

Farming to finance proves fruitful leap

Asset sale earns \$29m for Elders

ELDERS has raised approximately \$29 million from the sale of its Indian Sandalwood assets to entities associated with plantation owner Santanol.

The sale proceeds, which represent a net profit over book value of \$14 million, will be used by the company to reduce its debt.

However, the company expects the net profit to be offset by adjustments to the fair value of its other forestry assets, which continue to be the subject of a staged divestment.

Elders advised that forestry assets were classified as a discontinued operation in their financial report, and therefore the gain on sale would be included in statutory profit but not underlying profit.

AAA credit ratings retained

AUSTRALIA has retained its three AAA credit ratings, but Fitch warns our reliance on mining could see problems swiftly develop.

Fitch Ratings acknowledged the country's stable outlook, low public debt and attractive business climate in reaffirming the same outlook assigned by Standard and Poor's and Moody's.

"Australia has remained one of the strongest performing economies in the AAA universe since the global financial crisis began," the agency said.

It was too early to judge the longer-term challenge of how the economy would respond once mining sector investment peaked and began to turn down.

ENTERPRISING Meningie businessman Michael Bagshaw is building a thriving rural financial advisory firm that includes one of the few mortgage broking businesses in country SA.



SILENT ACHIEVER
NIGEL AUSTIN

The innovative Mr Bagshaw has gone from being a third-generation farmer at Malinong, about 30km from Meningie, and a 17-year-farming career to creating a varied business that fills various gaps in the market.

His company, Statewide Business, employs four people in Meningie, a small regional town of less than 800 people, showing that opportunity exists wherever there is the will.

Revenue streams include finance broking dealing with all major Australian banks, business planning, financial analysis, a growing book-keeping section, an MYOB-certified consultant, and risk insurance offering life and income protection.

The finance broking arm – the only one of its type lending to farmers in South Australia – is currently securing interest rates of less than 6 per cent for its clients.

Mr Bagshaw believes it has the potential to become the "Bernie Lewis" of the bush because finance broking to farmers is its niche.

He said he can save his clients a lot of money by driving the best deals possible with banks through hard negotiation and considered financial analysis of clients.

"We understand the numbers involved in farming and what makes it work for both farmers and banks," he said.

"If the government wanted to stimulate the economy, it's the small business sector they should be looking to."

Statewide deals with clients in about 15 different rural

industries including grain, sheep, dairy, beef, pastoral, fishing, goats and bees.

"Our real niche and what we understand is the country, but we approach it differently and it has taken a while to tell people what we do," he said.

Mr Bagshaw said that although Meningie was ravaged by drought a few years back, it is going well and he made the conscious decision during the tough times to operate the business there.

"I have a passion for running a business in a country town," he said. "There is plenty of opportunity."

Mr Bagshaw was a farmer until the age of 34. He started studying for a commerce degree as a mature-age student when his two-year-old daughter Lauren was diagnosed with leukaemia.

"This was a life and career-changing experience and led me to be on the board of the Childhood Cancer Association for 11 years."

Lauren is now a Year 11 student at Meningie Area School and doing really well.

After graduating, Mr Bagshaw worked for Adelaide chartered accounting firm Edwards Marshall for two years before starting Statewide in 2004.

Despite the usual start-up difficulties, the business has grown steadily and offers a diversified range of divisions to support its clients.

"We are actively building up the finance side of the business and will take clients from all over the state," Mr Bagshaw said.



OPPORTUNITY: Michael Bagshaw chose to operate in a country town.

Picture: TAIT SCHMAAL

Coles' success recipe

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But he remains non-committal about whether Coles is winning or losing market share in South Australia.

"Our customers will decide that," he said. "Consumers look for value and that's what they expect. We've got to make sure that we give the customer the best that we can both in terms of quality and prices."

Part of its strategy involves customer-friendly options through its focus on "Grab and Go" meals.

"It is a different environment here where you have people coming into the city, working in the city and shopping in the city," he said. "They often want to have something to eat on the move."

But he emphasises that while the Grab and Go meals are obviously a bit behind the offering provided by leading international retailers such as

TESCO, the Australian consumer is looking for those kind of products.

"The difficulty is getting suppliers to provide them because they are quite complicated products to develop fresh," he said.

"Wherever possible we will source from Australia because that is what our customers want," he said. "We have even reversed some of the products we have bought overseas and brought them back to Australia."

He gives examples including Coles brand cheeses, now made in Australia by Warrnambool Cheese and Butter and frozen vegetables which it has brought back to be produced by Birdseye in Tasmania.

But on the contentious issue of \$1 a litre milk prices, there appears to be little joy on the horizon for farmers.

"Our desire is to make sure we are very competitive in pricing," he said.

Japanese economic recovery hits wobbles

TOKYO: Japan's jobless rate edged higher to 4.3 per cent and industrial production fell slightly in February as consumer prices also fell, under-

scoring the fragility of the recovery of the world's third-largest economy. The government data released yesterday showed the main

consumer price index fell 0.3 per cent from a year earlier as deflation continued to defy efforts to move towards a 2 per cent inflation target.

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