



The future for Australian agriculture is bright

Alexandra Gartmann, CEO Rural Bank
Macquarie Conference, 3 May 2018

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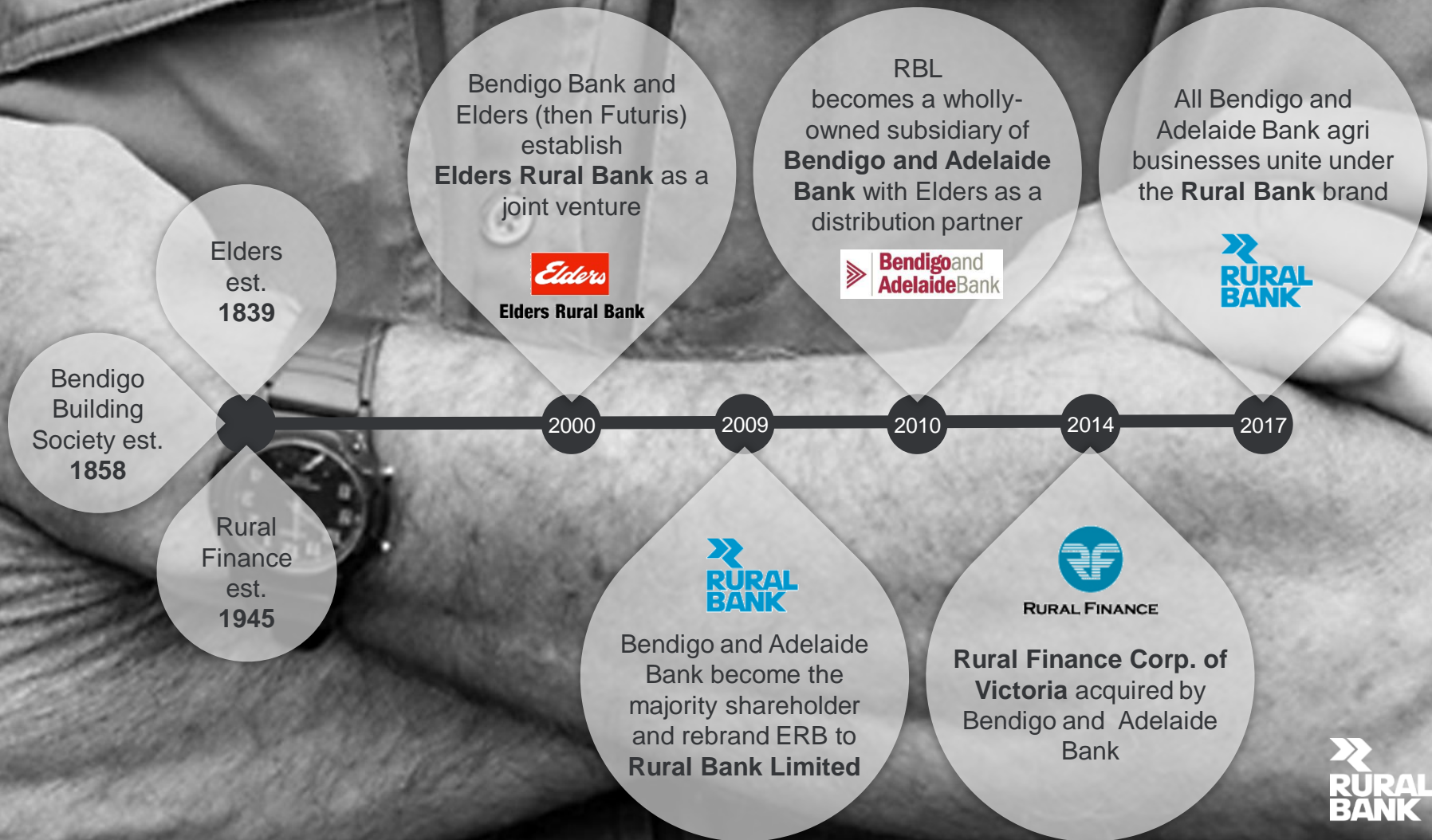


