

2015

AWARD
REPORT



Agribusiness
Award





Agribusiness Award

June 2015

Foreword

Agribusiness is an all-encompassing term that covers everything from a family-owned dairy farm to a processor and global supplier of, say, snap-frozen vegetables. The food and fibre industries in this country are diverse, to say the least. While each has its own individual set of problems, it would be fair to say that all share a common background of supply security, skilled labour shortages and, of course, the precarious nature of domestic and global markets.

The ability to produce something saleable on farm is at the heart of the matter. That's not always guaranteed, thanks to Mother Nature who is well known for throwing curve balls at our rural colleagues. Then there's disease and pest incursions as well as mining which, if it's not taking over our prime agricultural land, is luring away farm workers with the promise of high wages. And the list goes on.

Our rural sector doesn't give in easily though. Just as well, as we may all be a little hungrier if it did – the vast majority of what we eat is produced by our farmers.

It's crucial that such a specialised industry needs a specialised bank behind it. Eight banks offer services to the agribusiness sector and these are the banks CANSTAR has researched in great detail to find the one that offers outstanding value to this sector.



Mitchell Watson
Research Manager

OUR FARMERS OUR FOOD

Australian farmers produce most of the food that we consume in this country, as well as directly employ more than 300,000 Australians. The numbers swell when we look at the vital value-adding processes that food and fibre go through once they leave the farm gate, along with the value of all the economic activities supporting farm production through farm inputs. This averages out agriculture's contribution to GDP at around 12%, or \$155 billion, according to the National Farmers' Federation and ABARES.

Aside from direct on-farm employment, the complete agricultural supply chain involves millions of jobs to the Australian economy. That's agribusiness at its most dynamic.

We're an export-focused country, sending roughly 60% of what we grow and produce overseas. While this is a healthy figure that agribusiness strives to bump up, the export push comes with its own set of vulnerabilities. Conditions in overseas markets can change quickly for any number of reasons. Indeed suspension of trade and cancellation of contracts cause a great deal of angst at times in Australia.

BUDGET DELIVERS \$70M FOR FARMERS

Farmers will gain tax breaks to better prepare for drought under new measures announced by treasurer, Joe Hockey in the Federal Government's May budget. Coincidentally, the budget announcement came only days after the Bureau of Meteorology warned of an impending El Nino weather pattern that would bring unseasonably hot temperatures and dry conditions to many areas of Australia.

The Federal Government policy aims to give farmers more incentive to prepare for drought by offering more favourable taxation rates. Effective immediately primary producers will be able to claim accelerated depreciation on vital infrastructure, such as water facilities, fodder storage and fencing. The aim is to create an incentive for farmers to undertake on-farm preparedness activities and increase productivity.



“Helping farmers through times of drought is in our national interest. Despite unprecedented drought conditions in some parts of the country and a third failed wet season in large parts of the north, Australia's agriculture sector will contribute an estimated \$52 billion to the economy this financial year.

In recognition of the drought's effects on farming businesses and regional communities, the Commonwealth Government will provide:

- \$35 million for shovel-ready, local infrastructure and employment projects. Funding will be targeted at projects that offer the greatest potential to stimulate local spending, use local resources and provide lasting benefit to the community.
- \$25.8 million for programmes to manage pest animals and weeds in drought-affected areas. This measure will provide work for rural contractors while assisting landowners to deal with the impact of feral animals on livestock and pasture.
- \$20 million to expand existing social and community support programmes. This additional funding will improve access to mental health support and counselling services for drought-affected families and communities.
- \$1.8 million to fund additional rural financial counsellors in drought-affected areas.
- \$250 million in 2015–16 to continue access to existing drought specific concessional loans schemes.
- These measures build upon existing Commonwealth support to farmers experiencing hardship, such the Farm Household Allowance, which is currently flowing to over 4,800 farmers or their partners.”



BANKING BACKUP:

AGRIBUSINESS FINANCE NEEDS

Agribusiness combines all facets of business operations and associated organisations that make up the agricultural sector. Being a significant export money earner, pretty much every link in the agribusiness chain needs a reliable bank behind it.

The specialised nature of farming enterprises requires a banking approach that differs from standard retail. So – what do agricultural producers require from a banking relationship? It goes without saying that standard business finance and deposit products are essential. Beyond the standard practice though, CANSTAR consider the following institutional factors to be an important part of a successful agribanking approach:

Availability of Relationship Managers

Despite the increasing prevalence of online transacting and banking self-service, the specialised nature of agribusiness means that the human factor is still an important feature in a good business relationship. Whether face-to-face or on the telephone, an availability of well-trained, knowledgeable and productive relationship managers is paramount to the ongoing success of an agribusiness division within a financial institution.

