

Exhibit MSB-1



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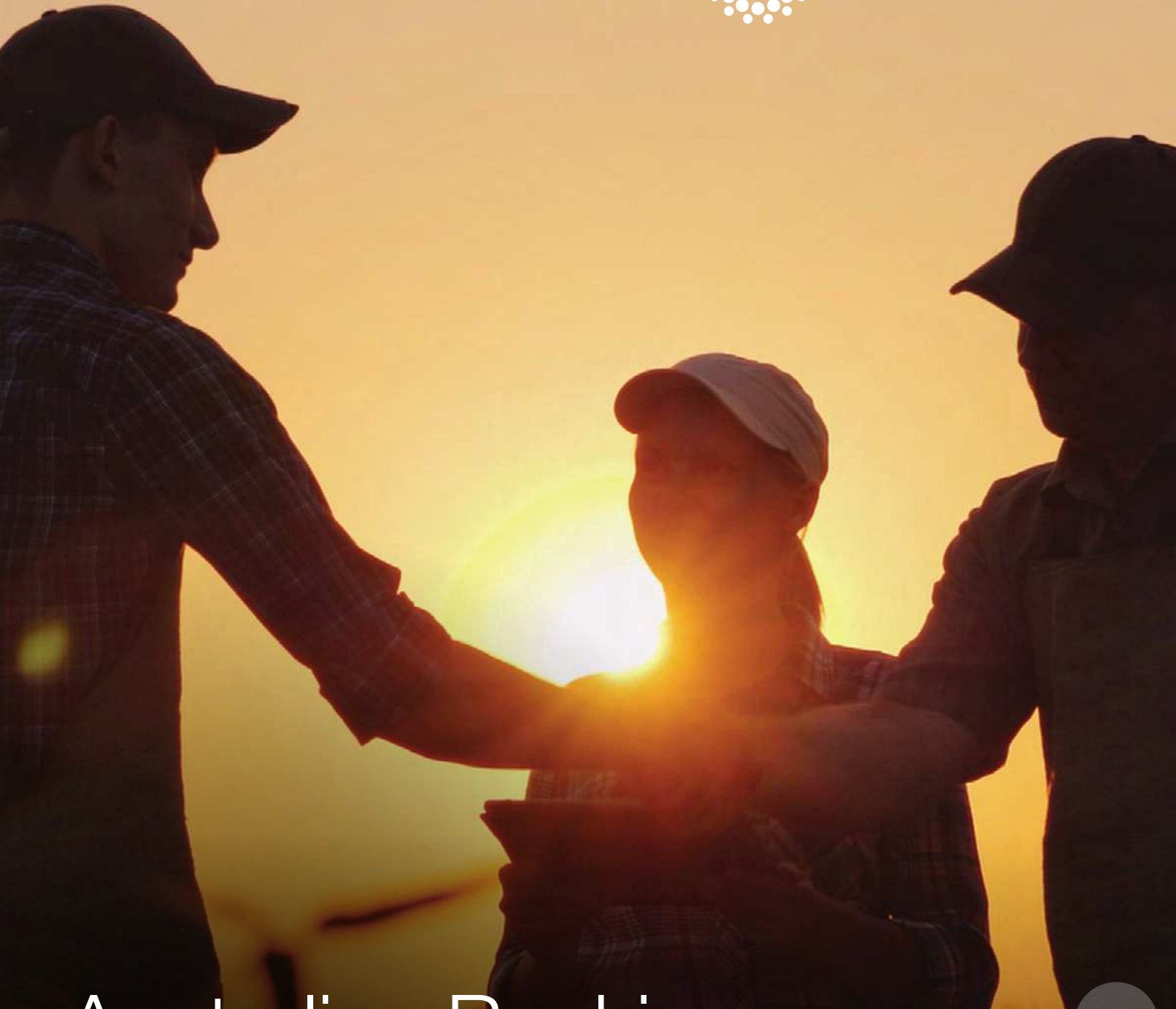
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Australian Banking
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Agribusiness Report 2022



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Introduction

Agriculture has long been a backbone of the Australian economy and is a sustainable sector that will continue to be critical to the nation's future prosperity for generations to come.

Ongoing activity across the industry, supported by Australian banks, has provided vital stability to the wider economy during the uncertainty of the COVID-19 pandemic. Australian agriculture will continue to play a leading role during the current recovery period and banks remain deeply invested in the success of regional customers and communities.

Despite the turbulence of recent years, macroeconomic conditions across the sector are very positive. Strong prices are being maintained across a range of agricultural commodities and ideal seasonal conditions have resulted in bumper crop yields.

Banks continue to back farm businesses in Australia with lending to agriculture remaining high, currently sitting at over \$90 billion. In the 12 months to February 2022, ABA members lent an average of \$4.2 billion to agribusinesses on a monthly basis, a 29 per cent increase in the average of \$3.2 billion in the 12 months prior.

Over the past few decades, agricultural exports have consistently contributed around 4 per cent to the nation's Gross Domestic Product (GDP). After a decline in the contribution of agricultural produce to GDP during 2020, there has been a sharp increase in the gross value agriculture has added in recent years. In the December quarter of 2021 agriculture contributed \$12.8 billion, the most in any quarter, and above the long-term trend.

Given future expectations and anticipated higher income across agriculture, Australian banks want, and are ready, to lend to the sector and will continue to support farmers and primary producers across the country.

Partnering with sectors like agribusiness is one of the most important roles a bank can play. Dedicated agribusiness bankers see it as their job to understand a customer's business and make it their mission to be available to provide trusted support and timely responses.

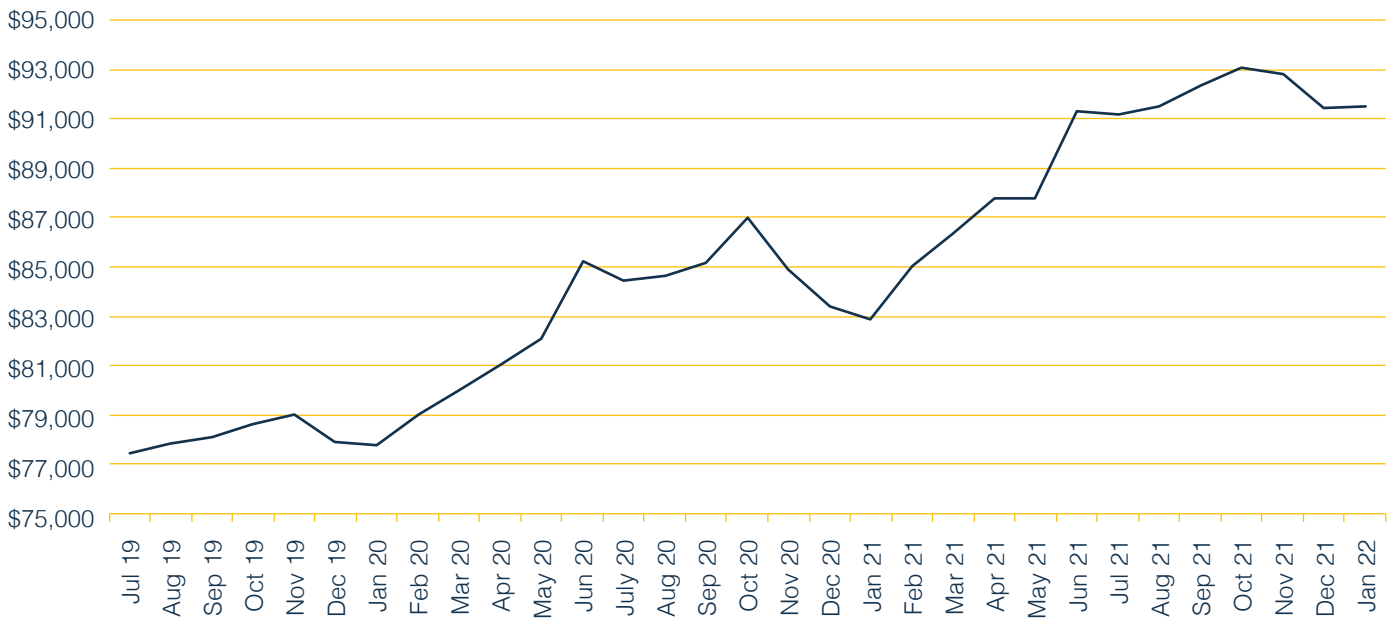
As we put the worst of the pandemic behind us and continue the recovery journey through 2022 and beyond, banks will continue to collaborate with the sector, governments and industry stakeholders to ensure product and service offerings support the needs of Australian agriculture long into the future.



Lending to agribusinesses

In February 2022 total lending to agribusinesses in Australia sat at \$92.2 billion, having grown 20% since July 2019.

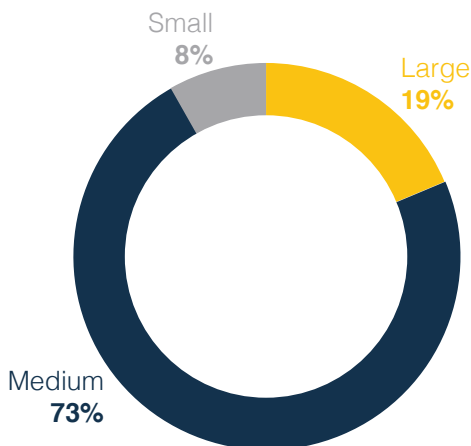
Figure 1: Total lending to agribusinesses, \$m, July 2019 – February 2022



Source: RBA, Lending to business, D14.1

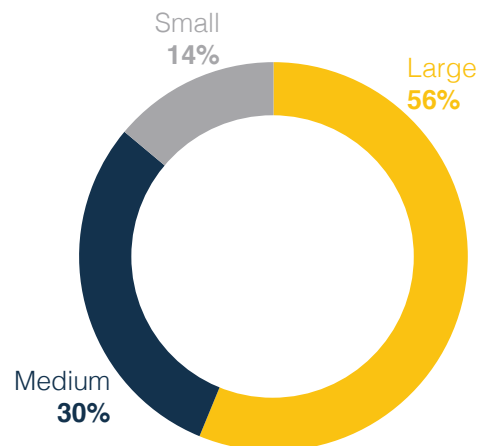
The distribution of lending by business size in agriculture follows a different pattern to that of other industries. Nearly three quarters (73 per cent) of all outstanding lending to agriculture is to medium-sized businesses, Figure 2a. This is markedly different to the usual industry distribution of lending by business size. On average the majority (56 per cent) of lending is to large businesses, with medium sized businesses receiving 30 per cent of the value of all lending, Figure 2b.

Figure 2a: Distribution of lending to agribusinesses, %, February 2022



Source: RBA, Lending to business, D14.1

Figure 2b: Distribution of lending to all industries, %, February 2022



Source: RBA, Lending to business, D14.1



Note on definition of business size

This report draws on data from a range of sources. Each source varies in how it defines business size.

Data drawn from the Australian Bureau of Statistics (ABS) relies on employment size. A micro business has no employees, small business has 1-19 employees, medium business has 20-199 employees and large business has 200+ employees.

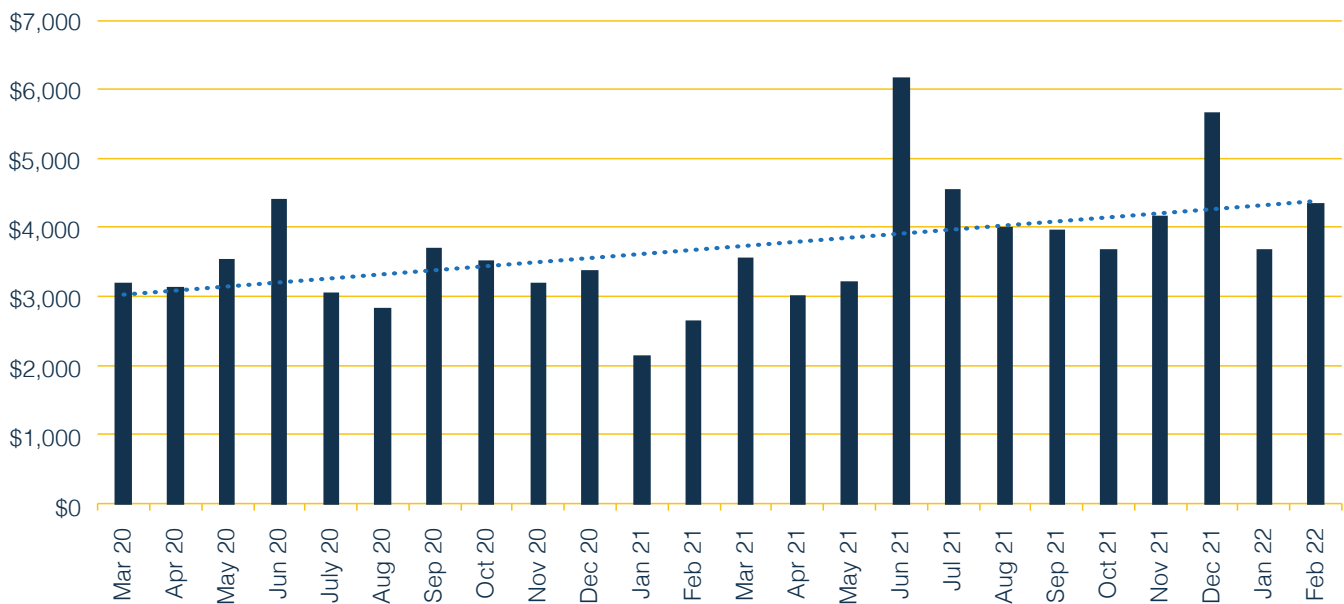
RBA bases their definition on a business's turnover size and access to finance. The RBA classifies a business as small if the business has reported exposure of less than \$1 million and a turnover of less than \$50 million. A medium business is classified as having access to \$1 million or more in financing and a turnover of less than \$50 million. A large business is a business that turnovers more than \$50 million.

DBM defines micro businesses as those with a turnover of less than \$1 million, small businesses as those with a turnover of between \$1 million and \$5 million and medium businesses as those with a turnover between \$5 million and \$40 million.

Banks in Australia are deeply invested in the success agribusiness customers and providing prudent and responsible access to finance is one of the fundamental roles of the banking sector. ABA members constitute more than 80 per cent of the agribusiness lending market, with \$77 billion outstanding at the end of February 2022.

In the 12 months to February 2022, ABA members lent an average of \$4.2 billion to agribusinesses on a monthly basis, a 29 per cent increase in the average of \$3.2 billion in the 12 months prior.

Figure 3: New lending to agribusinesses by ABA member banks, \$m, March 2020 – February 2022



Source: ANZ, Bendigo, BOQ, CBA, Citi, ING, Macquarie, NAB, Rabo, Suncorp, Westpac



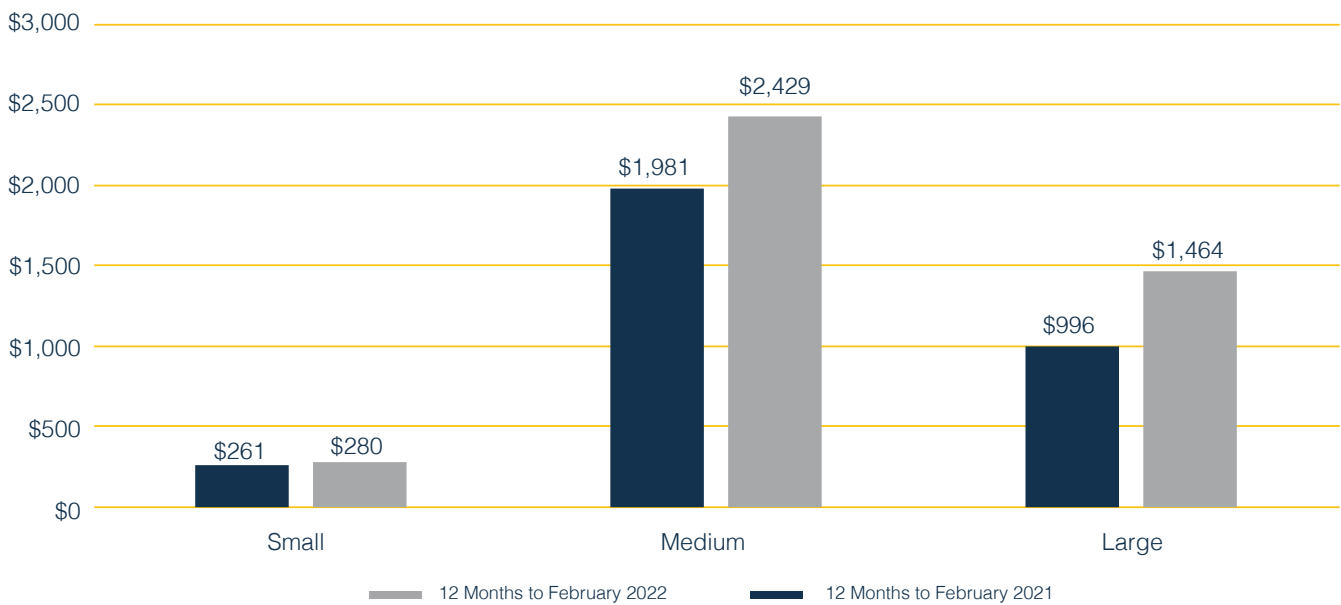
In the 12 months to February 2022, ABA members lent an average \$4.2 billion to agribusinesses on a monthly basis, a 29% increase in the average of \$3.2 billion lent the previous year.



1. This figure and those included in charts 3 & 4 come from ten ABA member banks, ANZ, Bendigo, BOQ, CBA, Citi, ING, Macquarie, NAB, Rabo, Suncorp, Westpac

ABA member banks continue to support small, medium and large agribusinesses in their access to credit. Average monthly lending to small agribusinesses grew 7 per cent to \$280 million from \$261 million in the 12 months to February 2022, compared with the 12 months to February 2021. For medium businesses this growth was 22.6 per cent (\$2.43 billion compared with \$1.98 billion) and for large businesses this growth was 47 per cent (\$1.46 billion compared with \$996 million).

Figure 4: Monthly average lent to agribusiness by ABA member banks, By business size, \$m, 12 months to February 2021 and 12 months to February 2022



Source: ANZ, Bendigo, BOQ, CBA, Citi, ING, Macquarie, NAB, Rabo, Suncorp, Westpac



Industry performance

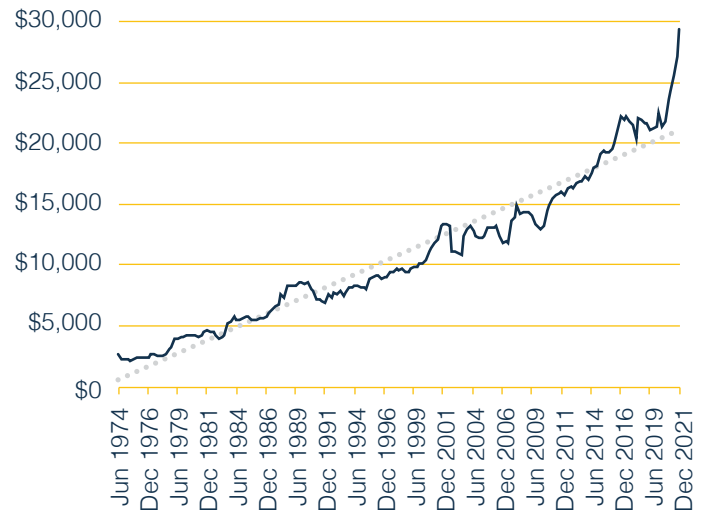
Agricultural exports have consistently contributed around 4 per cent to Australia's GDP over the past few decades. After a decline in the contribution of agricultural produce to GDP between September 2018 and September 2020, we have recently seen a sharp increase in the total income generated from agribusinesses (gross value added), Figure 5a.² In the December quarter of 2021, agriculture contributed \$12,9 billion to GDP, the most in any recorded quarter, and above the long-term trend.

The Australian Bureau of Agricultural Resource Economics predicts a continued rise in agricultural income with record numbers expected in both production and exports. This is driven by productivity growth alongside better than average seasonal conditions and record demand and prices in international exports.

The reason for the decline in gross value added (Figure 5b) during the 2018-2020 period was due to a stagnancy in overall agricultural income (Figure 5a), at the same time as an increase in agricultural input costs (Figure 6). Input costs for agriculture are typically fuel, feed and fertiliser. Australia's drought of 2017-2019 intensified these already rising costs.

