



# NEW-SEASON FARM CONFIDENCE

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July 2023





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## Section 1

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# Summary

## 1.1 Introduction

This report summarises the July 2023 Federated Farmers' New-Season Farm Confidence survey results. The survey is undertaken twice a year (January and July); this is the 29th iteration.

## 1.2 Key Messages

The July 2023 survey saw a further sharp downturn in farmer confidence to hit a new record low since the survey began in July 2009. The result was even worse than January 2023, which held the previous record low.

Key points follow:

- **General economic conditions (current):** A net 80% of respondents consider current economic conditions to be bad, 15 points worse than January 2023 when a net 65% considered conditions to be bad.
- **General economic conditions (expectations):** A net 70% of respondents expect general economic conditions to deteriorate over the next 12 months, 12 points better than the January 2023 survey when a net 82% expected conditions to deteriorate. This improvement in net score was not because more people expect things to improve, rather it was because more people expect conditions to stay the same rather than worsen.
- **Farm profitability (current):** A net 1.8% of respondents reported making a profit currently, down 26 points on the January 2023 survey when a net 28% reported making a profit.
- **Farm profitability (expectations):** A net 70% of respondents expect their profitability to decline over the next 12 months, 3 points worse than the January 2023 survey when a net 67% expected it to decline.
- **Farm production (expectations):** A net 7.5% of respondents expect their production to decline over the next 12 months, 2.1 points worse than the January 2023 survey when a net 5.4% expected it to decline.
- **Farm spending (expectations):** A net 11% of respondents expect their spending to decrease over the next 12 months, down 35 points on the January 2023 survey when a net 24% expected their spending to increase.
- **Farm debt (expectations):** A net 14% of respondents expect their debt to increase over the next 12 months, up 10 points on the January 2023 survey when a net 3.7% expected their debt to increase.
- **Ability to recruit (experienced):** A net 32% of respondents reported it has been harder to recruit skilled and motivated staff over the past six months, down 14 points on the January 2023 survey when a net 46% reported it had been harder. This improvement in net score was not because more people had found it easier to recruit staff, rather it was because more people thought there had been no change rather than it had been harder.
- **Greatest concerns (current):** The four greatest concerns for farmers were Debt, Interest & Banks; Regulation & Compliance Costs; Climate Change Policy & ETS; and Input Costs.
- **Highest government priorities:** The four highest priorities farmers want the Government to address were Economy & Business Environment; Fiscal Policy; Disaster Recovery; and Climate Change Policy & ETS.

## **Section 2**

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# **General Economic Conditions**

## 2.1 Overall

Over the past six months, there has been a further slump in perceptions of current economic conditions. The July 2023 net score was -80, 15 points worse than January 2023 and a new record low.

Globally, economic activity has been experiencing a broad-based and sharper-than-expected slowdown. Inflation continues to be very high and persistently so, driving a cost-of-living crisis and tightening monetary conditions. Russia’s invasion of Ukraine, including its impact on energy prices, and China’s so-far tepid recovery from lifted COVID restrictions have also hit growth. Domestically, the New Zealand economy is being buffeted by high inflation, higher interest rates in response, lower house prices, and weaker retail spending. Labour and skill shortages have been a particular pain point for businesses.

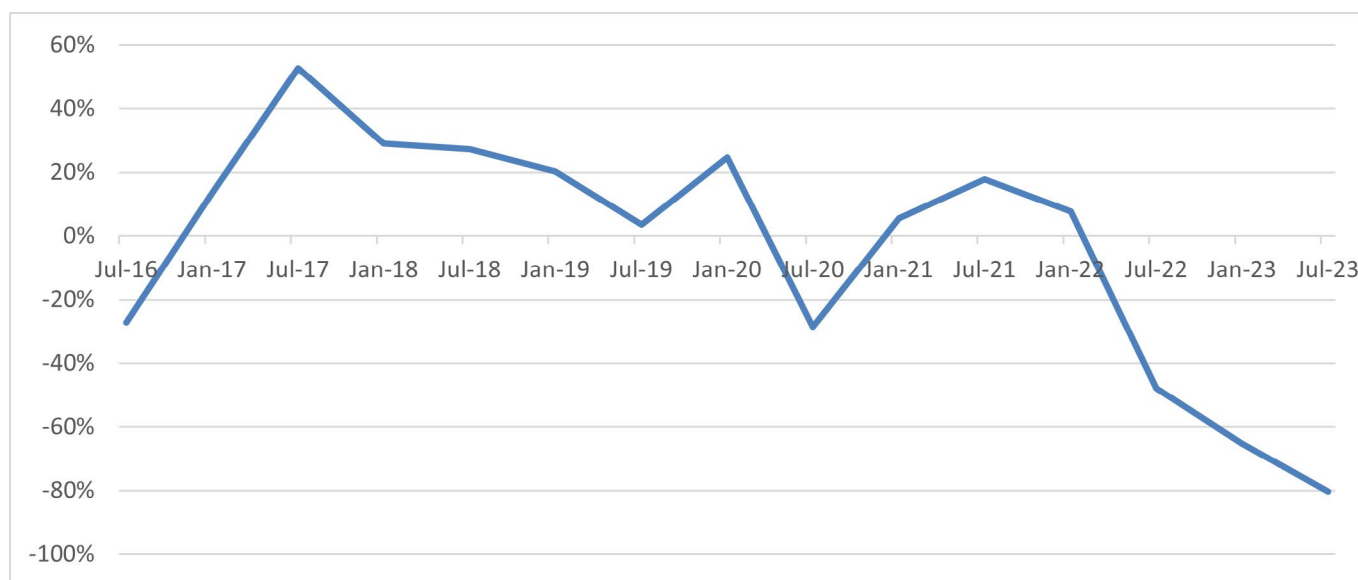
Table 2.1 Current perceptions of general economic conditions for all farms

	Good General Economic Conditions Currently	Neither Good nor Bad	Bad General Economic Conditions Currently	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
All farms	0.7%	16.5%	81.0%	0.4%	-65.2	-80.3	-15.1↓

\*Please refer to Section 11.2 for more information about net scores.

Figure 2.1 shows how net scores for predicted general economic conditions have tracked since this question was first asked in 2016. Perceptions turned rapidly negative in 2022 as inflation surged and the Reserve Bank tightened monetary policy in response.

Figure 2.1 Net current perceptions of general economic conditions for all farms (July 2016-July 2023)



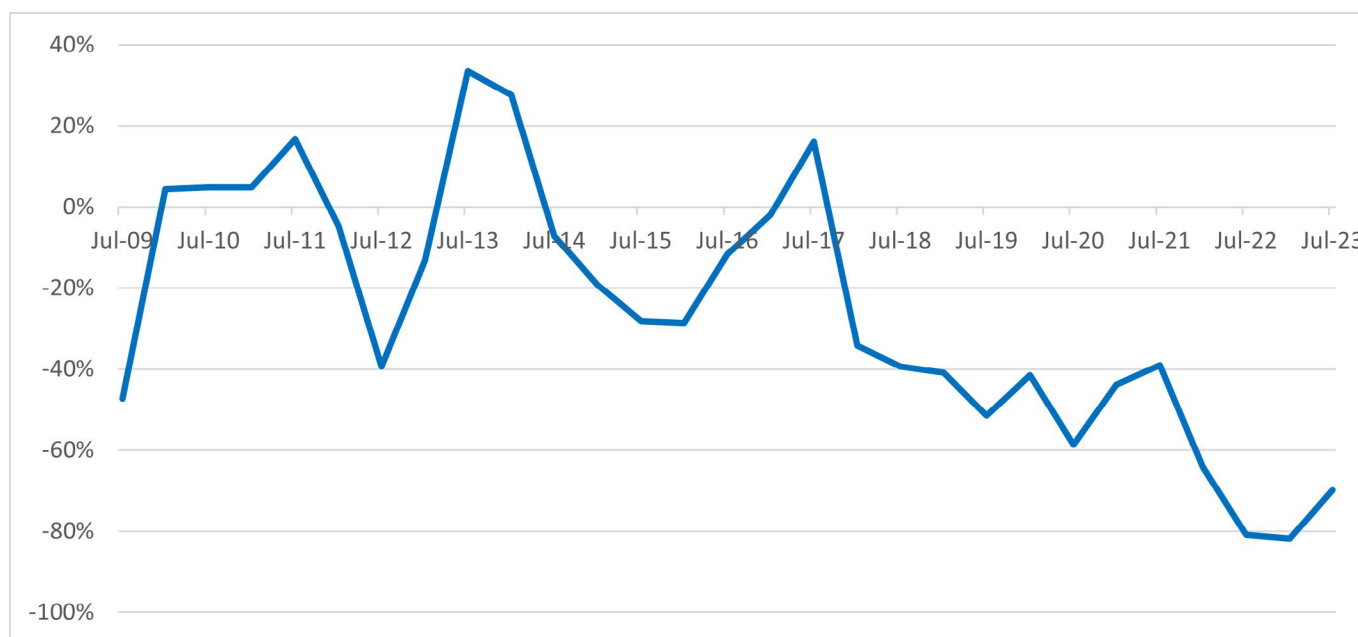
Looking ahead, there has been a small recovery in expectations for general economic conditions over the next 12 months from what had been its lowest level. However, this is not because of more respondents think it will improve (these were virtually unchanged). Rather it is from more thinking conditions will stay the same rather than worsen further, which is hardly an endorsement of the economy. Expectations for the economy remain deeply negative, as they have been for most of the time since it slumped after mid-2017. This is consistent with other business confidence surveys.

