



Australia's farmers start year with improved optimism

Results at a glance:

- *Farmer confidence rallied nationally in the first quarter of 2025, with three quarters of surveyed Australian farmers anticipating economic conditions will improve or remain stable.*
- *Beef and dairy producers are the most positive about their prospects for the year ahead.*
- *Investment appetite remains strong with nine-in-10 farmers planning to increase or maintain farm investment levels*

Australian farmers have settled into the year with renewed confidence, with three quarters of the nation's food and fibre producers expecting economic conditions to improve or remain stable over the next 12 months.

The latest quarterly Rabobank Rural Confidence Survey, released today, found net confidence in Australia's agricultural sector had climbed back into positive territory – with more farmers expecting conditions in the agricultural economy to improve than to decline in the coming 12 months.

Despite ongoing dry conditions across parts of southern Australia, seasonal optimism combined with market stability for most commodities to support increasing positivity in the sector.

And notwithstanding growing market concerns about geopolitical volatility and the impact of tariffs, there was also increased optimism about the impact of overseas markets this quarter.

The survey found net national rural confidence to now be sitting at five per cent, up from -9 per cent in the December quarter.

Approximately a quarter of Australian farmers (24 per cent) were anticipating conditions in the agricultural economy to improve in the coming year, up from 18 per cent with that view last survey, while fewer expected economic conditions to deteriorate (19 per cent, down from 26 per cent previously). Around half the nation's farmers (51 per cent) are expecting little or no change.

Rabobank group executive for Country Banking Australia, Marcel van Doremaele said the heightened optimism seen in the sector was grounded in a combination of seasonal and market improvements which were expected to boost farm business performance.



Expectations of positive seasonal conditions were cited by 42 per cent of respondents as a reason for positivity, up from 34 per cent in the December survey.

Reflecting the seasonal variability across the nation, 45 per cent of the country's producers were also cognisant that drought could be a detrimental factor for the agricultural economy in the coming year, although this was reported as slightly less of a concern than last quarter.

"This first quarter survey acts as somewhat of a pulse-check for farmers. Sentiment at this time of year – especially in southern states – is pinned on hopes for good, early opening rains to kickstart the winter cropping program," Mr van Doremaele said.

"With sub-soil moisture depleted after prolonged dry weather in parts of southern Australia in 2024, farmers in these regions are paying close attention to the rainfall outlook and hoping for a substantial autumn break to set up crops and bridge the feed gap, followed by better seasonal conditions throughout 2025.

"Although confidence was up across the board except for WA where it was essentially stable, the largest surges in positivity were in South Australia and Tasmania, where farmers really are looking for a turnaround in seasonal conditions after a challenging previous 12 months. Farmers in WA and New South Wales fared better last year and wrapped up 2024 with rock-solid harvests and, in some cases, well-above average results, but now they are also in the waiting game to see how the autumn break will set them up for the coming season."

Indications of commodity price stability – with a potential upside across a number of agricultural commodities – were also shown to be contributing to the increasingly optimistic outlook among agricultural producers. Commodity prices were nominated as cause for optimism by 29 per cent of farmers surveyed, up slightly from the previous quarter.

Although beef producers were found to be the most confident sector overall, dairy and grain producers were most hopeful for improved commodity prices, at 44 per cent and 34 per cent respectively.

"Prices of most commodities are not expected to reach the highs or lows seen over the past three years," Mr van Doremaele said. "Instead, Rabobank expects beef and lamb producers to face stabilised markets, with some upside. The dairy industry is also looking forward to a solid year with improved farmgate milk prices."

Overseas markets/economics were also cited as a positive factor by 26 per cent of farmers surveyed, up from 15 per cent last survey.

Interestingly, Mr van Doremaele said, although this quarter's survey coincided with the beginning of the second Trump administration in the United States, there wasn't a significant lift in concern about the implications to Australian agriculture from tariffs or US



politics – with only four per cent of farmers citing each of these factors as a worry (up from one per cent and three per cent, respectively, last quarter).

“Market volatility has been expected with Donald Trump’s return to the US presidency and the full impact of trade tariffs on agri commodities is still an unknown quantity, although there is some drag in markets being seen in response to increased tariffs already imposed on China,” he said.

In terms of issues impacting the sector aside from worries about drought, government intervention/policies and input prices remained the primary concerns voiced in the survey – by 27 per cent and 25 per cent of respondents respectively.

Worry about government intervention/policies was particularly high in WA – where sheep producers will be directly impacted by the coming end of live sheep export. Here 39 per cent of producers nominated government intervention/policies as cause for pessimism.

Concerns about the cost of doing business also eased somewhat for farmers this quarter, with more respondents citing a favourable Australian dollar and lower interest rates as reasons for their optimism.

States

This quarter, all states, except Western Australia, followed the national trend of improved rural sentiment, although the strength of farmer confidence varied across the country.

