

## Farmers hit by debt, dollar, costs

PUBLISHED: 26 Apr 2013 PRINT EDITION: 27 Apr 2013



The patriarch of Australia's biggest grain farming family, John Nicoletti, has threatened to walk away from his cropping empire. ANZ Bank wants Nicoletti to put his John Deere dealerships in Western Australia up as security on future loans. **Photo: Philip Gostelow**

### Jonathan Barrett and Julie-anne Sprague

Farmers are facing financial ruin as the high Australian dollar, soaring costs, softening commodity prices and pockets of drought leave them unable to sow their winter crops.

The crisis is most acute among West Australian wheat farmers but rural communities across the country are under intense stress, triggering calls for subsidised loans for farmers who no longer meet commercial lending standards. Treasurer Wayne Swan will announce \$420 million in subsidised loans for indebted farmers in north Queensland on Saturday.

Even those who want to leave the land are often unable to cash in on their property as the market for drought-stricken land becomes saturated.

It comes as GrainCorp chairman Don Taylor blamed myopic Australian fund managers for selling off the rump of the nation's agricultural companies as he agreed to a \$3 billion takeover from US grains giant Archer Daniels Midland.

The patriarch of Australia's biggest grain farming family, John Nicoletti, has threatened to walk away from his cropping empire as his financiers tighten their grip over his business in return for funding needed to sow his winter crop.

Australia and New Zealand Banking Group wants Mr Nicoletti to put his John Deere machinery dealerships up as security to protect its \$42 million exposure and shift more of the farming veteran's debt burden on to his grain and merchandise suppliers.

### Rising costs and lower prices an 'agriculture avalanche', says Nicoletti

Mr Nicoletti, who owns 140,000 hectares of farming land stretching from Esperance to Geraldton in WA, said the combination of the currency, at close to record highs; rising fuel, power and wages costs; and lower commodity prices was an "agriculture avalanche".

"I think it will be a disaster for the banks if I pull the pin," Mr Nicoletti said.



Australia's single biggest grain farmer, Ron Greentree, at his property near Mungundi, says farming conditions are tougher than any period he can remember.

Photo: Paul Matthews

The nation's single biggest grain farmer, Ron Greentree, said industry conditions were worse than any other time in his 35-year farming career. "I think it's the toughest period and I don't say that lightly," Mr Greentree said.

Official figures show bank debt has climbed since the financial crisis and lending growth has slowed.

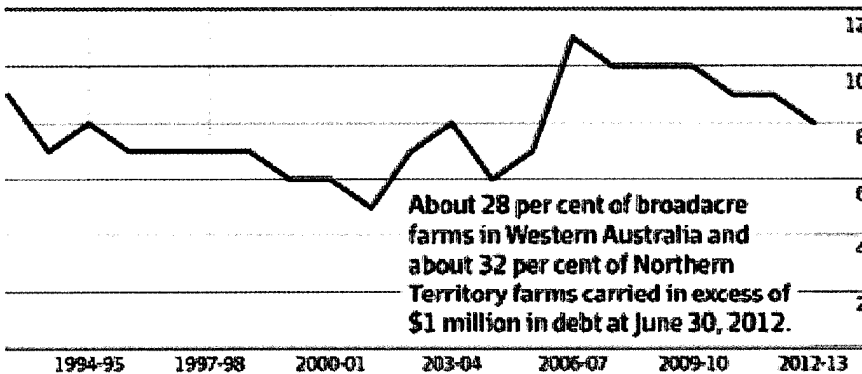
Valuer Herron Todd White said the number of farm sales in the WA Midlands fell from more than 250 a year in 2007 to about 100 a year by 2011 as the market for buyers started to dry up.

Farmers have been unable to drive down enough of their huge debt burdens amassed during a decade of drought, which broke with devastating floods on the east coast in 2010.

Financiers are unwilling to extend facilities to customers who have had their equity eroded just as dry weather casts an ominous cloud over the ability to sow substantial winter crops and generate strong incomes this year.

### Head of debt

Proportion of farm\* receipts needed to fund interest payments (%)



About 28 per cent of broadacre farms in Western Australia and about 32 per cent of Northern Territory farms carried in excess of \$1 million in debt at June 30, 2012.

\*Broadacre and dairy farm

SOURCE: ABARES



### Banks say they are not being harder on farmers

But the banking industry has denied that it has ratcheted up lending standards to the rural sector.

Australian Bankers' Association director Stephen Carroll said that some farmers needed either to reduce debt or enter into farm-sharing agreements to get next season's crop planted. "There are people who have accumulated lots of debt and it just doesn't make sense to extend more credit," Mr Carroll said.

The ABA believes that about 35 per cent of farmers borrow money to finance their operations.

John Sgambelluri, Bankwest rural and regional state manager, said the bank had not increased demands on farmers.

"As a result of the current environment and challenges faced in recent years, some farm values have reduced which can impact the loan-to-security ratio," Mr Sgambelluri said.

## Farm buyers few and far between

The value of exported agricultural products is forecast at \$35.9 billion this financial year, down from \$36.3 billion in 2011-12, according to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

During the 2000s, debt increased as farmers were encouraged to take advantage of relatively low interest rates to buy more land and scale-up their operations.

Drought eroded land prices during the period, reducing farmers' equity.

Mr Nicoletti, who has tried to reduce his debt by putting tens of thousands of hectares of land on the market, has failed to find a buyer.

"The bank has been a bit difficult, and they've asked me not to speak to the media. All my equity is gone and now the bank wants to get its grubby hands on my other assets."

Unable to broker a deal with ANZ, he will not start seeding on Monday, as he had intended. "The bank made an offer, it's the terms I disagree with," Mr Nicoletti said. "Delays cost me a couple of million a week."

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