Table 2.2 Predictions of general economic conditions for all farms over the next 12 months

	Improve	Stay Same	Worsen	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
All farms	2.7%	23.2%	72.5%	1.6%	-81.8	-69.8	+12.0↑

Figure 2.2 shows how net scores for predicted general economic conditions have tracked over the survey's life. The net scores have oscillated over the years, which shows that perceptions about the general economy can be volatile. Still, the trend since July 2017 has been clearly downward, although fluctuating slightly, culminating in an all-time low in January 2023 before its most recent slight rebound.

Figure 2.2 Net predictions of general economic conditions for all farms (July 2009-July 2023)





## 2.2 Industry Groups

All industry groups had declines in their net perceptions of current economic conditions and all had net scores of -80 or worse. Other industry group farmers had the biggest drop and were the most pessimistic while Meat & Wool farmers had the smallest drop and were the least pessimistic – but only relatively speaking.

*Table 2.3 Current perceptions of general economic conditions by industry group*

	Good General Economic Conditions Currently	Neither Good nor Bad	Bad General Economic Conditions Currently	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Dairy	0.6%	16.3%	82.7%	0.4%	-58.8	-82.0	-23.2↓
Meat & Wool	1.0%	17.7%	81.0%	0.2%	-73.9	-80.0	-6.1↓
Arable	0.0%	15.4%	84.6%	0.0%	-71.8	-84.6	-12.8↓
Other (includes mixed cropping)	0.0%	9.1%	88.6%	2.3%	-58.1	-88.6	-30.5↓

Looking ahead over the next 12 months, there were improvements in net expectations for all industry groups, except Other industry farmers, which had a drop to be the most pessimistic group. Dairy was the least pessimistic group – but again only relatively speaking. Where there were improvements it was only because more farmers thought conditions would stay the same.

*Table 2.4 Predictions of general economic conditions by industry group*

	Improve	Stay Same	Worsen	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Dairy	3.6%	26.5%	67.9%	2.0%	-82.8	-64.2	+18.6↑
Meat & Wool	2.2%	20.4%	76.4%	1.0%	-81.2	-74.2	+7.0↑
Arable	0.0%	27.5%	72.5%	0.0%	-93.8	-72.5	+21.3↑
Other	0.0%	6.8%	88.6%	4.5%	-74.3	-88.6	-14.3↓

## 2.3 Regions

All seven regions had deeply negative net scores for current economic conditions, and all posted further declines in their net scores.

The least pessimistic region was Auckland-Northland, followed closely by Taranaki-Manawatu which also had the smallest deterioration in sentiment. The most pessimistic region was West Coast-Tasman-Marlborough, which also had the largest deterioration in sentiment. But only 12 points separated the seven regions.

Table 2.5 Current perceptions of general economic conditions by region

	Good General Economic Conditions Currently	Neither Good nor Bad	Bad General Economic Conditions Currently	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	0.0%	23.0%	77.0%	0.0%	-58.4	-77.0	-18.6↓
Waikato-Bay of Plenty	0.4%	17.7%	81.8%	0.0%	-60.2	-81.4	-21.2↓
East Coast North Island	0.9%	15.9%	83.2%	0.0%	-70.3	-82.3	-12.0↓
Taranaki-Manawatu	0.7%	19.9%	78.8%	0.7%	-72.2	-78.1	-5.9↓
WC-Tasman-Marlborough	0.0%	11.4%	88.6%	0.0%	-64.7	-88.6	-23.9↓
Canterbury	1.1%	14.9%	83.4%	0.6%	-61.7	-82.3	-20.6↓
Otago-Southland	1.1%	13.7%	84.2%	1.1%	-68.5	-83.2	-14.7↓

Looking ahead, all seven regions continued to have many more respondents expecting general economic conditions to worsen over the next 12 months rather than improve. However all regions has improvements in their next expectations, except Auckland-Northland which was virtually unchanged and was the most pessimistic region. Waikato-Bay of Plenty, Taranaki-Manawatu and West Coast-Tasman-Marlborough were the least pessimistic regions – but only relatively speaking.

Table 2.6 Predictions of general economic conditions by region looking forward

	Improve	Stay Same	Worsen	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	1.1%	18.4%	78.2%	2.3%	-76.6	-77.0	-0.4↓
Waikato-Bay of Plenty	2.1%	29.8%	66.4%	1.7%	-80.8	-64.3	+16.5↑
East Coast North Island	4.4%	20.2%	74.6%	0.9%	-80.5	-70.2	+10.3↑
Taranaki-Manawatu	4.8%	22.1%	69.7%	3.4%	-85.8	-64.8	+21.0↑
WC-Tasman-Marlborough	4.3%	26.1%	69.6%	0.0%	-72.5	-65.2	+7.3↑
Canterbury	1.1%	22.1%	76.2%	0.6%	-84.5	-75.1	+9.4↑
Otago-Southland	2.6%	20.4%	75.4%	1.6%	-82.4	-72.8	+9.6↑