Sentiment rallied strongly in **South Australia**, where farmers were the most optimistic about improved prospects in the year ahead. However, this followed a very challenging 2024 for many in the state and, despite recording the largest turnaround in confidence across the nation – rebounding from a net -32 per cent in the December quarter to 25 per cent – there was a “less rosy” picture driving the improvement, Mr van Doremaele said.

“SA farmers navigated a very dry year in 2024, so when 42 per cent say they don’t expect conditions to change, this still reflects relatively low expectations. However, it is encouraging to see that positivity is returning, with more SA farmers anticipating conditions will improve than deteriorate,” he said.

Queensland producers recorded their highest confidence levels in 12 months, with net confidence in the state rising to 10 per cent, up from -1 per cent in the previous quarter. More than half cited seasonal conditions as having a positive impact on the ag economy.

“Good summer rainfall across much of the state set producers up for the year ahead, although there were isolated pockets which didn’t receive decent rain,” Mr van Doremaele said. “Extreme weather conditions, including cyclone activity, have also taken a toll on swathes of Queensland farmland. Many northern producers are recovering from rain and flooding from the tropical low earlier this year, especially sugar cane growers with many



now having to replant lost crops. Seasonal volatility continued recently with some south-east Queensland food producers impacted by ex-tropical cyclone Alfred.”

Tasmanian rural sector confidence also rebounded, with net sentiment now on par with Queensland at 10 per cent, up from -14 per cent in the previous quarter. This was supported by generally good seasonal conditions at the end of 2024.

“The season turned around to deliver a reasonable spring for most regions in Tasmania which topped up soil moisture levels and feed availability to alleviate pressure through summer,” Mr van Doremaele said.

Victorian farmers also entered the year with increased positivity, with net confidence sitting at a 12-month high of five per cent, up from -9 per cent in the December quarter. Nearly half (47 per cent) of Victorian farmers anticipate seasonal conditions will support improvements to the agricultural economy this year.

Farmer confidence in **New South Wales** is showing signs of recovery and while net sentiment still hovers just in ‘negative’ territory, it climbed from a net -7 per cent last quarter to now sit at -1 per cent.

“As NSW farmers reverse much of their late-2024 downturn in confidence, which came through in the previous survey, they remain focused on growing their farming businesses, and their investment intentions are the strongest in the country,” Mr van Doremaele said.

Western Australian farmers bucked the national trend. Last quarter, WA was one of only two states to record an increase in farm confidence levels, but this survey confidence dipped slightly from -6 per cent to -8 per cent. WA farmer sentiment was dampened by ongoing concerns about government intervention, specifically live export, although there was optimism about seasonal drivers and commodity prices for the year ahead.

“Despite confidence essentially just holding steady in the west, it is still well up on the levels reported throughout most of 2022 and 2023,” Mr van Doremaele said. “WA farmers received welcome relief late last year when the season turned around and delivered the state’s third-highest winter crop harvest on record.”

Commodities

Sentiment was mixed across the agricultural sectors, with improved outlooks among the nation’s grain growers, sheep and beef producers and dairy farmers. However, confidence remained steady for cotton growers and fell in the sugar sector.

“Beef producers were the most positive about their prospects for the coming year, with their confidence rebounding strongly this quarter and outstripping other commodity sectors,” Mr van Doremaele said.



Nearly a third (31 per cent) of Australian beef producers anticipate conditions will improve in the next 12 months, pushing the beef sector's overall net confidence to 19 per cent, up from two per cent last quarter. Hope for good seasonal conditions lifted, while the state of overseas markets and economies and commodity prices were considered positive factors.

"The beef market is holding steady with slaughter-ready stock seeing an upside, supported by stronger global beef prices," Mr van Doremaele said. "The bullish outlook for beef producers flowed into their investment intentions, with nine out of 10 expecting to either increase or retain their level of investment in their farm business over the coming year."

Sentiment among the nation's milk producers climbed out of negative territory for the first time since September 2022, with net confidence reaching five per cent (up from -10 per cent the previous quarter).

Dairy farmers were the most upbeat of all sectors about the impact of commodity prices on their outlook, with 44 per cent citing this as a positive factor.

"The global dairy market is poised for modest supply growth in 2025, driven by steady production expansion and export demand," Mr van Doremaele said. "The knock-on effect for Australian dairy farmers is expected to be improved farmgate prices through the year ahead, along with high commodity returns and a softer currency. This outlook has supported an increased appetite for investment among dairy farmers this quarter, especially spending on-farm infrastructure, new technologies and plant/machinery – reflecting a hunger for innovation and efficiency gains in the dairy industry."

Grain grower sentiment also continued to improve, although remained in negative territory this quarter.

