
4 Selected developments in assistance for rural industries

This chapter reports on recent developments in assistance to rurally-based industries and activities. The coverage is generally restricted to areas where new assistance measures were introduced or foreshadowed, or where there were policy reviews or changes to existing arrangements, by the (then) Australian Government following the last edition of *Trade & Assistance Review* and prior to the commencement of the caretaker period on 17 October 2007. Following the election of a new Government on 24 November 2007, some of the measures reported here have been or may be changed or at least reviewed. As such, the material in this chapter does not necessarily represent the policies or intentions of the current Government.¹

The measures covered in the chapter relate to the following areas:

- drought relief;
- the Agriculture — Advancing Australia package;
- industry-specific assistance, including developments in relation to wheat marketing, pigmeat, wool, horses, forestry and food; and
- resource management issues.

While the chapter focuses on arrangements targeted at rurally-based industries and activities (and some closely related industries), it should be noted that many such industries also receive general forms of assistance, such as those discussed in chapter 3. For example, many rural-based businesses can receive assistance via small business programs, regional programs, R&D subsidies and assistance for exporting.

¹ Changes to the policies and initiatives reported here made since the election, together with new initiatives, will be reported in the 2007-08 edition of *Trade & Assistance Review*.

4.1 Drought relief

Drought affects a wide range of agricultural and agriculture-dependent activities, and has economic, environmental, social and political impacts. Its effects on primary producers depends on their production systems and management decisions, and access to inputs, as well as on the level and types of any government support provided.

A major drought event occurred in Australia in 2002-03, with on-going severe drought conditions still occurring in 2006-07 for large areas of agricultural land. Over the last 30 years, major droughts were also recorded during 1982–1983 and 1994–1995.

Australia's National Drought Policy, agreed to in 1992 and reaffirmed in 2005 by the Australian and state governments, recognises that drought is a natural feature of Australia's variable climate and needs to be managed accordingly. The key objectives of the policy, which among other things embodies the principle of self-reliance, are summarised in box 4.1.

Box 4.1 Objectives of the National Drought Policy

- Achieve self-reliance by farmers in managing the risks stemming from normal climatic variability by providing the focus on drought preparedness.
- Provide appropriate assistance to farmers experiencing “exceptional circumstances”.
- Ensure that the provision of this assistance is equitable, efficient and timely using [the] best science and information.
- Facilitate the maintenance and protection of Australia's agricultural and environmental resource base during periods of increasing climatic stress.
- Facilitate the early recovery of agricultural and rural industries consistent with long-term sustainable levels.

Source: PIMC (2005).

Reflecting the ongoing and significant nature of drought support in Australia, the Commission has reported on aspects of drought assistance in the previous five editions of the *Trade & Assistance Review*. This section outlines the key drought support measures, provides data on the extent of assistance provided by those measures, and describes recent policy changes in the area.

Australian Government assistance

The Exceptional Circumstances (EC) arrangements are the Australian Government's primary mechanism for assisting farmers and small business operators affected by drought.² There are two main strands to these arrangements: interest rate subsidies and income support (box 4.2).

Box 4.2 The Exceptional Circumstances arrangements

Under EC guidelines, a drought-affected region may be declared eligible for EC support if the drought event is rare (a one-in-20 to 25 year event), results in a severe downturn in farm incomes over a prolonged period, and is not predictable or part of the process of structural adjustment (NRAC 2006, App 1). Once an area is 'EC declared', assistance is available to eligible producers and certain small business operators, during the drought and recovery phase, through the following programs.

- *Business support.* EC interest rate subsidies of up to \$100 000 per year, with a cap of \$500 000 over five years, are available to eligible farm enterprises and small businesses. EC interest rate subsidies are funded jointly by the Australian Government (90 per cent) and state and territory governments (10 per cent).
- *Income support.* The EC relief payment provides eligible farmers and small business operators with a fortnightly payment at a rate equivalent to the Newstart allowance, including additional benefits (such as a healthcare card). The Australian Government funds all income support payments.