Other specialist services

In addition to products, agribusiness can benefit from access to other specialist financial services, including forms of insurance such as Key Man cover, Farm Building cover, Business Life and Business Liability cover as well as financial planning advice.

Financial institutions can also play a key business coaching role; providing support, knowledge and guidance on all agribusiness financial needs.

Online Banking Functionality

Personalised service is crucial – but agribusiness also requires excellent online banking functionality. That includes mobile applications, multiple payment functionality and automated graphing and reporting.

Information and Education Services

Farming is an intensive business with little time for research. Financial institutions can add a great deal of value to their agribusiness clients by the provision of online economic and industry insights, analysis and education tools. It is in the interests of financial institutions for their customers to succeed financially and they can potentially play an important mentorship role, providing property owners with access to market knowledge and insights to help identify business growth opportunities.

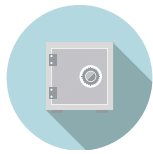
Range of Additional Products and Services

Beyond standard loan and deposit products, agribusinesses can require access to other more specialised products, including:

- **Risk management products.** As an export-focused industry that is subject to both currency and commodity price fluctuations, agribusinesses can require access to risk management products that help to even out cashflow.
- **Seasonal finance.** Aside from the risk of drought or flood, many agribusinesses are exposed to seasonal fluctuations in cashflow, with expenses often being incurred long before income is realised. Access to seasonal finance products can be essential to keep the business running throughout the year.
- **Equipment finance.** The equipment required to keep an agribusiness operational can range well into six figures per item. Specialised finance is a must!
- **International services.** Dealing with foreign countries provides its own set of issues and account needs. Foreign currency accounts, a smooth international bank transfer process and trade finance facilities are important.

OCR DOWN: GOOD AND BAD

Two recent cuts by the Reserve Bank have seen the official cash rate sitting at 2.00%, with predictions it could possibly go lower still in line with economic growth trends, or lack of. Naturally, those with outstanding borrowings are delighted but in a case of give with one hand and take with the other, those with any sort of savings for the proverbial rainy day will be disappointed in their paltry earnings.



Rate movements in Term Deposits & Farm Management Deposits

In terms of deposits we assess 15 term deposits and 7 Farm Management Deposits. Looking at the figures below, which compare the average interest rates on standard term deposits and farm management accounts from May last year to May this year, the trend is downward – broadly in line with OCR movements.

Product	2014 average rate	2015 average rate
Standard Term Deposit	3.51	2.83
FMD at call	1.83	1.41

2015 Rates for Standard Term deposit and FMD at call are correct as at 25/05/2015; 2014 rates for Standard Term Deposit and FMD at call are correct as at 26/05/2014. The rates are nominal one year rate for \$100k Tier. Based on products assessed for CANSTAR Star Ratings



Rate movements in Loans & Overdrafts

On the loan side of the ledger, we assess 26 term lending products and 30 overdraft facilities. The rates vary considerably due to loan type and security associated with the loan. It must be stressed the figures quoted are reference rates only and do not include individual risk or liquidity margins that may add to these figures, according to bank assessments.

Product	2014 average rate	2015 average rate
Term Loans	6.34	6.03
Overdrafts	7.93	7.69

2015 Rates for Term Loans and Overdrafts are correct as at 01/05/2015; 2014 rates for Term Loans and Overdrafts are correct as at 01/05/2014. The rates are nominal one year rate for \$100k Tier. Based on products assessed for CANSTAR Star Ratings report.

WHAT WE LOOKED AT

To determine who is the Bank of the Year - Agribusiness for 2015, we researched eight banks who offer rural banking to the agribusiness sector. We compared banking products and services valued by farmers, including loans, credit cards and deposit accounts, as well as considering the institutional factors of each organization. In-depth details on the products and services assessed can be found later in this report’s methodology.

To receive this accolade the institution had to offer a strong suite of competitively-priced products as well as provide the backbone of a good agri banking relationship which includes ongoing support with an emphasis on industry updates and education, plus a good relationship manager.





