



AGRIBUSINESS AWARD

IN THIS REPORT:

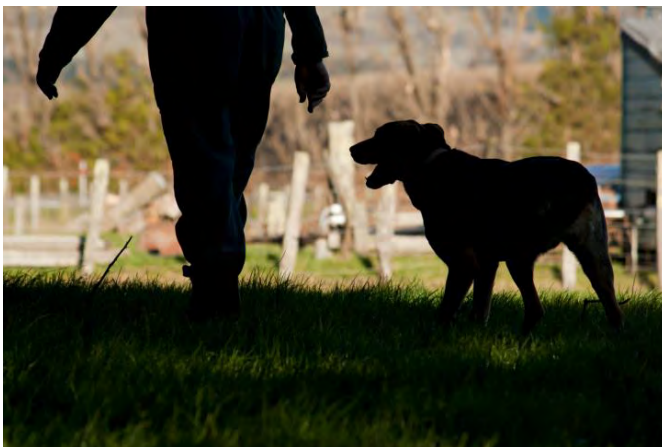
The very specialized and sometimes volatile nature of agribusiness operations demands a specialized banking service. CANSTAR assess the agribusiness products and services offered by New Zealand financial institutions.



AGRIBUSINESS: WHAT'S NEEDED?

Agribusiness is a vital part of the New Zealand economy and national psyche. According to government estimates, agriculture, forestry and fishing represented approximately five percent of total gross domestic product (GDP) in 2013, a figure which has remained relatively constant over recent years. In 2013, this percentage equated to a dollar figure of approximately \$76.5 billion. With climate, trade barriers and competition for skilled workers though, agribusiness is also a challenging and always-varied sector.

The specialized nature of farming enterprises requires a banking approach that differs from standard retail. So – what do agricultural producers require from a banking relationship? It goes without saying that standard business finance and deposit products are essential. Beyond the standard practice though, CANSTAR consider the following institutional factors to be an important part of a successful Agribanking approach:



Availability of Relationship Managers

Despite the increasing prevalence of online transacting and banking self-service, the specialised nature of agribusiness means that the human factor is still an important feature in a good agribusiness relationship. Whether face-to-face or on the telephone, an availability of well-trained, knowledgeable and productive relationship managers is

paramount to the ongoing success of an agribusiness division within a financial institution.

Range of Additional Products and Services

Beyond standard loan and deposit products, agribusinesses can require access to other more specialised products, including:

Risk management products. As an export industry that is subject to both currency fluctuations and commodity price fluctuations, agribusinesses can require access to risk management products that help to smooth cashflow.

Seasonal finance. Aside from the risk of drought or flood, many agribusinesses are exposed to seasonal fluctuations in cashflow, with expenses often being incurred long before income is realised. Access to seasonal finance products can be essential to keep the business running throughout the year.

Equipment finance. The equipment required to keep an agribusiness operational can range well into six figures per item. Specialised finance is a must!

International services. Dealing with foreign countries provides its own set of issues and account needs. Foreign currency accounts, a smooth international bank transfer process and trade finance facilities are important.

Additional products. There are a myriad of additional products – livestock easing arrangements or farm insurance, for example - that might be required to ensure the smooth operation of an agribusiness.



Other specialist services

In addition to products, agribusiness can benefit from access to other specialist financial services, including forms of insurance such as Key man cover, Farm Building cover, Business Life and Business Liability cover as well as financial planning advice.

Financial institutions can also play a key business coaching role; providing support, knowledge and guidance on all agribusiness financial needs.

Online Banking Functionality

Personalised service is crucial – but agribusiness also require excellent online banking functionality. That includes mobile applications, multiple payment functionality and automated graphing and reporting.



Information and Education Services

Farming is an intensive business with little time for research. Financial institutions can add a great deal of value to their agribusiness clients by the provision of online economic and industry insights, analysis and education tools. It is in the interests of financial institutions for their customers to succeed financially and they can potentially play an important mentorship role, providing property owners with access to market knowledge and insights to help identify business growth opportunities.

