



## ***Inflationary pressures and mixed autumn weather sees NSW farmer confidence wane***

### ***Results at a glance:***

- *NSW farmer confidence has softened after a large rebound in the previous quarter.*
- *Rising input costs, dry seasonal conditions in some parts of the state and livestock commodity price uncertainty the chief factors behind the declining optimism.*
- *Farm investment intentions have come back on quarter one.*

**New South Wales rural sentiment has come down in the latest quarter, as concerns around high input costs, dry seasonal conditions in southern areas and soft livestock commodity prices weigh on farmers' minds, the Rabobank Rural Confidence Survey found.**

**The quarter two survey, released today, saw confidence levels dip for NSW farmers after a rally in sentiment recorded in the previous quarter – with fewer of the state's farmers now taking an optimistic view on the year ahead.**

**The state's farmer sector confidence had staged a large rebound at the beginning of the year, driven by a better-than-expected summer rainfall and promising commodity markets.**

**However, the latest survey, completed last month, found farmer sentiment has fallen from a net reading of +20 per cent in the first quarter of 2024, to -11 per cent – returning to “negative territory” (i.e. with more producers negative than those positive in their outlook).**

**Significantly more of the state's farmers now have a pessimistic outlook on the coming 12 months – 30 per cent (up from 16 per cent in quarter one) and fewer expect farm business conditions to improve (19 per cent, down from 35 per cent previously). A total though of almost half (49 per cent) expect conditions in the agribusiness economy to remain the same in the coming year.**

**The main concerns for NSW farmers this quarter were high input costs (for 36 per cent) and dry seasonal conditions (34 per cent) – the latter reflecting low autumn rainfall totals seen in parts of the state, particularly in some southern regions. Softer commodity prices were a worry for 30 per cent and government intervention/policies and overseas markets/ economies for 24 per cent respectively.**

**Seasonal conditions were, however, also a source of positivity for many of the state's farmers, reflecting the contrasting weather conditions experienced around New South Wales over autumn.**



**A total of 44 per cent of farmers pointed to good seasonal conditions as cause for optimism this quarter, while 30 per cent were optimistic about commodity prices (30 per cent), with those in the sugar sector particularly bullish about prices.**

Rabobank regional manager for Central and Northern NSW Toby Mendl said seasonal conditions varied greatly across the state – much of west, north and north west New South Wales have been enjoying better-than-average conditions as a result of the good summer rainfall and reasonable autumn break. “While in other areas, such as pockets of the northern tablelands, the Monaro and eastern Riverina, farmers are facing dry conditions with little quality pasture growth coming into winter,” he said.

“These dry seasonal conditions are seeing livestock producers off-loading stock, or seeking agistment further north, to avoid feeding stock through the winter.”

The survey found most of the decline in optimism in the state was being driven by the red meat sectors, although beef producers did remain the most optimistic farmers in the state.

Beef sector confidence levels had eased from last quarter, with 30 per cent now reporting a positive outlook on the agricultural economy in the year ahead (down from 46 per cent with that view in quarter one) and the number of beef producers anticipating a deterioration in agribusiness conditions had climbed to 25 per cent (from eight per cent). Those expecting conditions to remain the same was steady at 43 per cent.

Mr Mendl said conversations with NSW beef producers attending the recent Beef 2024 event in Rockhampton were upbeat, with many holding the expectation cattle prices would improve in the second half of the year. “There is a feeling in the sector that global beef demand, led by the US market, will start to have a stronger influence on the Australian cattle market, providing upside to cattle prices towards the back end of 2024 and into 2025,” he said.

The survey found confidence levels had also eased among NSW sheep producers, with just 15 per cent expecting farm business conditions to improve in the year ahead (down from 33 per cent last quarter).

“The extended dry in some areas of southern NSW meant sheep producers who had been supplementary feeding faced higher-than-expected feed bills,” Mr Mendl said. “This, paired with a sheep market and prices well below five-year averages – albeit up from the lows of 2023 – have impacted profit margins.”

Though their confidence levels remained overall relatively low, there was a lift seen in grain producer sentiment. The percentage of NSW grain growers expecting improved economic conditions in the year ahead lifted slightly – to 15 per cent (from 12 per cent last quarter), although there was a notable drop in the number believing conditions in the agricultural economy would decline (down to 21 per cent, from 38 per cent previously).

“Good sub-soil moisture profiles in most regions of the state mean grain growers are happily planting winter crops, or have already finished,” Mr Mendl said “And due to delays created by the beneficial rain during summer, some grain growers in the north west of the



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state are still harvesting summer crops. The summer crops harvested in the Riverina – corn and rice – are reporting very good yields. However, the eastern Riverina grain growers are now needing rain to kick-start their winter crop rotation – that has already been sown.”

For the state’s cotton growers, the survey also found slightly improved confidence levels, with an increasing number of growers now reporting an optimistic outlook on the agribusiness economy in the coming year. However, there was also some increase seen in the number of cotton growers expecting agribusiness conditions to decline.

“The southern cotton growers experienced a much stronger yield result compared with last year, although there are some crops still to be picked across the state, on the back of delays due to recent rain events,” Mr Mendl said.

Overall, investment intentions for NSW farmers are lower this quarter, with 21 per cent now planning to invest in their farm businesses (down from 24 per cent with that view previously) and 11 per cent of farmers saying they will decrease on-farm investment in the year ahead (up from eight per cent).

Mr Mendl said farmers were taking a cautious approach to spending on their businesses – taking into account the current interest rate environment, high input costs and the uncertainty around the timing of improved commodity prices.

The survey found spending on on-farm infrastructure was most commonly planned by the state’s farmers (by 69 per cent). This quarter, the other most planned spending was on adopting new technologies (37 per cent) and spending on irrigation/water infrastructure (26 per cent).

Interest in property purchase amongst NSW farmers remains “relatively flat”, with 11 per cent looking to buy agricultural land in the year ahead.

“There has been a significant reduction in the number of farms being put on the market in recent months,” Mr Mendl said. “In comparison with previous years, the depth of the market feels a little subdued.”

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 2024.

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