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Department of Agriculture and Water Resources

Agricultural Lending Data 2016–17

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Foreword

The *Agricultural Lending Data 2016–17* report provides proof of the strength of Australian agriculture and the robustness of lending to the sector.

In 2016–17 banks had more than $70 billion in lending with the agriculture sector—a strong indicator the finance industry is viewing farming as a long-term profitable investment.

During this same period, agricultural production exceeded $60 billion for the first time and farm exports hit $49 billion.

Agriculture is in a strong position, but its ongoing success and global competitiveness is contingent on access to capital—from both traditional and non-traditional sources. For its part, the Australian Government supports the use of both sources of capital.

By providing concessional loans through the Regional Investment Corporation, we support farmers in situations where the finance sector is unable to fulfil their lending needs. We also help farmers work with the finance sector to improve their lending positions. In 2016, we increased the Farm Management Deposits (FMD) cap from $400,000 to $800,000 and made legislative changes to allow FMD accounts to offset the interest costs of farmers' business loans—these initiatives help farmers put aside money in good years to survive lean years.

I've also personally been encouraging banks to give farmers with FMDs a better deal. A number of banks should be congratulated for recently offering credit adjustments to clients that hold both loans and FMDs with the same institution.

The agriculture sector is starting to explore capital sources beyond traditional debt financing. If the sector is to achieve its long-term productivity goals, we need investment from other sources, including investment finance, external equity funding and foreign investment. It is an important role for this government to help farmers consider their investment options and business structures and develop the skills and expertise necessary to work with external investors.

The government also remains focused on supporting the financial resilience, preparedness and self-reliance of farmers. The Australian Government currently invests around $1.1 billion a year in rural research and redevelopment (R&D) through the rural R&D corporations, cooperative research centres, CSIRO, universities, the R&D Tax Incentive and other programs. Investment in rural research and development is central to driving productivity growth, improving risk management and ultimately attracting investment into the Australian agriculture sector.

It is important that the government can demonstrate we are making a difference to the agriculture sector. The data in this report will allow evidence-based conversations between governments, financial institutions, industry bodies and non-government organisations and help us all target our support to achieve the sector's true potential.

David Littleproud

Minister for Agriculture
and Water Resources

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Key statistics

Agricultural Lending Data

This publication provides data from the first Agricultural Lending Data collection undertaken by the Australian Prudential Regulation Authority (APRA) on behalf of the Department of Agriculture and Water Resources. The data focus on lending to farm business entities and the performance of these in meeting their loan servicing commitments in 2016–17.

For the purposes of this publication a farm business entity is effectively 'one borrower', 'in arrears' means loans and leases are more than 90 days past due, and debt is defined as 'credit outstanding'.

Data from Authorised Deposit-taking Institutions (ADIs) and Registered Financial Corporations (RFCs) indicate that nationally at 30 June 2017:

- Agricultural debt totalled $70.123 billion.
- Total credit limits equated to $84.343 billion.
- Average debt per farm business entity was $481,428.
- Debt was spread across 145,656 farm business entities.
- Average credit limit per farm business entity was $579,055.
- Loans and leases in arrears accounted for 0.90 per cent of total agricultural debt.
- Loans and leases in arrears were held by 0.65 per cent of farm business entities.
- By industry, the proportion of the total value of loans in arrears was highest for grape growing (4.7 per cent), vegetable growing (2.9 per cent) and dairy farming (1.5 per cent).
- By state, the proportion of the total value of loans in arrears was lowest in the Northern Territory (0 per cent) and highest in Tasmania (3.1 per cent), followed by Western Australia (1.1 per cent) and South Australia (1.1 per cent).

Data also indicate that nationally during 2016–17:

- There were 96 new instances of farm debt mediations and 33 new instances of farm foreclosures.
- The total credit outstanding on new farm foreclosures was $62 million, around 0.09 per cent of total agricultural debt at 30 June 2017.

- New farm foreclosures accounted for 0.27 per cent of the value of outstanding loans and leases in Tasmania, 0.16 per cent in Victoria, 0.13 per cent in Queensland, 0.10 per cent in Western Australia and 0.01 per cent in New South Wales and South Australia.
- Average credit outstanding per farm business entity for new foreclosures was $1.9 million.

Additional data

This publication also summarises farm survey and other data from the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES).

The ABARES data indicate that at 30 June 2017:

- Debt to fund land purchases accounted for the largest share of debt on broadacre farms, at an estimated 44 per cent of average debt. Working capital debt accounted for 37 per cent of average broadacre debt.
- Much of the aggregate agriculture sector debt is held by a relatively small proportion of mostly larger farms. Around 70 per cent of aggregate broadacre debt was held by just 12 per cent of farms.

This publication also draws on publicly available data, including from the Reserve Bank of Australia. This information is not directly comparable with the APRA Agricultural Lending Data collection because it includes data on fishery and forestry businesses and lending by government agencies and pastoral and other financial companies. However, the information is provided in this publication for context.

Data from the Reserve Bank of Australia indicate that:

- Nationally, total indebtedness of the agriculture, forestry and fishing industries (defined as ‘rural debt') increased by 77 per cent from $42.7 billion at 30 June 2001 to $75.5 billion at 30 June 2009, in real terms.
- Total rural debt subsequently declined in real terms to $69.4 billion at 30 June 2015, before rising to $71.7 billion at 30 June 2017.

Chapter 1

Introduction

This publication presents the inaugural Agricultural Lending Data, collected by the Australian Prudential Regulation Authority (APRA) on behalf of the department. The data focus on lending to farm business entities and the performance of these in meeting their loan servicing commitments in 2016–17. The information will inform analysis of issues related to financing Australia's agricultural industries. It will also enable the Australian Government to implement effective assistance measures for regional communities and improve the targeting of support for farmers.

Data collection

Under the *Financial Sector (Collection of Data) Act 2001* (FSCODA), APRA is authorised to collect information from financial sector entities.

Data in the tables in this publication are sourced from forms submitted by financial sector entities to APRA as part of requirements under the *Corporations Act 2001*. Blank copies of reporting form ARF 750.0 DAWR Agricultural Lending (in ARS 750.0) and associated instructions are available on the APRA website.

