

INTRODUCTION

This submission seeks to address the components of the enquiry that are most relevant to Rural Financial Counselling Services, and in particular, the one servicing Gippsland in Victoria.

The primary role of the RFCS Programme is to support primary producers, fishers and small rural businesses suffering financial hardship and who have no alternative sources of impartial support to manage the challenges of industry change and adjustment.

The aims and objectives of the RFCS programme are to:

- Provide a free, confidential and independent rural financial counselling service to our client target group – (primary producers and rural related small businesses experiencing financial hardship);
- Provide the client target groups with access to financial information, options, decision support and referral services;
- Enhance the capacity of the client target groups to consider information and options to implement decisions to effectively manage change and adjustment, including exiting the industry;
- Encourage early contact and promote the benefits of early intervention in accessing information and services;
- Provide a service which is accessible, responsive and flexible on an ‘as – needs’ basis.

The outcomes of the RFCS Programme are:

Short to medium term:

- Increased awareness in the target group of;
 - the program and the services available,
 - the benefits of early intervention, and
 - the benefits of approaching change in a proactive way.
- Earlier access to financial information, options, decision support and other referral services, and improved capacity for the client target group to incorporate improved practices and implement change.

Longer term:

- Enhanced profitability, competitiveness, sustainability and self reliance of client target group;
- Effective management of change and adjustment;
- Increased adoption of best practices by client target group.

These aims and outcomes are clearly outlined in the National Framework for the enhanced RFCS Programme. Consistent with this framework, our understanding is that the program will assist farmers, fishers and small rural business enterprises to see and understand their situation more

clearly and from this develop options and identify ways to become more self reliant and better equipped to manage change and adjustment.

Farmers and those connected to rural Australia are understandably very proud people and are not at ease asking for help, however past history of the service shows that having access to Rural Financial Counsellors on a one-on-one basis can greatly benefit these clients. Change is occurring all the time but it is how people adapt and manage change that is so important. The RFCS Programme is able to provide skilled professionals able to visit, usually at business premises, who are able to build up a trusting relationship on a one-on-one basis and this has been a proven benefit to farmers, fishers and small business, in both short and long term scenarios.

The economy in Australia, and in particular rural Australia, is very dependant on farmers, fishers and small rural business and therefore the decisions made by these individuals/businesses are very relevant to our future food sources, the continuity of these rural communities and to Australia's present and future economy.

At present farmers and rural small businesses in Victoria, and across vast areas of Australia, are facing change in almost unprecedented ways, with extended drought conditions and more extreme weather patterns being experienced. While no industry is immune to change in the normal course of events, these seasonal conditions which many fear will continue, are forcing many farmers and small rural businesses to make decisions and deal with conditions out of their control. Support to these farming industries and related small businesses impacts throughout their rural communities and this is why the RFCS Programme is so critical and relevant in its future role.

IMPEDIMENTS TO GREATER SELF RELIANCE AND PREPAREDNESS.

What are the impediments to individual farmers, farm businesses, farm dependent rural small businesses and rural communities becoming sufficiently self reliant to withstand severe drought events?

As previously mentioned, no two farming or small rural businesses are the same and consequently the impediments to greater self reliance and preparedness to some enterprises would come from the following:

1. Tradition – farming and business practices that have been successful in the past and a lack of recognition of a requirement for change.
2. Financial circumstances – some farmers and small rural businesses, lack the capital to make the necessary investment to implement change.
3. Relationships – the close relationship between farmers, small businesses and small communities engenders a sense that changes that occur are “out of their hands” because what affects one affects another.
4. Hope – some individuals live in hope that “things will get better next season/year” and are prepared to hang on without changing practices.
5. Education – or lack of. Education broadens the mind, creates the ability to develop options and analyse them.

ASSISTANCE MEASURES.

In general, do current drought support programs provide an incentive for farmers, farm businesses and farm dependent rural small businesses to become more self reliant and adopt strategies that better prepare them for instances of severe drought?

EXCEPTIONAL CIRCUMSTANCE (EC) PAYMENTS.

There are three EC payments – interest subsidies, relief payments and the EC exit package. These are all ‘crisis’ assistance measures. They are available after the declaration of an EC event. They are not programs that were designed to provide a direct incentive for the recipients to become more self reliant. However they can give short term relief while recipients come to terms with their situation as they adopt strategies that better prepare them for severe drought. It could be argued that in some instances they are a disincentive to self reliance as some recipients become reliant on the payments and don’t make the necessary changes.

FARM MANAGEMENT DEPOSITS. (FMDs)

FMDs are available to farmers at any time. They allow farmers to deposit money in a bank account during high income years, to be drawn down during low income years. They have the added benefit of being a tax averaging mechanism. FMDs do provide an incentive for those using them to improve self reliance, however it is acknowledged that in some instances they are used more for their taxation benefits.

AUSTRALIA'S FARMING FUTURE (AFF)

The AFF program doesn't provide a direct 'incentive' to farmers, farm businesses and small rural businesses to become more self reliant, however it does provide some of the tools which these groups can use to improve their self reliance and preparedness - the Rural Financial Counselling Program is an example of this.

There are many other Federal and State based assistance measures that provide assistance in varying degrees; some, such as those targeted at providing advice and planning assistance could be considered as programs that improve self reliance, however, others such as transaction subsidies are a disincentive.

