



Global sugar price rise sweetens cane grower sentiment

Results at a glance:

- *Rural confidence in North Queensland firmly in positive territory*
- *Cane farmer confidence finally reaches positive indices on the back of global price increase*
- *Almost half of North Queensland producers reported increased earnings in 2015/16 financial year*

Almost six years since it last ventured into positive territory, confidence among sugar cane producers has risen dramatically this quarter, according to the latest Rabobank Rural Confidence Survey.

A significant jump in the global sugar price has seen the net rural confidence indicator for cane farmers across the country move to 18 per cent, up from -14 per cent the previous quarter.

Rabobank regional manager North Queensland & Northern Territory Trent McIndoe said sugar prices were at around 50 per cent above the average seen last year, in US dollar terms. And this had gone a long way to buoy confidence.

“We’ve been seeing the ICE #11 futures trade at around the US 20 cents a pound mark for a few months now and that’s lifted spirits right up the coast,” he said.

“While confidence is up, it’s in spite of the challenging cutting conditions we’re currently experiencing throughout the northern cane region.

“It’s been an unusually wet winter and this has caused large delays with harvest.”

Overall, the survey showed 39 per cent of cane farmers expected conditions in the agricultural economy to improve over the coming 12 months, while 21 per cent expected conditions to worsen. A total of 39 per cent had a stable outlook, expecting similar conditions to the previous 12 months.

The confidence in the sugar sector has also been reflected in general sentiment across the region with 42 per cent of North Queensland producers reporting an optimistic outlook for the coming 12 months, up from 22 per cent last quarter.

This improvement in sentiment was primarily about price and moisture profile with 79 per cent of producers who were expecting conditions to improve citing commodity prices as the reason, while 49 per cent nominated seasonal conditions.

The number of producers expecting conditions to worsen has halved and now sits at 15 per cent, from 30 per cent last quarter, while those expecting conditions to remain similar to last year remained relatively steady at 43 per cent (46 per cent last quarter).

Mr McIndoe said the sentiment across the north of the state had improved greatly.



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“Parts of our region have received substantial unseasonal rain in the previous couple of months. In many cases it was the most rain they’ve recorded in four years,” he said.

“We’re seeing continued confidence among cattle producers with the rain providing much-needed relief and giving hope for a return to normal seasons.

“Cattle prices in Queensland continue to be strong, which has been both a blessing for those who can take advantage of them and a curse for those wanting to restock and for processors who aren’t getting the throughput they need.”

Supporting the positive view, 43 per cent of North Queensland producers reported higher earnings in 2015/16 than the previous financial year. Those with similar income levels stood at 29 per cent, with 28 per cent reporting a poorer financial result.

Of those producers who had higher gross farm incomes in the most recent financial year, the main contributing factor was commodity prices (cited by 65 per cent), followed by increased production (28 per cent) and seasonal conditions (18 per cent).

Mr McIndoe said the past financial year had been a positive one for many in the cattle industry.

“For those beef producers who’ve had a decent season and the cattle to sell, cash flow has been easier to manage this year than in previous years,” he said.

“We’re now starting to see that increased cash flow express itself in terms of investment intentions.”

In the latest results, the Rural Confidence Survey showed investment intentions across North Queensland rose in line with overall confidence levels, with 83 per cent of producers expecting to increase or maintain the level of investment in their farm businesses in the coming 12 months, up from 76 per cent with that view last quarter. Those looking to actively increase their investment stood at 20 per cent, up substantially from eight per cent the previous quarter.

Producers looking to increase their investment levels were focused on increasing livestock numbers (44 per cent), acquiring additional land (35 per cent) and improving water infrastructure (34 per cent).

There had been a number of recent significant property sales in the region, Mr McIndoe said, with beef producers and investors driving the increased activity.

“The combination of improved seasons and some big properties selling for large sums is starting to turn the cogs over in the property market,” he said.

“We’re seeing sellers put farms back on the books and buyers, supported by commodity price confidence, being prepared to pay a little more per hectare.”

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.



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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 2016.

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