



Rabobank

Media Release

March 13, 2017

North Queensland farmer confidence wanes as wet season falls short

Results at a glance:

- *Rural confidence in North QLD has retreated as wet season falls short*
- *Commodity prices across beef and sugar have softened but remain firm*
- *Producers divided as to whether the impact of the Trump administration will be positive or negative for Australian ag*

Rural confidence in North Queensland has pulled back as the region experiences another lacklustre wet season, according to the latest quarterly Rabobank Rural Confidence Survey.

After posting strong confidence levels in the second half of 2016, sentiment among NQ producers dipped this quarter to a net reading of 10 per cent, down from 40 per cent, the survey found.

Regional manager for North Queensland Trent McIndoe says while some parts of northern Australia have had a really good wet season, not all have received the falls they hoped for.

“Right at the top end, the Northern Territory and areas of the Kimberley have had a really good wet season,” Mr McIndoe said.

“The coastal parts of far north Queensland have done okay as well, but in the central parts of the north, both inland and coastal, it has been very patchy.”

While overall rural confidence had pulled back, those producers expecting the rural economy to deteriorate this year remained in the minority, with 20 per cent predicting this year to be worse than last.

In comparison, 30 per cent of respondents in North Queensland expected the agricultural economy to improve this year and 48 per cent were anticipating a similar year to 2016.

Of those who had a positive outlook of the year ahead, the majority (75 per cent) said commodity prices were underpinning their optimism.

After holding a bullish outlook in the last quarter, both sugar cane growers and beef producers revised down their expectations for the 2017 year.

This quarter, sugar had a net confidence reading of four per cent, down from 34 per cent last quarter, while beef sector confidence eased back to seven per cent, from 28 per cent.

Mr McIndoe said while both commodities remained overall in positive territory – with more farmers expecting conditions to improve rather than deteriorate – the decline in confidence reflected the expectation of easing prices.



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“Although cattle prices have come off last year’s peak, live cattle out of Darwin are still around \$3.75/kg and medium cows at the most recent Charters Towers sale averaged about \$930 a head, showing prices are still strong,” he said.

“With the lighter wet season, particularly in the central part of the north, the strong cattle prices will be some comfort for beef producers facing the prospect of another dry year.”

For sugar, while confidence had pulled back, the sector remained positive about the price outlook with 100 per cent of sugar cane producers surveyed across Queensland nominating commodity prices as reason for their confidence in 2017.

“We’ve seen near contracts on the ICE #11 pull back to \$19.55 USc/lb after reaching four-year highs last October, but there is still a lot of volatility in the market and also some decent fundamentals keeping that price fairly buoyant,” Mr McIndoe said.

In line with overall confidence levels, expectations around farm incomes in the NQ also declined, with 39 per cent of those surveyed now expecting their gross farm income to increase over the coming 12 months, down from 49 per cent last quarter. Those expecting their gross farm income to fall remained steady at 13 per cent, while 48 per cent expected a similar income level to the previous year.

Farmers’ investment intentions, however, remained just as robust as the previous quarter with 93 per cent of North Queensland producers saying they intended to increase or maintain their investment over the next 12 months, an identical result to last quarter.

Of those looking to increase their investment there was an increase in those intending to purchase additional plant or machinery and invest in on-farm infrastructure.

Mr McIndoe says these investment intentions were on the back of some solid markets at the end of 2016.

“We have seen both beef and sugar producers lock in some good prices in 2016 and now as the end of financial year begins to loom many will be looking at tax effective ways to invest in their business using this improved cash flow,” he said.

“For sugar producers in particular, they may have held off on buying plant and machinery while the price was more subdued so they’ll now be making those purchases.”

This quarter, producers were also asked about the impact of the new US Trump administration on their confidence in the outlook for the Australian agricultural sector.

Of the North Queensland producers surveyed, 20 per cent saw the new administration as potentially negative for Australian agriculture, while 16 per cent saw it as positive.

Of those with a negative view, 53 per cent were concerned about the impact on Australian/US trade while 49 per cent of positive respondents thought the trade impact could be beneficial.



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Mr McIndoe said, to date, the main reaction among local producers to the new US administration had seemed to be one of curiosity.

“In general producers are just watching to see what policy changes President Trump makes,” he said.

“Of the producers who are anticipating a positive impact many are hoping that Australia may be able to take advantage of any disruption to the US/China trade agreements.”

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 June 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