



High input costs drive down NSW farmer confidence

Results at a glance:

- *Rising input costs cited as NSW farmers top concern in latest quarterly survey, closely followed by dry seasonal condition concerns.*
- *NSW farmers recorded the lowest confidence among all the states this survey.*
- *Despite the softer sentiment, the state's farmers continue to show a measured commitment to their businesses, with over half planning to maintain current investment levels.*

Elevated costs for key farming inputs – chiefly fuel and fertiliser – coupled with dry seasonal conditions across much of the state through autumn, weighed down New South Wales farmer confidence in the latest quarter.

The quarter two Rabobank Rural Confidence Survey, released today, found NSW farmers recorded the lowest confidence among all the states – with sentiment dropping down to a net index of -55 per cent, (from -20 per cent) last quarter. The survey found input cost worries – linked to Strait of Hormuz disruptions – pushed confidence down in every state this quarter.

This decline in NSW farmer confidence was fuelled by 64 per cent of those surveyed predicting agricultural business conditions will worsen in the coming year (up from 39 per cent last survey), while only 10 per cent expect economic conditions will improve (down from 19 per cent). Those farmers who expect conditions to stay the same halved to 22 per cent (was 41 per cent).

The survey, completed last month, found the top concern nominated by NSW farmers to be rising input costs, cited by 58 per cent (was 31 per cent last quarter). Worry about drought bumped up – a concern for 47 per cent (up from 43 per cent), while government intervention slipped as a concern to 22 per cent (was 31 per cent previously). And energy security were nominated by 21 per cent, climbing from three per cent.

On the flip side, the survey found 47 per cent of NSW farmers expect a positive impact from rising commodity prices in the year ahead – a nudge up from was 42 per cent last quarter.

And 27 per cent of the state's farmers predict a good season will positively influence their businesses (was 38 per cent), while 10 per cent anticipate government policy/intervention to have a positive effect (down from 23 per cent).

Rabobank state manager for NSW Toby Mendl said higher prices of fuel and fertiliser – driven by the Middle East conflict – are just elements of the larger “margin-squeeze” issue farmers have been managing recently.



“The pressure created by the conflict on the price and availability of key farming inputs has compounded farmers’ existing concerns around higher costs, which had already moved structurally higher,” he said.

“The overall margins for farming businesses are under pressure – machinery, fuel, energy, fertilisers, crop protection chemicals, labour and water costs have all been elevated, and this is weighing on farmers’ minds, along with interest rate concerns.”

Mr Mendl said NSW farmers would be closely watching the outcome of the announced US/Iran war peace agreement and the impacts on the opening of the Strait of Hormuz.

On a more positive note, Mr Mendl said beneficial rain that fell in late May will have given some farmers a boost in confidence – though this came after the survey was in the field.

“Widespread rain in recent weeks across the Central West has been welcomed by farmers, and for some, delivered a serious season turnaround,” Mr Mendl said. “However, there are still many producers, particularly in the New England and north western cropping regions, dealing with the effects of below-average rain through summer and autumn.”

By region, the survey found confidence to be down across all NSW regions.

Farmers in the North West of the state recorded the largest decline in confidence – sinking to a net confidence reading of -85 per cent, compared to -27 per cent last quarter.

North Coast-based farmers followed at -66 per cent net confidence, dropping from five per cent previously.

And net sentiment amongst farmers operating in the Riverina ticked down to -58 per cent (was -40 per cent), while Northern Slopes and Plains-based farmer confidence declined to -54 per cent (was -7 per cent).

South Coast farmers now have the highest confidence, albeit reading at -38 per cent. And Central West-based farmers have the second highest sentiment levels, however, this still slipped to -47 per cent from -33 per cent.

“The survey research shows high input costs were the major factor worrying farmers in these regions – except for farmers in the North West and on the Northern Slopes and Plains where drought was nominated as the chief concern,” Mr Mendl said.

“Many livestock producers in the New England – where it has been particularly dry – acted to reduce pressure on pastures via an early sales program making the most of strong commodity prices or by assessing agistment opportunities, largely within the western districts.

“And until the recent rainfall events, many grain growers in key production regions were considering foregoing a winter crop this year, as the dry conditions through summer and early autumn had significantly reduced moisture profiles,” he said.



The survey found grain growers have the most confidence among the commodities sectors in NSW, with net sentiment actually improving – stepping up from -48 per cent last quarter to -39 per cent. There was an increase among growers expecting business conditions to improve in the coming year to 21 per cent (from 17 per cent), while a steady 15 per cent expect conditions to stay the same.

“This sense of optimism will be further buoyed by the recent rainfalls – with many growers now committing to a much larger winter cropping program,” Mr Mendl said.

The survey found confidence among most other commodity sectors in the state reflected the overall lower sentiment.

NSW cotton grower confidence continued a downward trajectory dropping to a net -94 per cent (was -85 per cent last quarter). The survey found no cotton growers expect economic conditions to improve in the coming 12 months.

Cotton growers nominated high input costs and soft commodity prices as the key factors driving their pessimistic outlook.

High input prices were also cited by NSW dairy farmers as the chief reason for their decline in confidence. Sector sentiment diminished to -84 per cent from -19 per cent last survey. No dairy farmers are expecting business conditions to improve in the year ahead, while 84 per cent expect conditions will worsen (was 12 per cent and 31 per cent respectively).

NSW beef producer sentiment dropped to -52 per cent this quarter (from -8 per cent previously). Exactly half (50 per cent) of the state’s beef producers surveyed nominated drought as their major worry.

Mr Mendl said drier conditions in northern NSW led producers in that area to offload record volumes of cattle through April and May.

“Reported saleyard numbers for New South Wales were the highest seen in the last 10 years with some yards setting new records,” he said. “Fortunately, more favourable conditions in Victoria, South Australia and parts of Queensland have seen active buyers from these regions purchase some of the northern New South Wales cattle. This buying activity has managed to support cattle prices despite the large volumes providing only marginal price reductions.”

NSW sheep producer confidence also declined this quarter to net -40 per cent (was -7 per cent previously).

The survey found the combination of higher input costs and dry seasonal conditions to be factors negatively influencing the outlook among sheep producers.

Despite the softer overall sentiment, the state’s farmers continue to show a measured commitment to their businesses, with over half surveyed (53 per cent,) planning to maintain current investment levels, up from 51 per cent last quarter.



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Mr Mendl said farmers were taking a cautious and strategic approach to spending at present – honing in on those key investments that deliver long-term benefits to businesses.

Those NSW farmers planning to increase investment in their farm businesses in the year ahead dipped to 22 per cent this survey (from 35 per cent last quarter) while those planning to decrease investment rose to 20 per cent (from 11 per cent).

Intended investments include in on-farm infrastructure (for 60 per cent, down from 66 per cent last survey), adopting new technologies (for 24 per cent, down from 37 per cent) and 20 per cent in new plant/machinery (20 per cent in down from 28 per cent). Investment in both irrigation/water infrastructure and increasing livestock numbers was planned by 21 per cent (were 26 per cent and 27 per cent, respectively).

The number of NSW farmers intending to purchase property to expand farming operations within the coming 12 months has tapered off to 11 per cent, back from 21 per cent last survey.

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 2001 by an independent research organisation. The next results are scheduled for release in September 2026.

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