# MID-SEASON FARM CONFIDENCE

January 2024

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# Contents

# Section 1

# Summary

## 1.1      Introduction

This report summarises the January 2024 Federated Farmers' New-Season Farm Confidence survey results. The survey is undertaken twice a year (January and July); this is the 30th iteration.

## 1.2      Key Messages

The January 2024 survey saw a recovery in farmer confidence, up from record lows last year.

Key points follow:

- **General economic conditions (current):** A net 55% of respondents consider current economic conditions to be bad, a 25-point improvement from July 2023 when a net 80% considered conditions to be bad.

- **General economic conditions (expectations):** A net 0.9% of respondents expect general economic conditions to improve over the next 12 months, a 71-point improvement from July 2023 when a net 70% expected conditions to deteriorate.

- **Farm profitability (current):** A net 3.1% of respondents report making a loss currently, a 4.9-point worsening from July 2023 when a net 1.8% reported making a profit.

- **Farm profitability (expectations):** A net 21% of respondents expect their profitability to decline over the next 12 months, a 49-point improvement from July 2023 when a net 70% expected it to decline.

- **Farm production (expectations):** A net 6.0% of respondents expect their production to increase over the next 12 months, a 13.5-point improvement from July 2023 when a net 7.5% expected it to decline.

- **Farm spending (expectations):** A net 4.0% of respondents expect their spending to increase over the next 12 months, a 15-point improvement from July 2023 survey when a net 11% expected their spending to decrease.

- **Farm debt (expectations):** A net 0.3% of respondents expect their debt to increase over the next 12 months, down 14 points from July 2023 when a net 14% expected their debt to increase.

- **Ability to recruit (experienced):** A net 23% of respondents reported it has been harder to recruit skilled and motivated staff over the past six months, down 9 points from July 2023 when a net 32% reported it had been harder.

- **Greatest concerns (current):** The four greatest concerns for farmers are Debt, Interest & Banks; Farmgate & Commodity Prices; Regulation & Compliance Costs; and Climate Change Policy & ETS. The proportion considering their concerns are affecting their mental health & wellbeing fell from 69% in July 2023 to 52% in this survey.

- **Highest government priorities:** The four highest priorities farmers want the Government to address are Fiscal Policy; Economy & Business Environment; Regulation & Compliance Costs; and Monetary Policy.

**Section 2**

# General Economic Conditions

## 2.1      Overall

**Current Economic Conditions**

Over the past six months, there has been improvement in perceptions of current economic conditions. The January 2024 survey's net score was -55, a 25-point improvement from July's 2023 record low. Most of the improvement was due to an increase in respondents thinking conditions were 'neither good nor bad' at the expense of 'bad', rather than any significant increase in those thinking they were 'good'.

The global economy continues to be challenging. Inflation continues to be stubbornly high and broad-based, with monetary conditions remaining tight. While the US economy has been stronger than expected, China's has been weaker in the wake of an anaemic post-Covid recovery, vulnerabilities in its property market, and demographic decline. Europe's has also been tepid only narrowly avoiding recession.  Conflicts and geopolitical tensions from Ukraine to the Middle East to Taiwan have raised uncertainty and costs to trade and business.

Domestically, the New Zealand economy has been flirting with recession, buffeted by high inflation, higher interest rates, weak consumer and business confidence, and lower commodity prices. If it were not for high immigration and the return of tourists the economic situation would be dire. However, inflation is cooling and labour and skill shortages are easing. The recent change in government has not had time to impact on current economic conditions.

*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 | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| All farms | 3.2% | 37.8% | 58.0% | 1.1% | -80.3 | -54.8 | +25.5↑ |

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

Figure 2.1 shows how net scores for current 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-January 2024)*
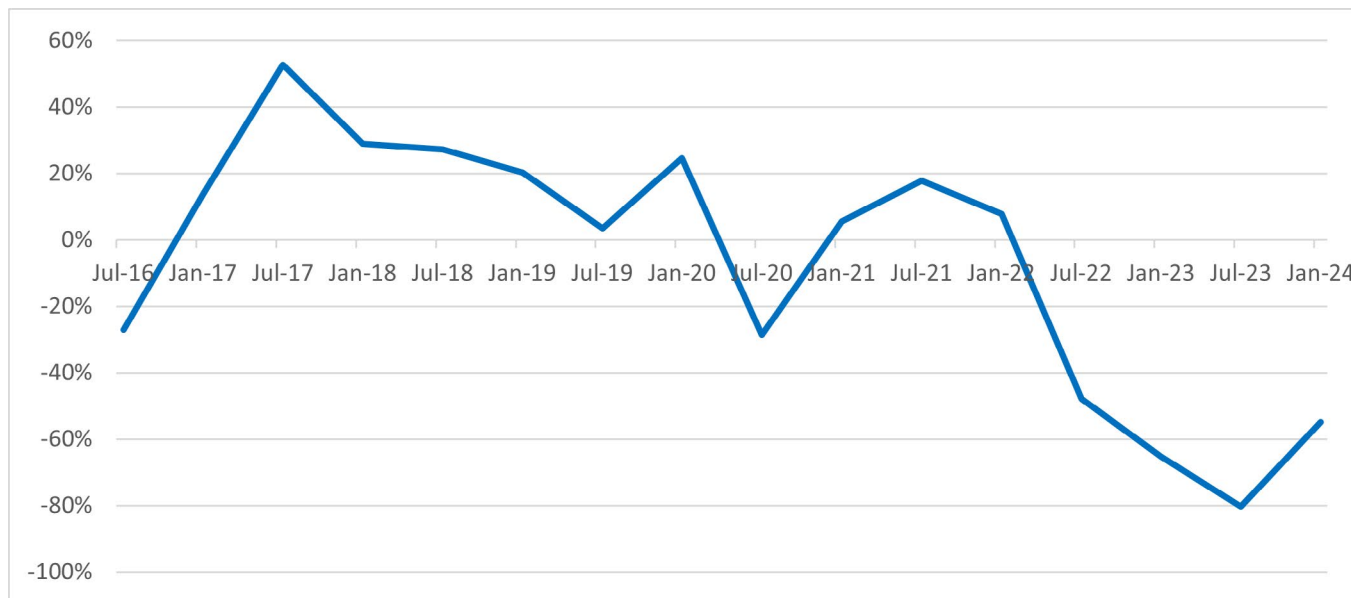


## Future Economic Conditions

Looking ahead, there has been a dramatic recovery in expectations for general economic conditions over the next 12 months. The net score has jumped 71 points, moving it from a record low into positive territory for the first time since mid-2017. This improvement driven by more respondents thinking the economy will stay the same (up 27 points) and by more thinking it will improve (up 21 points). The turnaround is consistent with other business confidence surveys, which have turned positive since the change in government.

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

|  | Improve | Stay Same | Worsen | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| All farms | 23.5% | 50.5% | 22.6% | 3.3% | -69.8 | +0.9 | +70.7↑ |

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 from July 2017 was mostly downward, culminating in an all-time low in January 2023. The recent change in government has given farmer confidence a large fillip but sentiment is still only finely balanced.

