



**Hon Tim Mulherin MP**  
Member for Mackay

Reference: 08/16567



**Queensland  
Government**

**Minister for Primary Industries  
and Fisheries**

**22 AUG 2008**

**Inquiry into Government Drought Support  
Productivity Commission  
Locked Bag 2, Collins St East  
Melbourne Vic 8003**

Dear Sir/Madam

Thank you for providing the Queensland Government with the opportunity to provide a written submission to the Productivity Commission's Inquiry into Government Drought Support.

The Queensland Government's drought policy recognises that drought is a part of our variable climate and therefore aims to achieve a level of self-reliance within Queensland's rural industries such that the risk of drought is adequately covered by sound property planning and management practices.

Queensland has invested considerably in drought preparedness programs to help producers be better prepared for climate risk. The Queensland Government acknowledges the risk that climate change poses to our primary industries and therefore the need to have drought policies and assistance in place, which improves the capacity of our primary producers to respond to a changing climate.

Accordingly, the Queensland Government supports a range of initiatives aimed at promoting self-reliance for Queensland's farm businesses - property management planning, improved water management plans, increased education, extension and training, and continued development of prediction services and decision making tools.

Please find enclosed the Queensland Government's submission to the Commission's Inquiry into Government Drought Support.

The Queensland Government looks forward to the release of the draft report in October 2008 and further participation in the Productivity Commission's inquiry.

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If you require any further information regarding this matter, please do not hesitate to contact Mr Andrew Macey of the Department of Primary Industries and Fisheries on telephone 07 3224 8832 or email [Andrew.Macey@dpi.qld.gov.au](mailto:Andrew.Macey@dpi.qld.gov.au).

Yours sincerely

A handwritten signature in black ink that reads "Tim Mulherin". The signature is written in a cursive style with a prominent initial "T" and a long horizontal stroke extending to the left.

**TIM MULHERIN, MP**  
**Minister for Primary Industries and Fisheries**  
**Member for Mackay**

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Drought is a normal aspect of the Australian landscape and dry conditions are a regular feature of Queensland's highly variable climate. Unlike other regions of the world, rainfall cannot be predicted based on an annual cycle making it difficult for primary producers to engage in long term planning with certainty. Despite the drought, Queensland's share of Australia's agricultural output has increased from around 19 per cent in 1995-96 to almost 24 per cent in 2005-06. This can, in part, be attributable to the uptake of new technologies and the embrace of new farming practices. As a result of the uncertainties of a highly variable climate and the likelihood of future severe droughts induced by climate change, national drought policy must reflect the need to encourage planning and drought preparedness practices among primary producers. As well as provide assistance to improve primary producer preparedness, drought policy should also have the ability to provide individual assistance to those in need due to severe drought events.

Queensland's current drought policy *Drought – Managing for Self-Reliance* was developed and implemented in 1992 after widespread industry consultation and agreement. It was endorsed again by industry and Government in September 1996 with the release of a further policy paper *Managing for Self-Reliance – Drought Policy Principles*. The primary aim of this policy is:

"To achieve a level of self-reliance within Queensland's rural industries such that the risk of drought is adequately covered by sound property planning and management practices."

Queensland Drought Policy is consistent with the National Drought Policy. The three principal policy objects of the National Drought Policy which aligns with the Queensland Drought policy are to:

- Encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing the risks stemming from climatic variability.
- Facilitate the maintenance and protection of Australia's agricultural and environmental resource base during periods of increased climatic stress.
- Facilitate the early recovery of agricultural and rural industries consistent with long-term sustainable levels.

These goals acknowledge the continuing impact of climate variability on Queensland's farming systems and the responsibility of farm business operators to manage this impact through effective planning and business management.

Accordingly, the Queensland Government has supported a range of initiatives aimed at promoting self-reliance for Queensland's farm businesses. Queensland has also invested considerable resources to develop seasonal forecasting systems and climate risk management tools to help producers better prepare for Queensland's variable climate, including drought. These initiatives have met with some success and are discussed in this response to the Productivity Commission's issues paper.

While current drought policy focuses on preparedness, it also recognises that severe drought will occur on rare occasions and on a scale which cannot be anticipated by normal or rational risk management planning. On these occasions, a prompt and effective Government response is needed to alleviate the social and economic impacts of severe drought on Queensland's farm businesses and rural communities. The Exceptional Circumstances (EC) program was designed to address these rare and severe events, but in implementation there have been some progressive changes to

the policy that may have caused the program to drift from its original intent. These issues are also discussed in this response.

Previous reviews of drought assistance and drought policy have accepted that the drought assistance measures in place at both the national and state level could be improved and do not fully deliver on the stated aims of drought policy. However, recurring droughts have delayed reform of drought assistance programs for fear of discontinuing financial assistance to producers during a time of difficulty. This is premised on the belief that producers have developed their drought management plans with available assistance in mind, and it may be too disruptive to end or replace these schemes in the midst of a drought event. In view of this, particular attention should be given to understanding transitional issues associated with any changes to drought policy and phasing in any changes.

Current drought assistance measures presume that droughts are of a short duration. However the recent experience has shown that droughts can be prolonged and last for many years, a trend that is likely to increase based on climate change forecasts. Thus, improving the resiliency of producers and the rural community to cope with drought is pivotal in enabling producers to overcome difficulties and supporting rural social cohesion.

It is imperative that producers, communities and governments adopt preparedness measures to build resilience to major drought events. This is particularly so given a predicted warmer and drier Queensland due to climate change. A failure to adjust for future climatic changes is likely to result in governments facing an increasing obligation to rural communities and primary producers.

The Queensland Government therefore intends to continue to endorse the current Queensland and National Drought Policies, but promote a realignment of drought programs to more closely adhere to the intent of these policies. It is the view of the Queensland Government that producers need to be better prepared for drought, and government programs should be oriented towards providing appropriate incentives to achieve this aim.

Government assistance during main drought events should only be provided in circumstances that are rare and severe, beyond the capability of producers to sensibly manage for such risk, and concerned with the welfare of producers and rural communities. Assistance should not introduce unnecessary distortions to markets and promote unintended behaviour by recipients. Consistent with agreements at the Primary Industries Ministerial Council (PIMC) there should also be greater harmonisation of programs and drought declaration processes across jurisdictions.

