



Dry seasonal conditions and softer commodity prices drive fall in NSW farmer sentiment

Results at a glance:

- *NSW farmer sentiment has declined in the latest survey after stabilising last quarter.*
- *More of the state's farmers are concerned about dry seasonal conditions and softer commodity prices, while input costs are still being reported as a worry.*
- *Farm investment intentions have softened.*

An increased number of New South Wales farmers are concerned about the outlook for the year ahead, with dry seasonal conditions and lower commodity prices weighing on sentiment, the latest quarterly Rabobank Rural Confidence Survey has found.

The survey, released today, found farm sector sentiment in the state had recorded a considerable decline after stabilising in the previous quarter.

A total of 60 per cent of NSW farmers indicated they expected conditions in the agricultural economy to deteriorate in the 12 months ahead (compared with 36 per cent in the previous quarter). While 29 per cent anticipated the agricultural economy would remain stable, only eight per cent were forecasting an improvement (down from 14 per cent).

Of those NSW farmers expecting business conditions to worsen, falling commodity prices were the primary reason – mentioned by 64 per cent. And increasing number were also concerned about drought – 45 per cent (up from 30 per cent in quarter two).

And despite returning to more average levels over the past year after spiking in mid 2022, input prices were still factoring as a worry for the state's farmers – cited by 29 per cent as a reason for their negative outlook.

Interest rates, however, were found to be slightly less of a concern – nominated by 19 per cent of those with a negative outlook on the economy (down from 24 per cent previously).

Commodity prices were also cause for optimism for some though – for 51 per cent of those New South Wales farmers with a positive outlook on the 12 months ahead, albeit down from 60 per cent with that view in the previous quarter.

There was also increasing optimism about overseas markets/ economies – nominated by 19 per cent of farmers with a positive outlook (up from eight per cent in the previous quarter).



Seasonal conditions though were less cause for optimism this quarter – nominated by 16 per cent of farmers holding positive expectations, compared with nearly 30 per cent the previous quarter.

Rabobank regional manager for Riverina Sally Bull said “it’s chalk and cheese” with two very different seasonal situations at play in NSW – with central, western and northern areas being very dry – while in southern regions and through the Riverina, farmers have generally been enjoying good seasonal conditions.

“While the season is good across much of the south of the state, southern farmers are still conscious of the prospect of drier seasonal conditions forecast in the year ahead and this is weighing on their minds,” Ms Bull said.

“The growing worry about declining seasonal conditions has dovetailed into general concern farmers have held about softening commodity prices – this is particularly the case for livestock producers.”

The survey, completed last month, found the largest decline in confidence to be observed within the state’s mixed farming sector (grain and livestock) – with 75 per cent of NSW mixed farmers expecting economic conditions to worsen in the year ahead (up from 48 per cent last quarter) and only two per cent expecting an improvement (compared with 18 per cent previously).

Easing commodity prices were identified as their chief concern.

This quarter, 59 per cent of NSW beef producers surveyed believe the economic conditions would worsen in the coming 12 months (up from 37 per cent last quarter), while nine per cent are expecting business conditions to improve – down from 16 per cent previously. And 32 per cent are anticipating conditions to remain unchanged.

Of those NSW beef producers expecting economic conditions to decline, falling commodity prices are the primary concern (for 64 per cent) and dry seasonal conditions are a worry for 50 per cent.

“While cattle prices have eased this year, seedstock producers have generally enjoyed positive results this selling season,” Ms Bull said. “Though at bull sales held in recent weeks we have started to see lower price averages, in some cases up to 30 per cent less.”

Sheep producer confidence across NSW also declined this survey, with the majority of producers (at 66 per cent, up from 25 per cent previously) expecting farm business conditions to worsen.

Over half (56 per cent) of the state’s grain growers believe agricultural economic conditions will decline in the next 12 months (up from 48 per cent previously), with 12 per cent anticipating an improvement (up slightly from eight per cent in quarter two).

“The situation across the state is patchy – with the dry conditions meaning some grain growers in the north of the state chose not to plant a crop this season,” Ms Bull said,



“while in parts of central NSW, crops are good to average – but contingent on receiving rain in the next month or two. And there are some very good crops through the Riverina – though with some impacted by the inability to add urea when needed due to insufficient supply.”

The survey found NSW cotton grower confidence overall had picked up, with 23 per cent of growers expecting agribusiness conditions to improve in the year ahead (no cotton growers held this view in the previous survey), while 40 per cent expect no change and 33 per cent are expecting conditions to decline (29 per cent previously).

For the cotton sector, Ms Bull said, southern NSW has experienced one of its worst production seasons on record – with very poor harvests in the southern valleys. “Cotton growers in northern valleys though have generally fared better and are looking forward to the next season knowing they have full water allocations,” she said.

Investment intentions amongst NSW farmers have fallen this quarter, with 25 per cent planning to reduce the amount of investment in their farm business over the next 12 months (up from 10 per cent with that intention last quarter) and 18 per cent to increase investment (down from 22 per cent).

Ms Bull said farmers are becoming increasingly cautious on all spending – considering the outlook for commodity prices and the season – before committing to investment projects.

Of those farmers looking to increase their investment, the number planning to purchase property has increased from 16 per cent last quarter to 23 per cent this quarter, while 52 per cent intend to invest in new plant/machinery (compared with 34 per cent in quarter two).

The survey found farm debt is expected to rise, with 22 per cent of NSW farmers looking to increase their debt (up from 15 per cent) and 18 per cent expecting to decrease (down from 21 per cent).

NSW farmers overall expect their incomes to fall in the year ahead – 53 per cent expecting their income to decrease (up from 41 per cent last survey) and just 16 per cent expecting incomes to increase (down from 19 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 December 2023.

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