In addition, interim income support payments are available during the EC application assessment process. Under the arrangements, introduced in September 2002, the Australian Government may provide interim income support payments for areas experiencing severe drought conditions while a full EC assessment is undertaken.

Eligibility to receive EC interest rate subsidies, EC relief payments and interim income support is subject to an off-farm asset and income test. The test does not take into account assets essential to the running of the farm business nor some proceeds from the forced disposal of livestock and cash deposits under the Farm Management Deposits Scheme.

Sources: DAFF (2007a) and Howard (2007a)

Estimates of EC support provided to agricultural industries by the Australian and state governments are shown in table 4.1. The estimates indicate that, in total, Australian governments provided \$145 million of EC drought relief in 2002-03, rising to \$714 million in 2006-07. The latter figure is equivalent to about two fifths

² Other Australian Government mechanisms that assist drought-affected farmers include the Farm Management Deposits scheme, together with other elements of the Agriculture — Advancing Australia package (see section 4.2), and income-tax averaging provisions. These programs are discussed in detail in past editions of the *Trade & Assistance Review* (PC 2007d).

of the assistance for primary producers included in the Commission's assistance estimates for 2006-07. The main industries receiving drought support (in 2003-04) were *grain, sheep and beef cattle farming* (65 per cent) and *dairy cattle farming* (26 per cent).³

Table 4.1 Estimates of EC assistance^a
\$ million

	2002-03	2003-04	2004-05	2005-06	2006-07
Australian Government	140.8	294.0	220.4	386.4	669.0
– EC interest subsidy	39.7	92.5	99.2	232.5	408.2
– Interest rate relief – drought relief package of 2002	3.3	6.7	2.3	–	–
– EC relief payment	45.9	153.4	117.1	153.4	249.2
– Interim income support	52.0	41.5	1.9	0.5	11.6
State Government EC interest subsidy contribution^b	4.7	10.7	11.0	25.8	45.3
TOTAL^c	145.5	310.3	237.4	420.4	714.3

^a Actual expenditure. ^b Estimates exclude State governments' other drought programs, such as transport, freight and fodder subsidies. ^c Sum of individual funding components may not add to total funding as the total amount includes program administration costs (except for 2002-03).

Sources: NRAC (various) and data provided by DAFF.

The take-up of EC assistance has increased significantly since the (then) Australian Government's announcement in October 2006 (reported in last year's *Review*) that it would extend EC assistance to all producers, and farm-dependent small businesses, within an EC declared region. On 20 June 2007, the Minister for Agriculture, Fisheries and Forestry indicated that government spending on EC income support and interest rate subsidies had increased from around \$7 million per week in October 2006 to reach \$26 million a week. The number of farming families in receipt of EC relief also increased from around 9700 to almost 22 000 over the same period, with more than 750 small businesses also receiving EC assistance (McGauran 2007h).⁴

³ Information on the distribution of EC interest rate subsidies by agricultural commodities was provided by state rural adjustment authorities. For EC relief payments, estimates of the industry distribution of the funding were derived from ABARE farm surveys which contain data on farm characteristics and drought funding for 2003-04 (ABARE 2005).

⁴ Information provided by the Department of Agriculture, Fisheries and Forestry indicates that, during January 2008, around \$20 million per week was provided in EC support, which is around the same as the average weekly level of support provided during June 2007. At the end of January 2008, more than 24 000 farming families were in receipt of EC relief payments, and some 1100 small businesses had received EC interest rate assistance at least once (DAFF, pers. comm., 17 March 2008).

In the 2007-08 Budget, the Government announced it would provide an additional \$8 million to the Country Women's Association to help distribute emergency aid grants to fund community based activities and to meet immediate household needs of rural families in drought affected areas. The new funding is in addition to the \$4 million already provided during the 2006-07 financial year. The new funding includes:

- individual grants of up to \$2000 per household, including for eligible farmers, farming dependent contractors, service providers and local rural businesses, to meet essential household expenses and other basic necessities; and
- grants of up to \$3000 for community groups, schools, and not-for-profit organisations to help meet the costs of holding events and providing support to drought-affected communities (McGauran 2007b and Howard 2007e).