**Bendigo and
Adelaide Bank**

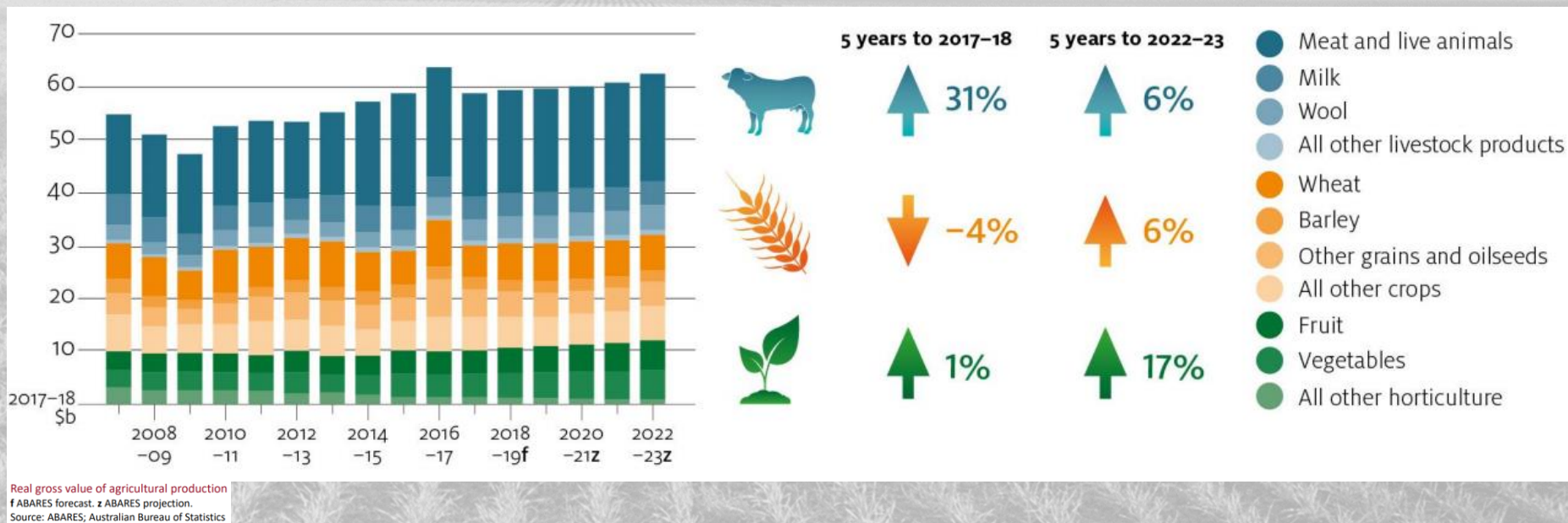
Our vision: to provide exceptional financial services, knowledge and leadership for Australian farmers to grow



