



*Media Release
May 4, 2009*

New Zealand farmer confidence continues downward trend

Results at a Glance

- Farmer confidence has registered a further decline due to concerns about commodity prices and global market issues.
- Dairy farmer confidence has stabilised, although at subdued levels.
- Farmers' business investment intentions remain relatively robust.

New Zealand rural confidence has registered a further decline as concerns about the ongoing global economic crisis and volatile commodity prices continue to weigh on the country's farmers.

The latest quarterly Rabobank Rural Confidence Survey – taken approximately a month ago – has shown New Zealand farmer confidence move further into negative territory.

The number of farmers expecting the agricultural economy to worsen in the next 12 months has grown to 33 per cent, up from 29 per cent with that view last time the survey was taken, in November last year.

Rabobank general manager Rural New Zealand Ben Russell said farmers appeared to be anticipating increased volatility, with the number expecting conditions to remain stable declining to 38 per cent, compared to 44 per cent previously.

“While the net result has been an overall decline in farmer confidence, on the positive side, the number of farmers expecting conditions to improve has held firm, even climbing one per cent to 27 per cent this survey,” he said.

Mr Russell said sheep and beef farmers had registered an improved outlook, while dairy farmer confidence had stabilised after a large drop seen in the previous survey.

“Although dairy farmer confidence remains at subdued levels on a net basis, the over-riding message coming from dairy producers appears to be one of anticipated volatility,” Mr Russell said. “There is a wide difference in expectations, with an increased number of dairy farmers expecting conditions to worsen, but also an increase in the number expecting that things will improve. The number expecting conditions to stay the same, on the other hand, dropped quite significantly, from 48 per cent to 35 per cent.”

Mr Russell said the difference in outlook among dairy producers reflected the current situation in global dairy commodity markets with some signs of stability emerging in recent months, but uncertainty remaining over the longer-term impact of market support measures taken in the US and the EU. The survey was undertaken prior to Fonterra's announcement of an increase to the 2008/09 payout.



**Media Release
May 4, 2009**

Sheep and beef farmers registered an improvement in confidence, according to the survey, with 74 per cent expecting conditions to improve or stay the same, compared to 70 per cent with that view last time. Only 23 per cent expected the agricultural economy to worsen over the next 12 months, down from 30 per cent last time.

Mr Russell said the outlook for sheep and beef farmers has been buoyed by the lower New Zealand dollar and the persistence of lower supply availability in New Zealand and competing export regions. "While expectations may be dampened by current global economic conditions, the supply of sheep meat in particular has fallen significantly to provide farmers with optimism for the coming season," he said.

Uncertainty about the direction of commodity prices was a major feature in the latest Rabobank survey. Commodity prices were cited as chief drivers of sentiment by farmers expecting conditions to worsen and by those with an optimistic outlook.

"It appears to be a case of 'a glass half full or glass half empty' when it comes to commodity prices," Mr Russell said. "Of those farmers expecting conditions to worsen, 47 per cent nominated falling commodity prices as a concern. But for those anticipating the agricultural economy to improve, 44 per cent cited rising commodity prices as a reason."

Another major driver given for falling confidence was concern about the global economy.

A falling New Zealand dollar was also a significant factor nominated by those farmers who had an optimistic outlook.

Interestingly, New Zealand farmers were more optimistic about the outlook for their own farm business performance than about the rural economy in general. Of those surveyed, 34 per cent expected their farm businesses to perform better in the next 12 months, while just 23 per cent expecting their own business performance to worsen.

This was most evident among beef/sheep farmers and those with mixed farming enterprises, Mr Russell said. "For example, although 23 per cent of sheep/beef farmers expected the rural economy to worsen, only eight per cent thought that would be the case with their own farm enterprise," he said. "This probably also reflects the fact that lamb prices have been higher compared to other agricultural prices."

Farmers' investment intentions remained relatively robust, the survey showed, with more than half of those surveyed (57 per cent) indicating they would maintain the same level of investment in their farm enterprise, while 22 per cent expected to increase investment.

