



Sugar price concerns weigh down NQ rural sentiment

Results at a glance:

- *North Queensland rural confidence has eased, impacted by a decline in sentiment in the sugar sector*
- *Sugar confidence has been weighed down by price and supply uncertainty*
- *Interest from the beef industry has seen a spike in the percentage of producers looking at purchasing additional land*

North Queensland rural sentiment has eased, with lower confidence among sugar producers offsetting a much more buoyant outlook among the beef sector, the latest quarterly Rabobank Rural Confidence Survey has found.

While the beef sector continues to enjoy solid prices, confidence among cane producers has been weighed down by a softening global outlook and supply uncertainty.

The survey – completed last month – found almost equal number of the region’s farmers expected conditions in the agricultural economy to improve as to worsen in the coming 12 months.

Across North Queensland, the proportion of producers with a positive outlook was down to 18 per cent (from 30 per cent last survey), while 21 per cent expected economic conditions to worsen (previously 20 per cent). A total of 52 per cent expected similar conditions to the previous 12 months.

Rabobank regional manager for North Queensland Trent McIndoe said while the price for sugar had pulled back, it was not the only factor impacting sentiment for cane growers.

“We’ve seen over the past couple of months that sugar prices have been returning to the lower levels seen a year ago,” he said.

“Rabobank is forecasting prices to remain around 16.4 to 16.5 US cents a pound through the third quarter of this year, mainly on the back of increased production estimates coming out of Brazil.

“There is definitely a lot of disappointment in the price fall, particularly after the highs seen in the final quarter of last year.”

Of those sugar producers surveyed this quarter, 27 per cent were expecting conditions to worsen this year, from 16 per cent last quarter.

Commodity prices were nominated as a cause for concern by 63 per cent of North Queensland producers who had a negative outlook, with sugar producers the bulk of these respondents.

Along with commodity prices, 27 per cent of those anticipating a worsening agricultural economy cited government intervention and policies as causes for concern.



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“At the time the survey was undertaken, QSL and Wilmar Sugar were still finalising negotiations and for a substantial number of grower collectives in the Burdekin, this meant that supply contracts had yet to be finalised,” Mr McIndoe said. “There is also still a large amount of uncertainty for Proserpine and Mackay producers who weathered the brunt of cyclone Debbie.

“For Proserpine in particular, there looks to have been substantial yield losses, but it will be hard to know the full level of damage until harvest starts. Also, the horticultural producers in the Bowen region lost the majority of their crops, but these are rapidly being re-established.”

Mr McIndoe said beef producers, on the other hand, were significantly more positive in their outlook.

Across the state, 23 per cent of surveyed beef producers were expecting conditions to continue to improve, 67 per cent were expecting similar conditions to last year and only eight per cent indicated they thought conditions would deteriorate.

“As with sugar, the biggest factor for beef this quarter has been prices – albeit from a positive perspective,” he said. “While the wet season didn’t live up to expectations and only a few producers received benefit from unseasonal rain including from Cyclone Debbie, we’ve seen still strong prices in both processed and live export markets.

“Numbers for live export and processors continue to be fairly flat though, with live export numbers departing Townsville down 14 per cent for this first quarter (year-on-year), and slaughter numbers are down slightly with a two per cent drop recorded in Queensland.”

Despite the easing in rural sentiment in North Queensland, producers’ investment intentions remain strong, with 90 per cent of the region’s farmers looking to increase or maintain their level of investment over the next 12 months, down slightly from 93 per cent previously.

Of those looking to increase investment, there has been a significant jump in interest in property purchase – with 43 per cent considering this option, compared with just 14 per cent last quarter.

“We’re continuing to see substantial buyer interest, particularly for the more premium, well-established cattle properties,” Mr McIndoe said.

“If livestock prices continue to hold out this year, I expect we’ll start seeing a lot more activity in the property market, particularly if we can get a break in the season.”

This quarter, the Rabobank Rural Confidence Survey also asked farmers about their adoption of sensor technology, such as moisture probes, yield mapping and drones.

Of the NQ producers surveyed, currently only 16 per cent were using the technology, with an additional six per cent considering it.

Mr McIndoe said while there was technology available that could benefit producers in the region, it was not always easily accessible or adopted.



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“Sensor technology for an area like ours where water is so important would no doubt be of benefit to a lot of producers,” he said.

“We see a few producers using this technology and data, but it is by no means widespread. This has to do with a number of factors such as cost of set-up, lack of training, an aging demographic in farming and importantly the lack of internet access.”

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 2017.

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To arrange an interview with Trent McIndoe, Rabobank regional manager North Queensland 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