FEDERATED FARMERS OF NEW ZEALAND

Banking Survey

May 2023

Contents

Summary

Context

This report shows the results of the May 2023 Federated Farmers' Banking Survey. This is the nineteenth 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

- 78.7 percent of farmers said they had a mortgage. This was up 2 points from November 2022. Arable farmers were most likely to have a mortgage at 88.6 percent. Sharemilkers were least likely at 66.7 percent.
- Over the past six months, the average farm mortgage value has increased from $4.19 million to $4.31 million while the median increased from $2.50 million to $2.80 million.
- The average mortgage interest rate increased from 6.29 percent to 7.84 percent, up 155 basis points since November 2022 (and up 405 basis points since its lowest point in May 2021). Sharemilkers had the highest average of 8.41 percent and Other Industry Groups the lowest of 7.67 percent.
- Overall, 2.1 percent of farmers were paying a mortgage interest rate of less than 5 percent, down from 10.1 percent in November 2022 (and from a peak of 91.5 percent in May 2021). Meanwhile, 1.8 percent were paying a rate higher than 10 percent, compared to 0.3% in November 2022.
- 74.2 percent of farmers had an overdraft facility, a little higher than November 2022. The average overdraft limit was $293,000, a $35,800 decrease, while the median limit was unchanged at $150,000.
- The average overdraft interest rate increased from 8.59 percent to 10.07, up 148 basis points since November 2022 (and up 379 points since its lowest point in November 2021. Dairy had the highest average of 10.49 percent and Other Industry Groups the lowest of 9.64 percent.
- Overall, only 0.3 percent of farmers were paying an overdraft interest rate less than 5 percent, almost the same as in November 2022 (and down from a peak of 20.1 percent in November 2021). Meanwhile, 34.5 percent were paying more than 10 percent, up from 13.6 percent in November 2022.

Relationship Perceptions

- Farmer satisfaction with their bank relationship continues to slip. Although a majority remain satisfied with their banks, with 56.3 percent saying they were very satisfied or satisfied, this was down 3.1 points from the previous survey in November 2022 and is the lowest since the survey began in May 2015. Arable farmers were most satisfied of industry groups, while Sharemilkers were the least satisfied with barely half saying they were very satisfied or satisfied.
- 23.8 percent of farmers perceived they had come under undue pressure over the past six months, up 6.4 points from November 2022. All industry groups had higher proportions compared to six months ago and all were over 20 percent. Dairy farmers felt the most under pressure and Meat & Wool farmers felt the least pressure.
- 43.6 percent of farmers felt their mental wellbeing had been affected by their debt levels, interest rates, changing condition, or other forms of pressure, up 3.4 points from November 2022. 46.8 percent felt it had not been affected, down 1.9 points. The remaining 9.5 percent were unsure. Other Industry Groups were most likely to say 'yes' and Arable least likely.
- Overall, banks' conditions for lending became tougher rather than easier for all farm types, with 3.1 percent reporting easier conditions (down 0.2 points from November 2022) and 31.2 percent reporting tougher conditions (up 4.4 points). Arable farmers were most likely to report tougher conditions.
- Perceptions of the quality of bank communication eased further, continuing their steady decline. 52.8 percent said their bank communications had been very good or good, down 0.8 points from November 2022. Arable farmers rated their quality of communication the highest. Sharemilkers 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

- More farmers had budgets compared to six months ago. This reflects tougher times financially from falling incomes and rising costs. 67.5 percent farmers had an up-to-date budget for the 2022/23 season and 40.8 percent had an up-to-date budget for the upcoming 2023/24 season. Both are record highs since the survey began in 2015.
- Sharemilkers were more likely to have up-to-date budgets for both current and future seasons. Arable farmers were the least likely to have one for the current season and Meat & Wool farmers the least likely to have one for future seasons.

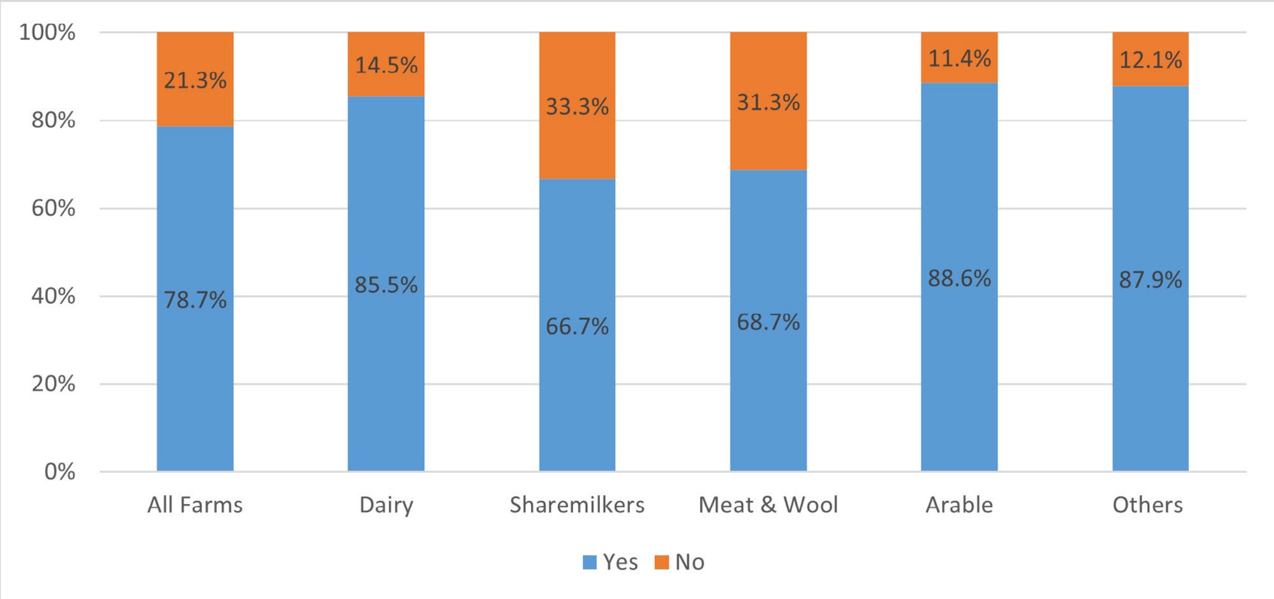
Mortgages

Value of Mortgages

Between November 2022 and May 2023 there was an increase in the percentage of farmers that had a mortgage on their farm, up 2.0 points to 78.7 percent.

Most industry groups had increases in their percentages of farmers with mortgages, except Meat & Wool which was down 0.4 points.

Figure 1. Respondents with Mortgage by Industry Group – May 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 past year, up from $61.4 billion in April 2022 to $62.2 billion in April 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 stabilised. 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 have helped ease concerns, with dairy debt not featured as a high risk in more recent Reserve Bank Financial Stability Reports. Fonterra's latest forecast mid-point farmgate milk price for 2022/23 of $8.20 per kgMS is down on 2021/22's record of $9.30, but it is still relatively high. However, profitability has been eroded by strong inflation in farm input costs and much higher interest rates. This will reduce the ability of dairy farmers to reduce their debt.

Over the past six months, the average 'all farm' mortgage amount increased from $4.19 million to $4.31 million, with Dairy having an increase from $5.27 million to $5.53 million and Other Industry Group also up from $3.81 million to $3.86 million. However, other industry groups, including Sharemilkers, had drops.

The median mortgage[1] values tell a slightly different story. The median mortgage amount for All Farms was $2.80 million, up from $2.50 million. Dairy's median of $3.60 million was highest, just above Arable's median of $3.50 million. Medians for Sharemilkers and Meat & Wool were lower.