Questioned again this survey on the effects of the global financial crisis, 29 per cent of farmers said it had impacted in the form of reduced farm income from lower commodity prices.

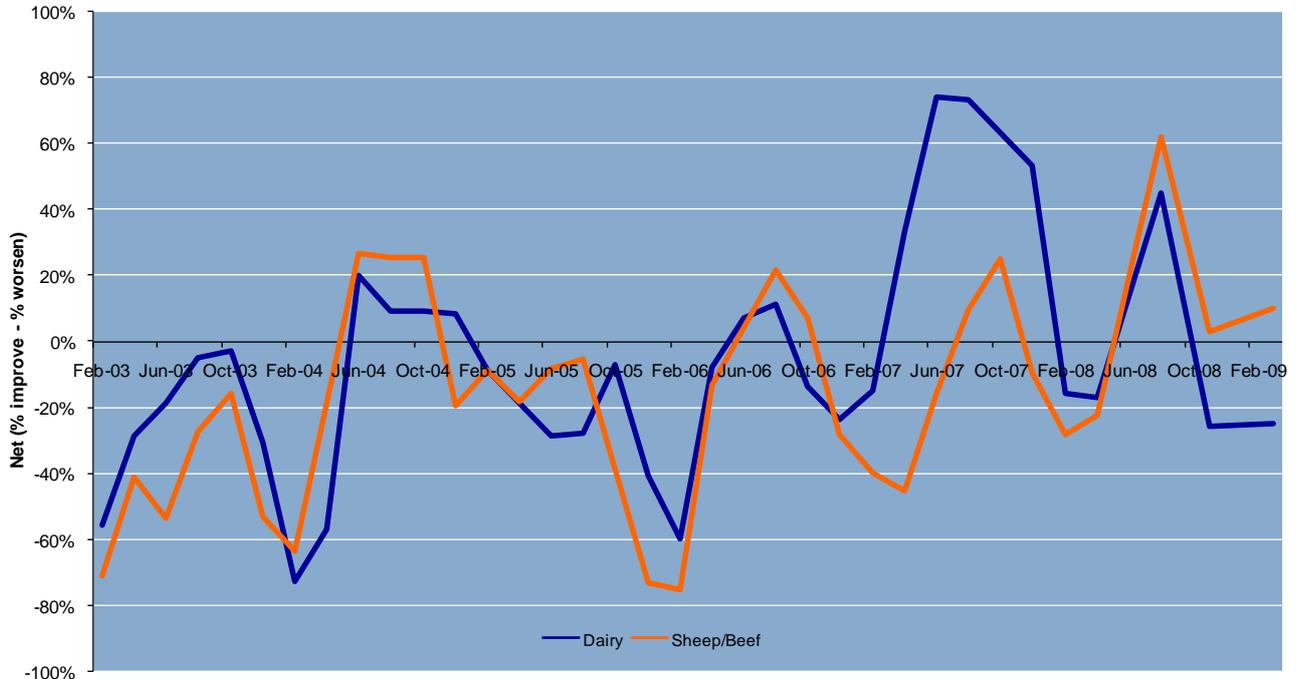
Conducted since 2003, the Rabobank Rural Confidence Survey is the only study of its type in New Zealand. The survey is administered by independent research agency TNS Conversa, interviewing a panel of 450 farmers each quarter.



Rabobank

Media Release
May 4, 2009

New Zealand Farmers Economic Outlook



<ends >

Rabobank New Zealand is a part of the international Rabobank Group, the world's leading specialist in food and agribusiness banking. Rabobank has more than 110 years' experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and has a AAA credit rating from Moody's and Standard & Poor's. Rabobank operates in 43 countries, servicing the needs of more than nine million clients worldwide through a network of more than 1600 offices and branches. Rabobank New Zealand is one of the leading rural lenders and a significant provider of business and corporate banking and financial services to the New Zealand food and agribusiness sector. The bank has 29 branches throughout New Zealand.

Media contact:

Karen Kenny
Rabobank New Zealand
Phone: (04) 819 2754
Mobile: 027 484 3551