

Natural Disaster Funding Arrangements
Productivity Commission
LB2 Collins Street East
Melbourne
VIC 8003

Monday 16th June 2014

To whom it may concern,

Regional Development Australia – Orana’s overriding interest is the economic sustainability and growth of its region.

The Orana is a highly productive region which takes up around 25 per cent of New South Wales’ land mass. The Gross Regional Product for the region is \$5091 million: approximately \$1.51 billion per year is directly attributed to agriculture. Agriculture is central to the region’s economy, and the flow-on revenue it brings into the region through its supply chains is immense.

Natural Disasters have an overwhelming impact on this industry: it is vital that Natural Disaster Funding Policy is applied in such a way to remove some of the wild swings in the agricultural industry that occur as a result of weather events.

Presently the region is being impacted by drought. In the Northern parts of the region, where cropping is a major contributor to the income of farming enterprises, recent rain has not been substantial enough to avoid the impacts of what is predicted to be a prolonged dry period over winter. Many areas are already entering a third year of drought conditions.

We recognise that the Commission’s terms of reference specifically exclude drought as a Natural Disaster; however, the result of drought can be just as, if not more so, damaging to a community as the impact of other more sudden weather events.

We are currently, in consultation with industry, peak bodies and financial institutions, developing an advanced model for risk mitigation in Agriculture. The model will acknowledge that drought response should not be viewed as a ‘one off’ or ‘stand-alone’ policy area, but that risk mitigation and preparedness should be present across the range of government initiatives and policies which impact Agriculture. For this reason we believe drought response should be considered alongside any discussion of Natural Disaster Funding.

Once developed, the model will propose that Australia takes its learnings from a number of modern economies overseas. Firstly, by adopting a multi-peril insurance scheme which would provide insurance to recover production costs only (not total income): this would be co-supported by a grower levy and government funding. Rainfall extremes (drought or flood) are the major causes of

crop failure and are not perils that can currently be insured against. This increases the risk in agriculture considerably and makes it one of Australia's most volatile industries.

Such a scheme would help minimise the financial highs and lows associated with extreme seasonal variation in agriculture, and the flow on effects to the broader supply chain.

The second prong of the strategy would be to establish a Regional Development Bank, which would encourage new businesses to develop within our regions, invite investment from Metropolitan areas, assist start-ups and allow business to expand and services to grow. This would aid new farmers to maximise opportunities in this potential growth phase in Australian agriculture. This approach would help to increase food security and supply to emerging Asian markets, grow the next generation of farmers and increase investment in new on-farm technologies and practices.

This approach encourages private enterprise (finance and insurance institutions) to play a role where Government currently supplies emergency funds. It ensures greater financial consistency in agriculture and therefore builds a stronger agricultural sector.

Regional Development Australia – Orana are committed to promoting this approach and furthering research into strategies to ensure the improved financial sustainability of the agricultural sector.

The land of 'droughts and flooding rains' can only be productive if we are able to minimise the financial impacts of extreme weather events, and support the industries for whom weather is a determining factor of success.

Kind regards,

Felicity Taylor-Edwards
Chief Executive Officer
Regional Development Australia - Orana