



Rabobank

Media Release
August 26, 2025

Australian rural confidence softens as farmers report mixed outlook on the year ahead

Results at a glance:

- *National rural confidence softened, as farmers face rising input costs and concerns about government intervention/policies.*
- *However, while seasonal conditions remain mixed, farmers remain generally optimistic about weather and commodity prices.*
- *Beef and sheep producers are the most positive about their prospects, while grains, sugar and cotton sector sentiment declined.*

Sentiment in Australia's agricultural sector has softened over the winter months, as the nation's farmers contend with higher input costs and mixed seasonal conditions, the latest Rabobank Rural Confidence Survey has found.

The survey, released today, found net farm sector confidence has eased to a neutral reading of zero (down from five per cent in the previous survey).

This means the same number of farmers (29 per cent) now expect conditions in the agricultural economy to improve over the next 12 months as those who anticipate conditions to weaken.

Farmers reported feeling most positive about seasonal conditions and commodity prices, although producers in Victoria and South Australia in particular remained concerned about weather.

High input costs, as well as concerns about government policies and intervention, were the main causes for pessimism.

A total of 39 per cent of farmers expect conditions will stay the same in the year ahead.

Rabobank group executive for Country Banking Australia Marcel van Doremaele said although overall rural confidence has softened over the winter months, it was encouraging to see that a large proportion of farmers still expect conditions to remain stable or improve over the next 12 months.

"This highlights the resilience of Australian farm businesses – they are navigating rising input costs and ongoing seasonal variability, but are capitalising on the positive drivers of solid commodity prices, primarily in livestock sectors, and favourable seasonal conditions in key regions," he said.



Production costs were top of mind for Australian farmers this survey – which was completed last month* – with the rising price of inputs, including fertiliser and feed, emerging as the leading cause for pessimism (for 41 per cent of farmers, up from 25 per cent last survey). Input costs were the main reason for concern in Tasmania, Queensland and NSW, however seasonal factors outstripped costs in Victoria and South Australia, and WA farmers were most worried about government intervention and policies.

“Global demand drivers are pushing urea prices skyward, so we expect to see this volatility play out as Australian growers update their farm input budgets over the coming months,” Mr van Doremaele said.

“The high prices for feed over the past 12 months will also be felt for a considerable time by many producers in southern areas, especially those who are still relying on purchased hay and grain to maintain stock until their pasture gets back on track after prolonged – and in many areas, ongoing – dry conditions.”

There was also a surge in concern about the impact from government interventions and policies – nominated as an issue for 37 per cent of farmers surveyed, up from 27 per cent previously. This was felt most by farmers in WA, where the impact of the ban on sheep live exports remains a leading cause for concern.

However, concerns about the impact of overseas markets and economies, rising interest rates and drought diminished this survey.

On the other side of the ledger, Australian farmers are equally positive about a good season and rising commodity prices, with 47 per cent nominating both these factors as optimistic in the year ahead.

Optimism around the seasonal outlook lifted from 42 per cent with that view last survey and there was a significant increase in confidence about commodity prices, up from 29 per cent with that view previously.

“While we are still seeing a lot of regional variation in how the season is shaping up, there has finally been some beneficial falls of rain across southern Australia,” Mr van Doremaele said.

“Parts of South Australia have had welcome rain with the state’s wettest July since 1998 – this has recharged soil moisture and given farmers more hope for a better harvest and feed availability, easing pressure on feed costs.

“Over in the west, grain growers are also heading into the critical spring period backed by beneficial winter rain. WA farmers have now set their sights on expectations of a solid harvest ahead.

“There have also been favourable seasonal conditions for many Queensland, northern Victorian and NSW farmers.



“However, parts of Tasmania, SA and Victoria are still facing very challenging dry conditions, so there are mixed levels of confidence in the outlook there.”

Mr van Doremaele said strong commodity prices in a number of sectors were driving positive sentiment – particularly for livestock producers.

“Producers have received record-breaking prices for lambs and sheep, and the beef market remains robust thanks to strong global demand for Australian product.”

Concerns about the cost of doing business eased this quarter, with fewer farmers worried about interest rates or the Australian dollar having a negative impact to the agricultural economy.

States

Tasmania led the nation with the highest level of confidence with a net measure of 23 per cent, up from 10 per cent last survey, supported by commodity prices and beneficial rainfall across the north of the state in autumn and early winter.

“Tasmanian farmer sentiment has fluctuated over the past year, but the resurgence in confidence this quarter is firmly grounded on robust prices for beef and lamb,” Mr van Doremaele said. Tasmania’s investment and property acquisition intentions are now the highest nationally.

There was a marginal lift in farm sector confidence in **Victoria** (to reach a net measure of seven per cent, up from five per cent), supported by early-season rainfall that helped replenish soil moisture in some areas, along with high lamb and beef prices.