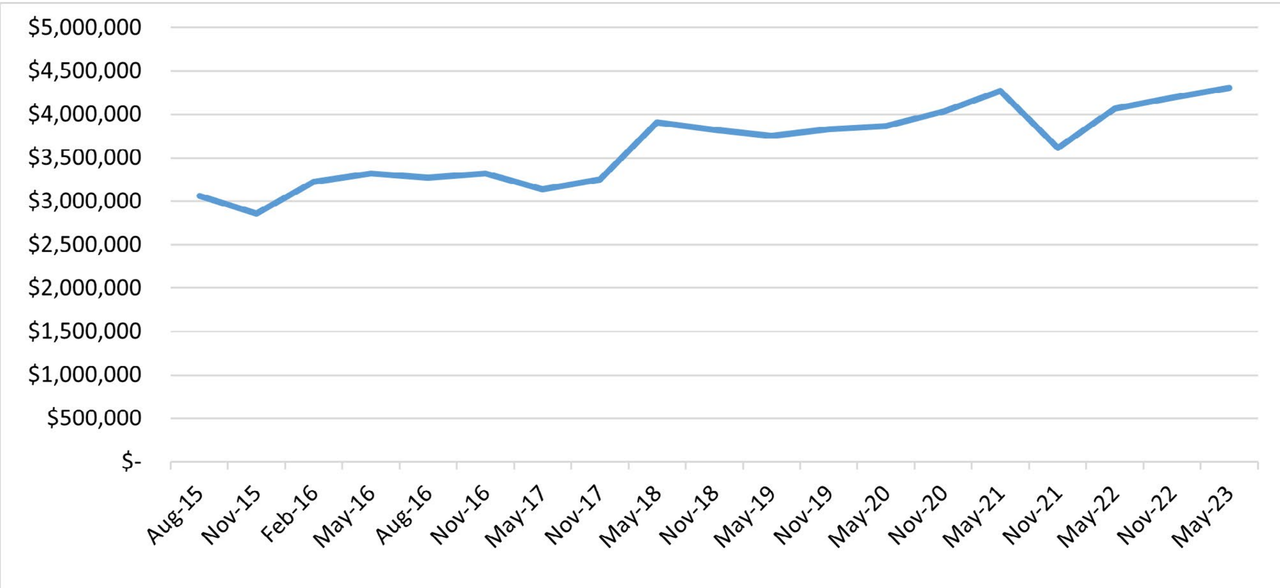
Table 1. Average and Median Current Mortgage by Industry Group*

	November 2022		May 2023	
	Average	Median	Average	Median
All Farms	**$4,192,554**	**$2,500,000**	**$4,308,324**	**$2,800,000**
Dairy*	$5,267,919	$3,362,000	$5,527,874	$3,600,000
Sharemilkers#	$1,277,100	$407,000	$938,950	$1,000,000
Meat & Wool	$2,417,379	$1,400,000	$2,279,852	$1,500,000
Arable	$4,947,895	$4,000,000	$3,683,235	$3,500,000
Others	$3,813,192	$3,000,000	$3,860,545	$2,750,000

* *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)

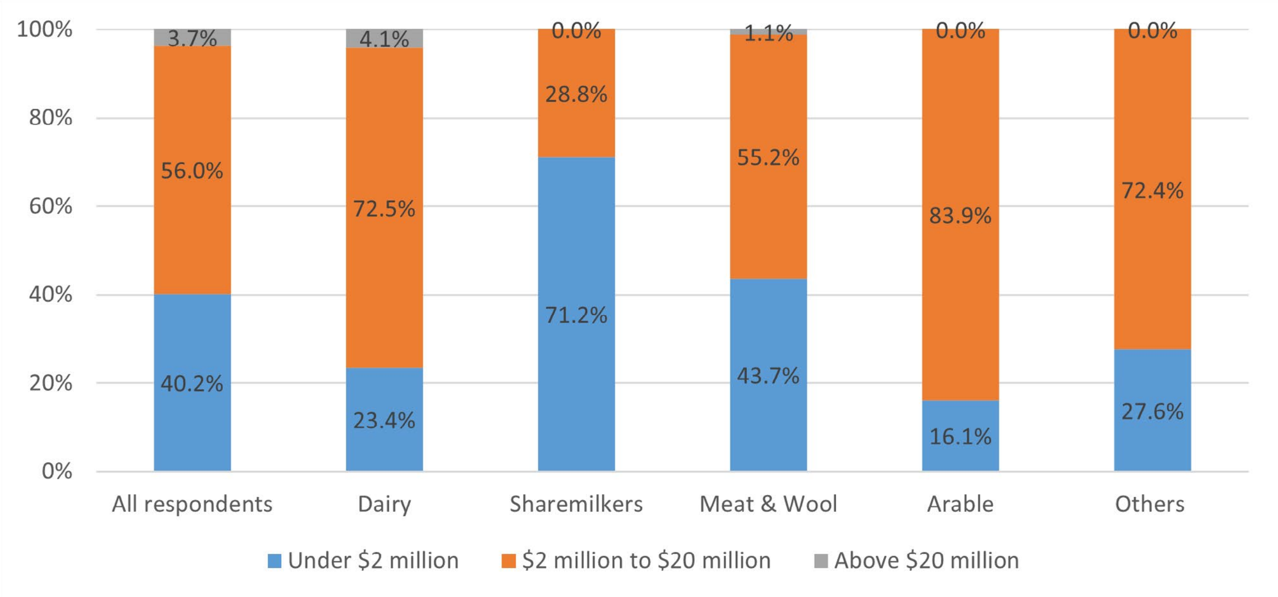


* *Excluding outliers*

Dairy farmers had the highest proportion of farmers with mortgages of more than $20 million (4.1 percent), while Sharemilkers had the highest proportion of farmers with mortgages of less than $2 million (71.2 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, May 2023



Mortgage Interest Rates

The average mortgage rate for All Farms was 7.84 percent, up 155 basis points from November 2022's average of 6.29 percent. It is also up 405 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. At the time of the survey (15-22 May 2023) the OCR stood at 5.25 percent, up 500 basis points in eighteen months. After the survey closed the Reserve Bank increased the OCR further to 5.50 percent where it expects it to stay until the third quarter of 2024. We can therefore expect a further flow through to farm mortgage interest rates, especially as fixed term rates expire and are re-set at today's higher rates.

All industry groups saw increases in their average mortgage interest rates. Sharemilkers had the highest average rate of 8.41 percent, with Other Industry Groups the lowest at 7.67 percent (just below Arable's 7.68 percent). Arable had the biggest increase over the past six months of 163 basis points while Meat & Wool's increase of 144 basis points was the smallest.

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

	November 2022	May 2023	Change (basis points)
All Farms	**6.29%**	**7.84%**	**+155**
Dairy	6.29%	7.89%	+160
Sharemilkers	6.80%	8.41%	+161
Meat & Wool	6.35%	7.79%	+144
Arable	6.05%	7.68%	+163
Other	6.17%	7.67%	+150

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 8.00 percent was slightly above than the average of 7.84 percent.

Compared to November 2022, there was a further decline in the percentage of farmers paying mortgage interest rates of less than 5.0 percent from 10.1 percent to 2.1 percent (and compares to a peak of 91.5 percent in May 2021). There was, however, only a small increase for those paying a rate above 10.0 percent (up from 0.3 percent to 1.8 percent).

Overall, half of farmers (i.e. those falling between the 25th and 75th percentiles) were paying rates between 7.32 and 8.56 percent, whereas in November 2022 half were paying between 5.71 and 9.65 percent.

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

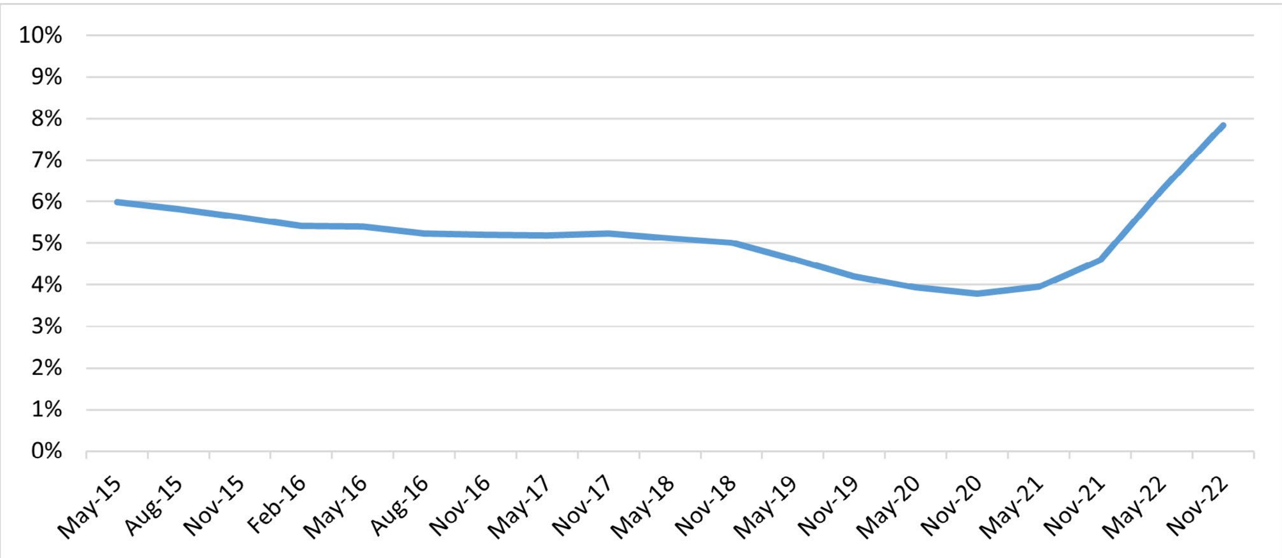
	Under 5.0%	Between	Over 10.0%	Average	Median
All Farms	**2.1%**	**96.1%**	**1.8%**	**7.84%**	**8.00%**
Dairy	2.4%	95.7%	1.9%	7.89%	8.00%
Sharemilkers	1.9%	92.3%	5.8%	8.41%	8.50%
Meat & Wool	1.5%	96.6%	1.9%	7.79%	8.00%
Arable	0.0%	100.0%	0.0%	7.68%	7.75%
Other	6.9%	93.1%	0.0%	7.67%	8.10%

