



## **Dry winter cools confidence for state's agricultural sector**

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

- *Dry winter weather has driven Queensland farmer confidence to lowest level in three years*
- *The Darling Downs has experienced the largest negative swing, while North Queensland remains the most subdued region*
- *Price concerns continue to inhibit confidence among cane growers and easing beef prices have begun to concern cattle producers*

**An exceptionally dry winter has driven down rural confidence in Queensland this quarter with almost a third of producers now taking a negative view of the year ahead, the latest Rabobank Rural Confidence Survey has found.**

**After staging a rally in the June quarter, the latest survey – completed last month – found farmer confidence had significantly eased, to sit at the lowest level in three years.**

The proportion of Queensland primary producers with a positive view of the agricultural economy in the next 12 months fell to 14 per cent, from 25 per cent previously. Those expecting conditions over the coming year to worsen rose to 31 per cent (up from 18 last quarter), with 50 per cent of those surveyed expecting similar conditions to the previous year.

Rabobank regional manager for southern Queensland and northern NSW Brad James said the lack of widespread rain had “taken the wind out of the sails” for many of the state’s producers.

“There was some rain, particularly at the end of May, but it was sporadic and for those who missed out it has been a very dry quarter,” he said.

“For regions such as the Darling Downs, they’ve had an exceptional few years, but 2017 is definitely a return to less productive conditions.”

Of those Queensland producers anticipating worsening conditions in the coming year, 34 per cent cited the dry season as a key contributing factor, up from 18 per cent with that concern last quarter.

All regions in Queensland are now in negative territory when it comes to confidence – with more farmers taking a negative than positive view. The Darling Downs experienced the largest swing, with 30 per cent of the region’s producers now having a negative outlook on the coming year (up from just two per cent last quarter) and only 11 per cent anticipating an improvement in the agricultural economy (down from 38 per cent).

However, while the fall in confidence was greatest on the Darling Downs, sentiment was most negative in North Queensland where, Mr James said, sugar commodity prices continue to play havoc with cane grower sentiment.



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“While the ICE#11 futures price has modestly improved from its June lows, the stronger Australian dollar has seen sugar prices dip below A\$400/tonne again, weighing down on confidence in the sector,” he said.

“However, while most producers across the state are starting to really look for some rain, the crush is in full swing and cane producers are enjoying getting a better run than they did last year, when wet weather was an issue.”

All commodity sectors surveyed in the state experienced a fall in confidence this quarter, with sentiment particularly weak in sugar.

Of those cane growers surveyed, 41 per cent were expecting worsening conditions over the coming 12 months (up from 27 per cent last quarter) while only three per cent had a positive outlook (a decrease on 20 per cent previously).

Of those cane producers with a negative outlook, 81 per cent nominated commodity prices as reason for their view.

There were also strong expectations of worsening conditions in beef (for 33 per cent of producers, up from eight per cent last quarter), however the influence on this was a combination of softening prices (36 per cent) and dry conditions (37 per cent).

“Beef prices have continued to ease, and we have begun to see slaughter numbers pick up a bit,” Mr James said. “With the dry conditions that we’re seeing, there is unlikely to be a lot of market pressure put on by restockers in the short term.”

Confidence had also pulled back in the cotton and grain sectors, the survey showed. Although, Mr James said, the relative firmness of cotton and grain prices had softened the fall in confidence these sectors.

“We saw wheat prices hit a two-year high in July and, while prices have come back somewhat, we anticipate a forecast lower-than-average domestic harvest will keep prices supported,” he said. “Rabobank is currently forecasting an Australian harvest of 22 million tonnes, down 27 per cent on last year, and we’d expect this reduced supply to continue to support the domestic price.”

For cotton, Mr James said, prices had been volatile, but many producers had managed to capture the upside.

The survey showed that while the majority of cotton growers expected similar conditions to last season, there was an even split of respondents expecting conditions to improve or to deteriorate.

Mr James said the variance seen in cotton sector confidence was likely a reflection of the differing outlook for irrigated and dryland growers, with many irrigated cotton growers feeling more positive about water allocations.

In line with state’s overall rural confidence levels, producers also revised down expectations for their own business performance. A total of 33 per cent were expecting their income to fall in the next 12 months, compared with 23 per cent with that view last quarter. However, 41 per cent were still expecting a similar financial result to the previous year and 23 per cent were anticipating an improved income (24 per cent previously).



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Mr James said despite near-term concerns, longer-term confidence in the industry remained strong with 88 per cent of Queensland producers surveyed expecting to either increase or maintain their level of farm investment in the next 12 months. Albeit, this had eased from the highs of the previous quarter, where 92 per cent has been planning to increase or maintain farm investment.

“We’ve seen the number of respondents intending to invest in plant and machinery pull back this quarter, however we are seeing increasing interest in land,” he said.

“Land prices have rallied to levels that exceed pre-GFC values. And, with many producers having coming off the back of a few good years, combined with a steady commodity outlook, we don’t expect to see property demand slowing down any time soon.”

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 December 2017.

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