“Half of Victoria’s farmers continue to hold concerns about drought – so forecasts of an above-average rainfall in spring in Victoria will be welcome news,” Mr van Doremaele said.

Western Australian farmer confidence remains in net negative territory but did shift up slightly (from -8 per cent to -6 per cent), aided by positive prices especially in the livestock sectors. While concerns have eased about the season, they intensified around rising input costs and government intervention/policy – particularly relating to the live export of sheep.

In **Queensland**, confidence has softened, sliding from a net measure of 10 per cent down to -8 per cent, as farm businesses grapple with higher input costs and concerns around government intervention/policies. Favourable rainfall in livestock-producing regions and robust sheep and beef markets cemented optimism for these sectors – especially for the state’s beef producers.

Farmer confidence declined from a net level of 25 per cent down to three per cent in **South Australia** this survey, with input costs, drought and government intervention/policies weighing on sentiment. Lamb and beef prices supported livestock



producers, but grain growers faced a challenging autumn break with little meaningful rain arriving before July.

Despite rallying at the beginning of the year, **NSW** farmer confidence recorded a downturn, with the net index falling to -8 per cent from -1 per cent in the previous quarter. NSW now has the lowest level of farmer confidence in the country. The state's producers had mixed feelings about seasonal conditions, though more recent sustained rainfall across the state will have buoyed sentiment,

Commodities

Sentiment was mixed across the agricultural sectors this survey.

Beef producers were the most bullish about their prospects for the next 12 months, with a net confidence of 22 per cent, up from 19 per cent in the previous survey. Seasonal conditions and commodity prices were cited as key positive drivers for this sector.

"Cattle producers are watching as prices continue to climb, led by cull cow prices supported by US demand for lean trim and the anticipation this demand could increase with the additional US tariffs imposed on Brazil. This would provide ongoing support for Australian cattle prices, underpinning our beef industry's confidence and investment intentions," Mr van Doremaele said.

Confidence among **sheep** producers strengthened to 14 per cent, a notable rise from -2 per cent in February, driven by robust lamb prices with 65 per cent nominating this as a reason for optimism.

"Sheep producers are buoyed by commodity price strength which has balanced out the wide variation in seasonal conditions experienced across the country, and there's an expectation of improved income for the year ahead," Mr van Doremaele said.

Dairy farmer confidence edged higher this quarter (to seven per cent, up from five per cent) with a third now expecting conditions to improve.

"Dairy farmers are cautiously positive, driven by strong commodity prices and seasonal expectations, but they are still managing the pressures of flooding in eastern states, ongoing dry the south, and high input costs," he said.

"Australian milk production is trending lower, with this reduced supply boding well for stronger farmgate prices, supporting improved income expectations across most regions."

Grain grower sentiment, however, declined sharply this quarter, with a net confidence of -24 per cent reported for the sector, down from -6 per cent previously. Only 16 per cent of grain growers expect conditions to improve, compared with 39 per cent who anticipate worsening conditions.



Mr van Doremaele said grain growers in a number of regions had been navigating seasonal challenges, particularly early in the season, while input costs were putting pressure on budgets. Soft wheat prices are also impacting grower sentiments, as favourable harvests in the northern hemisphere push down global prices.

“Although cost pressures are putting the brakes on grain growers’ confidence, this is offset by a favourable outlook for the harvest in the states and regions which have received growing season rain,” he said. “There are still seasonal concerns across some southern areas, where variable autumn breaks will have had a knock-on effect on yield expectations, so many growers are revising their income projections for the year ahead.”

The survey found confidence in the **sugar** sector fell considerably to -39 per cent, down from -30 per cent – the lowest level of confidence of all commodities.

“The sugar sector continues to face significant cost and market pressures, with concern around high input costs nearly tripling this quarter,” Mr van Doremaele said. “Sugar prices have also been trending downward over the past six months.”

Cotton grower confidence also declined to a net -32 per cent, from -11 per cent, driven down by concerns about rising input costs and commodity price concerns.

“Cotton growers face pressure from rising input costs, yet investment intentions remain strong, particularly in irrigation, technology and on-farm infrastructure,” Mr van Doremaele said.

Dry conditions across southern cotton regions continue to suppress yield potential despite strong seasonal rains in northern NSW. “Despite production potential weakening year on year in Australia, a well-supplied global market is pressuring prices,” he said.

Investment and income expectations

Despite mixed confidence levels, 86 per cent of Australian farmers still plan to increase or maintain investment, albeit slightly down from 89 per cent last survey.

The key area of investment remains in developing farming enterprises, with 63 per cent of Australian farmers surveyed earmarking funds for new fences, yards and silos. There is also strong and stable interest in spending on new technologies (for 37 per cent) and new plant/machinery (for 32 per cent).

