

Mr Paul Morris
First Assistant Secretary
Agricultural Competitiveness Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

By email: barnaby.joyce.mp@aph.gov.au
CC: [REDACTED]
CC: agricultural.competitiveness@pmc.gov.au

Dear Mr Morris,

RE. Agricultural Competitiveness Issues Paper

The Muntadgin Farming Alliance (MFA) appreciates the opportunity to provide comment on the Federal Government's Agricultural Competitiveness Issues paper. We understand this is an early phase of public consultation and therefore, we wish to offer a grassroots perspective on behalf of the 1000 attendees at the Merredin Crisis meeting in April of 2013.

Below, we primarily address the '*access to investment finance, farm debt levels and debt sustainability*' and we see the proposed Australian Reconstruction and Development Bank (ARDB), currently before a Senate Committee Enquiry as being the best way forward to a profitable, sustainable Australian agriculture industry.

Background

In April of 2013, in Merredin, the Muntadgin Farming Alliance, with assistance from the Rural Debt Roundtable working group, coordinated the largest rural crisis meeting ever held in Western Australia. We never expected the turnout to be so large, but such is the scope of the farm debt crisis in W.A. We had more than 1000 grain growers, sheep and cattle producers, rural business owners, agronomists, politicians, farm advisors, accountants and concerned townspeople attend.

All of those who attended are troubled by the direction agriculture and our rural communities are headed in. As farm businesses become consumed by unserviceable debt, there is less money circulating through these rural economies, population numbers dwindle, services become harder to attract and these once thriving communities struggle to survive.

We now write this submission on behalf of those who attended and expressed unanimously that the Muntadgin Farming Alliance is to "advance these issues and relevant other issues subsequently raised with appropriate industry and government representatives and agencies" (Resolution number 11 from the Merredin meeting. All 12 resolutions are attached.)

Prior to, during, and after the meeting, the Muntadgin Farming Alliance have received many (quite distressing) calls from growers telling how their bank has put them and their families under severe financial, mental and emotional pressure by doing the following;

1. Dropping the value of their property, resulting in a drop in land values of the surrounding farms. Thus causing a district wide drop in equity levels, which has, in many areas led to fire sales of land.
2. Raising interest rates to unserviceable levels. Made possible by the lack of competition in agricultural lending.
3. Reducing the amount of seasonal finance available to growers, thus making it extremely difficult to continue operating.
4. As a result of point 3; local businesses are then forced to offer lending arrangements in order to keep their clients operating. These lending arrangements are not accounted for in agricultural debt figures and are in many cases, so large; they put the local business at great risk.
5. Denying seasonal finance altogether, no matter what the outcome of the 2013 season.
6. Forcing the sale of off farm assets.

Just to name a few.

The conclusion arrived upon, at the close of the Merredin meeting is that very few of these struggling farm businesses are unviable. They have had a run of poor seasons at a time of generational change on farms combined with a severe tightening of lending practices following the global financial crisis and a reduction in property values.

With agriculture appropriate lending practices, implemented through the ARDB, the majority of these businesses could certainly be turned, once again into profitable enterprises, making a positive contribution to local, state and national economies and encouraging young people to pursue a career in agriculture.

The understanding of those who attended the meeting is that banks and other lending institutions, no longer take into account the vagaries of farm income. For example; drought, frost, flood, and changing commodity prices. As well, current farm lenders do not look at the cyclic nature of our industry, nor do they look at the potential for long-term profitability. Farming is a cyclic industry and has troughs and booms, which frequently trend in decades, not months or years. We must be able to have access to a banking system which recognises these troughs and booms and sets lending practices accordingly.

The challenges arising as a result of these constant changes are many, but some of the more pressing are a lack of young people returning to our the agriculture industry, a lack of relevant, area specific research and development projects, a lack of investment by State and Federal Governments in infrastructure, and a general decline in rural population.

Australian Reconstruction and Development Bank

In view of these challenges, the Muntadgin Farming Alliance as a group believe the implementation of the ARDB policy is vital in order to establish stability within the Agriculture sector of Australia. Being able to access reasonably priced finance on a long term basis would stabilize one of our countries major, sustainable, primary industries and would build confidence across all sectors of rural Australia.

