



Rabobank

Media Release

June 15, 2021

NSW farmers riding high with another good year on the horizon

Results at a glance:

- *NSW farmers head into winter with strong levels of confidence*
- *Cotton sentiment soaring as general security allocations increase*
- *Commodity prices, good seasonal conditions and favourable interest rates underpinning business sentiment*
- *Business investment and expansion plans high on the agenda for the coming year*

A huge boost to water allocations and the prospect of another big grain production year are sustaining high levels of business confidence among New South Wales farmers, according to the latest quarterly Rabobank Rural Confidence Survey.

The survey results, released today, reveal commodity prices and seasonal conditions are helping keep NSW farmer sentiment at historically-high levels, albeit lower than confidence readings taken earlier this year.

As they move into winter, 44 per cent of NSW farmers surveyed said they expect conditions to improve over the year ahead while a further 45 per cent expect conditions to remain the same as 2021, which was a big production year.

Cotton growers are most positive about their prospects, with a strong outlook for the next couple of years thanks to the return of water to the system, which is helping to shore up future allocations.

The state's grain grower confidence is also strong, although slightly down on last quarter. More than half were still expecting conditions to be even better than last year, however there was concern expressed about the impact of the mouse plague in some regions.

With a great year behind them, and another good year forecast, NSW farmers now have one of the highest levels of investment intentions in the country, with major capital works and improvements along with property expansion all high on the agenda.

The survey, completed last month, found almost 90 per cent of NSW farmers expect business conditions over the coming year to improve or remain similar to last year.

Strong commodity prices were the dominant factor influencing sentiment across agricultural sectors, cited by 64 per cent of all those NSW farmers expecting conditions to improve – and particularly evident among beef and sheep producers.

Meanwhile the continuation of excellent seasonal conditions in most regions is also behind the ongoing, high levels of sentiment – cited by 57 per cent of NSW farmers surveyed as a key reason business conditions would improve. Farmers in the north west pastoral zones of NSW were particularly upbeat about the season.



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The survey results reflect the highest levels of sentiment for this time of year since mid-2011, with just seven per cent of farmers surveyed tipping conditions would deteriorate.

Rabobank regional manager for Central NSW Toby Mendl said farmers were “still on a high” after a bumper finish to 2020, particularly for livestock producers and croppers.

This, combined with the positive seasonal outlook for the year ahead, meant there was a great amount of enthusiasm among farmers, he said.

“Last year’s crop was amazing and there is still a lot of that grain stored on-farm and yet to go through the system which means many growers are beginning to realise some of the very good prices for grain currently on offer,” Mr Mendl said.

“Winter crop planting is still underway and while recent rainfall has been very welcome, farmers are keen to complete sowing as best they can before further rain arrives.

“Early-sown grazing crops are going pretty well which is keeping livestock producers positive; they’re enjoying a phenomenal run of prices and good seasonal conditions are just the icing on the cake.”

Mr Mendl said the impact of mice in many areas of NSW was concerning for farmers as they plant winter crops and attempt to protect fodder reserves from damage and loss.

He said farmers were proactively baiting, with mice also forcing many farmers to move grain and fodder off-farm if they hadn’t already done so.

Mr Mendl said cotton sector sentiment was robust thanks to a welcome boost to general security water allocations.

The latest survey found cotton producers were now the most positive of all NSW farmers about their prospects for the year ahead, significantly outstripping other sectors – entirely due to the season.

And while overall NSW rural confidence had eased somewhat, 55 per cent of grain growers remained optimistic about their prospects for the year ahead (was 64 per cent) on the back of the season.

Confidence amongst NSW beef producers was also very good, although also a little back on last quarter – with 43 per cent forecasting a further improvement in business conditions over the year ahead (down from 58 per cent). A total of 44 per cent were expecting conditions to remain stable.

Most NSW sheep producers (60 per cent of those surveyed) are expecting similar conditions to last year, while 32 per cent expect conditions to improve.

For dairy, while the number of producers expecting conditions to improve remained relatively stable – at 40 per cent compared with 42 per cent last quarter, those



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expecting conditions to deteriorate rose to 23 per cent, compared to none with that view last survey. A total of 37 per cent expect similar conditions to last year.

Overall income projections were down a little for the year ahead – albeit to remain at historically strong levels – with 49 per cent of NSW farmers expecting their gross farm incomes to increase over the coming year (down slightly from 52 per cent with that view last quarter) and 39 per cent (was 38 per cent) expecting a similar financial result to the 2020/21 financial year.

Grain growers remained particularly confident about prospects for their farm incomes over the coming year, with 58 per cent expecting a higher gross farm income in 2021/22.

Mr Mendl said having experienced a good year in 2020, and with a similar sort of year forecast for 2021, farmers were able to think ahead and make longer-term plans for business investment and expansion.

“When the season, prices and interest rates all line up – as they do at the moment – it helps business sentiment because people are able to forward plan and be proactive with their business planning,” Mr Mendl said.

“Many irrigators now have a couple of seasons worth of water in storage which enables them to plan ahead, and big returns for beef and sheep producers are helping with the restocking and rebuilding of livestock numbers following the drought, so producers in those sectors can also make longer-term plans.

“The government tax incentives for asset expenditure are also having a very positive impact on primary production and allowing farmers to make some meaningful, long-term improvements to their operations.”

The survey is reflective of those views, finding 41 per cent of those surveyed intended to increase investment (was 42 per cent) and a further 54 per cent expect to maintain business investment at current levels.

Of those planning to increase investment, the bulk of that spending is earmarked for on-farm infrastructure (such as fences, yards and silos), while increasing livestock numbers is a priority for almost half of those surveyed. New plant and machinery are also on the shopping list, as well as adoption of new technologies.

One quarter of the state’s farmers intending to increase their business investment over the coming year said they planned to do so through property purchase to expand their farming operation (25 per cent, was 18 per cent).

Mr Mendl said agricultural property prices were still phenomenal and continuing to rise, signalling not just intense demand but an underlying confidence and strength in New South Wales agriculture.

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 September 2021.

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