How effective have EC interest rate subsidies been in improving the survival of farm businesses and farm dependent rural small businesses?

EC interest rate subsidies have been of enormous benefit to many individuals during the crisis period of the current drought. The Victorian experience is that 80% of applicants have received some level of assistance. RFCSV-G has assisted with many (hundreds) applications and our counsellors report numerous instances of the subsidies significantly improving cash flow and survival of farm businesses.

The interest subsidies also have a flow on effect in the community – whilst the money is provided on the basis of interest payable, it is not quarantined for that purpose and provides a welcome cash flow into the businesses in the community as the recipients spend it on goods and services.

What role do farm financial counsellors play in guiding farm business decision making prior to, during and following drought?

Counsellors are well skilled and proficient in financial management, as well as being empathetic to their clients. They are able to assist with assessing individual circumstances and helping to develop a range of options available so that the client can make an informed decision of the best option for them as individuals/families and also for their farm/business operation. This is important as no two farming/business situations are the same and one model or set of options will not suit all. Equipping clients with appropriate information, fully exploring a range of options and ideas, and providing referrals to other relevant and useful sources is crucial in decision making processes at all times.

Rural Financial Counsellors also provide an important link between farmers and the Government institutions that provide drought assistance. Many farmers are reluctant to approach Centrelink in particular as it is perceived to be a 'welfare organisation'. RFCs are also seen as a point of first contact for information on assistance measures.

How effective is their advice compared to that from other sources?

Rural Financial Counsellors do not provide advice – the terms of funding prohibit it. RFCs are very adept at providing referrals to advisors and organisations that do provide advice. However RFCs are recognised for their independence, confidentiality and empathy with their clients – other advisors may focus on production or financial issues whereas RFCs take a holistic approach.

Why is there little use of current exit programs?

The difficulty with exit programs is that most farmers do not meet the eligibility criteria. Often their assets are too high to qualify. In addition, during drought farms are usually worth less than farmers would expect and unless the situation is desperate they will attempt to hang on.

Deciding to exit farming is also a timing issue between those involved in the farming business. Most farms are partnerships and both partners have to agree to sell.

There is also the issue of identity. For most farmers, farming is their life, it provides them with a status and standing in their community and they have difficulty in coming to terms with being or doing something else.

How effective are drought relief payments in providing a safety net for farming families?

The experience of RFCSV-G is that many farming families have depended on the relief payments during the drought for their basic living requirements and as such are effective in providing some kind of safety net. It can mean that farmers do not have to seek off-farm work during the drought which can be difficult for farmers to obtain if they are isolated. Further, farmers can continue with operating their farm and dealing with the drought knowing that there will at least be some money coming in to support the family.

To what extent, if any, are payments diverted to the farming business and is this a matter for policy concern?

The relief payment is at such a level that it provides a basic living allowance. Rather than being diverted to the farming business, it 'frees up' farm income for business purposes.

PROGRAM IMPLEMENTATION

Are the government institutions responsible for delivery of business and welfare assistance the most appropriate organizations?

Farmers and those connected to rural Australia are understandably very proud people and are not at ease asking for help and some have a particular reluctance to seek assistance from Centrelink, however during the course of the drought, and perhaps because of its duration and the assistance provided by Rural Support Officers, the barriers to approaching Centrelink have to some extent been broken down.

In Victoria, the EC interest rate subsidy is administered by the government owned institution, Rural Finance which also has a role as a rural lender. Farmers are more comfortable approaching Rural Finance because it is perceived to be 'farmer friendly' and there is a perception that an interest subsidy is not 'welfare'. The advantage of Rural Finance administering the interest rate subsidy is that not only is government owned and therefore independent, but has knowledge of banking and general financial and rural issues. Their assessment officers have also been very responsive and processed applications in a timely manner.

What is the time taken and cost incurred by farmers and farm businesses to prepare the necessary documentation and how long does it take to process these applications once submitted?

The income support applications through Centrelink are in most cases relatively straight forward taking as little time as an hour. Nevertheless, for a farmer to complete an application and be confident that it is correct can be daunting. Assistance is often required from either an accountant or a Rural Financial Counsellor. For farmers that operate their business as a Trust or Company there are extra forms to complete further complicating the application.

Interest Rate Subsidy applications generally take much longer to complete; two hours at best plus time to collect information and Lender's Certificates – but may take 6 to 8 hours if complicated. Our RFCs report that if they are completed by an accountant the cost is generally \$250 to \$500, however we have knowledge of one instance of a fee in excess of \$15,000.

The process time by both Centrelink and Rural Finance has been in most cases excellent. However, it does seem to depend on the complexity of the application and the work load of the processing team and varies from 3 to 8 weeks.

CONCLUSION

In the Introduction it was stated that this submission would largely relate to the Rural Financial Counselling Program. Our community, through almost twenty years of in-kind and financial support has demonstrated the value of having such a service operating in the Gippsland region of Victoria. RFC Services have become part of the rural landscape and are held in such high esteem by the Department of Agriculture, Forestry and Fisheries that they have recently been charged with the responsibility of case managing the least viable farmers that are recipients of Transitional Income Support.

The Rural Financial Counselling Programme has the capacity to play a vital role in the transition to whatever changes are made to drought support programs as a result of the Government's parallel inquiry into Drought Policy.