



Rabobank

Media Release
December 7, 2020

Queensland farmers end the year on a high

Results at a glance:

- *Queensland farmer confidence posts a strong comeback after lacklustre sentiment throughout 2020*
- *Seasonal conditions and outlook, along with commodity prices driving optimism across all sectors and regions*
- *Improved income projections and investment intentions across the state, particularly among grain producers*

Christmas has come early for some Queensland farmers, where spring rainfall, a promising seasonal outlook and strong commodity prices have ticked the wish-list and restored business confidence, according to the latest quarterly Rabobank Rural Confidence Survey.

While the Queensland beef sector proved the state's saving grace earlier in the year, underpinning some – albeit lacklustre – confidence, sentiment has enjoyed a strong comeback in all sectors this quarter, with Queensland cotton and grain producers enjoying the largest upswing in optimism.

The latest survey revealed that 37 per cent of Queensland producers now expect agricultural economic conditions to improve over the coming year – up from 23 per cent last quarter.

Seasonal conditions and commodity prices were largely behind the renewed optimism, cited by 66 and 64 per cent of Queensland producers, respectively, as the reason economic conditions were likely to improve in the months ahead.

However Rabobank regional manager for Northern Queensland and Northern Territory, Trent McIndoe warned that while areas of the state had enjoyed good rain and a successful harvest, Queensland was still a 'mixed bag'.

"Drought is continuing in some areas of the state, with a number of failed crops in the southern district, however the turn in the season and positive outlook has certainly given farmers the confidence that it can, and will, rain again."

Results at the time of survey, completed last month, came as little surprise considering the favourable scenario of strong commodity prices, some reasonable rain and low interest rates, Mr McIndoe said.

"Cattle producers continue to enjoy a strong market, harvest is done and dusted, the sugar cane crush continues uninterrupted, cotton and summer crops are in the ground and confidence is up across all sectors," he said.

On the back of the first significant southern Queensland harvest in four years, Mr McIndoe said there was a definite – albeit cautious – spring in the step of many grain growers across the state, with more than half (52 per cent) expecting conditions to improve in the coming 12 months, up from just 17 per cent last quarter.



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“Prices for grain have declined from their peaks but remain strong compared with the 2016/17 record east coast harvest. Queenslanders have enjoyed a generally uninterrupted harvest, with yields and quality mixed, but overall better than expected,” he said.

Good spring rain – over 90 millimetres in areas across the Darling Downs – fell too late to bolster winter crops, and in some districts delayed harvest, however it did provide a much-needed boost to soil moisture for summer cropping.

“There was some downgrading due to the early November rain, but generally the Queensland winter cereal crop went well, with the strong grain prices mitigating any yield losses,” Mr McIndoe said. “And thanks to the rain, southern parts of Queensland now have a significant summer planting program of sorghum and cotton.”

As such, Queensland cotton growers are also enjoying a surge in confidence, with half (51 per cent) expecting conditions to improve, up from 18 per cent just three months ago.

With Australia’s cotton production forecast to increase from 600,000 bales last season, to an estimated 2.3 to 2.4 million bales, Mr McIndoe said that with little river allocation, much of Queensland’s cotton production would be rain-fed or reliant on other water alternatives.

River flows in the St George region – the first in a number of years – would support cotton planting, but elsewhere he said water security for irrigators across the state remained an ongoing concern.

Reflective of the renewed confidence amongst cotton and grain growers, the Darling Downs was one of the state’s most optimistic regions.

However Mr McIndoe warned that it was still early days.

“Queensland has enjoyed its first real start in three or four years, and while there is an exciting summer planting profile, in-crop rain over the coming months will determine the crop – hopefully La Nina is on its way to really shoring up the summer season,” he said.

Record prices and favourable seasonal conditions and outlook continue to buoy Queensland cattle producers, with 39 per cent now expecting conditions to improve (up from 27 per cent in the September quarter) and almost half (48 per cent) expecting little change to current conditions.

“Cattle sales have remained strong across the state, and Queensland’s spring bull sales were well-contested, continuing to break records,” Mr McIndoe said.

Queensland sugar producers were also particularly upbeat about their future prospects, with more producers now expecting conditions to improve than worsen.

While there were concerns last quarter that a wet spring would impact the crush, Mr McIndoe said these fears were put to rest thanks to a drier-than-expected season.



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“Queensland sugar producers are expected to get through the crush without any standover, and recent spike lifts in the spot market have also helped boost confidence.”

With a strong lift in confidence in North Queensland – where 34 per cent of farmers expect conditions to improve, and a further 37 per cent foreseeing little change in the current economic conditions, Mr McIndoe said prospects in the north were encouraging.

“The cattle and sugar sectors are enjoying a lot of opportunities at the moment, and expectations of a La Nina weather event has filled farmers, not just in the north but across the state, with even further confidence.”

Income and investment expectations reflected this renewed optimism, with 35 per cent of Queensland producers expecting a higher gross farm income in the coming 12 months, compared to 26 per cent with that view last quarter.

Meanwhile, nearly half the state’s farmers (47 per cent) expect little change in their farm income. And, while 18 per cent expect a weaker financial result, this is well down from 27 per cent three months ago.

Cotton and grain producers were particularly positive about generating a rebound in farm incomes, with 75 per cent and 66 per cent, respectively, expecting improved financial performance in the months ahead.

This newfound financial confidence was also driving strong investment intentions, with a quarter of the state’s farmers (25 per cent) looking to increase investment in the coming 12 months – with spending largely pegged for on-farm infrastructure.

Grain producers emerged as the most likely to increase investment – with 34 per cent looking to invest

Larger farm businesses, with a turnover of over \$1 million, held the strongest expansionary intentions, with more than half (56 per cent) looking to increase investment – of which, 40 per cent are looking at further property purchases.

“A successful harvest, and a promising summer season gives farmers a great opportunity to develop or expand,” Mr McIndoe said. “Queensland has had a tough couple of years, but now with moisture in the ground for some of the croppers, strong prices and a very healthy demand for property – particularly grazing country – our farmers are back in business.”

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 2021.

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