Figure 2.2 Net predictions of general economic conditions for all farms (July 2009-January 2024)
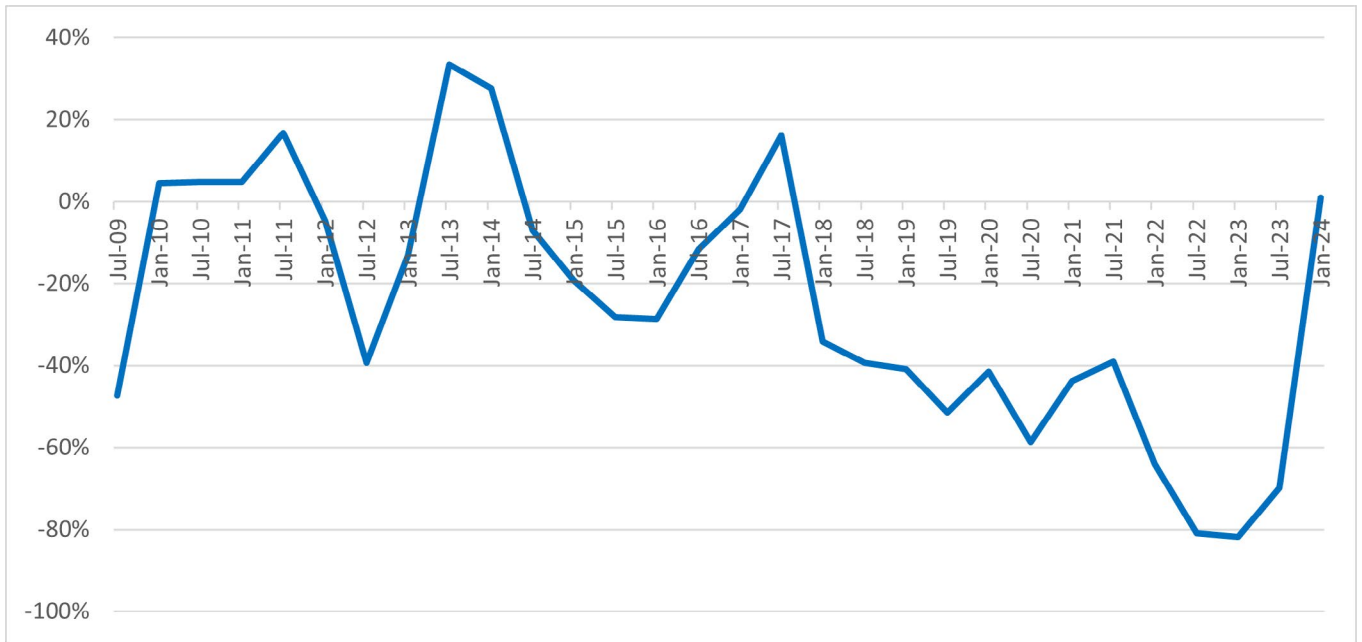


## 2.2    Industry Groups

Although all industry groups had improvements in their net perceptions of current economic conditions, Dairy stood out for having by far the largest improvement from the July survey (when dairy commodity prices and forecast farmgate milk prices were depressed) and it was by far the least pessimistic industry group. Arable had the smallest improvement and was the most pessimistic industry group.

*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 | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Dairy | 5.8% | 52.6% | 40.1% | 1.5% | -82.0 | -34.3 | +47.3⇡ |
| Meat & Wool | 1.2% | 24.4% | 73.8% | 0.6% | -80.0 | -72.5 | +7.5⇡ |
| Arable | 0.0% | 16.7% | 83.3% | 0.0% | -84.6 | -83.3 | +1.3⇡ |
| Other | 0.0% | 21.9% | 78,1% | 0.0% | -88.6 | -78.1 | +10.5⇡ |

Looking ahead over the next 12 months, there were large improvements in net expectations for all industry groups. Dairy had the biggest improvement and it was the only industry group with a positive net score. The other three groups were much less bullish and had similar net scores between -10.0 to -12.5.

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

| | Improve | Stay Same | Worsen | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Dairy | 30.9% | 48.1% | 16.9% | 4.1% | -64.2 | +14.0 | +78.2↑ |
| Meat & Wool | 15.1% | 55.1% | 27.4% | 2.5% | -74.2 | -12.3 | +61.9↑ |
| Arable | 16.7% | 53.3% | 26.7% | 3.3% | -72.5 | -10.0 | +62.5↑ |
| Other | 21.9% | 37.5% | 34.4% | 6.3% | -88.6 | -12.5 | +76.1↑ |

## 2.3    Regions

All seven regions continued to have deeply negative net scores for current economic conditions, although all posted improvements in their net scores.

The least pessimistic region was West Coast-Tasman-Marlborough, followed by Waikato Bay of Plenty. They also had the largest improvements in sentiment. The most pessimistic region was East Coast North Island, which also had the smallest improvement in sentiment.

*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 | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Auckland-Northland | 1.9% | 50.0% | 48.1% | 0.0% | -77.0 | -46.2 | +30.8↑ |
| Waikato-Bay of Plenty | 5.4% | 50.0% | 44.0% | 0.6% | -81.4 | -38.6 | +42.8↑ |
| East Coast North Island | 1.0% | 26.3% | 71.7% | 1.0% | -82.3 | -70.7 | +11.6↑ |
| Taranaki-Manawatu | 2.5% | 41.7% | 53.3% | 2.5% | -78.1 | -50.8 | +27.3↑ |
| WC-Tasman-Marlborough | 5.3% | 47.4% | 42.1% | 5.3% | -88.6 | -36.8 | +51.8↑ |
| Canterbury | 0.8% | 33.6% | 65.6% | 0.0% | -82.3 | -64.8 | +17.5↑ |
| Otago-Southland | 4.8% | 24.1% | 70.3% | 0.7% | -83.2 | -65.5 | +17.8↑ |

Looking ahead, all seven regions had large improvements in their net scores of between 60 and 77 points. Interestingly all four North Island regions had positive net scores while all three South Island regions continued to have negative net scores.

*Table 2.6 Predictions of general economic conditions by region looking forward*

| | Improve | Stay Same | Worsen | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Auckland-Northland | 23.1% | 51.9% | 23.1% | 1.9% | -77.0 | 0.0 | +77.0↑ |
| Waikato-Bay of Plenty | 29.3% | 46.1% | 22.2% | 2.4% | -64.3 | +7.2 | +71.5↑ |
| East Coast North Island | 22.2% | 56.6% | 20.2% | 1.0% | -70.2 | +2.0 | +72.2↑ |
| Taranaki-Manawatu | 25.2% | 52.1% | 18.5% | 4.2% | -64.8 | +6.7 | +71.5↑ |
| WC-Tasman-Marlborough | 26.3% | 39.5% | 31.6% | 2.6% | -65.2 | -5.3 | +59.9↑ |
| Canterbury | 23.2% | 50.4% | 24.0% | 2.4% | -75.1 | -0.8 | +74.3↑ |
| Otago-Southland | 15.2% | 54.5% | 24.1% | 6.2% | -72.8 | -9.0 | +63.8↑ |

# Section 3

## Farm Profitability

## 3.1 Overall

**Current Profitability**

In this survey there was a further slip in current profitability, with the net score for 'all farms' falling 4.9 points from July 2023 to -3.1. This reflects the ongoing impacts of 2022-23's lower international commodity prices and farmgate returns, high input price inflation (although easing), and high interest rates 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 | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| All farms | 29.3% | 36.8% | 32.4% | 0.9% | 0.7% | +1.8 | -3.1 | -4.9↓ |

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 18 months.

