

SUBMISSION TO THE DROUGHT POLICY REVIEW

**ASSESSMENT OF THE SOCIAL IMPACTS OF
DROUGHT AND RELATED GOVERNMENT AND
NON-GOVERNMENT SOCIAL SUPPORT SERVICES
- RESPONSE TO THE ISSUES PAPER**

**HORTICULTURE AUSTRALIA COUNCIL
AUGUST 2008**



EXECUTIVE SUMMARY

Horticulture Australia Council (HAC) is the peak national industry body representing the Horticultural industries. Horticulture in Australia is intensive, generally irrigated, agriculture. Horticulture is a diverse industry, spread across the continent in a wide array of climates. Horticulture is the second-largest and fastest growing industry in agriculture; with some 30,000 businesses nationally, and a farm gate value of \$8 billion.

Drought is an inherent part of agriculture in Australia. There has been a long history of general community expectation that governments should provide assistance when droughts become 'exceptional'. However, there is no consensus as to how best this might be done. Nor is there uniform agreement on what is meant by 'drought', let alone what form of intervention governments should provide in the event that an 'exceptional drought' does occur. Indeed, current Commonwealth-State approaches to drought are too complex, lack consistency, are inefficient, and do not deliver assistance that is needed when and where it can do most good, particularly for horticultural enterprises.

The current situation for many in Horticulture during the current drought (particularly in, but not limited to, the deepening crisis in the lower MDB) has resulted in an unprecedented process of unplanned structural adjustment on a massive scale. Unfortunately, there has not to date been a strategic or systemic response to the crisis from governments; particularly in regard to community resilience and social infrastructure.

Consequences of drought directly impact on growers, farming families, local businesses and regional communities. It is not possible to clearly separate economic sustainability of producers and regions from the social impacts on those regions and communities, and the multiplier for horticulture is estimated, on average, as a factor of five (5).

For the first time ever horticulture producers across the country have been seriously impacted by this drought. This has resulted in outcomes that are outside those usually experienced by farming operations and the communities that support them. Horticultural production units are far more intensive than broadacre operations, and are in the main irrigated. The impacts of drought on perennial plantings have been devastating. As large labour users, the resultant business consequences have been dire not just for our growers, but also for the communities which rely on them as key economic drivers.

Consequences of drought directly impact on growers, farming families, local businesses and regional communities. Horticulture is inextricably linked with the economic, social and cultural vigour and sustainability of significant numbers of regional communities spread widely across the country. It is not possible to clearly separate economic sustainability of producers and regions from the social impacts on those regions and communities, and the multiplier for horticulture is estimated, on average, as a factor of five (5).

As Cyclone Larry's impact on north Queensland's communities or the deepening crisis in the MDB amply illustrate, it is not possible to view economic or social consequences of drought or disaster in isolation.

However, much of the assistance available from Government has failed - to this point - to provide

real relief. Traditional assistance measures are still primarily geared to broad-acre production (eg flood relief; tax relief in drought for re-stocking, etc.). The current EC package is not being effectively accessed by horticulture; additional measures are required which would significantly reduce the burden on producers trying to return to productivity and profitability.

With the risk of climate viability continuing to change and perhaps increase, there is a need for a more strategic approach to Government investment and intervention to satisfy the needs of the whole economy and community.

The foundation of future drought policy should be based on the following principles:

- **Policy development must be forward thinking, wholistic, strategic, and based on sound data; rather than based on more traditional policy formulation approaches.**
- **Policies delivering only conditional grants to businesses and individuals are not as efficient as broader-based public incentives and programs.**
- **Basic welfare safety nets must continue to be available to farmers as they are to the wider community.**

To generate a good policy outcome - i.e. that Government, businesses and the community are better prepared for future droughts/disasters - HAC recommends the reform of many of the current programs. These reforms should be concurrent with the implementation of a new platform of programs and risk management tools, incentives and strategies; while promoting and rewarding a preparedness culture as the first line of defence against drought (and other extreme weather events). In the longer-term, growers are looking for support for those who have made the adjustments, taken the risks, and moved towards sustainability.

HAC is strongly of the view that, whatever changes are made to the Drought Support Policy settings, a transition arrangement is a critical step. It is our industry's view, for example, that many growers in the Lower MDB would be willing to exit the industry with some dignity (rather than be forced onto welfare), but do not currently meet the criteria (eg cannot leave their land/home) – we should be aiming to achieve a sustainable regional industry, employment and community model once the quantum of those wishing to leave have access to the Exit Package, and the situation is clearer.

HAC has been concerned for some time about the economic/social impact of drought on farm families and rural communities, so we are pleased to support the work of the Panel as part of the Government's review of drought policy.

This Submission outlines our recommendations as to how to more effectively invest public resources in drought/disaster programs targeted at preparation and self reliance, management through drought/disaster, and recovery from drought/disaster. It provides a platform for policy change that can yield greater benefits to both the public at large, regional communities and farming families and enterprises.

SUMMARY OF RECOMMENDATIONS

From Exceptional Circumstances to Disaster Preparedness/Relief:

- ❖ **As a matter of urgency, an alternative model of Disaster Relief, suitable to the situation for intensive (usually irrigated) industries - rather than the traditional model developed for dry-land, broad-acre farming - needs to be implemented.**
- ❖ **In the longer-term, a move away from EC, towards a more strategic view of Drought/Disaster Preparedness and Drought/Disaster Relief:**
 - implementation of a new platform of programs and risk management tools, incentives and strategies;
 - while promoting and rewarding a preparedness culture as the first line of defence against drought (and other extreme weather events);
 - support for those who have made the adjustments, taken the risks, and moved towards sustainability.
- ❖ **The Australian government introduce a commercially complementary insurance-based risk management system and funding for rural sector natural disasters 'preparedness'.**
- ❖ **Reform of current EC arrangements to ensure irrigators are eligible for benefits, not just eligible to apply (for full details, see Appendix 1).**
- ❖ **HAC is strongly of the view that, whatever changes are made to the Drought Support Policy settings, a transition arrangement is a critical step.**
- ❖ **Strategic investment in establishing the impacts of the current drought:**
 - A general assessment of the exact nature of social, emotional and financial impacts;
 - To allow deliberate planning to minimise the trauma, and control the fallout from, the crisis.

Education & Training:

- ❖ **Recommendations for improving education and training for Horticultural owner/operators and their staff include:**
 - Rapid deployment of the newly-merged national Training Packages;
 - Recognition by Governments of the Certificate III in Production Horticulture as the trade-equivalent qualification for the industry;
 - Assistance for Peak Industry Bodies/Regional Horticultural Taskforces to implement training and professional development modelled on the Bundaberg Career Pathways project;
 - Acceptance of the concept of Skills Sets as a valuable tool in providing 'Just-in-Time, Just-for-Me' skills development as a first step in a greater acceptance of a learning culture;
 - Rapid adoption of time- and cost-efficient RPL/RCC processes - as modelled by Tocal, NSW - (for owner/operators impacted by drought in the first instance); aimed at improving self-esteem; providing 'saleable' skills; and encouraging understanding, and uptake, of, competency-based training designed by the industry for the industry.

- ❖ **In the short-term, EC assistance needs to include provision for growers to retain key personnel. HAC recommends:**
 - Extension of worker wage subsidy scheme from 13 weeks, to align with the projected return to production; this will significantly assist in providing the industry with the capacity to fund its major labour requirements for the recovery period;
 - In order to retain key personnel (particularly in production lag phase), enable Centrelink income support payments to be channelled via the employer, who is able to “top-up” salary to as close to normal as possible.

Community Development and Sustainability:

- ❖ **Establishment of a national network of Local Drought Support Coordinators.**
- ❖ **Funding for Community Development Activities** (to be coordinated through the Local Drought Support Coordinators).
- ❖ **Resourcing for social gatherings** (to be organised by the Local Drought Support Coordinators).
- ❖ **Adequate resourcing of the Rural Financial Counsellor network to cope with the current demand.**
- ❖ **A suite of other assistance measures to assist growers to either remain in their local community, or to move in search of employment, including:**
 - Deferral of essential charges utilities and services;
 - Relocation assistance.
- ❖ **Recognition by governments of the natural assets of each region and changes to regional demographics; and provision of targeted adjustments/interventions based on regional priorities.**
- ❖ **Building sustainable regional communities, which includes the provision of greater, not less, service delivery in affected regions (i.e. policies which support regional development and infrastructure - human and physical).**
- ❖ **Development of social infrastructure in each region that is preparing for the next ‘event’.**
- ❖ **Market protection assistance to maintain markets, enhancing recovery and the protection of hard-fought markets.**

Families:

- ❖ **A more strategic restructure package that includes an Exit package, Relief Payments and adjustment package; and better targeting of the EC Relief payments to not inhibit adjustment.**
- ❖ **A more pro-active approach to adjustment and an exit strategy and package that works (i.e. recommended changes to the Exit Package eligibility criteria, particularly in relation to**

the requirement to leave the farm, multiple-family farms and the asset and superannuation tests).

- ❖ **A consensus on what constitutes the preferred and sustainable farming business model for each defined region**
 - particularly the nature and place of “lifestyle” producers, and
 - adjustment of those, given that ‘they’ are wasting valuable water resources, out of the industry
 - simultaneously question the policy that subscribes that “*get big or get out*” is the only option
 - more business management support for producer’s decision making.
- ❖ **Ageing Population (delayed succession planning). Granting pension entitlements** (i.e. waiver of the 5 year rule) to older generations it would alleviate significant financial burdens on the younger generations who are left running the farm during periods of drought.

Employment/Professional Development:

- ❖ **Better decision making and control in catchment management areas (particularly in the MDB) to ensure sustainable flow/storages/allocations that account for periods of low inflows such as now, particularly**
 - with regard to inter-governmental agreements and arrangements, and
 - adjusting this in light of the current experience (and climate change predictions?).
- ❖ **National adoption, and acknowledgement of, the efficient irrigation reticulation and management that has occurred in Horticulture.**
- ❖ **Improved business understanding by growers, including:**
 - Extension of the current Drought Information Delivery for Horticulture program currently underway in the lower MDB;
 - Consideration of national roll-out of Queensland's Farm Management extension program.
- ❖ **Improved connections in the market chain (eg packhouses, processors) with regard to managing the risk of low water allocations, including:**
 - Better understanding of market chain outlooks (in combination with water outlooks).
- ❖ **More research into, and thus better understanding of, the impacts of restricted water allocations upon whole communities.**
- ❖ **Improved information on water resources and allocations to inform decisions by irrigators particularly**
 - more emphasis on predictions/projections of storages, flows and allocations;
 - continuation of industry leading advice to growers on water management during drought.
- ❖ **Encourage interest in a ‘learning culture’ in Horticultural enterprises**
 - Rapid deployment of the newly-merged national Training Packages;

- Assistance for Peak Industry Bodies/Regional Horticultural Taskforces to implement training and professional development modelled on the Bundaberg Career Pathways project;
- Acceptance of the concept of Skills Sets as a valuable tool in providing 'Just-in-Time, Just-for-Me' skills development as a first step in a greater acceptance of a learning culture;
- Rapid adoption of time- and cost-efficient RPL/RCC processes - as modelled by Tocal, NSW - (for owner/operators impacted by drought in the first instance); aimed at improving self-esteem; providing 'saleable' skills; and encouraging understanding, and uptake, of, competency-based training designed by the industry for the industry.