In September 2007, the Government announced that it would provide additional drought assistance to extend EC declarations until September 2008 in 38 rural areas. EC assistance in these areas was due to expire in March 2008. The Government also announced that it would provide around \$90 million in interim income support for eligible farmers in Western Australia's agricultural zone and remaining areas in New South Wales, South Australia and Tasmania that are not already EC-declared (McGauran 2007d and Howard 2007f).

As part of the September 2007 announcements, the Government introduced additional changes to existing drought assistance measures, estimated to cost \$714 million (based on a number of programs lasting from one to two years (DAFF, pers. com., 17 March 2008)). The changes were designed to increase access to EC assistance for farmers and small businesses, provide grants to irrigators and help with social pressures facing farming families across rural and regional Australia (Howard 2007a). The new measures included:

- an increase to the off-farm salary and wages exemption for income support recipients from \$10 000 to \$20 000 — \$33 million has been allocated from the package to fund this measure;
- an increase, for a period of 12 months, to the off-farm assets test limit for access to interest rate subsidies, from \$473 000 to \$750 000 — \$143 million;
- extending the eligibility criteria for small businesses' access to EC assistance, to include all small businesses in towns with a population up to 10 000 that have a significant reliance on farmers for their income, and have suffered a downturn in business turnover due to the drought — \$142 million;
- grants of up to \$20 000 (GST exclusive) to Murray Darling Basin irrigators to implement on farm water management strategies in response to reduced water allocations — \$66 million;

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- information workshops for Murray Darling Basin irrigators to assist in managing their farm businesses with reduced water allocations — \$7.5 million;
 - an exit grant of up to \$150 000 for farmers who have decided to leave the land, and an increase in the assets limit to access this grant to \$350 000 — \$150 million;
 - further amounts of \$10 000 are available for farmers who have successfully applied for the EC exit grant to obtain advice and retraining to assist in preparing for the transition away from farming, and to assist with relocation — \$20 million;
 - funding for up to an additional 13 rural financial counsellors, an additional 10 Centrelink rural support officers and five social workers — \$8 million;
 - additional social and emotional counselling through the establishment of 25 family support drought response teams — \$11 million;
 - an increase of \$1000 to the Assistance for Isolated Children (AIC) scheme's additional boarding allowance and an ongoing supplementary allowance of \$1000 for all students who receive an AIC distance education allowance — \$8 million;
 - up to an additional \$10 000 per school in EC declared areas — \$46 million; and
 - additional moneys for the emergency relief program to fund community and charitable organisations to provide emergency assistance — \$4.5 million (Howard 2007a).

State government assistance

As well as contributing to the EC interest rate subsidy scheme, State and Territory Governments have provided a range of assistance to help affected farming communities during recent drought conditions. The measures include transport subsidies for feed and livestock, the provision of financial and family counselling services, and electricity and water tariff rebates. Some State Government drought assistance measures have been discussed in previous editions of the *Trade & Assistance Review*.

Over the last year or so, State governments have made a number of further drought support commitments. The following are illustrative of the types of measures and amounts involved. However, the estimates of the total drought assistance provided by different State governments since the commencement of the drought may not be strictly comparable, in part reflecting the coverage of the various estimates.

- As at 30 November 2007, more than 80 per cent of New South Wales remained affected by the drought (with some areas entering their seventh consecutive year

of drought conditions). Since the commencement of the current drought in 2002, the NSW Government estimates that it has committed more than \$365 million to drought assistance measures, including \$124 million for transport assistance (livestock, stockfeed and water) (Macdonald 2007, NSW Department of Primary Industries, pers. comm., 17 March 2008).