*Figure 3.1 Net current perceptions of all farm profitability (July 2016-January 2024)*
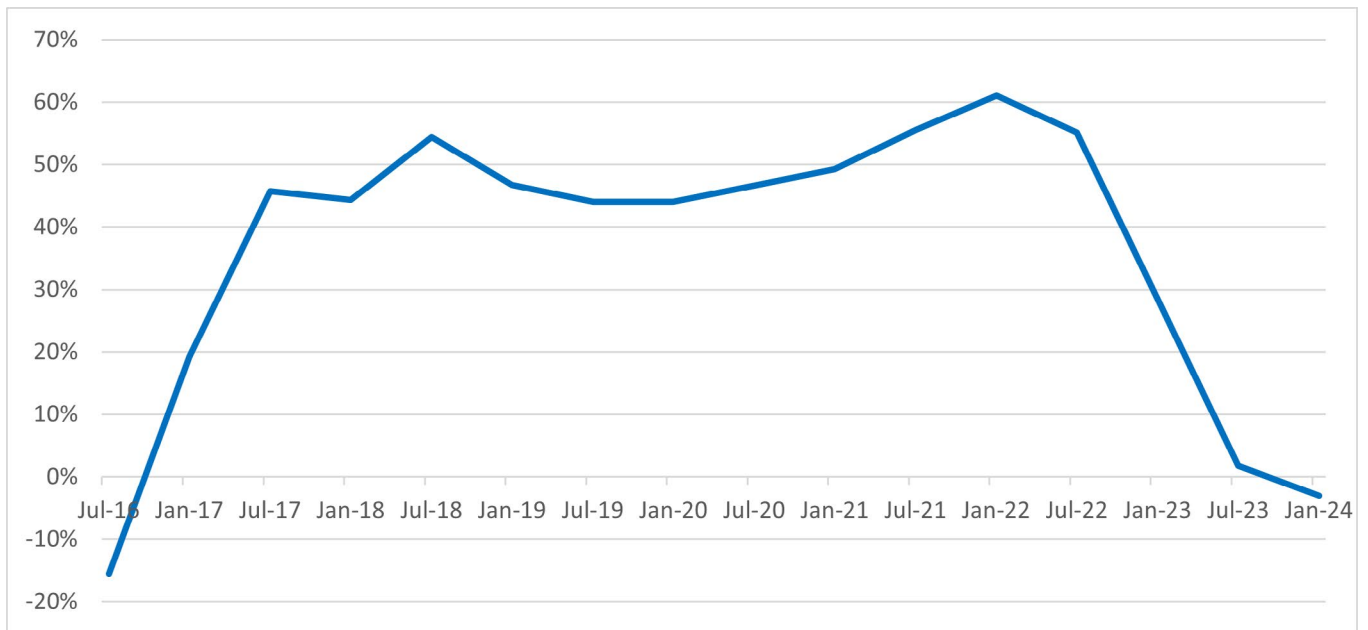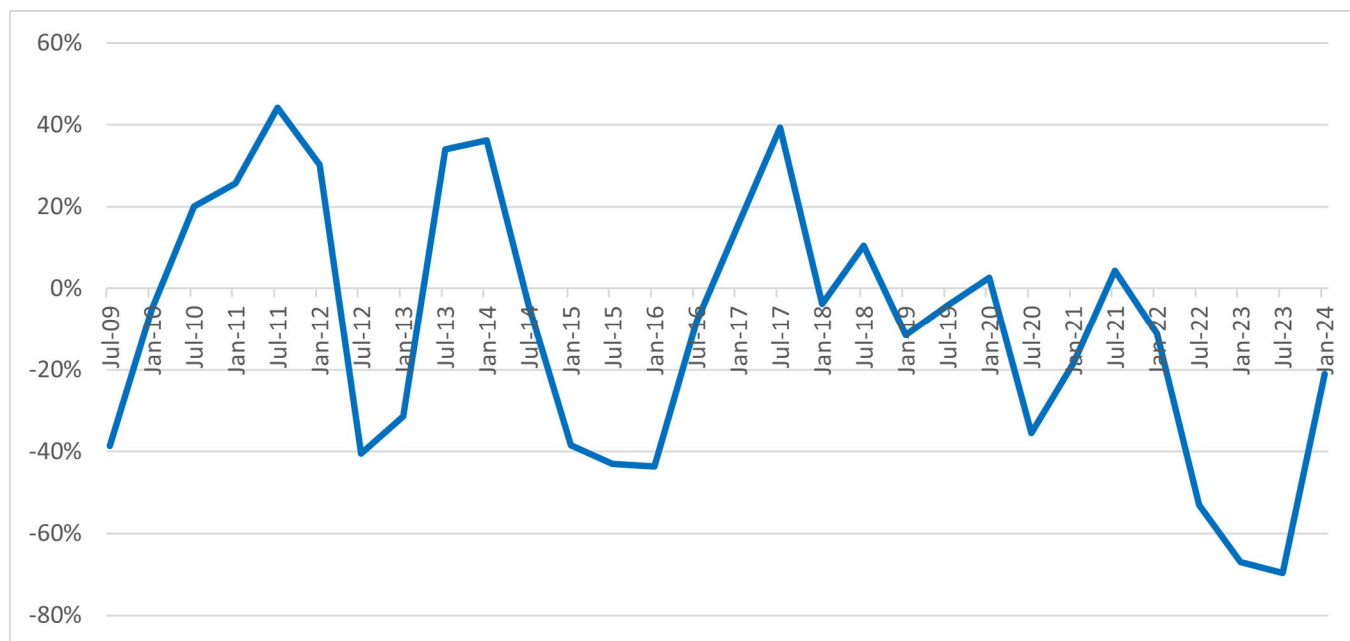


**Future Profitability**

Expectations for profitability over the next 12 months have improved, with the proportion of farmers expecting profitability to worsen halving to 37%. Much of the improvement was due to a 24 point increase in farmers expecting their profitability to remain the same, while there was an increase in 12 points for those expecting it to improve. The net score remains negative at -21, but this is 48 points better than in July.

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

|  | Improve | Stay Same | Worsen | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| All farms | 16.0% | 44.2% | 37.1% | 2.7% | -69.6 | -21.1 | +48.5↑ |

Figure 3.2 shows net predictions of all farm profitability since July 2009 have, like economic predictions oscillated markedly over time. Before this survey's recovery, profitability expectations trended down from a peak in July 2017. That the net score for future profitability remains negative should be a concern given the current state of farm profitability

Figure 3.2 Net predictions of all farm profitability (July 2009-January 2024)



## 3.2    Industry Groups

It was very much a mixed picture for industry groups' current profitability.

Dairy continued to have the lowest percentage of farms making a loss and it remained the most profitable industry group, with a net score of +18.0, up 9 points from July. After bottoming out in August 2023 global milk prices have recovered somewhat and this has translated into a higher expected farmgate milk price for the current 2023/24 season. Dairy farmers' input costs remain high, but annual rates of increase have eased from 17% in September 2022 to 4.0% in September 2023.

Meat & Wool farmers' net score for current profitability has fallen further and is deeply negative. Meat prices have been falling for nearly two years (albeit from relatively high levels) on the back of the weakening global economy impacting on consumer demand for premium meats like lamb. Sheep, beef cattle and grains farmers have also faced sharply higher input costs, although as with dairy farmers their input price inflation has eased from 14% in September 2022 to 4.3% in September 2023.

Arable farmers also had a decrease in their current profitability net score and it moved into negative territory. Other industry group farmers had a modest improvement.