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

	Minimum	Maximum	Std Dev	25th	75th
All Farms	**2.49%**	**12.90%**	**1.2651**	**7.31%**	**8.56%**
Dairy	2.55%	12.90%	1.2881	7.40%	8.63%
Sharemilkers	4.65%	11.00%	1.1688	7.75%	9.00%
Meat & Wool	2.49%	10.85%	1.2557	7.06%	8.50%
Arable	5.50%	9.29%	0.8458	7.18%	8.17%
Other	4.30%	9.50%	1.3523	6.75%	8.58%

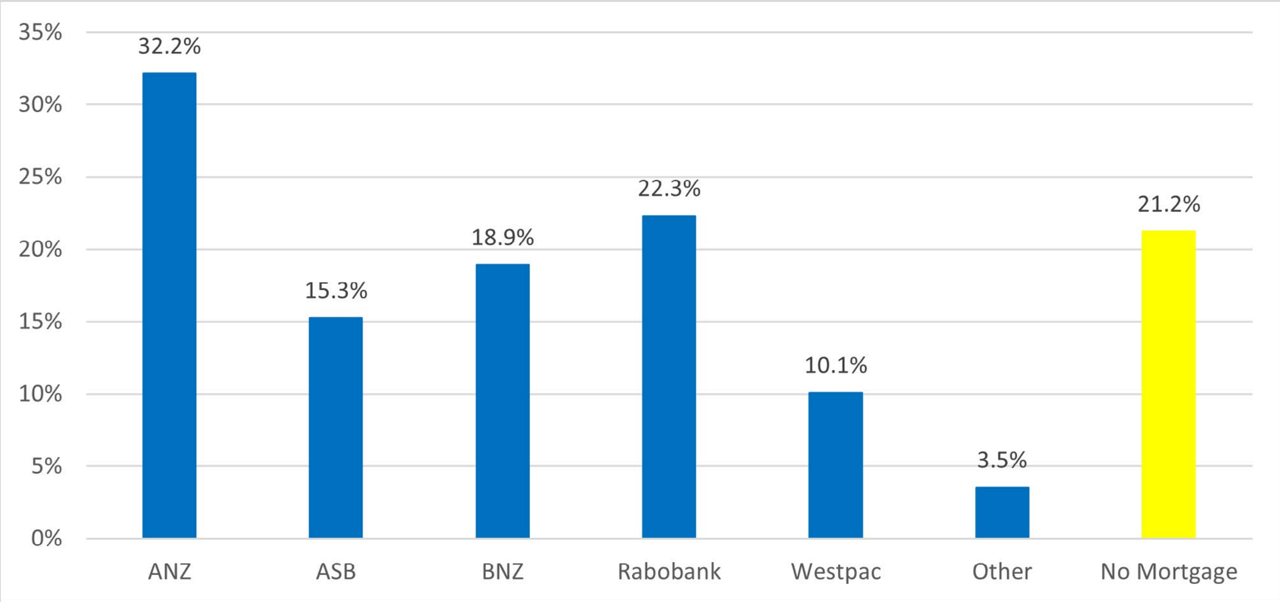
Figure 4 below shows how the path of average mortgage interest rates over the life of the survey. It shows rates falling slowly but steadily from May 2015's average of 6.29 percent, bottoming out at 3.79 percent in May 2021. The average edged up in November 2021 shortly after the Reserve Bank began hiking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

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



ANZ had the highest market share for mortgages, with 32.2 percent of respondents having a mortgage with it. Rabobank was in second place with 22.3 percent, followed by BNZ (18.9 percent), ASB (15.3 percent), Westpac (10.1 percent), and combined all others distantly behind on 3.5 percent.

Figure 5. Banks with which Farmers have a Mortgage – May 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

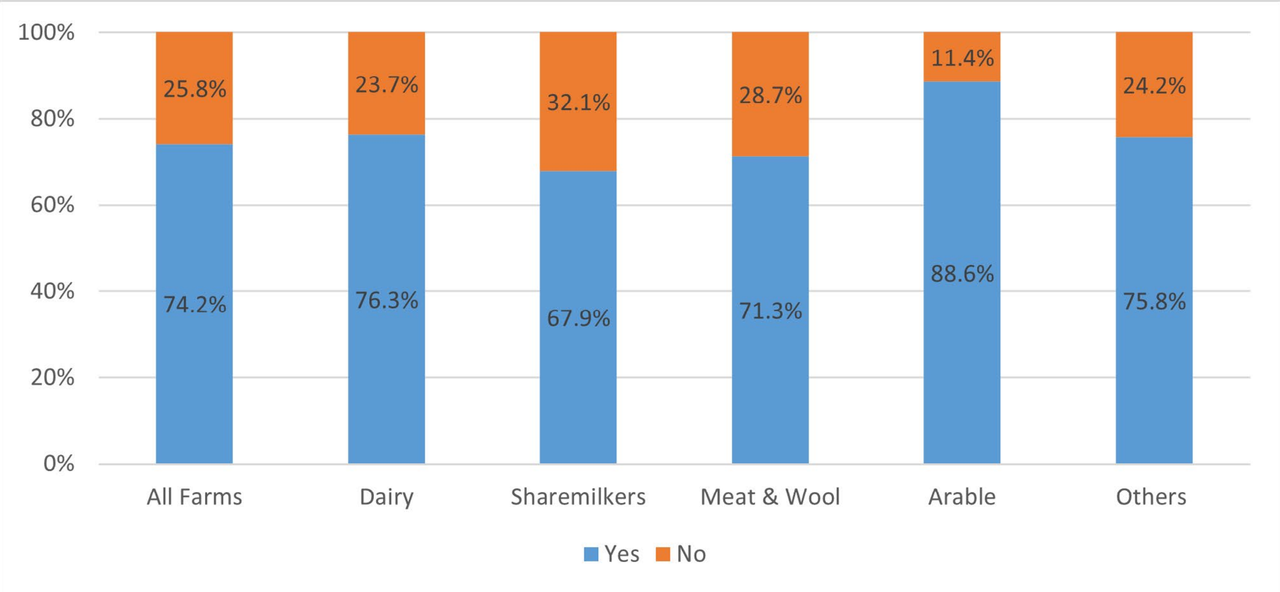
Farming is unpredictable and highly seasonal. Overdrafts are needed to smooth out seasonal fluctuations and to bridge cash flow when incomes and expenses do not fall in proximity to each other. Therefore, access to overdrafts is critical to running a farming business.

In May 2023, 74.2 percent of farmers had overdrafts, up 0.7 points from November 2022. Arable farmers were most likely to have an overdraft at 88.6 percent, with Sharemilkers the least likely at 68.0 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, May 2023

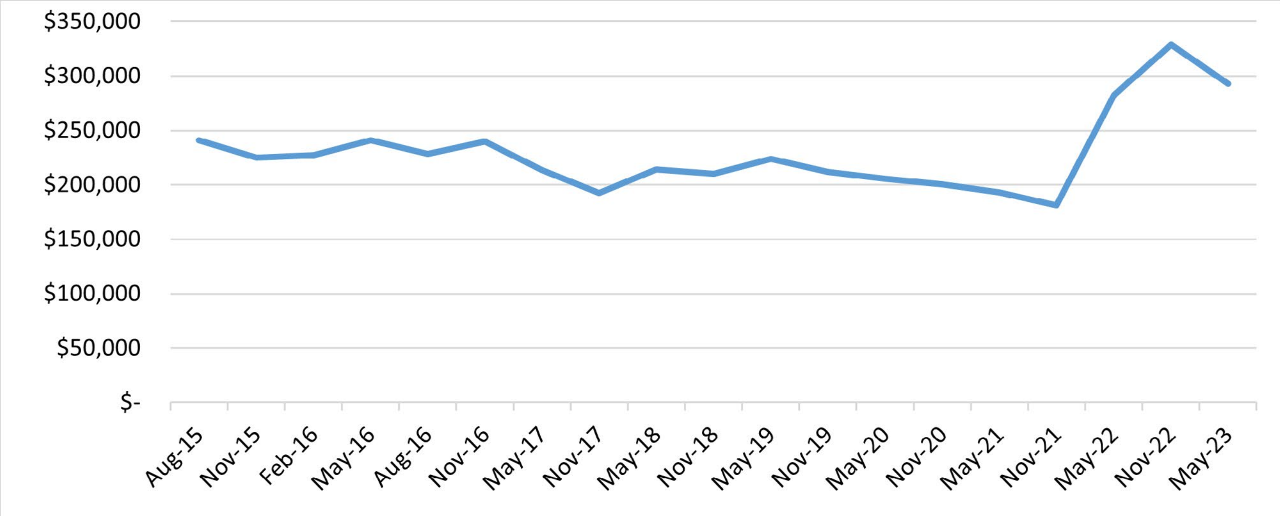


After increasing in the May 2022 and November 2022 surveys, average overdraft limits for All Farms dropped from $328,800 to $293,000, although all industry groups had increases in their averages. The All Farms median overdraft limit was unchanged at $150,000. Medians were up for Other Industry Groups, Dairy, and Sharemilkers, unchanged for Meat & Wool, and down for Arable. The increase in overdraft limits in 2022 might have been due to tougher times.