“Australian farmers remain focused on growing the productivity and profitability of their farm businesses by harnessing the latest innovations and technologies to make efficiency gains,” Mr van Doremaele said.



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“There is a focus on building resilient businesses which can weather future climate challenges, with nearly a quarter (24 per cent) of farmers nationally investing in water infrastructure.”

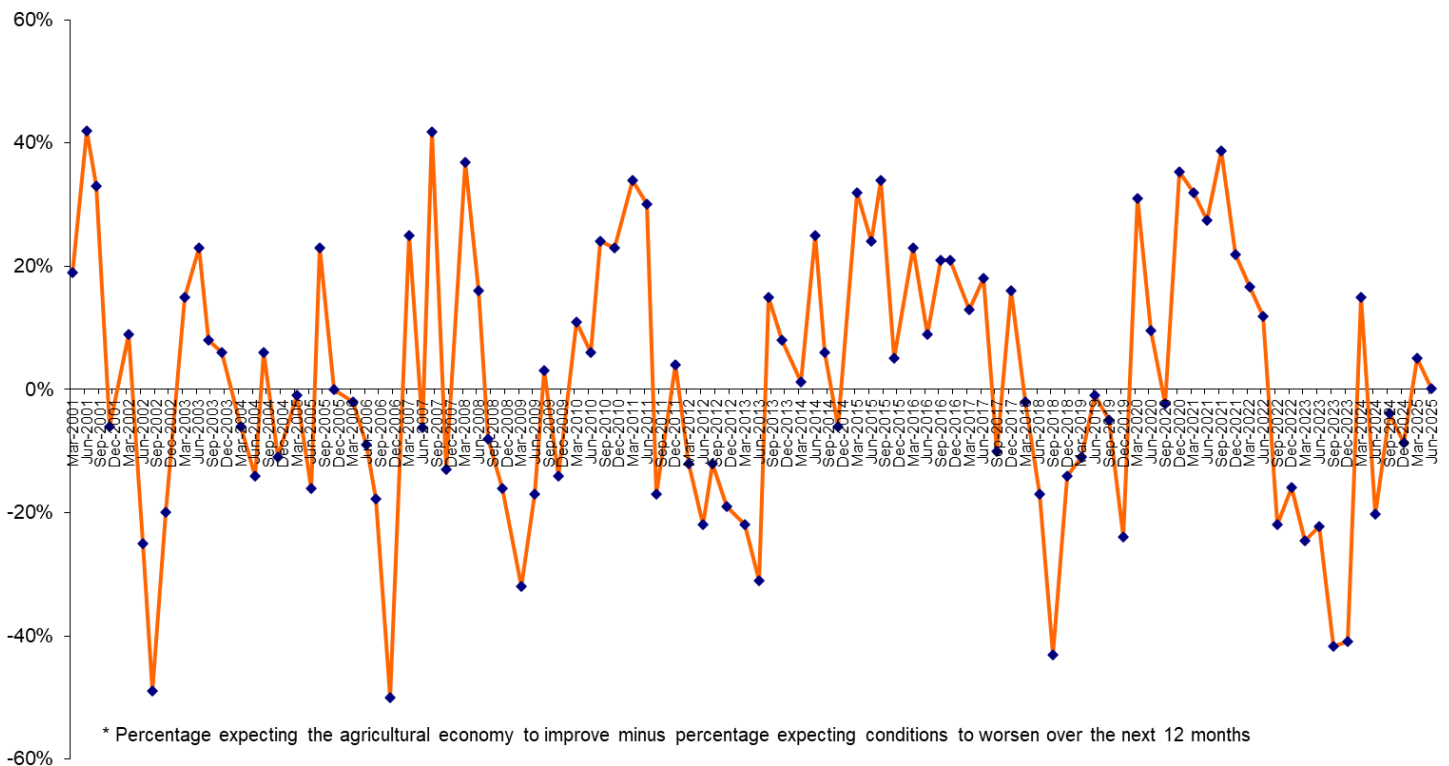
One in five farmers are investing in their own professional development, with 20 per cent earmarking education as a focus for investment in the next 12 months.

Appetite for land purchase softened slightly this quarter, with 13 per cent of respondents intending to purchase more land (was 14 per cent last quarter) – with demand highest in Tasmania (20 per cent) and the cotton industry (24 per cent).

As a reflection of seasonal variability across the country, gross farm income expectations were mixed this quarter.

A third of Australian farmers are tipping an increase in income over the next 12 months (33 per cent), while 24 per cent anticipate a decrease in income and 41 per cent expect little change.

Rabobank Rural Confidence Index





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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 October 2025.

<ends>

*** Q2 2025 survey completed later due to delayed fieldwork. Survey will return to regular timing over the course of the year.**

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