The Queensland Government has approached its response to the Productivity Commission's issues paper with these aims in mind.

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

The Queensland Government considers that the nature of government intervention for drought should primarily be for drought preparedness measures. However, it is acknowledged that drought preparedness is unlikely to be sufficient to deal with exceptional, rare and severe drought. The risk management approach to drought policy implied in emphasising preparedness cannot completely insulate producers from the impact of severe drought.

In practice drought assistance in its varying forms is often reactive in nature providing assistance to respond to the consequences of drought. This is not ideal as several studies have shown that 'preparedness to drought is much more cost-effective than the conventional way of responding to drought as a crisis, following its onset' (Bazza 2001:2). Assistance which responds to drought's consequences may not lead to any changes in behaviour which would improve the capacity to withstand drought.

Drought assistance during severe droughts is justifiable on the grounds that support to maintain primary producers over the short term is less than the cost of losing viable industry participants as a result of drought in the longer term. A similar rationale applies to government assistance provided in response to other extreme events, such as cyclones.

As noted by O'Meagher (in Botterill and Fisher 2003: 118) drought assistance should:

- Reduce uncertainty about climate variability and its interactions with highly diversified hydrological and agronomic systems
- Reduce drought risks, principally through the development and adoption of: requisite planning and decision tools; income insurance/protection strategies and in extreme circumstances exit strategies
- Provide for welfare and inter-generational equity objectives.

Surveys relating to government support during drought have indicated that there is an expectation among primary producers and the community that some form of government intervention will automatically occur in a drought. In a survey conducted by DPI&F in 2004, when asked the question "during droughts taxpayers should provide financial assistance to farm businesses" 65 per cent of the general community either agreed or strongly agreed with the statement while 58 per cent of primary producers agreed with the statement. Interestingly, 37 per cent of producers disagreed with the statement.

The 2004 Drought Review Panel recommended that Governments role in providing drought assistance is to:

- Create conditions, which assist the management of risk and encourage further transition from the expectation that Government will intervene to assist businesses when difficult conditions arise
- Provide a welfare safety net to protect families when the severity of the drought goes beyond that which could be expected to be handled by normal risk management
- Ensure that essential services e.g. health, education and social services such as counseling are available to people in rural and remote Australia

- Ensure that Government assistance provided does not unintentionally hinder structural adjustment processes and promotes sound natural resource management.

In terms of government intervention during severe drought it would assist if there was a common understanding across Australia of what is seen as a 'severe drought' and attracts government assistance.

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

The 1992 National Drought Policy seeks to promote producer self-reliance and the ability to withstand future drought events. Drought preparedness means incorporating drought risk into farm management systems and risk management plans at a level that is prudent and reflective of sensible risk management. Consequently, producers become more self reliant and calls for government assistance are minimised.

The most recent review of National Drought Policy in 2004 indicated a strong support among stakeholders for drought preparedness to be encouraged and for drought preparedness to be the focal point of future drought policy. This review also indicated that most stakeholders would support a shift in focus towards drought preparedness measures at the expense of business support measures currently provided during drought. Drought preparedness can be considered in three elements:

- Farmers cumulative state of overall drought preparedness;
- Drought preparedness measures that farmers may adopt that contribute to their capacity to manage the risks associated with drought
- Drought preparedness programs and policies that support farmers preparedness actions (Webb and Mazur 2005:11)

With the move towards providing drought assistance which improves primary producer drought preparedness comes the need to identify what measures could actually be undertaken to improve preparedness.

In summary, drought preparedness measures are critical in enabling farm businesses and rural communities to manage variations in climate. Preparedness strategies also build self-reliance, minimising the need for government intervention during drought.

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

The severity and the duration of the 2001-08 drought has meant that even many primary producers who were well prepared and engaged in best practice encountered difficulty. Producers who may have considered themselves mentally and financially prepared for a two year drought were confronted by a five year drought. In some areas there may have been little that even the best farm manager could do in order to successfully prepare for and be self-reliant in response to such a severe drought. Nevertheless, the majority of producers have managed to remain in business.

During the recent drought, farmers have increasingly sought to minimise risk through diversification and adoption of new technologies. These include:

- off farm income;
- off farm investment;
- utilisation of multiple properties in different locations to move stock;
- utilisation of farm management deposits;
- greater use of forecasting
- crop and pasture modelling
- more efficient water utilisation
- changing cropping practices and crops grown

Despite the adoption of risk mitigation strategies, producers will respond to drought by:

- Postponing capital purchases
- Debt restructuring
- Belt tightening
- Longer working hours
- Selling stock
- Reduced maintenance
- Government assistance (Webb et al 2002)

In some cases these rational drought response measures may reduce the capacity of producers to be self-reliant in the long term. For example a postponement of capital expenses in favour of operating expenses will tend to reduce the businesses long term profitability. In some cases, the desire to engage in measures which would improve the long term health of the farm business may be impeded by other factors which compound the impact of drought such as low commodity prices or high input costs.

It is also possible in the face of likely climate change and rising food prices that primary producers will seek to offset the risk of severe weather through partnerships either with other farmers, private equity or the stock market. This is demonstrated by the establishment of publicly listed companies involved directly in production such as PrimeAg and increasing financial sector interest in the agricultural sector. It must also be said however that such a step represents a significant cultural change in traditional family farm structures that dominate Australian agriculture.

Optimal strategies to prepare for drought vary from farm to farm, industry to industry, region to region and drought to drought. In some cases none of the above options may be suitable.

Education and training have also proven to be an important part of improving producer self-reliance in response to drought. By building primary producer knowledge of new research and successful farm management practices either via direct training programs or information sharing networks, training can play an important role in improving a producer's ability to respond to drought. Therefore social networks such as Landcare groups, industry groups, women in agriculture groups also provide an important structure through which information and support for drought preparedness can be transmitted.

