



Rabobank

**Media Release**  
**May 30, 2016**

## ***North Queensland rural confidence falls as dry conditions persist***

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

- *Confidence has fallen into negative territory following another failed wet season*
- *Beef confidence has pulled back substantially despite strong pricing*
- *Sugar cane experiences an upswing*

**North Queensland (NQ) rural confidence has returned to negative territory this quarter with producers becoming increasingly concerned about dry conditions, the latest Rabobank Rural Confidence Survey has shown.**

**After edging into positive ground for the first quarter of 2016, confidence among producers pulled back this survey to a net reading of minus eight (-8) per cent, down from three per cent in the previous survey.**

The survey – conducted last month – showed only 22 per cent of NQ primary producers were now expecting conditions to improve in 2016 (down from 29 per cent with that view last quarter), while 30 per cent were expecting conditions to worsen (up from 26 per cent). A total of 46 per cent were anticipating similar conditions to last year.

Rabobank regional manager North Queensland & Northern Territory Trent McIndoe said while this year's wet season was an improvement on the previous year, there were many producers still looking for rain.

"It's been another disappointing wet season for much of the NQ region," Mr McIndoe said.

"While we have seen some decent falls in the north-western corner, falls across the central north in areas such as Richmond, Hughenden and Longreach have been very patchy and many have missed out altogether.

"The majority of northern Queensland remains drought declared and until we get a couple of consecutive rain events, drought will continue to be front of mind for producers up here."

Of those surveyed, 87 per cent cited drought as the main reason for their weaker sentiment, up significantly from 60 per cent the previous quarter.

The season has had a significant impact on beef producers with net confidence levels now at 10 per cent, down from 36 per cent last quarter.

Mr McIndoe said while cattle pricing remained solid, this was being outweighed by weather concerns.

"While we've seen a little bit of the heat come out of the fat and store markets, they're still reasonably strong," he said.



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“Unfortunately, for many producers who had intentions to restock following summer rains, they no longer feel confident of carrying additional stock over what could potentially be another very dry winter.”

While beef has pulled back, confidence among sugar producers began to climb, albeit to still remain at overall negative levels.

Of those sugar producers surveyed, net confidence now sits at -17 per cent, up from -25 per cent the previous quarter.

Mr McIndoe said he would be expecting confidence in sugar to continue to improve over the next quarter if price predictions eventuated.

“There appears to be some positive momentum starting to build for sugar prices,” he said.

“Rabobank’s research team is forecasting a deficit in excess of 6.8 million tonnes for the 2015/16 season, which has supported the positive prices.

“Sugar prices have been subdued for some time now, and prices remain volatile, so even with the recent rise in the price, it may take a while for confidence levels in the sector to improve.”

In terms of their own farm businesses, producers also lowered their expectations around gross farm income for the coming year, with the survey showing a total of 24 per cent of NQ producers expected their farm income to increase this year (down from 36 per cent last quarter). The percentage expecting lower incomes increased to 26 per cent, from 21 per cent last quarter.

This quarter, the Rabobank Rural Confidence Survey sought to gauge farmers’ medium-term aspirations to expand through property purchase.

Of those North Queensland producers surveyed, 16 per cent indicated their intention to purchase additional land over the next five years.

When questioned about factors that would limit their ability to purchase land, producers highlighted high property prices (57 per cent), health and wellbeing (37 per cent) and potential for rising interest rates (31 per cent) as the biggest concerning factors.

Mr McIndoe said while the NQ property market had slowed over the past few years, there were now signs of it picking up.

“We’re seeing some of the blue chip properties selling for excellent prices,” he said.

“However, while at the top end there is a lot of interest; smaller properties are still spending a while on the market, in part due to the fact many of the smaller family businesses are still dealing with the poor seasonal conditions.

“For many of our western producers, there is currently more of a focus on rebuilding stock numbers and they’ll be looking for a few more good seasons before expansion becomes feasible.”



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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 September 2016.

***Rabobank Australia & New Zealand 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 8.6million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading rural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 94 branches throughout Australia and New Zealand.***

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