Rabobank

Media Release
September 7, 2020

Signs of confidence returning to Queensland rural sector

Results at a glance:

- *Queensland farmer confidence edges up over past quarter, but still well down on early-year highs*
- *Queensland beef producers the most optimistic, encouraged by strong commodity prices and a favourable season*
- *Improved income projections and investment intentions across the state, particularly among beef and grain producers*

Optimism among the state's beef sector – buoyed by strong cattle prices and favourable seasonal conditions – has seen Queensland rural confidence edge higher over the past quarter, the latest Rabobank Rural Confidence Survey has found.

While confidence among Queensland farmers was still well short of the early year highs recorded in quarter one this year, optimism was slowly returning after a mid-year fall in sentiment.

The latest survey, completed last month, revealed that while just over half of the surveyed farmers – 51 per cent – expected agricultural economic conditions to remain relatively unchanged over the coming year, those anticipating conditions to worsen had eased back from last survey to 20 per cent (from 27 per cent).

That said, less than a quarter of Queensland producers (23 per cent) believed business conditions would improve in the next 12 months – a similar reading to last survey's 24 per cent.

This slight rise in farmer confidence saw Queensland bucking the national trend, with all other states, except Tasmania, reporting a decline in sentiment this quarter.

Optimism about commodity prices, particularly in the beef sector – along with more positive seasonal conditions – underpinned the improved farmer confidence levels in the state.

Overall, of those Queensland producers with a positive outlook on the year ahead, 56 per cent cited commodity prices as a key reason for their optimism and 46 per cent nominated seasonal conditions.

But for those Queensland farmers who had a negative outlook on the coming 12 months, commodity prices were also raised as a concern – particularly in the sugar and grains sectors – while overseas market uncertainty and COVID-19 disruptions were also found to be driving pessimism.

Rabobank regional manager for Southern Queensland and Northern NSW Brad James said much of Queensland's renewed rural confidence could be attributed to the robust beef sector.

“The cattle market has remained buoyant over recent months. Limited supply, restocker demand and a turn in the season in some areas continues to drive strength in the market, and cattle producers with stock to sell are enjoying good returns,” he said.

Beef was the most confident agricultural sector in the state, with 27 per cent of graziers expecting improved conditions in the agricultural economy in the 12 months ahead. Mr James said the recent surge in prices, with the Eastern Young Cattle Indicator hitting a record of 776 cents per kilogram in recent weeks, was a sign of the current confidence in the market.

Across the state, sentiment was up in all surveyed regions, he said, with those surveyed in the Channel Country – an area that benefitted from good rainfall in its catchments – comparatively positive about their prospects for the 12 months ahead.

In North Queensland, rural confidence also improved, but still lagged other regions, with a greater percentage of respondents expecting the agricultural economy to worsen (at 26 per cent) rather than improve (19 per cent).

Areas in the north west of the state, particularly, were still rebuilding from 2019’s flood event, which, Mr James said, had been followed by a mixed wet season.

“Rain received there during winter provided little benefit, and all eyes will now be on the forecast for spring rain, which will really determine the strength of the season for graziers,” he said.

Confidence showed signs of improvement in the grains sector, however the survey revealed lingering concerns about commodity prices and the impacts of COVID-19 among Queensland croppers.

“Wheat prices are expected to come in below the current five-year-average, although this has been elevated by some ports recording over AUD450/tonne wheat for extended periods during the drought,” Mr James said. “And there are some concerns leading into harvest about access to extra staff, with many properties reliant on seasonal labour and interstate contractors during this busy time.”

On the Darling Downs, unseasonal winter rain across cultivations had provided welcome relief leading into the summer cropping season, and, Mr James said, timely in-crop falls across the current winter crop had “certainly improved yield prospects”.

Winter rainfall had also assisted central Queensland’s crops – much of the wheat in the region planted on a precariously low soil moisture profile.

“Southern Queensland has some well-established crops, including around Goondiwindi where there are canola crops that look magnificent – and with canola prices sitting above $550 per tonne, it is certainly encouraging for those producers,” Mr James said.

With a bumper harvest expected for Australia – Rabobank forecasts a 26 million tonne wheat, and nine to 10 million tonne barley crop – Mr James said there was concern around declining cereal prices, although, for many, improved yields would be the more critical factor in how this year played out.

The story for cotton, Mr James said, was not so positive, with soil moisture profiles inadequate for a dryland crop in many areas, and some of the state's major water storages depleted – Emerald's Fairbairn Dam currently at just 10 per cent.

Confidence among the state's cotton producers continued to dwindle from early-season highs, with 18 per cent of surveyed growers expecting an improvement in conditions, well down from 32 per cent in the June quarter – with 30 per cent now expecting conditions to worsen.

The pandemic-led decreased demand for textiles also continued to quash hopes of an improvement in the current cotton prices, Mr James said.

While confidence improved markedly in the sugar sector, the survey found there was still a greater percentage of respondents expecting conditions to worsen, at 33 per cent – rather than improve, at 20 per cent.

Mr James said a flatter price was driving sentiment, however the outlook for prices had since improved, with global prices breaking though the US13 cents per pound barrier in recent weeks – the first time since March.

The current crush, he said, was forecast to be slightly larger this year, totalling just under 31 million tonnes – one million tonnes on last year but still in line with an overall sugar production decline trend over the past five years.

While there had been some hold ups due to weather since the crush started in early June, particularly in the northern wet tropics, Mr James said interruptions hadn't been significant, and that the negative sentiment was largely price driven.

The overall improved sentiment in Queensland's agricultural sector had also begun to show in the bottom-line of farming businesses, with 26 per cent of farmers surveyed expecting an improved financial performance in 2020/21 – compared with 23 per cent with that view in the June quarter. The percentage expecting a weaker financial result fell to 27 per cent, from 34 per cent in the previous survey.

Grain growers were particularly positive about their farm income prospects, with 34 per cent expecting an improvement in gross farm income, up from just 11 per cent with that view last quarter.

The prospects of improved farm margins has also bolstered Queensland farmers' investment intentions this quarter, with the percentage of those expecting to increase investment now at 22 per cent, up from 16 per cent.

Half of this additional investment was earmarked for on-farm infrastructure such as fences, yards and silos.

Beef producers were found to have the most appetite to increase investment, at 28 per cent.

Mr James said the strength of Queensland's agricultural economy, particularly within the beef sector, was also being reflected in property prices – with a significant lift in values over recent years.

"For many Queensland producers, it makes economic sense to improve their current holdings where they can, as an alternative to the purchase of additional land. Often it's more cost effective to develop rather than acquire, but of course this is largely dependent on the individual circumstances of the producer," he said.

"As a result we're seeing a lot of exclusion fencing in areas impacted by dogs and kangaroos, and water infrastructure to help mitigate future drought disruption, and assist with pasture uptake through increased water points."

With low interest rates, sound commodity prices, a favourable seasonal outlook and confidence from the banking sector, Mr James said, Queensland farmers were well-positioned to reinvest in their businesses, and many were taking advantage of the opportunity.

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 2020.

<ends>

Rabobank Australia & New Zealand is a part of the global Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 120 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 40 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1000 offices and branches. Rabobank Australia & New Zealand is one of Australasia's leading agricultural lenders and a significant provider of business and corporate banking and financial services to the region's food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

To arrange an interview 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

Georgina Poole
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 0418 216 103
Email: georgina.poole@rabobank.com