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Telephone:

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PRODUCTIVITY COMMISSION

INQUIRY INTO GOVERNMENT DROUGHT SUPPORT

**PROF M. WOODS, Presiding Commissioner
DR N. BYRON, Commissioner
MR R. GRANGER, Associate Commissioner**

TRANSCRIPT OF PROCEEDINGS

AT LAUNCESTON ON THURSDAY, 20 NOVEMBER 2008, AT 9.05 AM

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PROF WOODS: Ladies and gentlemen, welcome to the Launceston public hearings for the Productivity Commission inquiry into government assistance for drought events. I am Mike Woods, I am the presiding commissioner for this inquiry and I'm assisted in this inquiry by Commissioner Neil Byron and Associate Commissioner Bob Granger.

As most of you will be aware, the commission released an issues paper in July which included the terms of reference and some initial issues for consideration. Our draft report was released on 30 October. In essence, the commission has been requested to report on the appropriateness, effectiveness and efficiency of government support measures, to identify impediments to improving self-reliance and preparedness for periods of financial difficulty, and to identify the most appropriate, effective and efficient government responses to build self-reliance and preparedness to manage drought.

Prior to preparing the draft report, the commission travelled to all states, to metropolitan, provincial and rural areas and held 81 meetings with a wide cross-section of people and organisations. We received 109 submissions from interested parties prior to releasing our draft report.

I would like to express our thanks and those of the staff for the courtesy extended to us in our travels and deliberations so far and for the thoughtful contributions that so many have made already in the course of this inquiry. These hearings represent the next stage of the inquiry with an opportunity to make any final submissions by 19 December. The final report will be completed by 27 February next year.

I would like these hearings to be conducted in a reasonably informal manner and remind participants that a full transcript will be taken and made available to all interested parties. At the end of the scheduled hearings for the day, I will provide an opportunity for any persons present who wish to make an unscheduled oral presentation.

I would like to welcome to the hearings our first participants, the Tasmanian Farmers and Graziers Association. For the record, could you please state your names, titles and the organisation you are representing.

MR SWAIN (TFGA): Roger Swain, I'm president of the TFGA.

MR FLITTNER (TFGA): Nick Flittner, I'm manager of drought and climate change.

PROF WOODS: Welcome, gentlemen. Do you have an opening statement you wish to make?

MR SWAIN (TFGA): Thanks, Mike, I do. It's interesting that a lot of what the Productivity Commission is suggesting is not inconsistent with a lot of the view of the farming community; that is, that managing drought specifically and climate change going forward will be a challenge and that the mechanisms that are currently in place may not be the mechanisms that we need to have a viable agricultural community going forward.

Having said that, of course, we do have some concerns about some of the suggestions, particularly the one that would suggest that current arrangements have a sunset in the not too distant future. It is our view of course that whilst we're in the midst of the drought that we're currently in, it would make absolutely no sense whatsoever - and already this suggestion has caused a considerable amount of concern in some of the farming communities that are affected by EC - they are already saying to us, "If this is going to end in 18 month's time, we might as well quit now." Now, we don't think that's a good outcome. If we use old horseracing parlance, it's not a good idea to jump horses halfway down the main straight and we wouldn't suggest that you would do that. There are some other recommendations in there that I think the farming community right around Australia do support, so that's I guess our opening statement and certainly we're more than happy to take questions now.

PROF WOODS: Thank you very much for that. We will work our way through the various recommendations and discuss them. Perhaps we can take this issue of transition first. Our thinking in the draft report was that there was a need to move to a new set of programs and arrangements that were proactive that supported farmers across the board and particularly to increase preparedness. We also felt it was important to as soon as possible introduce the proposed household relief program as we have designed it for all farming families in hardship, rather than just those who are in EC-declared areas. So we placed a priority on getting that program in place so that irrespective of the circumstances that led to the hardship, that farming families would have access to our proposed program.

Having gone through that consideration, we felt it would be inappropriate to have two types of programs running in parallel for an extended period but we have been aware of the response to our proposal. We are certainly prepared to look at that. There are several ways to go; one would be to increase the time period of the transition to the new arrangements so that the period of overlap would be for a longer period or to pursue a policy of those who are currently receiving assistance in EC areas, while those EC areas remain declared continue to be eligible, but then to ensure that the conditions under which they receive that assistance, that there be

proper case management and review of their circumstances. We'd be interested in your reaction as to what you would see as the appropriate way to go in that situation.

MR SWAIN (TFGA): If I take what you're saying as to be that you would move to a new set of circumstances or a new proposal, only once a suitable alternative was in place and there was an appropriate transition model available. Is that what you're actually suggesting?

DR BYRON: It's what's in the report.

PROF WOODS: Yes. What we're saying is for that household relief type program, we would still bring that in as soon as government decided on it, so that model could commence midway through next year anyway; it's just a matter of how long the two arrangements run in parallel with each other.

MR SWAIN (TFGA): If we pick up on the household relief one, I think that's important, given that regardless of where you live in Australia, you should all have access to that, whether you live in Sydney or in the back of Bourke or the back of Bothwell in our case. I think that's important that that does remain in place and I do applaud that approach. Nick?

MR FLITTNER (TFGA): Yes, absolutely, and we also obviously agree with the extended asset test that we propose on that because clearly, a household is a very different shape to a farm business. I think our view would be that the best time to change to a new regime would be once the current circumstances have eased or ended - the current drought, changing this in the middle of a drought, and we still are very much in the middle of it, despite the rain today here - that would be I think, from our point of view, a better way to go.

MR SWAIN (TFGA): Just to pick up on your suggestion, we all agree that there needs to be an increased ability for preparedness. The problem we have is in the midst of a drought, there is no capacity. Whilst that capacity has been taken away, it's all very well to aspire to have increased preparedness, but without the capacity, it's just not achievable.

PROF WOODS: We understand that point and we are taking these matters seriously and in our final report, we will look to a model that better accommodates the situation than in our draft. As I say, we have two ways potentially of going; one is to extend the number of years beyond mid-2010 that we've proposed in our draft or to just say that while ever current recipients are in an area that continues to be EC declared that they continue to receive that support. I think the main focus would be on the interest rate subsidies. I think that's where the main area of concern is, although those on the current form of household relief would, similarly, be able to

remain on that form of household relief for an extended period. So we take that on board. We understand the concerns that you have raised in relation to that transition period, and in our final report we have dealt with that in one of two ways to give greater accommodation to those concerns. I think that would be reasonable to suggest.

DR BYRON: Just to clarify, do you have any particular comments to make about our proposal for a household relief system that doesn't depend on EC declarations, that in effect is always available right across the country every day of every year to any farm family in hardship for whatever reason, given that drought is only one of hundreds of ways of getting into financial distress? Do you have any problems with that?

MR SWAIN (TFGA): No, we don't. But basically I think we have gone past the time when we just drew lines on maps. I think that's an appropriate approach. We wouldn't like to see that farmers were unreasonably disadvantaged by limitations on that critical household support. So that's our only caveat on that.

PROF WOODS: You made an earlier point, Nick, about the recognition of the different asset situations of farm families, and we have proposed that for that three-year period that that difference in asset base be recognised, in terms of eligibility for the support, and that seems to be reasonably consistent with your own thinking.

MR SWAIN (TFGA): Yes.

MR FLITTNER (TFGA): Yes, I think clearly there's a feeling in the farming community of the two aspects of the support, the interest rate relief subsidy is seen very much as a business support, whereas the Centrelink payment aspect is very much seen as a welfare support; and we understand that and we know we have got members who won't apply for the Centrelink payment support because they don't feel they need the welfare component, where they are more than happy to apply for the business support. So they clearly are separate. So the idea, your proposal, that essentially everyone should have access to the welfare, if your income is below a certain limit you should be able to apply for payments, and we fully support that. I guess it's the other aspect of it which we need to work through, which is the - - -

PROF WOODS: The interest rate subsidy, business support component, yes.

MR FLITTNER (TFGA): Well, whatever is going to replace the business support component to help the farmers become more sustainable and viable in the future, which is where obviously the current system has problems, and we all acknowledge that.

PROF WOODS: Now, in that area we have put forward two areas of opportunity for government to make significant contributions: one is in the research development extension type side and the other is in the farm business management area. Do you have any view on how best to design and focus government support in those areas. I mean, your own organisation does a lot of work in these areas helping farm businesses and we recognise that and there are partnerships and relationships with research bodies and the like, so it would be interesting to get your views on where government should direct its attention in those areas.

MR SWAIN (TFGA): We have always been of the view that there needs to be an increased emphasis on RD and E in agriculture. What we have seen historically right around the nation is a drawback from state governments and their investment, and particularly in the extension area. I have even seen examples where we have seen research done in Victoria and the same research has been mirrored here in Tasmania, so that's a duplication of effort. But then where it comes to extension - in other words, getting that message out there - that's where it seems to fail and that's where the emphasis seems to have been even further retracted. So naturally as a farm organisation we would support greater emphasis on RD and E with even greater emphasis on the E part of that.

PROF WOODS: Yes. Do you have any views that either you can present to us this morning or in any follow-up written material on the most appropriate form of that extension - I mean, are we talking one-on-one work with farmers - and to what extent does that cut across work that a number of agri-business enterprises provide, or are we talking trial plots and group assessment of outcomes? You know, what sort of model, or is diversity the right approach?

MR SWAIN (TFGA): There is no simple answer to this question. We are in the process and we have put forward to our state budget submission this year a proposal to investigate in a collaborative approach with the rest of the farming community - and that's the broad spectrum farming community, including those people you've just talked about - as to what we could do with, for example, Cressy Research Station, which is currently under-utilised here in the state, given that there will need to be extensive input into RD and E, particularly around climate change, so that the farming community can adapt to whatever the new climate does deliver for us. We believe that that approach in a collaborative nature with all the players in the farming game is the way that we'll get to that point in time where we have got the right approach. It won't be a simple throw the blanket over the whole place; it won't work like that.

MR FLITTNER (TFGA): Just to expand on that, we need to go from really analysis of areas. I mean, I'm focused in particular on our drought-affected areas at the moment. What is going on at the moment for those farmers? What are they doing now? What is the capacity of their properties and their businesses? What could be something different with climate change? Is what we're seeing now what they're going to be facing essentially day to day forevermore or for a long period of time? Are there things that they can be helped with understanding about their properties, about the land they have got, the capacity of their particular business, that they haven't thought about?

This will be where some of this broad-scale research may come in: new crops, new types of product, new ways of doing things, new ways of managing; they need help with that. But they then need assistance to actually drill that down to their own individual circumstances, and we have a mechanism here, property management planning, which is developing into such a tool, where each individual business can look at their own circumstances in detail - the water on their property, the biodiversity, all the aspects of the business - drill it right down to that level, almost down to what they're doing with each paddock.

With that also then comes broader issues; for example, water. If irrigation or water is a possibility in areas, and it will be in Tasmania in some parts, that brings a whole lot of implications with it. Where do you get the skilled workers? Where do you get the training? How do you employ those people? All the infrastructure implications for a community or an area need to be taken into consideration. So that's again an individual ask, but it's also part of a broader analysis, if you like, once those individual businesses have made some decisions about where they're going to go to actually implement that infrastructure, so there needs to be some process where they can get access to suitable funding regimes which will enable them to re-tool or re-shape their business and create a new business on into the future.

So it's all those things at once. It's an individual analysis together with that bigger scale R and D, and with that is the extension. We have, as Roger says, government or community extension has been sort of wound back, we have a lot of private companies now doing that, which is not a problem necessarily, but we need to be sure that we can deliver that extension to right place in the right way.

MR GRANGER: Can I ask a question, before I forget? Do you think a property management plan should be a requirement to qualify for household assistance, you know, for the people that are in bad areas droughtwise?

MR FLITTNER (TFGA): Probably not.

MR GRANGER: I mean, not on day 1, but I mean do you think that to qualify for household support, over whatever period of time, there should be a requirement, if you haven't done it, to develop a property management plan as a part of a social responsibility, or a responsibility.

MR FLITTNER (TFGA): So you're sort of equating that to job seeker that needs to go and - - -

MR SWAIN (TFGA): If I live up here on High Street, do I have to have a property management plan to get Newstart?

PROF WOODS: You have to do training programs.

MR SWAIN (TFGA): That's fine.

PROF WOODS: There are some mutual obligations.

MR SWAIN (TFGA): What we would actually like to see and something we should not forget about at all through this whole process is we tend to focus a lot on the fact now that we're talking about drought, so that means it hasn't rained, but the reality is that the real loss factor in all this is the human capital that we have to maintain at all costs and to focus on that as well because a part of the property management plan also should probably include in it secession planning, labour management and all those issues of farming come of course and so there are issues beyond the farm gate and inside the farm gate that are rolled around the human capital that sits inside that business and they need to also be taken into account.

MR GRANGER: Just to nail it down, do you think it should be a requirement to get assistance?

MR SWAIN (TFGA): No, what I think it should be is a requirement for whatever the new package is. That is, if we divorce the two, that's the income support and whatever the mechanism is that we're trying to design that replaces IRS, I would suggest to you that the income support one is a given, the same as it's a given for the guy who lives in High Street or whatever; admittedly he has to go and do training packages and that sort of thing, so we can do that sort of thing around that. We should divorce the two, but I would possibly suggest that property management systems do actually fit in whatever this new mechanism is.

PROF WOODS: They're an integral part of improving your capacity to run that business.

MR FLITTNER (TFGA): There's certainly an argument to say if you are expecting to have access to special funding or grant programs or whatever for changing your business that you do have to have done certain things such as a property management plan. We're looking at having a sort of base level one which does a general analysis of your business but then some add-on modules, depending on what you're going to be doing. So if you're going to go into irrigation for the first time, we have no problem with requiring people that want to access funding to do that need to have done an irrigation module or that sort of thing. That's the process we see and which we have no problem with at all, a requirement on behalf of businesses to have done certain things to qualify for access to funding.

MR GRANGER: Just forgetting about government, do the banks ever require the borrower to have some sort of farm plan along the lines that we're talking about here?

MR SWAIN (TFGA): As you probably well know, if you front up to the bank with your dirty overalls on and a shoebox full of papers, you will probably get a different margin on your loan compared to rocking up with your suit on and your business plan for how you're going to actually repay the money and generate the extra income and improve your business productivity going forward, so I think you probably actually know the answer to the question.

MR GRANGER: I'm not sure how hard they enforce it.

MR SWAIN (TFGA): Don't you worry, they're keen. They know the difference between a good farmer and a not-so-good farmer that walks through the door.

DR BYRON: Can I just take that in a slightly different direction. One of the major impetuses for this inquiry I think is global climate change and the idea, given the prospects of the future climate we're facing, hotter, drier, more variable, a lot of people are going to have to change what they do and how they do it. So what you're talking about is a certain amount of redesign of the practice of agriculture in the state. In the past, I think the drought system that we had was just a stopgap measure to hold the line until the rains come, and then we'll go back to business as usual. What we're saying now is that it may not be just a blip and we go back to business as usual, we may be going into something completely different, uncharted waters, where we actually have to think very carefully about redesigning the whole farming system. Am I reading too much into this or - - -

MR SWAIN (TFGA): No, but I think what we have to be very careful of here is we understand that above all, farmers are risk takers. We take a risk every time we walk out the door of a morning and we take a risk in the climate that we work in. The risk is that we make decisions here that we don't have enough science or enough statistics or enough knowledge or any of those things to make proper sound judgments and take the appropriate risks. We run the risk, if we're talking about climate change and emissions trading, of making the wrong decisions on emissions trading that could seriously impact on agriculture right around the nation if we make the wrong decision. So yes, we are happy to take risks, we are happy to take in some respects a gamble, but we should do that based on the best science and the best knowledge that we've got and not just take a punt.

DR BYRON: Do you agree that in the past, we might have had a prolonged dry period, and the drought relief system that we've had in the past was designed to get them through that until they could get back to business as usual? I thought the point you were making before about needing to think carefully about the potential of the property and to explore some new opportunities and to think, "Well, if the climate is going to be different in the future, I may not be able to do on this property the same as dad and grandad did on this property and if I want to keep servicing the same market with the same sorts of products, I may not be able to do it from this property. I might have to move a thousand kilometres in some direction, but if I want to stay here, I might have to - - -"

PROF WOODS: Tricky in Tasmania.

DR BYRON: "- - - be growing cactus instead of apples."

MR FLITTNER (TFGA): I think you're right, and to some degree this inquiry and this particular drought is a timely one in global matters because maybe if you'd done this inquiry a couple of droughts ago, we would have had a different conversation, but because of the clear evidence of climate change now, we're rolling these things in together, in a sense, so this inquiry and the previous one, the social impacts one and the first one, the CSIRO long one, and very much it's getting us to start thinking about not just recovering from the drought but what the implication of all this is long term for our sector. In Tassie, like in most states probably, we've got some areas that are very affected by drought and some areas not so, and some are doing very nicely at the moment in Tasmania. We're also at a moment globally where the whole issue of food security and production of enough food into the future is now being discussed all over the world, so we're in this moment where we have to be looking at the future of our state and the agriculture in the state which we think broadly is a very rosy picture, we've got great potential in this state, but we've also got to deal with this issue we've got at the moment for at least half of the state where climate

change has impacted already, if you like, through this current drought. So some of the discussion is about broader restructuring of agriculture and getting through the immediate circumstances of the drought. In a way, they're fortunate they have come together at the same time because it does give us a chance to explore all these things.

DR BYRON: There's the short-term crisis plus there's the long-term transition going along at the same time.

MR FLITTNER (TFGA): We have to be aware of managing both of those. We do have issues, immediate today/tomorrow issues that we have to be on top of and we've spent a lot of time in our organisation trying to get the structures right in our state to make that work. But at the same time, some of the answers to that or the solutions are going to be longer term and we're not going to take our farmers simply out of their current crisis and put them back where they were a couple of years ago, because the climate change thing is actually moving the whole picture, so we have to design what we do next with that in mind as well. So some of this stuff that we're talking about today and some of the redesign that you're looking at is also going to be part of our thoughts and discussions and new structures for industry generally, so the answer is yes to that sort of - - -

MR SWAIN (TFGA): There is another factor to that, if I can just add, and I think historically what we've done in this nation is we've got into the drought, we've put in place the mechanisms, it's rained, and then we've forgot about it. Now, when I say "we've forgot about it", the farming community have forgot about it but politically we've forgotten about it as well, so then it's a kneejerk reaction, "What are we going to do next time we get in a drought?" and we don't do anything until we get in a drought. So in the same way that we've got political will in this state now to develop water infrastructure, we need to also see some political will to develop a system that is prepared for the next drought and will action it and have it ready to go, rather than, "We're in a drought now. We need to do something." So I think that's an important issue here as well and needs to be seen in that context, that it's not only the farming community's responsibility, it's the general community's responsibility and the political people's responsibility to make sure that the preparedness is there and the mechanisms are there are we're ready to go.

PROF WOODS: So in effect in crafting the future it's a future that can incorporate some structural change in what happens and preparedness for next time around rather than just getting through the current one and assuming that life will then go on until the next crisis hits.

