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*Media Release
Oct 5, 2022*

Farmer confidence inches higher, but farm input cost concerns hang over sector

Results at a Glance

- New Zealand farmer confidence crept higher in the last quarter, but remains at net negative levels overall.
- Rising demand and higher commodity prices were the two major reasons for optimism.
- Rising farm input costs continue to be the main source of concern, cited as a key reason for pessimism by more than two-thirds of farmers with a negative outlook on the 12 months ahead. Government policy and labour shortages were also concerns.
- Farmers' expectations for their own business performance were down marginally from last quarter, with a dip in dairy farmers' confidence in their own operations the primary contributor to this fall.
- Investment intentions across the agricultural sectors were largely unchanged, with an even split of farmers expecting to increase investment and those expecting investment to decrease.

New Zealand farmer confidence edged higher in the last quarter, but – with farm input costs an ongoing concern – sentiment remains deep in net negative territory overall, the latest Rabobank Rural Confidence Survey has found.

The quarter three survey — completed late last month — found farmer confidence was marginally up on the previous (June) quarter, with the net reading climbing to – 31 per cent, from –35 per cent previously. The incremental lift follows a plummet in the net confidence reading seen in the June quarter where sentiment had dropped to its lowest level since the start of the Covid-19 pandemic.

The latest survey found the number of farmers expecting conditions in the agricultural economy to improve in the coming 12 months had fallen to 12 per cent (from 13 per cent in the previous quarter) while the percentage expecting conditions to worsen fell to 43 per cent (down from 48 per cent). A total of 44 per cent were anticipating the agricultural economy to remain stable (up from 38 per cent previously).

Rabobank New Zealand CEO Todd Charteris said the small lift in optimism from last quarter came off the back of continued strong demand for New Zealand's key agricultural products from overseas markets.



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“Increasing demand and rising commodity prices emerged as the major sources of optimism identified by farmers with a positive outlook.” he said.

“And farmers will be really pleased to see demand and prices for their products holding up so well despite some of the economic challenges facing the global economy.”

While commodity pricing remains strong, Mr Charteris said pessimism continues to be the dominant sentiment felt by farmers across the country.

“The number of farmers holding a negative outlook on the prospects for the agri economy outweighs those with a positive view by more than three to one, and farm input costs continue to be the major reason for this,” he said.

“Last quarter we saw the highest level of concern ever expressed about input costs in the history of the survey, and this number has gone even further north this quarter, with 71 per cent of farmers with a pessimistic outlook now citing rising farm inputs as a reason for apprehension.

“This is no surprise given the upwards movement we’ve seen in prices for fertiliser, fuel and feed since the start of the war in Ukraine earlier in the year.

“And with the recent decline in the Kiwi dollar against the greenback now starting to flow through to further price increases for imported farm inputs, farmers continue to see input prices as the biggest threat to the agri economy in year ahead.”

The quarter three survey found government policy was the second most prominent concern for New Zealand farmers, cited by 58 per cent of those with a negative outlook on the coming 12 months.

Mr Charteris said government policy had been flagged as a key concern by farmers for several successive quarters, and these concerns are now flowing through to the decisions farmers are making about their stock levels.

“In this survey we asked livestock farmers (dairy and sheep and beef) about changes to their stock numbers for the coming season, and we found 23 per cent of livestock farmers are planning to decrease stock numbers, with only six per cent looking to increase,” he said.

“Among those farmers looking to reduce stock, regulatory changes were the dominant driver of intended stock policy alteration, with this cited by half of the farmers in this group.”

The survey also found labour shortages were a concern, with several respondents flagging this as a reason their negative outlook.



Own farm business performance

While confidence in the outlook for the broader agricultural economy was marginally up, the survey found farmers' expectations for the performance of their own operations was slightly back on last quarter.

Mr Charteris said the net score on this measure fell to -24 per cent from -20 per cent previously, driven by a small dip in dairy farmers' expectations.

"GDT events in September saw dairy commodity prices on the up, but this followed a run of five consecutive price dips at events dating back to late June, and this is the most likely contributor for the small fall in dairy farmer expectations for their own business performance," he said.

The survey found growers and sheep and beef farmers' expectations for their own business performance remained relatively unchanged from last quarter.

"Horticulturalists are now the most optimistic of all the sector groups about their own business performance," Mr Charteris said.

"But what's most notable about this quarter's survey is how similar the results are across the sector groupings, with very little difference in the net business performance scores of dairy farmers (-21 per cent) sheep and beef farmers (-26 per cent) and growers (-18 per cent).