❖ **IDMPs expanded to require best management practices.**

Mental & Physical Health:

- ❖ **Significant collective effort by governments directed at adequate funding for regional/rural mental and physical health services; and liaison and coordination to address the current fragmentation of service delivery;**
- ❖ **Ensure that front-line health care workers and affected growers have access to the many excellent support services and resources, to raise awareness and thus play a crucial role in reducing the physical and mental toll of constant stress and anxiety;**
- ❖ **National roll-out of an initiative such as the Rural Mental Health Network (improving mental health literacy - including rural youth, partnering with beyondBlue, support for Mensline - improving access to counselling services;**
- ❖ **The Rural Doctors' Association estimates a deficit of 16,000 General Practitioners, and 60,000 nursing positions - these need to be addressed as a matter of urgency;**
- ❖ **HAC expects State and Federal Governments to explore and adequately resourced suitable models of integrated regional health care - such as the Rural Doctors' proposed new model of medical practice for regional Australia (combining nursing, midwifery and GP services).**

INTRODUCTION

Horticulture Australia Council (HAC) is the peak national industry body representing the Horticultural industries. Members of HAC are the national peak industry bodies (PIBs) for the Horticultural industries, and some State grower organisations. Horticulture Australia Council (HAC) represents over 97% of the Australian horticulture industry, and its Member organisations include:

- Apple & Pear Australia
- Agricultural Investment Managers Australia
- Avocados Australia
- Australian Banana Growers' Council
- Australian Citrus Growers
- Australia Custard Apple Growers
- Australian Dried Fruit Association
- Australian Mushroom Growers Association
- Australian Nut Industry Council
- Australian Passionfruit Industry Association
- Ausveg
- Cherry Growers of Australia
- Growcom
- NSW Farmers' Association
- Nursery and Garden Industry Australia
- Persimmon Industry Association
- Strawberries Australia
- Turf Producers Australia

Horticulture in Australia

Horticulture in Australia is intensive, generally irrigated, agriculture. Horticulture is a diverse industry, spread across the continent in a wide array of climates. Horticulture is the second-largest and fastest growing industry in agriculture; with some 30,000 businesses nationally, and a farm gate value of \$8 billion. Total horticultural exports in 2006/07 were \$763 million. As the most labour intensive of all agricultural industries, Horticulture employs one-third of those employed in agriculture. The industry is the principal driver of many local communities and economies in rural and regional Australia (see Appendix 2).

Primary horticultural imports into Australia were valued at around A\$690 million on an annual basis (2005/06) and have been growing strongly over recent years. Concurrently, the scale and complexity of the threat of pests and diseases is increasing, which - together with increasing imports and exposure to natural spread - requires effective management of risk of incursion and spread.

Members of the Horticultural industries take seriously their responsibilities to operate within the constraints of environmental and climatic conditions; and significant research and extension work has taken place within the industry over the past decade to ensure that Horticulture's Water Use Efficiency (WUE), for example, is world's best practice.

Background to Exceptional Circumstances

Drought is an inherent part of agriculture in Australia. There has been a long history of general community expectation that governments should provide assistance when droughts become 'exceptional'. However, there is no consensus as to how best this might be done. Nor is there uniform agreement on what is meant by 'drought', let alone what form of intervention governments should provide in the event that an 'exceptional drought' does occur. Indeed, current Commonwealth-State approaches to drought are too complex, inefficient and do not deliver assistance that is needed when and where it can do most good, particularly for horticultural enterprises.

Until 1992, drought assistance programs were part of the nation's natural disaster policies. The Commonwealth initiated change by rejecting the concept that drought was a specific climate event, and a major policy shift occurred, linking drought to rural adjustment policies. This was aimed at promoting a more market-oriented approach to all agricultural policies and stimulating productivity improvements under the principles of self-reliance and sound risk management practices. While remaining largely undefined to this day, the idea behind Exceptional Circumstances policy is that viable farmers will incorporate 'normal drought' risk management in their business plans, but sometimes there are events that even the best managers cannot be expected to anticipate. In theory, when criteria defining these 'exceptional events' are met, various government responses are triggered.

There is a need to ensure that policy frameworks deliver sound, consistent and equitable programs that respond to real needs (either immediate, in response to an emergency or crisis, or longer-term, in response to emerging change) and free from political pressure (short-term and fleeting). It is essential that State and Federal governments commit to keeping drought issues apolitical, delivering policies that engender broad community and bipartisan support. The current policies for both State and Commonwealth drought measures state the broad tenets for progressive and efficient agriculture (from the Agriculture – Advancing Australia initiative), while understanding that there are circumstances that are beyond the scope of normal management practices and warrant government intervention because there is no other mechanism for managing that risk.

In principle, before the policy is activated, a number of critical factors need to be in evidence, namely:

- The event must be rare and severe;
- It must cause a severe downturn in farm income for a prolonged period; and
- It must not be predictable, or part of structural adjustment.

While the policy has evolved over time, it still lacks clear definitions and does not operate smoothly or with adequate feedback during the decision making process. The policy hinges on 'income' as the key indicator that government assistance is needed.

The justification for government intervention in such a scenario is that the event is so rare and beyond the scope of normal business risk management, and causing a sufficiently widespread and severe downturn in farm incomes, that it is in the national interest to provide assistance to otherwise viable farmers. How all these matters can be objectively measured remains a source of great frustration.

Indeed the policy operates with the potentially inconsistent objective “to provide short-term targeted assistance to long-term viable farmers in times of rare and severe events”. In theory, the policy is intended to promote high levels of risk management and the concepts of self reliance and sustainability, but there is inherent conflict between these stated objectives.

Review of Drought Policy

HAC has been concerned for some time about the economic/social impact of drought on farm families and rural communities, so we are pleased to support the work of the Panel as part of the Government’s review of drought policy.

For the first time ever horticulture producers across the country have been seriously impacted by this drought. This has resulted in outcomes that are outside those usually experienced by farming operations and the communities that support them. Horticultural production units are far more intensive than broadacre operations, and are in the main irrigated. The impacts of drought on perennial plantings have been devastating. As large labour users, the resultant business consequences have been dire not just for our growers but for the communities which rely on them as key economic drivers.

The severity of the current drought has exceeded all normal drought risk management measures in many regions (particularly in southern Australia) resulting insignificant downturns across a wide range of primary production, farm supply and services and regional businesses. However, much of the assistance available from Government has failed to provide real relief. With the risk of climate viability continuing to change and perhaps increase, there is a need for a more systematic approach to Government investment and intervention to satisfy the needs of the whole economy and community.

To generate a good policy outcome i.e. that Government, businesses and the community are better prepared for future droughts, HAC recommends the reform of many of the current programs; concurrent with the implementation of a new platform of programs and risk management tools, incentives and strategies, while promoting and rewarding a preparedness culture as the first line of defence against drought (and other extreme weather events).

Consequences of drought directly impact on growers, farming families, local businesses and regional communities. Horticulture is inextricably linked with the economic, social and cultural vigour of significant numbers of regional communities spread widely across the country. It is not possible to clearly separate economic sustainability of producers and regions from the social impacts on those regions and communities, and the multiplier for horticulture is estimated, on average, as a factor of five (5).

As Cyclone Larry’s impact on north Queensland’s communities or the deepening crisis in the MDB amply illustrate, it is not possible to view economic or social consequences of drought or disaster in isolation.

The foundation of future drought policy should be based on the following principles:

- **Policy development must be forward thinking, wholistic, strategic, and based on sound data; rather than based on more traditional policy formulation approaches.**

- Policies delivering only conditional grants to businesses and individuals are not as efficient as broader-based public incentives and programs.
- Basic welfare safety nets must continue to be available to farmers as they are to the wider community.

"I find it difficult to understand why the problem has not yet been defined. We do not really know the real impacts of this exceptional circumstance because it has not been addressed as a problem solving exercise. What we are seeing is a number of knee jerk reactions to what is becoming a monumental disaster. There has been no general assessment of the exact nature of social, emotional and financial impacts. Very little has been quantified in a way which can allow deliberate planning can be carried out to minimise the trauma and control the fallout from the crisis. Without definition we cannot consider alternatives, those who need help immediately, and where most help should be directed. I am extremely concerned when I hear a minister say "We'll probably lose 15% to 20% of our growers". This is probably what is going to happen, but what are we doing about it?"

This Submission outlines our recommendations as to how to more effectively invest public resources in drought programs targeted at preparation and self reliance, management through drought, and recovery from drought. It provides a platform for policy change that can yield greater benefits to both the public at large, regional communities and farming families and enterprises.

Responding to Extreme Weather Events

While Australia has always been known for its "droughts and flooding rains", and bushfires, climate change has in recent years seen more, and more extreme, weather events impact on horticulture.

For example, two severe hail storms before and after Christmas 2005 devastated the Summerfruit (particularly stone fruit) and pome fruits (apple and pear) industries, and had major impacts on many other industries across eastern and south-eastern Australia, from Tasmania through to Queensland (including major fruit-growing areas such as Batlow, Murray-Goulburn, Young, Orange and Stanthorpe). Many growers in these regions now find it difficult to even gain hail insurance – for while many were 'protected' by hail netting, most types of netting were destroyed during the storms. Cyclone *Larry* provides us with yet another example of the devastating impact of climate change; as does the current crisis situation in the lower Murray-Darling Basin.

It seems clear that this situation is likely to become more extreme and unpredictable, at least for the immediate future – and some measures in place for the current drought, for instance, will need to be extended for a minimum of 3 years.

Disaster Preparedness

There is clear evidence that farm management tools which incorporate climate variability have been operating with some degree of success for non exceptional droughts. HAC contends that these programs, along with groundwater/hydrological information offer considerable

leverage in dealing with drought and should become the centerpieces of future 'drought/disaster policies'.

The horticulture industry represents the future of agriculture – playing a vital role in the Majority of our regional economies and communities, providing significant employment, enhancing economic diversification and adding significant value throughout the food, transport, wholesale and retail industries. The industry is an innovative, consumer-focussed provider of clean and green produce for world markets, and a high value and efficient user of water and other natural resources.

In order to support the industry, our industries require drought policies that assist them to maintain their enterprises through periods of harsh climatic conditions.

Future drought policy must predominantly focus on *Drought (or Disaster) Preparedness*. This is the most efficient use of tax-payer investment and the only approach that will help ensure long term sustainability of rural industries. A process that rewards excellent natural, financial and physical resource management is preferred. The existing framework tends to discriminate against those who successfully plan and manage for drought by ruling them ineligible because of that success. The criteria requiring farmers to have debt and a traditional family farm business structure is equally unproductive and outdated.

Currently, the only significant natural disasters 'future preparedness' tool open to growers is the Farm Management Deposits Scheme. This involves setting aside and lodging funds with the ATO in high income years and withdrawing the funds at a concessional tax rate in low income years - provided farm income exceeds 50pc of gross taxable income (in order to qualify for the scheme). There is also a \$300k limit on funds lodgement. Considering total funds under the Farm Management Deposits Scheme have exceeded \$1.0billion in recent years, it has become an effective means of evening out the peaks and troughs in farm income.

However, it represents a very narrow approach to risk management - in that it basically relies on the tax system incentives alone to encourage input and withdrawal of funds that a grower may need to address a 'natural disaster'. Secondly, it is more akin to an off-farm investment which may not actually be applied to a disaster - without first considering tax effectiveness.

The current model has very little linkage with commercial insurance structures. Most growers commit significant general insurance dollars to reduce the risk of asset loss - perhaps associated with theft, fire and frost. However, when it comes to broader 'natural disasters' insurance cover, the investment is not at all focused and may not be offered commercially.

Secondly, there are many examples where if the industry is small or the insurance premium is high it is virtually impossible to obtain insurance cover at a manageable premium or, in the event of a significant claim, it is impossible to get cover thereafter. This points to a very thin market for natural disasters insurance – generally (as in the example of hail insurance).

This is a classic situation of market failure, where due to the commercial risks (combined with high commercial premiums that cause a thin market or grower uptake) there is insufficient incentive to make further provision in the good years for the bad years i.e. growers take their chances and rely on government benevolence.

From 'Exceptional Circumstances' to Disaster Relief

It is this reality that has the affect of re-asserting the hand-out mentality of the rural adjustment scheme - exceptional circumstances provisions - and works against an increased level of preparedness in micro- managing (at farm) the risk of natural disasters.

In the light of the growing impacts of climate change, industry is keen to continue to work with Government on the development of a more strategic and whole-of-governments approach to disaster responses. Climate change induced variability in the farming environment increases the urgency for consideration of this approach.

One major alternative approach/adjunct to risk management is a stronger commercial linkage – that is to encourage natural disasters preparedness. In the same way as growers sign up for their general insurance annually, they would ideally make a similar provision/allocation to bad weather or natural disasters mitigation.

To ensure an approach which allows the insurance industry to be involved as much as possible in managing the risk, it is proposed that the insurer is able to cover an underwriting loss out of premiums - with a government (premium subsidy) to fund that difference.

By way of background: an insurance premium alone does not generally cover the total insurance risk. An insurer makes up the difference by a combination of laying off the risk at the time of the disaster event (against other insurers), and generating added revenue on an ongoing basis by investing yearly premiums in the money market (generating increased capital) in turn applied to an insurance event.

