

New era of prosperity just around the corner

I'll let you in on a secret – there's far more money in farming than most people imagine.

It's not so much of a secret to many farmers themselves, but I believe the general public is failing to recognise that the outlook for agriculture in Australia is as bright as it really is.

And when farmers are doing well, so are their families, their agricultural service providers and their rural communities.

We've had two years now of improved production in Australia's eastern states and have witnessed remarkable changes in certain key indicators – all of which point strongly to the benefits of a period of exceptional cash flow and industry growth.

Here at Neil Clark & Associates, we have identified five critical benchmarks which, we believe, clearly demonstrate that agriculture has made great headway already into a new era of prosperity.

We fully expect that this renewed vigour in agriculture's cash flow will boost spending on machinery and new technology, encourage land purchases, top up farmers' bank accounts and stimulate spending in local towns.

The size of the opportunity we have here is far greater than most imagine – and the five key benchmarks we have identified support our conviction.

Improved production

First, we have firm evidence of improved farm production.

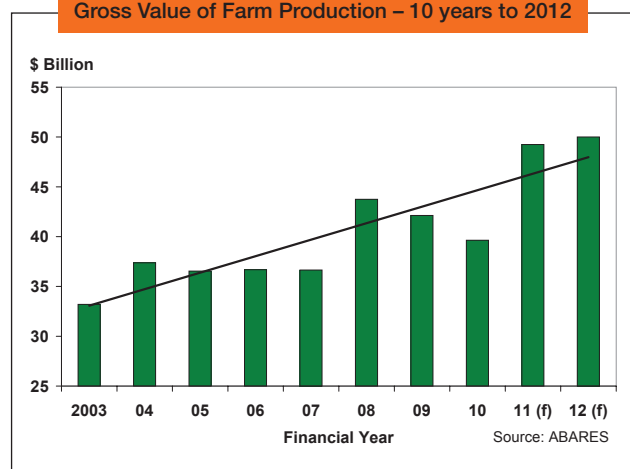
In 2010-11, we saw farm production of \$49.3 billion, with a net value of a massive \$12.7 billion – and this coming year sees a similarly impressive forecast figure of \$50 billion.

Two years of healthy farm profits is great news for manufacturers and suppliers of farm inputs and services – but more good news is still to come, with land values tipped to take off and new investment opportunities emerging.

Large producer numbers increasing

The second indicator lies in the fact that, while farmer numbers are declining, the number of larger producers is rising.

Gross Value of Farm Production – 10 years to 2012

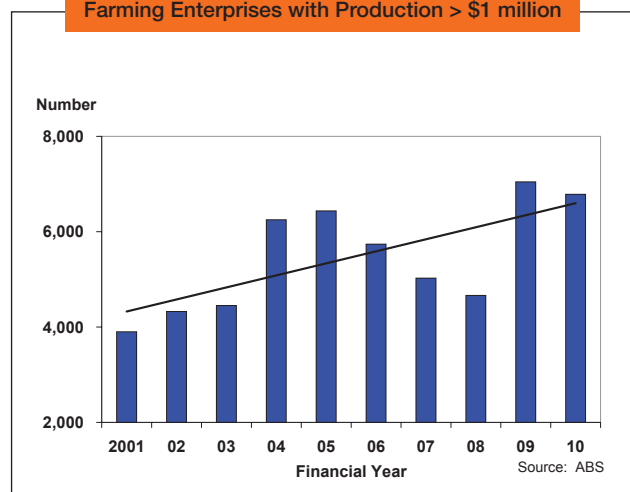


Farm enterprise numbers have, in fact, fallen by 14% in the 10 years to 2010, a loss of 18,800 enterprises.

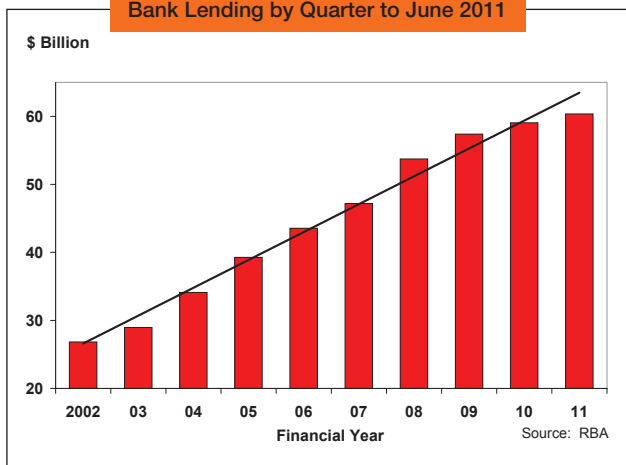
On the other hand, there are now 6,782 high-production farms in Australia with farm incomes greater than \$1 million and their numbers have increased by 74% in the same period.

