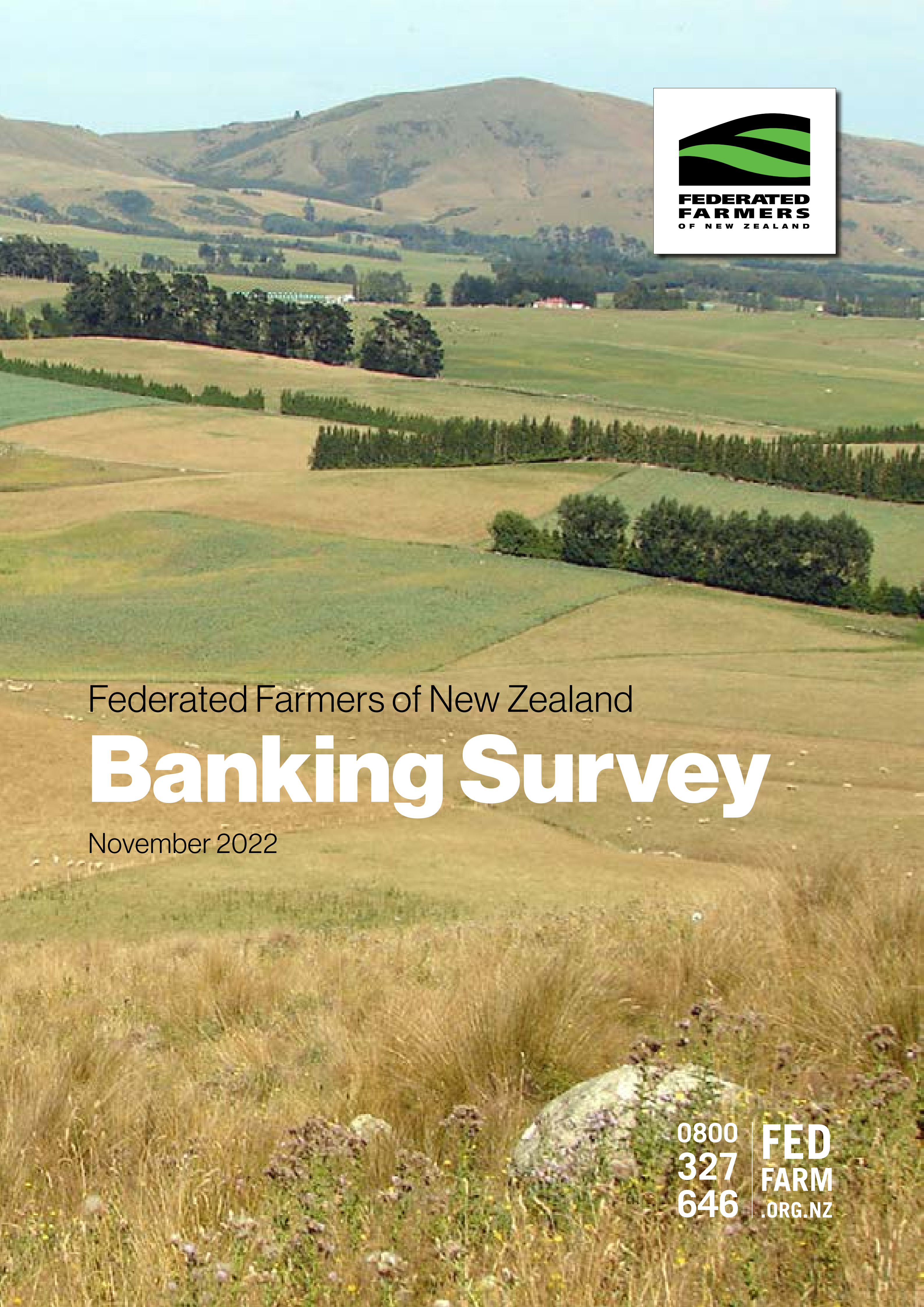

FEDERATED FARMERS OF NEW ZEALAND

Federated Farmers of New Zealand

Banking Survey

November 2022

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Context

This report shows the results of the November 2022 Federated Farmers' Banking Survey. This is the eighteenth iteration of the survey since it began in 2015. Since late 2016 it has been conducted biannually, in May and November.

The Banking Survey is designed to investigate the level of satisfaction and support the farming community receives from their banks.

It reports farmers' debt levels and interest rates for mortgages and overdrafts; farmers' perceptions of overall relationship satisfaction, undue pressure, impacts on mental wellbeing, the quality of communication, and changes in lending conditions; and the robustness of farmers' approaches to budgeting now and in the future.

This survey is an important tool for understanding trends and opinions towards banking amongst our members. It provides vital information about financial factors that may influence the business of farming and farmer wellbeing.

Key summary

Mortgages and Overdrafts

- 76.7 percent of farmers said they had a mortgage. This was down 1.1 points from May. Dairy farmers were most likely to have a mortgage at 84.5 percent. Sharemilkers were least likely at 63.9 percent.
- Over the past six months, the average farm mortgage value has increased from $4.07 million to $4.19 million while the median increased from $2.25 million to $2.50 million.
- The average mortgage interest rate increased to 6.29 percent from 4.59 percent in May (and 3.95 percent in November 2021), showing the impact of OCR increases on lending rates. Sharemilkers had the highest average of 6.80 percent and Arable the lowest of 6.05 percent.
- Overall, 10.1 percent of farmers were paying a mortgage interest rate of less than 5 percent, down from 70.8 percent in May. Meanwhile, 0.3 percent were paying a rate higher than 10 percent, compared to none in May.
- 73.5 percent of farmers had an overdraft facility, a little lower than May. The average overdraft limit was $328,800, a $46,000 increase, while the median limit increased by $25,000 to $150,000.
- Overdraft interest rates also increased, with an average rate of 8.59 percent compared to 7.10 percent in May. Sharemilkers had the highest average of 8.96 percent and Other Industry Groups the lowest of 7.99 percent.
- Overall, only 0.2 percent of farmers were paying an overdraft interest rate less than 5 percent, down from 11.6 percent in May. Meanwhile, 13.6 percent were paying more than 10 percent, up from 2.7 percent.
- The comments from respondents show understandable disquiet about the rapid increases in interest rates, including resentment about increasing margins on top of higher base rates.

Relationship Perceptions

- Farmer satisfaction with their bank relationship continues to slip. Although a majority remain satisfied with their banks, with 59.5 percent saying they were very satisfied or satisfied with their bank relationship, this was down 5 points from the previous survey in May 2022 and is the lowest since the survey began in May 2015. Other Industry Group farmers were most satisfied of industry groups, while Sharemilkers were the least satisfied with fewer than half saying they were very satisfied or satisfied.
- 17.4 percent of farmers perceived they had come under undue pressure over the past six months, up 3.5 points from May 2022. Sharemilkers felt the most under pressure from their banks (20.7 percent but down slightly). Other Industry Group farmers felt the least pressure (12.5 percent).
- In a question new to this survey 40.3 percent of farmers felt their mental wellbeing had been affected by their debt levels, interest rates, changing condition, or other forms of pressure. 48.7 percent felt it had not been affected. The remaining 11.0 percent were unsure. Other Industry Groups were most likely to say 'yes' and Arable least likely.
- Overall, banks' conditions for lending became tougher rather than easier for all farm types, with 3.3 percent reporting easier conditions and 26.8 percent reporting tougher conditions. Other Industry Groups were most likely to report tougher conditions.
- Perceptions of the quality of bank communication eased further, continuing their decline over the past five years. 53.6 percent said their bank communications had been very good or good, down 2.9 points from May. Other Industry Groups rated their quality of communication the highest of all farm groups. Sharemilkers had the most negative perceptions. Those without bank loans were particularly unhappy with communication.
- The comments from respondents show that personal contact from bank staff has been declining over recent years and most farmers are unhappy about it. High staff turnover, rural bank branch closures with consolidation of staff into bigger branches and regional centres, and Covid work policies (e.g., working from home and less able to travel) have all been cited as reasons for reduced personal contact.

Budgeting

- In November 2022, slightly fewer farmers had budgets compared to six months ago. This will reflect the mid-season timing of this survey. Although 60.6 percent farmers had up-to-date budgets for the current 2022/23 season, only 33.4 percent had an up-to-date budget for the next 2023/24 season.
- Sharemilkers were more likely to have up-to-date budgets for both current and future seasons, while Meat & Wool farmers were the least likely to have one for the current season and Arable farmers the least likely to have one for future seasons.

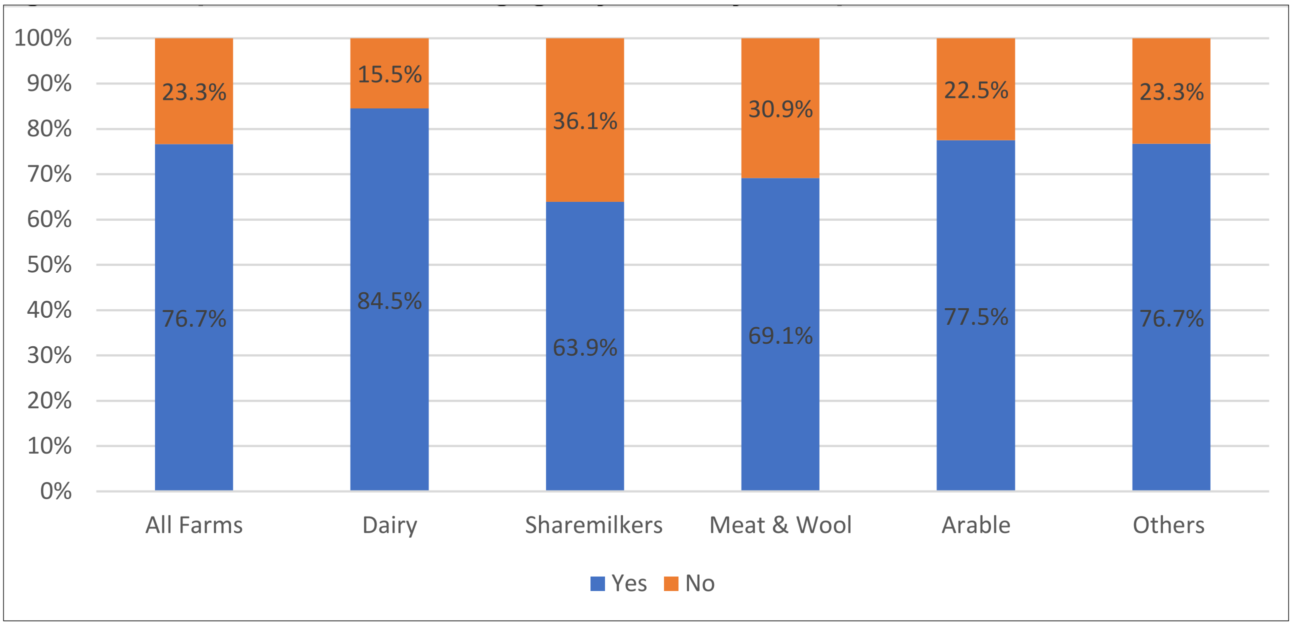
Mortgages

Value of Mortgages

Between May 2022 and November 2022 there was a small decline in the percentage of farmers that had a mortgage on their farm, down 1.1 points to 76.7 percent

Most industry groups had declines in their percentages of farmers with mortgages but Dairy farms bucked the trend with a 1.9 point increase to 84.5 percent, although within that Sharemilkers dropped to 63.9 percent.