- In October 2007, the Victorian Government announced that it would spend a further \$100 million on drought relief measures, as an addition to the \$178 million spent over the previous two years. The commitment included \$55 million to provide water rebates for irrigators and \$10 million to help farmers undertake drought proofing works (Brumby 2007). Since 2002, the Victorian Government has allocated around \$333 million for drought assistance (Victorian Department of Primary Industries, pers. comm., 20 March 2008).
- In December 2006, the Queensland Government committed to spending \$32.5 million over two years to extend its drought assistance through continued contributions to the EC scheme, expanded eligibility for and increased size of livestock transport subsidies, and continued rebates on council rates for farmers and water levies for irrigators. In December 2006, the Queensland Government estimated that its drought assistance spending commitments over the period from 2001-02 to 2007-08 would total around \$221 million (Mulherin 2006).
- In a series of announcements over the year to October 2007, the South Australian Government extended its drought assistance measures with funding commitments for business support schemes, rebates for the stamp duty on refinanced loans for primary producers, financial relief for irrigators and to fund South Australia's portion of the EC interest rate subsidy. Other measures included an apprenticeship retention scheme, funding for research into drought resistant crops and additional funding for rural community counsellors and drought response coordinators. (Rann 2007, McEwen 2006; 2007a; 2007b). Since 2002, the South Australian Government has allocated around \$75 million for drought assistance (PIRSA, pers. comm., 12 March 2008).
- In August 2007, the Western Australian Government announced a funding commitment of \$9.3 million for the 2007 Dry Season Assistance Scheme comprising grants to farmers and pastoralists and to community and social support services including rural counselling services (Carpenter 2007). Since 2000, the Western Australian Government has committed around \$33 million for drought assistance (WA Department of Agriculture, pers. comm., 29 February 2008).

4.2 The Agriculture – Advancing Australia package

Introduced in 1997, the *Agriculture – Advancing Australia* (AAA) package comprises a number of sector-wide programs designed to facilitate structural adjustment. Since its inception, the package has provided assistance for farm business management, education and training, income support and land use planning. The main components of the most recent package include:

- Farm Help — provides support to farming families in financial difficulty and facilitates farming exits and re-establishment;
- Farm Management Deposits — provides taxation benefits designed to help primary producers handle income variability and reduce reliance on other forms of government support;
- FarmBis — provides assistance to develop business and natural resource management skills through funding for education and training activities;
- Rural Financial Counselling Service — provides free and impartial financial counselling to help clients make informed financial and business decisions and to better manage change and adjustment; and
- Advancing Agricultural Industries — assists primary producers to develop self-reliance, resilience and the ability to efficiently manage change.

Recent Developments

In the 2007-08 Budget, the (then) Australian Government announced that the AAA package would be extended for a further four years with additional funding of around \$255 million. All existing programs within the package were to be continued. Some adjustments to the package were also announced, including:

- a doubling of support to \$40 million over four years for the Advancing Agricultural Industries program (formerly Industry Partnerships);
- a new FarmBis program; and
- greater access to the Farm Help program (McGauran 2007m).

The Advancing Agricultural Industries program was intended to help agricultural, fisheries and forestry industries to develop self-reliance, resilience and an ability to efficiently manage change. The program also provides individual development opportunities for women, young people and indigenous Australians (DAFF 2008a).

The new FarmBis program included changes to ensure that farmers have equal and consistent access to funding support for education and training opportunities, regardless of their state or territory of residence. Previously, the availability of

support and the types of training available depended on individual states providing financial support (McGauran 2007j).

Revisions to the Farm Help program were designed to provide easier access to assistance for farming families in severe financial hardship. Adjustments to the program include:

- allowing past recipients a second chance to obtain advice and training (up to \$2500) and/or a re-establishment grant;
- a 50 per cent increase in the size of the re-establishment grant to \$75 000; and
- an increase in the maximum asset limit for obtaining the full re-establishment grant from \$100 000 to \$150 000 (McGauran 2007j).

4.3 Industry-specific assistance

Wheat marketing

Wheat is the major grain crop grown in Australia with around 12.2 million hectares planted in 2007. Around three quarters of Australia's annual wheat crop is exported (DAFF 2008c). The current drought has significantly affected the wheat industry with production falling from around 25 million tonnes in 2005-06 to 10 million tonnes in 2006-07.