## **Section 3**

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# **Farm Profitability**

### 3.1 Overall

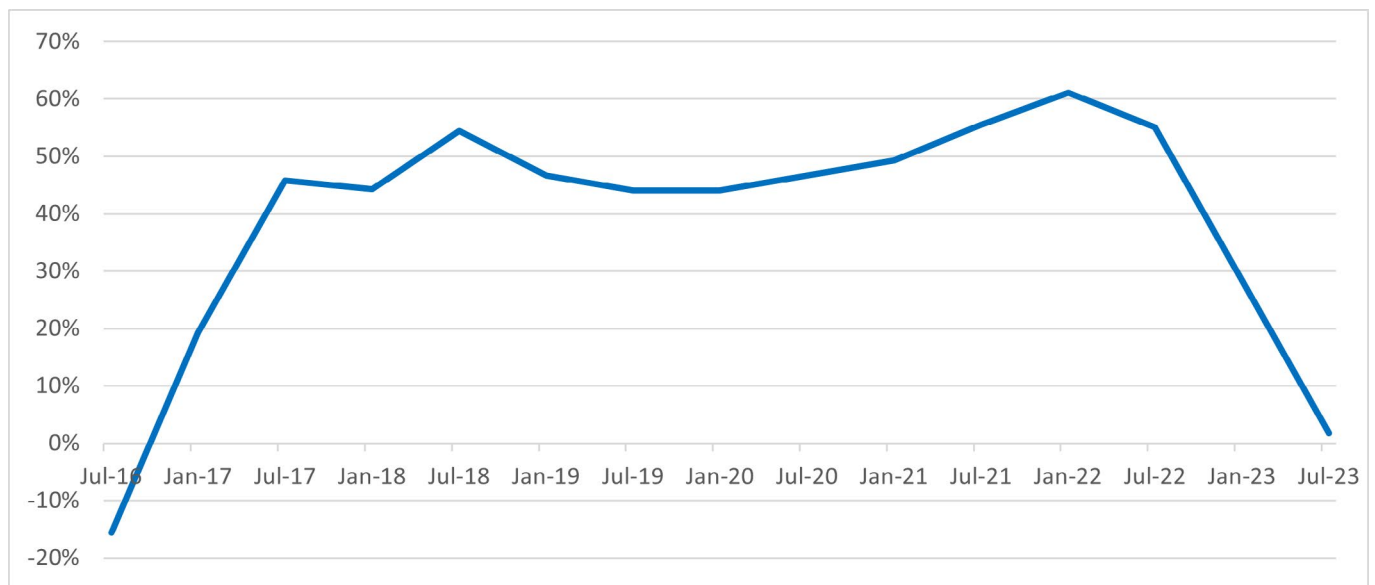
In this survey there was a further steep decline in current profitability, with the net score for ‘all farms’ dropping 27 points from January 2023 to +1.8. This reflects a continuation of a ‘perfect storm’, which hit last year, of falling international dairy and meat commodity prices, coupled with large increases in many farm input prices, especially fuel, fertiliser, and agri-chemicals. Staff shortages, both on-farm and off-farm, have crimped production and increased costs and higher interest rates are increasing debt servicing costs.

Table 3.1 Current perceptions of profitability: all farms

	Making a Profit	Breaking Even	Making a Loss	Rather not Say	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
All farms	28.7%	42.4%	26.9%	1.3%	0.8%	+28.4	+1.8	-26.6↓

Figure 3.1 shows that after recovering from the 2015-16 downturn in farm incomes (especially for dairy farms), perceptions of current farm profitability were very strong from mid-2017 to mid-2022 but they have slumped over the past 12 months.

Figure 3.1 Net current perceptions of all farm profitability (July 2016-July 2023)



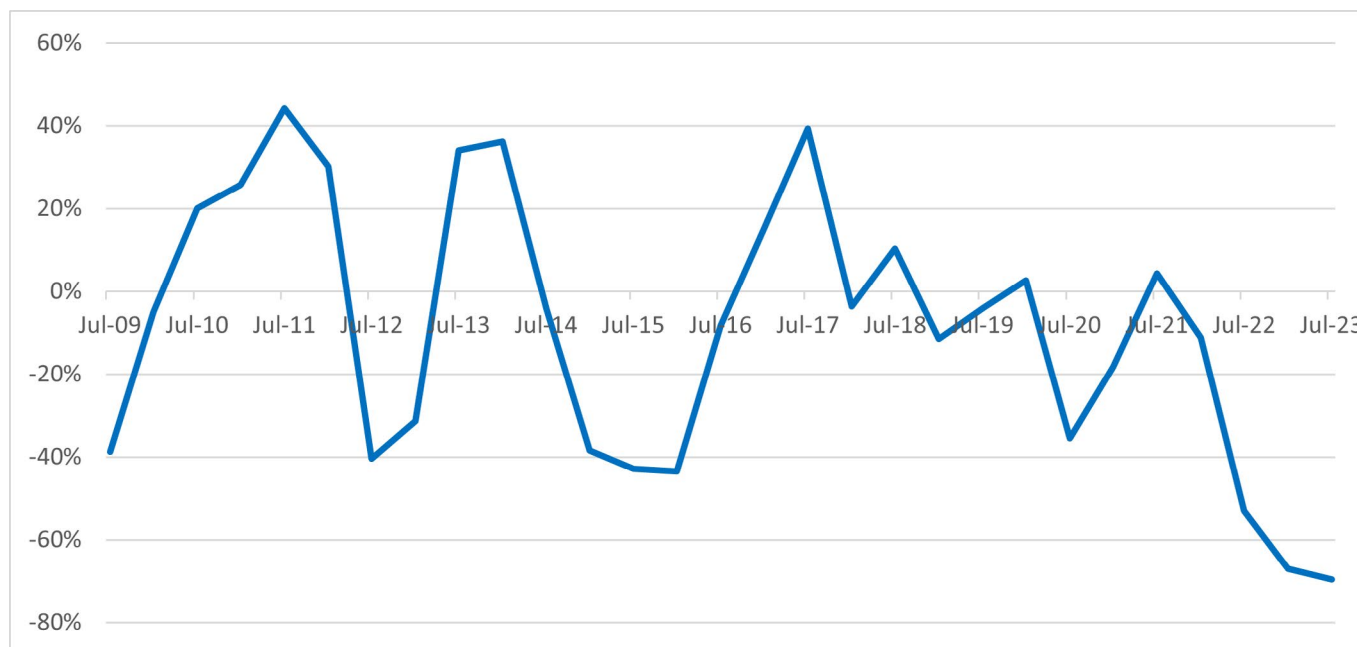
Expectations for profitability over the next 12 months have also declined, and the net score has become even more negative, dropping 3 points from January 2023 to -70. Farmers seem to be expecting a continuation of lower farmgate incomes and higher input costs, including interest rates.

Table 3.2 Predictions of farm profitability over the next 12 months: all farms

	Improve	Stay Same	Worsen	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
All farms	4.4%	20.2%	74.0%	1.4%	-67.1	-69.6	-2.5↓

Figure 3.2 shows net predictions of all farm profitability since July 2009 have, like economic predictions oscillated markedly over time. Generally, profitability expectations have been trending down since a peak in July 2017. They are now at their lowest level since the survey began, which is particularly concerning given the precarious situation with current profitability.

Figure 3.2 Net predictions of all farm profitability (July 2009-July 2023)



### 3.2 Industry Groups

All industry groups had drops in net scores for current profitability.

Dairy farms continued to have the lowest percentage of farms making a loss and despite the biggest drop in net score (down 35 points) it remains the most profitable industry group, with a net score of +8.6. At a forecast mid-point of \$8.00, the Fonterra farmgate milk price for the current 2023/24 season will be down from the last two seasons and it could be reduced further. Although the current forecast price is not low by historical standards higher farm input costs and higher interest rates have significantly increased costs of production and severely eroded profit margins.

Meat & Wool farmers’ net score for current profitability fell into negative territory for the first time since the question was first asked in 2016. Meat prices have been falling over the past year (albeit from relatively high levels) on the back of the weakening global economy impacting particularly on consumer demand for premium meats like lamb. Meat & Wool farmers have also faced sharply higher input costs.

Arable farmers had a relatively smaller decrease in their current profitability net score and it remained in positive territory. As well as challenging growing and harvesting conditions in many areas arable farmers have been particularly hard hit by high prices for fuel, fertiliser, and agri-chemicals.

*Table 3.3 Current farm profitability by industry group*

	Making a Profit	Breaking Even	Making a Loss	Rather not Say	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Dairy	32.4%	42.0%	23.8%	1.0%	0.8%	+43.6	+8.6	-35.0↓
Meat & Wool	25.2%	41.8%	31.1%	1.2%	0.7%	+12.2	-5.9	-18.1↓
Arable	25.0%	55.0%	17.5%	2.5%	0.0%	+18.7	+7.5	-11.2↓
Other	26.7%	40.0%	31.1%	2.2%	0.0%	+16.7	-4.4	-21.1↓

Looking ahead, all industry groups had relatively small declines in profitability expectations compared to six months ago, except Other industry farmers which had a big fall. Dairy and Meat & Wool had identical levels of pessimism. Arable farmers remained the least pessimistic group.

*Table 3.4 Predictions of expected farm profitability by industry group*

	Improve	Stay Same	Worsen	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Dairy	4.5%	19.2%	75.3%	1.0%	-69.0	-70.9	-1.9↓
Meat & Wool	3.7%	20.2%	74.6%	1.5%	-68.8	-70.9	-2.1↓
Arable	12.5%	27.5%	60.0%	0.0%	-46.9	-47.5	-0.6↓
Other	2.2%	20.0%	73.3%	4.4%	-52.0	-71.1	-19.1↓

### 3.3 Regions

All regions had decreases in their net scores compared to January 2023. Five of the seven regions continued to have positive net scores for current profitability (meaning more farms making a profit than a loss).