Table 4. Average and Median Overdraft Limit by Industry Group

	November 2022		May 2023	
	Average	Median	Average	Median
All Farms	**$328,800**	**$150,000**	**$293,000**	**$150,000**
Dairy	$176,400	$140,000	$256,100	$150,000
Sharemilkers	$106,800	70,000	$103,800	$77,500
Meat & Wool	$207,800	$150,000	$281,500	$150,000
Arable	$330,600	$397,500	$463,000	$350,000
Other Industry	$253,400	$150,000	$931,300	$400,000

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 8.59 percent to 10.07 percent, up 148 basis points (and up 379 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 10.29 percent (up 133 basis points), while Other Industry Groups had the lowest average interest rate of 9.67 percent (up 168 basis points).

Table 5. Average Overdraft Interest Rate by Industry Group

	November 2022	May 2023	Change (basis points)
All Farms	**8.59%**	**10.07%**	**+148**
Dairy	8.77%	10.12%	+135
Sharemilkers	8.96%	10.29%	+133
Meat & Wool	8.45%	10.04%	+159
Arable	8.27%	9.75%	+152
Other Industry	7.99%	9.67%	+168

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 10.00 percent was slightly lower than the average of 10.07 percent.

Compared to November 2022, the percentage of farmers paying overdraft interest rates of less than 5.0 percent was stable at 0.3 percent (but down from a peak of 20.1 percent in November 2020). There was, however, a steep increase over the past six months in those paying more than 10.0 percent, from 13.6 percent to 34.5 percent.

Overall, half of farmers (i.e. those falling between the 25th and 75th percentiles) were paying rates between 9.00 and 11.11 percent, whereas in November 2022 half of farmers were paying between 7.50 and 9.65 percent.

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

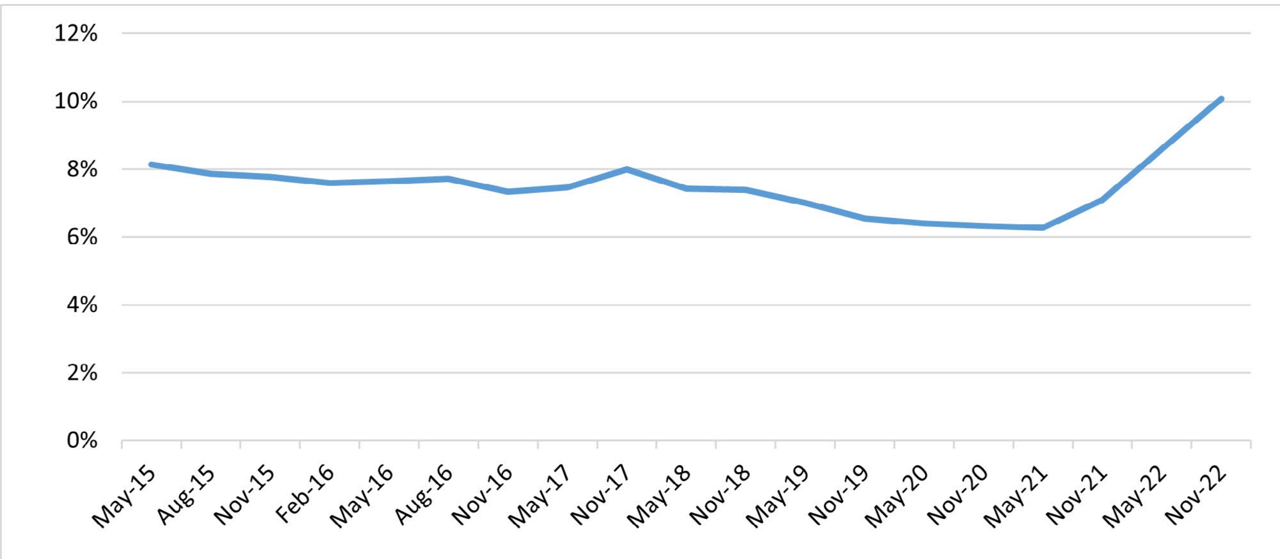
	Under 5.0%	Between	Over 10.0%	Average	Median
All Farms	**0.3%**	**65.2%**	**34.5%**	**10.07%**	**10.00%**
Dairy	0.2%	63.7%	36.1%	10.12%	10.23%
Sharemilkers	0.0%	66.0%	34.0%	10.29%	10.25%
Meat & Wool	0.4%	66.0%	33.6%	10.04%	10.00%
Arable	0.0%	71.0%	29.0%	9.75%	9.50%
Other	0.0%	80.0%	20.0%	9.67%	9.89%

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

	Minimum	Maximum	Std Dev	25th	75th
All Farms	**2.50%**	**18.00%**	**1.6001**	**9.00%**	**11.11%**
Dairy	4.99%	15.00%	1.5590	8.93%	11.20%
Sharemilkers	7.20%	15.00%	1.6070	9.03%	11.29%
Meat & Wool	2.50%	18.00%	1.6118	9.00%	11.00%
Arable	7.60%	13.00%	1.7074	8.12%	11.00%
Other	7.00%	11.50%	1.6033	9.05%	10.63%

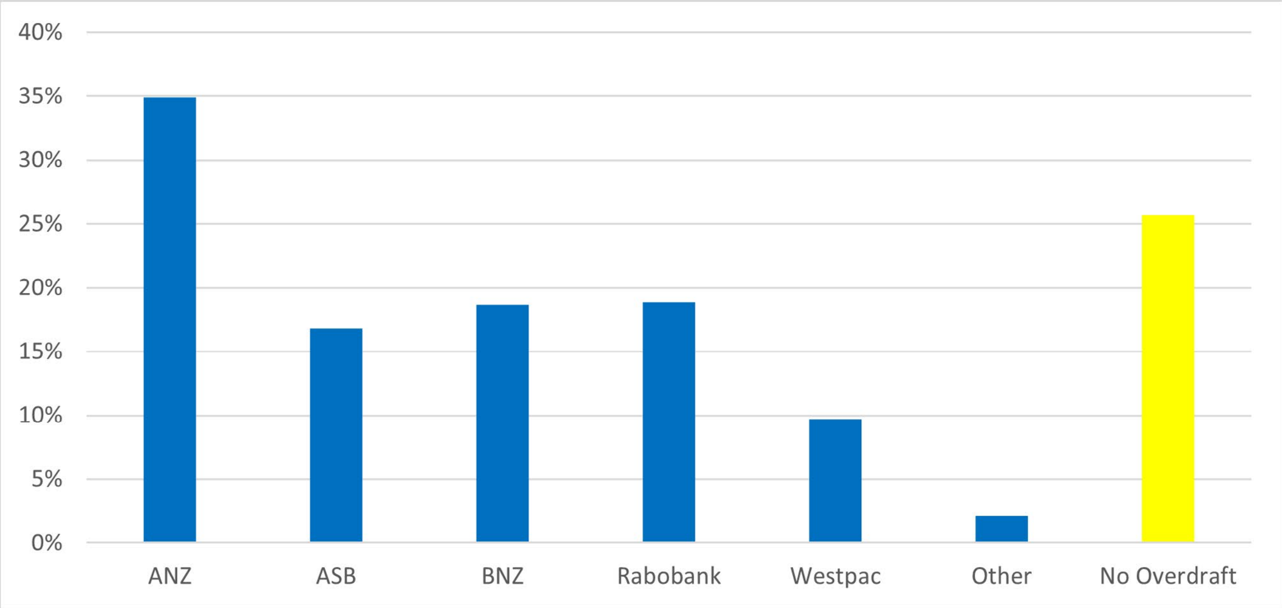
Figure 8 shows the trend in overdraft interest rates over time. Average overdraft interest rates for All Farms decreased from 2018 to 2021 bottoming out at 6.28 percent in November 2021 but like those for mortgages, overdraft interest rates have increased rapidly to a record high since the start of the 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 (34.9 percent) for overdrafts, followed by Rabobank (18.9 percent), BNZ (18.6 percent), ASB (16.8 percent), and Westpac (9.7 percent). As with mortgages, all other banks combined had just 2.1 percent of respondents.

Figure 9. Banks with which Farmers have an Overdraft, May 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.