Rural Bank history

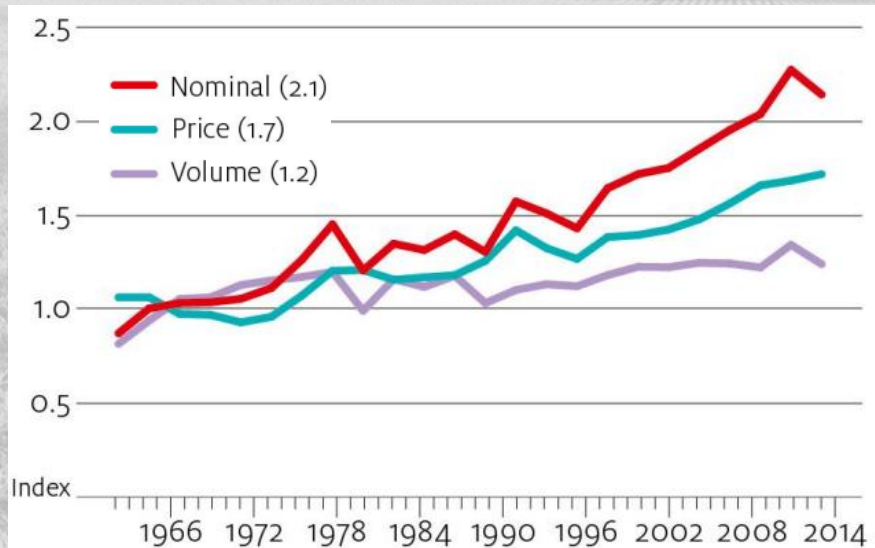


The value of Australian agricultural production has been increasing over the last 10 years. ABARES are forecasting agricultural production will reach \$63 billion in 2022-23.



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Price has made a bigger contribution than volume over the last two decades. A weakening A\$ and demand from a globally growing middle class bodes well for Australian agriculture.



Increase in gross value of production (nominal), and contributions of price and volume
 Note: Index of cumulative change in output value from base period, calculated as average for 1994-95 to 1998-99 = 1.
 Numbers in parenthesis in key indicate index value in final year.
 Source: ABARES

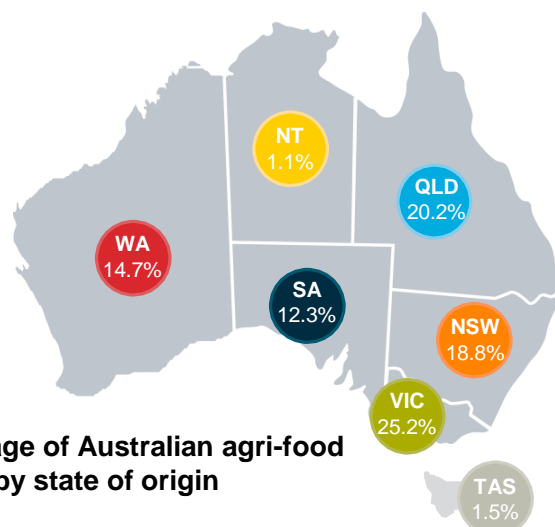


a ABARES assumption. Note: Historical data based on monthly average.
 Source: ABARES; Reserve Bank of Australia

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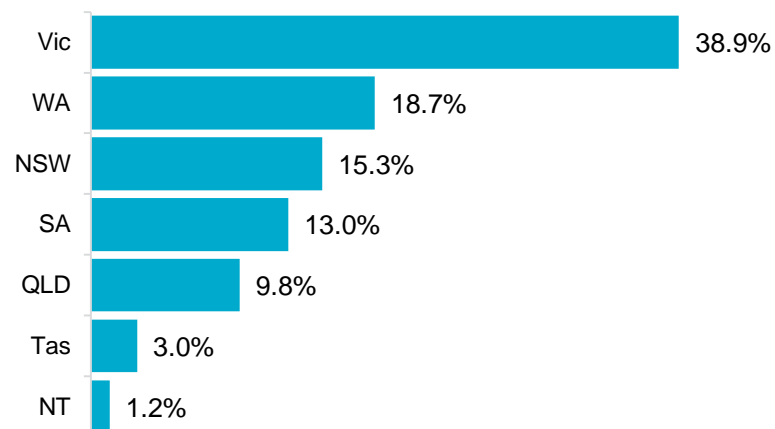
While Victoria continues to be a strong contributor to the national value of agri-food exports, New South Wales had the largest growth in 2016/17, up \$1.3 billion



