




+ Queensland Rural Debt Survey 2017

An overview

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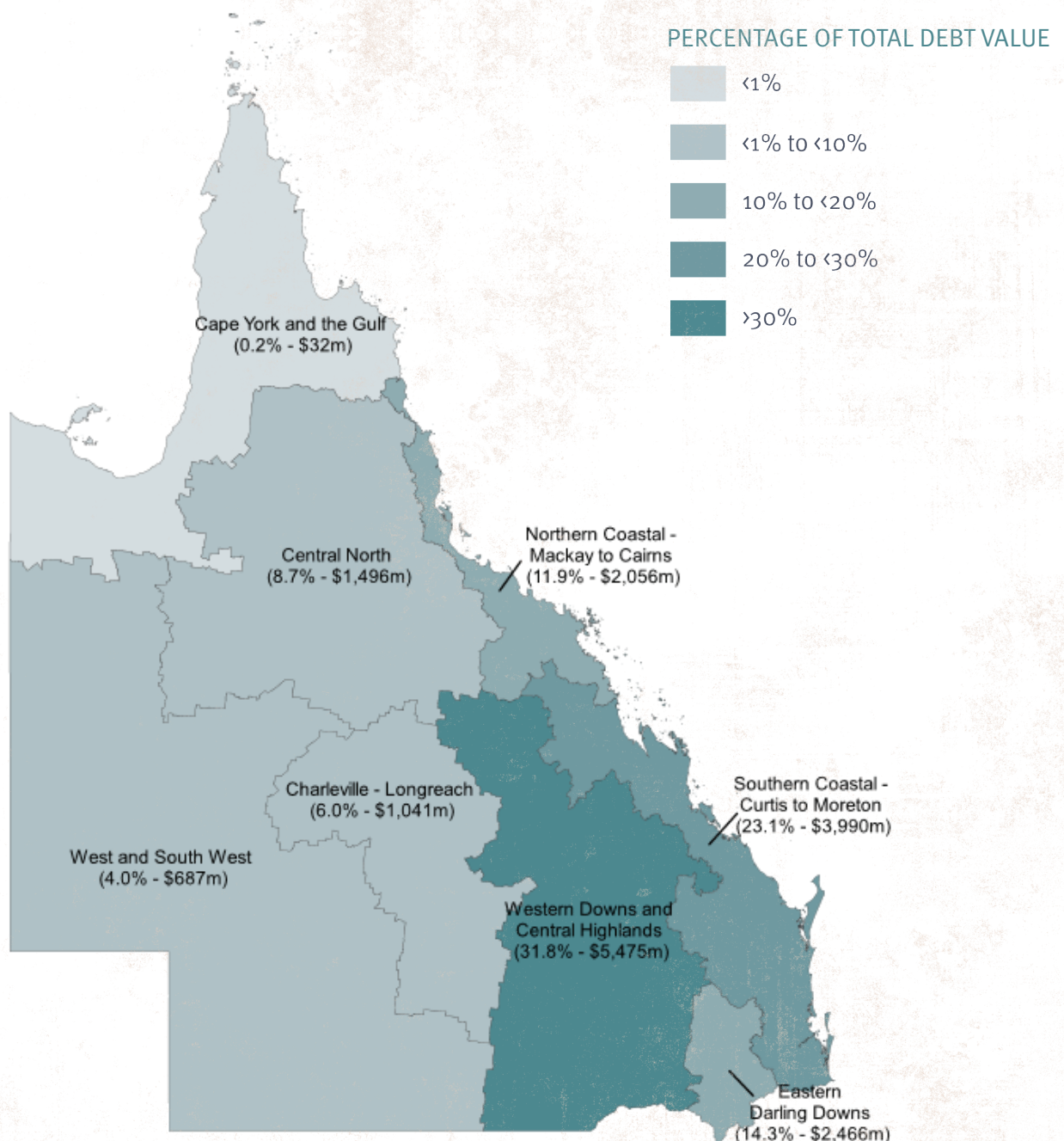
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Total debt by region

ABARES REGION	2017 ('000)	PERCENTAGE OF TOTAL
Cape York and the Gulf	\$32,392	0.19%
Central North	\$1,496,216	8.68%
Charleville - Longreach	\$1,040,832	6.04%
Eastern Darling Downs	\$2,465,629	14.30%
Northern Coastal - Mackay to Cairns	\$2,056,091	11.92%
Southern Coastal - Curtis to Moreton	\$3,990,013	23.14%
West and South West	\$686,637	3.98%
Western Downs and Central Highlands	\$5,475,029	31.75%
Total	\$17,242,838	



Percentage of Total Rural Debt per ABARES (2016) region is partly a reflection of the industry, size and nature of rural activity in these regions.