MR FLITTNER (TFGA): Yes, and I think that this is a conversation that you often have around the kitchen table with farmers. I mean, obviously all have immediate problems, but more farmers than not we visited said to us, "We don't want money, we want help to know where we're going next." Farming is a "next" game, you've always got your eye on next season, next year, you know, something else coming up next, and in the middle of a drought like this a lot of people are focused very much on today and tomorrow and getting themselves physically and mentally through the current crisis.

But if they have a next which they can focus on and they know that their farm business or their family's future is going to go in that direction and they can start planning those sorts of things and know that's happening and understand that people are listening to what they're trying to say, that makes a big difference. So part of your response and design of the next phase of the drought support is very much about that, is about that longer term. "We don't want to get back in this situation again," farmers; they don't want to and they know that. But what does it mean? What does climate change actually mean for them and how does that affect what they're going to decide to do next? So that's why it's important to get these structures right from this current drought, because it is going to impact on the broader structures.

MR GRANGER: Does your organisation feel as though it's inside the tent, in terms of that type of thinking, in the state here.

MR FLITTNER (TFGA): I think we're more in than we were, or maybe we built the tent. We have had issues with the whole structure of how government particularly has responded to drought in the state, but we have had some significant move in the last couple of months in that regard with a new drought task force, which has now got six government agencies, which has never been done before. Local government, federal government and four non-government agencies now meeting every six weeks. We have never had that before in the state, that level of high level and cross-level discussion about matters to do with agriculture and rural life, so that's a huge move for us and we hope we can use that as a vehicle to pursue a lot of these agendas that we're talking about today.

MR GRANGER: I think one of the challenges, for me anyway, is that I have long lost the faith that someone will come along and tell me what the future is, and I'd prefer to be in the tent and at least own the stuff-ups or own the success, if you know what I mean. But anyway it's a bit of a driving philosophy.

MR FLITTNER (TFGA): Yes, no, there's no white wolf charging around giving us the answers, or silver bullets and what have you, a whole range of things, and I know within this state at least we are now starting to communicate a lot better and I think the message is that this is an important issue for our state, because agriculture is a very important industry here, probably bigger than in many other states in relative terms, and the impact that has across our state has got through strongly now to top level of government and we are also getting much more cooperation amongst the service providers at the sort of delivery end as well. So that's all good news for us, in terms of this immediate drought and navigating our way through, but it also provides us opportunity to build on that, that structure, to build on that for the future, develop all these issues that we're dealing with today. So there are good signs.

MR GRANGER: The social dimension to this whole thing, is that something that you feel as though you've got some say - not control over, but I mean are you having some input into the broader aspects of the whole thing? It's probably pushing you outside where you're coming from.

MR FLITTNER: We've got quite a few providers in the audience today, so they might be better placed to talk about that. But I think so. I mean, a lot of it is to do with impression and feeling. When the social inquiry committee was down here, they had a forum up the Bothwell - you know, one night, and it was a fairly cold room - and the stories we got from that were quite hair-raising, I have to say, about the social impacts of all these things, and it wasn't just about the drought, clearly some of it was about just rural living and the way they're feeling anyway. But it certainly was to do with feeling isolated, ignored, that "No-one takes us seriously or understands our issues," that was very strong that night.

While I'm sure that still is the case, farmers tend to be by themselves a lot, the social networks have broken down to a degree. People have stopped attending social events because they just don't want to talk to anybody, all that sort of thing is going on, there's clearly mental health concerns broadly around the place with the farmers themselves, their wives, families, kids; those things are all happening. But we are making movement in this, as I say, with even things like the drought task force, the fact that the government recognises this as a serious issue. So there are some good signs. We are certainly not out of the woods, by a long shot. If we can get this next phase right, which is helping all those people move forward, I think we'll get some good outcomes. But there's a long way to go yet.

DR BYRON: Can I come back to what we were talking about before, the upskilling and new knowledge and so on. I have been struck everywhere we have been where you can see an amazing contrast between a property where they're still doing okay, while the neighbours are in really deep trouble. That typically comes back to either management skills, expertise, knowledge and so on; or it comes back to having much deeper pockets and being really well-resourced and having assets and buffers and reserves and resilience.

But it seemed to me that part of the challenge is how do you get the average up to the state that the successful, the top of the spectrum, are going through. If the average was as good as the current best practice in each area, you know, there wouldn't be anything like the problems we have at the moment, would there? So in terms of moving forward, what do you have to do to increase the resilience of the farms that at the moment are more vulnerable? Is just skills, management and expertise going to do it or do they also need something else?

MR GRANGER: Just elaborating on that question, because you did mention that in the budget submissions to state government you had put forward some vision of where additional investment in RD and E and business skill management should go. So if you could draw on that, and also when you're putting in a supplementary submission to us, to the extent you're able, if you could attach that sort of vision to the supplementary material. But picking up Dr Byron's questions, if you could elaborate on some of that for us now it would be helpful.

MR FLITTNER (TFGA): Let's treat farm business as a business, let's go for a walk around the High Street here, and we'll pop into shops and you'll see shops which are obviously very well run, some of which are struggling, some of which are sort of lifestyle shops, because they just have enough to keep them going.

MR GRANGER: Yes, hobby shops.

MR FLITTNER (TFGA): Hobby shops. You get exactly the same thing in a farming community. They're like any other sector, and I guess, like many things, we treat them in that regard as a business. Now, obviously there are a lot of other elements to it in terms of some of these properties that have been in the one family for five generations and there's a lot of emotional connection with the land as well, simply because it is land, and all those aspects to it as well. From a business point of view, you'll get all that, and they have got different capacities, in terms of intellectual capacity or management capacity.

They have got different, you know, financial background, farmers, they have got different visions and different aspirations, so you'll get the whole range of that. I guess what we are after is providing the access to the opportunity. It's up to the individuals then to take up those opportunities, depending on their own circumstances. We shouldn't be in the business of propping-up businesses that just can't make a success of their business.

DR BYRON: So like every other business, there will be some who fall over sometimes.

MR FLITTNER (TFGA): Inevitably.

MR SWAIN (TFGA): That is the reality. I mean, we know between 1985 and 2001 I think 22 per cent of the nation's farmers disappeared. In the same way as in the High Street, you shouldn't be propping-up businesses that are simply not viable in the future.

PROF WOODS: We should clarify that it's not that the farms disappeared but the farmers went and did something else, but those farms get taken over.

MR SWAIN (TFGA): Yes, sorry, that's right, the farmers disappeared.

PROF WOODS: We haven't lost the land to agriculture.

MR FLITTNER (TFGA): No, most farms that get sold of course get sold to other farmers.

PROF WOODS: I mean, there are a few cases where it might be picked up for industrial or parts, you know, whatever it is, but only at the margin.

DR BYRON: Timber plantation.

PROF WOODS: Most of it is retained in agriculture.

MR FLITTNER (TFGA): That goes on anyway, that has been the history of farming across the world, you know, not just in Australia.

PROF WOODS: Yes.

MR FLITTNER (TFGA): But things change, amalgamations need to - plus a different time, we're seeing across the world, you know, farms are getting bigger; there are fewer farmers, businesses, but they are getting larger. The production is going up, regardless of that. Employment is changing. So that's the natural process. Obviously in times of extreme difficulty like drought, it will drive it faster and harder probably and some people will just have to make decisions that, "This is just not viable for me any more."

DR BYRON: Do you know of any sort of long-term longitudinal follow-up studies? We've heard lots of anecdotes about, "When we lost the farm 10 years ago, it was absolutely gut wrenching and the worst thing that had ever happened to us," and everything else, "but once we moved to," blah blah blah, "and mum and me got a job and the kids are at private school and we've now got more money than we ever had and we look back and say, jeez, we wish we'd done that 10 years earlier," has anybody tried to follow what happened to those 20,000 people who left farming as a career and went into some other career and how it turned out? Have you ever heard of anybody looking into that?

MR SWAIN (TFGA): No, I haven't, but it would certainly be an interesting study for someone doing a PhD in psychology of some sort, wouldn't it, because it's the psyche, isn't it?

DR BYRON: Yes.

MR SWAIN (TFGA): What you've actually touched on is the psyche of farming in some regards, particularly of those farms that have long generational attachments to the land.

DR BYRON: Yes. Nobody wants to go down in history as being the bloke who loses the farm.

MR SWAIN (TFGA): You don't want grandad speaking to you from the grave, telling you how you cocked it up.

MR FLITTNER (TFGA): Certainly at the moment there's a significant increase in property sales in the papers at the moment and if you look at them, noticeably there's usually one or two on the page which has never been up for sale before, first time ever on the market, and that's been quite noticeable in the last month or two and it's started - - -

PROF WOODS: Is that driven by the drought or is that driven in some areas because in fact the drought is starting to break and they can see that they might get a slightly higher price?

MR FLITTNER (TFGA): A couple I know of, the drought certainly hasn't started breaking in their areas. It will be a combination of both. I can remember speaking to a farmer down Oatlands way who has lived in this area all his life and his family, blah blah blah, and I asked him about this eight months ago, "Are there any sales of properties as a result of the drought?" and he said, "No, you won't see it yet. Most of us will battle through and once the season breaks, that's when you'll start seeing the property sales," and that's happening to a degree now. They're starting to appear. There's quite a number on the market.

MR GRANGER: Can you describe where land values are at?

MR FLITTNER (TFGA): Fortunately, land values are actually holding up pretty well. I know we had a submission from the Rabobank a few months back and they were saying this is an unusual drought in the sense that often incomes dive and property dives but at the moment, property values are actually holding up pretty well across the board and especially where there's water potential, of course. Farms are being sold to other farmers, so farmers who do decide to get out are going to be able to get out with something to go off with.

MR GRANGER: So no-stress sales because of the financial ripple effects?

MR FLITTNER (TFGA): I'm not saying there will be none but that is the situation.

MR SWAIN (TFGA): It's percentages again; you will always find, even in good times, there will be a stress sale or two. That's a fact of life.

MR FLITTNER (TFGA): But there are simply business decisions being made, you know, "We don't want to do this any more," or, "We don't see a future in it but let someone else have a go and we'll go off" - and these are not older farmers necessarily, we've got some mid-40 aged farmers who have been good farmers, who are deciding to go and do something else, so that's a good outcome in a sense.

PROF WOODS: Can you see any changed behaviour on the part of the farming community in relation to superannuation or post-farming financial planning? There seems to have been a long-term model that says, "I'll run the farm, in the good years I'll invest in the farm and I'll upgrade the machinery and I'll improve the dams and the fences," and these sorts of things, "but when it comes time for me to leave, I'll take out a million or whatever I need to live in retirement, and then whoever takes it on after me," particularly if it's succession planning, then has to buy them out, as distinct from, "During my time of farming, I will also build a retirement asset base," whether it's buying a block of flats or putting it in a financial product or something, but now that we have different super rules and strong incentives for superannuation investment, if people were simultaneously building their retirement financial base, then what they could hand over by way of the farm wouldn't suffer this significant debt burden when they pass it on to the kids or however they do it. Is any of that different approach starting to happen or are we still in the traditional model?

MR SWAIN (TFGA): No, we actually are seeing more of that and it's a difficult question to answer. There's not one short answer to that one. It depends on family circumstances, all sorts of things. But with high land values and changing legal concepts nowadays, it's been exacerbated by the fact that there used to be a view in years gone by that the eldest son got the farm and the rest of them, "Well, bad luck, you can do whatever you like," but we now know that if you've got one, two, three, four, five kids, whatever, it has to be equally distributed and so with that in mind, the farmers now know - let's not call them farmers any more, let's call them rural business people - that they have to make decisions that will allow for that and that may be superannuation, it may be off-farm investments, it may be some form of monetary investments, so that they can actually at the end of their working life make those decisions with enough information and investments behind them to do it.

I did have a lady ring me recently, just as an example, and said, "Look, I need to be able to access the pension and I can't." "Why can't you, madam?" "Well, we can't because our assets are too highly valued and we've given it away to our son." I said, "Just before we go through this, can I ask what the value of it is?" and she said, "About 3.5 million." I said, "And your other family members?" "Well, they didn't get anything." "Okay. So you're telling me that you've given away \$3.5 million to your eldest son, nothing to the rest of your family, and you now want the government to support you for the rest of your life?" "Yes." I had a little bit of trouble with that. That's really the concept - this is what you're alluding to.

PROF WOODS: Exactly right.

MR SWAIN (TFGA): Is that line of thinking still there? Quite clearly - and that lady was in her late 70s - it was, but I would suggest to you that there are less and less of those and we're now moving towards that model that you're suggesting and I think it's quite appropriate.

DR BYRON: The other problem that I think Mike was suggesting was that the younger generation can't afford to buy the property because there's so much bundled up into it, including the notional super fund, and the 70-year-old rural business people can't really afford to get off it because they can't sell it, but of course their son can't afford to buy it or whatever. If that was sort of unbundled so that the super fund or the block of flats or whatever - - -

MR SWAIN (TFGA): There's another way too. Historically we have believed that to be the rural business person, you have to actually own the farm and I think we're also now at that point in time looking at - and this may be part of the whole mixture - what is the model for the family farm going forward. Is it some form of corporate family farm? Is it some form of managed investment scheme? Is it some form of equity partnership? Whatever. But it's becoming more and more obvious to me that the family farm model that has existed since we colonised this place may not be the model that we need to look at going forward and we certainly don't need to have people believing that to be a farmer, they have to own the farm.

DR BYRON: That raises beautifully one of the points I was going to raise from your original submission. You're talking about 60 to 70 per cent of farming enterprises only surviving by having off-farm income or assets and I'm reminded when Beth Woods' team did a review of drought in 2004. She was saying given the extreme variability of climate in Australia, the most sensible thing that any farmer can do is to have some off-farm income that is going to be stable and reliable, while your farm income is all over the shop depending on the climate. Whether you do that through having a block of flats or mum goes out to work as a teacher or whatever doesn't really matter, and yet that sort of 200-year-old model of the family farm, where mum is at home baking scones and looking after the kids is not compatible with the idea of having that sort of off-farm income that helps stabilise the whole household income.

You've just raised the question of what do we think of as a traditional family farm and maybe it's where Bruce works two days a week driving a grader for the council, mum has got a part-time job and they have got whatever else, but it's not necessarily the one bloke who owns the land who's driving the tractor every day.

PROF WOODS: They might have a share farmer in helping or whatever.

DR BYRON: The stereotype is starting to break down, isn't it?

PROF WOODS: Yes.

MR SWAIN (TFGA): We also know, and this is anecdotal, that everyone had an auntie in the area or an Uncle John or something or other who had some connection to the land. But we know that with six million people living in Sydney that less and less of those six million people have that connection to the land. It doesn't mean to say that we have to be prescriptive here and say, "This is the model," and this is the only model we can fit into." There are those examples of Joe, the grader driver, but by the same token, we have to be focusing here I believe on what are sustainable and viable farming systems and whether that's part of it, I don't know.

MR FLITTNER (TFGA): There's some very, very salutary figures from ABARE that I've brought along here which you would know well enough, that in Tasmania last year, 63 per cent of our farms had zero to negative cash income. The figures are stark. 77 per cent had no business profit at all. So whereas the land values are still pretty high - - -

PROF WOODS: Which is somewhat of a paradox, isn't it?

MR FLITTNER (TFGA): It is, so there's something odd going on in the system. But what you've just been talking about also, of course, as you are fully aware precluded a lot of farms getting any exceptional circumstances because they did have an off-farm asset and so on and that causes and still causes a lot of friction within the community.

PROF WOODS: But the whole point of that is that it's good that they have actually made that effort rather than looking at it the other way of, "Gee, that cuts them out from government support."

MR FLITTNER (TFGA): That's happening, as we've been saying, that those things are all changing the whole business of farming or agriculture or food production - we'll change the name probably soon.

PROF WOODS: So basically we've got to have government policies and structures in place that allow people to explore the diverse options to see what works for them.

MR SWAIN (TFGA): I don't think we should have mind-set that the farming community can't adapt. I mean, we've been adapting since we started - - -

PROF WOODS: Absolutely.

MR SWAIN (TFGA): - - - and we're good at it. What we don't need is governments putting hurdles in front of us to stop us from adapting.

PROF WOODS: Exactly right. We would strongly endorse that message and look for ways of removing the hurdles so that people can identify what works best for them and allow them to explore it. Any other areas for you?

MR SWAIN (TFGA): We'd like to touch on your recommendation to maintain farm management deposits.

PROF WOODS: Yes.

MR SWAIN (TFGA): We would support that. We believe that's a very appropriate tool to smooth out some of these bumps in farm incomes.

PROF WOODS: Some people express surprise, us having that recommendation, and some people pointed to the obvious utilisation of FMDs for tax management purposes - true, yes, some people do do that - but that doesn't deny the very valuable role that they play. When we unpacked, to use a phrase, the various uses of it, it became quite clear that different farming models used FMDs in the appropriate way for them. So the pastoralists who were busy destocking their FMDs were rising because they were putting the money in there and then would draw that down when conditions were suitable for restocking, whereas the cereal growers who had put a crop in and it may have only produced very meagre returns, then needed to draw down further to put the next crop in and the like, so you could see the FMDs gradually being drawn down. Our whole approach is built on building up the capital of the rural business, as you so aptly put it. Their physical and natural capital base, their financial capital, their human skill capital and their social capital all need to be examined and government (a) shouldn't be in the road of putting in unnecessary hurdles and (b) where there's a strong public argument for the public good to positively help build that capital base for those rural businesses. FMDs are a very useful tool in that context. We appreciate your support on that one.

MR FLITTNER (TFGA): Can I just make a comment about one concern we do have is that the two-pronged recommendation, if you like, doing away with the EC as it stands now, and one component being significant public investment in R and D. Now, we were a bit worried about that. Who is going to do that investment? What do you mean by "significant"? How is going to be spent and where, and the whole extension thing as well, in terms of how are things going to be delivered? We wouldn't like to see the - - -

PROF WOODS: Yes, take one way and the next - - -

MR FLITTNER (TFGA): No-one actually quite gets round to the significant public investment or it's not significant.

PROF WOODS: Which is why we've invited you to, to the extent you're able, provide us with the sorts of thinking and approach that you're putting forward to the state government in your budget submission because that will help us flesh out that part of the recommendation. We've been very clear in principle of what we wanted to achieve and have done some exploration, but in the final, we'd like to flesh that out further, and to the extent you can help us with that thinking, that would be much appreciated. But we're very clear on the principle that we want adopted there.

DR BYRON: Your point is very well taken about linking those two things, that it's only as the capacity for preparedness improves that the other route is run down, but I believe that that's consistent with our conclusion that most of the energy that governments have put in to support during times of drought has gone into the short-term crisis management during the drought, rather than building a preparedness before. We would like to see more effort going into the preparedness and the resilience rather than dealing with it in crisis mode. So I think your point is well taken that you shouldn't get rid of one measure until the other one is in place.

MR SWAIN (TFGA): Yes.

PROF WOODS: Are there any other matters that you want to raise with us?

