



SUBMISSION

3 March 2023

Future Drought Fund
Productivity Commission
GPO Box 1428
CANBERRA ACT 2601

Via on-line link: <http://www.pc.gov.au/inquiries/current/future-drought-fund>

Dear Sir / Madam

Re: Inquiry into Part 3 of the *Future Drought Fund Act 2019*

Livestock SA is the peak industry organisation for South Australia's red meat and wool industries. There are over 5,200 sheep producers and more than 2,700 beef cattle producers in the state. With a membership of over 3,500 sheep, beef cattle and goat production businesses, we work to secure a strong and sustainable livestock sector in South Australia.

The red meat and wool industries are the backbone of South Australia's livestock and meat processing sectors, which contribute \$5.4 billion annually to the state.

Livestock SA is a member of Primary Producers SA (PPSA) and is the South Australian representative member of four national peak industry councils: Sheep Producers Australia, Wool Producers Australia, Cattle Australia and Goat Industry Council of Australia. Through PPSA and the Peak Councils, Livestock SA is also a member of the National Farmers' Federation.

Livestock SA commends the Australian Government in taking a long-term, strategic and proactive approach to Australia's inevitable droughts, in preference to *ad-hoc* reactionary funding and assistance when a drought occurs. This is an approach that industry has been seeking for some time, believing it is the only approach capable of securing genuine resilience. Whilst the Future Drought Fund would benefit from some refinements, Livestock SA believes it is a sound initiative capable of bringing the agricultural and broader regional and remote communities together to implement beneficial and long-lasting change.

Background

The area of grazing land operated by beef cattle and sheep businesses is estimated to be almost 50 million hectares, more than half the total area of South Australia. There is a wide range of livestock production systems in SA including extensive rangeland grazing, mixed cropping and intensive livestock grazing, pasture-fed and feedlot finishing systems – all requiring differing approaches to drought resilience.

The red meat and livestock industry has been more proactive than any other agricultural industry in setting goals and proactively collaborating along the whole value chain to drive the future sustainability and profitability of our sector. Significant industry funds, State Government grants and in-kind contribution from along the whole beef and sheep value chains have contributed to the wide consultation, development and ongoing implementation of these shared strategic plans (the *SA Beef and Sheep Industry Blueprints*). Both Blueprints align with key national strategic documents such as the National Beef (and Sheep) Sustainability Frameworks and Meat & Livestock Australia's (MLA) CN30 Plan.

The shared ownership of the Blueprints along the value chain has resulted in major South Australian livestock sector stakeholders also aligning their strategic plans with the Blueprints, including the Primary Industries and Regions South Australia (PIRSA)'s Red Meat and Wool Program, the South Australian Research & Development Institute (SARDI) and the University of Adelaide's Davies Livestock Research Centre.

Drought resilience is just one component identified in our *2030 SA Beef and Sheep Industry Blueprints* and the Future Drought Fund (FDF) and associated Hubs provide an opportune catalyst and convener for ongoing cooperation and leverage of effort and investment.

Future Drought Fund – opportunities for improvement

Livestock SA broadly supports the existing Funding Principles. However, it does not believe they are being delivered as effectively as they could be. In preference to addressing each of the review's specific questions, Livestock SA offers the following broad observations on how the Future Drought Fund (FDF) could be improved.

- **Administrative times must be reduced.** Effective and efficient outcomes are being significantly hindered by ridiculously slow administrative processes. The *Ag Hub Biosecurity Program* and the *Farm Business Resilience* project contracts were signed six months after the due date forcing activities to be rushed, with workshops compressed into half the optimum time and parts of the year which did not suit the calendar for farming operations. This had a negative impact on participant numbers and their ability to learn, sub-contractor recruitment and organisational cash flow.
- **Duplication should be avoided.** We have unfortunately seen significant duplication of some FDF initiatives with existing programs already being delivered by State Government, regional agencies and private individuals. For example, the FDF's *Farm Business Resilience* program came in over the top of *Kangaroo Island's Farm Business Management Program*, PIRSA's *Red Meat and Wool Livestock Enterprise Planning* and the *SA Arid Lands Building Pastoral Sustainability Project*. All had differing incentives (or costs) of involvement. This resulted in all providers failing to secure sufficient delegates to make each of their programs viable, wasted resources and confused producers.
- **Financial incentives needed.** Whilst some producers recognise and seek out drought resilience and capacity type programs, there is a considerable number who don't. If they feel 'pressured' by government(s) to participate in the 'program of the day' they are often reluctant to do so without the addition of significant financial incentives. There is a lack of consistency in the marketplace around this issue. Those programs with financial incentives always attract more participants.

