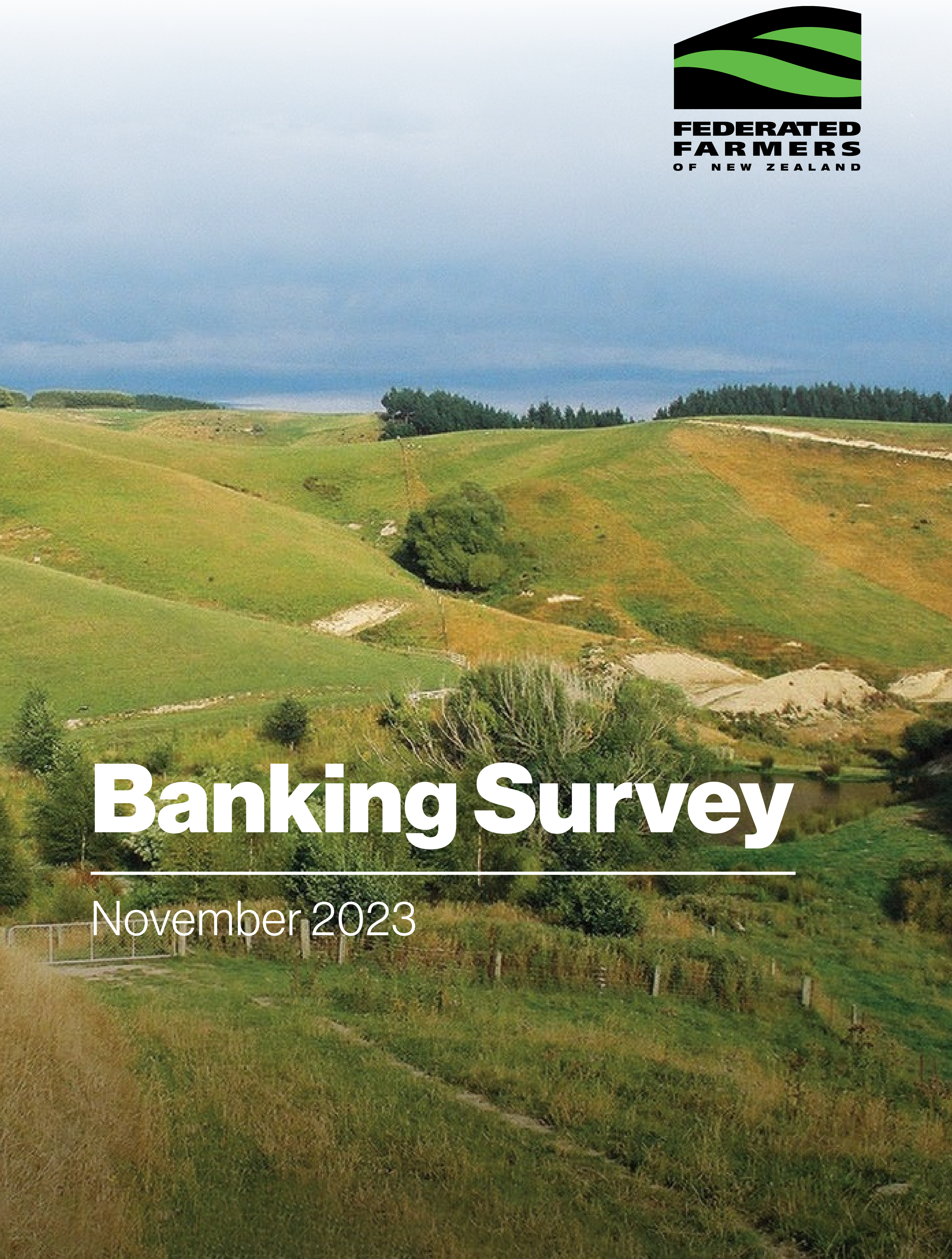
FEDERATED FARMERS
OF NEW ZEALAND



Banking Survey

November 2023

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Context

This report shows the results of the November 2023 Federated Farmers' Banking Survey. This is the twentieth 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

- 80.9 percent of farmers said they had a mortgage. This was up 2.2 points from May's survey. Other Industry Group farmers were most likely to have a mortgage at 90.5 percent. Meat & Wool farmers were least likely at 70.8 percent.
- Over the past six months, the average farm mortgage value has decreased from $4.31 million to $4.26 million while the median decreased from $2.80 million to $2.00 million.
- The average mortgage interest rate increased from 7.84 percent to 8.26 percent, up 42 basis points since May (and up 447 basis points since its lowest point in May 2021). Sharemilkers had the highest average of 8.79 percent and Arable the lowest of 7.80 percent.
- Overall, 1.7 percent of farmers were paying a mortgage interest rate of less than 5 percent, down from 2.1 percent in May (and from a peak of 91.5 percent in May 2021). Meanwhile, 3.2 percent were paying a rate higher than 10 percent, compared to 1.8 percent in May 2023.
- 74.1 percent of farmers had an overdraft facility, a little lower than in May. The average overdraft limit was $311,400, a $18,400 increase, while the median limit was unchanged at $150,000.
- The average overdraft interest rate increased from 10.07 percent to 10.52 percent, up 45 basis points since May (and up 424 points since its lowest point in November 2021. Sharemilkers had the highest average of 11.03 percent and Arable the lowest of 10.13 percent.
- Overall, there were no farmers paying an overdraft interest rate less than 5 percent, down from 0.3 percent in May (and down from a peak of 20.1 percent in November 2021). Meanwhile, 34.9 percent were paying more than 10 percent, up 0.4 points.

Relationship Perceptions

- Farmer satisfaction with their bank relationship continues to slip. Although a majority remain satisfied with their banks, with 55.6 percent saying they were very satisfied or satisfied with their bank relationship, this was down 0.7 points from the previous survey in May and the lowest since the survey began in May 2015. Arable farmers were the most satisfied of industry groups, while Other Industry farmers were the least satisfied with less than half saying they were very satisfied or satisfied.
- There were many comments from respondents remarking that their dissatisfaction was due to interest rates that were too high and much higher than those for residential borrowers. Many also remarked that their high interest rates are being imposed at a time when banks were reporting record profits. There was concern about the state of competition in rural lending and some blamed the impact of regulation, such as bank capital requirements and risk weightings. Some also expressed concern about banks pushing for reductions in farms' greenhouse gas emissions. There was appetite from many for an inquiry into rural banking, something Federated Farmers has pushed.
- 25.8 percent of farmers perceived they had come under undue pressure over the past six months, up 2.0 points from May. All industry groups had higher proportions compared to six months ago and all were over 20 percent. Sharemilkers felt the most pressure and Meat & Wool farmers felt the least pressure.
- 44.3 percent of farmers felt their mental wellbeing had been affected by their debt levels, interest rates, changing condition, or other forms of pressure, up 0.7 points from May 2023. 44.2 percent felt it had not been affected, down 2.6 points. The remaining 11.4 percent were unsure. Other Industry 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 4.6 percent reporting easier conditions (up 1.6 points from May) and 30.6 percent reporting tougher conditions (down 0.5 points). Other Industry Group farmers were most likely to report tougher conditions.
- Perceptions of the quality of bank communication improved, breaking a run of declines over the past five years. 56.9 percent said their bank communications had been very good or good, up 4.1 points from May. Arable farmers rated their quality of communication the highest. Meat & Wool had the most negative perceptions. Those without bank loans were particularly unhappy with communication.
- Although many respondents were complimentary about their banking relationships, comments from respondents highlighted the size and speed of interest rate increases on top of continued concern about banks' tough lending policies for rural purposes, less frequent communication, bank branch closures and consolidation of rural staff into larger centres more remote from rural areas, high turnover of bank staff, and staff having less understanding of farming.

Budgeting

- Most farmers had up-to-date, detailed budgets for the current season, reflecting tougher times financially. 64.5 percent farmers had an up-to-date budget for the 2023/24 season, down from 67.5 percent in May for the 2022/23 season (but up from 60.6 percent in November 2022.
- However, only 18.0 percent had up-to-date, detailed budgets for 2024/25, down from 40.8 percent in May for the 2023/24 season (and down from 19.9 percent in November 2022).
- Sharemilkers were more likely to have up-to-date budgets for both current and future seasons. Meat & Wool farmers the least likely.

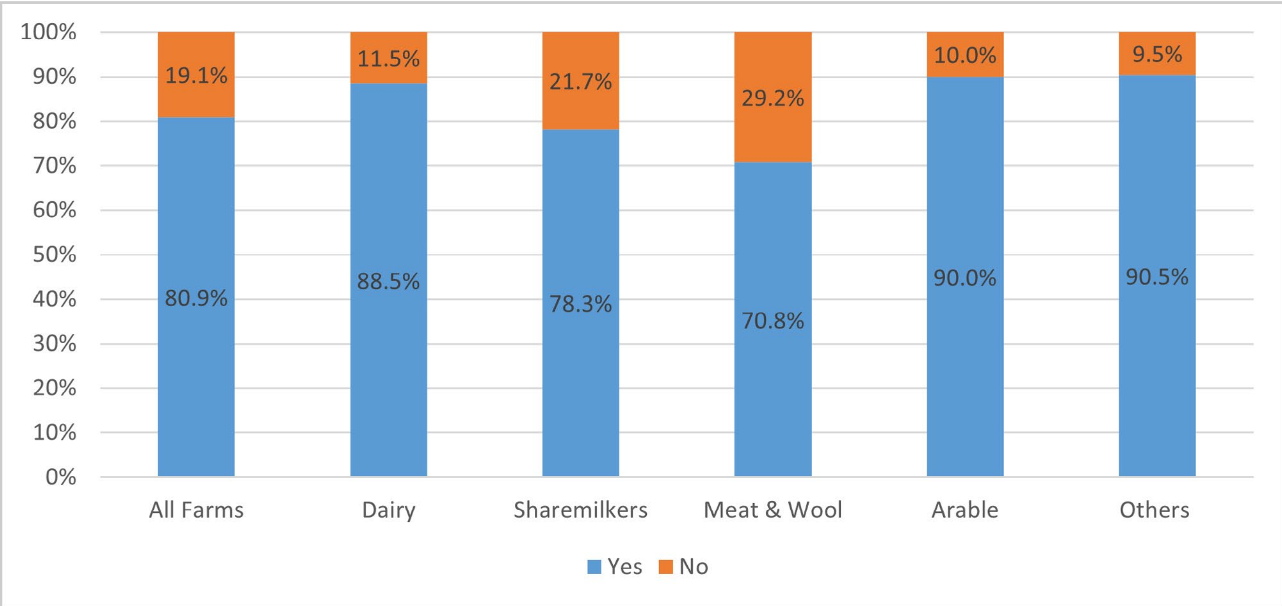
Mortgages

Value of Mortgages

Between May 2023 and November 2023 there was an increase in the percentage of farmers that had a mortgage on their farm, up 2.2 points to 80.9 percent.

