
4 Drought policy in Australia

Key points

- The 1990 Drought Policy Review Task Force concluded that any attempt to classify drought by severity would be completely arbitrary and inappropriate.
- Australia's current National Drought Policy (NDP) was introduced in 1992. It established the exceptional circumstances (EC) approach to triggering interest rate subsidies for businesses and income support for households.
- The four significant reviews that covered the NDP have all recommended the abolition of interest rate and transport subsidies. Despite this, the subsidies have been retained and expanded.
- Current measures aimed at improving preparedness, such as farm management deposits and training grants, were recommended by the earlier reviews.
- Income support during hardship has been a consistent feature of the NDP and the recommendations of its reviews.
- Other programs delivered under the NDP include planning and support measures.
 - This includes rural financial counselling, which, while not drought specific, is utilised by farmers suffering from the effects of drought.

4.1 The evolution of drought policy

The provision of drought assistance by government has a long history. In 1866, Henry Parkes, the then Colonial Secretary of New South Wales, offered loans of seed wheat to farmers affected by drought (Burdon 1995). Early drought policy focused on attempts to 'drought proof' agriculture through building dams and encouraging the adoption of irrigation. For example, between 1939 and 1945, during one of the most severe and prolonged droughts in a century, the total area of irrigated land in Australia increased from 814 000 to 1 406 000 acres, and by 1967, had reached 3 200 000 acres (Davidson 1969). The current National Drought Policy (NDP) has evolved as a consequence of a series of reviews held in 1989-90, 1997, 2004 and 2006 (see table 4.1).

Table 4.1 Drought policy reviews

<i>Review</i>	<i>Key Recommendations/Findings</i>
1990 — Drought Policy Review Task Force <i>Final Report</i>	<ul style="list-style-type: none"> • Drought separate from natural disaster relief • Governments should implement a National Drought Policy • Against the use of transaction-based subsidies/rebates • State/territory assistance for drought purposes be provided through general concessional loans • Provision of grants or interest free loans be limited to extreme situations
1997 — Drought Policy Task Force <i>Review of the National Drought Policy</i>	<ul style="list-style-type: none"> • Transaction-based subsidies and interest rate subsidies be phased out • Improve farm financial and land resource planning via education and training programs • Encourage farmers to build cash reserves during good seasons to prepare for downturns • Research and development on the effects of prolonged drought • Introduce a Farm Family Re-Start Scheme, targeted at farmers unable to access payments from other sources • Counselling services be managed by state governments and provided at an early stage of drought • Amend and combine Income Equalisation Deposits and Farm Management Bonds
1997 — McColl et al. <i>Mid-term review of the 1992 Rural Adjustment Scheme (RAS 92)</i>	<ul style="list-style-type: none"> • Remove interest rate subsidies and grants to farm businesses for productivity improvement or for EC support • Replace RAS 92 with an improved scheme addressing the issues of management skills, farmer re-establishment, and savings and welfare • Introduce FarmBIS and the Farm Re-establishment Scheme • Introduce a single instrument combining IEDs and FMBs • Higher priority should be accorded to research on climate change, climate variability and climate prediction
2004 — Drought Review Panel <i>Consultations on National Drought Policy</i>	<ul style="list-style-type: none"> • Most stakeholders would support a shift in government focus towards drought preparedness measures at the expense of business support • ECRP was valued highly and regarded as being necessary during drought • Stakeholders less in favour of business support (ECIRS and fodder/transport subsidies) — overall, stakeholders thought such assistance encouraged debt and supported the less prepared • Transaction-based fodder and freight subsidies seen to have a detrimental effect on farmers in other states (most stakeholders considered these subsidies should cease) • EC process as a whole seen as too demanding, complex and confusing • Off-farm income and assets limits for accessing EC assistance seen as restrictive • Criticism by stakeholders about perceived differences in administration of ECIRS between states • FMD and FarmBis schemes strongly supported • Rural Financial Counselling service regarded highly
2006 — Agriculture and Food Policy Reference Group <i>Creating our Future</i>	<ul style="list-style-type: none"> • Phasing out of interest and other transaction-based subsidies by the end of 2010 • Maintain FMDs

Drought policy arrangements prior to 1989

Between 1971 and 1989, drought was treated as a natural disaster, with drought support delivered as part of the Natural Disaster Relief Arrangements (NDRA). Because of constitutional responsibilities, state governments had primary responsibility for disaster relief — including drought — under the NDRA and were required to contribute a base amount of assistance funding which then triggered a Commonwealth Government contribution.

