



Rabobank

*Media Release
March 24, 2014*

New Zealand farmer confidence slips, but horticulture producers remain buoyant

Results at a Glance

- New Zealand farmer confidence has edged lower this quarter.
- Less than half of farmers now think conditions will improve in the next 12 months.
- Horticulture producers are more optimistic than others, driven by a recovery in the kiwifruit industry and stronger prices.
- Investment intentions are currently stable, but may be impacted by the recent rise in the Official Cash Rate.
- New survey data shows a third of New Zealand farmers struggling to attract/retain labour.

New Zealand farmer sentiment has eased from last year's highs, though remains at robust levels, the latest Rabobank Rural Confidence Survey has shown.

Sentiment among horticulture producers is stronger than in the broader farming community likely due to a recovery in the kiwifruit industry following the PSA outbreak and stronger prices.

Completed earlier this month, the latest quarterly survey showed New Zealand farmer confidence eased this quarter with 42 per cent of the country's farmers expecting the agricultural economy to improve in the next 12 months (compared to 56 per cent last quarter) while 13 per cent of farmers expect conditions to worsen (up from five per cent previously) and 44 per cent expect conditions to remain the same.

Rabobank New Zealand CEO Ben Russell said the results largely reflected changes in the economic cycle with interest rates expected to increase and the likelihood of some easing in commodity prices over the next 12 months.

"Confidence among New Zealand farmers has been strong over the past three quarters and while there has been some easing this quarter, there remains broad optimism and strong fundamentals in some sectors," he said.

"The decline in confidence is likely related to an expectation among farmers that record high dairy prices have peaked, while interest rates are likely to increase, which may contribute to a flow-on effect across other sectors in the coming 12 months."

The survey was completed in early March before the announcement by the Reserve Bank of New Zealand on March 13 of an increase in the Official Cash Rate (OCR).



Rabobank

**Media Release
March 24, 2014**

“The Reserve Bank of New Zealand has forecast increases in the OCR of 2 to 2.25 per cent before the end of 2015,” Mr Russell said. “This alone will significantly tighten cash flows for those farmers carrying significant debt and may modify decisions around investment intentions.”

While confidence eased across all industries, horticulture producers were found to be the most optimistic with 58 per cent expecting the rural economy to improve in the year ahead.

“Horticulture producers are starting to see better prices overall, while kiwifruit growers in particular are in the midst of a recovery following the PSA outbreak in 2011,” Mr Russell said.

Of those farmers expecting agricultural conditions to worsen, 42 per cent cited falling commodity prices (down from 54 per cent previously) followed by concerns about the rising New Zealand dollar (22 per cent up from 14 per cent last quarter). Worries about government regulation/policy eased this quarter (from 22 per cent to five per cent).

Of the farmers expecting the rural economy to improve, 48 per cent cited rising commodity prices (down from 57 per cent) followed by confidence in overseas market conditions (stable at 34 per cent).

As confidence in the rural economy eased this quarter so too did New Zealand farmers’ expectations for the performance of their own farm business with 46 per cent expecting business performance to improve over the next 12 months (from 55 per cent) while 11 per cent expect a deterioration (from six per cent last quarter).

Interestingly, New Zealand farmers’ assessment of their own business viability improved this quarter with more farmers (75 per cent) reporting confidence in the overall viability of their farm business (up from 67 per cent).

Mr Russell said the strengthening in the viability index was a result of the improved seasonal and market conditions experienced over several previous quarters.

“It’s a good sign that more farmers are self-reporting stronger viability in their business, which we put down to an improved cash flow position in 2014 following better seasonal conditions towards the end of 2013 and a lift in production levels,” Mr Russell said.

For the first time the survey questioned farmers on human resources and found that among New Zealand farmers surveyed 32 per cent find it difficult to attract and retain labour in their region. Dairy farmers have less trouble in this area than other sectors (25 per cent).

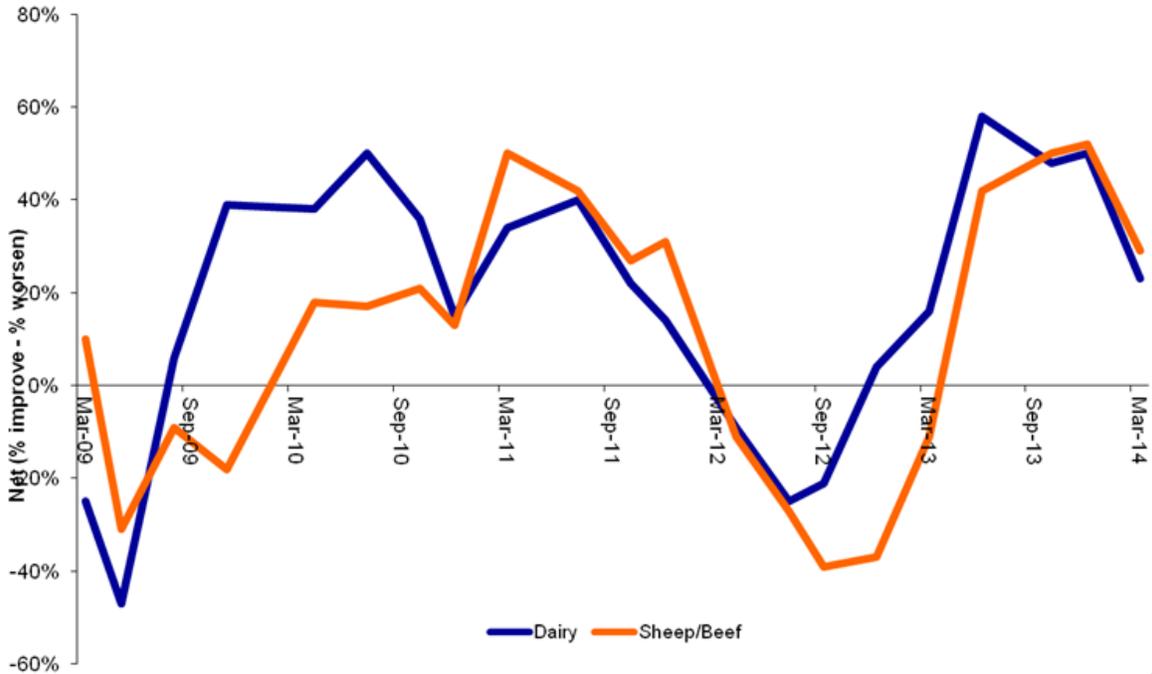
Conducted since 2003, the Rabobank Rural Confidence Survey is administered by independent research agency TNS, interviewing a panel of approximately 450 farmers each quarter.



Rabobank

**Media Release
March 24, 2014**

New Zealand Farmers Economic Outlook



<ends>

Rabobank New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 42 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank New Zealand is one of New Zealand's leading rural lenders and a significant provider of business and corporate banking and financial services to country's food and agribusiness sector. The bank has 32 branches throughout New Zealand.

Media contacts:

Denise Shaw
Media Relations
Rabobank Australia & New Zealand
Phone: +61 2 8115 2744 or +61 439 603 525
Email: denise.shaw@rabobank.com

Grant Dowling
Media Relations
Rabobank Australia & New Zealand
Phone: +612 8115 4088 or +61 432 292 863
Email: grant.dowling@rabobank.com