Financial sector entities that provide data to APRA are:

- Authorised Deposit-taking Institutions (ADIs), excluding Payment Facility Providers
- Registered Financial Corporations (RFCs).

The FSCODA authorises APRA to share this data with the department for the purposes of producing this publication. The information may also be used by APRA, the Australian Bureau of Statistics or the Reserve Bank of Australia.

The information in the text and tables should be read in conjunction with the Glossary. The Glossary describes the limitations of the data and how the information was prepared, and contains definitions of abbreviations and terms used in this publication.

Confidentiality requirements

Data collected from individual ADIs and RFCs is subject to confidentiality requirements outlined in the *Australian Prudential Regulation Authority Act 1998*. In most circumstances, aggregation of data maintains confidentiality. Any items in this publication that are outside confidentiality protection measures relating to aggregation of data will be masked.

Chapter 2

Data collection, presentation and interpretation

Data collected

Data collected by APRA covers lending to the agriculture sector. The sector comprises agricultural subdivision 01 code of the Australian and New Zealand Standard Industrial Classification (ANZSIC) system.

The collection does not include data on fishing/aquaculture, forestry, hunting and trapping, and support services to agriculture, forestry and fishing (ANZSIC subdivision codes 02 to 05).

Data collected include:

- total credit outstanding on loans and leases
- total credit limits on loans and leases
- total credit outstanding on loans and leases more than 90 days past due
- number of farm business entities with credit outstanding for loans and leases
- number of farm business entities with credit outstanding that is more than 90 days past due
- number of new instances of farm debt mediations
- number of new farm foreclosures
- total credit outstanding on loans and leases for any new farm foreclosures.

If only a portion of a loan or lease relates to an agricultural activity, APRA will only collect data for those loans or leases where the majority (whether or not drawn down) is for the purpose of agricultural activities. This may result in a slight over-reporting of agricultural lending.

Data source—financial sector reporting entities

It is mandatory for all ADIs to provide data for this publication.

RFCs with assets (loans, advances and lending facilities) valued at less than $50 million, either as a single entity or for combined related bodies corporate, are not required to report to APRA. This may result in some under-reporting of lending to farm business entities.

At 30 June 2017, 268 ADIs and RFCs (defined as ‘reporting entities’ in this publication) provided data on their lending to the agriculture sector.

Types of debt reported

APRA collects data about business lending (loans and leases) by reporting entities to farm business entities in the agriculture sector.

APRA does not collect data about personal loans (secured or unsecured), personal leases and personal credit card debt.

Some major credit card providers may provide cards to businesses, but they do not classify this as business lending.

APRA does not collect data about loans from government agencies, other business entities, vendor financiers, family or others external to the farm business entity, and sundry creditors (mainly input suppliers). This may result in an understatement of loan funds available to the agriculture sector. However, some information from other sources on these types of lending is provided for context.

Data collection period

The majority of lending data is presented as at 30 June 2017. New incidents of farm debt mediations and farm foreclosures are reported for the 2016–17 year.

Interim data collection process

During consultations on the development of the Agricultural Lending Data collection, ADIs and RFCs were asked to voluntarily report data for the 30 June 2016 reporting period (2015–16), ahead of arrangements being put in place for the mandatory collection of data from 30 June 2017 onwards. It was expected that this would create a longer time series for the dataset.

Only 27 ADIs and RFCs reported for 2015–16, with some of these providing incomplete data. As a result, comparing the 30 June 2016 voluntarily reported data with any mandatory reported data would provide misleading results. The dataset is not included in this publication for this reason.

Future data collections

APRA will continue to collect data under the same parameters as those used for this 30 June 2017 collection. This will enable time-series data to be presented. Future Agricultural Lending Data publications will include graphs, charts and tables to enable readers to compare data.

Future publications may also contain revisions to previously published data to reflect resubmissions from reporting entities or corrections to compilation errors. APRA regularly analyses past revisions to identify potential improvements to source data and statistical compilation techniques. This helps minimise the frequency and scale of any future revisions.

Significant revisions (variances of at least 10 per cent or $10 million) will be identified.

Chapter 3

Data presentation and interpretation

Amounts are expressed in Australian dollars. In some cases, data may not sum exactly to total figures due to rounding.

If an item is masked to meet confidentiality requirements, other data items may also be masked so the value of the primary masked data item cannot be otherwise derived from totals.

The term 'masked' will be used to indicate where data has been masked to maintain confidentiality.

Values shown as '–' represent nil values.

Numbers rounded to 0 represent values under $0.5 million.

Data categories

Data is presented for 14 agricultural industry 'groups', based on four digit level ANZSIC classification codes.

Those classes that contain a small number of farm business entities have been grouped together to maintain data confidentiality. For example, the sheep–beef industry group consists of ANZSIC 2006 classes 0141 and 0144 or ANZSIC 1993 classes 0123 and 0124.

Industry data is also presented at the national level and across the states and territories. In some cases, state and territory data have been merged to maintain data confidentiality.

Farm business entities

This publication presents information on a 'farm business entity' basis. A farm business entity is one that undertakes productive agricultural activities that constitute that entity's primary source of income. Farm business entities in this collection may be a single business entity or comprise a group of related business entities within a grouped business structure. A farm business entity can effectively be considered 'one borrower'.

Types of farm business entities

Farm business entities are assigned to one of the 14 industry groups based on their predominant agricultural activity (ANZSIC code). Where a farm business entity has a loan or lease directed to agricultural activities across multiple industries, the loan or lease is attributed to the industry in which the majority of the activity is undertaken.

Farm business entity locations

Farm business entities are assigned to the state or territory in which they undertake their agricultural activity and derive their revenue.

Where a farm business entity has a loan or lease directed to agricultural activities across multiple states and territories, the loan or lease is attributed to the state or territory where the majority of the revenue is derived.

Chapter 4

Agriculture sector overview, 2016–17

Australian farms experience substantial variability in income and therefore debt servicing capacity across years. In any year, a proportion of farms in some industries and regions are likely to be under financial pressure as a result of seasonal or other production conditions and commodity prices.

The Australian farm sector recorded strong financial performance in 2016–17. The gross value of farm production was a record $62.3 billion, 15 per cent above the average of $54.4 billion for the five years to 2015–16, in real terms. Export earnings from farm products also reached a record $49.0 billion, in real terms.