MR FLITTNER (TFGA): No, I don't think so. We've covered most of our - - -

PROF WOODS: We appreciated your first submission and the discussions that we had and the effort that you've made to help us in this inquiry and coming along today. Without putting you to too much great burden, if you could wrap up some of those views in a supplementary document, and to the extent you draw on other material that's readily available, if that helps you, then that would be fine by us. Thank you very much. We appreciate your time.

PROF WOODS: Ladies and gentlemen, our next participant in this inquiry is the Department of Primary Industries and Water. Could you please for the record state your name, position and organisation you represent.

MR FORD (DPIW): Wes Ford, general manager of the primary industries division, Department of Primary Industries and Water Tasmania.

PROF WOODS: Thank you very much for attending today. Do you have an opening statement you wish to make?

MR FORD (DPIW): I just have a few comments I'll make, Mike. Firstly, the government is still preparing a formal response to the submission and as part of that process, we'll be looking at putting a whole-of-government submission in and we clearly need to have some discussions within the central agencies of Treasury and Premier and Cabinet before we can finalise that submission. The minister has given an undertaking that the Tasmanian government will take into account the views of the newly appointed Tasmanian drought task force in formulating its submission. So the comments I make are in the context that we will be providing a formal response to this.

Having said that, the minister has indicated a general level of support for the recommendations, as has the department. The department has been involved through the drought review process for a number of years now, since ministerial council first started looking at this question again some four years ago, so the direction that the report is going and the recommendations have generally been acknowledged by the government as being in the right direction.

The minister has made some public statements around the notion of implementation and the minister has raised and has commented in several fora about his views that we need to go through this drought before we exit from the EC process and I think that's consistent with what other comments have been made and I think it's consistent with the direction of the recommendation. I take it from the recommendation process that the commission in fact has identified that as an issue but has still had to nominate a suggested time. We'll be making some comments to that effect in our submission.

In terms of the general challenges I suppose at a state government level in the nature of moving forward, the government recognises that it is appropriate to invest in future preparedness and to try and reduce the impacts of drought and other similar events on the farming community and the government would like to see the focus of investment in the preparedness area. But I think it is important to recognise that at this point in time and at any other point in time, there are effectively three phases of process the government has to be dealing with. Firstly, there is always the

emergency response process. It's the here and now: how do you support people dealing with a crisis today? The second phase is the phase about short to medium-term recovery which is about helping people build their business back to a point where it's actually going to be viable in the longer term. The third phase is very much about adaptation and preparedness for future events.

The framework of government policies that apply in the emergency response position will not be the same as the sorts of responses government provide around preparedness and adaptation. One of the challenges in this process I think for government and our government has recognised is what is the level of response the government provides in the emergency response process. This probably comes back to some of the discussions around things like transaction subsidies because transaction subsidies tend to be an emergency response process, but there tend to be other limited sorts of scopes of support for governments that can provide during the emergency response process and while I think at a government level, governments agree that moving away from transaction subsidies is appropriate, I suspect when it comes to the political level of having to make those decisions here and now, it might be somewhat difficult for governments. This is exactly the position the Tasmanian government finds itself both now and six months ago in discussions about whether or not it was appropriate to provide a support mechanism to feed animals through a stockfeeding program and to date we have provided around \$2.3 million farmers in EC-declared areas to provide grants of up to \$10,000 to help maintain essential breeding stock.

For some recipients, in fact some 257 recipients of those funds, it is probably what has kept them afloat. In some cases, if you're already having to borrow two or three hundred thousand dollars to meet your feed bill, a \$10,000 contribution from the government is just a mere drop in the ocean. So there are some significant challenges and currently our government, through the Tasmanian drought task force, is considering what advice to take back to cabinet on this matter and our estimate is for the next 12 months in the Tasmanian EC areas, there's probably in excess of \$30 million need to feed animals, and somebody will be picking up the bill. The challenge for government in this process is what can and should the public contribute to that \$30 million feed bill as opposed to what will industry be contributing to it and that's very much an open question which does come back to the whole notion about transaction subsidies. They're the sorts of here and now issues that the government is having to deal with.

It also raises all sorts of issues about equity and distribution of funds and I think it's worth noting that the analysis in your report I think is quite insightful in what it provides about people receiving funds, EC funds, and people not receiving EC funds, and clearly there is a difference in the types of businesses and the viability of those businesses in who receives funds and who doesn't. It is a generalisation to say that 25 per cent of people receiving the funds are the bottom 20 to 25 per cent, but I think it's probably reasonable to conclude that the people receiving government assistance fall within the bottom 50 per cent. I think the real challenge for government and one of the sorts of discussions we're having internally is what can government do to actually provide support to the middle 50 per cent, recognising that the bottom 25 per cent are probably not viable and probably need to look at exit strategies from the industry. The top 25 per cent will survive, irrespective of what government programs are available, and it doesn't matter whether that's in the area of innovation or whether it's in the area of support, so a challenge at a government policy level is how do we strike a policy framework that assists that middle 50,000 but how does it assist, particularly in the emergency response mechanism and moving to preparedness. Having programs that support business development is all about supporting people in the longer term but doesn't necessarily deal with the emergency provisions.

I think the Tasmanian government recognises that there needs to be an underpinning welfare system that does support people in times of crisis. So at a general level again, the government is supportive of the recommendation of maintaining a welfare relief payment system but in doing so, it is more equitably accessed and we remove the lines on the land issue. The current EC process has caused us some difficulty around the boundaries and that is always around the notion of a hard and fast boundary, there will always be somebody just on the other side of it.

We went to a significant effort to ensure our boundaries, where possible, lined up with natural features, mountain ridges, national parks and the post, but in at least a couple of areas, trying to find the appropriate boundary was very difficult because if you went to any individual property those properties were somewhat hard hit and in difficult times but if you went to the centre of the area it's obviously a much greater impact at the centre of the area.

So trying to find and identify the boundary and some of the margins has caused some angst significantly for the people who just happen to be on the other side of the boundary and they see their neighbours getting support and they don't see themselves getting support. So I suppose they are the opening comments I will make. I am more than happy to take questions based on the comments we made in our submission or of some other general views. Wherever possible I will indicate

whether I think my view is a government view or if I think it's actually a view I might have more as a person who actively works in the system.

PROF WOODS: Appreciate that and I think if we can focus initially on the emergency response here and now issue because it is a very real pressure that governments face in those situations and I do appreciate the fact that you're on the public record here and therefore can't divulge cabinet-in-confidence discussions but to the extent you are able to help us in this we would be very grateful. Yes, governments do face the here and nows, this is a particularly severe situation. What can government do?

I guess two parts to the question. The first part is will our safety net proposal in effect give some universal coverage to allow governments to point to that and say, "Well, if a household is in hardship then this is a system that is in place and the hardship in this case is because of drought". But in other circumstances whether it's severe frosts or a locust plague or whatever it is, that this is available at all times for those families who are in hardship for up to three years. So in your view will that provide some ability of governments to point to a program that is providing direct immediate, relevant assistance to farm businesses.

DR BYRON: Farm households.

PROF WOODS: The households, yes, the farm families. And depending on your answer there I would like to explore the transport transaction based subsidy proposal. But perhaps if we can deal with that first part of the question.

MR FORD (DPIW): From our government's point of view we recognise and we encourage that there needs to be an appropriate welfare system. Whether or not the current relief payment system is actually an impediment to the way it provides any limitations around it if we look at drought just in the current event facing Tasmania, it's actually the impediment is the boundary issue and for at least the period since September last year until September this year or July this year when it was, when there was in fact the interim declaration for all of Tasmania - - -

PROF WOODS: Your minister has expressed a view on those interim declarations.

MR FORD (DPIW): The minister has expressed on those and in relation to that issue that boundary issue clearly disappeared for that period of time.

PROF WOODS: All boundaries disappeared I think.

MR FORD (DPIW): So if there were no EC declaration process and there were more boundaries or there were no boundaries, then clearly those funds would be now available to families who they were available to but have been removed so there is some limitation there. So I think apart from that issue there are probably very few people at the moment who would say well, they actually can't access welfare and those who have needed or have sought welfare have generally been able to access it. I think the welfare issue has got to be kept separate. The purpose of welfare as I would see it is about feeding the family - - -

PROF WOODS: Food on the table.

MR FORD (DPIW): Paying of household bills, keeping the kids in school.

PROF WOODS: Medical bills.

MR FORD (DPIW): Keeping the family going.

DR BYRON: But it's not for diesel or fodder.

MR FORD (DPIW): It can't go to diesel or fodder or even if it does go to diesel or fodder it's not going to buy you very much diesel and it's certainly not going to buy you very much fodder. So I think the welfare program there at the moment the biggest limitation around the current program around EC is based, it's got to be a declared event issue and it's got to be a boundary based - - -

PROF WOODS: Basically you would make that go away.

MR FORD (DPIW): Make those two go away and I think that that will provide a fairer access to those who need welfare.

PROF WOODS : OK.

MR FORD (DPIW): Many of the people as has previously been commented on either don't believe they need welfare or are too proud to ask for welfare. The business support issue becomes more problematic, particularly in the crisis situation. In the situation we find ourselves with at the moment for the next 12 months is the crisis problem is not the welfare issue because the Commonwealth Australian government is managing the welfare issue. The crisis problem that our industry is facing is that there is at least a \$30 million feed bill to feed the sheep. Now, how does that get dealt with?

There is in essence no free cash left in the system to fund that feed, so people have run down farm management deposits, people have drawn down on their liquid assets or whatever. A large component of that feed bill will now have to be funded by debt so we are seeing increasing debt levels, falling equity levels. That in itself presents a significant problem at the point we are at in a world financial crisis where access to debt is going to get harder. You might have the equity but even transferring that equity into cash is going to get a lot harder, a lot tighter. So whereas six months ago a farmer might have been able to go and borrow half a million dollars to feed their animals, they might now struggle to actually borrow that half a million dollars, but the animals still have to be fed.

The public debate question the government faces is how much of the public fund or how much public contribution should there be to feed these animals and in fact whose animals do you end up feeding? The criticism that's been levelled at the government of the program to date by some parties has been that we are providing funds to keep the wrong animals alive. That by and large is probably a reasonable assumption because we are actually supporting people who are already in a welfare state, that probably have limited capacity to recover. But the nature of the decisions in these processes is that we are providing support to people who are already receiving either relief payments or interest rate subsidies.

DR BYRON: IRS.

MR FORD (DPIW): So we are in fact compounding the problem. We are again giving the money to the bottom third or something.

DR BYRON: But it's also not obvious that they have got the most valuable breeding stock.

MR FORD (DPIW): That's right.

DR BYRON: In fact it's quite likely to be the reverse.

MR FORD (DPIW): Exactly.

PROF WOODS: Does it also mean that in some cases they may not have been sufficiently prudent in de-stocking when a drought was on in taking actions to preserve the natural resource base of their farms?

MR FORD (DPIW): That problem does get compounded.

PROF WOODS: By in fact having transport subsidies or whatever for delivery of fodder, they are going to retain stock in rates that the land itself isn't able to sustain and that may resolve that real conflict.

MR FORD (DPIW): That is a significant issue for us where particularly at one level you are dealing with the political element as well, where you've got a community calling for government help and the minister and other political figures believing that it is appropriate to provide assistance, but the form of assistance that they are able to provide, in a sense it's the same as the welfare system, people miss out on welfare because of incomes and so on, there end up being criteria in place and from a government point of view to have a program that says, "Well, we'll provide you some support to feed your animals if you can demonstrate that you're actually going to be there in the long term. Whereas if you can't demonstrate that then your animals can just die" is not politically a very popular sort of move. Therein lies the challenge for government, is what does government actually invest. As I said, if our industry is facing a \$30,000,000 feed bill there will be degrees of if the government puts in two or three million dollars that will keep and help some people but it does not address the problem, the problem will be still there, the industry still has to fund the other 90 per cent of that. The challenge for discussions at cabinet level is how and who do you help.

MR GRANGER: And what is the appropriate stop level in the current situation that should be sustained in this area. I mean, there is still agistment possibilities, there is still quite an active movement of livestock across the ditch. So feeding them here in areas that the natural resource base isn't able to sustain them has only got to be one of the options surely, there are other options.

MR FORD (DPIW): That's the challenge in that process for governments, is working out what program it might well pursue. There have been calls through the drought task force and through - Tasmanian Farmers and Graziers Association have already indicated that they're seeking additional support. There are a range of other groups that are raising with the minister and with the premier that there should be additional support to feed animals, to help address this feed bill. They're the sorts of questions that the minister will reasonably expect the task force to discuss and consider and provide some advice on. But it's also a here and now problem, and this is a problem today.

MR GRANGER: How long would \$30,000,000 cover you for?

MR FORD (DPIW): Well, our estimate is that's probably the feed bill through to next spring.

DR BYRON: You mentioned the 257 recipients to the fodder subsidy. So there's about, what, 3600 farmers in Tasmania.

MR FORD (DPIW) : There's potentially 700 in the EC declared areas.

DR BYRON: Yes, no, I'm just wondering about the impacts of the fodder subsidy on the other, you know, 3300 who don't get it, because if the government are going in and buying up pushes up the fodder prices. I mean, I can imagine that it's very good for those who have got some lucerne bales to sell, but if you're not in an EC area or if you're not getting the subsidy and you have to pay higher prices because the government is in the marketplace; with all the best will in the world, in helping those 257 recipients you may actually be screwing the other 3300, and that might be something to take into account too.

MR FORD (DPIW): We're well aware of that issue. The government as such is not in the marketplace, the government has been providing a grant based on reimbursement. So you come and present your - - -

PROF WOODS: It has a similar effect.

MR FORD (DPIW): Yes, potentially it has a similar effect.

PROF WOODS: Might not be actually buying it, but if it's providing the dollars supporting it, then - - -

MR FORD (DPIW): Yes, and it also depends on the context, because if you're buying \$200,000-worth of grain you're unlikely to have the price pushed up significantly around a \$10,000 contribution that the government might make.

DR BYRON: Yes, but I mean, I was going to ask you about the statement in your original submission about "providing assistance to drought-stricken businesses may," I'll emphasise, "reduce the risk of resource degradation. Now, I've got a longstanding interest in resource degradation and preventing it, but everybody I've asked in every other state, "What do you think of the implications of the way we do drought support in preventing land degradation and preserving the agricultural and environmental resource base for the future?" without exception, people have said to me, "The way we're doing it at the moment is actually making it worse, not preventing degradation."

I can't find any evidence to confirm or deny it, but that's the intuitive or anecdotal response I've been getting from all the farmers and all the ag-science experts that I've been asking. Do you know of anything that can reassure us that the way we do drought relief does actually prevent land degradation, rather than making it worse? The argument is that it encourages people to not de-stock early and those sorts of things.

MR FORD: The context of those comments I think needs to be not in the way we're doing it but the way we can do it. I mean, one example you might use would be the notion about having a drought lotting program. You know, drought lotting is not only a mechanism to ensure animals get the food they need but it's also a mechanism to ensure you pull your stock off your pastures early, therefore preserving your pastures. So if there were incentives and assistance around people moving into drought lotting early then that is a significant value in conserving the pasture resource.

But moving into drought lotting bears with it a cost; you've got to buy the cost of the feed. The nature of farming, purely on a cash flow basis, is if I've got grass there that's free - you know, in essence it's free; I mean, we know it's not free because the costs of restoring pasture that's overgrazed is a significant cost, you know, \$500 a hectare or more, but it's free now, it doesn't cost me anything now, I'll put my animals on to it now because that's \$500 less, that's a tonne of grass or a tonne of grain less I have to buy. So incentives around getting people to use drought lotting and therefore making some upfront investments I think can work to help conserve the soil and pasture resource.

PROF WOODS: Can I pick that up. You know, we're in danger of lapsing into generalisations, I'll put that as a caveat to the conversation, but continue in that lapsing, because I don't know how else to deal with the topic at the moment. But you talk about providing incentives to them, but the other way of looking at it is for those who build up FMDs in the good years to have the capacity to then de-stock off their pastures early, move into a drought lot and start buying feed, knowing that over the cycle that will give them a better outcome, because that will give them a better outcome because with new spring growth, etcetera they'll be able to go back out and their pastures are in good condition.

So they have created a financial capital base that allows them to protect their natural capital base, and these things to a level are somewhat fungible, you're swapping one for the other. The alternative of saying, "Well, government is there and we'll provide financial assistance, whether it's by support for buying grain or whether it's grants or taxpayer subsidies to help you create your drought feed lot," or whatever it is, would send signals to a lot of farmers that, "Hey, I don't need to build up my FMD because

the taxpayer will help me do it anyway." You know, I'm detecting that we could be creating some perverse incentives in this process by the fact that government is willing, on behalf of the rest of the community, to offer that community's money to the farmer to do these things, instead of the farmer working out what is in their long-term interests over the cycle.

MR FORD (DPIW): I think you're right and I think that perverse incentives already exist in the nature of the whole interest-rate support program as it stands. By and large, the program, the national drought policy, does not support people who have, in whatever form, invested and prepared and built a robust business that has got the capacity to withstand change, whether it be through FMD, whether it be through other liquid assets, whether it be through making business management decisions early about de-stocking because people have seen that, "If I de-stock early I'm going to save my pasture." I mean, part of the challenge with this is farmers are the eternal optimists, in one sense, you know, "If I can hold on to these animals here and now, it's going to get better next season."

PROF WOODS: But also, "and I don't have to live with the consequence of being that optimist if to an extent the taxpayer is in there propping me up if my optimism doesn't work." Now, again, I apologise for the sort of coarseness of the generalisation because that's not the case in many situations - they're genuine, well-intentioned decisions and things turn out a lot worse than they expected - but it does create a tendency, a bias, towards some perverse behaviours and I'm just wondering if by creating programs of this nature, you are perpetuating that situation.

MR FORD (DPIW): I think by and large wherever there is government intervention, you run the risk of that process. Wherever we move away from the market determining how things run, there is the risk that whatever program government puts in place, it will have some unintended consequences and provide some perverse or reverse incentives. The challenge for government is in trying to actually design those programs to minimise, but also to use it as a cost-benefit sort of process. That's I think where things like the FMD are important because on one hand, some people are critical of FMD because of the taxation arrangements, but it's trade-off. It's a significant incentive that allows somebody to not so much minimise but better manage their tax requirements, plus also build that capital reserve to have a resilient business. So the community and the government has got to accept a trade-off through the process and I think the taxation trade-off is a sensible one because we are actually allowing people to retain value in their own businesses which they can draw down, so in fact maybe providing more incentives about allowing people or encouraging people to take up FMDs might be an appropriate program to pursue.

PROF WOODS: One of the reasons that we support FMDs is that they're non-distortionary in a decision-making sense, that they're not accelerated depreciation for a prescribed range of infrastructure and therefore directing investment in that, whereas that might not have been the right circumstance for that particular farm or they don't have government making a trade-off between putting money in FMDs to provide for fodder versus doing infrastructure or something. It's non-distortionary in that sense which seems to us a much better policy. So what we've in fact tried to do is put in place a series of very limited but robust platforms that government can assist the farming community with, so that you have the household support program which is across the board, you have something like FMDs which help build up a financial capital base and you have programs of RD and E business et cetera which build up the human capital and to an extent the social capital side of things. So they are sort of bounded, focused, but hopefully robust planks. But once you then start moving out of that and moving into other more directed programs, then you start to change behaviours and get some outcomes that may not be in the best interests overall.