To the extent that it would be possible to introduce an insurance premium subsidy that would add market depth and allow the insurance risk to be fully funded, the first step towards getting many more growers to provide for their own potential natural disaster - at a micro (farm) level - would be achieved.

The cost to government of a premium subsidy (while requiring more analysis) is not considered to be a whole new funding outlay, in that there is expected to be an offset in terms of lower Exceptional Circumstances expenditure. Secondly, as this approach involves promoting a cultural shift in farmer thinking, to qualify for a natural disaster premium subsidy may be conditional upon the grower undertaking certain risk-proofing activities on the farm.

HAC recommends that the Australian **government introduce a commercially complementary insurance-based risk management system and funding for rural sector natural disasters 'preparedness'**.

In the 2007-08 Budget the Australian government saw the wisdom of creating an endowment fund for future education infrastructure (and education excellence) and a similar approach to supplementary resourcing of a true natural disasters insurance scheme would seem equally appropriate.

Enhancements of such a scheme and greater commitment from industry might well be achieved if government support paralleled the thinking and approach behind the grower re-imburement model that has been introduced to support early warning and loss of income

associated with eradicating an exotic pest or disease (PlantPlan). In the latter case government has seen fit to underwrite the cost of eradicating a disease against a future levy income stream - payable by the industry. In relation to natural disaster insurance, there is a similar case for support although the market failure associated with meeting and funding the cost of natural disaster premiums is considered to be greater.

Disaster Assistance

The current situation for many in Horticulture during the current drought (particularly in, but not limited to, the deepening crisis in the lower MDB) has resulted in an unprecedented process of unplanned structural adjustment on a massive scale. Unfortunately, there has not to date been a strategic or systemic response to the crisis from governments; particularly in regard to community resilience and social infrastructure.

Traditional assistance measures are still primarily geared to broad-acre production (eg flood relief; tax relief in drought for re-stocking, etc.). This creates frustrating delays for growers already struggling with farm survival or re-planting/re-stocking issues (and perhaps even the destruction of their homes, as in the case of Cyclone *Larry* or a major bushfire).

Many horticultural growers currently fall within Exceptional Circumstances-declared regions, and recent changes to eligibility criteria means intensive irrigated farmers are finally eligible to apply for financial assistance. Assistance is in the form of interest rate subsidies, income support, Exit Grants, and MDB Irrigation Management Grants. However (as at end of May 2008), relatively few had actually been eligible to receive such assistance (DAFF/Centrelink data can be provided to the Panel). A useful addition would be to ensure that assistance is provided to subsidise existing employees to keep them in work and in the community.

In summary, the current EC package is not being effectively accessed by horticulture. Additional measures are required which would significantly reduce the burden on producers trying to return to productivity and profitability.

“EC is a new situation for most irrigators, especially those with permanent plantings. It is a very difficult situation for many to accept, especially those who are suffering because of years of overuse by those who have first access to the water. The creation of huge surface dams with little regard for riparian principals has contributed significantly to the worsening drought situation. Many downstream users see it as immoral that one group, with government support, can put in jeopardy the livelihoods of fellow irrigators who happen to be further downstream. The fact that many of the upstream users remain unmetered is a festering wound.

The Exit Grant package has been a fiasco from its inception. There are far too many hurdles and the "rewards" for getting over them minimal. \$150000 would appear to be a pittance when it is expected that the recipient must relinquish their income, their ambition, their home and sometimes their life's work. No wonder there are very few "takers". However the problems with the "grant" do not stop there! The Grant is taxable. Tenure can be a problem. Even though the property owner may be severely affected by the exceptional circumstance, he/she must have owned the property for five years to be eligible. Those who have sought off-farm work to ride out the current crisis may be found ineligible because they are not contributing significantly to the

enterprise. The farmer must sell their property to remove themselves from farming. This in itself suggests that they are failed farmers. The bigger problem is that irrigation properties are almost unsaleable. Who in their right mind would buy an irrigation property with a 2% irrigation entitlement??

"We have been refused [EC], and are appealing - on all 7 reasons for the rejection. The major reasons for rejection are just plain errors that should have been eliminated by checking facts! It seems that those that are financially viable are being refused (even though it is a basic criteria) in favour of those who are stuffed - this helps neither party: - deferring an exit decision for a year or so does nothing for the irrigator or the community and its resources. Denying that a business turning over \$2M pre drought can sustain an 850k water lease last year is not due to severe climate impact. [This] forces the question [by Centrelink]: "What other reason caused that expenditure"? This non-compliance of the EC boffins (with the stated purpose of EC assistance), means that I have to decide to manage our business into this year's drought, with the expectation that we will be knackered enough to be eligible for EC. Essentially, it really means that we will be so crippled with debt that financial survival will depend on all the planets aligning - good rains, good crops, good prices, falling interest rates, no new government taxes! I no longer believe in the tooth fairy! A business in this state can teeter for years before failing - in the meantime the owners are dependent on more and more assistance and the country receives no tax payments. EC is not being delivered to "otherwise viable" irrigators???"

"The timing of drought relative to a significant new development or infrastructure upgrade can make an otherwise conservative business look like a high debt\risk operation. In fact the irrigator may have a long term budget that keeps debt below 50% and a 1 in 100 year drought can blow that ratio out to 75% in one year - that's what I see as "severe climate impact". Also meets the 'rare' criteria in my opinion. It seems that EC is being administered now with the assumption drought events such as this one may now be a 1 in 3 year risk. That may well prove to be so - but EC HAS NOT BEEN REWRITTEN YET! Rewriting EC in this way to make most irrigators ineligible will not help those that should be helped by normal Australian standards for industry assistance!"

"Exit Grants require the land to be sold and the house vacated - impossible in irrigated areas in the short term if the water has been sold. Exit Grants should be payable now and the land remains unfarmed for up to 5 years (or the grant is refunded). This would give the owners time to move house. Buyers will be attracted back to this land because the fuel price is creating new opportunities for soft commodities. If the farmer subsequently sells his land and house the cash should be his. He is essentially funding a land bank for agricultural renewal. This will occur first inside the pumped districts, because of cheap land with infrastructure in place - probably about 30% of virgin development costs. The 4% cap rule applied by pumped districts in Vic & SA will achieve the direct opposite of its proponents intent: agony for communities will be prolonged; real market activity and values will be achieved in the unfettered areas; horticultural renewal will occur in NSW and on private properties ahead of pumped districts".

Cyclone *Larry* provides an effective case-study of other government measures which could relieve some of the burden an Extreme Weather Event/Disaster places on growers. The level of cooperation and coordination between State, Federal and local governments provides a model of the basic principles in dealing with an Extreme Weather Event, and have relevance for other industries (certainly Horticultural industries) suffering the devastating impacts of climate change. In this instance, governments provided:

- ❖ Support for laid off workers and their families – “work for the dole” schemes and/or fast tracking of benefits;
- ❖ Assistance to retain key personnel on farms;
- ❖ Income support for farm families;
- ❖ replanting assistance grants – regeneration costs for an agreed proportion (in the case of *Larry*, $\frac{1}{3}$) of production area;
- ❖ Low interest loans for follow-up planting – remaining ($\frac{2}{3}$ of) production area;
- ❖ Exit scheme for those who aren’t in a position to re-build/choose not to replant;
- ❖ Payment of interest on loans, or lease payments, for 1 to 2 years until growers get back on their feet;
- ❖ Prompt appointment of a ‘disaster recovery coordinator’ for the affected region.

HAC is strongly of the view that, whatever changes are made to the Drought Support Policy settings, a transition arrangement is a critical step. In HAC’s view, we should be aiming to achieve a sustainable regional industry, employment and community model once the quantum of those wishing to leave have access to the Exit Package, and the situation is clearer.

It is our industry’s view, for example, that many growers in the Lower MDB would be willing to exit the industry with some dignity (rather than be forced onto welfare), but do not currently meet the criteria (eg cannot leave/sell their land/home). It is our view that potential synergies between Minister Wong’s Water Buy-back for the Environment, Exit Package criteria in the MDB are currently not being implemented for the public good.

In the short-term, we are keen to access (on a regular basis) data on **ALL** EC applications (disaggregated to Horticulture, ideally by industry and region) in addition to **successful** EC applications. It is difficult to make recommendations on policy settings for a re-designed program going forward without accurate data.

In the longer-term, growers are looking for support for those who have made the adjustments, taken the risks, and moved towards sustainability.

As a matter of urgency, an alternative model of Disaster Relief, suitable to the situation for intensive (usually irrigated) industries - rather than the traditional model developed for dry-land, broad-acre farming - needs to be implemented.

Recommendations:

- ❖ **Strategic investment in establishing the impacts of the current drought:**
 - A general assessment of the exact nature of social, emotional and financial impacts;
 - To allow deliberate planning to minimise the trauma, and control the fallout from, the crisis.

- ❖ **Development of an alternative model of Drought/Disaster Relief. (For full details of HAC's proposed changes to current EC arrangements, see Appendix 1.)**

RESPONSE TO ISSUES PAPER

1. EDUCATION & TRAINING

The issue of regional employment during drought is a major issue recognised by the industry. There has been no effective way to 'secure' employment during the downturn associated with drought. This is a major problem for all specialist service providers and to the special operators further down the supply chain including packing shed and refrigeration operators. Regional employment is one of the main drivers of the policy changes proposed in this submission.

The best solution to drought and climate change is to prepare ahead for the impacts so that they can be minimised. This way, the retention of important skills and general employment considerations become less of a problem than under the current policies.

The major issue is that if these staff have to be put off, even if only for a short time, they almost always leave the district (there being no alternative work available within the district), and it is very difficult to entice these people, or find suitably skilled replacements, back when business resumes with the return of more favourable weather. A program is required to provide assistance to farmers to keep key workers employed during drought, rather than having to sack them. Keeping people in the region is better for the employer, the employee and their family, along with the community and businesses that depend on earnings being spent locally.

While it was noted earlier that existing drought programs may have reduced or at least postponed the negative impacts on farm incomes, there is evidence they have not been able to stop the loss of jobs. In 2003, for example, Growcom undertook an employment survey which revealed that as many as 50% of horticultural farmers have had to let staff go as a result of drought. One tangible benefit for those accessing assistance was that it helped them retain employees; however, too few growers were eligible to access the assistance.

Other rural industries have experienced similar impacts on staff levels, and regional Australia has lost a valuable resource – its skilled rural workforce. Recovery from this devastating event is made all the more difficult with a diminished labour force. Many producers are now being faced with the arduous task of replacing staff for the coming year, and with financial resources stretched to the limit, questions such as “How do I find the right person for the job?” or “How can I up-skill the staff I have left?” are being asked.

There is a need consider as a part of EC to exempt students transitioning from High School to University, have a reprieve from asset testing for independent student status along with gap year earning status - ie ability to earn required amount is limited due to decreases in employment, potentially leading to youth not attending university, and losing future regional skills bases.

Apprenticeships and traineeships are seen as a cost effective way to recruit; and these programs have been found to develop loyal and motivated staff. The training is flexible to suit the work environment and there may also be financial incentives involved for employers. Apprenticeships and traineeships combine work with training, and are offered in more than 600 occupations. They can be full-time, part-time or school-based

and can also be undertaken by existing employees. However, Certificate III in Production Horticulture (unlike the equivalent qualification for Amenity Horticulture), while acknowledged by industry as the entry-level qualification for skilled workers, is not currently recognised by Government as the trade-equivalent qualification for the industry. HAC is seeking recognition by Governments of the Certificate III in Production Horticulture as the trade-equivalent qualification for the industry.

HAC believes that apprenticeship and traineeship options (along the lines recommended by the Growcom Workforce Planning Initiative, and as modelled by the Bundaberg Career Pathways project) should be further examined as a means of retaining and up-skilling staff during drought (and other Extreme Weather Events).

"If we look to recovery we must be able to retain our workforce. Farm workers must be able to afford to remain in the region. Unfortunately, many have been put off, or had their hours reduced. Seasonal workers have also been affected because of the poor crops or reduction in planted area. Obviously little can be done to support this group, but we must be concerned about our permanent employees."

