



Queensland farm confidence takes COVID-19 hit

Results at a glance:

- *Queensland farmer confidence retreats sharply from early-year highs*
- *Commodity prices and market uncertainty the key driver of subdued sentiment*
- *North Queensland reports largest downturn in sentiment, primarily driven by seasonal concerns*

COVID-19 may have derailed the heady optimism Queensland farmers enjoyed early in the year, with the latest quarterly Rabobank Rural Confidence Survey showing a distinct decline in farmer sentiment.

After experiencing the strongest rebound in the survey's 19-year history last quarter, farmer confidence has now retracted, although sentiment remains higher than during 2019, and in line with levels last seen in late 2018.

Those Queensland farmers expecting agricultural economic conditions to improve in the coming year dropped to 24 per cent – from 57 per cent in the previous survey – while those expecting conditions to worsen rose to 27 per cent – from just 13 per cent last quarter.

Specifically questioned in this survey about the impact of COVID-19, 42 per cent of Queensland producers believed the repercussions on their business were negative.

Those in the sugar and dairy industries were most affected, with commodity uncertainty cited as a main concern.

This is in line with the overall survey, which pinned the wavering Queensland rural sentiment on commodity price and global market disruption – nominated by 37 per cent of survey respondents as key reason conditions were expected to worsen.

Rabobank regional manager for Northern Queensland, Trent McIndoe said confidence was down across all commodity sectors – particularly amongst sugar and grain producers.

“Only 11 per cent of sugar producers are expecting business conditions to improve over the next 12 months, which is well down on 48 per cent with that view last quarter,” Mr McIndoe said.

Despite a mild wet season in key cane-growing regions such as the Burdekin, he said the price impact of COVID-19 was behind the downturn in sentiment, with commodity price uncertainty cited by Queensland farmers as the reason conditions were likely to worsen.

After rallying last quarter, sentiment among Queensland grain growers has slumped, with just six per cent expecting business conditions to improve in the coming year – well down from 55 per cent with that view last quarter.



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While 56 per cent of croppers expect little change from last quarter, 28 per cent believe conditions will worsen over the next 12 months – primarily on the back of drought concerns and commodity prices.

Mr McIndoe said widespread rain early in the year helped replenish soil moisture profiles, but in regions such as the Darling Downs and Central Highlands, grain growers were once again looking to the skies.

“By and large, Queensland cultivators had a reasonable soil moisture profile, generally there was a good start to the season, allowing most producers to begin their sowing program, however sufficient follow-up rain didn’t eventuate in some areas, and is now needed,” he said.

On the positive side, as barley is not a significant crop rotation in Queensland, Mr McIndoe said, the impact of China’s recent tariff announcement would be minimal.

While sentiment in the state’s beef industry fell from early-year highs, optimism prevailed, with 32 per cent of the state’s beef producers expecting better conditions ahead – down from 61 per cent last quarter – and a further 46 per cent expecting little change over the next 12 months.

With the survey revealing confidence was tempered by concerns about overseas markets, Mr McIndoe said the Queensland industry remained strong in the face of COVID-19.

“Cattle are still trading at high levels and, while survey respondents expressed frustrations over not being able to go to sales or view stock during lock down, there has been very little impact on farm finances so far,” he said.

“Domestic markets are very buoyant indeed, prices and demand are strong as restockers, and those seeking to source the finished article, compete for product.”

China’s suspension of four Australian meatworks fell narrowly within the survey period and, while it may not have impacted results generally, Mr McIndoe said, it could have broader ramifications if the suspensions were expanded or prolonged.

Producers in Northern Queensland recorded the largest downturn in confidence in the state, and, with areas around central and north western Queensland remaining dry, he said this was reflective of the continuing poor season in the region.

Areas devastated by 2019’s flood have also received little relief, after some of the country failed to respond to rain early in the season.

Mr McIndoe described Queensland’s season as ‘a mixed bag’, with producers in the Channel Country enjoying timely autumn rain and abundant pastures – and, although confidence in the region retreated sharply from early-year highs, sentiment remained strong.

While the percentage of Queensland cotton growers expecting conditions to improve almost halved to 32 per cent, sentiment remained well above levels reported last year.



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Seasonal conditions and commodity prices were cited as reasons for concern, with early-year rainfall in the Central Highlands and Darling Downs failing to fill dams.

Prices were also back considerably, Mr McIndoe said, with cotton consumption dropping sharply as stores closed their doors through COVID-19 restrictions.

He said Rabobank was forecasting a 12 per cent drop in global cotton consumption in 2020.

Queensland farmers revised down gross farm income projections considerably for the next 12 months, with just 23 per cent expecting incomes to improve – down from 38 per cent last quarter.

Whilst beef producers' forecast incomes were downgraded, it was by a lesser extent than their counterparts in other industries, and the sector reported the strongest expansionary intentions.

Overall, Queensland farmers' investment intentions were down – 16 per cent of respondents now looked to increase investment over the next 12 months – although spending on on-farm infrastructure and increasing livestock numbers was predicted to be higher than last quarter.

“After devastating floods and droughts across much of Queensland, producers are now looking to restock and renew on-farm infrastructure such as fencing and yards. Further property purchases also provide an opportunity to mitigate future events,” Mr McIndoe said.

He said the story for rural Australia was a unique one during COVID-19, with low interest rates, strong commodity prices and a good season in parts of Queensland placing the various ag sectors in a sound position.

“A large number of Queensland producers are still doing well, yet the overriding unease of COVID-19 is no doubt impacting sentiment,” Mr McIndoe said.

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 2020.

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