Record production and export values in 2016–17 mainly reflected an increase of 6 per cent in the volume of farm production. This was due to record winter crop yields in southern Australia resulting from favourable seasonal conditions throughout winter and spring. Record winter crop production was partially offset by lower prices for grains, oilseeds and pulses. For other crops, including sugar, cotton and vegetables, prices received by farmers generally increased. Overall, the gross value of crop production increased by 20 per cent, in real terms.

Turn-off rates were high in 2014–15 and 2015–16 in response to high prices and dry seasonal conditions in parts of Queensland, northern New South Wales and Victoria. Prices for beef cattle, sheep, lambs and wool increased in 2016–17. However, the overall level of beef production was lower as farmers commenced rebuilding their herds. The gross value of livestock production declined by 3 per cent, in real terms.

In 2016–17 farm cash incomes for grain, sheep and beef industry farms were the highest recorded in more than 20 years. Farm cash income is a measure of cash funds generated by farm businesses for farm investment and consumption after paying all costs incurred in production. Grain, sheep and beef industry farms (broadacre farms) in aggregate account for 70 per cent of Australian farm businesses. Average farm cash income increased for grain, sheep and beef farms in all states and territories in 2016–17.

For irrigated agriculture, widespread early season rainfall resulted in national storages increasing from 50 per cent of capacity at the start of 2016–17 to 79 per cent at the end of the year, allowing high water allocations around Australia. In 2016–17 high allocations resulted in increased irrigated agricultural production, particularly of rice, cotton and horticulture crops.

Most Australian farms experienced high farm cash incomes in 2016–17. However, farm cash incomes declined for dairy farms in southern New South Wales, Victoria, Tasmania and South Australia. Prices received by many dairy farmers in these regions were reduced in 2016–17 as a result of lower export returns and problems with some of Australia's largest dairy processors. Milk production declined in response to lower prices and wet seasonal conditions in Victoria, the state with the largest share of production.

Tropical Cyclone Debbie and associated flooding disrupted production on sugarcane, vegetable and horticultural farms along the Queensland coast, from Proserpine to Bundaberg, and damaged farm infrastructure. Farms on the North Coast of New South Wales were also affected by the flooding.

Record farm cash incomes for broadacre farms in 2016–17 followed two years of high incomes in 2014–15 and 2015–16. This provided many farm businesses with an opportunity to reduce existing farm business debt and the opportunity to undertake new farm investment, partly funded by new borrowing. Investment in farm land, machinery and infrastructure increased in 2015–16 and 2016–17 and land values increased in many regions, boosting farm equity (ABARES 2018).

High farm cash incomes also provided farmers with the opportunity to increase liquid assets, including bank deposits and off-farm investments. Farm Management Deposits increased by 20 per cent ($1.0 billion) in 2016–17. This risk-management tool is designed to enable farmers to put aside pre-tax income in good years to draw on in years of lesser cash flow. Farm Management Deposits increased by 25 per cent in 2016–17 for broadacre farms. The largest increases were recorded for farms in the beef and mixed livestock–grains industry.

Chapter 5

Farm debt levels

Debt is an important source of funds for Australian farmers. It is used for purchasing land and new plant and equipment as well as for ongoing working capital. This is largely because 95 per cent of Australian farms are family owned and operated (ABARES 2018). Funding by family farms for expansion and improvement is limited to the funds available to the family, the profits the business can generate and the funds it can borrow.

ABARES data show that:

- Debt to fund land purchases accounted for the largest share of debt on farms, at an estimated 44 per cent of average broadacre debt at 30 June 2017.
- Working capital debt accounted for 37 per cent of average broadacre debt at 30 June 2017.
- In 2016–17 new borrowing for broadacre and dairy farms mostly funded on-farm investment. The proportion of new borrowing to cover operating expenses was higher in the dairy industry (26 per cent) than the broadacre industries (19 per cent). A higher proportion of borrowing for operating expenses is common for more intensive farm businesses and also reflects lower farm cash incomes for some dairy farms in 2016–17.

Farm equity

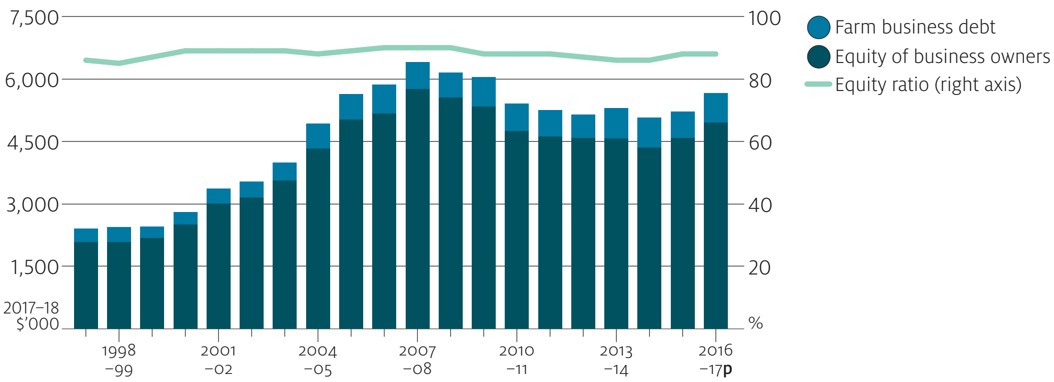
Family farms in Australia rely on maintaining high farm equity to provide the capacity to borrow to meet cash flow needs during periods of reduced farm income and for new investment. Despite increases in farm debt over the long term, average farm equity for broadacre and dairy farms remains strong because of increases in the value of agricultural land (Figure 1).

The average equity ratio at 30 June 2017 is estimated at 87 per cent for broadacre farms and 80 per cent for dairy farms. Around 83 per cent of broadacre farms and 51 per cent of dairy farms had equity ratios exceeding 80 per cent at 30 June 2017.

Between 2007–08 and 2013–14 a decline in land values in some regions reduced farm equity in those regions. Together with the onset of the global financial crisis in 2008, these declines prompted banks to review and tighten lending to the agriculture sector.

For the majority of broadacre farms, farm equity has strengthened since 2014–15. This is due to the general increase in prices for beef cattle and sheep, higher land values and reductions in debt as a result of high farm cash incomes. Between 2014–15 and 2016–17 higher farm cash incomes for broadacre farms led to an increase in the proportion of broadacre farms buying land.

