



Department of
Agriculture and Food



GRDC Grains Research &
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Financing Agricultural Businesses in the 21st Century

Eric Hall - Planfarm

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CARING
FOR
OUR
COUNTRY



Theme

- “Farmers face significant challenges in raising sufficient capital to fund growth and support farm turnover” *(ANZ insight a report from Port Jackson Partners Commissioned by ANZ)*

What will be covered

- Short history of Agricultural financing in Australia
- Current position
- What Planfarm numbers are telling us
- Constraints of a growing business
- Future innovation in Agricultural Finance

History

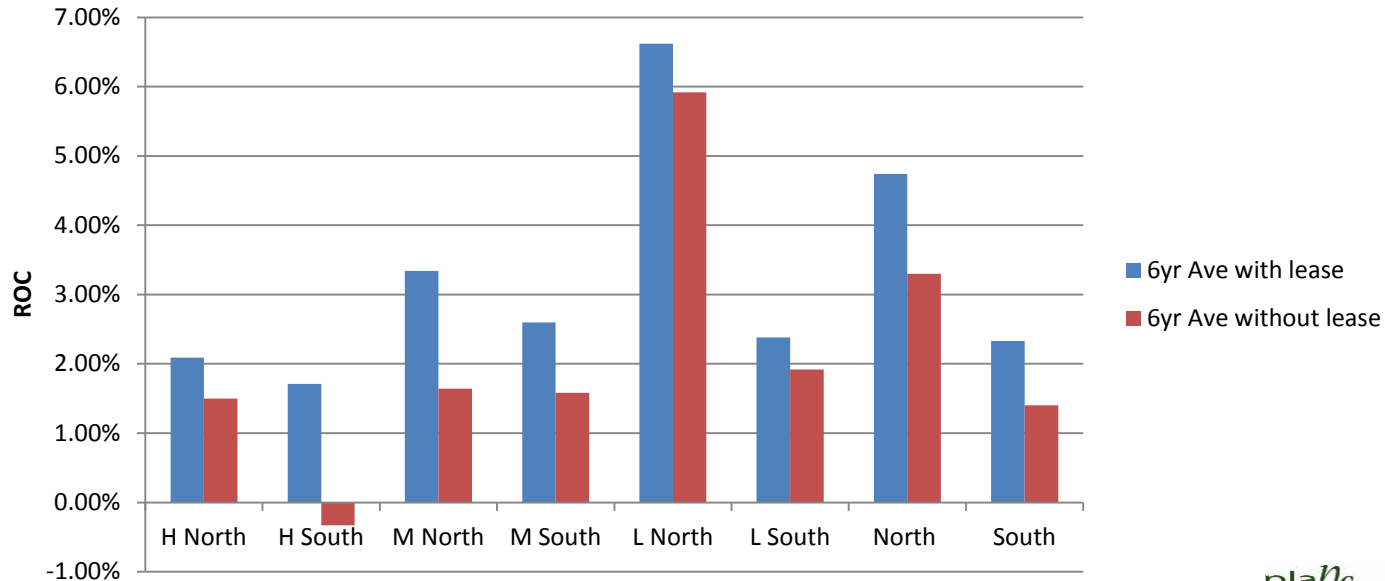
- 1890 – 1910 Establishment of State based Rural Banks
- 1943 The ‘Mortgage Bank Department’
- 1960 Commonwealth Development Bank (CDB)
- 1978 Primary Industries Bank

Current Position

- Current mainstream policy
- Management Investment Scheme failure
- Influence of outside capital (foreign investment)
- Structural issues

What the best businesses doing

6 yr Ave ROC Leased land vs No Leased Land



2 Client Comparison

	Farmer A		Farmer B	
	2007	2012	2007	2012
Core LVR	23%	29%	11%	52%
Peak LVR	41%	55%	52%	59%
Net Assets	\$3,117,461	\$3,910,533	\$6,132,484	\$6,145,897
Growth		\$733,072		\$13,413



The Growing Business

- Good land area with a balance in owned and leased
- Good labour
- Strong financial performance
- Constrained by funding of working capital

	Projected							2007 - 2012
	2013	2012	2011	2010	2009	2008	2007	AVG.
Total Farm Area	8586	7290	7290	7017	7017	5957	4607	
Total Arable Area	7970	6759	6759	6486	6486	5426	4276	
Total Leased Area	2963	2963	2963	2690	2690	2781	1631	
Perm. Labour Units	4	4	4	3	3	3	3	3.38
Seas. Lab. (MnWks)	19	14	20	8	8	5	4	10
Annual Rainfall (mm)	0	265	508	195	304	419	355	341
Grow Season (mm)	0	184	281	123	243	276	252	226
Wheat Kg/mm ave.	0.00	15.42	14.21	8.71	11.10	10.59	12.61	12.11
Net Profit	\$1,165,998	\$ 522,287	\$1,577,738	-\$ 716,365	-\$ 341,357	\$ 991,321	\$1,360,279	\$ 565,651
Net Profit %	29%	17%	39%	-52%	-14%	34%	52%	13%
% Return On Capital	11%	8%	18%	-5%	-4%	19%	28%	11%
Debt to Income	0.81	1.06	1.09	3.07	1.36	0.45	0.62	1.28