Despite having the largest fall in net score for current profitability, Taranaki-Manawatu continued to be the region with the highest net score, followed by Canterbury. The two regions with negative net scores were Auckland-Northland and West Coast-Tasman-Marlborough, the latter despite only a relatively small drop in net score.

Table 3.5 Current farm profitability by region

	Making a Profit	Breaking Even	Making a Loss	Rather not Say	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	16.3%	52.3%	30.2%	0.0%	1.2%	+11.7	-14.0	-25.7↓
Waikato-Bay of Plenty	28.4%	43.2%	26.3%	2.1%	0.0%	+26.8	+2.1	-24.7↓
East Coast North Island	28.9%	43.9%	25.4%	0.0%	1.8%	+30.2	+3.5	-26.7↓
Taranaki-Manawatu	31.0%	40.8%	24.6%	2.8%	0.7%	+42.9	+6.3	-36.6↓
WC-Tasman-Marlborough	28.9%	37.8%	31.1%	0.0%	2.2%	+5.9	-2.2	-8.1↓
Canterbury	31.0%	41.3%	26.1%	1.1%	0.5%	+35.0	+4.9	-30.1↓
Otago-Southland	30.5%	38.9%	28.4%	1.1%	1.1%	+22.9	+2.1	-20.8↓

Expectations for future profitability remained deeply negative for all regions. Three regions had declines in expectations – Auckland-Northland, Waikato-Bay of Plenty, and East Coast North Island, while the remaining four had improvements – although the improvements for Canterbury and Otago-Southland were so small to be virtually unchanged. These movements reflect regional expectations for production (see section 4).

Waikato-Bay of Plenty was the most pessimistic region, followed closely by Auckland-Northland, while West Coast-Tasman-Marlborough was the least pessimistic region – although only relatively speaking. These positions also reflect regional expectations for production.

Table 3.6 Predictions of expected farm profitability by region

	Improve	Stay Same	Worsen	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	3.4%	19.5%	77.0%	0.0%	-59.7	-73.6	-13.9↓
Waikato-Bay of Plenty	2.5%	19.1%	76.7%	1.7%	-63.0	-74.2	-11.2↓
East Coast North Island	3.5%	20.4%	75.2%	0.9%	-68.5	-71.7	-3.2↓
Taranaki-Manawatu	7.6%	16.7%	73.6%	2.1%	-71.6	-66.0	+5.6↑
WC-Tasman-Marlborough	4.4%	33.3%	66.2%	0.0%	-62.8	-57.8	+5.0↑
Canterbury	6.0%	22.5%	70.9%	0.5%	-64.9	-64.8	+0.1↑
Otago-Southland	3.2%	18.4%	75.8%	2.6%	-72.9	-72.6	+0.3↑



## **Section 4**

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# **Farm Production**

### 4.1 Overall

The July 2023 survey shows farmers’ expectations about future production have decreased further. Although most farmers expected their production to remain similar, it was down from January 2023 and the proportion of those expecting it to reduce was up. Those expecting it to increase was unchanged. As a result, the net score decreased by 2.1 points to -7.5.

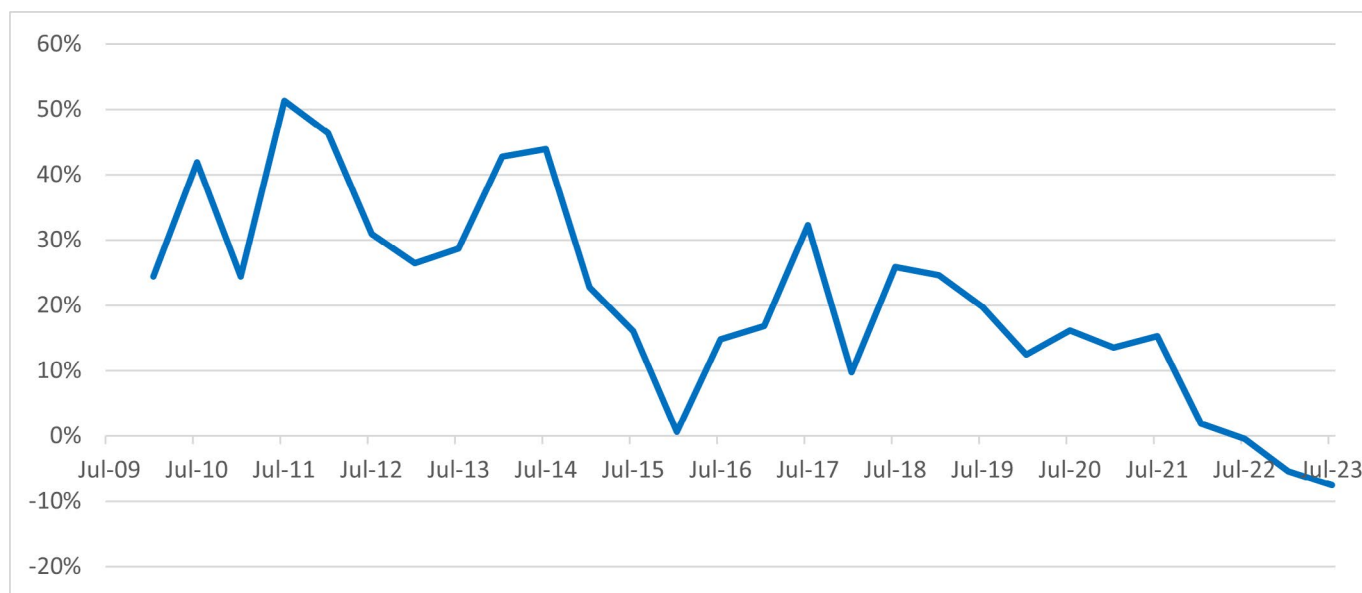
July 2022 was the first time since the question was first asked in January 2010 that the net production score has been negative and this survey has continued that run.

Table 4.1 Predictions of farm production over the next 12 months: all farms

	Increase	Stay Same	Reduce	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
All farms	14.5%	62.2%	22.0%	1.3%	-5.4	-7.5	-2.1↓

Figure 4.1 shows that net scores for production were consistently over +20 until mid-2015 but have been consistently below +20 since mid-2019. Tougher environmental regulations, farm-to-forestry conversions, challenging weather, lower expenditure on farm inputs as farmers tighten their belts to cut costs (see section 5), and acute labour shortages have all been taking their toll.

Figure 4.1 Net predictions of farm production: all farms (January 2010-July 2023)



## 4.2 Industry Groups and Regions

All industry groups had more respondents expecting to reduce production than increase production. The Dairy industry group bucked the overall trend and had an increase in its net production score to be the least pessimistic about future production. The other industry groups had decreases in their net scores, with Arable's drop particularly steep.

*Table 4.2 Predictions of future farm production by industry group*

	Increase	Stay Same	Reduce	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Dairy	16.0%	61.5%	20.5%	2.0%	-9.3	-4.5	+4.8↑
Meat & Wool	14.4%	61.6%	24.0%	0.0%	-1.8	-9.7	-7.9↓
Arable	10.0%	70.0%	20.0%	0.0%	+9.7	-10.0	-19.3↓
Other	8.9%	68.9%	22.2%	0.0%	-4.1	-13.3	-9.2↓

All but one of the seven regions had negative net production scores, the exception being Otago-Southland, which was evenly balanced. However, three of the four regions had increases in their net scores, with West Coast-Tasman-Marlborough having a big increase from a very weak result in January. It is unlikely to be a coincidence that the two regions with the biggest drops in net scores (Auckland-Northland and East Coast North Island) were the hardest hit by the severe weather events earlier in the year.