FIGURE 1 Farm business debt, owners equity and equity ratio for broadacre farms, Australia, 1997–98 to 2016–17 average per farm



p Preliminary estimate. All financial estimates are in 2016–17 dollars.
Source: ABARES Australian Agricultural and Grazing Industries Survey

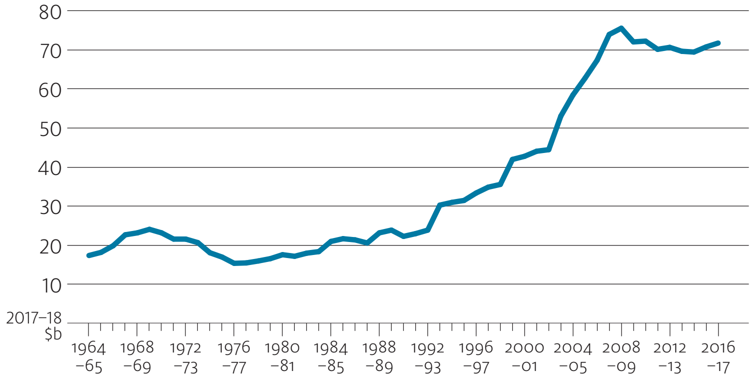
National rural indebtedness

Data collected by APRA and reported by the Reserve Bank of Australia provides an indicator of trends in debt since 1964 (RBA 2018). Figure 2 shows that total indebtedness of the agriculture, forestry and fishing industries (defined by the RBA as 'rural debt') to institutional lenders (ADIs, government agencies, and pastoral and other financial companies) increased by 77 per cent from $42.7 billion at 30 June 2001 to $75.5 billion at 30 June 2009, in real terms.

Several factors contributed to the growth in debt over this period, including:

- lower interest rates
- large increases in land values, which raised borrowing capacities
- increases in farm size and intensity of production
- changes in commodities produced
- reduced farm cash incomes because of drought conditions in the 2000s
- provision of Exceptional Circumstances Interest Rate Subsidies to farmers in drought (these arrangements ceased on 30 June 2012)
- increased use of interest-only lending.

FIGURE 2 Total institutional debt, agriculture, forestry and fishing industries, Australia, 1964–65 to 2016–17



Source: Reserve Bank of Australia (RBA 2018)

Total rural debt subsequently declined in real terms to $69.4 billion at 30 June 2015, before rising to $71.7 billion at 30 June 2017.

Bank lending accounts for 95 per cent of total institutional lending. Bank lending declined from $68.5 billion at 31 December 2009 to $63.2 billion at 31 March 2014, before rising to $68.6 billion at 30 June 2017.

The information from the Reserve Bank of Australia is not directly comparable with the Agricultural Lending Data. The Agricultural Lending Data does not cover fishery and forestry businesses and lending by government agencies and pastoral and other financial companies. The Reserve Bank of Australia data is provided for context.

Distribution of farm debt

Much of the aggregate agriculture sector debt is held by a relatively small proportion of mostly larger farms. At 30 June 2017 around 70 per cent of aggregate broadacre debt was held by just 12 per cent of farms. On average, these were large farm businesses. In aggregate, they produced around 50 per cent of the total value of broadacre farm production in 2016–17.

Nationally, around 44 per cent of grain industry farms and 32 per cent of dairy farms carried more than $1 million in debt at 30 June 2017. In contrast, 71 per cent of beef farms and 56 per cent of sheep and sheep–beef farms had debt of less than $100,000 at 30 June 2017. Many of these are small farm businesses.

Aggregate debt is slightly less concentrated among larger farms in the dairy industry. Nevertheless, around 70 per cent of aggregate dairy industry debt at 30 June 2017 was held by 30 per cent of farms.

Chapter 6
Debt serviceability

The decline in interest rates and reduced bank lending following the 2008 global financial crisis, and more recently the strong increase in farm income, have reduced the burden of servicing debt and increased the rate of debt repayment.

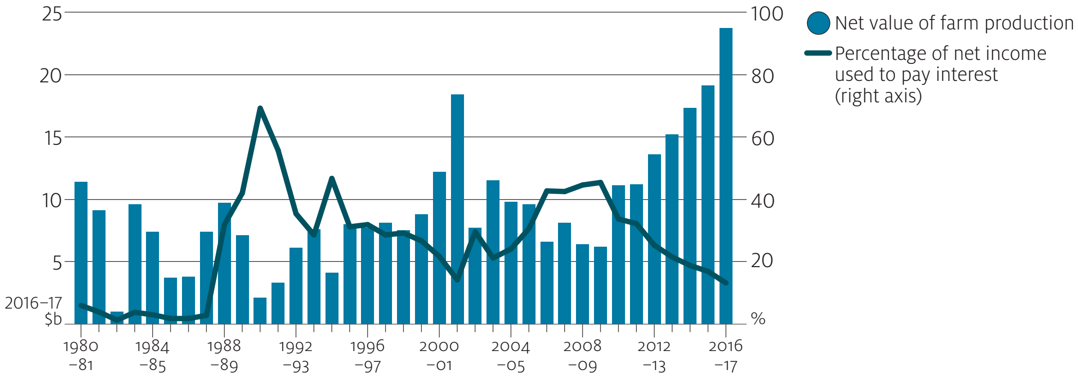
For the agriculture sector as a whole, the proportion of the net value of farm production needed to fund interest payments rose substantially between 2001–02 and 2008–09. This was due to a large increase in farm debt and reduced farm receipts resulting from extended drought conditions. Higher net farm income since 2010–11 and reductions in interest rates resulted in a decline in the average proportion of net income needed to fund interest payments (Figure 3).

Some industries recorded notable changes in debt serviceability in the lead up to and throughout 2016–17 (Figure 4). For the beef industry, the proportion of net income needed to fund interest payments trended downwards to 16 per cent in 2015–16. It is projected to be around 20 per cent in 2017–18. This is similar to the proportion recorded in 2000–01, when beef cattle prices were also historically high.

For the sheep industry, the proportion of net income needed to fund interest payments in 2017–18 is also projected to be historically low, at around 10 per cent. Farm cash incomes for sheep industry farms in 2017–18 are projected to be the highest recorded in more than 20 years.