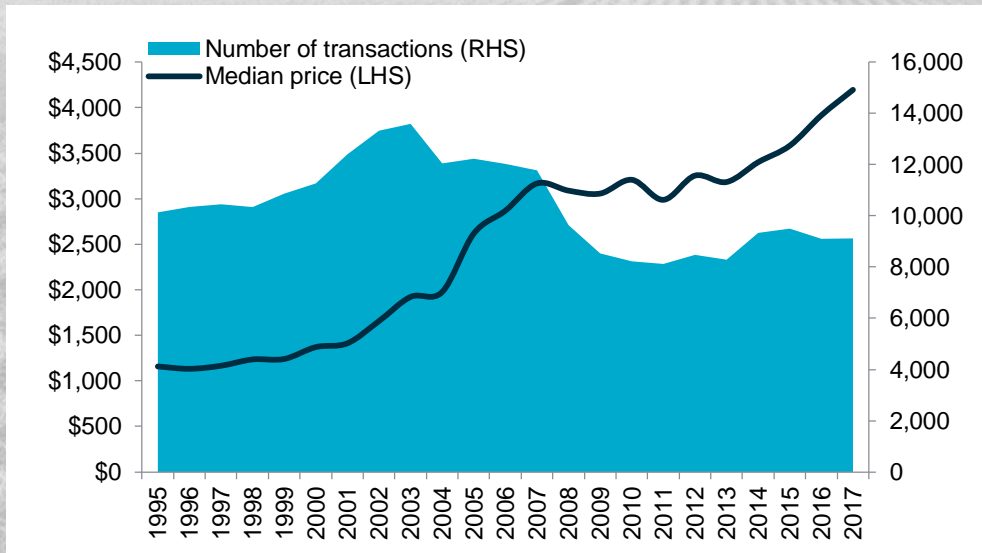
Percentage of Australian agri-food exports by state of origin

Rural Bank Ag Answers, Australian Agriculture Trade Performance, 2016–17

Rural Bank loan portfolio by state
31 Dec 17



The value of farmland underpins farming businesses and rural communities. The national median farmland price increased by 7.1 per cent in 2017. The average annual five year growth in median value per hectare is 5.1 per cent.



Rural Bank Ag Answers, Australian Farmland Values, 2017

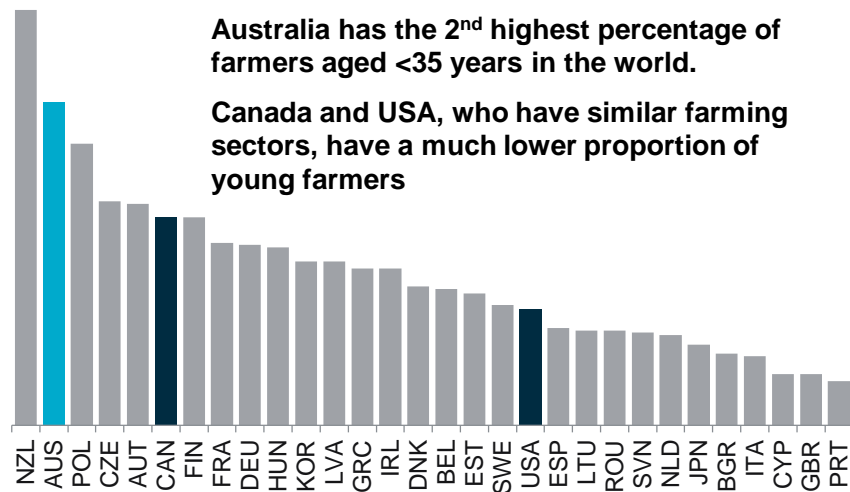
The Rural Bank Australian Farmland Values report is released annually, with the 2017 report published yesterday.

About the research:

- Every farm sale
- Median price
- 239,000 transactions
- 288 million hectares of land
- Combined value of \$139.8 billion over 23 years.

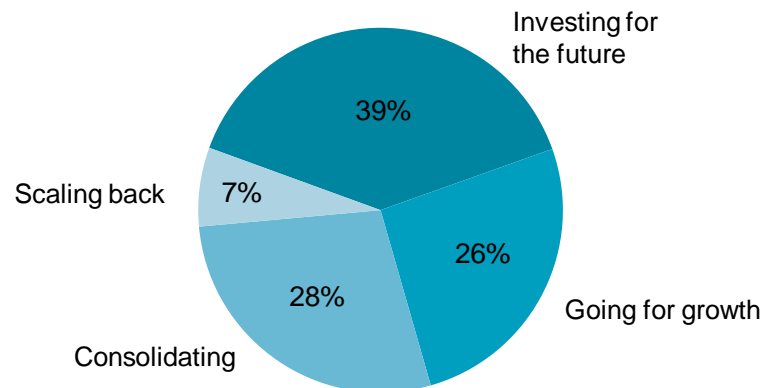
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More than 99 per cent of all farms are family owned, and collectively they produce more than 93 per cent of domestic food supply.