Recommendations:

Recommendations for improving education and training for Horticultural owner/operators and their staff include:

- ❖ **Rapid deployment of the newly-merged national Training Packages;**
- ❖ **Recognition by Governments of the Certificate III in Production Horticulture as the trade-equivalent qualification for the industry;**
- ❖ **Assistance for Peak Industry Bodies/Regional Horticultural Taskforces to implement training and professional development modelled on the Bundaberg Career Pathways project;**
- ❖ **Acceptance of the concept of Skills Sets as a valuable tool in providing 'Just-in-Time, Just-for-Me' skills development as a first step in a greater acceptance of a learning culture;**
- ❖ **Rapid adoption of time- and cost-efficient RPL/RCC processes - as modelled by Tocal, NSW - (for owner/operators impacted by drought in the first instance); aimed at improving self-esteem; providing 'saleable' skills; and encouraging understanding, and uptake, of, competency-based training designed by the industry for the industry.**
- ❖ **Encourage interest in a 'learning culture' in Horticultural enterprises.**

In the short-term, EC assistance needs to include provision for growers to retain key personnel. HAC recommends:

- ❖ **Extension of worker wage subsidy scheme from 13 weeks, to align with the projected return to production; this will significantly assist in providing the industry with the capacity to fund its major labour requirements for the recovery period;**
- ❖ **In order to retain key personnel (particularly in production lag phase), enable Centrelink income support payments to be channelled via the employer, who is able to “top-up” salary to as close to normal as possible.**

2. Community Development and Sustainability

Consequences of drought directly impact on growers, farming families, local businesses and regional communities. It is not possible to clearly separate economic sustainability of producers and regions from the social impacts on those regions and communities, and the multiplier for horticulture is estimated, on average, as a factor of five (5).

Estimates of nature of this current drought, and predictions of on-going drought as a result of climate change and variability, leave little doubt that this is unlikely to be a one-off event. The current drought has highlighted a need for better integration, and increased responsiveness, of services to maintain and improve the health and well-being of rural and regional Australians.

The current EC package - traditionally targeted at broad-acre, dryland farming - is not being effectively accessed by horticulture. Additional measures are required which would significantly reduce the burden on producers trying to return to productivity and profitability.

Community and commodity groups have been unanimous in expressing frustration at the multi-levels of governments involved in drought programs; re-filling the same basic personal, business and financial information over and over on forms (the bane of most farmers' existence at the best of times!), even for the same agency; and inconsistencies across bureaucratic domains. It is therefore recommended that a single drought assistance application process be implemented where a primary producer can complete one application to access the range of assistance programs.

The concern of farmer representative bodies, including HAC as the peak national 'umbrella' organisation representing horticulture, is that in the present situation many farmers are facing major decisions about their future viability within their industry, within agriculture, or even within their community. However, many may not be best placed at this time to make a rational decision.

HAC recommends:

A National Network of Local Drought Support Coordinators

This proposal is modelled on the highly successful *Dairy Family* program, established jointly by NSW DPI and NSW Dairyfarmers' Association as part of a suite of responses to de-regulation of the Dairy industry.

It is proposed to combine the most outstanding successful activities of this program in the person of a local coordinator/family counsellor:

- networking and coordination of services at the local level, making farmers aware of the services on offer and the individual and agencies offering those services;
- free social activities (BBQs, family days, Awards Night dinners), which brought the local farmers together with the local service providers in an informal, relaxed atmosphere – and which also enabled them to engage their social support networks within their community;
- family counsellors/social workers/counsellors who can visit families on-farm, and offer support, a ‘listening ear’ and appropriate referral to other agencies.

The individuals concerned would need to be “locals” themselves, conversant with the circumstances and issues at the local level. They would require basic administration skills; and appropriate skills in social work, counselling, family counselling or community development.

The coordinators would require funding for their salaries; admin. support (phone, printing of contact list fridge magnets and local newsletters, photocopying etc.); a car or fuel reimbursement; social events (though the *Dairy Family* experience was that sponsorship was often forthcoming from local businesses); regular de-briefing sessions and 6-monthly workshops with their colleagues nationally.

The local coordinators (approximately 95 - 100, mirroring the current RFC network) would be required to work closely in a team with the DAFF EC team, including Rural Financial Counsellors and Drought Support Officers. They would be oversighted at the local level by a Steering Committee (similar to those which currently support Rural Financial Counsellors), and at the national level by DAFF.

Rural Financial Counsellors - are a valuable asset to any rural community and they have played an important role in helping thousands of farmers examine and assess their financial positions. Ensuring there are sufficient resources dedicated to the Rural Financial Counsellor network to optimise good decision-making, and reduction of major factors in depression and anxiety.

- With added pressure brought on by the drought, farmers and people in the agricultural industry need to ensure that they have access to good information when making important financial decisions. The better informed the decision maker, the better their financial decision will be. Rural Financial Counsellors ensure that people are aware of all the financial options available to them.
- Financial pressures, brought on by drought, are a major factor of depression and anxiety in rural communities. The ability for people to discuss financial options with experts plays a major role of alleviating some of the increased stress caused by the drought. It is vital that significant funds be put towards this area given the potentially massive draw on resources as the result of new industries applying for assistance in large numbers.

Social gatherings – To be organised by the Local Drought Support Coordinators

- For example, gatherings of local farming communities and support agencies have been occurring on an *ad hoc* basis across NSW. (This also reflects the experience of the highly successful *DairyFamily* in NSW.) Reports from these meetings have been overwhelmingly positive, with the gatherings giving people the opportunity to get together and discuss the current drought situation with the relevant local experts present to answer any questions regarding support and assistance during these times.

- So far these gatherings have been local initiatives; however, with funding and information provided, these similar style gatherings could be easily run in each affected region. These gatherings are a very cost efficient way of achieving two very important functions.
- Bringing all the local support agencies together is a very effective way of ensuring that growers have all the information they require on financial assistance and counselling support. With the Rural Assistance Authorities, local bank manager, Centrelink, Drought Support Workers, Rural Financial Counsellors, Mental Health groups, Local Shire Councils and State DPI Extension Officers etc. present, it also provides an informal environment where questions can be asked and the problems of “self assessing” overcome.
- Such gatherings also serve as an important social opportunity for people to come together and help overcome the feeling of isolation that is often associated with drought and times of hardship (loss of social capital).

Community Development Activities – To be coordinated through the Local Drought Support Coordinators

There is a perceived need for seed-funding for community development purposes in regional centres and towns affected by the drought; such community projects need to be supported because of the community spirit that flows from the completion of a local project. These could be in the form of a community arts project; a working bee to re-turf the school oval, or improve the canteen; a project to enhance programs offered by the local hospital, aged care facility, or Seniors’ Club; or the local golf club seeking financial assistance to complete improvements to the local golf course by converting the golf greens to grass.

Case study – Riverland Community Arts Project

On behalf of the proposed Riverland Community Arts Project, HAC made a submission to *Helping Hands* (a grants program to assist small rural communities through the Foundation for Rural & Regional Renewal) for seed-funding for this project. A group of renowned Riverland artists has come together to offer assistance to local Riverland horticultural growers. Their desire to assist is driven by a recognition that this segment of their fellow community members are facing difficult times as a result of the drought, and also in recognition that the now diverse Riverland communities, businesses and infrastructure have risen on the back of the growers and the family businesses they forged. The arts community has much to offer and brings a creativity and difference to the portfolio of assistance.

The objective of the proposal is to connect directly with a significant number of grower families, particularly the more ‘un-engaged’ (of which there are many in such a culturally diverse community as the Riverland); identify particular needs; and assisting in providing appropriate assistance - through the vehicle of a community arts project. This creative group is proposing a community project of significant proportions that will “attract growers of all generations and heritage” and provide the opportunity to recognise needs.

The project is the construction of a perpetual monument recording the contribution of growers to the establishment and growth of the Riverland communities. This construction will take the form of a 40ft tall sculpture to be erected in Berri as a perpetual in a prominent public place.

Although the design and construction will be overseen by the “arts” group, the most important aspect of the project is the physical contribution by growers of historic (and present day) artefacts that will make up the components of the sculpture. Growers will be invited and encouraged to contribute memorabilia, and where possible, physically attach “their piece of history” to the monument.

Unfortunately, while commended, the application was not successful on this round (large competition for funds!), and there appear to be no alternative seed-funding sources for such community development projects.

Deferral of charges - Producers who are identified as suffering the impacts of drought should receive some form of rebate, subsidy or deferment on the payment of essential charges for utilities and services. Charges like Council rates, RLPB rates, utility bills, motor and machinery registration and school and health fees all place additional pressure on households experiencing low to zero cashflow due to drought conditions. A system similar to this was administered through the Country Women’s Association to ensure essential bills and schooling costs were covered.

Relocation assistance - Many farmers are being forced to relocate to regional centres to find paid work while the farm is unable to generate an income stream due to the current drought situation.

- Relocation grants would assist people not capable of financing this relocation process and who would hence be forced to remain on their property. Rental assistance would further help people in this situation, and also provide an avenue for people to financially support themselves through an off farm income during the period where the farm isn’t producing.
- As part of relocation grants, skills based training concessions or reimbursements would ensure that people exiting the farming industry would be able to support themselves in alternate industries and therefore reduce their dependence upon welfare.

Recommendations:

- ❖ **Establishment of a national network of Local Drought Support Coordinators.**
- ❖ **A suite of other assistance measures to assist growers to either remain in their local community, or to move in search of employment, including:**
 - Deferral of essential charges utilities and services;
 - Relocation assistance.
- ❖ **Funding for Community Development Activities** (to be coordinated through the Local Drought Support Coordinators).
- ❖ **Resourcing for social gatherings** (to be organised by the Local Drought Support Coordinators).
- ❖ **Adequate resourcing of the Rural Financial Counsellor network to cope with the current demand.**

- ❖ Recognition by governments of the natural assets of each region and changes to regional demographics; and provision of targeted adjustments/interventions based on regional priorities.
- ❖ Building sustainable regional communities, which includes the provision of greater, not less, service delivery in affected regions (i.e. policies which support regional development and infrastructure - human and physical).
- ❖ Market protection assistance to maintain markets, enhancing recovery and the protection of hard-fought markets.
- ❖ Development of social infrastructure in each region that is preparing for the next 'event'.

3. Families

HAC Recommends:

A more pro-active approach to adjustment and an exit strategy and package that works (i.e. recommended changes to the Exit Package eligibility criteria, particularly in relation to the requirement to leave the farm, multiple-family farms and the asset and superannuation tests).

A concerted effort to develop a community consensus on what constitutes the preferred and sustainable farming business model for each defined region

- particularly the nature and place of "lifestyle" producers; and
- adjustment of those, given that 'they' are wasting valuable water resources, out of the industry;
- simultaneously question the policy that subscribes that "*get big or get out*" is the only option;
- more business management support for producer's decision making.

Better targeting of the EC Relief payments to not inhibit adjustment. That is, a more strategic restructure package that includes an Exit package, Relief Payments and adjustment package.

Addressing the issue of an ageing population (particularly, delayed succession planning). HAC recommends a waiver of the '5 year rule' (i.e. granting of immediate pension entitlements to older generations of growers who have transferred, or who wish to transfer, the farm to the next generation)

- Currently older generations of farmers who have passed the family farm to the next generation are not entitled to a pension for a period of five years after the farm is transferred. This results in the parent living on the farm without a source of income and becoming reliant upon the younger generations. **Granting pension entitlements** to these older generations would alleviate significant financial burdens on the younger generations who are left running the farm during periods of drought.

Recommendations

- ❖ **A more strategic restructure package that includes an Exit package, Relief Payments and adjustment package; and better targeting of the EC Relief payments to not inhibit adjustment.**
- ❖ **A more pro-active approach to adjustment, and an exit strategy and package that works (i.e. recommended changes to the Exit Package eligibility criteria, particularly in relation to the requirement to leave the farm, multiple-family farms and the asset and superannuation tests).**
- ❖ **A community consensus on what constitutes the preferred and sustainable farming business model for each defined region**
 - particularly the nature and place of “lifestyle” producers, and
 - adjustment of those, given that ‘they’ are wasting valuable water resources, out of the industry
 - simultaneously question the policy that subscribes that “*get big or get out*” is the only option
 - more business management support for producer’s decision making.
- ❖ **Granting pension entitlements** (i.e. waiver of the 5 year rule) to older generations, would alleviate significant financial burdens on the younger generations who are left running the farm during periods of drought.

