



**Rabobank**

*Media Release  
April 23, 2013*

## ***Concerns for sheep and beef farmer viability show in rural confidence survey***

### **Results at a Glance**

- Half of sheep and beef farmers are concerned about their business viability
- Dairy farmers are the most optimistic of the sectors, driving some improvement in overall rural confidence
- One in three farmers on the North Island say their farm is severely impacted by drought

**Half of New Zealand’s sheep and beef farmers are worried about their ongoing viability as the impact of drought and a sharp fall in lamb prices over the past year take their toll, the latest quarterly Rabobank Rural Confidence Survey has showed.**

**The survey – completed earlier this month – has found that while overall farmer confidence has shown some improvement from the lows of last year, 50 per cent of sheep and beef farmers consider their business to be ‘just viable’ or ‘unviable’.**

Sheep and beef farmers lagged considerably behind their dairy counterparts in terms of confidence, investment intentions and self-assessed viability.

While overall rural confidence showed some improvement this survey – with 28 per cent of the country’s farmers expecting the agricultural economy to improve in the next 12 months, up from 18 per cent last quarter – this was essentially driven by an uplift in dairy farmer confidence.

Rabobank New Zealand CEO Ben Russell said the survey results accurately reflected the mood of sheep and beef farmers, given the very tough business conditions they had faced over the past year.

“Sheep and beef farmers are understandably despondent that, after a more positive couple of years, on-farm returns have again fallen sharply,” he said.

The survey showed 25 per cent of sheep and beef farmers expected to reduce investment in their farm business over the next 12 months, up from just seven per cent with that expectation a year ago.

Mr Russell said the risk for the meat industry was that – without a sustained improvement in on-farm returns and confidence – farmers would continue to reduce sheep numbers. “The long-term trend in land use change from the meat industry to the



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dairy industry, based on stronger on-farm returns and confidence in dairy, looks set to continue in the absence of change,” he said.

Mr Russell said many farmers were voicing their concern about the need for change in the sector. “While this debate is positive, it should focus constructively on change and evolution along the entire value chain, including on-farm, not just at the processor level,” he said.

“Consolidation in processing facilities alone will have little impact unless accompanied by stronger and more enduring business relationships along the entire value chain and with a firm eye on increasing efficiency and meeting consumer needs in highly-competitive global animal protein markets.”

Mr Russell said while the solutions to the challenges faced by the red meat sector were not simple, there was cause for optimism for the long-term future.

“A good long-term outlook in demand for animal protein, combined with a genuine desire for collaboration and improvement among all participants in the red meat sector certainly gives Rabobank confidence in the long-term future for the industry, despite the current challenges,” he said.

Dairy farmers remained the most optimistic of all the country’s agricultural sectors, according to the survey, with 37 per cent expecting an improvement in the agricultural economy over the next 12 months, up from the 25 per cent who had that view in the previous quarter.

Dairy farmers also had the most confidence in the outlook for their own farm businesses, with 55 per cent expecting an improved performance in the coming year, up from 35 per cent in the previous survey.

“The confidence in this sector reflects the combination of a sharp increase seen in global dairy commodity prices through March and the 30 cents/kgMS increase in the milk price that Fonterra announced during the survey period, along with expectation that drought conditions won’t continue in the coming 12 months,” Mr Russell said.

In terms of the drought, the survey showed one in three North Island farmers considered their farm had been severely impacted by drought. A further 40 per cent reported a moderate impact.

“Pleasingly, we have seen some relief in recent weeks with good rains in a number of drought-affected regions on the North Island and this is likely to begin to have a positive effect on pasture growth over the next month or so. That said, the ability to renew damaged pastures prior to winter will be critical for spring production.”

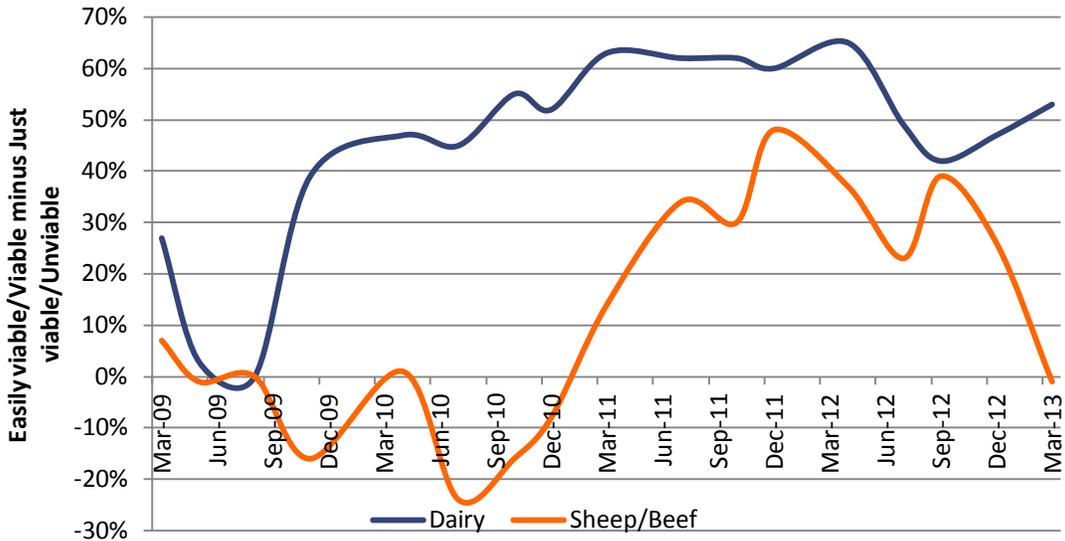
Conducted since 2003, the Rabobank Rural Confidence Survey is administered by independent research agency TNS, interviewing a panel of approximately 450 farmers each quarter.



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**Viability Index – Dairy, sheep & beef farmers, 2009 - 2013**



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**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](mailto:denise.shaw@rabobank.com)

Jess Martin  
Media Relations  
Rabobank Australia & New Zealand  
Phone: +61 2 8115 4861  
Email: [jess.martin@rabobank.com](mailto:jess.martin@rabobank.com)