

THE SOUTH AUSTRALIAN COUNTRY WOMEN'S ASSOCIATION INCORPORATED

SUBMISSION to AUSTRALIAN GOVERNMENT PRODUCTIVITY COMMISSION

INQUIRY INTO GOVERNMENT DROUGHT SUPPORT

PREAMBLE

The South Australian Country Women's Association believes that drought has a huge effect on rural communities and that this effect eventually impacts into urban areas.

It is the responsibility of all Australians to care for those affected by drought.

Support in the form of EC relief payments to farm families has been of utmost importance in ensuring a minimum level of individual well being; however, the care provided by community organizations has also been of considerable value.

Mental health has been an issue and in South Australia this aspect has been carefully and effectively managed by State Government.

EC interest rate subsidies have assisted those in debt through borrowings; however Exit grants have not been effective in achieving their goal.

This submission attempts to make useful comment on the various questions in the Issues Paper, however, because the Association is not farming based, but is a community service organization, it has not been possible to comment on all issued raised.

AGRICULTURE AND DROUGHT

Whilst the Association agrees that Australian farmers have always needed to cope with drought through preparedness, the current drought has a number of peculiarities.

- a) the length and extent of the drought
- b) the impact of the drought on irrigators dependent on the Murray Darling Basin, not on local annual rainfall
- c) the commodity price "drought" for dry land cereal growers in the years leading up to this drought (2003 to 2005)
- d) the severe drought in South Australia that occurred in 2002

Farm businesses need to be farm reliant. It is not sustainable for a farm business to rely on off-farm income and off-farm investment, despite the advice often given by so called experts. These off-farm assets may assist in times of severe drought, but a farm business that puts its financial capital into these measures is not necessarily building up its own infrastructure and cash reserves to cope with a severe drought or downturn in commodity prices. Off-farm assets are only possible once a farm is viable and providing enough income to invest off-farm.

DROUGHT SUPPORT MEASURES

The various State Governments view drought differently. This disadvantages those affected. Declaration of drought is different among the states as are the programmes offered – eg in South Australia no subsidy is available on municipal rates and charges to producers in EC declared regions, whilst they are in Victoria.

It would be of greater benefit to those in EC areas if the Australian Government took control of **all** policies and programmes for drought, with State Government departments providing advice. To the observer there is a climate of competition amongst the states and the

Australian Government for 'ownership' of assistance and projects. (Example – In SA, Regional drought response committees have no representatives from Centrelink – why not?)

RATIONALES FOR GOVERNMENT DROUGHT SUPPORT

Which are the more important rationales for government intervention during severe drought? Are these the same rationales for intervention in other severe events?

This Association's response is based on our main objective – the welfare of families. Government must ensure a minimum level of individual wellbeing for farm families at all times, not only in times of severe drought. To enable this to happen, government must provide the economic and taxation framework in which farming takes place as well as providing welfare support to farm families in years of low rainfall as well as low income resulting from "commodity price droughts". "Commodity price droughts" have as severe impact on farm families as do climatic droughts.

What is your understanding of the meanings of preparedness and self reliance?

Preparedness and self reliance differ throughout farming regions and the type of enterprise. The ability to prepare for drought is largely dependent on government policy to allow and encourage that preparedness. Encouraging the improvement of farm infrastructure through taxation incentives is one way of ensuring that a farm business can cope with a severe drought (eg water conservation, land management, machinery for no-till farming, feedlots, better FMD policy, irrigation upgrading, research into new crops and varieties, particularly for permanent plantings).

EXAMPLES

Dry land farmers are able to use FMDs, store hay and grain, implement feedlots so that livestock does not have to be sold, not sow a crop if weather conditions are not favourable, or at least vary the area sown. It is also recognized that a dry land farm can recover very quickly once a drought breaks. (Dry land farms are defined as those who depend entirely on annual rainfall. They may produce grain or livestock or both)

Irrigators for dairying have FMDs and fodder conservation available, but without adequate water supply, many have had to sell dairy cows and indeed, shut down their businesses. A thriving industry in the lower reaches of the Murray Darling Basin has all but gone.

