

Concern over government policy sees sharp drop in farmer confidence

Results at a Glance

- New Zealand rural confidence has dropped sharply from the previous quarter with farmers across all sectors now less optimistic about the prospects for the agricultural economy in the year ahead
- Government policy remains the key worry, with a host of other concerns also identified
- Farmers' expectations for their own business performance also declined across all sector groups, but remain at net positive levels overall
- Dairy farmers recorded the biggest drop in confidence about their own farm business performance, while horticulturalists remain the most optimistic
- Investment intentions were marginally back on last quarter

New Zealand rural confidence has taken a sharp dive, with farmers across all sectors increasingly pessimistic about prospects for the agricultural economy in the year ahead, the latest quarterly Rabobank Rural Confidence Survey has found.

Following a gradual rise over the previous three quarters, the overall net rural confidence reading plummeted to -33 per cent in the latest survey, down from -two per cent last quarter.

The survey – completed in late August and early September – found the number of the nation's farmers expecting the rural economy to worsen in the coming 12 months had risen to 41 per cent (from 23 per cent last survey), while those expecting an improvement had fallen to eight per cent (down from 23 per cent). A total of 48 per cent were expecting similar conditions (down from 54 per cent).

Rabobank New Zealand CEO Todd Charteris said farmer confidence was now at its lowest level since the March 2016 quarter, with concern over government policy identified by farmers as the key factor for their negative view.

“As has been for the case for the past four quarters, concern over government policy remains the chief reason for farmer pessimism, and is cited by 68 per cent of farmers holding a negative outlook in the latest survey,” he said.



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“Government policy relating to freshwater reform and future greenhouse gas obligations presents a major challenge for farmers and, at this time, it’s clear farmers view policy direction as the major challenge to the future prosperity of the sector.

“Rabobank remains wholeheartedly committed to supporting our New Zealand food and agribusiness clients, along with their communities, through these challenges. In doing so, we recognise the importance of this sector to New Zealand’s wider economic success over the coming years.”

Mr Charteris said with government policy the major source of worry for farmers, it was important to note the latest survey period concluded just before the Government released its freshwater policy statement on September 5.

“Given the reaction to this policy statement from farmers and farmer advocacy groups over recent weeks, it’s clear the contents of this document have further eroded the brittle confidence in the sector. However, we won’t get a gauge on just how significant an impact this has had until our next survey is released in mid-December,” he said.

Mr Charteris said in addition to concern over government policy, the latest survey also highlighted a swathe of other farmer concerns.

“Other reasons cited by farmers for their pessimistic outlook included concern over the performance of Fonterra, negative public perceptions of farming and turbulence in overseas markets,” he said.

“Despite farm-gate prices for New Zealand’s key commodities remaining relatively strong, there is a wide range of concerns now weighing on farmers’ shoulders, and the cumulative effect of these has seen overall confidence slide dramatically.”

Farm Business Performance

In line with the drop in overall rural confidence, the latest survey found farmers across all sectors were also significantly less optimistic about the performance of their own farm businesses in the coming 12 months, with the number expecting their business performance to improve declining to 24 per cent (from 31 per cent in the previous survey). Those expecting their business performance to worsen rose to 20 per cent (from 10 per cent), while 55 per cent expected no change (down from 58 per cent).

Mr Charteris said the net farm business performance reading of +4 per cent this survey was well back on the +31 per cent recorded in June.

“While well back on last quarter, this is still considerably more optimistic than how farmers are feeling about the outlook of the overall agricultural economy and it does indicate that, despite feeling they are under the pump, farmers do have some confidence in their own operations,” he said.



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Dairy farmers recorded the biggest decline in sentiment when it came to the outlook for their own farm businesses in the year ahead. There is now an even spread of dairy farmers expecting their farm business performance to improve and to worsen (both 21 per cent). Similarly, sheep and beef farmers were split on the prospects for their own businesses, with 20 per cent expecting an improvement and 20 per cent expecting performance to worsen.

Mr Charteris said horticulturalists continued to be the most buoyant of all sectors with 37 per cent expecting improved performance from their business in the coming year and only 9 per cent expecting performance to worsen.

Farm Investment

Farmers' investment intentions also fell from the June quarter, but remained at net positive levels, with 23 per cent of farmers indicating they would increase investment in the next 12 months and 17 per cent anticipating investment to decrease.

"While we've seen significant fluctuation in overall confidence levels over recent years, investment intentions have remained relatively stable, highlighting the commitment of New Zealand farmers to continually improve their farming operations," Mr Charteris 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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