MR FORD (DPIW): I think that's actually a significant opportunity for targeting incentives around the RD and E framework, akin to the FarmBis-type program. For example, we started talking about drought lotting. The issues about drought lotting, management of drought lotting is also about money because you've got to have the money to access the grain, but the significant issues around drought lotting is actually the mind-set, the understanding, and that comes back to the R and D process. So incentives programs about taking on a drought lotting program might be run not in a cash sense to help people at the end of the process but more as an incentive process, in the sense of - a bit like the FarmBis program. For example, you can have a drought lotting program whereby, on the same sort of business basis of something like FarmBis, on a fifty-fifty contribution you actually get to participate in an extension program because drought lotting is not just about feeding the animals here and now, there's a whole lot of issues that sit alongside it about better pasture management, planting appropriate pasture species, conserving your pasture such that it is actually a resource.

Again, we've got to be careful of generalisations because we know that there are some farmers out there who do this very well; they understand the value of their pasture, but there are others out there who, for them, pasture is just what they have got to flog and flog and flog because that's what they need to run their sheep. There is a gradient right across that spectrum.

PROF WOODS: You are one of a number who drew our attention to the benefits of the old FarmBis program. You will have noticed in our draft report that we've recognised that quite strongly and we aim to flesh that out a little further in the final in terms of the types of programs that are most appropriate there. But presumably you support what we have in here about resurrecting some of the best elements of that?

MR FORD (DPIW): Very much so. We support the nature of a FarmBis program. The FarmBis programs, in its various iterations across the three programs, have provided significant training benefits to farmers in Tasmania and it's an incentive program, because had it not been there, the amount of training would not have occurred and as a consequence, I think we have more resilient businesses and it's about how we invest public funds, about building resilient businesses. To build resilient businesses, the sorts of things government can do is provide access to training and planning and governments can't do much more than that. Governments can't run people's businesses for them.

PROF WOODS: No, and neither should it.

MR GRANGER: The presentation by the Tasmanian Farmers and Graziers - I don't know whether you were here - but there was some debate about having farm management plans, how important they could be in the context of a variety of objectives. Can I draw you out on this issue from, say, the state government's perspective. I think I asked the sharp question like: do you think there should be compulsory requirement to access some sort of support, be it the income support for whatever period of time it applies, or perhaps looking at the other side of the equation, just looking at the whole issue of preparedness and what governments should and shouldn't do. But can I draw you out on just your perspective of farm management plans and can you see a point in time where they will be a compulsory requirement to access whatever you're thinking about?

MR FORD (DPIW): I think it does need to be looked at in the context of relief payment, welfare and business because it's potentially a dangerous precedent for government to start to link welfare to some other requirement. The notion that somebody has to be able to demonstrate that they've got a viable business in the future to access welfare I think is fraught because in fact many of the people who are accessing welfare probably don't have viable businesses in the future, they just haven't yet identified that they are not viable in the future and rather than taking the hard decision today to wind up their business and do something else, it might inevitably be there in a couple of years' time but in the meantime, they can't live, so the welfare mechanism kicks in to support them. So I think trying to link farm planning and viability around welfare could lead to some unintended consequences.

I think it is a different matter around business. If there are business support programs, whatever it be, I think it does need to be able to be linked to some demonstration that you actually have a plan for your business. By way of example, one of the incentive programs that we're running within the Tasmanian government at the moment that has a relationship to drought which sort of predates the current drought issue was about getting people to plan for the use of water on their farms with a view about, at least if you know what you're doing with access to water or with water management then you can prepare for it.

So we do have an incentives program in place that provides people access to develop farm water development plans and that is very much about irrigation planning, sitting down with a consultant to work out, "What are my options for water? Where might I be able to put some dams in place? Can I access water out of an irrigation scheme?" those sorts of things. At the end of the day we're paying about 75 per cent of the cost of the development of those plans. If you don't want a plan, you don't get any money; but if you do want a plan, we are prepared to support it. So I think all of the programs as we move forward are we have got to look at issues around - I think it comes back to the whole mutual obligation arrangement of some sort, there has got to be some mutual obligation. If that means that you've got to do some planning for your business to actually take your business forward, I think that - - -

MR GRAINGER: What is proposed here in the welfare sector is the household support system, which is more generous than, say, the Newstart. I think the suggestion here is that there are some responsibilities that attach to it to qualify for it, and eventually of course a person may move into the broader welfare system. I don't think there's any intention of what is recommended that it be an ongoing welfare support thing. But could argue, for the sake of the producer, it's best to face the ugly truth that it's not viable, and move on. I mean, you know, that's a broad statement of principle and it's a lot harder in the application than just stating a principle.

PROF WOODS: If I can just extend on that, it's not proposed that we would exclude people from welfare because they didn't have a plan. I mean, if you're in need, you're in need; you get assessed, you know, "What is your income? What can you draw on? What is your asset base. If you're in need, the money starts flowing," nobody gets cut off because they haven't got one in their pocket ready to bring to the counter on day 1, so it's not in that sense.

But what we're then saying is that there'd be six-monthly reviews, and during that first period you'd be required, as Bob was saying, develop a plan for, "Where are going to get your income in future?" which includes, "What can your business, your current farm business, provide by way of income to your household? What other sources of income can you access? What other steps can you take to enable the household, the family, to get back on their feet and draw on sources of income other than welfare?" So welfare is not sort of prevented from being accessed because you don't have a plan but part of then receiving welfare says you've got to start working out where you can draw income from in the future, some of which would be, "What can your farm provide? What can other sources of income provide?" et cetera.

MR FORD (DPIW): I think it's an entirely appropriate sort of position. I don't think it's appropriate for people to be able to just access government support in any form without any commitment about how they're going to manage themselves in the future. I think probably the issue becomes to what extent, what level of detail, do you need around those sorts of processes, and there may well be a range of staged processes depending on where you need to be. But I suppose one of the challenges that we have had with the interest-rate subsidy process, and I think everybody has, is the notion about viability, because with a number of properties we have declined interest-rate payments to because our view is they are not viable.

PROF WOODS: That raises an interesting debate about, "Who says I'm not viable. I've been operating this business for 30 years." "Yes, but on the figures you've got and the stock you're carrying, you know, you cannot run this as a business." There's value in having some independence in that process, but as soon as you start seeking independence it comes at a cost. So do we have programs that actually provide people with the opportunity to have an independent assessment of their viability so that somebody can look at their business and say, "Well, you know, if you actually look at all these things, no, you're not viable."

If people want to be on the land and can survive through it through whatever means that's an entirely private decision, and so be it. It's just when they start to want taxpayer support for that that then you have to have a hard look at, "Are you taxpayer support permanent or short-term? If it's short-term, how can it help them get back to being able to do it by themselves?"

MR FORD (DPIW): Yes, and that in itself has limitations around the sorts of programs. If you take the feed program that we ran, the start of our feed program was a maximum of \$5000, so the amount of assessment time you would want to invest for a \$5000 grant is fairly small, because otherwise the transaction cost of actually delivering the grant ends up outweighing the cost of doing the grant. So our decision that we took was that we would effectively - if you could produce a receipt

saying that you'd purchased the feed, you would get your \$5000. You know, as long as you already met that criteria of being on a Centrelink payment or being in receipt of an interest-rate payment, we did no further assessment, and as a consequence a number of people probably got the \$5000 for their sheep whether or not they had 50 sheep or 1000 sheep. So governments have got to invest an appropriate amount of transaction costs around the value of the program.

PROF WOODS: Particularly when you're talking about \$5000 and \$10,000 grants, you can quickly double that in admin costs, which are not adding any productivity.

MR GRANGER: Throughout the process there a lot of people that have reflected on the issue of extension services, which traditionally were focused in state departments of ag, etcetera. There have been many calls for a return to the good old days. Can I draw you out a little bit on this issue of RD and E, and also perhaps I could draw you out on - there's a current review I believe through the ministers of ag, etcetera in the whole R and D business between states and territories in terms of resources, priorities, etcetera - is it too early to draw you out on where you see that going, in terms of rationalising RD and E?

MR FORD (DPIW): I'll declare an interest to start with, because I'm a Tasmanian government representative on the national RD and E committee, so I'm actually intimately involved in - - -

MR GRANGER: I thought I might have been pushing - - -

MR FORD (DPIW): I think if you look at the extension question issue in terms of the nature of agriculture extension, I think nationally we went through a significant period of challenge in the sort of mid to late 70s, early 80s when we were coming out of this notion of the paternalistic agricultural officer, "I've been to university. I'm an agricultural officer. I know best and I'm here to tell you what to do," and the farmers did or didn't do what their local ag officer said and very much all the states went away from that notion.

We got to a point where at the end of the 80s far fewer people involved in that started to see private operators evolve and develop, people being prepared to pay for technical advice. So we have now got a position where across all agencies we have wound back our extension services significantly. Our extension services now are almost non-existent. We deal not with individual farmers but we deal with collectives, we deal with industry groups, we deal at a different sort of level. The question I suppose in terms of governments now with extension is, "Is the role of government to train the trainer?"

So does the government, through extension services, invest in support to ensure that there is enough skills around in the private sector so extension programs and a number of these run through the various RDCs who, if you look at some of the things, Australian Wool Innovations or Meat and Livestock Australia run, there are some stock-standard programs that they have developed that can be run by a range of consultants and deliverers. So I think the challenge for government is not so much in the service delivery side of extension but in resourcing extension, providing report material, using the RDCs to develop programs that can be utilised within various sectors.

It really comes back to the question about whose responsibility is it to pay for some of this. If farmers want advice about what sort of tractor to buy or something like that, they don't come to government, they go to their local stock agent. If they want information about what sort of irrigation system to run their centre pivot irrigator, they don't come to the government, so when it comes to some of the other extension sorts of activities, is there anything a role for the government in the marketplace, and I think most of us have concluded there is not a role for government really in that delivery. The role of government is about support and facilitation, providing support to actually allow people to develop programs rather than providing support to implement programs on the ground.

PROF WOODS: Although FarmBis on the other side is actually providing support to encourage farmers to take up programs.

MR FORD (DPIW): The training, yes.

PROF WOODS: So there's a combination of the two.

MR FORD (DPIW): It's a combination.

PROF WOODS: It wasn't just purely on the supply side that you were influencing the demand side as well.

MR FORD (DPIW): And that is probably a better use of government and public funds to say, "We'll actually provide support for you to go and use a commercial contractor," than provide the service, then actually pay to deliver the service. So I don't think we're ever going to return to the good old days of having thousands of agricultural officers running around telling farmers what is the best for their business. Interestingly enough, some of our experience in Tasmania is we have actually got a number of commercial providers who do not like us in this space at all because they see that we're actually taking away business from them. They actually have got a business and we're actually interfering in the market by providing advice which we don't charge for.

PROF WOODS: Running research centres and stations and that though, is that part of the role of government to actually be doing some of that basis R and D and - - -

MR FORD (DPIW): Yes and no. It depends on how governments choose to do it. It's a significant challenge. Wherever government invests in applied R and D, there should be some strong element of industry partnership because we've got to go away from this notion that, "Governments might know what they're doing." Government-run research stations I think have had their day. The future of research stations really has to be about industry/government partnerships. Within the Tasmanian context, we have already moved two of our research stations in our dairy and vegetable area into a partnership with the university and both of those have very strong industry driven planning committees, so the roles of those vegetable and dairy centres is to be responsive to industry needs, not to be out there working, irrespective of what industry wants to do. A longer-term plan for us would be how we deal with that with our remaining two R and D stations.

I mean, the fundamental issue for me, being the owner of two R and D stations is that government has three choices to make: they either resource it adequately to do the job that delivers something for industry or they enter into a formal partnership with a partner who is prepared to bring cash to the table - whether that be an R and D corporation, whether it be an industry body, whether it be the university doesn't matter - or they pull up stumps and sell it, take the money and invest it back into R and D in another form. There really aren't any other options than that, and for me, do nothing is not an option.

MR GRANGER: And lose a lot of skin and hair with either option.

MR FORD (DPIW): Yes. We're trying to run a research sector that's in an EC area and it has been joked about, you know, whether we could actually apply for EC assistance as well.

DR BYRON: There's just one completely different track that we haven't looked at this morning. In your first report, you talked about the importance of drought support in terms of sustaining vibrant, dynamic rural communities, and this is something that has been raised at every meeting when we start talking about drought relief, and the conversation very quickly moves to supporting the fabric or rural society.

In the submission you talk about how these rural communities become vulnerable at times of severe drought. We've been looking at the ABS census data and it seems to suggest that many of these rural communities have been declining since the days of Cobb and Co basically and in fact they declined at about the same speed, whether it's above average or below average rainfall. But if you take the question of - let's assume that governments really want to support, protect, maintain rural communities, and let's skip over the question of whether you want to do it to all or whether you're going to decide which ones to support and which ones to let go, the line that we've taken in our draft report is that drought relief, if it's only on some of the time, on part of the map, under exceptional circumstances, is a very, very ineffective way of actually achieving that objective of sustaining rural communities. If you really want to do it, that's not the right tool for the job. Have you got any reaction to that argument that we've put in the draft?

MR FORD (DPIW): I would tend to agree with that. If you look at it from the point of view of what the real value that flows from assistance back in the communities compared to - so if you look at it from the point of view of the dollars that can flow from assistance programs around EC as opposed to the real value in the communities, it's only a fraction of it and it will help keep some people in place, but it does start to ask the questions about: are they the people you actually want to keep in the community or not? Are the people who are going to stay in the community going to stay there irrespective of whether there is government funding or not? It's a really difficult question, I think, in terms of how government can actually use any economic drivers or any economic incentives to keep people within communities and keep communities going.

DR BYRON: The empirical data that we've had access to suggests that people who are buying - whether you look at household items, bread and milk, or fertiliser through to farm machinery, they're not buying it in the local town of 1500 people, they are probably driving straight past it to go to a bigger place, so it's a fairly flimsy argument to say by giving money to these farmers during a drought, it's going to support this little country town of 1500 people, because the evidence is that whether they're buying groceries or buying much bigger-ticket items, they tend to drive to the place where there's the big supermarkets and all the rest of it.

MR FORD (DPIW): I think there is actually evidence to the contrary. If you talk to local shopkeepers, I'm aware that in Oaklands, for example, one of the perverse outcomes of providing food vouchers - Coles or Woolworths were both providing vouchers to people - and we as a community say that's a really good thing because people have the opportunity to get access to a voucher of some description, but the information we had is that some of those people were - you know, if you wanted to use a Coles or a Woolworths voucher and you lived in Oaklands, you actually have to drive to Bridgewater, and people in the local supermarkets saw a significant drop-

off in business corresponding with vouchers flowing because people had an incentive to go and shop somewhere else. They were given something for free; they went and shopped somewhere else. So there were impacts on local supermarkets. That's a micro-scale issue but it does highlight that incentives that can be created around that can both be positive and negative.

Correspondingly, people who were receiving drought assistance - because they would say so - were spending their money in the shop or they would actually go and pay off some of their bills, because these local businesses are running up fairly large - you know, their credit lines are running. What I don't think we've done very well at a government level is actually understand what the impact is on the secondary and tertiary businesses. It's easy to work out what the impact is on the agricultural contractor, the guy who ploughs paddocks on a contract basis. We know that those secondary businesses are just absolutely decimated. We have very little empirical evidence I think that actually goes to look at those tertiary businesses to actually talk to the shopkeepers about, "What's happening with your debt level?" I think in some cases you will find that people say the very fact that a person is getting drought assistance means that, "They can actually buy things in my shop," or, "They can pay off some of my debt." We've got to be careful about generalisations.

PROF WOODS: Are there any matters that we haven't raised that you'd like to draw to our attention?

MR FORD (DPIW): I think we've well and truly covered the things that we needed to cover.

PROF WOODS: We appreciate the frankness and openness with which you've provided your evidence and look forward to the full submission from government. We'll take a short break for morning tea. Thank you.

PROF WOODS: Thank you very much. We will resume the public hearings and our next participant is the Tasmanian Women in Agriculture. If you could please state your name, position and the organisation you represent for the record.

MS CLARK (TWiA): Sure. My name is Jayne Clark. I'm an executive member of the Tasmanian Women in Agriculture.

PROF WOODS: Thank you, and thank you to your organisation for the assistance that you've already provided us in this process. We've had discussions. We've received your submission and now you've come forward today, so we're very grateful for the input that you have made in this process. Do you have any opening comment that you wish to make?

MS CLARK (TWiA): I guess you have our written information but I certainly say that Women in Ag appreciate the opportunity to have a say on the recommendations of the draft report and I guess to state how we see things. When I say that, we probably haven't consulted widely with our organisation but we have a knowledge base of information that we've been able to put forward.

I guess in relation to drought support, we acknowledge that there needs to be a balance and I think there's a number of things that we feel are important when you address that process, especially I guess in relation to young people being involved in agriculture, yes, so just a range of things. I'd probably feel more comfortable if you were asking me questions, then I can elaborate.

PROF WOODS: Okay, why don't we do that. Perhaps if we take, at the first level, the proposal in relation to assisting households in hardship. We've put forward the proposition - two things: (1) that for a period - and we've suggested up to three years in any cycle - farm households who are in need of hardship assistance should not have to meet basically the Newstart general community safety net but to recognise that farming, if it's to remain viable and to come out the other end and to still have the sustainable asset base needs to have different sort of conditions, but also that it shouldn't be tied to drought specifically; that households for all sorts of reasons can find themselves in hardship and governments shouldn't discriminate between drought and other circumstances. So your reaction to those sorts of proposals?

MS CLARK (TWiA): I guess certainly our organisation agree that assistance should be available to all farmers in hardship. Drought obviously is I guess the immediate - but there are a number of circumstances that farmers also perhaps could require some level of assistance in. We did have some concern I guess re the accessing for three out of seven years; I think the report sort of states that previously, that most people would access maybe those payments for two years.

PROF WOODS: Yes, once two years is where the majority - but in all honesty, some people have been on that for four to five years, you know, 10 per cent for - - -

MS CLARK (TWiA): Yes, so I guess we feel that if there was an option kept there to extend in some circumstances so that it wasn't just a cut and dried, "Right, you've had it for three years and there's nothing else available."

PROF WOODS: Can I just explore that. At what point does the community say perhaps the farming source of income isn't going to be there for you and therefore if you're to be self-supporting over time that you need to look at ways in which you can? What off-farm income can you pursue, what training to expand your range of options et cetera? At some point you don't want to just have permanent welfare on a farm that's non-viable.

