



Queensland farmer confidence wanes over hot summer, but recent rainfall boosts hopes for season ahead

Results at a glance:

- *Queensland rural confidence fell in the first quarter of 2018, but recent rainfall gives hope for better year ahead*
- *Sugar still holds the most concern for 2018, but sentiment in beef and grain had also dropped*
- *Cotton was the only commodity to retain a positive outlook for the coming year*

Queensland farmer sentiment waned over summer – weighed down by concerns about another failed wet season – the latest quarterly Rabobank Rural Confidence Survey has shown. However, significant rainfall across much of the state in recent days – including in drought-stricken areas in the central west – has provided some respite and offered a promise of a better season ahead.

The survey found the elevated confidence levels reported by Queensland farmers at the end of last year had faded over the hot, dry summer – with significantly more producers expecting conditions in the state’s agricultural economy this year will worsen rather than improve.

The survey, completed last month, showed almost a third of Queensland’s primary producers (31 per cent) were taking a negative view on the agricultural economy in 2018, up significantly from only eight per cent with that view in the previous survey (December 2017 quarter).

The proportion of farmers expecting improving conditions had also more than halved, to sit at 12 per cent, from 26 per cent last quarter, while 60 per cent of respondents expected conditions to remain similar to last year.

Rabobank regional manager southern Queensland and Northern New South Wales Brad James said there had been a lot of disappointment felt among farmers around the state as early positive weather signals had failed to turn into anything significant over summer.

“However recent falls – which came after the survey was taken – have given some much-needed respite in many areas of the state, particularly from this latest system which has moved from the Gulf to the Central West.

“This has been particularly welcomed by those who have received the rainfall in the central west of the state, where farmers have been potentially staring down their seventh or eighth year of drought.”

Dry seasonal conditions were shown to be the biggest contributor to the drop in Queensland producer sentiment in the survey.

Of those Queensland producers anticipating a deteriorating agricultural economy this year, 45 per cent cited drought as a primary concern, up from 21 per cent last quarter.



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Commodity prices were also negatively impacting the outlook for some – nominated by 40 per cent of the state’s producers with a pessimistic view on the year ahead.

Confidence levels were down across all commodity sectors surveyed in the state, with grain and beef suffering the biggest falls this quarter. Those in the sugar cane industry continue to have the most subdued outlook of all the sectors, with 42 per cent of sugar producers now expecting conditions to deteriorate, 52 per cent not expecting any change and only three per cent hopeful of an improvement this year.

“Sugar prices have been below expectations for some time now and, with forecasts for the global sugar market to return to surplus this year, conditions are unlikely to make any dramatic improvement,” Mr James said. “With strong sugar production in Brazil and an increase in output from both European and Asian markets, our RaboResearch analysts are forecasting global supply to outstrip consumption by 4.3 million tonnes.

“The impact of this is likely to be the continuance of subdued sugar prices with prices expected to remain around \$A390 to \$A420 a tonne for the next 12 months, at the current exchange rates.”

Confidence among beef and grain producers has fallen into slightly negative territory as a result of dry conditions, however cotton producers remain positive, albeit slightly less so than last quarter.

While a large number of cotton growers anticipated similar conditions to last year (55 per cent), there were 16 per cent with expectations of an improved 12 months ahead (down from 37 per cent last quarter) and only seven per cent holding a negative outlook (14 per cent the previous quarter).

Mr James said with cotton continuing to trade at decent near-term prices and the opportunity for near-record speculator positions, it continued to be the commodity with the most reasons to be confident.

“There are a lot of positive influences on the cotton industry at the moment, particularly for those irrigated growers with allocations,” he said.

“Water, market opportunity and the adoption of advanced cropping technologies have meant that cotton growers tend to feel that bit more ‘in control’ of their commodity.”

In line with the fall in overall farmer sentiment across the state, Queensland’s primary producers also revised down expectations for their farm incomes in the coming 12 months.

More farmers now expect their income to be lower than last year with 33 per cent anticipating a decline (compared with 23 per cent last quarter). A total of 13 per cent were still expecting an improvement in farm income, although this was down from 26 per cent last survey, while 53 per cent were anticipating a similar financial result to the previous year.

The state’s producers also scaled back their investment plans for 2018, however only slightly. Of those surveyed, 17 per cent were looking to increase investment in their



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business (compared with 19 per cent last quarter) and 62 per cent intended to maintain current investment levels (down from 73 per cent).

Investment appetite was up among cotton growers however, with 30 per cent planning to increase their investment levels.

“While we have seen investment intentions pull back in the survey, activity levels around enquiries for funding to expand and develop among our clients are still strong,” Mr James said.

“Cotton country is quite tightly held so it is a bit rarer to see properties change hands, but in livestock, and particularly in beef, the market for property continues to reflect good activity levels.”

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 2018.

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