Welcome

As is quite often the case, the seasonal situation varies remarkably across the country. While South Australia and Western Australia celebrated near-record harvests combined with strong grain prices, much of Queensland and Victoria are still in the midst of challenging seasonal conditions.

As a proud supporter of rural Australian communities, we hope 2014 can deliver a positive and productive year despite these varied seasonal conditions.

The United Nations has declared 2014 the International Year of Family Farming. This is certainly something to celebrate in Australia, with our farming sector predominantly comprised of family farms. Here at Rural Bank, we are pleased to back many of our country’s family owned and operated farms and recognise their important contribution to the industry in Australia, and globally.

In this issue of Rural Bank Insights, we are pleased to bring you an analysis of the economic outlook for the year ahead, as well as a review of key agribusiness-related trends. We also introduce our new website, which offers rural community and industry groups the opportunity to promote their agri-related events and website links free of charge.

We hope you find the publication interesting and we look forward to speaking to you soon.

Paul Hutchinson
Managing Director and CEO

About Rural Bank

A wholly-owned member of the Bendigo and Adelaide Bank Group, Rural Bank is the only Australian-owned and operated dedicated agribusiness bank in the country. We’re backing farmers by providing them with financial tools that help smooth out seasonal fluctuations in income and expenditure.

Our specialist farm finance tools are available nationally via a network of banking partners, including Bendigo Bank and Community Bank® branches and Elders Rural Services. Through these experts in the field, we deliver customers with unparalleled choice and access within regional and rural communities and on the farm.

Funds deposited with Rural Bank are returned to country Australia in the form of loans to farmers and we also support the Australian farming community through a countrywide program of community involvement activities.
Economic outlook for 2014

Like economic commentators across the globe, this time last year I was thinking about what the year might hold for key economic indicators. Twelve months on and I am aware of my mixed success in forecasting the trends for 2013. My prediction about interest rates going lower was half-correct, my forecast about equity markets trending higher was spot-on and my projection of the Australian dollar remaining above parity throughout 2013 was far from reality.

Reviewing moves in economic indexes over 2013, we note that while short term interest rates have fallen over the course of the year, long term interest rates have actually risen. And while the All Ords had a solid 15% gain over the year, the Dow Jones Index rallied almost 28%. At the same time, the Australian Dollar lost 14% in value against the USD.

So, what might 2014 hold in relation to monetary policy, inflation, currency and equities?

The Reserve Bank of Australia’s last rate cut came in August 2013 and they have left the cash rate on hold since then. The Governor’s accompanying statement from the Board’s first meeting for 2014 was very different to recent months and contained a number of important aspects.

There was a discrete shift in the RBA’s thinking about its policy bias with monetary policy now assessed to be “appropriately configured” to foster sustainable growth in demand and inflation. In addition, this neutral bias statement was qualified by the statement “the most prudent course is likely to be a period of stability in interest rates”. The Australian dollar was no longer described as “uncomfortably high” and the RBA was more positive on the domestic economic outlook.

The clear message is that the RBA wants a period of stability in interest rates until it becomes clearer whether the economy is tracking somewhere in line with its latest forecasts.’

Furthermore, the spectre of a rate hike in the future enters the playing field.

The Reserve Bank has previously made it clear that it prefers a lower exchange rate, rather than even lower interest rates, to stimulate growth in the economy. The Australian dollar has fallen off its parity highs with the US dollar, tumbling by 18% since mid-April 2013 to a three-year low of USD0.8660 in January.

While the Australian dollar has recently picked up on the back of soft US data, the expected continuation of reduced tapering from the US Federal Reserve this year will support a stronger US dollar and is likely to keep downward pressure on the AUD over 2014.

Low global interest rates will be positive for equity markets once again in 2014. While the returns of 2013 are not expected to be repeated (in magnitude) this year, solid earnings, the continuing low interest rate environment and better terms of trade (lower currency) will provide support for our equity market to push higher this year. While markets may be vulnerable to dips throughout the year, these are expected to be temporary and the up-trend is expected to continue for 2014. Time will tell whether these forecasts are realised.

Rudy Boeff, Rural Bank Treasurer

Weekly Economic Update

Keep in touch with the latest economic data and local market activity, including interest rates and the agribusiness sector through our free weekly economic update.

To subscribe visit: www.ruralbank.com.au/publications

Inflation (CPI) jumped unexpectedly in the last three months of 2013 towards the top-end of the RBA’s target band of 2% to 3%. The cause of the jump in inflation figures is not yet clear, but the shift upwards was significant enough for the RBA to update its inflation and GDP forecasts. The possibility of inflation brushing or breaching 3% over the medium term means the RBA is no longer entertaining any meaningful probability of another rate cut.
After the harvest, what’s the good news on farm investment options

With many Australian farmers celebrating a near-record harvest combined with strong grain prices, thoughts are turning to the best use of profits.