4. Employment & Professional Development

Industry leadership needs to be involved in improved connections/communications in the supply chain (eg packhouses, processors, retailers) with regard to managing the risk of low (and/or non-sustainable) water allocations

There is a need for improved (accuracy and timeliness) projection information for irrigators on available water resources and allocations to inform business decision-making;

Many growers required improved business, and whole-farm management, understanding. This could be provided through the extension of the current Drought Information Delivery for Horticulture program currently underway in the lower MDB, where there are a National Program Coordinator, regional service providers, and local Extension Providers already trained and on-the-ground. Queensland's Farm Management extension program may also be a valuable model nationally.

“The Riverland is noted for its poor uptake of adult learning. Records from Farmbis involvement suggest that the Riverland is one of the worst areas in Australia for the uptake of new skills and adult learning. There could be a number of factors creating this dilemma, amongst which could be the NSEB background or the average age group of the farming community. Nevertheless, it is an issue which needs analysis, and steps taken to address the situation. e.g. one of the most significant responses to the EC crisis has been the DAFF Irrigation Management Grants. Many irrigators have been successful in receiving the grant and have installed drip-irrigation with the grant funds. Unfortunately, many did not realise that a new set of skills has to be learned to

implement drip irrigation successfully. Some installed their systems on existing infrastructure with little thought being given to pressures and even distribution of their irrigation. Many do not realise that a completely new methodology has to be employed to maximise the implementation of a drip irrigation installation.”

Recommendations

- ❖ **Better decision making and control in catchment management areas (particularly in the MDB) to ensure sustainable flow/storages/allocations that account for periods of low inflows such as now, particularly**
 - with regard to inter-governmental agreements and arrangements, and
 - adjusting this in light of the current experience (and climate change predictions?).
- ❖ **National adoption, and acknowledgement of, the efficient irrigation reticulation and management that has occurred in Horticulture.**
- ❖ **Improved business understanding by growers, including:**
 - Extension of the current Drought Information Delivery for Horticulture program currently underway in the lower MDB;
 - Consideration of national roll-out of Queensland's Farm Management extension program.
- ❖ **Improved connections in the market chain (eg packhouses) with regard to managing the risk of low water allocations, including**
 - Better understanding of market chain outlooks (in combination with water outlooks).
- ❖ **More research into, and thus better understanding of, the impacts of restricted water allocations upon whole communities.**
- ❖ **Improved information on water resources and allocations to inform decisions by irrigators particularly**
 - more emphasis on predictions/projections of storages, flows and allocations;
 - industry leading advice to growers on water management during drought.
- ❖ **Encourage interest in a ‘learning culture’ in Horticultural enterprises**
 - Rapid deployment of the newly-merged national Training Packages;
 - Assistance for Peak Industry Bodies/Regional Horticultural Taskforces to implement training and professional development modelled on the Bundaberg Career Pathways project;
 - Acceptance of the concept of Skills Sets as a valuable tool in providing ‘Just-in-Time, Just-for-Me’ skills development as a first step in a greater acceptance of a learning culture;
 - Rapid adoption of time- and cost-efficient RPL/RCC processes - as modelled by Tocal, NSW - (for owner/operators impacted by drought in the first instance); aimed at improving self-esteem; providing ‘saleable’ skills; and encouraging understanding, and uptake, of, competency-based training designed by the industry for the industry.
- ❖ **IDMPs expanded to require best management practices.**

5. Mental & Physical Health

The Social Impacts of Drought:

The surveys of growers in the Riverland, undertaken in 2007 for the Socio-Economic Report¹ by UniSA revealed the following themes, though the same conducted in other regions of the MDB system would doubtless reveal similar issues:

- The importance of long-term contracts, particularly CCW contracts: relying on spot market transactions to sell fruit is not a preferred long term strategy;
- No participants had current household income which easily covered the necessities;
- Growers were increasingly dependent on very long hours of off-farm work, although it only partially compensated for the decline in on-farm income;
- Most growers have debt held by banks, particularly those growers who had expanded their operations in recent years;
- A surprising number of growers remained optimistic and were positive of a turnaround in prices;
- Those who were more pessimistic felt caught by the fact that land prices were now too low to justify selling their blocks;
- There was a significant degree of resentment that past years' hard work was not reflected in current income;
- There is evidence that low income is leading to growers economising on inputs, including water.

The social impact of financial stress was fundamentally emotional stress and associated feelings of anger, frustration, fear, uncertainty, guilt, failure, and also being trapped. Mostly, these feelings impact on relationships with family members, especially wives, through their husband's inability to talk to them about their concerns.

"Having to apply for EC support is seen as humiliating by many farmers. The process can also be humiliating, especially when Centrelink assessors take such pains to scrutinise to such depths and such detail the financial details of farmers who have managed quite profitably for many years before the EC event. Though not intentional, the already suffering farmer feels forced to bare all if he/she is to be successful in achieving financial support. One factor that seems to have been overlooked is that everyone living in an EC declared area will sooner or later be impacted upon by the affects of the exceptional circumstance. The affects are social and emotional besides financial and the combination of all of these factors will gradually erode the social fabric of a community. Unfortunately the old attitude (supposedly Australian) of "Bugger you Jack, I'm O.K.!" seems to be alive and well. Many people feel deserted by their governments. It is interesting to note that only 6 years ago the Riverland was described by the Government of the day as the 'Jewel in the South Australian Crown'. Now that same government has instigated a study to restructure a large area of the

¹ *The Economic and Social Impacts of Key Industries on the Riverland*, Riverland Socio Economic Impact Report Steering Committee, April 2007

same region to remove many of the smaller property owners in favour of bigger enterprises.”

Emotional and financial stress appears also to have exacerbated existing physical conditions. However, the most concerning social impact of financial stress in this sample of growers is clinical depression and alcoholism (at times both conditions).

People exhibited a range of symptoms from the early stages of depression, through people being medicated for depression to a smaller but concerning number of men who seem to be suffering major depression but remain untreated and are at risk of suicide.

Some participants felt great concern for the health of community members and some have been close to people who had committed suicide. This fear for the health of others, the need to listen and help, and at the same time deal with their own problems has put stress on members of the community.

There were clear social impacts as a consequence of financial stress and in particular, impacts on health and relationships. Pre-existing medical conditions were exacerbated by stress and growers' explained that physical exhaustion, through undertaking off-farm work and running a property, often led to illness and emotional distress.

Women in particular were concerned for their husband's well being and were bearing the responsibility for watching their husband's behaviours and attempting to intervene to obtain medical support. The most concerning social impact found within the sample was clinical depression and alcoholism.

The study demonstrated that there is a need for counselling, both individual and relationship counselling and psychiatric intervention either through a visiting psychiatrist or telemedicine services. It is imperative that identified strategies be coordinated to assist this rural community.

Further, growers' discussions of change articulated political awareness of the role of government policies. Again, negative attitudes were widespread. The common view was that government had an important and supportive role to play, but were failing to fulfill it.

Current Situation

Current water restrictions and drought conditions were referred to in a variety of ways. For some growers reduced water supply was a key barrier to continuing to produce grapes, while for others it was referred to as a marginal aspect of change within the industry. Overall climate and water tended to be discussed as a supplementary challenge (and in a few cases as an opportunity).

In the event of further worsening drought conditions across southern Australia (including another season of losses of water allocations in the MDB system), the situation is clearly likely to be worse.

Farmers are traditionally 'proud' – independent, resilient, and self-reliant. These characteristics can also lead to isolation behind the farm-gate, with farmers unwilling to acknowledge that they are struggling, unwilling to seek support and help (even from their nearest and dearest, but often also

taking their frustration and despair out on those closest to them), and bearing the full burden of difficult decisions and hopelessness on their own shoulders.

Issues of significant concern amongst our farming communities include increasing rates of:

- Depression;
- Family break-up;
- Suicide;
- Stress-related health impacts; and
- Loss of social support networks and sense of community (social capital).

There is a plethora of government, community and welfare agencies doing an excellent job of attempting to ameliorate the situation – *beyondBlue*, Centrelink, DAFF and state DPIs, Rural Financial Counsellors, CWA, banks, ACOSS member agencies, DOCS and state equivalents, and so on. However, we believe that what is required is a ‘whole-of-governments, whole-of-community’ response to service delivery in this situation. The two key issues are:

1. Awareness of what services are available to farming families; and
2. Accessibility of/willingness to access those services.

We note that - as usual under conditions of severe stress - farmers and farming families have become less social, and more isolated, due to the financial affects of the drought; in addition, as their circumstances have become more difficult, they have less time and or energy to get involved at a community level. Those communities who do not have a community leader or leadership group to drive projects also seem to have less community spirit. Numbers of growers have made mention of the fact that if the drought had not affected them so badly that they would have retired from the farm by now; however, these plans have now been postponed. This will have also impacted on the level of commitment that these people have available to become involved in community affairs as they are still actively engaged in the management of the farm enterprise.

It has been noted that the recent rises in petrol prices has seen a rise in trade for businesses in the local communities, due to the cost of travelling to larger centres. In one small community, local businesses in the town stated that the sealing of a local arterial road only a few weeks earlier had produced a noticeable increase in trade. At another, the local businesses also made comment that their trade had improved due to the rise in petrol prices; however, they were aware that if any one of the businesses were to close (for whatever reason) it would effect their business by making it less attractive for people to shop locally due to the loss of convenience. Some level of variety of business in the community did assist the community to remain viable.

Centrelink Drought Support workers have been assiduous in attending farm gatherings, with the aim of assisting farmers to obtain information with regard to assistance measures available to them so that they can survive the drought. They report (along with Horticulture Peak Industry Bodies and regional support staff) that the farming community is now becoming “sick and tired of drought meetings” because of the long duration, and wish to focus on something other than drought issues. There has been comment made that the drought has highlighted the divide between those who are financially secure and those who are not. Many growers have commented that they were located in traditionally “safe” areas, and were shocked at how badly they had been effected by the drought.

Another social issue has been the loss of the younger age group in rural communities, as the prospects of gaining employment in the farming sector has declined due to the financial effects of the drought which has seen them leave the local area to gain employment. The mining sector which is experiencing strong growth has provided employment prospects for many in this group.

This has then impacted the rural community when short-term needs for additional labour occur (eg seasonal labour, such as harvest or pruning) there is no pool of labour to draw on; and if skilled labour is required, then those skills cannot be sourced in the local community as they previously were.

The length of this current drought has also started to wear down the well-known mental strength of rural people and communities. It has been well documented the needs of mental health in rural communities and the difficulty especially with men for mental health issues to be addressed. This issue will remain a difficult problem, but need to be addressed.

- Rural Mental Health Network
 - Improving mental health literacy (including rural youth)
 - Partnering with *beyondBlue*
 - Improving access to counselling services
 - Accessible mental health support and farmer peer support
 - Working more closely with State Police services
 - Funding arrangements for support services

Support for Health Care Services

- The Rural Doctors' Association says the doctor shortage in rural Australia is so severe that people in the bush will die sooner because of it.
- Rural Doctors' Association president, Dr Peter Rischbieth, said people living in rural and remote areas in Australia are expected to die three years earlier than those living in metropolitan areas. "The health outcomes, including cancer outcomes and heart disease outcomes are already much worse in the country," Dr Rischbieth said.
- There are 16,000 vacancies for General Practitioners in rural Australia, excluding the 6000 vacant nursing positions.
- The Rural Doctors' Association is proposing a new model of medical practice, which combine nursing, midwifery and doctor services.

Support for mental health

The impacts of drought upon mental health are well recognised. Anecdotal reports from Drought Relief Workers, Rural Financial Counsellors and local GP's all point to an increasing mental health crisis in rural and regional areas, exacerbated by the current drought conditions. These reports are backed up with statistics regarding suicide rates among male farmers and farm workers being more than twice the national average, or the estimate that every four days a farmer takes their own life.

