



Rabobank

**Media Release**  
**August 29, 2016**

## ***A wet winter sees Queensland farmer confidence hit 15-year high***

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

- *A widespread rain event in early July has significantly boosted Qld rural confidence*
- *Beef leads the positive swing with 46 per cent expecting conditions to improve*
- *Sugar cane has entered positive indices for the first time in six years*

**Rural confidence across Queensland has reached a 15-year high after a significant and widespread rain event swept the state in early July.**

**The unseasonal wet weather resulted in some regions receiving in excess of 250mm of rain and resulted in significant inflow to water stores.**

**Rabobank's latest quarterly Rural Confidence Survey found that the improved season had a positive impact on sentiment in all agricultural commodity sectors.**

Beef is the most positive of the commodities, with strong prices and green paddocks resulting in almost half of producers expecting the next 12 months to be better than the last, according to those surveyed.

Most commodities that were previously in negative territory are also now firmly positive in their outlook.

The latest survey, completed last month, found that 46 per cent of Queensland producers expected conditions in the agricultural economy to improve in the coming 12 months, up considerably from 24 per cent in the previous survey. Those expecting conditions to worsen more than halved to just 10 per cent, down from 24 per cent last quarter.

A total of 42 per cent expected conditions to remain similar to last year.

Rabobank state manager for Queensland and Northern Territory Brad James said it was exciting to see confidence rise across the board.

"The rainfall we saw in July was significant and for many the timing could not have been better," he said.

"Whilst unseasonal for many, there were few complaints and it is remarkable to observe the instant impact on sentiment that these types of events can have.

"As always though, we need to remember that Queensland is a big state and there are still producers who have unfortunately again missed out on this rainfall.

"The good news is however, that there are now at least paddocks available for agistment for those who were unfortunate to have missed out. This is not practical for all, but at least some can benefit."



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For a significant proportion of the state though, it is a positive story. While confidence has risen across commodities, the charge has been led yet again by beef, with the Rabobank survey reporting a net confidence reading of 46 per cent among beef producers.

“Last quarter we saw the net confidence level amongst beef producers fall to 10 per cent, so it’s great to see it come back so strongly,” Mr James said.

“Commodity prices and the improved season were identified as the biggest contributing factors for beef sector confidence, but there is also increased investment confidence amongst producers, based on recent significant sales in the pastoral market.

“Also, while it will not have been captured in this survey, we would expect the most recent announcement of the defeated vegetation management bill to have a positive impact on confidence levels.

“In order to develop sustainable land management plans and to have confidence to invest, producers need to have some security and line of sight. This can’t occur if there continues to be legislation changes every time there is a new state government.

“As stewards of the land, most producers feel that they can capably and sustainably manage the balance of productivity and environmental considerations without the need for arduous regulation on their ability to produce our much-needed domestic and export commodities. Our observations of our clients’ practices reveal this is the case in almost all circumstances.”

Mr James said while beef producers were the most positive in the state, a similar positive trend has been seen across a broad range of commodities in the survey.

Cotton growers had reported a significant upswing in sentiment bringing their net confidence indicator to sit at 23 per cent, up from -34 per cent while net confidence amongst grain growers had also increased to 11 per cent, up from -17 per cent the previous quarter.

“While wheat prices have been fairly subdued, the record chickpea price is likely to see Queensland harvest the biggest chickpea crop it’s ever produced. This can of course have an inverse impact on the commodity price, but we will wait and see the outcome,” Mr James said.

“In cotton we’re also seeing prices sit above \$500 a bale and futures prices are looking strong, so with water allocations likely to improve, cotton producers are confidently locking in crop.”

The sugar sector has also seen a rise in confidence and is finally in positive territory for the first time in six years, with the survey now reporting a net positive sugar confidence reading of 15 per cent, up from -17 per cent last quarter.

“We’ve seen recent strength in the sugar price, which has been driven by growing consensus of consecutive global sugar deficits as well as speculator involvement in the market,” Mr James said.



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“The price has been hovering around the US 20 cents a pound mark for the past couple of months, which is around 50 per cent above the average seen last year.

“While the wetter-than-average winter has caused harvest delays, I think this is being easily outweighed by the price improvement.”

Reflecting the widespread improvement in rural confidence in the state, Queensland producers reported higher gross farm incomes this year with 54 per cent saying their 2015/16 financial year income was higher than what they received in 2014/15. Of the remaining producers, 27 per cent reported similar results while 19 per cent reported decreased earnings.

Of those producers who received an increased gross farm income in 2015/16, this was largely due to commodity prices, cited by 75 per cent.

Mr James said support from farmers’ financial partners had also played an important role in underpinning rural confidence levels through recent difficult times.

“The confidence of many of our clients has been bolstered through our resolve to work closely with them through the appalling conditions faced by many in the past four to five years,” he said.

“We pride ourselves in remaining supportive in the good times and the bad – banks have a big part to play in the confidence of rural businesses.”

Long-term positivity flowed through to gross farm income forecasts with 40 per cent of producers expecting their income to increase over the next 12 months (up from 34 per cent last quarter) and 43 per cent expecting a similar financial result (compared with 44 per cent previously).

Producers expecting their gross farm income to fall stood at 15 per cent, down from 20 per cent the previous quarter.

Mr James said for some commodities, price projections were looking positive.

“For commodities, such as cotton and sugar, the global price outlook is relatively firm,” he said.

“When combined with the recent interest rate cut from the Reserve Bank, many producers have been given a confidence boost in their operations.

“And for those producers with bumper chickpea crops planted, the next couple of months will be filled with nervous anticipation as they cross their fingers and hope the sky stays clear for harvest.”

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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