Agribusiness

BACK-TO-BACK WINS

The Commonwealth Bank has again proved that consistency of products and services to its rural customers pays dividends. It has taken out the CANSTAR Bank of the Year - Agribusiness, repeating its feat of last year. The Commonwealth Bank also won this accolade in 2012.

Its agribusiness finance, including term lending, overdrafts and credit cards were outstanding, as was Commonwealth Bank's deposit products for the rural sector.

The Commonwealth Bank improved on its overall point score this year, as did others in our comparison. The competition we've seen this time around is a good sign for the agri sector as a whole and cements the importance of continually improving products and services designed for this very specialised of markets.

In terms of Commonwealth Bank institutional factors, some points of note include:

- Commonwealth Bank offers 1,150 branches around Australia and more than 220 Agribusiness Relationship Managers, centred predominantly in the rural heartland.
- Seasonal funding is available for cotton, grain, livestock, wheat and wool.
- The bank also offers a full suite of disaster relief and support services, including the option to defer loan and credit card payments as well as temporary increases on credit limits for affected customers. The possibility of waiving both loan establishment fees and fixed investment withdrawal fees can also help those businesses in times of need.
- Additionally, Commonwealth Bank takes the educational aspects of agribusiness very seriously, providing a range of education programs for customers free of charge – included in the program are regular reports and updates on the industry, estate planning information and industry seminars.

CANSTAR congratulates Commonwealth Bank on its outstanding result.

CommonwealthBank





METHODOLOGY

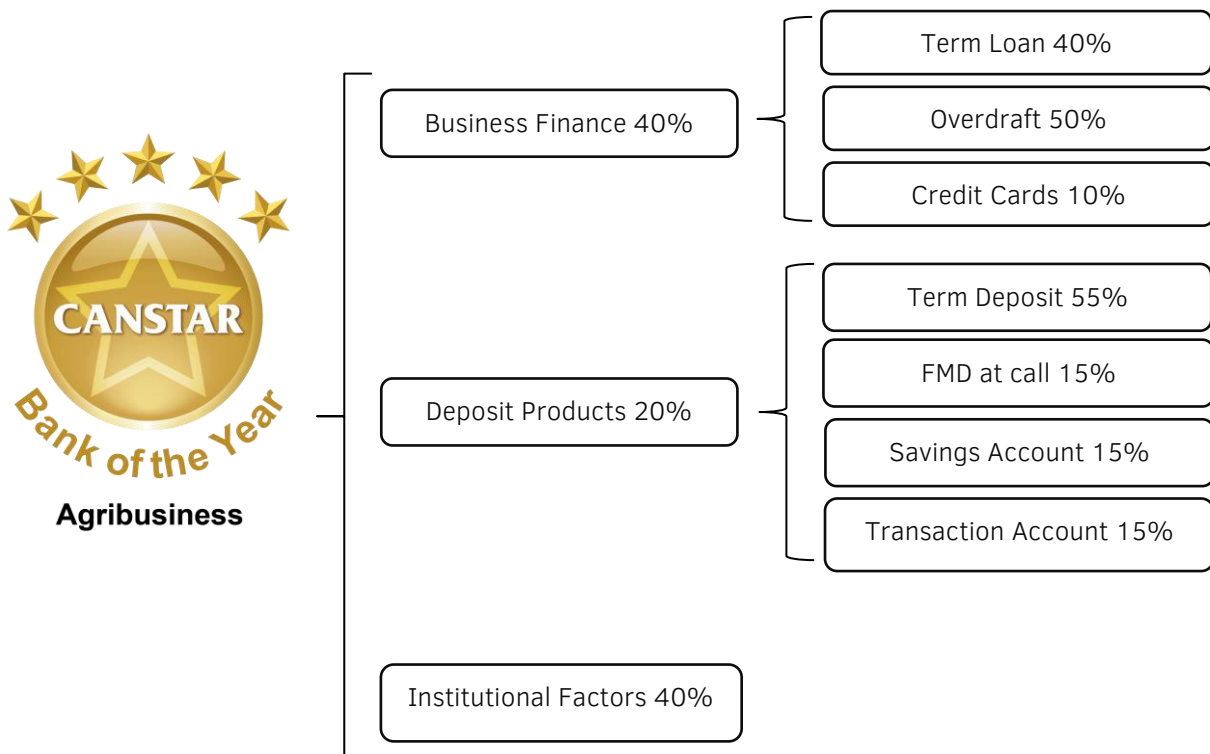
AGRIBUSINESS AWARD

OVERALL METHODOLOGY

In conjunction with the Business Banking Star Ratings, CANSTAR's Bank of the Year - Agribusiness is awarded to the institution that provides a strong combination of products across the Business Banking Star Ratings profiles, as well as excelling in a range of institutional factors. The award aims to give recognition to the institution that backs up quality products with great service to agribusiness customers. Institutional factors that were considered include:

- Relationship managers
- Range of additional products and services
- Online banking functionality
- Other specialist services; and
- Information and education services

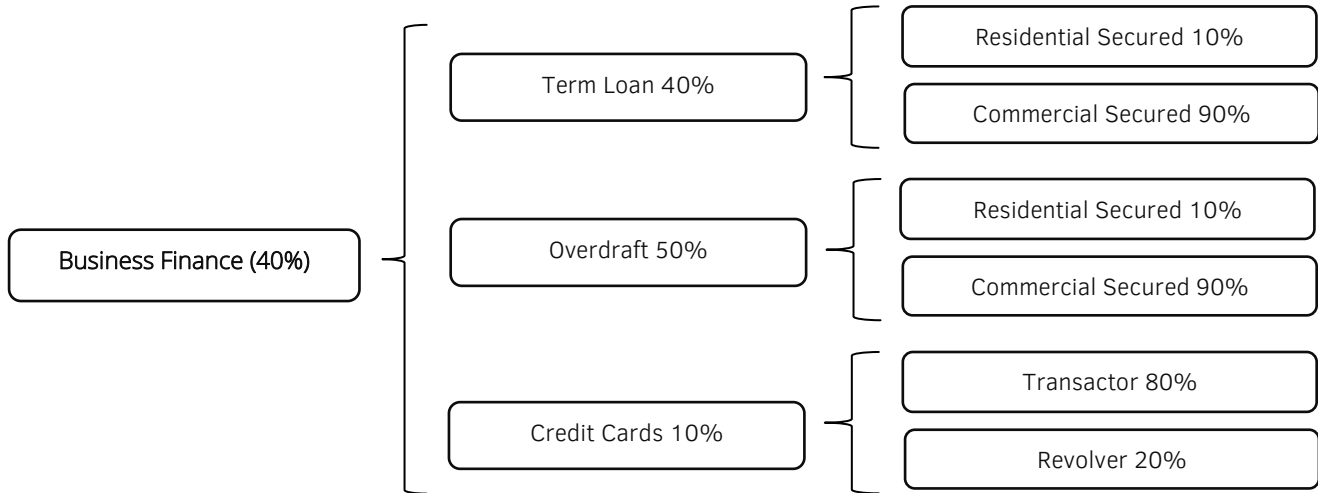
The breakdown of weighting for each category is displayed in the following methodology tree.



Business finance

The methodology applied for Term loan, Overdraft and Credit cards is that used in Australian Business Banking Star Ratings which consider the value proposition (i.e. price and features) of each product against its peers.

