

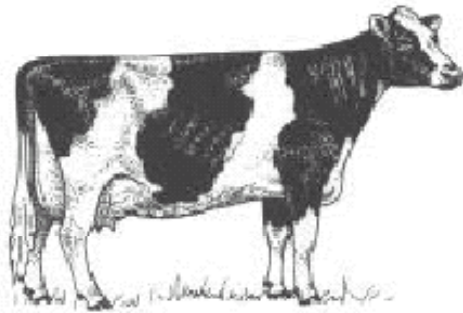
# Financing Farmers In Tough Times

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*DairyTas Tight Management in Tough Times Seminars*

*Smithton, Burnie, Deloraine , Scottsdale*

*18<sup>th</sup> & 19<sup>th</sup> August 2009*



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# What are Banks Looking for from their Customers?

- 1/. **Open and honest communication** about your business circumstances. We need to work as a team!
  - 2/. **A clear business strategy** of how you are going to manage your financial position through the next dairy season, and beyond!
  - 3/. **An annual budget and monthly cashflow** to show your working capital requirements, and likely end of season position.
  - 4/. **'Ownership' and understanding of the financial plan** to demonstrate your commitment to deliver that (or a better) financial outcome.
  - 5/. **Follow-up communication** (updates) as the season evolves. The budget is a 'Best Estimate' of what may happen. The reality is likely to be different **It is the end result that IS important.** The road to get there may wander a bit!
- The outlook for dairy is STRONG & arguably VERY STRONG for Tas



# Some Explanations!

- Banks will continue to support longer-term viable customers through these times. We have confidence in the future of dairy.
- The length of this downturn is uncertain, so ‘toughing it out’ for one season may not be enough. Only time will tell!
- Banks will be looking at the strength (viability) of YOUR business - not just ***now***, but also how it may look ***at the end of this challenging season.***
- Many factors can affect longer term viability. Most of them come down to YOUR management skills, and most importantly ***YOUR*** financial management skills –

Your partner’s skills – Yes; Your accountant’s skills – NO



# More Explanations!

- The physical tasks you do on the farm are aimed at producing money; most also involve spending money.
- You need to show that you have a sound understanding of the money flows in your business, and in particular the marginal profitability of your decisions.
- If you have supplied a budget to your bank - was it to “keep them quiet”, OR was it a genuine financial plan to guide your management?
- In these times you can't just keep doing what you have always done –(unless it has been VERY successful over a long period).



# And More Still!

- It is your challenge to achieve a breakeven position if you can, or minimise your loss. A small profit would be fantastic!
- If you already have a high level of debt, you must protect your existing equity as far as possible.
- If erosion of your equity is 'inevitable' how will that affect your longer term viability – especially if prices do not lift strongly?
- Do you have a '*Plan B*' or '*Get out of Gaol*' card? Can or should you sell some assets, or even the whole business to preserve your equity?
- Every one will have some Tough Decisions to make! Discuss your plans with a trusted adviser to get an independent, perhaps less emotional perspective .

Thank You

