



NZ farmer confidence slides into negative territory

Results at a Glance

- New Zealand farmer confidence in the broader agricultural economy has eased from last quarter and is now at net negative levels – the first net negative result since 2016
- Confidence in the agricultural economy was down among dairy farmers but rose among sheep and beef farmers
- Concerns over government policy and falling commodity prices were the main reasons cited for farmer pessimism
- Farmers' expectations of their own farm business performance are down on last quarter but remain at positive levels overall
- Farmers' investment intentions were back slightly from last quarter with all sectors recording reduced investment intentions.

New Zealand farmer confidence has eased from the previous quarter and is now at net negative levels for the first time since early 2016.

The third quarterly survey for the year – completed earlier this month – has shown net farmer confidence has fallen to -three per cent, down from +two per cent recorded in the June 2018 survey.

The survey found a fall in the number of farmers expecting agricultural economy conditions to improve in the coming 12 months (down to 20 per cent from 26 per cent last quarter) as well as those expecting conditions to worsen (23 per cent from 24 per cent previously) while an increased number of New Zealand farmers were expecting the performance of the agricultural economy to stay the same (54 per cent from 46 per cent last survey).

Rabobank New Zealand General Manager for Country Banking Hayley Gourley said the slide into net negative confidence was driven by rising dairy farmer pessimism.

“Dairy farmer confidence in the agricultural economy fell sharply with the net confidence reading among dairy farmers dropping from +14 per cent last quarter to -nine per cent in this survey,” she said.

“This fall is not particularly surprising given dairy commodity prices experienced some downward pressure since the last survey, as well as Fonterra trimming farmgate milk price expectations for the current season by 25 cents to \$6.75/kgMS.”



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September 27, 2018**

Conversely, the survey found confidence in the broader agricultural economy lifted among sheep and beef farmers compared to last quarter. Sheep and beef farmer optimism moved from negative to positive territory, jumping from –six per cent last quarter to +seven per cent in this survey.

“Sheep farmers are having a good run with intense procurement competition for tight lamb supply seeing unprecedented farmgate prices this season. A weaker New Zealand dollar is also underpinning price support for red meat returns and we anticipate elevated prices to continue over coming months,” Ms Gourley said.

The survey found among the 26 per cent of farmers now expecting the performance of agricultural economy to worsen in the coming 12 months, government policies (43 per cent), falling commodity prices (31 per cent) and overseas markets (22 per cent) were the key reasons cited for holding this pessimistic view.

“The government has signalled upcoming changes in relation to freshwater management, biodiversity, greenhouse gas emissions, foreign investment requirements for farmland ownership and the Dairy Industry Restructuring Act. And while the exact form, timing and ultimate impact of these pending changes on the agricultural sector is still unknown, it’s clear these changes are weighing on the minds of some New Zealand farmers.” Ms Gourley said.

“The escalating US-China trade war is also creating uncertainty for agricultural producers here in New Zealand and farmers will be keeping a close eye on how the latest iteration of tariffs impact the global trade of agricultural products.”

In line with net confidence readings, the survey also found farmers’ expectations for their own farm business performance had fallen from last quarter. However, as has been the case in recent surveys, farmers confidence in their own business performance remained significantly higher than confidence in the broader agricultural economy.

The net reading for farmers’ confidence in their own business performance dropped to +21 per cent, back from +29 per cent last survey. A total of 34 per cent of farmers were expecting an improvement in the performance of their own farm business in the next 12 months (down from 39 per cent with that view in the previous survey) while 13 per cent were expecting it to worsen (up from 10 per cent).

Ms Gourley said both dairy farmers and horticulturalists registered falls on this measure, with dairy farmers dropping from a net reading of +34 per cent to +19 percent and horticulturalists plummeting from net +46 per cent last quarter to net +11 per cent in this survey.

“While horticulturalists confidence was well back on last quarter, it’s important to note that farmers in this sector have recorded high levels of confidence in their own business performance for a number of consecutive quarters as a result of improving export sales and prices for a range of horticultural products,” she said.



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“The fall in confidence suggests more growers now believe this run of improving returns may be coming to an end, however, with 85 per cent of surveyed growers either expecting conditions to improve or remain the same in the coming 12 months, the sector is still in strong health.”

While confidence in their own business expectations fell among dairy farmers and horticulturalists, the survey found sheep and beef farmers were more positive than last quarter.

“Sheep and beef farmers climbed to a net reading of +31 per cent on this measure, up from +19 per cent previously. This makes sheep and beef farmers the most positive of all the sector groups in relation to their own business performance, and you have to go back to late 2014 for the last time this was the case,” Ms Gourley said.

As with the easing in headline rural confidence, farmers’ investment intentions over the next 12 months also came back this survey. The net investment measure fell from +25 per cent last quarter to +17 per cent in this survey.

A total of 26 per cent of surveyed farmers were expecting to increase their investment spend, while nine per cent anticipated their investment to decrease. The majority of farmers (64 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 horticulturalists registering the largest fall dropping to a net reading of +15 per cent from +41 per cent previously,” Ms Gourley 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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***Media Release
September 27, 2018***

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