Wheat prices have increased dramatically in recent years, from \$192 per tonne in 2005-06 to \$240 per tonne in 2006-07, and are projected to increase further in 2007-08, to \$370 per tonne (ABARE 2007). This has increased feed grain costs for industries such as pigmeat farming, which in turn has raised issues about quarantine restrictions on imported wheat and wheat marketing arrangements (PC 2007c).

The *Wheat Marketing Act 1989* (the Act) provided for the deregulation of the domestic wheat market through the removal of the Australian Wheat Board's compulsory acquisition powers. The previous domestic marketing arrangements provided for the domestic price of wheat to be set administratively and for there to be a minimum return to growers. The Australian Wheat Board's powers for 'single desk' export wheat were retained.

Amendments to the Act in the late 1990s modified the existing single desk arrangement. The statutory marketing of export wheat by the Australia Wheat Board ended on 1 July 1999 and government underwriting of borrowings also ceased. The commercial roles of the Australian Wheat Board were transferred to a grower-owned and controlled company, AWB Limited. The single desk was

retained with AWB International (AWBI), a subsidiary of AWB Limited, permitted to exercise a statutory power to block applications by competing traders to export bulk wheat sales (the “veto power”).⁵ AWB Limited manages the national wheat pool for AWBI and has operated as a commercial company since its public listing in August 2001.

As noted in *Trade & Assistance Review 2005-06*, while the primary rationale for having the single desk is to attain higher prices for wheat exports and maximise returns to growers, the assistance implications of the arrangements are unclear. While Australian wheat exports tend to attract relatively high prices, these may be largely explained by factors independent of the single desk, such as quality and additional services provided to buyers. In the past, the Commission has found that any genuine price premiums that might exist are likely to be relatively small and confined to a limited number of markets (PC 2000b). At the same time, the Commission considered that the single desk was likely to become costly for some exporters, particularly those supplying new or specialised varieties, and create inefficiencies by discouraging innovation and the take-up of specialist services. Indeed, it is possible that the arrangements could provide negative net assistance to the industry, disadvantage other grain traders and be an impediment to higher exports.

In its *Review of the National Competition Policy Reforms* (PC 2005c), the Commission noted further evidence that introducing competition into wheat marketing could generate benefits for Australia, and recommended that an independent and transparent review of wheat marketing arrangements be undertaken as soon as practicable. It reiterated this recommendation in its 2007 report *Annual Review of Regulatory Burdens on Business: Primary Sector* (PC 2007a).

Recent Developments

In December 2006, the (then) Australian Government announced a temporary arrangement to facilitate alternative marketing of export wheat sales following the Cole Commission’s *Report of the Inquiry into certain Australian companies in relation to the UN Oil-for-Food Programme*, released in November 2006. The temporary arrangements transferred the veto power on wheat exports from AWBI to the Minister for Agriculture, Fisheries and Forestry (McGauran 2006a, 2006b). This temporary measure was initially to operate until 30 June 2007.

⁵ Although the Act established the Wheat Export Authority (WEA) to control the export of wheat, sections 57(3A) and 57(3B) require the WEA to receive written approval from AWBI to grant applications by other exporters to market bulk wheat. In relation to non-bulk shipments, other companies could receive approval from the Authority to export wheat in bags and containers without AWBI consent (although the WEA is required to consult AWBI on such applications).

The Government subsequently assessed applications from entities seeking to export wheat. For the 2006-07 wheat harvest, of 46 applications submitted, only two export permits were issued for 800 000 tonnes of wheat or around 5 per cent of total export sales. The remainder of export sales of wheat were marketed by AWBI through the national pool.

In January 2007, the Government announced the creation of a Committee that would consult with the Australian wheat industry, particularly growers, to report on their views on future wheat marketing (McGauran 2007g). The Committee delivered its final report to the Government in March 2007. The report was not made public.

In May 2007, the Government announced that the single desk for wheat export sales would be retained. Wheat growers, however, would be given the opportunity to establish their own company, separate from AWB Limited, to take over the management of the single desk. The new body could take the form of a new company or a completely de-merged AWBI. The Government also announced that AWBI would continue to manage and market the 2007-08 wheat harvest (McGauran 2007p).

