

## ***NZ rural sector remains vital to recovery, as Covid-19 concerns throw shadow on farmer confidence***

Covid-19 is throwing a shadow on New Zealand's rural sector as the country's primary industries prepare to shoulder some of the heavy lifting for economic and social recovery.

Rabobank New Zealand CEO Todd Charteris said the results of the bank's latest Rural Confidence Survey shine a light on the psyche of farmers at a critical time for the nation.

"The food and agri sectors will be crucial in helping to rebuild the New Zealand economy, and Rabobank continues to have a strong positive long-term view of the sector outlook," Mr Charteris said. "Having said that, our latest survey shows farmer sentiment has slipped since late 2019."

After climbing strongly in the December 2019 quarter, net farmer confidence in the broader agricultural economy fell to -44 per cent in the March quarter, down from -12 per cent previously.

The survey found a decrease in the number of farmers expecting agricultural economic conditions to improve in the coming 12 months (down to 12 per cent from 21 per cent last quarter), while there were more farmers expecting conditions to worsen (56 per cent from 33 per cent previously). The number of farmers expecting the performance of the agricultural economy to stay the same fell to 29 per cent from 44 per cent last quarter.

Among farmers with a negative outlook, the majority cited Covid-19 as a key factor for holding this view.

Mr Charteris said during the period the survey was open between March 3 and 18, farmer concerns are likely to have been centred largely on the impact Covid-19 was having on Chinese demand for New Zealand agricultural products and the potential for the virus to result in similar demand falls in other global markets.

"Understandably this had a marked impact on farmer confidence, particularly in sheep and beef due to uncertainty over market access," he said.

### **Farm business performance**

The survey found that farmers' expectations for their own business performance were also down, with fewer farmers expecting their businesses to have an improved financial performance in the coming 12 months. Horticulturalists, however, remained the most positive about the performance of their individual businesses in the year ahead.

"Horticulturalists are the most optimistic of all farmer groups – their continued strong confidence is one of the notable aspects of the survey," Mr Charteris said. "While sentiment was marginally back on last quarter, there were still a greater number of growers expecting



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conditions to improve (24 per cent) than those expecting conditions to deteriorate (18 per cent)..

“Sheep and beef farmers recorded the largest drop falling to -40 per cent from +16 per cent previously, while dairy farmers also tumbled from +four percent last quarter to -26 per cent.”

### **Farm investment**

The survey found the threat of Covid-19 has also had a detrimental impact on farmers’ investment intentions, which are now weaker than in late 2019. Fourteen per cent of farmers now plan to increase investment in their farm business over the next 12 months with 21 per cent expecting farm investment to decrease.

“Dairy farmers’ investment intentions remained relatively unchanged from last quarter, however, there were more significant falls among both sheep and beef farmers and horticulturalists,” Mr Charteris said.

### **Industry support**

Despite farmers’ understandable concerns, Mr Charteris said Rabobank remains committed to its clients and the rural sector, and also cautiously optimistic about the ability of the industry to navigate its way through the storm created by Covid-19.

“New Zealand’s rural sector entered the Covid-19 crisis in relatively good shape, with strong commodity prices, low interest rates and a competitive Kiwi dollar. While Rabobank expects the virus will have a significant impact on the global economy, we think the sector is in a strong position to manage through these challenges,” he said.

“We should also remember that New Zealand farmers and growers are among the most efficient food producers in the world and this means they are better placed than most to deal with the impacts stemming from the Covid-19 outbreak.”

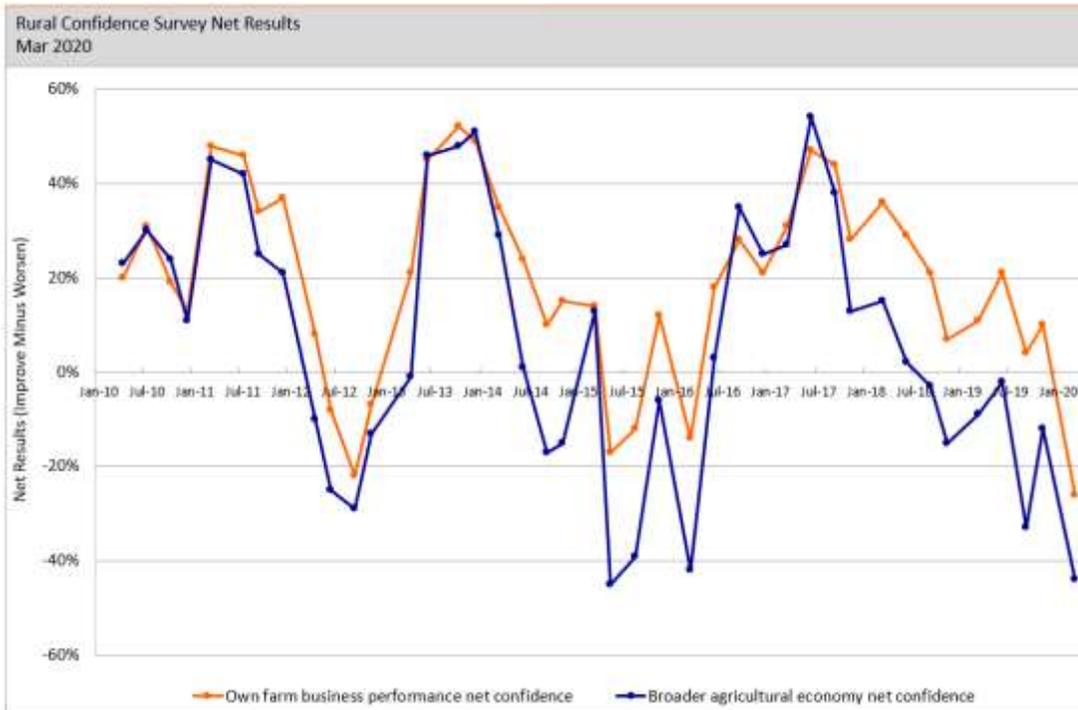
Mr Charteris noted that the sector had recovered from similar impaired confidence levels in 2015-2016, when milk pay outs were at critical lows.

Shortly after this survey was completed Fonterra announced it was holding steady its forecast milk price range and earning guidance, and the New Zealand Government announced broader financial support for farmers in drought affected regions.



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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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