



SUBMISSION TO
PRODUCTIVITY COMMISSION
INQUIRY INTO GOVERNMENT DROUGHT SUPPORT

By
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Executive Summary

- Tasmania is now in its third year of drought, with some areas not receiving significant rainfall since 2005
- Drought support mechanisms are confused and complicated with different funding bodies, different eligibility criteria, and different methods of application
- The Tasmania Government has no drought management plan or strategy and drought support services and programs tend to be uncoordinated, ad-hoc and short-term
- EC payment application process is unnecessarily complex and time-consuming, and EC zones disadvantage farms situated just outside the ‘line on the map’ which are affected by drought
- TFGA agrees with the principle of self-reliance and preparedness, but also accepts that there are extreme circumstances which no amount of preparation will cover, for which there needs to be government support available
- Profitable and sustainable farm businesses are essential for resilient rural communities

Introduction

The Tasmanian Farmers and Graziers Association is Tasmania's peak farming body representing 3100 primary producers, which is approximately 80% of the state's farmers.

Tasmania is in the midst of one of the severest and longest droughts on record. The whole state was brought under interim drought declaration from September 2007, with parts of the Midlands, East Coast and Flinders Island declared to be in Exceptional Circumstances from that date. There has been well below average rainfall since that time, and it is estimated that sheep properties in the drought-affected areas are now carrying 30-40% of normal stocking rates. The drought is having serious impacts not only on livestock but also on the health and welfare of the rural community.

TFGA supports in general terms the thrust of the submission of the National Farmers Federation. We would like to add a perspective from a Tasmanian point of view. Long-term drought is a relatively uncommon event in Tasmania, and we acknowledge that many mainland states have extensive experience with such events.

This submission will contain two sections focussing on two areas –

1. management of the Exceptional Circumstances declaration process as experienced in Tasmania, and other drought support initiatives
2. building a resilient rural community

We will not attempt to address all the issues raised in the Productivity Commission Issues Paper, but feel that the Commission has correctly identified the main issues relevant to drought and drought support. Considerations of drought and drought policy inevitably lead to considerations of farming and farm practices more generally.

A strong farm sector will be a more resilient one more able to cope with the vagaries of weather and a changing climate. A farm sector that is struggling to be profitable and sustainable will find it hard to survive through difficult times like a prolonged drought. Questions about community support for the farming sector are always problematic, as are questions about the nature and extent of support for farmers and rural communities in times of drought.

To some drought is just a natural part of the business and lifestyle of farming, it comes with the territory, and should be managed and treated as such. To others drought is an aberrant natural phenomenon beyond the control of even the best farming operator, and support should be provided accordingly. Whatever the truth of the matter, the real effects of drought on real people can be devastating and profound and to date successive Australian governments of all persuasions have provided varying levels and types of support to the farming community. It is timely that this inquiry take place as the world enters a period of uncertainty regarding climate change and global food markets. Changes are afoot in the farming community globally, and Australian farmers will be affected just as much as farmers in other parts of the world.

Section 1 – Drought Support and Exceptional Circumstances (EC)

TFGA has concerns with some aspects of the current Exceptional Circumstances process.

The Zones

Selection of drought zones can be a somewhat arbitrary process, and runs the risk of disadvantaging farmers who may fall just outside the zone, or, indeed, advantaging farmers inside the zone whose actual conditions are not so severe. In Tasmania the EC zone does cover the most drought-affected parts of the state, and there is a ‘buffer zone’ on the east side that takes in all the land from the zone to the coast, which is certainly severely affected by the drought. TFGA would like to see a buffer zone around all the declared areas, to allow farmers on the fringes of the declared area to make a case for assistance based on actual conditions on the ground.

RECOMMENDATION

It is recommended that a ‘buffer zone’ be created around any declared EC zone to allow for farmers on the fringes of the zone to be able to make a case for assistance, based on actual conditions on the ground.

