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*Media Release
September 26, 2017*

NZ farmer confidence down from record high, but remains robust

Results at a Glance

- Net rural confidence remains at elevated levels, but has fallen from the record high of last quarter.
- Of farmers expecting the agricultural economy to worsen, nearly half cited concern about government policies as a key driver of negative sentiment.
- Farmers' expectations of their own farm business performance is also marginally down, but still strong.
- The largest movers were sheep and beef farmers, with this group significantly less positive about prospects for the agricultural economy and their own farm business performance.
- Nearly two-thirds of farmers expect their level of investment to remain the same over the next 12 months.

New Zealand farmer confidence has eased from the record highs of the previous quarter, but remains at elevated levels, the latest Rabobank Rural Confidence Survey has found.

The third quarterly survey for the year – completed earlier this month – has shown net farmer confidence has fallen to +38 per cent, down from the record high +54 per cent recorded in the June 2017 survey.

And with the country in election mode in recent months, government policy was found to be figuring as a significant concern for those farmers taking a more negative outlook on the year ahead.

The survey found the number of New Zealand farmers expecting the agricultural economy to improve in the year ahead had fallen to 46 per cent (compared with 57 per cent in the previous quarter) with those expecting agricultural economic conditions to worsen rising to eight per cent of survey respondents (from three per cent).

Rabobank New Zealand General Manager for Country Banking Hayley Moynihan said pastoral farmers were the primary contributors to the drop in overall confidence with both sheep and beef and dairy farmers less optimistic about the agricultural economy than last quarter.



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“Sheep and beef farmer confidence in the agricultural economy fell sharply with the net confidence reading dropping from +53 per cent last quarter to +22 per cent in this survey,” she said.

“We also saw dairy farmer confidence in the agricultural economy decline, however, the drop amongst farmers in this sector was much less significant with the net reading down from +58 per cent last quarter to +50 per cent this survey.”

The survey found government policies (46 per cent) and falling commodity prices (42 per cent) were the key reasons cited by farmers who expected the performance of agricultural economy to worsen in the coming 12 months.

“This is the most concerned farmers have been about the influence of government policies on the performance of the rural economy since this information was first collected in July 2011,” Ms Moynihan said.

“Policies relating to the farming sector have featured prominently during the recently completed election campaign, and the prospect of increased government intervention within the farm-gate appears to be a contributor to the dip in farmer confidence. Farmers will have a much clearer idea of what, if any, changes they are likely to face once coalition negotiations are completed and the make-up of the next New Zealand government is confirmed.”

Ms Moynihan said while farmer concerns about government policies and lower commodity prices may have contributed to lower confidence levels, the survey results indicated farmers were largely optimistic about the agricultural economy in the year ahead.

“This is still a very strong overall result, and, excluding the record high result last quarter, we have to go back to December 2013 to find a higher net confidence reading,” she said.

The survey also found farmers’ expectations for their own farm business performance fell from last quarter, but remained strong.

The net reading for farmers’ confidence in their own business performance dropped to +44 per cent, back marginally from the +47 per cent last survey. A total of 51 per cent were expecting an improvement in the performance of their own farm business in the next 12 months (down from 55 per cent with that view in the previous survey) while seven per cent were expecting it to worsen (down from eight per cent).

“As with expectations for the overall economy, sheep and beef farmers registered the biggest fall on this measure dropping from a net reading of +41 per cent last quarter to +28 per cent this quarter. This is likely to be a reflection of record high beef prices now easing and while lamb prices have strengthened, these may not be sustained for the full season,” Ms Moynihan said.

Dairy farmers remain positive about the outlook for their own businesses registering a net reading of +57 per cent on this measure (back from +61 per cent), while horticulturalists



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were more optimistic than last quarter about their own businesses climbing to a net reading of +51 per cent (from +38 percent).

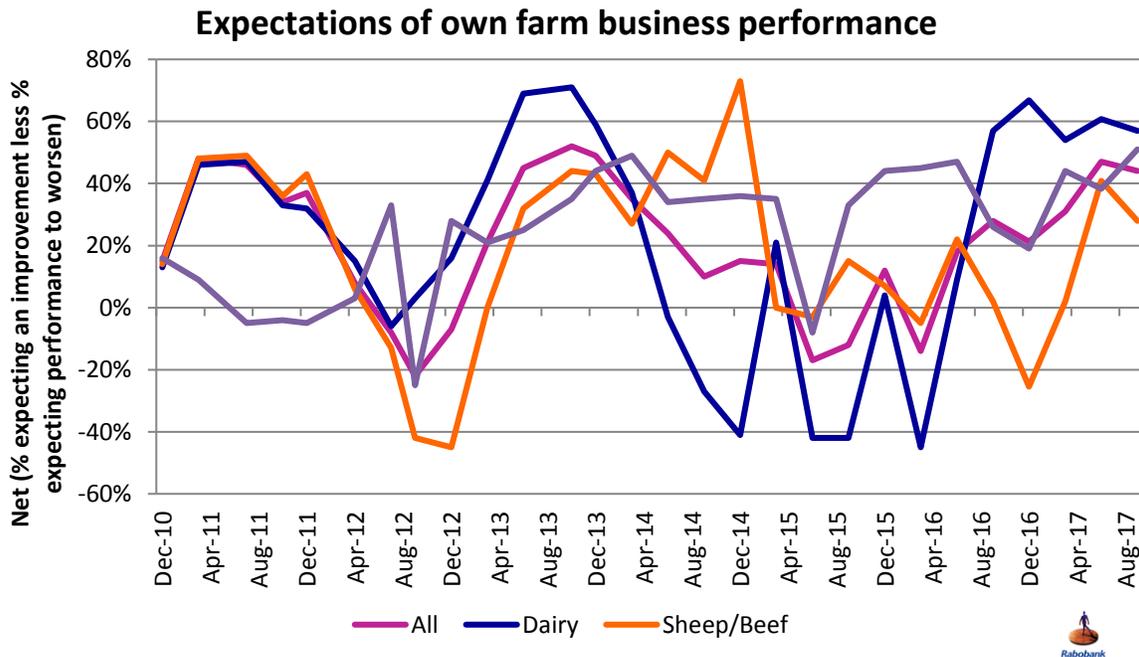
“With commodity prices for the majority of sectors continuing to improve throughout 2017, most New Zealand farmers are consistently receiving prices for their products that exceed their costs of production. As a result, most farming businesses now find themselves in a relatively strong position,” Ms Moynihan said.

In line with the easing in headline rural confidence, farmers’ investment intentions over the next 12 months also came back this survey, after reaching record levels last quarter. The net investment measure fell from +35 per cent last quarter to +22 per cent in this survey.

A total of 29 per cent of surveyed farmers were expecting to increase their investment spend, while seven per cent anticipated their investment to decrease. The majority of farmers (63 per cent) expect their level of investment in stock, plant and land to remain the same over the next 12 months.

“Investment intentions dropped across all sectors, with dairy farmers registering the largest fall having dropped to a net reading of +22 per cent from +39 per cent previously,” Ms Moynihan 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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