

Submission to the Agricultural Competitiveness White Paper Taskforce.

The rural debt crisis is a major factor in the decreased profitability of farmers. Outlay of capital infrastructure to manage the decreased availability and increased cost of staff is also a major factor. Many other rising costs of management far outweigh the income received for the quality product sold.

My suggestion in helping those cattle producers in this dire time of severe drought would be to restructure the 'available' low interest rate loans with QRAA.

Currently, the Farm Finance Concessional Loans Scheme has the following features:

- loans of up to \$1 million for eligible farm businesses to restructure existing farm business debt
- loan terms of up to 5 years
- Concessional Loan amounts will be less than 50 per cent of the total eligible debt of the farm business.
- variable concessional interest rate initially set at 4.5 per cent
- interest only payments are available for up to 5 years
- full repayment of loans required at the end of the loan term
- the availability of loans is subject to funds being available. The Scheme is capped at \$50 million in 2013-14 and \$30 million in 2014-15 (total of \$80 million). No more loans will be offered once this cap is reached.

(sourced from www.qraa.qld.gov.au/current-programs/farm-finance)

The stipulations required to meet the 'available' low interest rate loans are too regimented and therefore not readily available to most producers.

I suggest that the gap between the 4% interest offered by QRAA and the interest rate currently being paid by the producer with their lending facility, be met with the funds that are offered by the government.

The current loan amount offered by QRAA i.e. \$1 million, be the maximum amount that the interest rate difference be applied to.

For example: If Producer A had a loan of \$2 million at an interest rate of 8%, therefore paying \$160 000 interest per year, they could benefit from \$1 million at 4% interest rate and leave the other \$1 million at 8% therefore only paying \$120 000 interest for the year – saving \$40 000. There would be no exchange of mortgages (so no solicitor fees) and no re-establishment fees that the producer would need to pay to their respective lending facility after the 5 year term loan with QRAA has expired and the balance has not been paid out in full.

The Farm Finance Concessional Loan is only suitable for someone with either a) a loan with a floating component, or b) the ability to pay the QRAA loan back with in 5 years.

The restructure would be beneficial firstly, as the recipient would not be forced to pay an economic cost for breaking a fixed term loan to gain access to the low interest rate. If the producer only has a fixed loan with their lending facility and no floating component, they will be required to pay an Economic Cost to the lending facility to access the QRAA low interest fixed rate amount. This Economic Cost is the amount of interest that would have been paid over the term of the original loan – hence absolutely no benefit to the producer.

Secondly, the ability of producer to pay back the QRAA loan in its entirety within 5 years is also unachievable in the current circumstances. While QRAA does not charge setup fees for their loan, at the end of the 5 years, the producer will be forced to renegotiate and refinance the loan with a lending facility, attracting another set of establishment fees and transfer of mortgage papers.

Thank-you for your time.

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