All industry groups had increases in their percentages of farmers with mortgages.

Figure 1. Respondents with Mortgage by Industry Group – November 2023



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.

After contracting from 2019 to 2022, lending to agriculture has been increasing over the past18 months, up from $61.5 billion in March 2022 to $62.9 billion in September 2023. Dairy bore the brunt of the 2019-22 deleveraging, with its debt dropping $5.0 billion in three years, but over the past year it has edged up a little. Horticulture (not covered in this survey) has seen a big increase in sector debt over recent years.

Strong milk prices over recent years and a steady reduction in dairy debt from 2019-22 helped ease concerns about dairy debt. However, Fonterra's latest forecast mid-point farmgate milk price for 2023/24 of $7.25 per kgMS is well down from 2021/22's record high milk price of $9.30 and 2022/23's lower but still relatively high $8.22. Meat prices have also fallen, and farmers' profitability has been further eroded by strong inflation of farm input costs and much higher interest rates. This is making it tougher for farmers to continue reducing their debt. The Reserve Bank's November 2023 Financial Stability Report included discussion of risks associated with economic challenges from lower prices as well as longer-term risks from severe drought and emissions pricing.

Over the past six months, the average 'all farm' mortgage amount decreased from $4.31 million to $4.26 million. Dairy farmers' average mortgages decreased from $5.53 million to $5.17 million but those for Sharemilkers, Meat & Wool, Arable, and Other Industry Groups all increased.

The median mortgage[1] values tell a slightly different story. The median mortgage amount for All Farms was $2.00 million, down from $2.80 million. Arable's median of $4.6 million was highest, well above Dairy's median of $2.78 million. Medians for Sharemilkers, Meat & Wool, and Other Industry Groups were much lower.

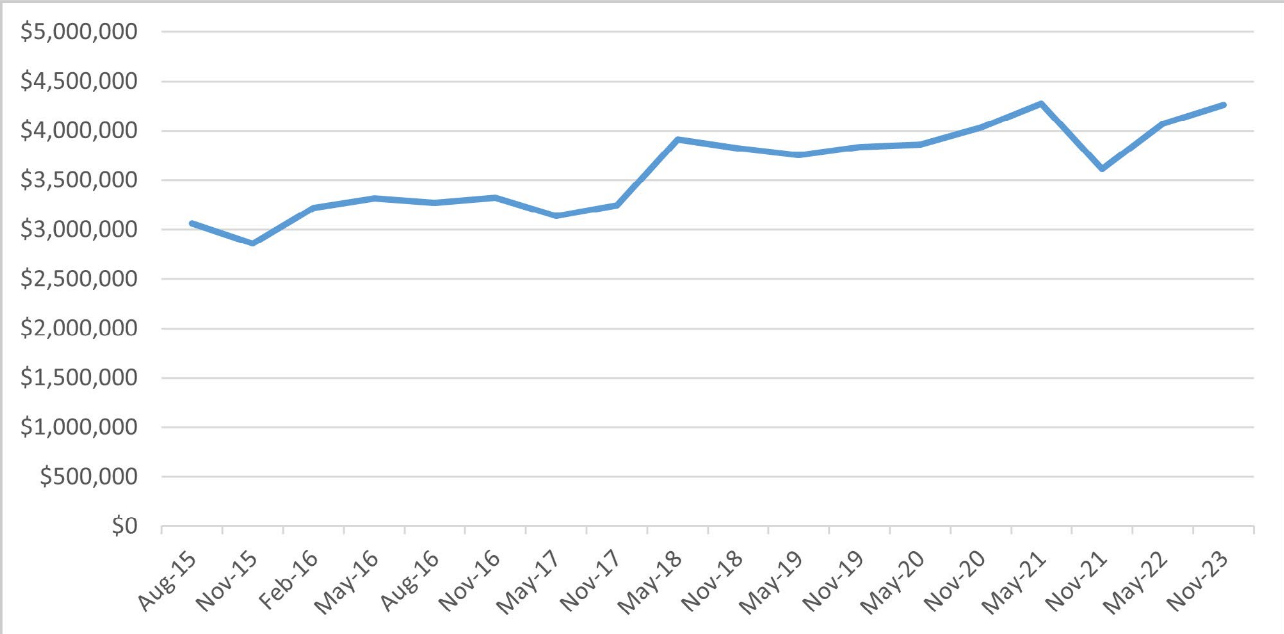
Table 1. Average and Median Current Mortgage by Industry Group*

	May 2023		November 2023	
	Average	Median	Average	Median
All Farms	**$4,308,324**	**$2,800,000**	**$4,262,464**	**$2,000,000**
Dairy*	$5,527,874	$3,600,000	$5,165,707	$2,775,000
Sharemilkers#	*$938,950*	*$1,000,000*	*$1,115,302*	*$600,000*
Meat & Wool	$2,279,852	$1,500,000	$2,566,958	$1,250,000
Arable	$3,683,235	$3,500,000	$6,631,587	$4,600,000
Others	$3,860,545	$2,750,000	$3,991,942	$1,450,000

** 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* for All Farms (2015-23)

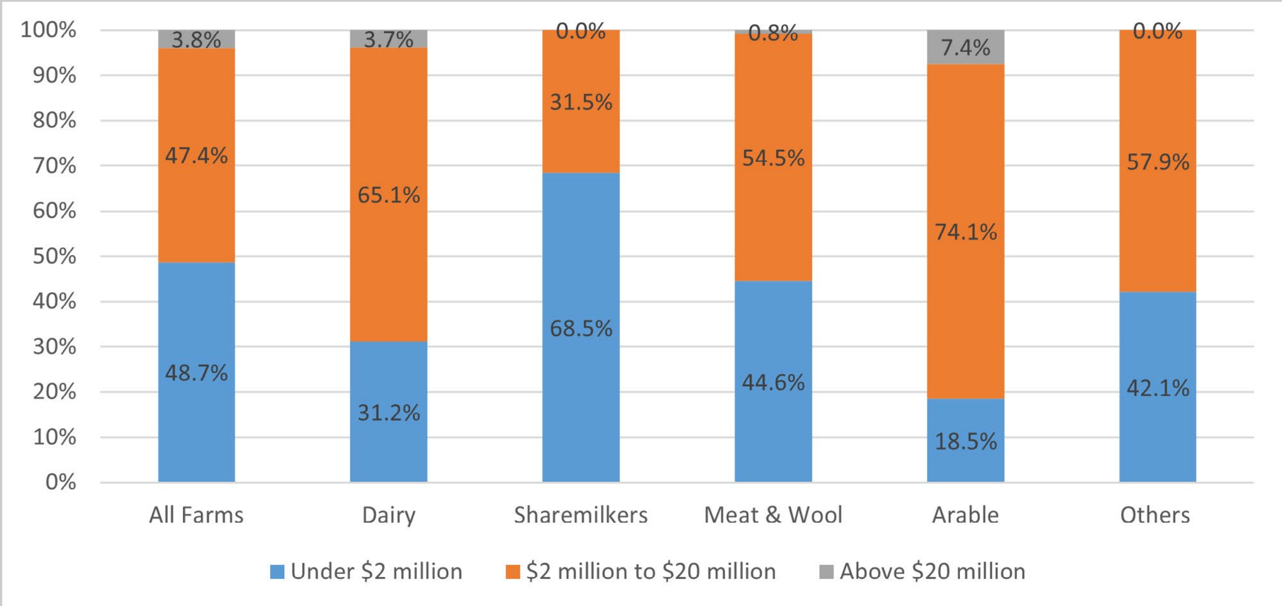


** Excluding outliers*

Arable farmers had the highest proportion of farmers with mortgages of more than $20 million (7.4 percent), while Sharemilkers had the highest proportion of farmers with mortgages of less than $2 million (68.5 percent).

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

Figure 3. Size of Current Mortgage by Industry Group – November 2023



Mortgage Interest Rates

The average mortgage interest rate for All Farms was 8.26 percent, up 42 basis points from May 2023's average of 7.84 percent. It is also up 447 basis points (or more than double) from the lowest point of 3.79 percent in May 2021.

The Reserve Bank began increasing the Official Cash Rate (OCR) in October 2021 in response to high and persistent inflation. Within a little more than 18 months the OCR had been increased by 525 basis points to 5.50 percent in May 2023. It has since been kept on hold and it is expected to remain on hold until late 2024 or even into 2025. The increase in the average mortgage interest rate slowed in this survey but we can expect further increases as loans still on lower fixed term rates continue to expire and are re-set at today's higher rates.

There were many comments from respondents complaining that their mortgage interest rates were too high and much higher than those for residential borrowers. A number remarked that their high interest rates are being imposed at a time when banks were reporting record profits. There was concern about the state of competition in rural lending and some blamed the impact of regulation, such as bank capital requirements and risk weightings. Some added they wanted an inquiry into rural lending, something Federated Farmers has pushed.

