



*Media Release
April 15, 2011*

New Zealand farmer confidence rides high on back of strong commodity prices

Results at a Glance

- Farmer confidence has risen for the first time in more than 12 months and is now at its highest level since August 2008.
- Rising commodity prices and improving global markets are the main factors driving confidence.
- Sentiment has improved in all sectors, but is highest among sheep and beef farmers.
- Farmers' investment intentions have also surged.

Rising agricultural commodity prices and improving global markets have seen New Zealand's farmers shrug off concerns about the high dollar to register a strong improvement in rural confidence.

Farmer sentiment has risen for the first time in a year and is now at the highest levels since August 2008, the latest quarterly Rabobank Rural Confidence Survey has shown.

Sheep and beef farmer confidence is at 10-year highs.

The latest survey, taken late last month, shows 52 per cent of New Zealand farmers expect the agricultural economy to improve over the next 12 months, significantly up from the 29 per cent with that view in the previous quarter. Those expecting conditions to worsen had decreased to seven per cent, from 18 per cent previously.

Rabobank general manager New Zealand Ben Russell said this meant net rural confidence had increased to 45 per cent from just 11 per cent in December 2010 (at the time of the previous survey).

"It is clear that for farmers commodity prices and improving global economies are outweighing the expected impact of the higher New Zealand dollar at the farm gate," Mr Russell said.

Of those farmers expecting the agricultural economy to improve, 74 per cent cited rising commodities prices as a major reason, while 18 per cent attributed their optimism to the improvement in overseas markets and economies.

The survey showed confidence to be high across all sectors, with sheep and beef farmers particularly optimistic.

"In fact, sheep and beef farmer sentiment levels has soared past that of the dairy sector," Mr Russell said.



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The survey found 57 per cent of sheep and beef farmers were optimistic about the outlook for the agricultural economy (climbing from 31 per cent in the previous quarter), while 42 per cent of dairy producers had an optimistic outlook (also up from 31 per cent previously).

“Optimism among sheep and beef farmers reflect the record high lamb prices currently being received at the farm gate and the high beef prices,” Mr Russell said. (A total of 83 per cent of beef and sheep farmers nominated rising commodity prices as their cause for optimism).

“The sheep flock is at a low level and the expectation is that good prices will persist over the coming season, while a lower beef cattle herd in key global production regions and high grain costs are pushing beef prices upwards.”

Farmers’ expectations about the performance of their own individual operations were similarly optimistic.

The number of sheep and beef farmers expecting an improvement in their business operations over the next 12 months had risen to 54 per cent, with only six per cent expecting declining performance.

The number of dairy farmers expecting their own farm business performance to improve climbed to 51 per cent, with only five per cent expecting it to worsen.

The latest Rabobank Rural Confidence Survey showed farmers’ investment intentions had surged, with more than a third (34 per cent) expecting to increase their total farm investment, up from 21 per cent with that intention in the previous survey. Only four per cent planned to decrease their investment, down from 14 per cent previously.

This was the highest level of investment intention seen since August 2008, Mr Russell noted.

“The survey also indicated that 35 per cent of sheep and beef farms expect to up their farm investment in the coming 12 months. This may be an early sign that the declining national sheep flock is stabilising and some rebuilding of the flock will now occur,” he said.

Questioned about land values, 86 per cent of survey respondents expected the price of their land to stay the same or increase over the coming 12 months. This was up from 72 per cent who had that view when the question was asked in April 2010.

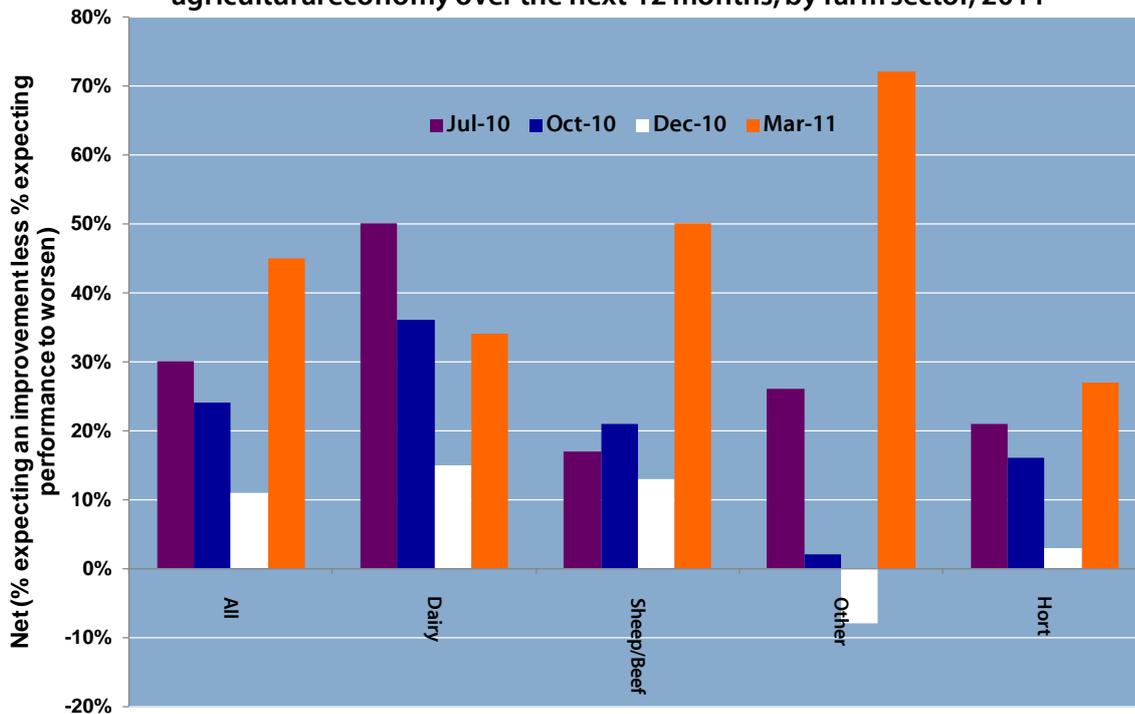
Mr Russell said nearly a third of farmers surveyed (29 per cent) expected an increase in their land value. “From this it would appear that many are expecting that the land price cycle is at least beyond the trough or starting to improve,” he said.

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, interviewing a panel of approximately 450 farmers each quarter.



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Rabobank Rural Confidence Survey - expectation of performance of agricultural economy over the next 12 months, by farm sector, 2011



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