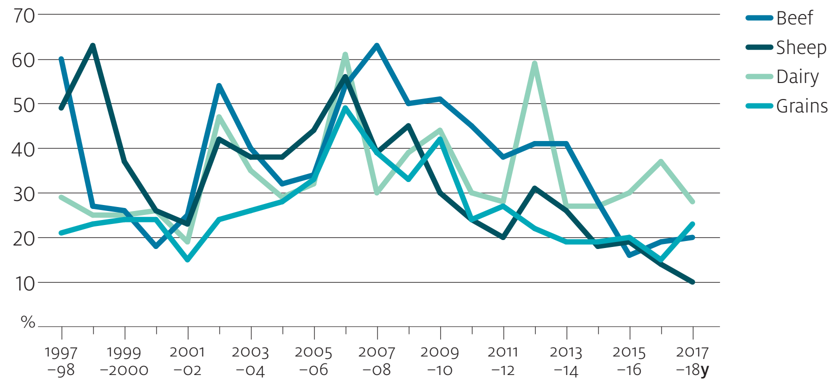
Nationally, for the dairy industry, the proportion of net farm income needed to meet interest payments increased to 37 per cent in 2016–17. This is projected to decline to around 28 per cent in 2017–18 as a result of higher milk prices and increased milk production.

FIGURE 3 Percentage of net income used to pay interest, Australian agriculture, 1980–81 to 2016–17



Source: ABARES (2018)

FIGURE 4 Ratio of interest payments to net farm income for farms with debt, by industry, Australia, 1997–98 to 2017–18 average per farm



p Preliminary estimate. y Provisional estimate.

Chapter 7

Total loans and leases

Table 1 shows that at 30 June 2017:

- Nationally, there was $70.123 billion of agricultural debt.
- Debt was spread across 145,656 farm business entities.
- Average debt per farm business entity was $481,428.
- Total credit limits equated to $84.343 billion.

The average credit limit per farm business entity was $579,055.

TABLE 1 Lending to agriculture, by industry and state, Australia, 30 June 2017

Industry	Class	Loans and leases outstanding ($m)	Credit limit ($m)	Farm business entities (no.) a
Livestock industries	Beef cattle (including beef cattle feedlots)	15,289	18,538	22,502
	Sheep and sheep–beef	6,701	8,278	20,418
	Pigs	396	589	865
	Dairy	6,563	7,196	14,745
	Poultry (meat and eggs)	1,407	1,791	1,500
	Other livestock (horses, deer, beekeeping, other livestock)	685	913	3,655
Cropping industries	Grain growing and mixed grains–livestock	25,210	30,105	42,071
	Cotton	4,014	4,838	1,864
	Sugar cane	1,165	1,466	3,248
	Vegetables (including mushrooms)	2,769	3,406	6,686
	Grape growing	1,352	1,685	4,333
	Fruit and nuts	2,215	2,742	5,600
	Nursery and floriculture	427	532	2,378
	Other crop growing	1,929	2,263	15,791
All agriculture	New South Wales b	20,059	24,360	39,851
	Victoria	14,074	16,879	40,535
	Queensland	16,990	20,614	26,015
	South Australia	7,463	8,925	19,569
	Western Australia	9,104	10,718	15,794
	Tasmania	1,831	2,113	3,359
	Northern Territory	603	734	533
	Australia	70,123	84,343	145,656

a Borrowers. **b** Includes Australian Capital Territory.

Chapter 8

Loans and leases in arrears

Table 2 shows that at 30 June 2017:

- Nationally, the total value of loans and leases in arrears was $630 million (0.90 per cent).
- Nationally, loans and leases in arrears were held by 945 (0.65 per cent) of farm business entities.
- By industry, the proportion of the total value of loans and leases in arrears was highest for grape growing (4.7 per cent), vegetable growing (2.9 per cent) and dairy farming (1.5 per cent).
- By state, the proportion of the total value of loans and leases in arrears was lowest in the Northern Territory (0 per cent) and highest in Tasmania (3.1 per cent), followed by Western Australia (1.1 per cent) and South Australia (1.1 per cent).

Statistics calculated from Appendix A show that at 30 June 2017:

Of the total value of loans to grape growers, the proportion of those in arrears was 7.8 per cent ($19 million) in New South Wales (see Table A1) and 7.1 per cent ($38 million) in South Australia (see Table A4).

Of the total value of loans to grain-growing and mixed grains-livestock farms in Tasmania, 5.7 per cent ($9 million) were in arrears (see Table A6). This may partly reflect low oilseed poppy prices and production in 2016–17.

Of the total value of loans to vegetable growers, the proportion of those in arrears was 6.9 per cent ($23 million) in Western Australia, 6.5 per cent ($23 million) in New South Wales and 6.1 per cent ($17 million) in Tasmania.

Of the total value of loans to dairy farms, the proportion of those in arrears was 4.6 per cent ($18 million) in South Australia, 3.5 per cent ($24 million) in Tasmania and 3.2 per cent ($9 million) in Queensland.

There is no detailed time-series data on loans in arrears. However, ABARES data (ABARES 2014) indicate nationwide that at 30 June 2013, 3 per cent of the total value of agriculture, fisheries and forestry sector debt was in arrears, compared with around 2 per cent of the total value of all other business sector debt in the same period.

TABLE 2 Lending in arrears, by agricultural industry, Australia, 30 June 2017

Industry	Class	Value of loans/leases more than 90 days past due ($m) a	Proportion of loans/ leases more than 90 days past due (%)	Farm business entities more than 90 days past due (no.) b
Livestock industries	Beef cattle (including beef cattle feedlots)	132	0.86	130
	Sheep and sheep–beef	22	0.32	87
	Pigs	0	0.07	4
	Dairy	99	1.50	127
	Poultry (meat and eggs)	8	0.58	22
	Other livestock (horses, deer, beekeeping, other livestock)	5	0.76	54
Cropping industries	Grain growing and mixed grains–livestock	161	0.64	237
	Cotton	11	0.28	5
	Sugar cane	6	0.51	16
	Vegetables (including mushrooms)	80	2.90	60
	Grape growing	64	4.74	59
	Fruit and nuts	34	1.54	69
	Nursery and floriculture	1	0.16	24
	Other crop growing	6	0.32	51
All agriculture	New South Wales c	98	0.49	222
	Victoria	131	0.93	295
	Queensland	159	0.93	163
	South Australia	81	1.08	131
	Western Australia	104	1.14	100
	Tasmania	58	3.14	33
	Northern Territory	0	0.00	1
	Australia	630	0.90	945

a Loans or leases in arrears. **b** Borrowers. **c** Includes Australian Capital Territory.

