



**Rabobank**

**Media Release  
June 27, 2016**

## ***Big bounce in farmer confidence***

### **Results at a Glance**

- Overall farmer confidence has improved considerably from the previous quarter
- Farmers' expectations for their own business performance also rose, with big lifts recorded among dairy farmers and sheep and beef farmers
- Horticulturalists' expectations for their own businesses remain at elevated levels with more than half surveyed expecting their farm business performance to improve in the next 12 months
- Investment intentions were at their highest level in more than a year, with one quarter of survey participants expecting to increase their farm business investment in the coming year

**Optimism looks to be returning to New Zealand's rural sector, with the latest quarterly Rabobank Rural Confidence Survey recording a significant upswing in sentiment among farmers across all sectors.**

**The overall net confidence reading rebounded to +three per cent, up from -42 per cent last quarter, and was the first net positive reading since the March 2015 survey.**

The latest survey – completed in early June – found the number of farmers expecting the rural economy to improve in the next 12 months had climbed to 25 per cent (up from 11 per cent in the previous quarter), while the number expecting it to worsen fell to 22 per cent (down from 53 per cent). A total of 52 per cent were expecting similar conditions (up from 34 per cent).

Rabobank New Zealand general manager for Country Banking Hayley Moynihan said it was pleasing to see farmer confidence shoot up from the near-decade lows recorded last quarter and the survey results highlighted growing optimism among farmers with an expectation that the dairy market was passing through the trough.

"Since the last survey was undertaken in early March, dairy prices have increased in five out of the last seven Global Dairy Trade (GDT) auctions and Fonterra posted an opening forecast farm gate milk price for the 16/17 season of \$4.25," she said. "While neither the auction prices nor the forecast price will have convinced farmers that the dairy sector is out of the woods, prices are, however, showing signs that global supply and demand for dairy products is rebalancing and will eventually reach a more sustainable level."



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"With the dairy sector such a big contributor to the broader agricultural economy, the modest improvement in dairy prices, and the expectation price rises will continue, is likely to be the biggest factor in the higher overall confidence result."

The improved expectations for the overall rural economy were also reflected in farmers' expectations for their own businesses in the next 12 months. Overall 34 per cent expected the performance of their own farm business to improve over this period, 48 per cent expected it to remain the same and 16 per cent for it to worsen. This resulted in a jump in the net reading for this measure to +18 per cent, up from -14 per cent in the previous quarter.

This improved business expectation was particularly evident among dairy producers.

"Having adjusted their operations to manage the low 15/16 payout, dairy farmers are vastly more positive about their own businesses than last quarter, registering a significant upward swing in this measure from -45 per cent to +nine per cent," Ms Moynihan said.

"Sheep and beef farmers are also markedly more positive than in the previous quarter, jumping from -five per cent to +22 per cent. This is likely to be due to ongoing strong beef returns and an expectation that lamb prices will rise as a result of the expected contraction in lamb numbers for the remainder of the season."

Horticulturalists continued to be by far the most optimistic of all farmers surveyed with over half of those surveyed expecting their business performance to improve in the coming year contributing to a net reading of +47 per cent in this sector.

"Record kiwifruit sale volumes for the 2015/16 season and another extraordinary outlook for the new season has ensured that grower optimism for the industry and their own business performance expectations remains high," Ms Moynihan said.

The survey also found the strongest level of investment intention that had been seen across the agricultural sector for more than a year.

Overall, 25 per cent of farmers were expecting to increase investment in their farm businesses, up from 21 per cent last quarter. The proportion expecting investment to decrease fell to 17 per cent, from 22 per cent previously.

Horticulturalists had the strongest investment intentions, with all surveyed looking to increase investment (51 per cent) or keep investment the same (49 per cent).

Investment expectations were also up for dairy farmers and sheep and beef farmers. A total of 13 per cent of dairy farmers were expecting to increase investment (up from 10 per cent last quarter), while 28 per cent of sheep and beef farmers had plans to invest more (up from 19 per cent).



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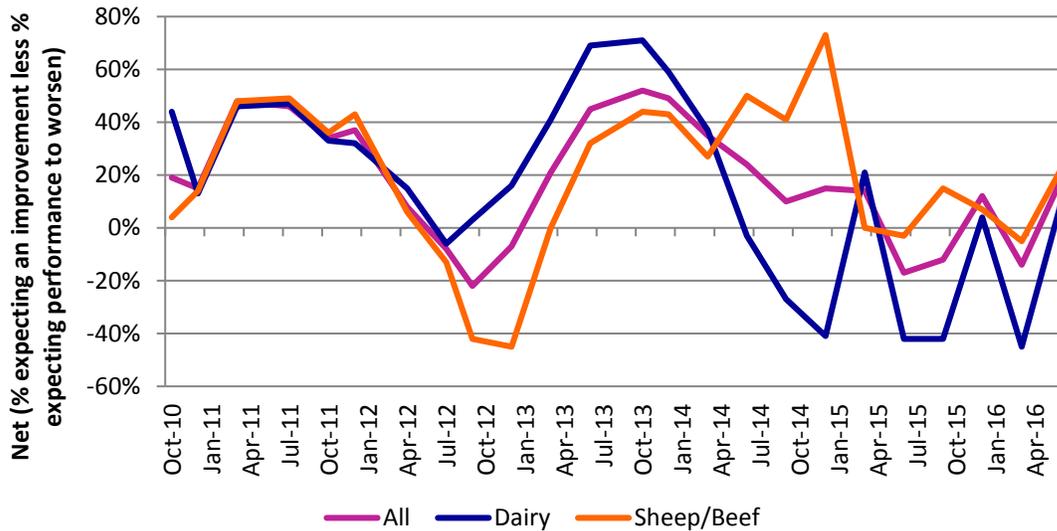
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Ms Moynihan said among horticulturalists and sheep and beef farmers, this increased appetite for investment was likely to be driven by a desire to make their farm systems more intensive.

“The survey found that roughly half of all farmers were looking to change their farming system in the next two years and, of these, 55 per cent of horticulturalists and 51 per cent of sheep and beef farmers were looking to increase the intensification of their system.”

Conducted since 2003, the Rabobank Rural Confidence Survey is administered by independent research agency TNS, interviewing a panel of approximately 450 farmers each quarter.

### Expectations of own farm business performance



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