Published by: RIRDC, *New entrants to Australian agricultural industries*, 2014. Chart data is from 2006.

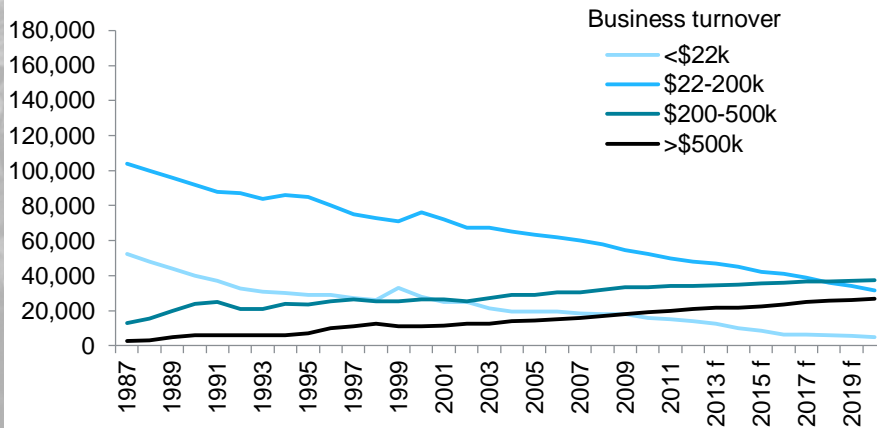
Farmers are investing for the future and looking for growth opportunities



RAI and Rural Bank, *21st Century Farmers Report*, 2017

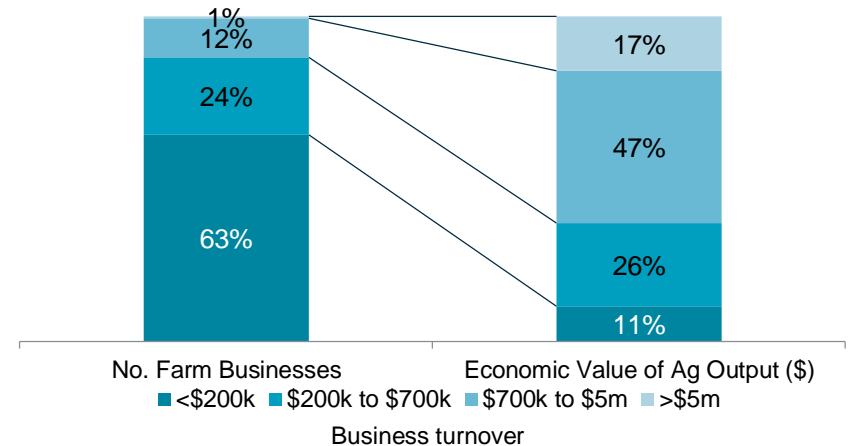
A small number of farm businesses are contributing the lions share to the agri economy

Australian farm businesses are consolidating, giving rise to larger operations with greater capacity to invest and innovate



Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), 2012

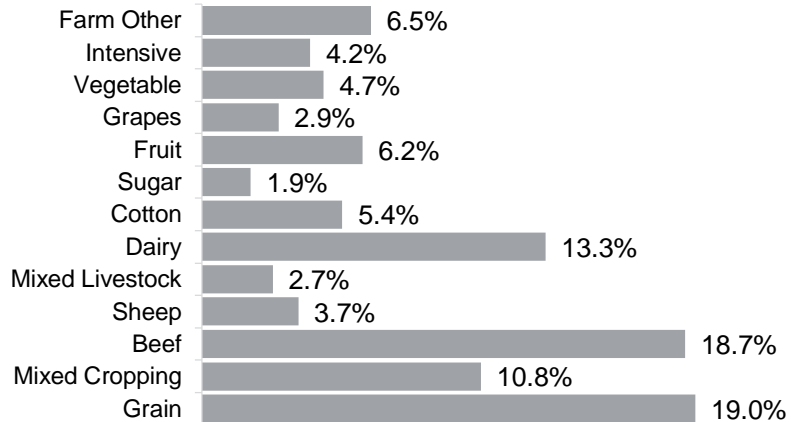
In 2013 12 per cent of farm businesses with a turnover of \$700k - \$5m contributed nearly half of the national EVAO