Figure 1. Respondents with Mortgage by Industry Group – November 2022



Dairy farmers continued to have high average and median mortgage amounts compared to most of the other industry groups. This is because dairy farmers are more likely to have been on their land for a shorter period than non-dairy farmers or have expanded their farms. This means many dairy farmers will have bought their farms more recently and at higher prices, with dairy land prices per hectare tending to be more expensive and dairy farms requiring more capital investment. These factors for dairy farms mean they tend on average to have larger mortgages than other farm types.

Banks have continued to diversify their agricultural lending away from dairy and towards other sectors, especially horticulture. This reflects historic concern from the Reserve Bank about high overall levels of dairy debt (and its high concentration) as a risk to the financial system and banks wishing to reduce that risk.

Lending to agriculture has been contracting over the past three years, dropping from $63.9 billion in July 2019 to $62.0 billion in October 2022. Dairy has borne the brunt of deleveraging, with its debt dropping from $41.5 billion to $36.4 billion. In contrast, lending to sheep, beef cattle and grains farming was up from $14.8 billion to $15.3 billion and lending to horticulture (a sector not covered by the Banking Survey) was up from $4.9 billion to $7.2 billion[1].

Strong milk prices over recent years and a steady reduction in dairy debt have helped ease concerns, with dairy debt not featured as a high risk in more recent Reserve Bank Financial Stability Reports. Although the milk price is expected to be high again this season, profitability will be eroded by strong inflation in farm input costs. This may reduce the ability of dairy farmers to continue to reduce their debt.

[1] Reserve Bank of NZ Banks: Assets - Loans by Purpose (S31)

Over the past six months, the average 'all farm' mortgage amount increased from $4.07 million to $4.19 million, with Dairy having an increase from $4.64 million to $5.27 million, and Sharemilkers up from $0.88 million to $1.28 million. However, other industry groups had drops.

The median mortgage[2] values tell a slightly different story. The median mortgage amount for All Farms was $2.50 million, up from $2.25 million. Arable's median remained the highest at $4.00 million but it was down from May. Dairy's median was up to $3.36 million and other Industry Groups was also up, but the medians for Sharemilkers (despite the increase for their average) and Meat & Wool were lower.

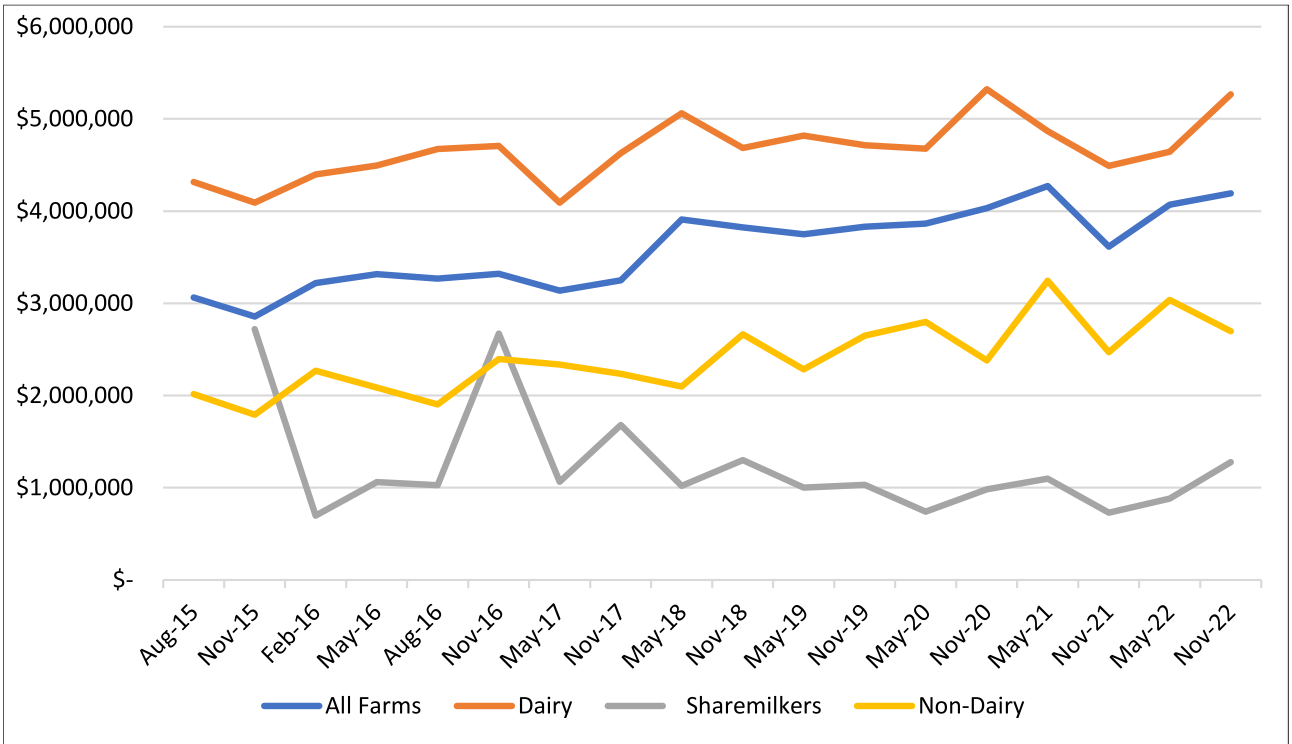
Table 1. Average and Median Current Mortgage by Industry Group*

	May 2022		November 2022	
	Average	Median	Average	Median
All Farms	**$4,070,350**	**$2,246,942**	**$4,192,554**	**$2,500,000**
Dairy*	$4,644,384	$3,000,000	$5,267,919	$3,362,000
Sharemilkers#	*$881,980*	*$440,000*	*$1,277,100*	*$407,000*
Meat & Wool	$2,458,192	$1,500,000	$2,417,379	$1,400,000
Arable	$9,371,923	$5,000,000	$4,947,895	$4,000,000
Others	$3,974,882	$2,000,000	$3,813,192	$3,000,000

* *Excluding outliers with mortgages >$50,000,000*

\# *Sharemilkers are a sub-group of dairy farmers; hence results are indented when shown in tables*

Figure 2. Average Current Mortgage* by Industry Group (2015-22)

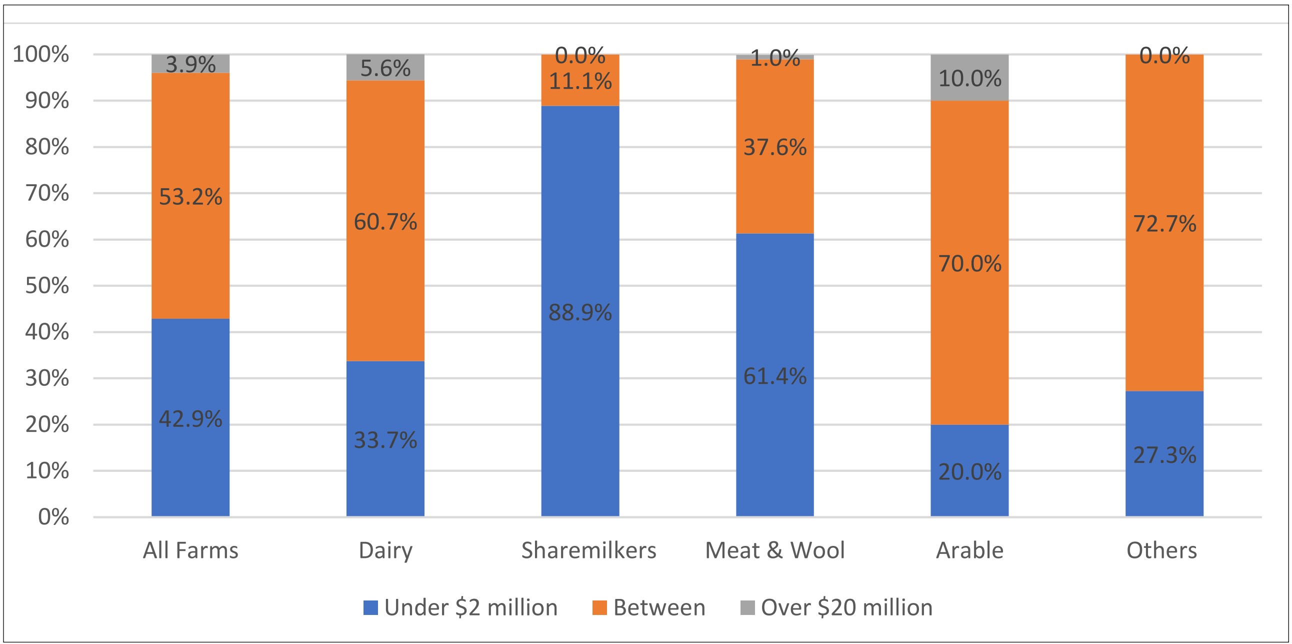


** Excluding outliers*

[2] The median mortgage values are a more accurate method to demonstrate real changes in mortgage values

Arable farmers had by far the highest proportion of farmers with mortgages of more than $20 million (10.0 percent), while Sharemilkers had by far the highest proportion of farmers with mortgages of less than $2 million (88.9 percent).

Figure 3. Size of Current Mortgage by Industry Group, November 2022



Mortgage Interest Rates

The All Farms average mortgage rate was 6.29 percent, up 170 basis points from May 2022 average of 4.59 percent and up 234 basis points since November 2021 when the average rate was 3.95 percent.

The Reserve Bank began increasing the Official Cash Rate (OCR) in October 2021 in response to high and persistent inflation. At the time of the survey (14-21 November 2022) the OCR stood at 3.50 percent, up 325 basis points in little more than a year. After the survey closed the Reserve Bank increased the OCR further to 4.25 percent. It also signalled more increases are coming, with the OCR forecast to peak at 5.5 percent by mid-2023. We can therefore expect a further flow through to farm mortgage interest rates, especially as fixed term rates expire and are re-set at today's higher rates.

The comments from respondents show understandable disquiet about the rapid increases in interest rates, albeit tempered by some sense of inevitability considering the Reserve Bank's tighter monetary policy with many blaming the government for this situation (i.e., too much monetary and fiscal stimulus stoking inflation and forcing the action). However, in addition to this there was some resentment about increasing margins on top of higher base rates and that is something that is in the banks' control.

All industry groups saw increases in their average mortgage interest rates. Sharemilkers had the highest average rate of 6.80 percent, with Arable's the lowest at 6.05 percent. Sharemilkers had the biggest increase of 180 basis points while Arable's increase of 157 basis points was the smallest.

