



Queensland farmers poised to capitalise on strong commodity prices in 2021

Results at a glance:

- *Queensland rural confidence remains strong, at one of its highest levels in the survey's history*
- *Mixed start to season fails to dampen farmers' hopes for the year ahead*
- *Strong commodity prices set to fuel near-record levels of investment in the sector*

A mixed start to the season has done little to dampen farmers' hopes for the year ahead, with Queensland rural confidence sitting at one of its highest levels in the survey's history, the latest quarterly Rabobank Rural Confidence Survey has shown.

It comes as the state's farmers look to capitalise on strong commodity prices, with near-record levels of on-farm investment expected this year as producers prioritise spending on infrastructure to boost the productivity and profitability of their businesses.

The latest survey, completed last month, found 34 per cent of the state's primary producers expect conditions in the agricultural economy to improve over the coming 12 months – a slight dip from 37 per cent with that view in December.

While a further 53 per cent expect similar conditions to last year and just 10 per cent expect a deterioration.

This saw net confidence edging up just slightly on the already strong level recorded in the previous quarter.

Rabobank regional manager for Southern Queensland and Northern New South Wales, Brad James said while robust investment – underpinned by commodity prices, low interest rates and a positive economic outlook – reflected the level of confidence prevailing in the sector, the season remained the “missing ingredient” for many primary producers across the state.

“Despite some significant monsoon activity in the north of the state down to around Capricornia, the rain has been pretty patchy elsewhere,” Mr James said.

“Parts of the Darling Downs remain dry, while it has been pretty hit and miss further west around Roma. And in the black soil Downs country around Richmond and Hughenden, the country is doing its best to respond after so many dry years.”

Reflective of the mixed rainfall received in the state, seasonal conditions were cited by 50 per cent of Queensland farmers with a positive outlook as reason for their optimism, while commodity prices were nominated by 71 per cent.

By commodity sector, cotton and grain growers were the most positive about their prospects for the year ahead, albeit off a relatively low base given the 2020 season.



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More than half of the state's cotton growers, 55 per cent, expect business conditions to improve in the year ahead, up from 51 per cent in the previous survey.

"While the national cotton crop is expected to bring in 2.4 to 2.5 million bales – a four-fold increase on last year's crop – conditions have been very mixed for Queensland's cotton growers," Mr James said.

"Some cotton-growing areas in the south continue to battle drought, while historically low inflows into the Fairbairn Dam have seen some growers in the Emerald region unable to plant for the first time in 30 years."

Meanwhile, Mr James said, the state's grain growers were looking to a better year ahead with the survey finding 55 per cent were expecting conditions to improve, up from 52 per cent in the previous quarter.

"While the Bureau of Meteorology's latest outlook points to a wetter-than-normal autumn for south-eastern Queensland, a good break will be needed after such a patchy season in the eastern and western Downs," he said.

Despite the mixed season, the survey found the state's cattle producers were largely upbeat with 33 per cent expecting conditions to improve (down slightly from 39 per cent) and 54 per cent expecting little change to current conditions – largely on the back of commodity prices.

"Seasonally, cattle country south-west of Rockhampton, around Taroom and in the Southern Brigalow belt is, by and large, generally good," Mr James said, "As is often typical after prolonged drought, pasture recovery is challenged by the prevalence of weeds and this has impacted some of those producers in areas such as Longreach where it has previously been so dry. In addition to this, some of the western Queensland areas that have received a season of sorts are under pest pressure from locusts."

Mr James said with the temporary closure of some meatworks on the back of a lack of supply, beef prices had rallied to record highs. "This of course presents a challenge for those producers rebuilding herds and seeking to acquire stock".

Meanwhile, the majority of the state's sugar producers – at 54 per cent – are expecting a similar year to last.

"While early season forecasts indicate similar cane production to last year – at 31 million tonnes – there is still a long way to go in the season and producers will be hoping for some sunny weather over the coming weeks after such a wet start in the north," he said.

"In terms of price, 2021 raw sugar is up around \$430 to \$440 a tonne, a big lift from the low \$300s this time last year, with solid offerings set to continue in the short-term due to the current tightness in the export market."

In line with the strong outlook for commodity prices, the state's farmers revised up expectations for their farm incomes over the coming year, with 38 per cent (up from 35 per cent) expecting a higher gross farm income in 2021, while close to half (45 per cent) are looking at a similar financial result to last year.



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This has, in turn, fuelled investment plans, Mr James said, with 30 per cent of surveyed farmers in the state looking to increase investment in their farm businesses over the coming 12 months (up from 25 per cent last quarter) and 62 per cent planning to maintain investment at current levels.

Queensland farmers' investment intentions are now at levels not seen since early-2008 and the third-highest in the Rural Confidence Survey's 20-year history.

Of those looking to increase investment, 59 per cent of producers plan to spend on on-farm infrastructure (such as fences, yards and silos), 36 per cent on new plant/machinery, 35 per cent on irrigation/water infrastructure and 31 per cent on increasing livestock numbers.

A total of 30 per cent of those expecting to increase investment are looking at property purchase, with appetite for expansion particularly strong in the grains sector and across the Darling Downs region.

"With investment predicated on strong commodity prices, low interest rates and a solid economic outlook, the only ingredient currently missing from the complex is the season," Mr James said.

"There is strong confidence to invest in ag at the moment and you only need to look at the extraordinary lift in land prices to see how the planets have aligned for the sector."

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 2021.

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