Irrigators with permanent plantings have had FMDs available, but without adequate water allocations have not been able to keep those planting alive, let alone producing. Inadequate control of water allocations by governments over many years has also contributed to the current water shortages. Small irrigators have built up an industry over the last 60 years in the Riverland and now face ruin because large corporate horticulture has the funding to buy water and inputs at a much lower cost than the small grower (economy of scale is the issue). Restructuring and transitioning within industry is being forced upon these growers, the majority of whom indicate that they wish to exit the industry. (A recent survey in the Riverland showed up to 60% wish to exit and see no future in irrigated horticulture)

It must be recognized that self reliance and preparedness for drought and climate change varies between regions. Example –farmers in the Northern Murray Mallee of South Australia have had a history of severe droughts over 90 years of farming. ("One in five" is the usual answer to the question "How often do you have a drought?") Strategies used to prepare for droughts include having at least 2 years of seed grain in storage, conserving hay and grain for feeding livestock, building and maintaining feedlots, managing cropping programmes in light of climate forecasts, keeping up to date with methods of cropping, managing borrowings

at a low level and equity at a high level and using FMDs to manage income and provide cash reserves. Farmers in the lower south eastern region of South Australia have had little exposure to drought (“It always rains here”.) and as a result have never had to take the same management paths as their counterparts in the Mallee.

Self reliance also differs because human beings are all different and respond in differing ways. Mental health and experience of life skills as well as age, physical health, the level of education and the length of ownership of the farm come into this equation. Farmers who are self reliant in times of severe drought are often those who have experienced drought before, are long term farmers and have had the opportunity to prepare their business for drought. These individuals are pro-active, positive and see a future beyond the drought, chiefly because they have been through it all before; their resilience does not escape them in tough times.

For the “new” farm family the length of time of ownership has a large impact on preparedness and self reliance in drought. These are the businesses that need external support and much encouragement. They simply have not had time in which to prepare strategies to cope with a drought or downturn in commodity prices. Furthermore, their debt levels are generally much higher than the long established farm business.

Much emphasis is placed on education and skill acquisition for farmers so that they are prepared for drought. Unless that education and training is relevant, timely and farm based, many farmers will not become involved with training programmes. Why? The programmes are often time costly and far too irrelevant. Theory is not well accepted and spending hours sitting in “school” is out of the question for many practical thinking farmers, particularly for those who saw their own schooling as irrelevant and non rewarding. There will, however, be many who enjoy and thrive on theory based skill acquisition. A balance is required so that all farmers gain the skills they see they need.

IMPEDIMENTS TO GREATER SELF RELIANCE AND PREPAREDNESS

What have been the lessons learned from the last drought and what strategies are farmers now adopting in response to those lessons?

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

This Association agrees that it is impossible to manage all risks associated with agriculture. The chief issue here is the climate variability. Whether the current drought is associated with climatic change or not is debatable, but humans cannot make it rain. Australia has highly productive and efficient farms and farmers, but try as they might; they are not in a position to manage how much rainfall occurs. Government is in the same position.

Dry land farmers know that when a drought breaks they are able to produce a crop and financial return in that season. The need for continuing EC support for those farm businesses will gradually decrease, unless another drought follows in the next five years.

For irrigated permanent horticulture that is not a reality because many of the permanent plantings will have suffered to such an extent that they are either dead or will take at least 7 seasons to recover. Irrigated horticultural businesses will need special assistance to either take the road to recovery or to exit their industry or to move to other irrigated crops that use less water. Many will need restructuring or transitioning grants as well as continuing family support payments during the recovery period.

For irrigators growing annual crops (vegetables) many have already moved their businesses from the Murray Darling Basin to areas where there is reliable, good quality underground

water. They will need to be very attentive to that water supply and manage that resource carefully and with consideration for the environment. Government policy in regard to water allocations in these areas will need continual monitoring and review to ensure sustainability.

Rural communities are becoming smaller and smaller as a result of loss of population that was either employed locally or who run small business locally. Larger towns within the area becoming the focal point and provider of services and should also provide support to the surrounding smaller communities in the area. This takes away from the “local” area’s support for one another – with the larger town not necessarily taking over the role or the understanding of what is happening in a drought. Community education and leadership is needed in the future so that the need for support for the individual is recognized and provided through those larger towns. (Example – decline of sporting teams in small communities, closure of service organizations such as Red Cross, Country Fire Service Stations, Post Offices, Agricultural Bureaus, Schools, Libraries and Churches). Where a small community is able to exist, organizations in the community find difficult in finding enough volunteers and with finances because those in the community are unable to support the community financially.

