
7 A new policy framework

Key points

- The National Drought Policy should be replaced by an extension of the objectives of the Australia's Farming Future initiative, to clearly place the responsibility for managing climate variability and other risks with farmers and farm-dependent businesses.
 - The agricultural policies of state and territory governments should also embody this principle.
- Governments should play a supporting role that addresses impediments to effective risk management and assists individuals and communities cope with change.
- There is a need for a program designed for farming circumstances that provides temporary income support. This program should respond to the needs of farm families, rather than to the occurrence of drought.

7.1 A revised national drought policy?

While the National Drought Policy's (NDP's) focus on self-reliance and preparedness is sound, analysis of the programs constructed in its name reveals serious deficiencies. These deficiencies were recognised by a broad range of inquiry participants. Limited improvements could be pursued through changes to the NDP; however, it would be preferable to have drought dealt with in the various policies that impact on agriculture. There are several reasons why this would be the best approach, as outlined below.

First, as explained in chapter 3, drought is only one of a number of risks faced by farmers. Other climate-related events (for example, unseasonal storms, hail and frost), changes in input costs and changes in output prices are also significant sources of risk. To the extent that management of risk by farmers is impeded by market failures that warrant government action, an approach that encompasses all types of risk is preferable to one that focuses on one particular type, such as drought.

Second, where climate-related agricultural programs are needed, these may be better targeted at climate variability and climate change generally, rather than specifically at drought. The Commonwealth, state and territory governments are developing climate change adaptation policies under the National Agriculture and Climate Change Action Plan. There is the potential for considerable overlap if these policies were pursued in parallel with a NDP, as they are all concerned with the challenges of managing climate risk.

Third, various net-beneficial interventions by governments that assist farmers in managing drought can also promote change that improves farmers' productivity and income during average and better seasons. There is a danger that having a separate NDP could result in an overemphasis on drought-related programs at the expense of other programs that may have a greater potential for producing benefits for farmers and the wider community.

Fourth, programs under the NDP provide for income support to farmers and others during severe drought. However, it is not clear that needs that arise during drought are more deserving than those that arise through other circumstances. Accordingly, it is preferable to have income support policy that responds to the needs of farm families, rather than to the occurrence of drought. Taking this approach also has the practical advantage of not tying eligibility for income support to declarations of exceptional drought. As chapter 5 demonstrates, all attempts to define the start, end and geographic extent of exceptionally severe droughts have proved to be inappropriate, ineffective and inequitable.

Finally, chapter 6 details the ways in which current programs under the NDP impede efficiency-enhancing rural adjustment. While it might be possible to make changes that reduce these problems, discontinuing the NDP altogether could potentially lead to greater recognition that long-term structural issues, rather than droughts, are often the root cause of financial difficulties faced by farm businesses. Policies that address barriers to adjustment and deal with any equity issues arising out of structural change may be more appropriate.

For these reasons the NDP should be replaced by a new approach that clearly places the responsibility for managing drought, and most other risks, with farmers and farm-dependent businesses. Governments should play a supporting role that addresses impediments to effective risk management and assists individuals and communities cope with change, including those who suffer hardship. This approach is similar to that advocated in the Corish report:

Governments' main role in the agriculture and food sector is to secure the best environment for markets to operate. Policies should encourage self-reliance and international competitiveness and minimise intervention and regulation. This can have long term benefits for the sector, but can mean short term problems for affected

farmers, industries or communities. Governments sometimes take a role in helping these parties through their short term difficulties. (Agriculture and Food Policy Reference Group 2006, p. 29)

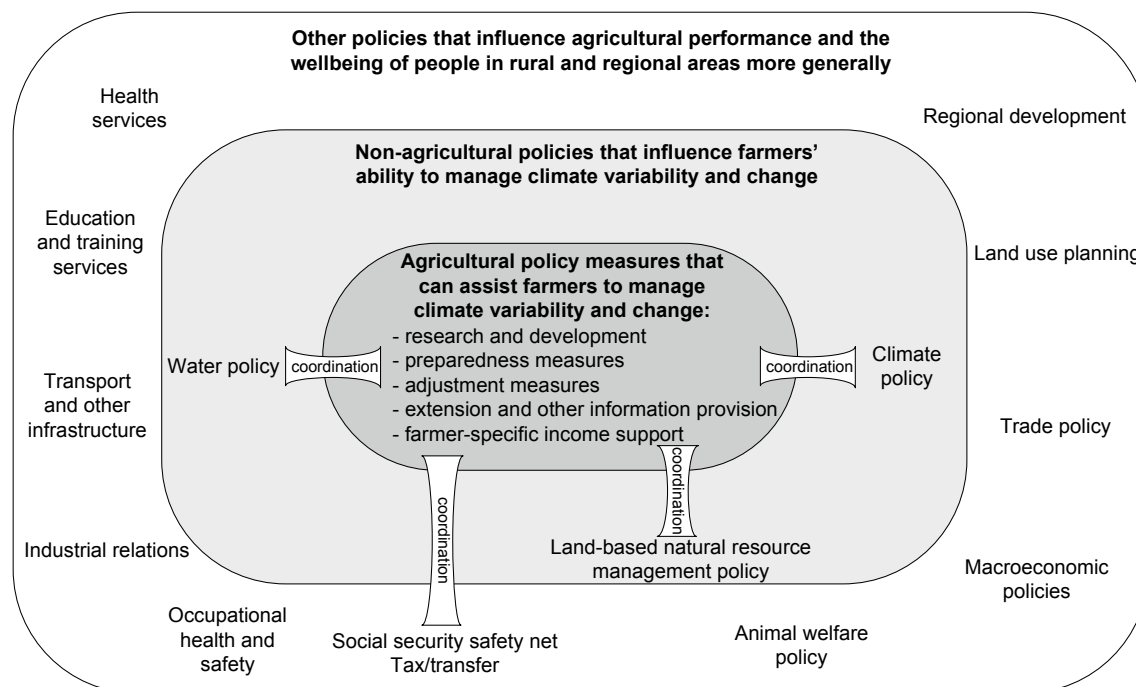
It is also consistent with the Expert Social Panel’s argument that:

