

**To:
The Productivity Commission
“Inquiry into Government Drought Support” July 2008**

Submission August 2008:

Opening Comments

The following submission is put forward on behalf of several groups from within the Murraylands region: the Lower Murray Drought Reference Group and the Murray Mallee EC Support Group. A meeting was convened on Tuesday August 5th 2008 with several identified people to discuss the broad range of issues that the Productivity Commissioner would want to have community opinion on. The thoughts within this submission are a combination of views expressed at that meeting and possibly thoughts and views generally agreed to in the wider community.

At the most recent meeting there were people from surrounding districts and in particular the Lower Murray and Lakes. The total Murraylands region has been EC Declared. At the time of developing the application it was decided to lodge two applications, they being the area of the region considered the River Murray corridor and Lakes District and the remaining and adjoining dry land farming districts.

It was considered at the time of lodging applications that the dry land portion of our region could be easily identified as suffering drought but the River and Lakes portion of our region was just entering the decline and would continue to worsen as the availability of water diminished. The dairy industry was already in difficulty due to increased costs of grain and fodder related to the dry land drought and the cut in water allocations and could more likely justify EC status. Generally the nature of our horticultural industries is more row crop vegetables and less permanent plantings than the neighbouring Riverland region, these horticultural operations were in decline due to water restrictions but it could not be claimed that at the time of forming the EC application that the sector was totally depressed but with ongoing water restrictions it would be. Unfortunately our predictions have been realized with the irrigation industries now in severe distress and experiencing shut down.

It is worthy of noting that as we entered 2008 many other businesses that are reliant on the River Murray and Lakes such as tourism, recreation, boating, hospitality etc are not recognized within the current EC status and are in serious decline. Any extension or renewal of the EC status must take these businesses into account.

What is the role of Governments in drought?

There is a strong opinion that the governments need to be prepared to offer support in financial assistance and social response in times of severe drought. It is clearly a duty of care to maintain a sense of community and well being of the community and individuals as the devastation of drought impacts all levels of our community. Understanding that the formula for delivering assistance was set in the last round of policy development early in the 1990's much has changed in the farming industry structure since. The levels of investment required to operate farming businesses, the increased off farm income and the changing situation with farming succession and scale of operations are all important factors, as is the threshold for income support.

With the current drought in the River system one must take into account that we are in times not seen before in the last 100 years and the farming community is reliant on well structured support. The effects of prolonged drought on other non farming businesses in the region near the River system must also be addressed.

These comments are made in the context that there is consensus amongst the consultation group that there should not be a reliance on government by people that have no understanding of self reliance and basic business planning and risk management skills.

Many people have been disadvantaged by the existing policy through improving their financial position; ironically they have made themselves not eligible for forms of support. With the prolonged drought they too are vulnerable but are not catered for. The "bottom percentile" of the farming businesses is probably not going to be viable into the future and exit strategies are most appropriate for them, there is agreement that support would be best given to those that can demonstrate the most likely path to recovery and growth in the future.

As we accept the likely patterns that climate change will bring it is important to understand the frequency and depth of drought that we will be expected to manage.

Future policy will need to be accommodating of climate change and the impact it will have on regional and rural communities. Emphasis needs to be placed on new investments in technology and infrastructure that will need to be adopted by farming communities, any drought policy will need to accept the capacity of existing farming businesses will not always be up to the task. Training and business development assistance as well as supported financial packages will be required. Adjustment policy needs to be very clearly identified to give clear signals to the businesses community on priorities they need to set and how they will be better coordinated with policy so as to maximize the return on investment of tax funded initiatives.

Understanding the difficulty in younger farmers actually being able to finance the purchase of food and fibre producing land is a matter that needs urgency.

Apart from potential new entrants succession for existing farm families requires assistance. Assets of large family farms are possibly better spread but in terms of eligibility for assistance often the better managed farm businesses are more

disadvantaged for appropriate support. We should be incentivising farm businesses to be able to withstand the pressures of climate change. Taxation reform maybe a better method of returning income on investments to farming families, this would assist those that are committed to long term farm profitability and environmental stability.

It is felt that the current EC conditions undermine succession. Off farm investments/superannuation is employed to spread risk. Much greater levels of wealth creation through good risk management needs to be allowed and encouraged not penalised.