Under the arrangements, the Minister for Agriculture, Fisheries and Forestry would continue to hold the power to direct the Wheat Export Authority (WEA) to either approve or reject a bulk export application until 30 June 2008. Two permits were issued between June 2007 and November 2007. The (then) Minister also announced that the export of wheat in bags and containers would no longer need consent from the WEA, although its quality would need to be certified. As part of these changes, the WEA was replaced by the Export Wheat Commission on 1 October 2007.

In the event that growers were not able to establish a new entity, to market and manage the 2008-09 wheat harvest by 1 March 2008, the Government reserved the right to introduce its own wheat marketing arrangements.

Partly reflecting the uncertainty around wheat marketing arrangements, AWB Limited decided not to commence its hedging program for the 2007-08 wheat crop (AWB 2007), expressing concern about other export permits the Government may issue as a reason for not hedging the crop. In response, the (then) Minister for Agriculture, Fisheries and Forestry stated that AWB Limited's decision not to hedge the crop exposed wheat growers to price risks that they will have to manage themselves (McGauran 2007f).

Pigmeat

In recent years, the Australian pigmeat industry (both production and processing) has experienced structural change and become increasingly integrated into world

pigmeat markets. In 2005, the Commission undertook a review of the need for government measures to improve the industry's competitiveness (PC 2005b). The Commission found that further industry-specific assistance was not warranted, a finding subsequently endorsed by the (then) Australian Government (McGauran 2005).

In October 2007, the Government asked the Commission to report on whether safeguard action, in accordance with the WTO Agreement on Safeguards, is warranted against imports of certain frozen pigmeat. Box 4.3 sets out the scope of this inquiry.

Box 4.3 Safeguards Inquiry into the Import of Pigmeat

In October 2007, the Productivity Commission was asked to report on whether safeguard action in accordance with WTO rules is warranted against imports of certain frozen pigmeat, falling within tariff subheading 0203.29. The Commission is Australia's 'competent authority' (as notified to the WTO) to investigate safeguards matters.

Safeguard action is temporary, 'emergency action' (typically employing tariffs, tariff-quotas or quotas) and may be taken by a member country of the WTO where a surge of imports causes or threatens to cause serious material injury to a domestic industry. It allows a country to respond to unexpected and unforeseen increases in imports which have caused serious material injury. The increase in imports must be 'recent enough, sudden enough, sharp enough and significant enough' to cause (or threaten to cause) serious injury.

In addition, and going beyond what is essential under the WTO, the Terms of Reference for the Commission's Inquiry require consideration (where measures are found to be justifiable under WTO rules) of whether safeguards measures *should* be implemented, given the Government's requirements for assessing the impact of regulation which affects business including all community-wide costs and benefits.

The Terms of Reference also required the Commission to provide an accelerated report by 14 December 2007, on whether critical circumstances exist where delay in applying measures would cause damage which it would be difficult to repair. If such circumstances were found to exist, and the preliminary determination was that this was due to increased imports, the Commission was to recommend what provisional safeguard measures (for up to 200 days) would be appropriate.

Source: PC (2007c).

In its accelerated report, released on 20 December 2007, the Commission found evidence of reduced profitability in the industry, but that this had been caused by factors other than increased imports:

The Commission accepts that there is clear evidence that most pig producers are suffering serious injury in the form of reduced profitability or financial losses from a cost-price squeeze. ... But this situation has been triggered by extraordinary increases

in feed grain prices in Australia since the middle of 2007, not by increased imports significantly undercutting and pushing down domestic prices (PC 2007c, p. 48).

Accordingly, the Commission determined that the WTO criteria for the imposition of provisional safeguard measures had not been met.

