

RURAL BANK Insights

May/June 2013



WELCOME

At this time of year, there is always a high level of activity and anticipation across the country as much of the farming sector prepares for winter cropping, feed levels become a vital concern and the wine grape harvest nears completion.

Vital but mixed rainfall levels have been experienced across various agricultural regions, however it would be safe to say that much of the agribusiness community is cheering in the autumn break, albeit a little late.

At Rural Bank, we have recently spent some time getting to know farmers in various regions a little better, including in and around Horsham, Wagga Wagga, Northern Tasmania, Wangaratta and Maree. We look forward to continuing our program of introducing our farm finance specialists within local regions.



Rural Bank Relationship Manager, Grant Turner at the Rotary FNQ Field Days in Maree.

In this issue of Rural Bank Insights, we are pleased to bring you information about term deposits and the Farm Management Deposits Scheme, as well as a round up of Rural Bank and industry happenings.

We hope you enjoy the read.

Paul Hutchinson
Managing Director and CEO

About Rural Bank

Rural Bank is a wholly owned subsidiary of Bendigo and Adelaide Bank Limited and specialises in providing banking products and services to the Australian farming sector. Our customers are primarily based in rural and regional Australia, although many of our deposit customers are from metropolitan areas.

Rural Bank's heartland is rural Australia. We are committed to providing a banking service to primary producers, agribusiness

participants and individuals or businesses seeking business loans. As part of the Bendigo and Adelaide Bank Group, we also offer the broader capabilities offered by Bendigo and Adelaide Bank.

Our products and services are available at over 400 regional locations nationally including Bendigo Bank and Community Bank branches, Elders Rural Services branches, selected Ray White Rural agencies and our own metropolitan branch in Adelaide.

IN THIS ISSUE

TERM DEPOSITS



➤ All you need to know about term deposits

ECONOMIC NEWS



➤ How foreign markets influence the Australian economy

COMMUNITY



➤ Learn how Rural Bank supports the agribusiness community

FARM APPS



➤ Apps that are making some aspects of farm life easier

TERM DEPOSITS – WHAT ARE THE BENEFITS?

While homeowners have welcomed recent cash rate cuts by the Reserve Bank of Australia, investors and retirees are not rejoicing as their investments are impacted by recent cuts in the cash rate. However, while interest rates may not appear attractive in comparison to returns on other investment options, there are still many significant benefits associated with term deposits.

Term Deposits

Term deposits are one of the most familiar and straightforward types of investment. You invest your money for a fixed term and you receive a fixed rate of interest over that term.

Term deposits offer some important advantages over other investment types. Some of the benefits of term deposits include relatively higher rates of interest when compared to transaction accounts, guaranteed returns, and safety of investment due to the Australian Government's Financial Claims Scheme, which guarantees term deposits of up to \$250,000 placed with an Authorised Deposit-taking Institution (ADI).

And while term deposits can have some downsides, including restrictions on accessing your money before the term deposit matures and lower returns in comparison to some other investment options, it is important to consider the relative risk of other investments. While "blue chip" shares may pay attractive dividends, there is a risk to capital to offset against this return, and investment in property requires a long term approach to achieve a positive return.

One way to address the potential issue of having your savings locked away is to invest in several term deposits with varying maturity dates.

This way you can invest an amount of money in a longer term, higher interest

account and invest a smaller amount for a shorter period of time to ensure you have access to funds at varying intervals.

Term deposit rates vary so you should shop around for the best rate for the period that suits you. Make sure you also consider online term deposits as these often offer more attractive rates and can be accessed easily and quickly via an online application process.



Farm Management Deposits (FMDs)

With the end of financial year looming, farmers and accountants across the country are turning their attention to Farm Management Deposits (FMDs).

But what is an FMD and how can it benefit you? An FMD is essentially a term deposit that is tailored specifically for primary producers to deal more effectively with cash flow fluctuations. An effective risk management tool, an FMD allows 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.

Established in 1999, the tax-linked FMD scheme was created to assist primary producers to become more self reliant and deal with uneven income streams, common to agriculture as a result of climate, and domestic and international economic and market changes.

