

\$650k loans centrepiece of Farm Finance package

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Mounting awareness of the impacts of a high Australian dollar and depreciating land values on debt-laden farmers has triggered a new financial assistance package from the Federal Government.

In Townsville on Saturday treasurer Wayne Swan said the high dollar and falling land values were leaving otherwise viable farms facing serious difficulty to stay operational.

After more than six months of consultation with industry, Mr Swan said the Gillard Government had developed several practical policy measures to give farmers struggling with acute levels of debt a fairer deal for accessing finance and the opportunity to prepare their businesses for the future.

The "Farm Finance" package comprises four measures:

Providing farmers with access to concessional loans:

The Gillard Government will make available loans worth up to \$60 million over two years to the relevant state delivery agency in each state and the Northern Territory for the provision of the concessional loans to eligible farm businesses.

Under this program eligible farmers will be able to receive concessional loans of up to \$650,000.

Concessional loans will only be made available to viable farm businesses. Loan recipients will need to demonstrate financial need, participate in a farm business planning exercise, and demonstrate their capacity to meet a debt repayment schedule.

"Reducing debt repayments in the short-term will provide farmers with the breathing space to continue to run their businesses and support their families," a government statement outlining the package details said. "Concessional loans targeted at restructuring debt and investing in productivity can provide that support. This has been identified by peak bodies as a significant issue facing many farmers."

Increasing the number of Rural Financial Counsellors:

An additional 16 full-time equivalent Rural Financial Counsellors will be deployed across the country to focus on regions and industries experiencing acute debt stress. This is on top of more than 110 currently funded Rural Financial Counsellors.

"The Rural Financial Counselling Service is a crucial service which provides free, impartial and independent financial advice right into the offices and onto the kitchen tables of Australian farming businesses.

"(This recognises) the importance of these services in building ongoing financial resilience and capability, particularly for farmers experiencing financial distress."

Working towards a nationally consistent approach to farm debt mediation

The Government will work to establish a nationally consistent approach to farm debt mediation.

"This will help farmers and their bankers access a simpler, more consistent system that delivers real results for all involved. We will work with the banking industry, agriculture industry and the States and Territories to provide this much needed service."

Enhancing Farm Management Deposits

The Federal Government will increase the non-primary production income threshold from \$65,000 to \$100,000 so that more primary producers can access the scheme and diversify their income to help better manage variations in incomes.

It said it will also cut red tape to help primary producers keep track of their finances and reduce their administration fees.

“Farm Management Deposits are an important risk management tool for primary producers to manage fluctuations in their farm income.

“However, improvements are needed to provide primary producers with greater flexibility in how they manage and use their deposits.”

Mr Swan said the Government had written to the State and Northern Territory (NT) Governments asking for their support in delivering components of the package.

“We have also sought the assistance of the State and NT Governments in administering low interest loans through state delivery agencies, such as the Queensland Rural Adjustment Authority, which are experienced in this form of loan delivery. It will be up to individual jurisdictions to determine if they wish to take up this offer for their communities.

“We will work closely with banking and agricultural industry groups as well as the States and the NT to roll out Farm Finance.”

The increase in funding for the Rural Financial Counselling Service will start from 1 July 2013, enhancements for Farm Management Deposits will take effect from 1 July 2014 and the concessional loans measure will take effect as soon as possible.

Mr Swan convened a Rural Finance Roundtable in October 2012 with the rural and banking sectors to discuss access to finance and farm debt.

He said the Government heard first-hand accounts from parts of the agriculture sector experiencing acute debt pressures due to lower land valuations, low product prices, and high input costs.

“Farm Finance will help strengthen Australia's agricultural sector, making sure all Australian farmers can take full advantage of the opportunities ahead,” the Federal Government statement said.

“The Government will support our farmers so they can seize the opportunities of the future, support jobs in regional Australia and continue to feed the nation and the world.”

NFF welcomes package - but some questions unanswered

National Farmers Federation vice-president Brent Finlay said it was good to see the Government listening to farmers' vocal calls for action on rural debt and the finalisation of the national drought reform policy.

“Today, we are pleased to see that the Government is responding to our calls, and to the calls of farmers who are feeling the effects of \$60 billion of rural debt and a return to very dry conditions in some parts of the country.

However some questions remained unanswered, Mr Finlay said.

“Firstly re debt, the decision by the Government to consider a national debt mediation process to help resolve issues around farmer access to finance is positive. The NFF has been part of early discussions, including at the agricultural finance forum, and will be one of the key partners in a working group set up to drive this forward. We look forward to working with the banking sector and the various States/Territories to achieve a better outcome for farming businesses.

“We also welcome the announcement of \$650,000 concessional loans to assist farmers in restructuring their debt. The Government has spoken of the need to invest in productivity and prepare for the future – exactly what we have been saying the Government needs to do in reprioritising Australian agriculture. We are very pleased to see that they are listening, and have acknowledged the scale of the task at hand, and we look forward to seeing the finer detail around these loans.

“On drought policy reform, we welcome many elements of the Government’s announcement, including the decision to provide additional support for Rural Financial Counsellors. We also see positives in the move to increase the off-farm income allowance under Farm Management Deposits (FMD) from \$65,000 to \$100,000; and to help streamline the FMD process to reduce time and cost.

“Yet while these changes to FMDs are good news for farm businesses operating in a partnership structure or as a sole trader, the same flexibility has not been afforded to the growing number of family farms that operate under company structures – meaning inequity among farmers.

“And we are still yet to see Government commit to any detail on a host of other drought preparedness and response measures, like farm household support payments, farm business training, tools to help inform farmer decision making and in-drought business support measures. We call on the Government to provide details of their drought policy framework in the coming week, as part of the meeting of Federal and State Agriculture Ministers at the Standing Council on Primary Industries.

“It has taken six years to get this point on drought policy reform – and, with dry conditions worsening in parts of the country, we absolutely cannot afford to wait another six years to lock the full drought policy down. Weather is unpredictable enough – the least the Government can do is provide some certainty in drought policy,” Mr Finlay said.

States should match contribution: Rural Debt Roundtable Working Group

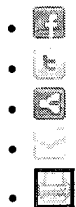
Rural Debt Roundtable Working Group chairman Rowell Walton, a farmer from Condamine in Queensland, said he was very pleased the Commonwealth was providing some assistance to desperate producers, and called on the States to follow suit.

"This is effectively leadership in the face of real need," Mr Walton told Beef Central.

"If the states can find a way to match this contribution dollar for dollar, the effectiveness will really be enhanced.

"It goes without saying that the devil will be in the detail, but it should be available very quickly through the various state delivery bodies, such as QRAA.

"As further needs are identified I am sure government will consider its options."



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