- *beyondBlue* initiated (May 2007) a full audit of both local and national agencies and programs involved in supporting mental in rural Australia. The agency has also developed a comprehensive 'kit' which can be distributed to all growers in the MDB.
- The NSW Farmers' Association recently launched the NSW Farmers Rural Mental Health Network, and is working with the Network to rollout \$100,000 in Mental Health First Aid Training during 2007. However there are comprehensive resources available in the form of printed materials and interactive CD/DVD's designed specifically for farmers experiencing tough conditions. These resources lay the foundation for further training and are used as a first point of reference. Examples of these include:

- Managing the Pressures of Farming – Australian Centre for Agricultural Health and Safety
 - Toolkit for Getting Through The Drought – Lifeline
- These resources provide practical advice and put people in contact with other support services available. The distribution of these resources to front line health care workers and affected farmers in EC areas would help raise the level of awareness and ultimately play a crucial role in reducing the progression of more serious mental illnesses and suicides.
- Even by March 2007, calls to Mensline (a phone counseling line for men) were being left unanswered due to huge demand.
 - Most calls to Mensline Australia come from rural areas, with people seeking counselling over relationships and financial problems.
 - Mensline has federal, but not enough to answer all 80,000 phone calls each year.
 - Mensline had a call answer rate of around about 65 per cent; there is a message bank facility, but "Men are often impatient when they are waiting on the line and won't even wait until that message bank kicks in."

Recommendations

- ❖ Significant collective effort by governments directed at adequate funding for regional/rural mental and physical health services; and liaison and coordination to address the current fragmentation of service delivery;
- ❖ Ensure that front-line health care workers and affected growers have access to the many excellent support services and resources, to raise awareness and thus play a crucial role in reducing the physical and mental toll of constant stress and anxiety;
- ❖ National roll-out of an initiative such as the Rural Mental Health Network (improving mental health literacy - including rural youth, partnering with beyondBlue, support for Mensline - improving access to counselling services);
- ❖ The Rural Doctors' Association estimates a deficit of 16,000 General Practitioners, and 60,000 nursing positions - these need to be addressed as a matter of urgency;
- ❖ HAC expects State and Federal Governments to explore and adequately resourced suitable models of integrated regional health care - such as that proposed by the Rural Doctors' proposed new model of medical practice for regional Australia (combining nursing, midwifery and GP services).

A Move Towards 'Horticulture-Friendly' Drought/Disaster Assistance:

The current situation for many in Horticulture during the current drought (particularly in, but not limited to, the deepening crisis in the lower MDB) has resulted in an unprecedented process of unplanned structural adjustment on a massive scale. Unfortunately, there has not to date been a strategic or systemic response to the crisis from governments; particularly in regard to community resilience and social infrastructure.

HAC therefore recommends proposed reforms to the current EC programs and eligibility to ensure that irrigators are on a 'level playing field' with the rest of agriculture.

In the longer-term, focus should be on assistance which supports and rewards adaptation/mitigation practices in the face of climate change impacts, as opposed to the current focus on climatic impacts. There is a need for each region, industry and Government to be clear about its approach to supporting 'lifestyle' farmers vs 'commercial/viable/sustainable' producers.

Many horticultural growers currently fall within Exceptional Circumstances-declared regions, and recent changes to eligibility criteria means intensive irrigated farmers are finally eligible to apply for financial assistance. Assistance is in the form of interest rate subsidies, income support, Exit Grants, and MDB Irrigation Management Grants. However (as at end of May 2008), very few had actually been eligible to receive such assistance.

Current arrangements for drought declaration take little account of the situation for Horticulture (and other intensive irrigated industries) within a region, but have traditionally been focussed on broad-acre, dryland farming. Eligibility criteria need to be relevant to the current circumstances and the industry.

It is critical to recognise that it is larger, more efficient irrigators (particularly of perennials) that experience the greatest impacts of restricted water allocations. EC supports needs to consider climate change impacts as opposed to the current focus on climatic impacts. Governments are not in the business of "picking winners", but supporting those who take a risk.

It is also critical that the EC process (including the application process) is less convoluted and more accessible.

Horticulture is looking for recognition by governments of the investment in efficient irrigation in Horticultural regions. This recognition should be factored into Government programs and policies, and recognition given that the majority of irrigators in Horticulture have been prepared for the drought, and that these systems and practices need to be maintained and enhanced (thus supporting best practices 'winners').

Governments need to recognise the natural assets of each region, and foster adjustments through targeting particular sectors rather than trying to assist all. Regional communities should be encouraged and supported by governments to place greater emphasis on each region's "point of difference", the exiting of people from horticulture, and retention of people in new opportunities and land use changes (perhaps with greater consideration of growing annual food crops in some areas).

HAC recommends a move towards “Horticulture-friendly” assistance; including:

- ❖ Recognition that the current severe restrictions to water entitlements in many regions are creating (mostly 'hidden' to this point) structural adjustment, and delivery of an appropriate "Exit with Dignity" package.
- ❖ Recognition that while an exit package will support those exiting, the full package should support the 'stayers':
 - Interest rate subsidy
 - Ongoing expenses – relaxation of threshold and off-farm income
 - Elimination of the discrimination against mixed family holdings (both EC and FMDs)
- ❖ Eligibility criteria relevant to the current circumstances and the industry:
 - Changes to take account of multi-family farm assets testing;
 - Changes to off-farm income and farm assets criteria;
 - Changes to the requirement to “leave the farm (and usually the family home)”, not just ‘leave farming’;
 - Elimination of the discrimination against mixed family holdings.
- ❖ An adjustment to EC arrangements that reduces the risk of losing better growers, including:
 - re-assessment of the off-farm assets test for Interest Rate Subsidies, particularly in relation to multiple-family farming enterprises, and superannuation assets (eg in the form of another house which is intended as the residence of the retiring generation);
 - these are integral to drought preparedness and risk management where off-farm income currently limits some EC supports;
 - recognising, however, that this has enabled many growers to develop best practice principles through risk minimisation and income security, currently an impediment to EC support.
- ❖ Adjustment to income support that eliminates the tendency to inhibit adjustment of non-viable producers from the industry.
- ❖ Development of EC policy that accounts for the capacity to better use resources and thus, producers' capabilities to manage risk and their business, not just their financial position and consequently more emphasis on skill development and recognition.
- ❖ Understanding that irrigated horticulture has a long term investment in perennial crops that require investment to maintain through drought, particularly to enable recovery. Development of a sustainable program for re-planting for the longer-term.
- ❖ Consideration of lower financial limits for EC eligibility rather than upper limits to better target the viable/sustainable businesses.
- ❖ EC support measures need to be maintained for supporting (flow-on) industries in the region, such as packers and processors). There is a need for EC to have clear lines of connection to small/medium business. Support is limited and offered in a reactive manner and there is a need to have in place business development programs maximising support in cash flows/profit loss etc.

- ❖ It is critical that the EC process (including the application process) is less convoluted and more accessible. A vital component of this is the extension and optimisation of synergies with Federal and State Government assistance.
- ❖ Development of EC policy that accounts for the capacity to better use resources and thus, producers' capabilities to manage risk and their business, not just their financial position - and consequently more emphasis on skill development and recognition.
- ❖ Consider lower financial limits for EC eligibility rather than upper limits to better target the viable/sustainable businesses.
- ❖ Perennial crop replanting assistance (once confidence in water allocations is restored).
- ❖ Deferral of fixed water and water transfer charges.
- ❖ In addition to the short-term, income support will also be a need to address the longer term requirements of perennial crop producers who may need to access off-farm employment for an extended period whilst plantings/crops are maturing (3-10 years). Some tailored employment or retraining assistance programs may therefore be required.
- ❖ Extension of Division 385 (Deferral of the taxation point on profits to bring Horticultural producers in line/equity with other primary producers, and enable producers impacted by extreme weather events to defer, or stage, income tax payments on profits. In the case of livestock in drought, for example, producers forced to sell stock may elect to either bring the profit on the sale to account at any time over/within the next five years; or deduct the profit from the costs of replacement stock. Tax relief in this way would hasten the return to productivity; improve the employment prospects of those laid off (reducing calls on Centrelink and other welfare payments); and maintain viability of their regional communities.
- ❖ Amend the existing legislation for Farm Managed Deposits (Division 393) to include the entity level, and not solely individual(s). This will remove a perceived anomaly whereby only individuals can contribute to Trusts (particularly Family Trusts); and Trusts can distribute profit, but not loss;. It will also allow growers to re-plant/re-stock utilising profits deposited in the FMD. The current limit of \$300,000 under s 393-35(6) should be increased (\$1,500,000) for entities other than natural persons.
- ❖ In recovery, clear direction/leadership in minimising plantings that will cause flow on effects, ie oversupply of certain crops undersupply of others, education/training along with identification of Australia's horticultural needs.
- ❖ Establishment in each region of a Regional Drought Task Force that
 - builds on existing regional infrastructure (Horticulture Reference Groups/Taskforces)
 - understand the gaps
 - addresses a disconnect between Government and community through communication and coordination
 - ensures agencies have an have integrated approach, and that
 - industry leaders have the information they need.

Regional Impacts of the Drought - MDB: Economic Impacts (as at May 2007)

The Standard flow-on multiplier for horticulture is x4-5 (in the MDB it is more usually calculated at 5 or 6); this includes:

- Supermarkets, services (doctors, banks, etc) and local communities;
- Chemical and fertiliser suppliers;
- Machinery and equipment;
- Accounting and legal services;
- Peak industry bodies;
- Industries supporting horticulture (eg food processors, pack-houses, transport companies);
- Agents/merchants in the wholesale sector.

The Economic Impacts on SA - the Riverland

The Riverland regional economy is heavily dependent on horticultural output, specifically on wine, citrus, fruit and nuts. The Riverland is one of the most seriously impacted regions in the current drought, as it is now facing its third consecutive year of below-survival allocations.

The following tables and charts indicate just how important the sector is for the health and future of the Riverland economy.

Table 1: Economic Contribution by Industry Sector

	Employment		Income (\$m)		Value Added (\$m)	Exports (\$ m)
	(Jobs)	(FTE's)	Wages	OVA		
Wine Grapes	2,210	1,875	36	86	122	51
Fruit and Nuts	1,569	1,315	28	76	104	154
Other Agric/Primary	1,053	912	12	29	41	47
Wine Manufacturing	951	877	21	67	89	346
Other Food and Beverage Manufacturing	773	691	44	30	74	187
Other Manufacturing	518	463	19	7	27	45
Wholesale and Retail Trade	3,237	2,669	78	24	102	74
Building and building services (utilities)	711	629	36	32	68	38
Accommodation, restaurants	711	503	11	6	17	17
Transport and Communication	605	528	22	10	32	8
Financial and Business Services	883	715	31	83	114	21
Community Services (inc Govt)	3,239	2,588	113	12	126	36
Total	16,460	13,765	451	464	915	1,023

Source: Input

Output Table of the Riverland for 2002/03, sourced Econsearch (spreadsheet version of tables) in Quantifying the Economic Contribution of Regional South Australia, 2005

Figure 1a: Economic Contribution by Industry Sector

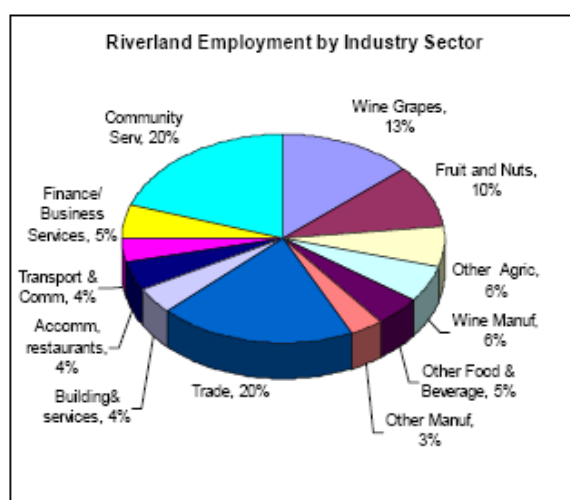
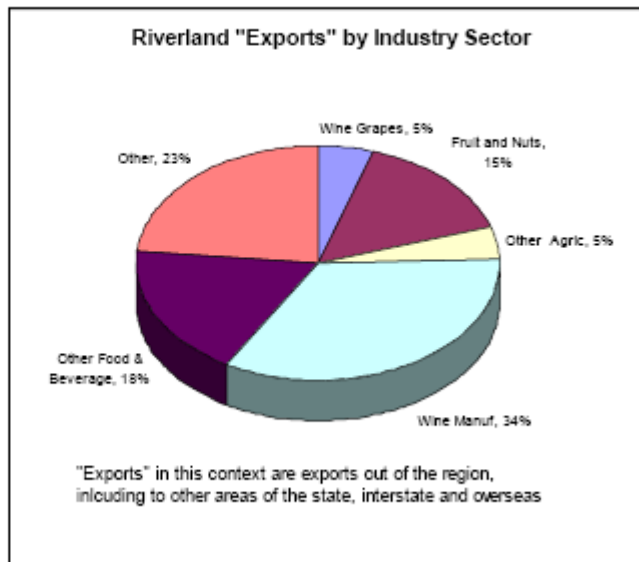


Figure 1b: Export Contribution by Industry Sector



Source: Input Output Table of the Riverland for 2002/03, sourced Econsearch (spreadsheet version of tables) in *Quantifying the Economic Contribution of Regional South Australia, 2005*.