Under these arrangements, the Commonwealth Government generally did not provide financial assistance specifically for drought, the exception being in 1982-83 (McInnes et al. 1990). During this drought, fodder, interest, and agistment subsidies were provided.

In addition to the NDRA, throughout this period, state and territory governments also implemented their own drought assistance policies. Policies included concessional interest loans for carry-on purposes (such as for harvesting crops and for the purchase of fodder), along with a range of subsidies and rebates (such as transport subsidies for stock, fodder and water cartage).

The 1990 drought policy review

In April 1989, the Commonwealth Government decided to remove drought from the NDRA, driven by concerns that temporary relief during drought was not appropriate. As stated by the then Minister for Primary Industries and Energy:

There is widespread recognition that drought policy needs to be considered in a wider context than that of temporary relief. (Kerin, cited in McInnes et al. 1989, p. 73)

There were also concerns that drought declarations were being made too hastily and that funds were being misused for political purposes (Botterill 2003). In response, the Commonwealth Government established an independent Drought Policy Review Task Force to:

- identify policy options to encourage primary producers and other segments of rural Australia to adopt self-reliant approaches to the management of drought
- consider the integration of drought policy with other relevant policies including structural adjustment, social welfare, land management, conservation of breeding stock and animal welfare.

The Task Force handed down its final report in May 1990. It proposed a national drought policy that focused on the roles of producers and governments in implementing self-reliant risk management approaches to drought (table 4.1).

The basis of its recommendations rested on the view that drought risks were ‘on a par with the other main risks of farming’ (McInnes et al. 1990, vol. 1, p. 3). Drought was considered a recurring, natural condition and not a rare climatic aberration. The Task Force concluded that it was not possible to develop an objective, scientific, and universally accepted definition of drought and rejected the notion of being able to identify the severity of a drought. It concluded that:

Any distinction between lesser and extreme droughts in this context would be completely arbitrary and inappropriate. (McInnes et al. 1990, vol. 2, p. 20)

Furthermore, the Task Force perceived that drought represented instances where existing agricultural production was in disequilibrium with prevailing seasonal conditions. The implication of this is that agriculture needs to alter its production systems when drought occurs, rather than producers and governments seeking to maintain standard agricultural practices at all times, irrespective of prevailing weather conditions.

If assistance was to be provided, the Task Force supported the use of general concessional loans, and suggested that transaction-based and other specific subsidies be removed (McInnes et al. 1990). It considered such subsidies to be:

... inappropriate, misdirected, inequitable and, as an incentive measure, too late in any case. (McInnes et al. 1990, vol. 2, p. 163)

Where subsidies were provided, the Task Force suggested they contain specific performance criteria. In addition, it recommended support be limited to the provision of grants or interest-free loans and that any assistance be based on the prospects of each individual farmer, to ensure that the onus for managing drought remained on that farmer. Overall, it concluded that the existence of certain climatic or production conditions did not provide sufficient justification for government assistance (McInnes et al. 1990).

Government responses to the 1990 review

In November 1991, the Senate Standing Committee on Rural and Regional Affairs was requested to report on the Task Force’s recommendations. That Committee reiterated the importance of introducing a national drought policy based on the principles of self-reliance and risk management, but drew a distinction between severe droughts and lesser droughts — against the recommendations of the review. The Committee argued that there were limits to the self-reliance of farmers in relation to severe drought and that even a farmer with sound management and planning would find it difficult to cope with the effects of the most severe drought. While not providing a definition of severe droughts, the Committee proposed that the Commonwealth Government provide additional assistance during such times, to

be activated by an appropriate trigger mechanism which would include (Senate Standing Committee on Rural and Regional Affairs 1992):

- an application for severe drought status, presumably emanating from the shire concerned
- use of an objective measure of severe drought
- an overriding subjective assessment by a tripartite drought committee or structure involving the Commonwealth, states and producers, and drawing upon local knowledge and expertise.

