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Australian families not selling the farm

The financial state of the vast majority of Australian farm businesses is pretty good at present, and there is no justification for claims of a 'farm debt crisis', according to the authors of papers on farm finance published in the latest edition of the Australian Farm Institute's *Farm Policy Journal*.

There is no doubt that in several regions, farm finances are under pressure. These include cattle farms in north-western Queensland that are currently suffering from drought and the disruption of the live cattle export trade, and in parts of the cropping zone of Western Australia that have experienced poor seasonal conditions over recent years. But any view that there is about to be a wholesale takeover of large numbers of farms by banks, or that the only future for Australian farm businesses is under corporatised or overseas ownership is not justified, based on available data.

'The strong reliance of the farm sector on debt financing, in combination with the volatility of farm returns in Australia, inevitably results in periods when there is relatively rapid growth in aggregate farm debt' said Mick Keogh, Executive Director of the Australian Farm Institute.

'The overall picture that emerges is that there are several debt "hot spots" – specifically in the northern beef industry and the Western Australian grains industry – but that aggregate rural debt levels have actually declined over recent years and farm equity levels remain quite high.'

One author argues that 'equity capital rather than debt financing may feature more in agricultural development and in concert, these structural changes in capital may promote a more productive and profitable agriculture sector in Australia.'

Another author notes that internationally, there is currently 'a dual process of "financialisation and corporatisation" in the agricultural sector is leading a new regime characterised by the dominion of a few large food business groups that have the potential to marginalise the majority of farmers'.

While providing a diverse overview of the trends and likely future developments in farm financing, the articles and interviews provided in this edition of the *Farm Policy Journal* expose the complexity of the topic and the current structural shifts in farm financing models. In many respects, these articles and interviews reiterate that agriculture is a challenging and dynamic industry, and that there are no simple answers when it comes to deciding on the best structure or financial model for businesses in the sector.

The Spring 2013 quarter *Farm Policy Journal* is available online at the Australian Farm Institute website www.farminstitute.org.au or by phoning (02) 9690 1388.

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