*Table 4.3 Predictions of future farm production by region*

	Increase	Stay Same	Reduce	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	9.3%	52.3%	37.2%	1.2%	-6.5	-27.9	-21.4↓
Waikato-Bay of Plenty	13.2%	61.7%	23.4%	1.7%	-6.9	-10.2	-3.3↓
East Coast North Island	8.8%	63.2%	28.1%	0.0%	-3.2	-19.3	-16.1↓
Taranaki-Manawatu	14.6%	68.1%	15.3%	2.1%	-10.1	-0.7	+9.4↑
WC-Tasman-Marlborough	20.0%	57.8%	22.2%	0.0%	-23.5	-2.2	+21.3↑
Canterbury	18.1%	60.4%	20.9%	0.5%	-3.5	-2.7	+0.8↑
Otago-Southland	16.4%	65.6%	15.9%	2.1%	+0.9	+0.5	-0.4↓

## Section 5

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# Farm Spending

## 5.1 Overall

After a sharp drop in the January 2023 survey, farmers’ spending expectations for the next 12 months slumped further in July 2023, down 35 points to be 66 points lower than July 2022’s record high.

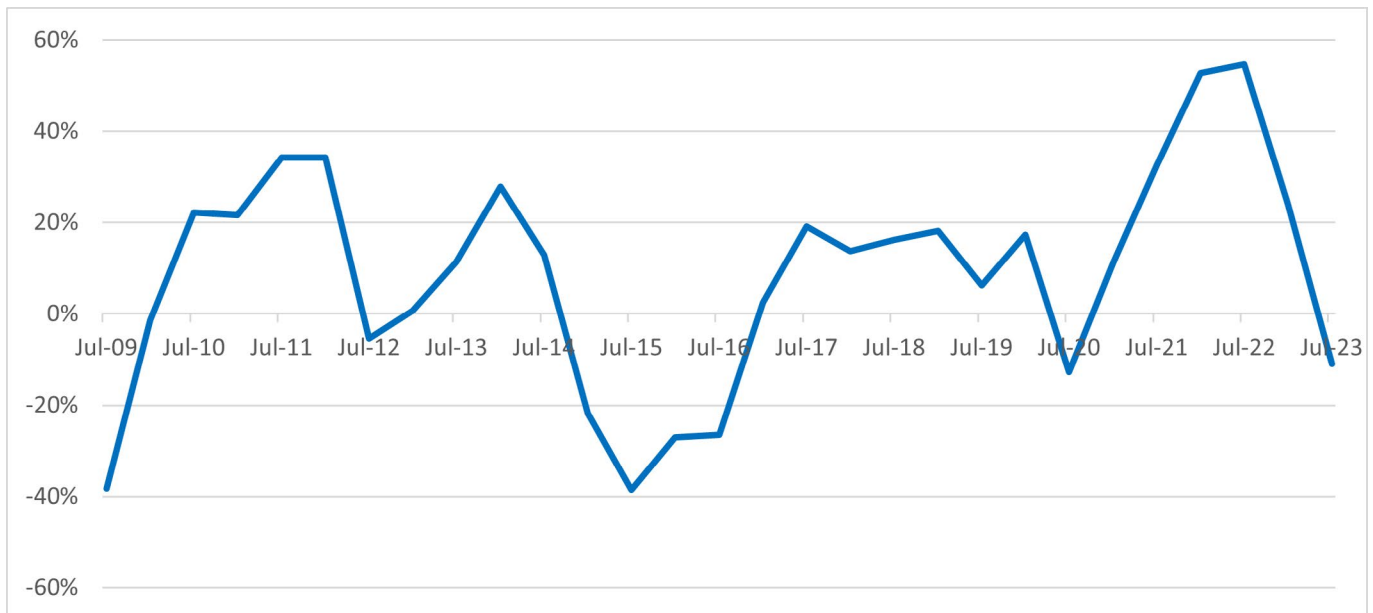
Table 5.1 Predictions of expected farm spending over the next 12 months: all farms

	Increase	Stay Same	Reduce	Don’t Know	January 2023 Net Score	July 2023 Net Score	Change
All farms	34.4%	19.2%	45.3%	1.1%	+24.1	-10.9	-35.0↓

Figure 5.1 shows how spending expectations have tracked over the life of the survey. Spending expectations have traditionally been positively linked to farm production, farm profitability, and general economic confidence.

However, in the January 2022 and July 2022 surveys, increased spending intentions moved against these metrics due to very high inflation in farm input prices. In the January 2023 and July 2023 surveys increasing proportions of farmers are responding to sharply lower expectations for profitability by looking to shut their wallets and reduce the volume (i.e., price-adjusted) of spending. This does not bode well for farm production (see section 4) or for the wider economy, especially in rural and provincial towns and cities where many businesses sell goods and services to farms.

Figure 5.1 Net predictions of expected farm spending (July 2009-July 2023)



## 5.2 Industry Groups and Regions

All farm industry groups had drops in the net spending scores and all now expect their spending to decrease over the next 12 months – a turnaround from January 2023 when all had positive net scores. The biggest drop was for Dairy which had a 46 point slump. Despite that drop Dairy still had the highest net score, while Meat & Wool had the lowest net score. This is consistent with current profitability where Dairy was the most optimistic industry group and Meat & Wool the least optimistic.

*Table 5.2 Predictions of expected farm spending by industry group*

	Increase	Stay Same	Reduce	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Dairy	36.7%	18.9%	43.4%	1.0%	+39.7	-6.7	-46.4↓
Meat & Wool	31.4%	20.0%	47.5%	1.0%	+5.7	-16.1	-21.8↓
Arable	33.3%	20.5%	46.2%	0.0%	+9.4	-12.8	-22.2↓
Other	36.4%	15.9%	47.7%	0.0%	+26.4	-11.4	-37.8↓

All seven regions had drops in their spending net scores, with the biggest drop for Taranaki-Manawatu and the smallest drop for Auckland-Northland. Auckland-Northland also continued to have a strongly positive net score, well above that for the region with the next highest score – West Coast-Tasman-Marlborough which was evenly balanced.

*Table 5.3 Predictions of expected farm spending by region*

	Increase	Stay Same	Reduce	Don't Know	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	51.8%	16.5%	30.6%	1.2%	+31.1	+21.2	-9.9↓
Waikato-Bay of Plenty	36.8%	16.2%	46.2%	0.9%	+25.9	-9.4	-35.3↓
East Coast North Island	36.8%	15.8%	47.4%	0.0%	+25.2	-10.5	-35.7↓
Taranaki-Manawatu	28.7%	19.6%	48.3%	3.5%	+25.5	-19.6	-45.1↓
WC-Tasman-Marlborough	37.0%	23.9%	37.0%	2.2%	+13.7	0.0	-13.7↓
Canterbury	30.0%	23.3%	46.1%	0.6%	+21.6	-16.1	-37.7↓
Otago-Southland	29.8%	19.9%	49.7%	0.5%	+18.5	-19.9	-38.4↓

## **Section 6**

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# **Farm Debt**

## 6.1 Overall

There has been a further increase in farmers' debt expectations over the past six months, even as banks' lending conditions for agriculture continue to be tight and interest rates rise. There has been quite a turnaround over the past 18 months.

16% of farmers expected their debt to reduce over the next 12 months, down 6 points from January 2023 and down 27 points from January 2022. On the other hand, 30% farmers expected their debt to increase, up 4 points from January 2023 and up 18 points from January 2022. As a result, the net score of +14 was up 10 points from January 2023 and up 45 points from January 2022.

