



Dramatic turnaround in seasonal conditions sees Queensland farmer sentiment soar to record high

Results at a glance:

- *Rural confidence has rallied sharply in Queensland, with over half the state's producers expecting the agricultural economy to improve in the year ahead*
- *This is the highest farmer confidence recorded in the state in the survey's history*
- *Seasonal conditions, namely widespread rain, was the key driver increasing confidence across all regions and commodity sectors*
- *Gross farm income expectations rose, yet less dramatically than overall confidence in the season ahead, reflecting the long-term rebuilding phase required post drought*

Queensland primary producers are enjoying renewed spirits with the latest quarterly Rabobank Rural Confidence Survey revealing recent widespread rain has catapulted sentiment to the most positive in Australia.

After up to seven years of drought in areas of the state, Queensland has recorded the most dramatic turnaround in sentiment in the survey's history, a net reading of 44 per cent, up from a negative reading of -18 per cent last quarter. This is the highest rural confidence level recorded in Queensland since the survey commenced in early 2001.

A total of 57 per cent of Queensland producers now have a positive outlook on the coming year, up from just 19 per cent with that view in late 2019.

Meaningful rain events across much of the state, coupled with strong commodity prices, have driven this newfound surge in optimism.

Good seasonal conditions were cited by 72 per cent of surveyed producers with a positive outlook as a key reason farm business performance was expected to improve, whilst 44 per cent surveyed identified commodity prices as a key driver.

Rabobank regional manager for Southern Queensland and Northern New South Wales Brad James believed this significant shift in sentiment was indicative of how broad the rainfall was across the state, whilst acknowledging that some areas had missed out.

"Rain has provided huge relief for much of Queensland, and while patchy in areas, it was generally widespread across the state," he said.

Confidence was up strongly across all commodities, with cotton and sugar growers representing the biggest turnaround in confidence.

Likewise, every Queensland region enjoyed a newfound robust outlook.

The Darling Downs in particular experienced a complete turn-around in sentiment, with 59 per cent of respondents expecting agricultural economic conditions to improve, up from 19 per cent last quarter.



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It was a similar story in North Queensland, where confidence for the season ahead increased from 14 per cent to 58 per cent.

This confidence translated directly into the rural sales sector, with the survey, completed last month, revealing that investment intentions were particularly strong amongst larger farm operations.

The survey found 40 per cent of rural businesses with an annual gross income of more than \$1 million intended to increase investment, of which one third planned to purchase property in the coming 12 months.

Mr James said the low interest rates and strong commodity prices bode well with the Queensland property market, particularly as producers consider their options and potentially look to expand and mitigate against future droughts.

Cotton

The percentage of cotton growers expecting conditions to improve surged from 12 per cent last quarter to 61 per cent, and Mr James believed the rain represented opportunity for dryland cotton growers and those irrigators fortunate enough to benefit from inflows into impoundments.

“Around Emerald, early summer cotton was defoliated and mostly picked before the rain event, which then provided a further profile to replant,” he said.

While catchments across cotton regions had generally not yet secured significant stored water, Mr James said, the change in weather pattern signified a return to traditional winter and summer cropping rotations and represented longer-term optimism for irrigators.

“Cotton prices are reasonable, aided by our Australian dollar, so we would consider it likely some growers may take an early position and look to the coming summer positively,” he said.

Grain

The grains sector also achieved a lift – with 55 per cent of surveyed growers expecting prospects to improve in the next 12 months, up from 30 per cent last quarter.

With rain delivering much-needed soil moisture prior to the winter crop planting window, Mr James said that low interest rates, high commodity prices and an improved soil moisture profile supported a good outlook.

“Admittedly, some areas have still missed out. On the whole however, there are many more growers who will embark on winter planting with a full or partial moisture profile this year, compared to last,” he said.

Beef

The survey revealed confidence also rallied in the beef sector, with 61 per cent of beef producers expecting conditions in the agricultural economy to improve, up from just 22 per cent last quarter.



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Strong prices and improving pasture and fodder supply have boosted confidence.

However, Mr James observed that, with a depletion of the national herd, rain was just the first phase of Queensland's recovery.

"Impacted cattle producers will now go through a rebuilding phase, with many holding back sales to build numbers, this recovery phase can be lengthy for producers and calls for patience from all of their service providers, as they embark on this process," he said.

"It's been estimated that a 20 per cent depletion rate can require a five-year recovery after servicing debt, rebuilding herds and returning to trade.

"While cropping enterprises can potentially turn around relatively quickly after a month season, the cattle sector's recovery will take longer, however all are impacted by such a profound event such as this past drought."

This was potentially reflected in results indicating gross farm income expectations among Queensland farmers, while up, failed to rise by nearly the same degree as overall sentiment in the agricultural sector.

A greater proportion of the state's farmers now expect their gross farm incomes to improve, at 38 per cent up from 25 per cent, however 36 per cent expect a similar income to last year and 23 per cent still expect a weaker financial performance than 2019.

Northern Queensland

The dramatically-increased sentiment in the state's north can be attributed in part to the renaissance currently being enjoyed by the sugar industry.

Sentiment among sugar producers rose, with 48 per cent now expecting conditions to improve, a huge turnaround from last quarter's six per cent reading, with income expectations also rising accordingly.

A total of 47 per cent of sugar producers now expect a higher gross farm income in 2020, compared to just 26 per cent in late-2019.

Rabobank regional manager for North Queensland and Northern Territory, Trent McIndoe said that a rise in sugar prices, up to \$500 for 2020, had helped bolster grower confidence, with an uninterrupted early crush and timely rain also ensuring a smooth season.

"There's been good rain in the Burdekin meaning growers are less likely to have to turn their pumps on, which is always a positive, and along the far north tropical coast the wet season has been relatively mild, with no major flooding events as yet."

Climate Change

This quarter, for the first time, producers were also asked their opinions on climate change and the impact they expect it to have on their farm business over the next 10 years.



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The study found that 54 per cent of those surveyed expect climate change to have an impact on their business, with 11 per cent expecting that impact to be major.

“Climate change continues to be a vexed issue, as reflected in the survey, however it reveals the sector is making inroads to address the issue,” Mr James said.

Water management emerged as the strongest tool adopted by Queensland producers to mitigate climate change, with 16 per cent of farmers having made appropriate water-use efficiency decisions.

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 2020.

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