

myob

Rural Report

July 2020



The Coronavirus pandemic and its effects on the global economy have highlighted just how vitally important New Zealand's rural sector is to our economy, our communities, and even our standing in the world.

The rural sector has not been immune to the impacts of the Coronavirus crisis. Even before the full impact of the lockdown was felt in New Zealand, 43 per cent primary industry businesses and 41 per cent of businesses in the wider rural sector* surveyed in our latest MYOB Business Monitor were forecasting that their revenue would be down over the next 12 months.

As they struggled with the full range of challenges the pandemic created – from collapsing international markets, to disrupted supply chains – our rural operators demonstrated one of the key attributes that proves why they are amongst the best in the world: resilience.

It is clear from our survey that a primary sector operation is no ordinary business. What motivates Kiwis to start a business in the sector is part of what sets it apart. Like other local businesses, making money is clearly a factor, as is, to a lesser extent, enjoying a unique lifestyle and having the flexibility that comes with being your own boss. But what truly drives our primary sector is clear – agribusiness owners and business operators in the rural sector are passionate about what they do.

That passion is the real strength behind the industry. It drives the pursuit of excellence, ensuring products that carry the New Zealand brand to the world are of the highest quality. This is also shown in the concern for the environment that agri-business owners demonstrate – at almost twice the level of their city counterparts.

As we look to shape our post-COVID-19 world, the performance of the rural sector is an important factor when we consider the potential success of the efforts to rebuild our New Zealand economy.

According to our MYOB Business Monitor research, to create the ideal environment for establishing a new business, the sector needs improved access to financial advice, strong business support and clear Government policy. The survey also revealed that our agricultural sector is constrained by a lack of investment, with a full third of all agri-businesses reporting that they struggle to raise finance – a concern in a low interest environment. This limits their ability to invest in new equipment, access new markets and pursue growth.

For our largest export earner, this should be addressed sooner rather than later, particularly given the rest of the country is relying so heavily on the sector's continued success.

Businesses in the rural sector are increasingly enjoying better efficiency through a wide range of new technology, from drones to AI assistants, greater visibility of key business information by employing tailored management software, and expanded access to international markets using online platforms.

We must continue to build on these efforts to create an environment – now and in the future – where this valuable industry is better connected, better supported and better enabled to meet the challenges of the decades ahead. A focus on providing the support, advice, technology and the right regulatory framework is essential to give rural businesses the best possible opportunity to thrive on the international stage.



Ingrid Cronin-Knight
MYOB NZ Country Manager

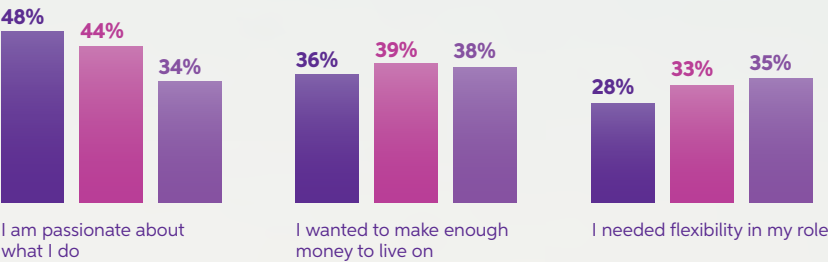
*The MYOB Business Monitor includes 123 agri-businesses directly involved in the farming, fisheries and forestry industries, as well as 191 businesses based in rural New Zealand.

Starting a rural sector business

Motivating factors

Passion clearly stands out as the motivating factor for business operators seeking to start up in the agribusiness industry or wider rural sector.

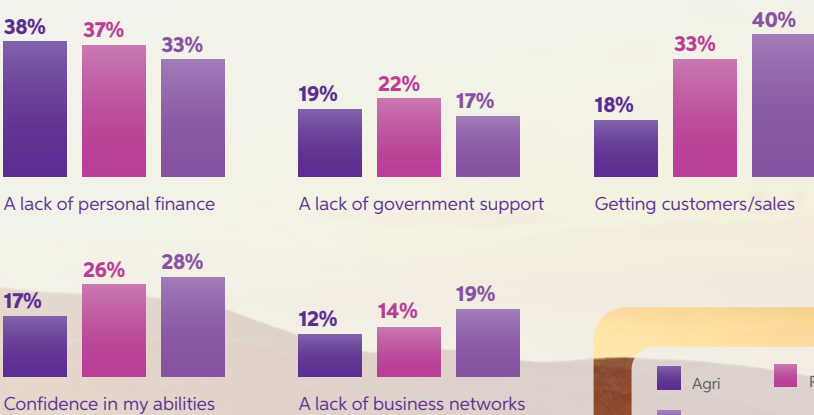
Top 3 reasons for starting a business



Key start-up concerns

While more confident in their own abilities than the average start-up operator, at the time of our latest Business Monitor research, rural sector business operators were concerned about the personal cost of financing the set-up of their own business, as well as a perceived lack of government support.