National drought policy 1992

In response to the 1990 review and Senate response, the NDP was announced in July 1992. The policy was based on the principles of self-reliance and risk management, recognising that drought is one of a number of sources of uncertainty facing farmers and a part of their normal operating environment. As recommended by the Drought Policy Review Task Force, the explicit objectives of the NDP are to:

- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climatic variability
- maintain and protect Australia's agricultural and environmental resource base during periods of extreme climate stress
- ensure early recovery of agricultural and rural industries, consistent with long-term sustainable levels.

The NDP states that the responsibility for managing drought risk lies with farmers, with the role of government being limited to creating an environment conducive to risk-management. However, the NDP also makes provision for assistance to be provided in times of 'exceptional downturn' to those with sound prospects who are temporarily facing financial difficulty.

In legislation, the concept of 'exceptional drought' was incorporated under 'exceptional circumstances' (EC) provisions added to the existing rural adjustment scheme (RAS 92). The triggering of EC provisions allowed for a maximum subsidy of 100 per cent of the interest payable on new and existing loans when received alongside the interest rate subsidy paid for productivity improvements under the RAS 92. Eligible farm enterprises were those that were considered to be temporarily in severe financial difficulties due to the event, but remained viable in the long-term.

Under the NDP, state governments could provide additional drought assistance programs. However, where offered, they are not supposed to compromise the overall direction of the NDP. Accordingly, transaction-based and other similar subsidies should be provided by the states only as a transitional measure, to be phased out as soon as practicable (Burdon 1995).

Also in 1992, the Farm Household Support Scheme was established (coming into operation in March 1993). This scheme was directed at non viable farmers, and provided household support at a rate equivalent to the Jobsearch allowance. To be considered eligible, farmers had to be unable to obtain commercial finance and have difficulty in meeting living expenses. In addition, the Drought Relief Payment was introduced in October 1994 to provide income support to both viable and non-viable farmers in EC areas (paid at a rate equivalent to the Jobsearch allowance). Payments continued for six months afterwards, to recognise that farm recovery may be slow. Those eligible for the payment were also given access to the Health Care Card and Youth Allowance and Austudy means test concessions.

The Farm Management Bond (FMB) scheme was also introduced, to be incorporated into the Income Equalisation Deposits (IED) scheme — an income smoothing scheme that allowed farmers to deposit pre-tax income for use in later years. In addition to the IED provisions, the FMB scheme allowed farmers earning non-farm income (up to \$50 000) to use the scheme.

The evolution of the exceptional circumstances approach

The first enactments of the EC provisions relating to drought were based on subjective assessments (Botterill 2003). As these assessments lacked objective criteria, the Standing Committee on Agriculture and Resource Management (in October 1994) determined six core criteria to be taken into consideration by the Commonwealth Government and the state and territory governments. These included an assessment of the scale of meteorological, agronomic and stock effects, water supplies and other environmental impacts, and the impact on farm incomes. The meteorological assessment was given the most weight in the determination of an EC declaration.

The role assigned to the states was to make initial assessments in accordance with the six criteria. In this way, the states determined whether an EC event existed, and if so, they applied to the Commonwealth Government for declaration. The application for assistance would then be considered by the Rural Adjustment Scheme Advisory Council, and if deemed valid, it would be referred to the Commonwealth Government. Finally, an area would be EC declared once approved by Cabinet and an announcement and public explanation of the decision with clear

reference to the six criteria would be made (Burdon 1995). EC events were defined as those that occurred on average, once every 20 to 25 years. This criterion was based on the notion that such an event was something for which not even the most prudent farm manager could be expected to manage.

In March 1999, the Agriculture and Resource Management Council of Australia and New Zealand decided on a new set of EC criteria. The criteria stated that the event:

- must be rare, in that it must not have occurred more than once on average every 20 to 25 years
- must result in a rare and severe downturn in farm income over a prolonged period of time (for example, greater than 12 months)
- cannot be planned for or managed as part of farmers' normal risk management strategies
- must be a discrete event that is not part of a long-term structural adjustment process or of normal fluctuations in commodity prices.

