



Easing commodity prices and rising interest rates weigh on Queensland ag sentiment

Results at a glance:

- *Queensland producer confidence declines in the first quarter of 2023 after stabilising late last year.*
- *Softening commodity prices, rising interest rates and dry seasonal conditions in some areas are driving the pessimistic outlook.*
- *Input costs and excessive rainfall figure as less of a concern.*

A combination of easing commodity prices, rising interest rates and dry seasonal conditions in some areas has seen confidence decline among Queensland primary producers in the first quarter of 2023.

The latest Rabobank Rural Confidence Survey, released today, found overall producer confidence levels in the state have dropped from the previous quarter, which had seen sector sentiment stabilise in the latter months of 2022.

Only one in ten Queensland producers (10 per cent) are now expecting improved conditions in the agricultural economy in the year ahead (down from 14 per cent in the previous quarter). And more are anticipating business conditions will decline, up from 26 per cent last quarter to 40 per cent. Those expecting conditions to remain the same stood at 49 per cent – down from 55 per cent last quarter.

Concerns about softening commodity prices, rising interest rates and dry seasonal conditions in some areas were found to be the key factors driving the negative outlook among producers in the state, while rising input costs and excessive rain – a major worry for producers late last year – are now less of a concern.

For those Queensland producers expecting the agricultural economy to decline in the coming 12 months, 59 per cent cited easing commodity prices – an increase from just 16 per cent with that concern last quarter.

Higher interest rates are also weighing on producers' minds, cited by 27 per cent of those with a pessimistic outlook, an increase from 18 per cent last quarter.

And while another La Niña weather system saw much of the state receive above-average rainfall across summer, dry seasonal conditions in some areas of southern Queensland have seen concerns about drought conditions start to re-emerge, with drought identified as a worry by 15 per cent of those producers expecting economic conditions to decline this survey (lifting from seven per cent last quarter).

Rabobank regional manager for North Queensland and the Northern Territory Trent McIndoe said many Queensland producers were enjoying a “first-class” season as a result of a third consecutive La Niña, while there are “pockets, particularly in southern Queensland”, that had missed the summer rain.



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“The easing of cattle prices in recent months will also have contributed to the decline in optimism amongst many producers across the state,” he said.

The number of Queensland beef producers expecting business conditions to decline in the year ahead has risen from 18 per cent last quarter to 40 per cent this survey – while just eight per cent are anticipating an improvement (down from 14 per cent). Half of Queensland beef producers surveyed (50 per cent) are expecting business conditions to remain unchanged.

Softening commodity prices were the biggest concern reported by the state’s beef producers, followed by rising interest rates.

Mr McIndoe said confidence had remained stable among the state’s grain growers, with sentiment helped by last year’s wet spring and early summer that had delivered “a good but diminishing” soil moisture profile across much of the eastern Darling Downs, while noting grain growers in areas west of Goondiwindi missed out on much of the summer rainfall.

For Queensland grain growers, dry seasonal conditions and rising interest rates were the chief reasons cited by those anticipating agricultural economic conditions to worsen in the coming year.

Sentiment among the state’s sugar producers has lifted slightly this quarter with nine per cent of producers anticipating improved agribusiness conditions in the 12 months ahead (previously three per cent). But the sector is still taking a pessimistic outlook, with 45 per cent expecting conditions to decline (albeit down from 53 per cent last survey).

Mr McIndoe said it had been a late crush in 2022, with some sugar cane being held over in certain areas.

This survey, completed last month, saw a significant ‘about face’ in sentiment among the state’s cotton growers – with the majority surveyed reporting a pessimistic outlook on the year ahead, expecting conditions in the agricultural economy to decline. This compared with no cotton producers holding that view last survey.

“The prospect of falling commodity prices and high inputs are the chief concerns within the Queensland cotton sector,” Mr McIndoe said.

He said cotton production was on track in southern Queensland, after experiencing cooler conditions that led to a slow start to the season. But the warmer conditions throughout February started to drive improved crop development,” he said.

“Dryland acreage in southern Queensland will be looking for rainfall soon, although there are reports of the most recent weather system offering varying levels of relief to some of those producers.”



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Investment appetite among the state's producers remains relatively stable, with 21 per cent expecting to increase investment in their enterprises in the coming 12 months, similar to last quarter. However, the number planning to reduce investment has risen from nine per cent last quarter to 15 per cent this survey.

Of those Queensland producers intending to increase expenditure on their business, the main investment plans include on-farm infrastructure (nominated by 81 per cent), purchasing additional livestock (52 per cent), adopting new technology (46 per cent), and irrigation/water infrastructure (42 per cent).

Mr McIndoe said there was certainly a desire among producers to invest money back into their existing farming businesses.

"But Queensland producers are still finding it challenging to access the physical materials required for their on-farm infrastructure plans – there continue to be lengthy delays for the delivery of materials and machinery," he said.

The latest survey found demand for property purchase to expand farming operations has declined since last quarter – with 21 per cent of those Queensland producers planning to increase their business investment indicating they were looking to purchase property, a decrease from 28 per cent last quarter.

"While demand has eased slightly, there is still strong interest in investing in agricultural properties," Mr McIndoe said. "That said, the volume of properties coming to market is certainly a lot lower than recent years."

This survey, producers were asked their views about the one factor that they believe will be critical to the success of their businesses over the next five years.

Improving processes and finding efficiencies was identified by 20 per cent of Queensland producers, while 19 per cent believe managing succession will be critical to their business. And 15 per cent of producers see investing in equipment as key to their future success. 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 June 2023.

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