The Process

There have been many concerns about the process of applying for EC support payments in Tasmania. It has become quite confusing for the farmer because the various payments are funded and administered by different government agencies. There are up to four different types of financial support available to eligible farmers in Tasmania:

1. Income Support payments funded by the Australian Government and administered through Centrelink
2. Interest Rate Subsidy payments funded 90:10% by Australian and Tasmanian governments and administered through the Tasmanian Department of Primary Industries
3. Assistance to Support Breeding Stock payments funded by the Tasmanian Government and administered through the Tasmanian Department of Primary Industries
4. Some Councils provide Rates Relief which is funded and administered by local government

Each of these support payments involves different application processes, different eligibility criteria, and different funding and administrative bodies. This is a very arduous process for many farmers and their families who are already in significant distress as a result of the drought. There has also been criticism of the role of the Tasmanian Government over their handling of the application processes which demonstrated a lack of preparedness and organisation. For example, there were no trained and available staff to assist farmers with the detailed application for EC payments, instead the Government relied on the already stretched Rural Financial Counselling Service to visit farms and provide assistance.

The State’s Assistance to Support Breeding Stock program is also only available to farmers in the EC declared zone, and principally to farmers receiving EC payments, unless a farmer can demonstrate financial hardship.

Tasmania will be entering a second round of EC payments in October 2008. There are two aspects of this that warrant comment.

Firstly, farmers who are currently receiving EC payments will have to reapply, even if nothing has changed in their circumstances since the first application. This would appear to be an unnecessary process in the circumstances, and will simply add to the stress and hardship these farmers are going through.

Secondly, the Assets Test has been tightened, with the allowable non-farm asset limit being reduced from \$750,000 to \$437,000. TFGA has already been approached by farmers caught by this, who cannot understand why they will not be eligible to payments when nothing has changed in their circumstances, and they have relied on the payments to get them through to this point.

RECOMMENDATION

It is recommended that application processes and eligibility criteria for drought-related financial support be streamlined and coordinated to provide a simpler and fairer process for applicants.

Drought Support Payments – the future

TFGA supports the comments made in the Issues Paper regarding problems with the targeting of drought support payments. Certainly many farmers in Tasmania have found themselves ineligible for drought support payments because of off-farm income or assets. They have been encouraged for many years to diversify their businesses and spread the risk, and many have done just that only to find themselves ‘penalised’ when it comes to drought support payments. Comments have been made that drought payments in reality only support the ‘bad’ farmers who have not made provision for poor seasons, and that the payments do not change the underlying problems in those businesses. While TFGA would not fully endorse that proposition, there is an element of truth in it – only farms that are in fairly severe financial stress, and with no or low levels of outside income, will qualify for EC payments as the system currently stands. Farmers who have restructured their businesses and made a commitment to off-farm income will often not be eligible for support, and these may be the very farmers who should be encouraged to continue farming.

TFGA supports the principal that future drought support programs should be designed to assist farmers to become more self-reliant and flexible, and that drought support measures should be aimed at improving or changing the capacity of the business to be successful, in good times and bad. It is a serious issue in contemporary agriculture that some 60% to 70% of farming enterprises only survive by subsidising the business from off-farm income or assets. A strong and viable industry is the best insurance against inability to cope in extreme times.

The TFGA believes in the following principles:

- Welfare payments – farmers should be treated the same as any other individuals in any industrial sector. If their business or employment is not returning sufficient income to provide for themselves and their families, welfare payments should be made available.
- Structural Adjustment Programs – these are important to assist farmers in drought prone areas to adapt to the realities of their situation, especially in the current environment with climate change and seasonal weather variations.
- Infrastructure Development Programs – without changed or improved infrastructure on farms the sector will have little hope of becoming more self-reliant or resilient to drought and dry conditions. Matching grant programs are a proven and successful way to assist farmers to develop their businesses and give themselves more flexibility in their operations.
- Disaster Management Programs – there are events that are beyond any reasonable expectation of management, even by the best farmers. There should be contingencies in place to provide assistance to farms, businesses, communities and individuals in these extreme circumstances.

Drought is about more than land and animals

TFGA is firmly of the view that one of the principal failings of the current regime of drought support in Tasmania is that much of the initiatives and programs have been reactive, rather than proactive, and ad hoc and uncoordinated. Drought is also not just about the mechanics and business of farming, but about people, about health and wellbeing, about education, community welfare, social cohesion, rural living, and about all the aspects of life that humans are involved in. Drought support measures that solely or principally address only one aspect of the drought experience are not sufficient and will not provide solutions to the problems.