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

There is an ongoing adjustment process in Australian agriculture in the face of changes in terms of trade and changing customer preferences. The result of this process is a reduction in farm numbers and increasing scale of production. However, this is not a seamless adjustment, as it involves communities, families and individuals that are prepared for considerable hardship in order to try to retain their previous lifestyle. Key impediments to the adoption of preparedness measures are the lack of capital in some farm business structures, particularly farms that are already close to marginal, the loss of skilled labour, cultural factors and indeed the provision of some forms of government assistance.

Current drought assistance measures may also act as an impediment to self-reliance. This is because producers count on the government sharing some of the climate risk by being ready to step in to offset some of the cost of drought through assistance measures. While outlays under drought programs can be significant, however, it should also be noted that many producers in fact do not access drought assistance, and it can only be presumed that these producers are able to manage drought risk themselves.

Many marginal producers struggle to make ends meet and may have considerable difficulty in implementing drought preparedness strategies or may not have the time to find out strategies which may be of assistance to them. While it may be argued that the availability of ongoing government assistance in those instances may lead to producers postponing business decisions and adopting preparedness strategies, the availability of government assistance could be critical in ensuring that producers recover from a severe drought to a point where planning for the future viability of the business and to improve their capacity to respond to future drought is possible.

The ability to be self-reliant during severe drought events is impaired by a number of factors:

- economic and social impacts of drought including erosion of income in rural areas
- increased on and off farm working hours
- health and welfare issues associated with isolation and stress
- fragmentation of social networks
- loss of contact with the broader community due to focus on business survival (forced isolation)
- loss of key staff seeking employment elsewhere
- loss of rural services due to reduction in regional population

Social networks need to be maintained or reformed at the end of a drought in order to improve the resilience of primary producers. The promotion of primary producer self-reliance without consideration of the social networks surrounding a farmer is not a preferable ideal drought strategy.



Generally, strategies for drought preparedness vary according to industry. Producers in both animal and plant industries are likely to be reliant on financial capacity to manage dry seasons. Strategies such as FMD's, investment accounts and borrowing against equity in land assets are available. However, producers in the animal industries have additional strategies of destocking to ease grazing pressure and/or maintaining physical fodder stores to feed drought affected livestock.

Low economic returns for many rural enterprises and easy access to finance have been an impediment to preparedness. Producers may give priority to investing cash surpluses into improving productivity and cash flow rather than physical fodder stores or investment strategies. This approach is aided by the willingness of banks to lend money against the security in land and other assets rather than cash flow.

Borrowing against equity to manage drought can work when droughts only last two to three years. The strategy has serious shortcomings with extended droughts when the cost of feed increases significantly and they eventually reach their credit limits and they are likely to be forced to destock affected animals. In this situation feeding costs are unlikely to be recovered.

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

The perception that the government will automatically provide drought assistance may lead to producers placing insufficient emphasis on their own risk management practices on the understanding that government assistance will always be made available. Government drought assistance in its varying forms can be seen as reducing the risk of farming. As mentioned previously, assistance which is ongoing or indefinite in nature may tend to reduce in some the desire to engage in the long term planning necessary for self reliance. It should also be acknowledged that there will always be some producers that do not adopt preparedness measures regardless of the availability of government support.

It has been argued in the past (Smith et al 1992) that the majority of drought assistance goes to a minority of primary producers reaching the conclusion that assistance "favoured poorer managers and climatically marginal areas received proportionately more assistance." High performing producers often ineligible for support, or culturally disinclined to seek government assistance, are sometimes critical of the provision of drought assistance because they hold such perceptions.

Since 1992, Queensland has invested considerably in drought preparedness support programs aimed at helping producers be better prepared for climate risk. These programs include:

- the SOI phase system which has been widely adopted
- Programs like Whopper Cropper help producers crop management decisions based on likely season and Rainman
- Other Queensland Climate Change Centre of Excellence (QCCE) research such as Seasonal Pacific Ocean Temperature Analysis-1 (Spota -1) looking at forecasting summer rainfall by the end of preceding wet season which is very important for the beef industry.

These programs have been widely adopted and many producers have reported that these programs made a difference during the recent drought. Grain growers on the Darling Downs widely acknowledge that programs such as Whopper Cropper have helped inform their crop planting and management decisions in ways that have enabled them to survive the recent drought, whereas a drought of such severity even ten years earlier would have put them out of business.

***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?***

As long as there is a broad ranging drought assistance program it will offset to some extent the development of commercial risk management products such as insurance. While certainly not the only reason, the fact that the government is prepared to take on an element of the climate risk by providing drought assistance measures may crowd out this potential market.

The availability of drought insurance could be a way for a producer to spread the risk of drought to additional parties in addition to the farm business. With such a product, the producer would pay a premium to an insurer as a hedge against a drought event. The insurer would pay if a drought event as specified in the agreement were to occur.

In Australia, there are not any widely accepted drought insurance products. A major reason the private sector has not developed any commercial drought insurance products is that drought is usually spread over a large number of producers, resulting in high covariate risk for the insurance company. For the insurance company to remain in business the value of premiums must exceed the combined costs of administration and indemnity outlays. To effectively cover drought covariate risk would result in very large premiums, and thus an unattractive insurance product if offered without significant government subsidy.

The feasibility of drought insurance, multi-peril crop insurance, and other financial risk mitigations strategies such as weather index insurance, has been examined from time to time by most governments in Australia, with the most recent implementation being a multi-peril crop insurance product in Western Australia. It is understood that this product had only very poor uptake and was abandoned.

As producers would be most likely to take up the insurance product as it became more likely a drought was upon them, the premium for the bond would need to adjust over time to reflect the forecast likelihood of a drought event, and availability of the product would have to have a suitable timeframe between purchase and the expiration of the bond. Producers may hold off purchasing such products until the premiums are too high, further reducing uptake of the products.

Thus drought assistance may have a slight inhibiting effect on the development of financial instruments to address drought risk, the development of these products may not be successful for other reasons, such as:

- The size of premiums are likely to be prohibitive
- Producers are culturally risk takers and generally self insure
- Most recipients of drought assistance may not have the skill or resources to identify a suitable commercial risk management product.

***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 instances of severe droughts of low frequency, timing uncertainty and high consequence? Does the process need to be refined in the context of a changing climate to remain targeted towards such severe droughts?***

The evaluation process for EC involves the integration of climatic, agricultural production and economic data from a range of government agencies to assess the severity and impact of drought on farm businesses and families, to determine if government assistance is required.

