

Improved sentiment among dairy farmers drives strong rebound in rural confidence

Results at a glance

- Farmer confidence in the broader agri economy has risen strongly but remains at low levels overall.
- Farmers from all sectors were now more positive about the prospects for the agricultural economy, with dairy farmers recording the largest uptick in sentiment.
- Government policy emerged as the major reason for optimism in the latest survey with this cited by more than half of farmers holding a positive outlook on the year ahead. Falling commodity prices (52 per cent) and rising input prices (46 per cent) continue to be the major concerns among those with a negative outlook.
- Farmers' confidence in their own farm business performance also rose strongly, with growers the most optimistic about the year ahead for their own businesses and sheep and beef farmers the most pessimistic.
- The number of farmers self-assessing their own farm business as unviable has halved from last quarter.

Following its plunge to an historical low in September, New Zealand farmer confidence has rebounded strongly off the back of improved dairy farmer sentiment, the fourth quarter Rabobank Rural Confidence survey has found.

Despite this sizeable uplift, farmer sentiment does however remain low overall with a majority of primary producers expecting the performance of the broader agricultural economy to worsen over the coming 12 months.

The latest survey — completed during the last two weeks of November — found farmer confidence in the agri economy was up to a net reading of -47 per cent from -72 per cent previously. The survey found 58 per cent of farmers were expecting conditions in the broader agricultural economy to worsen over the next 12 months (down from 77 per cent last quarter) with 11 per cent expecting conditions to improve (from five per cent previously). The remaining 29 per cent expected conditions to stay the same (15 per cent previously).

Rabobank senior agriculture analyst Emma Higgins said while farmer confidence remained weak, farmers across all sectors were now more optimistic about the prospects for the agri economy than they were three months ago.

“Sheep and beef farmers and horticulturalists did both register an uptick in confidence in the agri economy, but it’s dairy farmers who have moved the needle the most having recorded the biggest lift in sentiment,” she said.

“This is largely down to healthier GDT results throughout October and November which pushed dairy commodity prices higher and contributed to last week’s upwards revision of the Fonterra farmgate milk price payout forecast.

“And with this morale-boosting lift in the Fonterra payout coming just after the close of the latest survey period, there’s a strong likelihood that, if taken today, dairy farmer confidence would be even higher.”

In addition to improved sentiment among dairy farmers, Ms Higgins said, government policy emerged as the other major contributor to higher overall farmer confidence this quarter.

“We did still see government policy featuring as a reason for pessimism – with this cited by 26 per cent of farmers with a negative outlook on the agri economy. But we’ve also seen government policy come through as the major reason for optimism this survey, being cited by 59 per cent of the farmers expecting conditions to improve in the year ahead,” she said.

“The new coalition government agreement was formally announced in late November in the middle of the latest survey period. And since then, we’ve seen several announcements from the new government which impact the sector – including the decision to increase the size of the Recognised Seasonal Worker (RSE) scheme and the launch of a new \$1.2 billion Regional Infrastructure Fund – and which appear to have landed well with farmers.”

The survey found overseas markets/economies (21 per cent) and rising commodity prices (19 per cent) were the other key reasons cited by farmers with an optimistic outlook. Among farmers with a negative outlook, falling commodity prices (52 per cent) and rising input prices (46 per cent) continued as the two most regularly cited reasons for pessimism.

Own farm business performance

The survey found farmers across all sector groupings were also more optimistic about the prospects for their own farm businesses, with dairy farmers again leading the upwards charge.

Fifteen percent of farmers (11 per cent last quarter) were now expecting the performance of their own business to improve in the year ahead, with 46 per cent expecting it to worsen (67 per cent previously) and 37 per cent expecting performance to remain the same (from 21 per cent).

“Dairy farmers recorded the biggest jump on this measure lifting to a net score of -20 per cent (from -72 per cent previously), however horticulturalist continue to be the most optimistic about their own businesses,” Ms Higgins said.

“In this survey we actually saw more growers expecting the performance of their own business to improve (24 per cent) over the coming year than those expecting to worsen (20 per cent) – and this is the first time farmers from any sector group have recorded a net positive result on this measure since March last year.

“For growers, this improved outlook for their own businesses is likely to stem from ongoing strong overseas demand for New Zealand fruit and vegetables and increased labour availability.”

Ms Higgins said while sheep and beef farmers were now slightly more optimistic about the prospects for their own businesses, they remain deeply concerned about the year ahead.