All industry groups saw increases in their average mortgage interest rates. Sharemilkers had the highest average rate of 8.79 percent, with Arable the lowest at 7.80 percent. Meat & Wool had the biggest increase over the past six months of 55 basis points while Arable's increase of 12 basis points was the smallest.

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

	May 2023	November 2023	Change (basis points)
All Farms	**7.84%**	**8.26%**	**+42**
Dairy	7.89%	8.28%	+39
Sharemilkers	*8.41%*	*8.79%*	*+38*
Meat & Wool	7.79%	8.34%	+55
Arable	7.68%	7.80%	+12
Other	7.67%	8.12%	+45

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 8.40 percent was slightly above than the average of 8.26 percent.

Compared to May 2023, there was a further decline in the percentage of farmers paying mortgage interest rates of less than 5.0 percent from 2.1 percent to 1.7 percent (and compares to a peak of 91.5 percent in May 2021). There was an increase for those paying a rate above 10.0 percent (up from 1.8 percent to 3.2 percent).

Overall, half of farmers (i.e. those falling between the 25th and 75th percentiles) were paying rates between 7.98 and 8.94 percent, whereas in May half were paying between 7.32 and 8.56 percent.

Table 3a. Analysis of Mortgage Interest Rates – November 2023 (1)

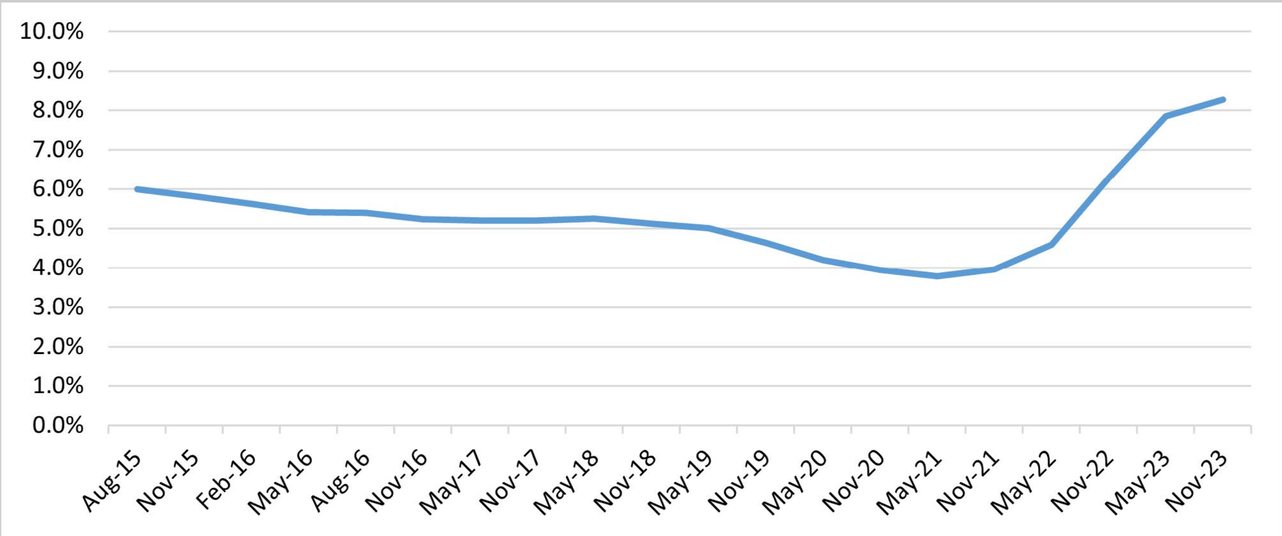
	Under 5.0%	Between	Over 10.0%	Average	Median
All Farms	**1.7%**	**95.1%**	**3.2%**	**8.26%**	**8.40%**
Dairy	1.9%	94.7%	3.5%	8.28%	8.40%
Sharemilkers	*0.0%*	*88.9%*	*11.1%*	*8.79%*	*8.80%*
Meat & Wool	1.2%	95.9%	2.9%	8.34%	8.50%
Arable	3.7%	92.6%	3.7%	7.80%	8.15%
Other	2.6%	97.4%	0.0%	8.12%	8.30%

Table 3b. Analysis of Mortgage Interest Rates – November 2023 (2)

	Minimum	Maximum	Std Dev	25th	75th
All Farms	**0.79%**	**12.00%**	**1.1807**	**7.98%**	**8.94%**
Dairy	0.79%	12.00%	1.1927	7.98%	8.90%
Sharemilkers	*6.73%*	*10.75%*	*0.9448*	*8.23%*	*9.50%*
Meat & Wool	4.10%	12.00%	1.1586	8.00%	9.00%
Arable	4.20%	10.10%	1.3081	7.56%	8.58%
Other	4.66%	9.96%	1.1719	7.86%	8.98%

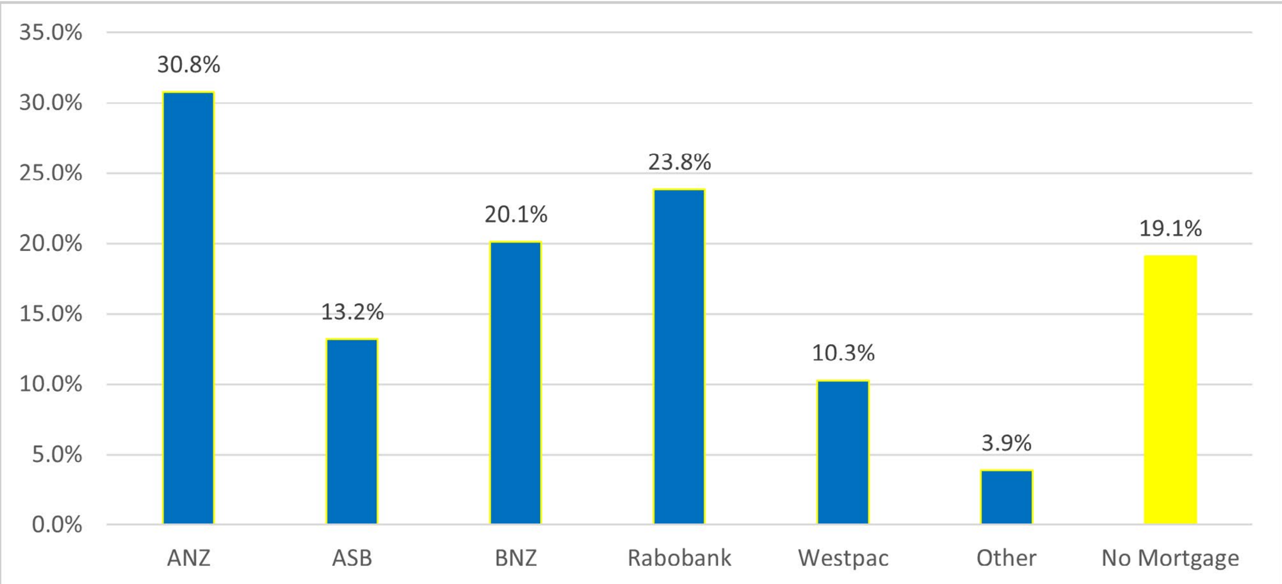
Figure 4 below shows how the path of average mortgage interest rates over the life of the survey. It shows rates falling slowly but steadily from May 2015's average of 6.29 percent, bottoming out at 3.79 percent in May 2021. The average edged up in November 2021 shortly after the Reserve Bank began hiking the OCR and the pace of increase has rapidly accelerated until its pause in May 2023 after which the pace of increase has eased.

Figure 4. Average Mortgage Interest Rate 2015-23 (All Farms)



ANZ had the highest market share for mortgages, with 30.8 percent of respondents having a mortgage with it. Rabobank was in second place with 23.8 percent, followed by BNZ (20.1 percent), ASB (13.2 percent), Westpac (10.3 percent), and combined all others distantly behind on 3.9 percent.

Figure 5. Banks with which Farmers have a Mortgage – November 2023 (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

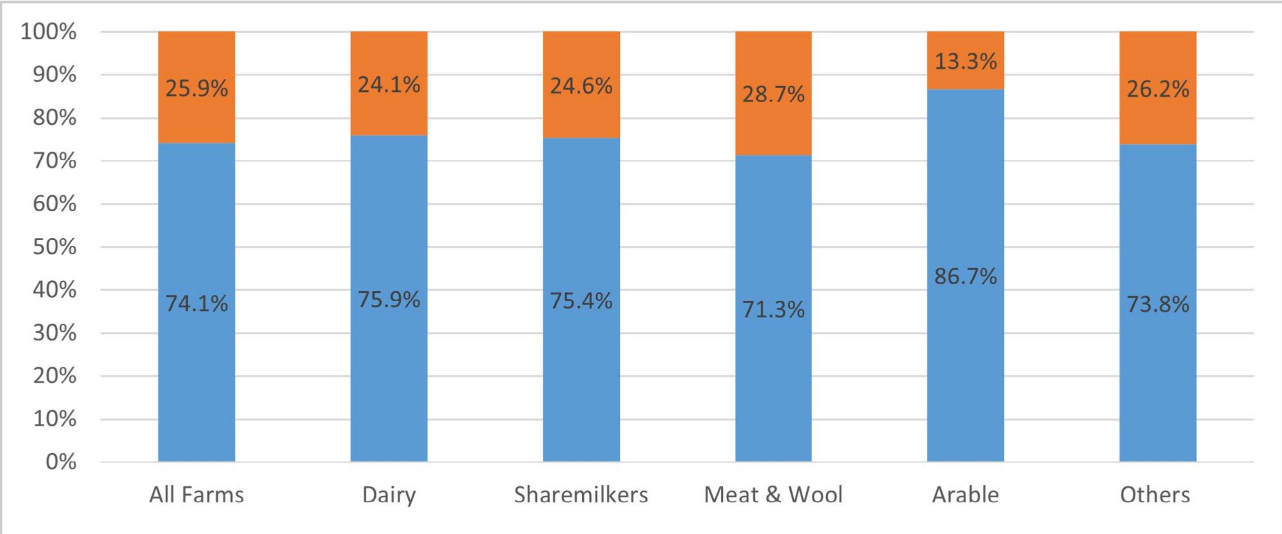
Farming is unpredictable and highly seasonal. Overdrafts are needed to smooth out seasonal fluctuations and to bridge cash flow when incomes and expenses do not fall in proximity to each other. Therefore, access to overdrafts is critical to running a farming business.

