



Drought continues to bite in North Queensland – quarterly rural confidence survey

Results at a glance:

- *Prevailing dry conditions continue to weigh on North Queensland farmer sentiment*
- *Record beef prices provide some buffer, with cattle producer sentiment remaining firm*
- *Confidence weak among sugar producers due to lower prices and high input costs*
- *Nearly two-thirds of farmers strategically planning for drought-preparedness*

Ongoing dry conditions continued to weigh on sentiment among farmers in North Queensland, with nearly half of the region’s producers having a negative outlook on the coming year, according to the latest Rabobank Rural Confidence Survey.

While strong beef prices have underpinned sentiment somewhat, another dry monsoonal period, as well as a decline in the sugar price, has driven the region’s net rural confidence index well into negative territory.

Underlying confidence in the beef industry remains firm on the back of positive demand fundamentals.

With the sustained dry conditions, nearly two thirds of the region’s farmers indicate they are engaging in drought-preparedness measures.

The latest quarterly Rabobank Rural Confidence Survey, completed approximately a month ago, found 48 per cent of farmers in North Queensland expect conditions to worsen over the coming year – up from a third who held that view in the previous survey.

Those with a stable outlook on the year ahead stood at 27 per cent, while around a quarter of farmers (23 per cent, down from 34 per cent) believed conditions would improve.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions, on average, 1000 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis.

Rabobank regional manager North Queensland & Northern Territory Trent McIndoe said that with the window closing on another failed monsoon, a large number of producers across northern and western Queensland were now bracing for another year of drought.

“The severity and prolonged nature of the drought is for some the worst in living memory,” Mr McIndoe said.

“Thankfully, beef prices have rallied and are trading at record levels across some categories, and this is supporting confidence amongst beef producers who are doing it tough seasonally.



“We have also seen some orders for live export include lighter cattle, with some specs relaxed to as low as 220 kilograms, which has helped producers lighten off some of their stock in this strong market.”

Mr McIndoe said that while the season remained dry in the west of the state, with most of western Queensland drought-declared, a lot of the coast had also missed normal rains during the monsoonal period.

“This has created challenging conditions for many sugar producers, with weather dry around Ingham/Tully and farmers in the Burdekin relying heavily on irrigation – which has added an additional cost pressure,” he said.

“And margins are already under pressure, with the cane price currently sitting around \$36 to 38 dollars per tonne, which is only marginally above the cost of production.”

Mr McIndoe said there was little upside for sugar prices in the near term, due to the overhang of high global stocks, as well as the depreciation of the Brazilian currency, although Australian growers were partially protected by the weaker dollar.

With commodity prices (largely in the sugar industry) and drought the biggest drivers of weaker sentiment this quarter, 67 per cent and 61 per cent of North Queensland farmers expecting conditions to worsen cited these factors. This was a greater proportion of respondents than last quarter, up from 20 per cent and 36 per cent respectively.

A similar proportion of the region’s farmers to last quarter also expressed concerns around higher input costs (31 per cent).

In line with overall confidence levels, farmers revised down their expectations for the future performance of their own farm business – with net confidence falling to -36 per cent in this index (down from 14 per cent previously).

This was reflected in forecasts for gross farm incomes over the next year, with 46 per cent expecting lower incomes and 30 per cent expecting them to be the same as last year. While 22 per cent expected an improvement in income.

Farmers, however, indicated more confidence in the longer-term outlook with their investment intentions easing only slightly.

Overall, the survey showed 77 per cent of farmers in Northern Queensland are expecting to increase or maintain the level of investment in their own farm business over the next 12 months. Of these, 16 per cent plan to up investment – compared with 20 per cent with that intention last survey.

This quarter, farmers were also questioned on drought-preparedness.

“Close to two-thirds of North Queensland farmers indicated that they have been strategically preparing for drought through selling livestock, upgrading stock water infrastructure, storing fodder or managing their pastures,” Mr McIndoe said.

“However, many farmers in our region are currently experiencing unprecedented dry conditions, and no amount of drought-preparedness would mitigate the impact of this.



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Media Release

June 1, 2015

“That said, they have hunkered down and are managing conditions as best as they can, with many just trying to get their core breeding cattle herds through.”

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 2015.

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