***Rural Debt** is defined as the total indebtedness of all farmers/rural enterprises throughout Queensland, where the servicing of the rural debt relies primarily on rural generated income.*

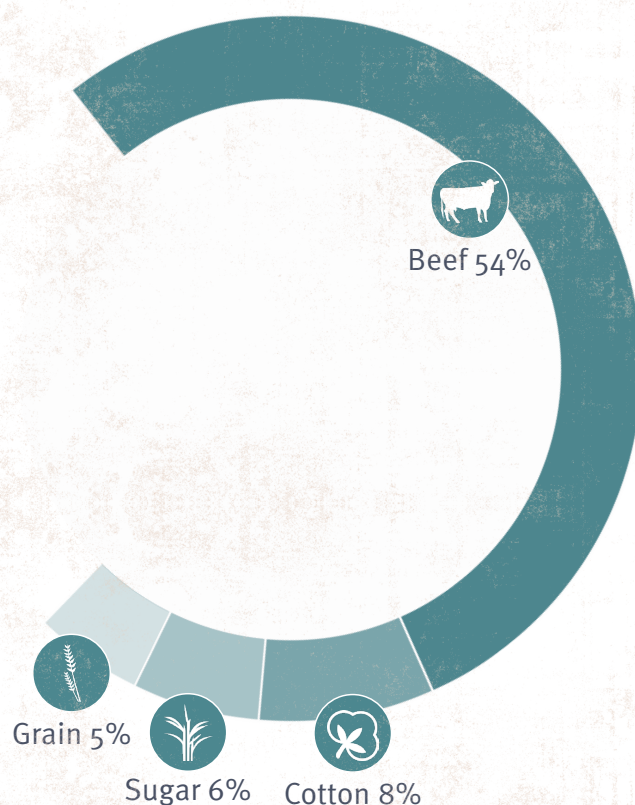
Debt funding has long been a principal source of capital for Australian farm businesses. Of all the financial institutions, banks still represent the highest proportion of lending to farmers in Australia.

The **Queensland Rural Debt Survey** ascertains the extent, trends, nature and size of the total rural indebtedness in Queensland as at 31 December 2017. The 2017 survey includes data from the nine major rural lenders in Queensland.

The Queensland Rural Debt Survey has been conducted by the **Queensland Rural and Industry Development Authority (QRIDA)**, formerly QRAA, since 1994. From 2001 to 2011, the survey was conducted biennially and resumed again in 2017. The 2017 survey report includes an analysis of the movement in rural debt since the previous 2011 survey.

For more information see the complete 2017 Queensland Rural Debt Survey report available at www.qrida.qld.gov.au/rds2017

Debt proportion by major industry



Average debt per borrower
\$0.94 million

-12% compared to 2011 (\$1.07m)

Total debt
\$17.24 billion

+1.6% compared to 2011 (\$16.98b)

Number of borrowers

18,335

+16% compared to 2011 (15,822)

Beef



Total debt: \$9,354m
Movement*: ↑1.91%
Borrowers: 7,553

Queensland is the nation's beef capital with 47 per cent of the meat cattle herd. The beef industry represents 54.25 per cent of total rural debt in 2017 which is proportional to the size of the industry in Queensland.

Extended dry periods from 2011-2017 have made environmental conditions tough, however prices have remained high throughout the period. These more favourable returns appear to have seen beef producers pay down debt over the period with only a minor increase in overall debt since 2011.

The three regions with the highest proportion of beef debt were Western Downs and Central Highlands, Southern Coastal – Curtis to Moreton and Central North (totalling \$6,251m). These are also some of the highest beef producing regions of Queensland.

The average debt per beef borrower was \$1.24m.

Cotton



Total debt: \$1,332m
Movement*: ↑2.00%
Borrowers: 443

Queensland grows 34 per cent of the nation's cotton. The cotton industry represents 7.73 per cent of total rural debt in 2017.

Cotton prices have steadily increased during 2011-2017; however, hectares planted have decreased over the same time. The key driver for crop productivity in cotton is the availability of water.

The cotton industry is one of the fastest adopting agricultural industries, with significant investments made in both new genetics and harvesting equipment.