In November 2023, 74.1 percent of farmers had overdrafts, down 0.1 point from May. Arable farmers were most likely to have an overdraft at 86.7 percent, with Meat & Wool the least likely at 71.4 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 2023



The average overdraft limit for All Farms increased from $293,000 in May 2023 to $311,400 in November. Most industry groups had increases. Arable's almost doubled to be by far the largest. In contrast, Other Industry's average overdraft limit slumped. The relatively small number of respondents from each of these two groups can make their results volatile.

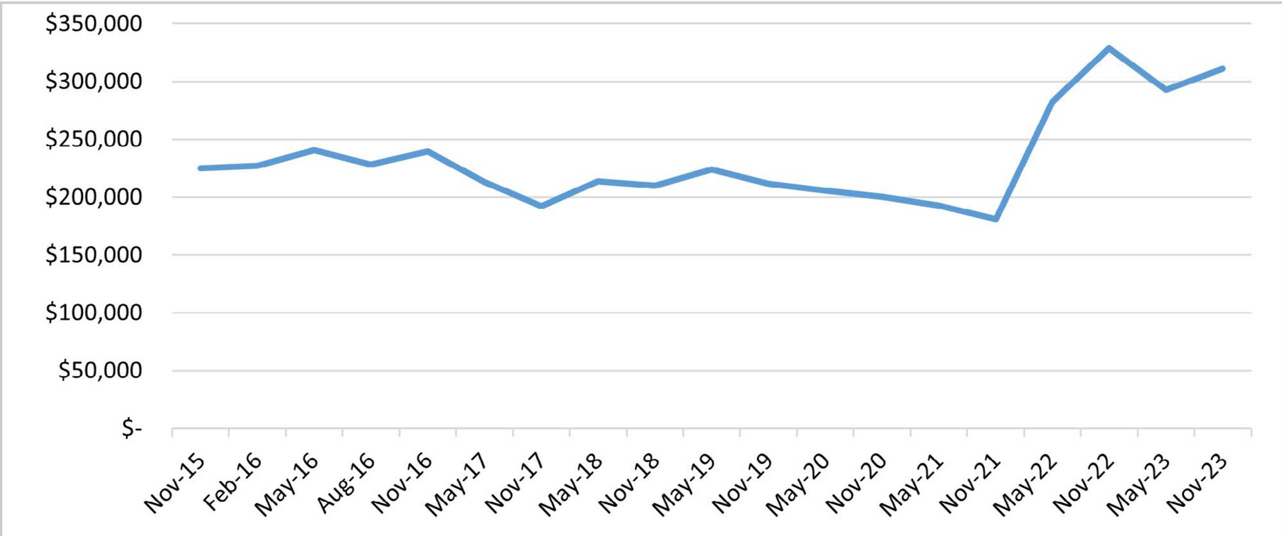
The All Farms median overdraft limit was unchanged at $150,000. Dairy's was down and Meat & Wool's was unchanged, while those for Sharemilkers and Arable were up and Other Industry Group's was down sharply (as with its average).

Table 4. Average and Median Overdraft Limit by Industry Group

	May 2023		November 2023	
	Average	Median	Average	Median
All Farms	**$293,000**	**$150,000**	**$311,400**	**$150,000**
Dairy	$256,100	$150,000	$256,900	$100,000
Sharemilkers	*$103,800*	*$77,500*	*$169,700*	*$100,000*
Meat & Wool	$281,500	$150,000	$320,100	$150,000
Arable	$463,000	$350,000	$857,700	$475,000
Other Industry	$931,300	$400,000	$404,800	$175,000

Figure 7 below shows big increases in average overdraft limits since late 2021, perhaps a reflection of tougher times for many farmers.

Figure 7. Average Overdraft Limits for All Farms (2015-23)



As with mortgages, the average 'all farm' overdraft interest rate increased over the past six months from 10.07 percent to 10.52 percent, up 45 basis points (and up 424 points since its lowest point of 6.28 percent in November 2021). As with mortgage rates, this indicates pass-through from recent OCR increases. Sharemilkers' average interest rate was the highest at 11.03 percent (up 74 basis points), while Arable had the lowest average interest rate of 10.13 percent (up 38 basis points).

As with mortgages, there were many comments from respondents complaining about overdraft interest rates that were too high at a time when banks were reporting record profits.

Table 5. Average Overdraft Interest Rate by Industry Group

	May 2023	November 2023	Change (basis points)
All Farms	**10.07%**	**10.52%**	**+45**
Dairy	10.12%	10.64%	+52
Sharemilkers	*10.29%*	*11.03%*	*+74*
Meat & Wool	10.04%	10.41%	+37
Arable	9.75%	10.13%	+38
Other Industry	9.67%	10.53%	+86

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 10.50 percent was almost the same as the average of 10.52 percent.

Compared to May, the percentage of farmers paying overdraft interest rates of less than 5.0 percent was down from 0.3 percent to 0.0 percent (and down from a peak of 20.1 percent in November 2020). There was an increase over the past six months in those paying more than 10.0 percent, from 34.5 percent to 34.9 percent.

Overall, half of farmers (i.e. those falling between the 25th and 75th percentiles) were paying rates between 9.20 and 11.57 percent, whereas in May half of farmers were paying between 9.00 and 11.11 percent.

Table 6a. Analysis of Overdraft Interest Rates – November 2023 (1)

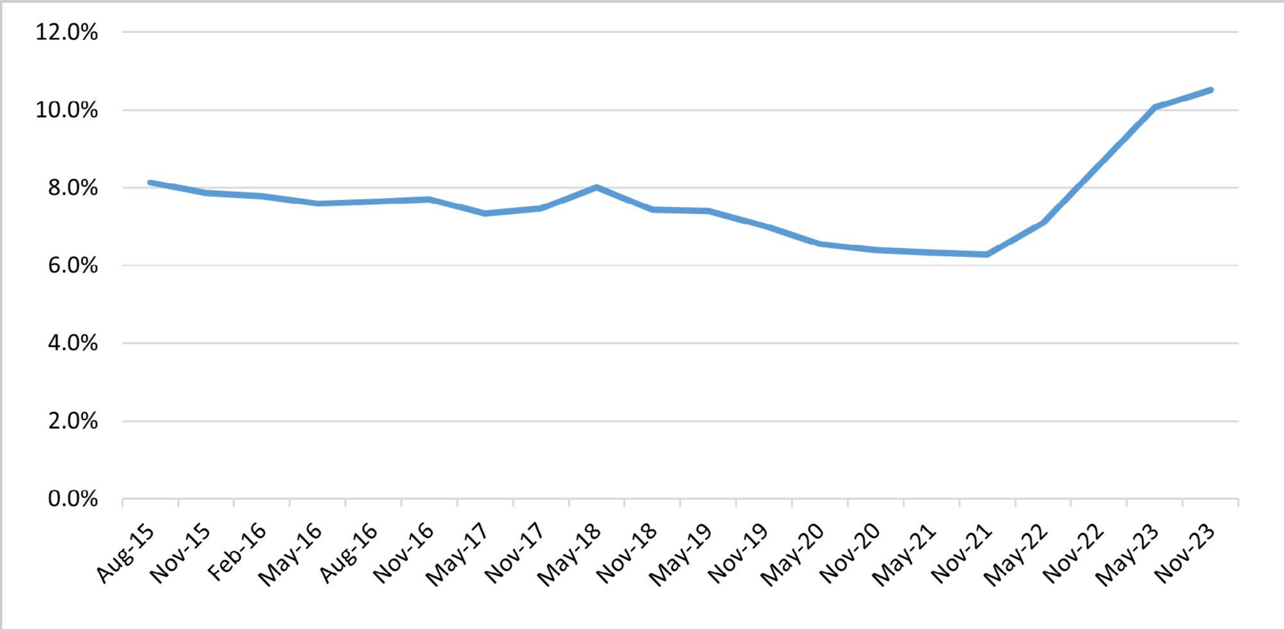
	Under 5.0%	Between	Over 10.0%	Average	Median
All Farms	**0.0%**	**65.1%**	**34.9%**	**10.52%**	**10.50%**
Dairy	0.0%	61.2%	38.8%	10.64%	10.60%
Sharemilkers	*0.0%*	*48.1%*	*51.9%*	*11.03%*	*11.00%*
Meat & Wool	0.0%	62.3%	37.7%	10.41%	10.25%
Arable	0.0%	61.5%	38.5%	10.13%	11.33%
Other	0.0%	61.3%	38.7%	10.53%	10.50%

Table 6b. Analysis of Overdraft Interest Rates – November 2023 (2)

	Minimum	Maximum	Std Dev	25th	75th
All Farms	**0.00%**	**21.00%**	**1.7828**	**9.20%**	**11.57%**
Dairy	7.20%	21.00%	1.5803	9.50%	11.85%
Sharemilkers	*8.40%*	*13.80%*	*1.3955*	*10.00%*	*12.19%*
Meat & Wool	0.00%	19.50%	1.9920	9.00%	11.50%
Arable	7.90%	12.70%	1.4701	9.00%	11.33%
Other	8.20%	12.80%	1.2890	10.00%	11.40%

