Media Release
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Ag sector confidence dips on input cost concerns, but Queensland producers still spending big on businesses

Results at a glance:

- *High input costs and commodity price worries have seen a dip in Queensland ag sector sentiment*
- *Investment intentions continue to be strong, with 93% of state's producers looking to increase or maintain investment in their businesses*
- *Good seasonal conditions continue to sustain confidence at positive levels*

Concern about rising input costs and a possible softening in high commodity prices has seen confidence slip back in Queensland's agricultural sector in the second quarter of the year, the latest Rabobank Rural Confidence Survey has found.

However, the state's producers still have a healthy appetite for spending on their businesses, with investment intentions remaining at near-record levels reached last quarter and 93 per cent planning to increase or maintain current spending on their farm businesses in the coming 12 months.

The conflict in Ukraine was also found to be hanging over the sector, with 65 per cent of Queensland producers surveyed believing it would negatively impact agribusiness due, primarily, to higher prices for fuel and farm inputs.

The latest survey, completed last month, found 28 per cent of the state's producers were expecting agribusiness conditions to improve in the coming 12 months. This was down from 39 per cent with that view in the previous quarter. However, more than half of those surveyed (51 per cent) were anticipating the current positive conditions would continue.

A total of 18 per cent were expecting business conditions to deteriorate in the year ahead, an increase on eight per cent last quarter.

Of those producers now expecting the agricultural economy to worsen, rising input costs were the leading concern (nominated by 60 per cent). Producers were also apprehensive about a possible downward drift in commodity prices, with 34 per cent identifying this as a worry.

This quarter, participants were specifically asked their views about the impacts of the war in Ukraine on agribusiness, with only 14 per cent of Queensland producers believing there would be any positive market impacts. These were primarily in the cotton, grain and dairy sectors.

The majority expected a negative (55 per cent) or very negative (10 per cent) impact – with the conflict impacting the cost and/or availability of vital farm inputs including fertiliser, fuel, freight and machinery and adding to broader inflationary pressures.

Rabobank regional manager for Southern Queensland and Northern New South Wales Brad James said while high input costs were undoubtedly causing margin pressures, the combination of good seasonal conditions and current strong commodity prices had sustained ag sector sentiment at still-positive levels. And this was providing the confidence for producers to continue investing in their businesses.

Mr James said seasonal conditions had been good across much of the state, however the north west remains dry and the south east corner has “seen too much rain”.

“We saw devastating flooding in south east Queensland in February and more extreme rainfall events recently that created massive challenges for producers in the region – while many other areas of Queensland are enjoying one of their best seasons in years,” he said.

The latest survey found across the commodities, beef producers were the most positive sector in the state, with 57 per cent expecting agribusiness conditions to remain stable and 27 per cent forecasting conditions to improve. This is back slightly on last quarter.

Mr James said beef producers are mindful of the potential devastating impacts of Lumpy Skin Disease and Foot and Mouth Disease which have recently been detected in neighbouring countries and are concerned about potential animal health and international trade implications for the Australian beef sector.

Grain sector confidence in the state remains unchanged from the previous quarter.

“The wet summer and autumn have been disruptive for those grain growers on the Darling Downs, with rain creating delays to harvesting and now planting, but there are more upsides than downside,” Mr James said, “with a wonderful soil moisture profile for the dry-land croppers and virtually all water storages full across the region.”

Rising input costs are a concern for the grain sector, with the majority of growers who think the Russia-Ukraine conflict will have a negative impact on their business citing fuel prices and the increasing costs of fertiliser, freight and other inputs as their concern.

The state’s sugar cane producers are optimistic about their outlook, with 70 per cent believing agribusiness conditions will improve or remain stable in the coming 12 months. Mr James said recent activity in the sugar cane property market is reflecting this confidence. “The property market in sugar has been flat for a fair while, though just recently we have been seeing some bigger sales,” he said.

Overall in the market, “the demand for Queensland agricultural properties has not slowed down”, Mr James said. “There is a limited number of properties on the market and a lot of interested parties when they do come up for sale.”

Over the coming 12 months, 24 per cent of those Queensland producers who intend to increase the investment spend on their business have indicated they plan to purchase property to expand their farming operation.

When it comes to investment intentions overall, the latest survey found 36 per cent of Queensland producers planned to spend more on their farm businesses in the coming year, while 57 per cent were looking to maintain investment at current levels.

Mr James said in addition to investing in more land, Queensland producers who intend to increase investment are planning to spend on farm infrastructure.

However, supply chain disruption and labour availability are providing challenges.

"Global supply chain delays and limited labour will be impacting producers' infrastructure development plans," Mr James said. "Producers are being challenged by the cost of materials and machinery, the long wait times for deliveries and the ongoing challenge of finding labour."

Other investment dollars were planned to be spent on increasing livestock numbers (61 per cent of those planning increased investment) and new technologies (52 per cent).

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 2022.

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

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