



Dry weather 'dampens' Queensland rural confidence

Results at a glance:

- *Rural confidence has moderated to neutral levels after rallying early in the year*
- *The biggest falls have been in grain and cotton*
- *Farmers remain confident in their own businesses with more than a third anticipating increased profitability*

Queensland farmer confidence has declined to levels not seen since late 2014, as dry weather continues across much of the state.

The latest Rabobank Rural Confidence Survey has recorded a considerable fall in the state's farmer sentiment, after it had lifted strongly at the beginning of the year.

The latest survey – completed last month – has seen net confidence pull back to neutral levels to sit at 0 per cent (after rising to a net positive indicator of 25 per cent last quarter).

This survey, only 24 per cent of Queensland producers had a positive outlook on the agricultural economy for the coming 12 months (down from 38 per cent in the previous quarter). The number expecting conditions to worsen climbed to 24 per cent as well (up from 13 per cent). The majority (47 per cent) were anticipating similar conditions to the past 12 months.

A significant drop in confidence was recorded across all commodities.

Drought was the biggest driver of negative sentiment this survey with 68 per cent of those farmers with a pessimistic outlook citing dry conditions as reason for their concern (up from 50 per cent the previous quarter).

Rabobank state manager for Queensland & NT Brad James said recent rainfall in the state had not been widespread.

"There are some areas, such as the north-west of the state, the Maranoa and parts of Central Queensland that have had some recent significant falls, but it has been very patchy," he said.

"For the cultivators, last quarter's confidence boost may well have been due to the moisture profile, however for many there hasn't been any follow-up rain and many growers who have crops in the ground are now anticipating reduced yields."

Confidence fell sharply amongst grain growers, with a net confidence reading of -17 per cent, down from 53 per cent last quarter. Cotton producers experienced similar falls, with their net confidence indicator now sitting at -34 per cent, down from 33 per cent.

Sugar producers' confidence improved slightly, but remains in negative territory at -17 per cent, from -25 per cent last quarter.



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The only commodity to remain in positive indices is beef, which was also more subdued this quarter at 10 per cent, down from 36 per cent last quarter.

Mr James said moderating prices will have impacted the high levels of confidence seen in beef throughout much of 2015.

“We’ve recently seen the market come off its peak for both finished cattle and store markets,” he said.

“At the time the survey was taken, we were seeing the Eastern Young Cattle Indicator (EYCI) hovering around the mid-500s, down almost seven per cent from February this year.”

Commodity prices were a cause of concern for 42 per cent of producers with negative sentiment (up from 19 per cent), with much of this contribution coming from grains and cotton.

Mr James said while the market had recently seen a slight rebound in wheat prices, they remained low.

“We’re seeing export wheat at around USD \$215 tonne FOB, but further pressure could be placed on this price if favourable weather conditions continue in the northern hemisphere,” he said.

“With cotton, our Food & Agribusiness Research and Advisory division is forecasting an upswing in the ICE #2 price over the next 12 months due to lower-than-anticipated global stocks, and hopefully this plays out well for our growers.”

As the federal election looms, 21 per cent of producers anticipating a worsening agricultural economy also highlighted government intervention and policies as a key contributing factor to their outlook.

Mr James said election uncertainty often had a negative impact on rural confidence levels.

“Producers deal with an increasing amount of regulatory requirements and the hype surrounding a looming election can have an impact on confidence, particularly when there is talk of increased regulation such as vegetation management, which inevitably has some impact on a producer’s bottom-line,” he said.

Queensland producers were overall more positive about the outlook for their own farm businesses than the overall agricultural economy, although expectations for farm incomes lowered this quarter. The percentage of producers expecting higher gross farm incomes in the next 12 months declined to 34 per cent (down from 43 per cent last quarter). Those expecting a lower income in the coming year increased to 20 per cent (from 14 per cent).

This quarter the Rabobank Rural Confidence Survey sought to gauge farmers’ medium-term aspirations for expanding through property purchase. Of those surveyed, 18 per cent indicated that they were looking to purchase additional property within the next five years.



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When asked about factors limiting their ability to acquire more land, 'price' was nominated by 64 per cent, followed by interest rate concerns (41 per cent) and cash flow issues (36 per cent).

Mr James said interest in property acquisition and expansion was definitely picking up in the state.

"We're seeing more activity and enquiry from people wanting to expand than we've seen since the GFC," he said.

"There appears to be healthy competition for good quality properties and this has a knock-on effect for land prices. Typically this is driven by confidence in the markets and most would be hoping for a steady and sustainable reaction to this increased activity."

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.

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