The difficulties that are associated with the EC declaration process are in part associated with the inherent difficulties involved in determining when a drought is occurring.

The 2004 *National Drought Review* noted three technical definitions of drought:

- Meteorological drought defined on the basis of degree of dryness, in comparison to an average amount of rainfall, and the duration of the dry period.
- Hydrological drought defined in terms of the effects of below average rainfall on water supplies including streams, dams, reservoirs and ground water supplies.
- Agricultural drought associates the effects of meteorological drought on farm production systems.

The establishment of the 'rare' and 'severe' event trigger (i.e. a one in 20 to 25 year event) was also meant to provide a measure of objectivity to the process of obtaining drought assistance however the same event will impact on different farmers in different ways.

Due to the importance of EC assistance to many rural producers it can be argued that the application and revocation process has become politicised with intense scrutiny applied to the assessment criteria and evidence used to justify any decision. The 2004 review indicated that the EC application process was too demanding, complex and confusing. The 2004 Drought review recommended that the declaration of EC should 'essentially be an administrative decision, rather than requiring extensive submission, visits and an independent committee to make recommendations (2004:7).

Despite the introduction of the National Agricultural Monitoring System (NAMS) intended to assist with the collation of data necessary to support an EC application the Queensland Government is still involved in the preparation of extensive additional material. This can be an onerous especially given the short timeframes that are frequently given for the provision of this information.

Were the current system to be maintained it would be better if NAMS contained more detailed, timely and more accurate localised data to support decision making. In some instances the information contained in NAMS does not present the whole picture. Thus the National Rural Advisory Council (NRAC) which makes EC recommendations may have a view of conditions based on NAMS which is not complete. The conduct of NRAC field trips and obtaining additional data from the producer groups or the States to supplement NAMS data can offset this data discrepancy to a certain extent but it would be preferable if more resources were allocated to improving the timeliness of available NAMS data. The financial implications of enhancements to NAMS would need to be examined in greater detail should this option be considered further.

While the EC declaration process could always be improved, increasing the complexity of the main criterion by including a factor for climate change is likely to introduce more complexity. As the prime criterion for EC declarations is the frequency distribution that automatically adjusts with the changing climate, it is unlikely that adding a factor from climate change models would materially change eligibility, over the timeframes suggested by climate change. This was raised in the recent CSIRO/BoM report examining this issue, which suggested that it may be better to not have a trigger at all.

***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 an EC declaration influence behaviour, for example, does the potential for declaration delay the decision to adopt preparedness strategies?***

The current "lines on the map" approach to determining whether producers will obtain EC assistance leads to producer frustration when they are ineligible for assistance due to a geographic boundary, regardless of comparative need. It also leads to division in the community when producers in one region obtain EC assistance and producers in another region experiencing similar conditions do not. To address this potential inequity the concept of buffer zones was introduced but did not eliminate the need to exclude farmers from eligibility based on location.

Buffer zones have proven ineffective due to the inconsistent application by the Australian Government, and because they merely shifted the boundary. If an EC trigger remains, a boundary is still necessary. It would be better to include the buffer within the boundary of the EC area, thus making sure the region is of sufficient size to capture most of those producers identified as in need. This will not however solve the problem of adjacent farms on the other side of the boundary being excluded. This may be a problem that would have to be lived with should EC retain a trigger unless those adjacent could apply individually to Centrelink for assistance on the grounds they are near an EC area and require assistance based on individual circumstances. On that basis, however, it is questionable if a boundary, and hence an EC trigger, is needed at all.

Given the uncertainty surrounding when an EC declaration is made and when it is revoked it is unlikely that a producer would take actions delaying preparedness strategies based on EC assistance. This is because a producer cannot plan in advance for the receipt of EC although they could confidently anticipate they are likely to get it and this expectation of assistance may lend support to the moral hazard argument that some producers will undertake riskier activities on the presumption that assistance will become available. On the whole however the potential receipt of EC is unlikely to be a major factor in producer decision making prior to drought (Brown 2006:35).

***Does the EC declaration process create incentives for states governments to apply for assistance given the Commonwealth is responsible for most of the funding?***

The Queensland EC application process is unique in that industry is directly engaged in the application process and Queensland believes this has helped to reduce calls for unwarranted EC applications. To help with EC applications and other drought related matters the Queensland Government has funded specialised industry officer positions with industry organisations.

With the provision of 10 per cent of the business assistance, there is a significant contribution from state governments, and this has significantly increased in recent years with continued, widespread drought and changes to the eligibility criteria which have been introduced by the Australian Government.

Therefore the Queensland Government does not consider that the current EC declaration process creates an incentive for states to apply for assistance. The criteria that must be met before EC assistance will be made available are well known and are laid out in the Exceptional Circumstances Handbook.

With so many parties involved in the EC declaration process, state governments have an incentive to only apply for EC assistance when the criteria are firmly met. DPI&F closely monitors weather conditions and its presence in regional Queensland gives it a good understanding of drought conditions throughout the State and whether those conditions meet the requirements for EC assistance. Frequently this knowledge will be beyond what is available on NAMS due to the current limitations of the NAMS dataset.

There have been differing views between the Australian Government, States and primary producers on whether EC should be provided in particular areas. There would be greater agreement over these matters if all drought declaration processes and boundaries were harmonised.

***Have expectations of ongoing assistance being created as a result of many regions been declared as experiencing EC for several years?***

Prior to 2003-04 EC assistance was only available for a two year period. The extended duration of the recent drought however has meant that EC assistance has been rolled over for more than two years. The removal of this assistance mid-stream may have adversely impacted on producers' ability to successfully manage through to the end of the drought as producers have built drought assistance measures into their drought risk management processes. It is important that EC assistance continue to a point where the producer has financially recovered from the effects of drought.

EC provides a significant source of income for the farm business and the producer family. If producers have been in receipt of EC assistance for some years, there is no doubt there is some tendency to build the assistance into income structures, to the extent that there could be considerable difficulty in adjusting to the removal of this assistance, particularly if significant cash flow from recovered farm operations is yet to occur. On these grounds it is important that a balance be sought in the current circumstances of recovery from prolonged severe drought and the need to minimise dependence on government assistance.