Table 2. Farmers' Average Mortgage Interest Rates by Industry Group

	May 2022	November 2022	Change (basis points)
All Farms	**4.59%**	**6.29%**	**+170**
Dairy	4.55%	6.29%	+174
Sharemilkers	*5.00%*	*6.80%*	*+180*
Meat & Wool	4.64%	6.35%	+171
Arable	4.48%	6.05%	+157
Other	4.54%	6.17%	+163

Average interest rates tell part of the story. Also important is the distribution of interest rates. Tables 3a and 3b illustrate the distribution of mortgage interest rates. The All Farms median of 6.43 percent was slightly above than the average of 6.29 percent.

Compared to May 2022, there was a big decline in the percentage of farmers paying mortgage interest rates of less than 5.0 percent (from 70.8 percent to 10.1 percent for All Farms) and for the first time in two years there were respondents paying a rate in excess of 10.0 percent (0.3 percent of respondents).

Overall, half of farmers (i.e. those falling between the 25th and 75th percentiles) were paying rates between 5.71 and 9.65 percent, whereas in May half of farmers were paying between 4 and 5 percent. This illustrates the upwards movement in interest rates as well as a much wider variation in rates (confirmed by the standard deviation increasing from 0.83 to 1.17). This wider variation might be because of a large number of borrowers still on fixed rates set in 2020 and 2021 when interest rates were a lot lower.

Table 3a. Analysis of Mortgage Interest Rates (1)

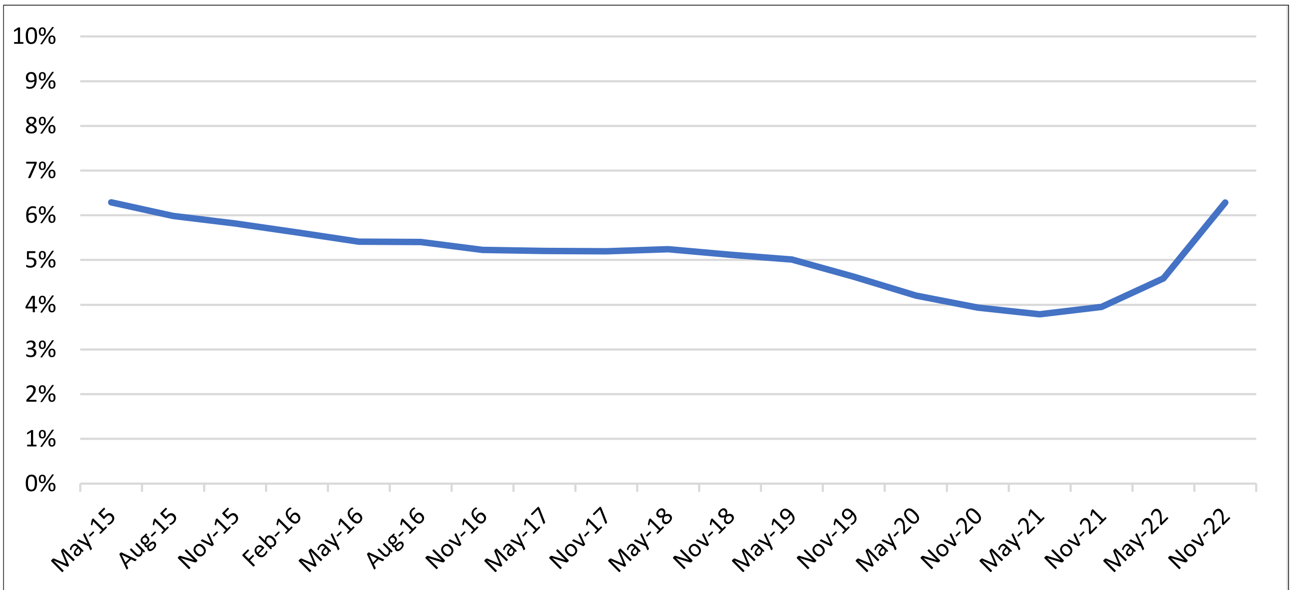
	Under 5.0%	Between	Over 10.0%	Average	Median
All Farms	**10.1%**	**89.6%**	**0.3%**	**6.29%**	**6.43%**
Dairy	9.7%	89.8%	0.5%	6.29%	6.40%
Sharemilkers	*8.6%*	*91.4%*	*0.0%*	*6.80%*	*6.34%*
Meat & Wool	9.6%	90.4%	0.0%	6.35%	7.00%
Arable	12.5%	87.5%	0.0%	6.17%	6.50%
Other	10.7%	89.3%	0.0%	6.28%	6.20%

Table 3b. Analysis of Mortgage Interest Rates (2)

	Minimum	Maximum	Std Dev	25th	75th
All Farms	**1.80%**	**13.00%**	**1.1743**	**5.71%**	**9.65%**
Dairy	2.00%	13.00%	1.1170	5.79%	9.79%
Sharemilkers	*4.00%*	*9.7%*	*1.2493*	*6.20%*	*7.55%*
Meat & Wool	1.80%	9.50%	1.2697	5.75%	9.40%
Arable	3.20%	8.42%	1.1510	5.68%	9.65%
Other	3.44%	8.18%	1.0959	5.50%	9.12%

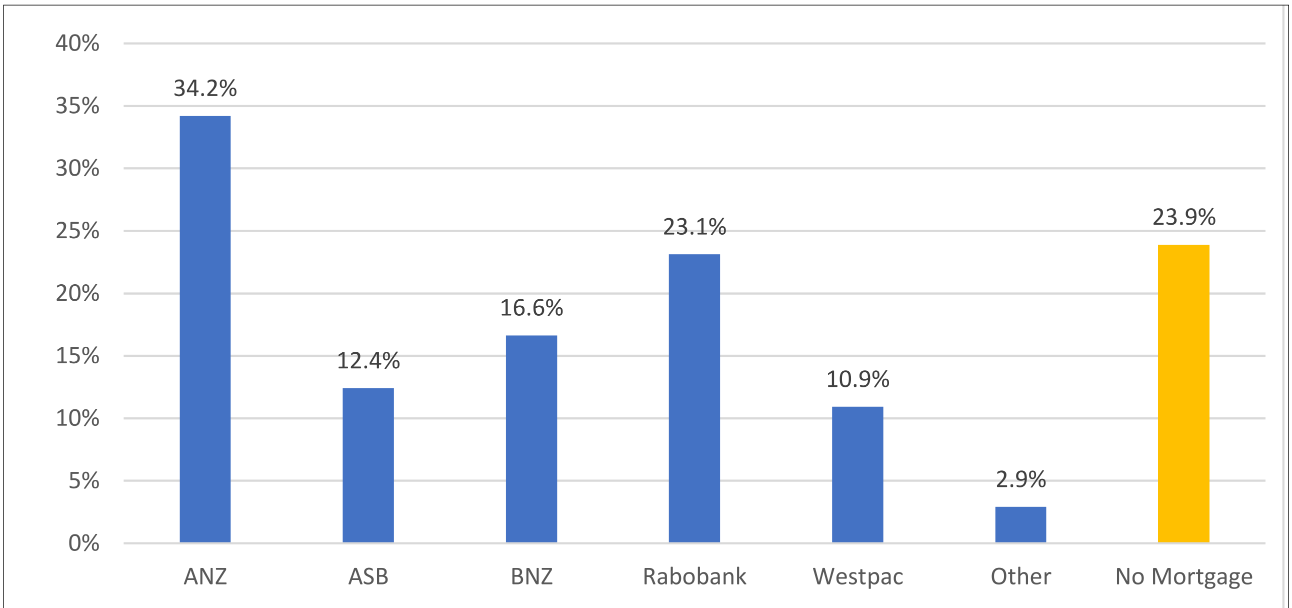
Figure 4 below shows how the path of average mortgage interest rates over the life of the survey. For All Farms it shows rates falling slowly but steadily from May 2015's average of 6.29 percent, bottoming out at 3.79 percent in May 2021. The average edged up in November 2021 shortly after the Reserve Bank began hiking the OCR and the pace of increase accelerated in May 2022 and surged dramatically in November 2022. The average mortgage interest rate is now back exactly to where it was in May 2015.

Figure 4. Average Mortgage Interest Rate 2015-22 (All Farms)



ANZ had the highest market share for mortgages, with 34.2 percent of respondents having a mortgage with it. Rabobank was in second place with 23.1 percent, followed by BNZ (16.6 percent), ASB (12.4 percent), Westpac (10.9 percent), and combined all others distantly behind on 2.9 percent.

Figure 5. Banks Farmers have their Mortgage(s) with – November 2022 (All Farms)



Over time, there have been relatively small market share variations in the banks farmers have mortgages with. ANZ has consistently been the most common bank used by farmers followed by Rabobank. Over time ANZ's share has declined and Rabobank's has increased with the other large banks' shares tending to bounce around.

Overdrafts

Farms with an Overdraft Facility

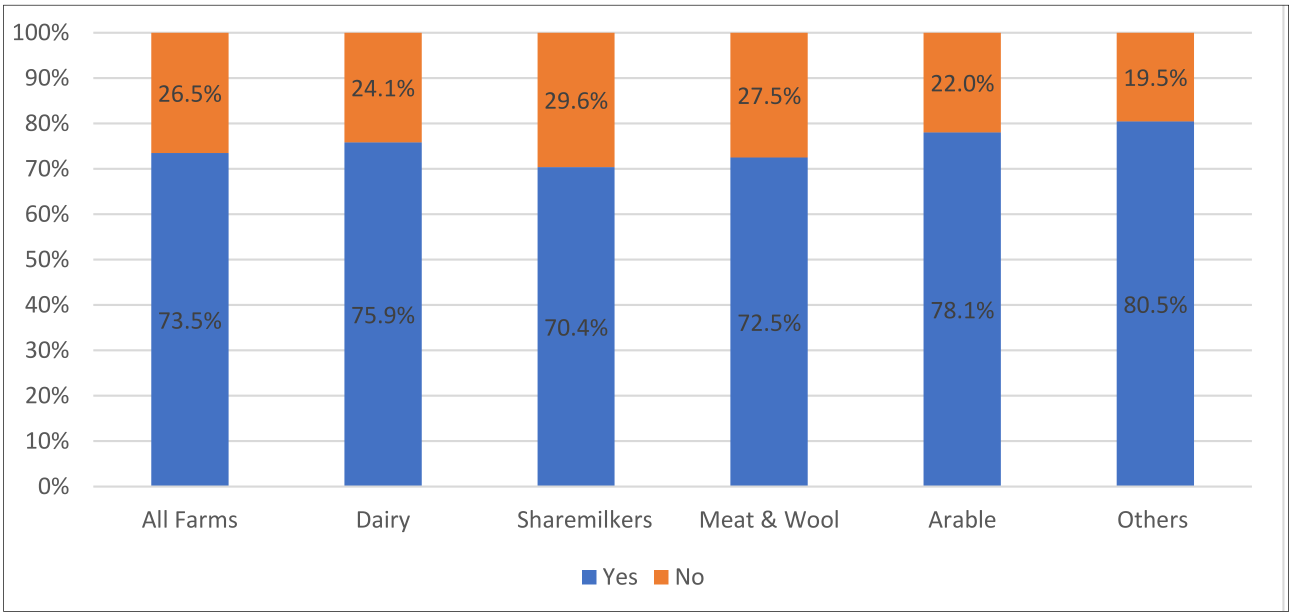
Farming is unpredictable and highly seasonal. Overdrafts are needed to smooth out seasonal fluctuations and to bridge cash flow when incomes and expenses do not fall in proximity to each other. Therefore, access to overdrafts is critical to running a farming business.