The Commission also noted that its determination against provisional action does not rule out a recommendation for safeguard measures proper in the final report, to be completed by the end of March 2008:

The current decision is based on preliminary analysis undertaken within the time available. Furthermore, since the commencement of the inquiry, policy changes have been announced by some foreign governments which could, directly or indirectly, affect prices of their exports to Australia and which, in turn, could directly impact upon competitive conditions in the Australian market. (PC 2007c, p. 49)

The final report will also consider whether other policy changes in Australia could help to reduce underlying cost pressures, reinforcing the efforts of the Pork Cooperative Research Centre and producers to reduce costs and become more competitive against imports.

Wool

Around 40 per cent of agricultural land in Australia is used for wool production, with the total clip, nearly all of which is exported, accounting for close to 30 per cent of global greasy wool production (DAFF 2007b). Like most agricultural industries, the wool industry has had a long history of government intervention. Among other things, this involvement has included price setting, assistance for wool promotion and export controls. Since 1990, however, most of these interventions have been dismantled.

More recently, in April 2007, the (then) Australian Government announced its support for the (re)integration of Australian Wool Innovation (AWI) and Australian Wool Services (AWS).⁶ As part of this process, the Government injected \$15 million into the wool industry ‘to secure the Woolmark Company in Australian hands’. This involved purchasing a number of key AWS wool assets, including the

⁶ In September 1999, the Australian Government announced that the Australian Wool Research and Promotion Organisation, the industry body then responsible for R&D and wool promotion, would be converted to a private company structure with woolgrowers as shareholders. The *Wool Services Privatisation Act 2000*, which came into effect on 1 January 2001, provided for the formation of a holding company, AWS, with two wholly owned subsidiaries, AWI and the Woolmark Company. As provided for in the legislation, AWI subsequently separated from AWS in April 2002 (DAFF 2007b).

Woolmark Company, wool product technologies and the AWS market intelligence business (McGauran 2007o).

Horse flu

An outbreak of equine influenza occurred in New South Wales in August 2007, the first recorded outbreak of the disease in Australia. Equine influenza is an acute, highly contagious, viral disease affecting horses, donkeys, mules and other equine species. The disease is not generally fatal, but fatalities may occur especially in old or infirm horses and young foals. In the event that the disease were to become established in Australia, it would be likely to have a substantial impact on the Australian horse industry (NPDO 2008).

In late August 2007, the (then) Australian Government announced the introduction of a \$4 million fund to provide emergency grants to individuals suffering financial difficulty as a result of the outbreak and subsequent ban on horse movements in New South Wales and Queensland. Grants of up to \$1500 were available for individuals in New South Wales, Queensland and the Australian Capital Territory whose livelihood is dependent on horses. The grants were delivered by racing industry peak bodies, Racing NSW and Queensland Racing (McGauran 2007a).

In September 2007, the Government announced the introduction of the \$110 million Equine Influenza Assistance Package. The main elements of the package include:

- Equine Workers Hardship Wage Supplement Payment. Payments equivalent to the Newstart allowance for workers involved in horse-dependent activities who had lost their job or main source of income and sole traders whose incomes had effectively ceased (transport operators, riding coaches, farriers, etc). Applicants were subject to income testing, but no assets or activity tests.
- Equine Influenza Business Assistance Grants. A grant of \$5000 for businesses which derived most of their income from the commercial horse industry and have experienced a significant downturn in income and/or increase in costs as a result of movement restrictions.
- Commercial Horse Assistance Payment. Payments to eligible primary carers whose racing, harness or professional equestrian competition horses were unable to undertake their normal activities and generate an income as a result of the quarantine measures.
- Grants for non-government, not-for-profit equestrian organisations. Grants of up to \$200 000 to equestrian organisations that had incurred expenses directly

related to the outbreak of equine influenza and resulting quarantine restrictions (McGauran 2007c).⁷

Forests

As a climate change measure, in the 2007-08 Budget the Government announced new tax arrangements applying to the costs of establishing forests for the dedicated purpose of reducing greenhouse gas emissions. Under the arrangements:

- carbon sink forest operators would be allowed to depreciate the costs of establishing a qualifying carbon sink forest under the horticultural plant provisions, with effect from 1 July 2007; and
- as an additional enhancement to encourage the early establishment of carbon sink forests, there would be immediate deductibility for costs incurred in establishing a qualifying carbon sink forest during a five-year period commencing 1 July 2007, to take precedence over the general horticultural provisions during this period (Turnbull 2007d).

