



NZ farmer confidence continues gradual climb

Results at a Glance

- New Zealand farmer confidence has risen for the second quarter, but remains at net negative levels overall
- Sentiment improved among sheep and beef farmers as well as horticulturalists, but remained flat among dairy producers
- Improving demand was the key reason cited by farmers expecting the New Zealand agricultural economy to improve, while concern over government policy was the main concern for farmers with a pessimistic outlook
- Farmers from across all sector groups are increasingly optimistic about the performance of their own farm businesses
- Farmers' investment intentions also improved across the board with horticulturalists recording the largest jump.

Improved sentiment among sheep, beef and horticulture producers has seen New Zealand farmer confidence lift for the second quarter in a row, the latest Rabobank Rural Confidence Survey has found.

While farmer sentiment continued the gradual climb begun at the start of the year – following three previous consecutive quarters of decline - net farmer confidence remains at low levels, in overall negative territory, with more farmers pessimistic than optimistic.

The latest survey – completed earlier this month – found net farmer confidence lifted to -two per cent, up from -nine per cent recorded in March 2019.

The survey found an increase in the number of farmers expecting agricultural economy conditions to improve in the coming 12 months (up to 21 per cent from 16 per cent last quarter) while there were less farmers expecting conditions to worsen (23 per cent from 25 per cent previously). The number of farmers expecting the performance of the agricultural economy to stay the same fell slightly from 55 per cent last survey to 54 per cent this quarter.

Rabobank New Zealand CEO Todd Charteris said the more positive view farmers had for New Zealand's agricultural economy was being driven by an improved outlook among sheep and beef farmers and horticulturalists.



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“While, as with last quarter, there were still more sheep and beef farmers with a pessimistic view on the New Zealand agricultural economy than an optimistic one, the gap between them has closed considerably,” he said.

“Horticultural growers were also more buoyant about the prospects for the agricultural economy and, in a reverse of last quarter, more now expect to see economic conditions improve over the coming year, than those expecting them to worsen.”

The survey found dairy farmer confidence relatively unchanged from earlier in the year with roughly a quarter of those surveyed having an optimistic outlook on the 12 months ahead, a quarter expecting conditions to worsen and the remaining half expecting little change.

Mr Charteris said an improved demand outlook was the key contributor to the higher confidence among sheep and beef farmers and horticulturalists.

“Among sheep and beef farmers expecting improved conditions over the coming year, the most frequently mentioned reason for this view was stronger demand, cited by 54 per cent. Improved demand was also the chief reason horticulturalists were expecting improved conditions, nominated by 44 per cent of those with an optimistic outlook,” he said.

“This is not surprising given sheep and beef farmers have seen demand for their products lift in recent months largely due to the devastating African Swine Fever outbreak which has crippled Chinese pork production and created new opportunities for New Zealand red meat producers in the Chinese market. Horticulturalists have also seen demand for their products strengthen over the last quarter with import growth occurring in a host of existing and new export markets, particularly for kiwifruit and apples.”

Among farmers with a pessimistic view of the agricultural economy, government policy remained the major concern, cited by 72 per cent of farmers with a negative outlook on the next 12 months. This was back marginally on the 75 per cent who held this concern last quarter.

“Since the last survey, we’ve seen the government categorically rule out introducing capital gains tax, with this likely to have come as a relief to most in the agricultural sector,” Mr Charteris said.

“However, we’ve also seen the government recently introduce the Zero Carbon Bill proposing ambitious targets for gross methane reductions without the ability to use on-farm planting to directly offset these reductions. And this is a concern for some farmers.”

Farm business performance

In line with the improvement in overall rural confidence, the latest survey found more farmers were optimistic about the performance of their own farm businesses in the coming 12 months with 31 per cent expecting improved conditions in the coming year (up from 28 percent), 10 per cent expecting conditions to worsen (down from 17 per cent) and 58 per cent expecting conditions to stay the same (up from 54 per cent).



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Dairy producers – as well as sheep and beef farmers – had improved expectations for their businesses, while horticulturalists recorded the most significant improvement in outlook (with the net measure of their farm business confidence surging to +38 per cent from +18 per cent previously).

“While dairy farmers confidence in the outlook for the broader economy was similar to last survey, we did see a jump in their confidence in their own business performance and the strong opening price forecasts from Fonterra and other milk processors for the 2019/20 farm-gate milk price are likely to have played a key role in this improved result,” he said.

Farm Investment

The survey found farmers’ investment intentions were also stronger in the latest quarter, with 25 per cent now planning to increase investment over the next 12 months and only 12 per cent expecting investment to decrease.

Mr Charteris said investment intentions were higher across all sectors, with horticulturalists holding the strongest investment intentions of all sector groups.

“Forty-five per cent of horticultural growers are now looking to increase investment, with only eight per cent saying they expect to invest less in the coming year,” he said.

“The recent over-subscription for Zespri Gold3 kiwifruit licences is evidence of the strong investment intentions among horticulturalists with prospective buyers submitting bids for over 1650 hectares for the 700 hectares of licences available.”

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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