This information identifies that the Riverland has around 16,500 people employed, but an estimated 14,000 FTE's of employment. Wine grape growing, wholesale and retail trade and community services are the largest employing groups. The region has a gross regional product (i.e. value added in the region) of the order of \$500 million, and the gross regional product distribution between industry sectors is similar as for employment.

However, when the key economic drivers are considered, the picture looks quite different. Exports out of the region (i.e. sales of regional product elsewhere in the State, interstate or overseas) are dominated by the wine and citrus industries and other horticulture (Note: the sales of the service industry exports are mainly related to tourism).

Below Wellington Estimates

Crop	Area ² (ha)	Normal Water Use ³ (ML/ha)	Minimum Requirement for Survival ⁴ (ML/ha)
Wine Grapes	7530	2.5	0.4
Almonds	170	7.6	5.5

Above Wellington Estimates

Wine Grapes	23510	8.2	2.5
Citrus	7870	10.2	5
Almonds	3480	12.3	5.5
Stone Fruit	1780	12.4	4

Note: Minimum requirements for survival were based on best information available in November 2006, and , like normal water use estimates, should be regarded as an average requirement over all irrigation system types.

Even in the event of median rainfall in 2007-08, the modeling for the report on *The Economic and Social Impacts of Key Industries on the Riverland* demonstrate significant adverse economic and employment consequences of the current drought (as seen in Figure 4.1, below). This data does

² 2004/05 Irrigated Land Use Survey, River Murray Catchment Management Board

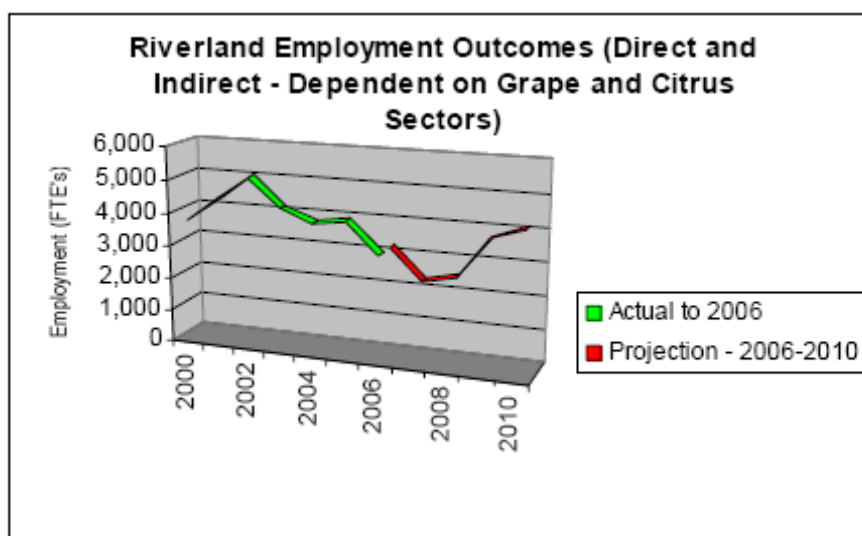
³ Courtesy of Duncan Tullet, Principal Consultant Horticulture, Rural Solutions SA

⁴ Courtesy of: Irrigated Crop Management Service (ICMS) Team, Rural Solutions SA; Gerrit Schrale, Principal Scientist, Water Resources & Irrigation, SARDI

not, of course, include any additional consequences for the regional economy should the Prime Minister's National Plan for Water Security need to be implemented for irrigators on 1 July 2007.

"Modelling of the economic conditions for the sectors suggest that the drought, in combination with the underlying structural issues faced by growers, is estimated/forecast to result in:

- 2006/07 having an estimated decline in activity in the Riverland compared to 2004/05 as follows:
 - Approximately 1800 FTE's less employment, of which approximately two thirds will be in the Grape and Citrus sectors, and the balance will be in other areas of the economy (including retail trade, business services).
- Worsening in 2007/8 even if the drought breaks in this year, with the following perspective of possible employment outcomes for the region and suggesting the loss of close to 2,000 jobs in 2007/08 relative to where the regional economy stood in 2004/05:



Modelling based on Industry forecast of outcomes with a median rainfall year in 2007/08 and beyond

Over the period 2006-2010:

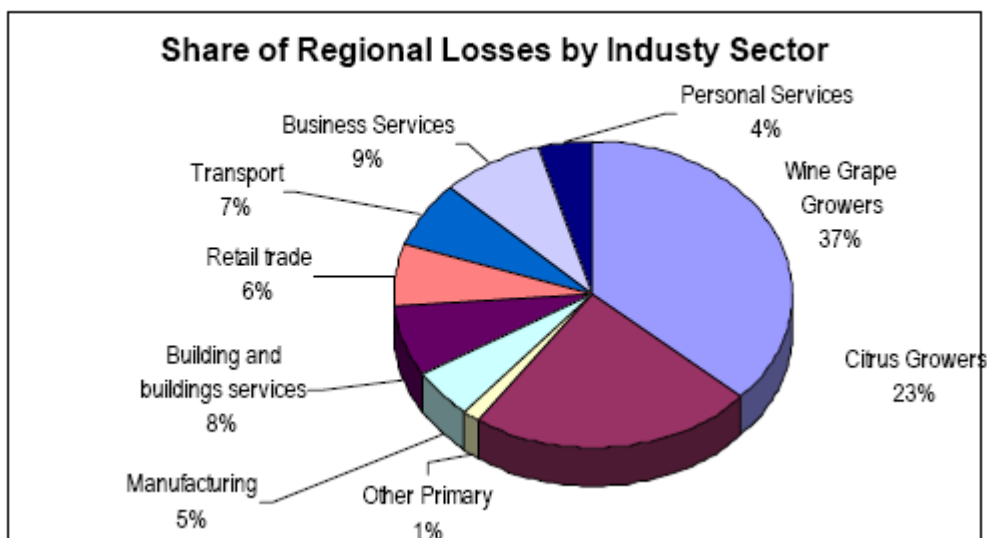
- There will be "lost" incomes within the Riverland region of \$300-\$400 million Present Value (PV) relative to a 2004/05 base even if the coming year was to have a median rainfall or better (and followed by more reasonable rainfall years). If there was to be a further year of drought conditions, the lost incomes would escalate to the order of \$550 million.
- There will be "lost" employment opportunities in the region of 5,000 – 7,000 person years² in the event of reasonable rainfall this year and beyond, escalating to in excess of 10,000 person years if drought conditions were to continue in 2007/08 (before more normal weather patterns resumed).

This represents an annual average of almost a 10% decline in regional incomes and in employment opportunities over the base level of activity in the economy, and while it may in part be replaced by other activity, it represents a very significant foregone economic opportunity and generates significant social and community cost. This is a significant problem from an individual and community context.

From a State perspective, the modelled results suggest that over the period 2006-2010 the consequence of oversupply in the wine grape sector and continued competitive pressure in the citrus sector will result in:

- “Lost” incomes to South Australia of \$400 - \$700 million PV (the lower figure is if more normal weather patterns are resumed in 2007/08 while the higher is related to a further drought year before more normal conditions occur).
- “Lost” employment opportunities of 6,000-12,000 person years.

Figure 4.2

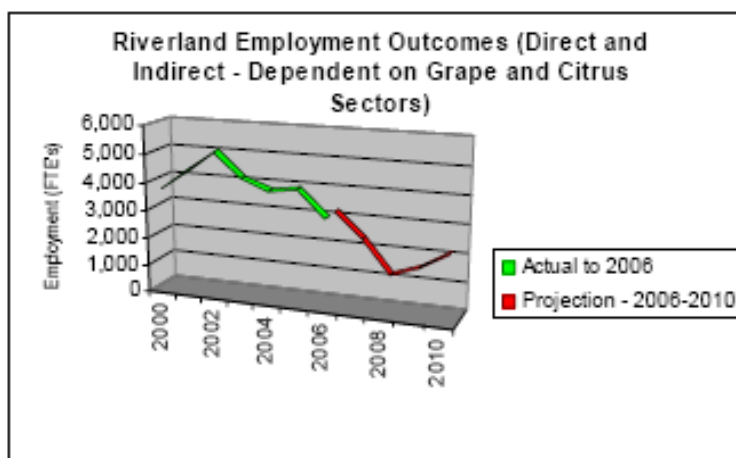


Source: PKF Modelled Results based on PIRSA Scenario, *The Economic and Social Impacts of Key Industries on the Riverland*, Riverland Socio Economic Impact Report Steering Committee, April 2007

Therefore the major conclusions of the analysis are that the 2006/07 drought, in combination with the underlying structural issues faced by growers, is estimated/forecast to result in:

- 2006/07 having an estimated decline in activity in the Riverland compared to 2004/05 as follows:
 - Approximately 1800 FTE’s less employment, of which approximately two thirds will be in the Grape and Citrus sectors, and the balance will be in other areas of the economy (including retail trade, business services etc)

Drought Forecasts of Prices and Volumes with Dry Year 2007/08 on – PIRSA Scenario Estimates⁵



⁵ PKF Modelled Results based on PIRSA Scenario, *The Economic and Social Impacts of Key Industries on the Riverland*, Riverland Socio Economic Impact Report Steering Committee, April 2007

- Worsening in 2007/8 even if the drought breaks in this year, with the following perspective of possible employment outcomes for the region and suggesting the loss of close to 2,000 jobs in 2007/8 relative to where the regional economy stood in 2004/05.
- Over the period 2006-2010:
 - There will be “lost” incomes within the Riverland region of \$300-\$400 million Present Value (PV) relative to a 2004/05 base even if the coming year was to have a median rainfall or better (and followed by more reasonable rainfall years). If there was to be a further year of drought conditions, the lost incomes would escalate to the order of \$550 million.
 - There will be “lost” employment opportunities in the region of 5,000 – 7,000 person years in the event of reasonable rainfall this year and beyond, escalating to in excess of 10,000 person years if drought conditions were to continue in 2007/08 (before more normal weather patterns resumed.”

This represents an annual average of almost a 10% decline in regional incomes and in employment opportunities over the base level of activity in the economy, and while it may in part be replaced by other activity, it represents a very significant foregone economic opportunity and generates significant social and economic impacts on the regional community.

In the event of further (partial/total) losses of water allocations in the MDB system, the picture is clearly even worse.

NSW

Irrigated agriculture uses just 1.5% of agricultural land in NSW, but accounts for about 30% of production and is valued at \$2.98 billion farm gate⁶, horticulture industries account for approximately \$1.5 billion of that total. The NSW horticulture industry in total has a farm gate value of approximately \$2.2 billion which contributes a total of close to \$9 billion to the NSW economy and employs 20,000 people.

A Centre for International Economics report⁷ on the Pratt Water Initiatives estimates the impact of a 10 per cent reduction (220GL) in water availability to the Murrumbidgee Valley at \$31.8 million (\$28.0 million) reduction in agricultural value added when the real wage (employment) is fixed; and the indirect impacts are \$20.7 million reduction (\$1.23 million rise) in processing and flow-on activities. In total, the whole region will lose 876 jobs under this scenario; therefore the impacts of a zero allocation would be massive.

A recent report from the Griffith, Leeton and Carrathool Councils⁸ on the potential impacts of a zero water allocation estimates the impacts on their region as follows:

- Overall dependence on irrigation is estimated at 80% with a 50% dependence on high security water.
- Wine and table grapes – 70% of NSW and 30% of Australian production

⁶ NSW Irrigators’ Council fact sheet

⁷ Economic effects of Pratt Water Initiatives - *An evaluation of potential effects within the Murrumbidgee Valley* Report prepared for the Pratt Water Initiative Centre for International Economics Canberra & Sydney November 2004

⁸ Report Re-Restriction of High Security and Stock Water Allocation to the MIA – Griffith City Council 2007.

