



## ***'Drought-breaking' rain needed to lift farmer spirits in North Queensland***

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

- *Lack of good monsoonal rain suppresses farmer confidence in North Queensland*
- *Commodity markets provide a boost however, with cattle prices hitting record levels early in year*
- *Drop in the AUD and low interest rates also underpin longer-term confidence*

**Lack of good monsoonal rain has kept a lid on the region's farmer confidence this quarter, with large parts of north-western Queensland entering a third consecutive year of drought.**

**The latest quarterly Rabobank Rural Confidence Survey has seen North Queensland farmer confidence remain subdued, with a net confidence index reading of one per cent.**

While many areas welcomed reasonable falls earlier in the season, lack of follow-up rain has limited its impact – and some areas missed out altogether.

On the upside however, beef prices hit record levels earlier in the year. Although they have since eased, there are positive signs that they will remain above the long-term average.

The survey – completed last month – found the region's farmers were almost evenly split in their outlook with 34 per cent expecting conditions to improve and 33 per cent expecting them to worsen. Those with a stable outlook stood at 32 per cent.

While short-term confidence remained hampered by the dry season, underlying confidence remains sound, with eight out of 10 farmers looking to increase or maintain their level of investment over the coming year.

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 while the season remained tough for many, the sector was facing some positive fundamentals.

"After trading around parity for much of the past five years, the depreciation of the Australian dollar has provided a welcome reprieve for beef and sugar producers. And there is little to suggest that it will hike back to recent levels in the short to medium-term," Mr McIndoe said.

"The market outlook for beef and sugar is also sound, with demand from export markets remaining strong for beef and there being some relatively sound pricing for



sugar contracts over the next couple of seasons. This, coupled with historically low interest rates, is helping to underpin long-term confidence in the industry.”

Mr McIndoe said that while market fundamentals had improved, the season remained front of mind.

Half of the respondents who expected conditions to improve over the coming year cited seasonal conditions as cause for their optimism, while the season was also the reason 36 per cent of those with a negative outlook expected conditions to worsen.

“Farmers were much more positive earlier in the year on the back of good rains, however lack of follow-up has seen many miss the grass-growing period,” Mr McIndoe said.

“Additionally, given that the monsoon period has largely passed, farmers are bracing for another dry spell and many have had to continue to feed cattle or will look to start again soon.”

Mr McIndoe said that canegrowers were also feeling the impacts of the drier season, with many in the Burdekin irrigating more than usual for this time of year.

“Global prices remain pressured by the Brazil real/US dollar currency rate as well as high global stocks – albeit domestic returns have been shielded somewhat by the lower Australian dollar,” Mr McIndoe said.

With farmers divided in their outlook as to whether conditions would improve or worsen over the coming year, they were largely in agreement about the outlook for commodities.

Three-quarters of those with a positive outlook on the coming year cited the commodity price outlook as the reason they expected an improvement, while just 20 per cent of those with a negative view were concerned by the market outlook.

“Cattle markets started the year with a bang, although prices have since come off a little. Numbers destined for the feedlot, meatworks or live export market are still high reflecting the continuing dry conditions and the store market is tougher as we are starting to see demand from restockers wane with the lack of rain,” Mr McIndoe said.

The lower dollar was also a positive driver of sentiment for 24 per cent, while the state of overseas markets was reported by 15 per cent.

In contrast, farmers expressed some uncertainty around the recent change in government and input costs (primarily in the sugar industry).

While farmers were neutral in their outlook for the overall agricultural economy, they were more upbeat about the outlook for their own farm businesses. A third of farmers expected a stronger financial performance over the coming year, while 45 per cent expected a similar result to the previous 12 months. Those expecting a deterioration in their bottom-line remained similar to last quarter at 20 per cent.

Mr McIndoe said low interest rates, coupled with the low dollar and positive price signals, were underpinning long-term investment intentions – however some expansionary plans would be put on hold by the season.



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## Media Release

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Over the coming year, 20 per cent of the regions farmers are looking to increase their level of investment while 61 per cent are expecting to maintain it.

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 June 2015.

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