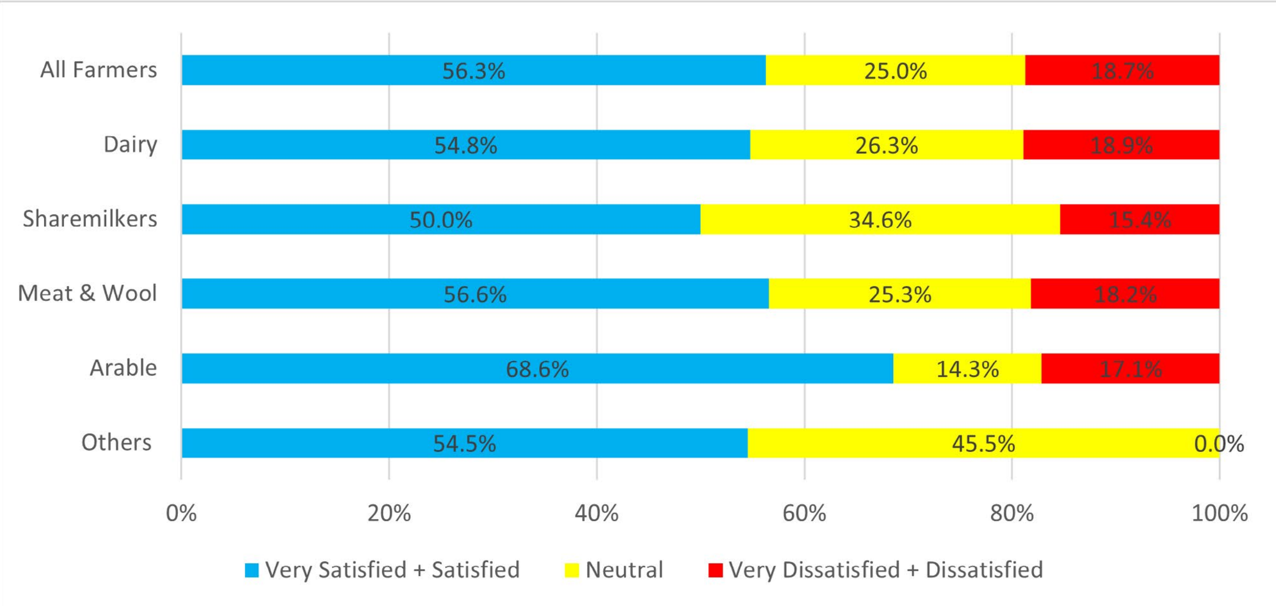
Satisfaction with Banks

Satisfaction

A majority of farmers remain satisfied with their banks, although satisfaction has been eroding over time. Comparing May 2023 with November 2022 those saying they were very satisfied or satisfied with their banks dropped 3.1 points to 56.3 percent to the lowest point since the survey began in May 2015. Those saying they were very dissatisfied or dissatisfied also rose 3.9 points to 18.7 percent. 24.7 percent professed to have a neutral view, down 0.8 points.

Figure 10 shows Sharemilkers were the least satisfied group of farmers with barely 50.0 percent saying they were very satisfied or satisfied. However, this was up 2.8 points from November 2022, while those saying they were very dissatisfied or dissatisfied decreased sharply to 15.4 percent. Arable farmers had the highest level of satisfaction, with 68.6 percent saying they were very satisfied or satisfied, up 2.7 points from November. Dairy, Meat & Wool, and Other Industry Group all had drops in their satisfaction.

Figure 10. Bank Satisfaction by Industry Group, May 2023

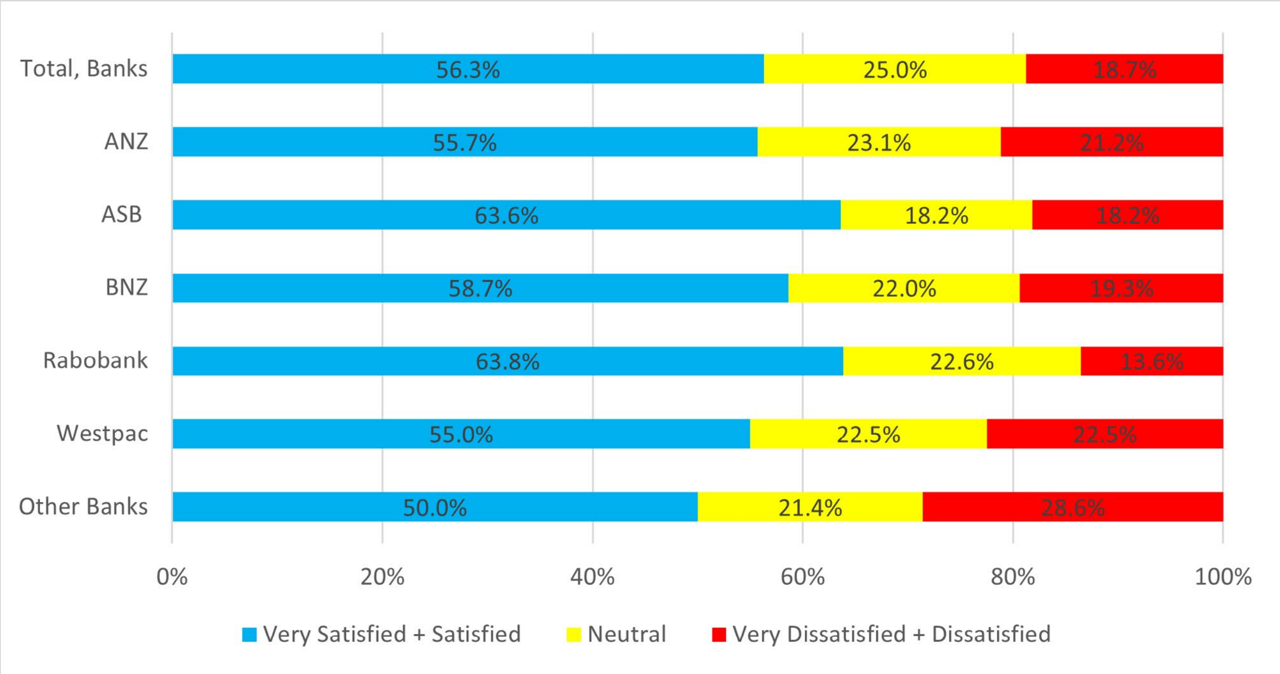


The region with the highest proportion of farmers saying they were very satisfied or satisfied with their banks was Canterbury with 62.9 percent, while Waikato-Bay of Plenty had the lowest proportion with 48.2 percent.

Figure 11 shows bank satisfaction by bank. Rabobank continues to have the highest level of satisfaction, at 63.8 percent saying they were very satisfied or satisfied with it, although this was down 11 points from November 2022. ASB was just behind on 63.6 points (up 4.7 points). The other major banks were between 55-59 percent. The smaller banks combined were further behind on 50.0 percent (although up 10 points) and those without a bank loan (so no bank specified) even lower at 42.7 percent.

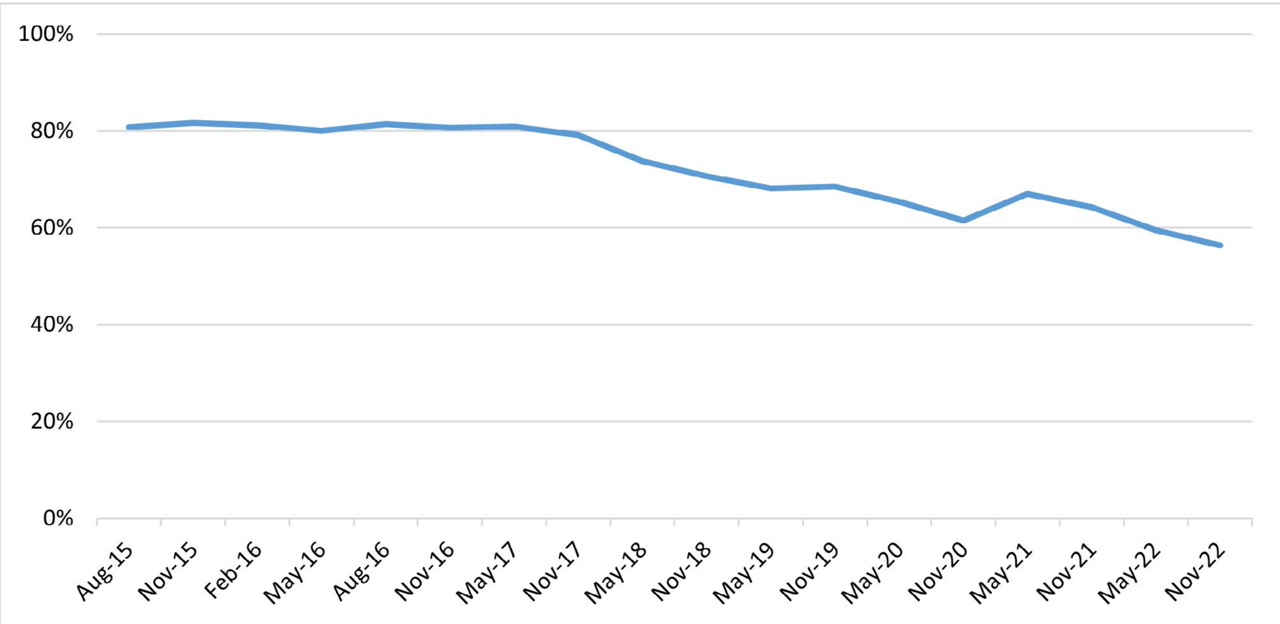
Over the life of the survey, Rabobank has consistently been a leader for satisfaction.

