



## **High input costs and soft commodity prices see Queensland primary producer confidence slip**

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

- *After rallying last quarter, Queensland rural confidence slips back into negative territory.*
- *High input costs and soft commodity prices are the key concerns.*
- *Investment intentions remain stable.*

Concerns around high input costs and soft commodity prices are the key factors that have seen confidence levels among Queensland's primary producers slip in the second quarter of 2024.

This follows a strong uptick in producer sentiment seen in the state at the beginning of the year, off the back of better-than-expected summer rainfall and the promise of rising cattle prices.

This decline was in line with overall rural confidence, which fell across the nation this quarter, according to the latest quarterly Rabobank Rural Confidence Survey, released today.

However, Queensland and New South Wales were the only states where seasonal conditions were not the major concern, with the state generally enjoying better-than-average to average rainfall totals over autumn. And, although declining, Queensland farmer confidence levels remained among the highest in the country.

The survey, completed last month, found Queensland rural confidence eased from a net reading of +15 per cent last quarter to -13 per cent – dropping into “negative territory” (i.e., with more producers negative than those positive in their outlook).

Fewer of the state's producers expect the agricultural economy to improve in the year ahead (15 per cent this quarter compared with 28 per cent in the previous survey) and more now expect agribusiness conditions to worsen (28 per cent this quarter compared with 13 per cent). Over half of those surveyed, however, (54 per cent) expect conditions to remain the same.

Concerns about rising input costs were nominated by 39 per cent of Queensland respondents, while 28 per cent were worried about lower commodity prices.

Seasonal conditions were more cause for optimism than pessimism in the state's farming sector – with good seasonal conditions identified as a positive factor for the year ahead by 43 per cent. Dry weather conditions – along with government intervention/policies – were, on the other hand, a concern for 25 per cent respectively.



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**Improving commodity prices and overseas markets/economies were also seen as positives for the agricultural economy in the year ahead, by 28 per cent and 22 per cent respectively.**

Rabobank regional manager for North Queensland and the Northern Territory Trent McIndoe said while much of the state was experiencing above-average to average rainfall conditions and producers had been receiving reasonable commodity prices in certain sectors, high input costs and commodity price uncertainty are “taking the shine off” the outlook for the year ahead.

“Most parts of Queensland are experiencing a good season – but, as always, there are some dry areas and people that have missed out on rain,” Mr McIndoe said.

“It’s the subdued cattle market that is a major cause for concern for many Queensland producers,” he said. “And the current interest rate environment is also underpinning a level of concern – while it was not one of the major factors highlighted in the survey results, but it is certainly an underlying reason.”

The survey found 17 per cent of Queensland producers were concerned about rising interest rates.

For the state’s beef producers, Mr McIndoe said, the survey found they hold concerns around soft cattle prices and the prospect of dry seasonal conditions returning. “While cattle prices saw a lift earlier this year, there is still room for improvement,” he said. “We are in a situation where the current absence of any strong demand in the cattle market – along with a higher herd inventory, with no real liquidation or rebuilding urgency in northern Australia – means cattle prices are more exposed to changes in producer sentiment.

“And producers are confused by the disconnect between the US beef market and the Australian market – it defies traditional logic. The major drivers that generally push the Australian beef market – like the season and the US market – are not having the expected impact.

“It is hoped that global beef demand, led by the US market, will start to have a stronger influence on the Australian cattle market, providing upside to cattle prices in the second half of the year.”

Queensland grain sector confidence also eased this quarter.

The majority of the state’s grain growers are anticipating agricultural economic conditions will remain the same or decline in the year ahead, the survey found.

Mr McIndoe said, overall, grain growers in the state were benefiting from positive seasonal conditions.

“Good rainfall through summer has set up grain growers well for the winter cropping season, with full sub-soil moisture levels. Queensland growers’ winter cropping intentions have been bolstered by summer and early autumn rainfall – which was above the historical mean,” he said.

“The bank is expecting Queensland’s crop planting to show the biggest year-on-year area increase in the country – up 31.7 per cent to 1.475 million hectares. And



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Queensland's wheat area is on track to be the largest on record in the state, with pulse area to increase 17 per cent."

This quarter, the majority of Queensland cotton growers (61 per cent) expect agribusiness conditions to remain unchanged.

"Many cotton growers in southern Queensland were impacted by late summer storms that saw crop yields downgraded," Mr McIndoe said. "While irrigated cotton growers in the Emerald region will be buoyed by the knowledge they are going into the season ahead with full water allocations."

Of the Queensland sugar cane growers surveyed, the outlook for the sector remains stable with the majority expecting agribusiness conditions to remain unchanged in the next 12 months.

"Sugar prices continue to perform well, and forward pricing is also looking positive," Mr McIndoe said. "However, northern producers are holding concerns around receiving too much rain – particularly in the Mackay and North Tropical Coast areas – and the negative impact this will have on crops and the crush."

Overall, Queensland producers' investment intentions remain stable this quarter, with 25 per cent expecting to increase investment in their farm businesses (compared with 24 per cent last quarter), 11 per cent of producers expect to decrease on-farm investment (unchanged from last quarter) and over half (64 per cent) expect investment plans to stay the same.

"Producers are prepared to outlay capital on projects and equipment that will help drive the efficiency of their business," Mr McIndoe said.

"In the last three to four years, we have seen producers receiving reasonable commodity prices coupled with decent seasons, creating liquidity in many businesses and that liquidity has often been reinvested back into on-farm infrastructure."

The survey found the most commonly planned areas for investment were on-farm infrastructure – new fences, yards and silos (for 65 per cent of Queensland producers), irrigation/water infrastructure (34 per cent), adopting new technologies (34 per cent) and increasing livestock numbers (29 per cent).

This quarter nine per cent of Queensland producers indicated they were looking to purchase additional agricultural land.

Mr McIndoe said the agricultural sector was moving into a period of consolidation for the property market, "moving on from the high supply and demand for property seen in recent years".

"And producers are considering higher interest rates and taking into account the forecasts for further interest rate rises in the months ahead," he said.

It is important to note, Mr McIndoe said, that good properties are still selling and selling well – there is just not the prolific number of transactions at present.



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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 survey 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 2024.

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To arrange an interview or for more information on Rabobank's Rural Confidence Survey, please contact:

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