



Ongoing dry conditions and declining sugar prices weigh on Queensland farmer confidence

Results at a glance:

- *Confidence moderates, though remains at positive level*
- *Market fundamentals underpin beef confidence, but drought continues to bite*
- *Sentiment falls in the sugar industry, with weaker price dynamics*
- *67 per cent strategically planning for drought-preparedness*

Queensland rural confidence has moderated, with declining sentiment among sugar growers and concerns about ongoing drought conditions outweighing optimism in the beef sector.

However, the latest quarterly Rabobank Rural Confidence Survey shows Queensland farmer confidence still tracking at levels above where it has been sitting since mid-2011.

With sustained dry conditions throughout much of the state, nearly 70 per cent of farmers indicate they are engaged in drought-preparedness measures.

The latest survey – completed approximately a month ago – found the state’s farmers were almost equally split in whether they expect conditions to improve (34 per cent, down from 41 per cent) or remain similar to last year (36 per cent).

Approximately a quarter of the state’s farmers (24 per cent) expect conditions to worsen over the coming year, slightly up on last quarterly survey’s reading of 21 per cent.

Sentiment amongst sugar growers weighed on overall confidence levels, while beef producers remained positive on the back of strong market fundamentals.

Prevailing dry conditions remained a key concern, with little follow-up to the rains that fell earlier in the year, and the central-west remaining in profound drought.

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 state manager for Queensland and Northern Territory, Brad James said the extreme dry conditions continued to hamper confidence in Queensland, with some in the state’s central-west facing their worst drought in living memory.

“If you drew a large radius around Longreach, that area is now entering their fourth year of drought,” he said.

“And while the season remains reasonable along the coast, another failed monsoon season has resulted in drier-than-normal conditions in key sugar-growing areas around Mackay and in the Burdekin.”



The impact of season was reflected in the results, with 64 per cent of Queensland farmers who were expecting conditions to worsen attributing this to seasonal conditions. Conversely, the season was cited as a positive driver of confidence by 41 per cent of those with an optimistic view.

The dynamics driving commodity markets remained a key determinant of confidence, with 63 per cent of farmers expecting conditions to improve buoyed by the commodity price outlook – a similar proportion to last quarter.

Mr James said beef producers were particularly upbeat, with prices currently trading around unprecedented levels.

“For example, we are seeing grass fed bullocks fetching \$4.50 a kilogram – with this indicator never really previously reaching \$4 a kilogram,” he said.

“Beef producers are on the edge of something great, but they need a decent season to really capitalise on the market.”

In contrast, Mr James said the spot sugar price had fallen to around AUD\$360 per tonne of cane.

“The current price is below what many would consider the cost of production, and there is little upside in the near term due to the overhang of global stocks and the depreciation of the Brazilian real,” he said.

Mr James said confidence remained positive in the grain and cotton sectors, with cotton producers reporting excellent yields and quality.

“Irrigation storages remain a key concern however, with cotton production down to around half of last year – with hardest hit regions including the Dirranbandi and Macintyre valleys,” he said.

“So much will depend on rain over coming months, but we would expect allocations to be tight again next season.”

In line with overall confidence levels, farmers also had a more moderate outlook on expectations their own farm business performance, with the net confidence indicator easing to 10 per cent, down from 25 per cent.

This correlated with the outlook for gross farm incomes, with around a third of farmers (35 per cent) expecting an improved income and a further third (38 per cent) expecting a similar income to last year. While a quarter (24 per cent) expect their income to be down on last year.

Queensland farmers’ investment intentions remained fairly steady with 84 per cent intending to maintain or increase the level of investment in their farm business enterprise (down slightly from 89 per cent last quarter). Of those, 18 per cent were planning to increase their investment.

This quarter, farmers were also asked questions around their drought-preparedness.



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“A total of 67 per cent of Queensland farmers indicated that they are strategically planning for drought through selling livestock, storing or growing fodder, upgrading stock water and irrigation infrastructure and managing their pastures.

“This is certainly a very positive indicator of how proactive farmers are in the way they try to safeguard their business,” Mr James said. “However, that said, there are many farmers who are currently experiencing the sort of extreme dry conditions that are unprecedented, and no amount of drought-preparedness would be able to mitigate the impact,” said Mr James.

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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