***Is a trigger approach, such as an 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?***

One means of addressing the potential inequity of the current 'lines on the map' approach to assistance would be the removal of the EC declaration process entirely with eligibility for assistance based on the individual circumstances of the producer rather than the producers location. While a declaration as a public statement acknowledging that a region is undergoing exceptional circumstances benefits producers on an emotional level it is not strictly necessary in order to administer assistance.

One flaw with drought declarations of any kind is that it has natural disaster overtones. As the drought declaration triggers government assistance this gives the perception both in the public and governments mind that circumstances have changed overnight whereas drought is an incremental and gradual process. Conditions for producers are likely to be poor before the declaration is made and, due to the lag between improved conditions and when the producer will benefit from those conditions, poor after the drought declaration is lifted.

Unlike natural disasters drought conditions develop gradually and as a rainfall deficit will have differing impacts depending on production type and location there can be some dispute about whether a region is, or is not, in drought. It is also difficult to assess when a drought has ended as the effects of a drought will linger after rainfall has increased. It follows that there a number of difficulties in determining whether there is a need for government assistance.

The Queensland Government notes the recent report prepared by the CSIRO and BOM on the impact of climate change on exceptional climatic events (the climate review report) which concludes that the:

“existing EC trigger definition is not appropriate under a changing climate. Future drought policy may be better served by avoiding the need for a trigger at all.”

If the EC declaration process was to be eliminated there would still be a need for eligibility criteria that must be met before assistance is granted. For example, the farmer's and small business operator's income and assets details are reviewed every six months by Centrelink in order to access income support. As the EC program currently operates, there is a two stage assessment process, the first being a regional assessment and the second being an individual assessment. Both assessment stages have the potential to be onerous on producers to demonstrate their need for assistance. Assistance ceases where an individual assessment conducted by the administering agency indicates that a producer is not in need.

As with other forms of welfare, the implications of removing a trigger for drought assistance may lead potential recipients to restructure their financial arrangements. Assistance provided may need to be predicated on some measure of mutual obligation for example the existence of a drought management plan. It is likely that such a requirement would, however, due to a large pool of potential applicants, be administratively expensive as a result of the need to closely monitor recipients. Were the removal of a trigger for assistance to be considered, a full and complete analysis of the financial and administrative implications of such a move would need to be undertaken beforehand.

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

Given the inherent nature of the EC interest subsidies the most benefit goes to those who have the most debt with debt free producers not benefitting at all. ABARE (2006:6) analysis of the interest rate subsidies indicates that the “majority of farm debt is for farm expansion, farm development and investment in new technology.” As farm development and investment in new technology should improve drought preparedness providing interest subsidy assistance may improve overall preparedness in the rural sector.

QRAA's assessment of application on 'viability' and 'need' provides an effective filter that ensures that enterprises that cannot demonstrate viability do not receive interest subsidy.

In some instances a producer may be more likely to seek interest subsidies than income support due to the purported stigma attached to Centrelink payments as opposed to the commercial nature of interest subsidies. In that regard the availability of interest subsidies may improve farm survival.

Based on the second survey report *Analysis of Exceptional Circumstances Interest Rate Subsidy (ECIRS) Recipients* commissioned by DAFF it would appear that interest subsidies have improved the survival of farm businesses. This report has a detailed analysis of the use, uptake and impact of EC interest subsidy assistance. The executive summary of the report notes:

“On balance, our assessment is that ECIRS has helped to sustain farm operations experiencing severe drought conditions. There is no evidence from interviews with farmers that the scheme has prevented adjustment within the agricultural sector; it appears more likely to have helped to sustain operations and assist farmers to make on-farm improvements.”

While such views may appear contradictory, it relies on the relevant rural adjustment authority ensuring assistance is only provided to producers who are deemed long term viable. It should be noted that interest payments are one of the largest single expenses of a farm business. As such, the money saved from interest subsidies can be used as the producer best sees fit to help the business survive drought.

However, it can also be said that the provision of this often considerable assistance ensures that the taxpayer bears a significant portion of drought risk that the producers otherwise would seek to minimise through better management of drought risk themselves. In addition, if a producer has no debt, they are required to go into debt before they can even begin to access business support. This may not be the best option for that particular enterprise if the loan is not used to achieve improved efficiency, productivity or increased output for the enterprise.

***To what extent have farmers benefitted 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?***

The availability of transaction based subsidies such as the Drought Relief Assistance Scheme (DRAS) in Queensland have been criticised in previous reviews of drought policy (Burdon 1995:42) including the report by the Agriculture and Food Policy Reference Group *Creating our Future: agriculture and food policy for the next generation* which called for the phasing out of these schemes.

The major objective of DRAS is to maintain as far as possible the livestock resource of a property during drought, and assist in the return and restoration of that resource after drought. It therefore primarily targets extensive livestock industries through the provision of freight subsidies related to the management of grazing animals, although intensive livestock producers may access some components of the scheme.

Transaction based subsidies alter behaviour by:

- encouraging producers to maintain higher stocking levels during drought (potentially causing environmental degradation);
- encouraging the maintenance of stock through agistment whereas it may have been better to dispose of the stock;



- encouraging producers eligible for DRAS assistance to purchase fodder during drought rather than building fodder storages
- increasing the demand for fodder which work to the detriment of other purchasers of fodder e.g. pigs and poultry that don't get DRAS but must compete for the same fodder thus raising fodder costs.
- leading to unintended perverse natural resource management outcomes (e.g. soil erosion may be worsened if destocking is delayed due to access to transaction based subsidies).
- discouraging producers from diversifying into activities that are not supported by DRAS in times of drought.

Signatories to the 1992 National Drought Policy agreed to phase out transaction based subsidies such as DRAS. It was considered that these subsidies are not consistent with the Drought Policy, in that they do not encourage producers to adopt strategies to better prepare for drought. In the case of Queensland, DRAS was due to be phased out in 2002, but given the drought conditions at that time it was retained subject to regular review and the end of the current drought. There is a relatively low proportion of producers that access the DRAS scheme, which may be because many producers do not regard DRAS as a particularly effective risk management strategy for their business.