In November 2022, 73.5 percent of farmers had overdrafts, down 1.3 points from May. Other Industry Groups were most likely to have an overdraft at 80.5 percent, followed closely by Arable with 78.1 percent.

The proportion of farms with an overdraft has decreased over time from a high of 88.1 percent in May 2016.

Some banks have been encouraging farmers to reduce their overdraft limits by imposing additional fees calculated on limits (rather than balances), which might have prompted some farmers to forgo overdrafts altogether.

Figure 6. Proportion of Farms with an Overdraft by Industry Group, November 2022

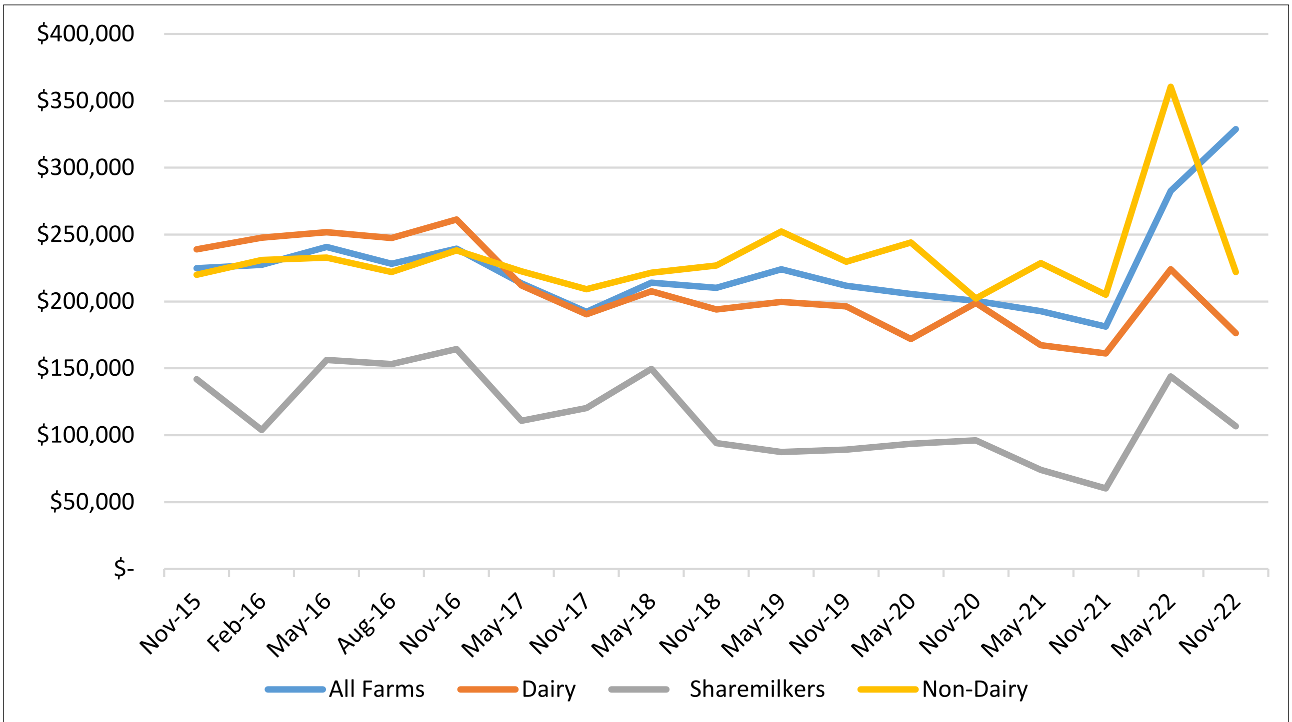


In contrast to a recent trend of declining overdraft limits, this survey detected a large increase for average overdraft limits for All Farms from $282,740 to $328,800, although oddly the averages for individual industry groups mostly fell. This anomaly is due to how outlier limits were treated and medians will show a more accurate picture. The All Farms median overdraft limit also increased from $125,000 to $150,000, with all industry groups, except Arable, having increases in their median overdraft limits. This might be due to surges in input prices and tighter profit margins putting pressure on available cash to meet day-to-day farm expenses.

Table 4. Average and Median Overdraft Limit by Industry Group

	May 2022		November 2022	
	Average	Median	Average	Median
All Farms	**$282,740**	**$125,000**	**$328,800**	**$150,000**
Dairy	$223,978	$100,000	$176,400	$140,000
Sharemilkers	*$144,059*	*$70,000*	*$106,800*	*70,000*
Meat & Wool	$340,511	$130,000	$207,800	$150,000
Arable	$779,731	$437,500	$330,600	$397,500
Other Industry	$233,250	$100,000	$253,400	$150,000

Figure 7. Average Overdraft Limits by Industry Group (2015-22)



As with mortgages, the average 'all farm' overdraft interest rate increased over the past six months from 7.10 percent to 8.59 percent, up 149 basis points. As with mortgage rates, this indicates pass-through from recent OCR increases. Sharemilkers' average interest rate was the highest at 8.96 percent (up 99 basis points), while Other had the lowest average interest rate of 7.99 percent. The increase was largest for Meat and Wool (up 179 basis points) while Other had the smallest increase (up 58 basis points).

Table 5. Average Overdraft Interest Rate by Industry Group

	May 2022	November 2022	Change (basis points)
All Farms	**7.10%**	**8.59%**	**+149**
Dairy	7.07%	8.77%	+170
Sharemilkers	*7.97%*	*8.96%*	*+99*
Meat & Wool	6.66%	8.45%	+179
Arable	6.55%	8.27%	+172
Other Industry	7.41%	7.99%	+58

Average interest rates tell part of the story. Also important is the distribution of interest rates. Tables 6a and 6b illustrate the distribution of overdraft interest rates. The All Farms median of 8.54 percent was slightly lower than the average of 8.59 percent.

Compared to May 2022, there were declines in the percentage of farmers paying overdraft interest rates of less than 5.0 percent (from 11.6 percent to 0.2 percent for All Farms), and an increase of those paying more than 10.0 percent (from 2.7 percent to 13.6 percent). Overall, half of farmers (i.e. those falling between the 25th and 75th percentiles) were paying rates between 7.5 and 9.65 percent, whereas in May half of farmers were paying between 6.0 and 8.0 percent. As with mortgages, this illustrates the upwards movement in interest rates but, unlike with mortgages, the variation did not widen (with the standard deviation easing from 2.01 to 1.78). This is possibly because overdraft rates are more likely to be floating and therefore more immediately felt.

Table 6a. Analysis of Overdraft Interest Rates (1)

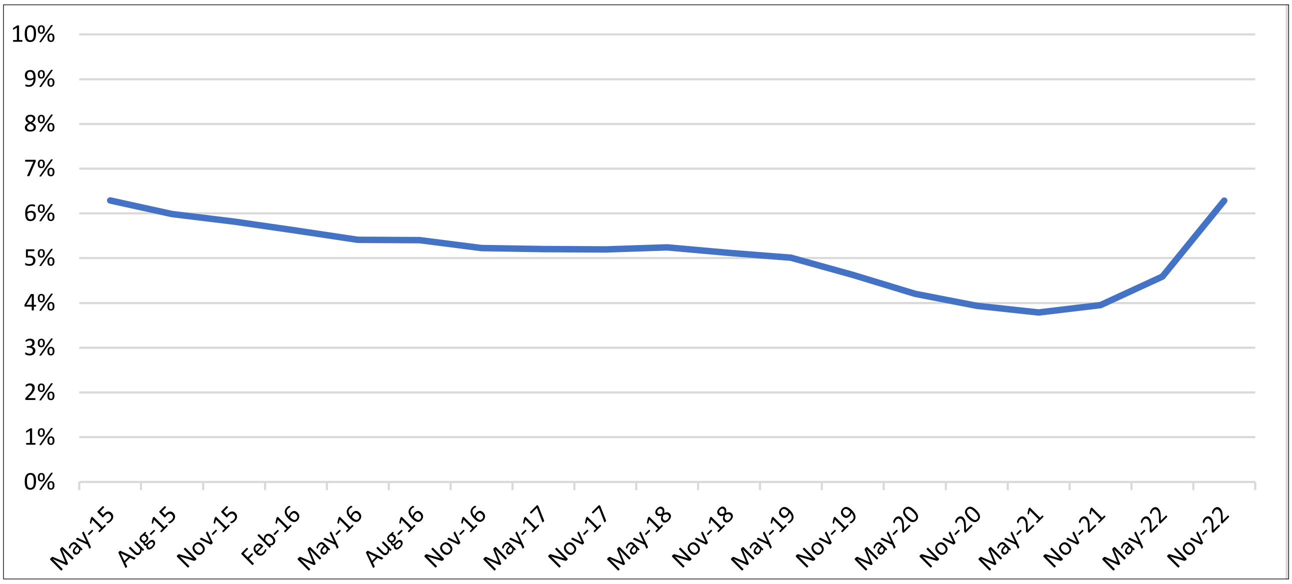
	Under 5.0%	Between	Over 10.0%	Average	Median
All Farms	**0.2%**	**86.2%**	**13.6%**	**8.59%**	**8.54**
Dairy	0.0%	86.4%	15.8%	8.77%	8.86
Sharemilkers	*0.0%*	*86.7%*	*18.8%*	*8.96%*	*9.05*
Meat & Wool	0.0%	86.1%	14.6%	8.45%	8.15
Arable	0.0%	86.7%	8.0%	8.27%	8.55
Other	4.6%	71.4%	0.0%	7.99%	8.50

Table 6b. Analysis of Overdraft Interest Rates (2)

	Minimum	Maximum	Std Dev	25th	75th
All Farms	**4.90%**	**19.00%**	**1.78**	**7.50%**	**9.65%**
Dairy	5.40%	19.00%	1.77	7.65%	9.79%
Sharemilkers	*6.00%*	*12.00%*	*1.60*	*7.55%*	*9.80%*
Meat & Wool	5.00%	18.00%	1.87	7.00%	9.40%
Arable	6.00%	10.56%	1.25	7.55%	9.65%
Other	4.90%	10.00%	1.38	7.15%	9.12%