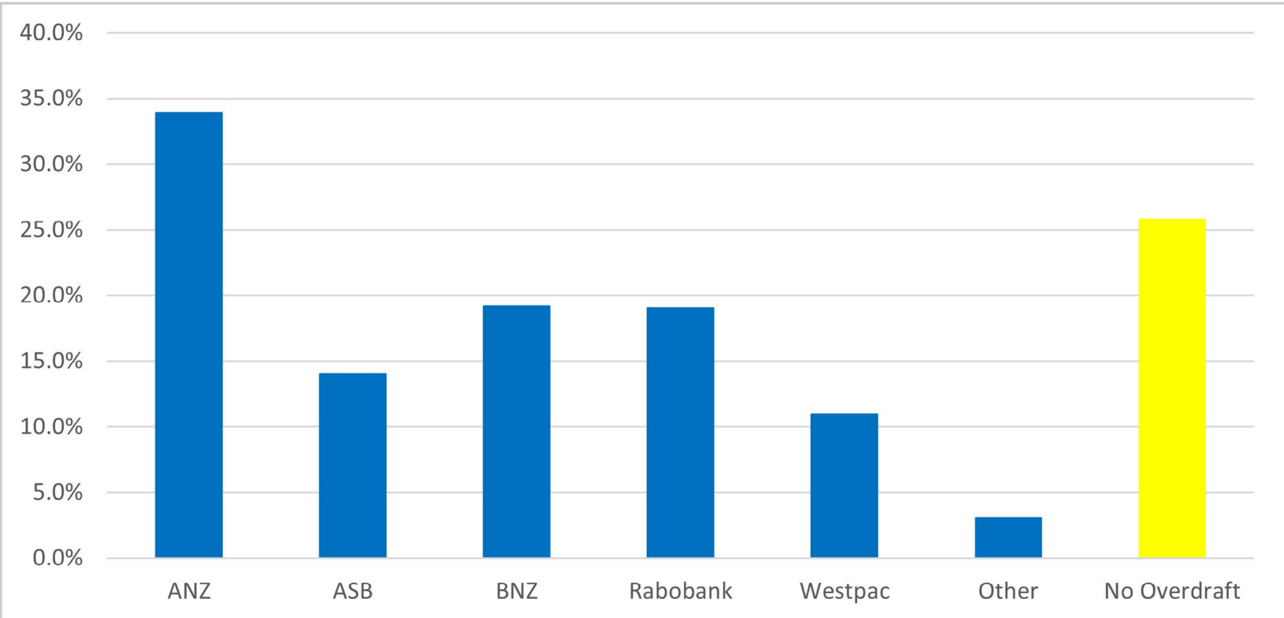
Figure 8 shows the trend in overdraft interest rates over time. Average overdraft interest rates for All Farms decreased from 2018 to 2021 bottoming out at 6.28 percent in November 2021 but like those for mortgages, overdraft interest rates increased rapidly to a record high since the start of the survey.

Figure 8. Average Overdraft Interest Rate 2015-23 (All Farms)



As with mortgages, ANZ continued to be the most common bank used by farmers (33.9 percent) for overdrafts, followed by BNZ (19.2 percent), Rabobank (19.0 percent), ASB (14.0 percent), and Westpac (11.0 percent). All other banks combined had just 3.1 percent of respondents.

Figure 9. Banks with which Farmers have an Overdraft – November 2023 (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 had increased until dropping sharply in this survey.

Satisfaction with Banks

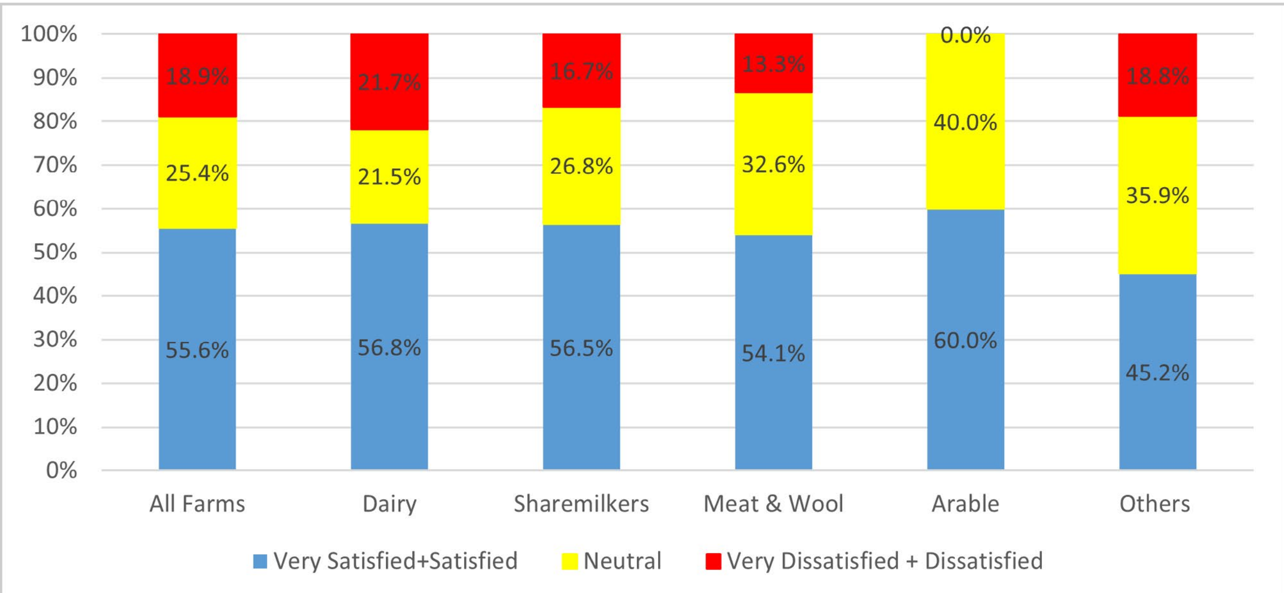
Satisfaction

A majority of farmers remain satisfied with their banks, although satisfaction has been eroding over time. Comparing November with May 2023 those saying they were very satisfied or satisfied with their banks dropped 0.7 points to 55.6 percent to the lowest point since the survey began in May 2015. Those saying they were very dissatisfied or dissatisfied rose 0.1 point to 18.8 percent. 25.5 percent professed to have a neutral view, up 0.6 points.

Whereas previously most dissatisfaction has been about banks being tough on repayments, changing conditions, or communicating poorly, this time there were more comments from respondents remarking that their dissatisfaction was mainly due to interest rates that were too high and much higher than those for residential borrowers. A number remarked that their high interest rates are being imposed at a time when banks were reporting record profits. There was concern about the state of competition in rural lending and some blamed the impact of regulation, such as bank capital requirements and risk weightings. Some also expressed concern about banks pushing for reductions in farms' greenhouse gas emissions.

Figure 10 shows Other Industry were the least satisfied group of farmers with only 45.2 percent saying they were very satisfied or satisfied, down 9.3 points. Arable farmers had the highest level of satisfaction, with 60.0 percent saying they were very satisfied or satisfied, although this was down 8.6 points from May. In contrast, Dairy and Sharemilkers had increases in their satisfaction.

Figure 10. Bank Satisfaction by Industry Group – November 2023

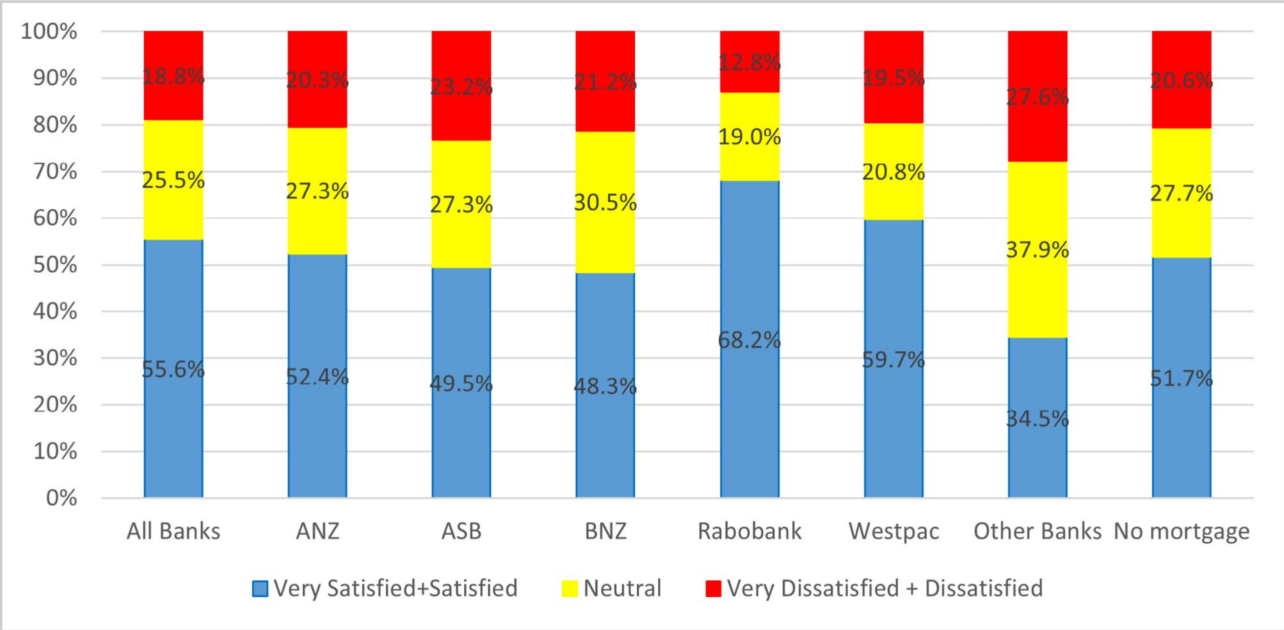


The region with the highest proportion of farmers saying they were very satisfied or satisfied with their banks was Canterbury with 63.8 percent, while Auckland-Northland had the lowest proportion with 48.2 percent.