The Western Downs and Central Highlands region had the highest proportion of cotton debt, with \$926m. This is also the largest region for cotton production.

The average debt per cotton borrower was \$3.01m.

Intensive Livestock



Total debt: \$457m
Movement*: ↓3.03%
Borrowers: 580

Intensive livestock includes poultry, deer, horse, pig and other farming not elsewhere identified.

Intensive livestock makes up 2.65 per cent of total rural debt in Queensland in 2017, which is a similar proportion to the 2011 survey.

The intensive livestock industry requires significant capital investment, including adequate facilities, stockfeed supplies and labour and can be affected greatly by climate variability.

Eastern Darling Downs has the highest level of intensive livestock debt with \$182m. This area has a significant amount of intensive animal production.

The average debt per intensive livestock borrower was \$0.79m.

Dairy



Total debt: \$257m
Movement*: ↑8.29%
Borrowers: 528

The dairy industry represents 1.49 per cent of the rural debt in the 2017 survey.

The Queensland production of whole milk has been declining since the late 1990s, which has plateaued in the past few years. Since 2013, the average farm gate milk price has been gradually decreasing. Higher average farm incomes have been experienced more recently with commentators suggesting this is due to higher prices for cull dairy cows and other dairy and beef cattle supplementing income.

The region with the greatest amount of dairy debt was Southern Coastal – Curtis to Moreton at \$125m.

The average debt per borrower for dairy was \$0.49m.

Sugar



Total debt: \$1,038m

Movement*: ↑6.35%

Borrowers: 1,981

Queensland grows the majority (94 per cent) of the nation's sugar cane crop, with the gross value of sugar cane being \$1.5 billion in 2016-17. Sugar cane growers comprise 6.02 per cent of Queensland's total rural debt in 2017.

Since 2011, domestic consumption of sugar has remained steady, cane crushed has increased and returns to cane growers have been relatively steady.

The region with the greatest amount of sugar debt was Northern Coastal – Mackay to Cairns, with a debt level of \$880m. This region is where the vast majority of the cane is produced in Queensland.

The average debt per sugar borrower was \$0.52m.

Grain



Total debt: \$933m

Movement*: ↓15.12%

Borrowers: 831

One third of the nation's grain crops are grown in Queensland, with grain growers representing 5.41 per cent of total rural debt in 2017.

The grain industry has seen a 15.12 per cent reduction in debt since the 2011 survey. This can be attributed to several factors including the rapid increase in chickpea production off the back of exceptional chickpea prices in 2015 and 2016. Yields have been increasing for winter crops since 2013-14, however summer crops' yields have been more stagnant or reduced slightly.

Western Downs and Central Highlands, where the majority of Queensland's grain production occurs, has the highest amount of grain debt totalling \$435m.

The average debt per grain borrower was \$1.12m.

Sheep/Wool



Total debt: \$132m

Movement*: ↑36.12%

Borrowers: 226

The sheep industry represents 0.76 per cent of total rural debt for Queensland in 2017.

Queensland sheep numbers have been declining for some time. Even with a resurgence in price, minimal rain and drought has meant that sheep numbers have not increased. Significant investment has also been made with exclusion fencing to assist with wild dog predation control since 2011.

Whilst sheep debt increased 36.12 per cent between 2011 to 2017, as a proportion of total rural debt, the Queensland sheep industry debt is relatively small.

The region with the greatest amount of sheep/wool debt was Charleville-Longreach at \$53m.

The average debt per borrower for sheep/wool was \$0.58m.

Marine



Total debt: \$89m

Movement*: ↓36.86%

Borrowers: 389

Marine includes fishing, rock lobster and crab potting, prawn fishing, line fishing, fish trawling, and netting.

Whilst marine industry debt decreased 36.86 per cent between 2011 to 2017, the marine industry's debt represents 0.52 per cent of total rural debt.

The region with the greatest amount of marine debt was Southern Coastal – Curtis to Moreton at \$65m.

The average debt per borrower for marine was \$0.23m.

Grain/Grazing



Total debt: \$867m

Movement*: ↓25.27%

Borrowers: 975

The grain/grazing industry comprises sheep and cattle as well as grain enterprises (otherwise known as mixed grain/grazing).

For the 2017 survey, grain/grazing accounted for 5.03 per cent of total Queensland rural debt. This has been a 25 per cent reduction in debt since the 2011 survey.

