



Summer rains and solid commodity prices spur farmer confidence in Queensland

Results at a glance:

- *There has been a significant jump in Queensland rural confidence*
- *Much of the upswing can be attributed to improved seasonal conditions and strong cattle prices*
- *Improved confidence is flowing through to investment intentions, which are the strongest in more than four years*

Significant rain throughout much of Queensland over the summer period has lifted farmer sentiment across the state, the latest quarterly Rabobank Rural Confidence Survey has shown.

Confidence has also been underpinned by strong prices across some commodities.

The more buoyant outlook has been reflected strongly in farmers' investment intentions, which have reached their highest level in more than four years.

The latest Rabobank Rural Confidence Survey – completed last month – found the proportion of Queensland primary producers expecting conditions in the agricultural economy to improve in the next 12 months rose to 38 per cent (from 31 per cent) with those expecting conditions to worsen falling considerably to just 13 per cent (from 22 per cent). A total of 41 per cent were expecting similar conditions to last year (up from 38 per cent).

These figures saw the overall net rural confidence indicator rise to 25 per cent, from nine per cent last survey.

Rabobank state manager for Queensland and Northern Territory Brad James said while it was great to see optimism increase in the state, he would be hesitant to call it widespread.

“Last year was a tough year for many, particularly weather wise,” he said.

“In the last quarter we saw significant rainfalls across the state, but there are many areas, such as the central west, that are still in desperate need of follow up rain, if indeed they received the initial falls.

“There are also still those who have missed out altogether, so it is not surprising that some producers are not feeling fully confident that this year will be an improvement on 2015.

“That said, we have also seen decent summer rains in some regions and that has been reflected in the results.”

The Channel Country, in Queensland's south west, recorded the highest number of producers expecting conditions to improve (50 per cent) while the Central Highlands and Tablelands region's producers were also buoyant about expectations.



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This was reflective, Mr James said, of the seasonal conditions those regions are experiencing.

“Much of the Channel Country has been having an improved season and in the last few months we have also seen the Central Highlands receive decent falls. The Eastern Downs is another region that is having a fantastic season,” he said.

“However in North Queensland we are seeing much more subdued confidence as producers are becoming concerned that the wet season they have been waiting for might not eventuate.”

Better seasonal conditions in the Eastern Downs and Central Highlands have particularly improved the confidence levels for cotton producers, whose net confidence rose to 33 per cent this quarter (from -1 per cent in the previous survey).

“Cotton producers in the Central Highlands have just about wound up their pick and generally it’s been good, despite some untimely rain that will affect quality through discoloration,” Mr James said.

“Southern Queensland cotton producers will begin picking shortly and early indications are promising by most accounts. Unfortunately a drop in global cotton prices and a strengthening dollar have seen local prices weaken in late February and early March, although the outlook remains positive with both of these factors expected to improve through 2016.”

Strong commodity markets continue to underpin higher confidence with 67 per cent of those Queensland producers expecting conditions to improve citing commodity prices.

“Strength right across the beef markets continues due to a shortage in supply,” Mr James said. “While there is strong live export demand coming from countries such as Indonesia and Vietnam, it appears optimism in the sector is being driven heavily by strong prices, which are being sustained by the demand from those seeking to restock.

“At store sales we’re still seeing prices for cows and calves hit record prices,” he said.

Confidence was also up in the grains sector, with Mr James attributing this to stable prices across most of the grain commodities.

“Producers are experiencing strong prices for many of the pulse crops such as chickpeas and mung beans, particularly driven by demand coming out of Asia, coupled with the falling Australian dollar, although that trend has reversed most recently,” he said.

Mr James said this ongoing strength across key agricultural sectors in the state was spurring farmers’ investment intentions to the highest they’d been in four years.

A total of 91 per cent expected to increase or maintain the same level of investment in their farm businesses in the next 12 months (up from 84 per cent previously). A



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total of 26 per cent were looking to increase investment in their farming enterprise, while 65 per cent were looking to maintain it.

“We are currently fielding a lot of enquiry from our clients looking to expand,” Mr James said.

“Expansion slowed down dramatically in the years following the global financial crisis but we’re now really starting to notice the market pick up.”

Of those Queensland producers intending to increase their investment, 21 per cent indicated they wanted to purchase property.

“It is becoming more apparent that there is a gradual rebuilding of confidence across the state in the various ag sectors. This is great to see, as it is the foundation for strong and vibrant industry,” Mr James 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 June 2016.

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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

Skye Ward
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 02 4855 1111 or 0418 216 103
Email: skye.ward@rabobank.com