Figure 11. Bank Satisfaction by Bank, May 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 then satisfaction had been consistently above 80 percent. But over the past five and a half years satisfaction has slipped slowly but steadily to a new low in May 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 17.4 percent to 23.8 percent. This is above its previous peak of 23.2 percent in November 2019.

All industry groups had more than 20 percent of respondents feeling undue pressure, and all of them were up from November 2022. Dairy farms had the highest proportion of those feeling undue pressure (26.4 percent) and Meat & Wool the lowest (20.9 percent).

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

	November 2022	May 2023
All farms	**17.4%**	**23.8%**
Dairy	17.8%	26.4%
Sharemilker	20.7%	22.4%
Meat & Wool	18.2%	20.9%
Arable	16.2%	24.2%
Other Industry	12.5%	24.1%

The region with the highest proportion of farmers feeling under pressure from banks was Taranaki-Manawatu-Whanganui at 29.0 percent, while Auckland-Northland had the lowest proportion with 15.0 percent.

Table 8 shows that all banks had increases in their percentages of farmers reporting undue pressure. ANZ and Rabobank were in a tie for the lowest proportion of farmers feeling that they had come under undue pressure. Other Banks and BNZ had the highest percentages.

Over the life of the survey customers of 'Other Banks' have consistently had the highest percentages of those feeling undue pressure. In contrast, Rabobank has consistently had the lowest percentage, although was in a tie with ANZ this survey.

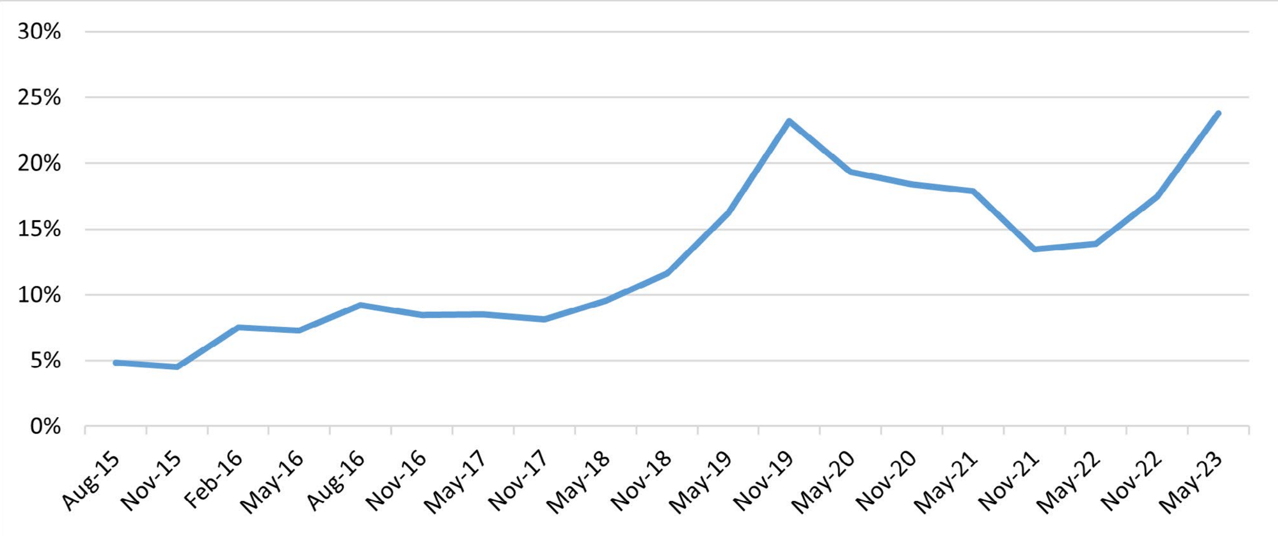
Table 8. Farmers Feeling Undue Pressure from Banks, by Bank

	November 2022	May 2023
All farms	**17.4%**	**23.8%**
ANZ	19.4%	21.6%
ASB	24.5%	28.2%
BNZ	15.7%	31.3%
Rabobank	15.7%	21.6%
Westpac	19.2%	25.3%
Other Banks	24.0%	37.0%

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

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



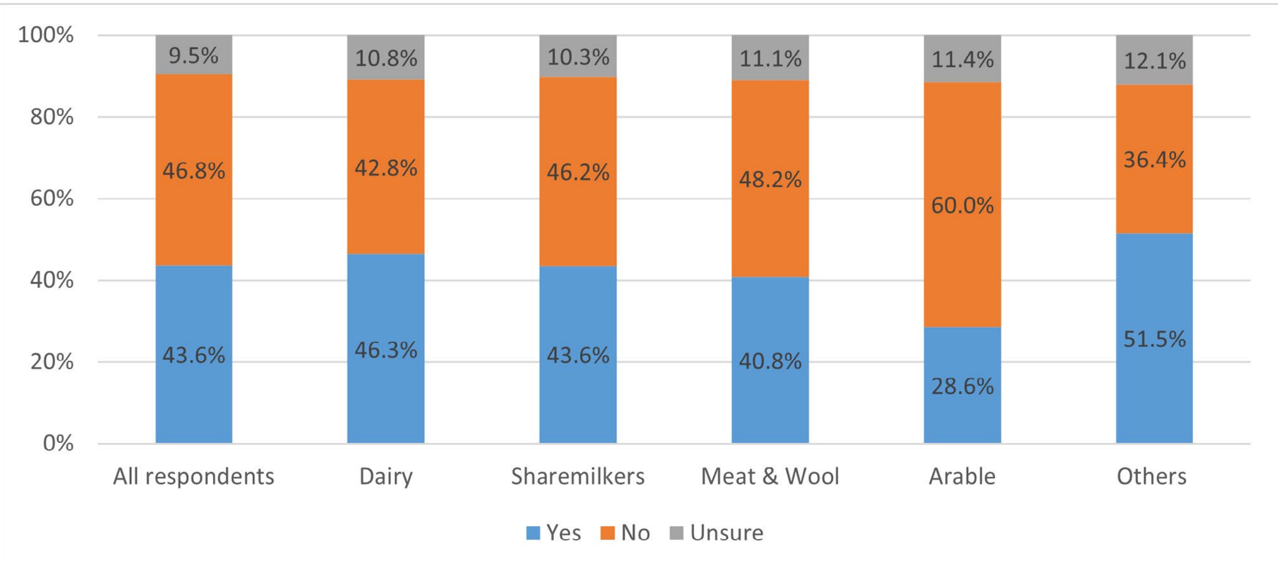
Mental Wellbeing

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?" This question was repeated in this survey.

In May 2023 46.8 percent of farmers answered 'no' (down 1.9 points), 43.6 percent answered 'yes' (up 3.4 points), and 9.5 percent were unsure (down 1.5 points).

Figure 14 shows that Other Industry Group had the highest proportion answering 'yes' (51.5 percent) while Arable farmers had the lowest proportion (28.6 percent).

Figure 14: Impact on Mental Wellbeing by Industry Group, May 2023



By region, Waikato-Bay of Plenty (49.0 percent) had the highest proportion of farmers answering 'yes', while Auckland-Northland (52.0 percent) had the highest proportion answering 'no'.

Turning to banks, Other Banks (64.3 percent) had the highest proportion of farmers answering 'yes', while BNZ (48.7 percent) had the highest proportion answering 'no'.

Changed Conditions

Table 9 shows that 34.2 percent of farmers reported a change in their mortgage or overdraft/seasonal finance conditions over the past six months, up 4.2 points from November 2022.

Meat & Wool was well below the overall level, with 27.9 percent experiencing changes in conditions, which was also down slightly. Sharemilkers were also below the overall level and theirs was broadly unchanged at 32.0 percent. The other industry groups all had increases in their proportions, and all were well above the overall level. Arable's was highest at 42.9 percent, and it was also up the most – 11.2 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

	November 2022	May 2023
All Farms	**30.0%**	**34.2%**
Dairy	31.5%	38.6%
Sharemilkers	32.0%	32.1%
Meat & Wool	28.3%	27.9%
Arable	31.7%	42.9%
Other Industry	37.2%	36.4%

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, 90 percent experienced tougher conditions rather than easier conditions.

The increase in the overall changed conditions score was entirely due to more farmers reporting tougher conditions. Those reporting tougher conditions was up 4.4 points while those reporting easier was down 0.2 points. Therefore, the gap (tougher conditions less easier conditions) widened from +23.5 to +28.1. The gap for all industry groups widened, except for Meat & Wool where it dropped to +21.1, by far the lowest level by industry group.

A tightening of conditions is consistent with banks continuing their conservative lending policies and more recently rapidly increasing interest rates.

