



High input prices weigh on SA farmer sentiment, but longer-term confidence holds steady

Results at a glance:

- *Farm sector sentiment is down in SA this quarter, as farmers take stock of how elevated input costs and disrupted supply chains from tensions in the Middle East will impact their business.*
- *Short-term operational challenges are offset by longer-term confidence in the sector outlook and continued strong investment intentions.*
- *Recent autumn rain across the state supports seasonal confidence and stable winter crop projections.*

Sentiment in South Australia’s rural sector took a hit this quarter as the state’s farmers navigate elevated prices for essential farm inputs in the wake of tensions in the Middle East.

However, these short-term operational challenges were offset by longer-term confidence in the outlook for the sector, with an overall strengthened appetite among farmers to invest in their businesses in the year ahead.

The latest quarterly Rabobank Rural Confidence Survey, released today, found a nation-wide decline in farm sector sentiment on the back of widespread concerns about cost and availability of fuel and fertiliser since the outbreak of the Iran conflict.

In South Australia, this played out with the state’s rural confidence index falling into ‘negative’ territory – with more farmers negative than positive about the year ahead – for the first time since October 2024.

At the time of the survey, which aligned with unprecedented supply chain disruptions in the Strait of Hormuz and the knock-on effect to Australian farming businesses, more than half of SA farmers had a negative outlook on farm business conditions in the year ahead (56 per cent, up from 21 per cent in the previous). Only 17 per cent anticipated a turnaround for the better (down from 28 per cent with that view previously), while those who believed conditions would remain stable halved to 23 per cent (from 46 per cent).

The survey, completed last month, was dominated by concerns about rising input costs, with 68 per cent of SA farmers reporting they were worried about elevated prices for fuel, fertiliser and other farm inputs (up from 51 per cent in quarter one).



An emerging concern about 'energy security' reported in the survey (for 31 per cent, up from three per cent last quarter) also reflected the elevated prices – and, for some regions, availability issues – for fuel in the weeks following the outbreak of the conflict in Iran.

Rabobank's recently-appointed state manager for South Australia, Peter Evans said the timing of the survey had aligned with complex on-farm and industry factors, and he was pleased to see "on-ground sentiment" had since improved with beneficial seasonal conditions and input price relief.

"There is always uncertainty at seeding time as farmers look to the sky, but the added layer of supply chain risks and elevated costs of key inputs compounded concerns this year," Mr Evans said.

"However, in recent weeks since I was appointed to the role, I've travelled across SA where I've had the opportunity to see how farmers are adapting their management strategies in response to input price and availability challenges.

"The business acumen of SA farmers is notable. They are responding to factors outside their control by adjusting on-farm decisions such as in-crop fertiliser applications and investing in on-farm fuel storage as a risk management strategy."

Mr Evans said SA 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.

The latest survey found concerns had eased about poor seasonal conditions, with only one in five SA farmers surveyed nominating drought as a negative factor (down from 37 per cent with that concern in March). Mr Evans said this would likely continue to fall with recent rain in the state.

"There has since been useful, widespread rain which has really turned confidence around," he said. "For example, I recently met with farmers on the Eyre Peninsula – which was the region with the lowest confidence level in the latest survey – and they are now more optimistic about how the season will shape up. It's a similar story across the Yorke Peninsula and Mid North, although areas of the Limestone Coast have missed out to some extent."

Seasonal positivity was also reflected in the survey by the 30 per cent of SA farmers who expect good seasonal conditions to positively impact the agricultural economy over the next 12 months.

"Good summer rains over much of the state have set up the sub-soil moisture profile, and grain growers have had near-perfect early season rainfall conditions in most areas for good early crop growth," Mr Evans said.



Commodity prices were also, overall, a source of optimism among SA farmers, with fewer worried about falling prices (21 per cent, down from 34 per cent last) and more anticipating prices will have an upward trajectory over the next 12 months (59 per cent, from 40 per cent previously).

While confidence had declined across all agricultural sectors in the state this quarter, primarily due to rising input costs, Mr Evans said this had now been offset to some extent by promising seasonal conditions paired with favourable forecasts for red meat and wool markets.

“Sentiment is closely tied to the timing of the survey and it’s pleasing to see first-hand that there is now more optimism in the industry thanks to the season, the steadying of fuel prices, sound livestock markets and optimistic expectations for winter crop production,” he said.

“While cost pressures have tempered short-term sentiment, SA farmers remain confident in the long-term viability of their businesses.”

Mr Evans said this had been demonstrated by an overall net strengthening in investment intentions reported by the state’s farmers in the survey.

“Most plan to maintain or increase investment, particularly in infrastructure, livestock numbers and machinery. This demonstrates the longer-term planning and strategic adaptation of farmers in a challenging operating environment,” Mr Evans said.

Those SA farmers planning to increase the level of investment in their business rose to 29 per cent (from 19 per cent) while 57 per cent intend to hold steady on their investment (down from 75 per cent), while 10 per cent intend to decrease investment (from five per cent).

Planned investment in infrastructure on SA farms remains unchanged with 57 per cent earmarking capex for silos, fences, yards etc. There was stronger appetite to increase livestock numbers (for 31 per cent this survey, up from 23 per cent), while just over a quarter of SA farmers plan to invest in new plant and machinery (26 per cent, from 21 per cent).

SA farmers tempered their intentions to purchase property in the next 12 months (planned by nine per cent, down from 14 per cent), which Mr Evans attributed to the timing of the survey.

“There isn’t traditionally a strong turnover of farmland at this time of year. We’re also seeing farmers in South Australia make judicious decisions around land purchases, as



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they assess the strategic merit of expansion against the economic impact from interest rates, the commodity outlook and forecast production costs,” he said.

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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