



Rabobank

Media Release
September 14, 2021

'Sweeter' sugar outlook takes Queensland farmer confidence to 18-month high

Results at a glance:

- *Queensland rural confidence rises to 18-month high*
- *Driven largely by improved sentiment in the sugar sector, but also ongoing positivity in cotton, beef and grain*
- *Highest investment plans among Queensland farmers in the survey's 20-year history*

A 'sweeter' sugar price has helped fuel an upswing in Queensland farmer confidence, with sentiment in the state's ag sector reaching an 18-month high, the latest quarterly Rabobank Rural Confidence Survey has found.

Released today, the survey found close to two-thirds of the state's sugar producers are expecting conditions to improve in the year ahead, the most positive outlook for the sector in 12 years.

With strong confidence also reported among cotton, beef and grain producers, investment in the state's ag sector is set to increase, with the Queensland 'investment intentions index' – measuring farmers' plans to invest in their own businesses over the next 12 months – now at its highest level in the survey's 20-year history.

The quarterly survey, completed last month, found 43 per cent of Queensland's primary producers have an optimistic outlook for the agricultural economy in the coming 12 months – up from 37 per cent with that view in the June quarter.

Close to half (47 per cent) anticipate similar conditions to last year and just six per cent expect a deterioration.

Rabobank regional manager for North Queensland and the Northern Territory Trent McIndoe said strong and – in the case of beef – record commodity prices, generally good seasonal conditions and the low interest-rate environment were driving much of the positivity prevailing in the sector.

"And then there is the confidence in food and agri in general, which is being seen as a pretty safe space to be in," he said. "This is fuelling not only farmer confidence, but also investment in the sector."

The survey found more than a third of the state's farmers (35 per cent) were looking to increase investment in their farming operations over the next 12 months, with on-farm infrastructure, increasing livestock numbers, upgrades to plant/machinery and adopting new technologies the key priorities.

While investment is strong across commodity sectors, Mr McIndoe said "we are starting to see investment ramp up in cane as well and we would expect this trend to continue over the next year or two given the high sugar price."

In the sugar sector, 33 per cent of growers are intending to increase investment in their businesses, up from 24 per cent last quarter. For Queensland's cotton and grain



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sectors, 44 per cent and 43 per cent of producers, respectively, are planning to increase investment, with 37 per cent in beef also holding that intention.

In the current high-commodity price environment, Mr McIndoe said, “we are seeing farmers and also supply chain partners and industry bodies – such as in the cotton industry – retain earnings and reinvest in technology. And this is driving efficiency gains.”

Commodity prices were nominated as the key driver of positive sentiment by 84 per cent of Queensland farmers expecting conditions to improve, climbing to 91 per cent among those in the sugar sector.

“Sugar prices have crept higher in recent weeks to above \$600 a tonne with some growers locking in 2022/23 forward contracts above \$500 per tonne,” Mr McIndoe said.

With sugar prices now “well above the cost of production”, he said, this was a welcome development after many years of low prices.

“But as growers are only too aware, the market is at the mercy of developments in key producing regions, such as Brazil and India, but, with a tight global balance sheet, prices are expected to remain elevated and also volatile, emphasising the importance of price risk-mitigation strategies,” he said.

Queensland beef producers were also buoyed by the market outlook, Mr McIndoe said, with 83 per cent of those with a positive outlook attributing their view to commodity prices.

“Not only are restockers driving up beef prices, but demand remains strong in offshore markets and also domestically for prime cuts as we continue to see the Eastern Young Cattle Indicator reach new records,” he said.

Mr McIndoe said the live export trade also remained very strong, with prices over \$4 per kilo, as demand held up well out of Indonesia and Vietnam.

Across all Queensland agricultural sectors, though, confidence was highest among cotton producers, with 63 per cent reporting a positive outlook on the 12 months ahead, while the majority of grain growers (72 per cent) expected a continuation of current conditions.

“In cotton, it is the season, as well as pricing, that is fuelling confidence with most of the southern areas shoring up water for next year’s crop,” Mr McIndoe said. “While growers in the Central Highlands had enough water in storage to get their crop going this year, with the Fairbairn Dam at 15 per cent capacity, many will be looking for a wet spring to fulfil planting intentions.”

And for the state’s grain growers, he said, the outlook was positive, with many receiving good in-crop rain while wheat prices remained around \$350 per tonne.

In line with the strong commodity price outlook, the survey found more than half of Queensland survey respondents (52 per cent) expect to generate a higher gross farm income in 2021/22.



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And this, Mr McIndoe said, was assisting many in the drought-recovery process.

“While it is still a three to four-year process, the injection of capital will certainly help businesses be more robust with managing the inevitable seasonal and market vagaries of farming,” he said.

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 2021.

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