“At a net reading of -62 per cent, sheep and beef farmer confidence remains depressed.” she said.

“Beef prices have held up okay, but that hasn’t been the case for lamb prices which recently fell to their lowest level for this time of the year since 2016. And with little to indicate an improvement in prices in the short-term, sheep and beef farmer sentiment remains in the doldrums as we head towards the end of the year.”

Fewer farmers self-assessing as unviable

Ms Higgins said perhaps the most-pleasing aspect of the latest survey was the reduced number of farmers who were now assessing their own business as unviable.

“Over recent quarter we’ve seen an alarming increase in the percentage of farmers who view their own operations as unviable, with this reaching 12 per cent in the September quarter,” she said.

“So it was encouraging to see this number halve to six per cent in the latest survey while, at the other end of the spectrum, we also saw a lift in the number of farmers assessing their own farm as ‘easily viable’ or ‘viable’ (52 per cent from 47 per cent previously).”

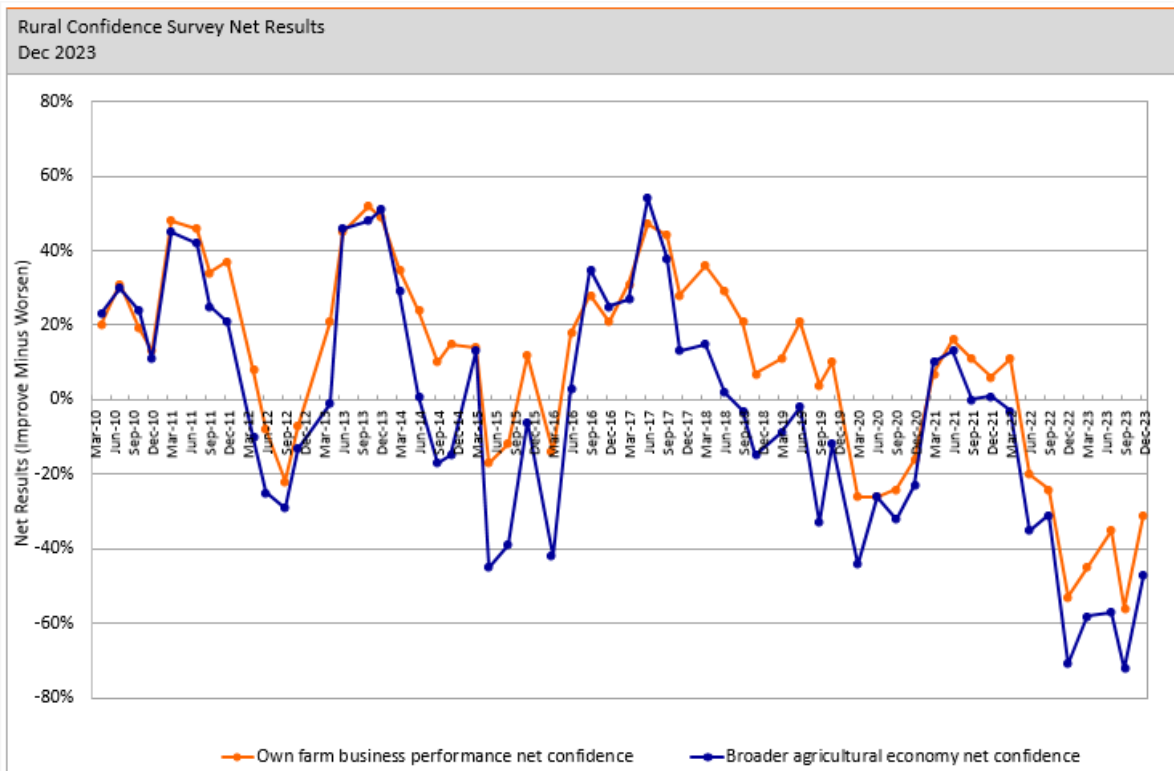
Investment intentions

Ms Higgins said it was also encouraging to see stronger investment intentions this quarter, albeit off a very low base.

“Investment intentions jumped to a net reading of -15 per cent from -36 per cent previously,” she said.

“And, as with the readings for general sentiment, growers held the strongest investment intentions and sheep and beef farmers the weakest.”

Conducted since 2003, the Rabobank Rural Confidence Survey is administered by independent research agency TNS, interviewing a panel of approximately 450 farmers each quarter.



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