



Seasonal conditions and commodity prices see a lift in Queensland ag sentiment

Results at a glance:

- *Queensland producer confidence saw a significant lift in the second quarter of 2023.*
- *Seasonal conditions and commodity prices are driving the optimistic outlook.*
- *More QLD farmers are looking to increase their investment.*

Optimism about seasonal conditions and commodity prices has seen confidence increase among Queensland primary producers in the second quarter of 2023.

The latest Rabobank Rural Confidence Survey, released today, found while farmer confidence was still in negative territory, overall farmer sentiment has increased from -30 per cent last quarter to -13 per cent this quarter with significantly fewer farmers expecting the agricultural economic conditions to decline in the coming 12 months (decreasing from 40 per cent in Q1 to 27 per cent in Q2).

The number of farmers expecting business conditions to improve in the year ahead has increased to 15 per cent (previously 10 per cent). While those expecting conditions to remain the same stood at 57 per cent – up from 49 per cent last quarter.

For those Queensland producers expecting the agricultural economy to decline in the coming 12 months – the prospect of falling commodity prices (46 per cent, down from 59 per cent last quarter) remains the most cited concern. Apprehension amongst producers in the state has increased around dry seasonal conditions (29 per cent, up from 15 per cent in Q1) and concern about government intervention/policies has also increased (29 per cent, up from 13 per cent in Q1).

Higher interest rates are continuing to weigh on producers' minds, cited by 25 per cent of those with a pessimistic outlook, a slight decrease from 27 per cent last quarter.

Rabobank regional manager for Southern Queensland Brad James said the “correction” of cattle prices this year has not been a shock to all Queensland producers – with an easing of record high prices being anticipated for some time by many.

“The easing of cattle prices in 2023 will have contributed to suppressing confidence, but cattle prices are still reasonable – countered to some extent by growing input costs,” he said.

The number of Queensland beef producers expecting business conditions to decline in the year ahead has dropped from 40 per cent last quarter to 33 per cent this survey – while just nine per cent anticipating an improvement (similar to eight per cent with



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that view last quarter). Over half (56 per cent) of Queensland beef producers surveyed are expecting business conditions to remain unchanged.

Softening commodity prices was the chief concern reported by the state's beef producers, followed by dry seasonal conditions.

Mr James said that the survey revealed confidence had picked up among the state's grain growers, with 89 per cent of growers now believing economic conditions will stay the same or improve in the year ahead. "And rain in recent weeks has delivered a full soil moisture profile in many grain growing areas, setting growers up for the winter crop and for some the forthcoming summer crop," he said.

For Queensland grain growers, dry seasonal conditions, easing commodity prices and rising input costs were the biggest concerns reported by those anticipating agricultural economic conditions to decline in the coming year.

"Grain growers generally enjoyed a good early summer, but the rain did abate for some southern Queensland grain growing areas earlier this year," Mr James said.

"However, there have been reports of some outstanding sorghum yields. Dry land cotton harvested around St George reflects some outstanding results – up to 14 to 15 bales per hectare, whilst in some parts of the Darling Downs up to 10 or 11 bales per hectare. The Central Highlands have seen some outstanding yields also, in the range of 17-18 bales per hectare."

This survey, completed last month, saw a significant 'pivot' in confidence among the state's cotton growers – with the majority surveyed reporting an expectation that agricultural economic conditions will improve or stay the same in the next 12 months. This compared with 87 per cent of Queensland cotton producers believing the agricultural economy would decline in the year ahead when last surveyed.

"The recent rain across much of southern Queensland has topped up water storages, setting many cotton growers up for the year ahead," Mr James said.

Sentiment among the state's sugar producers has lifted substantially this quarter with producers anticipating improved agribusiness conditions in the 12 months ahead. And 50 per cent expect economic conditions to remain unchanged. The number of producers taking a pessimistic outlook has decreased to 18 per cent expecting conditions to decline (down from 45 per cent last survey).

Mr James said the state's sugar producers have been buoyed by strong sugar prices. "The sector is experiencing some of the strongest sugar prices ever seen – up to \$800 per tonne – with the economic outlook supporting a continuation of sound to strong prices for the next couple of seasons.

"The survey indicates that this lift in confidence within the sugar sector is generating a lift in investment intentions – particularly around property purchases," he said. "In recent years there has been limited demand for sugar cane farms – however, we are seeing early signals this may be changing as the sector has a return to strong economic conditions."

Overall, this survey found more producers are looking to increase their investment, with 24 per cent of Queensland producers looking to increase spending in their



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agricultural businesses (up from 21 per cent in Q1) and the number planning to reduce investment this quarter has decreased to 13 per cent (down from 15 per cent in Q1).

Of those producers looking to increase their investment in their farming business over the next 12 months, investment in farm infrastructure remains the most common intention, cited by 65 per cent of Queensland producers, however, it has fallen significantly since the first quarter where it was nominated by 81 per cent.

Increases in intention to invest were noted for new plant and machinery (55 per cent up from 37 per cent), adopting new technologies (50 per cent, up from 46 per cent), increasing labour (25 per cent, up from 17 per cent) and education (28 per cent, up from 21 per cent)

Mr James said there was still undoubtedly a desire among producers to invest money back into their existing farming businesses.

“Typically, during these strong economic cycles, we see producers investing in their own farming enterprises through improvements to infrastructure and efficiency advancements,” he said.

The survey found of those producers looking to increase borrowings, 24 per cent intended to purchase property (down from 36 per cent in Q1) and significantly more Queensland producers are looking to use the debt for on-farm capital investment (at 52 per cent, up from 37 per cent in Q1).

“Indications are that the intensity in the Queensland property market has eased from where it was 12 months ago,” Mr James said. “It also appears that the availability of good quality properties coming to market has slowed, although property prices appear to be unaffected.”

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 2023.

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