

Tasmanian Government Submission

**Productivity Commission Inquiry
into Part 3 of the *Future Drought
Fund Act 2019***

March 2023



Tasmania
Explore the possibilities

Introduction

While having a deserved reputation for a favourable growing climate and available water resources, Tasmania is not immune to the impacts of drought and a changing climate. Tasmania's farming landscape is characterised by highly diversified, mixed farming businesses operating in relatively small catchments (compared to mainland Australia's interconnected river systems). The State has an extensive coastal zone with a complex mix of local climates across a relatively small area. Whereas rainfall can be significant in the highlands and West Coast regions, other districts like the Midlands and East Coast are comparatively the driest in Tasmania, with annual rainfalls ranging around 450 to 600 millimetres.

Climate Futures for Tasmania modelling indicates that our average temperatures will continue to increase, and fewer frosts are projected. Generally, there will be changes in summer and autumn rainfall with an increased intensity of extreme rainfall events anticipated. There will be more severe fire-weather and a heightened pest and pathogen (disease) biosecurity risk. The State's agricultural sector will need to adapt to these changes to remain productive and profitable.

Tasmania's agriculture farm gate value of \$2.34 billion in 2020-21 reveals the importance of this industry to the Tasmanian economy. The Tasmanian Government's AgriVision target is to grow the value of Agriculture to \$10 billion by 2050. In 2020 the Tasmanian Government released the *Agricultural Competitiveness Whitepaper for 2050* (the White Paper) which is our framework for supporting greater competitiveness in Tasmanian agriculture, and to address issues impacting production, investment and profitability of Tasmanian farmers and agribusinesses. It commits to working with the agricultural sector to build on our strengths and also manage risks and respond to significant disruptions and change.

As a result, Climate Ready Agriculture is one of the White Paper's key policy focus areas. Stakeholders told the Tasmanian Government that, in the context of a changing climate, the government needs to focus on supporting the development of long-term resilience and preparedness initiatives in rural communities, rather than reactively providing recovery assistance during or following extreme events such as droughts. We collectively recognised the necessity of resilience in maintaining the social and economic well-being of regional communities.

The Tasmanian Government's response has included providing primary producers with access to state-based drought support programs during extreme events that promote longer-term resilience, including the Rural Financial Counselling Service, farm business management training, hardship support through the Tasmanian Rural Relief Fund, community outreach (Rural Alive and Well), farm planning tools for managing in-drought and rebuilding farm productivity post-drought in a changing climate.

It is in this context that the Tasmanian Government willingly participates in the National Drought Agreement and Future Drought Fund (FDF) and related programs.

We recognise that the Productivity Commission is inquiring into the effectiveness of Part 3 of the *Future Drought Fund Act 2019* (Cth), the Drought Resilience Funding Plan 2020-2024 and related programs and processes. It is relatively "early days" for the Tasmanian Government's experience in the application and operation of the Fund and programs. Initial timeframes to establish the FDF programs in Tasmania were necessarily delayed, with existing Government

resources for most of 2020-21 focussed on supporting rural communities and primary industry sectors with the COVID-19 response and recovery. Relevant program activities under the FDF are now progressing in earnest.

The Tasmanian Government is directly involved in the FDF through delivering the Farm Business Resilience Program and the Regional Drought Resilience Planning Project (RDRP). The Government is also involved with the University of Tasmania led Tasmanian Drought Resilience Adoption and Innovation Hub (Tas Farm Innovation Hub). Tasmania is also benefitting from the FDF Natural Resource Management (NRM) Drought Resilience Grants which are led by the three Tasmanian regional NRM organisations.

The Tasmanian Government submission provides a brief overview of key FDF programs and some observations in response to the questions posed by the Productivity Commission. At this early stage of FDF delivery, Tasmania provides three key observations:

1. We fully support the broadening of the scope and references to future drought to encompass climate change resilience: for Tasmania, building resilience and preparedness to drought is just one of the risks to sustainable production and competitiveness along with floods, fires, storms, hail and a generally warming climate. Importantly, responding to a changing climate or changing seasons, not just drought, is how farmers and rural communities themselves see and refer to the issue.
2. We encourage continued codesign and collaboration between the Australian Government and states and territories in the development and implementation of fit-for-purpose climate resilience programs: appreciating there is the imperative for national policy consistency and integrated and efficient program delivery, we also recognise that agricultural production, landscapes, systems, climate and communities differ across jurisdictions. The ability to be able to design programs to suit local conditions, while working to agreed national program standards (or principles), has and will benefit the achievement of investment outcomes and ultimately, the results on the ground. Moreover, it makes practical sense and recognises that jurisdictions are also co-funding programs.
3. We encourage the ongoing investment in the regional Hubs: the Tas Farm Innovation Hub, through its coordination role and strong links to the Tasmanian Institute of Agriculture (TIA) continues to use its considerable research, extension and marketing experience to increase impact and long-term change in drought preparedness. The Hubs can also lead communications, collaboration and engagement activities across various FDF programs and delivery models.

Future Drought Fund rollout in Tasmania

Farm Business Resilience (FBR) Program

Tasmania appreciated the Australian Government's extension of time for the Farm Business Resilience (FBR) program, in acknowledgement of the COVID-19 challenges and delays. The 2021-22 State Budget allocated \$2.2 million to co-fund the Farm Business Resilience Program along with the RDRP; both key projects to support individual and community resilience.

Coordinated by the Department of Natural Resources and Environment Tasmania (NRE Tas) the FBR program supports long term self-reliance, resilience and sustainable production through farm business planning, tailored to participants' business and situation. A successful pilot Tasmanian FBR program was delivered in 2021-22 facilitated through DairyTas using the Our Farm Our Plan dairy-industry model.

Tasmania is now moving from pilot phase to full delivery of the FBR program which will be progressively rolled out in 2023 to primary producers. The program will involve localised group delivery with one-on-one support (coaching) to assist farm businesses develop appropriate plans for their individual enterprises. Producers will be guided through a framework of strategic planning, risk and opportunity management analysis, natural resource management, personal and social resilience, making the decisions and putting the plan into action. Within Tasmania there is also the identified need to build awareness and planning associated with climate change, irrigation and safe farming practices.

The model for the FBR program is based on the ethos "developed by farmers for farmers". That is, the FBR has been codesigned with farmers who have indicated that a delivery model of cross-commodity and regional farmer groups along with an emphasis on a one-on-one coaching approach has the best chance of producing long term change in farm resilience.

A partnership with TIA will undertake the Monitoring, Evaluation and Learning (MEL) component of the program.

Regional Drought Resilience Planning Project (RDRP)

Coordinated by the Department of Premier and Cabinet (DPAC) the intent is for three regional drought resilience plans to be developed covering all of Tasmania and includes collaboration with Local Government Association of Tasmania and the Regional Development Australia Tasmania Committee. The plans will build on existing regional planning for climate change and climate variability, including the Tasmanian Coastal Adaptation Pathways and Climate Resilient Councils projects. The RDRP Steering Committee is providing strategic direction and developed the scope of activities and Regional Coordinators are in process of being engaged to roll out the program.

Tas Farm Innovation Hub

The Tasmanian Drought Resilience Adoption and Innovation Hub (Tas Farm Innovation Hub) is one of eight established across Australia by the Commonwealth FDF. The Hub is hosted by the University of Tasmania and delivered through a network of industry and community partners. To date the Hub has used the network of 25 industry partners to deliver 17 projects across a range of industries and geographic locations.

The diverse range of partners are working together to increase farmers' access to knowledge and adoption of practices that ensure financial, social and environmental resilience to climate change and variability. Through the Hub, people and organisations will build knowledge to drive innovation in their businesses, care for land and waterways, and enhance community wellbeing.

Is the Fund supporting or not supporting drought resilience? - response to questions

Drought Resilience Funding Plan Funding Principles

The Tasmanian Government's response to drought has historically been underpinned by three critical factors:

1. The importance of agriculture to the Tasmanian economy (refer to Appendix 1);
2. That the agricultural industry is custodian to approximately one third of the Tasmanian landmass; and
3. The need to sustain social and economic well-being of rural communities.

As a Signatory to the National Drought Agreement (NDA) the Tasmanian Government's approach to managing drought in the State continues to be guided by the principles of the NDA. The Tasmanian Government agrees with the Funding Principles as outlined in the Australian Government's Drought Resilience Funding Plan 2020-2024.

