



Queensland farmers hold firm as ongoing drought deepens

Results at a glance:

- *Rural confidence remains relatively unchanged, with 37% of Queensland farmers expecting the agricultural economy to worsen in year ahead*
- *Drought continues to be the key driver of subdued confidence across most regions and commodity sectors*
- *Minimal water storages and allocations have slashed cotton and summer cropping expectations*

The strength of Queensland primary producer resilience is reflected in the latest quarterly Rabobank Rural Confidence Survey, with sentiment remaining relatively unchanged despite one of the worst droughts on record deepening.

While all other states recorded a strong deterioration in confidence this quarter as challenging seasonal conditions extend across Australia, Queensland farmers' resolve remained steady.

The state's rural sector has been subdued over the past three years. However, after a horror 2019 of floods and drought, those expecting agricultural economic conditions to further deteriorate remains relatively stable at 37 per cent (from 40 per cent) while the number with an optimistic outlook was unchanged from last quarter, at 19 per cent. Approximately a third of farmers surveyed (29 per cent) expected similar conditions to the previous 12 months.

Rabobank regional manager for Southern Queensland and Northern New South Wales Brad James said the unrelenting dry remained the key driver behind sentiment this quarter, with positive commodity prices and record low interest rates having little bearing on the sombre outlook.

"There's no refuting the circumstances that exist in Queensland. Across all commodity sectors, producers are feeling the effects of the season," Mr James said.

"Winter crop was well-below average and, with little or no moisture profile, many summer dryland cropping options for cultivators will also be challenged, minimal fodder and critically-low dam levels are impacting livestock producers and low-to-no water allocations will severely jeopardise irrigated production."

Accordingly, the survey, released today, revealed that for 88 per cent of those Queensland producers expecting the agricultural economy to worsen, drought was their primary concern.

Yet despite a run of extremely challenging seasons, Queenslanders still rate the long-term strength of their farms as higher than in previous droughts, with 90 per cent of farm businesses reporting viability.

This long-term optimism – coupled with a holding pattern in sentiment – is, Mr James suspects, reflective of the state's producers' strength in managing drought.



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“Queensland farmers have experienced drought before, this scenario is not new to them and, as such, they are some of the best in Australia at managing through tough times. Although the current circumstances will be a test to even the most resilient,” he said.

With many producers in central and western Queensland having endured drought for up to seven years, Mr James believed the dry conditions experienced over the last quarter had not led to the same dramatic change in sentiment that was seen across other Australian regions.

And, contrary to the rest of the state, the survey revealed producers in the Channel Country were looking forward to brighter prospects, with a strong increase in sentiment now placing them as the most confident in the state.

With flood water from Cyclone Trevor weaving its way through the Channel Country and facilitating some of the only handy pasture growth within the state, Mr James said one of Queensland’s few highlights comes off the back of a tragic set of circumstances in the north.

“While the flood events earlier this year were exceptionally cruel, it’s heartening to see there has been some benefit further down the system,” he said.

Beef

The survey, taken last month, revealed the state’s beef producers were comparatively positive compared with farmers in other sectors.

Mr James believed this was driven by good pasture growth off the deluge across much of the Channel Country, which ensured a good spring, particularly for those able to maintain their herd and take advantage of strong commodity prices.

Across the sector, 22 per cent of beef producers are looking forward to improved conditions in the ag economy (compared to 24 per cent last quarter). While the number expecting a deterioration in conditions stood at 28 per cent (down from 34 per cent previously). And a total of 32 per cent expect similar conditions to the past 12 months.

Grain

However, it was the grains sector that achieved the biggest sectoral lift – with 30 per cent of surveyed growers expecting prospects to improve in the next 12 months, up from just eight per cent last quarter. And while 40 per cent still have a negative outlook on the year ahead, this was an improvement on last quarter’s 59 per cent.

And all despite what Mr James concedes was a vastly disappointing season all round, with a severely-reduced planting for want of a meaningful moisture profile.

“There has been very little grain harvest to speak of, bar some irrigated cereal grains, but nothing of great significance,” he said.

And as the window for summer crop planting inches closer to closing each week, the story for summer is equally gloomy. “Early indications suggest spring planting is well



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back from lack of moisture, and the further into summer we progress, the likelihood of getting a crop in the ground diminishes rapidly,” he said.

Cotton

The state’s cotton farmers expressed the least optimism of any commodity sector in Queensland, with Mr James confirming this result was of no surprise considering the lack of water being stored and little-to-no allocation across all cotton growing regions.

Of the cotton growers surveyed, 67 per cent expect operating conditions to deteriorate in the year ahead (up from 47 per cent previously), while 17 per cent foresee little change to the current conditions (from 25 per cent).

“Queensland is a significant producer of cotton, however depleted water reserves will see plantings severely restricted,” Mr James said.

And with no significant moisture profile in the growing regions, dryland cotton planting across the state has also been greatly diminished.

Northern Queensland

In the north of the state, confidence fell back to lag other regions, with 41 per cent of the region’s respondents expecting agricultural economic conditions to worsen, while 36 per cent expected little change.

Rabobank regional manager for North Queensland and Northern Territory, Trent McIndoe said that as the region enters what is traditionally its driest time of the year in the grazing sector, the impacts were likely to be exacerbated by poor past seasons and the high cost of feeding stock.

Mr McIndoe believed a below-average local cane harvest had no doubt also contributed to the slump in sentiment in the north, with over half of the state’s sugar producers expecting conditions to worsen (61 per cent, up from 46 per cent) while 31 per cent expected little change (from 35 per cent last quarter).

“Drizzly rain until July, particularly after a dry start to the growing season last year followed by heavy rain last December, impacted the crop considerably, with yields down 10 to 15 per cent in some areas,” Mr McIndoe said.

And while 62 per cent of sugar cane growers with a negative outlook cited drought as a key reason for their view, falling commodity prices were also a concern for 45 per cent.

As the 2019 crush draws to an end nationwide, in the Bundaberg and Childers districts, prospects for the cane harvest were seen to be more favourable, with producers able to achieve reasonable yields.

In the north west, Mr McIndoe said, graziers were still in a recovery phase after the crippling floods of early 2019.

“There’s been a bit of rebuilding of stock numbers naturally and through purchases, however pasture performance continues to vary across the region,” he said.



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“Northern graziers on the whole, however, are on track for recovery and, with many producers taking up government infrastructure grants, the long-term sentiment remains strong. Those who have been hanging in there for some time will now be looking for a turn in the weather as the wet season approaches and, with a record low Australian dollar and commodity prices strong, a brighter outlook is the least our Queensland producers deserve,” Mr McIndoe said.

Support

Brad James said the knock-on effects of a disappointing winter, and now spring, will be felt across all sectors in Queensland, and that it was important now, more than ever, to keep the lines of communication open.

“There’s a broad recognition for the plight of the farmer across all the professional services and society at large, certainly here are Rabobank we’re invested in supporting our farmers through these challenging times,” he said

“Whether it’s commercial/economic, or personal issues, we encourage farmers to continue conversations with their bank managers so that we can proactively access all options and hopefully hit the ground running together once the season breaks.”

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 March 2020.

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