



Cattle market underpins sentiment in North Queensland

Results at a glance:

- *Commodity prices remain the key driver of rural confidence in North Queensland*
- *Prices underpin sentiment in the beef industry, but weigh on sugar*
- *The drought puts productivity improvements on hold – with 32 per cent making efficiency gains in past five years*

The drought continues to weigh heavily on sentiment among North Queensland's beef producers, however they are starting to see some 'light at the end of the tunnel' as the cattle market continues to reach new heights.

Canegrowers are not so hopeful about their prospects, with prices testing seven-year lows.

Rabobank's latest Rural Confidence Survey – completed last month – reported an improvement in overall confidence, albeit the net indicator remained in negative territory.

This quarter, 41 per cent of farmers in North Queensland expect conditions in the agricultural economy to worsen over the coming 12 months – down from 48 per cent with that view in the previous survey.

Close to a third of NQ farmers (31 per cent), however, were positive about the outlook (up from around 23 per cent previously), while 27 per cent (the same as last quarter) expected conditions to remain similar to last year.

Rabobank regional manager North Queensland & Northern Territory Trent McIndoe said while the season remained dire across much of North Queensland, farmers had been managing it for the past three years and most producers are focusing on maintaining a nucleus herd.

"Seasonally, it has been tough for so long that farmers are focused on getting through each day until they get a season, or even half a season," Mr McIndoe said.

"But we are starting to see farmers look forward with some optimism so that once there is some rain about, they will be able to take advantage of the strong sentiment in cattle markets."

Cattle prices continue to hit new records, Mr McIndoe said.

"They [prices] are really in uncharted territory leaving us to wonder how much higher they will go. For example, we have seen steers destined for the live cattle market fetch \$2.45 per kilogram lately out of Townsville – which is really providing a boost to confidence," he said.

While the beef producers were buoyed by the strength of the cattle market with three-quarters of them citing prices as the reason conditions would improve, the survey showed canegrowers were relatively downbeat.



“The survey showed that 70 per cent of the state’s canegrowers expect conditions to worsen over the coming year – largely due to weak pricing in global markets,” Mr McIndoe said.

“The global sugar price, ICE # 11, is now trading around USc 11/lb, which is at levels we haven’t seen since 2008. And there is little upside over the short-term as global stocks remain high and the market enters its fifth year of surplus.

“From a production point of view, the cane season is going well with there being no disruptions to harvest. However, the Yellow Canopy Syndrome continues to create some headaches, as they still haven’t put a finger on what causes it and how they can treat it.”

With commodity prices the biggest driver of sentiment this quarter, 47 per cent of farmers expecting conditions to worsen cited prices, down from 67 per cent. However due to disparity in commodity markets, 66 per cent of those who expected conditions to improve also cited prices.

Other key drivers of negative sentiment were concerns around government intervention and policies (37 per cent, up from 12 per cent) and the drought (26 per cent, down from 61 per cent).

Mr McIndoe said the drought had also suspended advancements in productivity, with 32 per cent of the region’s farmers indicating that their productivity had increased over the past five years – compared to the national average of 57 per cent.

“While farmers are always looking for ways to lift productivity, they have really just bunkered down and are concentrating on coming out of this drought in the best shape possible,” he said.

“We have seen some positive efficiency gains in the sugar industry however, with farmers making informed decisions on their fertiliser rates using GPS technology and continually looking at ways to improve their water-use efficiency.”

The results from the survey revealed that while productivity gains had been largely put on-hold, farmers were managing their costs, remaining up-to-date with the latest information and research and investing in on-farm infrastructure.

Mr McIndoe said the results also highlighted the importance of access to global markets, investment in R&D and access to new technology and genetics to ‘unlock’ future productivity growth.

The impact of drought and poor sugar prices was also reflected in investment intentions, with 10 per cent of farmers looking to increase their level of investment over the coming 12 months (down from 16 per cent) while 69 per cent were looking to maintain it.

That said, the strength of farmers’ balance sheets was evident with 33 per cent of farmers looking to reduce debt over the next 12 months – up from 15 per cent.



Rabobank

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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 December 2015.

Rabobank Australia is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 115 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 40 countries, servicing the needs of approximately 8.8 million clients worldwide through a network of close to 1000 offices and branches. Rabobank Australia is one of the country's leading rural lenders and a significant provider of business and corporate banking and financial services to the Australian food and agribusiness sector. The bank has 61 branches throughout Australia.

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