Key start-up concerns

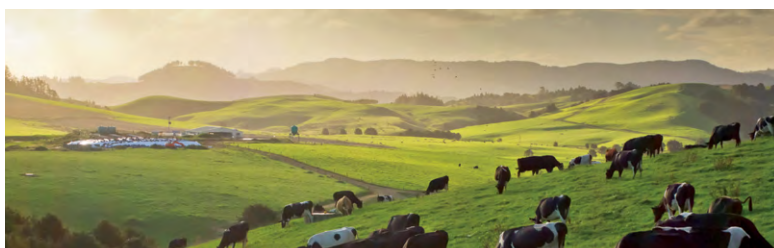
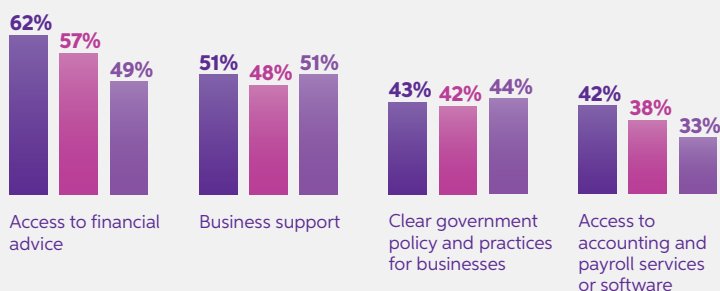


Business environment

Establishing the ideal environment

Financial advice, business support and good government policy, as well as essential business management software, are all considered key factors in creating the ideal operating environment for agricultural businesses.

Most beneficial factors for agri-businesses



Sector confidence

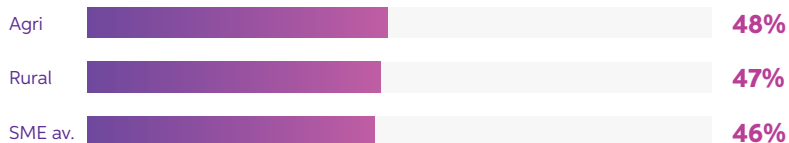
While the subsequent effects of the Coronavirus on the world economy continue to have a major impact on confidence in the rural sector, business operators in the agricultural industries are also particularly concerned about the effects of climate change.

Top 3 influences on confidence levels

Coronavirus



Global recession



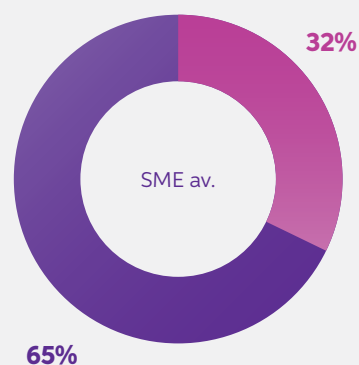
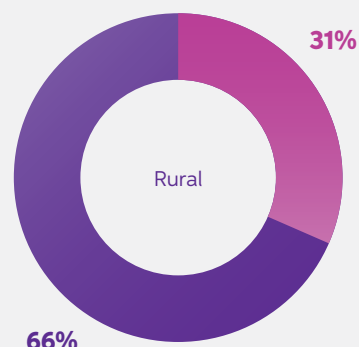
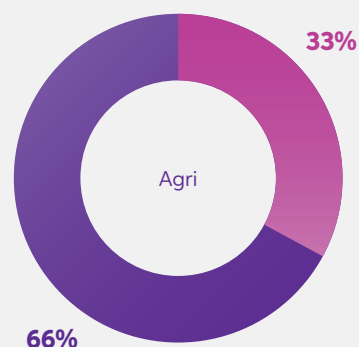
Climate change



Access to finance

A key concern for the sector, at both the start-up stage and as businesses continue to operate, is the ability to access investment finance. For businesses in the agri-business industries that are struggling to access finance, this may have limited their ability to invest in growth, pursue new business opportunities or even finance basic necessities.