The Reserve Bank Amendment (Australian Reconstruction and Development Board) Bill 2013 proposes the establishment of an ARDB within the Reserve Bank of Australia (RBA). The ARDB would have the task of forming and implementing rural reconstruction and development policy. The proposed responsibilities of the ARDB would include:

- Offering funding arrangements which have the capacity to reconstruct the debilitating financial arrangements present in rural Australia.
- Provide suitably tailored funds and capital arrangements that enable the sustainability and development of at-risk Australian agriculture and its associated industries and infrastructures.
- Reporting on, and helping to develop, the financial viability of the rural sector and addressing situations which have resulted in the debilitating financial arrangements.

Finance available through the ARDB would;

- Reduce the forced sale of farm land and thus **stabilize land prices and business equity levels** across farming areas.
- Allow growers to **better manage the variation in seasons** and changes in income from year to year.
- Allow families to move through the **generational change** of farm businesses and maintain the intellectual capital built up over years of managing that business, without going into crippling debt to pay off the previous generation.
- Make it possible for **young people to enter agriculture** without having to inherit the family farm.
- Take the pressure off governments having to constantly design and administer '**exceptional circumstances' finance packages**. Thus allowing them to redirect resources to facilitate the introduction of affordable Risk Mitigation Insurance to protect against the cost imposed by vagaries of nature.
- Eliminate the need for local businesses to offer lending arrangements to growers.
- Allow for **on farm innovation** and exploration of new systems and ideas in agriculture.
- Create **competition in the agricultural finance industry** and bring interest rates down across the board. (This has already started to occur in several instances across Australia as a result of commercial banks lowering their interest rates to match those of the government's concessional loans so as not to lose clients).

All of the above points would assist in the stabilisation and growth of rural Australia and allow farming to once again become a thriving, profitable industry which is able to care of itself.

It is vital that the much needed injection of finance into the agricultural industry comes from within Australia. Foreign investment leaves the reality of Agriculture bereft of successful outcome in the national interest. We are already seeing WA farms owned by foreign conglomerates operating at a level of production far below their family owned neighbours.

Much work has been done by countless volunteers to improve the agricultural industry but now the time has come to act at a Federal Government level. The Muntadgin Farming Alliance hope that the real need for ARDB as well as the value this proposal could unlock for our nation is realized and that the Australian Reconstruction and Development Board is set in place to secure the future of Australian agriculture.

Yours sincerely,

Muntadgin Farming Alliance

Resolutions passed at the Merredin Crisis Meeting – April 2013

- 1) That the recent WA drought pilot program is a failure and this approach is rejected outright by the meeting.
- 2) The state and federal government commit to an Assistance Scheme for agricultural businesses providing:
 - a. Drought assistance;
 - b. First start loans;
 - c. Exceptional circumstance provisions;
 - d. Low interest loans;
 - e. This would be administered by the Rural Business Development Corporation;
 - f. This needs to be in place by 1st of May 2013;
 - g. This Assistance Scheme would take a form similar to the QRAA model.
- 3) The meeting calls on the Council of Australian Governments to convene an inclusive working group (within a month) to develop a new approach to drought and other periods of natural disaster consistent with WTO Agreement on agriculture framework.
- 4) That the federal and state governments increase the number of Rural Financial Counselling and other support services in the state of WA to be proportionately fair and equitable to the other states.
- 5) The state government to provide affordable Risk Mitigation Insurance to give effective cover against natural disasters.
- 6) That interest rates are excessive and incompatible with sustainable production, industry profitability and international competitiveness. The Federal Government to work towards reducing interest rates.
- 7) That the Federal Government commit to the provision of a reconstruction model capable of financial stabilization of rural Australia and reduction of rural debt.
- 8) Australian dollar is un-competitively high. We call on the federal government and the Reserve Bank to put in place methods to compensate Australian industries and reduce the dollar. For example, that the central bank shall reduce interest rates to be internationally comparable.
- 9) In the interim the Federal Government instates a floor price of \$300 a tonne for wheat or some other means to ensure sustainable profitability.
- 10) That governments and banks immediately enact a moratorium on forced farm sales until effective action is taken on the resolutions above.
- 11) The meeting supports the Muntadgin Farming Alliance in its efforts to advance these issues and relevant other issues subsequently raised with appropriate industry and government representatives and agencies.
- 12) In the event of financial foreclosure, when carry on finance is unattainable, temporary financial assistance, through relevant agencies, be implemented until assets tests and foreclosure notices are available.