



New Zealand's Rural Sector

The last few years have undoubtedly been challenging for rural New Zealand. Against a background of underperforming international commodity markets, falling schedule prices and rising compliance costs, New Zealand's primary industry and the rural communities that rely on them have faced a constrained environment.

However, there are significant signs of stabilisation and improvement in the last year. More businesses in the sector are reporting improved revenues this year, up from 26 per cent of primary industries in 2016, to 30 per cent in the year to March 2017. Even more striking is the decline in the proportion of businesses in the sector reporting falling revenues, from 43 per cent in March 2016 to just 24 per cent in the last year.

The industry continues to remain conservative in their approach to expansion, with few contemplating an increase in staff numbers this year. But, in what is likely good news for the businesses most closely associated with the rural sector, last year saw continued investment in machinery, equipment and technology from the rural sector.

Looking ahead, a third of business operators in rural regions and 30 per cent of primary sector businesses are expecting to see their revenue grow in the next year, while fewer again expect to see their income fall in the year to March 2018.

Although the international trade situation remains unstable, New Zealand's farmers will be encouraged by a firming up of commodities prices and the continued will of the leaders of key export markets to maintain and expand trade links. At home, the economy is forecast to maintain stable growth and consumer confidence is steady, ensuring New Zealand is unlikely to suffer any internal economic pressures over the next 12 months.

About the MYOB Business Monitor

The MYOB Business Monitor survey of over 1,000 small to medium sized businesses across New Zealand is designed to examine the current performance of the SME sector as well as the pressures it faces.

Carried out by Colmar Brunton, the survey sample includes 228 business operators from rural New Zealand – including 140 operators of an agriculture, forestry or fishing business – alongside 352 SMEs working in major metropolitan areas and 435 businesses based in regional cities and towns.

RURAL BUSINESS PERFORMANCE

While businesses in rural New Zealand have not enjoyed the same level of revenue performance as those in metropolitan/city and regional areas, returns are improving for the sector.

REVENUE INCREASED



(year to March 2017)

32% of rural businesses

30% of primary industries SMEs

36% of all SMEs

REVENUE DECREASED



(year to March 2017)

21% of rural businesses

24% of primary industries SMEs

19% of all SMEs

Looking to 2018, the rural sector is less likely to be forecasting revenue growth than their metro/regional counterparts. Expectations of decreasing revenue, however, are close to the SME average.

REVENUE WILL INCREASE



(year to March 2018)

33% of rural businesses

30% of primary industries SMEs

38% of all SMEs

REVENUE WILL DECREASE



(year to March 2018)

14% of rural businesses

18% of primary industries SMEs

14% of all SMEs

EMPLOYMENT

As a result of more constrained revenue performance over the last 12 months, rural business, and particularly those in agriculture, forestry and fishing, are less likely to increase their staff numbers.

