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*Media Release
March 25, 2015*

Optimistic start to year for New Zealand farmers – quarterly rural confidence survey

Results at a Glance

- New Zealand farmer confidence registered a significant increase in the first quarter, buoyed by a revival of sentiment among the dairy sector
- Sheep and beef farmer confidence remains stable, but expectations for their business performance are down
- Commodity prices were main driver of positive sentiment.
- Investment intentions remained stable overall

New Zealand farmers have begun 2015 on an optimistic note, with the first quarterly Rabobank Rural Confidence Survey for the year showing a significant jump in the country's rural confidence levels.

The improvement is primarily being driven by a renewed confidence in the outlook for the rural economy among dairy producers, while sheep and beef sector sentiment remains stable, although with flagging expectations of their own business performance.

The survey – completed earlier this month – found overall confidence in the outlook for the agricultural economy had turned around from a net -15 per cent position in late 2014 (last quarter) to +13 per cent.

The total number of farmers expecting the rural economy to improve lifted to 36 per cent (from 23 per cent in the previous survey), with 23 per cent expecting it to worsen (down from 38 per cent). A total of 40 per cent expected it to remain stable.

Rabobank New Zealand CEO Ben Russell said the survey had seen a considerable turnaround in dairy farmer confidence, compared to late last year, when the last survey had been taken.

A total of 45 per cent of dairy producers reported a confident outlook on the 12 months ahead (up from just 21 per cent with that view last survey) – while only 19 per cent expected conditions to worsen (down from 45 per cent previously).

Mr Russell said the upswing in dairy farmer sentiment was likely to have been driven by the expectation that global dairy commodity prices had hit the bottom of the current trough through December and January and were showing signs of improvement.

“In the month leading up to the survey, global DairyTrade auction prices had jumped 22 per cent from low levels,” he said.



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However, while the bank's view was that the sector had passed through the worst for dairy market fundamentals, Mr Russell cautioned that a more significant recovery was still some way off.

"The most recent global Dairy Trade auction – which was held after the survey had been taken – saw prices fall by an average of 8.8 per cent, however prices are still 25 per cent above the levels they were at in early December when the last survey was done," he said.

"Our view is that prices will remain challenged as the global dairy market looks to deliver the signal to restrain production growth," he said. "That said, as we progress further into 2015, we expect to see a tightening in the market which will generate modest upward price pressure in the second half of the year."

Of all New Zealand farmers expecting the agricultural economy to improve, 56 per cent nominated rising commodity prices as reason for their optimism.

Of those farmers expecting the economic outlook to worsen, drought was the primary concern, cited by 25 per cent as cause for their pessimistic outlook.

"Drought has certainly created a tough season for New Zealand farmers, but it has been pleasing to see very welcome rain across most of the country in the past couple of weeks," Mr Russell said.

While sheep and beef producers reported similar levels of overall confidence to the previous survey, they were considerably more bearish about the expectations of their own farm operations. After registering a spike the previous survey, only 21 per cent of sheep and beef producers now expected their farm business to perform better over the next 12 months (down from 75 per cent last quarter). Of the others in this sector, 21 per cent expected business performance to worsen (up from two per cent previously) and 55 per cent expected performance to remain the same (up from 24 per cent).

Mr Russell said this deterioration in outlook was likely due to the dry weather conditions that had been impacting many regions and had forced livestock farmers into de-stocking at lower prices than had originally been expected for the season.

"This is particularly the case for lamb, where prices have moved almost 10 per cent lower than a year ago," he said. "Beef prices have also retreated for the record high levels seen in late 2014, although they are still some 10 to 20 per cent above last year."

Overall though, New Zealand farmers expectations for their own businesses remained similar to the previous survey – 35 per cent expecting improved business performance (down from 40 per cent in the last survey), 21 per cent poorer performance (compared to 25 per cent) and 43 per cent similar results (up from 34 per cent).

While similarly, overall investment intentions remained largely unchanged – with 28 per cent of survey respondents expecting to increase investment in their farm business, 12 per cent planning to decrease and 59 per cent to maintain investment at its current level.



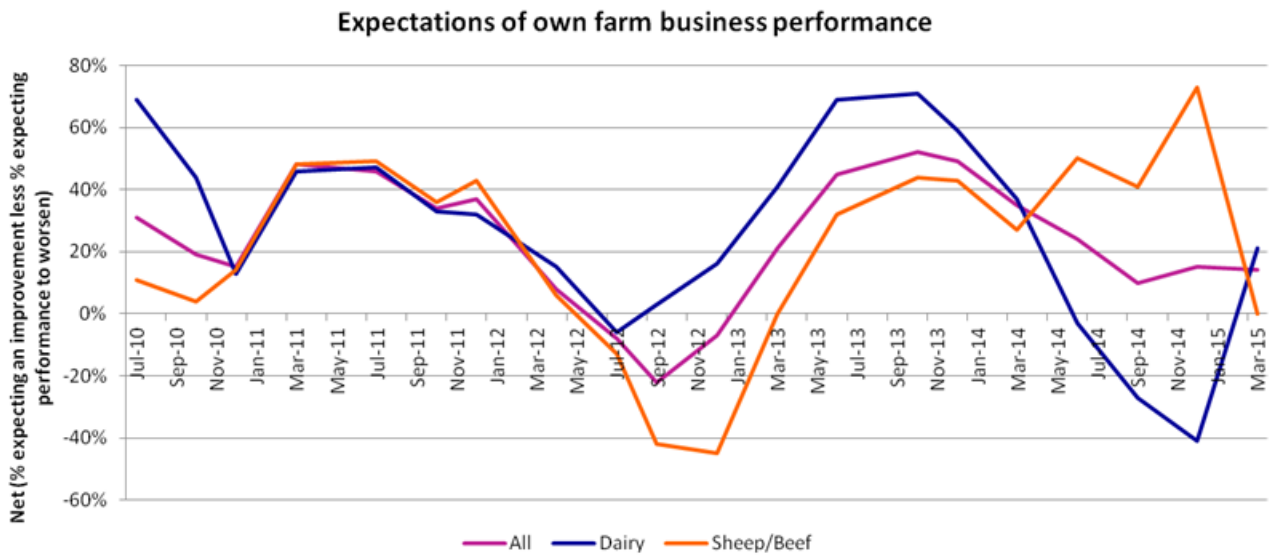
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Mr Russell said the investment appetite of sheep and beef farmers, however, had declined.

“Only 28 per cent of sheep and beef producers now expect to increase investment in their business compared to 41 per cent with that intention last survey,” 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.



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