



Rabobank

*Media Release
October 15, 2012*

New Zealand farmer confidence continues to slide

Results at a Glance

- Farmer confidence has continued to decline and remains in negative territory
- High dollar and lower commodity prices main dampeners on confidence
- Negative sentiment now impacting farmers expectations of their own business performance
- Dairy sector confidence has staged slight lift

New Zealand farmer confidence has continued to slide, as the country's agricultural sector struggles with the continuing high dollar and lower commodity prices.

The latest quarterly Rabobank Rural Confidence Survey – conducted late last month – has found that 44 per cent of the nation's farmers expect the agricultural economy to worsen over the next 12 months (compared to 36 per cent with that expectation in the previous quarter and 10 per cent at the same time last year). Just 15 per cent expect economic conditions to improve.

Rabobank New Zealand CEO Ben Russell said that while New Zealand farmer confidence had been on the decline since March last year, this survey was the first to show farmers now expected a greater negative impact on their own businesses.

"Farmers' expectations of their own farm business performance had previously held up better than confidence in the agricultural economy as a whole, however this measure has also now showed some deterioration," he said. "This latest survey found 42 per cent of farmers expect their own farm business performance to worsen over the next 12 months, compared to 29 per cent in the previous quarter."

Mr Russell said the high New Zealand dollar and falling commodity prices were key reasons for farmers' declining confidence, cited by 50 per cent of farmers who expected conditions to worsen.

"Overseas market conditions and rising input costs were also shown to be a concern," he said.

Of those New Zealand farmers surveyed who had a positive outlook, confidence was being driven by the expectation of positive flow-on effects to New Zealand agriculture from the drought in the US and tight food supplies globally.



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Beef and sheep farmers had the lowest levels of confidence of all sectors surveyed. In terms of their own farm business, 54 per cent of beef and sheep farmers expected performance to worsen over the next year, with only 12 per cent expecting an improvement.

“Sentiment in the sheep and beef sector is being dampened by the softer global lamb market now, following two seasons of strong prices,” Mr Russell said, “with Beef + Lamb New Zealand also recently forecasting a 33 per cent decline in farm profitability in 2012/13 compared to 2011/12.” Lamb markets were currently being impacted by the high New Zealand dollar and weak European economies, he said.

Dairy farmer sentiment lifted slightly from the mid-winter doldrums evident in the previous survey.

In terms of their own farm businesses, dairy farmers were generally evenly split in their expectations – with one third expecting performance to improve, more than one third for it to remain static and slightly less than a third expecting performance to worsen.

“Some dairy producers are concerned that the record production year seen in 2011/12 is unlikely to be repeated or beaten. However, despite milk prices moving lower in August, the 15 per cent lift in global dairy commodity prices we’ve seen since they troughed in July is likely to have curbed some dairy farmer pessimism,” Mr Russell said.

After rallying in the previous survey, confidence had declined again in the horticulture sector, with 43 per cent of horticulturalists expecting their farm performance to worsen, up from only six per cent with that view in the previous quarter.

Mr Russell said concern about the impact of PSA on the kiwi sector had again been heightened this quarter and respondents had reported this as resulting in uncertainty and lower incomes.

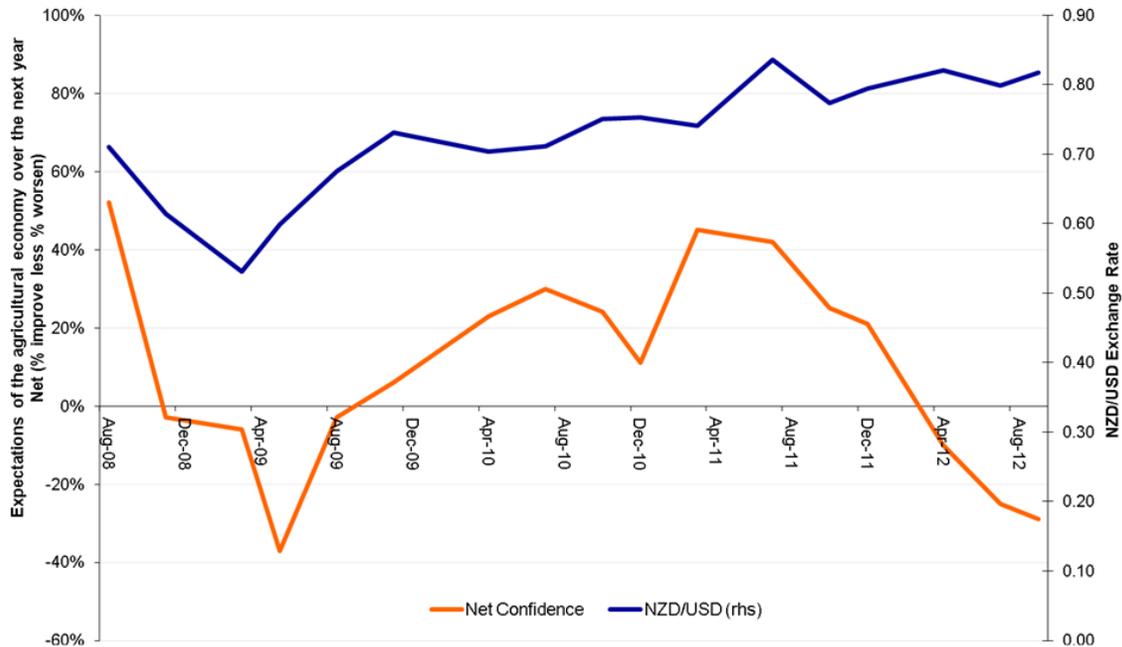
In line with the continued decline in headline confidence, New Zealand farmers’ investment intentions have eased, with 84 per cent planning to hold or increase their investment, down from 89 per cent in the previous survey.

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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