Rabobank

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Queensland ag sector confidence stages recovery, but costs and policy concerns continue to weigh on sentiment

Results at a glance:

- *Queensland producer confidence has staged a turnaround after the sharp fall recorded last quarter, although sentiment remains in negative territory.*
- *Rising commodity prices are providing greater cause for optimism, while fewer producers expect agricultural business conditions to decline.*
- *Investment and farm income expectations have strengthened, despite ongoing concern about input costs and government policy.*

Sentiment among Queensland's primary producers has staged a turnaround, with confidence beginning to tick up in the latest quarter, following a significant downturn in the middle of the year.

Released today, the latest Rabobank Rural Confidence Survey found, overall, more of the state's producers were now reporting a more stable outlook for agricultural economic conditions for the 12 months ahead.

The quarter three survey found Queensland rural confidence had risen to a net reading of -37 per cent (from -54 per cent in the previous quarter). And – despite Queensland recording the lowest rural sector confidence of all states this quarter – the result represents a notable improvement in sentiment after the steep fall seen in the June quarter survey.

The recovery was primarily driven by the reduced proportion of Queensland producers expecting agricultural economic conditions to decline over the next 12 months – 45 per cent, down from 61 per cent with that view last survey. Those expecting conditions to remain relatively stable increased to 44 per cent, from 29 per cent previously, while eight per cent expected conditions to improve, unchanged from last quarter.

The latest survey, completed last month, found improved commodity-price expectations were the leading source of optimism among Queensland producers. Forty per cent nominated rising commodity prices as likely to positively influence the agricultural economy in the coming year (up from 23 per cent last survey). A quarter of the state's producers expected a good season to have a positive impact, while 12 per cent pointed to overseas markets and economies.

High input costs remain the most commonly-cited concern, nominated by 57 per cent of Queensland agricultural producers, compared with 59 per cent last quarter. And concern about government intervention and policies rose to 43 per cent (from 27 per cent).

The latest Rabobank survey also found a third of Queensland producers (33 per cent) identified drought as a potentially negative influence in the 12 months ahead.

Rabobank state manager for Queensland Polly Saraiva said while confidence among Queensland producers has improved, it remains a “story of two halves”, with strong seasonal conditions across parts of the north of the state supporting an optimistic outlook, contrasted by ongoing seasonal challenges in many southern regions that are weighing on producers.

“Conditions remain highly variable across the state,” Ms Saraiva said, “with some producers reporting strong crop prospects and pasture growth, while others continue to face significant seasonal pressures. The outlook remains patchy, depending on location and rainfall received.”

Ms Saraiva said the survey indicated producer sentiment had begun to stabilise in the state after a particularly challenging second quarter. “Concerns about higher costs for farm inputs – linked to Strait of Hormuz disruptions – and dry seasonal conditions in parts of the state had particularly impacted sector confidence last quarter. The Q2 survey had seen Queensland producer confidence decline to the lowest point since the survey’s tracking began in 2001,” she said.

“While confidence remains subdued this quarter, the latest results point to a considerable easing in the level of pessimism across Queensland’s agricultural sector.

“Last quarter, more than six in 10 Queensland producers expected conditions to deteriorate. That proportion has now fallen to fewer than half, while a much larger group believes conditions will remain broadly stable. This is not yet a return to widespread optimism, but it does suggest Queensland producers are seeing greater stability in their operating outlook and are looking beyond some of the immediate pressures which weighed heavily on confidence last quarter.”

That said, high input costs and government policy continued to be major concerns for Queensland producers, Ms Saraiva said, with producers appearing to be particularly worried about uncertainty surrounding regulatory requirements.

The survey found across the regions, South West Queensland-based producers recorded the highest confidence in the state, at net -22 per cent (previously -40 per cent), followed by the producers operating in northern coastal Queensland and on the Darling Downs, both at -29 per cent (previously -58 per cent and -68 per cent respectively). Sentiment among Central Queensland-based producers remained relatively steady at -43 per cent (was -47 per cent).

Ms Saraiva said while there is a growing sense of optimism, producers are taking a realistic view of the months ahead.