MS CLARK (TWiA): Yes, definitely. I think that's where some of the other things that are mentioned through the report - the access to training and people are demonstrating that they're developing their farm business - that they're looking into other options to grow the business and what have you, even in those circumstances. That's I guess programs like the previous FarmBis program where people could access training opportunities and also other supports where people could access farm business management planning and things like that. I guess you're looking at two generations. Young people I think will gradually take up those things and demonstrate that they can develop perhaps the older generations, I guess. I look at my father who's on a farm, in the process of handing over the farm to my brother, but - - -

PROF WOODS: Not to you?

MS CLARK (TWiA): No, not to me. I'm the oldest, but anyway, that's okay. I think those sort of programs to him are just - I guess because he hasn't had that tertiary education, that whole sort of accessing training and opportunities like that isn't for him, kind of thing, and I guess there's always going to be a group of people that it is difficult to get to those opportunities that would assist their farm business.

PROF WOODS: Okay. Perhaps if I can just diverge for a moment because you raised the interesting question of succession planning and how do you hand over viable farms to the next generation. We were having a bit of a discussion earlier this morning with one of the participants about whether there is an opportunity to help farmers to understand the importance of building up a capacity for their own retirement but that's not integral to the farm, and rather than at the point of handover, take out a large amount of equity to support their retirement and therefore pass over a debt burden that in some cases can be - particularly if it's at the front end of a drought

- quite debilitating. Is that something that your organisation is conscious of and can see some way forward, where the planning process could be improved?

MS CLARK (TWiA): I think so, definitely. I know that succession planning, especially in relation to farms, is something I guess that is often discussed within our organisation. Yes, you're right. I think if something can be set up where farmers are able to save for their retirement or whatever, I mean, you're obviously looking at them moving off farm if, you know, like in my circumstances the family farm, the home, then becomes that of my brother then, you know. Say, Mum and Dad have been trying to, you know, I guess put dollars aside for superannuation and things like that, it can then make ineligible for other support because they have saved and put money aside for their retirement.

PROF WOODS: But isn't that a positive rather than a negative?

MS CLARK (TWiA): Yes, it's a positive for them, yes, that's right.

PROF WOODS: But there's an inequity, as they see it, because of those haven't had the support.

MS CLARK (TWiA): Who haven't been able to access support.

PROF WOODS: I understand that.

MS CLARK (TWiA): Yes, and certainly, looking at my family moving in that succession thing, in the endeavour to ensure that the farm business isn't handed across with a large amount of debt, I guess I've seen my family slow down what they're doing on the farm. So now my brother is having to go into this, you know, starting out with a huge amount of debt to build the farm back up to a level where it can I guess support two families for a period of time.

PROF WOODS: Yes, and these are very real issues and they're faced constantly. Hopefully, the new superannuation arrangements will encourage a number of farmers, particularly younger farmers, to now start, in parallel to building and operating their farm, build a capacity for their post-farm life, and any education programs or awareness programs that can support that clearly are positive.

MS CLARK (TWiA): Yes, and I think that there's some great things out there, but yes, the incentive to get people there, I think will always - how you get people to participate in those and actually be aware of the information that's available - I guess I've been lucky because I've been involved in a number of organisations where I am personally aware of those things, so I can pass them on to my parents. But I think that there's probably a group of people out there that miss that.

PROF WOODS: You mentioned FarmBis, as have an amazing number of people and organisations as we have gone around this program. In our report we recommend that some of the better elements of the old FarmBis be incorporated in a new training platform. Do you have a view on that proposal?

MS CLARK (TWiA): Yes, definitely. I think our organisation sees that FarmBis was valuable.

PROF WOODS: What was the essence, what was the nature of the success, of FarmBis? I mean, if government is to replicate what was good about it, how would you describe that?

MS CLARK (TWiA): I'm not sure that I can, but I think that it was a two-way street and it wasn't just, "Here's a course; you can come to it," that people could actually target things that were specific to them, that it was not just a subsidy or a free course, that they actually also had to contribute to that. So I guess in that case then they're taking more on, responsibility for the learning and the outcomes that they achieve out of those.

PROF WOODS: Some commitment on their part.

MS CLARK (TWiA): Yes.

PROF WOODS: And the diversity of programs, so that they could actually find ones that were relevant to their situation?

MS CLARK (TWiA): Yes.

PROF WOODS: It has been a very common chorus. So we have listened and taken that on board. We propose a change in emphasis on the business side rather than the household side. Rather than government focusing on providing support for those who have high levels of debt and little farm income etcetera during a drought to helping farm businesses build up their capital base over the cycle; so building up their human capital, their skills, building up their pastures and their cereal growing and the like. Do you have a view on whether our proposal to change the emphasis of government support for the business side of it is appropriate?

MS CLARK (TWiA): I guess there's such a diversity in agricultural enterprises that I think it would be difficult to say who can and who can't. Especially I guess where smaller family businesses are concerned, yes, that potentially there can be some more disadvantage that's created by that approach.

PROF WOODS: Do you want to sort of help clarify that comment. I'm not sure I totally follow it.

MS CLARK (TWiA): Okay.

PROF WOODS: Perhaps if I can break it down into individual bits.

MS CLARK (TWiA): Yes. thank you.

PROF WOODS: The proposal that government invest significantly in the RD and E side of things and rebuild the business training programs, taking that bit of it, is that a direction that you would also support?

MS CLARK (TWiA): Yes, we would.

PROF WOODS: Okay, so if we tick that side of it. The converse is that we propose that interest rate subsidies are not where government should be providing support, for a range of reasons that we elaborate there, in part because it's putting government support (a) after the event, in the sense that these are when the businesses are in stress and that there's no obligation attached to that subsidy to undertake actions to rebuild the business, that it's a maintenance-type program; hoping that when pastures start regrowing or when it's suitable to get a successful cereal crop again, or whatever is their particular situation, that suddenly we'll just go back to normal, you know, we have got them through this drought but at the end of the day we get through that and then they can just go back to doing what they were doing, there's no learning associated with it. So do you have a view on that approach?

MS CLARK (TWiA): Yes, well, we agree that I guess there needs to be some outcome tied to the payment, that people should demonstrate that they can move forward and develop their business rather than just going back to doing what they have always done, and I think some of those graphs in the document actually show that post-drought agricultural production does increase. So I guess there is a group of people there that are developing their businesses. I guess in relation to the interest-rate subsidy the organisation is concerned that perhaps the firm cut-off date is a bit of a concern, I guess in line with the introduction of the carbon pollution reduction scheme, that that again will I guess cause some impacts to the agricultural sector and that perhaps some transitional support would be required there.

DR BYRON: Can I just pick up on the cut-off date of the interest-rate subsidy. As I understand it, people have to apply each year.

MS CLARK (TWiA): Right, yes.

DR BYRON: And there's no guarantee that just because you got it last year you'll get it again next year.

MS CLARK (TWiA): Yes.

DR BYRON: Although it seems that in practice once you've got it you can have it - but there was no guarantee for anybody who got interest-rate subsidy last year that it would still be there this year or next year or the year after. There never was. We have been trying to find out what was the reason for introducing it in the first place in 1992, and the only thing that approaches a reason so far is that interest rates at that time were 18 per cent.

MS CLARK (TWiA): Right, yes.

DR BYRON: Which they're not at the moment.

MS CLARK (TWiA): No.

DR BYRON: If you think of out of 1001 ways of how you could possibly help a business, why would you subsidise their debt but nothing else? You know, we're just sort of grappling with this.

MS CLARK (TWA): Yes.

DR BYRON: So there's a bit of a question. I appreciate that people who had a free gift of \$100,000 from the taxpayer each year for five years probably thought it was terrific, but that doesn't answer the question of is that the right use of taxpayers' money. So, you know, the question we have to answer first is why is taxpayers' money being used to assist farming businesses; and if there's a good answer to that, why would you do it in the particular form of an interest-rate subsidy rather than something else.

MS CLARK (TWiA): Yes, perhaps that's not the best way about it, I guess the interest-rate subsidy may not be the way to go, and I guess especially if it's not tied to any outcome-based thing, it's just, "Here's the money and off you go," kind of thing. I think, yes, I guess our concern was in relation to with the introduction of that scheme there's going to be a whole lot of changes and while I'm aware that agriculture isn't in the package right at the start that other things, energy, fuel, fertiliser and stuff, there are going to be some increasing cost impacts on farm businesses that again could - it's not drought, it's another issue that can impact on the success of a farm business.

PROF WOODS: We are looking at that sort of transition proposal and seeing whether that does require some adjustment, either by way of extending the number of years or providing some extended guarantee to those who currently get it and those who remain in EC, so we'll take on board your views in relation to that.

MS CLARK (TWiA): Yes.

PROF WOODS: An area that we identified in the report is the situation of the young farmers who do, for one reason or another, take on a load of debt at the same time as entering into farming. There are some who have gone through an "apprenticeship" of share farming and leasing and then take the plunge and buy into property and then their first six years of farming life are in the middle of one of the three worst droughts for a lot of Australia in the last hundred years. It's all in the timing and their timing unfortunately was particularly bad, not through anything that they did. Do you have a view on whether that does require something separate or whether again you would rely on the broader-based programs available?

MS CLARK (TWiA): I guess our organisation have done a lot of work and are very concerned about the attraction and retention of young people into the agricultural sector, so I guess we would prefer that there was something targeted for young people and not just young people going straight into a farm, but share farmers, people leasing, people I guess making those first steps into a long-term career or business in the agricultural sector. So I think a lot of the existing advice and grants and things are for people already in farming but not necessarily for people looking to go into that area, so we would like to see that they were available to a wider base of people.

PROF WOODS: It is a difficult group. We can sort of understand at a generic level the situation, but when you then start to try and define who is in and who is out, is it those who are coming into farming through succession or is it those who are coming into farming without that situation and just having built up through share farming and then ultimately trying to put together a package with their bank to enter? Is it farmers under 30? Is it farmers who have had some prior experience or been through ag college? Once you start to target the group, you've then got to try and define the group.

MS CLARK (TWiA): Yes.

PROF WOODS: And that starts to become exceedingly complex.

MS CLARK (TWiA): That's right. I guess whatever you do, there's always some people who sit on the outside.

PROF WOODS: Yes. So I don't know whether you've got any sort of magic solution to that or you, like us, understand the problem, or find it hard to define - - -

MS CLARK (TWiA): Yes, I think like you said there is a whole range of people that come into agriculture, some that have done training, some that haven't. I'm not quite sure where you would start.

PROF WOODS: A lot of them come in with very different expectations. I mean, for some, this is the start of them building an agribusiness empire and they are very focused and very determined.

MS CLARK (TWiA): Yes.

PROF WOODS: For others - I won't say at the other end of the spectrum - but for some it's a lifestyle aspirational thing and provided they can make a reasonable living for their family, then they are satisfied with that because there are lots of other psychic incomes that they get from farming. So again it becomes hard then to try and create some sort of assistance that recognises that diversity. I think we're fairly good at identifying the issues and the problems, the challenges, to have people help us identify just where, if anything, government intervention support is warranted and what is the rationale for that.

MR GRANGER: Do you come across many women who want to be farmers?

MS CLARK (TWiA): Definitely. I guess the traditional view is that all farmers are men and while the farmer is the male, often it is - well, in more cases than not, the women in those farming families have an equal role, that they're supporting their husband on the farm with activities, but they're also supporting the farm business through off-farm income as well.

PROF WOODS: Or in fact end up running the farm de facto because the husband has gone to get a job with the council or the mining industry.

MR GRANGER: Or the husband is hiding in the tractor, listening to the music.

MS CLARK (TWiA): Agriculture battles those stereotypes and I guess that's where our organisation is working really hard to - - -

PROF WOODS: Yes, which is excellent. We're fully supportive of the work that you do in that respect because there's a diversity of inputs coming from all the parties. Even the kids are playing their part; whereas their friends during school holidays are heading off to wherever they are for their holidays, you know where they are.

MS CLARK (TWiA): Yes, working on the farm.

PROF WOODS: Back on the farm and helping out with the fencing or whatever it is at the time. So a lot of those inputs aren't properly recognised, but are very real.

MS CLARK (TWiA): Yes, that's right.

MR GRANGER: Jayne, I've got a question: in your submission, you express some concern about the suggestion in our report that the Rural Financial Counselling Service, whilst it's supported, may need a look at.

MS CLARK (TWiA): Yes.

MR GRANGER: Can I just sort of draw you out on your concerns about that because - - -

MS CLARK (TWiA): Yes, sure.

MR GRANGER: - - - I think when we did our consultation with you, we were quite impressed. We met someone there - I can't remember her name - but she wouldn't hold back in calling a spade a shovel, if needed be.

MS CLARK (TWiA): Yes.

MR GRANGER: I did think at the time maybe we should get a DNA of her and put her into some other people that you may not hear, but they're so forthright - you know what I mean - and put all the cards on the table which I think is the suggestion.

MS CLARK (TWiA): Yes, definitely.

MR GRANGER: But could I draw you out on that?

MS CLARK (TWiA): Yes, sure. I guess our organisation has very close connections to the Rural Financial Counselling Service here in Tasmania. I also, through my involvement in Rural Youth and other things, have a very good knowledge of that service. I guess from an organisational point of view, we feel that that service has been kind of reviewed and overviewed and investigated and audited quite significantly in recent times and feel that after the current restructure and things that that process needs time to see whether it can work. I know that the staff here in our Launceston office only had training in the case management system this week, so it's still very new.

Also, the Rural Financial Counselling Service recently conducted a survey of the service and it strongly demonstrates that there is a need and that that service is appropriate and applicable in meeting needs and that kind of thing, with a very high return rate, a higher return rate than you would usually see for surveys of things. Yes, we certainly see the value of that.

PROF WOODS: So would you be recommending that we put off such a review for a while?

MS CLARK (TWiA): Yes, certainly until I guess the restructure and the case management system has had time to be evaluated and bedded down because you've got counsellors out there that are doing a really good job in really tough circumstances. I guess our point of view is that any review should wait till the end of this funding cycle at least. Long-term funding for that organisation is really important, and to get towards the end of the funding cycle with question marks again is going to be of huge concern.

PROF WOODS: What would be the timing of that then if we were to follow that path?

MS CLARK (TWiA): I think it is 2011.

DR BYRON: Yes.

PROF WOODS: One of the concerns which prompted us to go along with the social panel in their call for a review was that a number of the client base for the counsellors seemed to be staying with those counsellors rather than being fed out to the primary organisations that can deal with those situations. We weren't quite sure that was completely within the spirit of what they were there for, which is sort of a gateway to other things

MS CLARK (TWiA): I guess that's the difficulty. Farmers sometimes reluctantly put up their hand to ask for support in the first place and so while these are financial counsellors, often those people, to be able to deal with those financial issues, they sometimes have to work through a whole range of other things. It sometimes takes time to get their clients to a point where they can move them on to other people, so perhaps that's why it looks like those people are staying a long time with the service.

DR BYRON: But you're implying that to be successful requires a relationship and that relationship requires time.

MS CLARK (TWiA): Yes, that's right.

DR BYRON: You can't just whiz them in and out the door.

MS CLARK (TWiA): No, you would probably lose them and lose the support. It takes time to build a relationship.

DR BYRON: That makes a lot of sense.

MS CLARK (TWiA): Yes. For farmers sometimes that is hard to admit. Huge pride in the agriculture sector and it's hard to put up your hand and say what they need help.

PROF WOODS: Mind you, a lot of urban people who fall out the bottom also have trouble walking into Centrelink and saying, "Hey, we've fallen apart." We understand that issue. I think the points you make, as Neil was saying, have a lot of merit to them and we should look at that through that perspective. Where else do you want to head to, Neil? We haven't touched things like FMDs, but in our discussion with you we can see the merit that they have in building a financial capital base. Presumably you're quite happy with that approach.

MS CLARK (TWiA): Yes.

DR BYRON: I was just going to come back to the very first point we started on when you were questioning about whether a maximum of three years on the household relief and you said there should be some flexibility.

MS CLARK (TWiA): Yes.

DR BYRON: What sort of things did you have in mind?

MS CLARK (TWiA): Not that I have anything particular in mind, but I just - - -

DR BYRON: The reason for putting some sort of limit on it was to make it fairly clear that you couldn't just get on this and stay there forever, it builds that dependency thing.

MS CLARK (TWiA): I think that's where tying any funding support or whatever to people actually going out and accessing other programs and things - yes, rather than just being a cash handout, perhaps it could be linked into them actually having to do something to demonstrate that they're - - -

DR BYRON: A few people have already asked this, why three years rather than two or four or any other number.

MS CLARK (TWiA): Yes.

DR BYRON: If you've been going through a process of case management at Centrelink for three years and you still can't actually get to the point where you can say, "Well, we have a sustainable livelihood somehow, whether it's on the farm or off the farm," you really have to start asking the question, "How much longer do you really need to get this taxpayer support?" You can say, "Okay, you can go around one more time for another six months because in your special case there is something."

MS CLARK (TWiA): You often think about why is agriculture seen to be - why do all these special things sit around agriculture and I guess - - -

DR BYRON: We all know it's special, the question is how special?

MS CLARK (TWiA): You look at things that have happened in the last few years, that there is strong community desire for Australian-grown products. I think there needs to be support of the agriculture sector.

DR BYRON: The people who have been on a Centrelink household relief payment for three years aren't actually feeding the nation. They collective product .06 or something of Australia's agricultural output. So they're not the ones who - - -

MS CLARK (TWiA): Yes.

DR BYRON: We've seen lots of examples, talking with rural financial counsellors, where you actually go through the farm budget for the coming year and even if you put in the highest rainfall figures you can imagine, they're still in trouble and then you have to say, "Listen, mate, your problem is not that it hasn't been raining. Your problem is that you're simply not viable here and what are you going to do about it?" and that's hard.

MS CLARK (TWiA): Then again you're dealing with personal issues like people are then going to have to make a decision about selling a family farm and I guess people feel that if they can just sit there, "It might get better. It might get better." They don't want to feel like they've let - they're the generation that - - -

PROF WOODS: We understand that to an extent.

MS CLARK (TWiA): I don't know how you - - -

PROF WOODS: We're prepared to allow a period of time when they reconcile to that view, but whether the taxpayer should permanently fund them for that is where it - - -

MS CLARK (TWiA): I appreciate that view but I'm not quite sure how you do that.

DR BYRON: I just thought you might have some ideas on how you would actually flesh out what the exceptions might be. Thanks.

PROF WOODS: Don't then create some distortions to become the exception.

MS CLARK (TWiA): Yes.

PROF WOODS: Bob, do you want to head anywhere?

MR GRANGER: I think I've covered them.

PROF WOODS: How are we going on your list? Are there things that you want to talk through with us?

MS CLARK (TWiA): No, I don't think so. I think the letter that you've got fleshes out the things if I haven't touched on all those. But I think the questions you have asked have related to everything that you've got there.

PROF WOODS: As I say, we're very appreciative of the time and effort that the organisation has put in and you certainly do raise a number of issues that might not necessarily get raised by other groups, so that has been valuable to us and hopefully we have shown in our draft that we have listened and reflected on those. Thanks very much for your time.

MS CLARK (TWiA): Thank you, no problem.

PROF WOODS: Our next participant is David McKenzie, presumably represent yourself, but for the record, if you could give your name and any organisation that you may be representing.

