



## **Queensland and WA farmers ending year with increasing optimism, while other states take more subdued outlook**

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

- Queensland and WA farmers bucked the national trend to report a small uptick in sentiment this quarter, while farmer confidence across the board was more subdued.
- Overall nationally, dry seasonal conditions were the main concern.
- Long-term optimism remains evident, with nearly nine-in-10 farmers increasing or maintaining investment.

Queensland and WA farmers reported improved optimism heading into the end of the year, while sentiment was more subdued in other states, the latest Rabobank Rural Confidence Survey has found.

The survey, released today, found on a national basis farmers were becoming increasingly cautious about the outlook for the agricultural economy, with nearly half (47 per cent) attributing their concerns to dry seasonal conditions, while rising cost pressures are also a worry. This follows a dry spring across a number of regions around the country.

However, signs of longer-term optimism in the sector remained strong with farmers reporting robust investment appetite in the year ahead.

The quarter four survey, completed last month, found seasonal challenges – together with rising input costs and the impact of domestic and international policies on markets and trade – had seen the net national rural confidence index ease back to -9 per cent, from -4 per cent in the previous quarter.

The survey found 26 per cent of farmers were expecting conditions in the agricultural economy to decline over the next 12 months (from 27 per cent last quarter), while 18 per cent (down from 23 per cent) expected an improvement. However, more than half (at 52 per cent) expect conditions to remain relatively stable.

Tasmanian farmers reported the largest fall as seasonal challenges had weighed on sentiment. Drought concerns were particularly heightened in South Australia, with 70 per cent of farmers surveyed in the state citing the negative impact of drought.

Despite the overall decline in national rural sentiment, farmers in Queensland and Western Australia bucked the trend, reporting an uptick in confidence.

Rabobank group executive for Country Banking Australia, Marcel van Doremaele, said the factors weighing on sentiment did little to dampen the long-term optimism in the sector nationally, highlighting that close to nine-in-10 farmers (at 86 per cent) are planning to increase or maintain their level of on-farm investment in the year ahead.



“Investment intentions remain strong across the country, with three-in-five farmers looking to invest in their on-farm infrastructure and one-in-three focusing on adopting new technologies,” he said.

“We’re seeing farmers embrace innovation and technology to increase business efficiency – whether it’s improving water use efficiency, gaining market insights into animal production traits and systems, or automating farming practices, it is an exciting time to be in agriculture.”

Mr van Doremaele attributed the ongoing investment in innovation as key to building resilient farming systems in the face of dry seasonal conditions, with the national wheat crop on track to reach around 30 million tonnes.

“Rainfall has been below the five-year median in many areas, particularly in South Australia, but also south-western Western Australia and parts of southern Victoria,” he said. “Also, frost events have impacted southern grain-growing areas, from South Australia’s Eyre Peninsula to southern New South Wales.

“Thankfully the severity and extent of the frost is not as significant as initially thought, though it has been tough for those impacted, while recent rain has had some impact on grain quality. That said, this rainfall will bode well for summer crop prospects and pasture growth, with forecasts for above-average summer rainfall across much of the country.”

Mr van Doremaele said while the outlook for commodity markets was mixed, beef producers were the most optimistic about their prospects, as prices remain significantly elevated above last year’s lows. However, rising cost pressures are weighing on margins, with confidence in all commodity sectors (except beef) remaining in negative territory.

The survey found around a quarter of farmers (at 26 per cent) expect rising input costs to negatively impact the agricultural economy, with the grain sector feeling the pinch at 37 per cent, followed by sugar and dairy at 33 and 32 per cent, respectively.

“These cost pressures, along with bearish global wheat prices, are suppressing confidence in the grains sector,” he said. “While in dairy, farmgate milk prices are starting to trend higher with the expectation of a step-up in milk prices in coming months, which should alleviate some margin pressure.

“So, as we head into 2025, farmers will be hoping that the favourable seasonal outlook materialises and that some of the international market pressures ease in this high-cost environment.”

## States

All states, except Western Australia and Queensland, followed the national trend to record a decline in confidence levels.

**Tasmanian** farmers reported the largest decline in confidence, dropping to a net reading of -14 per cent, from 40 per cent in the September quarter on the back of seasonal concerns. That said, the outlook has since improved with widespread rain



falling across the state on the last day of spring, providing a much-needed boost heading into summer.

