



NSW farmers ‘cautiously optimistic’ as high input prices take shine off rural confidence

Results at a glance:

- *NSW farmers tipping good conditions to continue over the year ahead*
- *High input costs temper optimism*
- *Grain and cotton producers most positive about rural business thanks to high prices*
- *Almost half the state’s farmers believe the Ukraine conflict will have a negative impact on their business*

New South Wales farmers are expecting favourable business conditions to continue over the year ahead, however rising input costs, nervousness about international markets and the hard task of securing labour is weighing on optimism, according to the latest quarterly Rabobank Rural Confidence Survey.

Released today, the survey reveals NSW farmer confidence leads the nation, however, expectations about any further improvement to current conditions are waning.

The ongoing strength of commodity prices – combined with very good seasonal conditions – is underpinning sentiment, with the survey revealing grain and cotton producers as the most optimistic sectors in the state. Meanwhile, producers from the North West pastoral areas were found to be expressing the highest levels of confidence by region.

This quarter, participants were specifically asked their views about the impacts of the war in Ukraine on agribusiness, with 45 per cent of NSW farmers surveyed believing the conflict would have a negative or very negative effect on their farm business, while 27 per cent think there would be some positive impact.

Rabobank regional manager for southern NSW Sally Bull said domestically, business conditions were currently exceptional for livestock and grain producers, however significantly rising costs for critical inputs - in particular fertiliser, diesel and construction materials - were impacting margins and prompting some farmers to change their plans.

Ms Bull said there were mixed impacts for farmers from the war in Ukraine. She said some farmers were “certainly very conscious of the impact of global events on the cost and supply of key inputs”, but on the flipside, the conflict was also driving up Australian grain prices.

Across the state, this quarter’s survey – completed last month – found 28 per cent of NSW farmers were expecting business conditions to improve in the coming 12 months, a drop from 38 per cent with that view in March. More than half (54 per cent) forecast conditions



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to remain stable (up slightly from 47 per cent last survey) while 13 per cent believe conditions will worsen (from 11 per cent).

The survey found the biggest driver of positive sentiment among NSW farmers this quarter has been rising commodity prices, cited by more than three quarters of those expecting conditions to improve. Rising input costs impacted sentiment for those expecting business conditions to deteriorate.

“Prices are very good for every commodity, but are definitely curtailed by high input costs,” Ms Bull said.

“Inflation overall is also starting to become a concern, as is the task of trying to fill vacancies for skilled or higher-level management or operational roles.

“The use of contractors is rising in both the livestock and cropping sectors as farmers seek well-equipped and skilled professionals to undertake priority tasks at certain times of the year. The trend of investing in labour-saving or more efficient technology is also continuing as a way of overcoming labour shortages.”

She said seasonal conditions across the state were “mostly very good”, but, after a very wet summer and autumn, some areas were now virtually waterlogged any time it rained.

Ms Bull said producers impacted by the late summer flooding in the Northern Rivers region were in a rebuilding phase and many will have significant disruption to their operating “rhythm” for some time.

The latest survey found grain producers were the most positive sector in NSW, with just under half expecting conditions to improve.

Ms Bull said grain prices were still very strong, which was helping sentiment, but added the very wet ground was affecting winter crop planting in a few regions, particularly in the central and south west of the state.

The state’s livestock producers weren’t as optimistic – 22 per cent of beef producers and 19 per cent of sheep farmers expected business conditions to improve in the 12 months ahead.

Ms Bull said there is “likely a view among livestock producers that the ongoing high prices won’t go on forever” which may be reflected in some of the decline in sentiment.

The survey revealed very high levels of cotton sector optimism. Ms Bull said cotton prices were the “silver lining” during a cotton harvest which has had some challenges due to wet conditions.

“Excellent water availability is helping underpin long-term positivity, with next year’s crop all-but certain based on available water in all cotton-growing regions,” she said.



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Ms Bull said fine wool prices have crept up this year and demand has returned post-covid, however, wet conditions have significantly increased animal health pressures in sheep flocks, while also compounding existing shearer shortages, which show no sign of easing.

Across the state, she said, farm balance sheets were still extraordinarily healthy thanks to consecutive years of good seasonal conditions, high prices and low interest rates, but many were wary of the looming margin pressure from high input prices combined with potentially lower yields, especially if conditions remain as wet.

However, while the survey reveals optimism has dipped among the state's farmers, 42 per cent of NSW respondents are still forecasting gross farm incomes to increase over the 12 months ahead, and the same number expect incomes to be the same as the past year.

Investment intentions are also still very high, particularly for additional farmland or off-farm property. According to the survey, 61 per cent of NSW farmers intend to maintain high levels of business investment.

On-farm infrastructure, new plant and machinery and increasing livestock numbers are the three key investment areas for those intending to increase capital spending in their businesses, while expanding the farm enterprise was identified by just under 20 per cent of those boosting investment.

Ms Bull said unlike residential markets, the heat has not come off rural property and demand to buy farms was still intense.

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 September 2022.

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