*Table 3.3 Current farm profitability by industry group*

| | Making a Profit | Breaking Even | Making a Loss | Rather not Say | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| Dairy | 39.0% | 38.4% | 20.9% | 1.2% | 0.6% | +8.6 | +18.0 | +9.4↑ |
| Meat & Wool | 19.5% | 34.1% | 45.5% | 0.3% | 0.6% | -5.9 | -26.0 | -20.1↓ |
| Arable | 23.3% | 43.3% | 30.0% | 3.3% | 0.0% | +7.5 | -6.7 | -14.2↓ |
| Other | 34.4% | 31.3% | 34.4% | 0.0% | 0.0% | -4.4 | 0.0 | +4.4↑ |

Looking ahead, all industry groups had improvements in profitability expectations compared to six months ago. Meat & Wool's improvement was by far the biggest (66 points) and it is now the least pessimistic industry group, with a net score of -5.0. Given the Meat & Wool's current level of deep negativity, more of these farmers appear to be feeling/hoping that there is only one way — up.

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

| | Improve | Stay Same | Worsen | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Dairy | 13.3% | 36.7% | 46.7% | 3.3% | -70.9 | -33.3 | +37.6↑ |
| Meat & Wool | 23.5% | 45.2% | 28.4% | 2.9% | -70.9 | -5.0 | +65.9↑ |
| Arable | 8.6% | 43.7% | 45.2% | 2.5% | -47.5 | -36.6 | +10.9↑ |
| Other | 12.5% | 43.8% | 43.8% | 0.0% | -71.1 | -31.3 | +39.8↑ |

## 3.3    Regions

Five of the seven regions had decreases in their net scores compared to July 2023, the two exceptions being Auckland-Northland and Waikato-Bay of Plenty. Five of the seven regions also had negative net scores for current profitability (meaning more farms making a loss than a profit). The two exceptions were Waikato-Bay of Plenty and Taranaki-Manawatu.

The Meat & Wool-dominant East Coast North Island was the region which had the largest drop in net score and it went from being relatively optimistic to the most pessimistic region.

*Table 3.5 Current farm profitability by region*

|  | Making a Profit | Breaking Even | Making a Loss | Rather not Say | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| Auckland-Northland | 32.7% | 30.8% | 36.5% | 0.0% | 0.0% | -14.0 | -3.8 | +10.2↑ |
| Waikato-Bay of Plenty | 38.0% | 34.9% | 25.9% | 0.0% | 1.2% | +2.1 | +12.0 | +9.9↑ |
| East Coast North Island | 20.2% | 38.4% | 40.4% | 1.0% | 0.0% | +3.5 | -20.2 | -23.7↓ |
| Taranaki-Manawatu | 29.2% | 40.0% | 26.7% | 3.3% | 0.8% | +6.3 | +2.5 | -3.8↓ |
| WC-Tasman-Marlborough | 18.4% | 47.4% | 34.2% | 0.0% | 2.2% | -2.2 | -15.8 | -13.6↓ |
| Canterbury | 27.2% | 43.2% | 28.0% | 0.8% | 0.5% | +4.9 | -0.8 | -5.7↓ |
| Otago-Southland | 28.5% | 28.5% | 41.7% | 0.7% | 0.7% | +2.1 | -13.2 | -15.3↓ |

For all regions expectations for future profitability improved but all remained in negative territory. Canterbury had the biggest improvement of 58 points to be the least pessimistic region. Taranaki-Manawatu and East Coast North Island were in a near tie for most pessimistic.

*Table 3.6 Predictions of expected farm profitability by region*

|  | Improve | Stay Same | Worsen | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Auckland-Northland | 9.8% | 54.9% | 33.3% | 2.0% | -73.6 | -23.5 | +50.1↑ |
| Waikato-Bay of Plenty | 11.9% | 49.2% | 38.1% | 0.8% | -74.2 | -26.2 | +48.0↑ |
| East Coast North Island | 13.3% | 42.9% | 42.9% | 1.0% | -71.7 | -29.6 | +42.1↑ |
| Taranaki-Manawatu | 13.1% | 39.3% | 42.8% | 4.8% | -66.0 | -29.7 | +36.3↑ |
| WC-Tasman-Marlborough | 15.1% | 50.4% | 31.9% | 2.5% | -57.8 | -16.8 | +41.0↑ |
| Canterbury | 25.5% | 38.2% | 32.7% | 3.6% | -64.8 | -7.3 | +57.5↑ |
| Otago-Southland | 15.8% | 42.1% | 39.5% | 2.6% | -72.6 | -23.7 | +48.9↑ |

# Section 4

## Farm Production

## 4.1    Overall

After four consecutive drops, farmers' expectations about future production have recovered in this survey. Although most farmers expect their production to remain similar, the proportion of those expecting it to reduce over the next 12 months was down 7 points while those expecting it to increase was up 7 points. As a result, the net score increased by 13.5 points to +7.5 – its first positive net score since January 2022.

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

|  | Increase | Stay Same | Reduce | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| All farms | 20.9% | 62.8% | 14.9% | 1.3% | +6.0 | -7.5 | +13.5↑ |

Figure 4.1 shows that net scores for production were mostly over +20 until mid-2015 but have been consistently below +20 since mid-2019.  Tougher environmental regulations, farm-to-forestry conversions, challenging weather, acute labour shortages, and a general lack of confidence have all taken their toll. The return to positive expectations might reflect an easing of these concerns, with the new government perceived to be more 'farmer friendly'.

*Figure 4.1 Net predictions of farm production: all farms (January 2010-January 2024)*
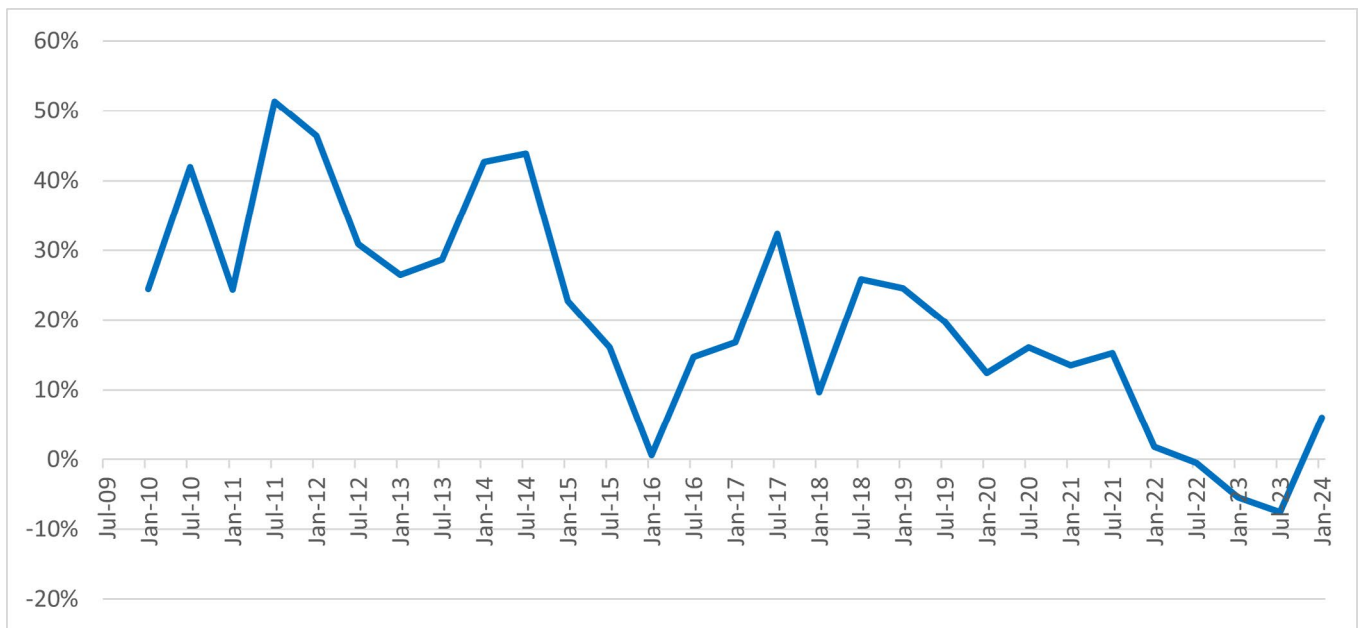
## 4.2    Industry Groups and Regions

All industry groups had increases in their net score for production and had more respondents expecting to increase production than reduce production. This is a turnaround from July 2023 when all industry groups had negative net scores for production. Dairy had the highest net score, and Meat & Wool's was the lowest.