Figure 11 shows bank satisfaction by bank. Rabobank continues to have the highest level of satisfaction, at 68.2 percent saying they were very satisfied or satisfied with it, up 4.3 points from May. Westpac followed on 59.7 points (up 4.7 points from May) and ANZ on 52.4 percent (down 3.3 points). ASB and BNZ both had large decreases to below 50 percent (ASB down 14.2 points to 49.5 percent and BNZ down 10.3 points to 48.3 percent) and the smaller banks combined were well behind on 34.5 percent (down 15.5 points), Those without a bank loan were on 51.7 percent (up 9 points).

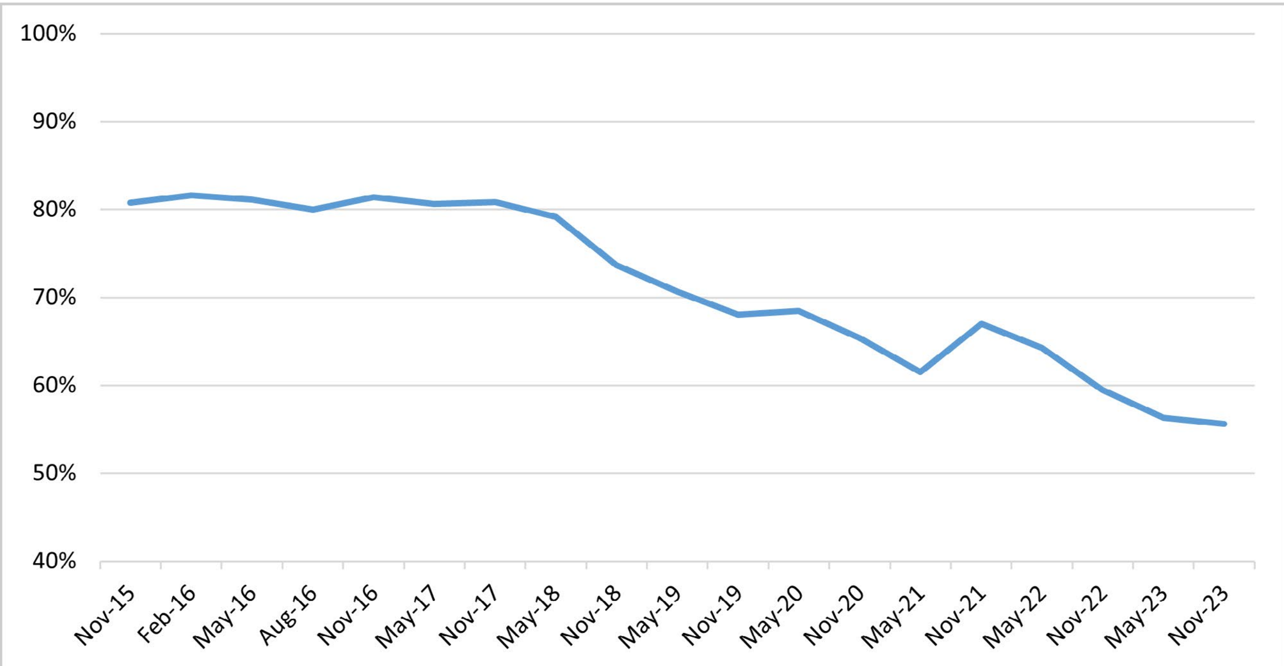
Over the life of the survey, Rabobank has consistently been a leader for satisfaction.

Figure 11. Bank Satisfaction by Bank – November 2023



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 2017 satisfaction had been consistently above 80 percent. But apart from a short-lived upward blip in 2021 over the past six years satisfaction has slipped slowly but steadily to a new low in November 2023.

Figure 12. Proportion 'Satisfied + Very Satisfied' with their Bank 2015-23 (All Farms)



Pressure

The proportion of farmers who report feeling undue pressure from their bank(s) increased over the past six months from 23.8 percent to 25.8 percent. This exceeds the previous record high set in May.

All industry groups had more than 20 percent of respondents feeling undue pressure, and all of them were up from May. Sharemilkers had the highest proportion of those feeling undue pressure (up sharply to 39.3 percent) and Meat & Wool the lowest (21.9 percent).

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

	May 2023	November 2023
All farms	**23.8%**	**25.8%**
Dairy	26.4%	28.3%
Sharemilker	*22.4%*	*39.3%*
Meat & Wool	20.9%	21.9%
Arable	24.2%	32.1%
Other Industry	24.1%	32.4%

The region with the highest percentage of farmers feeling under pressure from banks was Waikato-Bay of Plenty at 28.4 percent, while Auckland-Northland had the lowest percentage with 18.2 percent.

Table 8 shows that all banks had increases in their percentages of farmers reporting undue pressure. ASB had the lowest percentage of farmers feeling that they had come under undue pressure (23.7 percent). Other Banks had the highest percentage (37.9 percent).

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 usually had the lowest percentage, although not in this survey where it was a little higher than the average for All Banks.

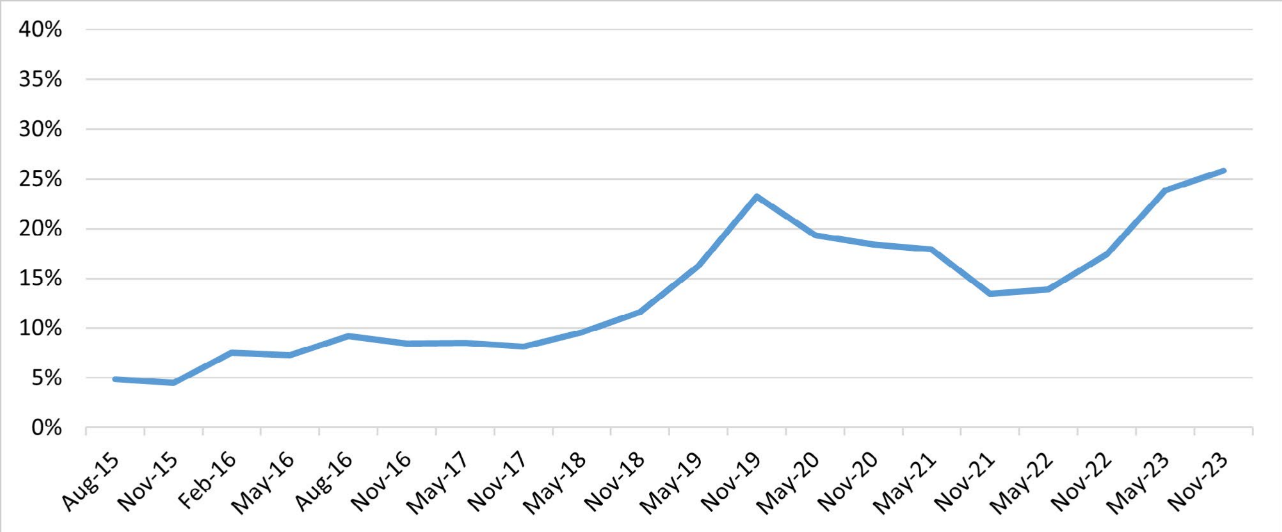
Table 8. Farmers Feeling Undue Pressure from Banks, by Bank

	May 2023	November 2023
All farms	**23.8%**	**25.8%**
ANZ	21.6%	25.4%
ASB	28.2%	23.7%
BNZ	31.3%	29.8%
Rabobank	21.6%	26.3%
Westpac	25.3%	29.9%
Other Banks	37.0%	37.9%

Figure 13 shows how perceptions of undue pressure have tracked since the survey began in 2015. Overall, it shows lower percentages 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 percentage 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 over the past 18 months, on the back of a squeeze in farm profitability combined with rapidly rising interest rates.

Figure 13. Proportion of Farmers feeling Undue Pressure from Banks (2015-23)



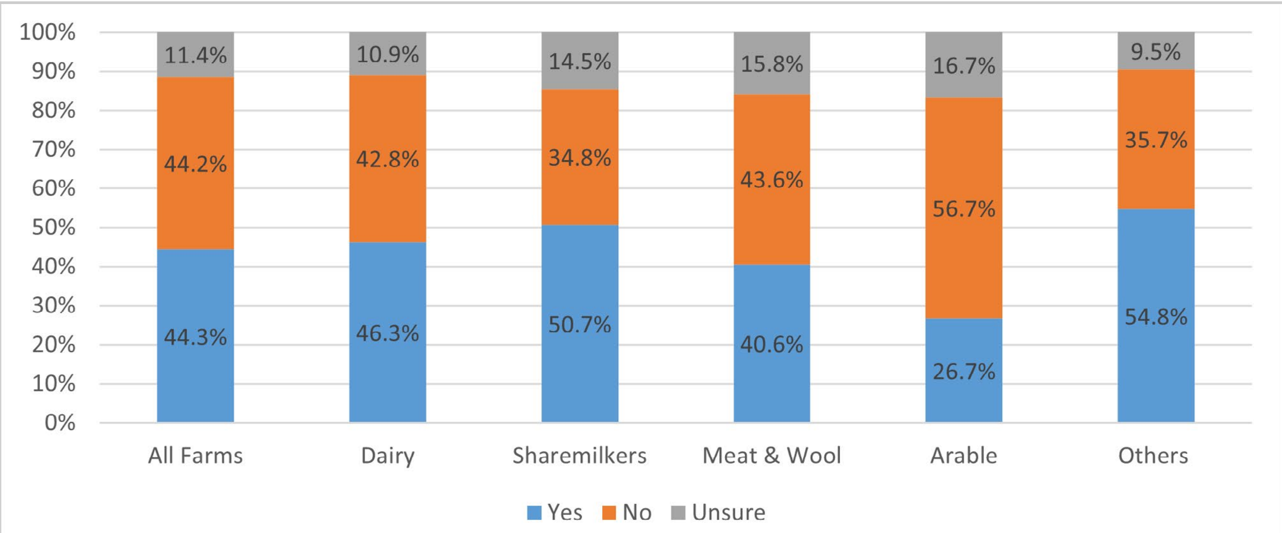
Mental Wellbeing

After receiving anecdotal concerns about growing pressures on farmers' mental wellbeing the November 2022 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?".

