



Rising costs weighing on Victorian farm sentiment even prior to Middle East conflict

Results at a glance:

- *High input cost concerns were shown to be the chief factor in an easing of Victorian farmer sentiment in the quarter one survey. This was even prior to the start of the Middle East conflict.*
- *Despite the decline in confidence levels, Victoria reported the second highest farmer sentiment levels in the nation in the survey.*
- *In line with the decline in overall confidence, plans to increase investments had slipped.*

Victorian farmer confidence weakened in the first quarter of 2026, with the quarter one Rabobank Rural Confidence Survey showing concerns about high input costs were weighing on sector sentiment even prior to the current Middle East conflict.

The survey saw Victoria's net rural confidence fall to -3 per cent, down sharply from 24 per cent in the previous quarter, as more farmers anticipated tougher farm business conditions ahead.

Although completed last month – prior to the outbreak of the Iran conflict – the survey found high input costs were already hanging over the state's farmers, nominated as their biggest concern.

Rabobank state manager for Victoria and Tasmania Sally Bull said the pressure created by the Middle East conflict on the price and availability of key agricultural inputs, including fuel and fertiliser, was now compounding farmers' existing concerns around higher costs, which had already moved "structurally higher".

"Even without the knock-on impacts of the Iran war, structural changes had unfortunately already been making high input costs a permanent factor Victorian farmers have to manage," she said.

"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."

And now, the Middle East conflict is adding to farmer's concerns about business costs, she said.

"Victorian farmers, who have already expressed concerns regarding escalating input costs, are now facing increased price instability," Ms Bull said. "This situation is particularly



significant for grain growers as they begin their winter cropping programs amid uncertainty surrounding the availability and cost of essential inputs – including fuel and fertiliser.”

Overall, the Q1 survey found Victorian rural confidence had slipped into negative territory for the first time since late 2024 – with more farmers pessimistic than optimistic about the year ahead.

Nearly a quarter (24 per cent) of those surveyed expected economic conditions to worsen over the next 12 months, up from 15 per cent last survey. Meanwhile the number taking a positive view of the year ahead declined to 21 per cent, down from 39 per cent previously. A total of 52 per cent were not expecting conditions to change.

Rising input costs remained the dominant concern across the state, alongside ongoing worries about drought, government policy settings and overseas market pressures, contributing to a more cautious outlook among producers despite continued optimism around commodity prices and seasonal prospects.

The softening of farmer confidence in Victoria aligned with a loss of confidence across all states in the survey, apart from South Australia.

By region, the survey had found confidence has dropped across all parts of Victoria.

“It was a challenging summer for many Victorian farmers and rural communities,” Ms Bull said. “The bushfires in January caused significant damage, with farmers losing machinery, livestock and infrastructure, and recovery will take some time.

“And prior to the good general rain that fell across much of the state at the very end of February – it had been a dry and hot summer for many Victorian farmers.”

Central Victorian-based farmers reported the lowest confidence in the state, with a net reading of -28 per cent (down from -8 per cent), with 40 per cent of those farmers expecting conditions to worsen (up from 27 per cent).

The confidence of Mallee-based farmers had slipped to -6 per cent (down from 11 per cent), while farmers operating in the High Country reported a fall in sentiment, down to -5 per cent (from 37 per cent).

“While the survey recorded a decline in High Country producer outlook, the late-summer rain – which occurred after the survey’s completion – coupled with good prices at the recent calf and weaner sales has anecdotally buoyed producer confidence,” Ms Bull said.

The Western District continues to report the highest confidence levels in Victoria, despite a drop to 11 per cent (was 44 per cent).

“Farmers in the Western District enjoyed good seasonal conditions during spring last year, which set them up well for summer, with plenty of fodder and better than expected grain



harvests,” Ms Bull said. “However, water availability has been a concern, particularly for livestock producers, as there are a lot of dry farm dams across the region.”

Farmers in Gippsland reported a net confidence of two per cent, marking it as the second highest region in the state (down from 25 per cent).

Ms Bull said Gippsland generally enjoyed a good but late spring in 2025, providing farmers with the opportunity to harvest and store plenty of fodder over summer. “And good rainfalls at the end of February provided a boost to pastures and sub soil moisture ahead of autumn planting.”

By commodity, the survey had found all sectors reflected the easing of sentiment.

Dairy farmers’ confidence has dropped significantly to -29 per cent, from 22 per cent, with 41 per cent expecting agricultural economic conditions to worsen in the coming year (up from 12 per cent).

“Nearly half of the dairy farmers surveyed (47 per cent) listed high input costs as their chief concern, closely followed by dry seasonal conditions and softer milk prices,” Ms Bull said.

“The dry summer has meant dairy farmers in northern Victoria are reviewing their options. Water for irrigation is expensive, and farmers are considering if they use their water allocation or buy in grain to feed their stock and sell their water.”

The Q1 survey found Victorian grain growers’ confidence had also eased to -22 per cent (was -8 per cent) with only 12 per cent (down from 19 per cent) expecting farm business conditions to improve.

“Weak prices, driven by a global oversupply of grains, oilseeds and pulses, is the chief concern for grain growers,” Ms Bull said.

“However, growers’ optimism about weather conditions – particularly in the Mallee and north west of the state – will have been boosted by soaking rain that fell at the very end of summer. Farmers are reporting that in some areas it is the best seasonal start to autumn in decades. The rain has restored soil moisture profiles and set growers up for the coming cropping season.

“Growers will need follow-up rain, but it will make starting the cropping program much easier and should see a good germination.”

Despite Victorian sheep producers holding the highest levels of confidence in the state in the survey, sentiment had decreased, dropping to 21 per cent (from 31 per cent previously).



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“While the lamb and sheep markets remain strong, and wool prices continue to improve – sheep producers were concerned about input costs and this was holding back sentiment,” Ms Bull said.

And the survey found Victorian beef producers’ confidence also fell, with no farmers anticipating farm business conditions would improve in the year ahead (was 35 per cent previously).

Ms Bull said while the survey showed a decline in beef sector sentiment, cattle producers were coming off a “high base” of confidence, driven by strong cattle prices throughout 2025. “And there is an expectation those strong prices – driven by export demand – will continue into this year,” she said.

Matching the lower confidence, Victorian farmers’ plans to increase investments had slipped to 25 per cent (was 33 per cent), with an increase of 10 per cent planning to decrease (was eight per cent). And 64 per cent of farmers were planning to keep their investments the same (up from 59 per cent last survey).

Ms Bull said farmers were taking a cautious approach to spending – focusing on those key investments that would help prepare their businesses for the future.

On-farm infrastructure remained the highest capex nominated by farmers in the survey – with a jump to 71 per cent (was 57 per cent). Farmers planning to spend on new plant/machinery and adopting new technologies both sat at 34 per cent (was 36 per cent and 33 per cent respectively). The survey found 29 per cent (down from 33 per cent) of farmers planned to increase livestock numbers, and a further 27 per cent (up from 21 per cent) to invest in irrigation/water infrastructure.

Appetite to expand farming businesses through property purchase had eased this quarter, with 11 per cent of farmers planning to buy land to grow their farming operation (down from 17 per cent).

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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