



Rabobank

Media Release

March 21, 2016

Strong commodity prices push north Queensland farmer confidence into positive territory

Results at a glance:

- *After three quarters in negative territory, rural confidence has moved into a slightly positive position*
- *Strong beef prices and an improvement in sugar prices have been the biggest contributing positive factors*
- *Improved seasonal conditions also contributed to higher confidence, however this has been tempered by the lack of follow-up rain contributing to future drought concerns*

Confidence among north Queensland agricultural producers has edged up into positive territory, but remains subdued, the latest Rabobank Rural Confidence Survey has found.

Strong beef prices and improved sugar prices have underpinned confidence levels, but insufficient rain across much of the region means that for many producers drought is still a major concern.

The latest survey – completed last month – found 29 per cent of north Queensland’s producers expected conditions in the agricultural economy to improve over the next 12 months, slightly up from 25 per cent last quarter. There has, however, been a significant fall in those farmers expecting conditions to worsen – now sitting at 26 per cent (from 41 per cent in the previous survey). A total of 31 per cent of farmers expected similar conditions to last year.

While these results saw the net rural confidence indicator improve to three per cent (up significantly from -16 per cent in the previous quarter), the story is definitely not one of widespread confidence, according to Rabobank regional manager North Queensland & Northern Territory Trent McIndoe.

Mr McIndoe said many of the region’s producers had been disappointed with the weak wet season.

“Since the previous survey, there have been some decent rains, but in many cases it has been scattered and there is still a great need for follow-up rainfall,” he said.

“For much of north Queensland we haven’t really seen a decent wet season in a number of years and there was the feeling that this was going to be ‘the’ year, but for many people this hasn’t been the case.”

One positive, Mr McIndoe said, has been an improvement in the water levels in some of the main irrigation systems, particularly the Burdekin, which is now sitting at almost 90 per cent capacity and restrictions on irrigation allocations have been lifted.

“Seasonal conditions have improved since last quarter, and we’re seeing that reflected in producers’ investment intentions. There is more confidence to go out and



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increase your herd numbers or to make those on-farm improvements that might have been put off until the season improved,” he said.

Investment intentions among the region’s farmers rose this quarter with 84 per cent looking to either increase or maintain the level of investment in their farm businesses in the coming 12 months (up from 77 per cent with that expectation last survey). Of those, while a slightly smaller proportion were planning to increase investment (12 per cent compared with 14 per cent previously), 72 per cent were looking to maintain it (up from 63 per cent).

Of those intending to increase investment, increasing stock numbers and investing in farm infrastructure were identified as key priorities.

“There is definitely an increasing demand for stock, however the price of cattle at the moment has meant that for those who want to restock, it’s likely to be a long and costly process,” Mr McIndoe said.

“The positive side of this however is that export demand for beef continues to keep prices high for both frozen/chilled meat and live export, which will hopefully offset some of the pain of purchasing additional stock.”

For the sugar sector, Mr McIndoe said, prices were again recovering after a small dip during February and were now back to just under US 15 cents a pound.

“We’ve seen prices more volatile early this year, however with tightening fundamentals hopefully prices will be supported throughout 2016,” he said.

“As it currently stands expansion in the sugar industry by growers is relatively low. This is expected to remain the case in the short term until the impacts of improved profitability are felt. Having said that, growers tend to take a longer-term view of their investment in the industry.”

Meanwhile, Mr McIndoe said, most farmers will be continuing to watch the skies.

“We’re still hoping for a late run on the wet season. With any luck we’ll see some substantial falls over the coming weeks, otherwise it looks like being another very long dry season.”

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 June 2016.



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