Governments across Australia must act urgently to ensure Australia’s water supply is sustainable before any further irrigation water allocations are made. This is an environmental as well as agricultural issue, particularly for those in the Murray Darling Basin, and must be further addressed by the Federal Government without delay. The measures already in place are a start but far more needs to be done very quickly. For irrigated permanent horticulturalists this measure alone will either make or break their ability to manage future droughts.

ARE ASSISTANCE MEASURES EFFECTIVE AND EFFICIENT IN SEVERE DROUGHT?
In general, do current drought support programmes provide an incentive to farmers, farm businesses and farm dependent rural small businesses to become more self reliant and adopt strategies that better prepare them for instances of severe drought? Do they do the opposite?
To what extent do drought support policies prevent the development of market responses to manage drought risk? For example, have drought policies impeded the development of weather insurance or other weather derivative markets?

Farmers and those involved in farm dependent rural small businesses are proudly self sufficient and do not normally rely on support from government. The current drought in South Australia is unusual in that it has extended for more than one season. Many had used their reserve funds and fodder supplies in the first year and therefore had a need to call on government support. This is particularly true where additional land had been purchased or new machinery had been ordered and a deposit paid prior to the drought. For instance, where an order is cancelled, this deposit is forfeited, so it is not economic sense to cancel machinery orders. (Orders for tractors, for instance, need to be made up to 18 months before delivery to ensure supply).

For “new” farmers, any drought is devastating and results in years of hardship in order to “catch up” principle and interest payments.

This Association does not believe that any rural business or individual farmer seeks government welfare payments unless they find themselves in circumstances beyond their control.

The lack of market responses to drought (eg weather insurance) have not, in our view, been impeded by government support for drought. Rather, it is more likely that the market feels as unsure about severe drought as do farmers and the government, resulting in reluctance to accept any risk in regard to climate and its effects on farming.

Is the EC declaration process overly complex, long, non-transparent and open to manipulation? Is the current institutional approach the best and most effective way to achieve declarations of instance of severe droughts of low frequency, timing uncertainty and high consequences? Does the process need to be refined in the context of changing climate to remain targeted towards such severe droughts?

The simple answer is “Yes”. Why should a region have to go through the costly and time consuming process of submitting a recommendation that an area be EC declared when it is blatantly obvious that the area is experiencing severe drought. Should not State Government departments of agriculture be in a position to make this recommendation? EC declarations would then be based on climatic data rather than on the amount of lobbying or “votes” of a particular region.

Do the geographical boundaries used in the EC declaration process unfairly exclude some farmers from relief payments or conversely include some that do not need assistance? Does EC declaration influence behaviour, for example, does the potential for declaration delay the decision to adopt preparedness strategies?

Geographical boundaries do cause a problem in that adjacent areas are excluded because, on the whole, that adjoining region is not experiencing severe drought conditions. Example – a farm situated on the southern boundary of a region is EC declared whilst the neighboring farm, located outside of the EC declared area, is excluded. Buffer zones can be just as discriminatory. Perhaps consideration needs to be given to individual needs as well as regional boundaries. It is our experience and observation that even in a severe drought there will be some farms within a defined area that will receive more rainfall than others, while some soils within that same area need more or less rainfall in order to produce an income.

We do not believe that EC declaration influences decisions to adopt preparedness strategies. By the time an area is EC declared, a drought is taking its toll and it is too late for preparing for the drought. Those who think that no matter what happens “the government will come to the rescue” have no place in primary production.

EC declaration of the Riverland area, however, did see the process of reviewing the future without sufficient water and planning by prudent managers for lower production and increased activity in financial management and discussions with banks and other lenders. We believe this occurred because this area had not experienced shortage of water at any time in the past and that the way forward was, and still is, a huge unknown. We can only guess that this process would have been somewhat delayed if the area had not been EC declared.

Does the EC declaration process create incentives for states governments to apply for assistance given the Commonwealth is responsible for most of the funding? Have expectations of ongoing assistance been created as a result of many regions having been declared as experiencing EC for several years?

States governments are sometimes slow to act. For example in South Australia, although most of the regions were experiencing the effects of severe drought, EC areas were not declared as early as they should have been. This influenced, for example, the amount of funding available for household support provided to this Association from the Federal Government as it was based on the number of farms in EC declared areas at the time of the announcement by DAFF. (The Allocation to SACWA for distribution in this State was 4.35%

of the amount given across Australia. There has been no allocation since July 2007, so those now finding themselves in difficulty, especially along the River Murray corridor have missed out on this Federal assistance).