The meteorological criterion was downgraded in its primacy, and replaced by income, which became the key measure to determine the impact of an EC event, and whether assistance should be provided. These criteria are still in place.

The policy reviews of 1997

Two relevant policy reviews reported their findings in 1997: the review of the NDP by the Drought Policy Task Force; and the mid-term review of RAS 92. The latter dealt with rural adjustment in a broader context, but nevertheless made significant mention of drought policy.

Drought Policy Task Force Review

The Drought Policy Task Force (Matthews et al. 1997) was asked to examine the impact and appropriateness of existing drought programs in meeting the NDP objectives. In short, the Task Force concluded that the objectives of the NDP were appropriate, but that government drought programs were not consistent with the objective of self-reliance objective. The Task Force recommended that the NDP objectives be broadened to:

- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climatic variability
- maintain and protect Australia's agricultural and environmental resource base during periods of extreme climatic stress

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- ensure farm families are provided with adequate welfare support commensurate with that available to other Australians
 - ensure that the elements of the NDP do not impede structural adjustment
 - have a high level of awareness and understanding of drought and drought policy.

The Task Force recommended the removal of transaction-based subsidies (as had past reviews) and interest rate subsidies. Rather, funding should be directed to preparedness measures. They also noted that if resources were redirected towards drought preparedness measures, the need for exceptional circumstances declaration and revocation processes would be eliminated.

The two income smoothing schemes, IEDs and FMBs, were perceived to be too complex, with unnecessarily restrictive deposit requirements. The Task Force believed that one of the reasons for the under-utilisation of IEDs and FMBs was due to farmers not generally accepting the self-reliance principle of the NDP. This, the Task Force argued, was based on expectations of support in times of difficulty, as had occurred in previous droughts, which decreased the attractiveness of accumulating financial reserves. The Task Force recommended combining IEDs and FMBs, setting a higher maximum deposit limit for the scheme and embarking on a publicity campaign to promote the benefits.

Although the Task Force believed that access to welfare payments for farmers should be equitable with all other groups in the community, it did not regard the Drought Relief Payment as being entirely effective for this purpose. The Task Force argued that farmers with a high level of net assets would have access to commercial finance which would support their businesses and provide funds for personal drawings. For those farmers that had low levels of net assets and difficulty in maintaining income levels during drought and other downturns, the Task Force recommended they leave farming or seek off-farm employment, thus enabling them to access generally available welfare arrangements.

Despite this, the Task Force considered that a rationale for providing income support on an interim basis existed. The proposed Farm Family Restart Scheme was to be targeted at farmers who were unable to access finance from any other sources, and would not be restricted to specific geographic areas or industry-wide criteria. Important features of the proposed scheme included:

- after nine months receipt of benefits, a decision would be triggered as to whether the individual wished to remain in farming, or exit
- for those unable to return to viability, an enhanced re-establishment package would be available

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- for those choosing to remain in farming, payments would cease, as would the opportunity to access the enhanced re-establishment grant
 - recipients would be required to participate in financial counselling.

Mid-term Review of the Rural Adjustment Scheme

RAS 92 was intended to be reviewed after four years, and to cease after eight years. The Mid-term review of RAS 92 reported in May 1997. It recommended that RAS 92 be abolished and replaced with an improved program that addressed the issues of management skills, farmer re-establishment, and savings and welfare. The rationale for this recommendation was that RAS 92 had:

... not had a significant positive impact on the adjustment process and has not met the goal of fostering the development of a profitable and competitive farm sector. (McColl et al 1997, p. xi)

One of the main criticisms made was the use of interest rate subsidies, including their inconsistency with the NDP objectives and debt being a poor indicator of farm performance and profitability and thus not a sound basis for targeting assistance.

As a result, the review recommended that:

... future government programs to address rural adjustment should no longer use interest rate subsidies or grants to farm businesses for productivity improvement or for exceptional circumstances support. (McColl et al. 1997, p. 119)

Instead, a new package of policies was suggested, including a Farm Business Improvement Scheme (FarmBIS), a Farm Re-establishment Scheme (to promote structural adjustment), improved farm savings mechanisms (combining IEDs and FMBs), and more responsive welfare arrangements (McColl et al. 1997).