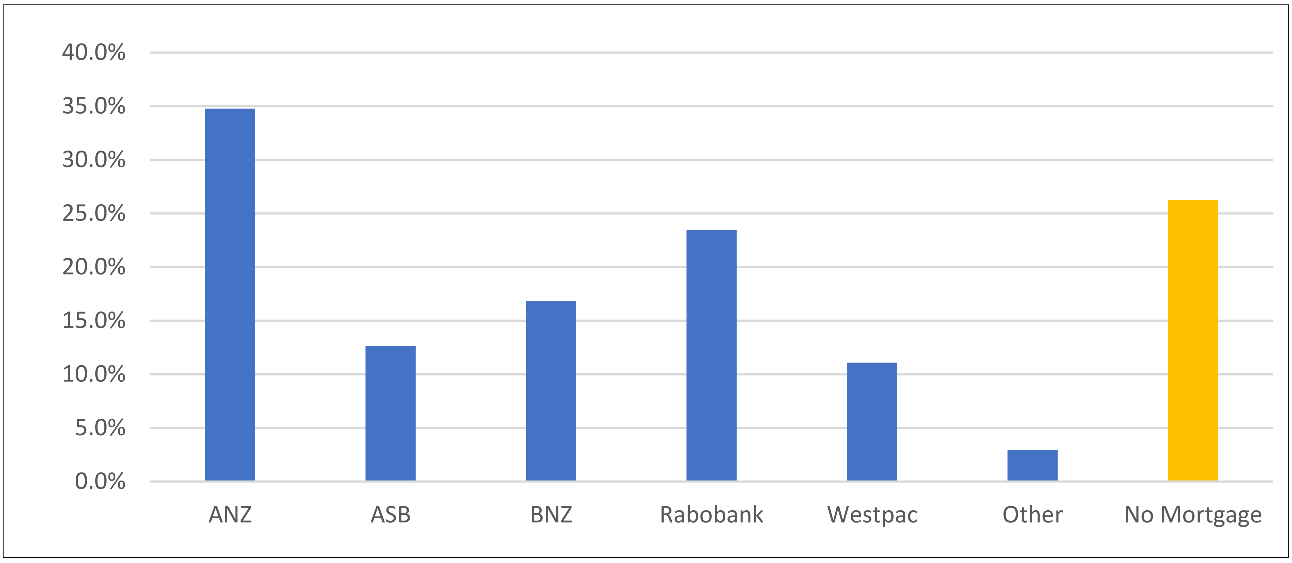
Figure 8 shows the trend in overdraft interest rates over time. Average overdraft interest rates for All Farms decreased from 2018 to 2021 bottoming out at 6.28 percent but they have now quickly increased above where they were in May 2015.

Figure 8. Average Overdraft Interest Rate 2015-22 (All Farms)



As with mortgages, ANZ continued to be the most common bank used by farmers (34.8 percent) for overdrafts, followed by Rabobank (23.5 percent), BNZ (16.9 percent), ASB (12.6 percent), and Westpac (11.1 percent). As with mortgages, all other banks combined had just 2.9 percent of respondents.

Figure 9. Banks which Farmers' have an Overdraft with, November 2022 (All Farms)



Over the life of the survey ANZ's share of farmers' overdrafts has declined from over 40 percent to around 33-35 percent. Although shares of other banks have bounced around Rabobank's has increased.

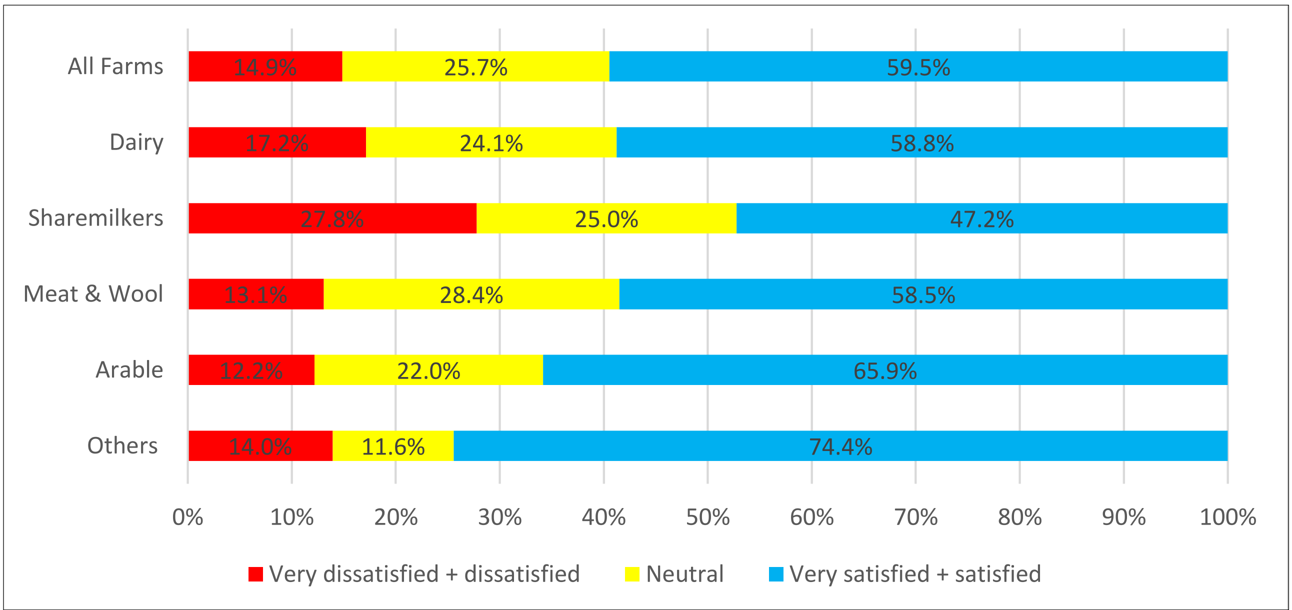
Satisfaction with Banks

Satisfaction

Most farmers remain satisfied with their banks, although satisfaction has been eroding over time. Comparing November 2022 with May 2022 those saying they were very satisfied or satisfied with their banks dropped 5 points to 59.5 percent to the lowest point since the survey began in May 2015. Those saying they were very dissatisfied or dissatisfied also dropped 1 point to 14.9 percent. 25.5 percent professed to have a neutral view, up 6 points.

Figure 10 shows Sharemilkers were the least satisfied group of farmers with only 47.2 percent saying they were very satisfied or satisfied, although down only slightly from May, while those saying they were very dissatisfied or dissatisfied increased slightly to 27.8 percent. In contrast Other Industry Group farmers had the highest level of satisfaction, with 74.4 percent saying they were very satisfied or satisfied, up 15 points from May, making it the only industry group to have an improvement.

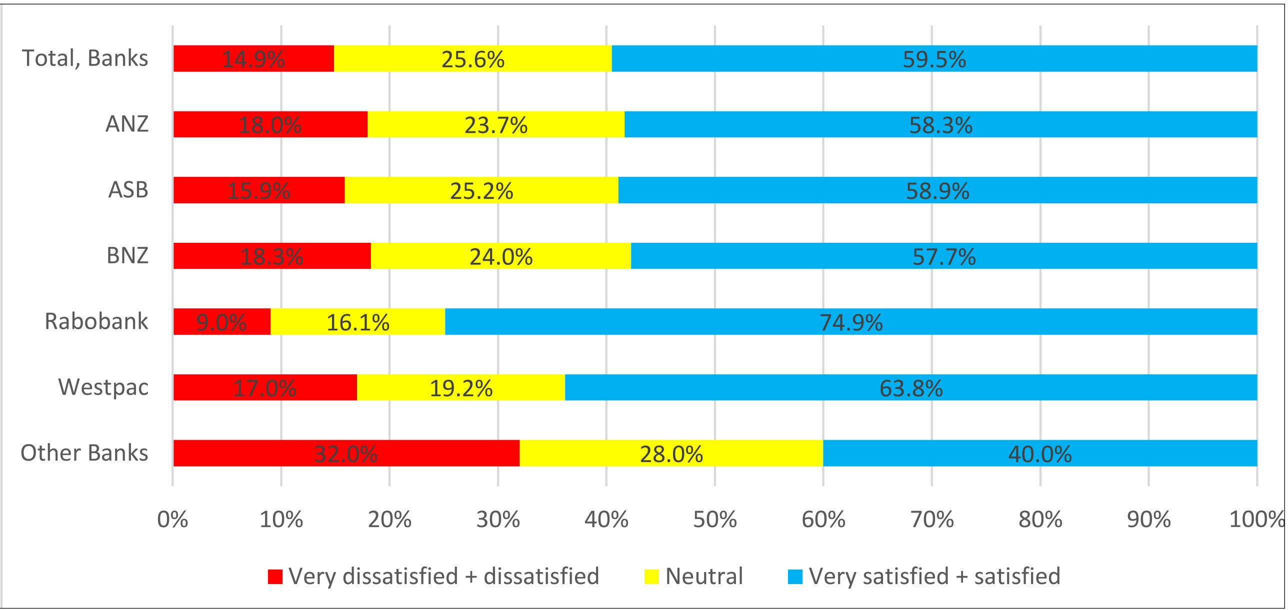
Figure 10. Bank Satisfaction by Industry Group, November 2022



The region with the highest proportion of farmers saying they were very satisfied or satisfied with their banks was Canterbury with 66.5 percent, while Auckland-Northland had the lowest proportion with 52.5 percent. All regions had drops, except East Coast North Island.

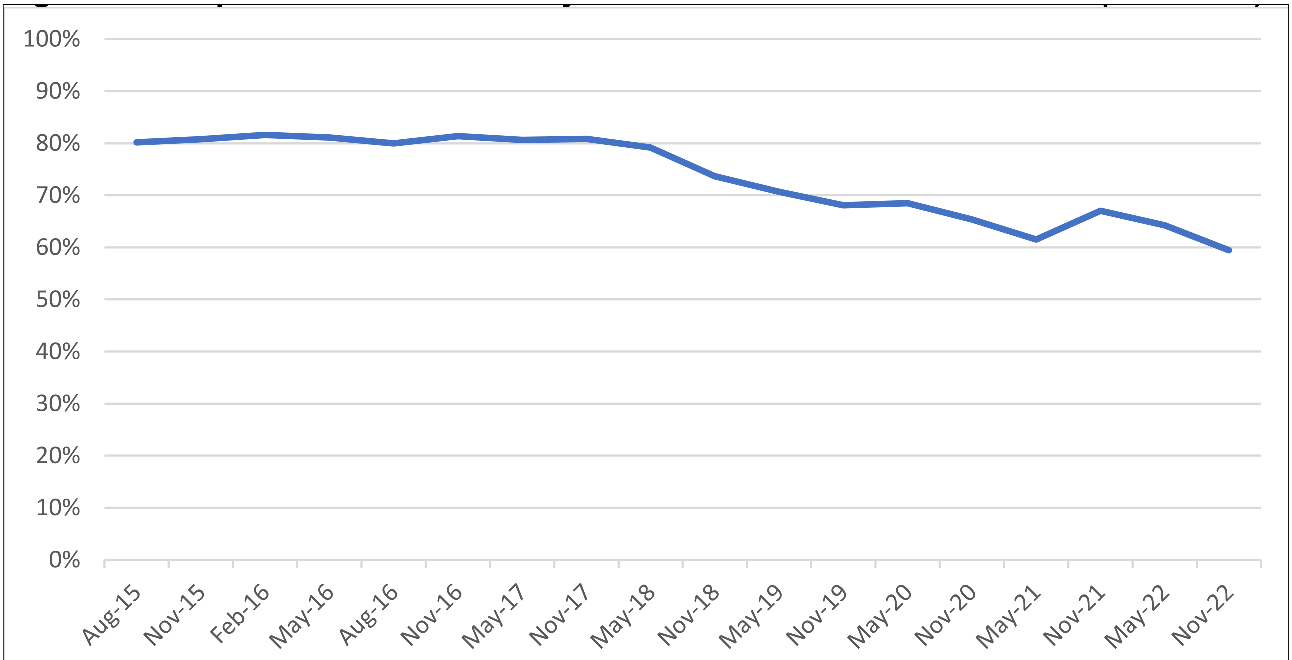
Figure 11 shows bank satisfaction by bank. Rabobank continues to have the highest level of satisfaction, at 74.9 percent saying they were very satisfied or satisfied with it, although this was down 9 points from May. Over the life of the survey, it has consistently been a leader for satisfaction. The other major banks were between 58-64 percent. The smaller banks combined were even further behind on 40 percent.