In November 2023 44.3 percent of respondents answered 'yes' (up 0.7 points from May), 44.2 percent answered 'no' (down 2.6 points), and 11.4 percent were unsure (up 1.9 points).

Figure 14 shows that Other Industry Group had the highest proportion answering 'yes' (54.8 percent) while Arable farmers had the lowest proportion (26.7 percent).

Figure 14: Impact on Mental Wellbeing by Industry Group – November 2023



By region, Auckland-Northland (49.4 percent) had the highest percentage of farmers answering 'yes', followed closely by West Coast-Tasman-Marlborough (48.9 percent). East Coast North Island had the lowest percentage answering 'yes' (37.7 percent), followed closely by Taranaki-Whanganui-Manawatu (38.0 percent), and Canterbury (39.0 percent).

Turning to banks, Other Banks (55.2 percent) had the highest percentage of farmers answering 'yes', while ANZ (43.7 percent) had the lowest percentage answering 'yes'.

Changed Conditions

Table 9 shows that 35.3 percent of farmers reported a change in their mortgage or overdraft/seasonal finance conditions over the past six months, up 1.1 points from May.

Meat & Wool was well below the overall level, with 25.3 percent experiencing changes in conditions, which was also down 2.7 points. Other Industry Groups had the highest percentage of those experiencing changes at 53.4 percent, up 17 points.

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 2023	November 2023
All Farms	**34.2%**	**35.3%**
Dairy	38.6%	36.9%
Sharemilkers	*32.1%*	*41.9%*
Meat & Wool	28.0%	25.5%
Arable	42.9%	33.6%
Other Industry	36.4%	53.4%

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 65.8 percent of farmers reported no change in conditions, of those who did, 87 percent experienced tougher conditions rather than easier conditions.

Interestingly, the increase in the overall changed conditions score was due to more farmers reporting easier conditions. Those reporting tougher conditions was down 0.5 points while those reporting easier was up 1.6 points. Therefore, the gap (tougher conditions less easier conditions) narrowed from +28.1 to +26.0. The gap for all industry groups narrowed, except for Other Industry.

A tightening of conditions is consistent with banks continuing their conservative lending policies and more recently rapidly increasing interest rates. An easing of conditions might reflect banks being more supportive of farmers during tough times.

Table 10. Conditions Become Easier or Tougher by Industry Group – November 2023

	Easier Conditions	Tougher Conditions	Total Changed Conditions	Gap (tougher - easier)
All Farms	**4.6%**	**30.6%**	**35.3%**	**+26.0**
Dairy	5.4%	31.6%	37.0%	+25.2
Sharemilkers	*7.3%*	*34.6%*	*41.9%*	*+27.3*
Meat & Wool	4.1%	21.2%	25.3%	+17.1
Arable	3.3%	30.3%	33.6%	+27.0
Other Industry	4.9%	48.5%	53.4%	+43.6

Bank Communication

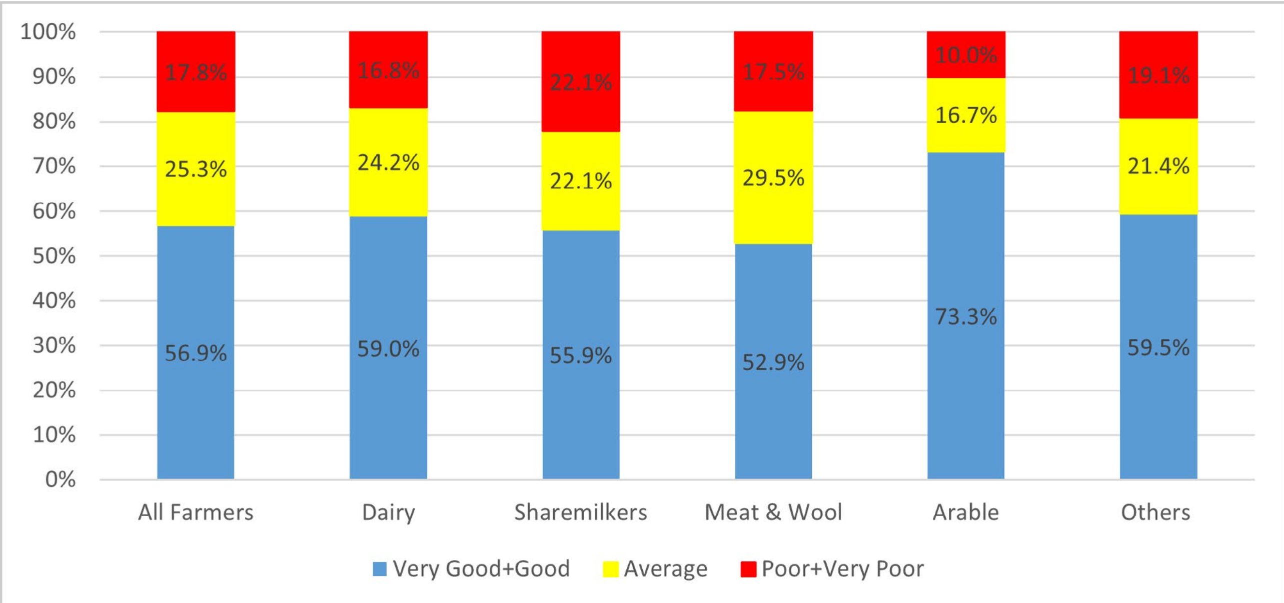
Farmer perceptions of bank communication improved in this survey.

Overall, 56.9 percent of respondents thought communication was either good or very good, up 4.1 points compared to May. Those who thought it had been poor or very poor were down 1.4 points to 17.8 percent. Perceptions of the quality of communication had been steadily eroding since 2015 (Figure 16), when 80 percent of farmers thought it was good or very good.

The comments from respondents over successive surveys 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) have all been cited as reasons for reduced personal contact.

Figure 15 shows how communications have been perceived by each industry group. Arable farmers had the highest percentage who thought quality had been very good or good (73.3 percent), while Meat & Wool had the lowest percentage (52.9 percent). Satisfaction with communication dropped for Meat & Wool, but it was up for other industry groups, including Sharemilkers which had an 11-point increase.

Figure 15. Quality of Bank Communication by Industry Group – November 2023



Most regions had increases in their satisfaction with communication. Two had percentages of farmers saying communication had been good or very good of less than 50 percent, with Auckland-Northland the lowest at 43.8 percent, followed closely by West Coast-Tasman-Marlborough at 44.2 percent. As with the May survey, farmers in Canterbury had the highest percentage of 66.4 percent.

Figure 16 shows that at 74.3 percent Rabobank had by far the highest percentage of farmers saying communication had been very good or good, and up 9.3 points from May. The other major banks had percentages between 56 and 64 percent. The smaller banks combined had a large 20.8-point improvement to 63.6 percent.

Respondents with no bank loan (so no bank specified) were much less happy with communication from their bank with only 39.0 percent saying it had been good or very good. This explains why all-but-one bank did better than the overall result for All Banks.

Figure 16. Quality of Bank Communication by Bank – November 2023

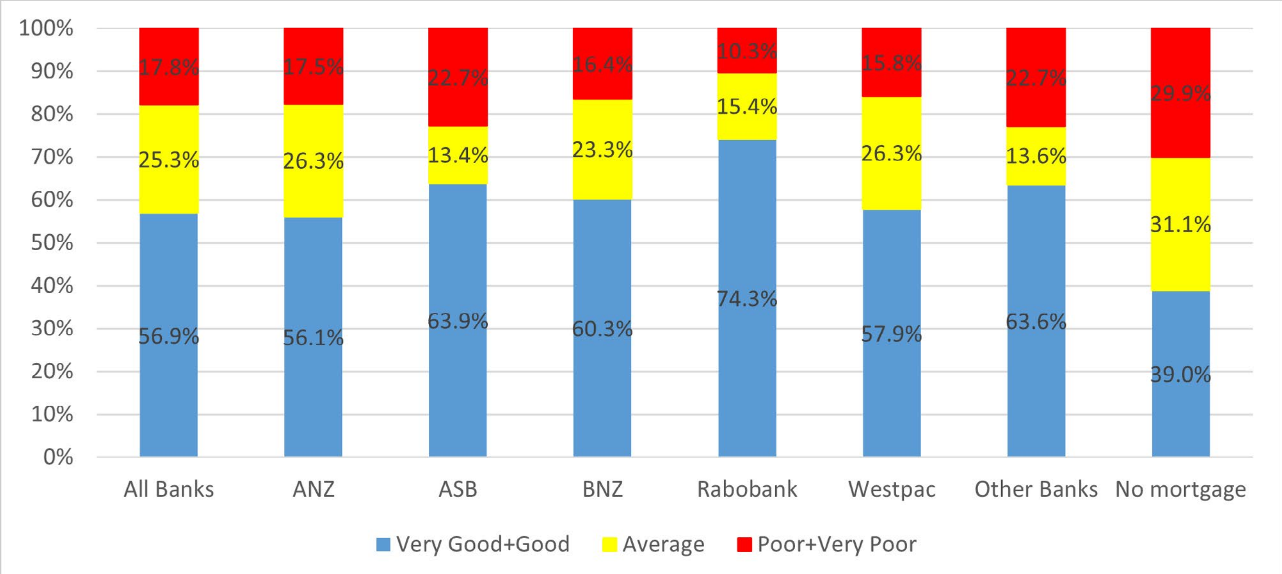
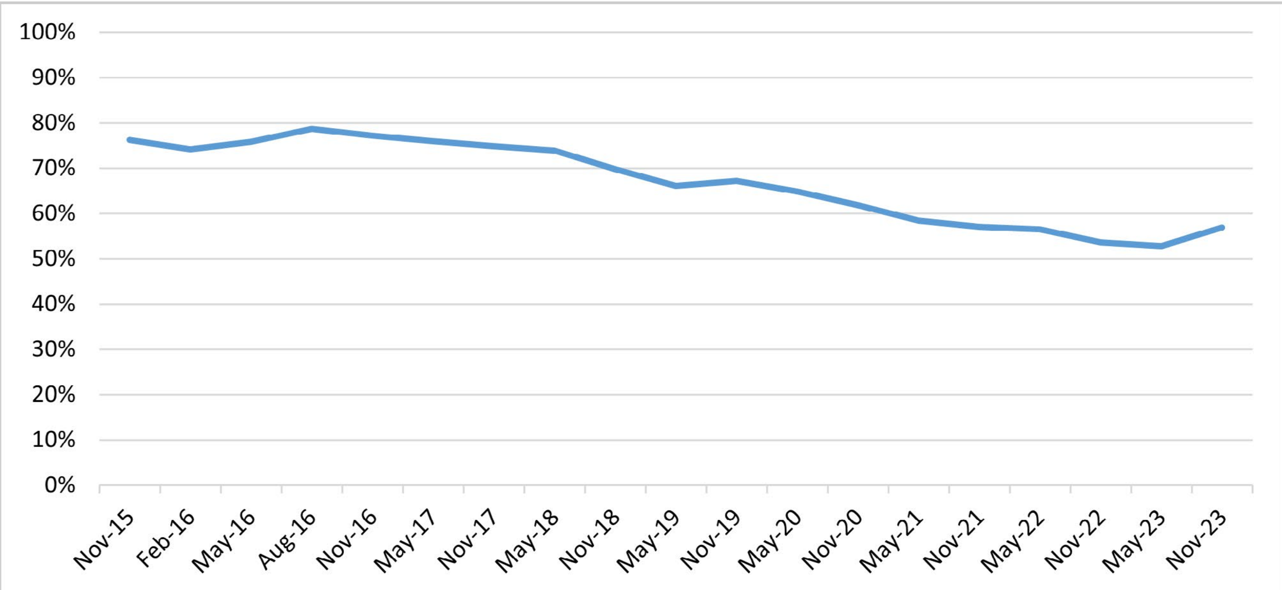