There is a risk that the provision of freight subsidies may encourage freight providers to obtain 'rent' from the subsidy resulting in higher freight costs than would otherwise be the case. The Queensland Government has an extensive audit process using comparative analysis by experienced officers to minimise this risk, but this results in increased administrative costs of the program.

The 2004 National Drought Review noted that the provision of freight subsidies works to the detriment of those producers in states which do not have freight subsidy schemes by pushing up demand for materials in those areas which provide subsidy.

In summary, research has indicated that transaction based subsidies will tend to:

- Benefit non-farm businesses such as freight companies and fodder suppliers as much as the farm businesses getting the assistance
- Reward poorer performing producers who are less likely to undertake effective drought mitigation practices
- Encourage investment in subsidised activities
- Encourage higher stocking rates than would otherwise be economically or environmentally sustainable (O'Meagher in Botterill and Fisher 2003:124)

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

Queensland operates its own farm financial counselling service which operates in a complementary manner to the Rural Financial Counselling Service (RFCS) to ensure a broad coverage of the rural sector.

Farm Financial Counsellors (FFCs) and the similar RFCS are often critical in making people aware of their options for government assistance and helping people access the appropriate schemes. Without FFCs the effectiveness and number of people actually applying for the interest subsidies and income support would be a lot lower, either because people wouldn't be aware of their options or would have difficulty with the application processes.

Once a producer contacts a FFC for help with applying for EC assistance, it provides an opportunity for the FFC to help address the producer's other finance related problems.

In times of drought, financial counsellors help producers with matters such as accessing schemes of assistance, assessing the cost of feeding livestock with destocking, assisting in negotiations with financial institutions for continued financial support and providing referral for assistance with legal, accounting and social and welfare matters. In times of drought recovery financial counsellors help producers assess the level of debt and cost of finance the business can afford to support to implement strategies for recovery and in the more serious cases exit agriculture.

As a free service, many producers would use a FFC but not pay a consultant for the same help. FFCs are trained and specifically employed to help producers with problems, consultants are there to make a living so would have a different target audience.

In non drought years, the majority of producers are not typically clientele of FFCs unless they are in need of financial advice that cannot otherwise be afforded. In Queensland, advice on farm management systems and other forms of risk management are typically provided by other extension services of the DPI&F or private consultants.

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

In the midst of severe drought, governments pursue two strategies that are potentially contradictory, namely providing assistance in various forms which helps 'maintain' producers on the land and providing exit grants to encourage them to leave.

In terms of exit assistance, a farmer can receive the full exit grant only if the total net value of their property and assets is less than \$350,000. A progressively lower grant is paid for assets of up to \$575,000. This assets test is too small and is not reflective of farm values to be of interest to any producer other than those facing bankruptcy. As a consequence, it often is not seen as a sufficient incentive to exit for many producers. Historical evidence indicates that significant adjustment/exit is more likely to occur when seasonal conditions improve and producers can make decisions about their capacity to cope psychologically and financially with the effects of another drought.

Re-establishment grants are conditional on producers and not banks being in charge of selling property assets. Because property can be difficult to sell during a drought this can act as a disincentive. Furthermore, inherent within the adjustment and exit process are social as well as economic considerations. A key issue involves understanding the impacts of 'impediments' to adjustment/exit rather than financial incentives. In many cases it is the social impediments that impede adjustment rather than financial considerations.

In a survey conducted on behalf of DAFF comparing farmers in EC areas and farmers in the Farm Help program, a reluctance to sell among those considering the move was noted. Lifestyle issues and a desire to pass on the farm were identified as reasons behind reluctance to sell. This survey noted that despite the drought there was 'still a remarkable degree of optimism in the response of farmers.' Such attitudes produce a 'stickiness' that acts as an impediment to a market driven adjustment process.

***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?***

The key exposure points for small businesses and communities during drought are:

- reduced discretionary expenditure by producers
- reduced production expenditure
- reduced employment

Income support provided by the EC program to small business and primary producers are a means of injecting cash into rural communities struggling with drought. While the local cash flow generated by the provision of relief payments to producers is appreciated, it is also acknowledged that it can cause resentment in regional communities from non-producers unable to access this assistance but also impacted by drought. For this reason the Australian Government extended EC arrangements to small business. However, it is understood that uptake of EC assistance by small businesses has been low.

Community building activities have also been shown to benefit in South Australia and Victoria. Providing opportunities for producers to get together and to participate in such events improves their mental well being by demonstrating they are not alone during drought as well as improves social cohesion. Queensland has also funded such programs tied in with drought information days, in conjunction with the Centrelink drought bus.

Queensland has implemented initiatives such as 'breaking the unemployment cycle' and industry organisation funded positions in order to address these issues. The Queensland Government also provides the Small Business Emergency Assistance Scheme (SBEAS) which provides interest subsidies to small businesses dependent on EC declared rural communities. Small businesses may be eligible to receive an interest subsidy of up to 50 per cent payable on new or existing loans with a maximum interest subsidy of \$10,000 p.a. for two years.

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

A loss of income in times of drought can exacerbate social and welfare problems such as stress, depression, domestic violence, alcohol and substance abuse and in some cases suicide.

Isolated areas in particular offer little or no employment opportunities for farm families to supplement income from off-farm sources. Circumstances of this nature have a significant effect on family members. In this regard income support payments provide a valuable safety net for families.

It is the experience of the FFCs that prior to the introduction of Drought Relief Payments (DRP) in the 1990's many financial counsellors' reported farm families concern about rising stress levels associated with financial hardship and poverty. Following the introduction of DRP financial counsellors reported a noticeable and immediate reduction in farm family stress.

FFCs have indicated that EC relief payments have been very effective in providing a safety net. The provision of such assistance walks a balancing act between being too accessible and therefore available to those who could make other financial arrangements for support and having provisions which make potentially deserving applicants ineligible. For example, it has been argued that the threshold on off-farm income precludes some farming families from accessing income support. In contrast it has also been argued that a tightening of assets eligibility would ensure that only those in need are able to access assistance and this assistance does not act as a disincentive to postpone making necessary business decisions.