Tasmania has no drought management plan or strategy, and has no effective structures in place to manage and coordinate the multi-faceted problem that is a severe drought. Government and non-government agencies have done their best to provide appropriate services but without an overseeing process and a planned process service provision has been slow and reactive, and is generally short-term in scope. Provision of effective services to rural areas is a complex matter, and needs to be coordinated through an agency with both resources and capacity, and authority.

To this end, TFGA will be recommending to State Government

1. The establishment of a Drought Secretariat within the Department of Premier and Cabinet to coordinate, manage and organise drought support for Tasmania.
2. The establishment of Regional Drought Committees to provide on-the-ground local co-ordination of drought activities and a mechanism for information gathering and sharing.
3. The development of a state Drought Management Plan which will outline the roles and responsibilities of all government and non-government agencies in times of drought, and outline specific drought-related programs and activities.
4. The establishment of a 1800 Drought Hotline to provide a single contact point for drought inquiries. The Drought Hotline will be staffed by trained operators and backed up by a comprehensive database of service providers and drought programs.

TFGA believes this will provide an appropriate administrative and managerial structure to ensure that drought is effectively managed in Tasmania for the long term.

Section 2 - Building a Resilient Rural Community

The TFGA is in accord with the principles outlined in the Issues paper, and as reinforced by the NFF, that ultimately the goal is to develop greater farm self-reliance and preparedness. The NFF regards drought management policy as one plank of a National Agriculture Strategy.

The TFGA believes that the key to developing greater self-reliance and drought preparedness amongst farmers is to build resilient rural communities via addressing the problems of agricultural profitability. We believe greater economic returns for agriculture will do all that we need to develop resilience. Exceptional Circumstances relief will then only be needed to be directed at extreme and “exceptional events” just as it is for other sectors for other exceptional events.

It is unrealistic to expect farmers and rural communities to cope with extreme circumstances like a drought when economic and social conditions are unfavourable in ‘good’ times. Agricultural enterprises across Australia are struggling to remain economically viable, with a large percentage reliant on off-farm income for survival. Economic returns to capital are very low. In addition to this, rural communities are struggling to keep services open as people leave the land and move into urban areas.

The following analysis is provided by a local farmer and Board member of TFGA

Do we want vibrant contributing rural communities?

Do we want secure safe food production?

We need to answer the question “Do we want vibrant rural communities and have secure food and fibre production for our people contributing in a positive way to the nation? “

- If **no** then we need only to implement programs that assist in the wind up and relocation of the people of regional Australia
- If **yes** then we need a better understanding of what rural communities are, how they work and the social policies needed to support them in the same way as industries and communities in other areas are supported.
- The real indicator of exceptional circumstances is what is happening within a community and as we have seen recently some industries use the trigger of jobs lost for support.
- recently 100 jobs lost in Scottsdale realised \$4.1million of government direct industry support whilst 2800 jobs lost to agriculture in 06-07 have received no such industry supports.
- The need for men’s health interventions such as the Midlands Alive and Well Program has been a response by the community to extreme stress, supported by the TFGA, after governments were withdrawing services. This particular community is one at risk with the second highest suicide rate in the nation and 30% above the average. This alone is a significant indicator that the community is suffering.
- When individuals in business are under this amount of pressure and stress it obviously effects their capacity to deliver good outcomes for their business
- agriculture needs to feel included and supported not abandoned
- the importance of agriculture to the nations economy and as a significant employer needs reinforcing and illustrating
- Access to training programs like FARMBIS are important vehicles for keeping industry operators skilled up and current but they also provide the useful mechanism of social interaction during difficult times
- Safe and secure food production with high levels of safety controls on sprays withholds pollution controls etc. rather than relying on suspect imports is seen as essential.

How can we improve the profitability of agriculture and what effect would this have on regional Australia?

The effect of increased profitability would be

- increased business profitability would positively effect rural communities and build the capacity for drought resilience across the board. Business could and would be responsible as it has been in the past to prepare itself for eventualities but a 0 profit return on average does little to help agribusiness or rural communities develop the flexibility to prepare.
- Employment could be maintained during dry times there would be reserves for this to happen.
- Without reserves there is no flexibility to
 - maintain business and
 - address climate issues
 - conduct environmental stewardship on behalf of the community.

What can we do to achieve this profitability?