Commentators suggest that increased yields for winter crops and increased receipts for grazing has contributed to overall higher cash receipts and pay down of debt.

The region with the highest level of debt was the Western Downs and Central Highlands at \$624m as mixed enterprise farms are prevalent in this area.

The average debt per grain/grazing borrower was \$0.89m.

Tree Crops & Vegetables



Total debt: \$672m (TC) \$523m (V)

Movement*: ↑13.86% (TC) ↓12.16% (V)

Borrowers: 925 (TC) 538 (V)

Tree crops, comprising of fruit and tree nut growing, makes up almost 3.90 per cent of total rural debt in the 2017 survey. Vegetables make up 3.03 per cent of total rural debt in Queensland in 2017.

Throughout the 2011-2017 period, vegetable horticulture experienced some crop reductions due to impacts of natural disasters.

The Southern Coastal – Curtis to Moreton region had the greatest horticulture debt with a value of \$302m for tree crops and \$319m for vegetables.

The average debt per borrower for tree crops was \$0.73m and for vegetables was \$0.97m.

Aquaculture



Total debt: \$40m

Movement*: ↑32.12%

Borrowers: 66

Aquaculture comprises both offshore caged aquaculture and onshore aquaculture.

Whilst aquaculture industry debt increased 32.12 per cent between 2011 to 2017, the aquaculture industry's debt represents 0.23 per cent of total rural debt.

The region with the greatest amount of aquaculture debt was Northern Coastal – Mackay to Cairns at \$25m.

The average debt per borrower for aquaculture was \$0.61m.

