

Farmer confidence rebounds as Covid-19 concerns ease

Results at a Glance

- New Zealand farmer confidence rose strongly in the second quarter of 2020, but remains in negative territory overall – with more of the country’s farmers pessimistic than optimistic about the year ahead.
- Covid-19 continues to be a major concern for those with a pessimistic outlook on the agricultural economy, however farmers are significantly less concerned about the threat of the virus than in the last survey.
- Rising demand and higher commodity prices were the key reasons cited by farmers now expecting the agricultural economy to improve.
- Farmers’ expectations of their own farm business performance were unchanged on last quarter and negative overall.
- Dairy farmers and horticulturalists are now more pessimistic about the prospects for their own businesses, while sheep and beef farmers are more optimistic.
- Investment intentions were up marginally from last quarter, but remain at net negative levels overall.

Following a sharp drop in March due to uncertainty created by Covid-19, agricultural sector confidence has rebounded strongly with fewer farmers now concerned about the impacts of the virus on the agricultural economy, the latest Rabobank Rural Confidence Survey has shown.

However, Covid-19 does continue to be a key source of anxiety among farmers and overall confidence remains deep in negative territory.

The second quarterly Rural Confidence Survey for the year – completed earlier this month – has shown the nation’s net farmer confidence has risen to -26 per cent, up from -44 per cent recorded in the first quarter of the year. 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 12 per cent last quarter), while fewer New Zealand farmers were expecting the performance of the agricultural economy to worsen (42 per cent from 56 per cent last survey). The number of farmers expecting conditions to remain the same stood at 39 per cent, up from 29 per cent previously.



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Covid-19 was cited as a key concern by 38 per cent of farmers with a pessimistic outlook for the agricultural economy this survey, well back on the 84 per cent in mid-March when the pandemic was taking hold across the globe.

Rabobank New Zealand Chief Executive Officer Todd Charteris said this fall, and the uplift in overall farmer confidence, reflected positively on the industry's response to the significant challenges faced in recent months.

"While most New Zealand farmers have been adversely impacted by Covid-19, the industry has done a fantastic job of coming together to lessen the extent of these impacts," he said.

"Over recent months, we've seen the sector adjust quickly to the restrictions in place at various Covid-19 alert levels and this has enabled the country's agricultural products to be processed at close-to-full capacity. We've also seen exporters acting swiftly to divert products into different markets and channels when demand has waned in others.

"This strong industry response has helped to mitigate some of the negative impacts of the virus and has played a key role in lifting farmer confidence from the near-record low we saw in March."

Mr Charteris said a further contributor to improved confidence was reduced farmer concern over Government policy.

"While many farmers remain anxious about Government policy, we've seen the percentage of farmers citing this as a reason for concern drop over recent quarters. In this survey, Government policy was identified as a concern by a quarter of those with a negative outlook, while back in December last year this figure reached a record high of 91 per cent," he said.

"The recent changes to fresh water policy announced in early June are likely to be a key contributor to this drop, with these changes expected to reduce the overall costs faced by farmers."

Among farmers who now have an optimistic outlook on the year ahead, 39 per cent nominated increasing demand as a key reason for holding this view, while 18 per cent credited rising commodity prices.

"In this survey there were also a significant number of verbatim responses from farmers flagging the country's increased economic reliance on agriculture and general public appreciation for the industry as a key reason for optimism," Mr Charteris said.

Farm business performance

The latest survey found farmers' expectations for the performance of their own farm businesses were stable, with the net reading unchanged from last quarter at -26 per cent. Sixteen per cent of farmers were expecting the performance of their individual farm business to improve, 42 per cent to worsen and 40 per cent were expecting no change.



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Mr Charteris said sheep and beef farmers were more optimistic about the prospects for their own businesses than earlier in the year.

“Beef and lamb pricing has certainly come back over the last quarter, but is still holding up reasonably well compared to where prices are normally sitting at this stage in the season. And this is likely to be one of the key factors in these higher expectations among sheep and beef farmers,” he said.

Conversely, Mr Charteris said, dairy farmers and horticulturalists were now more pessimistic about the prospects for their own businesses.

“Dairy farmers are facing a significant fall in pricing for their products with Fonterra recently announcing a wide pay out range of \$5.40kg/MS to \$6.90kg/MS for the 20/21 season that – even at the top end – is well back on the 19/20 season pay out,” he said.

“Prices for horticultural products, such as apples and kiwifruit, have been resilient early in the export year, however, lower confidence among growers is being driven by concerns about the impact of Covid-19 on demand over the coming months.”

Farm investment

The survey found farmers’ investment intentions were up slightly on last quarter, but remained in net negative territory overall (- four per cent).

“As has been the case for number of quarters, horticulturalists investment intentions were significantly stronger than their counterparts in other sectors,” Mr Charteris said.

“Thirty two per cent of horticulturalists were intending to increase investment in the coming 12 months, while only 11 per cent were expecting it to decrease.”

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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