The estimated cost of this measure is \$24.3 million to 2010-2011 (Parliamentary Library 2007).

Food

The food industry in Australia forms a significant component of the Australian economy accounting for over 20 per cent of manufacturing sales and services income, and employing around 200 000 people (DAFF 2008d). As measured by the Commission, the industry also receives substantial government assistance. In 2006-07, the *Food, beverages and tobacco* industry received around \$1.3 billion in government support, including from tariffs as well as budgetary assistance (chapter 2).

National Food Industry Strategy

The National Food Industry Strategy (NFIS) commenced in July 2002 with the aim of ensuring a sustainable and profitable Australian food industry that would be a significant global player by 2007. In the five years to 30 June 2007, the (then) Australian Government committed \$114 million to support the NFIS and fund a

⁷ On 21 October 2007 (four days into the caretaker period), the Government announced that it would supplement the original Equine Influenza Assistance Package with a further \$117 million of assistance. Under the original package, the assistance measures were to operate for 12 weeks. The announcement to extend the package was to enable the assistance measures to operate for a further 12 weeks (McGauran 2007i).

range of initiatives and programs, with a focus on innovation, export opportunities, increased competition and food safety.

In May 2007, the Government announced funding of around \$76 million over four years to continue a number of programs and initiatives previously delivered under the NFIS. Similar to the previous NFIS, the Government indicated that its objective for the revised program was to improve the food industry's international competitiveness by promoting innovation, R&D, and to continue to ensure that market access and trading conditions are based on sound science rather than technical barriers to trade (McGauran 2007n). As announced, the program consisted of four main elements:

- Food Innovation Grants — matching grants to Australian food companies to undertake R&D that improves industry competitiveness and performance and enhances local production;
- Technical Market Access — funding to maintain both overseas food and agriculture counsellor positions and Canberra-based technical officers, with the aim of eliminating and reducing technical barriers to trade;
- International Food Standards Initiative — funding to enable technical staff in the Department of Agriculture, Fisheries and Forestry to work in international government-to-government forums to ensure that international food standards are science-based and do not act as non-tariff barriers to trade; and
- Australian Food Industry Advisory Council — a forum for industry and government engagement and to provide food industry advice to the Government (McGauran 2007n).

'Australian Grown' logo

In June 2007, the Australian Government announced the launch of the 'Australian Grown' logo. The objective of the initiative was to help Australian consumers to quickly identify packaged foods that have been grown on Australian farms. Australian exporters would also be able to make use of the logo in overseas markets. An extension of the 'Australian Made' logo, the Government committed up to \$1.7 million to support the initiative (McGauran 2007e).

4.4 Assistance for rural resource management

National Landcare

The National Landcare Program (NLP) is a natural resource management initiative that is intended to encourage farmers to adopt sustainable management practices, and improve their productivity, profitability and the condition of Australia's natural resources, both on and off farms. The NLP operates largely in rural areas, and involves 40 per cent of farmers, who manage 60 per cent of the land and 70 per cent of diverted water (DAFF 2008b). More than \$700 million has been spent on the program since 1996 (McGauran 2007l).

In the 2007-08 Budget, the (then) Australian Government announced that the NLP would be extended for an additional three years at a cost of around \$112 million. The Government indicated that it intended to retain the key components of the program, such as support structures, in order to maintain work momentum, while other program components would be improved to encourage greater industry links (McGauran 2007l).

Environmental stewardship

In the 2007-08 Budget, the (then) Australian Government announced the introduction of the Environmental Stewardship Program. The program would provide payments to farmers, and other landholders, to encourage them to undertake additional environmental work. Funded work would include fencing, replanting and restoring degraded areas, weed and pest management. As announced, the program would run for four years with funding of \$50 million, with potential follow up payments for up to 15 years (McGauran 2007k).