FarmBIS was to operate through grants to farmers and farm groups for training, business advice, planning, benchmarking, and analysis. No viability test would be required and any funds provided under the scheme could not be used for normal and ongoing business advice. The focus of FarmBIS was to be on fostering continuous skills improvements, for the purpose of promoting a more profitable and sustainable farm sector (McColl et al. 1997).

Government responses to the 1997 reviews

As a response to the Drought Policy Task Force review of the NDP and the Mid-term Review of the RAS 92, the Commonwealth Government introduced Agriculture — Advancing Australia (AAA), replacing the RAS 92.

For the NDP, the Commonwealth Government decided to retain the EC system and EC Interest Rate Subsidies (ECIRS) (of 50 per cent) against the recommendations of the review. It also established the EC Relief Payment (ECRP), adapted from the former Drought Relief Payment. Interest rate subsidies offered for the purpose of productivity improvements were terminated, reducing the potential interest rate subsidy in times of drought to 50 per cent. The NSW government also announced it would remove its transport-based subsidies.

The advice of both reviews to combine elements of the existing IEDs and FMBs into a single scheme was adopted. The two existing schemes were merged into the Farm Management Deposits (FMDs) scheme, which was established in April 1999. FMDs retained the income-smoothing intention of the two predecessor schemes, and are part of a broad rural assistance framework.

A FarmBis program was also introduced to:

- increase farmer participation in learning activities with the objective of enhancing the profitability, sustainability and competitiveness of their business
- develop greater acceptance of the benefits of continuous learning and skills development, and its relevance to changing management needs of a competitive farm sector
- enhance farmers capacity to identify and access appropriate learning activities.

FarmBis was jointly administered by the Commonwealth Government and the state and territory governments. FarmBis covered a range of topics relevant to the management of farm businesses such as techniques to improve on-farm production, tax and financial management, and succession planning.

The Farm Family Restart Scheme was also established and replaced the Farm Household Support Scheme. But in contrast to the Farm Household Support Scheme, payments made under the Farm Family Restart Scheme were in the form of a grant, rather than a loan.

Policy changes between 1997 and 2004

A number of policy changes occurred between 1997 and 2004, despite there being no formal reviews.

In November 2001, the Farm Family Restart Scheme was replaced by Farm Help. Farm Help retained the intention of the preceding scheme — to provide short-term income support to farmers experiencing difficulties meeting living expenses who could not obtain access to commercial sources of finance. Farm Help offered a

combination of income support, an advice and training grant, and a re-establishment grant for those farmers wishing to exit the industry. Applicants were required to attend an initial advice session, which would assist in determining how the financial prospects of the farm could be improved, or what options were available to the farmer in terms of off-farm sources of employment (DAFF 2008g).

The drought in 2002 and subsequent EC declarations raised concerns over ‘lines on maps’, leading to the development of EC ‘buffer zones’ (DAFF 2008b). These zones allowed farmers located on the periphery of EC areas to apply for assistance provided they could demonstrate that they had also been affected by the EC event. To increase the expediency of payments, those who qualified for household support could access payment prior to a full declaration (if a *prima facie* case for declaration was found) — termed interim income support (DAFF 2008b). Interim income support did not have to be repaid if the EC application was subsequently declined.

In December 2002, the Commonwealth Government further expanded the range of programs delivered under the NDP. Again, the focus of the programs was on interest rate subsidies. An interest rate subsidy on commercial loans for stock support and drought recovery was made available to farmers receiving drought income support, which was provided in addition to EC business support (Howard 2002). Another notable additional assistance measure was the Small Business Interest Rate Relief Program. This program provided interest rate subsidies on new and existing loans to small businesses in EC areas. However, only a small number of applications for the program were received (despite the eligibility criteria being relaxed in July 2003), and a relatively low proportion of those were approved (Australian National Audit Office 2005). Consequently, the program was terminated in August 2004.

The 2004 Drought Review Panel

In October 2003, the Commonwealth Government formed an independent panel to conduct another review of Australia’s drought policy. The Panel reported in March 2004. The review’s objectives were to canvass the views of stakeholders on the appropriateness of drought assistance measures provided by all levels of government, the key elements of future drought policy, and the adequacy of research on climate variability and its effects on agriculture.