EC assists farm and small businesses but provides no support for employees who lose their jobs, nor does it provide for transitioning. This can create a social legacy in the community. The loss of skilled labour from rural and regional communities is a major problem, more needs to be done to ensure the loss is minimized in times of drought and disaster. The problems associated with attracting employees to rural areas is well documented.

There is a view that because so much of trading of farm products is influenced by government policy both internally and internationally more consideration needs to be given to the effects that government reforms can have on farm viability, especially when the growing seasons are less than favourable. Arguably risk management on production and marketing is a matter for the farm business. however policy that prevents any protection from imported or subsidized product has to be absorbed by our farmers. The least that can be done is to assist them in times of need due to prolonged down turns caused through drought and not a result of their management .

Efficiency & Effectiveness

Geographical boundaries can be unfair and exclude farmers and businesses, in the process of applying to have our region EC declared . It was a very difficult task to separate the river corridor from the dryland sector. We eventually came to agreement on a nominal distance from the river corridor but it was not without challenge. As it turned out, with the development of 2 separate applications we were able to accommodate all properties eventually. Considering the multitude of cross over farm activities and the various degrees of impact at that time it would have been impossible to cover them in the one application.

It would be reasonable to claim that State Government would support applications for EC declaration as it assists them in shifting a part of the financial burden that falls upon the state. Considering income taxes are from the Federal Government then it is reasonable to expect them to be prominent in any financial assistance. Given that State government has financial constraints, it does what it can but it needs to do more.

To provide assistance on individual circumstances would be more difficult without the benchmarking and systematic approach adopted within the parameters of the EC Declaration process. It is already difficult enough to be provided with assistance when within an EC Declared district, it is hard to imagine what processes would be utilized in the absence of this status.

We believe there is an expectation that there will be ongoing assistance as long as the direct drought related hardships continue. As previously stated the expectations of irrigators is high, and we believe are justified. The outlook for them looks to be worsening. The reality is all farmers would rather not be in a situation that even has to consider assistance. When circumstances prevail that necessitates assistance they, like any other taxpaying Australian expect that the country should offer assistance to get them through until seasonal change creates an opportunity to continue doing business. We do not believe farming communities nor rural businesses are unreasonable in the expectations.

Traditionally dryland farmers experience drought from time to time and are better prepared than irrigators who have never experienced anything like the current circumstances and are not prepared for them. The current River Murray situation is unprecedented and highlighted deficiencies in drought policies that now need to be addressed as a matter of priority and with urgency.

The current programs could do more to incentivise farmers to adopt strategies for drought management. It is felt that specific training and management techniques could be provided as was the case with access to FARMBIZ. These initiatives should be reinstated to form part of the support package. Ongoing education of the participants in the farm sector is vital in a rapidly changing and challenging global market place. Being aware of the new technologies as they come on stream is essential. Basic business planning and financial management skills are essential if the farm business is to compete and grow.

There is a sense real or perceived that there are inequities in how the eligibility for assistance is defined and assessed. There is concern about how divisive this is in the community. There is also a sense of failure that often accompanies the eventual approach for assistance and this should not be so. More needs to be done to improve the esteem of the community, this could be improved by the methods used to assess and provide the assistance. It was acknowledged that the local drought relief workers, financial advisers and counsellors do a tremendous job. The Centrelink experience is one not at ease with farming families. In our region Centrelink has been tremendous in working with our regional drought centre but overall their procedures are not effective. A suggestion was that there should be online opportunities to access applications, this could address all the ID needs of Centrelink. Would it be simpler and more streamlined to attach relief payments as an automatic attachment to the Interest Rate Subsidies?

Exit Grant

The Exit Grant in the opinion of the majority of persons in our region is not working, particularly where properties are not considered saleable at reasonable pricing. That farmers need to be almost close to fore-closure before being considered is a perverse approach. Adjustment packages are required and whenever possible, assisting people and their skills to be retained in the community with recognition of prior learning for other career development where ever possible. Programs such as the Murraylands “Jobs Without Water” should be expanded and supported by both the State and Federal Governments.

The Asset test for Irrigation Management Grants do not take into account the size of the property it is considered the same payment\$ 20K for all is not appropriate. Assistance for emergency water supplies should be available when there is not alternate public infrastructure this should be part of EC not left to State Governments.