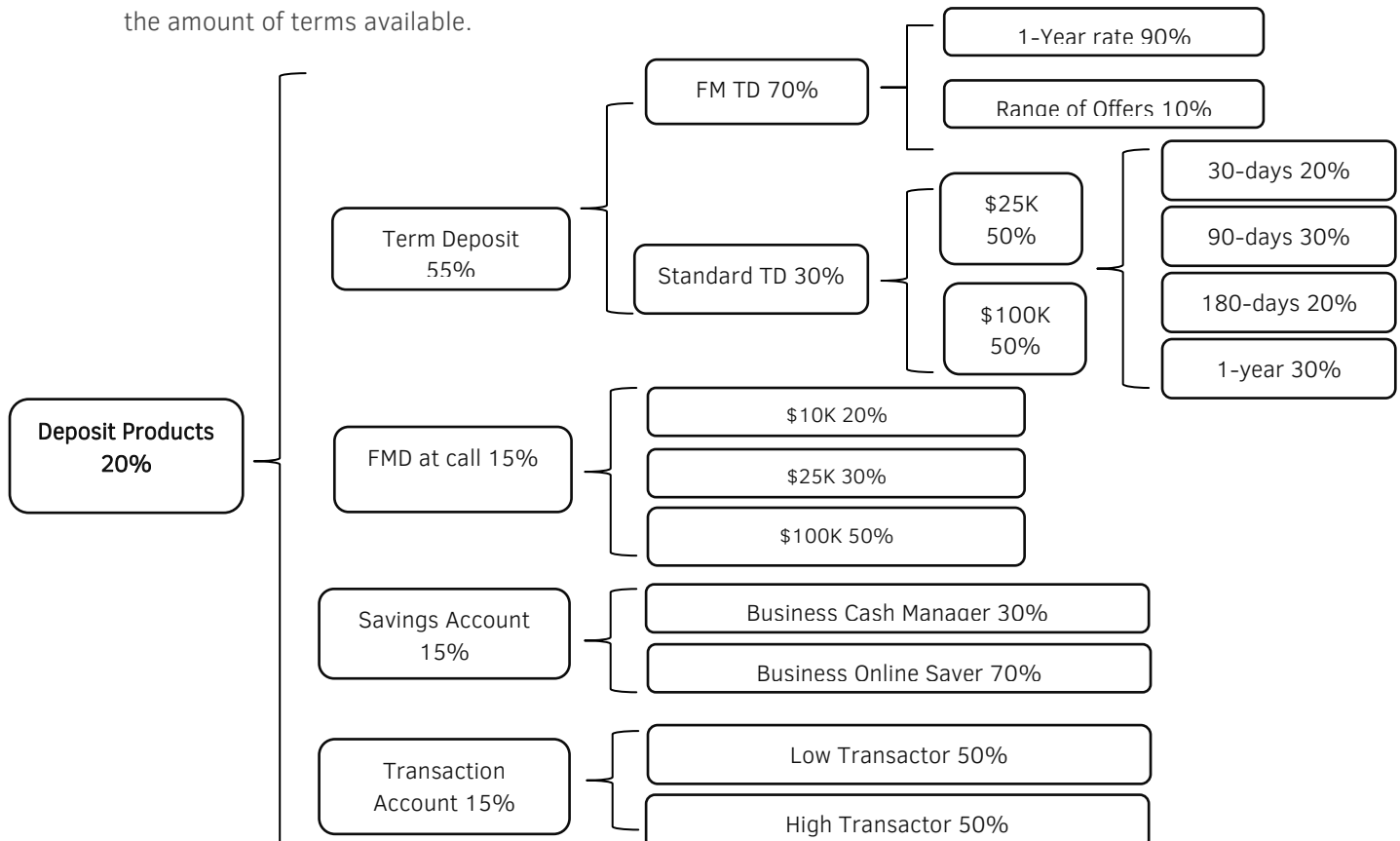
In both the Term Loan and Overdraft, 90% of the total weight has been placed in the commercial secured products. And the Credit Card Transactor profile contributes 80% to the total credit card score.