The overall appropriateness of the EC system was criticised by producers. Most found the EC declaration process:

... inequitable, untimely, complex, and subject to political point scoring and different treatment in different jurisdictions. (Drought Review Panel 2004, p. 29)

The Panel found that a majority of producers preferred gearing assistance towards encouraging greater drought preparedness, rather than providing relief during a drought:

Most stakeholders consider that proactive policies should decrease the reliance on Government ad hoc measures and short-term assistance for rural communities and the agricultural sector, such as that provided under the EC policy. (Drought Review Panel 2004, p. 29)

The Panel also noted farmers' views that the use of 'lines on maps' to deliver assistance fostered divisiveness within communities and created confusion.

The Panel received a number of suggestions for reforming the system. One of these entailed relaxing, or removing completely, the regional assessment and declaration. Provision of assistance would then be dependent on individuals demonstrating their need for assistance. Other suggestions for improving the EC system related to streamlining the process, for example, by reducing the number of organisations involved in the application and declaration process.

While the Panel supported ECRP, it received differing views on the appropriateness of ECIRS as a drought assistance mechanism. On balance, the Panel believed that it was analogous to low interest loans and stated that:

... there is no strong case for the provision of such assistance [long-term low interest loans] by Government. The Panel considers that any involvement of the Australian and State/Territory Governments in providing long-term low interest loans would require consideration of whether there is a problem in the commercial finance sector, of possible effects on the future operation of commercial finance sources, and the possible distortion of markets by such measures. (Drought Review Panel 2004, p. 69)

Again, other input subsidies provided by the states (such as transport subsidies) were criticised, with the Panel suggesting these be abolished as originally intended.

On the other hand, a significant number of stakeholders regarded FarmBis as a valuable program (Drought Review Panel 2004). Criticisms revolved around some courses offered not being appropriate for the needs of the sector and the program's lack of funding, and uncertainty over future funding. Given these concerns, the Panel recommended that governments maintain, if not increase, their commitment to FarmBis.

The 2006 review of agriculture and food policy

Drought assistance was revamped in 2005, which included an increase in the ECIRS from 50 per cent to 80 per cent in the second and subsequent years of an EC event and an expanded role for rural financial counsellors (Howard 2005). A reference

group (the Agriculture and Food Policy Reference Group) was subsequently commissioned to report on future government policies and programs affecting the agriculture and food sector (the ‘Corish Report’). It was tasked with developing recommendations to ‘improve the profitability, competitiveness and sustainability of the Australian agricultural and food sector.’ (Agriculture and Food Policy Reference Group 2006, p. 198).

The Reference Group’s comments on drought policy were generally consistent with those of the previous reviews. It was critical of ECIRS and transaction-based subsidies, and recommended that these be phased out by 2010, on the basis that such measures were not effective or appropriate. The Reference Group noted that many farmers saw ECIRS as rewarding poor management and propping up farmers who take imprudent risks, in addition to keeping otherwise unviable farms in production. The Reference Group also found that interest rate subsidies were contrary to the objectives of the NDP:

This form of government assistance should be phased out and replaced with more positive initiatives that encourage greater self-reliance and preparedness. (Agriculture and Food Policy Reference Group 2006, p. 30)

The Reference Group suggested improved training and education and greater use of FMDs to encourage risk management and self-reliance.

Government responses and subsequent changes in programs

Despite the recommendations of this and other reviews, ECIRS (and ECRP) was not only retained, but extended to small businesses deemed to be affected by EC events. In addition, transactions-based subsidies remained in place in New South Wales, Queensland and the Northern Territory.

Further changes to EC programs were made in September 2007. Criteria applicable to small business were modified, to incorporate two distinct categories of drought-affected small business, and a drought assistance program for schools was introduced. In addition, an exit package was announced, comprising an exit grant, an advice and retraining grant, and a relocation grant.

