



**Rabobank**

*Media Release  
December 7, 2015*

## ***Farmer confidence still low, but on the up***

### **Results at a Glance**

- Overall confidence – although still low – has improved considerably from the previous quarter
- Farmer expectations for their own business have improved, with notable increase in expectations of dairy farmers and horticulturalists
- Sheep and beef farmer expectations for their own business dropped slightly, but their investment appetite remains strong
- Roughly half of farmers surveyed in both sheep and beef and dairy sectors expect to make changes to their farming systems in the next two years

**Though still at low levels overall, New Zealand farmer confidence has risen sharply from the near-decade lows recorded in the previous two quarters, the latest Rabobank Rural Confidence Survey has shown.**

**Although there were still more farmers expecting the rural economy to deteriorate than those expecting it to improve, the overall reading shot upwards to a negative net confidence reading of -six per cent from -39 per cent last survey.**

The survey – completed last month – found the number of farmers expecting the rural economy to improve in the next 12 months had climbed to 24 per cent (up from 14 per cent last quarter), 44 percent were expecting similar conditions (up from 32 per cent) and the number expecting the rural economy to worsen fell to 30 per cent (down from 53 per cent).

Rabobank New Zealand general manager for Country Banking, Hayley Moynihan said the latest survey found farmers from all sectors were more optimistic about the expectations for the rural economy than in the previous quarter and that this was largely attributable to improved sentiment about the prospects for the dairy industry.

“Since the last survey, in late August, we’ve seen global dairy prices show some improvement following a string of 10 consecutive price falls at the Global Dairy Trade (GDT) auction. While GDT auctions in November eroded some of the gains made during September and October, there was another small recovery in the most recent auction in early December. The improved farmer confidence levels illustrate that a greater number of farmers now share Rabobank’s view that dairy commodity prices will lift to more sustainable levels in the next 12 months,” she said.

The improved outlook for the rural economy as a whole was also reflected in farmers’ expectations for their own business performance over the next 12 months. Overall 34 per cent of the country’s farmers expected their own farm business to improve over this period, 43 per cent expected it to remain the same, and 22 per cent expected it to worsen. This resulted in a jump in the net reading for this measure to +12 per cent (-12 per cent previously). The primary driver of this increase was the improved expectations of dairy



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farmers, with this group registering an upward swing on this measure from a negative net reading of -42 per cent previously, to a positive net reading of +four per cent this quarter.

The expectations of sheep and beef farmers for their own business in the coming 12 months, at a net reading of +seven per cent, were slightly more positive than their dairy counterparts, but less positive than in the previous quarter when a net reading of +15 per cent was recorded.

Horticulturalists were by far the most optimistic of all farmers surveyed, with more than half expecting their business performance to improve in the coming year, contributing to a net reading of +44 per cent.

Ms Moynihan said while the survey highlighted significantly improved confidence among dairy farmers, it also illustrated they were well aware that the immediate future would still be very tough.

“Cash flows in the sector remain very tight, with 55 per cent of dairy farmers surveyed expecting working capital requirements to increase for the 15/16 season and this is despite 59 per cent expecting on-farm expenditure to reduce,” she said.

“Farmers have significantly pared back costs from their businesses, however some expenditure deferred remains essential for longer-term viability and we expect many farmers will need to invest in pasture management and plant replacement over the coming months. This, combined with the reduced income, means many farmers will require additional funding to get through the season.”

The survey also indicated 52 per cent of dairy farmers are intending to make changes to their farming systems in the next two years and, of those, 58 per cent suggested this change would be to a less intensive system.

“A change in dairy production systems is already beginning to take effect and impact on New Zealand’s milk supply for this season. Milk production is down by around three per cent for the season to date, compared to the same period last year. In addition to climatic impacts, this reflects less supplementary feed use this season and smaller herd sizes as part of dairy farmer strategies to de-intensify their management systems while taking advantage of favourable beef prices,” Ms Moynihan said.

In the sheep and beef sector, she said, while expectations of farmers regarding the performance of their own business had fallen slightly, their investment appetite remained stable.

“A total of 22 per cent of sheep and beef farmers expect to increase investment in their farming business in the coming year with only seven per cent expecting investment to decrease,” she said.

“A key driver of these investment intentions is likely to be a desire to make their farming system more intensive. The survey showed 50 per cent of sheep and beef farmers are looking at changing their farming system in the coming two years and, in contrast to the



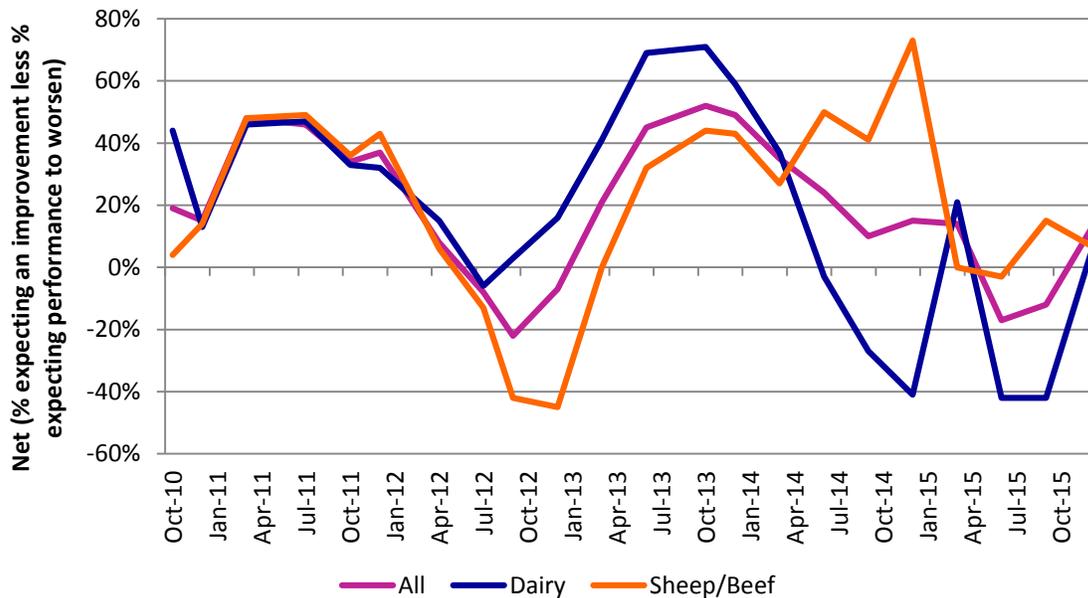
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responses of dairy farmers, 55 per cent of this group cite becoming more intensive as the likely system change they will be looking to make.”

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

### Expectations of own farm business performance



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