



Cost pressures weighing on farmer sentiment even prior to outbreak of Middle East conflict – quarterly survey

Results at a glance:

- *Australian farmers had begun the year with lower confidence even before the start of the current Middle East conflict.*
- *Higher costs for farm inputs were already weighing on farmer sentiment, coupled with concerns about seasonal conditions following a challenging summer in many regions.*
- *Global fertiliser, fuel and freight volatility due to the current Middle East conflict – since the survey was in the field – will add further cost uncertainty and availability concerns for producers.*
- *Commodity prices overall were cited as cause for positivity in the Q1 survey, especially for cattle and sheep sectors.*

Australian rural confidence declined in the first quarter of 2026, with the nation’s farmers already concerned about cost pressures in the year ahead, even prior to the outbreak of the current Middle East conflict.

The quarter one Rabobank Rural Confidence Survey found national rural confidence had slipped to a net reading of -9 per cent (down from six per cent in the previous survey) even before the outbreak of the war against Iran.

Mounting input costs were already weighing on the sector as a key concern for farmers, along with seasonal conditions due to a challenging summer.

Rabobank group executive for Country Banking Australia Marcel van Doremaele said – with the survey in the field prior to the current conflict in the Middle East – concerns about the cost and availability of farm inputs would now be figuring considerably higher in farmers’ minds, particularly moving into the winter cropping program.

“We’ve seen fuel and fertiliser markets and freight rates react to the Middle East conflict due to the impact on prices and threat to supply and this flows directly into Australian farm budgets, adding to inflationary pressures,” Mr van Doremaele said.

“Disruptions in global fertiliser markets (particularly for nitrogen-based products) and higher shipping costs for imported inputs, combined with domestic fuel price volatility, are tightening margins at a time when many producers are already managing significant and sustained cost inflation. Elevated and unpredictable fertiliser and fuel pricing is adding another layer of cost pressure for cropping and livestock producers as they plan for the year ahead.”



Mr van Doremaele said elevated fertiliser (and diesel) prices are likely to be cause for some farmers to adjust application practices and cropping programs.

“Some farmers are rethinking the application of nitrogen in particular as a result of high prices and some crop farmers are adjusting their cropping programs,” he said. “For graziers, increased fuel prices add to costs, particularly for transport.”

Mr van Doremaele said while the size and duration of the impacts of the Middle East conflict were not currently clear, the sector was facing a testing time.

“As we have seen before over the years, farmers have navigated geopolitical shocks and challenges such as droughts and floods, followed by adjustment periods,” he said. “And these current challenges present themselves as a new test of the resiliency and adaptability of the country’s farmers and graziers.”

Mr van Doremaele said the impact of these input challenges would likely vary between producers in the farm sector, and the bank would take a long-term approach working with clients as to assist and provide support.

The quarter one survey, completed last month, found while half of farmers nationally had expected conditions in the agricultural economy to remain stable over the next 12 months (at 50 per cent), an increasing number were preparing for conditions to decline – 28 per cent, compared with 22 per cent in quarter four last year. The proportion of farmers with an optimistic view on the year ahead had also fallen to 19 per cent (from 27 per cent previously).

As well as input costs, concerns about seasonal conditions – following a dry summer in many regions, along with floods and bushfires in others – were shown to be weighing on farmer sentiment.

Commodity prices though were found to be, overall, a cause for optimism among the nation’s farmers in the survey, particularly among livestock producers.

Mr van Doremaele said while variable, commodity market signals were overall providing some positivity for the sector.

“Finished cattle prices remain at historic highs – driven by strong global demand – while restocker cattle prices are around the five-year average. Lamb and mutton prices are expected to remain around current high levels, and wool is also holding steady,” he said.

“Although we’ve seen global wheat prices across major future markets firm up in the past month – driven by macroeconomic and supply-side factors – looking ahead there is expectation of volatility, caused by seasonal factors as well as from the Middle East conflict. Oilseed prices have also firmed on stronger energy markets and global demand.



“There has also been a bounce in dairy commodity values, but all eyes are on the Middle East conflict as the region has become an increasingly important market for milk powders in recent years.”

States

Sentiment had softened in all states, with the exception of South Australia. Overall Tasmanian farmers remained the most optimistic in the nation.

Mr van Doremaele said for **New South Wales**, where a dry summer had seen a significant decline in sentiment, recent widespread rainfall across central, southern and far western New South Wales – while not considered drought-breaking – was expected to have lifted optimism about seasonal conditions in the state.

Victoria had also benefited from late-summer rainfall after a challenging summer for many in the state, with hot, dry conditions compounded by bushfires. “It will take some time for impacted farmers and communities to recover,” he said.

Sentiment among **Queensland** producers slid to -10 per cent, reflecting uneven seasonal conditions, policy concerns and ongoing cost pressures. Despite this, expectations for a good season remain comparatively strong and strong livestock prices were buoying many producers in the state.

“Queensland producers had been navigating a highly variable summer, and that uneven seasonal pattern is clearly reflected in this quarter’s results,” Mr van Doremaele said. “Parts of Queensland have received record-breaking rain. While this rainfall has been beneficial for many producers, there has been significant flooding in many regions, and some producers have suffered stock and crop losses and infrastructure damage,”

South Australia was the only state to record an increase in farm sector confidence this quarter, with net sentiment lifting slightly to seven per cent, supported by a better-than-expected harvest and strong livestock markets. Spring rainfall had benefited later crops as well as livestock producers, with further rainfall received after the survey period, helping to underpin a steady outlook despite cost pressures.

In **Western Australia**, rural confidence dipped to -11 per cent this quarter, with farmers balancing the benefits of a record harvest against high input costs, policy uncertainty and global price volatility. “Despite these challenges, strong balance sheets and firm livestock prices are helping many WA producers maintain a measured and forward-looking approach,” Mr van Doremaele said.