Although unrelated to the 2006 review, significant changes to drought policy occurred in 2008. In particular, the AAA program, including its FarmBis and Farm Help components was terminated. However, some elements, including the Rural Financial Counselling Service program and FMDs were continued as stand-alone policies. To replace the AAA program, the Commonwealth Government commenced a staged roll-out, beginning on 1 July 2008, of various components of Australia’s Farming Future (AFF), a package primarily focused on assisting the

agricultural sector adjust to climate change. It consists of three distinct elements — a Climate Change Research program, FarmReady, and a Climate Change Adjustment program (DAFF 2008a).

4.2 Current programs

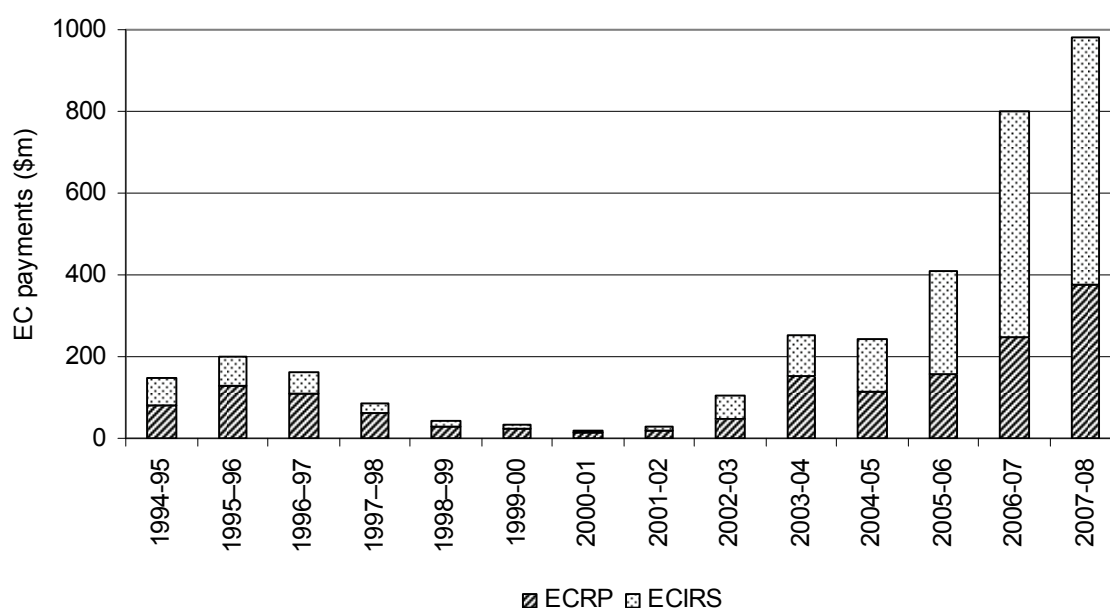
There is a broad range of government programs currently available to farmers in drought, and these are provided on an ongoing basis. These programs were introduced under a number of policy frameworks, including the NDP, the AAA program and its successor, the new climate change focused AFF (table 4.2).

Table 4.2 Current drought and ongoing support programs

<i>Policy framework</i>	<i>Household programs</i>	<i>Business programs</i>
NDP	EC relief payments Interim income support for farmers & small businesses Small business income support	EC interest rate subsidies - farmers EC interest rate subsidies - small businesses Professional advice and planning grant EC exit grants
AAA	Farm Help income support	FarmBis (concluded program) Farm help re-development grant Farm help advice and training grant Farm management deposits
AFF	Transitional income support	Climate change adjustment program advice and training grants FarmReady Re-establishment grants
Other	CWA emergency drought aid (concluded program)	Transport subsidies MDB Irrigation management grant Rural financial counselling service Small block irrigators exit package

While there are many drought support programs, most government expenditure is on just two — ECRP and ECIRS. Expenditure on these programs increased substantially in recent years and in 2007-08, the Commonwealth Government spent just over \$1 billion on EC support through the two programs (figure 4.1). These programs, together with the other key drought-specific and ongoing support programs are briefly described below and are discussed in more detail in chapter 6 and appendices B, C, D, and E.

Figure 4.1 EC support payments, 1994-95 to 2007-08



Data source: DAFF (2008 unpublished).

