



Rabobank

*Media Release
December 5, 2014*

Surging optimism among sheep and beef farmers nudges up weak New Zealand farmer confidence

Results at a Glance

- New Zealand rural confidence has inched slightly higher, but remains at low levels.
- Surging optimism among sheep and beef farmers is the main contributing factor.
- Dairy producers remain the most pessimistic sector.
- Investment intentions, however, remain stable.

A surge in optimism among sheep and beef farmers has seen New Zealand rural confidence stage a slight rally in the past quarter.

The latest Rabobank Rural Confidence Survey shows that while national rural confidence is still at low levels overall, a strong spike in optimism reported by the sheep and beef sector has seen it edge up from the two-year lows recorded last survey.

Dairy producers remain overall pessimistic, impacted by the bearish outlook for dairy prices.

The survey – completed in November – found the number of farmers expecting the rural economy to improve in the next 12 months had climbed slightly to 23 per cent (from 20 per cent last quarter). However, the number with a negative outlook also increased marginally – from 37 per cent to 38 per cent.

This saw net confidence move up slightly from negative 17 per cent to negative 15 per cent.

Rabobank New Zealand CEO Ben Russell said sheep and beef farmer sentiment was markedly bullish, with three quarters of sheep and beef producers surveyed (75 per cent) expecting an improvement in the performance of their own farm businesses in the coming 12 months. This had spiked from 48 per cent with that expectation last quarter.

Only two per cent of producers in the sheep and beef sector were anticipating the performance of their own farm business to worsen in the next 12 months, down from seven per cent in the previous survey.

“This dramatic increase in optimism is driven by record prices being seen by New Zealand’s beef and sheep producers, underpinned by demand from the US, and also higher lamb prices compared to the previous season,” he said.

Mr Russell said New Zealand sheep and beef farmers were benefiting from a firm price outlook with early-season farm gate prices up around five per cent for lamb and 30 to 40 per cent for beef compared to the same period last year.



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The growing world demand for animal proteins was also cause for optimism.

“Farmers in the survey also reported being buoyed by the general expectations for increased demand for red meat – this factor was cited as reason for optimism by 50 per cent of sheep and beef farmers who had a positive outlook,” Mr Russell said.

New Zealand’s dairy producers, on the other hand, reported the lowest levels of confidence of all the agricultural sectors this survey.

More than half of dairy farmers (52 per cent) expected the performance of their own farm enterprise to worsen in the next 12 months, up on the 47 per cent with that view in the previous quarter. Only 11 per cent believed their business performance would improve, compared with 20 per cent last survey. A total of 35 per cent expected similar performance to the previous year, compared with 32 per cent previously.

“The reasons given for the negative outlook among dairy farmers were overwhelmingly linked to the milk price and dairy outlook, clearly illustrating the impact the 49 per cent slide in GlobalDairyTrade auction prices which has occurred since November 2013 has had on New Zealand’s agricultural sector,” Mr Russell said.

Farmers’ investment intentions overall though remained largely unchanged, with the majority intending their investment in stock, plant and land to remain the same over the next 12 months.

However, Mr Russell said, the differing optimism levels among the sectors were also represented in investment intentions, with sheep and beef farmers having higher investment expectations (41 expecting to invest more), while the percentage of dairy farmers expecting to increase investment was much lower (just 18 per cent).

This ‘reversal in fortune’ between dairy and sheep/beef farmers was reflected in farmers’ assessment of their own viability levels. This figure was now similar between the two sectors and consistent with levels seen in 2012.

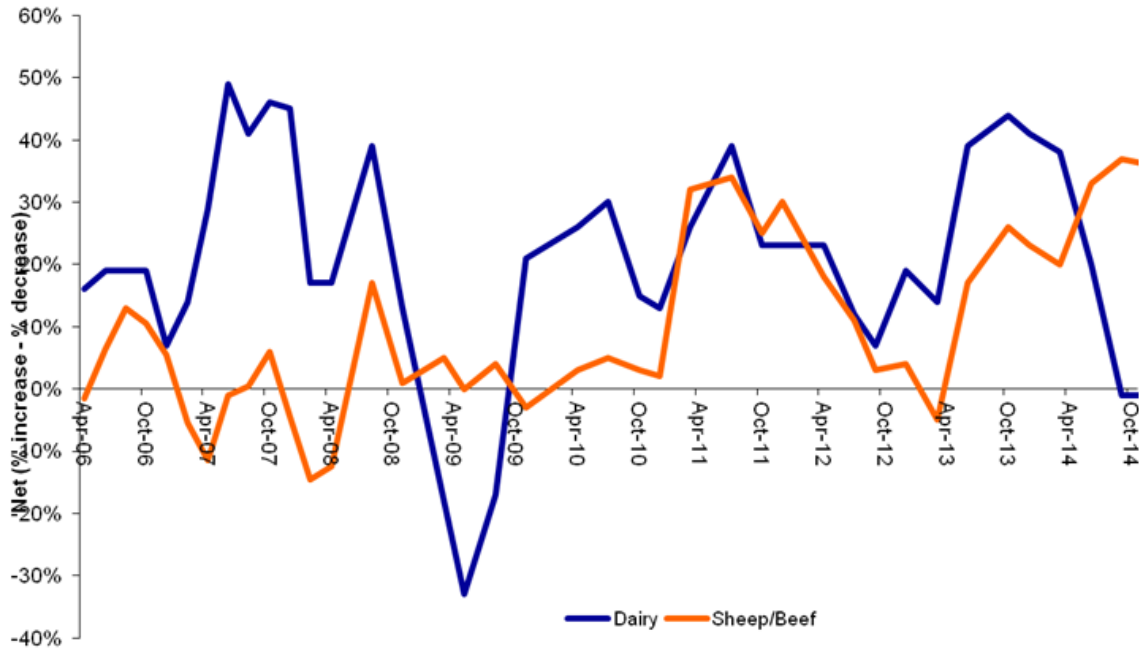
Conducted since 2003, the Rabobank Rural Confidence Survey is administered by independent research agency TNS, interviewing a panel of approximately 450 farmers each quarter.



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NZ Farmers Investment Intentions



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