Perhaps states governments are reluctant to apply for EC funding for regions within their boundaries because they are required to provide some of the funding?

Those receiving support must be able to show that they are viable in the long term. The declaration of EC over several years is acceptable because it takes several years for a farm to recover following a severe drought. It is not much use providing support for the years of drought if the business will fail when the support is no longer available.

Is a trigger approach, such as EC declaration, a necessary first step to determine individual eligibility for drought relief? Could assistance be delivered on the basis of individual circumstances without an EC declaration? What administrative efficiency issues does this raise?

A trigger approach is not necessary. An individual should be able to apply on the basis of hardship due to a severe drought. For example, Family Income Support should be available to any family where it can be proved that the family income has been affected by loss of income due to any severe event (flood, fire, severe frosting of crops, or lack of rainfall) or loss of employment. For those who “slip through the application process” and receive this support where they were not necessarily eligible, the repayment of amounts received could easily be administered through the Income Tax system. It must be pointed out that farm income is not received weekly – and that annual income tax returns are “behind the times” when it comes to assessing current farm family income.

A simpler process for applying for any drought assistance is desirable. Perhaps making eligibility more inclusive and “catching” any overpayments through the income tax system would bring greater administrative efficiencies?

Business support measures

How effective have EC interest rate subsidies been in improving the survival of farm businesses and farm dependent rural small business? How are farm business decisions altered by EC interest rate subsidies? Do the current eligibility requirements create adverse outcomes, for example, by creating a disincentive for farming households to seek off-farm income? Would support based on business attributes other than debt be more effective?

Interest rate subsidies have certainly assisted the retention of the farm and provided the business with the ability to meet bank demands. The question arises as to whether those businesses will be sustainable once the drought breaks and assistance is no longer available.

It has been observed that in some instances on farm spending has increased because funds that would have otherwise been used to meet interest repayments have been used to fund other farm expenditure that would not have been possible. This in actual fact gives an advantage to the business that has a bank debt over and against the business with no bank debts.

The above raises the question “How does the debt free business receive assistance in a severe drought?” If they fall into debt during the course of the drought, we understand that “new” debt is not eligible for interest rate subsidies.

It is understood that a business with a private debt (eg loan from a family member) is not eligible for interest rate subsidies. If this is the case, the business with a private debt is at a distinct disadvantage because they cannot pay the interest due on that debt – and

furthermore, the lenders income is also affected. These lenders are often family members (self funded retirees) who also then have reduced income. Perhaps interest rate subsidies need to be carefully examined and an all inclusive and more equitable way of dealing with all subsidies for businesses in drought needs to be found.

To what extent have farmers benefited from other input (fodder, transport, rates and other transaction based) subsidies? Have the benefits gone to farmers or to others in the marketing chain, including financiers and farm input suppliers? Do such subsidies encourage poor farm management practices, such as maintaining excessive stocking levels?

This Association is not in a position to comment on these questions because they were not available to farmers in South Australia.

What role do farm financial counselors play in guiding farm business decision making prior to, during and following drought? How effective is their advice compared to that from other sources?

We believe that the Rural Counselling Service in South Australia has played a valuable part in assisting farm businesses to cope with the drought. They provide an independent assessment of the viability and sustainability of a business and assist with information regarding assistance that may be available. These counselors are a vital link between the farmer and his family and the services and support available. The only problem we see is that there is a risk of communication break down between the counselors and service providers such as Centrelink. Perhaps greater co-operation needs to be created so that all service providers are working together to assist those in need. This has been assisted in the Riverland where providers from many agencies, including community organizations, meet regularly. This has broken down barriers and enabled providers to “get to know one another and what they offer”

Should governments have structural adjustment policies which are triggered by severe drought? Why is there little use of current exit programmes? Do severe droughts lead to an increase in exit from the industry? If not, why not?

Governments should not have structural adjustment policies which are triggered by severe drought. It is impossible to restructure a business during a severe drought when survival is all that can be reasonably expected. For instance, the sale of property during a drought is not a viable option because who buys properties in a drought! Banks have realized this fact. In the current drought they do not appear to be anxious to foreclose because they will end up owning the farms themselves.