We note that practical challenges can arise with the funding principle 3 "... (the arrangements and grants will) not provide in-drought assistance". We acknowledge that the FDF itself does not provide in-drought assistance. We also note the focus is on building resilience through preparation, preparedness and planning (which is also what stakeholders told the Tasmanian Government should be an objective for the aforementioned Agricultural Competitiveness White Paper). Experience demonstrates that historically in the midst and pressure of drought, the practical reality is that governments are called upon to provide disaster relief and recovery support to farming families, businesses and communities, including transaction-based subsidies.

Tasmania's most recent drought between 2016 and 2019 was largely experienced in areas of the East Coast of Tasmania. At the time, the Tasmanian Government provided \$400 000 in balanced and targeted drought support to complement existing Australian Government assistance programs. These initiatives included \$150 000 to TIA to assist farmers with in-drought grazing, pasture and livestock management strategies and practical tools for rebuilding productivity in a changing climate following drought, \$100 000 to deliver community support events and towards extra mental health outreach services, and \$150 000 to Rural Business Tasmania for the independent Rural Relief Fund (which provides emergency grants in times of crisis and financial hardship to farming families and their communities). Further information on Tasmanian Government drought resilience initiatives is provided in Appendix 2.

The emphasis on supporting industry to shift from business emergency support measures to preparedness and development of risk management strategies is vitally important in strengthening the resilience of farm businesses and rural and regional communities. In-drought support is nonetheless important and should be guided by the need for recovery and rebuilding and presumably funded through more targeted and aligned national disaster recovery arrangements, whereas the FDF is more focused, on strategic resilience and preparedness. Moreover, the ongoing FDF should not come at the expense of targeted in-drought support where appropriate for maintaining basic family, business and community needs in times of crisis.

Appropriateness and effectiveness

The emphasis on one-on-one coaching as an Australian Government set principle (or program standard) within the FBR program is to be commended as having the best chance of producing long term change in farm resilience. Though coaching can be an expensive option, depending on the model of delivery, it is essential for accountability and reinforcing learning outcomes, and Tasmania supports its retention. It is worthy of the Government investment required to deliver coaching successfully.

The FDF has been set up in perpetuity with ongoing annual investments, however programs are funded on a three-year cycle. While funding for monitoring, evaluation and learning is provided, this only exists for the life of a particular project. Tasmania encourages a longitudinal evaluation of the program that extends beyond funding cycles to measure the long-term effectiveness of projects, as it may not be known until the individuals, businesses and communities need to respond to the next drought whether the programs have been effective. There may be opportunities to improve the quality of MEL activities while reducing costs by centralising some activities and potentially drawing on Australian Government expertise (e.g. CSIRO, ABARES) where appropriate.

While funding should be directed towards increasing knowledge to enable self-resilience, consideration should be given to broader support that retains people and services within the regions. The migration of people away from rural areas results in (or may be the result of) services no longer being available. With a decreased population there is less personal contact and decreased services available to support those impacted by the next drought. Similarly, support for the creation and continuation of support for regional community groups is encouraged and may slow the trend to shrinking regional areas.

Prioritisation

Tasmania agrees with the funding principle *to have a contestable process to identify the best value and highest quality ideas, talent and projects*. We also consider that the FDF should retain the flexibility to prioritise activities depending on the natural disasters being experienced in a particular region and the financial environment that farming enterprises, businesses and communities may be operating in at the time.

Tasmania's recent experience is that the initial FDF rollout driven by Australian Government imperatives commenced delivering a range of programs in the State; with only some involving the State Government. While the investment is welcomed, with several concurrent FDF programs there is the potential for confusion among the target participants. This is a challenge for a small jurisdiction like Tasmania where multiple programs and organisations will be pursuing the same audience and farming participants. For this reason the Hub model is supported as the Tas Farm Innovation Hub can better articulate the value proposition to farmers and as well as continuing to play an important part in collaboration and information sharing across networks. This also reinforces the value of codesign and collaboration early in the process in developing local programs.

Scope

The strategic priorities (economic, environmental and social resilience) and the themes (information, planning, practices and community) are an appropriate focus for the FDF. They reflect how the broader agricultural sector respond to droughts and how farmers and communities can be supported to build resilience.

For Tasmania, drought is just one of the risks to sustainable production and competitiveness along with floods, fires, storms, hail and a generally warming climate. The experience of much of Eastern Australia over recent years has shown that an ability to respond to all and any of these threats, which can come in reasonably rapid succession, is vital.