- We can increase the resources for R&D for the development over the long term of business alternatives. A relevant up to the minute contributing R&D is essential into the future
- As a follow on from new findings from R&D we need training programs to deliver outcomes to relevant sectors
- We can improve the marketing trade and treaty advantages for our products and increase market access to overseas markets especially developed countries. We can market overseas more profitably for farmers by increasing the return to the farm gate
- We can have a market mechanism that allows primary producers to pass on the real cost of production to consumers and finally receive a fair and profitable return.
- We can reward agriculturalists for work in environmental stewardship an expectation of the wider community delivered by the rural sector.
- We should try to the reputation of agriculturalists as environmental managers recognising skills and rewarding fairly for effort.
- What impact does environmental management have on resilience and drought tolerance at present? eg donation of land for NRM Landcare projects as well as donation of time and expertise.

What can the tax system do to foster resilience?

- HECS type loans for the development of drought proofing projects for the agricultural sector
- An environment tax on food items at the final sale point to be used for environmental management projects on farms by farmers This would be a cost recovery exercise that otherwise is unable to be realised
- A system of cheap finance/ low interest loans to facilitate the building of infrastructure and agribusiness into drought resistance
- Tax deductions for investments in farm infrastructure to prepare for drought and climate change, as had been done in the past (eg 150% deductions for land clearing, or building dams)
- Reinvestment of employees' PAYG Tax into the farm for drought and climate change developments. This would encourage the retention of workers, which are usually the first thing to go in difficult times.

How could R&D foster resilience?

- Explore new and more productive dry land grass species
- Dry land grazing systems
- Would the farming of native animals aid resilience?
- Developing new products eg Kangaroo farming and marketing at home and overseas.
- Doing more with less water.
- Extensive R&D on a national basis to support agriculture for the change and to aid the implementation of new systems is essential. This can not be done by individuals and needs to

be coupled with the appropriate upskilling of agriculturalists. R&D and training go hand in hand.

Clearly, then, profitable and successful farm enterprises will enable farmers to become more self-reliant and prepared for adverse circumstances such as drought. Prolonged drought has masked the real issue for the relevant sectors of agriculture – one of profitability.

Conclusion

Tasmania has been historically different to mainland states in the experience of drought. Droughts tend not to be as extensive and for such long periods of time as on the mainland. The majority of Tasmanian farmers plan for drought events that might be for one or two years out of every five, but few are prepared for a drought that lasts for three or more years in a row.

Drought support measures cannot be designed as a ‘one size fits all’ across the country. Local conditions should be taken into account, and State Governments be encouraged to be proactive and consultative in their approach to and management of drought. Farmers also need some level of certainty and consistency from drought support measures to enable them to make effective business decisions for the future.

The TFGA looks forward to the opportunity to assist further in the development of effective and well-targeted drought support measures, and looks forward to the Productivity Commission’s draft report and the subsequent public forums to be held later this year.

KEY DOT POINTS FROM THE CURRENT DROUGHT IN TASMANIA

General observations

- it is considered the worst drought in living memory
- it is not uniform across the state
- stock rates are estimated at between 30 and 40% in the drought-affected areas, lower in some parts
- people living in rural areas report feeling ignored and isolated
- many farms in Tasmania were prepared for drought, but not for such an extended event

Observations on the operation of EC policy and drought support

- EC boundaries are arbitrary and disadvantage farmers who are in drought but not inside the zone
- EC application processes are complicated and confusing – different jurisdictions, different eligibility criteria
- Rural Financial Counselling Service has shouldered the brunt of assistance to farmers
- little direct administrative assistance has been provided by Government
- services are uncoordinated and often short term – many with 12 month contracts
- ill-feeling between those who receive EC payments and those who don't
- only 129 successful applicants in Tasmania from between 600 and 1000 properties in the drought areas - eligibility criteria not appropriate to farming businesses
- changing assets test from round 1 to round 2 inequitable and will cause hardship to some
- poor communications with farmers
- very limited drought support measures from state government
- feelings of isolation and being forgotten from farming community
- farming not treated the same as other industries – when 150 jobs are threatened in the forestry industry \$4.5m is provided, but little is done after 2500 jobs are lost in farming in 5 years
- farmers not treated like real business people
- perception that 'bad' farmers are rewarded by drought support
- need for effective drought policy to provide guidance and structure to drought support measures
- dismay at perceived attitude of state government towards the drought