



**Rabobank**

*Media Release  
December 8, 2020*

## ***Improved sentiment among pastoral farmers pushes rural confidence higher***

### **Results at a Glance**

- New Zealand farmer confidence has risen in the last survey and is now at its highest level since late 2019, however, it remains at net negative levels overall.
- Dairy, sheep and beef farmers are now more optimistic about the prospects for the broader agricultural economy while horticulturalists are more pessimistic.
- Farmers with a positive outlook cited demand and overseas markets as the key reasons for optimism, while government policy and Covid-19 remain the key concerns for farmers with a negative outlook.
- Farm business performance expectations were up overall, driven by a strong jump in dairy farmer optimism about the outlook for their own operations.
- Farmers' investment intentions were up across the board with horticulturalists continuing to hold the strongest investment plans.

**Greater optimism among the country's dairy, sheep and beef farmers has seen rural confidence rise to its highest level since late 2019, the latest Rabobank Rural Confidence Survey has found. However, sentiment remains at net negative levels overall, with significantly more of the country's farmers pessimistic than optimistic about the year ahead.**

**After falling marginally in the September 2020 quarter, the final survey of the year – completed late last month – found net farmer confidence was up to -23 per cent, from -32 per cent recorded in the last quarter.**

**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 13 per cent last quarter) while there were less farmers expecting conditions to worsen (39 per cent from 45 per cent previously). The number expecting the performance of the agricultural economy to stay the same rose to 44 per cent from 40 per cent last quarter.**

Rabobank New Zealand CEO Todd Charteris said confidence was up among the pastoral sector with dairy, sheep and beef farmers citing improved demand and overseas markets as the key reasons for a positive outlook.

“Demand for New Zealand dairy products has held up well since the last survey in September and GDT event results have trended upwards over recent months. As a result,



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we saw Fonterra lift the mid-point of their farmgate milk price range by 40 cents to \$6.80 kg/MS in October and this will have boosted spirits among dairy industry participants. Last week's additional 20 cent lift in Fonterra's payout mid-point will have further buoyed those in the sector, however this came after the survey cut-off and is not reflected in the results," he said.

"Sheep and beef farmer confidence also inched higher in this survey from the historically low levels recorded in September, with this driven by generally solid demand for New Zealand red meat products in key markets like China and the US."

While sentiment was up this quarter, Mr Charteris said overall confidence among pastoral farmers remained mired in negative territory amid concerns over government policy and Covid-19.

"Government policy and Covid-19 remain the most significant concerns for New Zealand's pastoral farmers with these factors cited as a source of apprehension by more than half of dairy, sheep and beef farmers holding a pessimistic outlook for the year ahead."

The survey found horticulturalists continue to be the most optimistic of all the sector groups about the outlook for New Zealand's broader agricultural economy, however, growers are now less positive than last quarter.

"Grower confidence slipped marginally from September with this largely attributable to concerns related to Covid-19 and the associated labour shortages in the sector that have arisen due to Covid-19 border restrictions," Mr Charteris said.

"The government's recent decision to allow 2000 Registered Seasonal Employer (RSE) scheme workers into the country early next year — announced after the close of the survey period — will have been welcomed by growers. However, significant labour shortages are still anticipated over coming months and this is clearly weighing on growers confidence."

### **Farm Business Performance**

The survey found that farmers' expectations for their own farm business performance were also up overall, driven by improved expectations among dairy farmers. The survey found 18 per cent of farmers were expecting their own farm businesses to perform better in the year ahead (up from 13 per cent), 34 per cent were expecting worse performance (down from 37 per cent) and 48 per cent were expecting performance to remain the same (unchanged).

"Dairy farmers rose strongly on this measure and – for the first time in a year – there are now more dairy farmers expecting their own farm performance to improve than those expecting it to worsen," Mr Charteris said.

"Since last quarter there has been no change on sheep and beef farmers' expectations for their own farm business performance and they remain deep in net negative territory on this measure. Horticulturalists were more pessimistic about their own farm performance than in September and there is now an even split of growers expecting their own business performance to improve and those expecting it worsen."