Commodities

The quarter one survey had found confidence softened across all agricultural commodities, except for the sugar cane sector, which recorded an improvement.



Sheep producers remained the most optimistic commodity group nationally.

“Sheep farmers continue to see the benefits of historically-high prices for lamb, mutton and improved prices for wool, although high production costs have reined in overall confidence,” Mr van Doremaele said.

Beef producer sentiment had softened to land at net one per cent in the survey (down from 16 per cent in quarter four last year).

Mr van Doremaele said the Chinese government’s announcement late last year that it would introduce a new quota and tariff measures on beef imports in 2026 would have been top of mind for producers at the time of the survey, along with dry summer conditions in a number of regions.

“Australian cattle prices have been cause for positivity though, remaining quite steady through the start of 2026, and Rabobank analysts expect prices to hold at these levels through March – although as northern first-round musters start, the additional stock entering the market may soften prices, especially in Queensland,” he said.

Grain grower confidence recorded one of the sharpest declines this quarter, falling to a net -33 per cent (from -14 per cent), the lowest level since late 2023.

“Grower sentiment in early 2026 was impacted by weak prices, driven by a global oversupply of grains, oilseeds and pulses,” Mr van Doremaele said. “However, there has more recently been some strengthening of key markets in response to geopolitical and global seasonal factors, and how this will play out remains a key focus for growers.”

Dairy sector confidence had also fallen sharply – to a net -29 per cent (from 12 per cent).

Mr van Doremaele said dairy farmers in Victoria and New South Wales had navigated less-than-favourable summer conditions, and the cost of water had been a budget pressure.

“However, following the survey period, dairy prices have bounced up amid the Middle East conflict which is good news for dairy exporters, and local retail dairy prices are also rising again modestly,” he said.

Sugar cane producers bucked the trend, as the only commodity group to record an improvement in confidence this quarter, albeit still at low levels.

Sentiment in the Australian **cotton** industry recorded the steepest decline of all sectors in the survey, falling to a net -70 per cent (from -32 per cent). Low prices for cotton, coupled with dry seasonal conditions in NSW, impacted the outlook among growers.



Investment intentions

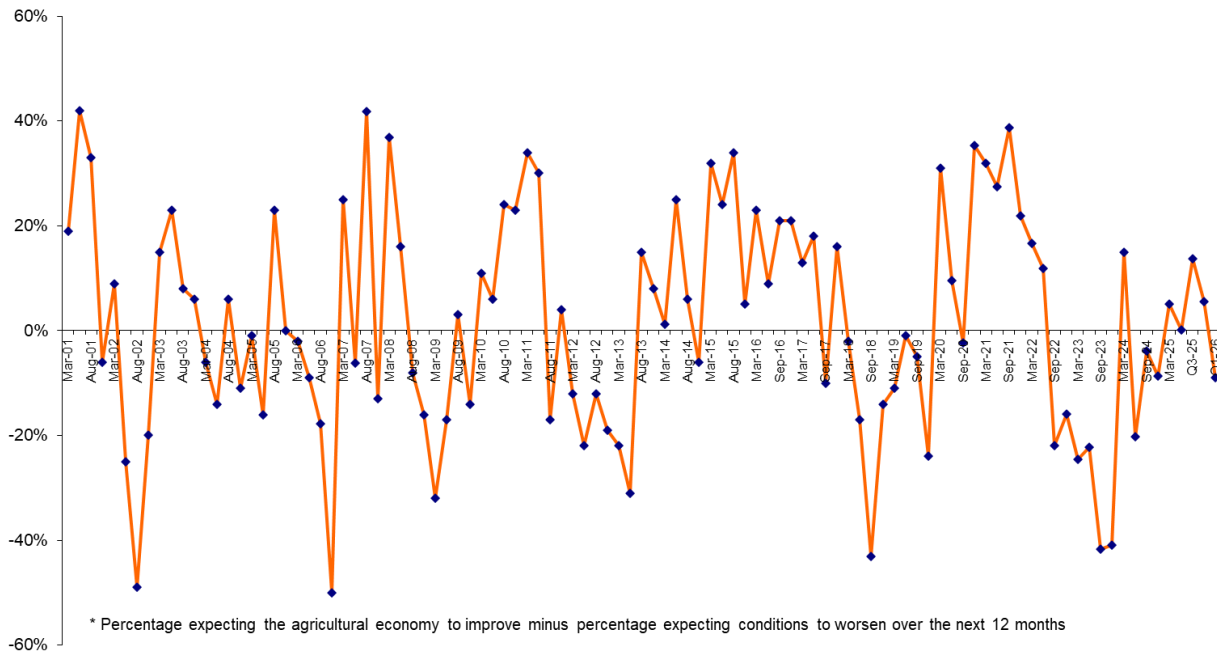
Investment appetite among farmers had eased back slightly in the survey, although the majority (at 60 per cent) indicated they were intending to maintain the current level of spending on their farm businesses.

The proportion planning to increase investment had pulled back to 28 per cent (from 33 per cent last quarter), while those planning to decrease spending remained stable at 10 per cent.

Capital expenditure remained a growing priority for Australian farmers in the survey, with two thirds earmarking investment for on-farm infrastructure such as fences, yards and silos (66 per cent, up from 63 per cent last quarter).

Appetite to expand through land purchase remained relatively stable in the survey, with 17 per cent considering buying more land to grow their farming operation over the coming year (compared with 16 per cent last quarter). Tasmanians were the most enthusiastic to grow their farming footprint, with 24 per cent looking to buy land.

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 June 2026.

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