- **Innovation in extension essential.** The 2nd and 3rd quartile producers in our state continue to perform 4.4 - 9.3%¹ below our top producers and have significantly lower drought resilience as a result. Whilst some of these less successful producers may recognise their need to change and are attending extension events, consistent adoption of drought-resilience practices by most producers remains elusive. There is a great opportunity for the FDF to explore global best-practice to identify innovative proposals for extension, adoption and self-sustaining producer engagement activities to address this. More of the same will not yield a different result.
- **Alignment with industry strategies essential.** There is a danger that local issues are addressed without consideration of higher, industry strategic targets (as occurred during the establishment phase of the SA Drought Hub). The South Australian Beef and Sheep Industry Blueprints articulate a vision and strategic plan to underpin our sector's long-term sustainability and profitability, which is shared along the whole value chain. Care needs to be taken to fund local projects which pro-actively contribute to the achievement of the broader state level strategies, as opposed to ad-hoc activities at the whim of local groups.
- **Equity between sectors.** Livestock SA understands that projects supporting grain and other sectors have secured a greater proportion of FDF investment to date and would like to see this inequity addressed.
- **Balance local experience with fresh ideas.** The staffing of hubs by local, well-established agricultural professionals who have an in-depth understanding of local issues has been successful. However, this should not be to the exclusion of fresh perspectives from interstate or other sectors.
- **Inclusivity essential.** Funding existing Farming Systems Groups, which are often under-resourced, has proved successful in leveraging the effectiveness and long-term sustainability of existing extension networks. However, care needs to be taken to avoid the exclusion of producers not in existing networks.

Other observations and recommendations

The agricultural engagement landscape in South Australia is highly fragmented. Unfortunately, the addition of a (presumably unavoidable) new structure (the FDF) has added further complexities. While most stakeholders are partners in the Hub, an effective communication and investment decision-making process is yet to be realised and more improvements are needed.

Furthermore, the development of programs under the FDF has led to the transfer of some key initiatives from long-standing agencies (subsequently defunded) to new partnership arrangements under the FDF. Livestock SA is concerned that this may fragment the South Australian engagement landscape even further and create capacity voids in industry to deliver critical extension in the future should the FDF be disbanded, defunded or investment priority shifts by future Australian Governments.

¹ ABARES farm financial performance analysis by scale and management quartile: ungeared % return on farm assets managed (1986-2016 average)

Livestock SA provides wary in principle support to expand the FDF to include broader resilience to all extreme climatic events resulting from climate change. It is non-negotiable that any expansion in scope should be matched with an expansion in funding to prevent the dilution of the FDF's expected impact.

Livestock SA notes that drought was removed from the Natural Disaster Relief and Recovery Arrangements in 1989 as it was considered that previous drought policy was: poorly targeted, distorted farm input prices and worked as a disincentive for farmers to prepare for drought². As such, if drought policy and program response is to be once again grouped with a broader suite of climatic or extreme weather events, there must be confidence that it will be more effectively managed by doing so.

Summary

Livestock SA has found the FDF to be a highly beneficial initiative which is capable of proactively supporting the pursuit of the state livestock sector's resilience and sustainability targets. In our experience, this is occurring under the current leadership.

We thank the Productivity Commission for the opportunity to provide our views and welcome continued engagement throughout this process. Please contact the Livestock SA office on (08) 8297 2299 or via admin@livestocksa.org.au if you would like to discuss this submission further.

Yours sincerely

Travis Tobin
Chief Executive Officer

² <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/drought/drought-policy/history#national-review-of-drought-policy>