winter crop potential and pasture growth, the latest Rabobank Rural Confidence Survey has found.**

**Marking the end to the longest period of net positive sentiment in the survey's history, confidence was down across all surveyed geographical regions and commodity sectors in the state.**

**However, longer-term indicators remained relatively robust, with farmers' investment intentions staying strong and the viability indicator near a 14-year high.**

Rabobank regional manager for Central New South Wales Peter Anderson said while the dry conditions had seen rural confidence levels take a hit, farming businesses were in 'good shape' after a run of favourable seasons and historically high livestock prices.

The quarterly survey, completed last month, found the percentage of NSW farmers with a negative outlook on the agricultural economy over the coming 12 months increased to 29 per cent, from 11 per cent in the previous survey. Those expecting conditions in the agricultural economy to improve more than halved to 15 per cent, from 32 per cent.

Approximately half of the state's farmers (51 per cent), however, expected similar conditions to the last 12 months.

Mr Anderson said the drop-off in rural confidence was "all about the season", with much of the state experiencing one of the driest winters on record.

"After an extremely dry June and July, early-August rainfall provided some reprieve, with the south of the state reporting good falls," he said, "but the rain was very limited in central and northern New South Wales.

"While these falls will hold some cropping farmers over for a few more weeks, follow-up rain in early September will be critical to curb any further crop yield loss, with crops really struggling in some areas with limited sub-soil moisture."

Mr Anderson said canola had been hit hardest by the "dry", with failed crops already being used for grazing in parts of the Central West. Canola in the Riverina is emerging well, although pockets there are also being challenged.

"With many farmers hoping for an average wheat crop at best, it now all hinges on the next few weeks," he said. "However if forecasts for lower-than-average rainfall and higher-than-average temperatures play out, production prospects will be diminished further."

Across commodities, the cropping sector were the most concerned by their seasonal prospects. The survey found all cotton farmers and 77 per cent of grain growers with a negative outlook on the year ahead cited dry weather conditions as reason for their pessimism – compared with 52 per cent of NSW farmers as a whole.

"With last season resulting in disappointing yields for cotton growers, relative to the previous two seasons of record yield, they are now looking at planting prospects for the 2018 crop," Mr Anderson said. "Dryland hectares are expected to be well down on last year's large plant, however with water storages at good levels, allocations for irrigators are promising."

Confidence also waned in the state's beef and, to a lesser extent, sheep sectors.

"The lack of rain and winter frosts have seen graziers across much of inland New South Wales enter spring with limited pasture reserves, while stock prices have also come off their recent highs," Mr Anderson said.

"That said, prices for beef and sheep are still well above their five-year average, and wool is fetching record prices, so the drop-off in confidence is largely a reflection that conditions won't remain as good as they have been for the past couple of years – rather than a material decline in grazier sentiment."

This was reflected across the broader agri sector, with farmers across New South Wales revising down expectations for their gross farm incomes. More farmers were expecting their incomes to decline than to improve in the 2017/18 financial year (31 per cent compared with 19 per cent), however nearly half of the respondents (46 per cent) were still expecting similar incomes to last financial year.

Across the sectors, improved income expectations were highest in the dairy sector, while sheep graziers retained a strong outlook for their financial performance.

NSW farmers' investment intentions remained solid, with 93 per cent looking to increase or maintain the level of investment in their farm business over the next 12 months.

While the number planning to up investment wound back to 24 per cent (from 32 per cent last quarter), those looking to maintain their level of investment increased to 69 per cent (from 61 per cent).

Mr Anderson said the 'balance sheet' for farming businesses was still very strong, with land prices continuing to appreciate.

"While farmers are expecting the dry season to have a negative bearing on this year's 'profit and loss', the financial strength of farming businesses has been very good over recent years," he said.

"And this can be seen in the survey's viability index, which measures farmers' perceptions of their business viability. This quarter, 99 per cent of surveyed farm businesses with an annual gross income above $300,000 indicated they had long-term viability."

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 2017.

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