



Rabobank

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December 14, 2021

Optimism among cotton growers keeps Queensland ag sector confidence high

Results at a glance:

- *90% of the state's producers expecting conditions to either remain stable, or improve*
- *Despite confidence easing, Queensland producer sentiment remains the strongest in the country alongside NSW*
- *Strong commodity prices and the season were again behind the bullish sentiment*
- *More Queensland producers expecting higher incomes in the year ahead*

A positive outlook among cotton growers has kept Queensland rural confidence high, with the state's primary producers among the most optimistic in the nation, the latest quarterly Rabobank Rural Confidence Survey has found.

Confidence within the Queensland cotton sector continues to outstrip other surveyed commodity sectors, with 87 per cent of cotton growers expecting business conditions to improve – up from 63 per cent with that view three months ago – on the back of good seasonal and market prospects, according to the quarter four survey, released today.

While overall Queensland agricultural sector confidence eased this quarter, it remains firmly wedged in positive territory, with 90 per cent of the state's producers expecting conditions to either remain stable or improve further in the year ahead.

Despite agricultural confidence falling back across Australia in the latest quarter, Queensland producer sentiment remains the strongest in the country, alongside New South Wales, which also saw a decline during the survey period.

This quarter, 39 per cent of Queensland's producers reported they are expecting agricultural business conditions to improve in the coming 12 months, while close to half are expecting a continuation of current conditions. Just 10 per cent predict a deterioration.

The latest survey found strong commodity prices and the season were again behind Queensland's bullish sentiment, cited respectively by 71 per cent and 53 per cent of respondents as key reasons conditions were likely to improve.

Completed last month, the survey found while overall confidence edged back this quarter, it was a mixed bag across the commodity sectors with solid confidence reported in the cotton sector and, to a lesser extent, grains.

Rabobank regional manager for Southern Queensland & Northern New South Wales Brad James said good widespread rain across much of southern Queensland would have contributed to the positive outlook among many producers.

"While grain growers in the south of the state have been impacted by the recent rain with disruptions to harvesting, grain losses and quality downgrades," Mr James said,



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“grain prices remain strong and many growers were able to harvest a proportion of their grain ahead of the rain. In addition, the rain has also added to the prospects for summer crops and the next winter crop.”

The survey found 46 per cent of Queensland grain growers expect farm business conditions to improve in the 12 months ahead.

Mr James said in the case of beef, record prices and generally good seasonal conditions saw confidence also comparatively strong – with 35 per cent of beef producers reporting a positive outlook and 58 per cent expecting a continuation of current conditions.

Rain had also impacted the sugar harvest in some areas, he said, seeing reductions in yield and tonnage. After posting an upswing in sentiment last quarter, confidence edged back in the sugar sector – albeit remaining strong – with 43 per cent of cane growers expecting business conditions to improve, and 37 per cent expecting them to remain stable.

The survey found sugar growers were particularly positive about the price outlook, with the majority of those with a positive outlook citing commodity prices as a major cause for their optimism.

Meanwhile those producers on the Darling Downs remained the most positive about the season, with 72 per cent of respondents in the region citing seasonal conditions as the key reason for their optimistic view. Across the state, sentiment eased back in all regions except the Channel Country – where it remained strong and is now in line with the confidence levels reported on the Darling Downs.

“While overall sentiment eased in this past quarter, rural confidence across the state remains at historically-high levels and producers are increasingly upbeat about the financial prospects for their own farm businesses,” Mr James said.

The survey found Queensland producers had revised up expectations for their gross farm incomes on last quarter’s strong result.

Overall, more than half of the survey respondents expect a higher gross farm income over the coming 12 months. While a further 35 per cent expect a similar financial result to the previous financial year and just 11 per cent expect a deterioration in farm incomes.

“This is the most positive income expectation reading in 20 years, since June 2001,” Mr James said.

With the projected boost to farm incomes, more than a third of Queensland respondents are now looking to increase investment in their farm businesses, while 55 per cent are planning to maintain investment at current levels.

Land purchases were proving a challenge, however, Mr James said.

“Record land prices across Queensland are creating a challenge for producers wanting to invest in land,” he said.



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“We are seeing producers make multiple attempts at auction to purchase additional land and being unsuccessful as prices run away.”

Of the 38 per cent of Queensland producers looking to increase investment, this is pegged for on-farm infrastructure such as fences, yards, silos, new plant/machinery, adopting new technologies and increasing livestock numbers.

The survey found investment intentions were strong among grain producers with 54 per cent looking to increase investment, with plant/machinery and on-farm infrastructure high on their agenda.

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 2022.

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To arrange an interview or for more information on Rabobank's Rural Confidence Survey, please contact:

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Will Banks
Media Relations Manager
Rabobank Australia & New Zealand
Phone: 0418 216 103
Email: will.banks@rabobank.com