*Table 6.1 Predictions of future farm debt over the next 12 months: all farms*

	Increase	Stay Same	Reduce	Don't Know	No Debt	January 2023 Net Score	July 2023 Net Score	Change
All farms	29.9%	42.5%	15.9%	1.5%	10.2%	+3.7	+13.9	+10.2↑
All Farms with Debt	33.3%	47.3%	17.7%	1.7%	--	+4.2	+15.6	+11.4↑

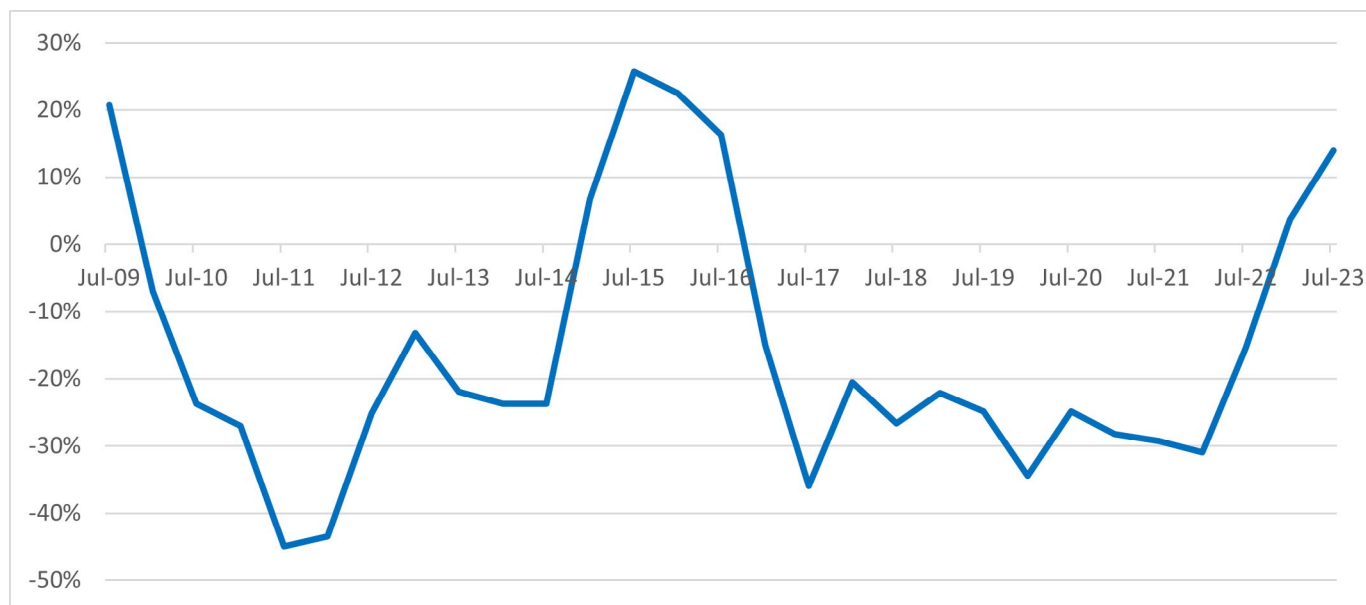
Figure 6.1 shows how the net debt score has tracked over the life of the survey. Over most of that time more farmers expected to reduce debt than increase it. The main exceptions were the periods following the Global Financial Crisis in 2009 and from January 2015 to July 2016 during the last prolonged downturn in dairy prices, which forced many dairy farmers to increase their debt to get through. Over the next six years there was a return to more farmers expecting to reduce debt than increase it as banks sought to reduce agricultural lending, especially to dairy farmers.

January 2023 was the first positive debt net score since July 2016 and it went higher in this survey. The turnaround since the start of 2022 reflects pressure on profitability and higher interest rates, which will together impact the ability of most farmers to pay down debt and might cause some farmers to borrow more to get through (as happened in 2009 and 2015-16). This is consistent with Federated Farmers' six monthly Banking Survey, most recently undertaken in May 2023.

The approach of banks during this challenging period will be very important. It is concerning that unlike the 2015-16 downturn, when large majorities of farmers felt satisfied with their banks, our Banking Survey has shown a steady deterioration in satisfaction and more farmers feeling under pressure from their banks. While farmers understand the need to tighten their belts and have more robust budgeting, banks also need to be more supportive and they need to improve their communication.



Figure 6.1 Net predictions of future farm debt: all farms (July 2009-July 2023)



## 6.2 Industry Groups and Regions

All industry groups had positive debt net scores (more farmers intending to increase debt than reduce it) and all had increases in their net scores. Dairy has the biggest increase in net score, but it remained lower than the other industry groups. Dairy farmers bore the brunt of efforts to reduce debt, with the sector’s debt down \$5 billion from mid-2019 to mid-2022, then stabilising and then more recently starting to edge up.

Table 6.2 Predictions of farm debt by industry group

	Increase	Stay Same	Reduce	Don't Know	No Debt	January 2023 Net Score	July 2023 Net Score	Change
Dairy	30.6%	39.9%	22.5%	1.2%	5.9%	-5.7	+8.1	+13.8↑
Meat & Wool	28.9%	46.2%	9.0%	1.0%	14.9%	+12.2	+19.8	+7.6↑
Arable	35.0%	47.5%	12.5%	0.0%	5.0%	+18.8	+22.5	+3.7↑
Other	31.1%	40.0%	11.1%	6.7%	11.1%	+10.9	+20.0	+9.1↑

All seven regions had increases in their debt net scores, with the largest increase for Canterbury, followed by East Coast North Island. The smallest increase was for West Coast-Tasman-Marlborough, followed by Otago-Southland.

They also all had positive net scores. The highest score was for East Coast North Island, which was hard hit by Cyclone Gabrielle and its aftermath, well ahead of the next highest, Otago-Southland. Taranaki-Manawatu had the lowest net score, followed closely by Waikato-Bay of Plenty. Both are dairy-dominant regions.

Table 6.3 Predictions of farm debt by region

	Increase	Stay Same	Reduce	Don't Know	No Debt	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	24.4%	46.5%	15.1%	1.2%	12.8%	-3.9	+9.3	+13.2↑
Waikato-Bay of Plenty	23.7%	46.2%	16.9%	2.1%	11.0%	-6.2	+6.8	+13.0↑
East Coast North Island	36.8%	39.5%	7.9%	1.8%	14.0%	+13.4	+28.9	+15.5↑
Taranaki-Manawatu	26.2%	44.1%	20.0%	0.7%	9.0%	+0.7	+6.2	+5.5↑
WC-Tasman-Marlborough	28.3%	30.4%	17.4%	6.5%	17.4%	+9.8	+10.9	+1.1↑
Canterbury	31.7%	42.1%	14.8%	1.1%	10.4%	-0.5	+16.9	+17.4↑
Otago-Southland	36.6%	40.3%	17.3%	0.5%	5.2%	+16.7	+19.4	+2.7↑

## **Section 7**

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# **Ability to Recruit**

## 7.1 Overall

Farmers continued to report difficulty recruiting skilled and motivated staff over the previous six months, but in this survey the net score dropped compared to January 2023. This was on the back of a drop in those feeling it had been harder. There was no significant increase in those thinking it had been easier, the apparent improvement was more down to an increase in those feeling there had been no change.

