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**Media Release
April 3, 2019**

Improved dairy sector sentiment sees lift in NZ farmer confidence

Results at a Glance

- New Zealand farmer confidence rose slightly in the first quarter of 2019, but remains in negative territory – with more of the country’s farmers pessimistic than optimistic.
- Dairy farmers were significantly more positive about the prospects for the broader agricultural sector than in late 2018, however sheep and beef farmers and horticulturalists were less confident.
- Rising commodity prices were the key reason cited by farmers expecting the agricultural economy to improve, while concern over government policy was the major reason given by those expecting conditions to deteriorate.
- Farmers’ expectations of their own farm business performance were marginally up on last quarter, driven primarily by improved confidence among dairy farmers.
- Investment intentions fell from last quarter, but remain at net positive levels overall.

New Zealand’s farmers have begun the year on a more positive footing, led by an improvement in sentiment among the nation’s dairy producers, the latest quarterly Rabobank Rural Confidence Survey has shown.

However, overall net rural confidence still languishes in negative territory – with farmer concerns about government policy persisting – and following three previous consecutive quarters of decline.

The first quarterly Rural Confidence Survey for the year – completed last month – has shown the nation’s net farmer confidence has risen to -nine per cent, up from -15 per cent recorded in the final quarter of 2018.

The survey found an increase in the number of farmers expecting agricultural economic conditions to improve in the coming 12 months (up to 16 per cent from 14 per cent last quarter), while less New Zealand farmers were expecting the performance of the agricultural economy to worsen (25 per cent from 29 per cent last survey). The number of farmers expecting conditions to remain the same stood at 55 per cent, up from 53 per cent previously).

Rabobank New Zealand general manager for Country Banking Hayley Gourley said greater optimism among dairy farmers was the major driver of the improved overall confidence reading.



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“In the last survey of 2018, we saw 34 per cent of dairy farmers expecting conditions in the agricultural economy to worsen and only 13 per cent expecting an improvement, however, since then we’ve seen a long run of consecutive jumps in the GDT price index,” she said.

“This has resulted in a lift in dairy farmer confidence so that in this survey dairy farmers were now more evenly split on the direction of the agricultural economy with 23 per cent expecting conditions to improve and 24 per cent expecting them to worsen,” she said.

“Horticulturalists and sheep and beef farmers on the other hand were marginally less confident about the broader agricultural economy than in the previous survey, but horticulturalist producers do continue to have the most positive outlook of all the sector groups.”

For those New Zealand farmers expecting conditions to improve, the survey found the most significant reason for their optimism was rising commodity prices (nominated by 47 per cent), with rising demand (23 per cent) and overseas markets (19 per cent) the next most frequently-cited reasons. Of the one-in-four farmers expecting agricultural conditions to worsen, the main reason for their pessimistic outlook was concern over government policies (nominated by 75 per cent).

“In addition to farmer concerns over signalled upcoming policy changes in relation to their future greenhouse gas obligations, and further freshwater reforms, the recent recommendations from the government’s tax working group are also likely to be playing on farmers’ minds,” Ms Gourley said.

“In particular, farmers will be concerned by the group’s recommendations that a capital gains tax be applied to farmland as well as new taxes introduced for fertiliser and water pollution.”

Farm business performance

The latest survey found farmers’ expectations for the performance of their own farm businesses was also up this quarter, lifting to a net reading of +11 per cent from + seven per cent last survey.

Twenty-eight per cent of farmers now expect the performance of their own farm business to improve in the next 12 months (up from 26 per cent with that view last quarter), with 17 per cent expecting business performance to worsen (down from 19 per cent). A total of 54 per cent expected the performance of their business to remain stable (slightly up from 53 per cent).

Ms Gourley said, as with the headline confidence reading, improved dairy farmer sentiment had been the chief reason for the increase in this measure.

“As with the improvement in dairy farmers’ confidence in the broader economy, they were also significantly more positive about their own farm business performance than in the last quarter, with 31 per cent now expecting their own business performance to improve and only 16 per cent expecting it to worsen.”



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The survey found both sheep and beef farmers and horticulturalists were less optimistic about the outlook for their own farm businesses than in the previous survey with sheep and beef farmers recording the most drastic fall, dropping from a net reading of +13 per cent last quarter to + two per cent this survey.

“This is the most pessimistic sheep and beef farmers have been about their own farming operations since early 2017,” Ms Gourley said.

“This fall in confidence is likely to be in part driven by concerns about how ongoing Brexit uncertainties, and reports of a slowing Chinese economy, will impact future demand from these key offshore markets.”

Farm investment

The survey found farmers’ investment intentions had dropped marginally on last quarter, but remained in net positive territory, with overall more farmers intending to increase than decrease investment in their farm businesses.

Twenty-one per cent of farmers were expecting to invest more in the coming year (down from 24 per cent last quarter) and 16 per cent were planning to reduce investment (12 per cent last quarter) – a net reading of + five per cent.

“Horticulturalists continued to have the strongest investment intentions of all the sector groups with 30 per cent of growers planning to increase investment and only seven per cent expecting to invest less,” 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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