



Rabobank

*Media Release
December 18, 2013*

New Zealand farmers expecting 'happy new year' – confidence marches higher

Results at a Glance

- New Zealand farmer confidence has edged higher
- Biggest improvement among horticulture producers
- Commodity prices and overseas markets major drivers of optimism
- Investment intentions remain stable
- Continued gulf in self-assessed viability between dairy and sheep/beef farmers

New Zealand farmer confidence has continued to edge higher, with the latest quarterly Rabobank Rural Confidence Survey showing more than half of the country's farmers are looking forward to a 'happy new year' in 2014.

The final survey for 2013 – completed earlier this month – showed a slight climb in confidence from the already high levels witnessed last quarter.

The most significant improvement was among horticultural producers, encouraged by an increase in prices, which has been underpinned by strong global demand in key export markets.

Confidence among dairy producers held steady, while beef and sheep farmer sentiment also remained at similar levels to the previous survey.

Overall, only five per cent of New Zealand farmers had a negative outlook on the year ahead, slightly less than the six per cent with that view in the previous survey, with 36 per cent expecting conditions to remain stable.

Rabobank New Zealand CEO Ben Russell said improving farm gate prices for most agricultural producers were the key contributors to continued high confidence levels.

Commodity prices were identified as the primary driver of confidence by farmers this survey.

Of those New Zealand farmers with a positive outlook, 57 per cent cited commodity prices as reason for optimism (up from 44 per cent last survey).

The state of overseas markets and economies was also cause for positivity, nominated by 37 per cent (up from 20 per cent previously).

Interestingly, Mr Russell said, while overall confidence in the rural economy had climbed, farmers' expectations for the performance of their own individual businesses had softened.



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A total of 55 per cent of farmers still expected improved business performance in the next 12 months, however this was lower than the 57 per cent with that expectation in the previous survey.

Mr Russell said this slight reduction had been driven by a drop off in the proportion of dairy farmers expecting improved business performance – from 72 per cent last survey to 62 per cent.

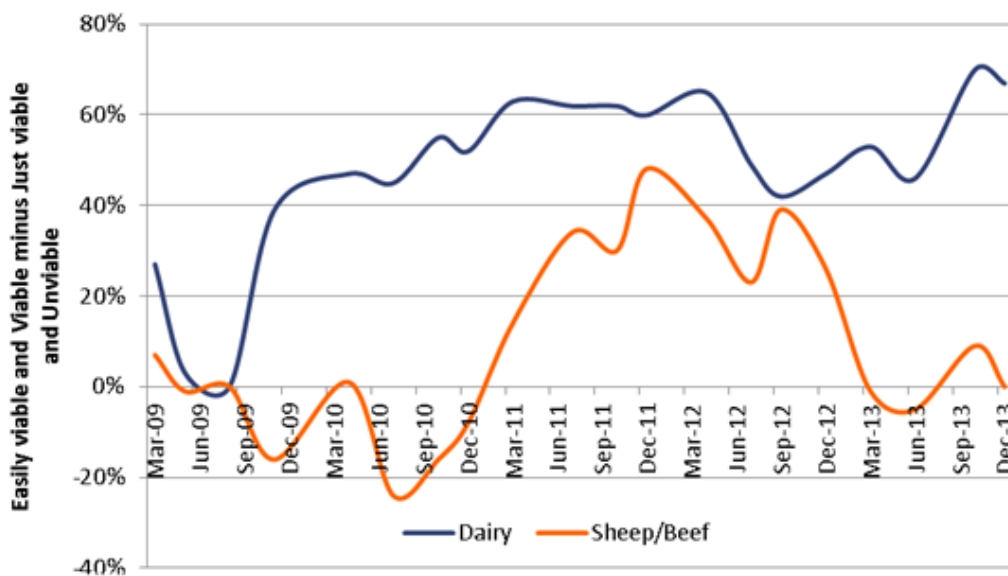
“This likely reflects a view that production conditions and pricing can’t get much better than they are currently, and so therefore will be similar or not as good in the coming 12 months,” he said.

“This aligns with Rabobank’s view that we are likely to see some softening of record high dairy commodity prices over the next year.”

Farmers’ investment intentions remained relatively stable, with a consistent 94 per cent of producers expecting to either increase or maintain the level of investment in their farm business this survey and last.

New Zealand farmers’ assessment of their own business viability had eased slightly, after a strengthening in this measure that had been witnessed in the previous survey. A total of 67 per cent considered their business viable or easily viable, down marginally from 68 per cent.

Mr Russell said this easing in the viability index was most apparent among sheep and beef farmers, where six per cent had moved from easily viable/viable to the just viable category. “The gap in self-assessed viability between the dairy and sheep and beef sectors continues to be very large,” he said.





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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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