Press Release
Wheatbelt Integrity Group: Comments on the Royal Commission Into Banking.

Farm debt
Although the Federal Government is to be applauded for conducting the Royal Commission into banking, there is some concern, especially amongst the Ag sector that it may not go far enough in changing banking culture.

With some 70 billion in farm debt held by the big four banks alone, an amount that is not repayable according to Charles Massy, (*Call Of The Reed Warbler*) the exodus of family farmers from the Australian rural landscape must be halted. When questioned by government representatives and Wheatbelt Integrity Group committee members about the seriousness of this debt, the banks will tell you there's no problem. In 2000 WA had over 10,000 grain growers. The 16/17 ABS census shows WA has just 3744 remaining grain growers.

There is a very big problem
Wheatbelt Integrity Group committee members have been busy talking with farmers who have left or are in the process of leaving the industry. It isn't surprising that they are not leaving by choice. Drought, floods, frost, other natural disasters and low prices all afflict farmers.
The 70 billion dollar debt is no problem for the banks because it represents huge profits. When a default notice is sent to a farmer for missing a payment or even just sailing a little too financially close to the wind, interest rates are escalated. When interest rates soar to 20%, a farmer who is already under financial duress will not meet those repayments. It appears the bank never intended he or she to meet them. NAB's Ross McNaughton admitted to the Royal Commission that such rates do not profit the bank or its customers.

Refinancing with another bank can be nigh on impossible because the farmer hasn't been paying his 20% interest rates. With no carry on finance to trade out of the situation the farmer is trapped. If he dares to stick around and struggle on, a small debt soon becomes an enormous debt and when debt overtakes equity, the bank claims legal right to everything he owns. There is a yawning chasm between legality and morality here. Banks are guilty of unconscionable conduct when customers are compelled to sign Deeds of Forbearance by the threat of giving banks vacant possession of their homes and properties. Unreasonable time frames and impossible expectations of sales when the market is depressed result in pressure with ensuing health and marital issues, depression and suicide when faced with the loss of livelihood and home.

The money trail
Devaluing land, the cost of valuations, lawyers, receivers and managers, weed management programs and machinery fire sales all increase the farmer's debt. The ABC detailed the immoral sale of Cronin's machinery at a fraction of it's value.
In a few short years, the banks armed with default notices and excessive compound interest will chip away at the remaining few farmers and turn a 70 billion dollar debt into a massive profit.

Rural suicide
A recent New York Times article states that "Australia is a breadbasket to the world and a globalisation success story. So why are it's farmers still killing themselves?" (Jacqueline Williams, New York Times, May 20 2018.) I believe the scenario outlined above goes a long way to explaining why, especially when considering many farmers are left with an enormous debt even after their assets have been sold at an undervalued price. The article

goes on to say, “There’s a mental health crisis in rural Australia. Nationwide, people living in remote Australia now take their own lives at twice the rate of those in the city: Every year, there are 20 suicide deaths per 100,000 people in isolated rural areas, compared with 10 in urban communities, according to independent studies of local health figures”.

Mediation
The federal and state governments have done well to make bank/farmer mediations mandatory (in some states) when a dispute arises, although it’s questionable whether it really levels the playing field in terms of fairness in negotiations. It’s easy to see why many farmers are unwilling to testify at the Royal Commission Into Banking because of the intimidation and bullying tactics employed by the banks.

Bank lending practice
The practice of overvaluing property to make a loan and then devaluing the property when the farmer is in default must cease. Ensuring that a farmer can’t operate his business by selling his equipment while expecting him to repay his loans is unethical, so is encouraging farmers to expand by extending finance to buy more property in good seasons and then calling in the loans in times of hardship.

Natural value and regenerative farming
For some time banks have been keen to be seen in the new regenerative farming space. It does create a positive public perception as 'natural capital’ and ‘regenerative farming’ conjure up some nice, conscientious, clean green images.
When carbon sequestration and natural capital is valued by banks, the result is a higher equity for farmers and the capacity to borrow more. Inviting farmers to borrow more on account of their attention to natural capital is plain dangerous and enslaves the farmer even more.

City and country
On behalf of the Wheatbelt Integrity Group I appeal to our city counterparts to take notice of the exodus of farmers from the regions because this has a ripple affect in the cities. Together we can have influence. Until banking culture changes, alternate financial institutions are available such as credit societies and online banks with virtual shopfronts that save fees and charges.

Nicholas Kelly
Wheatbelt Integrity Group Chairman

Join www.wig.farm for more information on regenerative farming and for news on the upcoming annual WIG Field Day featuring Colin Seis.