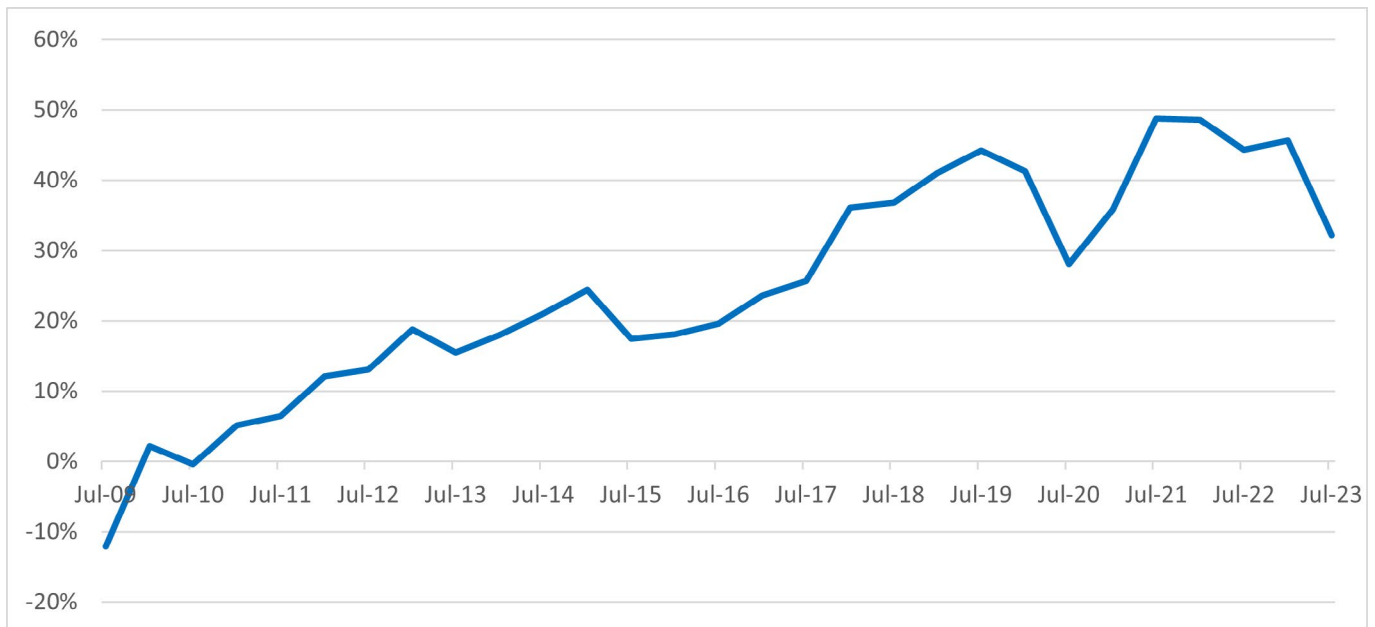
Table 7.1 Ability to recruit skilled and motivated staff in the previous six months: all farms

	Harder	No change	Easier	Don't Know	Don't Employ	January 2023 Net Score	July 2023 Net Score	Change
All farms	34.1%	33.7%	1.9%	6.0%	24.3%	+45.7	+32.2	-13.5↓

Figure 7.1 shows how the recruitment net score has tracked over the life of the survey. Generally, the trend has been upwards since the survey began in July 2009, apart from a short-lived dip in mid-2020 in the wake of the initial COVID-19 lockdown. Even before the pandemic there were severe labour shortages, with farmers finding it difficult to attract and retain suitable staff. It has been hard work convincing enough New Zealanders to live and work in rural settings.

There are recent indications that the wider labour market might finally be easing with a slowing economy and a pick-up in immigration. But an additional farming-specific explanation is that fewer farmers have been actively looking for workers because they have been tightening their belts in the face of lower incomes and higher costs and/or they have given up trying to find suitable recruits.

Figure 7.1 Net ability to recruit skilled and motivated staff: all farms (July 2009-July 2023)



## 7.2 Industry Groups and Regions

Compared to January 2023, all four industry groups had drops in their net scores for difficulty in recruiting skilled and motivated staff. Arable had the biggest drop and it became the industry group with the lowest net score. Dairy farmers also had a large drop in their net score but it remained the industry group having the most difficulty.

Meat & Wool had only a small drop in its net score. It also continued to have the highest percentage of farmers who do not employ staff.

*Table 7.2 Difficulty to recruit skilled and motivated staff by industry group*

	Harder	No change	Easier	Don't Know	Don't Employ	January 2023 Net Score	July 2023 Net Score	Change
Dairy	36.8%	40.0%	2.6%	5.3%	15.2%	+55.7	+34.1	-21.6↓
Meat & Wool	31.7%	26.3%	0.7%	5.9%	35.4%	+33.1	+31.0	-2.1↓
Arable	27.5%	32.5%	5.0%	10.0%	25.0%	+59.4	+22.5	-36.9↓
Other	33.3%	37.8%	2.2%	8.9%	17.8%	+42.5	+31.1	-11.4↓

All seven regions continued to have more respondents finding it harder than easier to recruit skilled and motivated staff. Canterbury had the smallest net score and East Coast North Island had the highest net score.

East Coast North Island was also one of two regions, the other being Auckland-Northland, to have an increase in their net score compared to January 2023. They were also the two regions most hard hit by recent severe weather events and the demand for response and recovery work may have affected local labour markets. In contrast other regions had large drops in their net scores, with West Coast-Tasman-Marlborough's the biggest.

*Table 8.3 Difficulty to recruit skilled and motivated staff by region*

	Harder	No change	Easier	Don't Know	Don't Employ	January 2023 Net Score	July 2023 Net Score	Change
Auckland-Northland	32.9%	32.9%	1.2%	10.6%	22.4%	+31.2	+31.8	+0.6↑
Waikato-Bay of Plenty	31.1%	33.2%	1.3%	6.0%	28.5%	+49.0	+29.8	-19.2↓
East Coast North Island	49.6%	25.2%	0.9%	4.3%	20.0%	+47.2	+48.7	+1.5↑
Taranaki-Manawatu	35.7%	37.1%	0.7%	4.9%	21.7%	+47.5	+35.0	-12.5↓
WC-Tasman-Marlborough	30.4%	21.7%	2.2%	10.9%	34.8%	+49.0	+28.3	-20.7↓
Canterbury	29.3%	37.6%	5.0%	5.0%	23.2%	+43.0	+24.3	-18.7↓
Otago-Southland	33.5%	35.6%	1.6%	5.8%	23.6%	+46.4	+31.9	-14.5↓

## **Section 8**

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# **Greatest Concerns**

## 8.1 Overall

Respondents were asked to identify their three highest front-of-mind concerns.

Table 8.1 shows how farmers' main concerns have changed since the July 2022 and January 2023 surveys. The percentages in the table are the averages of each concern's three choices.

**Debt, Interest, and Banks** leapt in prominence, climbing from second place in January 2023 to first place in July 2023. Mortgage and overdraft interest rates have risen sharply in response to the Reserve Bank's tightening of monetary policy to fight high inflation. Lending conditions also continue to be strict which is adding to farmers' financial pressure.

**Regulation and Compliance Costs** climbed from third to second place. It is a 'catch-all' for many different issues across a spectrum of environmental, employment and health & safety, and industry-specific regulation (e.g., animal welfare, traceability, etc). There have been a plethora of new or tougher regulations in recent years.

**Climate Change Policy & Emissions Trading Scheme (ETS)** slipped from first to third place. After having a high profile during 2022, the pricing of agricultural emissions has gone quiet in recent months, with the Government yet to make decisions at the time of the survey.

**Farmgate and commodity prices** jumped from sixth to fourth place. International prices for dairy and meat have been falling for more than a year and this has flowed through the farmgate incomes.

Concern about the **economic situation** was stable with it remaining in fifth place.

**Input Costs** slipped from fourth to sixth place. High inflation in the general economy has eased a little this year (but remains high) as has on-farm inflation with price pressures coming off fuel and fertiliser.

Table 8.1 Top twelve greatest concerns over the three most recent surveys (July 2022 to July 2023)

July 2022		January 2023		July 2023	
Climate Change Policy & ETS	19.8%	Climate Change Policy & ETS	17.9%	Debt, Interest, Banks	16.9%
Regulation & Compliance Costs	13.6%	Debt, Interest, Banks	13.6%	Regulation & Compliance Costs	13.7%
Input Costs	10.7%	Regulation & Compliance Costs	11.9%	Climate Change Policy & ETS	12.5%
Debt, Interest, Banks	8.8%	Input Costs	9.9%	Farmgate & Commodity Prices	11.3%
Political Situation	7.9%	Economic Situation	7.2%	Economic Situation	7.7%
Economic Situation	7.5%	Farmgate & Commodity Prices	7.2%	Input Costs	7.5%
Freshwater Policy	7.1%	Blanket Forestry Conversion	6.0%	Political Situation	6.1%
Blanket Forestry Conversion	3.7%	Political Situation	5.8%	Freshwater Policy	4.2%
Staffing Issues	3.5%	Freshwater Policy	4.5%	Viability & Profitability	3.9%
Pests, Diseases, Biosecurity	2.9%	Viability & Profitability	3.0%	Poor State of Rural Infrastructure	3.4%
Poor State of Rural Infrastructure	2.5%	Staffing	2.6%	Blanket Forestry Conversions	2.7%
Farmgate & Commodity Prices	2.1%	Environment	2.2%	Weather	2.2%

The January 2023 survey asked for the first time whether mental health and wellbeing was being affected considering economic conditions, weather, policy issues or other forms of pressure. We repeated the question in this survey.