While farmers generally use harvest income to pay down loans, the old adage of “saving for a rainy day” (or a non-rainy day as the case may be), also makes financial sense.

The Farm Management Deposit (FMD) Scheme provides a tax effective “rainy day” term deposit by allowing farmers to set aside and earn interest on pre-tax income from profitable years and use it when needed most to reduce the impact of income fluctuations.

The time may also be right for farmers to grow and improve their farm businesses through investment in farm expansion, capital improvements or equipment purchase.

Harvest incomes combined with favourable (record low) interest rates provide a good environment for farmers to grab hold of these opportunities with confidence.

Recognising that farms are financed like no other business, specialised banking products are needed to factor in seasonal fluctuations in income and expenditure.

From term loans through to tailored livestock building or equipment finance products, Rural Bank offers a range of specialised farm finance solutions to specifically support farmers with their farm investment goals at any given time.

Whether investing in the future through savings or increasing business potential, we recommend you seek the advice of your accountant and one of our Rural Bank farm finance specialist. Get in touch today.


Agri-sector outlook 2014

For the farming sector, what were the key topics of 2013 and will they still be “trending” in 2014? We’ve compiled a commentary on some of last year’s most talked about headlines and what the likely developments will be in the coming year.

Weather

There’s no doubt that weather, and associated extremes in seasonal conditions, will be a live topic for the farming sector, with location and intensity of the conditions being the only variables. While one state or part thereof is suffering protracted drought conditions, another part of the country is often celebrating good seasonal conditions.

Data released in March by the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) confirms the significant contrast between regions, with broadacre farmers in South Australia and Western Australia enjoying record incomes at the same time that counterparts in Queensland and New South Wales endure critical conditions.

In their March 2014 Quarter Agricultural Commodities release, ABARES forecasts a return to average rainfall in the months from April to June 2014, leading to some improvement in pasture and crop planting conditions, as well as a return to average seasonal conditions in 2014–15 (based on the 13 January 2014 seasonal outlook issued by the Bureau of Meteorology).

Farm assistance for drought-impacted farmers

Alongside a focus on weather is an ongoing discussion in relation to the need, value and justification for Government assistance to farmers in the midst of extreme weather conditions, particularly drought. This is not a new conversation and not one that’s likely to come to an end.

Commentary in relation to the Federal Government’s recent $320 million assistance package for drought-hit Queensland and New South Wales will continue well beyond the implementation of the assistance and we will see ongoing debate on this issue.

At Rural Bank, we’re backing farmers for the long term. We work with customers through times of unavoidable climatic issues as one of the vagaries of agriculture. We are also supportive of any Government or industry measure that assists farmers through drought and other extreme seasonal impacts.

Live exports

An ongoing issue since live cattle exports were suspended in 2011, this topic is likely to retain a level of focus in the media. While significant milestones have been reached to return the live export industry to sustainable levels, individual incidents, such as the recent voyage to the Middle East where many sheep and cattle perished, will continue to provide fuel for the debate and the need for stringent regulatory requirements.

The resumption of live cattle exports and recent progress in securing trading conditions with Korea, China and Japan are creating a positive environment for renewal in the livestock industry. The Meat and Livestock Association report that Australian live cattle exports during 2013 totalled more than 850,000, up
Agri-sector outlook 2014 continued

37% on 2012 and ABARES is forecasting continued recovery in the live cattle export industry over the medium term. It is pleasing to see pastoralists, particularly in northern Australia, facing a cattle market that is showing signs of improvement.

Foreign investment debate

The topic of foreign investment was widely canvassed in 2013, with respect to the proposed ownership of Australian agribusinesses, such as GrainCorp, as well as large-scale investment in Australian farm land. The debate was played out largely on a political and policy level, however the topic is one that can be polarising for Australians in general.

For many agribusinesses, and indeed business in general, sourcing external investment is critical for ongoing success, expansion and innovation.

Where that investment is derived off-shore, the need for regulatory and policy frameworks becomes more apparent to deliver transparency, ensure a fair level of competition and to preserve industry infrastructure.

With global population growth, changes to the demographic make-up of some of our neighbouring Asian countries and improvements in trading conditions with key export partners, the discussion about Australia’s role to play as “Asia’s food bowl” is slated to continue.