CANSTAR has compared agribusiness providers in New Zealand to see how well they fill the above shopping list. We compared the banking products and services valued by farmers, including loans, credit cards and business deposit accounts, as well as considering the institutional factors of each organization. Further details on the products and services assessed are contained in this report's methodology.

WHO PROVIDES BEST VALUE?

For the third year running, CANSTAR is pleased to announce ANZ as winner of the CANSTAR Agribusiness Award.

The 2012 merger of the National Bank of New Zealand with ANZ created an agribanking powerhouse, giving ANZ a strong competitive advantage.

Some highlights include ANZ's impressive 1 agri-manager for every 47 agribusiness customers as well as the highest number of branches (255). ANZ also provide an 18 hour call centre and reassuringly, they provide a link to their rural resources from their homepage.

In terms of resources, ANZ offer a suite of purpose-designed agri-products, such as the ANZ Environmental loan, as well as a wealth of rural news and insights resources. ANZ's Agri Manager specialist teams, thought leadership on important topics for the industry, Agri Focus publications, seminars and other events they sponsor all add value for agribusiness customers, providing easy-to-access knowledge on important industry issues.

We congratulate ANZ on their outstanding result.



**Best Agribusiness Bank
New Zealand**



“SECTORS WORKING TO CREATE NEW OPPORTUNITIES”

In A Q&A with CANSTAR, Graham Turley, ANZ Managing Director, Commercial & Agri, shared his views on some of the main challenges, opportunities and requirements faced by New Zealand Agribusiness customers today.

Q: ANZ commented earlier this year that New Zealand is firmly into an economic expansion. Which sectors do you expect will benefit from that?

Actually it's the overall performance of the agri-sector that's giving much of the impetus into New Zealand's economic expansion. The indicators show this will continue across most sectors.

Part of that performance is due to a lift in returns, but it's also the result of work by the sectors to increase productivity, introduce new innovations and create new opportunities. Many of these initiatives go unheralded, but they are key to making significant impacts in financial performance and future prospects.

The dairy story is well known with the great bounce back from last year's drought and with records being set in areas such as production, productivity (milk solids/cow), farm-gate milk price and bottom-lines. This gives dairy farmers scope to reinvest, look for new opportunities, or simply consolidate. ANZ is anticipating another solid year in 2014/15, albeit the farm-gate price isn't expected to reach the heights of 2013/14.

The meat and fibre sector has bounced back with much better farm-gate prices following last year's drought. The downside of production coming back is that farmers won't be able to fully capitalise on the better prices. Generally production has been incredibly well managed considering the reduction in capital stock numbers and the severity and widespread nature of the dry conditions in 2013.

Red Meat has traditionally lagged behind other agri sectors. However, the ANZ Privately-Owned Business Barometer (POBB) indicates strong intent by red meat farmers to invest in productivity. We expect to see a sector turnaround as a result of these investments. The net result is that farm revenue is expected to increase by 9 percent and bottom-lines by 32 percent, returning average incomes close to \$114,000 before tax mark.



There's recently been a real lift in confidence in the main horticulture sectors. A sense of optimism has returned to the

Kiwifruit industry despite the continued challenges of Psa (*Pseudomonas syringae* pv. *actinidiae* – a bacteria that can result in the death of kiwifruit vines). The catalysts have been a sense that the industry will navigate Psa, very strong orchard gate returns for the 2013 harvest and a positive outlook for 2014. The good performance of the new gold variety (G3) in market and in orchards (it demonstrates Psa tolerance and good yield capability) is another positive factor while property prices are now hitting levels not seen since Psa was discovered.

Confidence is even high in the pipfruit sector following a 20 percent lift in average export returns in 2013 and expectations these prices will hold in 2014.

Growth in the wine industry and a good performance from the forestry sector are among other examples of specific primary sectors that have done well in the past year.

Q: There are always business challenges though - what are some of the main challenges facing the New Zealand agribusiness sector currently?