Deposit products

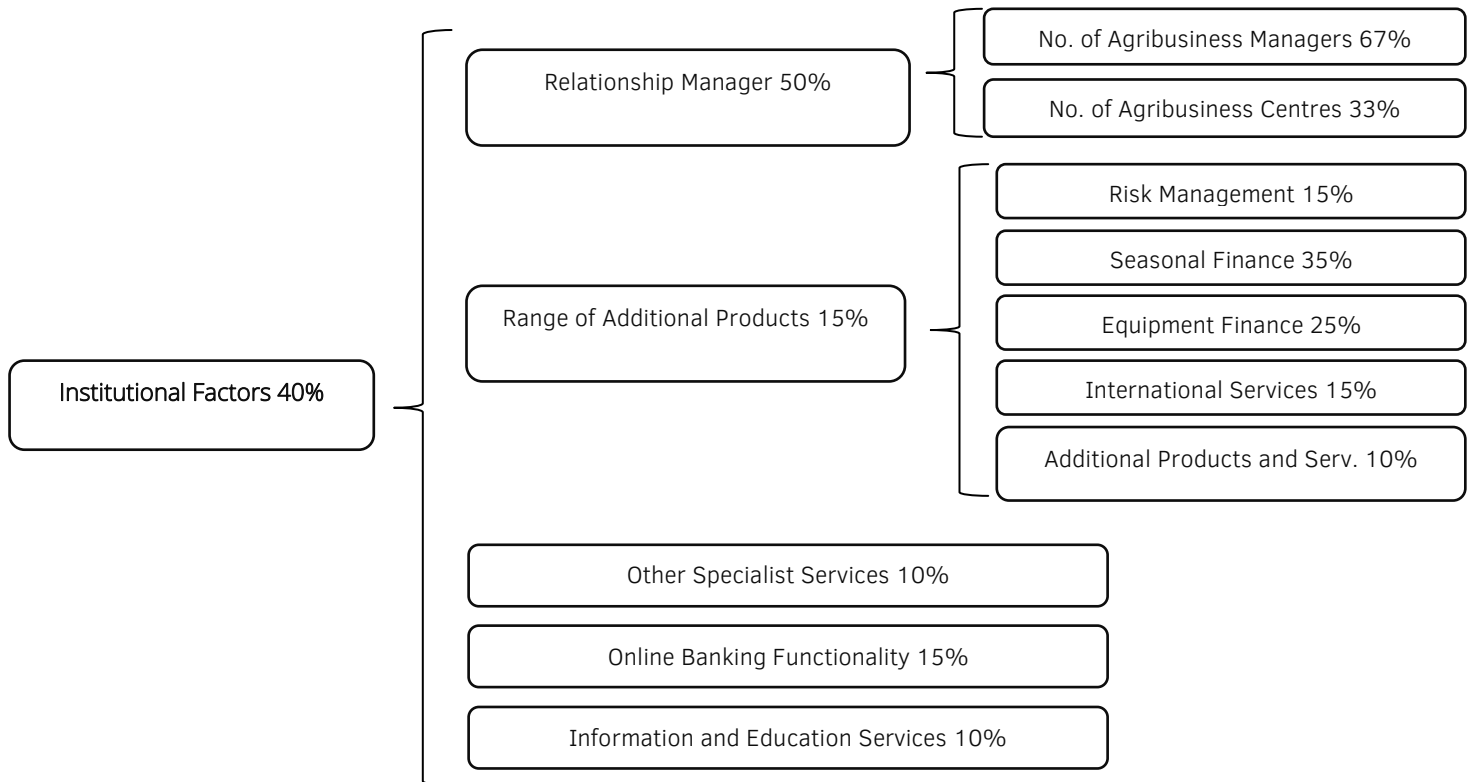
The methodology applied for Savings account and Transaction account is that used in Australian Business Banking Star Ratings which consider the value proposition (i.e. price and features) of each product against its peers.

Term deposit and FMD at call sections are predominately rate-based calculations with no consideration placed on product features. Within Farm Management Term Deposits the range of offers are considered i.e. the amount of terms available.



Institutional factors

Along with the considering the product offering of each participating institution, CANSTAR consider a range of institutional factors. Due to the specialist nature of the various types of agribusinesses, it is important that an institution is able to provide the necessary support and services. Within this section an institutions offering we will be considered against its peers across their network of relationship managers, the range of additional products offered, other specialist services, online banking offering and information and education services.



How often are Agribusiness products reviewed for award purposes?

All ratings are fully recalculated every 12 months, based on the latest features offered by each institution. CANSTAR also monitors changes on an ongoing basis. The CANSTAR Bank of the Year – Agribusiness Award will be decided once a year.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.com.au



- Account based pensions
- Business life insurance
- Deposit accounts
- Health insurance
- Landlord insurance
- Margin lending
- Package Home Loan
- Reward programs
- Travel insurance
- Agribusiness
- Car insurance
- Direct life insurance
- Home & contents
- Life insurance
- Online banking
- Personal loans
- Superannuation
- Travel money cards
- Business banking
- Credit cards
- First home buyer
- Home loans
- Managed investments
- Online share trading
- Pet insurance
- Term deposits
- Youth banking

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Agribusiness Award

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. This is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

Agribusiness

Company	Agribusiness Package	Seasonal Finance Available	Equipment Finance Available	Trade Finance Facility	Foreign Currency Account	Cash Flow & Budgeting Tools	Disaster Relief Assistance Packages	Industry Reports	Transact Online on Dual Signatory Accounts	Total Number of Bank Branches
ANZ	✓	✓	✓	✓	✓	✓	✓	✓	✓	1057
Banksia	✓	✓	✓	✓	✓	✓	✓	✓	✓	109
Bankwest	✓	✓	✓	✓	✓	✓	✓	✓	✓	89
Bendigo Bank	✗	✓	✓	✓	✗	✓	✓	✓	✓	540
Commonwealth Bank	✗	✓	✓	✓	✓	✓	✓	✓	✓	1150
Nab	✓	✓	✓	✓	✓	✓	✓	✓	✓	760
Suncorp Bank	✓	✗	✓	✓	✓	✓	✓	✗	✓	170
Westpac	✓	✓	✓	✓	✓	✓	✓	✓	✓	840