Chapter 9

Farm debt mediations and foreclosures

Data from 2016–17 in Table 3 show:

- Nationally, there were 96 new instances of farm debt mediations and 33 new instances of farm foreclosures.
- Average credit outstanding per farm business entity for new foreclosures was $1.9 million.
- New farm foreclosures accounted for $5 million (0.27 per cent) of the value of outstanding loans and leases in Tasmania, $23 million (0.16 per cent) in Victoria, $22 million (0.13 per cent) in Queensland, $9 million (0.10 per cent) in Western Australia, $2 million (0.01 per cent) in New South Wales and $1 million (0.01 per cent) in South Australia.
- Of the new instances of farm foreclosures, 2 were in Tasmania (0.06 per cent of all farm business entities), 6 were in Western Australia (0.40 per cent), 10 were in New South Wales and the Australian Capital Territory (0.03 per cent), 8 were in Victoria (0.02 per cent), 5 were in Queensland (0.02 per cent) and 2 were in SouthAustralia (0.01 per cent). There were no new farm foreclosures in the Northern Territory.
- New South Wales and Victoria had the highest proportion of business entities entering mediation. In both states, 0.09 per cent of borrowers entered mediation.
- Statistics calculated from Tables 1 and 3 show:
- Total credit outstanding on new farm foreclosures in 2016–17 was $62 million, or 0.09 per cent of total agricultural debt at 30 June 2017.

There is no detailed time-series data on farm foreclosures and farm debt mediations. However, ABARES publications (ABARES 2014) provide some relevant statistics for drought-affected areas of Queensland and New South Wales. Statistics are also available from state and territory governments operating mandatory or voluntary farm debt mediation schemes.

TABLE 3 Farm debt mediation and foreclosures, all agricultural industries, by state, 2016–17

Industry	State	New instances of farm debt mediation (no.)	New instances of farm foreclosure (no.)	Total credit outstanding on new farm foreclosures ($m)
All agriculture	New South Wales **a**	34	10	2
	Victoria	38	8	23
	Queensland	19	5	22
	South Australia	1	2	1
	Western Australia	4	6	9
	Tasmania	–	2	5
	Northern Territory	–	–	–
Total	**Australia**	**96**	**33**	**62**

a Includes Australian Capital Territory

Chapter 10

Other agriculture sector debt information

Farm business debt outside the scope of this collection

An indication of the amount of farm business debt outside the scope of this collection is provided by ABARES surveys of agricultural industries. These surveys found that at 30 June 2017, just over 95 per cent of aggregate debt for the broadacre and dairy sectors was owed to ADIs and RFCs. The broadacre and dairy sectors accounted for 73 per cent of the gross value of farm production and 73 per cent of Australian farms in 2016–17.

ABARES found that the Australian, state and territory governments accounted for 2 per cent of aggregate broadacre and dairy sector debt. Amounts outstanding to private lenders, including vendor financiers and members of farm operators' families, accounted for 2 per cent of this debt. Sundry creditors (mainly input suppliers) accounted for around 1 per cent of total farm business debt at 30 June 2017. These proportions vary significantly across industries.

Reserve Bank of Australia data indicate that at 30 June 2017 government agencies had loaned a total of $1.142 billion to agriculture, fisheries and forestry industry businesses (RBA 2018). These agencies include the Queensland Rural and Industry Development Authority, the NSW Rural Assistance Authority and other state and territory authorities. Lending by these agencies also includes funds totalling $697 million provided by the Department of Agriculture and Water Resources at 30 June 2017 in the form of:

- business improvement concessional loans
- dairy recovery concessional loans
- drought assistance concessional loans
- drought concessional loans
- drought recovery concessional loans
- farm finance concessional loans.

Government lending accounted for 1.6 per cent of total institutional lending to the agriculture, fisheries and forestry sector at 30 June 2017.

Information on the growth in broadacre and dairy sector debt over the decade to 2016–17, the composition of farm business debt and the distribution of farms by debt and equity is published by ABARES (2017).

Appendix A

State/territory by industry tables

TABLE A1 Lending and debt servicing, agricultural industries, New South Wales and Australian Capital Territory, 30 June 2017

Industry	Year	Credit outstanding ($m)	Credit limit ($m)	Value of loans more than 90 days past due ($m) a	Farm business entities (no.) b	Farm business entities more than 90 days past due (no.)
Livestock industries	Beef cattle (including beef cattle feedlots)	2,838	3,442	5	6,360	32
	Sheep and sheep–beef	2,858	3,546	2	7,811	24
	Pigs	86	118	0	172	1
	Dairy	809	895	3	1,823	14
	Poultry (meat and eggs)	418	515	6	427	9
	Other livestock (horses, deer, beekeeping, other livestock)	252	345	1	1,273	16
Cropping industries	Grain growing and mixed grains–livestock	8,478	10,198	24	12,438	58
	Cotton	2,570	3,149	11	857	4
	Sugar cane	70	91	0	263	2
	Vegetables (including mushrooms)	356	421	23	1,317	8
	Grape growing	245	350	19	813	17
	Fruit and nuts	460	550	3	1,309	16
	Nursery and floriculture	74	87	0	574	6
	Other crop growing	546	652	1	4,414	15
All agriculture	**Total**	**20,059**	**24,360**	**98**	**39,851**	**222**

a Loans or leases in arrears. **b** Borrowers.