"Farmers across all sectors are encountering the same challenges, and, with costs increasing and margins continuing to come under pressure, it will be essential farmers and growers keep a very close watch on budgets over the remainder of the season."

Farm Investment

The survey found farmers' investment intentions were marginally lower than last quarter with 18 per cent of those surveyed now expecting to increase investment over the next 12 months and 19 per cent planning to decrease investment. The remainder said investment levels would stay the same.

"Across all farm types, less than one in five farmers is looking to decrease investment on the prior year, and this illustrates that despite the short-term challenges facing the industry, farmers are broadly positive about the longer-term outlook for the sector and, as a result, are prepared to continue investing in their operations," Mr Charteris said.

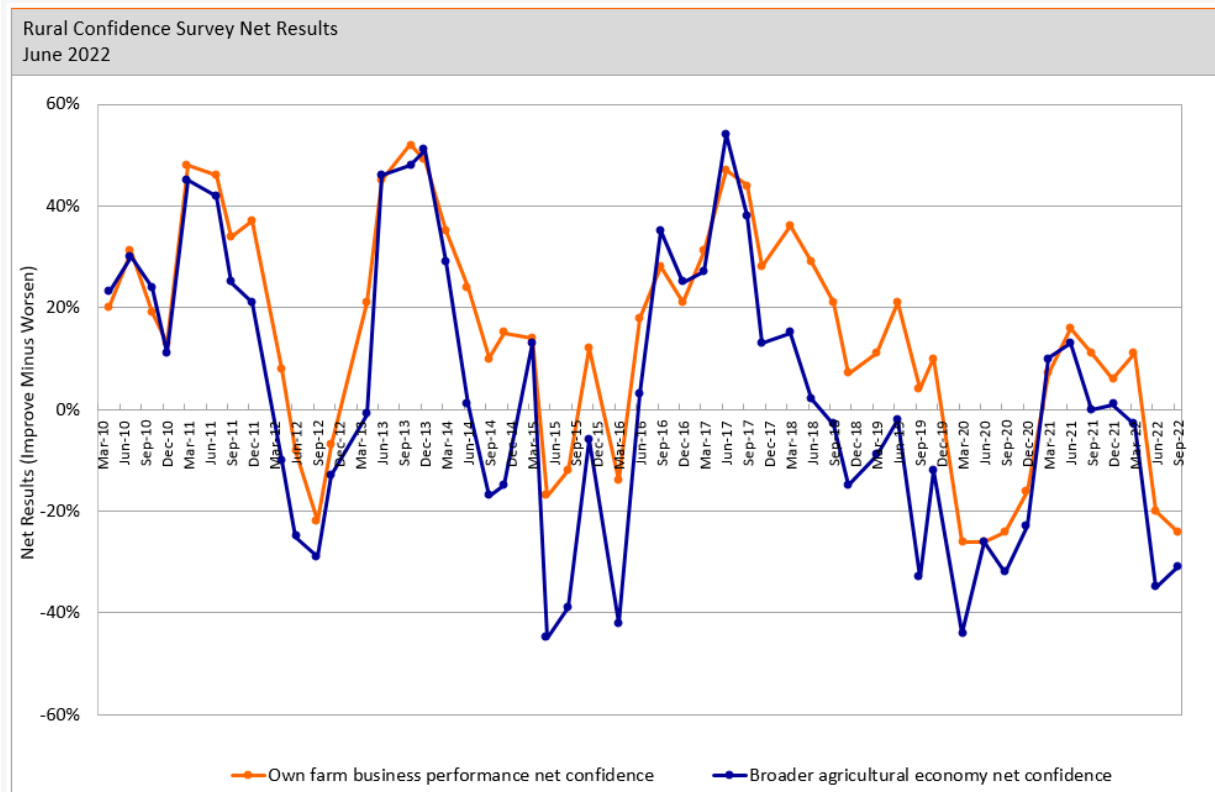
"Despite lowered expectations for the performance of their own businesses in the year ahead, dairy farmers continue to have the strongest investment intentions. And these intentions strengthened since last quarter with 23 per cent of dairy farmers now saying they are likely to invest more and only 16 per cent flagging an intention to invest less."



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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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Media contacts:

David Johnston
Media Relations Manager
Rabobank New Zealand
Phone: 04 819 2711 or
027 477 8153
Email: david.johnston@rabobank.com

Denise Shaw
Head of Media Relations
Rabobank Australia & New Zealand
Phone: +61 2 8115 2744 or
+61 439 03 525
Email: denise.shaw@rabobank.com