The availability of income support has not impacted significantly on farm asset values, but current valuations could limit access to assistance if a more rigorous assets test were to be applied. Many properties generate relatively low rates of return in comparison to their value and thus any consideration of farm assets in an eligibility test would need to carefully factor this reality. This issue is even more pertinent in drought years when cash flow in the business is even more constrained.

***What have been the farm family welfare outcomes from the EC Relief payment? Are they satisfactory and at the level expected? For example, have farm 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?***

Advice from FFCs indicates that there are numerous instances where the ECRP have been crucial to helping the family survive the drought. As the farm business is likely to pay for expenses such as mortgages/rents, electricity, communication and fuel the EC relief payment is comparatively more beneficial to producers than to non-producers where personal expenses cannot be met by the family business. The availability of the Health Care card has also been very important.

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

The distinction between farm and family expenses is very blurred in a family farm. For example, with the money a farm saves on interest rates when accessing interest subsidies they may spend that money on family related expenses. Conversely it is not unusual for producers to indicate that ECRP has been used to feed livestock. In essence money spent on maintaining farm assets translates to cash flow to maintain the family and vice versa. In any case it is uncertain how significant a difference the provision of relief payments makes to the survival of the farm business, and if this is a sufficient issue to overcome the implications of creating a special relief payment for producers which differ from the NewStart allowance.

***What is the role for government in providing social security-type payments to self-employed farmers and rural contractors/businesses during times of drought? Who should be eligible and in what form should payments be made? Should payments be drought dependent or instead based on individual circumstances? Should equity in assets be run down to some minimum level before households are eligible?***

The Queensland Government through QRAA has no involvement in social security type payments, which is undertaken by Centrelink. However, it is considered there needs to be an underlying social security net for farmers and farmer dependent small businesses during times of severe drought. This assistance needs to be appropriately asset and means tested.

In this regard the recent survey report *Comparison of Farmers in Exceptional Circumstances Declared Areas and Farmers in the Farm Help Program* commissioned by the Department of Agriculture Fisheries and Forestry (DAFF) may be of interest.

If relief payments were dependant on individual circumstances rather than drought there is the risk of establishing a semi-permanent rural subsidy. Moving from drought criteria to individual circumstances criteria would also widen the pool of producers eligible for assistance potentially increasing the level of government social security obligations to primary producers from their current levels, unless quite significant eligibility requirements were also put in place.

The ability to service debt is determined by a farms' cash flow. Many farms have a low rate of return implying that equity needs to be high to remain viable as their ability to obtain debt funding is limited. The introduction of an equity test would potentially threaten long term viability of many such farms and prevent access to assistance by those in need.

Cash is the preferred method of payment as it recognises that the boundary between the farm business and the farm family is often blurred. It also provides families with flexibility of decision making and provides a local community benefit.

**How can the environmental consequences of severe drought be minimised while providing assistance to farmers? Do current government support measures change these consequences in either a positive or negative way?**

A study of pasture degradation in Australia's rangelands concluded that there are four components necessary to prevent degradation of the grazing resource: (McKeon 2004:172)

- a commitment of graziers to manage stock (and fire), against a background of high climate variability, to prevent degradation of the perennial pasture resource;
- government policies which facilitate and value graziers' actions in moving to more sustainable grazing systems;
- an alert system based on climatic understanding, ecosystem response and resource monitoring which provides warning before damage occurs rather than a retrospective analysis after the event; and
- financial systems that allow graziers to maintain cash flow during drought and support management actions aiding pasture resource recovery after drought.

Variability in rainfall and pasture growth were major factors in each of the degradation episodes assessed. However, variability in prices paid for wool and meat also contributed to the degradation outcomes by affecting not only the build-up in numbers, but also the timing and extent of destocking when seasons became dry.

In Queensland as with the rest of Australia drought is part of the natural variability of climate and drought risk needs to be managed along with other components of farming management.

Unintended perverse outcomes of some drought assistance programs are an issue for natural resource management. Droughts are a time of environmental stress and the natural resource base of a property can be very vulnerable and easily damaged. Soil erosion may be worsened if destocking is delayed. Some studies have argued that high sediment river loads entering the Great Barrier Reef lagoon could be exacerbated by maintaining stock due to support from drought relief assistance.

Previous reviews of DRAS raised a number of potential consequences of subsidies on the environment, these included:

- That they encourage retention of greater numbers of stock on the land than may otherwise be retained given the availability of pasture.
- They encourage the possible movement of stock to more fragile environments to gain assistance under the scheme and therefore is likely to have negative consequences for natural resources.

This results in increased land degradation including increased erosion and loss of soil, invasive weeds, and loss of ecosystem function. In turn this impacts on water quality from increased nutrient, sediment and load into freshwater systems and increased delivery of water-soluble and water-insoluble contaminants into coastal marine systems.

Farm management systems should ideally incorporate drought risk modules which identify what steps a producer will take when a drought occurs. Eligibility for continued drought assistance contingent on the development of such drought management plans may reduce the likelihood of actions being taken which lead to negative environmental outcomes.

**What role do FMDs play in helping farmers prepare for severe drought events? Is there evidence that FMDs are substantially drawn down during 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?**

For primary producers it is the reduction in cash flow that occurs during drought that leads to difficulty. As FMDs are a financial measure that allows producers to save money during good years for use in bad they are one means of encouraging primary producer self-reliance. As such the concept of the scheme is consistent with both the Queensland and National Drought Policies.

Some critics of FMDs argue that as there are still substantial funds held in FMDs after years of drought that they are really operating as a tax minimisation scheme rather than a risk management tool. While there may be some truth to this argument, this may also reflect deficiencies in design rather than a fundamental flaw.

That FMDs levels are still high after years of drought implies that producers may be keeping them for drought recovery expenses such as restocking as well as tax minimisation purposes.

Currently, FMDs are exempt from the assets tax for EC support and producers can withdraw funds only a short term after lodgement in the scheme. In order for FMDs to be used for the purpose they were designed, reconsideration of these provisions should be undertaken. That said, the policy should also still allow for producers to place funds on hold to be in a position to recover as quickly as possible after a drought event.