TABLE A2 Lending and debt servicing, agricultural industries, Victoria, 30 June 2017

Industry	Class	Credit outstanding ($m)	Credit limit ($m)	Value of loans more than 90 days past due ($m) a	Farm business entities (no.) b	Farm business entities more than 90 days past due (no.)
Livestock industries	Beef cattle (including beef cattle feedlots)	1,120	1,450	19	4,002	34
	Sheep and sheep–beef	1,448	1,774	6	5,891	31
	Pigs	80	124	–	211	–
	Dairy	4,145	4,529	40	10,003	67
	Poultry (meat and eggs)	405	525	2	526	8
	Other livestock (horses, deer, beekeeping, other livestock)	200	254	3	993	16
Cropping industries	Grain growing and mixed grains–livestock	4,337	5,216	36	10,066	63
	Cotton	129	153	–	161	–
	Sugar cane	0	0	–	5	–
	Vegetables (including mushrooms)	724	1,010	10	1,692	20
	Grape growing	464	569	4	1,470	17
	Fruit and nuts	462	603	10	1,236	18
	Nursery and floriculture	155	200	0	756	5
	Other crop growing	405	472	1	3,523	16
All agriculture	**Total**	**14,074**	**16,879**	**131**	**40,535**	**295**

a Loans or leases in arrears. **b** Borrowers.

TABLE A3 Lending and debt servicing, agricultural industries, Queensland, 30 June 2017

Industry	Class	Credit outstanding ($m)	Credit limit ($m)	Value of loans more than 90 days past due ($m) a	Farm business entities (no.) b	Farm business entities more than 90 days past due (no.)
Livestock industries	Beef cattle (including beef cattle feedlots)	9,382	11,278	105	9,206	47
	Sheep and sheep–beef	482	610	0	1,542	4
	Pigs	101	163	–	204	–
	Dairy	275	309	9	892	18
	Poultry (meat and eggs)	284	414	0	222	3
	Other livestock (horses, deer, beekeeping, other livestock)	103	119	1	679	12
Cropping industries	Grain growing and mixed grains–livestock	2,085	2,521	14	3,061	12
	Cotton	1,309	1,531	0	711	–
	Sugar cane	1,094	1,374	6	2,972	14
	Vegetables (including mushrooms)	592	728	5	1,413	11
	Grape growing	25	39	–	50	–
	Fruit and nuts	799	987	14	1,496	20
	Nursery and floriculture	90	110	1	479	5
	Other crop growing	370	431	3	3,088	17
All agriculture	**Total**	**16,990**	**20,614**	**159**	**26,015**	**163**

a Loans or leases in arrears. **b** Borrowers.

TABLE A4 Lending and debt servicing, agricultural industries, South Australia, 30 June 2017

Industry	Class	Credit outstanding ($m)	Credit limit ($m)	Value of loans more than 90 days past due ($m) a	Farm business entities (no.) b	Farm business entities more than 90 days past due (no.)
Livestock industries	Beef cattle (including beef cattle feedlots)	550	674	2	1,048	9
	Sheep and sheep–beef	1,041	1,258	5	2,762	13
	Pigs	64	103	0	180	1
	Dairy	394	442	18	786	13
	Poultry (meat and eggs)	213	236	0	182	2
	Other livestock (horses, deer, beekeeping, other livestock)	71	82	0	319	7
Cropping industries	Grain growing and mixed grains–livestock	3,626	4,356	17	8,348	47
	Cotton	1	1	0	46	–
	Sugar cane	1	1	–	6	–
	Vegetables (including mushrooms)	479	558	1	1,033	7
	Grape growing	534	624	38	1,721	19
	Fruit and nuts	238	293	0	904	6
	Nursery and floriculture	24	32	0	234	5
	Other crop growing	226	267	0	2,000	2
All agriculture	**Total**	**7,463**	**8,925**	**81**	**19,569**	**131**

a Loans or leases in arrears. **b** Borrowers.

TABLE A5 Lending and debt servicing, agricultural industries, Western Australia, 30 June 2017

Industry	Class	Credit outstanding ($m)	Credit limit ($m)	Value of loans more than 90 days past due ($m) a	Farm business entities (no.) b	Farm business entities more than 90 days past due (no.)
Livestock industries	Beef cattle (including beef cattle feedlots)	673	816	1	1,220	5
	Sheep and sheep–beef	576	735	2	1,772	10
	Pigs	62	79	0	76	2
	Dairy	252	296	5	508	3
	Poultry (meat and eggs)	76	85	–	119	–
	Other livestock (horses, deer, beekeeping, other livestock)	29	36	0	278	2
Cropping industries	Grain growing and mixed grains–livestock	6,514	7,617	61	7,880	52
	Cotton	3	3	–	55	1
	Sugar cane	0	0	–	2	–
	Vegetables (including mushrooms)	335	369	23	822	10
	Grape growing	69	83	3	222	5
	Fruit and nuts	176	211	7	478	7
	Nursery and floriculture	66	82	0	237	2
	Other crop growing	273	306	0	2,125	1
All agriculture	**Total**	**9,104**	**10,718**	**104**	**15,794**	**100**

a Loans or leases in arrears. **b** Borrowers.

TABLE A6 Lending and debt servicing, agricultural industries, Tasmania, 30 June 2017

Industry	Class	Credit outstanding ($m)	Credit limit ($m)	Value of loans more than 90 days past due ($m) a	Farm business entities (no.) b	Farm business entities more than 90 days past due (no.)
Livestock industries	Beef cattle (including beef cattle feedlots)	192	231	1	445	3
	Sheep and sheep–beef	290	344	6	620	5
	Pigs	3	3	–	21	–
	Dairy	688	725	24	730	12
	Poultry (meat and eggs)	12	16	–	23	–
	Other livestock (horses, deer, beekeeping, other livestock)	29	77	0	95	1
Cropping industries	Grain growing and mixed grains–livestock	162	188	9	256	5
	Cotton	1	1	–	31	–
	Sugar cane	–	–	–	–	–
	Vegetables (including mushrooms)	281	316	17	385	4
	Grape growing	16	19	0	50	1
	Fruit and nuts	45	56	0	95	1
	Nursery and floriculture	15	17	0	85	1
	Other crop growing	98	121	–	523	–
All agriculture	**Total**	**1,831**	**2,113**	**58**	**3,359**	**33**

a Loans or leases in arrears. **b** Borrowers.

