



Rabobank

**Media Release**

**June 13, 2017**

## **Strong cotton and beef sentiment leads rally in Queensland rural confidence**

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

- *Overall Queensland rural confidence climbs*
- *Cotton producers are keen to invest as confidence rises*
- *Sugar only sector to report decline in sentiment due to pricing concerns and impacts of cyclone*
- *Half of the state's large agribusinesses have adopted sensor technology on their properties, but uptake low across the wider sector*

**Strong sentiment in the cotton and beef industries has seen a rally in Queensland farmer confidence in the latest quarter, the Rabobank Rural Confidence Survey has shown.**

**After dropping last quarter, overall net Queensland farmer confidence improved this survey to sit firmly in positive territory – with more farmers taking a positive than negative outlook on the 12 months ahead.**

**The upswing in sentiment was particularly robust among cotton producers, and this was reflected in a strong appetite for investment reported by those in the cotton sector.**

The latest survey – completed last month – found that while the number of Queensland farmers expecting the agricultural economy to improve in the coming 12 months had increased to 25 per cent (slightly up from 23 per cent last quarter), the proportion of farmers with a negative outlook had nearly halved to 10 per cent, from 19 per cent. A total of 61 per cent were anticipating similar conditions to last year.

This has seen net Queensland rural confidence sitting at its highest level for a June quarter for a number of years.

Rabobank regional manager for southern Queensland and northern New South Wales Brad James said with this time of the year generally dry in the state, farmers were typically cautious about the outlook for the season ahead. “However late summer rainfall – which was recorded in a number of areas this year – would benefit farmers in the months ahead and support confidence, along with good commodity prices for most sectors,” he said.

Sentiment was notably up among beef and grains producers in Queensland, while the sugar sector reported a decline in confidence.

Mr James said commodity prices were cited as the main driver of positive sentiment among Queensland producers.

Of those farmers in the state with a positive outlook, 64 per cent had nominated commodity prices as reason for their optimism.



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“For cotton and beef, we saw increasing prices as a particularly positive factor this quarter,” he said. “Also, grain growers who are able to produce chickpeas and other legumes, such as mung beans and soybeans, will be feeling more confident as these crops are continuing to achieve good prices. And the lower Australian dollar is also doing a bit to offset the cereal prices.”

Mr James said while this year’s cotton pick was unlikely to yield as well as 2016, prices remained relatively high.

“Although we’re seeing a smaller pick this year than the bumper crop last year, growers are still experiencing good returns,” he said. “The heat definitely had an impact, particularly on those who took advantage of the price to plant a dryland crop, but for irrigated crops yields are back around average levels.

“Price wise, there was a recent price spike in the nearby July ICE # 2 contract, which many growers took advantage of, locking in domestic prices of \$550 to \$580 a bale for the current crop.”

Seasonal conditions were also nominated as a reason for positive outlook by 39 per cent.

“By and large, the season has been kind to many in the state, however as is so often the case, there have been parts which have not been as fortunate with rainfall, and this is borne out in the survey results,” he said.

Sugarcane was the only commodity surveyed in Queensland this quarter that was anticipating the outlook to worsen this year. While 21 per cent were still expecting an improved 12 months ahead (compared with 20 per cent last quarter), there were 27 per cent of cane producers who now expected conditions to deteriorate (16 per cent last quarter).

“While the sugar price increased toward the end of last year we saw it retreat over the past couple of months to now sit at the lows we saw 12 months ago,” Mr James said. “There has also been some uncertainty around supply contracts in the Burdekin, and in Proserpine and Mackay farmers are still waiting to see how greatly cyclone Debbie has impacted their yield.”

While cotton expressed the largest appetite for investment this quarter, investment intentions across the state remained robust with 92 per cent of producers intending to either increase or maintain their level of farm investment over the coming 12 months.

Of those producers looking to increase their investment the majority (63 per cent) were intending to increase spending on on-farm infrastructure, however there was also a significant jump in those looking at property purchase with 24 per cent looking at land acquisition, up from 20 per cent last quarter.

“The drive for additional property is particularly strong in the beef industry,” Mr James said. “We’re seeing blue-chip properties going for record prices and demand for these types of properties continues to grow.”

This quarter producers were also surveyed about their adoption of sensor technology, such as moisture probes, drones and yield mapping, and its usefulness in their business.



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The survey found that adoption of these technologies was much greater in the larger agribusinesses, with 50 per cent of businesses with gross incomes exceeding \$1 million per annum currently employing sensor technology. However, currently only 16 per cent of all Queensland producers surveyed had adopted these tools due to the low uptake in the pastoral beef industry.

Mr James said while they were seeing gradual adoption, the future uptake of sensor technology would likely be born out of necessity.

“We’re seeing this technology out there, but its uptake has definitely been slow,” he said. “For our more intensive farmers, particularly in irrigation, moisture probes are becoming commonplace and some of the larger western beef producers have been adopting drones to better understand the state of their pasture and its relation to stocking numbers.

“We do have a number of inhibitors to technology in rural Queensland and they have a lot to do with whether producers can easily access fast and affordable internet, but hopefully we’ll see this situation rectified in the not-too-distant future.”

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 2017.

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