Various



Forestry and Logging

Total Debt: \$104m

Borrowers: 154

Services to Agriculture

Total Debt: \$806m

Borrowers: 2,173

Hunting and Trapping

Total Debt: \$2m

Borrowers: 26

Other

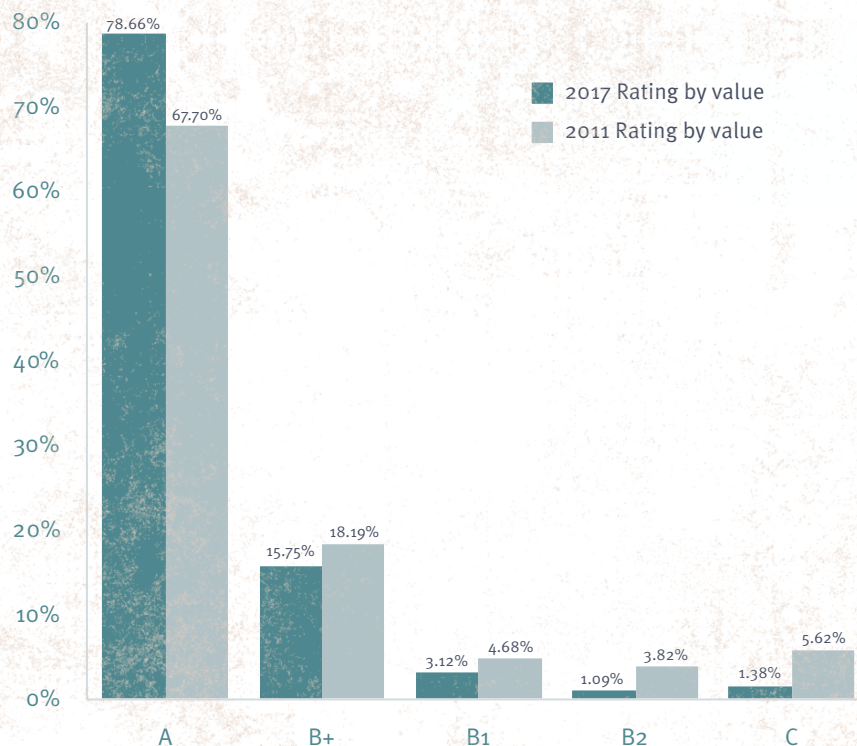
Total Debt: \$637m

Borrowers: 1,508

*Movement in debt 2011-2017

Please note some borrowers had debt across several industries

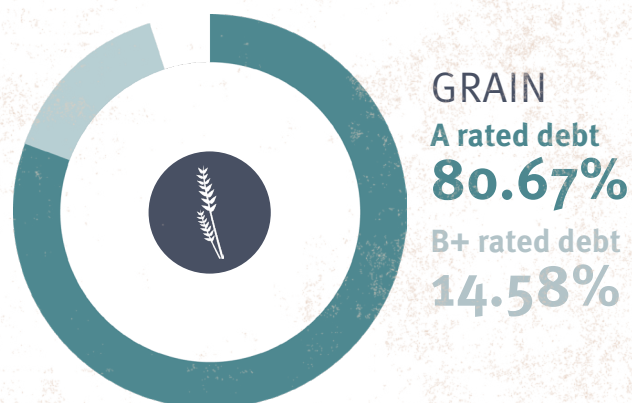
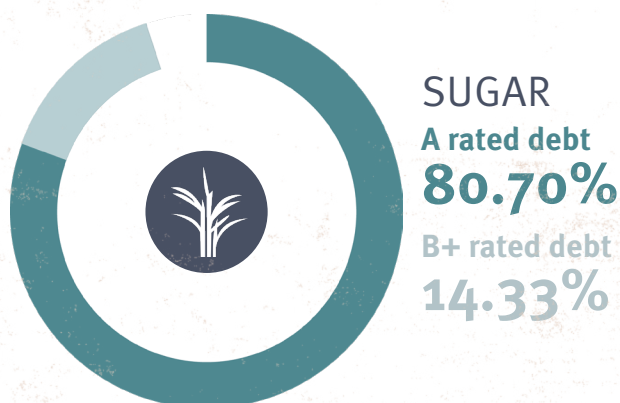
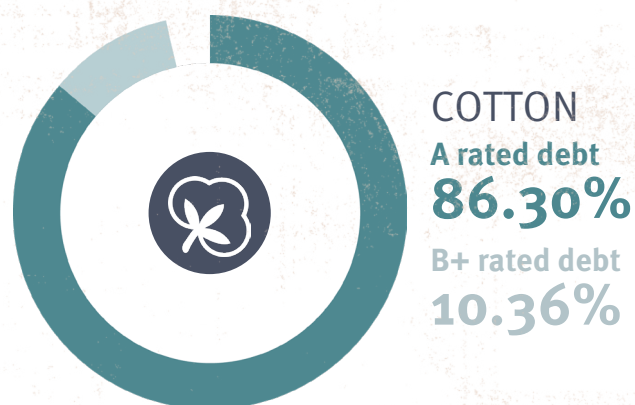
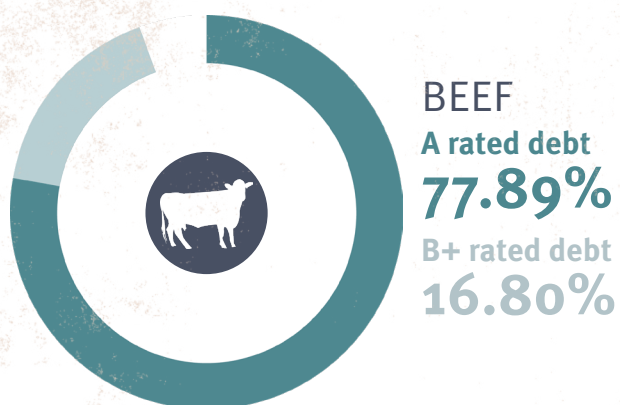
Risk profile by value



RISK CATEGORIES

- A** Considered viable under most/all circumstances
- B+** Experienced debt servicing difficulties under present circumstances – potentially viable long term
- B1** Experiencing debt servicing difficulties under present circumstances – debt situation deteriorating and in danger of becoming non-viable will continue to receive support of lender (top 50% of category)
- B2** Experiencing debt servicing difficulties under present circumstances – debt situation deteriorating and in danger of becoming non-viable (bottom 50% of category)
- C** Considered non-viable

Industry by debt rating



WITH THANKS

The Queensland Rural and Industry Development Authority (QRIDA) undertook the 2017 Queensland Rural Debt Survey in collaboration with the Queensland Government Statistician's Office (QGSO) and with the support of all the major rural lending institutions in Queensland. Additional assistance was provided by other government agencies and agricultural industry associations.

MORE INFORMATION:

Queensland Rural and Industry Development Authority
Level 26, 32 Turbot Street Brisbane QLD
GPO Box 211 Brisbane Queensland 4001
ABN 30 644 268 943

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Requests for further information or authorisation
should be directed to the CEO, GPO Box 211 Brisbane QLD 4001
Freecall 1800 623 946
www.qrida.qld.gov.au
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Queensland Treasury, Rural Debt Survey 2017, Output Tables*