



## **Australian farmer confidence changes direction after last quarter's low**

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

- Australian rural confidence – while still negative – has seen a marginal improvement in positivity.
- Worries about commodity prices and input costs eased but remain a concern along with interest rates and the dry start to the year in some states.
- Tasmania and WA were the only states to return a drop in confidence.

Australian farmer confidence has improved marginally thanks to easing concerns about commodity prices and input costs, however it remains in negative territory overall.

The latest quarterly Rabobank Rural Confidence Survey, released today, saw confidence lift nationally from -25 per cent in the first quarter of 2023 (the lowest level since late 2018) to now sit at -22 per cent.

While around half of farmers expected no change to how the Australian agricultural economy performs over the next 12 months, 13 per cent were now anticipating conditions will improve (up from 11 per cent in the previous survey) and slightly less expected conditions to worsen (35 per cent, down from 36 per cent previously).

Fewer farmers who thought conditions will worsen are now worried about falling commodity prices (56 per cent, compared with 68 per cent in the previous quarter) or rising input costs (down to 29 per cent from 35 per cent last quarter).

However, an increased number of farmers are now concerned about government intervention/policies, with the number of farmers citing as a reason for apprehension lifting to 18 per cent from 10 per cent in the previous survey.

Farmers with a positive outlook were buoyed by improved markets, and 65 per cent nominated rising commodity prices as a driver for their confidence, up from 55 per cent in the first quarter of 2023. The good season remained a factor for optimism for a third, although seasonal confidence eased back (33 per cent, down from 38 per cent the previous quarter).

Rabobank group executive for Country Banking Australia, Marcel van Doremaele, said the survey paints a picture of how farming conditions across the nation drive a range of confidence levels.



“While nationally confidence increased marginally, it’s riding on the back of a much larger surge of positivity in **Queensland**, where confidence lifted from -30 per cent to -13 per cent,” Mr van Doremaele said.

“We can’t credit this just to winning the State of Origin opener – seasonal conditions and commodity prices are the real drivers of the optimistic outlook in Queensland. These factors also improved confidence in **Victoria**, although not as notably as in the Sunshine state.

“Across the rest of the country, sentiment is more tempered. Although it remains in negative territory in all states, confidence has stabilised in **South Australia** and **NSW** and dropped off significantly in **Tasmania** and **Western Australia**.”

“Farmers have ridden a rollercoaster of seasons, historically high commodity prices and eye-watering input costs in recent years.

“Now, as the heat comes out of many commodities and input prices ease, farmers are adjusting their outlook in response to ‘normalisation’ of economic conditions.

“Seasonally, they’re still experiencing a mixed bag on a national level, which also drives a conservative outlook. The mention of El Niño weather patterns also tempers confidence.

“Many grain growing regions in SA and WA had a dry start to planting – although since the survey was conducted, there’s been some great rainfall to really kickstart winter crops, whereas in Victoria early opening rains on the back of strong sub soil moisture underpinned a positive outlook for the 2023 crop.”

### **Commodities**

Sugar, beef, dairy and cotton producers all had improved outlooks in the latest Rural Confidence Survey.

**Sugar** was the only sector where confidence moved back into the black, increasing from -28 per cent last quarter to 22 per cent in the most recent survey in response to very high sugar prices.

Nationally, confidence in the **beef** sector improved from -29 per cent in quarter one to -21 per cent in the most recent survey. Falling commodity prices were still a cause for concern, but there was some easing, with 64 per cent of those who are pessimistic citing this compared to 70 per cent in the previous quarter. Rising input costs also eased as a reason for worsening conditions (24 per cent, back from 30 per cent), but overall Australian beef producers were more concerned about government interventions/policies, rising interest rates and drought.

Despite anticipating a reduced milk price on 1 July, Australian **dairy** producers were more upbeat than last quarter with their confidence in the agricultural sector lifting from -22 per cent to -15 per cent.

**Cotton** growers also had a more bullish outlook this quarter thanks in part to recharged water storages, which pushed confidence from -59 per cent in the previous survey to -20 per cent this quarter.



On the flipside, confidence took a hit in the **sheep** industry, where 40 per cent of producers expect the agricultural economy to worsen, up from 35 per cent in quarter one of 2023. While they were less concerned about falling commodity prices, there was increased concern around rising input costs and overseas markets and economies.

Confidence also fell within the **grains** industry, easing from -19 per cent to -25 per cent, on the back of concerns about drought, falling commodity prices, rising input costs and rising interest rates. Notably, concerns about drought were up, and 42 per cent of grain growers nationally who were pessimistic nominated this as a reason for worsening conditions compared with 18 per cent in the previous quarter after a dry start to the planting in many grain growing regions.

### **Farm performance and investments**

Despite marginally higher confidence, Australian farmers remain cautious about increasing investment in their farm businesses. Fewer respondents expect to increase their investment over the next 12 months (21 per cent this quarter compared with 25 per cent in the previous survey).

On-farm infrastructure such as fences, silos and yards remain at the top of the shopping list. Of those who plan on increasing their investment over the next 12 months, 72 per cent nominated on-farm infrastructure (down from 79 per cent in quarter one).

“Farmers across the country are realigning their investment intentions and focusing spending on projects that will deliver essential productivity gains, including labour-saving infrastructure and technologies. There’s also an ongoing focus on investments which will strengthen their seasonal resilience,” Mr van Doremaele said.

There was a shift in other areas where farmers will focus their investments, with fewer nominating new property purchases to expand their operation (21 per cent, down from 28 per cent the previous quarter) and also fewer intending to increase livestock numbers (34 per cent, down from 41 per cent).

