

## **DROUGHT SUBMISSION 2008**

**By Ken Calder Dip F.M.**

Current drought relief assistance programmes are highly inequitable and very difficult for deserving farmers to meet the set criteria. But then nothing much has changed over my life as a farmer.

The factor that is the most controversial is where and when farms fall within a “drought declared” or “exceptional circumstances” area, what constitutes those circumstances and the criteria as to who is entitled to any assistance offered.

### **My Experience**

Basically the 1967 drought forced me to leave farming and enter National Service and other training or occupations until my return to full time farming in 1976. The drought we experienced shortly after we purchased the farm we now operate meant we were forced to purchase fodder. The only assistance we could get was a total of \$20.00 from a subsidy on transport that was provided beyond a certain distance. This was not worth the time spent on filling out the plethora of forms required to claim.

Any drought assistance we have tried to access in between then and now have had criteria set making assistance very difficult to qualify for and highly restrictive for farmers in genuine need.

In one case during the 1994 drought the State Government funded drought assistance with precluded us because we were not considered viable owing to our farm size. As the drought progressed the Federal Government funded assistance with criteria that precluded us because we were considered too viable because we were making too much income from this farm that was too “small”. Our holding is now much larger but because we are renting instead of buying that land then no assistance is available. Nothing is available for rent assistance during EC times which places those buying land at an unfair advantage.

My experience and thoughts have made me realise that borrowing to purchase land and equipment for farming is no different than any other business decision and these debts should be considered as such; therefore excluded from any drought assistance. Exceptions here may be new entrants (non corporate) to the industry. Otherwise interest funding assistance for longer term droughts such as we are currently experiencing should be only provided for carry-on finance during these times.

### **Droughts to be expected**

A 12 months drought is a normal regular occurrence in Australia and assistance should not be funded except for certain individual cases e.g. new entrants.

Any EC funding should not be repayable should the family decide to leave farming after the drought when realistic prices again rule for land sales. Government payback would come in the form of Capital Gains Tax collected and also by reduced pension entitlements.

### **Best assistance**

There is one single means of support which can alleviate the pressure and stress to financial and psychological resources most effectively.

The most effective assistance is by providing household support schemes to families suffering a reduction of income to a point below a set figure. As farms have much higher costs to maintain during and recovering from exceptional circumstances then income level figures should be set higher than would otherwise be allowed. ...

Providing a fortnightly allowance paid into the account of the home-maker spouse would eliminate much stress from the experience of drought.

\*Firstly this would relieve the great burden of pressure and guilt from the farmer trying to make sure the family is not disadvantaged. This would mean that with the mind looking towards the future that the opportunity to recover from drought in that normally good year which follows may be better taken advantage of.

\*Secondly the spouse would have stress removed by knowing where the next meal was coming from and knowing that any children were not being disadvantaged because of the exceptional circumstances.

\*Thirdly the children would not be disadvantaged by being excluded from educational and other activities.

Centrelink is the best agency to administer drought assistance but a separate department of sympathetic, qualified and informed staff needs to be established, during those periods of "Exceptional circumstances", for assessment of claims.

Centrelink has or would like to have a complete dossier on everyone in this country but staff become "hardened" by those genuine bludgers they must deal with on a daily basis. The last thing farmers suffering the rigors of drought need is to be treated in the same manner. Simplification of forms would also help.

Subsidies for fodder, transport and inputs is quickly swallowed up by increased demand and a mind set that buyers can therefore afford to pay extra for these goods and services.

### **Drought preparedness and recovery**

Programmes need to be established to encourage farmers to make provision for the regular Australian phenomenon of drought. Set aside funds placed in managed deposits (FMD) would be best to have the cut-off dates changed to coincide with the due date for GST quarterly return (April to June quarter) and the withdrawal needs to be reduced to eleven months minimum. This is because a fair assessment of the year's income can be better calculated after the end of the financial year and being assisted by accounts that must be kept for GST purposes provides time to make the best use of this facility.

Drought preparedness programmes like stock containment areas and fodder reserve subsidies would be much better established during times of plenty rather than rushed to make ready for an encroaching drought, or introduced when farmers are totally stressed at the end of a drought.

Stock containment areas have been the single most useful beneficial tool during droughts not only on my farm but on many farms in my area. Provided adult livestock are placed in these early enough in a drought, these areas enable valuable topsoil to be prevented from blowing away. Also, not only are these livestock easier to manage, but they require less feed for maintenance owing to the fact that walking in search of food is greatly reduced.

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Unfair distribution of assistance is highly stressful for those farmers who are excluded while neighbours who, by managing their affairs to fit drought criteria, can receive help from all programmes. This disadvantages those excluded farmers during the recovery period when the supported farmers are in a better position to expand their enterprise because they can borrow and pay more for any land up for sale or lease.

The major problem in the past limiting drought preparedness has been the cost price squeeze that farmers have suffered by not only having to trade on the World market that is corrupted by subsidies provided in other countries but their lack of leverage to negotiate fair prices for products.

Recovery from drought does not happen after one good year but requires several years to rebuild fodder, financial and psychological reserves. The time between drought occurrences and returns for produce therefore has a great bearing on whether farmers should be in a position to weather any future drought periods. At the same time during these recovery times any plans must include preparedness for the next event.

### **Tax deductions programmes**

Tax deductions during times of EC or shortly thereafter are of little benefit to most farmers unless used in a way to dodge tax obligations.

Tax deductions of 110% normally act as an inducement for farmers to put aside silage, grain and other fodder reserves. These subsidies could be loaded with a requirement that any reserves are held for five years or until an area is drought declared.

### **Other programmes**

While all drought related Government schemes, including those listed in Box A1 of the Productivity Commission Issues Paper, help to alleviate the effects of drought the problem with most periods of Exceptional Circumstances is that once over the problem is soon forgotten and assistance withdrawn and programmes soon disbanded. Recovery is often a long slow drawn out process, especially for those unfortunate enough not to fit through the restrictive window of eligible criteria.

### **Retirement**

While in future, superannuation will provide farmers with an opportunity to retire and pass the farming operation to the next generation, current circumstances because of this extended long dry period of droughts, have robbed many older farmers of that benefit. Income has not been high enough from farming operations to allow use of tax deductible contributions into super funds and those extra costs of maintaining livestock or inputs for failed crops have drained most other resources.

To enable farm succession within families the first \$M1 should be excluded from any asset test for eligibility for a pension provided the property is being worked by the next generation. This current and predicted ten year drought has taken away the opportunity and savings of many farmers wanting to retire and will burden the next generation with trying to make two livings off a property only large enough for one. This will have a major influence on preparedness for the next event.

To be fair to all people in Australia then all assets should be included in any asset test for a pension. Why someone with a \$M1 home should be allowed a full pension while someone with a \$M1 farm have to borrow against that farm to receive assistance seems totally unfair.