AACo goes it alone

Roundtable's rural debt focus

23 Jan, 2013 03:00 AM

A GROUP of primary producers and academics presented a pre-budget submission to Federal Treasury last week in an effort to address a looming rural debt crisis.

The Rural Debt Roundtable Working Group (RDRWG) is calling on the federal government to act quickly to protect large numbers of rural businesses from default across Australia.

"In many areas, our system is on the brink of collapse," RDRWG chairman and Condamine grain grower Rowell Walton said. "The northern cattle industry is estimated to have 30 per cent of operators in default.

"Some areas of WA are said to have every property in the district for sale my own district has an unprecedented number of operations in difficulty.

"There are many contributing factors, but the most serious contributors are growing debt and low farm income."

The RDRWG was formed late last year after a roundtable discussion in Brisbane on October 17 where they presented a paper from leading Queensland economist, Ben Rees, titled *Rural Australia: Crisis 2012*.

The paper discussed farm debt levels and low farm incomes, and argued that the crisis was the consequence of policy failure.

The roundtable was attended by federal Treasurer Wayne Swan and members of his staff, Primary Industries Minister Joe Ludwig, federal independent Bob Katter, and representatives from AgForce and ABARES.

The meeting was also attended by the heads of most major banking institutions and QRAA, along with primary producers from most states of Australia.

Following the roundtable, the RDRWG was asked to provide a pre-budget submission to Treasury on the issue of rural debt.

Nationally, rural debt levels have climbed from $1.9 billion in 1969 to about $64b in 2011, while net farm value has risen only slightly to $12.1b in 2011 from just $1.27b in 1969 (see graph).

Mr Walton said many farmers had gradually accumulated more debt each year and relied on rising land values to keep their businesses afloat.

He said there had also been a "long-term transfer of income" from producers to consumers and the wider community.

"The price of many agricultural inputs, such as fuel, fertilisers, chemicals and wages, have kept pace with prices in the wider economy, while the primary producers' real income has long since been left behind," he said.

"The price that I got for my grain last year was around the nominal price that I received for wheat in the year after I came home from ag college in 1974.

"No other industry has to try to cope with that.

"It confirms the disadvantage of a competitive market in the primary production sector when we are purchasing inputs from monopoly-structured input markets and selling products into monopolised output markets."

Mr Walton said the RDRWG believes the Federal Government needs to intervene to help solve the rural debt crisis, but acknowledged there would be no simple solution.

"It may well be that some level of intervention is required to stabilise farm profits," he said.

"Some might want to call any intervention subsidies (we) don't care what they call it, as long as they do something to sustain farm profits.

"We have to generate enough profit to sustain our farms and our communities."

Mr Walton said the pre-budget submission contained some suggestions on how that might be done.

"Discussions have occurred about the possibility of utilising accumulated tax losses as transferable tax credits to form part of an adjustment package," he said. "Accumulated tax losses are a liability to the taxation department, and it would seem that trading them for serviceable loans as part of a reconstruction arrangement would make good sense.

"Expectations have been raised that something will be done and we will be suggesting a reconstruction authority.

"Our membership would like to see the Commonwealth lay the foundations for a rural bank backed by the government much like the Commonwealth Development Bank to provide competitive funding.

"It is clearly hoped that a wholesale sell-down can be avoided as this has widespread ramifications for all borrowers and lenders alike, and unfortunately also for the wider community.

"We see our role at this time to go to the pointy end of the trouble, stabilise the situation, then consider with some haste the question of farm profitability.

"There will be different solutions for different industries, but we need to act to provide economic stability to rural Australia and provide some confidence to primary producers to continue, rather than set in train a mass exodus with foreign capital the only alternative."

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READER COMMENTS

I think the time has come to bring this to a head. Putting more paper over the cracks won't solve anything.

A sysmatic Australia wide rural default, will get the banks' attention - the banks will get the governments attention. The government won't take any notice of farmers - but they will take notice of the banks. And we've seen how when it come to bailing out banks, government money is endless.

Posted by **Qlander**, 23/01/2013 7:12:50 AM, on Queensland Country Life
Well said, qlander. I will go further and say that any bank lending money to farmers is actually bad business, for the farmer as history tells us, his average debt will increase. Great business for a bank, bank for farm equity. Seems we are swapping lower equity for increased revenue for urban based banks.
Posted by **dunart**, 23/01/2013 8:47:55 AM, on Farm Weekly
What have wages done from 1969 to 2011?
Posted by **og**, 23/01/2013 12:08:22 PM, on The Land
Rumour has it that the banks are about to commence forclosing in the North. One bank rumoured to be considering forclosing on about 25 stations in 2013.

That should wake the government up at least; Probably bad news for poor old labor, however both LNP and Labor/Greens are at fault. Free trade agreements, red meat industry structure failure, Indonesian debarcle, WTO control, locking up farm land for greenhouse gas commitments by Howard , and unrealistic land valations by banks have all taken their toll,

Now for the collapse we had to have!!

Posted by **Archibald**, 23/01/2013 8:53:45 PM, on The Land
inflation has been about 40 times in that time og.

wages went up faster then inflation for the first 20 years, but have followed inflation since then.

safe to say the taxable part has gone up 40 times, with the overhead cost going up much more (holiday,super etc)

all paid from agricultures world market income

Posted by **dunart**, 24/01/2013 10:25:57 PM, on Farm Weekly