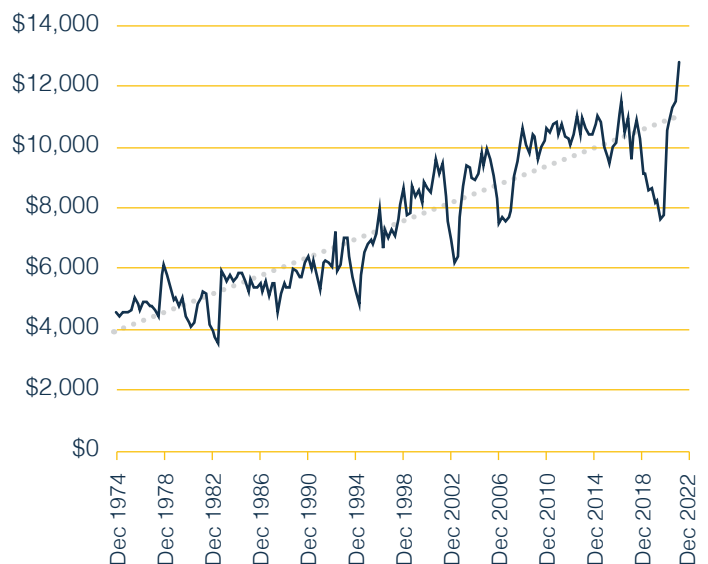


Figure 5a: Agriculture, Gross value, Chain volume measures, \$m, 1974-2021



Source: ABS, National Accounts, Table 6 – Gross value added by industry; Seasonally adjusted

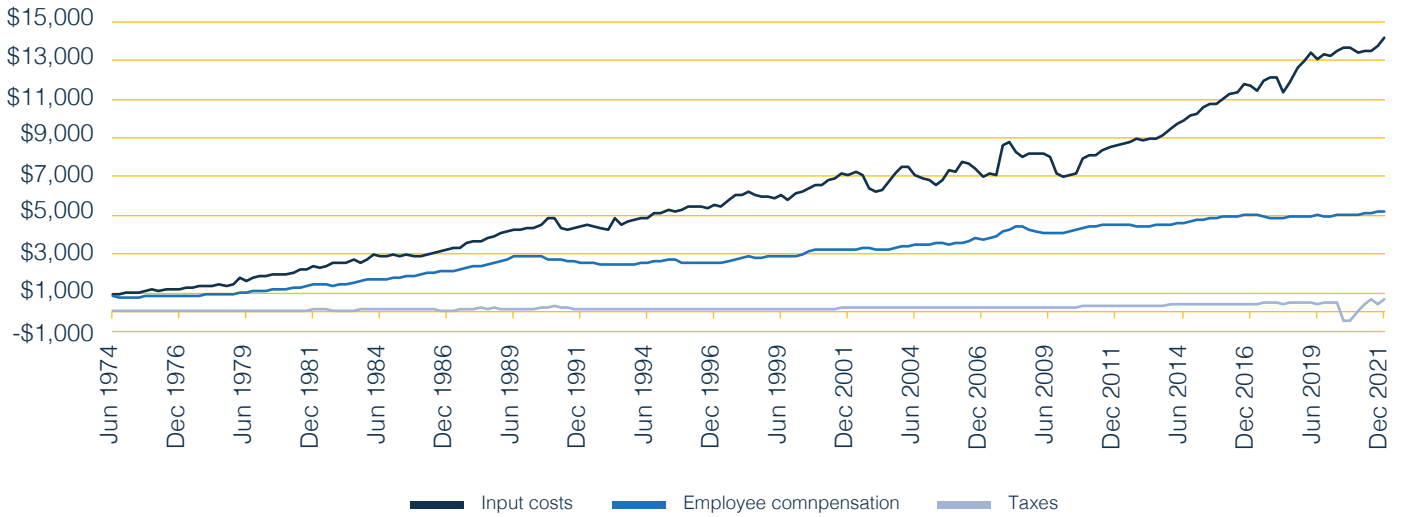
Figure 5b: Gross value added of agricultural income, \$m, 1974-2021



Source: ABS, National Accounts, Table 10 – Agricultural income; Seasonally adjusted

2. Contribution to GDP refers to agriculture goods produced in Australia minus input costs, for example, compensation of employees, consumption of fixed capital, taxes and other intermediate inputs.

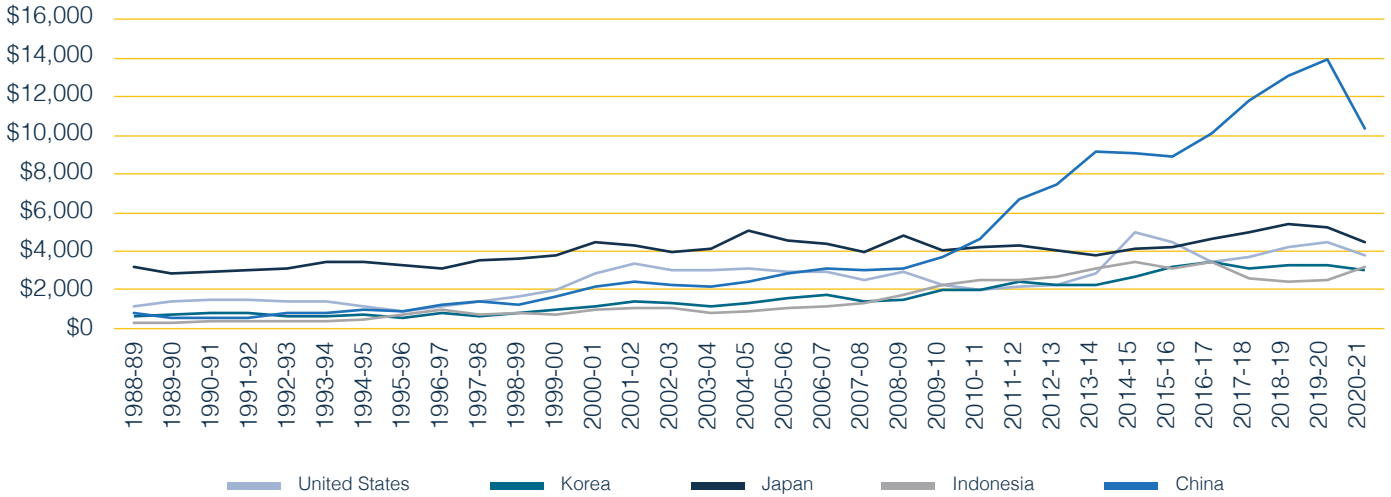
Figure 6: Agricultural expenses, \$m, 1974-2021



Source: ABS, National Accounts, Table 10 – Agricultural income; Seasonally adjusted



Figure 7: Agricultural export income, By country of export, \$m, 1988-2021



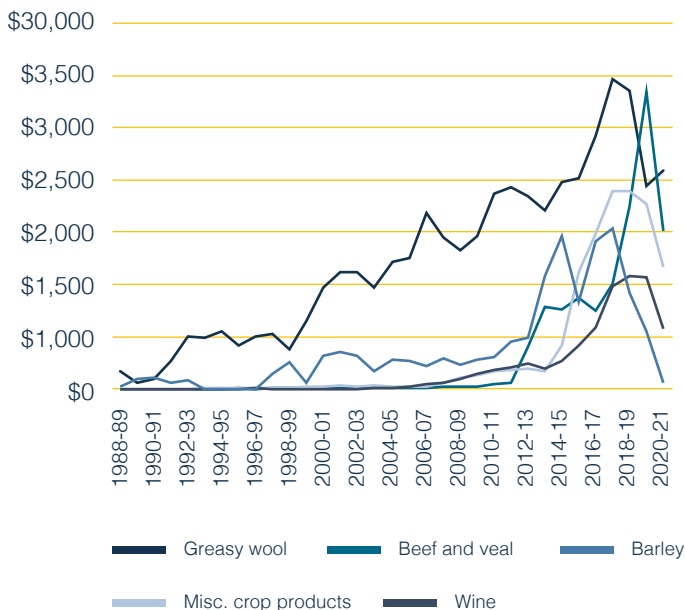
Source: ABARES, Agricultural Commodities, Tables 18-22

Over the past decade the bulk of agricultural export income has come from China, however this declined by around a quarter from 2019-20 to 2020-21.

The export products driving the overall loss of income from exports to China were Australia’s leading agricultural commodities: barley, greasy wool, wine, beef and veal and other miscellaneous crop products (which includes non-wine alcoholic crops such as barley for beer, malt for whiskey, among others), Figure 8a. The overall decline is likely reflective of the trade embargo implemented by China, rather than any decline in demand. Declining exports of lamb, mutton and wine also contributed to this decline, but to a lesser extent.

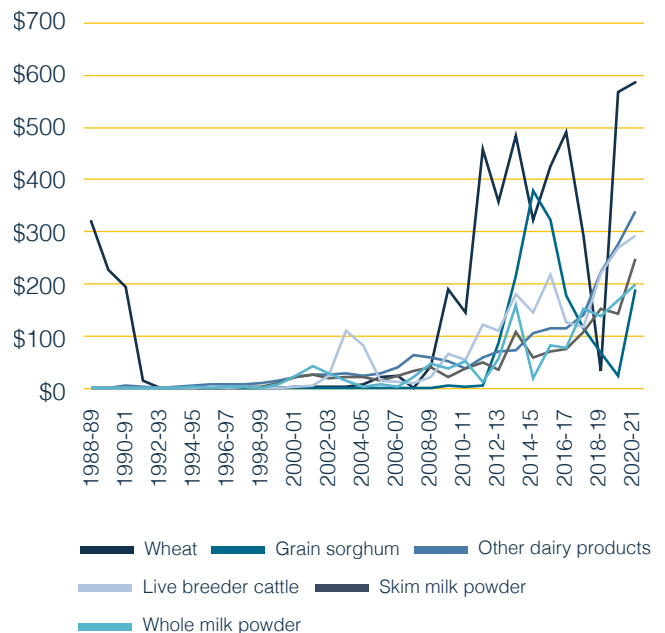
While some of Australia’s most popular export products have been in decline, others are becoming popular. Skim and whole milk powders as well as other dairy products have been slowly increasing in export value to China over the past 3-4 years.

Figure 8a: Agricultural export income from China, Exports in decline, \$m, 1988-2021



Source: ABARES, Agricultural Commodities, Table 18

Figure 8b: Agricultural export income from China, Increasing exports, \$m, 1988-2021



Source: ABARES, Agricultural Commodities, Table 18



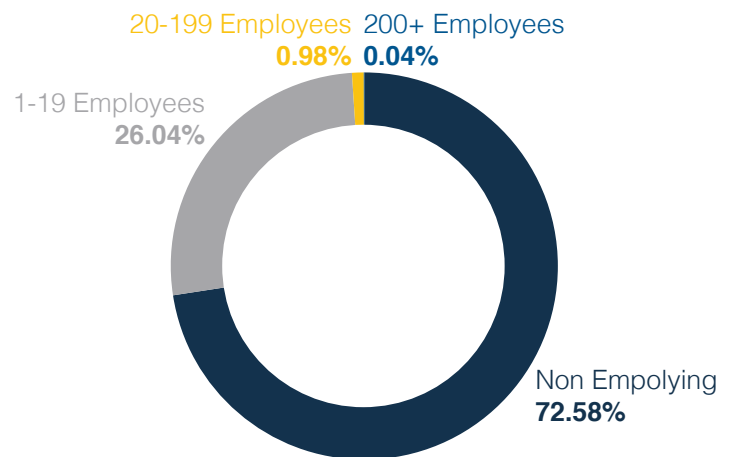
Industry profile

Agribusinesses are typically micro-businesses, whether defined by number of employees or turnover. The majority of registered agribusinesses (around three quarters, or 73 per cent) are non-employing and only 1 per cent of agribusinesses employ 20 or more people, Figure 9a. This is remarkably different to the industry average; in comparison only 59 per cent of Australian businesses are non-employing.

While agricultural operations are often large scale requiring many labour components, the nature of the seasonal work means that labour is not usually engaged on a permanent basis, but on a fluctuating contractual basis.³ In recent years agribusinesses have been increasingly consolidating, however this has not resulted in greater numbers of employing businesses.⁴ In fact, the proportion of non-employing agribusinesses has grown over the years, up from 67 per cent in 2003.

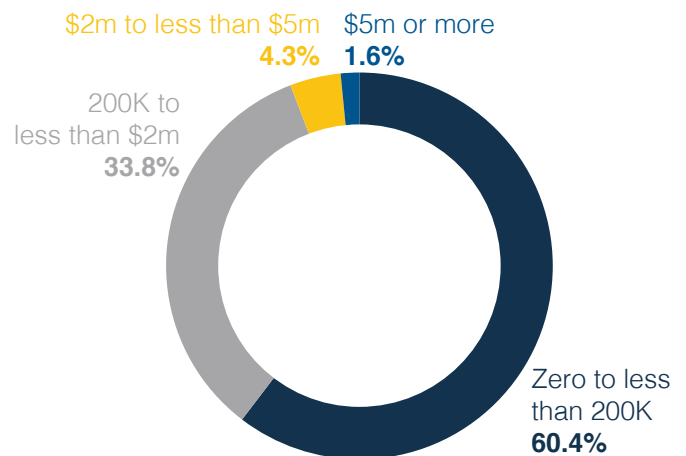
When measured another way, agribusinesses are also small, with 60 per cent having an annual turnover of less than \$200,000 and a further third have a turnover of between \$200,000 and \$2 million, Figure 9b.

Figure 9a: Agribusinesses, By number of employees, %, June 2021



Source: ABS, Counts of Australian businesses, Data cube 2; ABA

Figure 9b: Agribusinesses, By turnover, % June 2021



Source: ABS, Counts of Australian businesses, Data cube 3; ABA

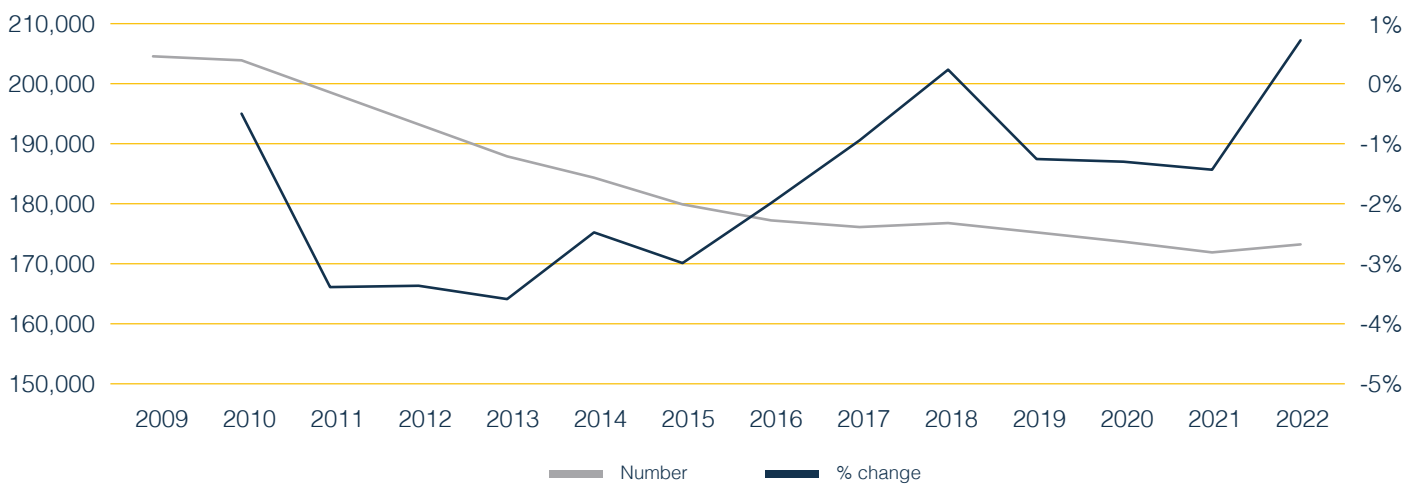


3. Labour surveys conducted by the Australian Bureau of Agriculture and Resource Economics indicate that permanent employees typically make up around 20% of horticultural farm staff, while family members and contractors constitute the remainder. Contracting is less common for broadacre and dairy operations, but still constitute a sizeable number of farm staff. See <https://www.awe.gov.au/abares/research-topics/labour> for more information.

4. The NSW Farmers' Association describes the reason for the large number of contracting staff as "In many cases, individuals choose to offer their services as contractors rather than as employees, because the arrangement offers them greater independence and higher hourly rates. As farming operations are consolidating and become larger, more specialised services are required to assist in the running of the farm, often for a limited timeframe or for particular purposes." NSW Farmers' Association, March 19 2021, *Inquiry Into Impact Of Technological And Other Change On The Future Of Work And Workers In New South Wales*, Submission No. 45

The number of agricultural, forestry and fishing businesses registered in Australia has been in overall decline for more than a decade. In June 2021 there were 173,131 agribusinesses, a decline from 204,503 in June 2009. However, 2021 saw a growth of 0.8 per cent in agribusinesses, only the second period of growth after a growth of 0.4 per cent in 2017-2018.

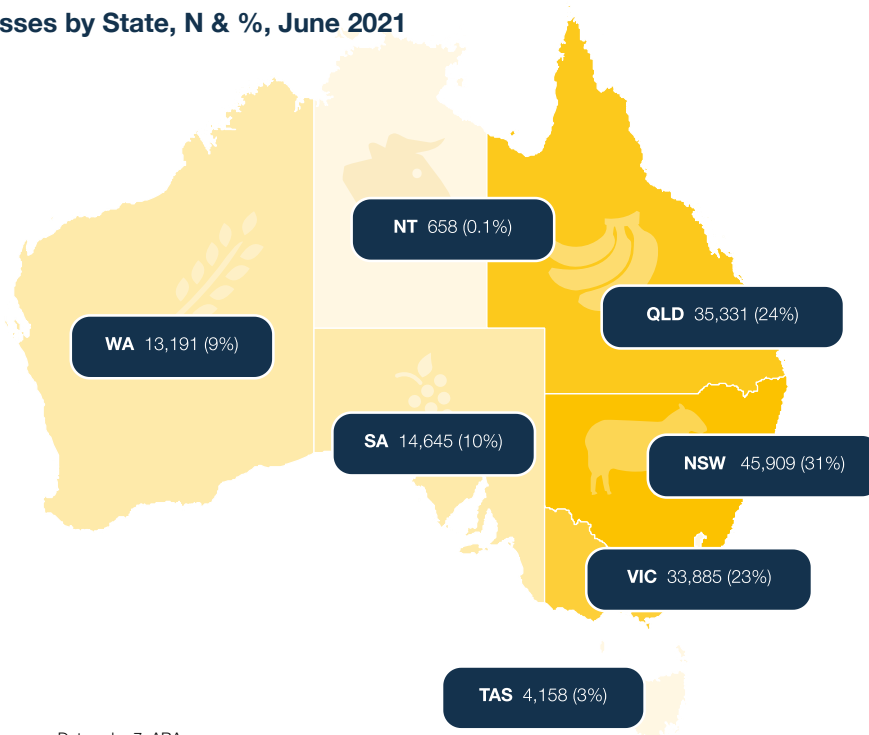
Figure 10: Agricultural, forestry and fishing businesses, Number (LHS) & %Change (RHS), 2009-2021



Source: ABS, Counts of Australian businesses, Data cube 1

New South Wales has the largest number of agribusinesses, with nearly 46,000 or just under one third located in New South Wales.

Figure 11: Agribusinesses by State, N & %, June 2021



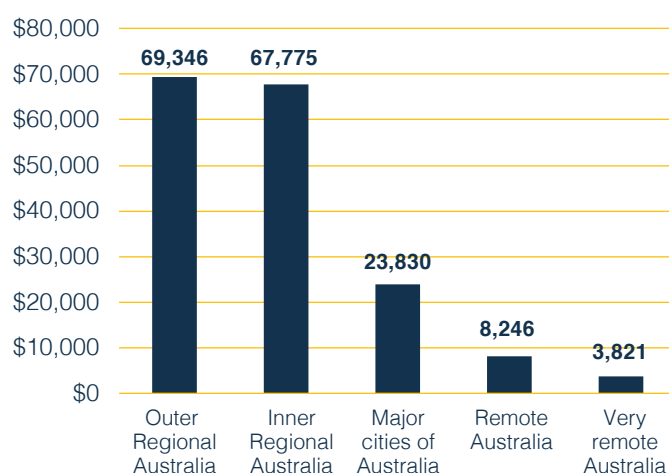
Source: ABS, Counts of Australian businesses, Data cube 7; ABA



The majority of agriculture, forestry and fishing businesses are located in inner and outer regional Australia (approximately 68,000 and 69,000, respectively). However nearly 24,000 agriculture, forestry and fishing businesses are located in major cities, Figure 12. These businesses may be constituted by contractors with their own ABNs who live in cities and travel to service regional agribusinesses, but also smaller operations located on the outskirts of major cities. For example, Penrith, a council area located on the outskirts of Sydney reports being home to egg production businesses which account for 17 per cent of all NSW egg production and mushroom growing businesses that account for 16 per cent of mushroom production in NSW.

The most common Australian agricultural sectors are variants of cattle, crops and horticulture. The top ten sectors account for 87 per cent of all agribusinesses in Australia. Beef cattle farming accounts for more than one quarter of all registered agribusinesses in Australia.

Figure 12: Agriculture, forestry & fishing businesses, By remoteness, N, June 2021



Source: ABS, Counts of Australian businesses, Data cube 9; ABA
 Note: This data includes all Agricultural, Fishing and Forestry businesses, of which agribusinesses are a subset.