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

|  | Increase | Stay Same | Reduce | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Dairy | 23.8% | 62.8% | 12.5% | 0.9% | -4.5 | +11.3 | +15.8↑ |
| Meat & Wool | 18.8% | 63.0% | 17.3% | 0.9% | -9.7 | +1.5 | +11.2↑ |
| Arable | 13.8% | 72.4% | 10.3% | 3.4% | -10.0 | +3.4 | +13.4↑ |
| Other | 22.6% | 61.3% | 12.9% | 3.2% | -13.3 | +9.7 | +23.0↑ |

All but two of the seven regions had positive net production scores, the exceptions being West-Coast-Tasman-Marlborough (which was also the only region to have a drop in net score) and Auckland-Northland. Otago-Southland had by far the highest net score.

There were strong recoveries for East Coast North Island and Auckland-Northland, both of which had been very pessimistic about their production in July 2023 in the wake of the damage and destruction from severe storms and flooding almost a year ago.

*Table 4.3 Predictions of future farm production by region*

|  | Increase | Stay Same | Reduce | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Auckland-Northland | 15.4% | 61.5% | 23.1% | 0.0% | -27.9 | -7.7 | +20.2↑ |
| Waikato-Bay of Plenty | 23.5% | 59.6% | 15.1% | 1.8% | -10.2 | +8.4 | +18.6↑ |
| East Coast North Island | 20.2% | 62.6% | 15.2% | 2.0% | -19.3 | +5.1 | +24.4↑ |
| Taranaki-Manawatu | 16.0% | 68.1% | 12.6% | 3.4% | -0.7 | +3.4 | +4.1↑ |
| WC-Tasman-Marlborough | 13.2% | 57.9% | 28.9% | 0.0% | -2.2 | -15.8 | -13.6↓ |
| Canterbury | 16.0% | 68.0% | 16.0% | 0.0% | -2.7 | 0.0 | +2.7↑ |
| Otago-Southland | 30.6% | 59.7% | 9.0% | 0.7% | +0.5 | +21.5 | +21.0↑ |

# Section 5

# Farm Spending

## 5.1    Overall

After slumping in 2023, farmers' spending expectations for the next 12 months have recovered back into positive territory.
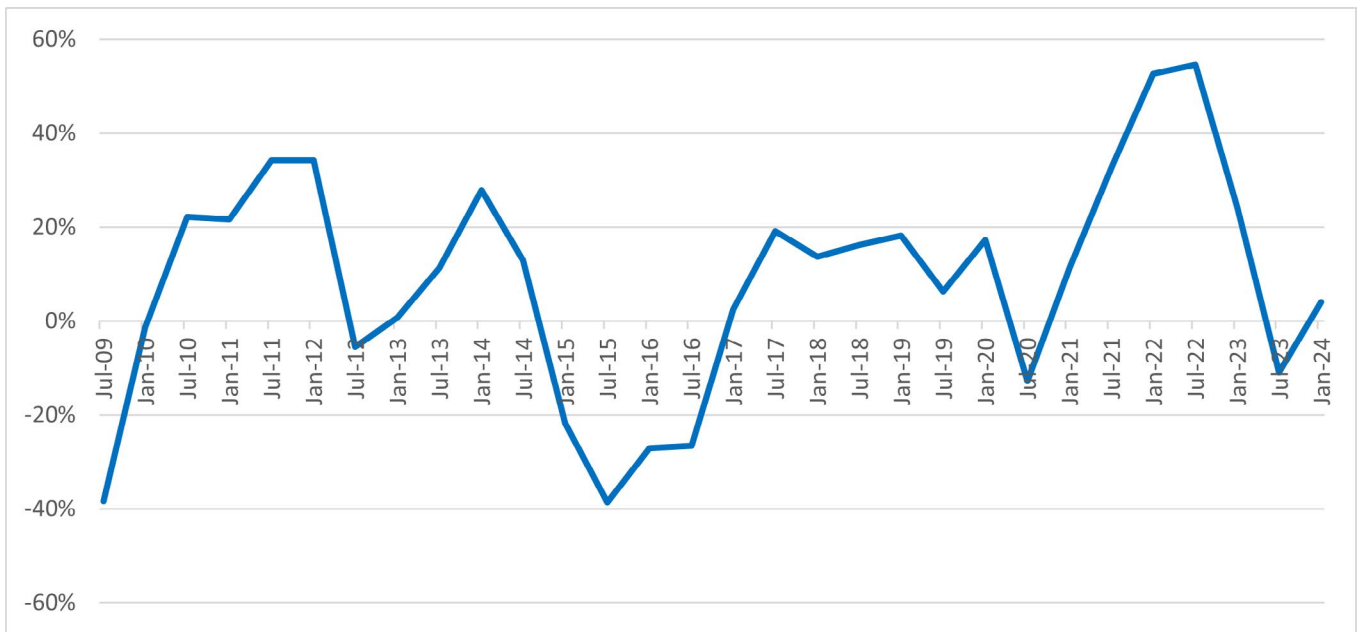
*Table 5.1 Predictions of expected farm spending over the next 12 months: all farms*

|  | Increase | Stay Same | Reduce | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| All farms | 33.1% | 36.1% | 29.1% | 1.7% | -10.9 | +4.0 | +14.9↑ |

Figure 5.1 shows how spending expectations have tracked over the life of the survey. Until 2022 spending expectations were positively linked to farm production, farm profitability, and general economic confidence.

However, in the 2022 surveys increased spending intentions moved against these metrics due to very high inflation in farm input prices.  The 2023 surveys then saw more farmers respond to sharply lower expectations for profitability by shutting their wallets and reducing the volume (price-adjusted) of spending. The recovery in this survey is more positive as it comes at a time when input price inflation has been slowing and farmers are feeling more confident – a reversion to the pre-2022 relationship.

Figure 5.1 Net predictions of expected farm spending (July 2009-January 2024)

## 5.2    Industry Groups and Regions

All farm industry groups had increases in their net spending scores, but there were mixed fortunes. Dairy had the biggest increase, followed by Arable, and both groups are back in net positive territory. Meat & Wool and Other had only small increases and both groups remain in net negative territory.

