



Rabobank

*Media Release
November 6, 2013*

New Zealand farmer confidence hits five year high

Results at a Glance

- New Zealand farmer confidence at five year high
- Strong dairy prices and improved outlook for red meat sector key drivers
- Sheep and beef viability assessment improves
- Investment intentions remain strong

Confidence among New Zealand farmers is at its highest level in five years, buoyed by strong dairy prices and an improving outlook in the red meat sector.

The latest quarterly Rabobank Rural Confidence Survey – completed late last month – has showed New Zealand farmers are increasingly optimistic about the outlook for both their own enterprises and the overall agricultural sector.

After registering a large rally last quarter, confidence in the overall rural economy remained at high levels, with 54 per cent of farmers expecting conditions to improve over the next 12 months (the same as last survey) and only six per cent expecting them to worsen (down from eight per cent).

Farmers' expectations of their own businesses had also climbed, with 57 per cent expecting their farm business performance to improve over the coming year (up from 55 per cent previously) and only five per cent expecting it to deteriorate (compared with 10 per cent last survey).

Rabobank New Zealand CEO Ben Russell said while spring was typically the time farmer confidence was at its highest, the current favourable climatic conditions, combined with improving product returns across most agricultural sectors, had increased confidence even further this year.

Mr Russell said dairy farmer confidence had remained at similar elevated levels seen in the previous survey, in the wake of a record milk price forecast for the current season (at NZD 8.30/kgMS) and generally very good spring conditions lifting milk production.

“Dairy farmers are reporting the same high levels of confidence we have been seeing in the sector since the middle of the year, with their optimism being driven particularly by high commodity prices, good overseas markets and the current milk price forecast,” he said.

Mr Russell noted that while dairy farmer confidence was very high, there was likelihood that dairy commodities prices would ease from record high levels into 2014. “And this is something Rabobank believes should be factored into producers' planning and budgets for next season,” he said.



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For sheep and beef farmers, more than half (56 per cent) now reported they were expecting the agricultural economy to improve in the next 12 months, up from 52 per cent with that expectation previously.

The number of sheep and beef farmers expecting their own farm business performance to improve also increased, to nearly half (49 per cent), climbing from 45 per cent.

Mr Russell said improving commodity prices were buoying the red meat sector, with lower stock numbers – particularly less availability of lambs – following last summer’s drought contributing to the positive outlook for commodity prices among farmers.

“At the start of the new processing season, farmgate prices are two to three per cent ahead of the prior year for lamb,” he said.

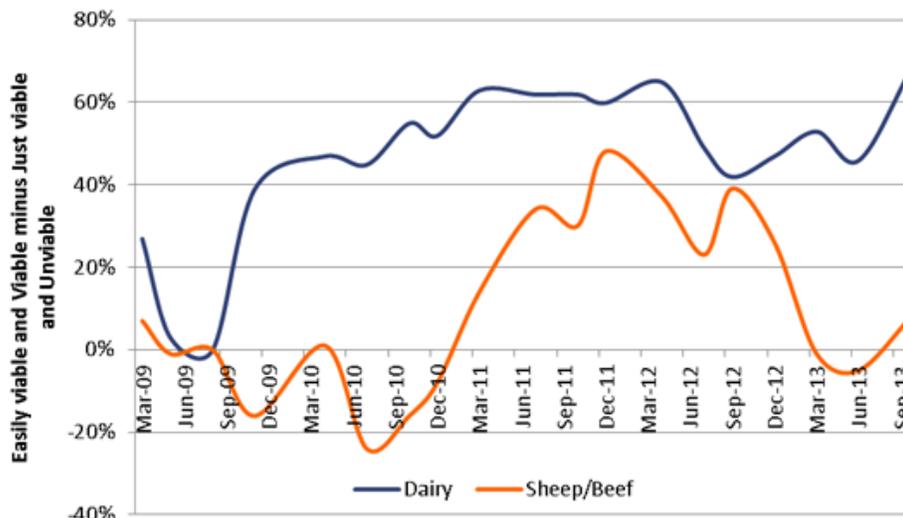
The Rabobank survey showed New Zealand farmers’ investment intentions remained strong, with 94 per cent of those surveyed expecting to increase or maintain the level of investment in their farm businesses (compared with 92 per cent in the previous survey).

“Sheep and beef farmers’ investment intentions have shown the greatest improvement,” Mr Russell said. “A total of 95 per cent of farmers in this sector reported they intended to maintain or increase investment in their businesses. This was up from 91 per cent last survey and from more than 83 per cent 12 months ago.”

In line with the overall high confidence levels, farm viability was also up – with 68 per cent of farmers considering their business viable or easily viable. This was an increase from 60 per cent in the previous survey.

“Importantly, sheep and beef farmers’ assessment of their own viability has increased to 54 per cent (up from 48 per cent previously), pushing back into net positive territory for the first time in 2013,” Mr Russell said.

New Zealand Farm Viability by Sector, 2009 – 2013





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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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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

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