



media release

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City/country cost difference hits home

CANSTAR CANNEX announces major agribusiness award.

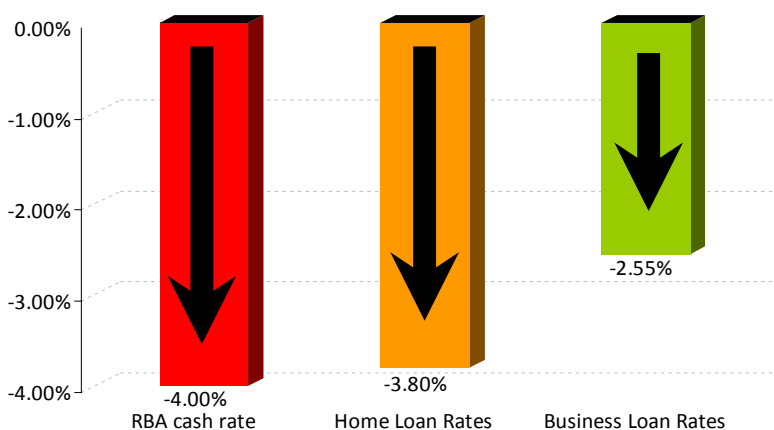
Country residents living on their farm are paying over \$3000 per year more for the privilege than their city counterparts.

While city or regional town dwellers are enjoying the benefits of rate cuts on their home loans, the same can't be said of farm owners, according to financial services research group CANSTAR CANNEX.

"A \$250,000 home loan in town is now 3.80% less expensive that it was before the last series of Reserve Bank rate cuts totalling 4%," CANSTAR CANNEX senior financial analyst Harry Senlitonga said.

Since July last year, banks have passed on 3.80% of the 4% rate cuts to home loans yet agribusiness loans have dragged the chain, decreasing only 2.55%.

"This reflects the banks' perception of increased risk with general business loans as the global credit crunch continues to bite," Mr Senlitonga said.



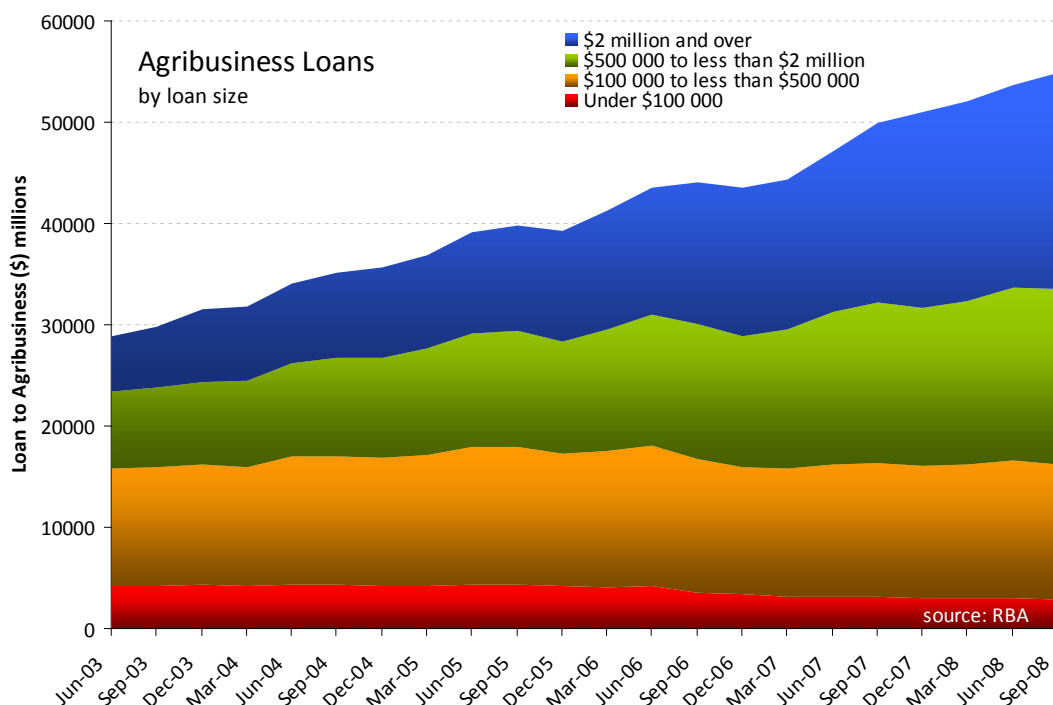
Despite the banks pricing for risk, the outlook is upbeat for farm productivity, with rain in many areas signalling good seasons ahead.

“December’s Economic Performance Index (EPI)¹ shows a swing back into positive territory for most states, led by a welcome decrease in fuel prices, some input costs and the lower interest rate environment,” Mr Senlitonga said.

Although global demand is down, this has been tempered to a certain degree by the significant decline in the value of the Australian dollar, resulting in commodity prices holding up well.

Robust tractor and machinery sales reported reinforce rural optimism and indicate many farmers are putting greater efficiency measures in place to take advantage of favourable production conditions.

Lending to agribusiness operations remains strong, particularly at the top of the scale with borrowings in excess of \$2 million. Under that amount, borrowings are consistent but have levelled off to the point of demand dipping slightly for loans under \$100,000.



Over-riding life as we know it is the global financial crisis, or GFC as the politicians call it, and just as farmers are scrutinising the overall profitability of their operations, CANSTAR CANNEX put Australia’s agribanks under the microscope to determine who provides best value.

“When looking for the right bank, farmers usually have a very specific shopping list,” Mr Senlitonga said.

“Good value, flexible products, and a knowledgeable relationship manager who will understand their needs are at the top of the list.”

Bureaucratic red tape is frowned upon but institutional strength is valued, particularly in tough times when the last thing a farmer wants is the repossession of property.

¹ Westpac-Charles Sturt University Agribusiness Index, December Quarter 2008

Products, too, should be able to support the different cashflow requirements of the seasons so full offerings must include risk management products, crop and livestock finance, equipment finance, and day-to-day cashflow options.

The appalling bushfires and floods currently devastating parts of the country serve to illustrate only too graphically how easy it is to lose not only human lives but crops and livestock as well.

Add fluctuating commodity prices, interest rates and currency into the farming mix and the true nature of operational risk starts to become apparent.

In its first-ever comparison of agribusiness providers, CANSTAR CANNEX looked at banks, credit unions and building societies to determine how well they filled the bill.

“While we cannot measure factors such as the knowledge of each agribusiness manager in the country, we can measure their number and where they are located, as well as key product areas in order to determine the agribank that offers the best value for farmers,” Mr Senlitonga said.

ANZ came out on top after CANSTAR CANNEX research showed this bank stands out for its breadth and depth of products targeted at agribusiness.

As well as offering a full suite of agribusiness banking products, ANZ has a dedicated agribusiness credit risk team to ensure most farmers’ needs can be met under the one roof.

A further presence of 300 locations nationwide should make face-to-face meetings with agribusiness bankers more convenient in the majority of cases.

CANSTAR CANNEX congratulates ANZ for its product offerings and support mechanisms designed to most closely align with the needs of the sector and deliver Australia’s best value agribusiness.

Consumers can download the CANSTAR CANNEX *agribusiness* report on www.canstarcannex.com.au



**Best Value Australia
Agribusiness**



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About CANSTAR CANNEX:

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