Historically, parts of Tasmania including the Midlands, Derwent Valley and East Coast can experience relatively extreme droughts. The changing climate and the recent experience of extreme weather events including drought, floods, bushfire, storms (hail), will continue to create challenges for producers as to how they build their knowledge and experience to adapt their farming practices to cope. Ensuring community wellbeing and resilience will require an approach to adaptation and risk management that encompasses the full spectrum of likely climate impacts.

Expanding the scope of projects under the FDF is warranted and reflects where the farming community itself is at in its own sophisticated view of responding to climate change. Tasmania supports the suggestion of expanding the FDF priority of supporting drought resilience to address activities for building broader climate change resilience. Accordingly, we also recommend consideration should be given to formally going beyond “drought” and recognising climate change resilience in the formal FDF architecture and consequential programs and grants.

Tasmania also proposes that suitable projects that encourage partnerships across the whole of the industry value chain should remain an emphasis for the Fund. Drought (and a changing climate) is just one variable among many, projects and programs need to take into consideration other consequential risk management issues such as market variability, and increased risks of pests and diseases. Importantly, the role of government should focus on support and facilitation of projects rather than direct delivery and, in doing so, empower the role of industry and community sectors.

The ability to share learnings at a national level is important for success. While there may be climatic or production differences between jurisdictions, activities funded under the Innovation Grants may have outcomes applicable to producers across the nation. Tasmania supports the creation of mechanisms to share these success stories using formats familiar and accessible to farmers as a priority.

Similarly, agricultural research and innovation into understanding how to adapt agricultural practices to a warming climate will enhance resilience. For example, exploring heat tolerant varieties of crops and pastures, grazing management systems and effective irrigation technologies will help future adaptation.

Enhance engagement with and benefit for Aboriginal and Torres Strait Island people

The FDF currently provides, and should retain, its emphasis on engagement with indigenous and remote communities. In Tasmania we see the FBR as an opportunity to engage with indigenous businesses, including on the Bass Strait Islands, Bruny Island and many mainland areas in a way that integrates them into a larger program and provides a greater opportunity for shared learning.

There is value in the Fund investigating its definitions and programs to provide a structure that supports Aboriginal businesses in areas such as, and not limited to, native food enterprises where the activity may be carried out over many locations, over different seasons. The current

definition of “farm” for the programs is not always appropriate in an Aboriginal context. Similarly, an exploration of how Aboriginal understanding of country and natural capital management may be incorporated into regional resilience plans would be beneficial.

Other programs that have received funding in Tasmania through the FDF’s Natural Resource Management Grants, such as the “Regenerative Grazing on Tasmania’s East Coast” project, have incorporated indigenous land management service providers and indigenous college students in its work. This is commended.

Closing

This Inquiry provides an important opportunity to review how the FDF has been implemented to-date.

The Tasmanian Government considers that as the activities under the Fund are in their infancy and that the benefits will only become more apparent over time as the Fund matures and evolves.

For this reason, the MEL activities undertaken by jurisdictions and others will be critical to ensuring farmer and landholder participant needs continue to be addressed along with government’s priorities to build resilience in the rural and regional landscape for the long-term.

Additional Links

[Tas Farm Innovation Hub - Growing Climate Resistant Communities \(tasfarmhub.com.au\)](http://tasfarmhub.com.au)

[Future Drought Fund Programs | Department of Natural Resources and Environment Tasmania \(nre.tas.gov.au\)](http://nre.tas.gov.au).

Appendix I – Tasmanian Agricultural overview

Tasmania's land based agricultural production and value adding processing are significant contributors to the overall Tasmanian economy. Agricultural activity occupies about 28 per cent of Tasmania, with the grazing of modified pastures the most significant endeavour. In 2020-21 the gross farm gate value of all land-based agriculture was \$2.34 billion. While the State's 2, 534 farm businesses operate a diverse and mixed range of enterprises, dairy and red meat are the dominant sectors.

Further information is available from the [Tasmanian AgriFood Scorecard](#).