Farmer sentiment in **New South Wales** edged back this quarter to a net confidence reading of -7 per cent, reversing the upward momentum from the previous quarter when it poked its head into positive territory at one per cent. This was on the back of a poorer-than-expected spring, which has done little to dent harvest projections, particularly in the north of the state.

Dry conditions also weighed on the outlook in **Victoria**, with confidence remaining wedged in negative territory. More than half, at 54 per cent, cited drought concerns, well up from 38 per cent in the previous quarter. This saw the net confidence reading slip to -9 per cent, from -4 per cent in September.

**Queensland** bucked the national trend to record a slight lift in confidence, albeit to hover around neutral levels with a net reading of -1 per cent, up from -4 per cent in the previous quarter. This was driven up by an uptick in grains and cotton, while it remained steady in beef, as the state's farmers remain hopeful the wet summer will eventuate.

Ongoing drought saw **South Australian** farmer sentiment fall back, to remain the lowest in the country at a net reading of -32 per cent, down from -27 per cent previously. Nearly three-quarters, at 70 per cent, cited the drought as the reason for their pessimism – compared to 47 per cent of farmers nationally – with confidence particularly subdued in the Yorke Peninsula.

**Western Australian** farmers are ending the year with their confidence levels intact, with a better-than-expected harvest seeing net rural confidence creep up slightly to -6 per cent, from -8 per cent previously. The main concern reported by WA producers was government intervention and policies – cited by 48 per cent – while 22 per cent specifically nominated changes to live export. Income expectations were up among WA producers, as was the appetite to invest in their farm business, with 23 per cent indicating an interest in purchasing farmland in the year ahead – compared with 12 per cent nationally.

## Commodities

Sentiment was mixed across commodity sectors, with dairy, sugar, grain, and cotton posting some improvement on last quarter, while confidence was down in sheep and beef. That said, confidence remained subdued across the board, except for beef, which was the only commodity to report a net positive reading.

With **beef** producers the most positive about their prospects, slightly more producers were expecting agribusiness conditions to improve (at 20 per cent) rather than worsen (at 17 per cent). While the seasonal outlook was mixed for beef producers across the country, with some south-eastern areas and parts of Western Australia experiencing dry conditions, sentiment was buoyed by the ongoing strength of the cattle market in the face of record production levels.

“Production hit record levels in the third quarter of the year, which fed into record export volumes in October,” Mr van Doremaele said. “However, despite the increase in supply, prices have remained firm, and there are ongoing positive signals for 2025 in light of the strong US market and lower supplies globally.”



Sentiment among **sheep** producers fell back this quarter, to a net confidence index of -15 per cent, from one per cent in the September quarter. Across commodity sectors, sheep producers were most concerned by drought, with 54 per cent citing it as a key concern. While lamb and mutton prices remain well above last year, wool prices are comparatively lacklustre.

“Late spring rain in many sheep-producing regions should bolster the outlook as we head into summer, coming just in the nick of time for those looking down the barrel of increased feeding requirements,” Mr van Doremaele said. He noted the margin pressure for wool producers, with the Eastern Market Indicator continuing to track well below its five-year average.

The nation’s **dairy** farmers reported the largest upswing in confidence, albeit to remain at negative levels, with the net index now sitting at -10 per cent, from -30 per cent previously, as producers raised concerns around the seasonal conditions, (for 38 per cent), and rising input costs (32 per cent).

“Milk production is tracking higher overall, underpinned by strong seasons in eastern Victoria as well as northern Victoria and across the border into southern New South Wales,” Mr van Doremaele said. “Recent rain, coupled with the outlook for rising milk prices, is expected to see margins improve in 2025.”

In **grain**, confidence lifted but remained in negative territory for the tenth consecutive quarter as a greater proportion of grain producers expect conditions to worsen (at 28 per cent) rather than improve (at 17 per cent). This saw the net confidence index for grain sit at -10 per cent, up from -19 per cent in the previous quarter, with growers voicing concerns around drought (53 per cent) and rising input costs (37 per cent).

“As harvest still continues in some areas of the country, bearish global grain prices are weighing on sentiment,” Mr van Doremaele said. “However, we are still on track for a 30 million tonne national wheat crop despite dry conditions, particularly in South Australia’s grain-growing regions, and despite widespread late frost.”

