



*Media Release
April 25, 2012*

New Zealand rural confidence falls as farmers anticipate ‘good times can’t last’

Results at a Glance

- Farmer confidence has registered a significant fall and is at net negative levels.
- High dollar, plus expectations of end to recent run of good weather and high commodity prices, driving decline.
- Confidence lowest among sheep and beef sectors.
- Farmers’ investment intentions, however, remain relatively robust with considerable improvement recorded among horticultural producers.

New Zealand rural confidence has experienced a significant fall as the country’s farmers anticipate an end to the recent ‘golden run’ of strong commodity prices and excellent seasonal conditions.

The latest quarterly Rabobank Rural Confidence Survey has shown net farmer confidence dropping into negative territory for the first time since August 2009, with more New Zealand farmers expecting conditions to worsen than to improve.

The survey – completed earlier this month – found almost a third of farmers (27 per cent) expected the agricultural economy to worsen in the next 12 months, up from just 12 per cent with that view in the previous survey. Those expecting conditions to improve declined to 17 per cent, from 33 per cent previously.

However, farmers’ investment intentions – an indicator of long-term confidence in the sector – remain robust, with horticulture producers improving considerably since the previous survey.

Rabobank New Zealand CEO Ben Russell said the considerable overall fall in farmer confidence registered in the latest survey could largely be attributed to the changing market conditions experienced by many agricultural producers in early 2012, with declines in key commodity prices and a persistent high New Zealand dollar.

“Farmers are also expecting that the recent golden run of good seasonal conditions for agricultural production we’ve been experiencing in most areas of the country will inevitably be coming to an end soon,” he said.

Of those farmers expecting conditions to worsen, 39 per cent cited the high New Zealand dollar as cause for their pessimistic outlook. Other factors nominated as cause for concern were buyer resistance, economic recession and the likelihood that high commodity prices and good seasonal conditions won’t last.



Media Release
April 25, 2012

Mr Russell said that while price seasonality is a factor, sheep and beef farmers had seen farmgate prices fall between 15 and 20 per cent since the start of the year. International dairy commodity prices had also eased by approximately 18 per cent, in New Zealand dollar terms, in this period.

The survey showed the beef and sheep sectors to be the least optimistic, with only 13 per cent expecting the agricultural economy to improve over the next 12 months (down from 39 per cent in the previous quarter). Dairy sector confidence had also gone down, with 21 per cent of dairy farmers registering a positive view, compared to 28 per cent in the last survey.

However, there was some cause for positive outlook among farmers. Of those expecting the agricultural economy to improve, 40 per cent cited fundamental macro-economic factors – including global population growth and growing world demand for food – as the key drivers of their optimism. In addition, 30 per cent of respondents were also optimistic about the state of overseas agricultural markets, citing strong global demand, particularly for protein.

Farmers were also overall more optimistic about the performance of their own individual farm businesses than the agricultural economy as a whole. A total of 28 per cent of those surveyed expected to see improved performance in their own farm businesses over the next 12 months. However, this figure had also fallen significantly from the previous survey when 45 per cent had a positive view of their future business performance.

The number of farmers expecting their own business performance to worsen in the next 12 months increased to 20 per cent, from just eight per cent the previous quarter.

Mr Russell said the survey showed that, interestingly, farmers' investment intentions indicated an underlying confidence in the long-term outlook of the sector.

"This measure remains quite robust, with 92 per cent of farmers surveyed expecting to maintain or increase the level of their on-farm investment in the coming 12 months," he said. "That said, the proportion expecting to actually increase their investment this survey has fallen to 26 per cent, from 33 per cent in the previous quarter."

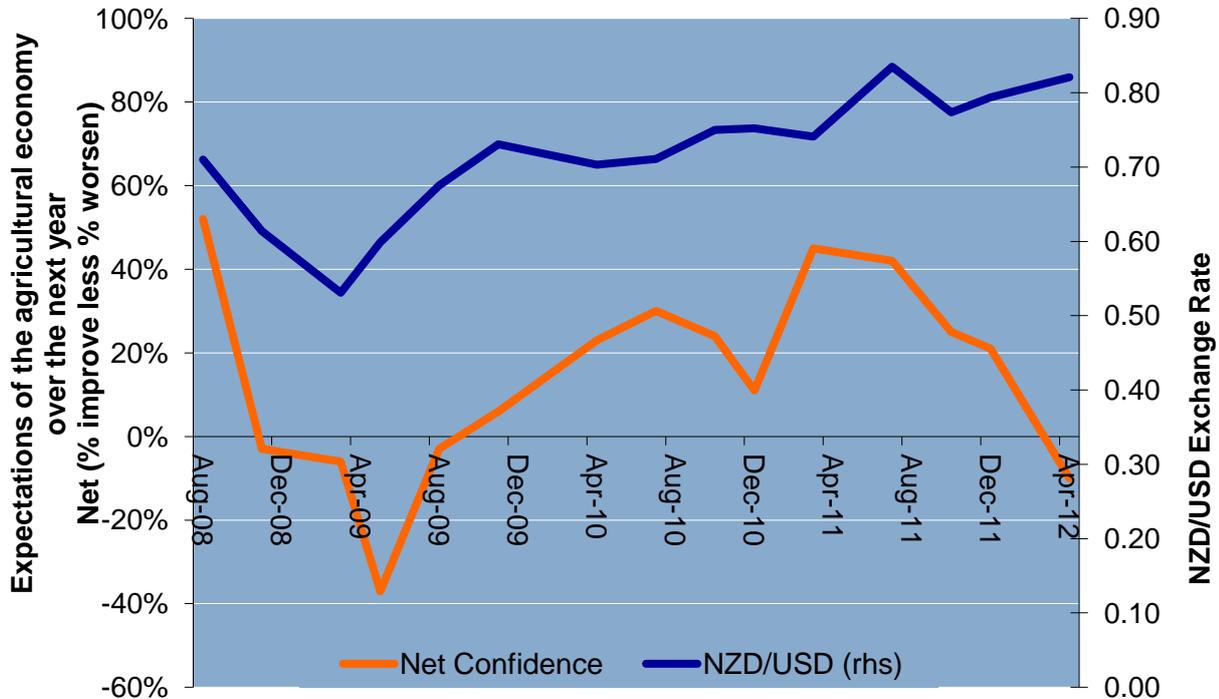
Mr Russell said horticultural producers' investment intentions had improved considerably since the previous survey, with only 11 per cent expecting to decrease their investment compared to 39 per cent with that intention in the last quarter. "This is likely to reflect the improvement in potential options available for kiwifruit growers in the face of Psa," he said.

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
April 25, 2012**



<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 48 countries, servicing the needs of approximately 10 million clients worldwide through a network of close to 1600 offices and branches. Rabobank New Zealand is one of the leading rural lenders and a significant provider of business and corporate banking and financial services to the New Zealand food and agribusiness sector. The bank has 32 branches throughout New Zealand.

Media contact:

David Johnston
Rabobank New Zealand
Phone: 027 477 8153 or (04) 819 2711