

Western Australia's Farm Debt Trends

Are we at the tipping point?

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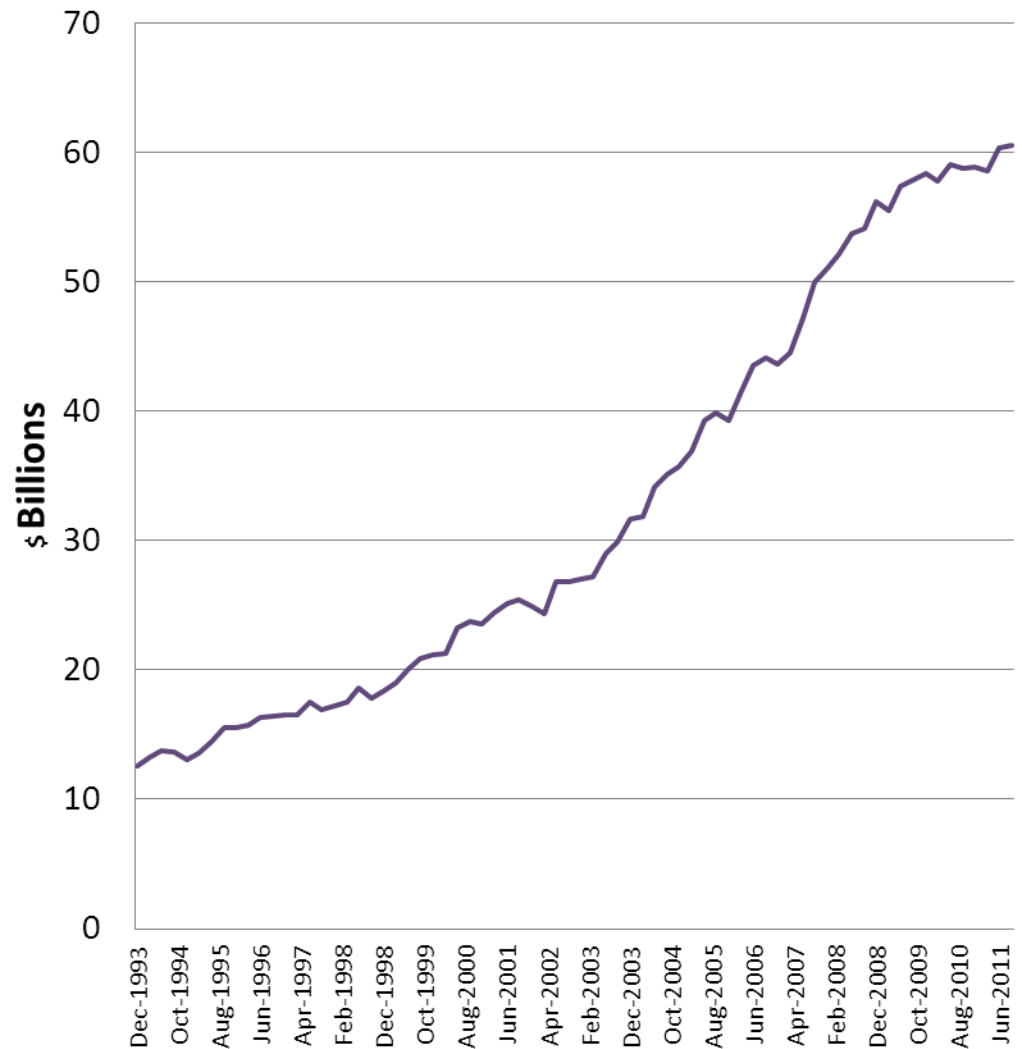
Outline

- * **Historical debt trends**
- * **Current state of play**
- * **Challenges going forward**

