



Rabobank

Media Release
September 4, 2017

Commodity price concerns hang over North Queensland farmers

Results at a glance:

- *Rural sentiment in North Queensland continues to fall with 32 per cent of producers now holding a negative outlook*
- *Sugar price concern continues to be front of mind for cane growers*
- *The number of producers anticipating a reduction in gross farm income has almost doubled this quarter*

Commodity prices concerns continue to weigh down sentiment among North Queensland's agricultural producers, with the region's rural confidence falling to its lowest level in two years, the latest quarterly Rabobank Rural Confidence Survey has shown.

The survey – completed last month – saw confidence levels for the region continue their downward trend with nearly a third of producers (32 per cent) reporting a negative outlook for the agricultural economy in the next 12 months. This was up from 21 per cent with that view last survey.

Only 11 per cent of survey respondents were now anticipating improving conditions this year (down from 18 per cent previously), while 55 per cent expected similar conditions to last year.

Rabobank regional manager for North Queensland Trent McIndoe said commodity prices were the main concern for producers.

“While the sugar price held the greatest concern, beef producers were also starting to see more pricing pressure emerge,” he said.

Of those NQ producers surveyed who were anticipating worsening conditions, 71 per cent cited commodity prices as reason for their view, increasing from 63 per cent with that concern last quarter.

Mr McIndoe said for sugar, the “downward trend in prices finally seemed to bottom out in June and even increased a bit in July, but we are still looking at prices at just under AUD \$400 a tonne for cane”.

“Since the four-year high seen in October of last year, ICE#11 sugar prices have fallen by almost 40 per cent and while the outlook is for a ‘subdued rise’ in price, it is currently only being forecast to reach AUD \$420 a tonne over the next 12 months,” he said.

Mr McIndoe said while cane growers were the most concerned with the current prices, beef producers were also now anticipating an easing from the highs they had enjoyed over the past couple of years.

“Prices for all cattle classes have fallen quite a bit over the past months and we’ve also been experiencing a more subdued live export demand.



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“With pasture drying off across the region already, the majority of livestock producers will be hoping to receive a few early storms this year to see them through.”

While it has been a dry winter for North Queensland, the weather conditions were not seen as being as problematic as commodity prices this quarter, with only 15 per cent nominating the season as reason for their negative outlook.

Mr McIndoe said with sugar cane producers numbering the most respondents in the North Queensland survey area, the dry weather was likely to be seen as a benefit rather than cause for concern.

“The crush is well underway and while last year’s wet weather saw substantial stoppages and some standovers, we’re unlikely to see that repeated this year,” he said.

“Queensland is expected to crush 33.2 million tonnes this year, which is in line with averages. And this is despite losing some potential yield due to Cyclone Debbie.

“In the Proserpine area we are anticipating around a 15 per cent loss in yield as a result of the cyclone, while in Mackay we expect yield to be about 10 per cent down on potential.”

In line with overall confidence levels, producers in the region also lowered expectations for their own farm incomes, with 41 per cent now expecting their gross farm incomes to be less this financial year than last (compared with 23 per cent last survey).

However, there were still 19 per cent of producers anticipating a better financial result than last year (down from 24 per cent) while 34 per cent expected a similar outcome to the previous year.

Despite the significant fall in confidence and anticipated farm income, farmer investment intentions for North Queensland remained firm, with 85 per cent of producers looking to increase or maintain their level of investment in the industry over the next 12 months, down only slightly from the reported 90 per cent last quarter.

“Investment, particularly in the beef industry, continues to be active,” Mr McIndoe said.

“The strength of beef prices over the past couple of years has given confidence to producers to make additional investments.

“We have seen a bit of a change this quarter in regards to fewer people intending to invest in plant and machinery, however much of that can be attributed to purchases having already being made to close out the previous financial year.”

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 2017.

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