Overall, 69% of respondents answered 'yes' (down 2 points from January 2023), 21% answered 'no' (up 3 points), and 10% were 'unsure' (down 1 point).

Arable and Other industry farmers had the highest percentages answering 'yes' (78% for each), followed by Dairy (70%), while Meat & Wool had the lowest percentage (65%).

Waikato had the highest percentage answering 'yes' (72%), followed by Auckland-Northland (71%), East Coast North Island and Canterbury (70% each), Otago-Southland (68%), West Coast-Tasman-Marlborough (67%), while Taranaki-Manawatu had the lowest percentage (60%)



## **Section 9**

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# **Highest Government Priorities**

## 9.1 Overall

Respondents were asked to identify their three highest front-of-mind priorities for the Government.

Table 9.1 shows how farmers' main Government priorities have changed since the July 2022 and January 2023 surveys. The percentages in the table are the averages of each concern's three choices.

The top three issues were in the same order in July 2022 and January 2023, but there were significant changes in July 2023.

There is an old political saying 'it's the economy, stupid' and as we near the general election this is high on farmers' wish list for government focus. **Economy & Business Environment** surged 22 points and moved from second to first place. The economy is facing big challenges, with growth stumbling and inflation remaining too high. There is a great need for policies and programmes that help boost productivity and competitiveness.

Although **Fiscal Policy** also picked up support, it moved down from first to second place. Government spending has risen rapidly since 2017, even when putting aside extraordinary stimulus in response to COVID-19. Although tax revenue has also grown, the fiscal deficit is large, and debt has ballooned. Most farmers want fiscal responsibility which means containing growth in government spending and taxes, and reducing debt.

Coming from nowhere into third place was **Disaster Recovery**. This was clearly in response to recent severe weather events in the North Island which have caused huge damage and loss of production. It was understandably a higher priority for respondents in the affected regions, especially East Coast North Island.

**Climate Change Policy & ETS** climbed from seventh to fourth place. This was despite a reduction in farmer concern about the issue (see section 8). **Biosecurity** also rose from ninth to fifth place despite it having been relatively quiet recently on that front.

**Employment & Skills** slipped from fifth to sixth place, perhaps reflecting an easing in the labour market, but there was a surprisingly big drop for **Regulation & Compliance Costs** from third to seventh place, which is odd considering its continued high level of concern for farmers. It has been crowded out by the Economy & Business Environment, as was **Supporting Agriculture & Exporters**, which slipped from fourth to tenth place.

Table 9.1 Top twelve highest priorities for Government over the three most recent surveys (July 2022 to July 2023)

July 2022		January 2023		July 2023	
Fiscal Policy	16.7%	Fiscal Policy	16.8%	Economy & Business Environment	37.7%
Economy & Business Environment	14.2%	Economy & Business Environment	15.6%	Fiscal Policy	18.0%
Regulation & Compliance Costs	12.9%	Regulation & Compliance Costs	12.9%	Disaster Recovery	11.8%
Biosecurity	11.3%	Supporting Ag & Exporters	8.9%	Climate Change Policy & ETS	9.3%
Employment & Skills	9.0%	Employment & Skills	8.6%	Biosecurity	8.0%
Supporting Ag & Exporters	7.1%	Monetary Policy	7.4%	Employment & Skills	4.0%
Monetary Policy	5.1%	Climate Change Policy & ETS	4.3%	Regulation & Compliance Costs	3.5%
Social Issues	4.3%	Social Issues	4.3%	Monetary Policy	2.4%
Climate Change Policy & ETS	3.5%	Biosecurity	3.6%	Environment	0.9%
Research & Science	2.7%	Transport, Communications, Energy	3.4%	Supporting Ag & Exporters	0.8%
Transport, Communications, Energy	2.1%	Research & Science	2.1%	Freshwater Policy	0.7%
Freshwater Policy	1.5%	Restrict Overseas Investment	1.7%	Industry Specific Issues	0.7%

## **Section 10**

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# **About this Survey**

## 10.1 Research Design

Federated Farmers have been conducting biannual Farm Confidence Surveys since July 2009. These surveys measure farmer confidence over eight key issues in the farming profession and community. Members of Federated Farmers are invited to complete these surveys, which run in January and July each year.

The online survey was undertaken from 10-17 July 2023 and received 1,010 responses from farmers in four industry groups over 24 provinces (condensed into seven regions) across New Zealand (Tables 11.1 and 11.2).

*Table 11.1 Completed surveys by region*

	Number of Respondents	%
Auckland-Northland	88	8.7%
Waikato-Bay of Plenty	236	23.4%
East Coast NI	115	11.4%
Taranaki-Manawatu	146	14.5%
WC-Tasman-Marlborough	46	4.6%
Canterbury	184	18.2%
Otago-Southland	191	18.9%
Blank	4	0.4%
<b>TOTAL</b>	<b>1,010</b>	<b>100.0%</b>

*Table 11.2 Completed surveys by industry group*

	Number of Respondents	%
Dairy	496	49.1%
Meat & Wool	411	40.7%
Arable	40	4.0%
Other	45	4.5%
Blank	18	1.8%
<b>TOTAL</b>	<b>1,010</b>	<b>100.0</b>

Like all Federated Farmers' Farm Confidence Surveys, results must be treated cautiously. Although the sample reported here is large, it is a self-selected sample. Also, smaller numbers of Arable and 'Other' types of farmers mean that these industry groups' results may vary more from survey to survey than Dairy and Meat & Wool farms.

## 10.2 About Net Scores

A net score is an index ranging from -100 to +100 that measures the skew of all responses towards one of two possible 'extreme' responses to a question. Typically, and in this survey, the net Score is calculated by subtracting the proportion of 'negative' responses (e.g., decrease, worsen etc.) from the proportion of 'positive' responses (e.g., increase, improve etc.). A score of -100 describes a scenario where all responses were negative, 0 reflects that an equal proportion of people responded positively as did negatively, and +100 would mean that all responses were positive.

## **Section 11**

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# **Appendix**

## 11.1 Further Survey Detail

'Other' farmers include Pigs, Poultry, Horses, Bees, Goats, High Country, Rural Butchers, Horticultural Crops (such as fruit, vegetables, and flowers), and Forestry. In addition, dairy grazing was offered as a new business activity in July 2020.

### 11.1.1 The Seven Regions Related 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, Hawke's Bay, Tararua, and Wairarapa provinces
- Taranaki/Whanganui/Manawatu: Taranaki, Ruapehu, Whanganui, 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

### 11.1.2 Concerns for Farmers: Full List and Detail

- Blanket Forestry Conversion
- Climate Change Policy & ETS
- Debt, Interest, Banks
- Economic Situation
- Environment
- Exchange Rate
- Farmgate & Commodity Prices
- Feed & Grazing
- Firearms Restrictions
- Freshwater Policy
- Industry-Specific Issues
- Input Costs
- Local Govt & Rates
- Other
- Pests, Disease & Biosecurity
- Political Situation
- Public Perceptions
- Regulation & Compliance Costs
- Staffing
- Viability & Profitability
- Weather



### 11.1.3 Priorities for Government: Full List and Detail

- Biosecurity
- Climate Change Policy & ETS
- Earthquake Recovery
- Economy & Business Environment
- Employment & Skills
- Environment
- Fiscal Policy
- Freshwater Policy
- Housing
- Industry-Specific Issues
- Local Govt Reform
- Monetary Policy
- Nothing/Don't know
- Other
- Reduce Immigration
- Re-Election
- Regulation & Compliance Costs
- Research & Science
- Restrict Overseas Investment
- Rural & Regions
- Social Issues
- Supporting Ag & Exporters
- Tax Reform
- Trade Policy
- Transport, Communication, Energy
- Water Storage
- Welfare Reform

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