Farm bank lending in Australia post deregulation

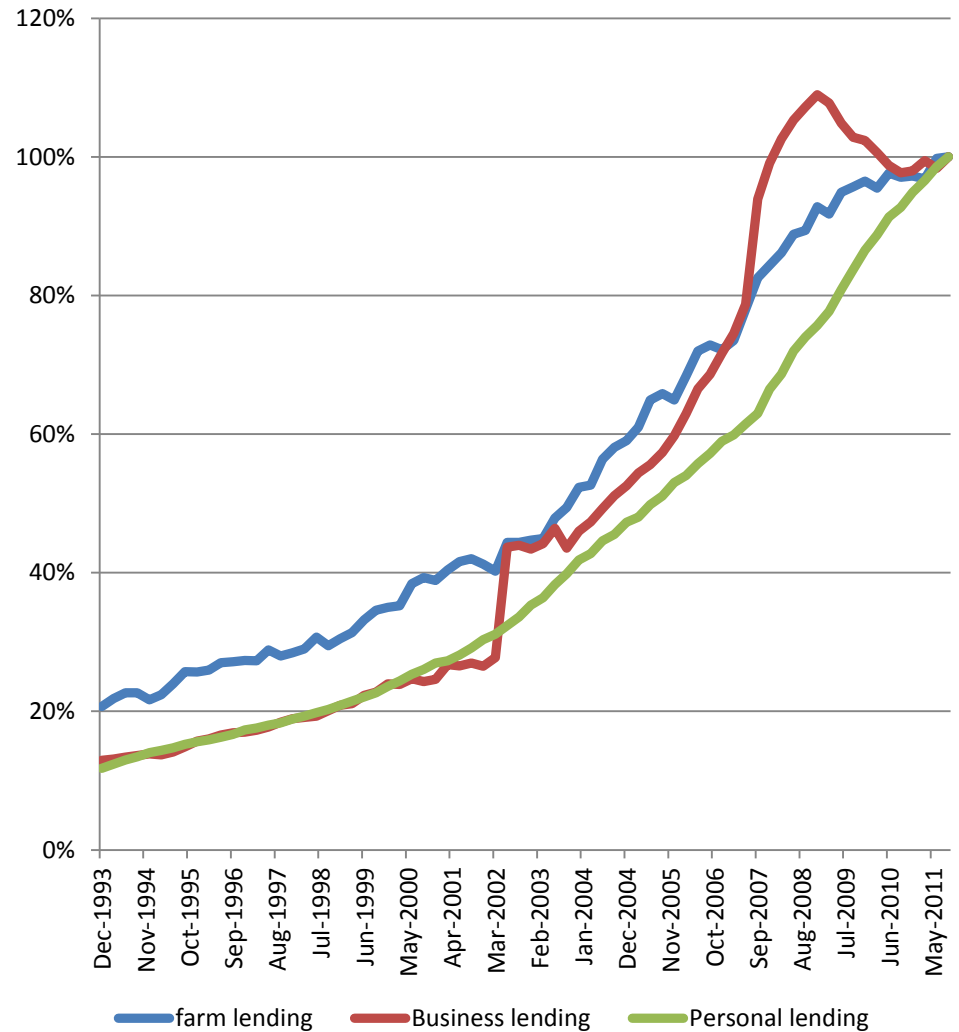
Post deregulation of the banking system

Farm debt has increased at an average rate of 9.1%/yr



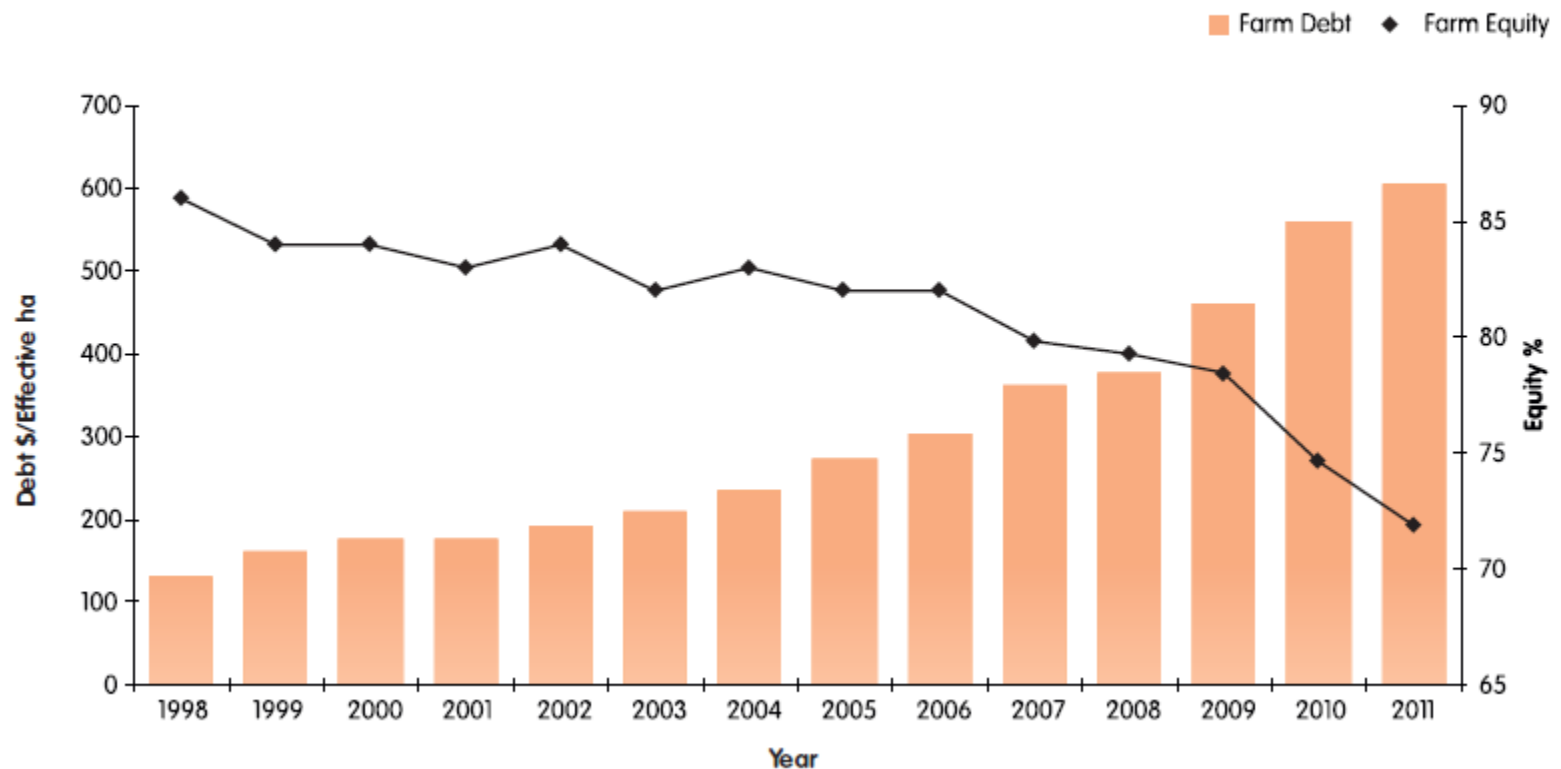
Total bank lending in Australia post deregulation

Total lending as a percentage has steadily increased for since banking deregulation



WA Farm Debt Levels and Equity

Figure 6: Farm debt levels and equity 1998-2011



WA average farm

Average farm size 4185 Ha

cropped 67%

pasture 33%

Long term wheat yield 1.6t/Ha

assumed price \$270/t

Stocking rate 3.6DSE/Ha

85% lambing, 35% prime lamb

self sustaining flock

\$80/hd prime lamb, \$70 merino, \$5.20/kg greasy

Farm income calculations

Income	Grain	\$1,165k
	wool	\$76k
	livestock	\$149k
	other receipts	\$77k
	Total income	\$1,468k

Farm surplus calculations

Farm income **\$1,468k**

Farm Expenses

Operating (76%) **\$1,116k**

Drawings **\$148k (3rd highest expense)**

Finance/HP's **\$226k (2nd highest expense)**

Tax **\$35k**

Deficit **-\$56k (\$13/ha)**

Solutions to the problem

- * Increases in grain prices**
- * Lower farm operating costs**
- * Introduce new capital (overseas, super funds)**
- * Reduce drawings/lifestyle costs**
- * Improve farm efficiency. The top 25% generated \$220k/yr more income on average**

Thanks

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