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

|  | Increase | Stay Same | Reduce | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Dairy | 39.1% | 41.1% | 18.1% | 1.7% | -6.7 | +21.0 | +27.7↑ |
| Meat & Wool | 27.2% | 29.3% | 41.7% | 1.9% | -16.1 | -14.5 | +1.6↑ |
| Arable | 27.6% | 55.2% | 17.2% | 0.0% | -12.8 | +10.3 | +23.1↑ |
| Other | 28.1% | 34.4% | 37.5% | 0.0% | -11.4 | -9.4 | +2.0↑ |

All seven regions had increases in their net scores for farm spending, with the biggest increase for the Dairy-dominant Waikato-Bay of Plenty and the smallest increase for the Meat & Wool-dominant East Coast North Island.

Despite the increases, three of seven regions continued to have net negative scores for farm spending: Otago-Southland, East Coast North Island and Taranaki-Manawatu.

*Table 5.3 Predictions of expected farm spending by region*

|  | Increase | Stay Same | Reduce | Don't Know | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|
| Auckland-Northland | 45.1% | 37.3% | 15.7% | 2.0% | +21.2 | +29.4 | +8.2↑ |
| Waikato-Bay of Plenty | 38.3% | 37.1% | 23.4% | 1.2% | -9.4 | +15.0 | +24.4↑ |
| East Coast North Island | 30.6% | 34.7% | 34.7% | 0.0% | -10.5 | -4.1 | +6.4↑ |
| Taranaki-Manawatu | 26.7% | 40.8% | 30.0% | 3.5% | -19.6 | -3.3 | +16.3↑ |
| WC-Tasman-Marlborough | 42.1% | 26.3% | 26.3% | 5.3% | 0.0 | 15.8 | +15.8↑ |
| Canterbury | 29.6% | 40.0% | 28.8% | 1.6% | -16.1 | 0.8 | +16.9↑ |
| Otago-Southland | 29.9% | 29.9% | 38.2% | 2.1% | -19.9 | -8.3 | +11.6↑ |

# Section 6

## Farm Debt

## 6.1     Overall

After climbing in 2022 and 2023 the January 2024 survey has seen a reduction in farmers' debt expectations, even as banks' lending conditions for agriculture continue to be tight and interest rates rise.

Around 43% of farmers expect their debt to stay the same, almost the same as in July 2023. 21% of farmers expect their debt to reduce over the next 12 months, up 5 points, while 22% expect their debt to increase, down 8 points. As a result, the net score of +0.3 was down 13.6 points from July 2023.

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

|  | Increase | Stay Same | Reduce | Don't Know | No Debt | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| All farms | 21.6% | 42.7% | 21.3% | 1.6% | 12.8% | +13.9 | +0.3 | -13.6↓ |

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 during the prolonged downturn in dairy prices in 2015-16, 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.

2022 and 2023 saw increases in farmers expecting their debt to increase. This reflected pressure on profitability and higher interest rates, which together impacted the ability of most farmers to pay down debt and caused some farmers to borrow more to get through (as happened in 2009 and 2015-16).  This survey's partial reversal in debt expectations will reflect the more general improvement of farmer confidence.

*Figure 6.1 Net predictions of future farm debt: all farms (July 2009-January 2024)*
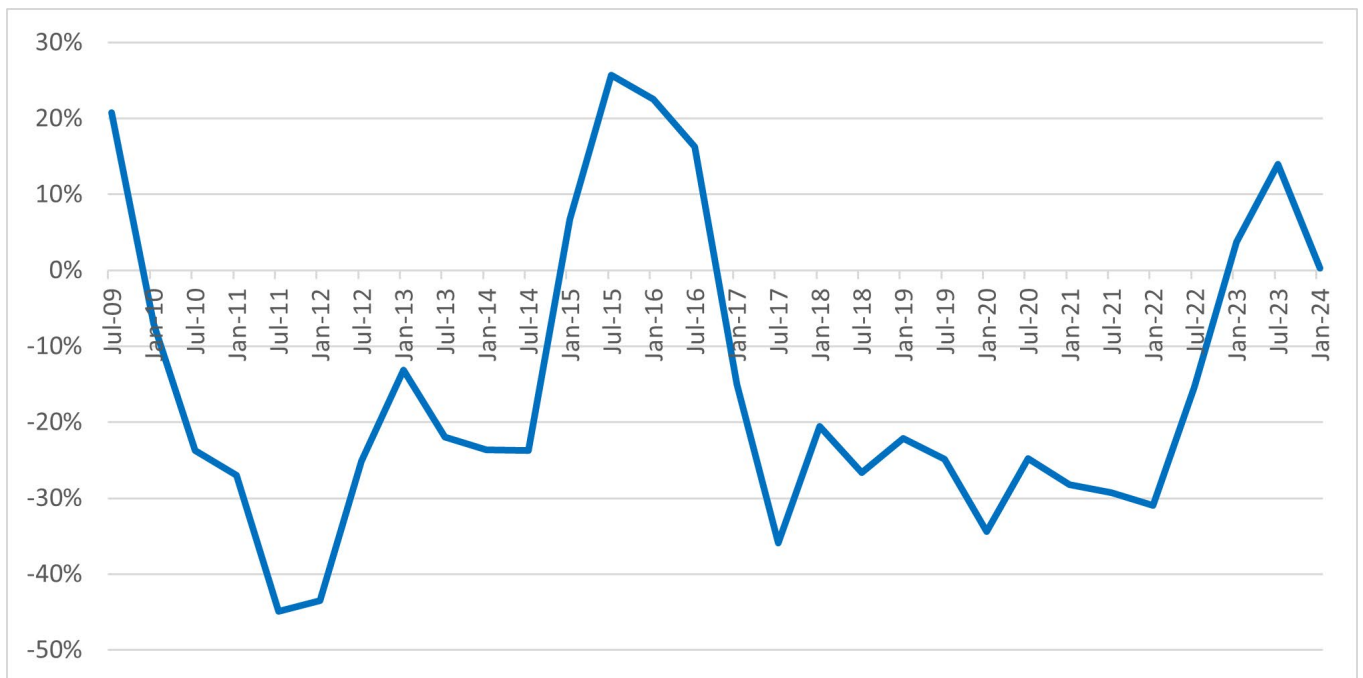
## 6.2     Industry Groups and Regions

All industry groups had reductions in their debt net score.  Dairy had the biggest reduction in net score, and it was the only industry group with a negative net score for debt (i.e., more farmers expecting to reduce their debt than increase it). Dairy farmers have borne the brunt of efforts to reduce debt, with Reserve Bank statistics showing the sector's debt down $5 billion from mid-2019 to mid-2022, then stabilising and edging up for a time before falling again later in 2023. In contrast, Meat & Wool, Arable, and Other industry groups all had more farmers expecting to increase their debt than reduce it.  The Reserve Bank's statistics show an increase in the debt of sheep, beef cattle and grains farming in 2023.

*Table 6.2 Predictions of farm debt by industry group*

|  | Increase | Stay Same | Reduce | Don't Know | No Debt | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| Dairy | 17.2% | 43.1% | 31.8% | 1.5% | 6.4% | +8.1 | -14.6 | -22.7↓ |
| Meat & Wool | 25.6% | 42.3% | 11.4% | 0.6% | 20.1% | +19.8 | +14.2 | -5.6↓ |
| Arable | 24.1% | 48.3% | 10.3% | 13.8% | 3.4% | +22.5 | +13.8 | -8.7↓ |
| Other | 31.3% | 37.5% | 21.9% | 0.0% | 11.1% | +20.0 | +9.4 | -10.6↓ |

All seven regions had reductions in their net scores for debt, with the largest decrease for Waikato-Bay of Plenty, followed by East Coast North Island. The smallest decrease was for West Coast-Tasman-Marlborough, followed by Taranaki-Manawatu.