Having a sole focus on Australia’s rural industry, we understand the need for capital investment into the agricultural industry. Foreign investment has been integral to the industry and associated communities over many years, helping to improve efficiencies and productivity. Excluding such investment would deliver a dire scenario for the sector, however the need for regulatory oversight must also be recognised.

Rural Bank news

There has been much activity at Rural Bank. Not only have we launched a new responsive website, we have continued our commitment to rural and regional communities through a country-wide program of community support activities.

Rural Bank website

We are excited to announce that our new website is now live.

The new ruralbank.com.au provides all the information you need about how Rural Bank is backing farmers, communities, businesses and individuals.

As well, we have changed the look and structure of the website to improve how you find what you need, wherever you are.

Some of the new features include:

- Responsive layout whether you are browsing on a PC, tablet or smart phone
- Specialised finance pages specifically for farmers, as well as pages for anyone that wants flexible personal banking options
- An opportunity for visitors to contribute content to the website via our Community section, which features a calendar of agri-events, as well as links, news and publications of interest.

And because we know that many of you visit ruralbank.com.au to access your Internet Banking, you can still log on via a link at the top right hand corner of every page.

Rural Bank invites farming communities to promote events and links

Recognising the importance of industry groups in the farming sector and agri-related events, such as field days, expos and shows, our new website now features a community sourced Agri-events Calendar and Agri-links Library.

The Calendar incorporates a register of events, classified by the theme of the event, such as dairy, cropping or livestock. Each event listing includes details about the event’s location, date and contact points.

The site’s Community section also features an online library of links to relevant industry and news websites.

Visitors who register to Community have the opportunity to add events, links, as well as personalise their own profile by tagging their areas of interest.

To register for Rural Bank’s Community portal, visit www.ruralbank.com.au/community

Community Registration Promotion Winner

We congratulate L. Abell (Thangool, QLD) who was the winner of an iPad mini as part of our Community Registration Promotion.
Mercer SuperCycle 2014

Rural Bank was proud to recently sponsor Stages 3-6 of the Mercer SuperCycle 2014. It was one great ride – 1,000km over some of South Australia’s most important agricultural regions – and all for a great cause.

In partnership with The Hospital Research Foundation, Mercer SuperCycle 2014 raised funds to build accommodation near The Queen Elizabeth Hospital in Adelaide, so that rural cancer patients undergoing treatment can have somewhere to stay with their families.

Rural Bank was founded to support rural Australians, their families and communities – so we’re proud to get behind great events like this.

Join in the fun and win!
While the cyclists have finished their ride, you still have the chance to be part of the Mercer Supercycle excitement. Enter our ‘Farm-Bike’ competition by 5pm, 28 April 2014 and you could win an Apple iPad. For competition details visit:


Have you met your local Rural Bank farm finance specialist?

No two farming businesses are the same, which is why we have a team of local Relationship Managers, who can get to know you, your farm business, and your financial goals, and give you the personalised service you need.

Our team of farm finance specialists are experienced banking staff who have knowledge and expertise in farming. They’re here to provide you with information and advice on which banking products will best help you stay on top of challenges and grab opportunities.

Our Relationship Managers all have the same expert product and industry knowledge. Our team includes dedicated banking staff from Rural Bank, located across Australia, as well as accredited agribusiness lenders in a number of Bendigo Bank branches, and District Banking Managers available through the Elders Rural Services network.

Your choice of Relationship Manager can be based on who’s nearest to you, or on the Rural Bank partner you prefer to do business with.

To find your local Rural Bank farm finance specialist, visit:


Send us your feedback

We welcome your feedback on our Insights newsletter.

Please email your thoughts and suggestions to:
ecommerce@ruralbank.com.au

Disclaimer: Any advice given or perceived to have been given within this document does not take into account your personal circumstances, objectives, financial situation or needs. Before acting on any information, you should carefully consider the appropriateness of the information to your personal circumstances and seek independent advice before acting on the information. Whilst all care has been taken in compiling the content in this document, the information should not be relied upon as substitute for professional advice where necessary. Rural Bank Limited accepts no responsibility for the accuracy, completeness or timeliness of the information and disclaims all liability in relation to any loss or damage suffered by the use of or reliance upon any information contained herein by any person. All applications for loans or credit are subject to lending criteria. Terms, conditions, fees, charges may apply. Full details are available on application or by phoning our Customer Service Centre on 1300 660 115, online at www.ruralbank.com.au or by visiting your local branch. All information is subject to change. Products are issued by Rural Bank Limited. ABN 74 083 938 416 AFSL 238042. Australian Credit Licence number 238024. Registered office: L6, 80 Grenfell St, Adelaide SA 5000.