These large producers generate 48% of total farm output in Australia.

Farming Enterprises with Production > \$1 million



Bank Lending by Quarter to June 2011



More and more, we are seeing these larger farms employing strong succession programs. The result is that they are increasingly being run by younger managers who are often more attuned to efficiency and the use of advanced technology linked to optimising their use of resources and helping with decision-making.

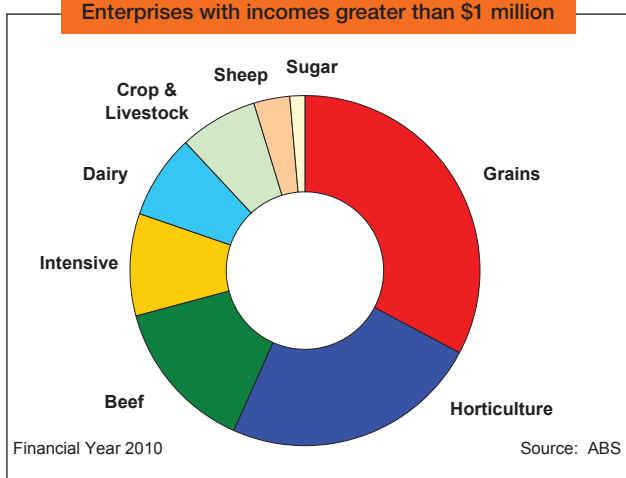
Strong lending to agriculture

The third indicator we have identified rests in the banks' strong lending to agriculture.

Bank lending to agriculture reached a record \$60 billion at June, 2011, and annual growth in farm lending in the June quarter sat at 2.2%.

It's very interesting to realise that agriculture and mining are the only two industries showing growth in borrowing at present.

Enterprises with incomes greater than \$1 million



Farm Management Deposits on the rise

Fourth, Farm Management Deposits are strong.

These deposits reached a record level at June, 2011, of \$3.2 billion, an increase of 16% over the previous June, with the mixed farming industry (grain, beef and sheep) topping the list at \$771 million, or 24% of the total held.

Water, water everywhere

Finally, water storage levels are high.

Good rains have fallen in most parts of Australia and soil moisture levels in the eastern states are very healthy.

Most dams are full – to an average of 85% in eastern Australia – so irrigation water is guaranteed and water allocations are at 100% in most systems.

All in all, we are looking at a remarkable period of renewed prosperity for farmers and rural communities.

These improved conditions will encourage small or retiring farmers to sell and allow others to grow their businesses.

For farmers staying on their properties, these conditions bring an incentive to undertake further investment in their land, livestock and environment.



We believe this is a time of new market opportunities – and this is the time to take them up.

Neil Clark

In fact, most industries have seen a rise in the numbers of their larger commercial producers.

The most significant is grains and cotton with 2,182 producers (equal to 32% of total producers in these areas), followed by horticulture with 1,586 (23%).

The growth in the beef industry has slowed, but that still takes third place with 934 producers (or 14% of the total number).

Business Intelligence is the art of identifying, extracting and analysing business data to provide historical, current and predictive views of the market that can be integrated with client data to encourage better business decisions.

What we offer:

Data Mining. We harness and integrate data for modeling and knowledge discovery, often identifying unknown patterns in existing data.

Predictive Analysis. Our predictive models find and exploit patterns and trends in historical data to better identify opportunities and risk.

Data Visualization. We specialise in delivering our findings via reports, graphs, maps and dashboards such as our proprietary product 'IntraMaps'.

Clients typically use our data and insights to solve problems, cut costs, improve productivity and gain an advantage over competitors. Our clients include manufacturers, banks, insurance companies and government agencies.

Our data is mainly sourced from ABS, ABARES, APRA, ATO, BOM, and RBA.