Table 10. Conditions Become Easier or Tougher by Industry Group (May 2023)

	Easier Conditions	Tougher Conditions	Total Changed Conditions	Gap (tougher - easier)
All Farms	**3.1%**	**31.2%**	**34.2%**	**+28.1**
Dairy	2.9%	35.7%	38.6%	+32.8
Sharemilkers	1.3%	30.8%	32.1%	+29.5
Meat & Wool	3.4%	24.5%	27.9%	+21.1
Arable	5.7%	37.1%	42.9%	+31.4
Other Industry	0.0%	36.4%	36.4%	+36.4

Bank Communication

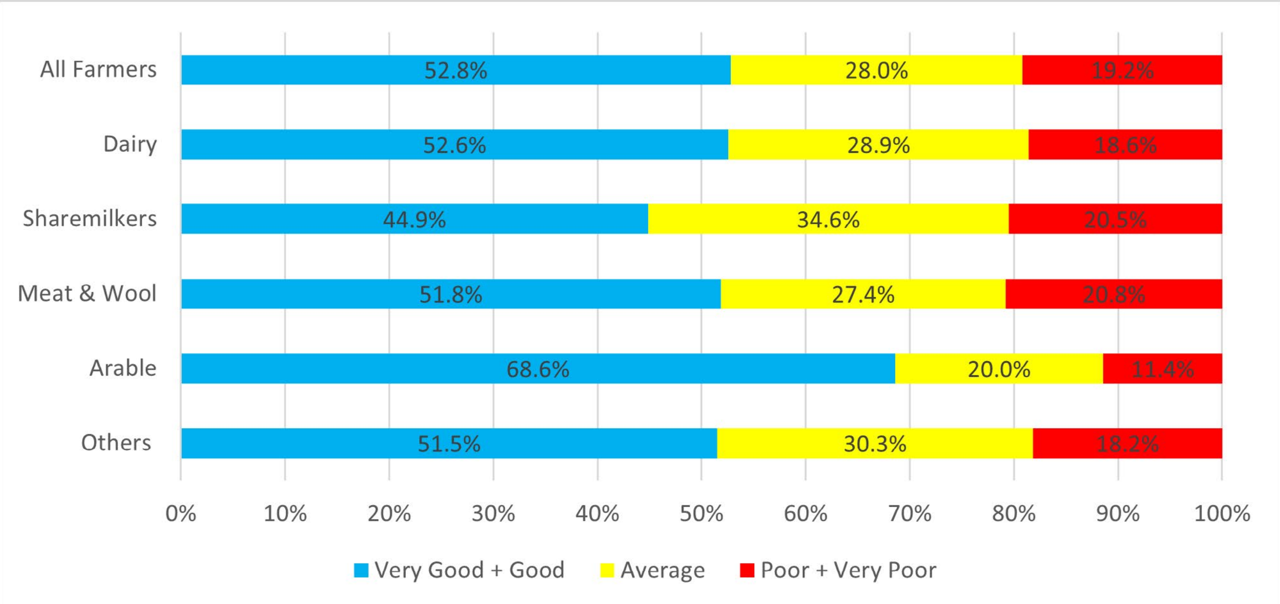
Farmer perceptions of bank communication continued to erode in this survey.

Overall, 52.8 percent of respondents thought communication was either good or very good, down 0.8 points compared to November 2022. Those who thought it had been poor or very poor were up 0.3 points to 19.2 percent. Perceptions of the quality of communication has been steadily eroding since 2015 (Figure 16), when 80 percent of farmers thought it was good or very good.

The comments from respondents show that personal contact from bank staff has declined over recent years and most farmers are unhappy about it. High staff turnover, rural bank branch closures with consolidation of staff into bigger branches and regional centres, and COVID work policies (e.g., working from home and less able to travel) 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 (68.6 percent), while Sharemilkers had the lowest percentage (44.9 percent). Satisfaction with communication dropped for Dairy and Other Industry Groups, but rose for Sharemilkers, Arable, and Meat & Wool.

Figure 15. Quality of Bank Communication by Industry Group, May 2023



Four regions had percentages of farmers saying communication had been good or very good of less than 50 percent, with Auckland-Northland the lowest at 42.7 percent. As with November 2022, farmers in Canterbury had the highest percentage of 64.6 percent.

Figure 16 shows that at 65.0 percent Rabobank had the highest percentage of farmers saying communication had been very good or good, with the other major banks between 52 and 59 percent. Other Banks were well behind on 42.9 percent, although this was up from November 2022.

Although not shown in Figure 19, respondents with no bank loan (so no bank specified) were much less happy with communication from their bank with only 36.0 percent saying it had been good or very good. This explains why all the large banks did better than the overall result.

Figure 16. Quality of Bank Communication by Bank, May 2023

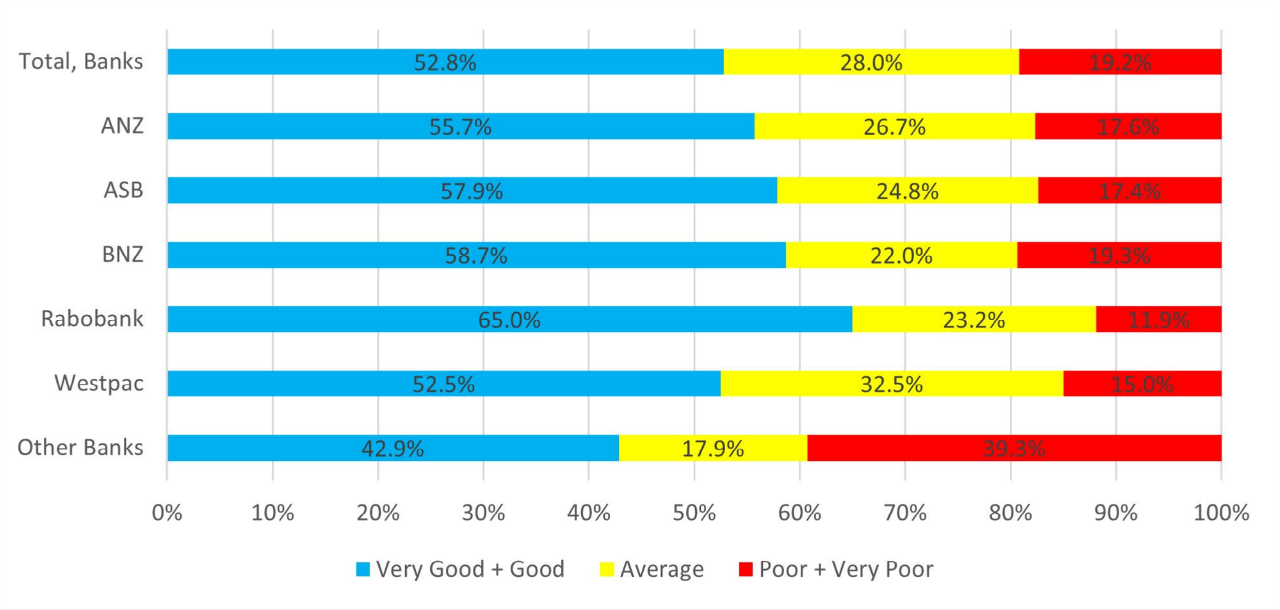
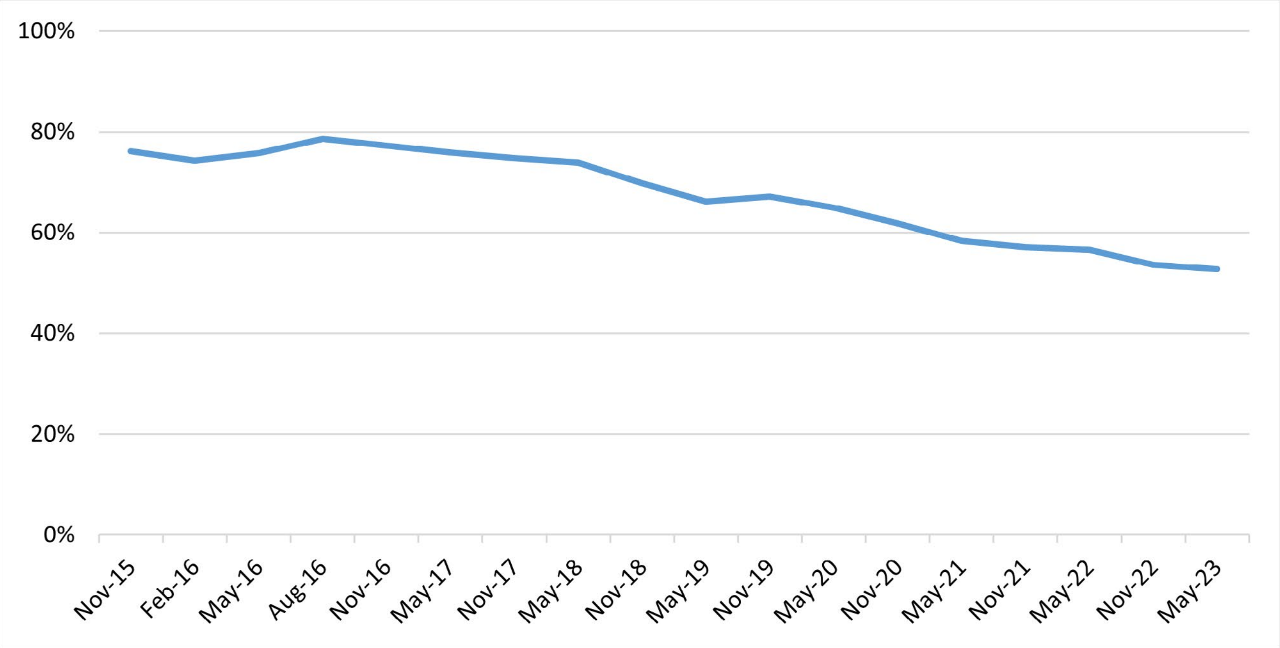


Figure 17 shows the how perceptions have tracked over the life of the survey, with a steady erosion in perceptions of bank communication, especially since 2017.

