

**SUBMISSION TO THE
AGRICULTURAL COMPETITIVENESS
WHITE PAPER**

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**Rural Financial Counselling Service Victoria -
Wimmera South West Inc.**

CONTACT INFORMATION

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Background

The aim of the rural financial counselling service is to-

- Provide a free, confidential and independent rural financial counselling service. A rural financial counsellor provides services to primary producers and rural small businesses experiencing financial hardship who have no other means of engaging impartial support.
- Deliver the program in a professional and timely manner and provide the client target groups with access to financial information, options, decision making, support and referral services.
- Enhance the capability of the client target groups to consider information and options to implement decisions to effectively manage change and adjustment including exit with dignity. This process includes assessing the viability of the enterprise.
- Refer clients to organisations and government departments, which can provide professional assistance in specialist areas of support or advice.
- Provide a flexible and mobile service targeted to meet client demand.

Key Areas

Rural Financial Counselling plays an important role in the adjustment process. The process we follow highlights the choices available to the farmer. Our work is outcomes based. We work with the client to achieve what the best outcome is for the farmers given their situation. Typical outcomes achieved include adjustment of the business model to improve efficiencies for the enterprise, streamlining of debt management and the negotiation of an equitable exit strategy.

In working to achieve these outcomes the service has developed key areas of strength including:

- Strong connections to local rural communities,
- The specialized skill sets of rural financial counsellors,
- The education role that our service provides to the farming community,
- The way in which the community values our service as different to typical government agencies,
- The networks of both the services and of the individual counsellors,
- The ability to get to remote and disadvantaged clients.

Rural Financial Counsellors play an important role in the decision process of the farm enterprise. The farmer is given the correct tools with which to make a decision about the future of their business. Farm gate profitability is considered albeit balanced against the emotional ties to the business. The process that we work through aids the farmer to reach an informed decision. The viability assessment process plays a role in the competitiveness of the industry as a whole. Some farmers will adjust within the industry and some will adjust out of the industry.

When dealing closely with the banks the farmer is aided by the rural financial counsellor - **support that leads to a more equitable and efficient outcome**. The financial literacy of some farmers provides an uneven playing field when dealing with the financial institutions. The counsellor helps interpret alternative finance options to try to achieve profitability and sustainability of the farming enterprise. This is an educational role. The farmers may not have understood the financial ramifications of their dealings without the education provided to them by the independent rural financial counsellor.

The educational role played by the Rural Financial Counsellor is enhancing the financial literacy skills of the farmer. Through better education the sustainability of the land is enhanced. Better management skills and informed business decisions aids in the protection of our natural assets. The referral process performed by our Service also helps to identify mental health issues. Without an initial visit by a counsellor many farmers would not actively seek assistance. The first step in this process is often the hardest and the support role that a Rural Financial Counsellor plays is frequently identified as crucial when we seek client feedback. The unique role that is a Rural Financial Counsellor leads to the development of human capital - this is paramount in the future development of the profitability of our farming community.

The returns generated by farming enterprises have a direct effect on rural and regional communities. The debts carried by local enterprise can impact a local community in a dramatic way. Management of those debts with the aim to adjust the impacted business is vital to ensure the prosperity of the local community. With early intervention and planning the impact on a community of a downturn can be mitigated.

Case Study Illustrations

Client A-Bank Refinance/Loan Re-structure

Client A, a dairy farmer, financial circumstances had significantly declined over a period of 18 months due to both declining milk prices and unseasonal weather conditions. His bank had begun to apply financial constraints as to his overdrawn operating account, Client A has not been communicating with his bank due to his financial plight. The RFC was able to develop a detailed cash flow analysis and projected farm income estimations for presentation with the bank. Client A adopted spending practices in line with his changed income stream. Following representation from the RFC to the bank manager communication lines were reinitiated and an ongoing working relationship re-established. A review of loan accounts was arranged and additional working capital provided to cope with the industry downturn.

Client A has now the tools to operate his business in a changing environment, but also the confidence of his bank manager.

Client B-Bankruptcy/Farm exit

Dairy farmer, Client B presented to the RFC in an emotional and distressed state, acknowledging that his interest and desire to continue farming was no longer there. His personal well being was being affected by his stressed financial circumstances, and Client B disclosed that he had contemplated suicide as a means by which to end his situation. The RFC with the consent of the client immediately referred him to his GP for medical and emotional assistance. Following on from

Client B seeking medical assistance, the RFC and Client B identified that Bank debt and loan repayments were in substantial arrears, trade debt was in **excess** of 120 days, and any equity within the farming enterprise was substantially negative. Options as to a payment structure for all trade debt were instigated by the RFC and Client B. Client B was adamant that local traders were not to be disadvantaged by his financial plight. Over a short period of time Client B successfully paid out all trade debt. Client B's relationship with his bank had completely broken down and was beyond any form of reconciliation, attempts by the RFC to open up communication fell on deaf ears. Client B had no further desire or appetite to negotiate with the bank. After both Client B and the RFC identified the distinct lack of options in moving forward, and Client's B desire to move on, the RFC introduced Client B to an Insolvency and Bankruptcy expert. Client B was able to make an informed decision and with the assistance of a Trustee filed for Bankruptcy, acknowledging that the Bank would be the major loser.

Client B has made a clean start, has no debt and has a life after farming. He is successfully employed as a factory worker, has a fortnightly pay and does not work 24/7. In his words "life has not been better, I should have contacted the RFC service earlier".

Recommendation

The Board of RFCS Victoria -WSW recommends that the Commonwealth Government, with the support of State Governments, continues to fund the Rural Financial Counselling Service Program, at least at the current levels, to enhance Australia's agricultural competitiveness through its valuable work in facilitating adjustment within the agricultural sector. The uniqueness of the service puts it in a position to aid the farming community of Australia.