... future policy should seek to move people towards an acceptance that future dryness will occur and is not a crisis, and that planning for dryness should be about personal, family, farm and community wellbeing.

The challenge is to design policy to address the social wellbeing needs of farm families, rural businesses and communities in ways which do not inhibit the efficiency of agricultural industries. (Kenny et al. 2008, p. 3)

The elements of the approach advocated by the Commission are outlined in figure 7.1 and described in detail in the remainder of this report. Chapters 8 and 9 deal with aspects of agriculture policy relating to climate variability and climate change, which is the main focus of this inquiry. The role for other policies, including those relating to water, natural resource management, climate and human services, is considered in chapter 10.

Figure 7.1 Policy elements of a new approach



The objectives that should guide the agricultural policy measures shown in the inner ring of figure 7.1 are set out in the following section. These measures should not focus entirely on drought, but the impact of climate variability and change on the ongoing viability of farm businesses and other agricultural enterprises should be

considered in their design. For example, government support for agricultural research and development should encompass projects to improve options for drought management as well as projects that aim to improve profitability in good years.

7.2 Objectives for agriculture policy

At the federal level, the new policy framework should be pursued primarily through expanding the objectives of the existing Australia's Farming Future (AFF) initiative. The current objective of this initiative is to equip primary producers to adapt and adjust to the impacts of climate change and to manage their emissions. The Commission considers that the broader issues of climate variability, self-reliance and a farm-based social security safety net should be included in an extended AFF set of objectives. It is envisaged that funding for the initiative would need to be increased in order for these objectives to be achieved. Chapters 8 and 9 provide analysis that is relevant to assessing resource needs, but the appropriate level of funding is ultimately an issue for the Commonwealth Government to decide.

RECOMMENDATION 7.1

The objectives of the Australia's Farming Future initiative should be revised and extended to the following:

- ***assist primary producers to adapt and adjust to the impacts of climate variability and climate change***
- ***encourage primary producers to adopt self-reliant approaches to managing risks***
- ***assist primary producers to manage greenhouse gas emissions and other adverse impacts on the environment***
- ***ensure that farming families in hardship have temporary access to an income support scheme that recognises the special circumstances of farmers.***

State and territory governments should embed the first two of the above objectives, and, to the extent relevant at a sub-national level, the third, within their agricultural policy frameworks. National coordination of policy, and the possible role of an intergovernmental agreement, are discussed in chapter 11.

The objectives above refer to primary producers and farm families but not to farm-dependent businesses. It is the case, however, that some of the measures discussed in later chapters have the potential to directly and indirectly benefit

farm-dependent businesses. Where appropriate, these chapters consider whether farm-dependent businesses should have access to particular measures.

Adapting and adjusting to climate variability and climate change

The first objective above expands on a current objective of the AFF initiative to include climate variability as well as climate change. The reasoning for this is that:

- it is currently very difficult to distinguish (except in hindsight) between climate variability and climate change, especially with respect to rainfall
- the impacts of climate change on agriculture are, at least initially, largely felt through the effects on climate variability (Bureau of Meteorology, sub. 33; Department of Climate Change, sub. 109)
- some farmers experience difficulties in adapting or adjusting to conditions that are within the range of known past climate variability — in many cases these difficulties would be expected to increase if conditions were to move outside this range due to climate change.