Subject to statutory eligibility criteria, the scheme allows the primary producer to deposit pre-tax income up to a total of \$400,000 and, if kept for at least 12 months, payment of tax on that income is deferred until the year of withdrawal, when they may benefit from a lower marginal tax rate.

As at 31 March 2013, there were more than 42,580 FMD accounts in Australia totalling \$3.2 billion in funds (www.daff.gov.au).

In line with a range of Government reforms to increase competition in the finance sector, legislation was changed in 2011 to allow primary producers to hold FMDs with more than one provider, allowing them to 'shop around' for a competitive rate, and level of service. Previously, farmers were required to hold FMD accounts with just one ADI.

Continued page 3

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Farm Management Deposits (FMDs) continued

Recently, the Federal Government announced further changes to the FMD scheme which will increase the non-primary production income threshold for FMDs and allow for consolidation of existing eligible FMD accounts. These changes will not take effect until 1 July 2014.

Rural Bank Managing Director, Paul Hutchinson said June is an important month for accountants and agribusiness banking specialists

because FMDs become top-of-mind in the lead up to the end of the financial year.

“An FMD is a valuable option for primary producers because it is an effective means of maximising income gained out of a good season.”

“It’s worthwhile remembering too that there’s no requirement to have your FMD invested with the same

institution with which you do your lending,” he said.

“Taking advantage of a competitive FMD interest rate with an alternative institution gives customers an opportunity to get a feel for that provider’s expertise and level of service.”

To find your nearest Rural Bank banking specialist, visit www.ruralbank.com.au/locate-us

For independent advice on FMD’s and other investment options, please consult your taxation advisor.

HOW FOREIGN MARKETS INFLUENCE THE AUSTRALIAN ECONOMY



The US fiscal cliff, Quantitative Easing (QE), the European debt crisis and political tensions in Korea all seem a long way from Australian shores, so why do they matter to Australian farmers and investors?

In recent years, both investors and governments have learnt that events such as the Global Financial Crisis have proven to be the flipside of globalisation. In an interconnected world economy, where benefits are shared by everyone, downturns and risks are making themselves felt in places far away from the sources of uncertainty. In a globalised world, any major crisis now becomes a global crisis.

Since the Australian Dollar became a floating currency in 1983 and was thereby impacted by supply and demand factors, the currency has been influenced as much by global events as local trends. In fact, Australia has historically had several booms and busts in both prices and demand for

‘Since the Australian Dollar became a floating currency, its value has been influenced as much by global events as local trends.’

our various exported goods, such as wheat, wool, copper, oil and, most recently, coal and iron ore. When international demand and prices for Australian exports have been high, this has typically caused the Australian Dollar to increase in value.

Domestic markets have benefited from this strong international demand for Australian currency. And, with the agricultural sector exporting approximately 65% of what they produce, totalling some \$36 billion, there’s no doubt that the nation’s farming industry is dependent on overseas markets.

However, fluctuations in the Dollar as a result of global economic factors, international currency movements, and demand for our currency, adds yet another variable to the business of farming. Surges in the Australian Dollar and changes in commodity prices sit alongside other external challenges, such as drought and other weather events, as well as interventions such as the live export ban.

On balance, the benefits of trading on the foreign exchange market and the export potential provided by international demand for Australian commodities outweigh the challenges for local industries, however it must be recognised that the ongoing strength of the Australian Dollar is a real threat for the farming sector.

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

SUPPORTING COMMUNITY AND INDUSTRY

As a dedicated agribusiness bank and a member of recognised community supporter, the Bendigo and Adelaide Bank Group, involvement with rural and regional communities and the farming sector is a key part of our business.

We are pleased to support the Australian agribusiness community through a countrywide program of community involvement activities, including support for local causes and communities and industry organisations through our regional banking partners, including the Bendigo and Community Bank network and Elders Rural Services. This way, we know that local organisations and communities directly benefit from our sponsorship and community involvement activities.