“The full impact of the El Niño is still to be seen, with the increased risk of below-average spring rainfall a cause for caution,” she said.

“For many grain growers in southern Queensland, recent warm and dry conditions have reduced soil-moisture reserves, creating uncertainty around yield potential and highlighting the importance of receiving timely rainfall in the weeks ahead,” she said.

By commodity, the survey found confidence levels among the agricultural sectors have improved, but remain in “negative territory”.

Queensland grain grower confidence was found to have tracked up to net -38 per cent, from -91 per cent in the previous survey. While 40 per cent of growers this quarter reported they were expecting conditions to worsen, this was substantially less than the 91 per cent in quarter two.

Ms Saraiva said late-May and early-June rainfall allowed seeding of the winter crop to be done within time, although rainfall volumes since have not been substantial in many key growing regions in southern Queensland.

Cotton producers now have the highest confidence of all sectors in the state, increasing to net -27 per cent, from -69 per cent previously.

“Cotton producers are showing renewed confidence as commodity prices improve, providing a more encouraging outlook for the sector compared with recent survey periods,” Ms Saraiva said.

Livestock markets continue to also provide a positive driver of confidence, she said, with cattle markets remaining particularly resilient.

Queensland beef producer confidence sat at a net reading of -31 per cent in the latest survey (up from -33 per cent last quarter).

The survey found 43 per cent of the state’s cattle producers are anticipating good cattle prices will continue into the year ahead.

“While cattle prices softened towards the end of July, following a combination of China quota constraints and ongoing caution around seasonal conditions, the market remains relatively well supported,” Ms Saraiva said. “We may see some further easing in prices in the months ahead as grain-fed cattle and beef volumes build and export demand moderates. However, provided seasonal conditions remain favourable in key cattle-production regions, the reset of the China quota from January 1 is expected to underpin renewed market support later in the year.”

Confidence among the state’s sugar cane growers edged up to net -69 per cent, from -85 per cent last quarter.

The survey found a quarter of Queensland cane growers (25 per cent) reported they were optimistic about rising commodity prices.

Ms Saraiva said while market conditions remained variable across different commodities, there was clearly greater confidence among producers in the survey that prices may provide some support to their farm businesses.

“Stronger commodity-price expectations are providing important support, particularly for producers considering investment and operational decisions for the year ahead,” she said.

Ms Saraiva said while producers remain cautious, there is more appetite to invest than there was three months ago. “The recovery is being reflected in producers’ spending plans and income expectations,” she said.

This survey, 29 per cent of Queensland primary producers reported they were planning to increase spending on their businesses in the coming 12 months, up from 17 per cent last survey.

The number intending to decrease their business investment also declined to 18 per cent (from 26 per cent), while half of Queensland producers surveyed (50 per cent) are planning to maintain investment at the current level.

Planned expenditure included on-farm infrastructure (for 53 per cent, up from 49 per cent last survey) and adopting new technologies (26 per cent, from 27 per cent).

Given the recent challenges with input availability and prices, Ms Saraiva said, some producers were also taking a longer-term approach to risk management and strengthening on-farm fuel and input storage capacity to improve their operational flexibility and supply security.

Investment in both irrigation/water infrastructure and new plant/machinery were priorities for 25 per cent and 23 per cent of Queensland producers, respectively.

The survey also found a slight increase among those producers in the state who plan to purchase property to expand farming operations, at nine per cent, up from six per cent last quarter.

"While investment intentions remain largely steady, there continues to be interest in agricultural property purchase among producers looking to expand when suitable opportunities arise," Ms Saraiva said.

The improved sentiment was also reflected in income projections. A total of 44 per cent of the state's farmers surveyed expect their income to remain the same in the coming 12 months (up from 39 per cent with that expectation last quarter), while 20 per cent expect higher incomes (up from 14 per cent previously). Just over a third (at 35 per cent) expect their income to decrease, albeit down from 44 per cent previously.

A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions an average of 700 primary producers across a wide range of commodities and geographical areas throughout Australia on a quarterly basis. The most robust survey of its type in Australia, the Rabobank Rural Confidence Survey has been conducted since 2001 by an independent research organisation. The next results are scheduled for release in December 2026.

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