Figure 11. Bank Satisfaction by Bank, November 2022



Although satisfaction with banks has remained positive since the survey began in 2015, Figure 12 shows that satisfaction has been falling since November 2017. Up to then satisfaction had been consistently above 80 percent. But over the past four and a half years satisfaction has slipped slowly but steadily and dipping below 60 percent in November 2022.

Figure 12. Proportion 'Satisfied + Very Satisfied' with their Bank 2015-22 (All Farms)



Pressure

The proportion of farmers who report feeling undue pressure from their bank(s) increased over the past six months from 13.9 percent to 17.4 percent. However, this is well below its peak of 23.2 percent in November 2019.

Sharemilkers are the group with the highest proportion of farmers coming under pressure at 20.7 percent, but this was down slightly from May. Other Industry Groups has to lowest proportion of 12.5 percent.

Table 7 shows that apart from Sharemilkers the other industry groups had increased proportions, although Arable's increase (0.2 points) was so small as to be essentially unchanged. Meat and Wool had the biggest increase of 5.0 points.

Table 7. Farmers Feeling Undue Pressure from Banks, by Industry Group

	May 2022	November 2022
All farms	**13.9%**	**17.4%**
Dairy	14.4%	17.8%
Sharemilker	*21.2%*	*20.7%*
Meat & Wool	13.2%	18.2%
Arable	16.0%	16.2%
Other Industry	11.4%	12.5%

The region with the highest proportion of farmers feeling under pressure from banks was West Coast-Tasman-Marlborough, with 21.1 percent. Taranaki-Manawatu-Whanganui had the lowest proportion with 13.4 percent.

Table 8 shows that Rabobank continued to be the bank with the lowest proportion of farmers feeling that they had come under undue pressure but was in a virtual tie with BNZ (which was the only bank to have a drop). ASB and Other Banks had the highest percentages.

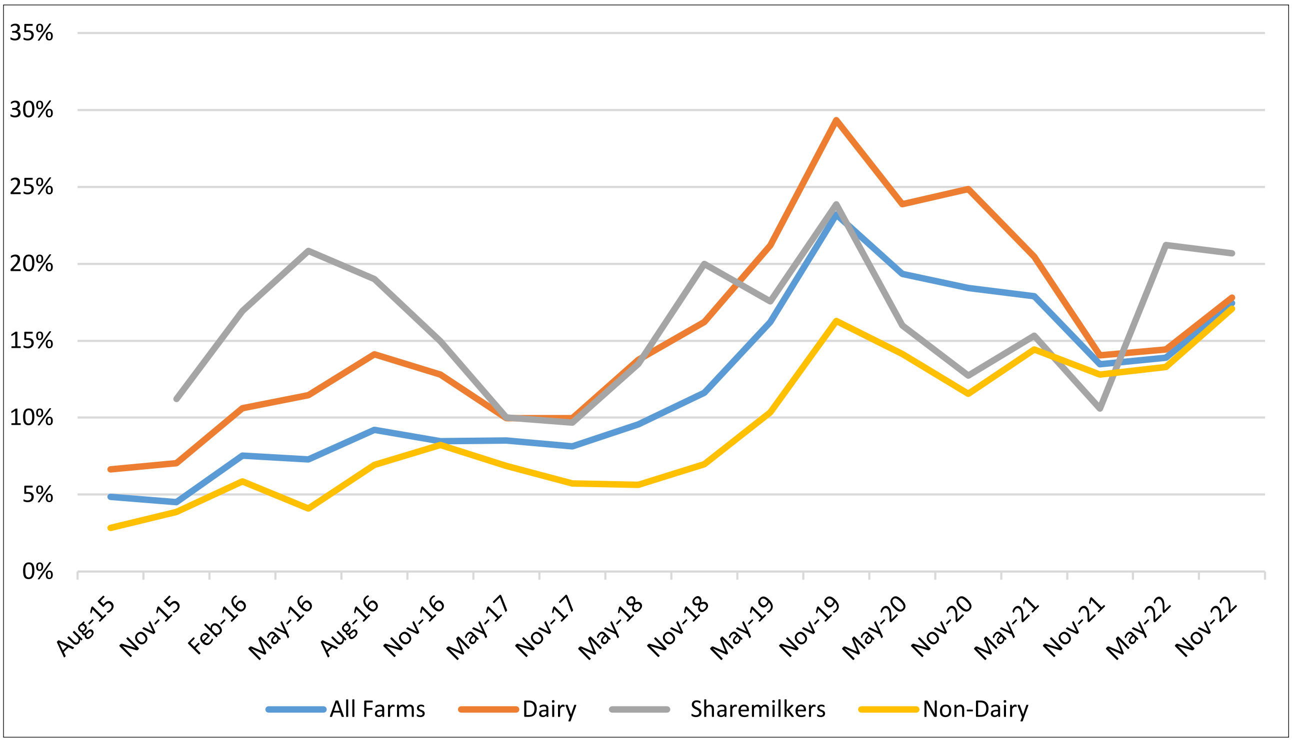
Table 8. Farmers Feeling Undue Pressure from Banks, by Bank

	May 2022	November 2022
All farms	**13.9%**	**17.4%**
ANZ	11.7%	19.4%
ASB	18.0%	24.5%
BNZ	18.2%	15.7%
Rabobank	10.2%	15.7%
Westpac	15.1%	19.2%
Other Banks	22.7%	24.0%

Figure 13 shows how perceptions of undue pressure have tracked since the survey began in 2015. Overall, it shows lower proportions during the period of very low dairy incomes in 2015 when banks stood by their customers and helped them get through.

This changed from late 2017 with a rise in the proportion of those perceiving undue pressure, which peaked in November 2019. Banks had been reassessing their risk appetite, especially for Dairy, and as a result they were wanting to reduce their exposure. From 2019 banks also began factoring in proposed tougher bank capital requirements which added to pressure on farmers. In 2020 and 2021 perceptions eased somewhat overall, perhaps thanks to the Covid-19 pandemic causing a delay in implementation of the bank capital changes, but they have intensified again this year, on the back of rapidly rising interest rates.

Figure 13. Proportion of Farmers feeling Undue Pressure from Banks (2015-22)



Over the life of the survey customers of 'Other Banks' have consistently had the highest percentages of those feeling undue pressure. In contrast, Rabobank has consistently had the lowest percentage and Westpac usually rates well on this measure too.

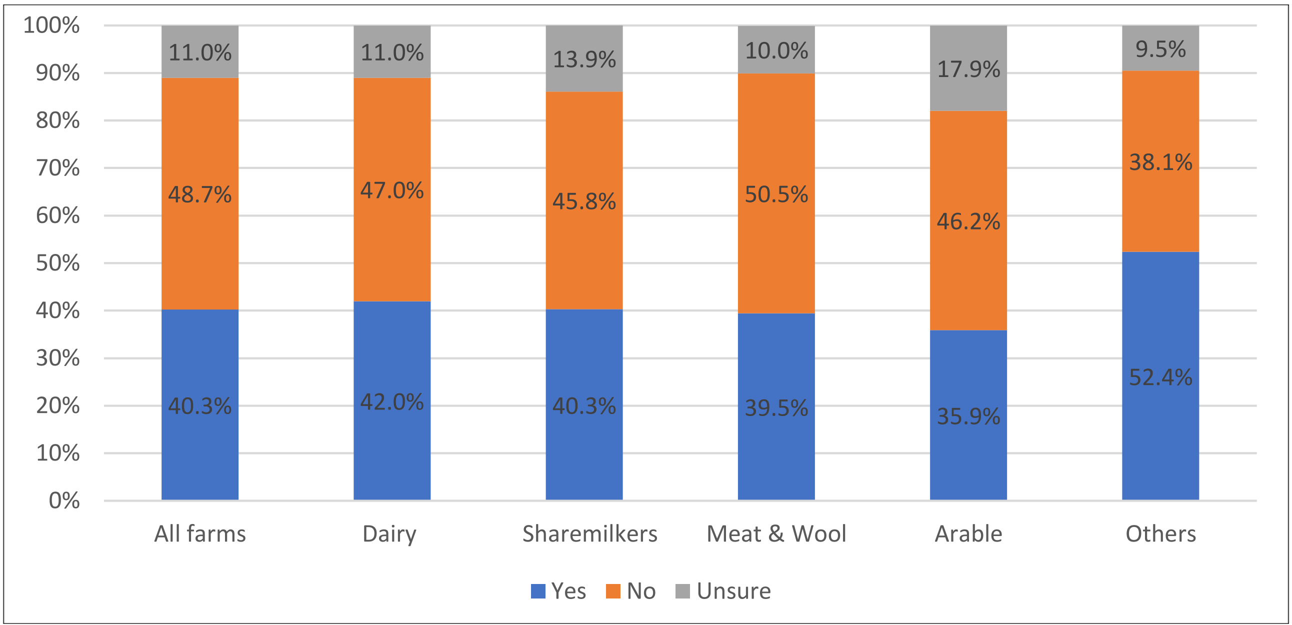
Mental Wellbeing

After receiving anecdotal concerns about growing pressures on farmers' mental wellbeing this survey asked for the first time "Considering debt level, interest rates, changing conditions or other forms of pressure, do you feeling like your mental health and wellbeing is being affected?"

Overall, 48.7 percent of farmers answered 'no', 40.3% answered 'yes', and 11.0% were unsure.

