



## ***Fallout from Middle East tensions weighs on Tasmanian farmers***

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

- *Tasmanian farmer confidence fell sharply this quarter, although was still equal highest nationally.*
- *Rising input costs and drought concerns were leading drivers of pessimism, and fuel security emerged as a concern.*
- *Investment intentions are mixed in the state, as producers balance higher costs against long-term business needs.*

**Tasmanian farmers are less confident this quarter, as they weigh up the impact of tensions in the Middle East to their cost of doing business.**

**The latest Rabobank Rural Confidence Survey, released today, tracked a sharp drop in farmer sentiment across the country. Tasmania however, still – along with Victoria – holds the highest levels of rural confidence in the nation.**

**In the first survey since the outbreak of hostilities in the Middle East, Tasmania's net rural confidence index dropped into 'the red' – with more respondents taking a negative than a positive outlook on the 12 months ahead – falling from 21 per cent last quarter to now sit at -38 per cent.**

**Many more Tasmanian farmers expect business conditions to worsen over the coming year (44 per cent, down from eight per cent in the quarter one survey). Only six per cent of Tasmanian farmers predict conditions will improve (down from 29 per cent) and the remaining 39 per cent believe conditions will remain the same.**

**Confidence levels were most impacted by production costs, with nearly half of Tasmanian respondents (48 per cent) citing rising input costs as a key reason for their concern. This was double the cohort worried about input costs last quarter (24 per cent).**

**The state's farmers reported less concern about the negative impact of overseas markets/economies this quarter (nominated by 24 per cent, down from 41 per cent last survey), with farmers focusing their concerns instead on what the global unrest means on-farm.**

**This included rising concerns about fuel price and supply – while rarely cited by Australian farmers as a concern, 21 per cent of Tasmanian farmers now anticipate fuel (energy) security will be a negative issue for the agricultural economy over the coming year.**

**Rabobank area manager for Tasmania, Stuart Whatling, said the state's diversified enterprise mix – with most farms producing a range of commodities such as livestock,**



dairy, crops and high-value horticulture – contributed to the complexities of falling sentiment in the state.

“Rising input costs remain top of mind for Tasmanian farmers. Fertiliser in particular has been a major concern, as it’s a double-edged sword of both availability and cost,” he said.

RaboResearch’s latest fertiliser outlook tracks a continuing rise in global urea prices, as global fertiliser supply remains highly constrained.

“The impact of tensions in the Middle East presents in a similar way on-farm to a drought. However, while Tasmanian farmers have invested heavily in drought mitigation strategies and irrigation, there isn’t a corresponding mitigant to this input shock,” Mr Whatling said.

“The resilience we have seen in Tasmania is supported by their enterprise choice and flexibility. Although many sectors are exposed to increased prices for fuel, fertiliser and freight, the level of diversification on Tasmanian farms helps spread risk.”

Many Tasmanian farmers have inbuilt flexibility in their business and can adjust their enterprise mix in response to external factors, Mr Whatling said.

“And many are already looking ahead to spring and considering their enterprise mixes and whether they should reduce exposure to higher input crops,” he said.

Mr Whatling said Tasmania 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.

Concern about seasonal pressures remained stable this survey – completed last month – with 36 per cent of Tasmanian farmers continuing to report worries about drought.

“Seasonal conditions remained very dry across much of Tasmania when the survey was conducted,” Mr Whatling said.

“Pleasingly, there was statewide rain at the end of May, and farmers are hopeful this will continue through winter, although they remain mindful of the drier outlook ahead.”

Commodity prices, on the other hand, were cause for optimism among many of the state’s farmers, with 45 per cent positive about rising commodity prices. However, this had eased from 54 per cent last quarter.

Farmers were also less optimistic about good seasonal conditions (14 per cent, from 25 per cent last quarter) and about overseas markets/economies having a positive impact on the agricultural economy (11 per cent, from 26 per cent).

Beef producers reported the lowest confidence levels across commodity sectors in the state.



This downturn was driven by a number of factors, including high input costs and drought concerns.

The bank's outlook is for cattle prices to track close to current levels through early winter, with drought-related volumes of cattle being sold in northern NSW contracting and global markets for Australian beef remaining strong, Mr Whatling said.

Sheep producer confidence also fell (to a net reading of -33 per cent), with half of the state's sheep and wool producers surveyed expecting conditions to deteriorate over the next 12 months.

Lamb prices remain strong heading into the traditionally lower slaughter months of June-August. RaboResearch forecasts the shortage of lambs and sheep in the system will continue to support high prices, thanks to strong competition from processors for limited supply.

Dairy confidence in Tasmania nudged up slightly this quarter, although still at negative levels, to sit at a net index of -14 per cent (was -17 per cent).

Mr Whatling said recent milk processor payments to offset fuel and fertiliser costs helped to insulate dairy producers from cost pressures.

"Dairy commodity prices have staged a partial recovery, and the confidence of milk producers has held up well. However, escalating costs, for this input-heavy sector, compounded by price and access to urea, will remain the dominant pressure moving forward," he said.

Overall, investment intentions among Tasmania's farmers were mixed this quarter. Although there was a slight rise in those planning to increase investment in their farm businesses in the coming 12 months (to 17 per cent, from 14 per cent last quarter), more also intend to reduce investment (14 per cent, up from four per cent).

The majority of Tasmanian farmers (69 per cent) plan on maintaining current investment levels, but this had slipped from 75 per cent last quarter, indicating some tightening in capital expenditure as cost pressures build.

"This reflects a more cautious but still forward-looking stance, as Tasmanian producers balance the three key factors of rising input costs, recent interest rate hikes and commodity prices against their long-term business needs," Mr Whatling said.

Tasmanian farmers continue to prioritise essential and productivity-focused spending, with on-farm infrastructure and irrigation/water infrastructure the top areas of investment, he said.

Just over half of Tasmanian farmers surveyed continued to plan capex for fences, yards and silos (53 per cent, up slightly from 51 per cent), while 48 per cent (up from 42 per cent) intend to invest in water infrastructure.



“Water infrastructure continues to be a priority focus for Tasmanian farmers, driven by both the dry seasonal outlook and ongoing state investment in major irrigation schemes. The Northern Midlands Irrigation Scheme is nearing completion, prompting associated on-farm development,” Mr Whatling said.

“However, the elevated costs for poly pipe, pivots and diesel for earthworks is prompting some farmers to reassess the timing of planned projects.”

There was subdued appetite to increase livestock numbers, with 23 per cent of Tasmanian farmers identifying this as an area of investment for the year ahead (down from 33 per cent) as they weigh market conditions against the risk of drier conditions and input costs.

Appetite for new plant and machinery and the adoption of new technologies dropped sharply this quarter, with only 13 per cent of Tasmanian farmers intending to invest in each (down from 29 per cent and 27 per cent respectively), reflecting the impact of higher interest rates, Mr Whatling said.

Intended property purchases also fell significantly to six per cent of Tasmanian farmers surveyed, down from a high of 24 per cent last quarter, as farmers weigh up multiple factors in their investment decisions.

“Higher borrowing costs, a dry outlook and squeezed margins have also tempered farm expansion plans,” Mr Whatling said.

In line with sentiment, income expectations among the state’s farmers weakened this quarter, however the majority of Tasmanian farmers were reporting their businesses remain viable – reflecting the resilience of farmers in navigating business challenges.

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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