



Rabobank

**Media Release**

**June 15 2021**

## **Queensland farmers “back in the driver’s seat” – rural confidence climbs as drought recovery continues**

### **Results at a glance:**

- *Queensland rural confidence continues its climb to reach fifth-highest level in survey’s history*
- *Confidence strong across all sectors – particularly cotton – and geographical regions of the state*
- *Recovery from drought continues as farmers continue to ramp up investment in the sector*

**Improved seasonal conditions, following years of drought, are driving a strong return in confidence within Queensland’s agricultural sector, the latest Rabobank Rural Confidence Survey has shown.**

**Confidence among the state’s agricultural producers has climbed to levels only surpassed four times in the quarterly survey’s 20-year history.**

**The rise in the state’s rural sentiment comes off the back of improved seasonal conditions, combined with strong commodity prices. This has also seen farmers maintain the robust investment intentions evidenced last quarter, with plans to invest strongly in their farm businesses to improve on-farm infrastructure, upgrade plant/machinery and rebuild herds, and in some cases expand their enterprises.**

The latest survey, completed last month, found more than a third of Queensland farmers (37 per cent) expect improved conditions in the agricultural economy over the coming 12 months – from 34 per cent with that view in the March quarter.

While close to half of those surveyed (49 per cent) anticipate similar conditions to last year and just 11 per cent a deterioration.

Rabobank regional manager for Southern Queensland and Northern New South Wales, Brad James said while many of the state’s farmers were still in recovery-mode – with it taking a couple of seasons for ‘cultivators’ and up to five years for pastoralists to recover from drought – this was no longer dragging down sentiment in the sector.

“The survey clearly indicates that producers are now well and truly back in the driver’s seat rather than having to take the path dictated by drought,” he said.

With farmers now “looking forward”, Mr James said, there was a feeling of confidence as they went about rebuilding herds and re-establishing crops.

“Most of our clients who have suffered through the drought have come through in good financial shape and it just speaks volumes about the strength and resilience of their businesses,” he said.

With the recovery underpinned by positive seasonal conditions – with the ‘season’ having broken’ in many areas of the state – and strong commodity prices, both were cited as the reason conditions were expected to improve (by 62 per cent and 71 per cent respectively of respondents with an optimistic outlook).



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Beef and sugar producers were the most upbeat about prospects in their commodity markets, the survey found, while farmers in the Darling Downs were particularly positive about the season.

“In many sectors we are seeing an alignment of the planets, with strong commodity prices, low interest rates and, by and large, a good season,” Mr James said.

And this has shored up confidence in the majority of commodity sectors, particularly cotton, beef and sugar, according to the results of the survey.

The survey found cotton producers to be particularly bullish about their prospects, with 64 per cent (from 55 per cent) expecting business conditions to improve in the coming 12 months. Of these, 93 per cent attributed their optimism to the good season.

“In cotton, the lift in confidence is multi-faceted,” Mr James said, “with access to water providing greater certainty around production which, in turn, gives producers the confidence to hedge and effectively draw a line in the sand under revenue.

“Some cotton growers are indicating they now have two years of water. This is such a massive turnaround, not only for irrigators, but dryland producers who have a full soil-moisture profile for their current plantings.”

In Queensland’s grains sector, while confidence edged back slightly, it remained strong – with 41 per cent of grain growers expecting operating conditions to improve and a further 52 per cent expecting similar conditions to the past 12 months.

Mr James said while some pockets of the state could still do with some more rain, “the area planted to wheat is expected to be up 23 per cent on last year, which could deliver one of the largest harvests on record.”

The state’s beef producers were also upbeat about their prospects, the survey found, with 34 per cent expecting an improved 12 months ahead and 57 per cent expecting stable conditions.

“As for the beef industry it really is as good as you can get,” Mr James said.

“However it makes for a challenging rebuild scenario, with some producers acquiring cattle at a premium, others breeding up on-farm or some trading cattle through the system, depending on the shape in which they have come out of drought.”

While sentiment in the sugar sector continued to lag behind cotton, grains and beef, the state’s sugar producers posted a strong upswing in confidence, with the percentage expecting conditions to improve almost doubling from 23 per cent last survey to 40 per cent.

“The state’s sugarcane crop is tipped to rise to almost 30 million tonnes this year – which would exceed both the 2020 and 2019 seasons – at a time when prices are expected to hover around AUD 440 to 450 a metric tonne in 2021,” Mr James said.

In line with the stronger confidence prevailing in the state’s agricultural sector, Queensland farmers also had expectations of improved farm incomes over the



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coming year, with 41 per cent (from 38 per cent) expecting a higher gross farm income in 2021/22, while 42 per cent expected a similar bottom-line to last financial year.

While cotton growers were the most optimistic about their income prospects, there was a big turnaround in the sugar sector, with 49 per cent of sugar producers expecting their gross farm incomes to increase in 2021/22 – up from just 19 per cent last quarter.

Mr James said global sugar prices had surged to 17 USc/lb in April, and while prices had since moderated, there was some potential upside given the dryness in Brazil and potential frost-damage to crop in Europe.

In terms of investment, the survey found 30 per cent of the state's farmers are looking to increase investment in their farming businesses over the coming 12 months, while a further 61 per cent are planning to maintain it at current levels.

Of those looking to ramp up investment, 65 per cent of respondents planned to spend on on-farm infrastructure (such as fences, yards and silos), 44 per cent for new plant/machinery, 44 per cent to increase livestock numbers and 43 per cent on irrigation/water infrastructure.

“When you have strong confidence like we have at the moment, there is a propensity to invest,” Mr James said. “And we are seeing this in the rural property market, with record land prices and no shortage of people in the market trying to buy land.”

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 2021.

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