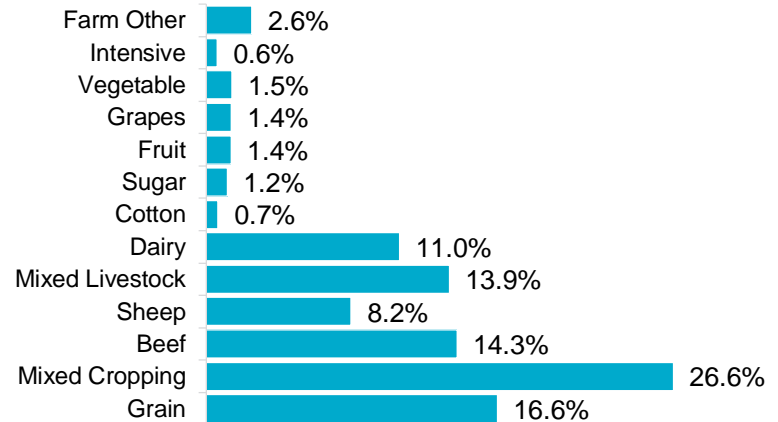
Neil Clark & Associates, 2013

The December 2017 estimates for bank lending to farming were \$60 billion, up 4.5 per cent from June 2015

**National estimated bank lending to farming
31 Dec 17**



**Rural Bank loan exposure by industry
31 Dec 17**

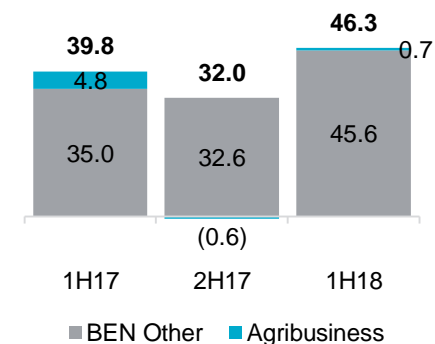


Neil Clark & Associates, *Bank Lending to Farming as at December 2017*

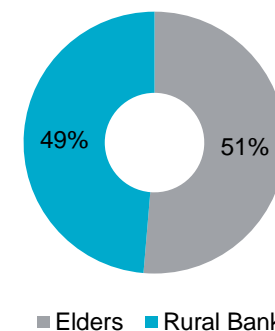
Rural Bank performance

	FY16	FY17	Change (FY16-17)
Performing loan growth (\$m)	299	346	47
Revenue (\$m)	176.6	176.7	0.1
% of group revenue	11.87%	11.46%	-0.41%
Direct costs (\$m)	(75.2)	(75.6)	0.4
% of group costs	8.46%	8.49%	0.03%
Impaired assets (\$m)	151.9	84.6	-67.3
% of group impaired assets	43.38%	29.94%	-13.44%
Credit costs (\$m)	(9.6)	(4.2)	-5.4
% of group credit costs	21.77%	5.85%	-15.92%
FTE	276.0	274.1	-1.9
Cost to income (%)	30.6	28.7	-1.9%
Cash earnings (\$m)	68.1	70.6	2.5
% of group cash earnings	16.97%	16.88%	0.09%

BEN bad and doubtful debts composition (\$m)

