



Uptick in NSW farmer confidence in latest quarter

Results at a glance:

- *NSW farmer sentiment has risen in the latest quarter after a considerable decline in the previous survey.*
- *Rising commodity prices cited as the chief cause for lift in optimism.*
- *Farm investment intentions, however, continue to soften.*

New South Wales farmers are finishing the year in slightly improved spirits, with an uptick in confidence reported in the latest quarterly Rabobank Rural Confidence Survey.

The quarter four survey, released today, found expectations of rising commodity prices were the primary driver of the improvement in sentiment.

And while concerns about drought were shown to be increasing in the survey, recent rainfall across many parts of the state is likely to have buoyed farmer sentiment further.

The latest survey found while still wedged firmly in negative territory – with considerably more farmers reporting a pessimistic than optimistic outlook on the year ahead – NSW farm sector sentiment had risen this quarter, after recording a considerable decline in the previous quarter.

Of the 15 per cent of farmers who now think the agricultural economy will improve in the coming 12 months (up from eight per cent last quarter), the majority (58 per cent) are buoyed by the outlook for commodity prices.

For those NSW farmers reporting a negative view on the year ahead (a considerable 61 per cent), the spectre of drought was a growing concern (nominated by 64 per cent, up from 45 per cent last survey).

Rising interest rates, however, were shown to be less of a worry – nominated by 15 per cent of farmers expecting conditions to decline (down from 19 per cent previously).

High input costs and government intervention/policies were slightly more of a concern this quarter – cited, respectively, by 31 per cent and 18 per cent of those farmers expecting business conditions to worsen (up from 29 per cent and 13 per cent last quarter).

Rabobank regional manager for Central and Northern NSW Toby Mendl said “anecdotally, there has been a general lift in farmer confidence in recent weeks off the back of good rainfall received in central and northern parts of the state” – and this may not have been fully captured during the period the survey was in the field.



Pastures have responded quickly to the rainfall, he said, “which is providing improved confidence, particularly for farmers in the north of the state, albeit they are remaining cautious on what the coming season will bring”.

Mr Mendl said the year had been a “very patchy one” for seasonal conditions in New South Wales.

“We have seen extremely different seasonal conditions across the state, with northern NSW and north west pastoral areas being incredibly dry until recently,” he said. “While through the Riverina and southern regions, farmers have generally enjoyed good seasonal conditions delivering good quality pastures and crops.”

The survey, completed last month, found the state’s sheep producers to be the most optimistic in their outlook, hopeful prospects would be turning for the sector after recent price and market challenges.

Almost a quarter (22 per cent) of NSW sheep producers reported they were expecting agribusiness conditions to improve in the year ahead, while 21 per cent were expecting conditions to remain unchanged. And although 52 per cent expected a decline in economic conditions, this was down from 66 per cent with that view in the previous survey.

Rising commodity prices and good seasonal conditions were the chief reasons cited by those sheep producers with an optimistic outlook.

“In the south of the state, the quality and condition of sheep has been reasonable, given the availability of good livestock feed in southern NSW,” Mr Mendl said. “It has though been a tough year for sheep producers dealing with the combination of weak demand and strong supply.”

This quarter, 63 per cent of NSW beef producers surveyed believe business conditions would worsen in the coming 12 months (up from 59 per cent last quarter), while 17 per cent are expecting an improvement – up from nine per cent previously.

“NSW beef producers are hoping that we reached the bottom of the market, with cattle prices finding a floor in October and beginning to level out. The recent rain across northern NSW and Queensland has seen NSW restocker steer saleyard prices jump 49 per cent since the beginning of October,” Mr Mendl said. “Hopefully if seasonal conditions continue to improve, there will be incremental improvements in the market.”

Of those NSW beef producers expecting economic conditions to decline, falling commodity prices were a concern for 55 per cent (previously 64 per cent) with dry seasonal conditions a worry for 68 per cent (previously 50 per cent).

The state’s grain sector reported a slight uplift in the number of growers taking a positive view on the year ahead – 19 per cent compared with 12 per cent last quarter – however, the majority (59 per cent) believe conditions in the agricultural economy will decline (up from 56 per cent previously).



“There have been some very good crops grown through the Riverina this season,” Mr Mendl said. “But due to the dry start to the season, it has been a mixed bag across central and northern NSW cropping regions. Crops are still being harvested, and harvest results are unknown in many areas, but there are reports of better-than-expected yields.”

The survey found NSW cotton grower confidence overall had declined significantly this quarter, with only eight per cent of growers expecting agribusiness conditions to be better in the year ahead (23 per cent previously), while 70 per cent are expecting conditions to decline (33 per cent previously).

Cotton growers nominated drought and easing commodity prices as chief reasons for their more pessimistic outlook.

Investment intentions amongst the state’s farmers have fallen this quarter, with 31 per cent planning to reduce the amount of investment in their agricultural business over the next 12 months (up from 25 per cent with that intention in the third quarter) and only 13 per cent planning to increase investment (down from 18 per cent).

Mr Mendl said through the course of 2023, farmers have been increasingly cautious with all spending – taking into account reduced incomes and poorer seasonal conditions – focusing spending on essential equipment and infrastructure.

“Farmers invested heavily back into their businesses in recent years though, capitalising on the combination of strong commodity prices and good seasonal conditions, which has placed them in a good position,” he said.

Of those farmers in the state looking to increase their investment, the number planning to purchase property has decreased from 23 per cent last quarter to 15 per cent this quarter, while 53 per cent intend to invest in new plant/machinery (almost unchanged from with 52 per cent in quarter three).

The survey found farm debt is expected to rise, with 31 per cent of NSW farmers looking to increase their debt (up from 22 per cent) and 12 per cent expecting to decrease (down from 18 per cent).

NSW farmers overall expect their incomes to fall in the coming 12 months – 65 per cent expecting their income to decrease (up from 53 per cent last quarter) and just 13 per cent expecting incomes to increase (down from 16 per cent).

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 March 2024.



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