Social support

ECRP is an income support measure available to farmers affected by drought in EC declared areas and is paid at a rate equivalent to the Newstart Allowance. Health Care Cards and Youth Allowance and Austudy are also offered to recipients on a means tested basis. In 2007-08, \$377 million was paid to 28 887 recipients, an average of around \$13 000 each. By early 2009, the number of recipients of ECRP was around 20 000.

Interim Income Support, which is similar to ECRP, is available in areas that have established a prima facie case for EC or are declared as interim assistance areas. In 2007-08, a total of \$7.6 million in interim income support was paid to around 1900 farmers.

Small business income support was introduced in late 2006. It is available to farm dependent businesses and other small businesses within small towns of less than 10 000 people, who are based within an EC area, or who source the majority of their income from an EC area. Around 1500 businesses have accessed a total of \$27 million in small business income support since its inception.

There is also a range of other social support programs including:

- measures aimed at assisting the unemployed in rural areas, including: Drought Force, Early Access to Intensive Support, and access to Job Search Support for redundant rural workers in drought affected areas
- community-level drought assistance programs such as assistance for schools in communities affected by drought
- family welfare and mental health programs including a Family Relationship Services Program, as well as a mental health telephone service and mental health printed material
- ad hoc income support payments provided by some states beyond that provided by the Commonwealth Government
- the Commonwealth Government also provided funding to the Country Women's Association to establish an emergency drought aid fund. Under the program, rural families could apply for up to \$2000 for one-off emergency payments covering non-farm expenses (ceased June 2008).

There have also been income support payments available to farm families in need that have not been specifically drought related. The most significant of these are the Farm Help program (for which applications have now closed) and its successor, the Transitional Income Support (TIS) program. TIS assists farm families to manage the impacts of climate change on their farm business, by providing short term income support, as well as advice and training opportunities. As at December 2008, there were 96 farmers in receipt of the payment.

Business support

The most substantial farm and small business drought support measure is ECIRS. ECIRS is provided to support farm and farm dependent small businesses that are viable in the long term, but are currently experiencing financial difficulty due to an EC event. In 2007-08, total payments of \$604.1 million were made to about 16 000 recipients. Eligible farms and other businesses can receive up to \$500 000 over a five year period.

Other assistance measures are also available:

- EC Exit Package — this consists of an Exit Grant of up to \$150 000, as well as an Advice and Retraining Grant and a Relocation Grant. To receive the full amount, recipients can only hold \$350 000 in net assets after the sale of the farm. As of December 2008, only 98 applicants had received the EC exit package.

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- Transaction-based subsidies — transport subsidies are provided for various activities in New South Wales, Queensland and the Northern Territory. In 2007-08, almost \$30 million was paid out in transport subsidies.
 - Declared Drought Area Incentives — payments to primary producers in EC areas to offer skills development and employment to apprentices.
 - Taxation concessions — assistance for those affected by drought including allowing more time for the lodging of tax documents and provisions for forced livestock disposal.
 - Concessional loans and additional interest rate subsidies are also offered in some states.

Risk management and preparedness measures

While most risk management and preparedness assistance measures are not drought specific, their use is affected by drought. Some of those measures are listed below:

- Farm Management Deposits (FMDs) — one of the primary risk management measures, which allow farmers to deposit primary production income into a bank account during good years for use during poor years. When the funds are deposited, they are not included in that year's taxable income, but rather are included when the money is withdrawn. In June 2008, there were around 41 000 deposit holders, with an average balance of almost \$70 000.
- Professional Advice and Planning Grants — grants of up to \$5500 to allow farm businesses affected by drought to obtain professional advice for drought management and recovery.
- Rural Financial Counselling Service — this service is heavily used in times of drought, including for assistance in accessing EC support payments. In 2007-08, over 14 000 people used this service.
- Irrigation Management Grants — provide sums of up to \$20 000 for Murray-Darling Basin irrigators to implement water management strategies. As at December 2008, 9497 irrigators had accessed this grant.

There are also a number of state-based research programs (see appendix E). For instance, Queensland has a Drought Preparedness program, which provides research, planning and development information to farmers and South Australia has research-based programs focused on activities such as enhancing the drought resistance of permanent horticulture.