Three of the regions had more farmers expecting to reduce their debt than increase it: Waikato-Bay of Plenty, Auckland-Northland, and Taranaki-Manawatu.  All three South Island regions, plus East Coast North Island had more farmers expecting to increase debt than reduce it.

*Table 6.3 Predictions of farm debt by region*

|  | Increase | Stay Same | Reduce | Don't Know | No Debt | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| Auckland-Northland | 15.4% | 40.4% | 19.2% | 0.0% | 25.0% | +9.3 | -3.8 | -13.1↓ |
| Waikato-Bay of Plenty | 16.2% | 41.9% | 28.7% | 1.8% | 11.4% | +6.8 | -12.6 | -19.4↓ |
| East Coast North Island | 24.2% | 45.5% | 13.1% | 2.0% | 15.2% | +28.9 | +11.1 | -17.8↓ |
| Taranaki-Manawatu | 21.0% | 46.2% | 24.4% | 0.8% | 7.6% | +6.2 | -3.4 | -9.6↓ |
| WC-Tasman-Marlborough | 21.1% | 39.5% | 18.4% | 0.0% | 21.1% | +10.9 | +2.6 | -8.3↓ |
| Canterbury | 18.5% | 53.2% | 15.3% | 3.2% | 9.7% | +16.9 | +3.2 | -13.7↓ |
| Otago-Southland | 31.3% | 31.9% | 22.2% | 1.4% | 13.2% | +19.4 | +9.0 | -10.4↓ |

# Section 7

## Ability to Recruit

## 7.1    Overall

Farmers continued to report difficulty recruiting skilled and motivated staff over the previous six months, but the net score fell, as it did in July 2023. This was on the back of a drop in those feeling it had been harder, with only a small increase in those thinking it had been easier. The improvement was more down to an increase in those feeling there had been no change and from more farmers not employing staff.
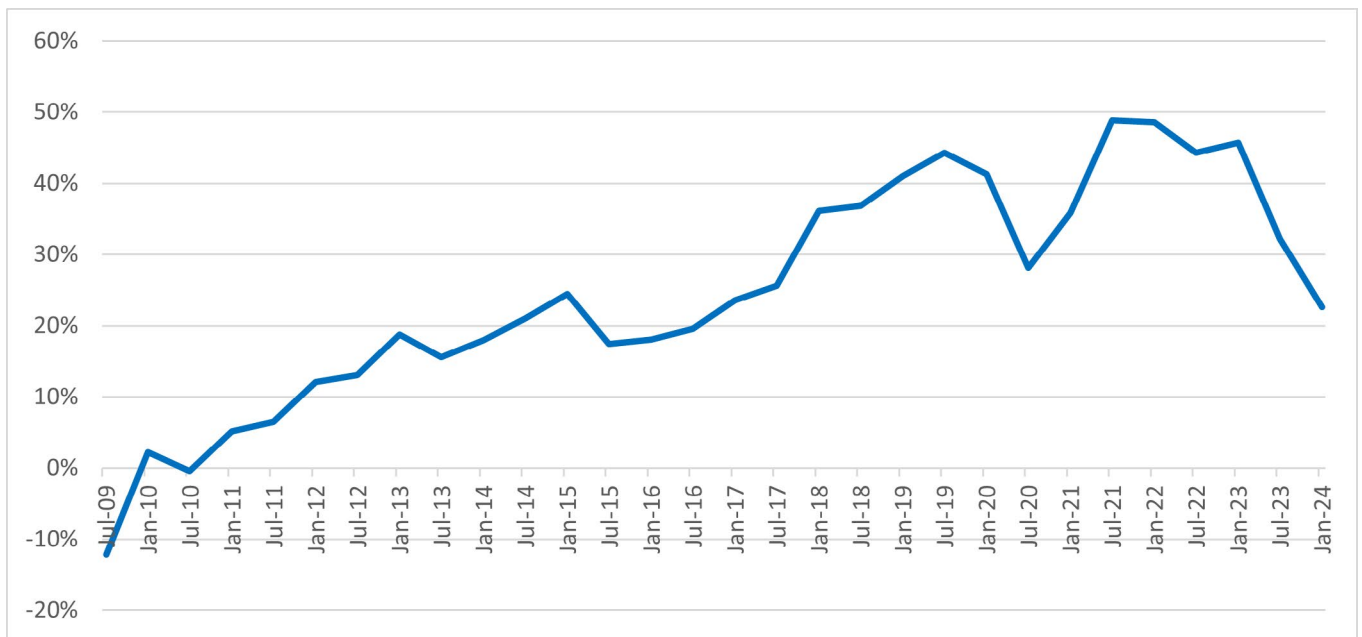
*Table 7.1 Ability to recruit skilled and motivated staff in the previous six months: all farms*

|  | Harder | No change | Easier | Don't Know | Don't Employ | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| All farms | 26.3% | 36.0% | 3.7% | 6.0% | 27.9% | +32.2 | +22.6 | -9.6↓ |

Figure 7.1 shows how the recruitment net score has tracked over the life of the survey. Mostly, the trend was upwards from the survey's beginning in July 2009, apart from a dip in mid-2020 in the wake of the initial Covid-19 lockdown. The net score has fallen 23 points since January 2023, with the January 2024 net score the lowest since July 2016.

The wider labour market appears to be easing from a slowing economy and strong 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-January 2024)*

## 7.2 Industry Groups and Regions

Compared to July 2023, all four industry groups had drops in their net scores for difficulty in recruiting skilled and motivated staff. Dairy farmers had only a small drop in their net score and it remained the industry group having the most difficulty.

Meat & Wool, Arable, and Other industry groups had larger drops in their net scores. Their net scores were all significantly lower than Dairy's — but all still had more farmers having found it harder than easier to recruit staff.

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

|  | Harder | No change | Easier | Don't Know | Don't Employ | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| Dairy | 34.8% | 39.1% | 4.6% | 6.7% | 14.8% | +34.1 | +30.1 | -4.0↓ |
| Meat & Wool | 19.4% | 34.6% | 2.2% | 4.9% | 38.9% | +31.0 | +17.3 | -13.7↓ |
| Arable | 20.7% | 34.5% | 10.3% | 6.9% | 27.6% | +22.5 | +10.3 | -12.2↓ |
| Other | 18.8% | 34.4% | 6.3% | 6.3% | 34.4% | +31.1 | +12.5 | -18.6↓ |

All seven regions continued to have more respondents finding it harder than easier to recruit skilled and motivated staff. Otago-Southland had the lowest net score and West Coast-Tasman-Marlborough had the highest net score, followed closely by Waikato-Bay of Plenty.

West Coast-Tasman-Marlborough was the only region to post an increase in its net score. Of the six regions which had reduced net scores, East Coast North Island had the biggest fall.