Balance Sheet Summary

Total Assets	\$10,472,769	\$10,138,255	\$ 9,760,435	\$ 9,880,061	\$ 9,380,346	\$ 6,920,373	\$ 6,472,118
Total Liabilities	\$ 3,271,973	\$ 3,304,639	\$ 4,467,858	\$ 4,209,585	\$ 4,244,820	\$ 1,288,020	\$ 1,614,266
Equity	\$ 7,200,796	\$ 6,833,616	\$ 5,292,577	\$ 5,670,476	\$ 5,135,526	\$ 5,632,353	\$ 4,857,852

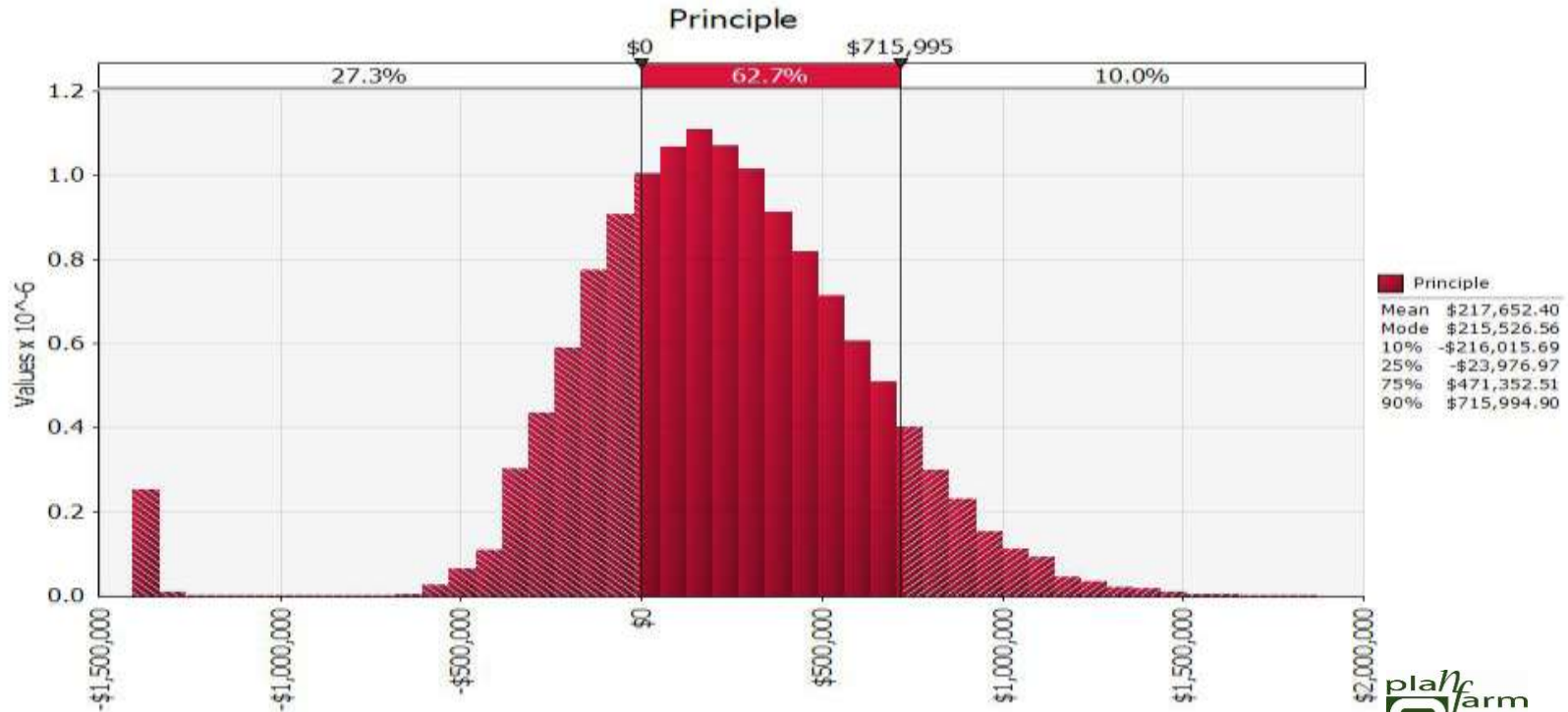
Equity %

69%	67%	54%	57%	55%	81%	75%
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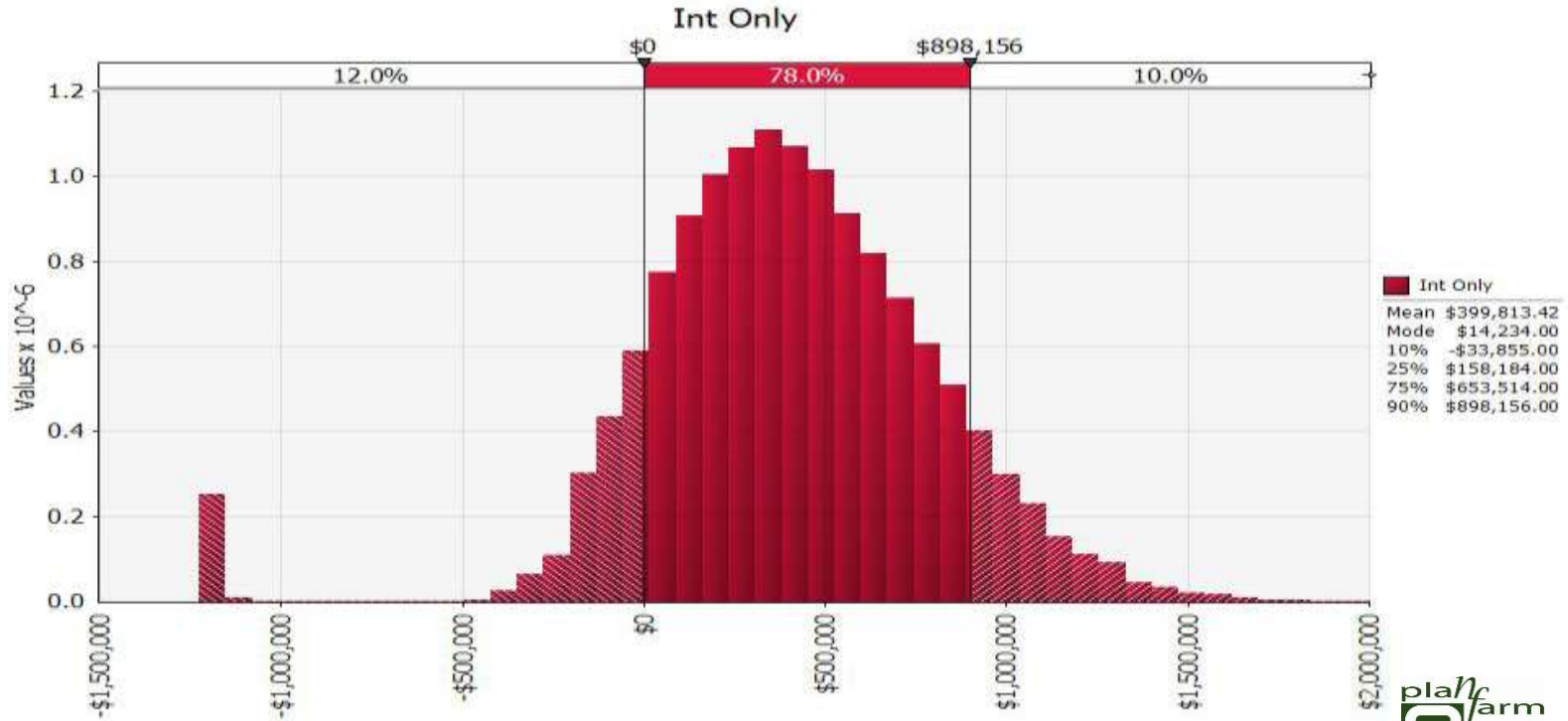
Loan to Value Ratio (based on Balance Sheet Land Value)

Peak LVR	69%	59%	52%	60%	59%	56%	48%
Core LVR	30%	25%	34%	42%	23%	11%	27%

@Risk – What it tells us



@Risk – What it tells us



Ideas for Financing Agriculture in the 21st Century

- Financial products not reliant on Peak LVR as a terminating level
- P & I term facilities with drought clauses
- Shared Equity (investor / operator)
- Off-take arrangements
- ‘Risk Mitigation’ insurance

Summary

- Agricultural Financing has a long history
- Historically innovation is slow and in the past Government generated
- MIS littered with failures
- Many growth / high profit business constrained by current funding models
- Innovation with potential Government support is necessary for future investment



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Questions?

Eric Hall

Planfarm Pty Ltd

eric@planfarm.com.au