MR McKENZIE: My name is David McKenzie. I've actually got a passionate interest in agriculture, the people in agriculture and their productive enterprises. In my past I have farmed for 15 years. I have had had my own agricultural, I guess, consultancy advisory business where I actually was a commodity analyst with ProFarmer, which is a national newsletter. I actually provided client support for futures and derivatives in farmers hedging their price risk and I used to go and do training in that area in the Victorian Wimmera. I also worked with Ballarat University developing rural business management learning resources and then I have been associated with rural financial counselling for about 10 years, about seven years as a committee member, then three years as a financial counsellor. So I have really got a passionate interest in the use of financial counsellors and maybe their under-utilisation and of recent times I actually come to Tasmania to run a registered training organisation where we deliver equity training to females at community centres.

So I guess I have acquired a degree of compassion and wisdom about farming, so I just like to contribute what I've got to contribute to this review. So I'd just like to acknowledge how we have actually put this document together. It's a very astute document and I guess my contribution to it would be, "Okay, so how can we improve on it? What are the areas that maybe could have a bit more dimension to them?" So you've got a copy of my draft - - -

MR GRANGER: Thank you.

MR McKENZIE: - - - and it's like, "How long could you write War and Peace?" I'd need another two months to finish this while I'm sort of running my own business. Okay, so this is like a love job, so you actually captured the essence of what it was all about in your opening paragraph in the overview. You know, droughts can have devastating social and financial impacts, so I guess that's the challenge when confronting reform of this policy. It's a quest to create integrated policy that deals with - okay, so we've got what Wes talked about - the emergency response. It's an issue, people. There needs to be some sort of dealing with the emergency that's at hand; how it's best done, and governments can best spend their capital. What's been done hasn't worked, obviously, so here's the opportunity to actually do something really constructive.

The second point is about, okay, so we need some way of recovering from these events, because I think social recovery is a great driver of economic recovery. It's usually a prelude, so if you get the people feeling strong, they'll actually be very creative and this is what happened in Great Britain after the foot and mouth outbreak. They had a social recovery where they actually went out and they brought people to the pubs because there was a great deal of bitterness between neighbours - "Well, you got the disease and, as a result, I had to destroy all my animals." So there was a lot of animosity and we have that sort of divisiveness within communities, so it's managing that aspect as well.

The third point I've got is it's about equipping the Australian primary industry sector with some sort of innate capacity so we've got the self-reliance, we've got the preparedness and the thing that Wes talked about; resilience. Resilience in people and resilience in business is a great way. Because people have got all this innate creativity but, when they're under stress and they're pressured, they live in survival mode. It's like Laszlo's triangle, you know. So survival, and then safety; and then you move up and it's only when you get to the top: "Well, I can actually look at self-actualisation." So I've got some ideas on it. It could be the future of Australian agriculture and I guess it's then just looking at how do you spend your money appropriately and make it effective, and have some sort of efficiency out of it.

So that's my overview. I've got five points that I've come up with, and I'll just go through them one by one. The first one is creating a dynamic paradigm for Australia's primary industry sector. What that means is creating a vision for how we want the future of agriculture. Your job as a productivity commission is really difficult because you don't actually have a vision of what you're actually aiming for. You know, "What image do we want to create for the future of agriculture?" It's like an organisation that's got a vision there and then they haven't come up with their mission. It's like strategic planning: "This is how we want it; this is where we are; and so this is how we're going to get there." But if we don't actually have "this is what we want," how do we know what reform should look like?

MR WOODS: We did actually set out a revised set of objectives for Australia's farming future to help design and direct - - -

MR McKENZIE: Yes, but does that really capture how it should look?

MR WOODS: You can't say?

MR McKENZIE: That would be my challenge to the commission: so what paradigm regarding the future shape of primary industry would one need to create integrated government policy? Because at the moment we have this policy on water, we have this policy on people, and you've done a great little diagram on maybe how the model should look. I think one of the key things that's always been missing out is the coordination between these aspects. I guess we tend to compartmentalise things. We've often focused on improving business management skills but, "Hey, hang about. How about the people skills that drive that? How about the way they look after their natural resources?" So to have vision about how we minimise the impact of climatic variability events to enable social and financial and productive recovery from this extreme climatic variability, and then about equipping the primary industry sector with an innate capacity.

I've said to broaden the objectives of Australia's farming future initiative that, in its reform, embraces a holistic approach with integrated coordination with other policy areas for the purpose of empowering people and their productive and business enterprises, and to build the capacity. So self-reliance, preparedness and, as you rightly mention, they need to learn to manage their own risk. They need to acknowledge and learn: "Okay, we've got a risk here. We need to actually be able to manage it."

It's about performance in the face of shifting climatic patterns, because that's where the policy seems to be going. The future initiative, if I've got it right, is about managing the future of climatic patterns. So that's the first point that I've made: creating the vision. The second one is about - - -

MR GRANGER: Just one small point, David. I mean, I don't disagree with the need for what you're saying, you know what I mean? But I'm just thinking about who should really drive it.

MR McKENZIE: Well, yes - - -

MR GRANGER: I think I might have mentioned earlier I'm continually disappointed that people expect "government" to come along and deliver these things.

MR McKENZIE: Well, I don't think it is your job, but it just makes your job of doing this - if you're going to create policy, you need to know what the vision is so that the policy is in line with that vision, rather than your policy create the vision.

MR GRANGER: Well, I'm very fixed to the view, I think it's industry that should be really in the driving seat.

MR McKENZIE: Yes, I agree and you just respond with your policy to industry. That's why you've done this - come out to actually see what industry and people do really want. I commend you for doing that, but it just makes what you're doing all the harder if you don't actually have a vision to know how to reform policy, because then you become the drivers of policy. So I guess my second point was social capacity as a driver of performance and productivities. When you actually get people feeling okay, they can actually perform and be productive, so I've gone into some discussion about that. Through your document - I don't really know what the report from your social committee was - there's scant reference to that and there's not much dragging - "Okay, so how can we integrate what they've come up with and bringing that and reflecting that in your document?"

MR WOODS: Perhaps if I can just help you there. We as a commission met with the panel several times, and our research staff attended various of their open forums and the like, plus we had the benefit of their report when we were finalising ours, so although the number of times we explicitly refer to it may not be great, we - during our processes and theirs - had sharing of understanding. So we brought that to mind when we were crafting our report. The depth of relationship is more than the specific number of times we refer to it. But I'd also recommend that you look at some of the earlier but relevant work that the commission has done, and on our web site, for instance, you will find a document on social capital that the commission has prepared. So our understanding of those issues is a lot deeper than we have explicitly referred to in this report, but we'd certainly welcome you going on to our web site and looking at documents like Trends in Agriculture, Social Capital and others that we draw on sort of conceptually in what we write here but may not frequently cite as supplementary references, if that helps you.

MR McKENZIE: It does help me, but the ultimate thing is in your bolded recommendations is not really much evidence of the importance of that coming through, it's more about the enterprise and the financial part rather than - - -

PROF WOODS: And the household.

MR McKENZIE: Yes, so the household gets a good - like it's the safety net of the household but it's not about the performance of the people, how that influences - so I guess it's whether you recognise the wellbeing of people being the driver of their ability to be productive and to be enterprising and to actually have really sustainable businesses because when people don't perform well, they are not productive, so that's the thrust of it. That was the idea behind creating social capacity; whether it be in an individual, whether it be in a family or whether it be in a community, then that's a great support. So when we talk about government support, your view of support is about financial support, but people don't necessarily want support, and as you said,

this EC mechanism, most people want it to be acknowledged. In my trips around Tassie, most people just want to be acknowledged. The farmers are really doing it tough and they just want to be supported in not necessarily a financial way but a recognition, and how can we do something to inspire them and help them.

I've gone into a little bit of discussion about the little model that you put up and I actually thought in your little inner ring on that model - because you talk about industry-specific support and I just see that there's a need for industry-specific support with regard to the building of people capacity. So rather than rely on the human resources, like the Department of Human Resources, I don't actually think - sometimes they don't understand agriculture and so therefore - and this is in my work as a rural financial counsellor, and you talked about it with the previous speaker - when you're a financial counsellor, you can be in the door five minutes and they will be talking about all their stuff. There's no other person that they would ever discuss the depth of their intimacy with how they're feeling, how they're coping; they just wouldn't do it. If you took them out of the farmhouse and they had to go to a counsellor in town, you would have two sessions just establishing that rapport and that level of relationship. I could walk into a house and within five minutes I'd have a relationship with them and they'd be talking about how things were for them.

So I think in its review, the counselling service has really had its wings clipped in terms of that. This is about, "We can only let financial counsellors deal with finances. We can't actually let them talk about all the concerns and the issues that they might have surrounding finances," because usually when people have got emotional issues, that creates the financial issues. It's to do with their beliefs about money and all sorts of things. Therefore when you look at the role of a financial counsellor on a holistic perspective, just by saying, "You can only talk about finances here and that's all we're going to let you talk about," you actually limit this person's role because it's really an honoured role.

PROF WOODS: And that they've got the skills and capacity to appropriately deal with - - -

MR McKENZIE: Yes, I acknowledge that. You mentioned about why people were slow to refer; a lot of the people I tried to refer, I don't actually want to, because, "I like you, you give us a balanced view, because when I go to the ag consultant over here, he talks about chemicals but he doesn't understand the rest of the farm. You go to the shrink over here; he doesn't understand the rest of the system." So it's about understanding the system as a whole. It's the same with the system of primary industry, it's about looking at it in a balanced, systematic way.

There's actually a thing called systemic phenomenology and - this German guy - is actually the relationship between the bits of a system. So, for instance, this might be the business, this might be this organisation, and it has different bits and it has the customers, it has the staff, it has the management. You can apply this to all sorts of organisations or all sorts of industry. They have all got bits. But when one is out of balance with the other, they don't actually work all that well. So when everything is in balance, when you can put things in balance, it seems to work. You'll actually see more use of this thing, systemic phenomenology. It's actually something that you can actually analyse the productivity of all sorts of industries and it's just an amazing diagnostic tool, but that's just on the side.

The third point I had was empowering people and their businesses to deal with the impact of extreme climatic events. So I rightly agree with your notion of transitional income support. To me, that's all about household viability. It's really important. So with your mutual contracts, the focus is on, rather than the farm as such, how you create domestic viability. When I used to work with my farmers, for your gross income, the amount that you draw for your household should be 20 per cent of your gross, and that was always the tool. So your gross is this amount, if you're drawing 40 grand and if you worked out the numbers, you really need to make an extra \$50,000 worth of gross income to be actually keeping that 20 per cent amount for domestic viability. "Are you going to do a little contracting business or are you going to send your partner out to work? What sort of things can you do to create that viability?" So I think your idea of mutual responsibility contracts is a really great way to go.

You mentioned about assets caps and I think the idea of a \$2 million asset cap tapering off to three is probably more realistic; that would be my thoughts on that. I would actually make more effective use of rural financial counsellors in that because I experienced - where I used to do work with setting up farm help plans, I'd do this plan and they would do a training plan as well and it was, "Where's this person gone?" The rural officer who took over, he didn't have too much of an idea of the farm and the background. I think there's a need for a panel approach of maybe two or three people. I know you're looking at - okay, so we're investing considerable resources in not just one person, it's three people to make this work, but I think you'll get a better outcome of more input into how this person can get himself out of this household predicament and to make it work. But I congratulate you on the concept that you can't just be handed money to sustain your ways of life without having to actually show that you're being constructive and sort of stepping forward. So I'd come up with this. I called it Environment Mental Reparation Programs. I think that people could actually be paid to fix up the eco systems. So, rather than they receive welfare payments, you could actually contract them to go out and to look at and fix up the environment that all our forebears and all our governments have ratified. You

know, it's like, "Let's go to the Mallee and create all these little farming blocks and then rip out all the trees."

All around Australia is littered with these: "Let's go. Farming's the way. We'll get the people onto the land," but no follow-up about how they did it or whether they were actually good stewards of the environment. So here's an opportunity to get people - to contract them. I've got a mate that actually has worked in the Hattah National Park and he's worked for Parks and he cuts down boxthorns and all that stuff. He gets contracted to do that. There's plenty of places like that, because farmers have got all these really good skills. They're really good bush people and they're really good at that sort of work. But just to have them sitting around home - then they could balance, doing this. They'd feel like they were doing something useful, but there's also a need that they need to maintain - "okay, so I've got some sheep to feed," or, "I need to do my bookwork." That's why they can't go and get a full-time job because they're limited. That all comes through in your report. You understand all that stuff.

MR WOODS: Management authorities and others got a number of programs that a lot of farming communities draw on.

MR McKENZIE: Yes, so I think there's an opportunity to actually have people to actually tap into them and get them to do these contracted works. So rather than receiving a dole cheque, they're actually as contractors to do environment fix-ups.

MR BYRON: But I thought the point you were making there is that it's not just about getting the job done, which is a benefit to the society, but it improves the self-respect and self-esteem.

MR McKENZIE: Yes, exactly, and that's the other key thing. It's, "Okay, so I'm actually doing something that's really worthwhile. I'm not just shovelling sand from A to B," like they had in some other recovery programs, for no apparent reason. So have some social programs. When I was a rural financial counsellor, we actually took a program of pics in the sticks all around the Wimmera and the Mallee. There were about four people from difficult providers. There was Regional Development and somebody from Grampians Rural Health Care and we all put this program - we actually took this social recovery program and had a movie beamed on the side of the Grain Corp silos. It was just the best talking point. We had all the health service providers there. They came and did blood tests and all this sort of stuff and it was just really, really good stuff to get the communities to connect and support one another.

"Hey, they care about us. We're getting to" - because, you know, people become really reclusive in the midst of drought. They just go and hide, so even if you've got to seek the person out that didn't turn up, you know, you've got to go and seek them out. I think that's about creating social capacity, so I would have some facilitated group educational programs - a mix of accredited and non-accredited. We do accredited training at community houses and we have people who really struggle to turn up. You see the difference between when they started and when they finished. It's just amazing. I mean, they do make-up and all that sort of stuff and I think, "What's a guy doing this for?" But it's just amazing to see the change in people. Suddenly they're no longer lining up; they've actually got their own little make-up or nails business. They're no longer lining up at Centrelink for the dole thing. There's a program - - -

MR GRANGER: What sort of a farmer does nail make-up? I'd love to see that.

MR McKENZIE: I mean, we've had women that have been from farms and they've actually got their own little businesses going as a result of that. There's a program called Ausassist and the building industry in Tassie set it up. Where I'm heading for this and the relevance of this is you can give people all the amount of accredited training that you want, but there's other social reasons why they don't finish anything, they don't turn up. So the building industry had a huge problem with binge drinking and anti-social behaviour in its apprentices, so they actually set up this Ausassist program. It was actually a suicide funded program, but the underlying thing is about supporting and giving people skills other than those things that are in accredited training.

So we can do the FarmBis stuff and give people accredited training in business management skills, but a lot of the other types of soft skills that people need to attain aren't necessarily enshrined in those training packages. There's a bit of a risk if you just limit it to accredited training, but accredited training does give them a good sense of a good outcome - they've got a qualification. So this Ausassist-type training program could be useful to those people who struggle, that fall through the cracks, in the midst of a drought when they're depressed and the likes. So that's about dealing with extreme climatic - as they've been experienced. I've talked about enabling the recovery. I've done a bit about the recovery from the extreme climatic variability.

MR WOODS: That's where you draw on the social capital the UK foot and mouth et cetera.

MR McKENZIE: Yes, that's right. My fifth point is the step forward. We've dealt with the here and now; we've dealt with the recovery. I didn't actually understand why you were going to write the recovery phase out of the need for - if we get adjust out of agriculture those people who are not performing too well, that seemed to be the rationale for not including the recovery phase as part of the national drought policy - we don't need that any more. But I think that phase is still vital, so did I misinterpret what you - - -

MR WOODS: Well, a couple of things. One is you're quite correct in that some people will come to the realisation that farming is not the appropriate form of activity for them, and that should be recognised and assisted. The other is that people should have the ability to acquire appropriate skills and to have a financial and capital base to draw on so that, not only can they survive through - whether it's drought or frost or flood or whatever - but they then can ensure that their farm is managed in a way that, when the seasons improve, there is a pasture base to build on, or that they've got the sufficient funds left in their FMDs to plant to crop in the year when the good rains come. So recovery is part of the management continuum.

We haven't dealt with it as a separate phase that warrants special treatment; what we're saying is that people should have the skills and the capital base to be able to sustain the business so that, when climatic conditions improve over the cycles, they can draw on that and come out in a stronger position. So in one sense, yes, we haven't isolated recovery as a special phase, but we've seen the ability to recover as an important part of the total approach that we've adopted.

MR McKENZIE: Well, I actually think it is something that - so rather than assume that, if you've empowered people - like with the training - we don't actually need to have special programs, that's where I differ because I think we actually need specific strategies that are implemented after some extreme climatic - and it needs to be part of, you know, your policy to actually say that these things happen and it's like rolling out the system, when it's appropriate do so. That would be my - and it's just like the UK rolling out their social recovery program. If we just left it to their own devices and, assuming we had done the preparedness stuff, they should be able to recover; well, no, I don't necessarily pertain to that.

PROF WOODS: You've given us some guidance on the sorts of programs that you focus on.

MR McKENZIE: My final bid is about, okay, creating the innate capacity in farmers, their communities, their farming practices, their business management and their industry. It's looking at all those levels. I've looked at FarmReady, I think that's has got really strong merit to actually beef that up, I would actually sort of put

some mutual responsibility so you can't just have it for nothing, you actually need to have a business plan, you know, show us that this is a worthwhile thing.

My criticism of the FarmBis was - I was a FarmBis provider, I used to provide training in people for grain-marketing skills, you know, so how you get the best price for your grain and how you understand price-risk management in your crops, I used to do that. I actually used to go and approach groups of people, like the VFF branch of, you know, all these small communities, I used to approach them, say, "I've got this program. Would you be interested?" It wasn't just putting a program up there and hopefully people would come and do it, because they wouldn't actually do it, but as a provider you had to actually go out there and do it.

But sort of as a stand-alone thing I think it needs to be bigger than that, needs to be holistic, they need to look at, "What areas are the sort of weaknesses in my business and what training can I do to actually improve upon it?" Then when they have actually got like a management plan then you've actually got something and you can have a training plan as a part of that management plan. I guess the biggest impediment that I see to any learning, because I can reflect on, okay, so I went to uni and I came back and worked the family farm for 15 years and everybody would look at me and say, "Well, why did you need to go to university to do that?" because there was just this thing, "Well, you don't need to have education and learn to be a farmer; you know, we learn all we need."

I still think that's a huge sort of impediment to actually getting people to adopt practice. Part of my passion and interest was I actually set up a this farmer discussion group and I sort of orchestrated that, say, I had worked out who was the farmer that people would actually look up to and would take notice of, because if I'd done it they wouldn't have done it but if I could drive it happening, and this is about learning and working out how people adopt new practice, what is the most effective way; they have a real wall about, you know going and learning.