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

|  | Harder | No change | Easier | Don't Know | Don't Employ | July 2023 Net Score | January 2024 Net Score | Change |
|---|---|---|---|---|---|---|---|---|
| Auckland-Northland | 26.9% | 28.8% | 0.0% | 9.6% | 34.6% | +31.8 | +26.9 | -4.9↓ |
| Waikato-Bay of Plenty | 31.1% | 28.1% | 3.0% | 9.0% | 28.7% | +29.8 | +28.1 | -1.7↓ |
| East Coast North Island | 30.3% | 39.4% | 4.0% | 5.1% | 21.2% | +48.7 | +26.3 | -22.4↓ |
| Taranaki-Manawatu | 23.5% | 47.1% | 2.5% | 3.4% | 23.5% | +35.0 | +21.0 | -14.0↓ |
| WC-Tasman-Marlborough | 28.9% | 21.1% | 0.0% | 5.3% | 44.7% | +28.3 | +28.9 | +0.6↑ |
| Canterbury | 25.6% | 37.6% | 6.4% | 3.2% | 27.2% | +24.3 | +19.2 | -5.1↓ |
| Otago-Southland | 20.0% | 39.3% | 4.8% | 6.9% | 29.0% | +31.9 | +15.2 | -16.7↓ |

**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 January 2023 and July 2023 surveys. The percentages in the table are the averages of each concern's three choices.

**Debt, Interest, and Banks** remained in first place. 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.

**Farmgate and commodity prices** jumped from fourth to second place. International prices for dairy and meat are both down for the year (although dairy's have recovered more recently) and this has flowed through to farmgate incomes. It was the top concern for Meat & Wool farmers and Arable farmers.

R**egulation and Compliance Costs** slipped from second to third 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, but the new government has promised to reduce the burden.

**Climate Change Policy & Emissions Trading Scheme (ETS)** slipped from third to fourth place. After having a high profile during 2022, the pricing of agricultural emissions went quiet in 2023 and the new government has said it will push the issue out even further.

**Input Costs** rose from sixth to fifth 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.

Concern about the **economic situation** was down from fifth to sixth place, while concern about the **political situation** evaporated with the election out of the way.

*Table 8.1 Top twelve greatest concerns over the three most recent surveys (January 2023 to January 2024)*

| January 2023 | | July 2023 | | January 2024 | |
|---|---|---|---|---|---|
| Climate Change Policy & ETS | 17.9% | Debt, Interest, Banks | 16.9% | Debt, Interest, Banks | 17.6% |
| Debt, Interest, Banks | 13.6% | Regulation & Compliance Costs | 13.7% | Farmgate & Commodity Prices | 15.6% |
| Regulation & Compliance Costs | 11.9% | Climate Change Policy & ETS | 12.5% | Regulation & Compliance Costs | 12.1% |
| Input Costs | 9.9% | Farmgate & Commodity Prices | 11.3% | Climate Change Policy & ETS | 8.8% |
| Economic Situation | 7.2% | Economic Situation | 7.7% | Input Costs | 8.6% |
| Farmgate & Commodity Prices | 7.2% | Input Costs | 7.5% | Economic Situation | 6.8% |
| Blanket Forestry Conversion | 6.0% | Political Situation | 6.1% | Freshwater Policy | 5.8% |
| Political Situation | 5.8% | Freshwater Policy | 4.2% | Viability & Profitability | 3.9% |
| Freshwater Policy | 4.5% | Viability & Profitability | 3.9% | Poor Rural Infrastructure | 3.6% |
| Viability & Profitability | 3.0% | Poor Rural Infrastructure | 3.4% | Local Government & Rates | 3.3% |
| Staffing | 2.6% | Blanket Forestry Conversions | 2.7% | Staffing | 2.2% |
| Environment | 2.2% | Weather | 2.2% | Environment | 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, 52% of respondents answered 'yes' (down 16 points from July 2023), 35% answered 'no' (up 14 points), and 13% were 'unsure' (up 2 points). This reduction in concern probably reflects general improvements in farmer confidence seen elsewhere in the survey results.

# Section 9

## 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 January 2023 and July 2023 surveys. The percentages in the table are the averages of each concern's three choices.

**Fiscal Policy** moved from second place to first place.  Government spending rose rapidly under the previous government, the fiscal deficit is large, and debt has ballooned. The new government promises to contain growth in government spending and taxes, and to reduce debt. This would be welcomed by many farmers.

After jumping dramatically in July 2023, **Economy & Business Environment** slipped from first to second place. The economy is facing big challenges, with growth stumbling and inflation remaining too high. The new government has promised to deliver policies and programmes to boost productivity and competitiveness and many farmers would welcome this too.

**Regulation & Compliance Costs** jumped from seventh to third place. This has been a consistently high priority for farmers in most previous farm confidence surveys. Again, the new government has promised to reduce the quantity and improve the quality of regulations. Farmers will want to see action on this.

**Monetary Policy** rose from eighth to fourth place. Although it has cooled, inflation remains too high and monetary policy is likely to remain restrictive for some time adding to farmers' interest costs.

**Supporting Agriculture & Exporters** rose from tenth to fifth place. Many farmers perceive the new government to be more 'farmer-friendly' than its predecessor. They will want to see supportive policies to back this up.

**Disaster Recovery** was in third place in July 2023, in response to recent severe weather events in the North Island which caused huge damage and loss of production. It has now fallen out of the top 12.

*Table 9.1 Top twelve highest priorities for Government over the three most recent surveys (January 2023 to January 2024)*

| January 2023 | | July 2023 | | January 2024 | |
|---|---|---|---|---|---|
| Fiscal Policy | 16.8% | Economy & Business Environment | 37.7% | Fiscal Policy | 17.1% |
| Economy & Business Environment | 15.6% | Fiscal Policy | 18.0% | Economy & Business Environment | 16.1% |
| Regulation & Compliance Costs | 12.9% | Disaster Recovery | 11.8% | Regulation & Compliance Costs | 14.8% |
| Supporting Ag & Exporters | 8.9% | Climate Change Policy & ETS | 9.3% | Monetary Policy | 8.4% |
| Employment & Skills | 8.6% | Biosecurity | 8.0% | Supporting Ag & Exporters | 6.4% |
| Monetary Policy | 7.4% | Employment & Skills | 4.0% | Climate Change Policy & ETS | 4.5% |
| Climate Change Policy & ETS | 4.3% | Regulation & Compliance Costs | 3.5% | Social Issues | 4.3% |
| Social Issues | 4.3% | Monetary Policy | 2.4% | Freshwater Policy | 3.1% |
| Biosecurity | 3.6% | Environment | 0.9% | Biosecurity | 2.9% |
| Transport, Communications, Energy | 3.4% | Supporting Ag & Exporters | 0.8% | Transport, Communications, Energy | 2.8% |
| Research & Science | 2.1% | Freshwater Policy | 0.7% | Employment & Skills | 2.5% |
| Restrict Overseas Investment | 1.7% | Industry Specific Issues | 0.7% | Research & Science | 2.2% |

# Section 10

## 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 22-29 January 2024 and received 754 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 | 52 | 6.9% |
| Waikato-Bay of Plenty | 167 | 22.1% |
| East Coast NI | 99 | 13.1% |
| Taranaki-Manawatu | 120 | 15.9% |
| WC-Tasman-Marlborough | 38 | 5.0% |
| Canterbury | 126 | 16.7% |
| Otago-Southland | 145 | 19.2% |
| Blank | 7 | 0.9% |
| TOTAL | 754 | 100.0% |

*Table 11.2 Completed surveys by industry group*

|  | Number of Respondents | % |
|---|---|---|
| Dairy | 345 | 45.8% |
| Meat & Wool | 325 | 43.1% |
| Arable | 32 | 4.2% |
| Other | 22 | 2.9% |
| Blank | 30 | 4.0% |
| TOTAL | 754 | 100.0 |

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

## 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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