The high New Zealand dollar continues to distribute some of the gains from New Zealand's 40-year high in terms of trade to the broader economy rather than back to the farm-gate.

Environmental challenges, especially the establishment of water quality and national bottom-lines are the most pressing environmental issues. Carbon emissions are still in the background and supply chain partners, such as retailers, seem to be increasing required environmental and sustainability standards. We need innovations that will increase productivity but we also need to reduce the industry's environmental footprint.

In general the sector struggles to respond to inconsistent regional and national regulation and this creates investment uncertainty and adds cost.

Keeping up with the pace of changing markets requires constant innovation while more demanding food safety requirements are emerging following 2013's highly publicised food safety incidents. Overseas consumers and officials are demanding more from our safe, high quality food products. While productivity and research and development spending has picked up in recent times, past underinvestment means certain sectors are not as agile and don't have the pipeline of innovation they need to keep up with the pace of change.

Biosecurity remains a concern as recent fruit fly and Palm Kernel Extract issues demonstrate. Sectors such as kiwifruit and others continue to battle past pest incursions. However, a great deal of work continues in our preparedness and prevention of pest incursions.

Volatility in farm-gate prices is not giving a clear steer to farmers for investment purposes. If downward pressure occurred at the same time as increasing on-farm costs and interest rates we could see a resulting profit crunch.

There is still a need for some agri sector participants to create more scale for their supply chains and to better compete in the global marketplace.

Overall, the sector continues to struggle to recruit and retain talented people to fill the many available opportunities. It needs to take a proactive role in educating people about careers in agriculture and influencing education policy to ensure the correct skillsets are delivered to overcome staff shortages and develop both business and farming skills. The skills required to run a successful farm business are completely different today than in the past and will continue to change in the future.

There remains a need to attract capital and retain earnings to help achieve generational succession and as the largest finance provider in the sector ANZ continues to focus on helping farmers and other commercial interests to create "investable businesses," to attract that new investment for both growth and expansion.

Q: In terms of finance, what are some of the key financial products that the agribusiness sector requires?

According to those surveyed in ANZ's Privately-Owned Business Barometer 2013, the sector needs bankers who understand and respond to industry issues and opportunities. We've identified key issues relating to sector needs and responded by creating packages such as:

- **The Pasture Productivity Loan** to support the increased productivity of pasture and forage specifically for the red meat sector
- **The ANZ Farm Development Package** for farmers wanting to improve the environmental sustainability and productivity of their farms. The package consists of three tailored loans available independently. They are:
 - Agri development loan
 - Agri environmental loan
 - UDC equipment lending

Succession is an all-of-sector issue and we have developed:

- Farm Start-up - supporting 500 new farm businesses in its first 3 years
- Equity partnerships
- Support for succession planning, and developing the business skills of the next generation

As a bank ANZ is very active in the general provision of capital to the different parts of the sector to fund expansion and growth plans. It's one of the reasons we are the number one bank to New Zealand's number one sector. Our financial backing is also supported by insights from our Privately-Owned Business Barometer to help guide decision making.

We're extremely proud of the level of expertise our Agri managers and specialists across New Zealand bring to the agri-sector. They understand the challenges and opportunities faced by the sector and use ANZ's local and global insights and specialist knowledge to help address many of the issues discussed earlier. Our intent at ANZ is to help the sector increase productivity and value for the future – a future that looks increasingly bright.

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OTHER PROVIDERS ASSESSED (SORTED ALPHABETICALLY)



Establishing their rural roots in 1993, ASB pride themselves in providing a full range of products (including deposit accounts, credit cards, loans, investments and insurances) as well as field days for farmers and internet banking through FastNet Business and FastNet Classic.

Website: www.asb.co.nz



BNZ provides a full range of agribusiness related products and insurances, including Farm First Transact, Call and Term Loans. Having over 150 years of experience in agribusiness, a BNZ partner is allocated to provide a number of banking services including a series of BNZ Partners Growth Programs tailored to the agribusiness sector.

Website: www.bnz.co.nz



Having over 110 years of experience in Agricultural sector, Rabobank is a dedicated Rural Bank in New Zealand with over 30 branches.