Percentage of businesses struggling to access finance:



No Yes

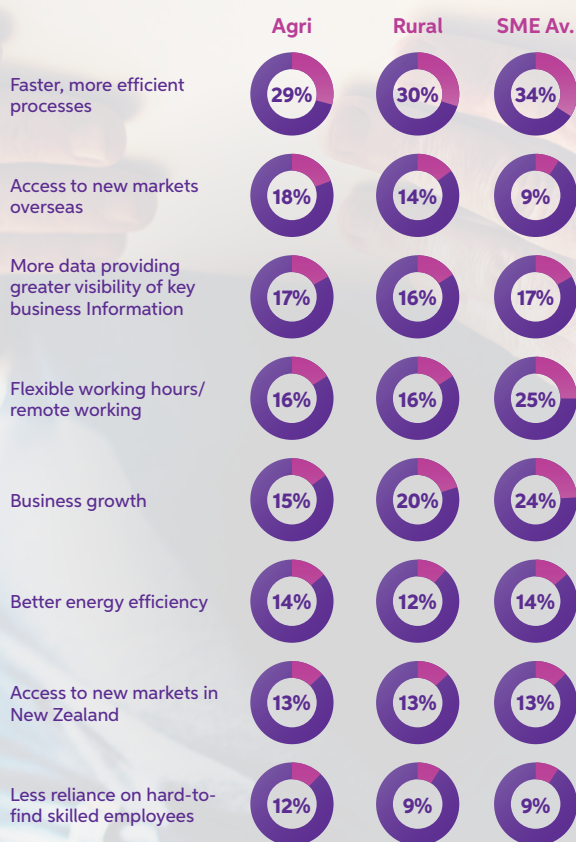
Technology and the rural sector

Technology is advancing rapidly and, as demonstrated during New Zealand's Coronavirus lockdown period, businesses are increasingly reliant on a range of IT infrastructure, applications and automation. This is not only to streamline work, but to bring them closer to customers and likewise enable better collaboration with employees and suppliers.

For the rural sector, the future holds real promise through the use of technology. From increasing on-farm efficiency to improving access to international markets, over the next five years, the sector expects to see real gains through trends like automation and AI.

Key technology impacts

Positive outcomes expected over the next five years due to technology



A vital time to look to the future

Although primary sector export markets continue to hold up – despite the widespread impacts of the Coronavirus pandemic – the industry needs continued support in order to remain internationally competitive.

Based on announcements in the recent 2020 Budget, some businesses operating in primary industries may soon start to see a range of benefits – from the allocation of more funds to cover costs facing farmers as part of the Microplasma Bovis Eradication Programme, to the rebuilding of the Emissions Trading Scheme infrastructure.

Other areas in the Budget, notably the \$1.1 billion devoted to environmental programmes, including a \$315 million investment in biosecurity and significant conservation work schemes, could bring further benefits to the industry and help to ease the climate change concerns of those operating in agricultural industries. The focus on restoration of wetlands, stabilisation of riverbanks and removal of sediment is expected to support the economic and environmental recovery alongside a boost in jobs, thanks to a partnership between local government and farmers. The extension of the Small Business Cashflow Loan Scheme to the end of the year may also help some businesses struggling to raise finance, while the postponement of ACC levy hikes will reduce compliance costs.

However, in order to succeed against the rest of the world, the sector also needs more wide-ranging support. From investment in key digital infrastructure for rural New Zealand (additional to the \$15 million of new spending allocated in pre-Budget announcements), to a focus on longer-term access to finance, business advice and support, and clear Government policy. As our economy becomes increasingly reliant on the success of our agri-businesses, we need to continue to ensure they are given every opportunity to succeed in the global economy.



About MYOB

MYOB is a leading business platform with a core purpose of helping more businesses in New Zealand and Australia start, survive and succeed. At the heart of MYOB is a customer base of 1.2 million businesses and a network of more than 40,000 accountants, bookkeepers and consultants, for whom MYOB delivers end-to-end business and accounting solutions. MYOB operates across four key segments: Small and Medium Enterprises (SME), Enterprise, Financial Services and Practice. For more information visit myob.com or follow @MYOB on Twitter.

About the MYOB Business Monitor

The MYOB Business Monitor is a national survey of 1,000+ New Zealand small and medium business owners and managers, from sole traders to mid-sized companies, representing the major industry sectors. The sample includes 123 businesses directly involved in the farming, forestry and fisheries industries as well as 191 businesses based in rural New Zealand. It has run since 2009, commissioned to independent market research firm Colmar Brunton.

This most recent survey ran in March 2020. The Monitor researches business performance and attitudes in areas such as profitability, cash flow, pipeline, technology usage and the government. The weighting of respondents by both geographical location and sector is based on overall market proportions as established by Statistics New Zealand and is drawn from an independent survey group, which includes both MYOB clients and non-clients.