



Knowing the Bank Manager Helps

riding the fluctuations of finance in farming

As the Australian economy has adapted to the global market a whole range of tools has been developed for people in rural business management who are keen to maximise the return on their production. Many of these tools are still in their developmental stages but bear watching as their usefulness steadily increases. For rural producers the benefit of futures and options markets often means that there are additional buyers for their product even if the producer chooses not to be involved directly in those markets.

For Bob and Lisa Boatwright, currently of "Invergloy" via Ladysmith near Wagga NSW, maximising income from rural pursuits has meant trading land, stock, wool, hay and grain. They have achieved this primarily through physical markets. As part of their risk management strategy the Boatwrights chose in 1999 to move their operations to the Wagga region from the Southern Highlands so that they could access a broader range of markets.

"The property we purchased and then expanded was attractive because it met our mid-term goals." Bob said. "It was well located in relation to grain producers and users, close to major sheep and cattle breeding regions and end-users, and importantly it was a mixed farming enterprise in a valley that supports dairies, feedlots, lucerne producers, grain producers and stock traders."

Fortunately Bob and Lisa were also able to retain their previous markets to coastal dairy farms. Most importantly, they now have better access to well developed and very competitive markets for inputs and produce. Like most rural businesses they have developed management practices to reduce the risk on physical markets. They tend to store as much product as possible, especially hay and straw, to supply out of season markets wherever possible, or for dry weather reserves.

The Boatwrights' "very informal" market intelligence network comprising trusted market operators such as selected agents, neighbours, Landcare members and contractors just keeps getting better –

"It was invaluable during this drought year when we had to choose whether to strip grain or make hay; and for the first time in many years we were able to secure markets for cereal straw."

While futures/options markets are available for some products those markets remain relatively thin, but they will keep an eye on their development.

"Rather than wait for the future/options markets to develop critical mass we've tended to concentrate on making sure we use contemporary financial instruments to help us maximise profits."

Bob and Lisa have recognised that the banking sector has "fortunately dramatically changed its way of doing business" and is now much more proactive in assisting individual producers to reach their goals.

"We can well recall the 1980s when low commodity prices, high interest rates and high inflation led many rural enterprises into grave difficulties. The few banks prepared to lend for business expansion imposed stringent security provisions and almost as a secondary requirement looked at cashflow management."

Bob reflected on these earlier days when farmers had to deal with the hurdles of bureaucracy.

"How could I forget the process? After years of building a savings record you made an appointment to see a bank manager through a hierarchy of assistants, eventually heard how difficult you were in asking for a loan, you listened to an imperious,

ultra-conservative, minion explain his constraints by a myriad of lending rules. But eventually you secured the loan!”

Bob sees this scenario in great contrast to the present day. Now, Bob enjoys dealing with a much expanded finance industry with well-skilled, mobile, decision makers prepared to visit your operation and help frame a business proposition. The Boatwrights rely on this agribusiness network. For them the focus is on cashflow documentation and the strategies they might use to manage risk.

Currently the focus of the rural finance industry is on accessing potential users. At most shows, field days and industry sponsored information days farmers can find finance providers willing to look at their proposals, and often to help add value to those ideas.

“The past decade has also seen a remarkable change in the way producer levy research funds are used. Fortunately the various support agencies are becoming more client focused and research funds are being used for more practical purposes. RIRDC and other research development corporations now produce work with a pragmatic basis that can be applied on the farm,” Bob said. “I guess the greatest change has been in the accessibility of the research outcomes on the Internet. The ready availability of relevant information provides a powerful tool when trying to maximise income from our limited land base. Just log on to the RSA site and follow the links through to AFFA.”

Even though Bob believes that there is a generally positive environment for family owned rural enterprises to prosper, he sees some major disincentives to growth. These include the high compliance costs of the GST and income tax, an inequitable application of capital gains tax, the continued application of stamp duty in NSW, and the inequitable application of local government taxes. But, he says, probably the worst of all is the “double whammy of council refusal to create homeowner titles on rural properties to enable rural producers to access the myriad of concessional homeowner loans”.

Bob would like to pass on the advice of their mentor, Tom Clout, a Moruya dairy farmer, who gave he and Lisa invaluable insights about the business of farming: Network extensively, diversify if it suits you but get to know your markets, surround yourself with positive people, ensure your suppliers are competitive, get yourself a good banker, accountant, an adaptable wife and children and pray like hell for rain!

The Boatwrights’ Keys to Financial Success in Farming

- have a risk management strategy
- access a broad range of markets
- keep an eye on futures/options opportunities
- use contemporary financial tools to maximise profits
- use the agribusiness network



Lisa and Bob Boatwright on their prosperous mixed farming enterprise near Wagga, NSW