Table 1: Top ten agricultural sectors, By number of businesses, N & %, June 2021

Industry class	N	%
Beef Cattle Farming (Specialised)	43,098	29%
Grain-Sheep or Grain-Beef Cattle Farming	23,477	16%
Sheep-Beef Cattle Farming	14,588	10%
Other Grain Growing	10,741	7%
Sheep Farming (Specialised)	9,284	6%
Dairy Cattle Farming	9,078	6%
Grape Growing	5,598	4%
Vegetable Growing (Outdoors)	4,778	3%
Sugar Cane Growing	4,432	3%
Other Fruit and Tree Nut Growing	4,066	3%

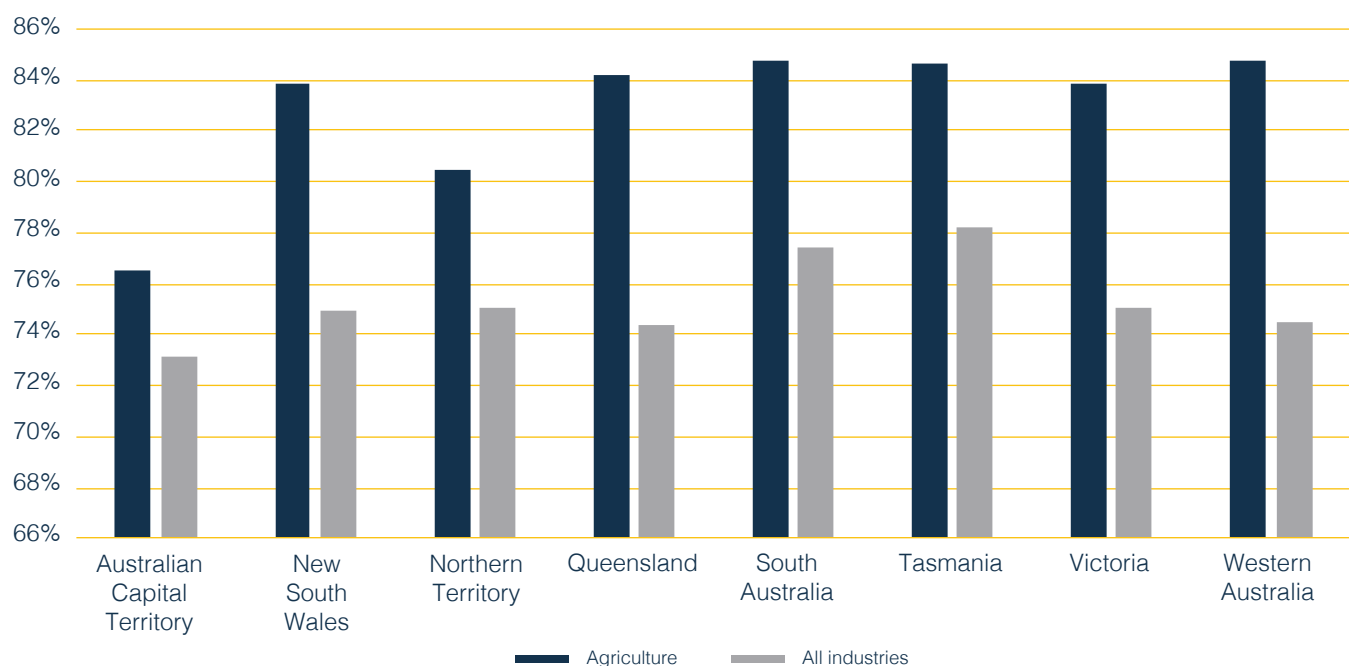
Source: ABS, Counts of Australian businesses, Data cube 7; ABA



Agribusinesses tend to have a higher survival rate than the average Australian business, regardless of location, Figure 13. Around 15 per cent of agribusinesses cease operating in any given year, compared with around 25 per cent of all Australian businesses. This is particularly positive given the high proportion of agribusinesses that are non-employing relative to all businesses, and the typically higher exit rates of this cohort, Tables 2 & 3.

Agribusinesses in the Australian Capital Territory tend to have a lower survival rate than other states and territories, with an average of just 23 per cent of businesses exiting each year between 2017 and 2021. In comparison, the other states and territories have an average exit rate of around 15-19 per cent.

Figure 13: Survival rate, Agriculture and All industries, %, Average 2017-2021



Source: ABS, Counts of Australian businesses, Data cube 4; ABA

Table 2: Survival rate, Agribusinesses, By state / territory, %, Average 2017-2021

State	Non Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Australian Capital Territory	75	86	0	0	77%
New South Wales	82	90	92	100	84%
Northern Territory	77	87	93	0	81%
Queensland	82	90	93	92	84%
South Australia	81	91	91	100	85%
Tasmania	82	90	92	100	85%
Victoria	82	90	94	100	84%
Western Australia	81	91	93	100	85%

Source: ABS, Counts of Australian businesses, Data cube 4; ABA

Table 3: Survival rate, All Australian businesses, By state / territory, % Average 2017-2021

State	Non Employing	1-19 Employees	20-199 Employees	200+ Employees	Total
Australian Capital Territory	68	80	87	99	73%
New South Wales	70	81	90	93	75%
Northern Territory	69	82	90	83	75%
Queensland	70	81	90	92	74%
South Australia	74	83	91	94	77%
Tasmania	74	83	91	97	78%
Victoria	71	82	90	91	75%
Western Australia	70	82	90	93	75%

Source: ABS, Counts of Australian businesses, Data cube 4; ABA

“

Agribusinesses tend to have a higher survival rate than the average Australian business, regardless of location

”



Scan to learn more about Ben and Jess's story

Case Study: Jess & Ben – Eat Your Greens

“How the banks responded to us was really refreshing, a big relief.”

Eat Your Greens was a function centre in regional Australia run by couple Jess and Ben and providing quality inhouse produce for local events in the community including weddings, parties and other events.

During the pandemic the business pivoted to become primarily a catering business supplying food to other locations in order to maintain cashflow and keep customers and orders.

“When COVID first hit every phone call for probably 14 days was a cancellation and there would be times that I just couldn't answer it because I actually physically couldn't speak to people for a few weeks,” Jess recalls.

“We had a couple of loans and it's just like 'how are we going to pay for these'? It was a lot of worry and not much sleep.”

“How the banks responded to us was really refreshing and it was a big relief. The banks allowed us to defer a couple of our business loans and pay out one early as

well and they gave us a bit of a discount on the interest as well which was really helpful.”

Jess and Ben said that COVID made them realise that while they want to keep cooking, they want to do less events and focus on what they love to do, which is to create and share beautiful food.

“So, in terms of looking to the future, what we've done is we've purchased two shipping containers and they're going to be converted into a big commercial kitchen,” Jess continued.

“They're going to be built on our land so we can prepare all the food for our functions at home and then we'll go out on the weekends and cater at events. So, it's taking us back to how Ben and I first met and what we almost grew up together loving - which was food.”

Eat your Greens is just an example of one of the many businesses who are closely linked to and rely upon a strong and growing agricultural sector.

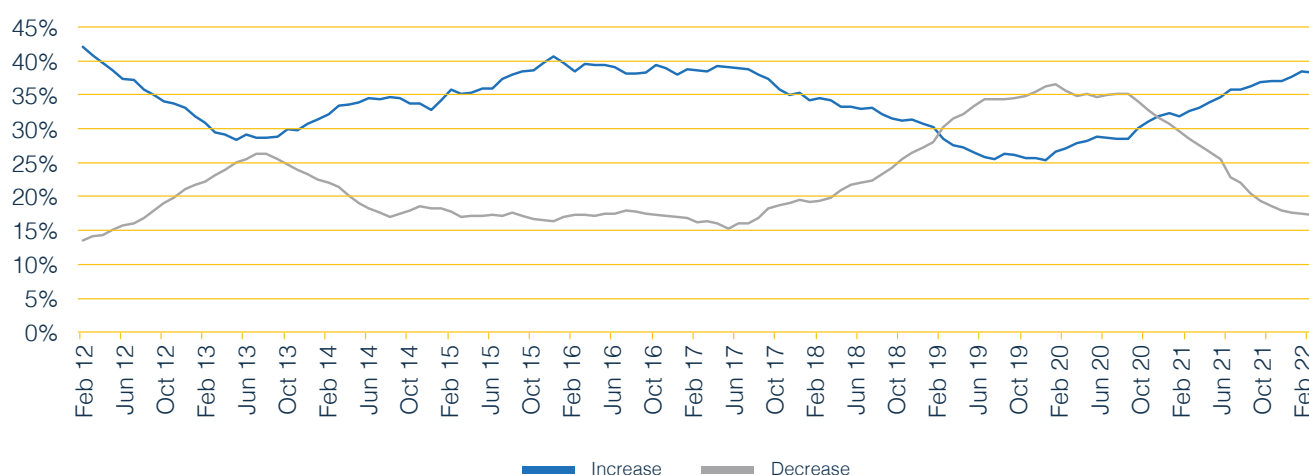


Revenue and business expectations

Given the increasing prices of agricultural produce, the seasonal conditions which have been, and are expected to continue producing record crops, it is unsurprising that more and more agribusinesses report an increase in revenue and fewer are reporting expecting a decrease in revenue.

Throughout 2019 for every agribusiness reporting expecting increased revenue, 1.3 reported expecting a decrease. This ratio has not only reversed but has done so spectacularly. In late 2021 / early 2022 for every agribusiness reporting expecting decreased revenue, 2.3 reported expecting an increase, Figure 14. This is consistent with the ratio throughout 2015 / 16 before Australia experienced extended drought.

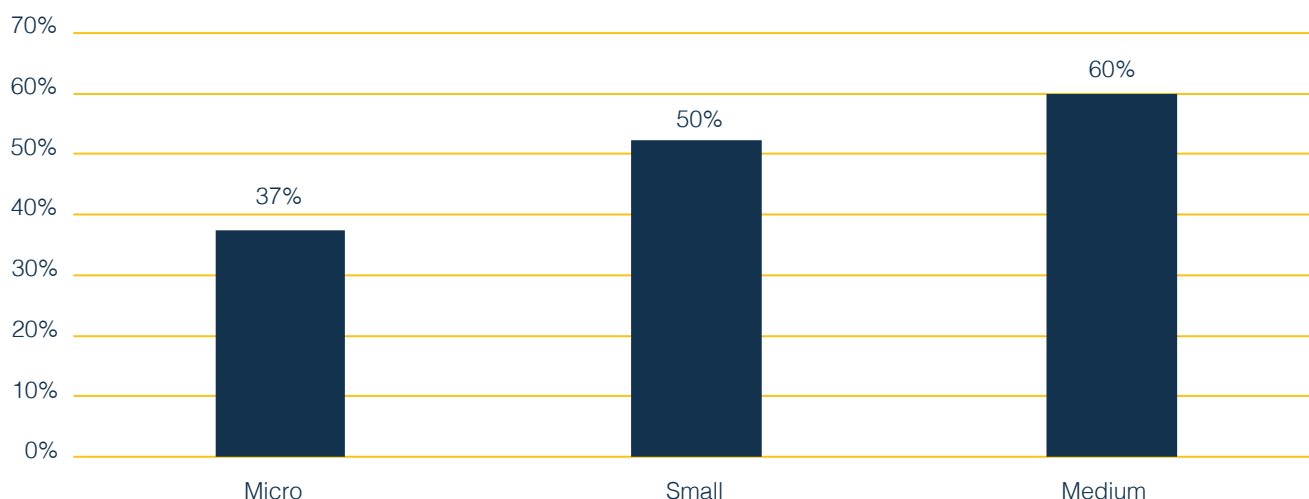
Figure 14: Revenue expectations, Agribusinesses, %, February 2012 – February 2022



Source: DBM Business Atlas
 Base: All Agribusinesses with turnover up to \$40m per annum Feb '12 to Feb '22, sample size range n=1,320 – 2,407. Data uses 12 month moving averages. Note: Nett Increase (Increase substantially, Increased slightly), Nett Decrease (Decrease substantially, Decrease slightly). Chart excludes businesses who reported an expectation of revenue 'staying about the same' or 'don't know'.

Micro agribusinesses tend to be less optimistic about future revenue than small and medium agribusinesses. In the 12 months trended to February 2022, 37% of micro agribusinesses reported expecting an increase in revenue, compared to 52% of small businesses and 60% of medium businesses. This difference between expectations based on business size is consistent with long-term trends.

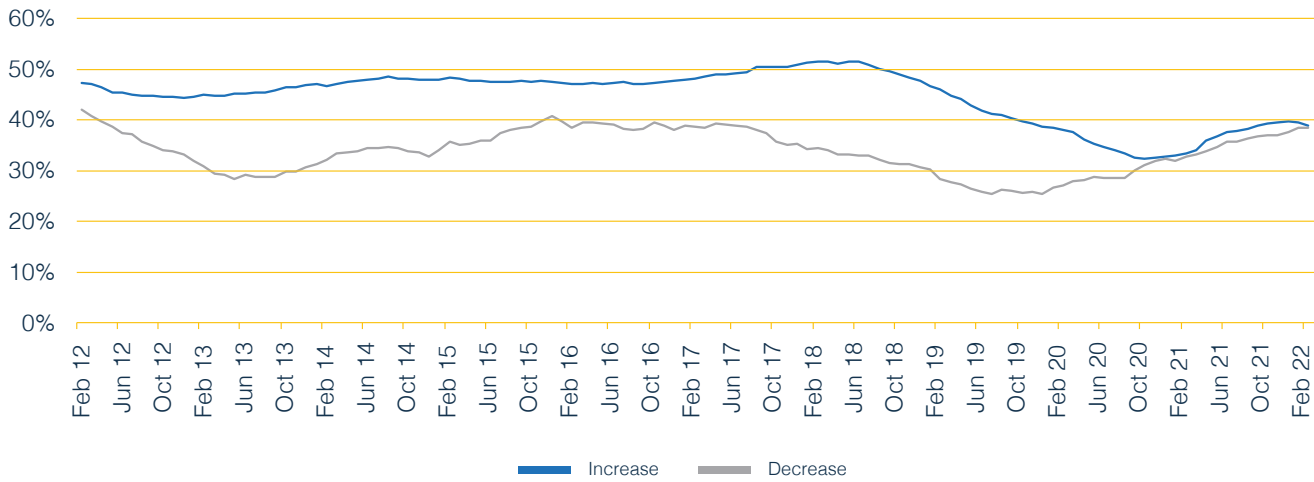
Figure 15: Increased revenue expectations, Agribusinesses, By business size, %, February 2022



Source: DBM Business Atlas
 Base: All Agribusinesses with turnover up to \$40m per annum 12 months to Feb '22. Micro (\$0 - \$1m turnover) n=1,014, Small (\$1m - \$5m turnover) n=268, Medium (\$5m - \$40m turnover) n=83.
 Note: Nett Increase (Increase substantially, Increased slightly). Data uses 12 month moving averages.

Over the longer term, agribusinesses have tended to have slightly less optimistic revenue expectations than businesses generally. However, since 2021 around the same proportion of agribusinesses expected increased revenues as all Australian businesses, Figure 16.

Figure 16: Increased Revenue Expectations, All Businesses & Agribusinesses, %, February 2012 – February 2022



Source: DBM Business Atlas
 Base: All Agribusinesses with turnover up to \$40m per annum Feb'12 to Feb'22 sample size range n=1,320 – 2,407. All businesses (including Agribusinesses) with turnover up to \$40m per annum Feb'12 to Feb'22 sample size range n=15,438 – 18,236. Data uses 12 month moving averages. Note: Nett Increase (Increase substantially, Increased slightly).

Future growth

Business expectations to expand or grow in the future

Small businesses

30-40%

VS

Micro businesses

10-15%



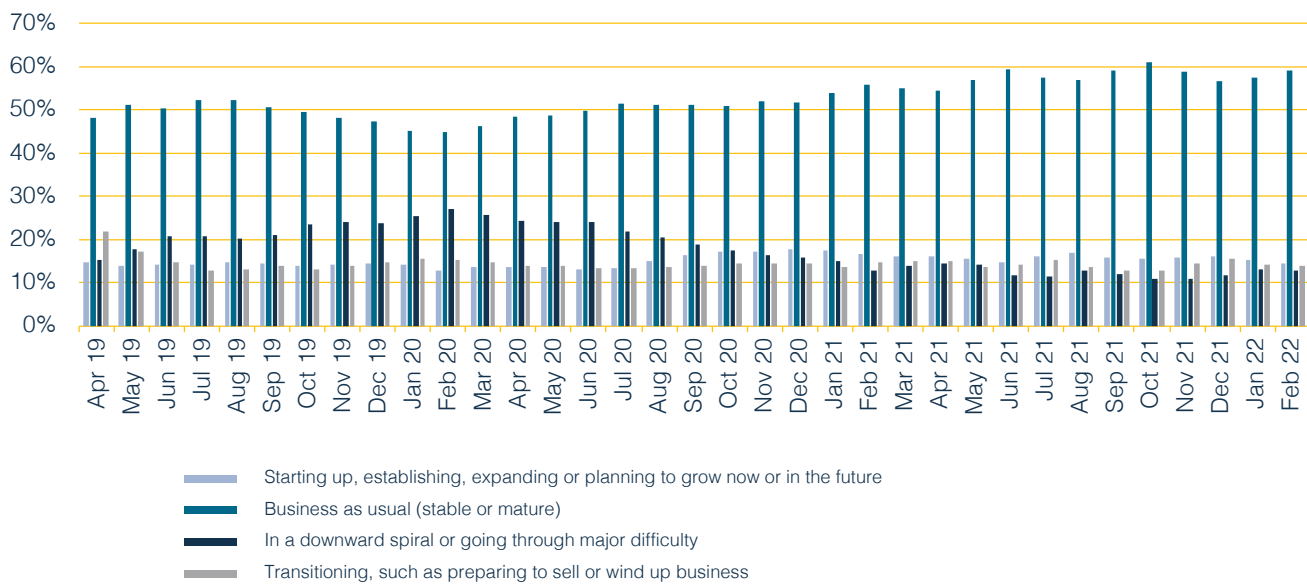
See figure 16

4. Medium businesses were not included in this analysis as the sample sizes were too small to accurately report.

While revenue expectations are trending up, the proportion of agribusinesses establishing or planning to grow soon has remained consistent over the past few years, at around 15 per cent, Figure 17.

From late 2019 to early 2022, around half of agribusinesses (approximately 50-60 per cent) reported they are operating as 'business as usual' with this trend steadily rising over this period. In late-2019 – mid-2020, an increased proportion of agribusinesses reported to be winding up their operations or preparing to sell which coincided with a period of rising input costs and flattened agricultural revenue discussed earlier.

Figure 17: Business phase, Agribusinesses, %, September 2019 – February 2022

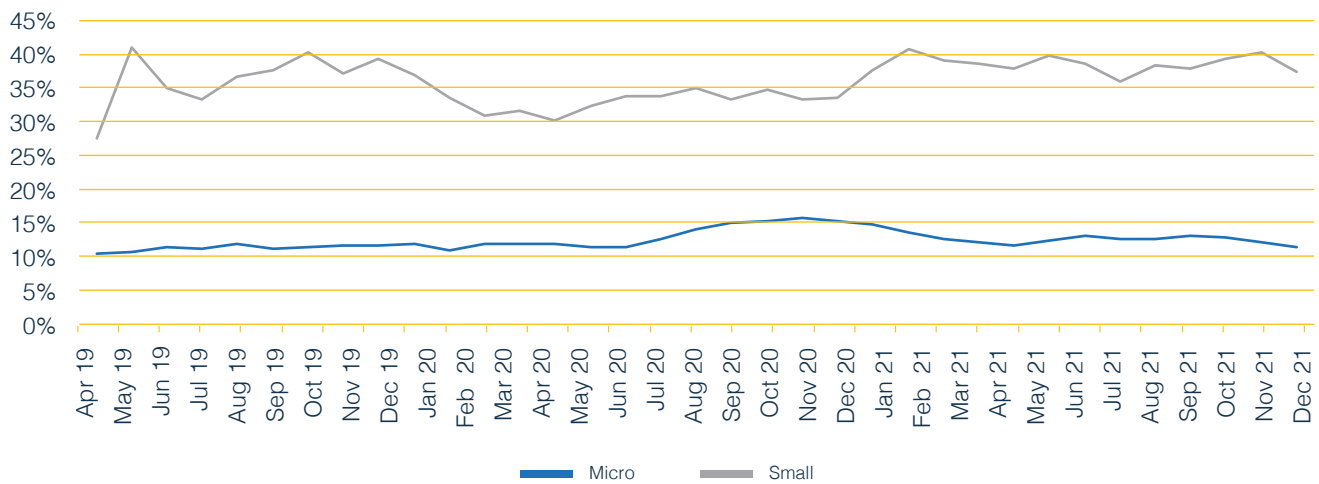


Source: DBM Business Atlas

Base: All Agribusinesses with turnover up to \$40m per annum Sep'19 to Feb'22, sample size range n=614 – 946. Data uses 6 month moving averages. Note: "Starting up or establishing" and "Expanding or planning to grow now or in the near future" is a combined variable.