PROF WOODS: That leadership is important.

MR McKENZIE: Yes, leadership is crucial. Providing some people who have got some leadership, and where I'm coming to is a model, so I'm going to lead to a model where I think all this stuff can come together and be dealt with in one model. I think we can make more use of real financial counsellors in this learning thing and help them with identifying with an action plan for training and to get the business plan concept rolling, and I really think the idea of case management is really good, because I used to do - some sort of say you shouldn't go and do succession planning - I actually facilitated lots of succession planning and I'd take them - because farmer succession has really been caught up in going to the local solicitor, and they wouldn't have a clue about it, it's just too complex.

But so many farms have failed, their succession has failed, because they went to the solicitor, who only just looked at the legal things, they had no idea of the rest of the needs of the family. I actually facilitated, "What are your needs?" "Okay, I'll take you to this person, take you to that, and then you bring it back and then you've got somebody to oversee the happening of the succession." Just left in the consultant's room they don't necessarily look at what the needs of the family are. I just see, you know, it's a good idea to have private input, but sometimes it doesn't take into the outcomes of the whole.

I did lots of that succession planning, and I guess in that sort of role for a financial counsellor they have had their wings clipped in doing that; I didn't actually do the succession but I facilitated it happening. I think there's a role for financial counsellors to facilitate the happening of outsourcing to various specialists; but then bringing it back, because then they can provide a good overview. Then I talked about adjustment, so you have a fair sort of thing about adjustment. I guess the idea is we have got the lower sort of 20 per cent of farmers are not viable and maybe they should come to the realisation to adjust out of agriculture. You know, we look at the philosophy should they be driven by market force or what is the best social outcome.

I think these so-called unviable farms, I got plenty of unviable farms, they actually share-farm their properties, actually I got them to do other things so farming was just part of their business plan. So they had this block of land which was a resource that they could make use of, but it wasn't the whole of their business, their business was made out of contracting and other things, but the farming was just one part of it and I think that quite often we think just because they're not actually making enough money out of the use of that bit of land there's other things that can actually all make the whole better, and I think that sometimes it just needs somebody to come in and support people through looking at exploring the opportunities. I have got some ideas down the bottom about diversification into renewable energy production.

PROF WOODS: We can see this.

MR McKENZIE: I just see that as a key thing with some of these non-viable farms. I think that's some of the things that they could sort of entertain. Yes, and also the contracted environmental reparation. So I will just on to sort of my model of what I think could happen. You've mentioned about the Birchip Cropping Group, and I just think that's the greatest extension model. It's cooperative research, you have all industry, you have agri-business.

The little township of Birchip has just flourished since all that has happened; it was like a dying bush town. I must admit you've got the McClellands, and you probably met with them, they actually drove this thing to happen. We have got the opportunity for research into all sorts of crop varieties and here is the opportunity to look at new drought-tolerant species and come up with a farming system that has adapted to the climatic shift, the shifting pattern.

DR BYRON: There has been a lot of attempts to replicate the Birchip miracle, but apparently they can't replicate or clone the McClellands. You know, you talked before about the importance of leadership in some of these things. That seems to be a classic case of it's not just what they do but the way it's done.

MR McKENZIE: Yes, that's right. So I think we need to look at how you would replicate that and make it sustainable and happen. The model is the right model for extension, because it involves agri-business, it involves farmers taking ownership in that, and as a result this little community is thriving because you've got all these like consultants as well that actually live in the two, you know, it has attracted all this GRDC funding, and you have got small sort of research but you've got big picture research happening at the one place and it's all driven by farmers and I think that's what needs to happen, a model that's driven by grassroots that the likes of Wes can feed into, government can feed into to support that and make that happen. So there is an opportunity to enhance that, there is the opportunity to do more training within that and I have actually gone and done training with the Birchip Cropping Group, but social training as well. I also get groups of guys together to talk about their issues that affect their performance in their lives and I think there is an opportunity to do that sort of stuff as well.

I talked about having a supported change to the learning culture. There was a model called the Victorian Farm Smart and I think that was a great model and I think you could actually use that model because it talked about natural resources, it talked about people and it talked about their productive enterprises and their business and they were always imbalanced. But I think the risk that we've got is we just focus on finances and business and not the natural resources and the people. We have had Farm 500 and that was a reasonably good model. But if you put the best of all those things together, including FarmBis, I think you've got something that's going to achieve a lot of outcomes all in one ball and it's just bringing it all together.

PROF WOODS: That's what we were looking at when we crafted our recommendation to that end, so this is very helpful.

MR McKENZIE: So then I've talked about social capacity building and the acquisition of self-awareness, reliance and self-support attributes but also have a way of - I know of the program that's used in the southern midlands and it's well and it's alive and it's a suicide prevention program. So you could actually have them contribute to this sort of thing. I envisage communities like at Birchip or - I'm more familiar with Victoria than Tasmania, but you could have half a dozen of those centres or those group-driven things, people around Tasmania where they are doing their own research and extension and social support things.

Then I thought these people could also foster these unique, new enterprises like the renewable energy productions. I think that would be something that you could put into the R and D of these groups and it would actually bring it down to the grassroots and people could actually see how it works and that is the best attribute. People can actually go in and kick tyres at Birchip without getting - it's like they can go window shopping and not necessarily be dragged into it and then notice, "Oh, everybody else is taking this on, maybe I should be trying it." It's sort of a safe way, but it's not confronting them and I think that's the risk. That's pretty well it.

PROF WOODS: That was what I'd describe as a very extensive presentation of your paper. I had a couple of questions that came out of your paper, but you have managed to cover those in your presentation, so I have no further questions. Dr Byron?

DR BYRON: You've covered mine on the way through.

MR GRANGER: Likewise. It was very good.

PROF WOODS: That has been very helpful and we appreciate the paper that you have presented in support of that. Thank you very much, that has been quite useful to us.

MR McKENZIE: You're most welcome. I started to do it quite comprehensively and then I thought I was running out of time, so to have that fleshed out - - -

PROF WOODS: If you could elaborate on that and get it to us by 19 December, that would be very useful.

MR McKENZIE: That would be great.

PROF WOODS: Thank you very much. We're scheduled to break for lunch, but if there is anybody present who wishes to come forward and make an unscheduled presentation, we're entirely happy to listen to your evidence. No. We are due to break for lunch which we will do and then, when our next participant, Warren Hunt, turns up, we will resume which, at this stage is scheduled for an hour, but may be less if he comes earlier. But at this stage we will assume that we will resume at 1.45. Thank you very much.

(Luncheon adjournment)

PROF WOODS: We will resume the public hearing into the government drought support inquiry. Our next participant is Warren Hunt. For the record, if you could please state your name, any position and organisation that you are representing.

MR HUNT (TIAR): It's Warren Hunt, I'm with Tasmanian Institute of Agricultural Research which is a cooperative joint venture between the University of Tasmania and the Tasmanian government.

PROF WOODS: Thank you, Mr Hunt. We have had the benefit of two papers that you have presented to us and we understand that those will soon be in published form on the public record. We appreciate getting advanced copies of them. I understand you will be particularly directing your attention to extension matters, but do you have an opening statement you wish to make?

MR HUNT (TIAR): Nothing too bold, I think, sir. Really I will be directing my efforts to points 2 and 3 of the scope of the terms of reference. We need to consider some innovative ways in building capacity for the rural sector to be more resilient in drought and I feel that we have some failures in the models that have been existing in the Australian rural industry over the last couple of decades. We have seen the public sector exit or take graduated steps to exit agricultural RD and E servicing and the public policy premise for this was that the private sector would fill that void.

There is enough evidence around now from my program and other authors out there to suggest that the private sector has not been able to bridge that gap and I'm arguing a case that we need to start to think innovatively how we do that because the client group that we're looking at in the Australian rural industry isn't homogenous and it isn't static and we have new people coming in and out of the industries and we need to have a sustained ability or capacity to engage those industries with research and development and also be able to communicate that with rural industry and build that feedback loop from researchers and developers, extensionists and the end users, have them all together in a cyclical environment. At the moment that relationship is somewhat fragmented, I think.

PROF WOODS: Thank you. Can I say that it is a very timely and useful contribution that your papers and this discussion will make because we identify RD and E, underlining the E, as a very important part of building preparedness and self-reliance. There has been commentary from a number of participants and in a number of our submissions that state governments have been progressively withdrawing from the direct field activities and, to some extent they argue that they're replacing those with other forms intervention, whether it be by preparation of materials that then private consultants and others can deliver, joint ventures through RDCs or universities, CRCs and the like.

But you argue in these papers a fairly strong case that you do need to continue with direct extension work. Your papers draw on some approaches ranging at one end of the spectrum from a quarterly hard copy newsletter of generalised information through to more intensive group management of activities and draw some conclusions from those. But for the record, can you comment on what you see as the approach that the states have adopted, your reflections on whether that is the right approach, and then take us through some of the outcomes from this research.

MR HUNT (TIAR): I think it all stems from back in 1987, there was a World Bank report and they were looking at changes that might be needed in education internationally and what programs they would fund. One of the key recommendations in that report was that there should be a divestment out of agricultural education and extension and they would transfer those investments into secondary education and that sort of thing in developing countries. That was picked up by not just developing countries where the income streams for those projects were redirected but it was also picked up in many developed countries as well, and we started then to see public policy decisions coming through in western countries, you know, in Australia, to get out of agricultural extension in particular.

New Zealand went as far as completely disbanding their agricultural extension network, and the Australian government's has been sort of a downgrading over time. There has been a lot of different models that have come forward. What has been a clear movement, a clear shift, is a shift from the productivity stance, you know, investments into more natural resource management or environmental-type themes; and that's all well and good, but my argument is that if we don't keep it all together and if we don't have that continued research, development and extension and user cycle running, if we don't have that net system, then we will lose our competitive advantage in our productivity as well.

PROF WOODS: From there though you in these papers draw on some research in relation to the Tasmanian wool industry. If you could just take us through what you see as the key messages arising from that research and the evaluations that you then undertook.

MR HUNT: Okay. Well, what really showed up was that we have an emerging knowledge and skills gap within this particular sector of Australian agriculture. Department of Primary Industries has made a staged withdrawal from extension and research over the last 15 years. A lot of the research investment has been transferred over from other industries into TIAR, so that is still there, but the extension networks have been degraded over that period of time and there is a clear knowledge and skills gap that has emerged out there in the growing community.

Probably 90 per cent of the stuff that I extend as a program coordinator is established technology, it's decades old, and yet it has been seized upon by many growers as being good stuff, that's because there is this enormous vacuum out there, they're hungry for that information, that knowledge. So clearly we have been left in a situation where we have had a lack of capacity. The private sector hasn't been able to pick up the slack and there hasn't been the public sector - - -

PROF WOODS: Because they can't collect some rent from the process because it's public good information?

MR HUNT (TIAR): The private sector will become involved, will engage with people, where there's an immediate private sector benefit, and that is backed up by other authors internationally as well. For instance, if someone has sufficient means to be able to pay them \$1000 a day for the consultancy, or, you know, the other angle is where there is immediate private sector feedback with selling some drench and recommendations on the drench.

PROF WOODS: Just happen to have it on the back of the ute.

MR HUNT (TIAR): That's right. You know, there might be advice on fertiliser rates and that sort of thing. So there's immediate connection back to the private sector benefit. However, industry needs more than that. Not everyone can afford to pay high consultancy prices, right, and those immediate private sector feedback type issues are very tactical. So when it comes to systems changes or more complex issues that need to be extended, private sector isn't always that capable of getting that message across. Really what the 8x5 program has done as part of TIAR is tried to work in those areas where the private sector isn't. I don't want to become a private consultant for the elite producers, but they use my material. I'm extending material that is dealing with some of the bigger issues, some of the more strategic and systems issues that necessarily the private sector cannot or will not deal with.

PROF WOODS: Just for the transcription, TIAR?

MR HUNT (TIAR): Tasmanian Institute of Agricultural Research.

PROF WOODS: Just so that they pick that up. Thank you.

MR GRANGER: Can you profile the people that are most likely to pick up the research against others that are less likely to pick it up?

MR HUNT (TIAR): We have a range of people in our grazing fraternity, as we have in this room, and they possess a range of learning styles. They possess a range of propensities to want to learn. So out there in the grazing community we have active information seekers, right, and they will actively engage with the program in a small group environment. Then you've sort of got the middle ground, those that engage occasionally. Then you've got the masses, which you hardly ever see, whose probably only real contact is with their local stock and station agent and that sort of thing. So there's a number of segments out there. Then you've got the service sector as well, and they're a candidate for inclusion in agricultural extension programs because they have knowledge and understanding gaps as well.

Getting back to learning styles, you just can't have one product to extend knowledge and awareness; you just can't use a newsletter, because some people just don't like to read, some people cannot read. Some people like to meet and interact and talk things through; others like to see and do things. So really it's about developing programs that have all those facets, all those components. My program has got four major segments, as I said before, the group sector, an active sector that becomes involved on a semi-regular basis and they also have email capacity, the service sector and the masses. We have got to be able to cater for all of them. You put a level of priority, according to your resources, into meeting their needs. So those who are more actively engaged you put a little bit more effort into, and so forth.

PROF WOODS: I understand why you do it, but it's almost perverse, because those who need it most are those who are the least engaged and least active, in a political sense.

MR HUNT (TIAR): From a valuation which is hot off the press as of this morning, we are actually looking at the demographics of those different groups as well and most of our 8x5 small group members and our industry active participants all fit with under 50 years of age. the non-active sector, the masses that we hardly ever see, something like 70 per cent of them are actually in that 50 to 70-year-old age group. So there is a demographic difference between the engagement groups within our program, that we have been able to pick up on.

PROF WOODS: So from a government point of view, trying to encourage learning, you could be a pessimist from that and say, "That generation will move through and let's concentrate on the younger generation for the future of farming." But that seems to be not capturing the full potential of the industry. So understanding those demographics, what strategies do you adopt?

MR HUNT (TIAR): Well, once again from this evaluation, and I can actually provide that electronically to you - - -

MR BYRON: Yes, that would be helpful.

MR HUNT (TIAR): - - - amongst that large sector of nearly 600 growers, we've actually seen an uptake in their willingness to learn, I suspect, because in our mid term evaluation, we had scant attention applied to our 8x5 quarterly newsletter. It's a hardcopy thing they get in the mail. It's passive - it's a passive means of engaging people, but looking at some of the feedback that we've had thus far, it would indicate that we're getting something like a 24 per cent - 24 per cent of those that were surveyed in that non-active sector actually made some form of practice change as a function of the newsletter, which is a big change. That's probably driven with the adversity with drought and those sorts of things; certain stimuli that have encouraged that.

MR BYRON: But out of all the possible contacts, I would have thought a newsletter was the least likely to influence behaviour.

MR HUNT (TIAR): I would have thought so too.

MR BYRON: Yes.

MR HUNT (TIAR): That's why it was quite an interesting observation, yes.

MR BYRON: Maybe there's something else going on as well.

MR HUNT (TIAR): Yes, so I suppose one of the things that I think we need to consider collectively is - you know, we've been talking about a lot of tactical stuff, and what's happening is we need to consider a few structural changes, strategic changes, and I think we need to consider the servicing of agricultural industries through what I call Regional Learning Communities, of which perhaps some of our regional universities might serve as the hub in the future. TIAR is actually well positioned to achieve that as a model. There's similarities to TIAR in its structure to what the American state university system operates with in its service of communities, and I think we could look at some international models out there. There's some models operating here in Australia like the McKinnon Project, which services the Southern Australian grazing sector. That would be well worth considering as new ways forward because, as I was articulating in those papers, we've got some clear signs of private and public sector failure in the ongoing development of our rural industries.

MR WOODS: Your papers draw on this 8x5 in relation to the wool industry. You've also been doing some work, I understand, in relation to drought lots.

MR HUNT (TIAR): Yes.

MR WOODS: Are there similar lessons from that process, or are there different lessons that you've learnt?

MR HUNT (TIAR): The drought-lotting activity classically grew out of the program. I identified the need early on that this is a tool that industry could use; back in 2006. Of course it was undeveloped here in Tasmania. I extended that and spoke to the Tasmanian Farmers and Graziers Association and they, on my advice, raised a project to support the development of infrastructure amongst a pilot group of up to 30 properties. That worked really well. Unfortunately that very useful strategic infrastructure tool, which has many NRM benefits because you're getting stock off country during a very vulnerable period, because compromised somewhat under extremely high stockfeed prices - \$500 a tonne and this sort of thing. Back round \$300 a tonne, it probably justifiable for a short period, but the very high stock prices and the extended duration of this drought in this state has probably taken a bit of the shine off a very worthwhile initiative, to some extent.

MR WOODS: I mean, it's not a total substitute for destocking back to sustainable levels, but it's a supplementary tool.

MR HUNT (TIAR): It's a good tactical tool.

MR WOODS: Yes.

MR HUNT (TIAR): Yes.

MR WOODS: But it shouldn't be seen as, "Well, we can keep the herds that we've always had and we just bunch them up and feed."

MR HUNT (TIAR): Yes. It has enormous productivity benefits. The season works your way because you've got increased capacity when the season changes, and you can bounce straight back, which is very important in primary industries - to eliminate that lag time back into full productivity. I know people who've realised 80 per cent landmarking percentages versus neighbours just a little way up the road who've got 16. I'm not talking per cent, either; I'm talking 16 lambs. So this is the difference.

MR WOODS: So do you document and evaluate and disseminate those sorts of lessons? How do they get picked up? The benefit of the drought lot program is that there's a physical activity that you can bring the neighbouring farmers and point to and discussion and they can then go away and work out how they would do it. Is it that sort of practical demonstration? You know, the old days of the field trials and you'd have your plots all marked out and all the rest of it.

MR HUNT (TIAR): Farmers still love demonstration trials.

MR WOODS: Yes.

MR HUNT (TIAR): Maybe not highly scientific randomised plots. They like to see it - - -

MR WOODS: But they like to see what it's doing.

MR HUNT (TIAR): - - - a little bit further evolved. Despite the adversity of this drought, I've got a demonstration trial at Oatlands on what you'd call resilient, drought-tolerant pastures that now we're implementing. However, one of the weaknesses of the current program that has been developed and AWI has funded, they only agreed to fund an extension development and not have any R and D capacity in the second phase of the program, which I believe has been a bit of an oversight. I don't think we can have them not linked. We need both RD and E capability within a program.

MR WOODS: I mean, you made a very valuable point before that a lot of the E that you're doing in fact is old technology in a sense, but it just hasn't been picked up and disseminated in a way that's going to be receptive. But you can't then just rely on exhausting the stock of old R and D through more clever E, you need also to be refreshing your R and D.

MR HUNT (TIAR): This is one of my great concerns; that some elements of Australian rural industry is actually living on our past intellectual capital and we're drawing down on that. Bob would know from the sugar industry, I think, we've got some issues to there.

MR GRANGER: You don't mention cane. That's the rule.

MR HUNT (TIAR): Yes, so there's some issues there as well, like we failed to look at our competitors and see the enormous RD and E investments they were making.