There is little use of the current exit programme simply because it is not designed to be effective. Droughts always lead to some farmers exiting the industry when climatic and economic times improve. Very few, we believe, exit during the drought for the reasons given earlier. Exiting gives opportunity for the farmer who is exiting as well as to other farmers to purchase additional land or for “new” farmers to start a business. Additional land provides a spread of risk and leads to greater viability and sustainability. Perhaps those purchasing land from exiting farmers need financial support in order to ensure that they are prepared and self sufficient for when the next drought occurs. In other words, assistance to exit or transition needs to be extended to the recovery stage of a drought.

If governments want to maintain rural communities, what are the most transparent, effective and efficient policies? What are the effects of incorporating these policies in

measures directed to the preparedness for, management of, and recovery from severe drought?

Governments must maintain rural communities whether they want to or not! Policies that place primary production in a secure, economic and viable position are necessary. These policies will provide farm businesses with the five assets listed on page 9 of the Issues Paper

- natural capital – natural resources
- physical capital – infrastructure
- human capital – level of education, skills, experience and workforce
- financial capital – cash reserves
- social capital – community support

Effective and efficient government policies will alleviate the need for farm businesses to rely on government support for the established farming enterprise during severe drought or commodity price downturns, however, the recently established farming business will still require support,

Income Support

How effective are drought relief payments in providing a safety net for farming families? Are the eligibility tests for farm family assistance suitable?

What have been the farm family welfare outcomes from the EC Relief payment? Are they satisfactory and at the level expected? For example, have families been able to meet their immediate health and education requirements? If not, what are some of the problems yet to be addressed in this area?

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

Household support has ensured families have access to an acceptable standard of living. This safety net needs to be in place at all times for all people living in Australia. As mentioned earlier, one of the problems for farm families is their ability to estimate their income. Does it really matter if payments are made and when income tax returns are received that repayments have to be made? In other words, make it easier to access assistance and review the amount at tax time.

Farm Family support payments have enabled families to make decisions for themselves as to their household expenditure and enabled them to maintain dignity and choice.

An area of concern with rural families is their ability to finance further education for their children, particularly in times of financial stress. This is one area of government policy that needs urgent review. Many young rural Australians are deferring university studies because their family is unable to provide the finance to have them live away from home. Not only is the young person missing out on furthering their studies, Australia as a whole is missing out on the future skills and abilities of these young people. A policy of educating and skilling young Australians from rural areas needs urgent attention.

We do not believe that welfare payments to farm families are being diverted to the farm business, simply because the payments provide only sufficient for the day to day needs of the household. If this is a major concern, the provision of some of the payment in the form of vouchers instead of money is an alternative that could be considered. We provide assistance in the form of vouchers. They have been well received and well used.

Certainly farms with high asset values do not necessarily produce sufficient income to support a family in a drought year, and these families are also in need of assistance. Farms

with a higher asset value are able to withstand the severities of a severe drought better than those with low asset values, simply because these farms are in a better position to be self-reliant and prepared to manage risk, but this does not mean that the income available to the farm family will be sufficient to meet their household expenses.

Interaction between programmes

What role do FMDs play in helping farmers prepare for severe drought events? Is there evidence that FMDs are substantially drawn down in a drought? If not, what other “needs” are FMDs fulfilling and is this an intended policy outcome? Do the eligibility criteria of the separate relief payments encourage or discourage the use of FMDs?

FMDs play an important role in helping farmers manage and prepare for droughts. They act as cash reserves, reduce income tax and provide a buffer for risk management. Circumstantial evidence would suggest that FMDs are drawn down during drought, but it is suggested that individuals manage FMDs in a variety of ways to best suit their circumstances.

Farm Management Deposits need review so that these deposits become a vital part of the farm equity, not that of individual members of the farm family. Example – where a Family Trust exists, the Farm Management Deposits must be held in the name of the beneficiaries. On the other hand, however, a loss must be held within the Family Trust. The funds held in the Farm Management Deposit is part of the equity of the business and needs to be held and managed by that entity. FMDs need to be extended to businesses that are farm dependent simply because their income is so “farm related”. Again those deposits must be held by the business, not the individuals operating the business.

When assessing eligibility for assistance, FMDs need to be taken into consideration. FMDs should not make the applicant ineligible where they can provide evidence that the FMD is being held in reserve to meet the repayment of the principle of a loan or the interest on a loan or a necessary farm input cost (eg fertilizer for the following season). In other words the FMD forms a vital part of the farm business preparedness and self-reliance. FMDs should not be available to companies who have purchased and set up farming business using “investor funds”, i.e. corporate agriculture.