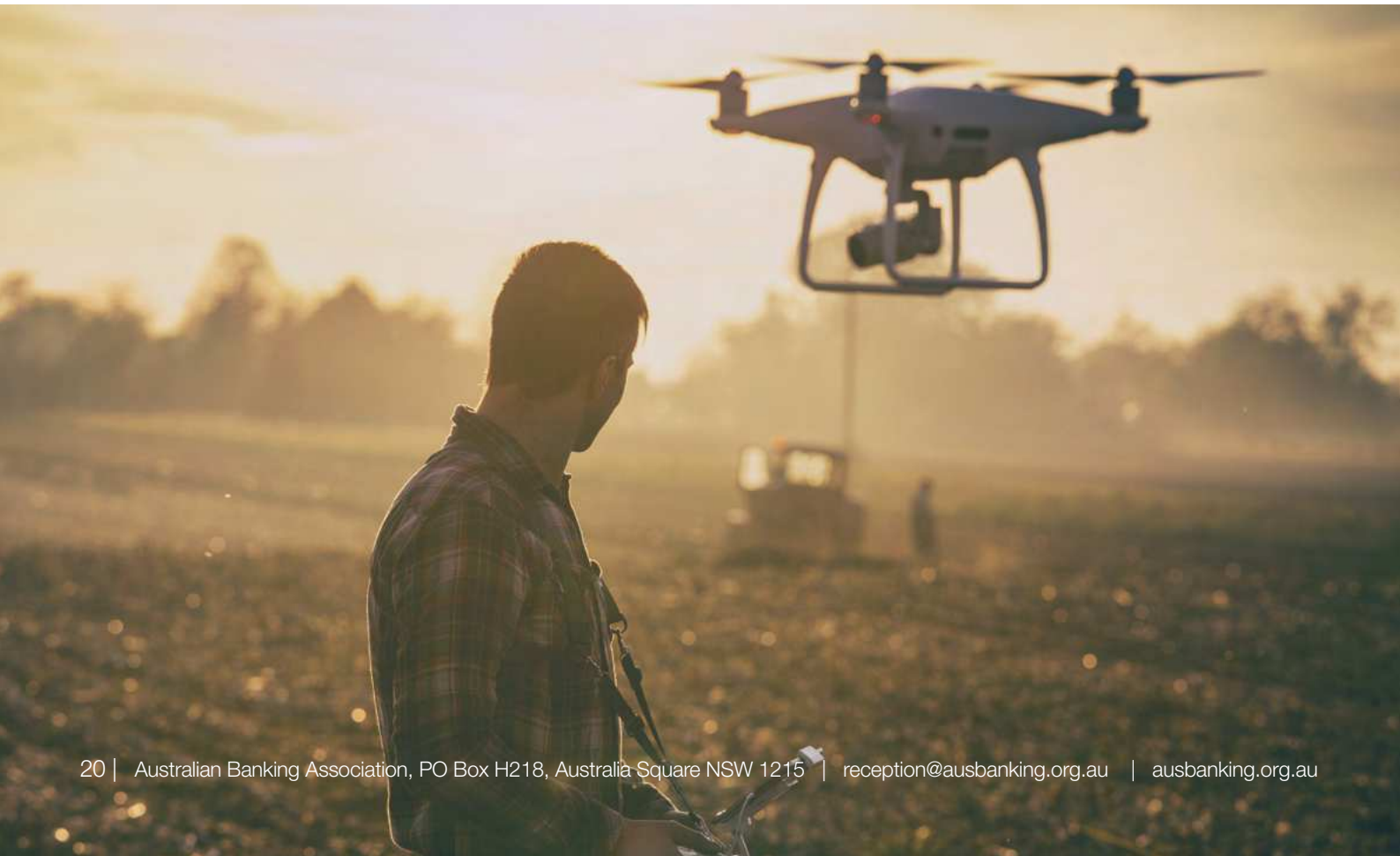
A much larger proportion of small agribusinesses (defined as those with annual turnover of \$1m to \$5m) reported that they expected to expand or grow in the future, relative to micro agribusinesses (defined as those with annual turnover of less than \$1m). Between 30-40 per cent of small agribusinesses consistently reported they expected to expand, compared with 10-15 per cent of micro agribusinesses.

Figure 18: Agribusinesses expecting to expand or grow in the future, Small and micro agribusinesses, %, September 2019 – February 2022



Source: DBM Business Atlas

Base: All Agribusinesses within Micro (\$0 - \$1m turnover) n=452 - 719 and Small (\$1m - \$5m turnover) n=115 - 185, turnover segments Sep'19 to Feb'22. Data uses 6 month moving averages.

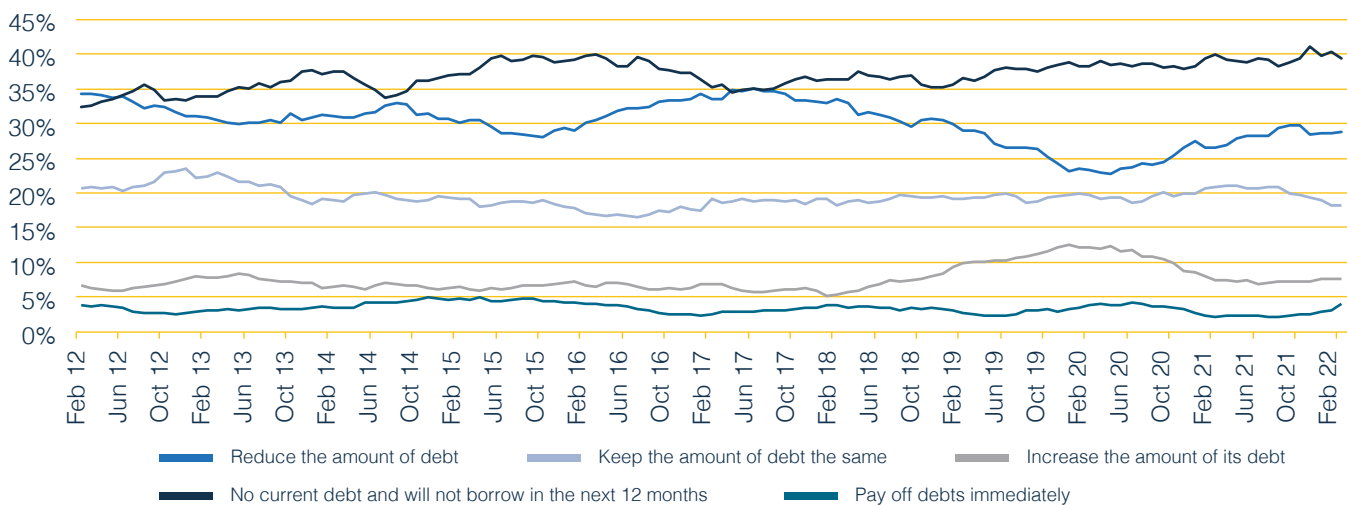




Use of credit

Despite the good agricultural economic conditions of increasing prices and positive seasonal conditions for crop yield, there is very little change in the attitudes that farmers have towards debt. Around two thirds of farmers consistently report having no current debt and not intending to borrow in the next 12 months (40 per cent in the twelve months to February 2022) or reducing the amount of debt (29 per cent in the twelve months to February 2022). Only around one in ten agribusinesses report intending to take out more credit.

Figure 19: Debt expectations, Agribusinesses, %, February 2012 – February 2022



Source: DBM Business Atlas

Base: All Agribusinesses with turnover up to \$40m per annum Feb'12 to Feb'22, sample size range n=1,320 – 2,407. Data uses 12 month moving averages. Chart excludes businesses who 'don't know' their expectation of debt.

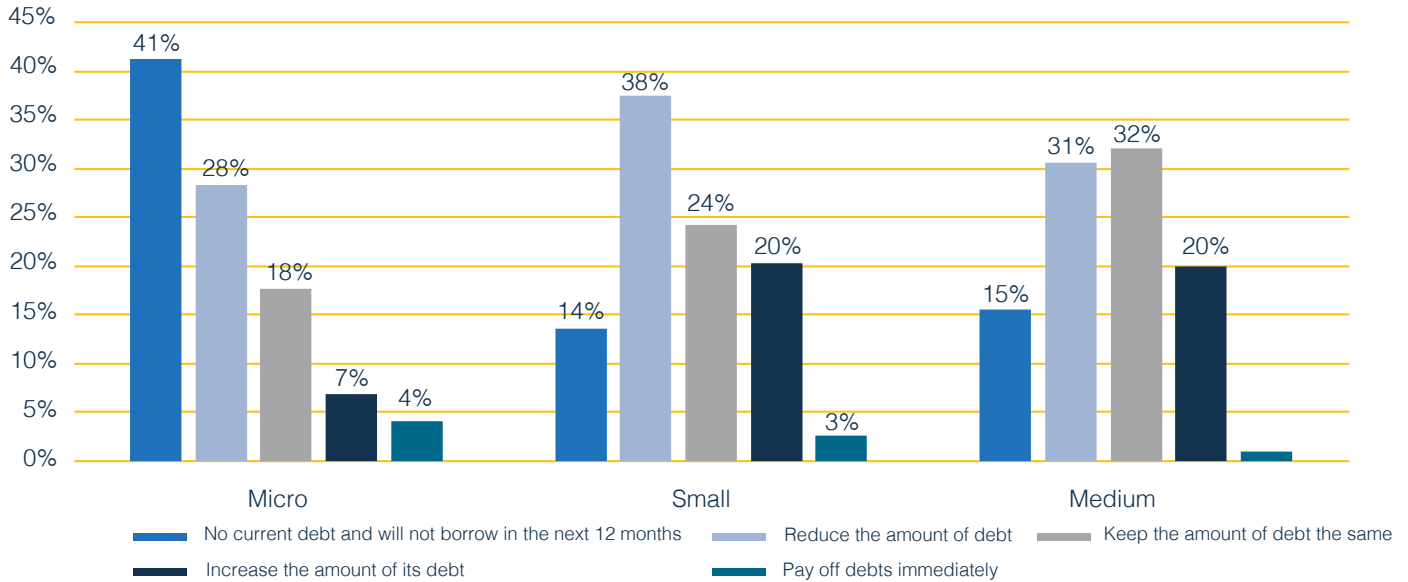
Debt expectations differ markedly between micro, small and medium agribusinesses. While around 40 per cent of micro agribusinesses consistently report having no current debt and no intentions to borrow, this figure sits at 14 per cent for small agribusinesses and 15 per cent for medium agribusinesses, Figure 20. Correspondingly, 20 per cent, or one in five small and medium agribusinesses intend on taking on more debt.



Around two thirds of farmers consistently report having no current debt and not intending to borrow in the next 12 months



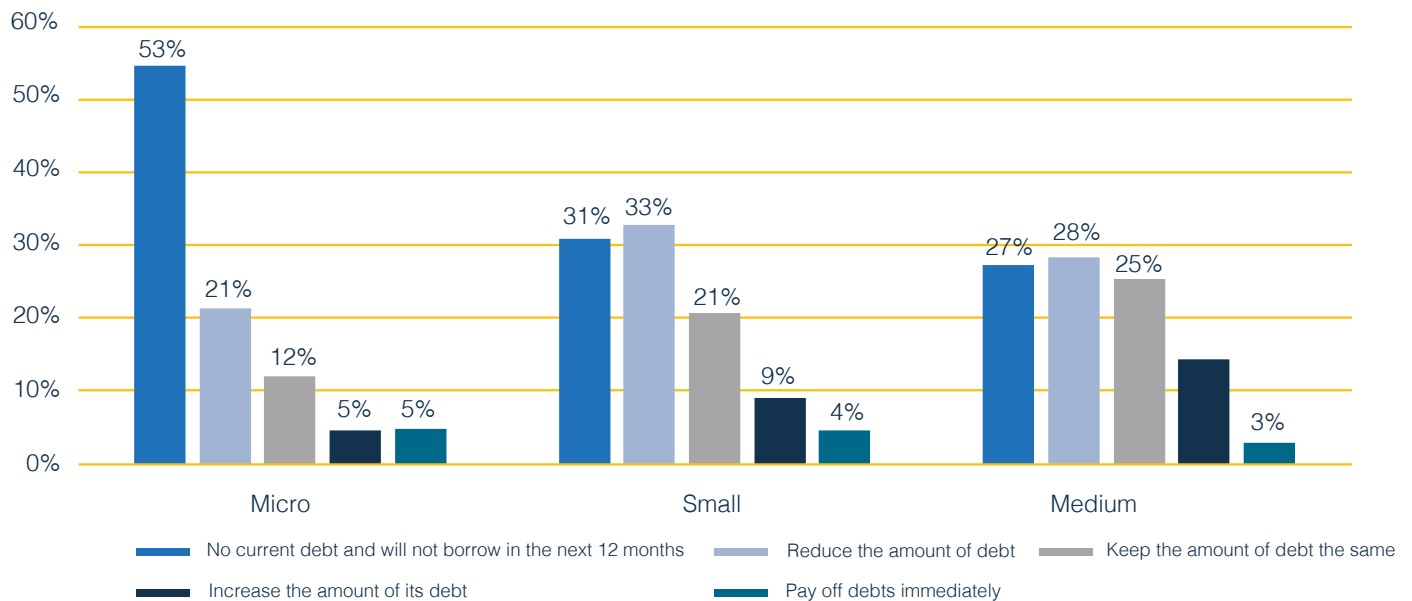
Figure 20: Debt expectations, Agribusinesses, By business size, %, February 2022



Source: DBM Business Atlas
 Base: All Agribusinesses with turnover up to \$40m per annum 12 months to Feb'22. Micro (\$0 - \$1m turnover) n=1,014, Small (\$1m - \$5m turnover) n=268, Medium (\$5m - \$40m turnover) n=83. Data uses 12 month moving averages. Chart excludes businesses who 'don't know' their expectation of debt.

Debt expectations among agribusinesses do not follow a similar pattern as debt expectations among all businesses when examined by business turnover. Compared with all businesses, fewer proportions of agribusinesses report having no debt and no intentions to borrow (41 per cent compared with 55 per cent, respectively). While a higher proportion of small and medium-sized agribusinesses report intending to increase the amount of debt they hold, relative to all Australian businesses.

Figure 21: Debt expectations, All businesses, By business size % February 2022



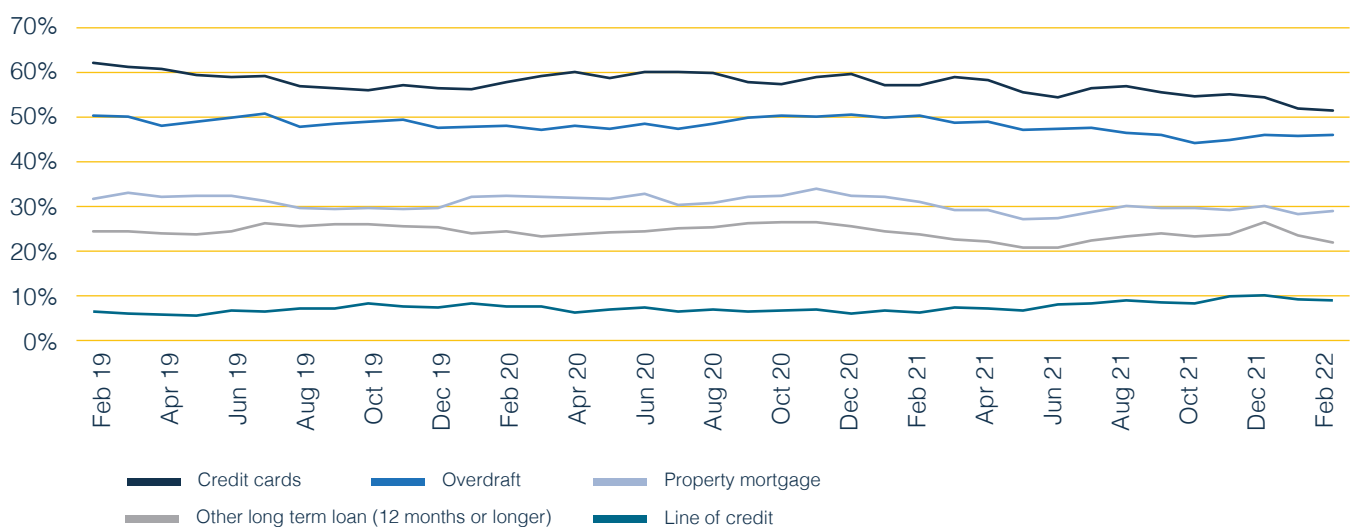
Source: DBM Business Atlas
 Base: All businesses with turnover up to \$40m per annum 12 months to Feb'22. Micro (\$0 - \$1m turnover) n=9,092, Small (\$1m - \$5m turnover) n=4,007, Medium (\$5m - \$40m turnover) n=2,339. Data uses 12 month moving averages. Chart excludes businesses who 'don't know' their expectation of debt.



The most common credit product held by agribusinesses are credit cards, although this has declined in recent years, with only around half of agribusinesses reporting having a credit card in the six months to February 2022.

This decline is consistent with the recent trend of declining credit card use in Australia. The next most common product among agribusinesses are overdrafts (46 per cent in the six months to February 2022) and property mortgages (29 per cent in the six months to February 2022). In total 76 per cent of agribusinesses have at least one kind of credit product.

Figure 22: Credit products held, Agribusinesses, %, February 2019 – February 2022



Source: DBM Business Atlas

Base: All Agribusinesses with turnover up to \$40m per annum Feb'19 to Feb'22, sample size range n=614 – 946. Data uses 6 month moving averages. Note: chart only includes a selection of lending products. Percentages won't equal 100% due to businesses having multiple products.



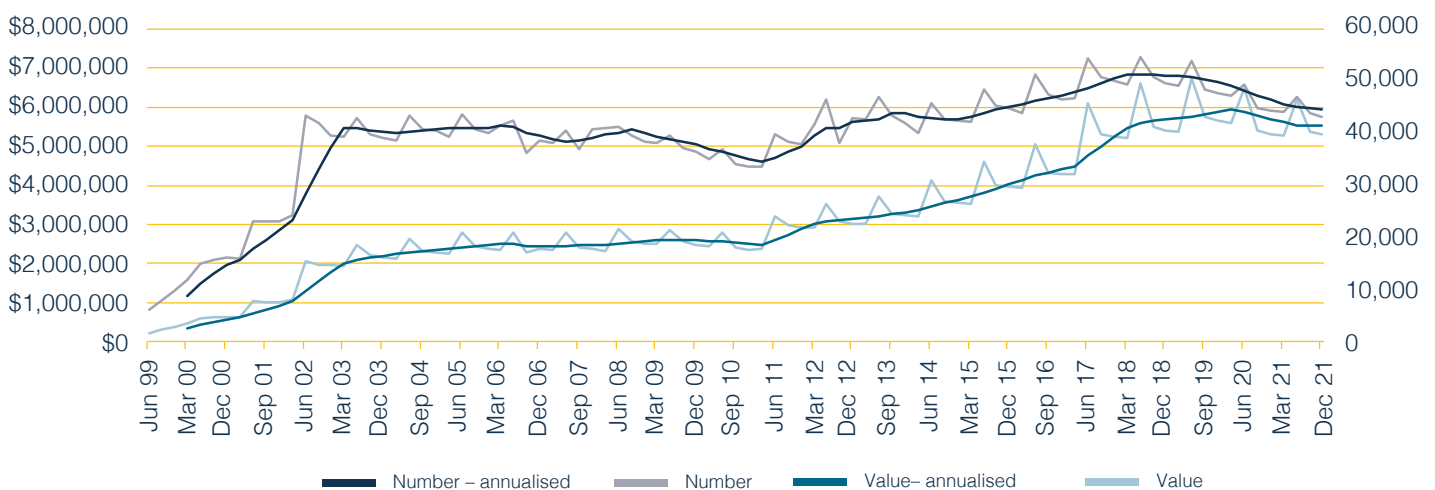
Farm Management Deposits

Agribusinesses are more prone to unexpected seasonal fluctuations and climatic events than most other industries. To support farmers, the Australian government has set up a scheme for Farm Management Deposits (FMDs), whereby agricultural producers can hold up to \$800,000 in a pre-tax account which can be drawn upon in years in which income is no greater than \$100,000.

The take up for FMDs was dramatic, with the total number of accounts jumping to 43,000 within the first three years. There is currently around \$5.3 billion held in FMDs, off a peak of \$5.9 billion in December 2019, Figure 23.

This government initiative has proven to be popular since its introduction over two decades ago. In December 2021 there were 43,162 FMD accounts. Given there are only just over 170,000 agribusinesses and 70 per cent of these are non-employing and therefore not eligible for FMDs, this suggests a high saturation among employing businesses. The recent decrease in number of accounts (there was a peak of 54,344 in June 2017) may be consistent with the concentration of agribusinesses as noted earlier in this report.

Figure 23: Farm Managed Deposits, Value (LHS) & Number (RHS), \$'000 & N, June 1999 – December 2021



Source: ABARES; ABA

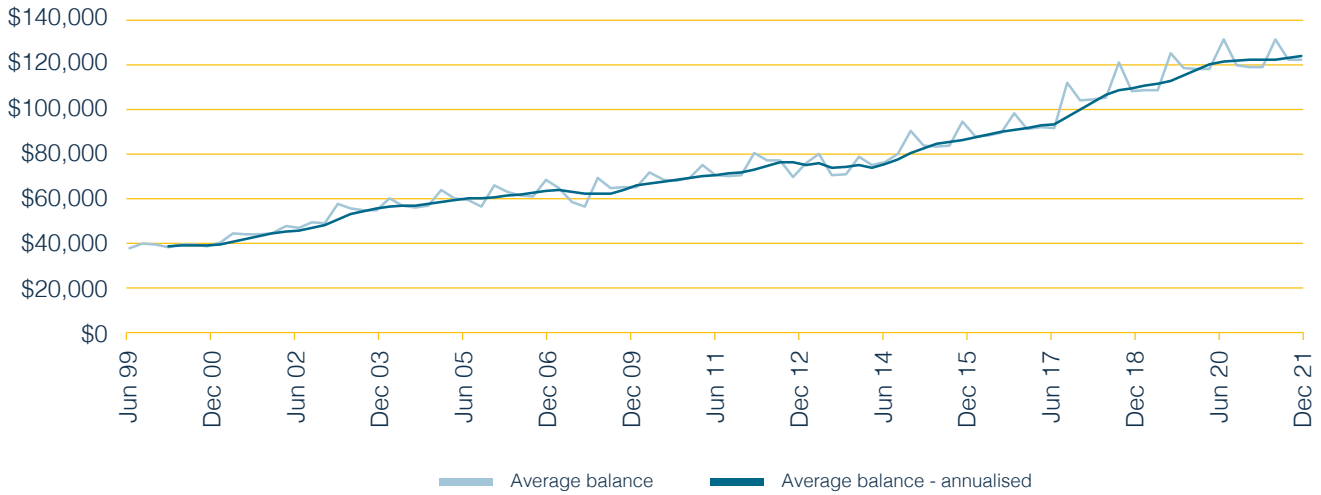


The take up for FMDs was dramatic, with the total number of accounts jumping to 43,000 within the first three years. There is currently around \$5.3 billion held in FMDs, off a peak of \$5.9 billion in December 2019.



Despite the drop in number of FMD accounts, the average balance continues to increase. The average balance is currently higher than it has ever been at \$124,000 per account, Figure 24.

