

## **Cost concerns see NSW farm sector sentiment soften**

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

- *Concerns around high fertiliser, fuel, agrochemical and labour costs have seen NSW farmer confidence ease in the last quarter of the year.*
- *However, NSW sheep producers have reported a small lift in sentiment.*
- *Investment intentions reflect the softening in sentiment, with a small decline in the investment appetite among farmers.*

Rural sentiment has softened across New South Wales, with a third of the state's farmers reporting concerns about the impact of high input costs, including for fertiliser, fuel, agrochemicals and labour, the latest Rabobank Rural Confidence Survey found.

The quarter four survey, released today, found sentiment among NSW farmers had declined in the latest quarter, with the state's net rural confidence now at a reading of -3 per cent, compared with 15 per cent in the previous survey.

This softening in NSW farm sector confidence is in line with the national sentiment, with farm sector sentiment decreasing in all states except Victoria. Tasmania and Western Australia maintained their positions of highest and lowest farmer confidence respectively.

The survey, completed last month, found the number of NSW farmers with an optimistic view about the coming year had declined to 21 per cent (from 32 per cent last quarter). Those expecting conditions in the agricultural economy to worsen over the coming 12 months increased to 25 per cent (from 17 per cent). About half of NSW farmers (49 per cent) believe the agricultural economy will remain stable.

Rising input costs remain a major concern for the state's agricultural producers – cited by 33 per cent. While 29 per cent of farmers are concerned about government interventions and policies, 28 per cent are worried about dry weather. And 19 per cent of NSW farmers respectively hold concerns about falling commodity prices and overseas markets/economies.

However, the survey, completed last month, also found 46 per cent of the state's farmers have a positive view on commodity prices, expecting rising prices in the coming 12 months.

Also on a positive note, 38 per cent of NSW farmers surveyed were optimistic about seasonal conditions and 24 per cent of farmers about overseas markets/economies.

Rabobank state manager for NSW Toby Mendl said the growing impact of input cost inflation on farm margins – across a broad range of goods – is generally outpacing any commodity price gains, placing additional pressure on farm business profitability.



“Farmers are concerned about ongoing increases in all their expenses, not just the big-ticket items like fuel and fertiliser, with no sign of relief,” he said. “This impact is exacerbated with margins under pressure when commodity prices – such as those for wheat and cotton – are low, as rising costs become harder to absorb and maintain overall profitability,” he said.

Reflecting on the year, Mr Mendl said, farmer outlooks have been “mixed” depending on where they are based geographically in the state and the commodities they are producing.

“There is a definite north/south divide in the state this year – with northern New South Wales faring better seasonally and supporting farmer sentiment, while the south of the state dealt with a more challenging season, and farmers there understandably are more pessimistic,” he said.

By region, the survey found farmer confidence to have declined in nearly all areas of the state this quarter.

Central West-based primary producers held the highest levels of confidence, at net eight per cent, having increased from last quarter (from -1 per cent). Farmers operating in the Riverina have the lowest confidence at net -20 per cent (down from five per cent), followed by North Coast farmers at -8 per cent (down from 14 per cent).

Mr Mendl said farmers in southern NSW have been impacted by below-average rainfall throughout the year. “The prospect of below-average crops saw many Riverina grain growers make the decision to cut winter crops early for hay,” he said.

By commodity, the survey found the lower sentiment was reflected in nearly all farm types.

NSW cotton growers retain the lowest levels of confidence among the state’s commodities, reporting an unchanged -34 per cent in net confidence.

Mr Mendl said soft commodity prices were one of the key reasons for the pessimistic outlook amongst cotton growers.

“Tariff uncertainty has been a headwind for global cotton demand, however, there has recently been some positive news, with the US and China having agreed on a trade deal framework, which, if fully implemented, would significantly boost global cotton demand,” he said.

Mr Mendl said increased global demand for cotton “bodes well for improved local prices”. “And this is something the state’s growers will be hoping for as they have already planted the next cotton crop,” he said.

Confidence levels among NSW dairy farmers dropped to a net reading of -16 per cent in the latest survey (from -3 per cent previously), with none surveyed expecting conditions to improve (down from 27 per cent), although the majority (84 per cent) are expecting farm business conditions to remain unchanged in the year ahead.



Net confidence among NSW beef producers also declined to a neutral level (net zero per cent, down from 31 per cent last survey) – with roughly the same number taking a negative as positive view on the year ahead – although more than half (52 per cent) are expecting business conditions to remain stable.

Mr Mendl said while the survey showed a decline in beef sector sentiment, cattle farmers are coming off a “high base” of confidence, driven by strong cattle prices throughout the year. “And there will also be some producers concerned about feeding their stock as we come into summer, as many areas have not had the depth of spring, in terms of seasonal conditions, that they would have liked,” he said.

The latest Rabobank survey found a marked decrease among grain growers’ sentiment at net -19 per cent (from -4 per cent previously).

Almost two-thirds of NSW grain growers (66 per cent) hold concerns about high input costs, while 42 per cent nominated softening commodity prices as having a negative impact on the farming economy in the year ahead.

“Grain and oilseed prices have weakened this year, as global supply has increased due to strong crops in the US, Europe, Russia, South America and Australia,” Mr Mendl said.

“In addition to the major grain crops, like wheat and barley, some of the more niche crops like lentils and lupins have also faced heavy price pressure in 2025 due to limited import demand from India, the world’s leading importer, and, at the same time, a large expansion in production across major producing regions including Australia, Canada and Russia,” he said.

On the other hand, NSW sheep farmers have reported a small lift in confidence, to sit at net 18 per cent (was 14 per cent previously). The survey found 31 per cent of sheep producers expect conditions to improve (up from 28 per cent), along with 53 per cent predicting conditions to be unchanged.

“On a positive note for sheep producers, wool prices – which have remained relatively low for a long period – have risen significantly in the last quarter of the year due to limited supplies from Australia,” Mr Mendl said.

Investment appetite among the state’s farmers reflected the softening in overall confidence levels, with a small decline in the number of farmers planning to increase investment in their farm businesses in the coming 12 months – to 34 per cent (down from 36 per cent last survey).

“Margin pressure is focusing the spending of many farmers in NSW on optimising their current production, and only considering additional purchases if strategic opportunities arise,” Mr Mendl said.



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The survey found the number of farmers intending to decrease the level of investment spend on their businesses had doubled to 10 per cent (from five per cent). While 54 per cent of farmers are planning to keep investment spend at the same level.

Plans to spend on infrastructure – including fences, yards and silos – decreased to 64 per cent of farmers surveyed (from 72 per cent) but remains the most popular intended investment. Appetite to adopt new technologies also declined to 36 per cent of farmers surveyed (from 44 per cent).

There were small declines in the number of NSW farmers planning to spend on new plant and machinery (28 per cent, down from 38 per cent), increasing livestock numbers (27 per cent, from 35 per cent) and education (21 per cent, down from 24 per cent).

Farmers' income expectations in the coming year also reflect the lower levels of rural sector sentiment seen in NSW, with 38 per cent expecting an increase in incomes (down from 41 per cent in the previous quarter), while the number forecasting their income to decline increased to 22 per cent (was 16 per cent). A total of 39 per cent expect incomes to remain unchanged (was 41 per cent).

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 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 2026.

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