



Rabobank

**Media Release**  
**September 3, 2018**

## **Queensland farm businesses in strong long-term position despite prolonged drought**

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

- *Rural confidence at its lowest level in five years, but longer-term business viability is positive*
- *Low water storages and allocations have slashed cotton and summer cropping sentiment*
- *More than half of Qld farmers expect conditions to deteriorate further in coming year*

**Queensland farmers trust in the viability of their businesses to withstand one of the worst droughts in decades, even though more than half the state's farmers expect conditions to worsen over the next 12 months, according to the latest quarterly Rabobank Rural Confidence Survey.**

**Despite rural confidence taking a hit across Queensland to now sit at low levels last seen in 2013, farmers have an overwhelmingly positive view of their longer-term business strength compared to previous droughts, with 93 per cent surveyed reporting their farms are viable.**

The latest survey results, released today, also point to longer-term investment optimism among farmers because, despite worsening drought conditions, investment in farm businesses remains firm with 63 per cent of farmers looking to maintain investment at current levels and 11 per cent intending to increase investment.

Rabobank regional manager for Southern Queensland and Northern NSW Brad James said farming businesses overall were strong and remain in a viable position.

He said a run of reasonable commodity prices and low interest rates had helped farmers strengthen their own businesses and aided in the resilience to work through this prolonged drought.

The latest survey, which was conducted in early August, found Queensland farmer sentiment had deteriorated across all commodity sectors except beef, where sentiment was stable but still subdued.

Of the Queensland farmers surveyed, 55 per cent expect conditions will deteriorate in the next 12 months (compared with 46 per cent last survey), while 29 per cent expect them to stay the same.

Despite some long-awaited falls of rain in parts of southern Queensland in late August, drought is driving a decline in confidence across regions and commodity sectors. Of the farmers expecting conditions to worsen, 77 per cent cite drought as the key reason.

Drought is also the only factor behind negative sentiment for 100 per cent of grain and cotton producers who also believe conditions will continue to worsen over the coming year, and the same for 100 per cent of farmers in the Channel Country and 97 per cent of farmers from the Darling Downs.



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Only 25 per cent of Queensland farmers attribute their negative outlook to commodity prices, although it was the primary factor for sugar producers, with 71 per cent blaming prices for weaker confidence.

Sugar producers are also particularly pessimistic about income projections over the coming year with 83 per cent expecting incomes will fall.

Despite a tough run of seasons for some years, Mr James said the business viability story was predicated on the fact “farmers have experienced these conditions before”.

“They’ve seen droughts before and they’ve managed through them,” he said.

“What producers have in this particular drought is reasonable commodity prices and low interest rates that will hopefully prevail when the drought eventually breaks and good seasons return, which would clearly help with longer-term confidence.”

Mr James feels there is a greater connectivity between farmers and the social and economic environment they operate in, adding to a higher level of sophistication than in previous generations.

“Producers are still largely reactive in such circumstances however the level of knowledge on both their own and the broader economic conditions holds them in good stead to manage their enterprises post drought,” he said.

With little improvement in winter cropping prospects since the last survey, confidence among grain growers has dropped significantly, with 58 per cent expecting business conditions to worsen in the coming 12 months, up from 41 per cent.

Confidence among beef producers was unchanged compared with the previous quarterly survey, with 45 per cent of the state’s beef producers surveyed expecting conditions to worsen, and 33 per cent expecting conditions similar to the past 12 months.

Mr James points out many producers in central and western Queensland have been in drought for up to seven years, with only sporadic short-term relief, therefore “the drought isn’t new to them” and possibly why there is no dramatic shift in sentiment for beef producers.

Queensland accounts for a large proportion of the nation’s dryland and irrigated cotton farming, and storage capacity was low, he said, and in some areas, there is no allocation.

Mr James said with the cotton planting window looming and the outlook for water storages and allocations bleak, cotton sentiment has unsurprisingly plummeted. Despite prices being strong, 43 per cent of cotton growers expect business conditions in the coming year to worsen, up sharply from 17 per cent last quarter.

“The lack of available irrigation water would likely be driving the drop in cotton confidence in relation to upcoming plantings. But cotton prices are still good so it’s very much a mixed-bag with cotton,” he said.



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While the short-term seasonal outlook is not promising, the survey results in Queensland paint a more upbeat longer-term picture in terms of investment and overall farm viability.

Even though many farmers are forecasting lower incomes in the coming year, 11 per cent of those surveyed are still intending to increase investment within their farming enterprise (down slightly from 14 per cent) and 63 per cent expect to maintain investment at current levels.

That's notwithstanding just 13 per cent expecting a higher gross farm income in the coming 12 months, with 53 per cent of Queensland's farmers expecting a drop in gross farm income and 30 per cent expecting a similar financial result to last year.

Grain growers wound back income projections significantly, with 65 per cent expecting a weaker financial result compared with 24 per cent last quarter.

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 December 2018.

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