Confidence amongst **cotton** growers also rose, albeit to remain negative, posting a net confidence reading of -13 per cent, up from -20 per cent in the previous quarter. That said, just eight per cent expect agribusiness conditions to improve in the coming 12 months, while the majority, at 67 per cent, expect similar conditions to last year.

“While cotton prices are being capped by large Brazilian supplies, this has done little to dampen investment among the nation’s cotton growers, with 97 per cent looking to either increase or maintain their level of investment over the coming year,” Mr van Doremaele said. “Investment appetite is likely being buoyed by many cotton-growing regions reporting an excellent start to the season with good soil profiles, moisture content and water allocations.”

**Sugar** producer sentiment also posted a lift, rising from a net reading of -25 per cent, to -14 per cent, with a greater percentage of producers still expecting conditions to worsen (28 per cent), rather than improve (15 per cent).

“Sugar growers are dealing with a delayed harvest, and this tends to have an impact on sugar content yields or CCS,” he said.



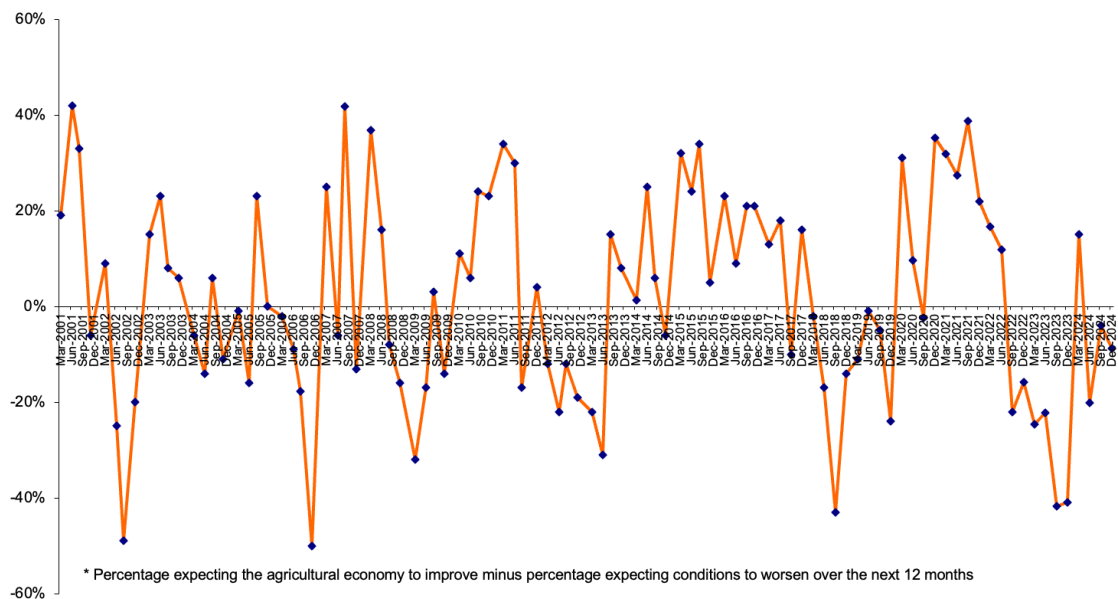
### Investment and incomes

Despite the drop-off in rural confidence levels nationally, investment intentions held firm nationally among Australia’s farmers, with close to nine-in-10 of those surveyed expecting to either increase (24 per cent) or maintain (at 62 per cent) their level of investment in the year ahead.

Mr van Doremaele said a softening of investment intentions was though noted in the states where dry conditions had been a particular challenge – South Australia and Victoria.

Overall, on-farm infrastructure remained the key area of focus for 64 per cent of farmers (up from 58 per cent last survey), while 35 per cent (up from 31 per cent) were looking to adopt new technologies. New plant and machinery, irrigation and water infrastructure, increasing livestock numbers and education were also cited as key investment priorities.

In line with the softening in overall confidence levels, farmers expectations of their farm incomes were also tempered back slightly, with respondents now equally split (at 26 per cent) as to whether they expect their gross farm incomes to increase or decline over the coming 12 months. While 46 per cent expect little change in their financial position.



A comprehensive monitor of outlook and sentiment in Australian rural industries, the Rabobank Rural Confidence Survey questions an average of 1000 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 March 2025.

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**Rabobank**

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