



Rabobank

Media Release
November 30, 2015

Drought continues to dampen farmer confidence in Queensland's north

Results at a glance:

- *Confidence dips further into negative territory, with 41 per cent having a negative outlook*
- *Strong beef prices limit the fall in confidence, while sugar producers benefit from recent market improvement*
- *Long-term confidence remains sound, reflected in investment intentions and appetite to upskill via education/training*

Sentiment among North Queensland farmers declined further into negative territory this quarter, with nearly three-quarters expecting conditions to remain similar to last year or deteriorate further, the latest Rabobank Rural Confidence Survey has found.

While overall confidence remained fragile, the region's farmers were more positive about their longer-term prospects – highlighted in relatively robust investment intentions and their appetite to upskill through education and training.

The latest survey – completed last month – found 41 per cent of North Queensland's farmers expected conditions in the agricultural economy to worsen over the next 12 months. While this was the same level as last quarter, this survey the number expecting conditions to improve declined to 25 per cent (down from 31 per cent), while 31 per cent expected similar conditions to last year.

While these results saw the net rural confidence indicator slip to -16 per cent (down from -10 per cent), the decline was halted somewhat by the strength of the cattle market, with beef producers remaining positive about their prospects for the coming year.

Rabobank regional manager North Queensland & Northern Territory Trent McIndoe said while there had been “no widespread rain to speak of” in the region, farmers were hopeful that recent projections by the Bureau of Meteorology around the El Nino weather pattern breaking early next year would eventuate.

“Based on history, the dissipation of an El Nino weather pattern can bring good rainfall in our part of the country, and farmers are hopeful it will bode well for our monsoon season – which would be the first wet season in three, or in some cases, four years,” he said.

Mr McIndoe said while there had been some storm activity in recent weeks, they were very isolated rainfall events, and that significant falls were needed to alleviate the dry conditions.

Rainfall was also needed along the coast, Mr McIndoe said, with inflows into key irrigation water storages, such as the Burdekin system, sitting at only 60 per cent of capacity and allocations down to 50 per cent.



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“Sugar growers in the Burdekin have been heavily reliant on irrigation this season, which has increased their cost of production, with 80 per cent of North Queensland’s producers reporting an increase in input costs this survey,” he said.

Input costs emerged as the primary driver of subdued confidence, cited by 52 per cent of the region’s farmers who expected conditions to worsen – up from just 11 per cent with that concern in the previous quarter.

Drought was ‘front of mind’ for 43 per cent of respondents who had a pessimistic outlook, up from 26 per cent, while commodity prices were also raised as a key concern by 45 per cent.

For the sugar sector, Mr McIndoe said, prices had continued to rise since the survey was conducted, climbing from their seven-year low of US 11 cents a pound and currently sitting just under US 15 cents a pound on the back of the projected production deficit in the 2015/16 season.

“In domestic terms, this has equated to around a 40 per cent increase in prices – with Australian sugar prices averaging just under \$460/tonne in the first two weeks of November,” he said.

“That said, there is still a lot of sugar in the market, and this is likely to cap any significant upswing in prices – but it seems as though the worst of the downward cycle in global sugar prices may have passed.”

In the beef industry, Mr McIndoe said prices had recently returned to high levels, underpinned largely by strong demand in key export markets.

Mr McIndoe said, positively, underlying longer-term confidence among farmers continued to appear sound, reflected in investment intentions – with 77 per cent of respondents looking to either increase investment in their farm business (14 per cent) or maintain it at current levels (63 per cent).

Longer-term confidence was also apparent in farmers’ appetite to increase their skills/knowledge, with one-third of the region’s producers looking to upskill through training over the coming year.

While the majority (78 per cent) were considering training around on-farm management practices, more than half of the respondents (56 per cent) were looking to upskill in the area of emerging technologies – for example, data capture, GPS and drones.

“In light of the difficulty in attracting labour, we have seen cane farmers increasingly invest in technology to increase their efficiencies and they have made huge inroads in productivity improvements and water-saving techniques,” Mr McIndoe said.

“In the cattle industry, much of the technology is currently being trialled, but there are opportunities for digital technologies to help producers track and monitor their mobs, including individual measurements of their supplementary feed intake. And this would no doubt increase efficiency, as producers look to reduce the manual handling of their cattle.”



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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 2016.

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