### Farm Investment

The survey found investment intentions were up on last quarter with 20 per cent of farmers now planning to increase investment in the coming 12 months and 15 per cent expecting investment to reduce.

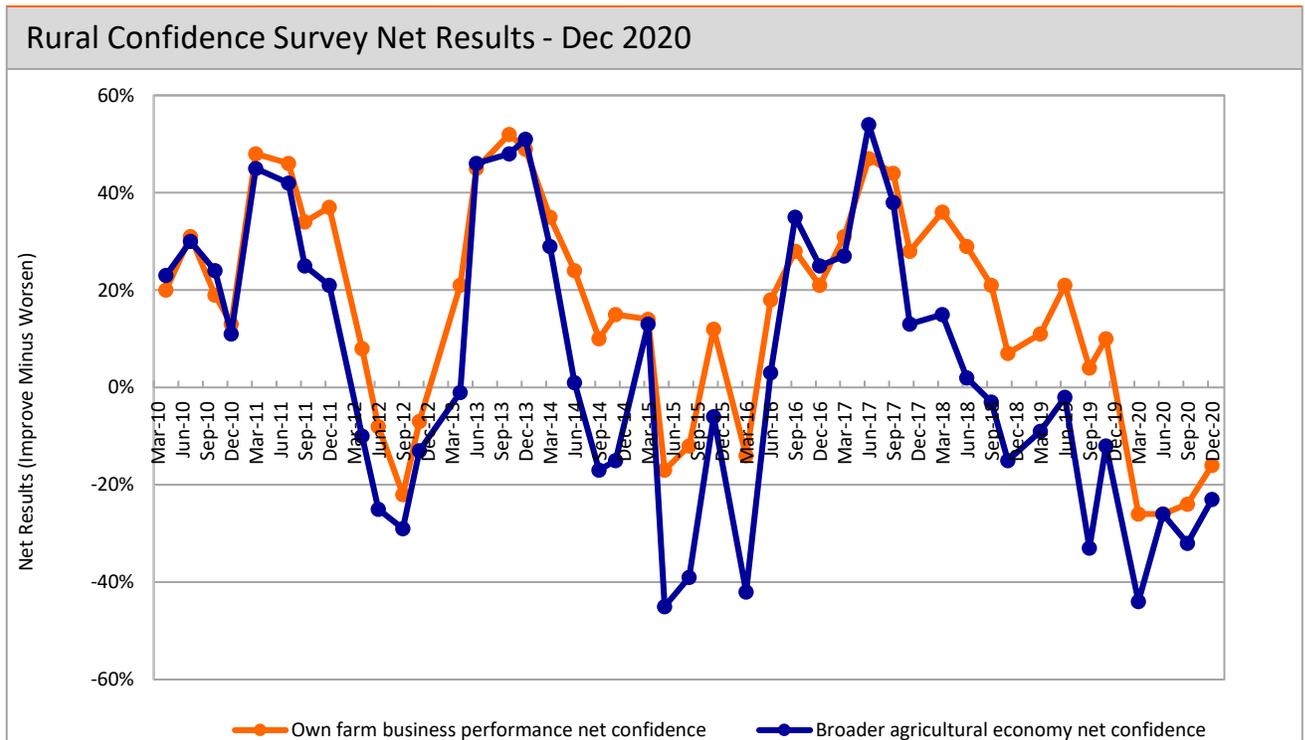
“Investment intentions rose across the board and are now in positive territory for the first time since the onset of the Covid-19 pandemic,” Mr Charteris said.

“Sheep and beef farmers’ investment intentions were up marginally while dairy farmers recorded the biggest rise in investment intentions, jumping from a net investment reading of –six per cent to +seven per cent.”

Mr Charteris said although horticulturalists’ confidence in their own farm business performance fell this survey, investment intentions rose and continue to be considerably stronger than farmers in other sectors.

“This is likely to reflect that while the industry faces some short-term challenges, horticulturalists are positive about the longer-term outlook for the sector and, as a result, are prepared to continue investing in their operations,” he 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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