"It's been an eventful start to the year for the grains sector, with global wheat prices influenced by weather and geopolitical events, sending mixed signals to the market," Mr van Doremaele said. "Despite these global fluctuations, as harvest price pressure eases in Australia, there has been an upside to wheat port prices."

"Grain growers continue to hold the strongest expansionary plans, with 26 per cent earmarking investment for new property purchases – up from 19 per cent last quarter and well above the national average of 14 per cent."

Sheep producers reported a rebound in confidence, with sentiment now around neutral levels (-2 per cent) after taking a tumble last quarter to -15 per cent.

"Dry seasonal conditions continue to weigh on the minds of sheep producers, with more than half (55 per cent) citing the negative impact of drought, the highest percentage across all commodities," Mr van Doremaele said.

"We entered March with a slight uptick in national lamb and mutton prices, with finished lambs at or above the five-year average. However, ongoing dry conditions in southern



Australia have dampened producer appetite to restock – this contributes to lighter, restocker and Merino lamb prices which, although still higher than last year, are below the five-year average. US import prices for lamb have also risen, as we head into a peak demand period at Easter.”

Mr van Doremaele said wool prices had found support in recent months due to weakness in the Australian dollar and a tightening production outlook, but there remains a question mark about the repercussions of US tariffs on China, which will have a downstream effect on Chinese import demand for Australian wool.

Cotton growers reported little change in sentiment this quarter, with drought top of the list of concerns.

Sugar was the only sector to report a decline in confidence, with the net index falling from -14 per cent in December to now sit at -30 per cent. Pricing woes and the state of overseas markets/economies and domestic government interventions/policies were top of mind for sugar producers.

Investment and income

The national lift in farmer confidence this quarter supported an increased appetite for investment, with nearly nine-in-10 farmers (89 per cent,) planning to increase or maintain their level of on-farm investment over the next 12 months.

“Encouraging market signals have pushed gross farm income expectations upwards to approach a three-year high this quarter,” Mr van Doremaele said, “and farmers’ confidence to invest back into their businesses to improve productivity and efficiency has strengthened.”

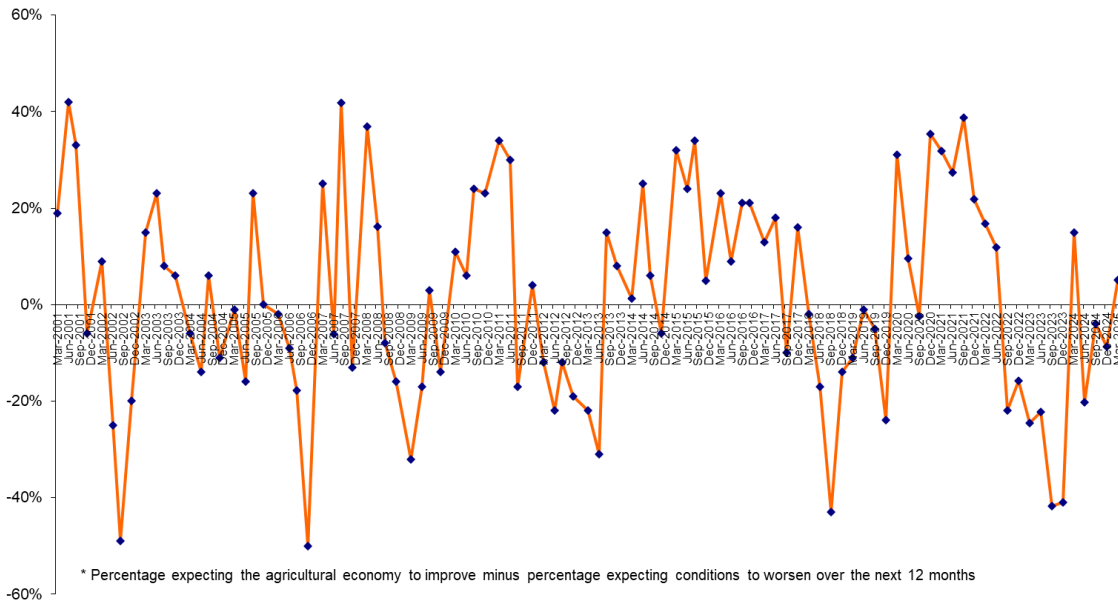
Capital expenditure plans remained steady with two-thirds of farmers surveyed intending to invest in on-farm infrastructure such as fences, silos and yards, and there was slightly increased interest in adopting new technologies (planned by 38 per cent).

A third of Australian farmers expect to update plant and machinery, and intentions to invest in education and increase livestock numbers held relatively steady.

The rally in confidence supported farmers’ expansionary intentions, with 14 per cent surveyed nationally setting their sights on new property purchases this quarter (up from 12 per cent last survey). The strongest appetite for farmland came from WA, where one in five farmers is looking at rural real estate opportunities.



Rabobank Rural Confidence Index



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 2025.

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