

Committee Secretary

Senate Standing Committees on Rural and Regional Affairs

As a Grain Producer in Northwest Victoria I am asking the Senate Standing Committee to investigate the roles of the Banks and the detrimental affect that they can have on the Grains Industry.

Addressing -Term of Reference (a) and (b)

Recent collapses of grain traders have alerted us to the fact that banks, principles and practices are not at all directed toward assisting producers to provide a secure supply chain from farm gate to port/end user.

Example – In a collapse of a grain trader, the bank had only engaged in business with that grain trader, six to eight weeks before the gates were closed and the company went into voluntary administration. This is a very perplexing situation as the banks have the ability to check the viability of the company and perform complete and effective due diligence. It was even indicated that when the company had some concern about their own viability they were encouraged to continue to trade out; this is using producers' grain as security.

In the insolvencies, the banks have shown little concern for the industry and have halted any attempt by producers' to implement measures to try and minimize their losses. The bank and administrator have controlling interest in the winding up of these companies whilst the unsecured creditor has virtually no influence on the outcome. In my experience, a group of unsecured creditors are owed substantially more money than the secured creditor and the administrator.

Grain producers incur all the costs through production, storage and handling and the transport to end-users. They are also expected to bear the burden of grain traders' insolvencies.

Grain traders and banks use our grain as security for their borrowing and lending, and the bank can recoup their losses as the secured creditor with little or no regard to the unsecured creditor i.e. the grain producer. Farmers/Grain Producers are unfairly losing millions of dollars. This results in significant emotional and financial burdens that affect sustainable farming for today and future generations.

Addressing- Term of Reference (c) and (d)

Farmers are unable to perform effective due diligence on traders due to financial and business constraints. The massive losses resulting from failed grain trader's drives farmers into using the bigger grain traders and accumulators. The smaller reputable grain trading businesses lose the financial respect of the grain grower, consequently affecting competition.

A scheme needs to be developed and introduced to provide farmers with financial protection, as they are the ones who incur all the risks as the unsecured creditor

whilst others profit handsomely from farmers' production. At the very least, they should sit at the table during insolvency hearings as an equal to the financial institutions.

In conclusion, the Grains Industry is worth millions of dollars to the state and creates thousands of jobs in areas such as traders, transport companies, machinery outlets, research bodies and agronomy. There are many people and organisations that rely on us for employment and grain production. We are an integral part of the Victorian and Australian economies.