Figure 24: Average balance, Farm managed deposits, \$000, June 1999 – December 2021



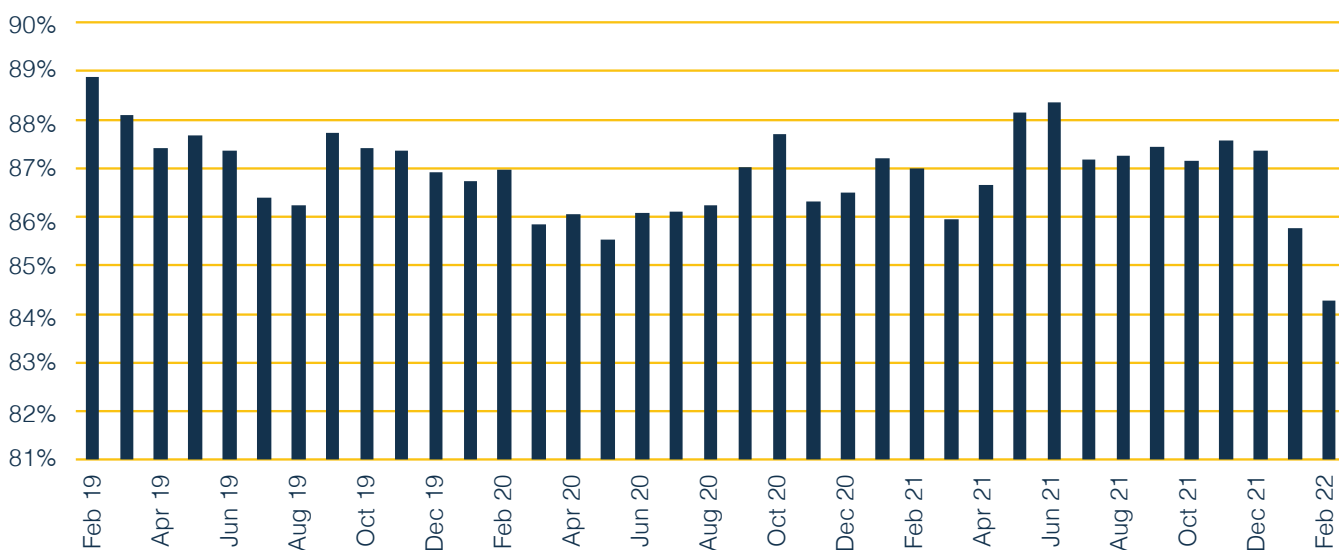
Source: ABARES; ABA





Most agribusinesses reported holding a day-to-day transaction account although this has been in decline in recent years, from 89 per cent in the six months to February 2019, to 82 per cent in the six months to February 2022, Figure 25a. The next most common saving product reported to be held by agribusinesses were online savings account as well as FMDs, with just under one third of agribusinesses reporting they held one, Figure 25b.

Figure 25a: Day-to-day transaction products held by agribusinesses, %, February 2019 – February 2022

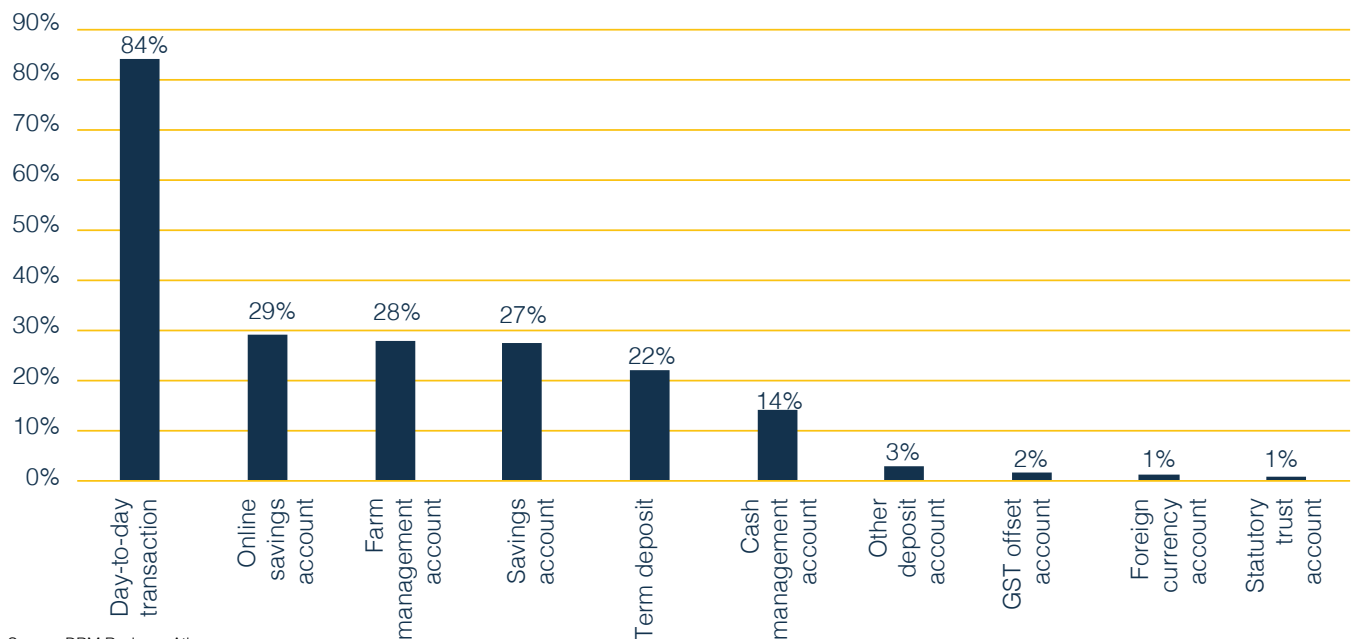


Source: DBM Business Atlas

Base: All Agribusinesses with turnover up to \$40m per annum Feb'19 to Feb'22, sample size range n=614 – 946. Data uses 6 month moving averages. Note: chart only includes a selection of deposit products. Percentages won't equal 100% due to businesses having multiple products.



Figure 25b: Day-to-day transaction products held by agribusinesses, %, February 2022

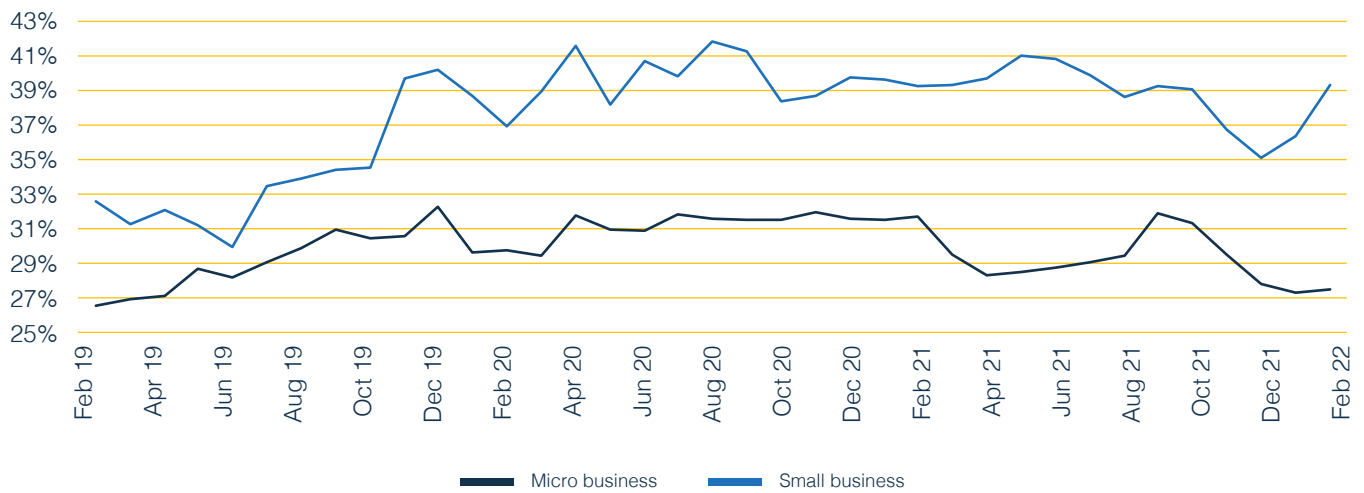


Source: DBM Business Atlas

Base: All Agribusinesses with turnover up to \$40m per annum Feb'19 to Feb'22, sample size range n=614 – 946. Data uses 12 month moving averages. Note: chart only includes a selection of deposit products. Percentages won't equal 100% due to businesses having multiple products.

Agribusinesses that report a turnover of between \$1 million and \$5 million (small agribusinesses) have an increased take up of farm managed deposits than agribusinesses that report a turnover of less than \$1 million (micro agribusinesses). Between November 2019 and February 2022 around 35-42 per cent of small agribusinesses reported holding farm managed deposits, compared with 27-32 per cent of micro agribusinesses, Figure 26.

Figure 26: Farm Managed Deposits, By micro and small agribusinesses, %, February 2019 – February 2022



Source: DBM Business Atlas

Base: All Agribusinesses within Micro (\$0 - \$1m turnover) n=452 - 721 and Small (\$1m - \$5m turnover) n=115 - 215, turnover segments Feb'19 to Feb'22. Data uses 6 month moving averages.



Scan to learn
more about
Rowena's story

Case Study: Rowena – Royston Petrie Seeds

“So we spoke with our bank manager. They knew our situation, they knew our business. They were there for us.”

Royston Petrie Seeds is a family-owned business that produces billions of seeds each year, selling organic seeds across the world.

Like the majority of businesses in Australia, Royston Petrie Seeds was faced with unexpected challenges thanks to the pandemic.

“The pandemic has hit us hard in more ways than one. We were completely overwhelmed,” said Rowena Petrie, who is the daughter of founder Royston Petrie and now runs the business with her husband Daniel.

Rowena was fortunate that the pandemic quickly increased demand for their product, however this meant it created unexpected resourcing and supply challenges.

“It was almost like people were stocking up. We were working seven days but that in itself created problems. We were running out of stock,” she said.

“We source a lot from overseas because we can’t grow everything we sell. But then we had the added problem

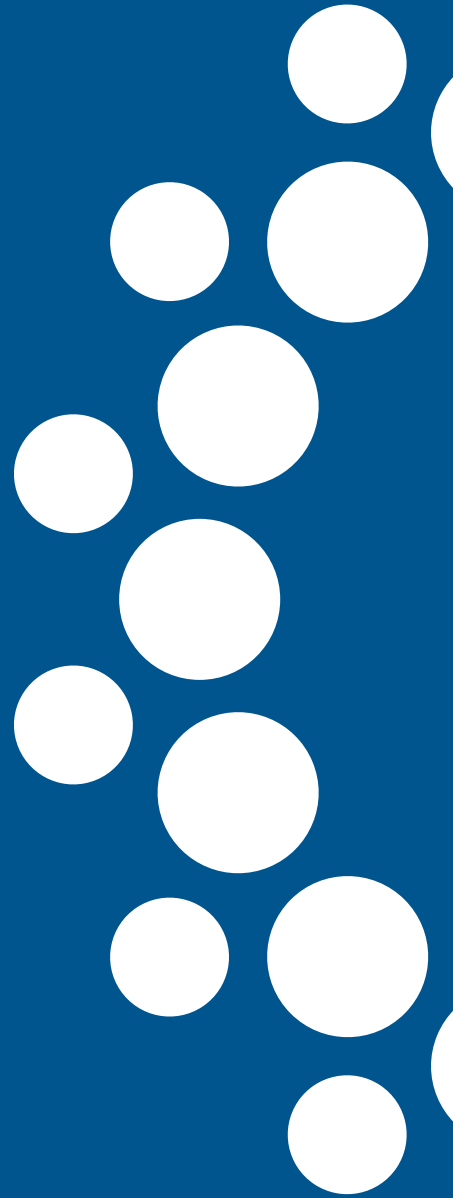
that there were no flights coming in. That was scary to think your business might have to shut down because you’ve got nothing to sell,” she said.

“We had some thoughts around how we could best reduce the stress on our staff by implementing some new machinery.

So we spoke with our bank manager. They knew our situation, they knew our business. They were there for us.”

With the help of her bank and the federal government’s COVID-19 business incentives, Rowena was able to purchase new equipment that made the business more efficient, making it better for production while taking the pressure off her employees.

“Luckily, we were also able to capitalise on that instant asset write off and invest in equipment that we knew would benefit our business today, tomorrow but also into the future. I bought the machine of my dreams!”



Australian Banking
Association



Trends in farm debt:

Agricultural lending data 2020–21

Fred Litchfield & Vernon Topp

Research by the Australian Bureau of Agricultural and Resource Economics and Sciences

Research Report 22.14

September 2022



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Cataloguing data

This publication (and any material sourced from it) should be attributed as: Litchfield, F & Topp, V 2022, *Trends in farm debt: Agricultural lending data 2020–21*, ABARES research report, Canberra, September. CC BY 4.0.

DOI: <https://doi.org/10.25814/4xvh-nw84>

ISSN 1447-8358

Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES)

GPO Box 858 Canberra ACT 2601

Telephone 1800 900 090

Web agriculture.gov.au

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We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

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Summary

- Debt financing remains of critical importance to the farm sector, both to fund new investment and to help manage variability in farm revenue and profit. For broadacre and dairy farms—which collectively accounted for around 68% of the value of farm output in 2021–22—the two main reasons for borrowing are to fund land purchases and for working capital.
- The latest agricultural lending statistics provided by the Australian Prudential Regulatory Authority (APRA) show an increase in lending to the farm sector in 2020–21. At the national level, the value in real terms of loans and leases owed by the farm sector was \$94 billion at 30 June 2021, an increase of around 6% from the previous June.
- Analysis of ABARES farm survey data shows that much of this increase in borrowing was for on-farm investment, particularly land purchases. Rising land prices and low interest rates have provided farmers with greater equity to support increased borrowings, while historically high farm incomes in most agricultural industries have substantially improved farmers debt servicing capability.
- Lending to the agricultural sector increased in all states and territories during 2020–21, with the largest percentage increases in real terms occurring in Queensland (7%) and New South Wales (7%).
- In 2020–21, aggregate interest paid by the agriculture sector fell by around 13%, with lower interest rates more than offsetting the increase in total lending to the sector. The average proportion of farm cash income (receipts less cash costs) consumed by finance payments has trended down in recent years due to improved farm incomes and lower interest rates. In 2020–21, the average proportion of income consumed by interest payments was 11% for broadacre and dairy farms.
- A high proportion of aggregate debt is held by a small number of very large farm businesses that generate high cash flows on average to finance debt. In 2020–21, 5% of broadacre and dairy farms accounted for around 47% of aggregate debt, whereas nearly 50% of farms had very little or no debt.
- The proportion of broadacre and dairy farms with relatively low additional borrowing capacity (equity ratio of less than 70%) and relatively high debt servicing commitments (finance payments greater than 40% of farm cash income) was 2% of farms in 2020–21—compared to 7% of farms in 2010–11.
- The aggregate value of loans and leases that were more than 90 days past due decreased by \$341 million during 2020–21. When expressed as a share of total lending, loans more than 90 days past due represented 0.8% of loans and leases in 2020–21 compared with 1.2% in 2019–20.
- Data from the RBA shows that aggregate debt for the agriculture sector continued to increase throughout 2021–22, by around 12% from 30 June 2021 to 30 June 2022.

Introduction

Debt is an important source of funds for farmers to develop their farm business and for ongoing working capital. Information on trends in the use of debt financing provides context for understanding longer term changes in farm financial performance and the drivers of future productivity growth.

This report includes analysis of recent developments in agricultural lending using data provided by the Australian Prudential Regulatory Authority (APRA), the Reserve Bank of Australia (RBA), the Regional Investment Corporation (RIC) and ABARES farm surveys. Further information about the data sources can be found in Appendix A: APRA lending data. A glossary of financial terms is also provided for easy reference.

The latest agricultural lending statistics provided by APRA show an increase in lending to the farm sector in 2020–21. At the national level, the value in real terms of loans and leases owed by the farm sector was \$94 billion at 30 June 2021, an increase of around 6% from the previous June.

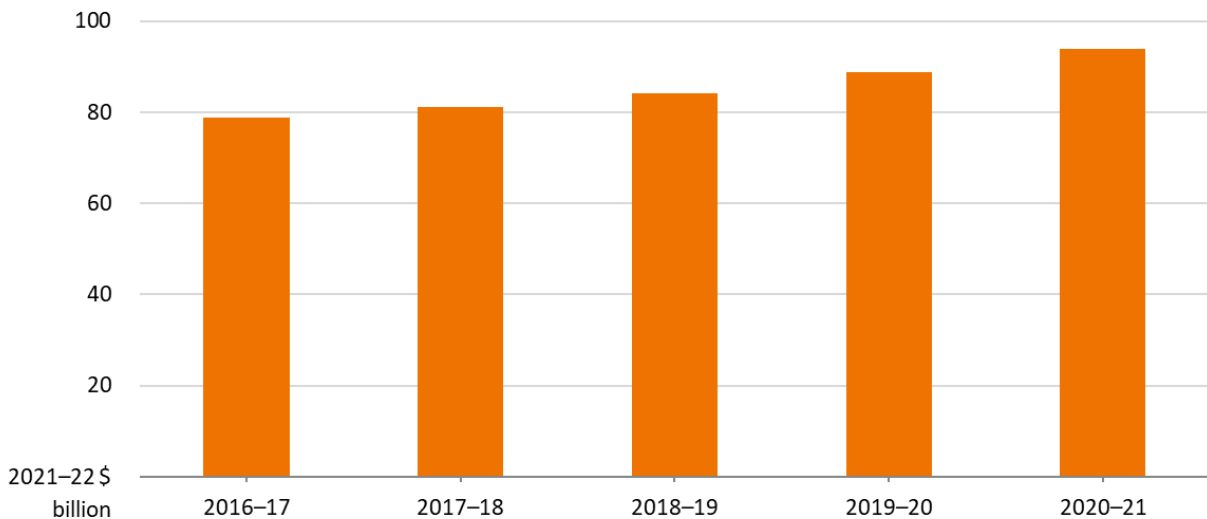
Analysis of ABARES farm survey data shows that much of this increase in borrowing was for on-farm investment, particularly land purchases. Rising land prices and low interest rates have provided farmers with greater equity to support increased borrowings, while historically high farm incomes in most agricultural industries have substantially improved farmers debt servicing capability.

Recent developments in agricultural lending

Debt is used by farmers for a range of purposes, including purchasing land, plant and equipment and for providing ongoing working capital. Farm business debt has increased substantially in recent years, but farm business equity rates have remained steady because of strong increases in land values. Recent increases in farm incomes have also improved farmers' ability to service debt in the short term. As a consequence, farm incomes are currently less vulnerable to rising interest rates than they were in the 1990s or early 2000s.

At the national level, agricultural lending (the value of loans and leases outstanding at 30 June) increased from \$89 billion in 2019–20 to \$94 billion in 2020–21, an increase of around 6% in real terms (Figure 1).

Figure 1 Total agricultural lending at 30 June, Australia, 2016–17 to 2020–21



Note: Each column shows the value of loans and leases outstanding at 30 June.

Source: APRA

Farmers access finance from a wide range of providers. APRA data shows that farmers collectively accessed around 90 different finance providers during 2020–21, including small, locally owned and operated credit unions, the finance arms of major vehicle and farm-machinery suppliers, and the major retail and commercial banks (Box 1).

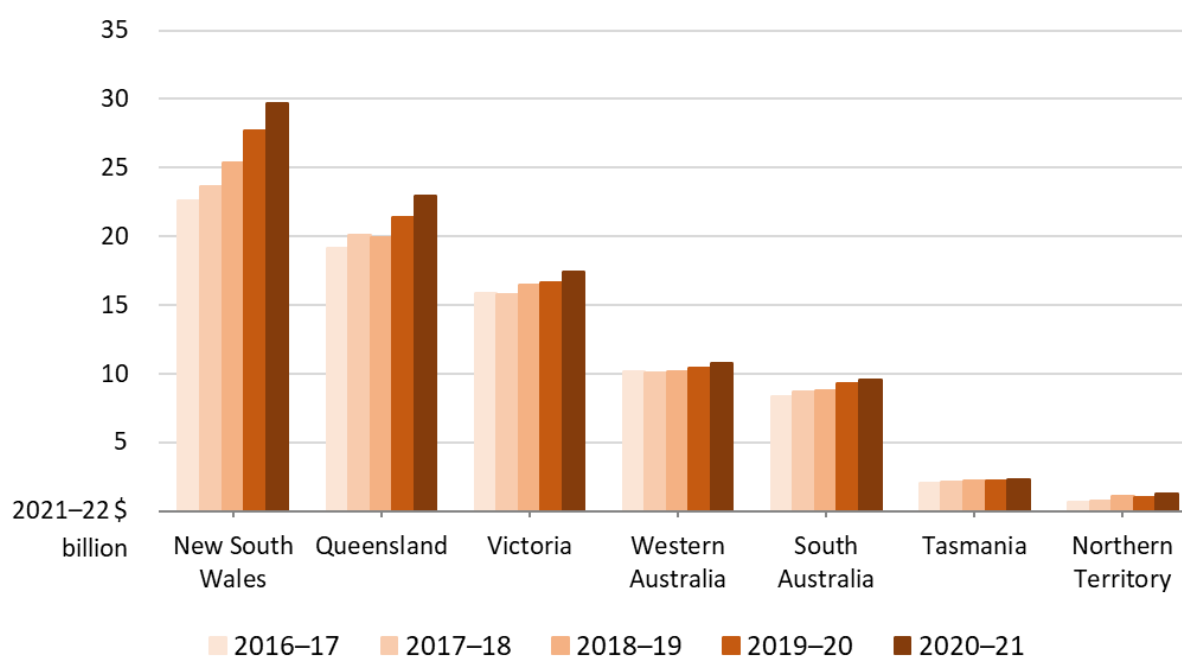
Box 1 APRA data on agricultural lending

In 2016, the Australian Government introduced legislation authorising the collection and reporting of annual statistics on lending to the agricultural sector by banks and other institutional lenders. Under the Financial Sector (Collection of Data) (reporting standard) determination No. 18 of 2017, major lenders to agricultural businesses are required to submit annual statistics to APRA, who collate and process the data before providing it to the Department of Agriculture, Fisheries and Forestry (DAFF) for further analysis and reporting. More information on data collection and definitions of terms can be found at Appendix A: .