WILL INCREASE FULL TIME EMPLOYEES

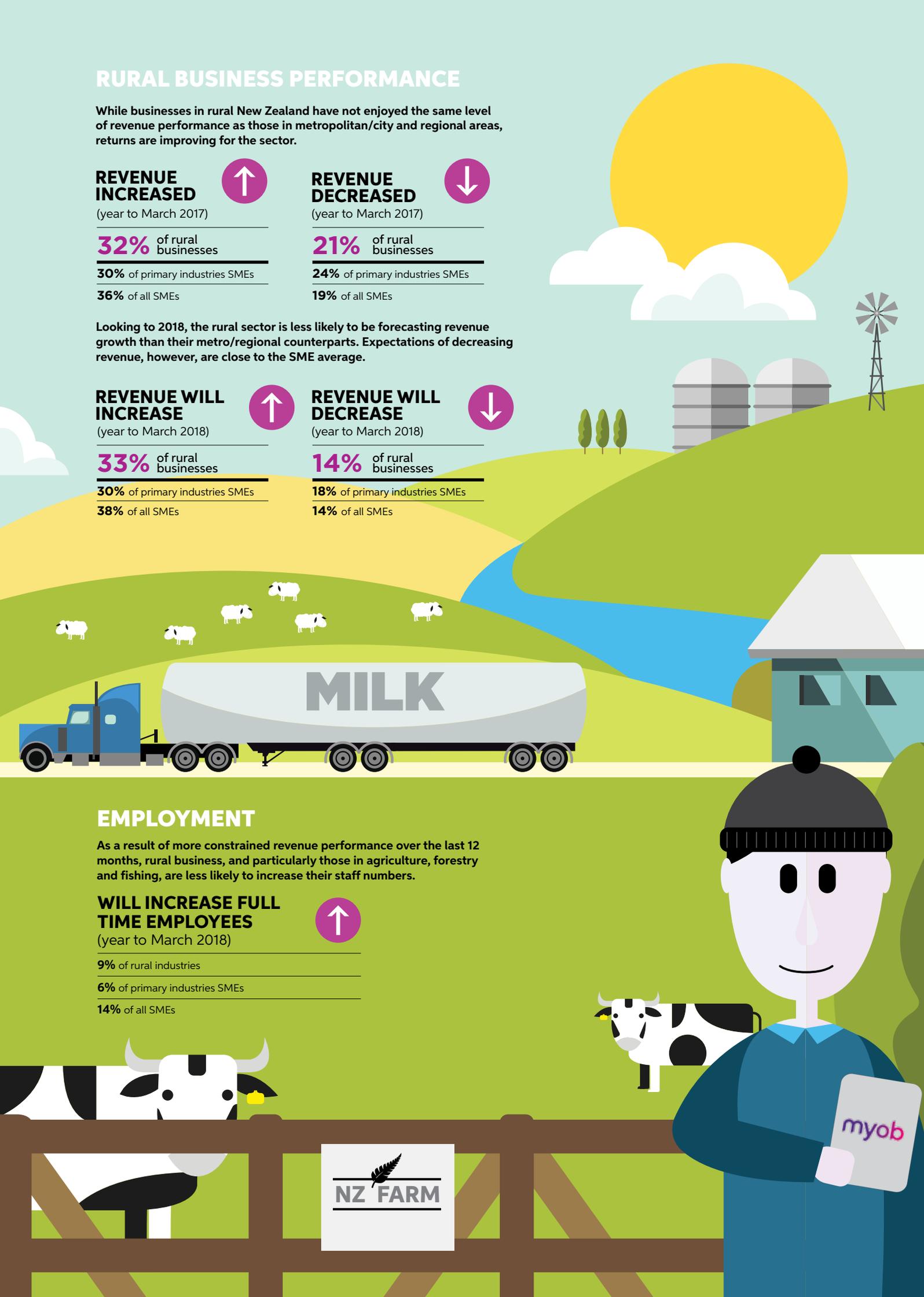


(year to March 2018)

9% of rural industries

6% of primary industries SMEs

14% of all SMEs





THE IMPACT OF TECHNOLOGICAL CHANGE

The next decade of tech changes in the rural industry

This year, MYOB asked how significantly New Zealand businesses were expecting their industry to be changed by technology over the coming decade. While more than a third see the potential for disruption, the rural sector is far less likely to expect change than other local businesses.

EXPECTING SIGNIFICANT CHANGE BY 2027

35% of rural businesses

34% of primary industries SMEs

44% of all SMEs

NO CHANGE ANTICIPATED BY 2027

18% of rural businesses

17% of primary industries SMEs

14% of all SMEs

Embracing new technology

The survey highlights that rural operators are the least likely to adopt new technologies, and close to half show a reluctance to embrace tech advancements.

EARLY ADOPTERS

(year to February 2017)

7% of rural businesses

5% of primary industries SMEs

9% of all SMEs

SLOW AND RELUCTANT ADOPTERS

(year to February 2017)

43% of rural businesses

47% of primary industries SMEs

33% of all SMEs



Tech trends altering the industry

The two technologies rural and primary sector businesses have identified as most likely to create significant change for the industry are improvement to connectivity and automation and robotics.

AUTOMATION AND ROBOTICS

(year to February 2017)

32% of rural businesses

40% of primary industries SMEs

23% of all SMEs

IMPROVEMENTS IN CONNECTIVITY

(year to February 2017)

41% of rural businesses

40% of primary industries SMEs

43% of all SMEs





The technology legacy of the rural sector

MYOB General Manager Carolyn Luey says it's time for New Zealand's farmers to reconsider their attitudes to technology and embrace the opportunities of the future in the same way as they, historically, employed innovation to establish the country's international farming reputation.

“For over 150 years, New Zealand farmers have been innovators. New Zealand's reputation for ‘No. 8’ wire ingenuity came from our farming communities who had to make do with what was available to build an internationally successful industry.

However, according to our latest MYOB Business Monitor, far fewer rural-based businesses are preparing for their industry to significantly change due to technology and most are embracing new technologies far more slowly than their city counterparts.

Without a doubt, the current and coming advances in technology will disrupt the way in which businesses operate across every sector, including in rural New Zealand where evolutions in technology have already proven their value.

From the advent of refrigerated transportation, which took New Zealand's products to the world, to the development of drone and GPS tracking technology to manage stock, we have seen technology shape our primary industries, while allowing farmers to cut costs, increase efficiency and shorten the distance between themselves and their markets.

But what we can expect to see in 10 years' time may not even be imaginable yet, and the rural sector has an amazing opportunity to adopt advancing technology to push the envelope even further.

One area where the rural community sees real promise is the development of robotics and automated machinery. From robotic tractors that can plough a field and repair a fence-line to automated systems that can precisely manage every element of an animal's care and nutrition, it's likely that this field will have a major impact on our primary sector.

But there are many other technologies too that can provide extraordinary benefits in terms of efficiency, productivity and sustainability – all vital factors that will help shape the success of the industry in the decades ahead.

We also recognise that there's a wider role for the agencies and businesses that support our rural sector. One of the key technologies rural business operators believe will help change the way they do business in the next 10 years is ongoing improvement in connectivity. And that is something the Government must continue to focus on in order to ensure our rural sector is getting all the available benefits of technology.

“MYOB is committed to providing our rural customers and partners with a range of easy-to-use and cost-effective business technology solutions. For more than 25 years, we've been trusted by rural businesses to help them succeed and evolve to take advantage of future opportunities.”

For more information on the MYOB Business Monitor, visit:
myob.co.nz/businessmonitor