



Confidence abounds in NSW farm sector on good season and prices – defying state’s COVID concerns

Results at a glance:

- *Favourable seasonal conditions fuel ongoing NSW farm sector confidence*
- *Farmer confidence largely unaffected by broader COVID-19 fallout*
- *Cotton and grain growers most optimistic*
- *High income projections fuelling major farm investment and expansion plans*

Soaking winter rains have set up a second consecutive favourable spring season for farmers in New South Wales, with confidence among the state’s agricultural sector defying the broader economic uncertainty due to COVID-19.

The latest quarterly Rabobank Rural Confidence Survey has found NSW farmers are now among the most positive in Australia, with optimism about business conditions and financial performance continuing to climb – hitting one of the highest confidence levels recorded in the survey’s 20-year history.

The survey results, released today, reveal elevated commodity pricing and continuing favourable seasonal conditions have contributed to solid levels of profitability over the past year and ongoing optimism about agricultural conditions for the 12 months ahead in nearly all regions of the state and across all commodity sectors.

Overall, close to 90 per cent of NSW farmers surveyed expect business conditions will either improve or remain as good as they currently are over the coming 12 months.

The results reveal very low levels of pessimism and indicate the state’s farm sector has been relatively sheltered from fallout from COVID-19 or related restrictions. However, rules around border and regional restrictions have tightened since the survey was completed last month.

The survey found 48 per cent of the state’s farmers expect conditions to improve over the coming 12 months (up from 44 per cent in June) while 45 per cent expect a continuation of the current conditions and just four per cent think conditions will worsen. COVID was cited as a key reason by 40 per cent of those expecting a deterioration.

The survey shows commodity prices to be the top factor driving positive sentiment among the state’s farmers, cited by 81 per cent as a reason for their optimistic outlook (up from 64 per cent last quarter) while 74 per cent nominated seasonal conditions (up from 57 per cent).



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Rabobank regional manager for Northern NSW and Southern Queensland, Brad James said the high level of producer confidence was predicated on strong commodity prices, an easing dollar, low interest rates and good seasonal conditions.

“The widespread rains of late summer and autumn held the regions in good stead for pasture growth and winter planting, with some good in-crop rain throughout winter also,” Mr James said.

“All commodities are faring well and there is now strong confidence and a willingness to reinvest in property improvement or expansion of holdings.”

Mr James said while input costs were up on historical levels given some increases in prices and a heavy baiting program to combat another potential mouse plague in spring, the current season and future prices were expected to more than offset these costs.

He said the bull-selling season has been impacted by COVID-19 restrictions while some farmers had reported difficulties securing machinery and fertiliser due to COVID-hampered freight delays. A tightening of border restrictions was making life difficult for those needing to access workforce or regional towns which were geographically close but in another state.

The survey found strong confidence levels across all surveyed commodity sectors, with the state’s dairy producers posting the biggest lift in sentiment – to now be more aligned with other sectors, while there were also upturns in the sheep and grains sectors.

While sentiment eased back in the cotton sector, it remained strong and cotton growers continue to be the most positive farmers in the state, with three quarters of those surveyed expecting conditions to improve – largely thanks to good seasonal prospects.

Mr James said water storages have filled and allocations were mostly good – high security allocations were 100 per cent across the state and most general security allocations for the coming water season ranged upwards from 30 per cent.

Additional recent rainfall will have further added to dam levels, he said.

The survey shows grain growers are also upbeat about their prospects for the year ahead, with sentiment lifting on last quarter – 64 per cent are expecting conditions to improve with a further 35 per cent expecting a continuation of current conditions.

“Crops are starting to take off now, with growers forecasting average to above-average yields if reasonable spring rain is received,” Mr James said.

“A wetter-than-normal winter has presented some challenges in relation to spraying and fertiliser applications, but the outlook for the season and prices is very good, so sentiment is strong.”



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The survey showed sheep producers are also very upbeat, with close to half expecting conditions to either improve or remain similar to last year – at 46 per cent and 45 per cent, respectively.

Sentiment remained strong in the beef sector also, with 44 per cent expecting conditions to improve and 50 per cent predicting stable conditions.

Mr James said livestock conditions, both seasonally and price wise, were mostly excellent, with the only concern being very high buy-in prices for re-stockers.

“Grass is plentiful and livestock prices are at record highs,” he said.

“The feedlot price offering has continued to rise and the store market remains very strong.”

Mr James said the outlook was positive right across the state, with recent rain helping some pockets of the Monaro in southern NSW which were starting to look dry.

The Riverina posted the biggest lift in confidence with farmers there now the most positive in the state – with 62 per cent (up from 45 per cent) of Riverina farmers expecting conditions to improve further and 35 per cent expecting similar conditions to last year.

Confidence also rose in the Northern Rivers and Hunter Valley regions where 49 per cent of farmers expect conditions to improve.

Smaller rises were reported in Central NSW, the North-West pastoral zone and on the South Coast/Southern Highlands region. Confidence edged back in the North West Slopes and Plains but remained strong, with 44 per cent of farmers there still expecting conditions to improve and close to half expecting a continuation of current conditions.

The strong sentiment continues to fuel investment appetite among the state’s farmers, which has increased in line with rising income projections.

The survey found farmers were increasingly bullish about the prospects for their gross farm incomes over the 12 months ahead, with well over half the NSW farmers surveyed expecting their gross farm incomes to increase and a third (33 per cent) expecting a similar financial result to last year. Just 10 per cent expect a decline on last year’s returns.

It also found viability in the state’s farm sector remains strong with 98 per cent of NSW farmers surveyed reporting that their businesses were viable.

Cotton and grain growers were particularly upbeat about prospects for their farm business. The survey found about two thirds of cotton and grain growers, respectively, expect higher gross farm incomes over the coming 12 months.



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In the cotton sector especially, Mr James said, investment intentions were underpinned by the fact many growers now have full on-farm storages with excellent allocation forecasts for summer.

“Optimism remains high with the cotton price currently over \$600/bale and a strong outlook for the area that can be planted this summer – and hopefully next – purely due to available water, especially in northern NSW.”

Mr James said the state’s farmers have experienced a solid period of profitability, and, with seasonal and pricing forecasts looking very positive, investment plans were also very strong, especially in anything that can enhance efficiencies.

The survey found 40 per cent of respondents plan to increase investment in their business over the year ahead and a further 53 per cent intended to maintain investment spending at current levels.

Of those looking to increase investment, most is earmarked for on-farm infrastructure such as fences, yards and silos (81 per cent), while 60 per cent intend to increase livestock numbers and 47 per cent plan to invest in new plant/machinery.

And interest in property expansion is still extraordinarily strong, with the survey finding one quarter of those looking to increase investment considering property purchase, with appetite strongest in the North-West pastoral region.

Mr James said many producers were keen to expand, but there were not enough properties on the market.

He said the current view among farmers about property prices was “they were good for their own land values but made it very hard to buy in and expand”.

“That’s a little frustrating as the prices are not necessarily mapping to underlying productive capacity,” Mr James said.

“Most are finding the current prices extraordinary, but still seem prepared to pay the going prices, with auctions seeing many competing parties.

“And most have acknowledged these current levels are likely to be maintained or continue growing as demand for good assets remains strong, access to capital is also strong with low interest rates and strong equity levels and the continued consolidation of land holdings.”

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 December 2021.

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