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



Budgeting

Farms with up-to-date budgets

Overall, 67.5 percent of farmers had a detailed, up-to-date budget for the about-to-end 2022/23 season, up 6.9 points from November, while 40.8 percent also had one for 2023/24, up 7.4 points. Both are at record highs for the life of the survey, indicating tight times on-farm.

Having a detailed, up-to-date budget continued to be far more prevalent among Sharemilkers, with 85.9 percent having one for the current season and 48.9 percent having one for next season. Both were well above the levels for other industry groups (except Other Industry Groups where 54.6 percent had a budget for next season). Meat & Wool and Arable were the least likely to have a detailed, up-to-date budget for the current season (both around 60 percent) and Meat & Wool by far the least likely to have one for next season (29.0 percent).

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

Table 6. Budget for Current and Future Seasons by Industry Group

	Have a detailed, up-to-date budget for the current season (2022/2023) #		Have detailed, up-to-date budgets for future seasons (2023/2024) *	
	November 2022	May 2023	November 2022	May 2023
All farms	**60.6%**	**67.5%**	**33.4%**	**40.8%**
Dairy	65.7%	73.4%	35.4%	48.9%
Sharemilkers	80.6%	85.9%	44.4%	62.8%
Meat & Wool	55.0%	60.8%	28.8%	29.0%
Arable	68.3%	60.0%	22.0%	40.0%
Others	58.1%	72.7%	48.0%	54.6%

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

 # For the season ending May 2023

Figures 18 and 19 show the trend in budgeting over time for the current season and future seasons respectively. 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)

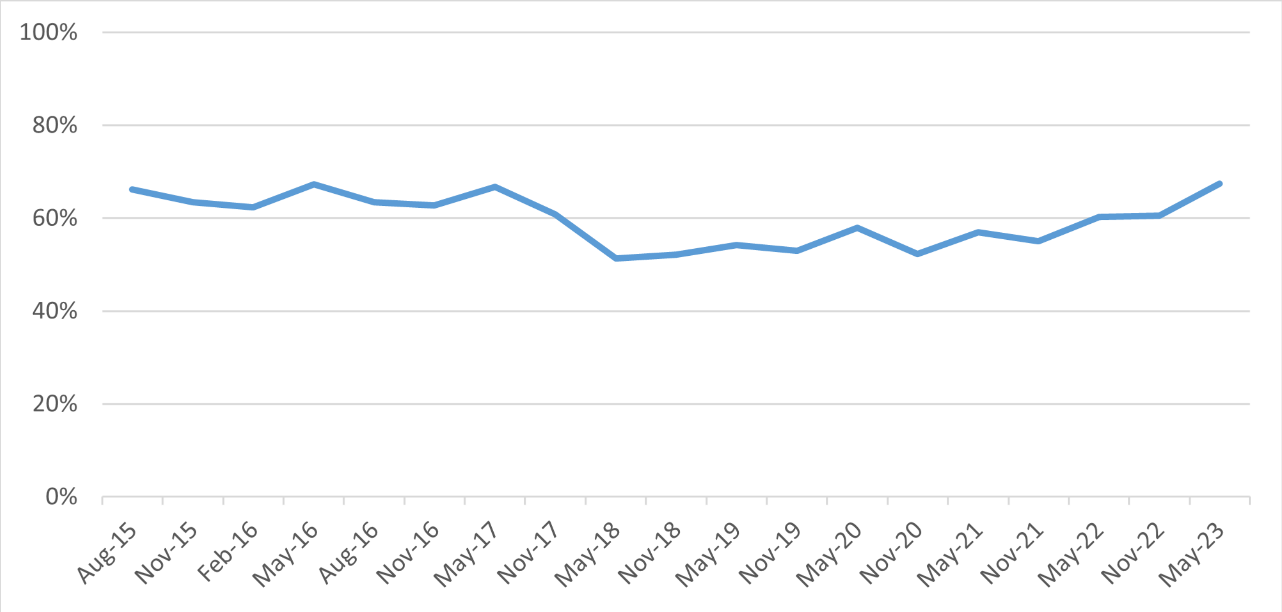
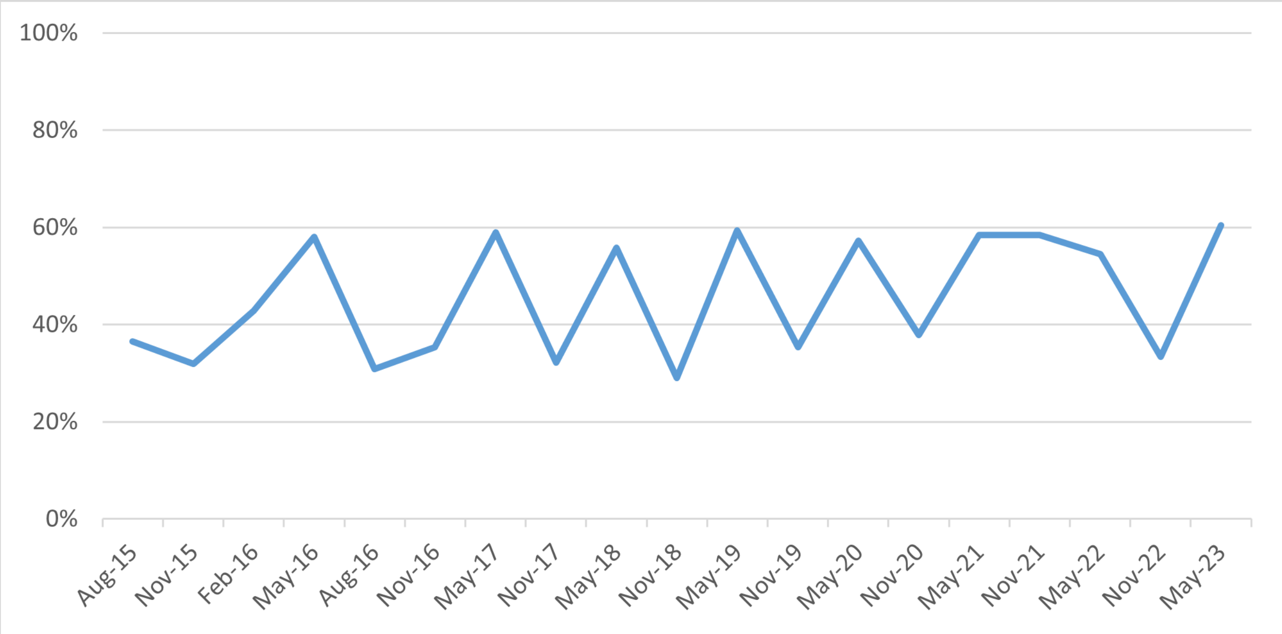


Figure 19. Budget for Future Seasons, All Farms (2015-23)



Appendix

May 2023 Respondents by Second Industry Group

Industry Group	Percent	Number of Respondents
Dairy	53.5%	544
Sharemilker	7.7%	78
Meat & Wool	37.4%	380
Arable	3.4%	35
Other industry	3.2%	33
Supporter	2.5%	25
Non-Dairy	46.5%	473
TOTAL	**100.0%**	**1,017**

Does not include secondary industry groups.

November 2022 respondents by location

	Percent	Number of Respondents
Auckland-Northland	7.4%	75
Waikato-Bay of Plenty	25.1%	255
East Coast North Island	10.4%	106
Taranaki-Whanganui-Manawatu	15.6%	159
West Coast-Tasman-Marlborough	5.8%	59
Canterbury	17.5%	178
Otago-Southland	19.9%	202
TOTAL	**101.7%**	**1,017**

Total adds to more than 100% as some respondents picked multiple provinces.

About this Survey

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

The seven regions relate to Federated Farmers' provinces:

- **Auckland/Northland**: Northland and Auckland provinces.
- **Waikato/Bay of Plenty**: Hauraki-Coromandel, Waikato, Bay of Plenty, and Rotorua-Taupo provinces.
- **East Coast North Island**: Gisborne-Wairoa, 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 15-22 May 2023.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