- 1500 jobs; 20,000 ha of vines on 700 farms – valued at \$720 million.
- No high security water will result in loss \$0.5 billion in vines and \$2.88 billion in earnings.
- Citrus fruit and juice – 30% of Australian production
 - 1500 jobs; 8,500 ha of orchard over 690 farms – valued at \$32.5 million per annum.
 - No high security water will result in \$38.7 million in lost earnings and total loss of orchards with attendant re-establishment costs.
- Other permanent plantings of prunes, peaches, apricots, walnuts, almonds, cherries, olives and apples will be lost.
- There are 4,475 hectares of vegetable crops in the region with a farm gate value of \$41 million³ and this industry employs hundreds of casual and full time employees.

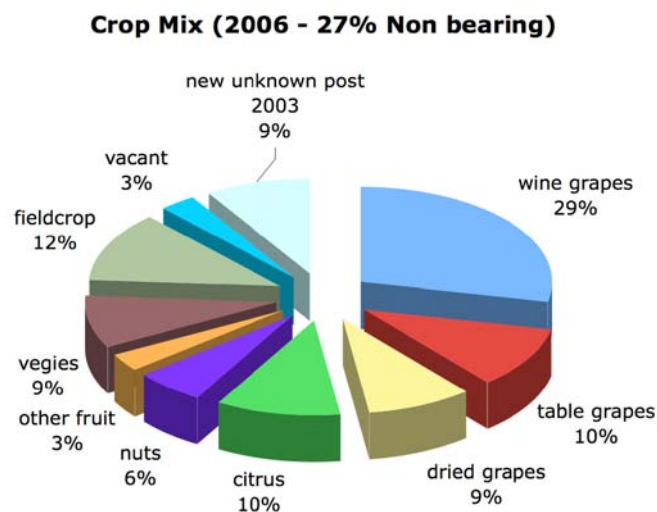
Victoria – Murray (Sunraysia) & Goulburn Valleys

Horticulture supports 8500 businesses in Vic (2), concentrated in two main regions, and employs 50,000 full time staff – with an additional seasonal labour of 100,000 during harvest (2):

Murray Valley/Sunraysia (including the Mildura and Swan Hill areas)

- 3070 businesses in Murray Valley.
- Total irrigated area of 67,000ha.
- Of the 3070 growers in the area, 20% or 600 are high risk.

Figure 4-7 Mildura Horticultural Region crop mix 2006 – 67,000 ha⁹

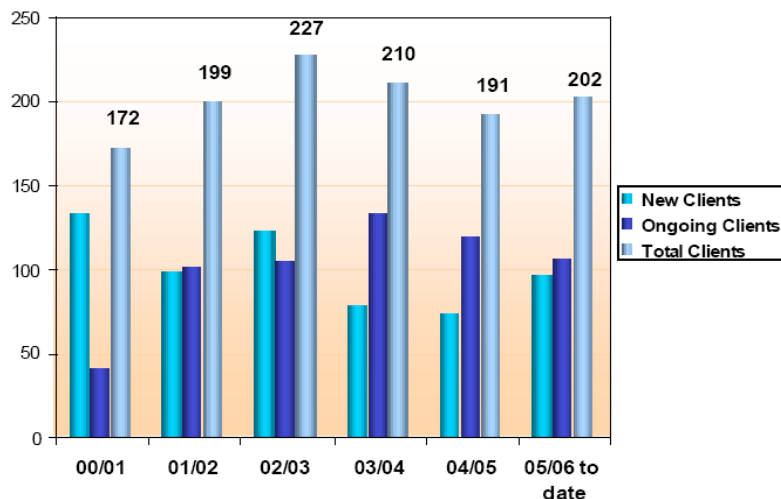


- There are 17,000 jobs of all types in the Mildura Region (ABS figures 2003 see Appendix 4) and around 1,900 on Newstart allowance.

Figure 5-1 Sunraysia Rural Counselling Service Inc. Client Statistical Summary 5 Year Comparison of Client Numbers (Courtesy G. Thornton)¹⁰

⁹ *Economic Sustainability Study of Mildura Horticultural Region*, Charles Thompson, RMGC, March 2006

¹⁰ *ibid*



Goulburn Valley

The Goulburn Murray Water (GMW) region covers the area bounded by Cobram, Shepparton, Ardmona, Tatura, Kyabram, Rochester, Echuca, Boort.

The region is an intensively irrigated farming region where the principal rural industries are dairying, horticulture (stone and pome fruit and tomatoes) with some mixed grazing (sheep and beef) on irrigated and rainfed pastures as well as some irrigated and rainfed cropping.

The GMW region contains a population of 115,000 due to its closely settled irrigated farming activity and the associated larger service towns and value-adding industries that have established there.

The economic performance of the region is dependent on the strong rural sector and the associated value adding industries. The region has all the features of an efficient food production and processing industry cluster, with geographically close association between the food producers, processors and service industries. The flow-on effects to other sectors in the regional economy results in an estimated total GVP from the region of **\$7.8bn** in 2000. **This is a significant contribution to Victoria's economy.** For horticulture, the estimated value of production (GVP) of the value-added product was \$734m (2000).

All of the processors have invested heavily in new computer and information technology to improve efficiency in the production, communications and management aspects of their businesses. For horticulture, new product receival, handling, sorting, processing and packing lines are planned for the fruit and vegetable processors. The major companies have estimated that, over the next five years, they will invest up to \$440m in increased production capacity, efficiency, and quality management to meet future market expectations.

Rural landholders in the catchment are investing between \$30-40 million annually in farm infrastructure to support their share of the implementation of the Goulburn Broken Regional Catchment Strategy. This investment provides protection against land and water degradation through improved water use efficiency, improved drainage, reduced soil salinity and waterlogging, improved water quality, more stable soils and enhanced biodiversity.

The GMW is one of Australia's premier fruitgrowing areas – principally orcharding and tomatoes, with some significant vegetable growing areas; and is centered on the region because of reliable water supply, suitable soils and good climate. Horticulture (fruit and grapes) represents 22% of the region's Farm Gate GVP. The major fruit processing facilities are located in the irrigation region. This

high level of production is occurring from less than 4% of the total irrigated land area and demonstrates the region's potential to expand into high-value horticulture, using underutilised land and water, provided major new markets emerge.

The principal orchard crops are pears, apples, peaches, nectarines, apricots, plums, nashi, kiwifruit and cherries grown for both the fresh market and for processing through the major canneries in the region. In recent years, these crops have undergone major growth in production quantities. The impact of the global market has forced the industry to develop intensive, high density planting systems in an effort to produce early yielding, quality, price competitive fruit and the resulting additional tonnages are available for the export market.

The region grows:

- 90% of the national deciduous canned fruit production
- 85% of the national pear crop
- 45% of the national stone fruit crop
- 14% of the national fresh stone fruit crop
- 16% of the national apple crop
- 90% of the national kiwi fruit crop and
- 80% of the national nashi fruit crop

The total average annual production of fruit exceeds 250,000 tonnes¹¹.

Table 5 - Fruit varieties by area of production, tonnage and market outlets¹².

VARIETY	HECTARES	TONNAGE	MARKET	MARKET	EXPORTED
			Fresh	Processed	Fresh
Apples	1,948	48,000	33,000	15,000	5,000
Pears	3,056	126,600	71,253	55,347	12,500
Peaches	2,063	54,620	3,620	51,000	1,000
Apricots	600	8,746	2,200	6,546	
Plums/Nectarines	660	9,970	5,970	4,000	700
Nashi	650	7,000	7,000		1,000
Totals	8,977	254,936	123,043	131,893	20,200

The region exports 16% of its fresh fruit production and approximately 55% of processed fruit.

- There are 874 horticultural businesses in the Goulburn Valley region, including:
 - Pome and stonefruit:*
 - 670 Orchards
 - 10,600 ha
 - 380,000 tonnes "normal" production
 - producing a FGV \$170m.
 - Other GMW (irrigated) horticultural Crops include:
 - Processing Tomatoes:*
 - 3,000 hectares
 - 250,000 tonnes
 - producing a FGV \$26.25m
 - Fresh Market Tomatoes:*
 - 900 hectares
 - 65,000 tonnes
 - producing a FGV \$32.5M

¹¹ *Economic Profile of the Goulburn Broken Catchment*, Myfora Pty Ltd - Michael Young & Associates

¹² Northern Victoria Fruitgrowers Association - 1997 Orchard Census.

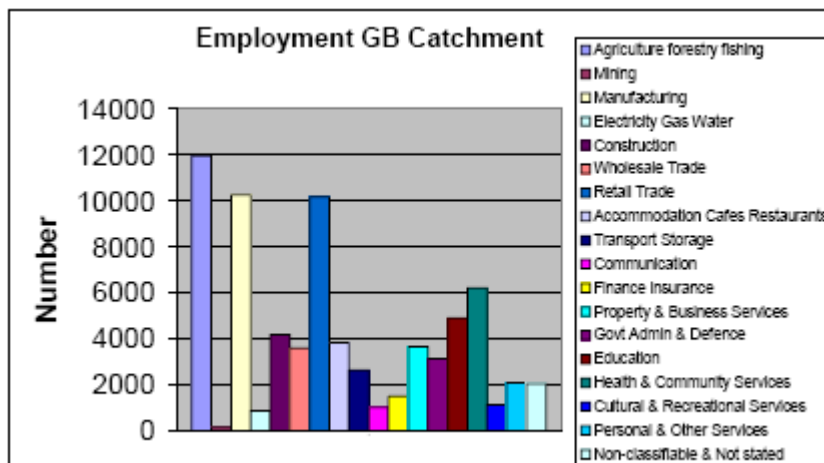
Olives:

- At least 800 hectares

Wine Grapes:

- Approx 3,000 hectares.
- GVP for the Goulburn Valley is \$232m with a gross value-added production of \$650m.
 - Goulburn Valley has a multiplier effect of six.
- 2007 production forecast was 336,075 tonnes, but due to frost in September 06 production was actually 210,000 – a 37% decline. Value of lost production equals \$86.7m.
- Total employment in the region was 73,365 (ABS 1996) distributed across all sectors in the regional economy, as shown in Fig.2 below. In horticulture, the valley employs 4,000 full time staff – plus an additional 10,000 during harvest.

Figure 2. Employment by Economic Sectors in the Goulburn-Murray Water region



- Horticulture requires approximately 6mgl per hectare for full production; survival requirements are approximately one-third this figure.
 - It currently costs \$14,500 per hectare to produce fruit; with the drought that is expected to rise to \$17,000 due to the price of water.
 - Goulburn Murray Water turned off the taps around 22 April, leaving \$54m of fruit still on the trees needing irrigation.
- Food Processing - Significant value adding to horticultural production occurs within the region. The following food processors, located in the GMW region, process more than 500,000 tonnes of locally produced fresh fruit:
 - SPC Ardmona (3 factories) – employs 3,500 people at peak of the season.
 - Cedenco
 - Heinz - Watties
 - Unilever – Rosella
 - Campbells Soups

Beekeeping

- There are 500 commercial beekeepers across Victoria.
- Post-drought is when beekeepers suffer additional losses to those losses already suffered during the drought.

- (With luck) the trees start to grow again but don't flower for the next 2 years. There is no crop of honey for up to 2 years.
- Until this is experience it is impossible to forward estimate.

Latest numbers of successful EC applications for horticulture in Victoria

(as at April 07)

Apiary	8
Flowers	9
Fruit	249
Mixed Irrigated	133
Vegetables	56
Viticulture	318

Darling Basin, Queensland

Queensland grows one-third of the nation's produce. Horticulture is Queensland's second largest primary industry, worth more than \$1.5 bn and directly employing around 25,000 people within 3,500 enterprises (2006); and (using the accepted multiplier for horticulture x4), it is worth \$6 bn per annum. A host of rural communities rely heavily on business created by local horticulture enterprises.

The MDB region in Queensland is worth around \$143 m (incorporating the horticulture regions of West Darling, Granite Belt and Eastern Darling).

However, it needs to be borne in mind that other areas, outside the MDB system, have also been impacted severely by the drought. In Queensland, the Lockyer Valley, Central Burnett and Stanthorpe are three major growing areas badly impacted by the drought and have no irrigation water.