PROGRAMME IMPLEMENTATION

How has the implementation of drought support policies affected their accessibility and usefulness? Are there impediments to accessing support arrangements? Could support arrangements be delivered in a more effective manner? For example, are the government institutions responsible for delivery of business and welfare assistance the most appropriate organizations and do state differences add to compliance costs? What is the time taken and cost incurred by farmers and farm businesses to prepare the necessary documentation and how long does it take to process these applications once submitted?

Should there be a uniform national approach to drought policy?

- There definitely should be a uniform national approach to drought policy. As stated earlier, states governments seem to be in competition one with the other and with the Federal Government. (Vote seeking is obvious).
- One provider of all drought programmes would bring the same benefits to all farmers across all State boundaries, aid better reporting by providers and make obvious further measures for assistance.

- The time taken and the cost of application needs to be considered carefully. Families applying for assistance are under great stress so prolonged applications only add to that stress.
- Processing of applications needs to be streamlined so that help can be provided without undue delay. If this is not possible to achieve because of administrative constraints, then immediate household support, such as was provided through the Country Women's Associations in each state must be activated as a stop gap measure.
- Careful attention needs to be paid to farm families whose second language is English. Those from a non English speaking background need additional assistance in order to access information and assistance. Where there is a large multicultural population consideration needs to be given to providing information in various languages as well as the assistance of the various multicultural groups in the region. It has become evident that these families are often the neediest, yet the last to seek help possibly due to the language barrier. (SACWA experience in the Riverland region).
- When it is obvious that assistance programmes need to be implemented there needs to be an immediate response from Centrelink. It may mean additional Counsellors need to be employed and trained to cope with the workload.
- This Association did not see the need for the "Drought Bus", but would have preferred a greater number of persons available in the local Centrelink office to cope with the number of clients and their queries.

What are the alternatives?

- Alternatives are often worse than those in vogue.
- Policies need to be simple and easy for everyone to follow. This is not always the case and leads to confusion and assumptions that "nothing is in place to help me".

Income Contingent loans

In South Australia the government ran a Farm Build up Scheme in the 1980's that provided a loan at a sustainable interest rate where the repayments were for interest only for 15 years after which the principle was repayable.

This worked well and enabled many farmers to place themselves in a position of self reliance and preparedness for drought. Furthermore it enabled many to leave the industry with dignity because they were able to sell their farm, with the purchaser able to access the scheme. We are very supportive of Income contingent loans as we see they are cost effective to administer and would give security and assistance over more years than the interest rate subsidies would.

The other factor is that this form of assistance is as a loan – there is an obligation for it to be repaid when income returns, thus alleviating the cost to the taxpayer in the long term. Where viability is a question, however, that issue should be evident at the time of application. For those who seem viable at the time of application, but then may prove otherwise, some form of exit grant may still be necessary. (There may be extenuating circumstances that lead to this e.g. further droughts, a flood or fire, a death or illness of a family member, low commodity prices).

Tax Reform

The Australian Government urgently needs to review the taxation system to ensure that individual farmers, farm businesses and farm dependent rural businesses are able to become self reliant and prepared for drought.

The Taxation system also needs to support and encourage investment in agriculture through an investment allowance and accelerated depreciation on farm machinery, tree planting,

water conservation, planting of permanent fodder crops (e.g. saltbush) fencing to allow better grazing and/or restructuring of irrigation methods and plantings). These special tax incentives should not be available to corporate agriculture who use “investor funds”.

Full Income Tax Deductions on all rainwater tank installations by any tax payer must be given urgent consideration as a drought planning strategy by Federal Government.

Please also refer to our comments made under the section on FMDs.

Insurance

This Association does not see any insurer or insurance scheme being willing or able to provide an insurance for drought. The cost would be prohibitive to the insured and the risk too high for the insurer.

A better way to “insure” against drought is to enable effective use of FMDs as a tool to provide for drought and low income due to commodity downturns.

Other options

This Association supports

- greater research and development in all aspects of agriculture
- government taking the lead into expenditure for research and development with the farm sector continuing to contributing through levy payments on produce
- the end user of primary products needing to contribute to the cost of research and development