Lending to the agricultural sector increased in all states and territories during 2020–21, with the largest percentage increases in real terms occurring in Queensland (7%) and New South Wales (7%) (Figure 2).

New South Wales accounted for 32% of agricultural lending in 2020–21, the most among the states, but also had the highest share of farm businesses (30%) and farm production value (25%) (Table 1).

Figure 2 Total agricultural lending at 30 June, by state, 2016–17 to 2020–21



Note: Each column shows the value of loans and leases outstanding at 30 June. Data for New South Wales includes the Australian Capital Territory.

Source: APRA

Table 1 Agricultural snapshot, by state, 2020–21

State	Share of farms	Share of farm production value	Share of agricultural debt
	%	%	%
New South Wales	30.4	25.4	31.6
Victoria	24.7	24.8	18.6
Queensland	21.2	20.5	24.4
South Australia	10.8	10.8	10.1
Western Australia	9.6	14.4	11.5
Tasmania	2.9	3.0	2.4
Northern Territory	0.4	1.1	1.3

Note: Data for New South Wales includes the Australian Capital Territory.

Source: ABS 2022a; ABS 2022b; APRA

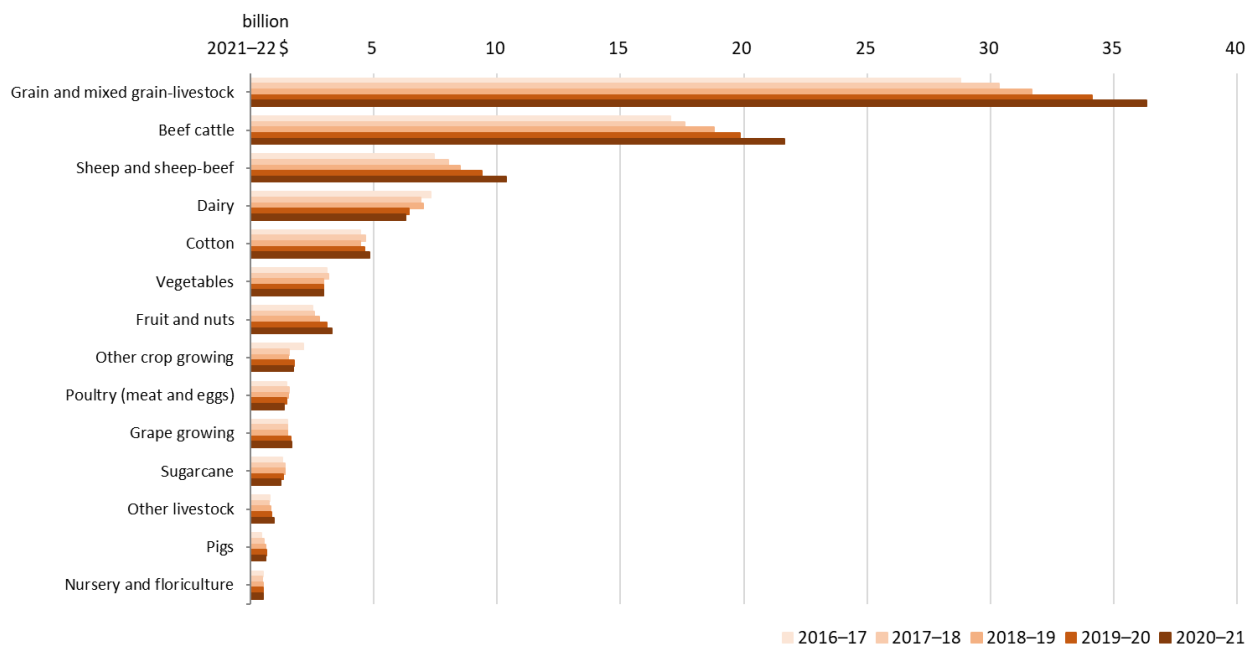
Industry-level results

Lending patterns across the different agricultural industries largely reflect differences in the relative output of each industry—that is, aggregate lending tends to be higher the larger the industry. In recent years, the dominant driver of agricultural lending patterns was drought, although some industry specific factors are also likely to have been significant.

Lending to farms in the broadacre sector—beef cattle, grain growing and sheep and wool production—dominates overall agricultural lending and has been increasing over the last four years to 2020–21 (Figure 3).

There have also been consistent increases in lending over the last four years to 2020–21 to farm businesses in the fruit and nuts industry. In contrast, aggregate lending to farm businesses in the dairy industry declined further in 2020–21. This reflects the ongoing adjustment in the industry over much of the last decade and the exit of many farms.

Figure 3 Total agricultural lending at 30 June, by industry, 2016–17 to 2020–21



Note: Each row shows the value of loans and leases outstanding at 30 June. Data for 'Other livestock' includes horses, deer, beekeeping and other livestock not stated elsewhere.

Source: APRA

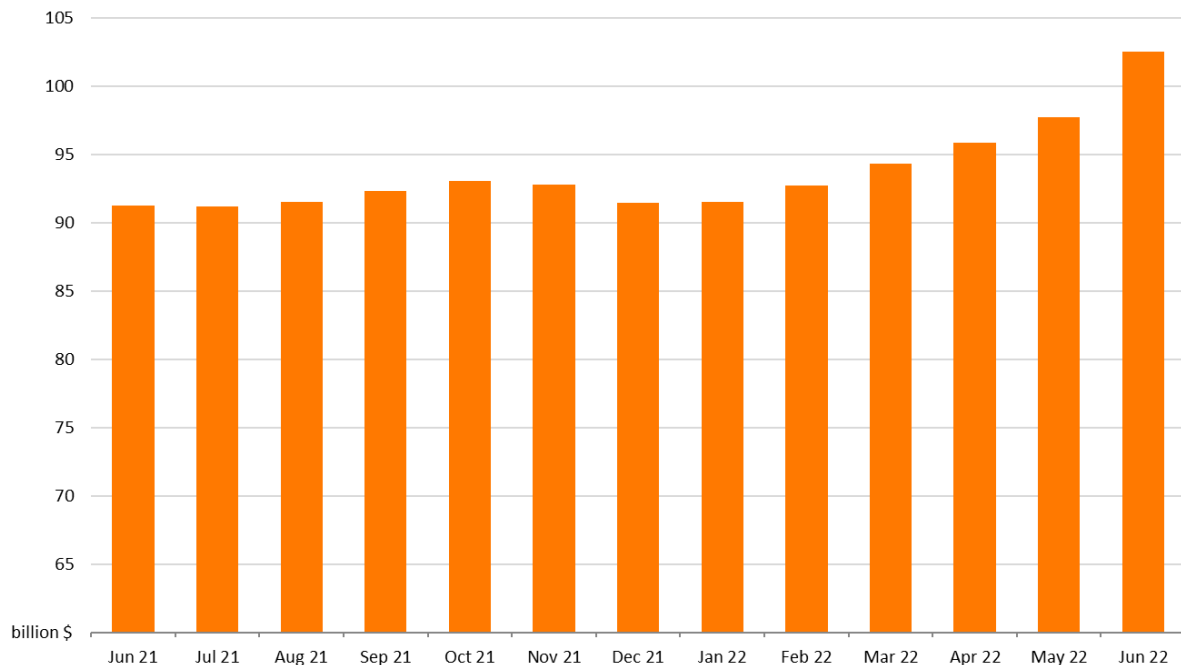
Agricultural lending in 2021–22

Some early insights into agricultural lending in 2021–22 can be found in published data from the Reserve Bank of Australia (RBA) covering lending to businesses in the 'agricultural, forestry and fisheries' sector (RBA 2022). This series tracks monthly lending to the sector from July 2019 to June 2022.

It is important to note that the RBA series differs from APRA data in several ways—not least being RBA's inclusion of businesses in the forestry and fisheries sectors. Nevertheless, the RBA series provides a guide to the likely changes to expect in APRA's aggregate lending data for 2021–22 when it is available.

Aggregate debt continued to increase in 2021–22, particularly in the second half of the financial year. The RBA series shows a 12% increase in lending to businesses in the agriculture, forestry and fisheries sector from June 2021 to June 2022 (Figure 4).

Figure 4 Monthly lending to agriculture, forestry and fisheries businesses, Australia, June 2021 to June 2022



Note: Each column shows the value of loans outstanding at the end of each month. Data not adjusted for inflation.

Source: RBA (2022)

Regional Investment Corporation lending in 2021–22

Another source of information on agricultural lending in 2021–22 is the Regional Investment Corporation (RIC). The RIC is an Australian Government-backed specialist finance provider for farmers and farm-related small businesses.

While the RIC is a new and comparatively small lender, it recorded substantial increases in lending to the agricultural sector over the last 3 years. At 30 June 2022, the RIC's lending portfolio was around \$3 billion. Nearly half of the RIC's lending portfolio is concentrated in the grain growing and mixed grains-livestock industry (Table 2) and around 56% of the portfolio is in New South Wales (Table 3).

Table 2 RIC net value of loan portfolio, by industry, Australia, 2018–19 to 2021–22

Lending by industry	2018–19	2019–20	2020–21	2021–22
	\$m	\$m	\$m	\$m
Beef cattle (including beef cattle feedlots)	1	98	308	584
Sheep and sheep–beef	8	74	218	509
Pigs	–	–	1	5
Dairy	1	19	66	166
Poultry (meat and eggs)	–	–	3	8
Other livestock (horses, deer, beekeeping, other livestock)	–	1	3	32
Grain growing and mixed grains–livestock	17	191	620	1,478
Cotton	–	7	24	77
Sugarcane	–	2	3	5
Vegetables (including mushrooms)	–	2	4	8
Grape growing	–	3	7	15
Fruit and nuts	–	8	21	30
Other crop growing	–	10	12	40
Other	–	–	2	2
Non-primary production	–	–	15	54
All industries	28	416	1,308	3,014

Note: Calculated as total value of settled loans minus value of repaid loans in the portfolio at 30 June each year. Data for New South Wales includes the Australian Capital Territory. Columns may not sum due to rounding.

Source: RIC

Table 3 RIC net value of loan portfolio, by state, all industries, 2018–19 to 2021–22

Lending by jurisdiction	2018–19	2019–20	2020–21	2021–22
	\$m	\$m	\$m	\$m
New South Wales	21	264	765	1,700
Victoria	1	37	91	245
Queensland	3	88	335	651
South Australia	2	22	83	262
Western Australia	–	1	21	103
Tasmania	–	1	1	33
Northern Territory	–	2	12	22
All jurisdictions	28	416	1,308	3,014

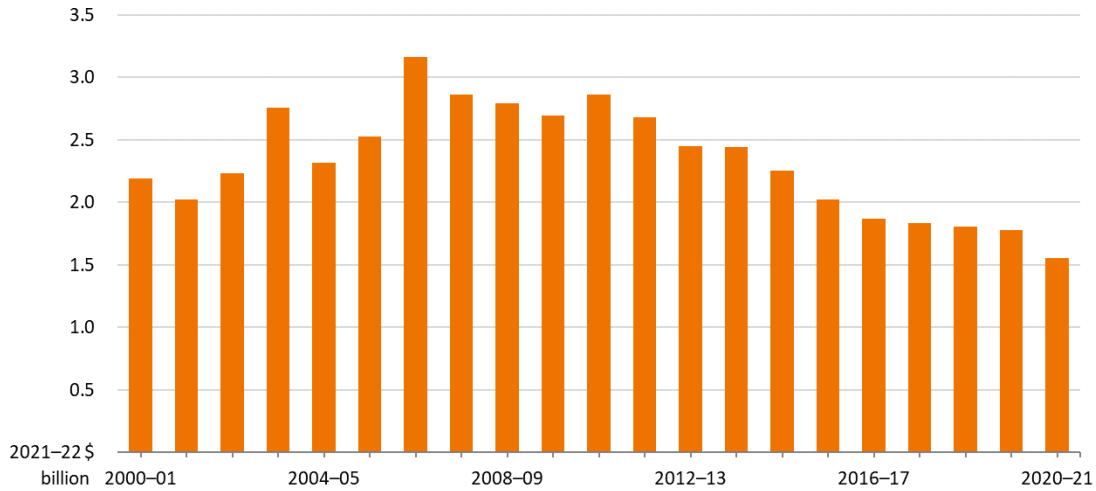
Note: Calculated as total value of settled loans minus value of repaid loans in the portfolio at 30 June each year. Data for New South Wales includes the Australian Capital Territory. Columns may not sum due to rounding.

Source: RIC

Debt servicing

In 2020–21, aggregate interest paid by the farm sector fell by \$229 million compared with the previous year—a decline of 13% (Figure 5). The decrease in overall interest paid reflected a reduction in the average rate of interest applying to agricultural loans and leases, which more than offset the increase in total lending to the sector.

Figure 5 Aggregate interest paid on agricultural debt, Australia, 2000–01 to 2020–21

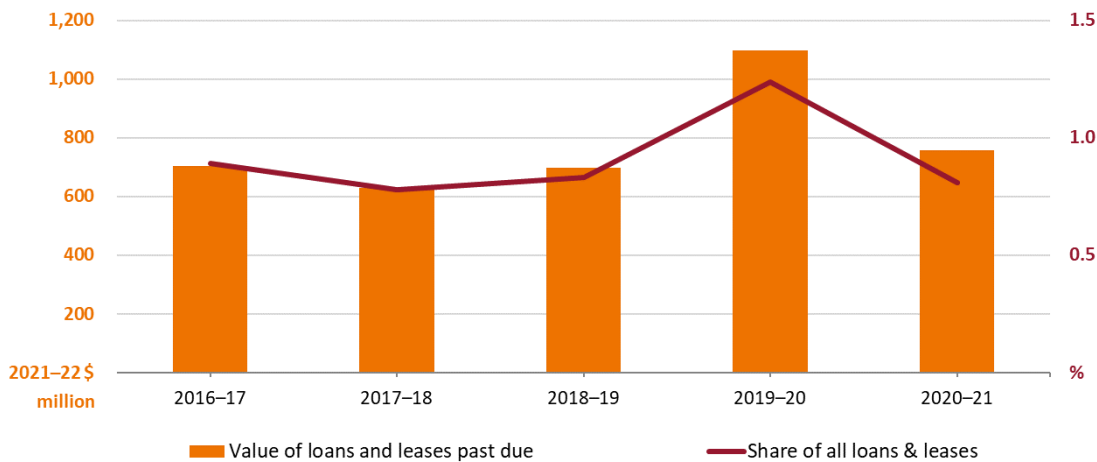


Source: ABARES (2022)

Debt-related stress

There is evidence that debt-related financial stress due to the recent drought eased in 2020–21. The aggregate value of loans and leases that were more than 90 days past due decreased by \$341 million during 2020–21—a decline of 31% from the previous year. This followed a sharp increase in 2019–20 (Figure 6). When expressed as a share of total lending, loans more than 90 days past due represented 0.8% of loans and leases in 2020–21 compared with 1.2% in 2019–20.

Figure 6 Agricultural lending more than 90 days past due, Australia, 2016–17 to 2020–21

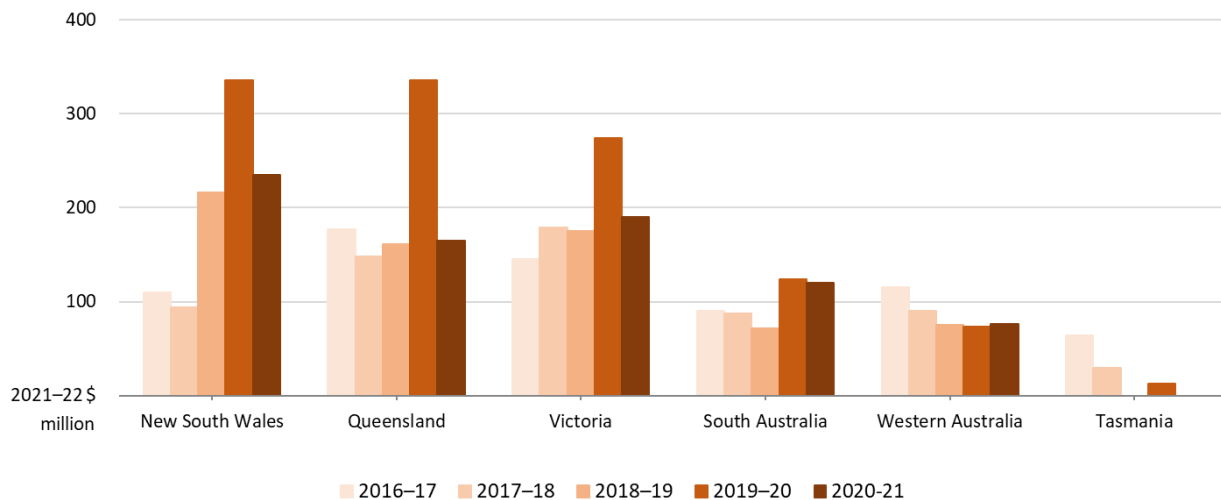


Source: APRA

At the state level, there were big reductions in the value of overdue loans in Queensland, Victoria and New South Wales—down 51%, 31% and 30% respectively (Figure 7). These states had shown large increases in loans that were past due in preceding years, when drought conditions were at their peak.

In 2020–21, loans more than 90 days past due represented 0.8% of the value of all loans and leases in NSW, 0.7% in Queensland and 1.1% in Victoria

Figure 7 Agricultural loans and leases more than 90 days past due, by state, 2016–17 to 2020–21



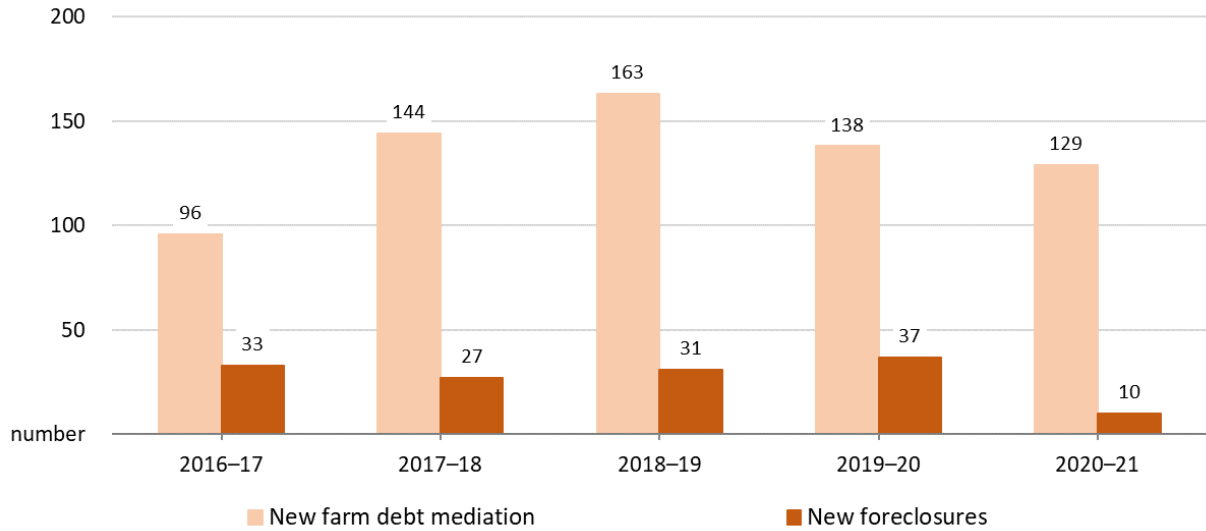
Note: Loans and lease more than 90 days past due at 30 June. Due to confidentiality reasons, data for the Northern Territory is not available and data for Tasmania is incomplete.

Source: APRA

The number of new instances of farm businesses going through debt mediation declined slightly across Australia as a whole in 2020–21 (Figure 8), but this was largely driven a reduction in cases in Victoria (Figure 9). In both New South Wales and Queensland, there were increases in the number of new cases of debt mediation in 2020–21 compared with the previous year. Note that APRA results by state or industry are not always available due to confidentiality reasons (see Appendix A: APRA lending data for more information).

In 2020–21, there were 10 new instances of farm foreclosures in Australia (accounting for around 0.01% of the farm population) compared with an average of 32 foreclosures per year during the four previous years.

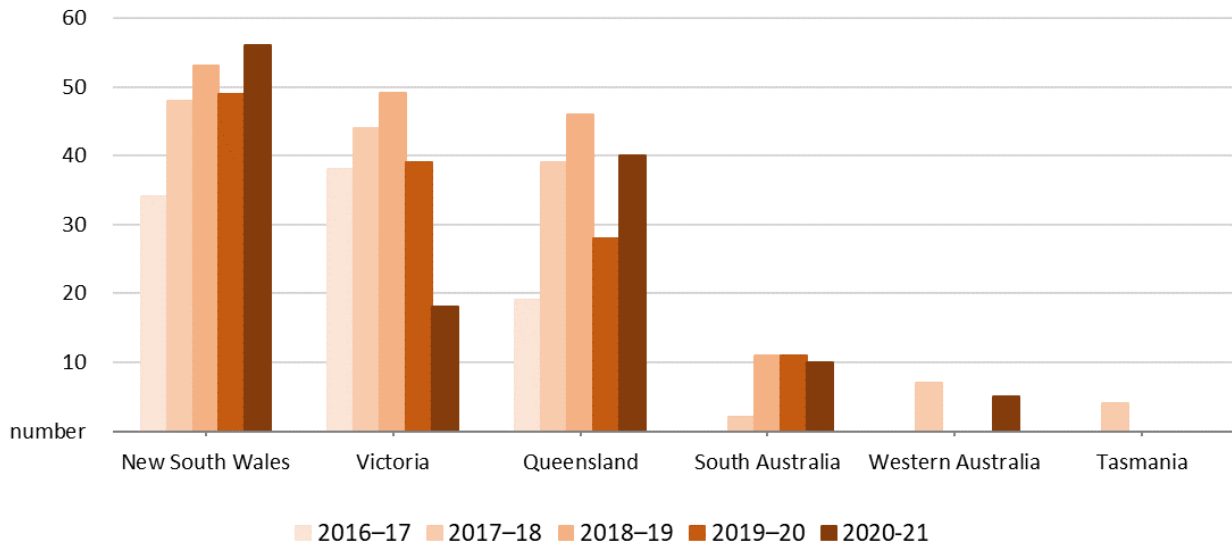
Figure 8 New instances of loans and leases under mediation and new agricultural business foreclosures, Australia, 2016–17 to 2020–21



Note: New instances of mediation or foreclosure in each financial year.