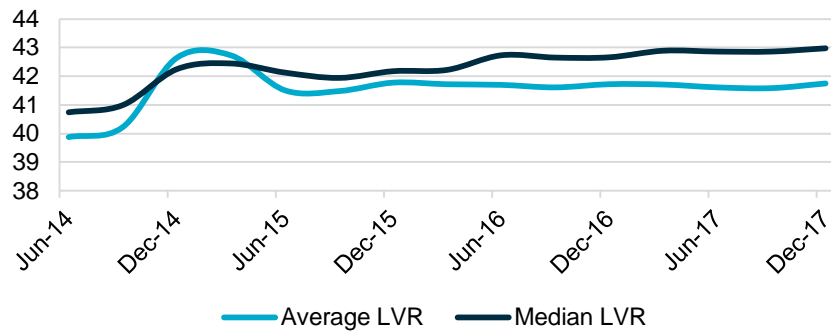


Agribusiness loan portfolio management

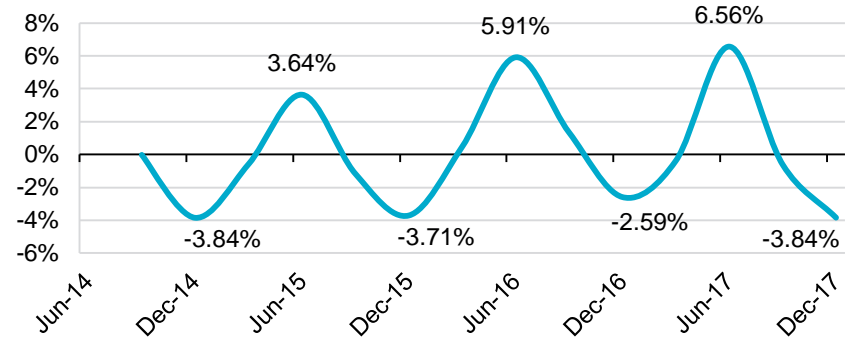


Rural Bank loan portfolio

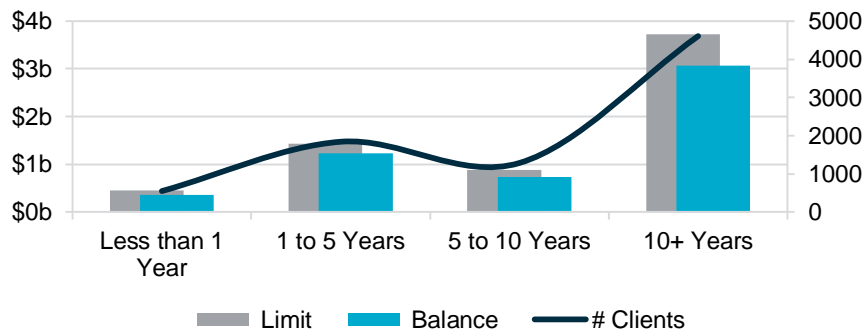
**Rural Bank average v median LVR
31 Dec 17**



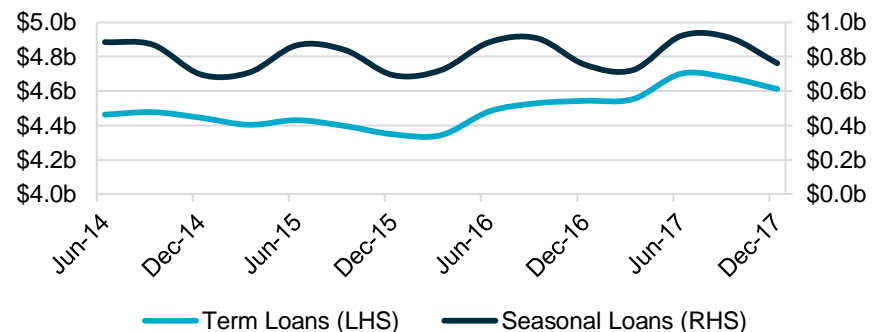
**Rural Bank performing loan growth
31 Dec 17**



**Rural Bank loan portfolio and clients by tenure
31 Jan 18**



**Rural Bank seasonal lending v term lending
31 Dec 17**





Thank you



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