With all clients personally managed by a relationship manager, they provide a number of financing banking solutions such as farm loans, all-in-one accounts, equipment finance and at-call deposit accounts.

Website: www.rabobank.co.nz



Westpac provides a wide range of agribusiness products and services from traditional farm finance solutions through to Import export services, foreign currency risk management and insurance products. They have dedicated agribusiness bankers that live and work in the local community. Westpac support for agribusiness extends to its sponsorship of the Federated Farmers and the New Zealand Dairy Industry awards..

Website: www.westpac.co.nz



METHODOLOGY

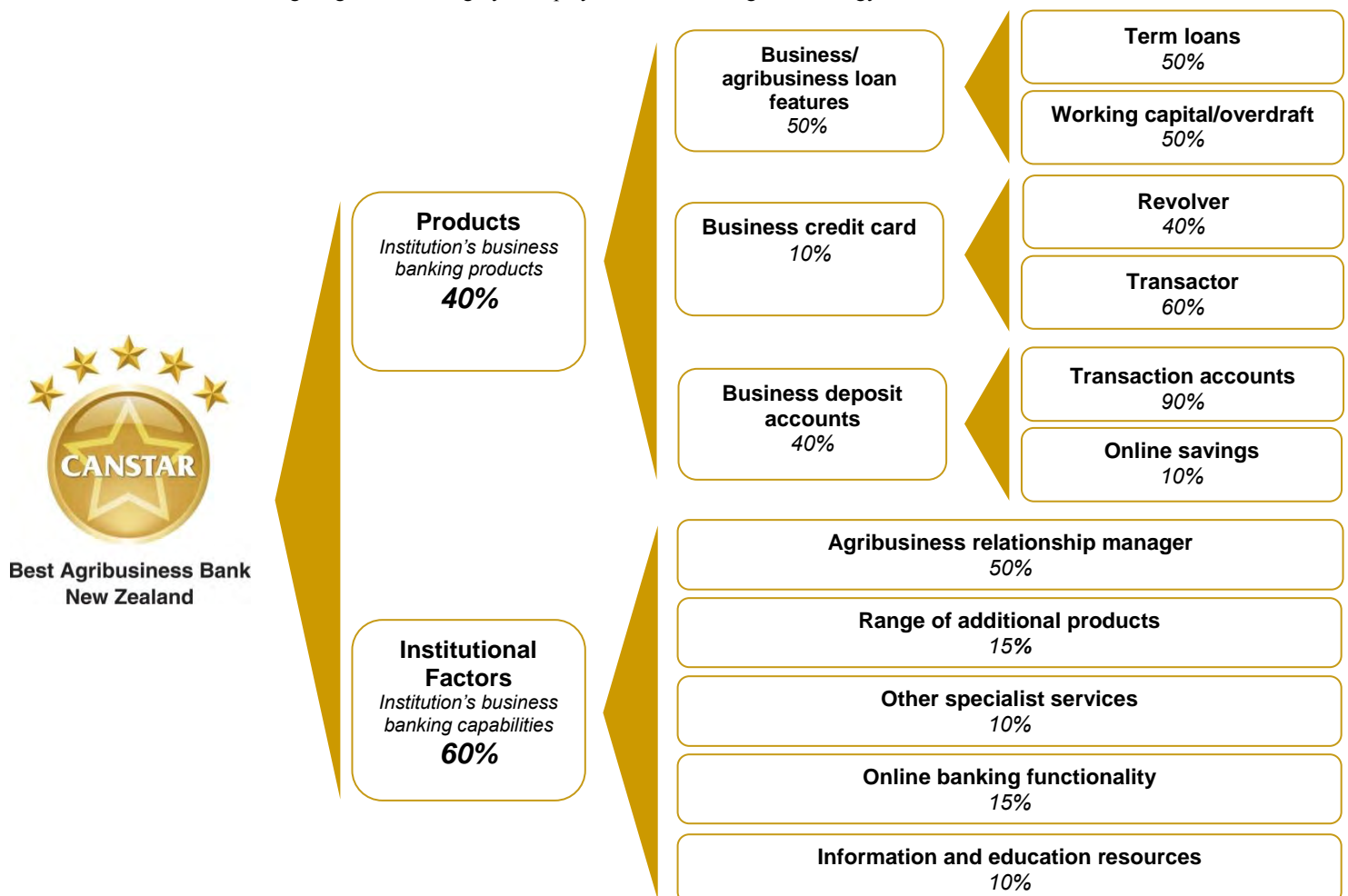
AGRIBUSINESS AWARD

What is the CANSTAR Agribusiness Award?

CANSTAR's Agribusiness Award is awarded to the institution that provides the best combination of products available for agribusiness customers, as well as excelling in a range of institutional factors. The award aims to give recognition to the institution that backs up quality products with great service to the agribusiness sector. Institutional factors that are considered include:

- Relationship management
- Range of additional banking products
- Other specialist services (e.g. insurance)
- Online banking functionality
- Information and educational resources

The breakdown of weighting for each category is displayed in the following methodology tree:



What types of products are evaluated for the CANSTAR Agribusiness Award?

In conjunction with the institutional factor assessment, institutions that offer any the following small-business or agribusiness products will be considered as part of the product assessment:

- Term loans (features only)
- Overdraft (features only)
- Credit cards
- Savings and transaction accounts



Product Score

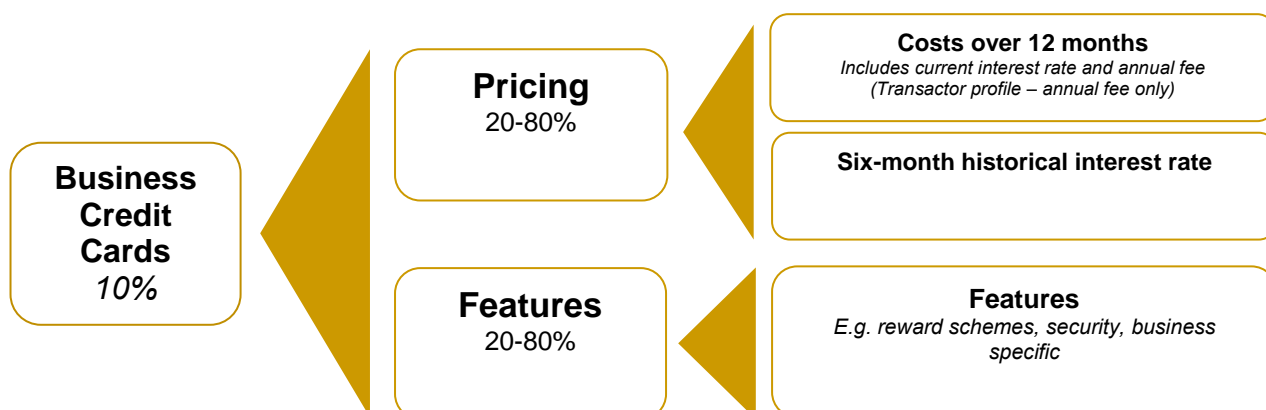
Business/agribusiness loan features

More than 100 individual features of each loan and overdraft is scored for positive traits and awarded an Agribusiness Features score. The table below highlights the contribution of the various groups of information to the Agribusiness loan feature score.

Feature category	Term loan	Overdraft
Lending terms	25%	25%
Security accepted	5%	5%
Redraw facility	15%	0%
Relationship bonus	10%	0%
Lending area	0%	0%
Portability	5%	5%
Loan purposes availability	10%	10%
Repayment capabilities	15%	0%
Split facility	5%	0%
Switching facility	5%	0%
Overdraft terms	0%	50%
Online security	5%	5%

Business Credit Card

To arrive at the total score, CANSTAR applies a weight (w) against the Pricing (P) and Features (F). This weight will vary for each customer behaviour profile and will reflect the relative importance of either costs or features in determining the best business credit card. This method can be summarised as:

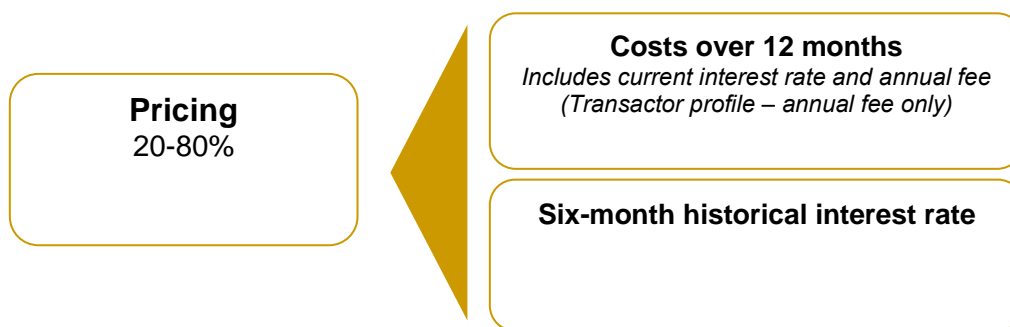


Unsecured business credit and charge cards are eligible to be included in the business card assessment. All eligible cards are assessed against two distinct business consumer behavior profiles (Revolver and Transactor). Revolvers carry an outstanding balance on their card while transactors pay off their outstanding balance each month. As charge cards do not encourage revolving, they are only eligible to be assessed against the Transactor profile.

The star ratings consider Pricing and Features to be the two components in the card user's value equation. The contribution of each of these components to the value proposition for the Business Revolver and the Business Transactor are explained in the table below.

Profile	Pricing	Features	Total
Revolver	80%	20%	100%
Transactor	20%	80%	100%

Pricing Score



Profile	Total costs	Historical rate
Revolver	70%	30%
Transactor	100%	-

Calculation of the pricing score differs between the two behavior types:

Revolver

The pricing score for the Revolver profile is based on a six-month average historical interest rate and the current cost of revolving \$5,000 at an assumed spend level of \$120,000 per annum. Eighty per cent of the revolve amount is based on the purchase rate, with the remaining 20% based on the cash advance rate.

Transactor

The pricing score for the Transactor profile is based on the annual cost of keeping the card active at an assumed spend level of \$120,000 per annum. Cards that do not charge an ongoing fee automatically receive the maximum pricing score while other cards are awarded a score based on their annualised fees. This calculation includes charge cards.

Feature Score

More than 100 individual features of each card are scored for positive traits and awarded a features score. The table below highlights the contribution of the various groups of information to award the business credit/charge card feature score.

Feature category	Revolver	Transactor
Specific business credit card conditions	20%	20%
Merchant acceptability	15%	10%
Premium Card Facilities	10%	15%
Online transactions	15%	15%
General Card Terms	5%	5%
Fees & Charges	10%	5%
Late payment/interest charged	10%	5%
Repayment capabilities	5%	5%
Rewards program	10%	20%

The rewards program score is determined by the product's best reward program assessed on the following criteria:

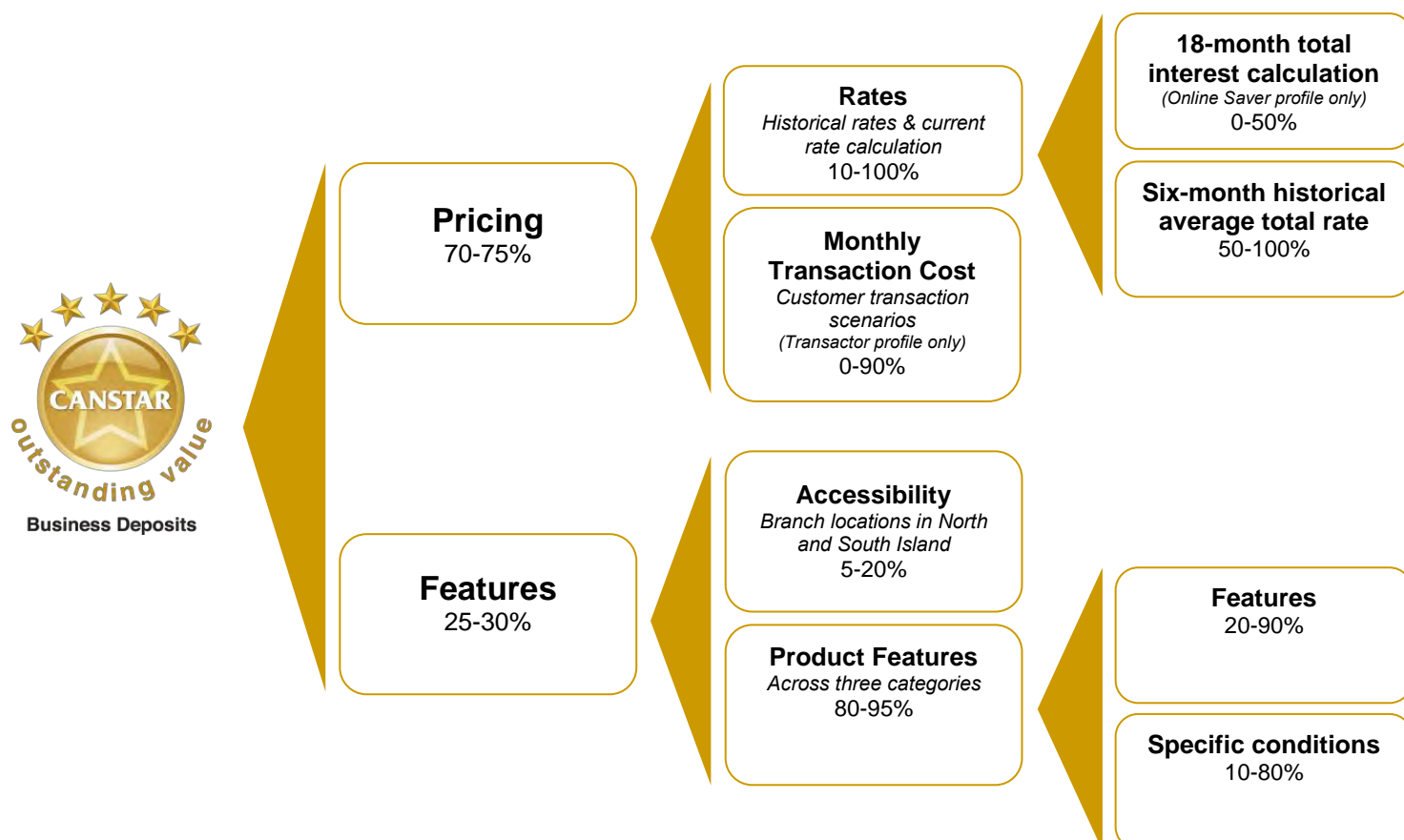
Rewards program
10-20%

Feature category	Weighting
Earning policies	30%
Points capping information	20%
Instant rewards information	20%
Bonus points partners	15%
Account status information	10%
Points expiration	5%

Business Deposit Star Ratings

The Business Deposit Account Star Rating methodology was applied to arrive at the Agribusiness Deposit Star Rating score. The Business Deposit Star Rating Methodology tree below shows the elements and the weightings used.

To arrive at the total score, CANSTAR applies a weight against the Price and Features. This weight will vary for each profile and will reflect the relative importance of either costs or features in determining the best value business deposit account. This method can be summarised as follows:



Business Cash Management Accounts, Business Transaction Accounts and Business Internet Accounts are eligible to be included. CANSTAR uses two profiles of business user for this calculation:

- Online Saver
- Transactor

Business deposit account price/feature weightings are:

Profile	Pricing		Features	
Online Saver	75%		25%	
Transactor	70%		30%	
	Scenario	Rate	Features	Accessibility
Online Saver	-	100%	95%	5%
Transactor	90%	10%	80%	20%