Figure 14 shows that Other Industry Group farmers had the highest proportion answering 'yes' (52.4 percent) while Arable farmers had the lowest proportion (35.9 percent) – but also the highest proportion who were 'unsure' (17.9%). Meat and Wool had the highest proportion answering 'no' (50.5%), while Other Industry Groups had the lowest proportion (38.1 percent).

Figure 14: Impact on Mental Wellbeing by Industry Group, November 2022



By region, Otago-Southland (45.8 percent) and East Coast North Island (43.6 percent) had the highest proportions answering 'yes', while Canterbury (51.3 percent), Auckland-Northland (50.6 percent), and West Coast-Tasman-Marlborough (50.3 percent) had the highest proportions answering 'no'.

BNZ (52.1 percent) and Rabobank (51.8 percent) had the highest percentages of farmers answering 'yes', with Westpac the lowest (39.8 percent). No bank had more than 50 percent answering 'no', with Westpac the highest (49.5 percent) and Rabobank the lowest (37.1 percent).

Changed conditions

Table 9 shows that 30.0 percent of farmers reported a change in their mortgage or overdraft/seasonal finance conditions over the past six months, up nearly 6 points from May 2022.

The Dairy and Meat & Wool industry groups both had increases in their proportions compared to May, as did Other Industry, but Sharemilkers and Arable both had decreases.

Examples of changed conditions include interest rates, changes in margins, shifting from fixed to floating interest rates (or vice-versa), selling assets to repay the debt, requiring principal and interest to be paid or relaxing principal repayments, and changes to information or security required. This has affected all industry types and farming regions.

Table 9. Farmers Reporting Changed Conditions Over the Past Six Months by Industry Group

	May 2022	November 2022
All Farms	**24.4%**	**30.0%**
Dairy	25.1%	31.5%
Sharemilkers	*35.4%*	*32.0%*
Meat & Wool	23.1%	28.3%
Arable	32.0%	31.7%
Other Industry	31.0%	37.2%

When considering lending conditions, it is important to discern whether changes have made them easier or tougher. The survey asked farmers if their conditions had become easier or harder and this is shown in Table 10. Although 70.0 percent of farmers reported no change in conditions, of those who did, most experienced tougher conditions rather than easier conditions.

In fact, the increase in the overall changed conditions score was due to more farmers reporting tougher conditions down only slightly. Therefore, the gap (tougher conditions less easier conditions) widened to 23.5 points.

A tightening of conditions is consistent with banks wanting farmers to pay down debt after supporting them during the 2014-16 dairy downturn. It is also consistent with banks moving to implement the Reserve Bank's proposed changes to bank capital requirements and most recently rapidly increasing interest rates.

Table 10. Conditions Become Easier or Tougher by Industry Group (November 2022)

	Easier Conditions	Tougher Conditions	Total Changed Conditions	Gap (tougher - easier)
All Farms	**3.3%**	**26.8%**	**30.0%**	**+23.5**
Dairy	4.0%	27.5%	31.5%	+23.5
Sharemilkers	*2.8%*	*29.2%*	*32.0%*	*+26.4*
Meat & Wool	2.5%	25.8%	28.3%	+23.3
Arable	2.4%	29.3%	31.7%	+26.9
Other Industry	4.7%	32.6%	37.2%	+27.9

Bank Communication

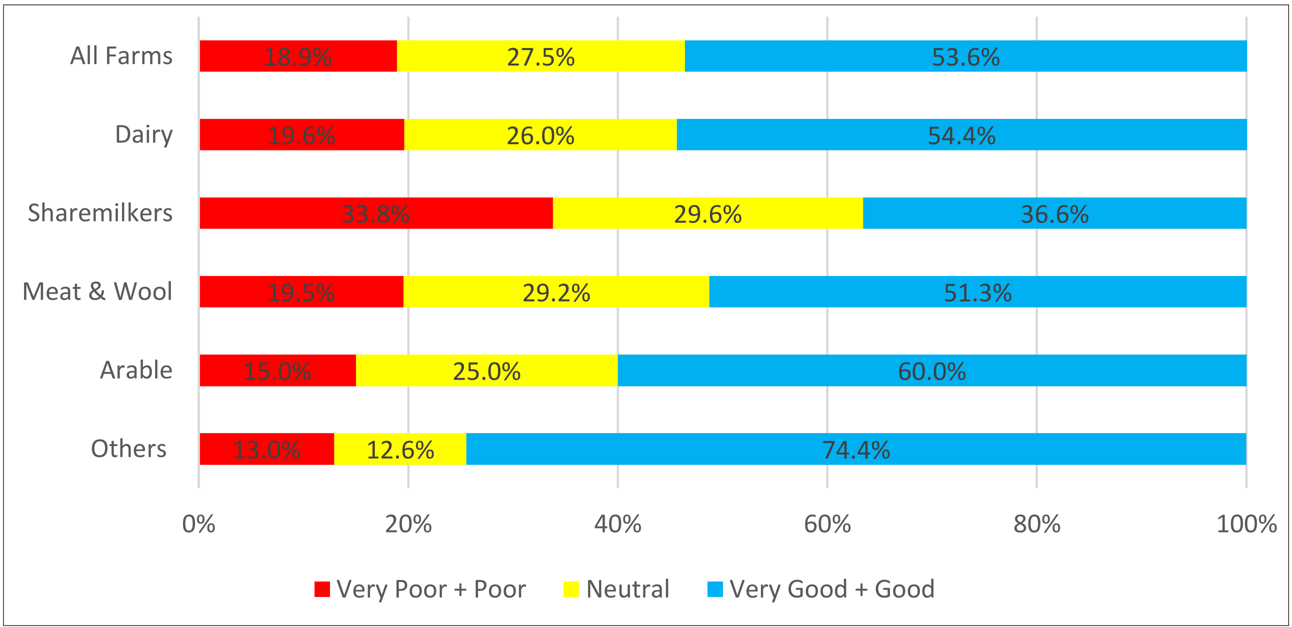
Farmer perceptions of bank communication continued to erode in this survey.

Overall, 53.6 percent of respondents thought communication was either good or very good, down 2.9 points compared to May 2022. Those who thought it had been poor or very poor were unchanged on 18.9 points. Perceptions of the quality of communication has been slowly eroding since 2015 (Figure 16), when 80 percent of farmers were satisfied.

The comments from respondents show that personal contact from bank staff has declined over recent years and most farmers are unhappy about it. High staff turnover, rural bank branch closures with consolidation of staff into bigger branches and regional centres, and Covid work policies (e.g., working from home and less able to travel) were all cited as reasons for reduced personal contact.

Figure 15 shows how communications have been perceived by each industry group. Other Industry Groups had the highest percentage who thought quality had been very good or good (74.4 percent), while Sharemilkers had the lowest percentage (36.6 percent) only slightly higher than those who thought it had been very poor or poor (33.8 percent).

Figure 15. Quality of Bank Communication by Industry Group, November 2022



Farmers in the West Coast-Tasman-Marlborough and Auckland-Northland regions were the least satisfied with bank communication, both regions with only 41-42 percent of farmers saying it had been very good or good. Canterbury was by contrast over 64 percent, followed by Taranaki-Manawatu-Whanganui.

Figure 16 shows that at 67.8 percent Rabobank had the highest percentage of farmers saying communication had been very good or good, followed Westpac on 63.8 percent. ANZ, BNZ, and ASB are clustered in the 50s, with other banks on only 36.0 percent.

Although not shown in Figure 19, 322 respondents had no bank loan (so no bank specified). These people were much less happy with communication from their bank with only 46.3 percent saying it had been 'very good or good'. This explains why all the large banks did better than the overall result.

Figure 16. Quality of Bank Communication by Bank, November 2022

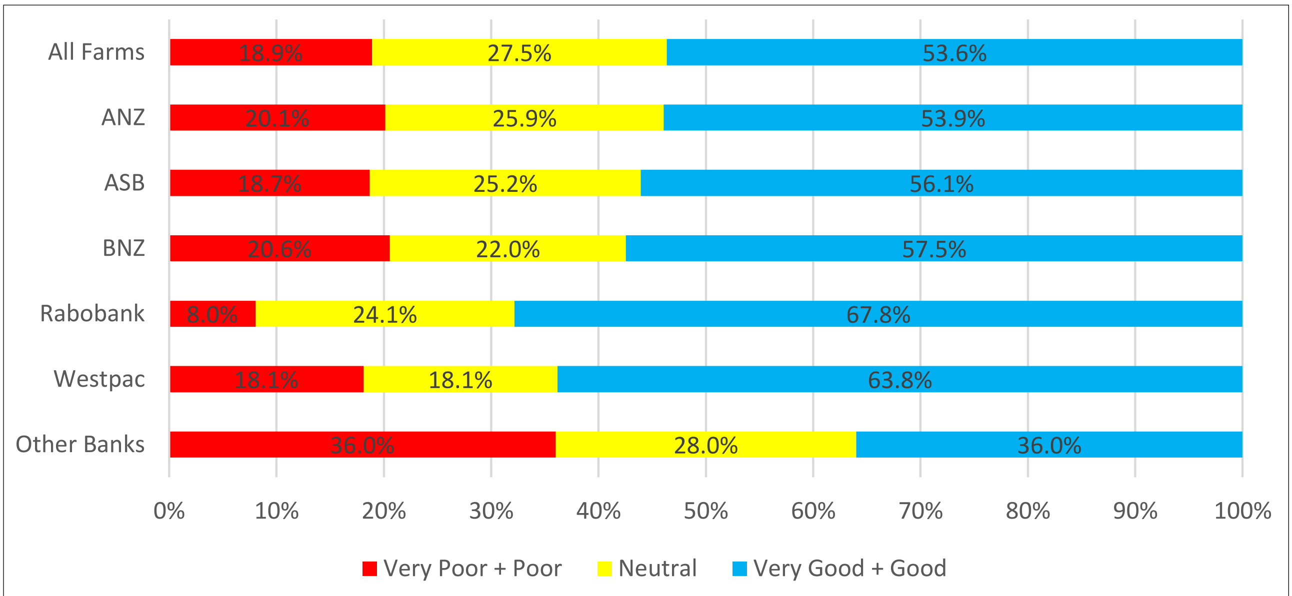
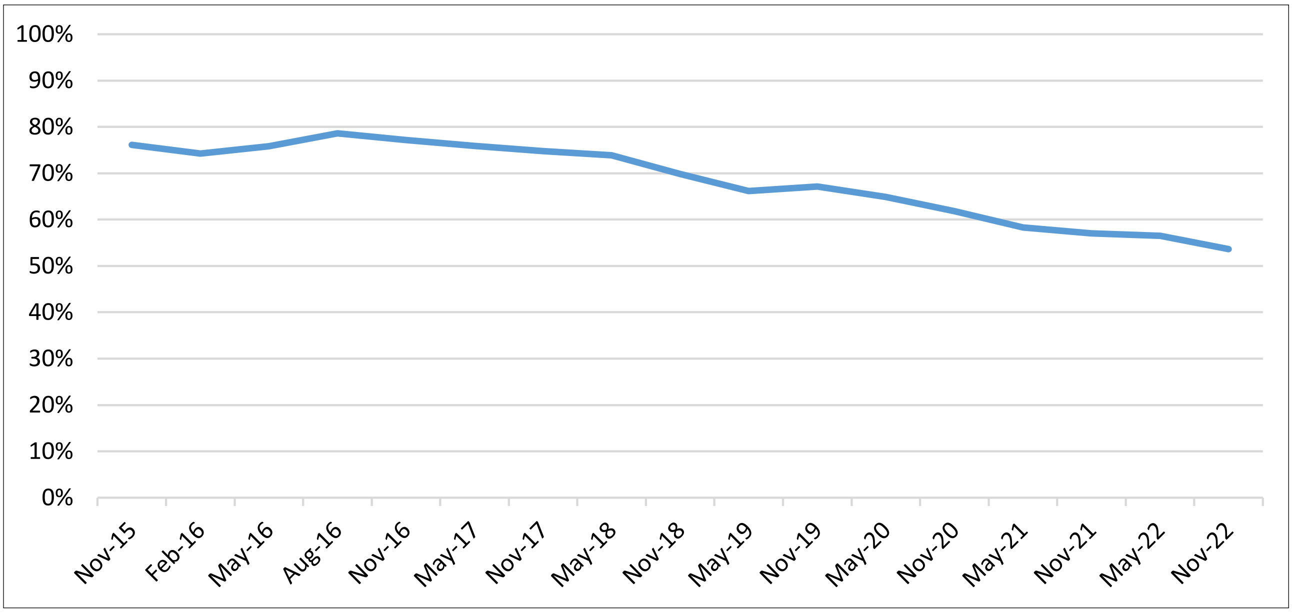


