

# Agriculture needs to be on agenda: Farley

Tim Binsted

**Australian Agricultural Company** chief executive **David Farley** says Australia's chances of becoming Asia's food bowl are being jeopardised by political disinterest in agriculture and the dismal state of current trade agreements.

"I don't think governments have been anti-agriculture – the problem is it hasn't been on the policy agenda at all," Mr Farley told *The Australian Financial Review*. "If Australia is going to be successful with engagement in the Asian century, it requires a government with a commitment to developing agriculture in Australia," he said.

Mr Farley's comments come on the heels of **GrainCorp** chairman Don Taylor's accusation in Monday's *Australian Financial Review* the Gillard government was the most anti-agriculture government in a long line of neglectful administrations.

A lengthy period of consolidation in Australia's grain industry will see GrainCorp, the last major ASX-listed agriculture company, pass into foreign hands in a \$3 billion deal with US giant Archer Daniels Midland.

Queensland Nationals senator **Barnaby Joyce** said it was "pathetic" that Australia would no longer have a major player in the global market.

"I don't think it's parochial or partisan to say you want Australians to be the owners of businesses that are profiting from the Asian century," he said.

A lack of patient investment capital has weighed on the sector's capacity to build scale and fund growth, with low cash generation, capital intensity and vulnerability to weather dissuading many fund managers. However, government inaction on trade is now emerging as a bigger adversary than extreme weather events.

"The crisis in northern Australia is not about drought, it's about not having access to markets," Mr Farley said.

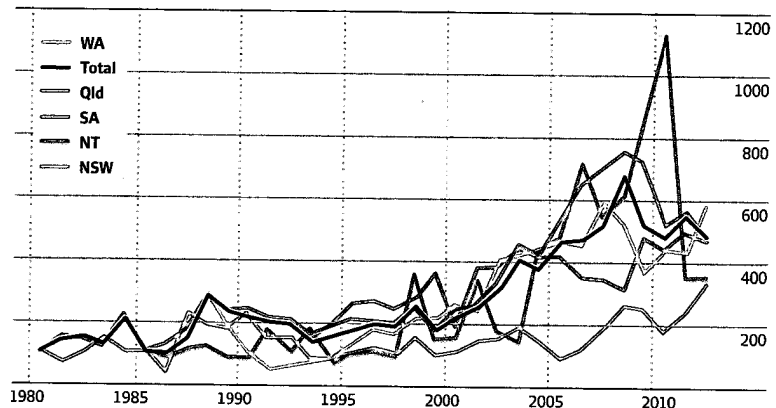
"We're failing in free trade agreements globally. It's becoming dire and it's not just cattle, it's everyone in agriculture, but the cattlemen wouldn't be in this trouble if they had access to trade and could have found a home for the

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Financial Review

## Beef land bubble

Properties >2,000 hectares \* (index of \$ per hectare)



\*NT properties >15,000 hectares only

SOURCE: CLSA

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cattle instead of having them perish in the paddocks."

The dire situation confronting many farmers threatens to spiral into an agricultural loan loss cycle for Australian banks at a time when bank shares are soaring near record highs.

As reported in *The Financial Review* last week, at least 80 farming operations across the country worth more than \$1 million apiece are in distress or in receivership. CLSA banking analyst Brian Johnson has warned of elevated risks in the majors' agricultural lending books, with the **Australia and New Zealand Banking Group** and **Bendigo Bank**

having already called out potential problems.

"It's got to the point where a lot of agricultural enterprises are saying it's difficult to access funding for operations," Mr Johnson said. "The guys under stress are pointing to the adverse impact of the strong dollar but the rhetoric from the banks is suggesting it's getting better."

Current system debt to agriculture is roughly \$60 billion, which means Australian banks have a relatively minor exposure. As a proportion of lending books, the **Commonwealth Bank of Australia** and **Westpac** are around 2 per cent and National Australia Bank and ANZ are approximately 5 per cent, but that doesn't mean a loan loss cycle would be immaterial.

AACO is Australia's largest beef producer, with over 600,000 head of cattle.