



Drought concerns see negative outlook returning to Queensland rural sector

Results at a glance:

- *After re-bounding last quarter, rural confidence has again been dampened by drought*
- *However, strong commodity prices (particularly beef) limit the impact, with more farmers still expecting conditions to improve, than deteriorate*
- *Long-term confidence remains sound, reflected in investment intentions and appetite to upskill via education/training*

Drought conditions, which continue to affect 80 per cent of Queensland, are weighing down farmer sentiment, with confidence returning to a downward trend in the latest quarterly Rabobank Rural Confidence Survey.

However, while overall rural confidence was down in the state, there continues to be more primary producers with a positive outlook than those with a negative view of the 12 months ahead, the survey has shown. This is largely underpinned by strong sentiment in the beef industry and among grain growers.

The latest survey – completed last month – found the proportion of Queensland primary producers expecting conditions in the agricultural economy to improve in the next 12 months fell to 31 per cent, from 49 per cent previously.

Those expecting conditions over the coming year to worsen rose slightly to 22 per cent (up from 17 per cent who held that view three months ago), while 38 per cent expected similar conditions to the previous year.

Rabobank state manager for Queensland and Northern Territory Brad James said while parts of drought-stricken Queensland had recorded good falls of rain from storms in past weeks, it had been very patchy and widespread rain was needed to “turn things around”.

"It is promising that there has already been some storm activity, but we need a good wet season which has been virtually non-existent for several years for many producers in the state," he said.

"Farmers are hopeful that the El Nino weather pattern will break down early next year, as is being indicated in the Bureau of Meteorology's forecasts, and this would augur well for monsoonal activity."

In line with recent previous survey results, Mr James said, beef producers continued to look to the future with optimism, while grain growers were also positive about their prospects.

"While many of the state's graziers haven't had the cattle to capitalise on the strong prices, the fundamentals look set to remain strong for the foreseeable future with red meat consumption continuing to increase in key markets, such as Asia, and our domestic cattle herd at one of its lowest levels in 15 years."



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Mr James said, with interest rates and the Australian dollar also at low levels, “the planets were aligned” for the state's beef producers, but it all hinged on rain.

In the grains industry, he said, the state's wheat crop was looking particularly good in the areas west of Dalby, but yields were down in the north – with the wheat crop expected to come in at around last year's harvest.

Queensland cotton production was reasonable in many areas and looking to come in significantly higher than 2014/15.

While concerns about seasonal conditions were ‘front of mind’ for many of the state's producers, this was largely offset by strong commodity markets with nearly three-quarters (73 per cent) of those expecting conditions to improve citing commodity prices as cause for their optimistic outlook.

While this wasn't reflected in sentiment amongst the state's sugar producers in the survey, Mr James said, “sugar prices had increased by around 40 per cent since the lows recorded when the survey was conducted and had averaged just under \$460 per tonne during the first 2 weeks of November”.

“For the first time in five years, the global sugar market is expected to record a production deficit,” he said “however, there is still a lot of sugar in the market, which is likely to cap any further significant upswing in price”.

Of those Queensland producers with a negative outlook in the latest survey, 63 per cent attributed this view to the drought. This was up from 41 per cent who nominated drought as their concern in the previous survey.

In line with overall confidence levels, producers also had a more bearish outlook on their own farm business performance, with only 29 per cent expecting a stronger farm business performance, compared to 46 per cent in the previous survey.

Mr James said longer-term confidence among producers appeared to remain sound however, with 26 per cent of the state's producers looking to increase investment in their businesses over the coming year and a further 58 per cent intending to maintain existing levels of investment.

“Over the past few years, many producers have got through this drought by essentially ‘putting the cheque book away’,” he said. “And while producers will employ different strategies to recover, many of our clients are well capitalised and in a sound position to restock or re-establish crops when the seasons do return.”

Mr James said longer-term confidence was also reflected in the appetite among Queensland’s farmers to increase their skills and knowledge through training.

“The survey found more than one-third of the state's producers (35 per cent) are intending to upskill, which is slightly above the national average in the survey,” he said.

Queensland producers indicated they were particularly interested in enhancing their on-farm management practices (70 per cent), but there was also a keen interest in emerging technologies (60 per cent) such as data capture, GPS and drones.



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"Producers can see the potential of these new technologies, such as using drones to check water points, but much of this technology is still in its infancy stage and so is not readily adopted," Mr James said.

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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