Rabobank

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WA farm confidence cautiously rebuilds, but season remains determining factor

Results at a glance:

- *After plunging last quarter, WA farmer confidence has started to climb.*
- *Improved seasonal conditions and positive market signals supporting more positive outlook.*
- *Concerns remain about elevated input costs and government intervention.*

Western Australian farmers are heading into spring with renewed – albeit cautious – optimism, after rural confidence plummeted mid year due to cost pressures.

However, sustaining this positive sentiment will be contingent on rainfall in coming weeks, to support this year's harvest and spring grazing potential.

The latest Rabobank Rural Confidence survey, released today, found net confidence among WA farmers had turned around in the latest quarter. While still in "negative territory" – with overall more respondents expecting conditions to worsen than to improve over the next 12 months – it had risen to net -28 per cent, from a low of -49 per cent last quarter.

This was in line with a significant uptick seen in farm confidence at a national level this quarter, with sentiment up in all states and sectors.

WA's upswing in rural sentiment was driven by expectations of strong commodity prices (for 49 per cent of respondents), while good seasonal conditions were expected by 28 per cent (up from just 13 per cent last quarter).

Production cost pressures – a knock-on effect from ongoing conflict in the Middle East – remain a significant, although reduced, driver of negativity among the state's farmers. Input price worries have now been surpassed by renewed concern about government intervention and policies.

Rabobank WA state manager Steve Kelly said the timing of the Q3 survey, completed last month, coincided with farmers' hope for a wet August, but this did not eventuate until the last week of the month for large swathes of WA's grain belt.

"Whilst rainfall has been varied across the state, WA is on track for close to an average cropping season, supported by bullish livestock and rising grain prices, and many farmers are feeling somewhat relieved, although September rain is critical this year more so than normal," Mr Kelly said.

"Esperance and parts of the northern wheatbelt were the only areas to receive above-average rainfall year to date. Elsewhere, rainfall deficits through July and into August had eroded earlier optimism."

Mr Kelly said the "patchwork nature" of seasonal conditions in the state meant some areas are now navigating expectations for below-average crop yields either due to the prevailing dry conditions or from frost damage.

"High input costs through seeding meant it was a very costly crop to get in, so the forecast reduction in yields will impact farm profit. And while input costs and availability are not as high a concern as they were last quarter, farmers remain very cognisant about the impact on the Australian agricultural sector from prolonged volatility in the Middle East and between Russia and Ukraine," he said.

Livestock commodity markets remain a shining light in WA, with producers pinning their positivity on supply and demand dynamics.

Confidence within WA's sheep sector remains particularly robust, reflecting the national trend where sheep producers maintained the highest confidence levels of all commodities.

"WA producers who have retained sheep through dry conditions and live export uncertainty are now seeing the rewards," Mr Kelly said.

"Supply shortage and good demand are supporting higher sheepmeat prices. Wool prices have also lifted, adding further positivity to the sheep industry."

Beef producers in WA report similar dynamics, with strong demand and supportive seasonal conditions in most regions.

As the supply and demand scenario plays out, around a quarter of WA primary producers surveyed in Q3 plan to increase livestock numbers in the year ahead.

For the grain sector, Mr Kelly said, August brought upside volatility to wheat markets and modest gains for canola. "Ongoing disruptions around the Strait of Hormuz and the Black Sea region continue to drive market reactiveness for both inputs and grain prices respectively," he said.

Input costs continued to be of significant concern for WA farmers, the survey found, although easing from last quarter.

"At the height of supply chain impacts from the Middle East conflict, worry about input costs skyrocketed, with 71 per cent of WA farmers last quarter nominating this as a concern. This has now settled somewhat, and 44 per cent of WA respondents this quarter expect the cost of inputs to be a negative factor for the agricultural economy over the next 12 months," Mr Kelly said.

"The acute pressure on input costs seen earlier in the year has eased somewhat, but worry about longer-term cost and availability of fertiliser and fuel remain present."

The ongoing impact of war was nominated as a concern by 23 per cent of WA farmers this survey, up from nine per cent last quarter. Nearly a quarter of WA respondents (23 per cent) are also concerned about 'energy insecurity' (rising fuel costs, sourcing supply etc) – although this eased back on last quarter, when it was a worry for 37 per cent.

There was, however, renewed concern emerging about government intervention and policy – cited by 47 per cent of WA respondents, up from 25 per cent last quarter.

"WA farmers are particularly concerned with tax and superannuation changes out of the latest Federal budget," Mr Kelly said.

"Changes to visa settings have also unsettled many growers ahead of harvest, with some reporting the availability of seasonal workers may be at risk. This is top of mind for many growers as they assess labour requirements ahead of harvest."

WA farmers reported mixed investment intentions this quarter. Just over half of the state's farmers surveyed (54 per cent) planned to hold their investment levels steady in the coming year (compared with 62 per cent last survey). The proportion planning to increase spending on their farm businesses rose slightly to 28 per cent (from 26 per cent previously), although 15 per cent now planned to decrease investment (climbing from 10 per cent).

Capital expenditure remains the key focus for investment, and 61 per cent of WA farmers intending to invest in fences, yards and silos, etc, (up from 56 per cent).

An increased number of WA farmers also planned to purchase new plant and machinery – 37 per cent, up from 26 per cent last quarter.

There is renewed interest in adopting new technologies (for 35 per cent, up from 21 per cent) and enthusiasm for land purchases also returned (17 per cent, was 10 per cent).

"Although machinery and on-farm infrastructure spend has strengthened, WA growers remain cautious and are prioritising what's essential rather than what's nice to have," Mr Kelly said.

In line with increased farmer confidence, 'viability' levels nudged higher, reflecting the resilience of WA farming systems, with 97 per cent of WA respondents reporting their businesses as viable operations.

"With harvest due to start in early October, next quarter's survey results will capture early yield indications. For now, all eyes are on any early spring rainfall which could still boost grain production," Mr Kelly 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 December 2026.

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Media contacts:

Denise Shaw
Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Will Banks
Media Relations
Rabobank Australia
Phone: 0418 216 103
Email: will.banks@rabobank.com