New technologies are an area of interest for more farmers with 45 per cent intending to invest in this space, compared with 42 per cent previously.

More farmers want to invest in labour (26 per cent, up from 20 per cent) and in education (23 per cent, compared with 20 per cent in quarter one).

“The challenge of maintaining an agricultural workforce isn’t going away anytime soon, so we’re seeing farmers commit to capacity-building strategies,” Mr van Doremaele said.

### **Farm performance and investments**

With the survey falling after the Reserve Bank of Australia’s pause on interest rate hikes in April – but prior to the June cash rate increase – concerns around interest rates remained stable, cited as a factor for worsening conditions by 21 per cent of farmers who were pessimistic (compared with 20 per cent the previous quarter).

Slightly more farmers (16 per cent, up from 14 per cent in quarter one) expect to increase their total farm debt over the next 12 months.



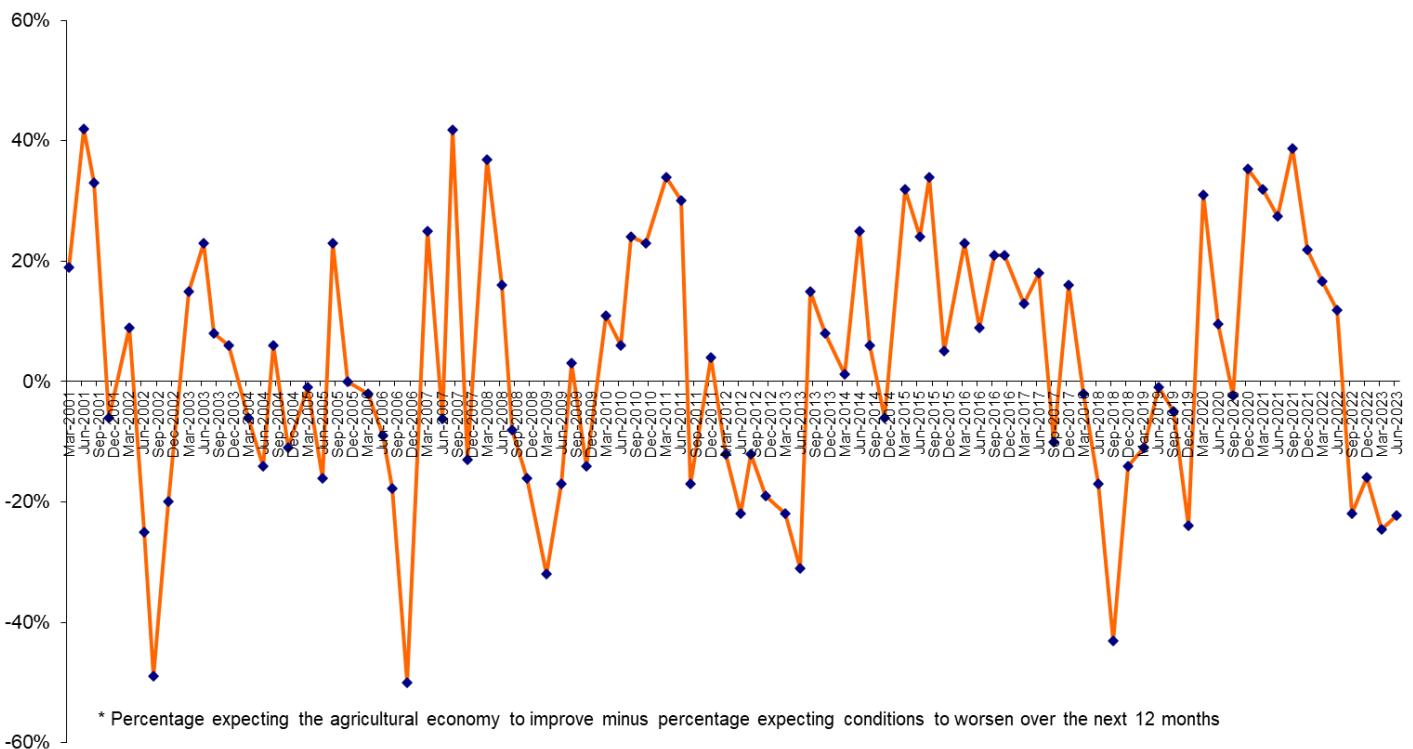
These new borrowings will be injected into on-farm capital expenditure for 46 per cent of farmers (up from 38 per cent in the previous quarter) as well as for working capital (26 per cent, up from 22 per cent).

Fewer farmers plan to borrow to purchase property – falling from 34 per cent in quarter one to 17 per cent in the latest quarter. There was a range in appetite for borrowing to fund expansion nationally, with Queensland farmers leading the way (24 per cent) followed by Victoria (19 per cent). Grain, sheep and dairy farmers had the strongest intention to use new borrowings to fund property purchases.

“While we’re still seeing strong demand for rural properties – especially well-presented, ‘blue chip’ offerings when they come on the market – overall there’s a decrease in the number of farmers who intend to purchase new farming land in the next 12 months,” Mr van Doremaele said.

“This reflects how our industry is reassessing where key factors such as markets, input costs and of course interest rates have landed following recent adjustments and farmers taking a hard look at what this means to their bottom line.”

Nationally, there was increased pessimism about farm income. Only 17 per cent of farmers anticipate their income will increase, down from 20 per cent the previous quarter, and more expect it to decrease (41 per cent, up from 36 per cent in quarter one). However, the number of farmers who view their farms as viable remained similar to previous levels.





**Rabobank**

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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 September 2023.

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