Assistance needs to:

- Recognise expenditure on issues around sustainability
- Support succession planning as an integral part of the PAPG [noting that it can be the advice and doesn't need to be a plan]
- Address the inequity that Planning for Recovery [P4R]being for IRS recipients only
- Acknowledge the difficulties in matching the\$ 10K P4R grants
- Deal with the concern over IRS asset test going back to \$436K
- Place emphasis on the importance of people dealing with people, fewer forms more relationship support in delivery, the example of Rural Financial Counselors' is a desired method of delivery.

Business Support would be beneficial if based on the business attributes more so than strictly debt this could be a more effective method of supporting interest rate relief.

To understand the “extreme drought” effects as separate from “drought”, the current drought in relation to irrigation industries is extreme and policy should enable decision makers to move quickly to recognize various levels of drought. It is apparent that the river situation is extreme and it is proposed that this should trigger another set of policy to leverage the special circumstances for assistance.

The unique situation that exists currently in the river and lakes is that fishing is strong but it is very clear that the fish stocks will become depleted and breeding patterns interrupted. Whilst the sector is OK now it will be in real trouble in possibly 2-3 seasons. Rather than wait until this prediction occurs structured management assistance ,working with the industry is required. The current approach can not accommodate almost certain impending exceptional circumstances. It would be far better to develop the strategies and risk management with the fishing industry now to overcome dire circumstances soon. This style of thinking needs to be reflected in future policy. This represents a secure partnership approach with the various levels of government working with industry and community to achieve beneficial and sustainable goals for all.

FMD's do they do what's intended?

It is proposed that FMD's are used by the more traditional and financially secure portion of the farming community, not the farmers that are likely to be the future farmers who are those that are most likely in build up phases. The more secure farmers are most likely not drawing on EC and have a conservative approach to risk.

Environmental & Natural Resource Considerations

Environmental consequences of severe drought could be better managed and minimized by providing assistance to farmers to dedicate resources to the task. This could be on individual holdings and could be very effective if strategic and collaborative community projects were undertaken using the work ethics and

machinery that farmers could bring to the equation. For example cleaning up the drought affected areas along the river including removing vermin and weeds and possibly unwanted trees and willows, planting native species to replace of unwanted cover. Similarly clearing drift soil from roadsides and fence lines and repairing rundown public infrastructure, this could be done in conjunction with Local and State government and key agencies such as NRM etc. Farmers would be paid for their time and equipment usage. This would achieve a great deal in practical on ground works and ongoing regional pride and tangible improvements of value.

Income Support

Drought relief payments are providing a safety net for farming families the eligibility tests are not suitable, we believe other comments made in the submission cover our opinions in this matter. It is felt that other support including Health care and School care assistance and eligibility for a card through extreme drought should apply.

Conclusion

Throughout the process of meetings and discussion it is very clear that farmers do not expect to have a reliance on EC support. However when circumstances beyond their control occur such as drought and more so “extreme drought” they wish to be treated with respect and believe there is a strong case for reasonable assistance. By their nature, farming people are reluctant to seek assistance and generally are not articulate in the process of responding to the demands within the process.

Young farmers are endangered in times of drought and hardship. A special attempt must be made in any new policy to acknowledge that they fall through the gaps in current policy most of the time. To achieve the nation’s purpose of producing sustainable food for our domestic use and to remain a positive exporter in a challenging global market much more needs to be done to ensure not only the survival of agriculture but the continuous improvement and retention of our young entrants.

Policy in relation to assistance to our farmers must be reviewed more regularly particularly in the face of climate change; policy should be reviewed at least once per decade if not twice.

Rural Communities are in decline generally speaking and the impacts of events such as drought hasten the process. Often the damage created is permanent. The social fabric of rural and regional communities’ needs ongoing support. The least that should be done is to stand by these communities in times of drought and special circumstances. This should be a basic commitment from all governments.

There is no time to ponder what might happen to the irrigator farming community when the current EC status expires in March 2009. It is imperative that decisions be taken on extending support beyond that time and the announcements need to be made long before the current status expires. People need hope and this level of decision making is necessary. It is known that we face another summer more desperate than the last action is required NOW.

Businesses other than traditional farm and farm supply/services in the region operating along and within the River and Lakes are in urgent need of recognition and extension of support needs to be made available. This includes tourism, accommodation, boating industry to name a few.

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