TABLE A7 Lending and debt servicing, agricultural industries, Northern Territory, 30 June 2017

Industry	Class	Credit outstanding ($m)	Credit limit ($m)	Value of loans more than 90 days past due ($m) a	Farm business entities (no.) b	Farm business entities more than 90 days past due (no.)
Livestock industries	Beef cattle (including beef cattle feedlots)	533	647	–	221	–
	Sheep and sheep–beef	7	11	–	20	–
	Pigs	0	0	–	1	–
	Dairy	0	0	–	3	–
	Poultry (meat and eggs)	0	0	–	1	–
	Other livestock (horses, deer, beekeeping, other livestock)	1	1	–	18	–
Cropping industries	Grain growing and mixed grains–livestock	7	9	–	22	–
	Cotton	0	0	–	3	–
	Sugar cane	–	–	–	–	–
	Vegetables (including mushrooms)	4	4	–	24	–
	Grape growing	0	0	–	7	–
	Fruit and nuts	35	42	0	82	1
	Nursery and floriculture	4	5	–	13	–
	Other crop growing	12	14	–	118	–
All agriculture	**Total**	**603**	**734**	**0**	**533**	**1**

a Loans or leases in arrears. **b** Borrowers.

Appendix B

Agricultural industry groups

TABLE B1 Agricultural industry groups, by class

Industry group	Subgroup	ANZSIC 1993 class or classes	ANZSIC 2006 class or classes
Livestock industries	Beef cattle	0125	0142, 0143
	Sheep and sheep–beef	0123, 0124	0141, 0144
	Pigs	0151	0192
	Dairy	0130	0160
	Poultry (meat and eggs)	0141, 0142	0171, 0172
	Other livestock (horses, deer, beekeeping, other livestock)	0152, 0153, 0159	0180, 0191, 0193, 0199
Cropping industries	Grain growing and mixed grains–livestock	0121, 0122	0146, 0145, 0149
	Cotton	0162	0152
	Sugar cane	0161	0151
	Vegetables (including mushrooms)	0113	0122, 0123, 0121
	Grape growing	0114	0131
	Fruit and nuts	0115, 0116, 0117, 0119	0132, 0133, 0134, 0135, 0136, 0137, 0139
	Nursery and floriculture	0111, 0112	0111, 0112, 0113, 0114, 0115
	Other crop growing	0169	0159

ANZSIC Australian and New Zealand Standard Industrial Classification.

Glossary

Term	Definition
90 days past due (in arrears)	A loan or lease arrangement that is not subject to a regular repayment schedule is considered 90 days past due when it has remained continuously outside contractual or approved arrangements for 90 days. A loan or lease arrangement that is subject to a regular repayment schedule is considered 90 days past due when: a. at least 90 calendar days have elapsed since the due date of a contractual payment that has not been met in full and b. the total amount outside contractual arrangements is equivalent to at least 90 days' worth of contractual payments. Reporting entities provide APRA with the total values of loans greater than 90 days past due and the number of business entities with loans greater than 90 days past due. Reporting entities supply data as at the end of the reporting period.
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ADI	Authorised Deposit-taking Institution (as defined in the *Banking Act 1959*)
agricultural activity	Refers to an activity in one of the agricultural industry groups listed in Table B1
ANZSIC	Australian and New Zealand Standard Industrial Classification (see Table B1)
APRA	Australian Prudential Regulation Authority, established under the *Australian Prudential Regulation Authority Act 1998*
borrower	See farm business entity
credit limit (total)	Means the maximum amount of funds available to the farm business entity without additional authorisation or approval. This amount includes outstanding credit (including capitalised interest or fees) and any other funds that can be drawn without additional approval by the reporting entity. Reporting entities supply data as at the end of the reporting period.
credit outstanding (total)	Credit outstanding is the original loan and/or lease amount less any repayments, including any redraw facilities drawn. Outstanding amounts are reported gross of provisions. Deposit balances in offset accounts are not netted against the outstanding credit amount. Finance that has been written off has been excluded. Reporting entities supply data as at the end of the reporting period.
DAWR	Department of Agriculture and Water Resources, including the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), or any Australian Government department that assumes or succeeds to its functions

Term	Definition
farm business entity	An entity (company, trust, partnership, incorporated entity, sole trader or joint venture) that undertakes productive agricultural activities that constitute the entity's primary source of income. A farm business entity may comprise a group of related business entities. A group of related business entities are reported as one farm business entity. Related business entities include the parent entity, controlled entities, associated entities, joint venture entities and any other entity under the same parent entity. A farm business entity is effectively 'one borrower'.
farm debt mediation	A structured negotiation process where a neutral and independent mediator helps the farm business entity and the reporting entity reach agreement about current and future debt arrangements. Some states and territories require that farm debt mediation occurs before the reporting entity is allowed to undertake foreclosure action. A new instance of farm debt mediation is considered by reporting entities to have commenced when the first meeting of the mediating parties has taken place. Reporting entities supply data to APRA on new instances of farm debt mediation for the reporting period.
foreclosure	A proceeding in which a reporting entity may take possession of a property used to secure a loan or lease. A new instance of a foreclosure is considered by a reporting entity to have commenced when a reporting entity, or a receiver or administrator appointed by the reporting entity, takes possession of a mortgaged property. Reporting entities supply data to APRA on new instances of farm foreclosures, and the total credit outstanding for new farm foreclosures to APRA for the reporting period.
FSCODA	*Financial Sector (Collection of Data) Act 2001*
industry classification	An individual farm business entity is assigned to an industry based on its predominant agricultural activity. The industry classification used in this publication is based on the 1993 and 2006 Australian and New Zealand Standard Industrial Classification (ANZSIC) classes listed in Table B1. For confidentiality purposes, some of these classes were amalgamated with others to form an industry group.
loans and leases	Amounts owing to a reporting entity by a farm business entity evidenced by non-negotiable documents, including: • advances • secured and unsecured loans • mortgages • commercial loans • redeemable preference share finance not evidenced by a security • lease arrangements • equity participation in leveraged leases. Only those loans where half or more than half of the loan limit is for the purpose of agricultural activities and leases, whether drawn down or not, are reported to APRA.
related parties	Related parties of the reporting entity include the parent entity, controlled entities, associated entities, joint venture entities and other branches under the same parent entity.
reporting entity	An ADI or RFC to which the reporting form ARF 750.0 (DAWR Agricultural Lending) applies.
RFC	Registered financial corporation that is a registered entity under the *Financial Sector (Collection of Data) Act 2001*

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