Pricing Score

Rates

CANSTAR's methodology allows for the tiered interest rate structure of deposit accounts. The tiers for historical rate calculations are applied in the following manner:

	Weight	Online Saver	Transactor
Balance 1	33%	\$5,000	\$5,000
Balance 2	33%	\$20,000	\$10,000
Balance 3	34%	\$70,000	\$20,000

Monthly transaction cost scenarios

The scenario analysis is conducted using CANSTAR's unique transaction calculator, which prices the transaction behaviour of 500 randomly generated customers by combining their unique behaviours with transaction fees and each accounts policy on rebates and free transactions. The product with the lowest overall cost for the group of 500 customers receives the highest Scenario score.

	Transactor scenario
Average minimum balance	\$80,000
Average deposit per month	\$50,000
Average no. of transactions per month	50
Internet transaction	35%
Branch cash withdrawal	5%
ATM cash withdrawal	5%
Branch cash deposit	-
Cheque withdrawal	10%
Cheque deposit	5%
Direct credit	15%
Billpay online	15%
Direct debit	10%

Feature Score

Accessibility

The ratio of the total number of free ATMs and branches across New Zealand (both islands) against the New Zealand population is calculated against a cap of 10,000 people per ATM and 25,000 people per branch. Any institution that exceeds the cap will receive full points for this category, with the remaining institutions being indexed against the caps. Both access areas are weighted equally at 50%.

Product Features

More than 100 individual features of each account are scored for positive traits and awarded a Features score. The following table highlights the contribution of the various groups of information to the business deposit account Features score.

Feature categories	Online Saver	Transactor
GENERAL FEATURES <ul style="list-style-type: none"> Reporting options: passbook, statement, internet, email. Access channels: ATM, EFTPOS, phone, internet, cheque. Facilities: offset, overdraft, sweep, periodic payment. 	20%	90%
SPECIFIC CONDITIONS <ul style="list-style-type: none"> Calculation and payment frequency, balance used, bonus interest. Minimum opening/subsequent deposit, ongoing balance, withdrawal. Maximum withdrawals per drawdown: ATM, EFTPOS, combined. 	80%	10%

Institutional Factor score

Each Institutional Factor feature is categorised into five different categories outlined below and is allocated points. Based on the points received each individual product gets a total institutional factor score. This total score is then weighted against the weights provided from the methodology tree for its respective profile feature score. The feature scores then get indexed to provide a final feature score.

Institutional Factors Category	Weighting	Examples of features captured
Agribusiness Relationship Manager	50%	Ratio of specialist agrimanagers to customers; Agribusiness manager finder tool online; Contact details of agrimanagers published online; Specific agribusiness call centre; Bank branches.
Range of Additional Banking Products	15%	Seasonal and/or equipment finance; Risk management products; Investment products; International services; Multiple product pricing or discounts.
Other Specialist Services	10%	Agribusiness insurance; Other available insurance (e.g. Keyman, Farm Building, Business Life, Business Liability); Specialist services based on segmentation or industry; Specialist agribusiness credit and/or wealth team.
Online Banking Functionality	15%	Multiple payment functionality; Personalised/differentiated limits; View-only access; Transact online on dual signatory account; Automated graphing/reporting available; Mobile applications.
Information and Education Resources	10%	Tools/calculators; Succession/estate planning; Agri-industry-specific reports/updates; Community engagement; Disaster relief; Benchmarking.

How many financial institutions were assessed?

In order to calculate the award, CANSTAR analysed five financial institutions in New Zealand.

Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.

How often are agribusiness products reviewed for award purposes?

All ratings are fully recalculated every 12 months, based on the latest features offered by each institution. CANSTAR also monitors changes on an ongoing basis. The CANSTAR Best Value Agribusiness Award will be decided once a year.

Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at www.canstar.co.nz if you would like to view the latest star ratings reports of interest.



- Business deposits
- Cash PIE
- Credit cards
- Credit card rewards
- Home loans
- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts
- Term deposits

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