As B. White argued:

... the need now [is] ... to consider research on climate variability and climate change adaptation as simply parts of adaptive climate risk management. Farmers don't make the same compartmentalisations that scientists do. (sub. 94, p. 9)

Some inquiry participants expressed concern that long-term climate change tended to capture the attention of governments and that this could be at the expense of addressing immediate needs for better tools to manage climate variability (Crocker Farming Co, sub. 45). It would appear that many hold similar views to Paul Ziebarth (Queensland farmer and chair of the Managing Climate Variability Program Management Committee):

We've always had climate variability but climate change appears to be magnifying it. We need to get on top of that and understand the relationship between the two. It's important that climate variability research not get lost in the sea of climate change. I want to help keep that balance and keep the focus on variability. (Land and Water Australia 2008, p. 2)

Farmers themselves are generally best placed to adapt and adjust. For some, adjusting to the impacts of climate variability and climate change may involve recognising that their best course of action would be to leave farming, or to remain on, or owner of, the farm but to hand management to others through such means as leasing or sharefarming. The Commission's view is that governments should take a neutral position on these matters. Governments should not dictate that certain farms are too small or in the wrong location to be viable, but nor should they provide

ongoing support that has the effect of impeding adjustment from occurring. The role for government here is to address informational and other barriers that may prevent farmers from fully understanding, and acting in, their own best interests.

Self-reliant approaches to risk management

The second objective broadens a current NDP objective, to encompass the wider range of risks faced by primary producers, including those associated with commodity prices, input costs, climate variability and climate change.

As stated by Rural Directions Pty Ltd (sub. 35, p. 1) ‘Self-reliance relates to the businesses’ view on “who is responsible in bad times?”’. Current policy sends mixed signals on this question. What is needed in future is a consistent approach by all levels of government that recognises that the responsibility for managing climate variability and most other risks should rest with farmers and farm-dependent businesses.¹ Realising this objective may require government measures that give farmers better skills and tools for managing risks, such as schemes that encourage savings for difficult financial times.

One concern with an overemphasis on self-reliance was expressed by the Australian Land Management Group:

The continuing emphasis on the stated need for unqualified self-reliance has the potential to further entrench the reluctance of farmers to access personal and social support programs. (sub. 24, p. 6)

In this respect, policy should encourage farmers to seek out advice and support when they need it. The Commission’s view is that making considered judgements on when to seek professional advice on agronomy or business planning, or on accessing personal and social support services demonstrates self-reliance, not its absence, and should be actively encouraged. Self-reliance should also be seen as being consistent with participation in regional or industry groups that seek to achieve goals through collective action.

¹ There are some types of agricultural risks for which governments should take a significant level of responsibility for managing. Perhaps the most important example is biosecurity. Preventing the introduction and spread of pests and diseases provides a ‘public good’ (that is, it benefits all farmers and the wider community) and as such, requires government regulation and coordination. This contrasts with effectively managing climate risks, which essentially provides private benefits to individual farmers and farm-dependent businesses.

Managing greenhouse gas emissions and other environmental impacts

The current objective of the AFF initiative refers to managing emissions. It would seem from the detail of policy being developed for the initiative that this relates mainly to greenhouse gas emissions. The third objective for the AFF proposed by the Commission makes it explicit that greenhouse gas emissions and other adverse environmental impacts are targeted.

While objectives relating to environmental outcomes should be pursued primarily through natural resource management and other environmental policies, having an environmental objective within AFF is considered worthwhile for two main reasons. First, it provides a focus for efforts to prepare the agriculture sector for possible inclusion in a greenhouse gas emission reduction scheme. Second, it signals the need to take into account possible unintended, and adverse, environmental impacts arising from AFF policy measures.

Income support

In terms of the basic social security safety net, ensuring that farm families in hardship have access to income support commensurate with that available to other Australians is an appropriate aim. However, there are factors unique to the situation of farm families that, in the Commission's view, warrant temporary support being taken up as a separate objective within agriculture policy. These factors include the impediments to some farmers or their families seeking off-farm sources of income, the need for ongoing environmental stewardship of farming land and the desirability of retaining current ownership of valuable farm assets in some situations, even when income is temporarily negligible or negative. Having a farmer-specific income support program of limited duration also has some synergies with addressing barriers to adjustment. The program should be accessible at all times, however, not just during exceptional drought.

What about other objectives?

The NDP contains two objectives that, in the Commission's view, need not be carried over into the AFF initiative.

The first of these is 'maintain and protect Australia's agricultural and environmental resource base during periods of extreme climate stress'. The environmental aspect of this is covered by the proposed objective above and by the objectives of natural resource management and other environmental policies. Existing animal welfare regulations also have a role to play. Maintenance of the agricultural resource base,

during periods of climate stress is, in the Commission's view, largely the responsibility of individual farmers and industry groups. Thus, it is unnecessary to have this objective embedded in AFF.

In addition, this objective appears to have been interpreted as seeking to maintain each individual farm business as part of the resource base. Not including this objective, therefore, has the benefit that it avoids this common misinterpretation.

The second NDP objective that need not be carried over is 'ensure early recovery of agricultural and rural industries consistent with long-term sustainable levels'. As discussed in chapter 6, removing barriers to adjustment promotes early recovery from drought. As such, issues relevant to this are covered in the first two expanded AFF objectives.