Source: APRA

Figure 9 New instances of agricultural loans and leases under mediation, by state, 2016–17 to 2020–21



Note: New instances of debt mediation in each financial year. Due to confidentiality reasons, data for the Northern Territory is not available and data for South Australia, Western Australia and Tasmania is incomplete.

Source: APRA

Long-term trends in farm debt

Long-term trends in lending to the farm sector continue to be influenced by changes in the sector's profitability. In general, agricultural lending has tended to increase during periods when the profitability of farming is below average, and vice versa. From 2002 to 2009 (a period of high drought frequency), the profitability of the farm sector declined considerably, coinciding with an increase in lending. Following 2008–09, there was a sustained period of higher farm profitability, and aggregate lending to the sector declined as many loans were repaid and farms with high debt left the sector (Figure 10).

Despite record farm incomes in 2020–21, aggregate debt continued to rise. This was due to strong growth in farm equity and low interest rates underpinning an increase in the proportion of farmers buying additional land. Debt to fund land purchases accounted for around 48% of total debt for broadacre and dairy farms in 2020–21.

Figure 10 Net value of farm production and rural debt, Australia, agriculture, 2000–01 to 2020–21



Note: The net value of farm production is gross value less aggregate farm cash costs and depreciation. Rural debt is all bank lending to agriculture, forestry and fisheries businesses plus lending from government agencies, pastoral companies and other finance companies.

Source: ABARES (2022)

At the farm level, ABARES farm survey data (Box 2) shows that average debt per farm for broadacre and dairy farms followed a similar trend to aggregate debt, increasing significantly in real terms since 2000–01 (Figure 11). Much of the increases in average farm debt was due to expansion in borrowing for on-farm investment, particularly land purchases, and to a lesser extent to finance ongoing working capital requirements (see [Role of debt in managing income variability](#)). Part of the increase in average debt per farm has also been related to increases in average farm size, with a reduction in the proportion of small farms with relatively low debt.

Box 2 ABARES farm survey data

Some of the data in this report are drawn from ABARES Australian Agricultural and Grazing Industries Survey (AAGIS) and Australian Dairy Industry Survey (ADIS).

AAGIS and ADIS are conducted annually and provide representative estimates of physical and financial performance for farm businesses with an estimated value of agricultural operations greater than \$40,000. AAGIS covers broadacre farms in the following industries:

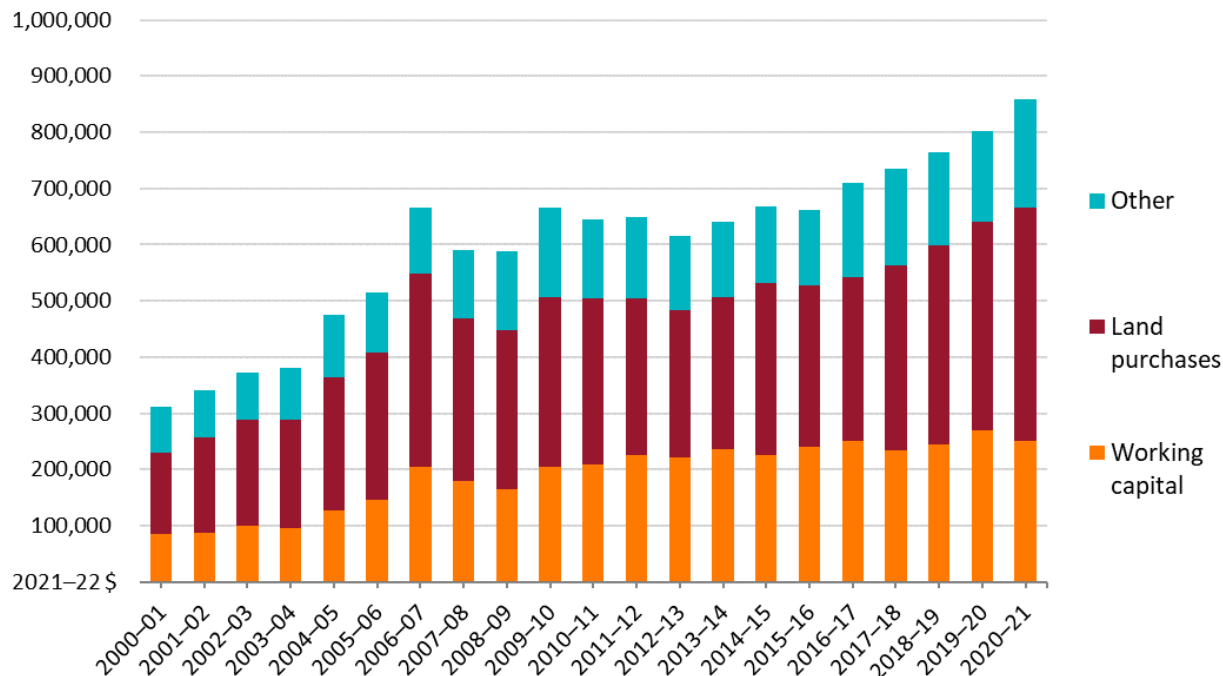
- Beef cattle farming (specialised)
- Grain-sheep or grain-beef cattle farming
- Other grain growing
- Sheep farming (specialised)
- Sheep-beef cattle farming.

AAGIS and ADIS include detailed questions about farm debt, including amounts borrowed by purpose of loan and source of loan, as well as reasons for any changes in debt during the year.

Further information on farm survey [definitions and methods](#) can be found on the ABARES website. Detailed farm survey results can be accessed via the [Farm Data Portal](#).

Figure 11 Components of farm debt, broadacre and dairy farms, Australia, 2000–01 to 2020–21

average per farm



Note: Debt at 30 June. Other includes debt for vehicles, plant, machinery, equipment, buildings, structures, livestock, land development and reconstructed debt.

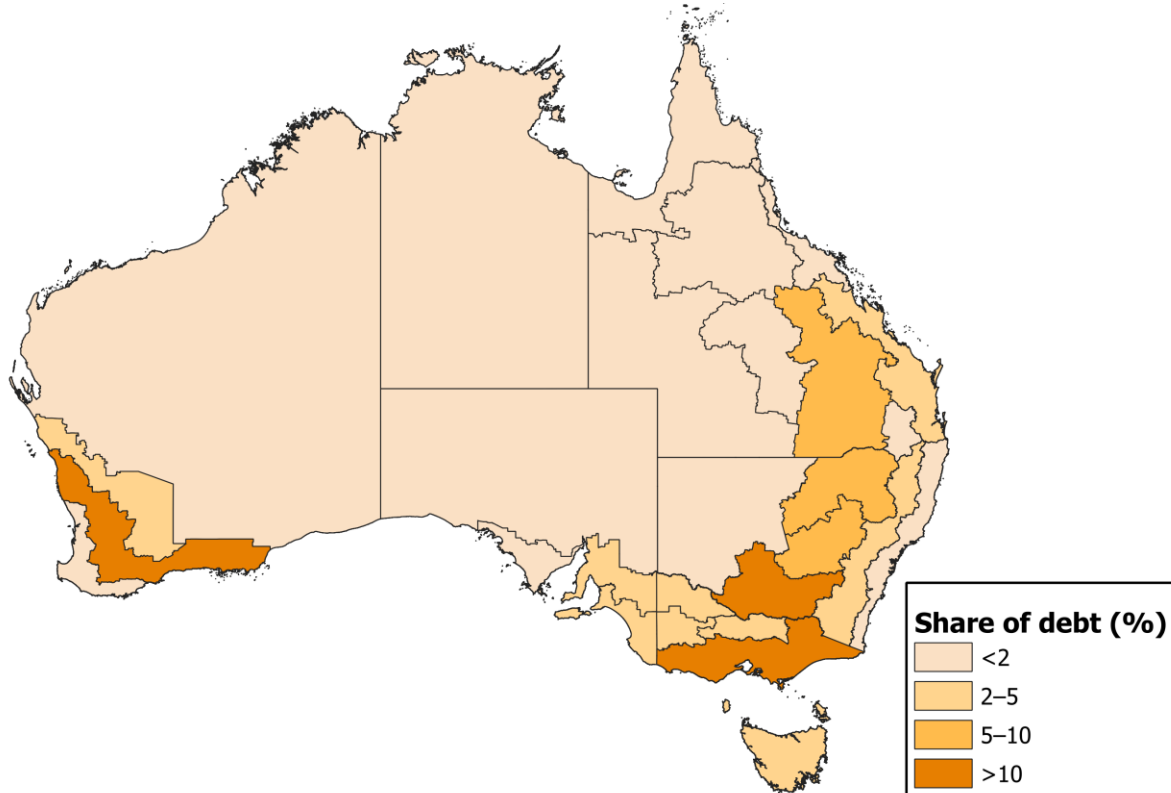
Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

Broadacre and dairy farm debt is most concentrated in the New South Wales Riverina (14%), Western Australia’s Central and Southern Wheat-belt (12%) and Southern and Eastern Victoria

(11%) (Map 1). These regions have a relatively high number of farms, particularly cropping and dairy businesses.

Map 1 Share of aggregate debt by region, broadacre and dairy farms, 2020–21

percentage share



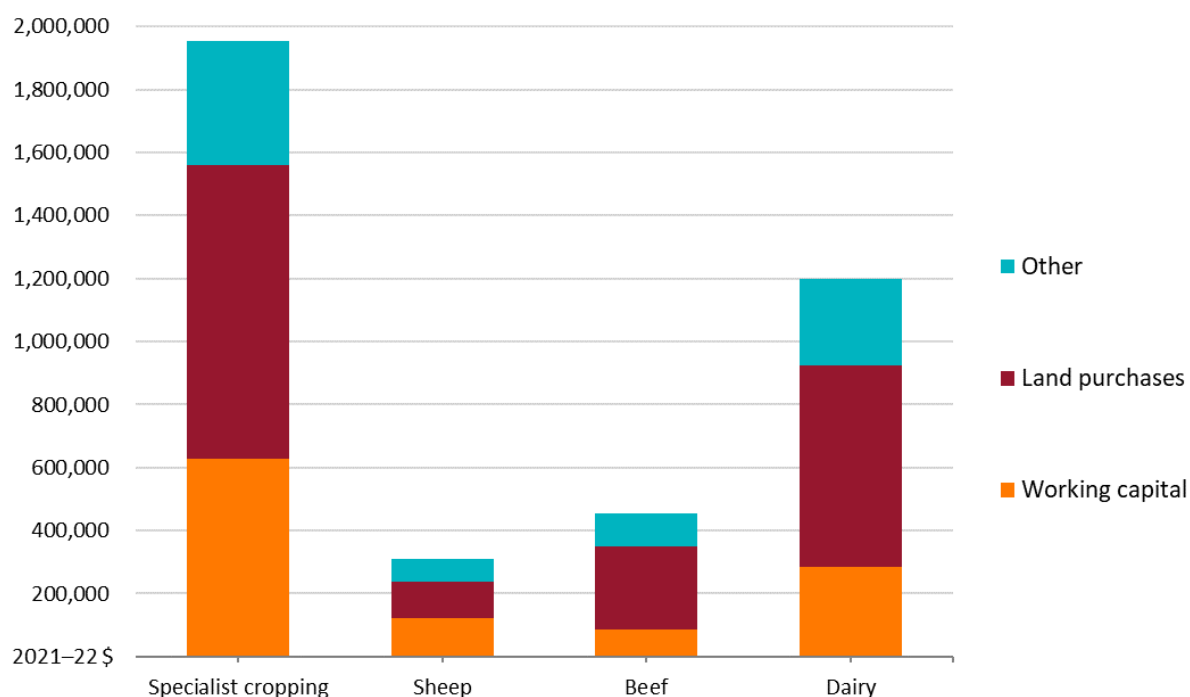
Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

By industry

The level of farm debt differs by industry due to differences in working capital intensity, farm size and income variability. Access to finance and holding debt is an important aspect of risk management and enables business growth. Specialist cropping farms had the highest debt on average among all broadacre and dairy farms, at around \$1.95million per farm in 2020–21 (Figure 12). Specialist cropping farms are larger (measured by total farm capital value) on average than livestock farms.

Figure 12 Components of farm debt, broadacre and dairy farms by industry, Australia, 2020–21

average per farm



Note: Debt at 30 June. Other includes debt for vehicles, plant, machinery, equipment, buildings, structures, livestock, land development and reconstructed debt.

Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

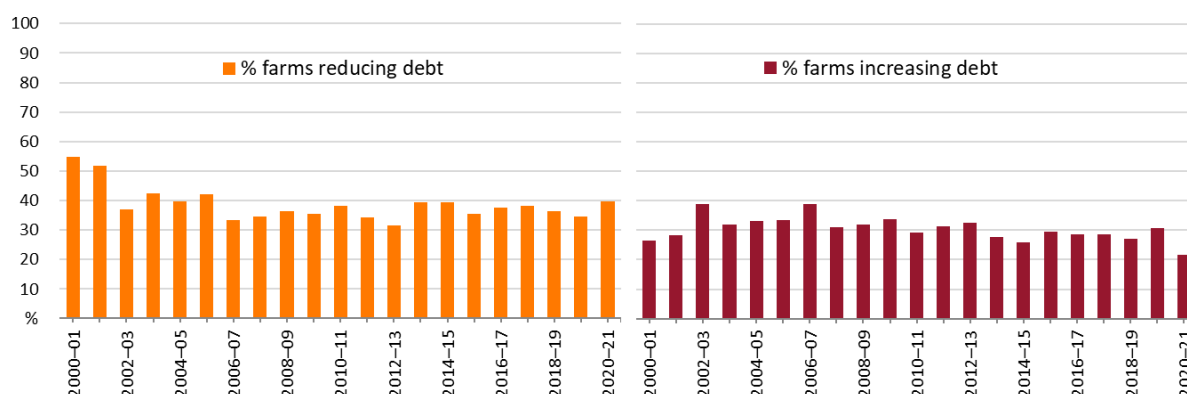
Principal repayment

The annual change in average farm business debt is the balance between the amount of principal repaid over the year and the increase in principal owed (new borrowing). In 2020–21, the percentage of broadacre and dairy farms increasing debt from 1 July to 30 June was at its lowest (22%) over the last two decades and the percentage of farms reducing debt (40%) was the highest since 2005–06 (Figure 13). The greater amount of principal repayment was likely due to the strong rebound in farm financial performance in 2020–21.

The percentage of farms with no debt has steadily increased over the last two decades and in 2020–21 around 35% of broadacre and dairy farms had no debt at 1 July or 30 June.

Figure 13 Change in farm debt from 1 July to 30 June, broadacre and dairy farms, Australia, 2000–01 to 2020–21

percentage of farms



Note: Does not sum to 100 as some farms either have no debt or made no change to debt from 1 July to 30 June.

Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

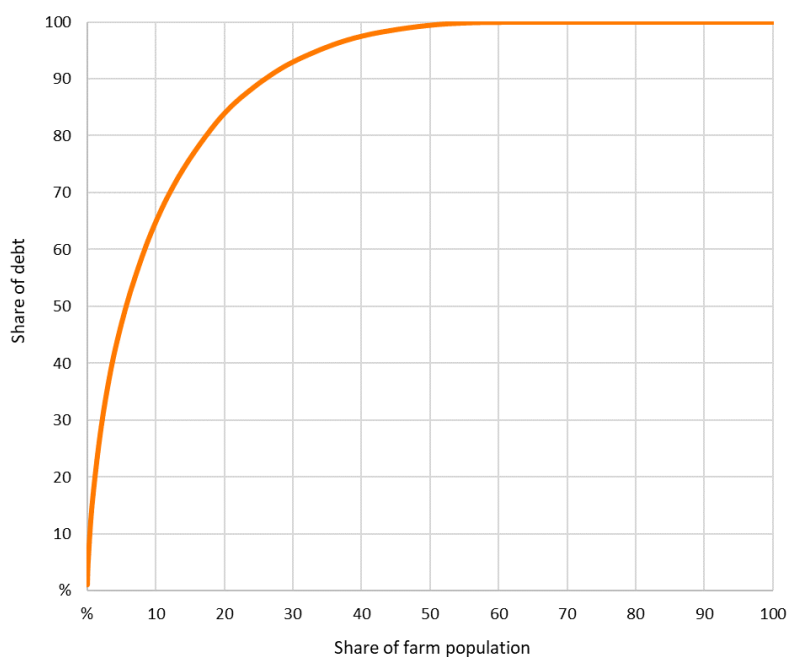
The distribution of debt across farms

Debt financing is common in Australian agriculture—both as a way for farmers to enter the sector or expand their operations, and to help manage fluctuations in revenue within or between years. However, aggregate debt is heavily concentrated within the farm population.

In 2020–21, 5% of broadacre and dairy farms accounted for around 47% of aggregate debt, whereas nearly 50% of farms had very little or no debt (Figure 14). A high proportion of aggregate debt is held by a small number of very large farm businesses that generate high cash flows on average to finance their debts.

Figure 14 Distribution of farms by debt, broadacre and dairy farms, Australia, 2020–21

percentage of aggregate farm business debt and percentage of farms



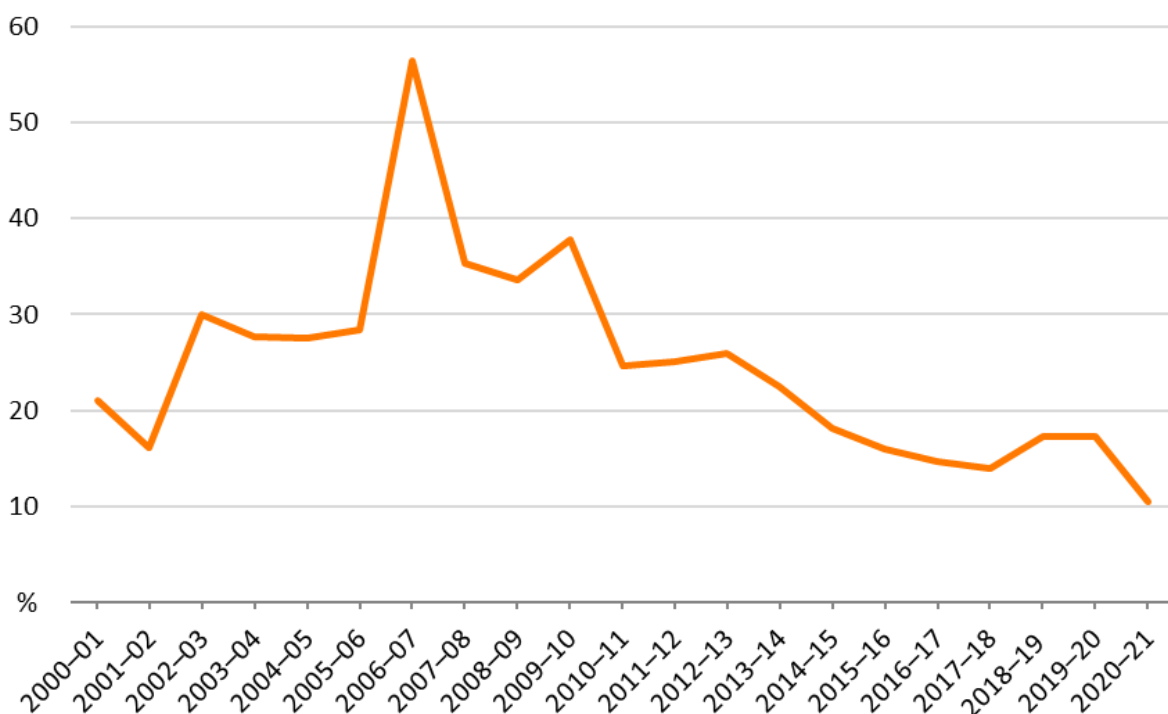
Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

Debt servicing

The average proportion of farm cash income consumed by finance payments has trended down in recent years due to improved farm incomes and lower interest rates. Farm cash income is calculated as total farm receipts minus total farm cash costs. In 2020–21, the average proportion of income consumed by finance payments (interest plus lease payments) was 11% for broadacre and dairy farms (Figure 15). Many farms in Australia rely on high farm equity to provide the reserve capacity to borrow to meet cashflow needs during periods of reduced farm income. Prolonged reduction in equity and debt servicing capacity raises the financial risk for these farm businesses.

Figure 15 Interest coverage, broadacre and dairy farms, Australia, 2000–01 to 2020–21

average proportion per farm



Note: Interest coverage is finance payments as a percentage of farm cash income.

Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

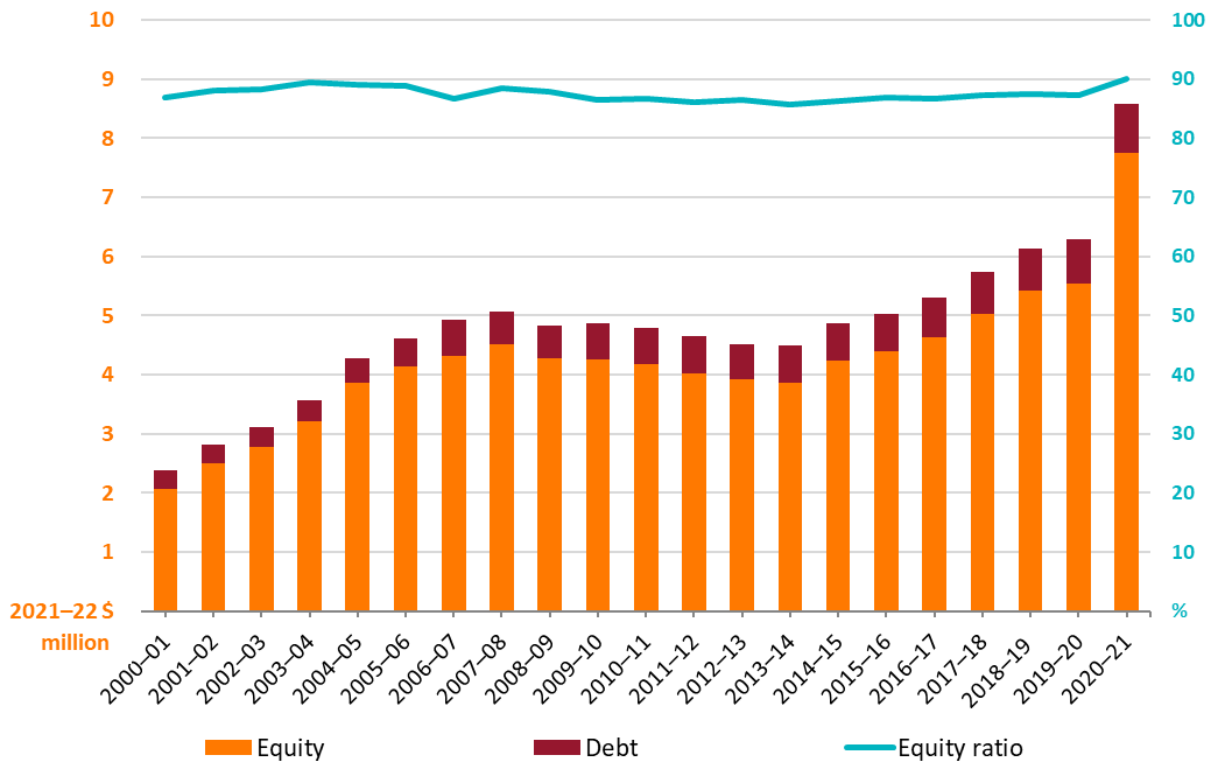
Farm equity

Lending to the farm sector in recent years has been underpinned by continued growth in agricultural land values and comparatively high farm equity, particularly in 2020–21. The average equity ratio for broadacre and dairy farms—that is, the ratio of owned capital to total capital—was 90%—the highest this ratio has been for over a decade (Figure 16). This was mainly due to high agricultural land values and an increase in the proportion of farms with no debt.

Change in farm equity ratios should be considered against the background of the increase in average farm size. Equity ratios are typically lower for larger farms with high turnover because they are generally able to service larger debts.

Figure 16 Farm business equity, farm business debt and equity ratio, broadacre and dairy farms, Australia, 2000–01 to 2020–21

average per farm



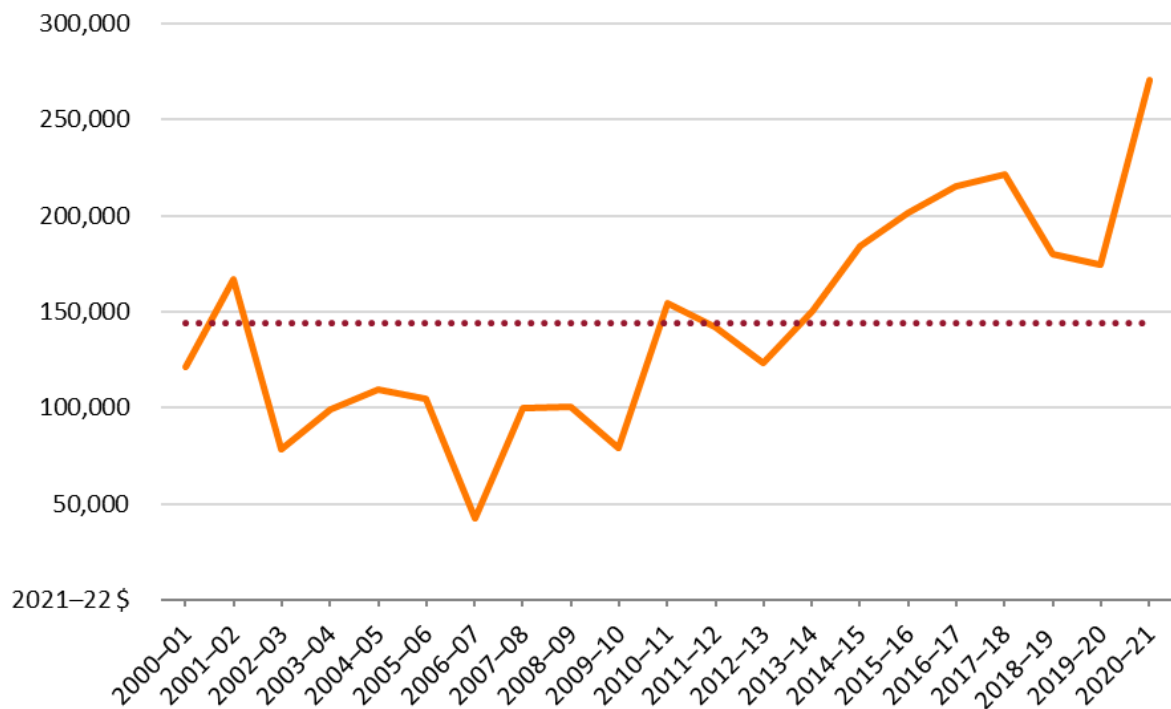
Note: Equity and debt at 30 June each year. Equity ratio is the ratio of owned capital to total equity expressed as a %.
Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

Role of debt in managing income variability

Average farm incomes for broadacre and dairy farms have been highly variable over the past two decades (Figure 17). Farm incomes are subject to wide fluctuations because of variability in factors such as climate, pests and diseases, the prices producers receive and the cost of farm inputs. Management of these risks is crucial to the success of farm businesses in Australia.

Farm cash income, is a measure of cash funds generated by a farm business for farm investment and consumption after paying all cash costs incurred in production, including interest payments but excluding capital payments and payments to family workers. It is a measure of short-term farm performance because it does not take into account depreciation or changes in farm inventories.

Figure 17 Farm cash income, broadacre and dairy farms, Australia, 2000–01 to 2020–21
average per farm



Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

Farm businesses manage income variability in several ways, including holding liquid financial assets (such as farm management deposits) and maintaining high farm equity. Australian farmers often aim to maintain credit reserves to manage their financial risk. Credit reserves are unused borrowing capacity and generally reflect additional capital from lenders in the form of an open line of credit, such as an overdraft. Maintaining a credit reserve avoids costs associated with liquidating assets to meet cash demands and with reacquiring those assets once the adversity has passed.

Critical to maintaining credit reserves is a lender's willingness to provide loans. Financial institutions lend to farm businesses on the basis of the equity (security) farmers have in their businesses and the capacity of the business to service increased debt long term. Most businesses that institutional lenders allow to operate with an equity ratio of less than 70% are large operations that mostly generate high farm cash incomes or have access to substantial off-farm assets or income. The proportion of broadacre and dairy farms with relatively low additional borrowing capacity (equity ratio of less than 70%) and relatively high debt servicing commitments (finance payments greater than 40% of farm income) was 2% of farms in 2020–21—compared to 7% of farms in 2010–11.

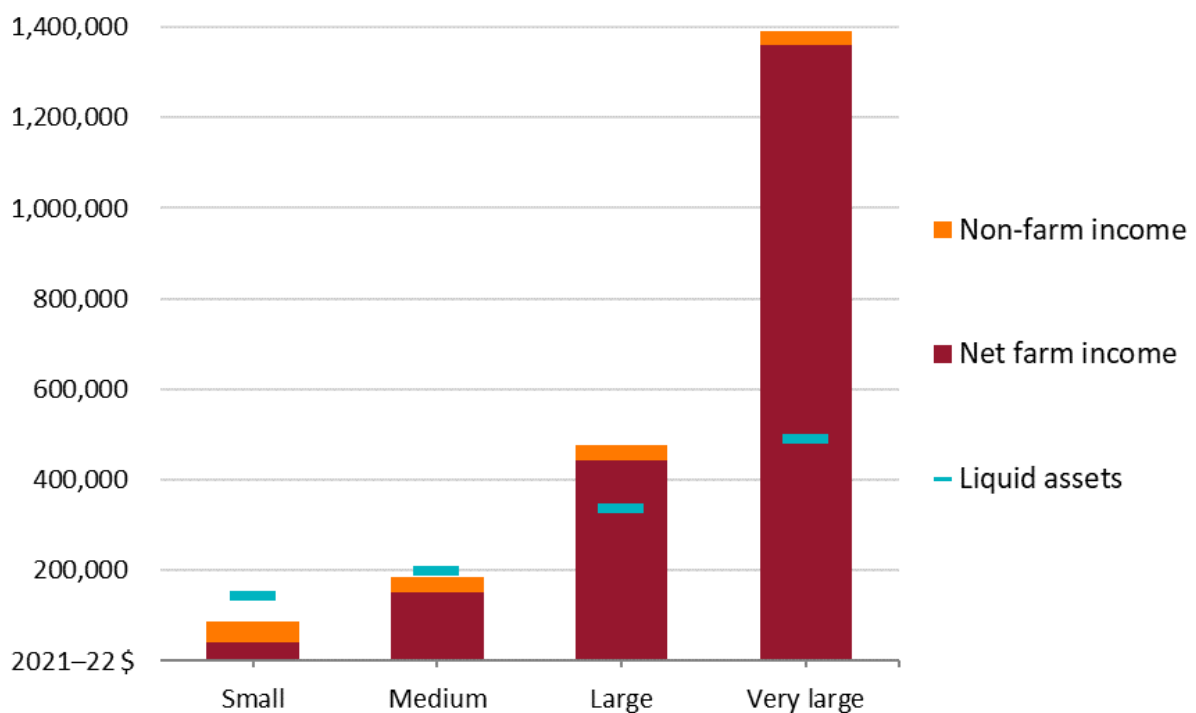
Apart from debt financing, farmers also use other tools for managing risk and income variability. Many broadacre and dairy farms have substantial holdings of liquid assets relative to farm cash income that makes them well placed to withstand short-term downturns in income, although there is wide distribution across farm sizes (Figure 18).

Farm Management Deposits (FMDs) are an important financial risk management tool for many farms and forms part of their liquid assets. At 30 June 2021, an estimated 30% of broadacre and dairy farms held FMD accounts, at an average value of \$262,000 per farm with FMDs.

In addition to holdings of liquid assets, non-farm income increases business resilience to shocks to farm financial performance for many farms. Small farms sourced the majority of their household incomes (farm cash income plus non-farm income) from non-farm sources in 2020–21. The proportion of income sourced off-farm was substantially lower for larger farms.

Figure 18 Farm cash income, non-farm income and liquid assets, by farm size, broadacre and dairy farms, Australia, 2020–21

average per farm



Note: Size groups determined by farm business turnover. Small (less than \$250,000), Medium (\$250,000 to \$750,000), Large (\$750,000 to \$2.5million), Very-large (more than \$2.5million).

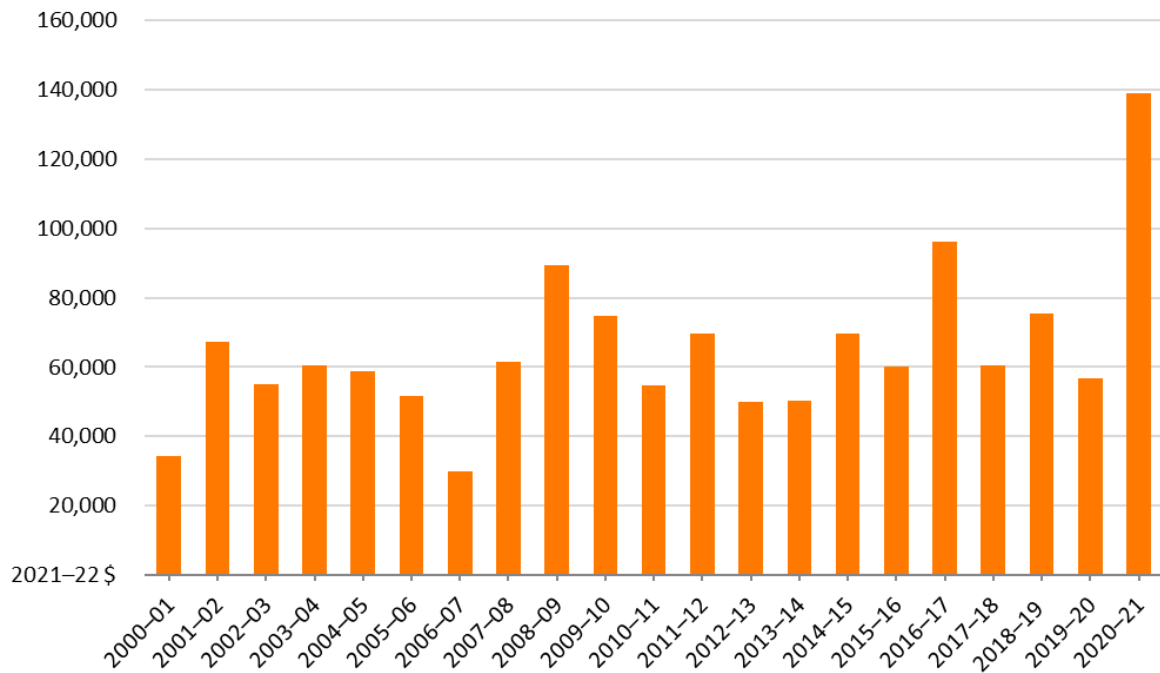
Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

Debt and farm investment

Interpreting change in the equity and income position of farm businesses over time also requires consideration of changes in farm investment. High levels of investment in land, vehicles, machinery and farm infrastructure in recent years—substantially funded by borrowing—provide a basis from which to further increase farm productivity and improve financial performance over the medium term.

Average net capital additions for broadacre and dairy farms peaked in 2020–21 mainly due to increased purchases of high value land (Figure 19). Around 5% of broadacre and dairy farms made net additions to land in 2020–21 and around 57% of farms made net additions to plant and equipment.

Figure 19 Net capital additions, broadacre and dairy farms, Australia, 2000–01 to 2020–21
average per farm



Source: ABARES Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey

Appendix A: APRA lending data

Data collection

Under the *Financial Sector (Collection of Data) Act 2001* (FSCODA), APRA is authorised to collect information from financial sector entities. The latter submit agricultural lending data to APRA using forms specified under the *Corporations Act 2001*. Blank copies of reporting form [ARS 750.0 Agricultural Lending](#) 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 DAWE for the purposes of producing this publication and the data dashboard. The information may also be used by APRA, the ABS or the RBA.

This report and the associated data dashboard should be read in conjunction with the Glossary, which contains definitions and other important information relating to the rules and processes governing the collection of the lending data.

Confidentiality requirements

Lending 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 dashboard that are outside confidentiality protection measures relating to aggregation of data are masked.

Scope of data

Data collected by APRA covers lending to businesses in the agricultural sector, which comprises agricultural subdivision 01 code of the Australian and New Zealand Standard Industrial Classification (ANZSIC) system. The collection does not include lending to businesses in the fishing/aquaculture, forestry, hunting and trapping, or support services to agriculture, forestry and fishing sectors (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 new instances of farm debt mediations
- number of new farm foreclosures
- total credit outstanding on loans and leases for any new farm foreclosures.
- 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.

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.

Lenders covered—financial sector reporting entities

It is mandatory for all ADIs to provide agricultural lending data to APRA. 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.

Types of debt reported

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

Data collection period

Lending data is presented as at 30 June each financial year. New incidents of farm debt mediations and farm foreclosures are reported for the full financial year.

Future data collection and revisions

APRA will continue to collect data under the same parameters as those used for the 2017, 2018, 2019, 2020 and 2021 collections. 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% or \$10 million) will be identified.

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 'n/a' will be used to indicate where data have been masked to maintain confidentiality. Values shown as '-' represent nil values. Numbers rounded to 0 represent values under \$0.5 million.

Data categories

Data are presented for 14 agricultural industry 'groups', based on 4-digit level ANZSIC classification codes (Table A1).

Table A1 Agricultural industry classification codes, Australia

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

Source: [Financial Sector \(Collection of Data\) \(reporting standard\) determination No. 18 of 2017 \(legislation.gov.au\)](#)

Industry-level results are also available by state (including for the Northern Territory), although in some cases, state and territory data may need to be merged to maintain data confidentiality.

Farm business entities and the number of borrowers

The agricultural lending statistics collected by APRA include the number of agricultural borrowers (business entities) associated with the loans and leases that have been taken out. However, it is important to note that the aggregate of the number of borrowers reported by APRA can double-counts individual farm business entities where they have multiple loans or leases across different lenders. For example, an individual farm with a land loan with a major bank, a separate working capital facility with the same bank or a different lender, and a lease over a tractor with a different lender again would represent 3 'borrowers' in the APRA data base. Hence, the total 'borrower' numbers in the APRA data base are well in excess of the total number of farms in Australia.

As a result, interpreting year on year changes in the number of borrowers reported in the APRA data is challenging. Aggregate borrower numbers in the database would fall, for example, if the hypothetical borrower described above rationalised or consolidated its 3 loans into one. Care should therefore be taken when interpreting changes in the borrower numbers over time.

Assigning loans and leases to different industries

Farm business entities (borrowers) 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.

Other sources of agricultural lending data

The RBA currently publish 2 major series on aggregate lending to the rural sector:

- 1) 'Rural debt by lender', which is an active annual series available from 1994–95 to 2020–21 (RBA table D9)
- 2) 'Lending to business', an active monthly series running from July 2019 to June 2022. This table includes lending to businesses in the 'Agricultural, forestry and fishing' sector, by size of business (RBA table D14.1).

Timeliness and coverage

The aggregate lending data in RBA table D14.1 are considerably more up to date than the APRA data. The RBA table show lending at 30 June 2022, versus lending at 30 June 2021 in the latest APRA tables. However, the RBA data are not available at the state and/or industry levels, and the RBA data are limited to 'loans outstanding'. In short, the data collected by APRA is more disaggregated than the RBA data, and includes more than just aggregate lending.

Comparability

The RBA and APRA statistics relating to aggregate lending are not directly comparable. One important difference is that the APRA data only include lending to businesses in the agricultural sector, whereas the RBA data also include lending to businesses in the forestry and fisheries sectors.

Another difference between the two data sources is that the aggregate lending threshold for institutions reporting in the RBA data is higher than it is for the APRA collection. This would tend to make RBA estimates of aggregate agricultural lending smaller than APRA estimates.

Notwithstanding these differences, comparing the two sources shows that:

- RBA estimates of aggregate lending in table D14.1 are similar to those reported in RBA table D9, and to the numbers reported in (the now discontinued) table D7.3
- RBA estimates of rural lending are consistently higher than APRA estimates
- movements over time in the APRA and RBA series are very consistent – that is, relativities between the different series are largely maintained over time, at least for the period covered.

Glossary

Term	Definition
90 days past due (in arrears)	<p>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.</p> <p>A loan or lease arrangement that is subject to a regular repayment schedule is considered 90 days past due when:</p> <p>a) at least 90 calendar days have elapsed since the due date of a contractual payment that has not been met in full</p> <p>b) the total amount outside contractual arrangements is equivalent to at least 90 days' worth of contractual payments.</p> <p>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.</p>
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
ABS	Australian Bureau of Statistics
ADI	Authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i>)
APRA	Australian Prudential Regulation Authority, established under the <i>Australian Prudential Regulation Authority Act 1998</i> .
borrower	See farm business entity
capital (ABARES farm survey data)	ABARES measures the value of farm capital as the value of all the assets used on a farm, including the value of leased items but excluding machinery and equipment either hired or used by contractors. The valuation includes the value of land and fixed improvements used by each farm business in the survey, excluding land sharefarmed off the sample farm. Residences on the farm are included in the valuations. Livestock are valued at estimated market prices for the land use zones within each state. The total value of plant and machinery is based on market valuations provided by the owner–manager for broad categories of capital, such as tractors, vehicles and irrigation plant.
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.
DAFF	Department of Agriculture, Fisheries and Forestry
debt (ABARES farm survey data)	ABARES measures debt as all debts attributable to the farm business but excluding personal debt, lease financed debt and underwritten loans, including harvest loans.
equity ratio (ABARES farm survey data)	Calculated as farm business equity (the value of owned capital, less farm business debt, at 30 June) as a percentage of owned capital at 30 June.
farm business entity	<p>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.</p> <p>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'.</p>

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	<i>Financial Sector (Collection of Data) Act 2001</i>
Industry	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. 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: <ul style="list-style-type: none"> • advances • secured and unsecured loans • mortgages • commercial loans • redeemable preference share finance not evidenced by a security • lease arrangements • equity participation in leveraged leases. <p>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.</p>
RBA	Reserve Bank of Australia
Region	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.
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 <i>Financial Sector (Collection of Data) Act 2001</i> .
RIC	Regional Investment Corporation

References

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