Recognising our role in rural and regional Australia and to bring our people closer to the community, our employees make voluntary monthly contributions to a nominated local community group or cause. Whatever is raised via these contributions is matched dollar-for-dollar by Rural Bank. Our staff have been pleased to support the following causes in this way:

- **Australian Red Cross Bushfire and Floods Appeals**
- **ANZAC Appeal**
- **SIDS and Kids**
- **Meals on Wheels**
- **Riding for the Disabled**

Recognising that one of the key issues facing the industry relates to skilled labour shortages, Rural Bank recently partnered with the Community College

Gippsland to launch the Rural Studies Scholarship Fund. The Fund is already paving the way for 12 rural studies students to receive financial support towards their study fees in 2013. For more information, contact the Community College Gippsland on 03 5622 6000 or via email info@ccg.asn.au



APPS FOR FARMERS

Research confirms that smartphones and tablets are becoming common on the farm and proving their worth as beneficial business tools. As more and more farmers turn to their smartphones for information, services and advice, a number of agri-specific apps have entered the market. Following are some of the apps that are being used on the land to make some aspects of farm life a little easier, faster or more precise.

GRDC Weeds: The Ute Guide



This application is designed to be used in the paddock by growers to assist in identifying the most common, annual, biennial and perennial weeds in Southern Australia. Where possible photographs have been provided of the weed at various growth stages to ensure correct identification. Each weed has a calendar to show which month/s the weed is likely to be present in the paddock. The application allows users to search, identify, compare and email photographs of weeds to their networks.

www.grdc.com.au/Resources/App-Store

AndMeasure



The AndMeasure app allows you to measure distances and calculates area between points on a map. Use it in farming and forestry to measure your fields and forests.

The app not only allows you to calculate the distance between multiple points in real time using the 'continuous mode' feature, it will also calculate areas in acres, sq miles, sq feet, m2, km2 and sq yards. You can also switch between satellite and map mode and find your current location via GPS or on your local network.

www.facebook.com/andmeasure

iHerd



iHerd has been designed to simplify the herd management process for station owners and managers around the world. Rivalling the most advanced cattle management software, the app regularly synchronizes all of your property and paddock data between managers. This gives you the ability to keep track of all your head, paddock details and property ID numbers whilst on the job. Other features include a treatment cabinet that keeps inventory of your on-site chemicals, including treatments your animals are receiving.

www.iherd.com.au

UPCOMING EVENTS

All over the country, the agribusiness community comes together to share information, discuss topics of interest and recognise key segments of the industry. Below is a listing of just a few of the events taking shape across the nation:

ABARES Regional Outlook Conferences – June to October 2013



Held across Australia, the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) Regional Outlook conferences bring commodity forecasts and analysis to regional Australia. Each conference program focuses on industries and issues relevant to the region and promotes economic viability,

community, vitality and environmental sustainability. Speakers and delegates are drawn from across the community, including producers, bankers, consultants, rural counsellors, local business owners, state and local government staff, students and others with a regional outlook and focus. www.daff.gov.au/abares

World Environment Day – 5 June 2013



World Environment Day is an annual global event aimed at achieving positive environmental action. The theme for this year's World Environment Day is Think.Eat.Save. Think.Eat.Save is an anti-food waste and food loss campaign that encourages you to reduce your "food print". Think.Eat.Save encourages you to become aware of the environmental impact of the food

choices you make and empowers you to make informed decisions. If food is wasted, it means that all the resources and inputs used in the production of all the food are also lost. Making informed decisions therefore means, for example, choosing to buy locally so that foods are not flown halfway across the world, thereby limiting emissions and supporting local industry. www.unep.org/wed

National Farm Safety Week – 15 to 20 July 2013



National Farm Safety Week is held each year to raise awareness of farm safety issues across Australia in an effort to reduce deaths and injuries associated with health and safety risks on farms.

Farm Safety Week has been running successfully for the past 15 years and has provided an opportunity for Farmsafe Australia to address farm safety with a national focus. www.farmsafe.org.au

Send us your feedback

We welcome your feedback on our Insights newsletter.

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



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