



## ***Despite drought, sentiment picks up among Queensland beef producers***

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

- *Queensland reports large upswing in rural confidence, with 49 per cent expecting conditions to improve*
- *Beef producers the most upbeat in their outlook, despite the ongoing drought*
- *Low prices weigh on sentiment in the sugar industry*
- *However, drought and sugar price put a lid on capital expenditure and efficiency gains*

**Farmers across Queensland are looking to the future with a sense of optimism, with nearly half of the state's farmers expecting conditions to improve.**

**Record beef prices and strong returns for grain and cotton are underpinning much of the sentiment, while lower interest rates and the Australian dollar are also buoying confidence.**

**However, the drought continues to take its toll as farmers manage the tough conditions and hold out for the next break in the season.**

The latest Rabobank Rural Confidence survey – completed last month – reported an upswing in overall confidence levels with the net indicator remaining firmly wedged in positive territory.

Close to half of the state's farmers (49 per cent) now expect conditions in the agricultural economy to improve over the coming 12 months, up from 34 per cent last quarter. A total of 32 per cent expect the agricultural economy to remain similar to last year, while those expecting conditions to worsen fell to 17 per cent, down from 24 per cent.

Beef producers underpinned much of the positive sentiment, with 63 per cent expecting conditions to improve while grain and cotton producers were also upbeat about the outlook. In contrast, sugar growers were downbeat about their prospects with 70 per cent expecting conditions to worsen over the short-term.

Rabobank state manager for Queensland and Northern Territory, Brad James said while the ongoing effects of the drought remained profound across large parts of central and north-western Queensland, farmers had been in a holding pattern for the past three years as they tried to maintain their capital reserves and where possible their core herd.

"The season has certainly curtailed confidence, however it appears that farmers are of the opinion that it 'can't get much worse', so they are focusing on holding their position until the season breaks. Of course it is not all over when it rains, that is just the beginning of the long process of re-establishing the enterprise in any case," Mr James said.

"Many producers have destocked to a point where they can supplementarily feed their core nucleus herd, and for some it means they are down to 10 per cent or less



**Rabobank**

**Media Release**

**August 24, 2015**

of their usual stocking rate. But the strength of the cattle market has provided a real boost to the outlook, which has emerged as the biggest driver of confidence in Queensland.”

Of those Queensland farmers expecting conditions to improve, nearly three-quarters (74 per cent) cited commodity prices as the reason for their positive sentiment – up from 63 per cent in the previous survey.

This was across the board – beef, grain and cotton – except sugar where prices were a negative driver of sentiment.

“The cattle price continues to break new records and trade in uncharted territory, while wheat and cotton prices are holding up well compared to international values,” Mr James said.

“But it is a different story in the sugar industry, with the global price trading at its lowest level in seven years as global stocks remain high with the market entering its fifth surplus year. And there is little upside over the next six-to-12 months, with the depreciation of the Brazilian Real making it attractive for the world’s largest producer to grow cane.”

Despite the severity of the drought, there were parts of Queensland where farmers were buoyed by the season – particularly on the eastern seaboard – with 52 per cent of those expecting conditions to improve citing seasonal conditions as the driver.

Mr James said that in southern Queensland, those who have ‘nabbed’ rain at the right time are reporting good crop emergence.

“Some in the inner Downs are reporting one of their best winter cropping seasons in recent memory,” he said.

The state of overseas markets, ‘improved marketing’ and the lower dollar were also cited as positive factors by 27 per cent, 19 per cent and 16 per cent of respondents, respectively.

In line with overall confidence levels, farmers also had a more positive outlook on their own farm business performance, with the net indicator of this measure lifting to 30 per cent, up from 10 per cent.

This correlated with the outlook for gross farm incomes, with 45 per cent of Queensland farmers surveyed expecting an improved income over the next 12 months – up from 35 per cent.

Investment intentions were also relatively strong, with 20 per cent looking to increase their investment and a further 64 per cent expecting to maintain current levels of investment.

“This is a good indicator of underlying confidence, although the drought has put on hold capital expenditure plans as farmers bunker down so when they do emerge out of this drought they are in the best shape possible for their individual circumstances,” Mr James said.



**Rabobank**

**Media Release**

**August 24, 2015**

“It seems that adversity brings a focus on efficiencies and many enterprising producers are taking a close look at their inputs at present and trimming costs where possible.”

Mr James said the drought had also suppressed advancements in productivity, with 39 per cent of the state’s farmers indicating that their productivity had increased over the past five years – compared to the national average of 57 per cent.

“It will be interesting to see where the next wave of productivity improvements stem from. There will no doubt be a bigger focus on emerging technology and one can’t help but wonder what role drones will play in the future of farming,” he 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 December 2015.

<ends>

***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.***

To arrange an interview with Rabobank state manager Queensland Brad James, or for more information on Rabobank’s Rural Confidence Survey, please contact:

Denise Shaw  
Head of Media Relations  
Rabobank Australia & New Zealand  
Phone: 02 8115 2744 or 0439 603 525  
Email: [denise.shaw@rabobank.com](mailto:denise.shaw@rabobank.com)

Jess Webb  
Media Relations Manager  
Rabobank Australia & New Zealand  
Phone: (07) 3115 1832 or 0418 216 103  
Email: [jess.webb@rabobank.com](mailto:jess.webb@rabobank.com)