



Rabobank

Media Release

June 12, 2018

Queensland farmer confidence takes hit as autumn rainfall fails to live up to promising start

Results at a glance:

- *Minimal follow-up autumn rain is impacting producers in most regions and particularly in grain sector*
- *Sugar cane continues its downward trend with little good news on the immediate horizon for global prices*
- *Cotton remains the shining beacon in Queensland commodity sectors, maintaining positive outlook*

Confidence among Queensland's primary producers has continued to slide after hopes of a potential wet autumn failed to eventuate following a promising start, the latest quarterly Rabobank Rural Confidence Survey has shown.

The state's producers now have the most negative sentiment in the country, after much-needed follow-up rain failed to fall following widespread rain in early March. The disappointment was particularly evident among grain growers who needed additional rain to guarantee both summer and winter crops for the year.

The latest survey – completed last month – found farmer sentiment in the state had dipped to its lowest level in five years with the Queensland net confidence index now sitting at -35 per cent.

Overall, 46 per cent of the state's producers now hold a negative outlook on the year ahead (up from 31 per cent in the previous survey), while only 11 per cent expected the agricultural economy to improve (down slightly from 12 per cent).

A total of 40 per cent expected similar conditions to the last 12 months.

Rabobank regional manager for North Queensland and the Northern Territory Trent McIndoe said while the past few months had provided some relief for parts of the northern cattle regions, drought was still the biggest factor in the downswing in Queensland farmer sentiment.

"Of the producers surveyed, almost half nominated drought as their cause of concern, despite some of the northern regions being now taken off the drought-declared list," he said.

"Over half of the state remains drought declared and that includes predominantly livestock shires in the south west as well as many of the grain growing regions of Central Queensland and the Darling Downs."

Of the grain growers with a negative outlook on the year ahead, 74 per cent cited the dry season as a major reason for their view.

"For many grain growers, the March rain was too late to have an impact on their summer crop and too early or insufficient to provide a decent moisture profile for winter cropping," Mr McIndoe said.



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“On the other side of the coin, we’re seeing some cane producers in the Herbert River region north of Ingham suffering losses from substantial flooding received during the same month, putting additional pressure on growers already concerned about prices.”

Confidence indeed fell again in the sugar sector this quarter with 75 per cent of the state’s sugar producers expecting conditions to deteriorate. Of those cane growers anticipating worsening conditions, 88 per cent said falling commodity prices were the chief reason for this outlook.

“We are just about to kick off the 2018 crush, but with the ICE #11 continuing to hover around 11 to 12 US cents a pound and no reprieve on the horizon, many cane producers could be producing at a loss this year,” Mr McIndoe said.

Commodity price pressure is proving less of a problem for the beef industry where RaboResearch is forecasting prices to stabilise at the new, slightly lower, price point.

However, beef producers remain pessimistic about the outlook for the year with the dry season having the biggest impact (nominated by 60 per cent) followed closely by concern over government policy changes (40 per cent).

Mr McIndoe said beef producers were very concerned about how the tabled changes to the Vegetation Management Act were going to impact them.

“There is a lot of anxiety and anger in the beef industry about these changes to the act and many producers are saying they feel like their concerns have not been considered and legislation will be pushed through without any sound reasoning as to why these additional restrictions need to be included,” he said.

“At the time of the survey, the act had yet to be passed by government so there is potentially more impact to be captured in the next quarterly survey.”

Cotton is the only commodity surveyed in Queensland that continues to hold a positive outlook for the coming 12 months, with 29 per cent of cotton growers anticipating improving economic conditions and 47 per cent expecting similar conditions to last year. Only 17 per cent were concerned that conditions would deteriorate.

Those with a positive outlook highlighted strong commodity prices as the factors contributing to their view.

In line with the decline in overall confidence levels, Queensland producers also lowered their income expectations for the coming 12 months, with this measure falling to its lowest point since June 2013. The percentage expecting gross farm incomes to increase fell to just 12 per cent (from 13 per cent in the previous quarter), while the proportion of respondents expecting lower gross farm incomes stood at 41 per cent, up from 33 per cent. However, the majority (47 per cent) expected similar incomes to last year.

Sugar producers were particularly pessimistic about their income projections, with 82 per cent expecting their income to fall in the next 12 months.



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In contrast, cotton growers remained confident about their earning potential, with 62 per cent expecting a similar financial result to the previous year and 20 per cent expecting an increase.

Cotton growers also had the strongest investment plans, with 45 per cent looking to increase their level of agricultural investment and a further 50 per cent looking to maintain it.

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 2018.

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