Sector highlights:

- In 2020-21 strong prices resulted in the farm gate value of meat reaching \$665 million, an increase of 8.2 per cent on the previous financial year. Meat accounts for 14.1 per cent of processed food value and 30.5 per cent of Tasmanian international food exports.
- The Tasmanian dairy industry is strongly oriented towards processing and export with more than 90% of Tasmanian milk being processed into milk powders, cheese and other value-added products. 2020-21 was another record year for milk production with 961 million litres, on the back of excellent seasonal conditions, with a farm gate value of \$490 million.
- In recent years there has been a significant investment and growth in the berry industry. In 2020-21 production volumes increased by 44.5 per cent and berries are now the highest value fruit commodity with a gross farm gate value of \$209 million. Other fruits, including cherries, apples and nuts, contribute to an overall farm gate value of \$407 million.
- Potatoes are the state's highest value vegetable, with Tasmania being Australia's largest potato producer in 2020-21, accounting for 31.3 per cent of national production. Higher prices saw the farm gate value rise by 20.0 per cent to \$165 million, with a processed value of \$429 million. The farm gate value of vegetables in 2020-21 was \$337.5 million which translated into a processed food value of \$732.1 million.

Appendix 2 – Tasmanian initiatives that support drought resilience

The following highlights Tasmanian initiatives that support industry preparedness and adaptation to a changing climate. They complement the activities of the Future Drought Fund.

Public-Private Irrigation Development

- Tasmania has a long history of irrigation development. In more recent times, the South East Stage 1 Irrigation Scheme (1986) and the Meander Irrigation Scheme (2007) were developed.
- Since 2011-12, the Australian and Tasmanian Governments and farmers, through Tasmanian Irrigation a state-owned company, have co-funded 15 irrigation projects delivered as the first and second tranches of Tasmania's irrigation development program. Collectively, at a combined capital cost of \$487 million, Tranche 1 and Tranche 2 make 102 000 megalitres of irrigation water available to a nominal area of 201 000 hectares.
- These projects are delivering highly reliable water: strategically improving the drought and climate change resilience of farming districts, growing local economies and employment and underpinning a significant uplift in the value of agricultural production in those areas to which irrigation water is being introduced.
- Tasmania is working to progress additional projects under a Tranche 3 of the Tasmanian Irrigation development program, including the Don, Northern Midlands, Sassafras Wesley Vale Augmentation, Tamar and Greater South-East irrigation projects.
- Over the next five years these projects are estimated to deliver 3 500 jobs, more than \$450 million in on-farm investment and over 130 000 megalitres of highly reliable irrigation water.
- The first Tranche 3 project, the \$54.4 million, 4 750 megalitre Don Irrigation Scheme commenced construction in 2022 and is on track to deliver water within the Don and Barrington areas from 2023-24.
- Funding submissions for a further two projects are currently with the Australian Government for consideration and work to develop business cases for the fourth and fifth projects under Tranche 3 is continuing.

Water Policy

- The [Rural Water Use Strategy](#) is focusing on how we use, regulate and allocate freshwater over the next decade and towards 2050. This Strategy is modernising the overarching water policy framework and outlines a range of actions to ensure the integrated, fair and efficient regulation of our water resources to deliver sustainable outcomes for rural water users, rural communities and the environment, while maintaining Tasmania's competitive advantages in a changing climate.

- Tasmania's *Ministerial Policy 2015/11 Water Resources Management During Extreme Dry Conditions* guides the management of Tasmania's freshwater resources during extreme dry periods to ensure an appropriate balance between consumptive water needs and environmental water needs. The Minister for Primary Industries and Water makes a declaration when extreme dry conditions are prevailing. Once a declaration is made, specified management actions may be taken, that would not otherwise have been taken, including flexible implementation of restrictions and greater flexibility for water conveyance.

Agricultural Research, Development and Extension

- Specific projects relating to resilience and adaptation to climate change are supported through the Tasmanian Government's investment of over \$5 million per annum in the Tasmanian Institute of Agriculture joint venture with the University of Tasmania. The establishment of the additional \$3 million Agricultural Innovation Fund aims to drive research, development and extension projects that capitalise on opportunities for growth and development while responding to threats to the sector.
- Other recent investments by the Government to improve on-farm knowledge include the Pastures and Livestock Productivity Project. The Project seeks to improve perennial pasture management in Tasmania, a critical tool in sustainable and resilience livestock productions systems in the State.



Contact:

**Department of Natural Resources and
Environment Tasmania**
AgriGrowth Tasmania

Phone: 1300 292 292

Email: Agrigrowth@nre.tas.gov.au

www.nre.tas.gov.au