It is Queensland's view that the FMD scheme should be retained but redesigned to enhance the ability of producers to manage risks and overcome some of the deficiencies identified in the current scheme.

***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 efficient manner? For example, are the government institutions responsible for delivery of business and welfare assistance the most appropriate organisations and do state differences add to compliance costs?***

While it is arguable that the delivery of EC assistance by different agencies adds unnecessarily to compliance costs the current system has sought to minimise such expense. QRAA staff have considerable expertise in relation to farm businesses and therefore have the capacity to assess EC interest rate applications while Centrelink has expertise in regards to welfare matters positioning itself as the appropriate agency to deliver EC income support.

The question concerning State differences in the application of EC assistance should not be an issue. While not commenting on other jurisdictions, QRAA has a rigorous approach to the application of EC guidelines. QRAA has extensive experience in analysis of farm performance and farm viability and utilises this experience in EC assessments.

**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?**

Application forms need to provide sufficient information to enable eligibility to be fully assessed. In Queensland, QRAA endeavours to assist applicants as much as possible in completing these forms and in doing so, provides application check lists and staff support. These forms are standardised across schemes offered by QRAA.

The QRAA processing of applications is normally achieved within 30 working days of receipt. There are times when significant volumes of applications are received within short timeframes, and this does impact on resources and timelines. In these circumstances, QRAA is in contact with applicants advising them of the likely timeframes for completion of their assessment, and generally applicants understand these circumstances.

In many cases, applicants independently seek the assistance of their accountants to complete application forms. However, QRAA considers this to be more of a convenience than a necessity.

Other drought programs such as DRAS have also sought to minimise the application process, while satisfying government requirements. The standard DRAS claim form is two pages, to which invoices and receipts are attached.

Advice from FFCs indicates the time spent on paperwork is not long and given the assistance producers stand to receive is time well spent. The amount of information being requested is necessary for a proper assessment to be made and for the bodies responsible to have a reasonable chance of only paying those who meet the criteria. For those with difficulty in completing the necessary paperwork free service is offered by both Centrelink and FFCs.

While Governments seek to minimise the application process to producers who are facing a stressful period, it should also be recognised that the taxpayer also expects assistance to be directed towards those most in need, and justification is required for the provision of financial assistance. Nethertheless there is always the opportunity to simplify processes with the adoption of new information technology, and the ability to provide professional help with the applications.



***Should there be a uniform national approach to drought policy?***

The 2004 Drought Review Panel recommended that there be only one declaration of drought agreed by all levels of Government. The review noted that producers found that the varying drought declaration criteria applied by each Government in Australia was too confusing. The Drought Review Panel consequently recommended that all jurisdictions move to a uniform drought declaration process, or if that were not possible, a consistent methodology by which a drought event could be determined. This could entail all states accessing the same data for example data from NAMS.

At ministerial level, primary industries ministers have previously discussed whether or not it would be possible to move to a uniform declaration process, based around the National Agricultural Monitoring System. While it is understood that many states may be prepared to have a uniform drought declaration process with the same criteria for a drought declaration as the Australian Government, it is understood that some states reserve the right to have drought declarations for less severe events.

There is currently agreement for a transition to a harmonised drought process to occur with the 2008 Primary Industries Ministerial Forum (PIMF) communiqué which 'reinforced the importance of policy consistency across governments.' This implies that State and national agriculture ministers will need to consider the harmonisation of drought processes as part of the drought reform process. The concern with a uniform drought declaration process is that it may not have the flexibility to recognise regional climatic patterns which contribute to drought. While some states may want to maintain flexibility to provide assistance during lesser drought events, there may be benefit in harmonization of drought assistance measures and greater consistency throughout the nation.

A possible consideration for a uniform approach to drought assistance is for major drought assistance such as the EC program to be funded by the Australian Government with State or joint Australian/State assistance focusing on issues such as education, training, counseling, financial advice and assistance with improvements in drought preparedness and planning. Queensland supports the further development of a uniform drought declaration system, but reserves the right to examine its impact compared with current drought declaration processes.

***Are there alternatives to the current drought support policy measures that could meet the objectives of the NDP in a more effective and efficient manner, particularly in the face of significant long term climate change? What are the advantages and disadvantages of these alternative approaches?***

The 2004 Drought Review Panel recommended that “any drought business support should:

- “Be consistent with principles of the National Drought Policy, particularly those relating to the avoidance of market distortions such as those that occur with transaction based subsidies for fodder and transport, and
- Have maximum impact on the ground and be accessible to a wider group of recipients” (2004:8)

Queensland Government policy is to encourage adaptation to living in a changed climate. The *ClimateSmart Adaptation 2007-12* action plan to increase resilience to the potential impacts of climate change requires that government and business consider the potential effects of climate change when they make decisions about agriculture. In that regard State-based transaction based subsidies such as the DRAS subsidy do not encourage the uptake of climate change adaptation strategies to build resilience into agricultural systems. Rather they promote behaviour which will obtain assistance.

Strategy 3 of the action plan seeks to reduce vulnerability and increase resilience to climate change by avoiding decisions that make it harder to adapt. By assisting producers with direct financial assistance, programs such as DRAS do not encourage resilience in agriculture and do not change producer behaviour in ways that are more responsive to a changing climate. Direct farm assistance programs that would assist producers in responding to climate change are those which lead to the uptake of new technologies or practices and learnings that enable producers to maintain production despite drought conditions.

In order to enhance preparedness, investment in decision support tools and forecasting systems similar to that already undertaken by Queensland and Western Australia, should be continued and access to these tools improved. The National Agricultural Monitoring System (NAMS) could evolve into a central source for these types of tools and information systems.

However, while it is generally accepted that welfare support should remain during drought events, community support also appears to remain for some forms of business support during drought. There is always a risk that governments respond to public pressure, often introducing new support measures in an ad hoc fashion without consideration of potentially perverse effects of these policies. To address this, any new drought policy program of business support will need to provide a signal that it will not be altered as a result of pressure. This could be achieved by establishing under regulation, a graduated assistance program. A formalised process would reduce the likelihood of political pressure on governments to introduce ad-hoc schemes during drought.