Figure 17 shows the how perceptions have tracked over the life of the survey, with a steady erosion in perceptions of bank communication, especially since 2017.

Figure 17. Very Good + Good Bank Communication 2015-23 (All Farms)



Budgeting

Farms with up-to-date budgets

Overall, 64.5 percent of farmers had a detailed, up-to-date budget for the current (2023/24) season, down 3.0 points from May's for the previous (2022/23) season. However, this was up 3.9 points compared to November 2022.

18.0 percent had a budget for 2024/25, down 22.8 points from May's for 2023/24. A decline from May to November is typical considering May is on the cusp of the upcoming season and November is still months away. That said, the percentage of those having budgets for the upcoming season was also down 1.9 points compared with November 2022.

Having a detailed, up-to-date budget continued to be far more prevalent among Sharemilkers, with 75.4 percent having one for the current season and 33.3 percent having one for next season. Both were well above the levels for other industry groups (except Other Industry where 54.6 percent had a budget for next season). Meat & Wool was the least likely to have a detailed, up-to-date budget for both the current season (56.7 percent) and next season (14.9 percent).

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

	Have a detailed, up-to-date budget for current season (2023/24) #		Have detailed, up-to-date budgets for future seasons (2024/25) *	
	May 2023	**November 2023**	**May 2023**	**November 2023**
All farms	**67.5%**	**62.7%**	**40.8%**	**18.0%**
Dairy	73.4%	69.3%	48.9%	18.3%
Sharemilkers	*85.9%*	*75.4%*	*62.8%*	*33.3%*
Meat & Wool	60.8%	56.7%	29.0%	14.9%
Arable	60.0%	73.3%	40.0%	30.0%
Others	72.7%	69.1%	54.6%	28.6%

* *Percentages are shown equal to the proportion of all respondents.*
\# *For the season ending May 2024*

Figures 18 and 19 show the trend in budgeting over time for the current season and future seasons respectively. 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, All Farms (2015-23)

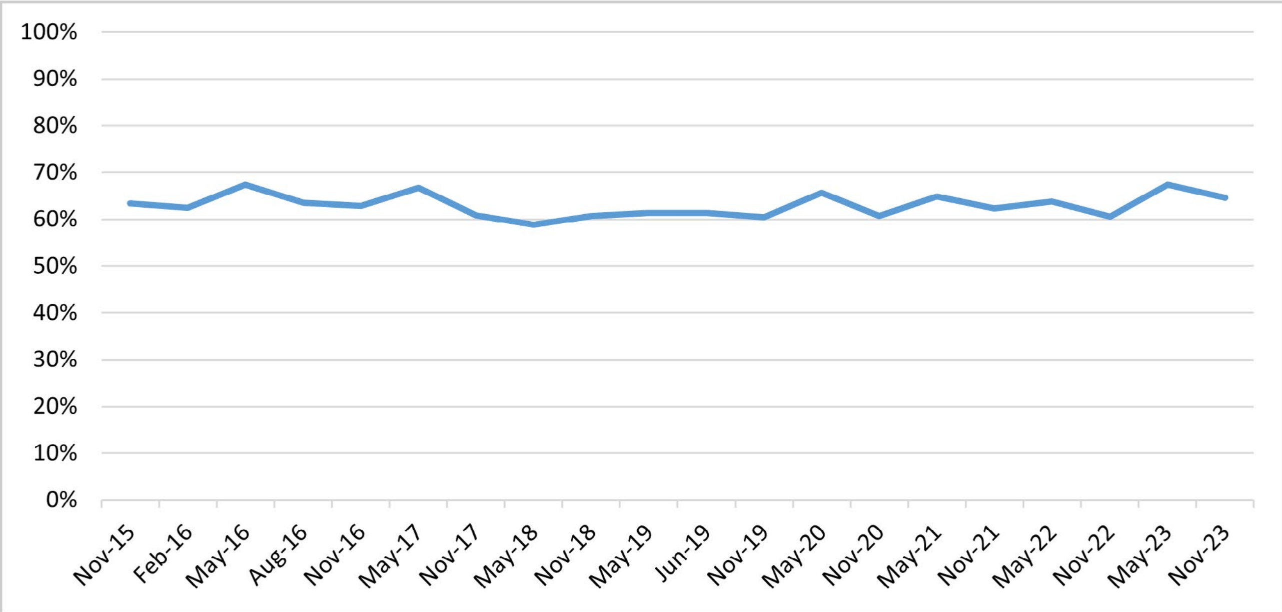
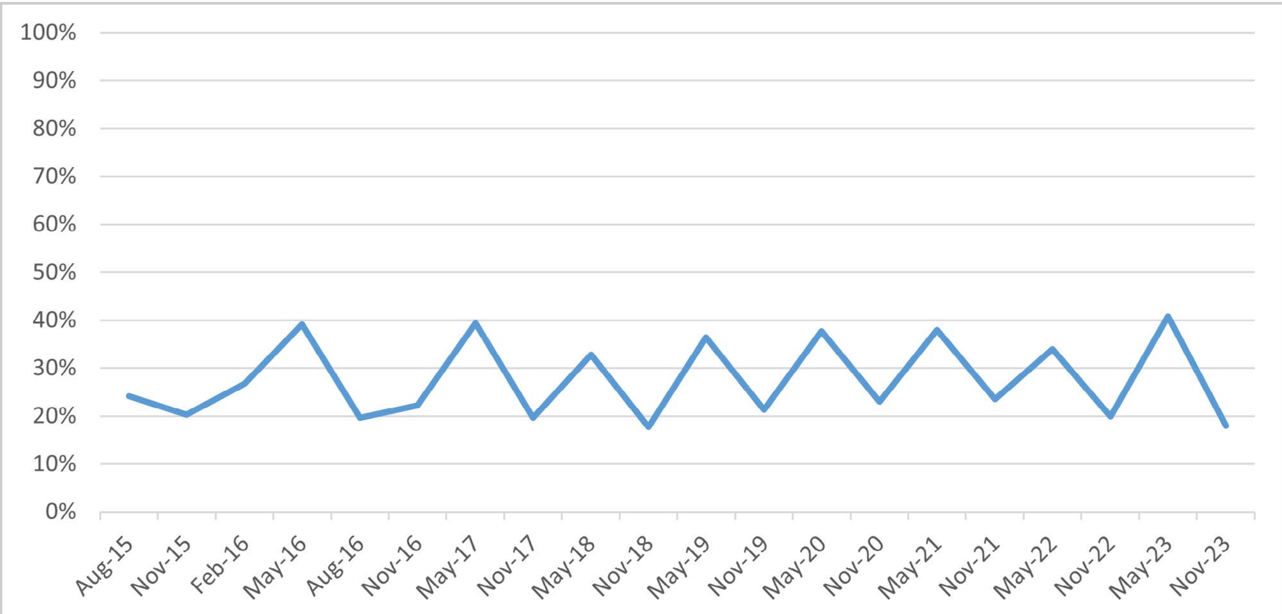


Figure 19. Budget for Future Seasons, All Farms (2015-23)



Appendix

November 2023 Respondents by Industry Group

Industry Group	Percent	Number of Respondents
Dairy	52.4%	486
Sharemilker	*7.4%*	*69*
Meat & Wool	36.9%	342
Arable	3.2%	30
Other industry	4.5%	42
Supporter	3.0%	28
Non-Dairy	47.6%	442
TOTAL	100.0%	928

Does not include secondary industry groups.

November 2023 respondents by location

	Percent	Number of Respondents
Auckland-Northland	8.6%	81
Waikato-Bay of Plenty	31.1%	294
East Coast North Island	7.3%	69
Taranaki-Whanganui-Manawatu	15.0%	142
West Coast-Tasman-Marlborough	4.8%	45
Canterbury	14.9%	141
Otago-Southland	18.5%	175
TOTAL	**100.0%**	**947**

Total differs from that for Industry Groups as some respondents picked more than one province.

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, 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.

The survey was undertaken from 13-20 November 2023.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