Figure 17 shows the how perceptions have tracked over the life of the survey, with a steady erosion in perceptions of bank communication, especially since 2017.

Figure 17. Very Good + Good Bank Communication 2015-22 (All Farms)



Budgeting

Farms with up-to-date budgets

Overall, 60.6 percent of farmers had a detailed, up-to-date budget for the current 2022/23 season, down 2 points from May, while 33.4 percent also had one for 2023/24, down 0.6 points from May 2022.

Having a detailed, up-to-date budget continued to be far more prevalent among Sharemilkers, with 80.6 percent having one for the current season and 44.4 percent having one for next season. Both were well above the levels for other industry groups, including Dairy farmers generally. Meat & Wool farmers were the least likely to have a detailed, up-to-date budget for the current season and Arable the least likely to have on for next season.

The percentages of those with detailed, up-to-date budgets for future seasons tends to drop from May to November due to May being very close to the start of a new season (Table 11).

Table 11. Budget for Current and Future Seasons by Industry Group

	Have a detailed, up-to-date budget for the current season (2022/2023) #		**Have detailed, up-to-date budgets for future seasons (2023/2024) ***	
	May 2022	**November 2022**	**May 2022**	**November 2022**
All farms	**62.9%**	**60.6%**	**34.0%**	**33.4%**
Dairy	66.6%	65.7%	41.2%	35.4%
Sharemilkers	*76.8%*	*80.6%*	*61.6%*	*44.4%*
Meat & Wool	60.2%	55.0%	26.1%	28.8%
Arable	68.0%	68.3%	40.0%	22.0%
Others	61.9%	58.1%	26.2%	48.0%

* *Percentages are shown equal to the proportion of all respondents.*

For the season ending May 2023

Figures 18 and 19 show the trend in budgeting over time for the current season and future seasons respectively. Sharemilkers have tracked consistently well above all other industry groups. Non-Dairy groups have low consistently low prevalence. The notable feature of Figure 19 is how each year's May survey has consistent spikes due to its proximity to the start of the new season.

Figure 18. Budget for the Current Season by Industry Group (2015-22)

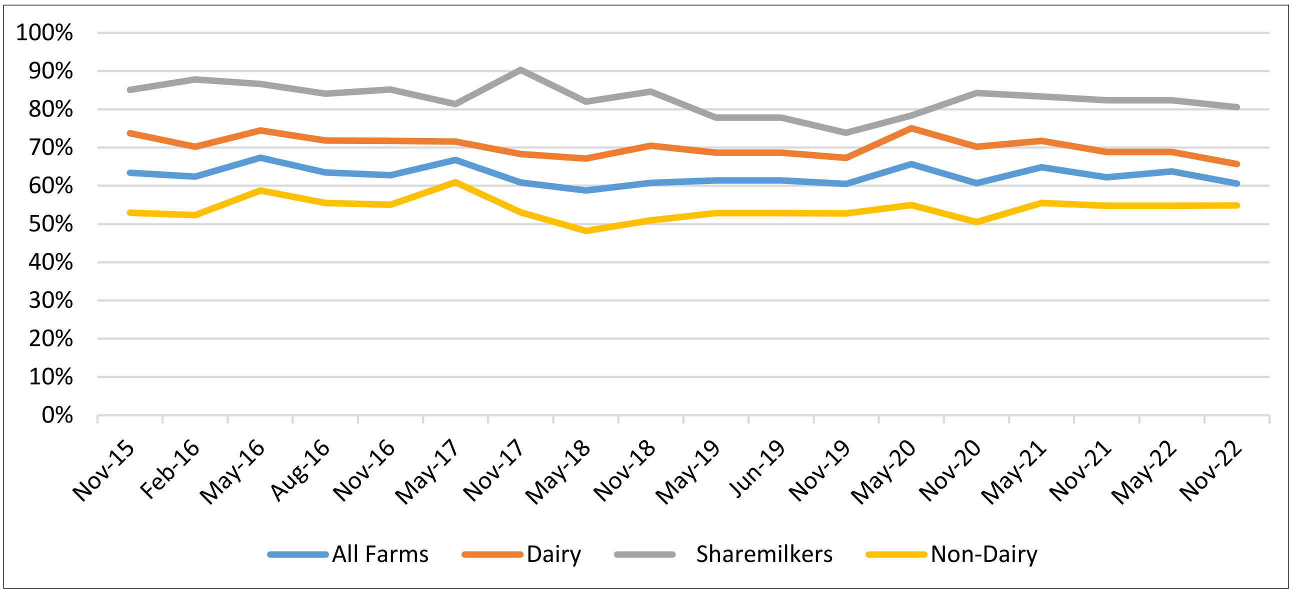
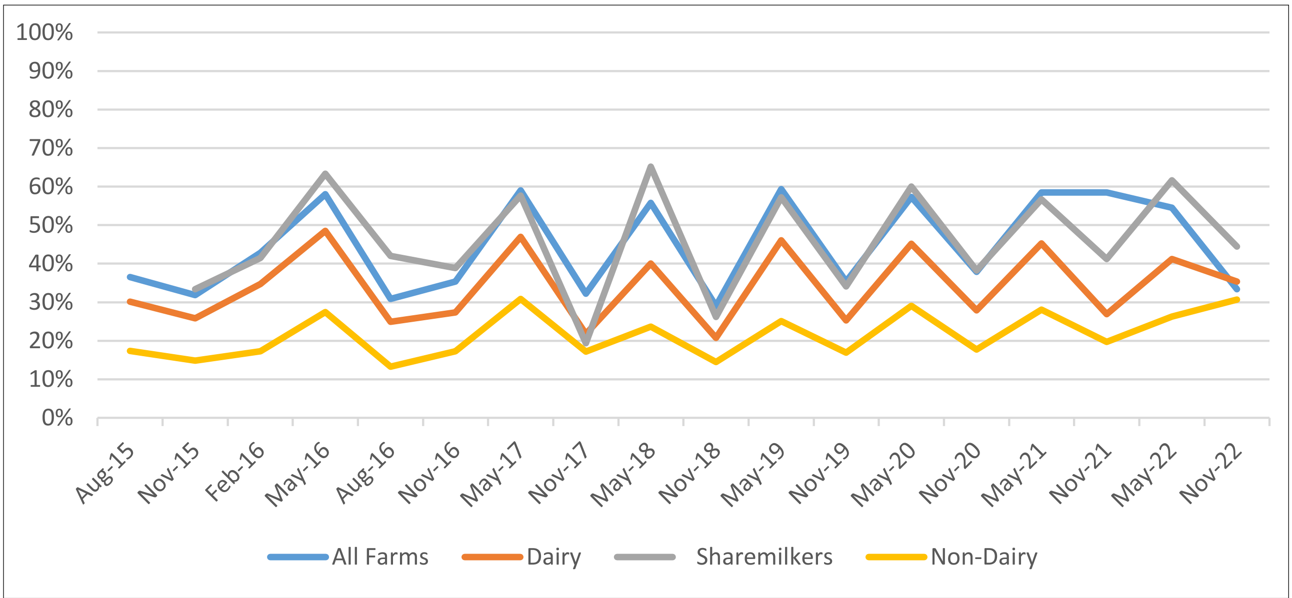


Figure 19. Budget for Future Seasons by Industry Group (2015-22)



Appendix

November 2022 Respondents by Industry Group

Industry Group	Percent	Number of Respondents
Dairy	51.9%	607
Sharemilker	6.2%	72
Meat & Wool	34.8%	417
Arable	3.4%	41
Other industry	6.2%	73
Supporter	3.3%	38
Non-Dairy	48.7%	569
TOTAL	**100.6%**	**1,169**

Total adds to more than 100.0% as some respondents picked multiple primary industry groups

November 2022 respondents by location

	Percent	Number of Respondents
Auckland-Northland	8.3%	97
Waikato-Bay of Plenty	25.3%	296
East Coast North Island	11.2%	131
Taranaki-Wanganui-Manawatu	16.9%	197
West Coast-Tasman-Marlborough	7.2%	84
Canterbury	17.1%	200
Otago-Southland	16.7%	195
TOTAL	**102.7%**	**1,169**

Total adds to more than 100.0% as some respondents picked multiple provinces

About this Survey

- 'Non-Dairy' farmers include meat & wool (beef cattle, sheep, deer), arable, other (livestock: goat, pigs, poultry, horses, bees; horticultural crops: fruit, vegetables, flowers; forestry; high country, and rural butchers), supporters (rural professional, retired). Dairy grazing was added to the meat & wool category in May 2020.

The seven regions relate to Federated Farmers' provinces:

- Auckland/Northland: Northland and Auckland provinces.
- Waikato/Bay of Plenty: Hauraki-Coromandel, Waikato, Bay of Plenty, and Rotorua-Taupo provinces.
- East Coast North Island: Gisborne-Wairoa, Hawkes Bay, Tararua, and Wairarapa provinces.
- Taranaki/Wanganui/Manawatu: Taranaki, Ruapehu, Wanganui, and Manawatu-Rangitikei provinces.
- West Coast/Tasman/Marlborough: Golden Bay, Nelson, Marlborough, and West Coast provinces.
- Canterbury: North Canterbury, Mid Canterbury, and South Canterbury provinces.
- Otago/Southland: North Otago, Otago, and Southland provinces.

The survey was undertaken from 14-21 November 2022.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