MR BYRON: Sorry, can I just follow up on that? Because when you said earlier about how New Zealand abolished their extension service - they basically privatised all their crown research agencies too - yet New Zealand still seems to have a fairly dynamic, viable, reliable, innovative agriculture sector. Is the explanation there that they're living off their accumulated intellectual capital?

MR HUNT (TIAR): Yes, and they have to get it from elsewhere too. My newsletter goes over there and it's been well picked up by people, particularly in drought situations. They do have droughts over in New Zealand. They last for, I think, five months. Yes, something like that.

MR WOODS: Been through the Little Desert.

MR BYRON: It's very little at the moment.

MR HUNT (TIAR): Yes, a recent study in New Zealand with regards to the natural resource management realm has shown that the consultants don't really pick it up because there's no immediate private sector benefit.

MR BYRON: Does the same apply to Western Australia, where my understand is that most of the grain growers use a small number of very large consulting companies and have retainer relationships with them. Most of those - maybe they're the top-end of town - seem to be very happy with paying for extremely relevant and useful advice at the going rate, and they feel that they're getting value for money when they hire these people.

MR HUNT (TIAR): Yes, I've got no doubt they are and we've got people here using consultants as well that are getting terrific value for money. There's no doubt about that, but it comes down to some extent on the value of the industry, too. In other words, the more wealthy the industry is, the greater their capacity to pay.

MR WOODS: The scale of funds.

MR HUNT (TIAR): Now, if you look at the relevant returns on capital of some of the plant industries versus perhaps the extensive grazing industries, you will see a significant difference. Our extensive grazing industries still control a lot of our land mass. Therefore if we don't have managers that are well-balanced, in terms of their productivity and land management skills, then we potentially risk not only becoming less competitive but we also become less environmentally sustainable and you will run down that resource.

DR BYRON: I can see the case for the extension of the NRM issues on to the public good's ground.

MR HUNT (TIAR): Yes.

DR BYRON: You know, there's no doubt that any farm business benefits if they have low cost or even free access to very relevant high-quality, useful advance. I guess the question we're asking is how much of that advisory service or knowledge creation service needs to be taxpayer-funded as opposed to funded by the beneficiaries, especially given that the beneficiaries of the publicly-funded research seem to be the more progressive - I think you used the word "elite" - farmers. So if you're taking taxpayers' money to benefit the most prosperous and successful farmers but justifying it on the ground that there are all these other people down here "doing it really tough," you know, is that in some ways perverse.

MR HUNT (TIAR): You might be familiar with Everett Rogers and his sort of bell-shaped curve with regards to change; well, that really doesn't work. In other words, we just can't focus on the top 2 or 3 per cent and say these elite people have taken on this technology change and it will just trickle on down for a few years.

DR BYRON: And it doesn't trickle down, no.

MR HUNT (TIAR): That's right. So that's why I'm saying that we have a collective competitive issue here. It would be like saying, "Well, you know, perhaps we just make one mill region in the Australian sugar industry viable and we forget the rest," but there's a net benefit both socially and economically in having the economies of scale.

DR BYRON: But in just about every industry, especially sort of family business type industries, I think you'd expect that the good, the bad and the ugly. There's a whole spectrum of knowledge, skills, management expertise, you know, work ethic, or whatever it is, that distinguishes the really outstanding performers who basically need very little public help, you know, right along this whole spectrum.

MR HUNT (TIAR): I agree with you that at the same stage the rural industry could look across at the tourism industry and they could look at the car industry. Like, you know, you start to wonder, well, you know, there's a lot of public funds going into a lot of areas. So I don't know whether your argument completely stacks up, because I think the rural industry has actually got a good system in terms of what the RDCs have developed to get industry contributions in. My question is where those research development corporations should or could be directed to get their best benefit.

DR BYRON: Because the R and D corps are largely funded by levies with matching funds from the Commonwealth, those who produce the most end up paying the most in levies and generally have a say in what the R and D is, and that may

actually be biasing in some ways the research that's funded by the R and D corps towards, you know, the bigger, more successful, more progressive or whatever, top-end-of-town type of farmers; that the R and D corps are necessarily doing R and D that is geared towards, you know, the battling end of agriculture.

MR HUNT (TIAR): Please excuse me, I'm not a complete socialist.

DR BYRON: I didn't mean to imply that you were or were not.

PROF WOODS: We're just trying to understand why government should intervene and what are the grounds for it and what are the grounds for it.

DR BYRON: And where it should intervene and making sure that rather than delivering the benefits to the people you didn't mean to target.

MR HUNT (TIAR): My entire argument from the word go here is not to come in and say, "You need to give a heap more money, public funds, into rural industry." What I'm arguing is that we do have public investment. I think it needs to be redirected into new structures.

DR BYRON: We have been arguing in this report that there should be more public funding going into research, development and extension that will assist self-reliance, preparedness, etcetera. So we are not arguing against R and D or against publicly-funded R and D, we're actually arguing for more of it. But we want to make sure that what is done and the way it's done actually contributes to the public policy objectives rather than something opposite to that. That's where I think we really need your insights.

MR HUNT (TIAR): What more do you want from me at this point?

PROF WOODS: We have been through your articles. We have sort of understood the lessons that you've learnt from that, but I guess what we're looking for is an encapsulation of the key messages, one of which is that diversity is necessary in delivery, because you've got diverse recipients, you know, some who learn by reading, some who learn by looking, some who learn by doing, etcetera, so those sorts of messages. But if you were envisaging the chapter in our draft report turning into a final that elaborated on the RD and E side that gave government a very clear picture of the key directions that this should take, then, you know, whether you articulate it today or whether you reflect and by 19 December have a nice piece of paper that we - - -

MR HUNT (TIAR): Which comes down to my point, I think a lot of it is structural, because I don't think industry or government would be best served by getting a whole of heap of money and just making it available to private consultants to fill the need. Specifically of course they will meet a certain sector of the market. There are also issues with consultants, that is longevity, particularly when you're dealing with individuals or very small consultancy type businesses. The other thing is if they're being funded by government and/or RDCs, etcetera there's issues with regards to access to their client databases, they don't give them up. There's no institutionalisation.

Once upon a time the public sector was so strong in this regard because the departments were that institution and they had their finger on the pulse with everything. I'm just wondering whether that's the case now. The biggest problem for some of the RDCs is when they hire a consultant or a set of consultants for some programs and then at the end of that program they go and all their connections are gone; there's no continuity.

DR BYRON: "Continuity" and "relationship" seem to be the key words.

MR HUNT (TIAR): That's why I'm arguing for an institutional arrangement similar to the American state system.

DR BYRON: Database is an interesting point, because we have come across a number of instances where the farmers who are in the group with the private consultant doing the field trials and that all learn and share the information but none of that leaks out into the broader public sector. I mean, part of that is the way they can charge the fee, that you've got to be in and pay the fee to get access to it, but it means that there are no externalities, you know, spill-over effects into the broader community.

MR HUNT (TIAR): The 830 people on my database - should I say, 830 wool growers on my database, is probably about one of the most powerful tools I have, it has institutionalised that now. Whether I stay in this business beyond June next year, TIAR has that database and all the contacts for the service sector as well.

DR BYRON: And other researchers can access it and manipulate it, draw on it.

MR HUNT (TIAR): Within TIAR, that's right. So you've got institutionalised ownership of databases and contacts, so you start to build continuity there. If you've actually got people working within institutions, you build the longevity and continuity of that intellectual property as well. One of the biggest weaknesses we have got is we have got a really short-term perspective on agricultural RD and E

investment, you know, we plug someone in for 12 months or 24 months or maybe 36 months and then we get rid of them. The thing is, if they're in a three-year project, by the 25th months they're starting to look for work anyway.

PROF WOODS: We did an inquiry into sites and innovation and that was one of the factors that we identified that the short-termism of the funding meant that people were trying to identify jobs that you could complete within that, but also within months of terminating they were starting to look at where the next grant was coming from or whatever, so we argued for some longer-term funding arrangements to recognise these issues.

MR HUNT (TIAR): Another important thing that institutions, if you can institutionalise some of these RD and E systems, is that you build the capacity to do just this, to publish. That is incredibly important because frankly, if it's not written down and recorded and published, it hasn't happened and no-one gets to share the benefit of that further down the track. That is something that the public sector is not - they don't do a lot of it; they do some of it, those who are more academically inclined. But I think to have things on the record that can be shared around is incredibly powerful.

DR BYRON: You've talked about the model of a public agency, like the TIAR as the institution and the repository of the learning and knowledge but - - -

MR HUNT (TIAR): That would be an example here for a state like Tasmania.

DR BYRON: - - - are there other models with more industry ownership? I guess CRC might be an example of industry co-ownership producing the IP, but in other states and in bigger or more successful industries the industry association itself might say, "Well, we are going to generate information for ourselves and we will hire the researchers and we will actually drive this process and immediately internalise whatever it produces ourselves."

MR HUNT (TIAR): I suppose, Neil, they are liberty to do that, but they haven't done so largely thus far. Agri-political organisation tend to be and want to be and tend to remain agri-political organisations. They don't necessarily like investing in an agricultural RD and E.

DR BYRON: Especially if you can persuade someone else to pay for it.

MR GRANGER: Warren, at the present time the states are having looking at rationalising resources in between themselves.

DR BYRON: I imagine they are.

MR GRANGER: Do you see that as an opportunity for where you want to go and your thesis here that maybe universities should become increasingly more engaged as R and D and E providers.

MR HUNT (TIAR): So are you questioning me as to whether we should take up that model or - - -

MR GRANGER: The states are having a looking at the existing R and DE models, right, and I think that's a code word for having a look at research stations and who owns them et cetera et cetera.

MR HUNT (TIAR): I think there are prospects there. I have heard talk that Charles Sturt might be one hub of excellence and which programs could be built around it or maybe UNE in the north up in New South Wales. There has got to be direct public funding into that system. There has got to be direct industry funding into those systems and we're not just limited to servicing the respective industries, if we tap into institutions like that and they're sustainable if they're permanent, then we also have the capacity to potentially develop community development-type expertise and programs for those universities as well, similar to what they've done in the United States. They become involved in social research and social extension sciences, not just agricultural research and extension.

I think there is a huge opportunity there. We really need to look beyond the current model we have in Australia of just largely a public or private RD and E model and we probably need to look at something a bit different, I think. I put up a few suggestions.

DR BYRON: Can I take us on a slightly different track. We have been talking about extension as a one-way transmission - - -

MR HUNT (TIAR): It's certainly not.

DR BYRON: Exactly, which is what I'm coming to. So it's not just the researchers have all the knowledge and the farmers are simply passive receptacles who get topped up with a whole bunch of stuff they should know. My experience of extension is that often there are very innovative and creative farmers who are generating ideas and who say to the extensionists, "Geez, I've noticed when I do such-and-such this happens," and the extension agent becomes the vehicle for taking that germ of an idea back to the research station or the university and then a year later - - -

MR HUNT (TIAR): Therein lies the problem we have at the moment because we fragmentation in that system. Some of those links have broken down. We don't have as many extension personnel out there bringing that knowledge, those findings, that awareness back to people who do the research. There are just as not as many of them as there used to be, they're not as connected, not as plugged in.

DR BYRON: So it really is imperative to get much more effective communication between the guy on the land with the problem and the guy in the research station at the university who might be able to help them sort it out.

MR HUNT (TIAR): The extension agent is - - -

DR BYRON: Bidirectional.

MR HUNT (TIAR): That's right.

DR BYRON: I just thought that was missing from the conversation that we were - sort of in that 1950s one-way mode.

MR HUNT (TIAR): It's in my papers though, that's for sure. That's a big problem we've had in New Zealand with environmental extension. Even some of the productivity stuff there is fragmentation there.

DR BYRON: Anything else?

MR GRANGER: No, I think we've touched on it. They're provocative papers and certainly throws down a challenge or adds to the knowledge we've got there. There's just a constant chorus of going back to the good old days.

MR HUNT (TIAR): No, I'm not advocating that.

MR GRANGER: I know you're not saying that but it's easy to - - -

MR HUNT (TIAR): I think there were some good aspects of the good old days, but we've moved beyond that and we nearly need to start to think how we might do things better than the good old days and better than what we have had in the last couple of decades.

MR GRANGER: If it hasn't got a thumbprint of industry on it whatever you're doing, I would always question. I know there's long-term strategic research which I think really you've got to extend boundaries well beyond where we see and I think that's important. But moving down that scale I have a very fixed view. If I don't

hear that industry is somewhere near the steering wheel of the RD and E program then I want to have a close look at it.

MR HUNT (TIAR): Industry is one of the key drivers of the 8x5 program. It wouldn't be here if it wasn't for local industry. I suppose for the real challenge for TIAR will be in the future with board arrangements probably getting greater industry engagement but, you know, that's beyond me to comment on.

MR GRANGER: To really cut to the chase, you know the people that are really struggling in this climate, drought thing, whatever you want to call it. Do you really think RD and E has got the solution for those people?

MR HUNT (TIAR): In terms of the extension elements, what it does is provide them with opportunities to think. What happens in drought is there is a lot of clinical and subclinical depression that emerges and people's ability to think and make considered decisions, basic planning decisions that they would have been able to make with relative ease becomes more difficult. If there is timely, relevant material out there circulating through their system, it helps. That's clearly the feedback we're getting through the 8x5 program evaluation which I will forward to you.

There are networks like small group learning activities or forums or whatever that are held within the industry, that provides an enormous social benefit as well. They are capacity issues as well because sometimes people just can't see the forest for the trees, particularly here in Tasmania. I've seen drought before, I'm a Queenslander, I've worked in western Queensland in the grazing areas, but a lot of these growers had - the intensity and the duration of this drought is beyond anything that they have seen. They haven't been very drought savvy or hardy early on. The program has been able to make some considerable inroads with that in terms of helping them pick up on new systems and techniques that they can apply - not everyone, but it's a liberal democracy, people make their choices. But people have done that and it's been well regarded.

In some of the survey results, over 50 per cent of people actually made some changes as a result of the program and a lot of that would be drought related. Of course that's been a fairly dominant theme since I've come to Tasmania. So in times of adversity, it's even more important to have that infrastructure there. We've got an army, navy and an air force and we keep them on the books but we don't have to use them very often. It's the same sort of thing; it's about maintaining capacity and keeping that capacity relevant, keeping it up to date and building more capacity with research as well and getting in front of the game. That's probably my biggest criticism with the short-term investment, like would we project invest our military force for three years? No, we sustain it. That's what I think we actually need to look at because if we value real industry in terms of remaining competitive, in terms of

whether it can generate wealth for the country, whether we value real industry in terms of it being able to maintain the natural resource management status of the country - there's an expectation there - if we value the food security, then we need to have sustained investment in those areas.

PROF WOODS: Anywhere else you want to go?

DR BYRON: Yes, one last one which I haven't quite got clear in my own mind, so forgive me if I ramble for a minute.

MR HUNT (TIAR): Okay.

DR BYRON: Climate change, which I think is the real heart of this inquiry, does that actually require a different type of R and D to what we've been doing in the past and it's just not about getting through these couple of years, however many it is, and then going back to business as usual? It's that sort of over-the-horizon thing that Bob was talking about. Is that a completely new type of challenge to what we've faced in the past?

MR HUNT (TIAR): Neil, I don't have all the answers for this one.

DR BYRON: I don't think I even got the question right.

MR HUNT (TIAR): I look at it like this: the situation we've got in Tasmania at the moment, I think there's two main themes. Yes, there is climate change occurring. The place is getting warmer - validate that - and the projection models indicate that we're likely to get a bit drier in the decades ahead, from our best science. I've worked in the science field - yes, okay, if it's rigorous science and it stacks up, then we make the best decisions that we can based on the best science.

In saying that, and 14/31/53 would support this, we've got normal climate variability at play here as well and at the moment, we're certainly in a down period in terms of variability and we'll get some incredibly big rainfall events during this multi-decadal low period, but we'll be below the norm more than we're above it. It will kick back the other way but it might be another 20 or 30 years before it does. In saying that, with climate change, we might be 20 per cent or 15 per cent worse off than what we were, in other words, with rainfall.

PROF WOODS: What you come back to is not the same as - - -

MR HUNT (TIAR): That's right. They're unknown variables really. So we just can't write everything off as climate change. There's normal climatic variability still at play in this system and we've got to learn to adapt to it. The situation here in Tasmania is that all of our production systems that we're using in, say, the drought-affected grazing areas here, they have largely been developed post-Second World War, which is also the time when it started to rain, through from about 1946 through to about 1980-odd. That's when we set up our soldier settlement schemes and subdivided big sustainable properties down to much smaller ones. We did a lot of agriculture RD and E and we got all these new pasture varieties and we got them out there. That's great, but when the environment changed, when our autumn rainfalls collapsed since the 80s and when we get both autumn and spring rainfalls together collapsing, that's even worse, but when all those negatives line up, we've basically got a system that cannot cope and that's exactly what we're seeing here.

If we'd had the entire Tasmanian grazing sector geared up and planted down to the new perennial pastures that TR has produced, we'd probably be a lot better off. The thing is, we simply haven't, and we haven't because they take years to develop, but we were just geared to another production system. The real challenge now is trying to gear to another production system.

PROF WOODS: Fully agree.

DR BYRON: But there's going to be a lot of social and economic hardship - - -

MR HUNT (TIAR): There is already.

DR BYRON: - - - in that transition.

MR HUNT (TIAR): Yes.

DR BYRON: Just as during the 50s and 60s when the agricultural margin in mainland Australia moved into the semi-arid zone, a lot of that is going to have to pull back and a lot of private assets and private assets are going to have to be written down in value which will also be very painful.

MR HUNT (TIAR): As my director said from a study they did in western Victoria when he worked there, they finished the study - it was how to modify their farming systems - and they came to the conclusion that instead of improving their dry land farming systems, they should be building shearing sheds.

PROF WOODS: Are there matters that we haven't covered in this conversation that you want to raise or things that you want to reinforce in your concluding comments?

MR HUNT (TIAR): I think I've covered most of them. Yes, all my key points were directed between points 2 and 3 of the terms of reference.

PROF WOODS: Thank you very much.

MR HUNT (TIAR): Thank you.

PROF WOODS: Now, the status of these papers, as you said, they're in the to-be-published mode.

MR HUNT (TIAR): One is published.

PROF WOODS: That's the university focus one, so we can draw on that and quote a reference?

MR HUNT (TIAR): You've got that reference material. I think I sent you those captions as well.

PROF WOODS: Okay. Just so that we get very clear what we can and can't quote.

MR HUNT (TIAR): The other one is in press, so I can actually say the other one is in press with the Journal of Agricultural Education and Extension. It's been approved for publication.

PROF WOODS: Excellent, thank you. Thank you for your contributions; well targeted. Are there any persons present who wish to come forward and make a presentation? If not, I will adjourn the hearings until we resume again in another place.

DR BYRON: WA.

PROF WOODS: Yes, thank you.

AT 2.36 PM THE INQUIRY WAS ADJOURNED UNTIL
TUESDAY, 25 NOVEMBER 2008