



Rabobank

Media Release
June 27, 2017

New Zealand farmer confidence at record high

Results at a Glance

- Net rural confidence has jumped up in the second rural confidence survey of 2017 and is now at the highest level recorded since the survey commenced in early 2003.
- Farmers across all agricultural sectors were more positive about the outlook for the agricultural economy with the majority citing improved commodity prices as a key reason for increased optimism.
- The number of farmers expecting their own business performance to improve was also up in comparison with the last survey with over half of farmers expecting an improvement in the coming 12 months.
- The biggest movers in the survey were sheep and beef producers, with this group significantly more positive about the prospects for both the agricultural economy and their own farm business performance than in the previous quarter.
- Investment intentions rose amongst farmers from all agricultural sectors and are now at the highest level recorded in the survey's history.

Confidence in the New Zealand agricultural sector has lifted dramatically over the past quarter and is now at the highest level recorded in the history of Rabobank's Rural Confidence Survey dating back to early 2003.

The second quarterly survey for the year – completed earlier this month – has shown net farmer confidence has risen to +54 per cent, up from +27 per cent recorded in the March 2017 survey.

The survey found the number of New Zealand farmers expecting the agricultural economy to improve in the year ahead had jumped to 57 per cent (compared with 34 per cent in the previous quarter) with those expecting agricultural economic conditions to worsen dropping to three per cent of survey respondents (from seven per cent).

Rabobank New Zealand General Manager for Country Banking Hayley Moynihan said confidence in the outlook for the agricultural economy had risen amongst farmers from all sectors since the last survey.

“Confidence in the agricultural economy amongst dairy farmers and horticulturalist was strong last quarter, and we've seen it climb even higher in this survey. However, the most notable jump in confidence was recorded amongst sheep and beef farmers, with sentiment



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amongst this group lifting from a net reading of +nine per cent last quarter to +53 per cent in this survey,” she said.

Among survey participants expecting the agricultural economy to improve, the vast majority (71 per cent) cited rising commodity prices as a key reason for holding this view. This was particularly the case amongst dairy farmers (at 77 per cent) and sheep and beef producers (at 66 per cent).

“Buoyancy in the pastoral sectors is underpinned by strengthened farmgate returns across the industries,” Ms Moynihan said. “Sheep and beef farmgate prices continue to hold steady at strong levels for beef and higher than initially expected for lamb, and lower supply from New Zealand as well as other key export regions will underpin good returns over the coming months.

“Dairy commodity prices continue to strengthen thanks to steady demand and lower supply and this has been recently reflected in strong opening price signals for the new 2017/18 season by many dairy processors.”

The survey also found farmers’ expectations for their own farm business performance were up on last survey.

More than half of farmers surveyed were anticipating the performance of their own farm business to improve across the next 12 months contributing to a net confidence reading of +47 per cent, the highest reading since late 2013.

As with the measure relating to confidence in the agricultural economy, sheep and beef farmers recorded the biggest rise in confidence in their own farm business performance, jumping to a net reading of +41 per cent (from positive two per cent last quarter). Dairy farmer confidence in their own business performance continued to climb, rising to a net reading of +61 per cent (from +54 per cent last quarter) while confidence amongst horticulturalists was still strong overall, but eased back from last quarter to a net reading of +38 per cent (from +44 per cent).

“It’s very unusual to have farmers from all of New Zealand’s key agricultural sectors so confident about the outlook for their own business’s performance and this bodes well not just for the rural economy but for New Zealand’s economy,” Ms Moynihan said.

Farmers’ investment intentions have also lifted, according to the survey, with 40 per cent of farmers now expecting to increase investment in the next 12 months (up from 31 per cent last quarter) and only five per cent expecting to decrease investment (down from seven per cent).

Ms Moynihan said that given the improvement in farmer expectations for their own businesses, it was no surprise to see investment intentions increase this survey.

“We’d generally expect to see farmers’ investment intentions rise in line with confidence in the outlook for their own businesses performance. We are now seeing investment intentions at their highest level since the survey began in 2003,” Ms Moynihan said.



Investment intentions were up amongst farmers from all sectors with horticulturalists continuing to have the strongest investment intentions. Over half (52 per cent) of horticulturalists surveyed were expecting to increase investment in the coming 12 months (from 48 per cent last quarter) while 32 per cent of sheep and beef producers were now expecting to increase investment (up from 28 per cent). Dairy farmers recorded the biggest jump in investment intentions with 43 per cent now looking to increase investment (from 29 per cent last quarter).

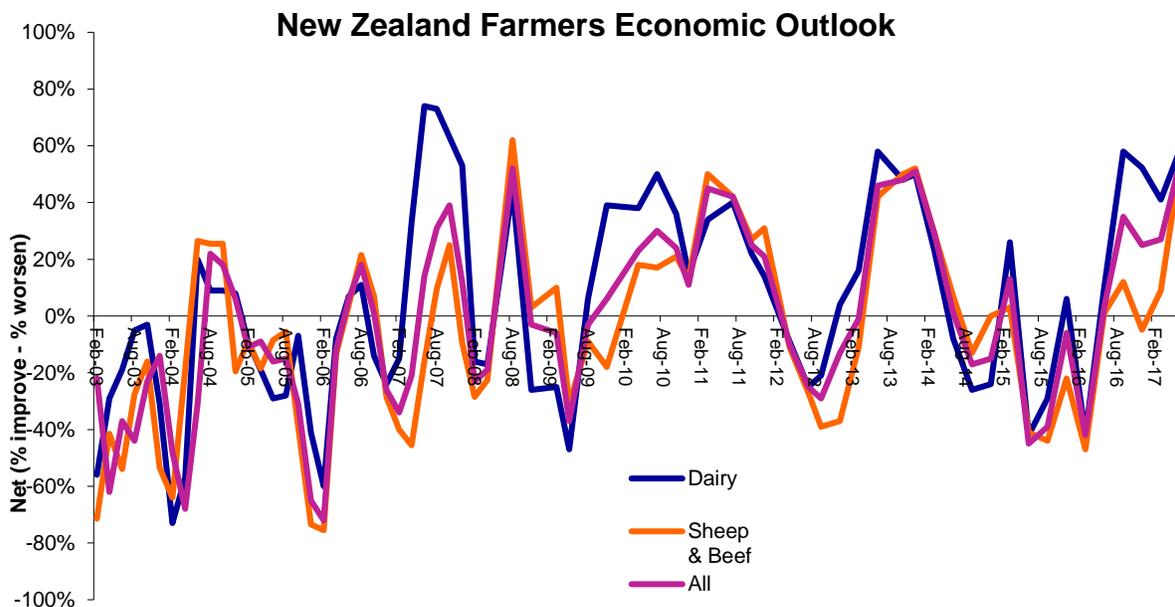
Ms Moynihan said that the stronger investment intentions amongst farmers would result in increased operating expenses in the coming year.

“The survey found that 40 per cent of farmers expected to spend more on animal feed, fertiliser or machinery in the next year in comparison to the previous year, while only eight per cent were expecting to spend less.”

“Dairy farmers, in particular, will be looking to increase farm expenditure given the belt tightening that has been required over recent seasons,” Ms Moynihan said.

“With positive margins likely for dairy producers this season, farmers are now able to consider reinvesting in their businesses for items put on the backburner over the last three years, such as technology, shed improvements and new equipment.”

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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