

Pastoralists' Association

of West Darling

INDUSTRIAL UNION OF EMPLOYERS

Registered under the Workplace Relations Act and the NSW Industrial Relations Act.

Submission To

Productivity Commission

Inquiry into Government Drought Support

Productivity Commission,
Locke Bag 2, Collins St
East Melbourne, Vic 8003
droughtreview@pc.gov.au

**Compiled by: Rob Seekamp,
President, Pastoralists' Association of West Darling.**

The Pastoralists' Association of West Darling has been representing its members who live and manage isolated pastoral properties in the far west of New South Wales for 101 years.

The current drought and run of dry years commenced around the mid 1990s starting soon after the collapse of the Reserve Price Scheme for wool which up until then had been the major farming commodity produced by the area. Hence a double whammy effect. These two factors have brought about a diversification away from wool into meat production from goats, meat sheep and an increase in the number of cattle in the area. A considerable number of properties have moved into organic production which the dry land pastoral country readily lends itself to. The African based meat sheep and rangeland goats are proving to be much more suited to the dryer conditions that are prevailing.

That is looking on the brighter side and indicating that the area has a sound economic future if and when the seasonal conditions improve, however in the shorter term many families are carrying high debt levels following the long period of drought coupled with the low returns for wool. Consequently if and when the drought finally brakes the recovery will take a number of years and some will not be able to recover following such a long period of low income.

ADELAIDE ROAD, BROKEN HILL, NEW SOUTH WALES 2880
POSTAL ADDRESS: P O BOX 279, BROKEN HILL NEW SOUTH WALES 2880
TELEPHONE: (08) 80873322 FACSIMILE: (08) 80882051
Email pawd01@bigpond.net.au

The Pastoralists' Association supports the view that farmers should become more self sufficient with regard to drought preparedness, however due the continuing nature of the current drought and cost price squeeze it has proved most difficult for farmers in the Western Division of NSW to reach a satisfactory position of drought preparedness. Australian farmers and in particular dry land pastoralists have proved over time their ability to adapt to climate variations and commodity price fluctuations.

The current position of the Western Division of NSW can be viewed as history repeating itself. At the beginning of the last Century the area was in sever drought with high levels of debt and high levels of absentee ownership. That was the catalyst for the formation of the Western Lands Commission. A somewhat similar situation has developed in this first decade of the current Century.

Land prices have continued to rise due to new owners buying in from outside the area who are willing to pay continuing higher prices. The policy of banks to lend money on equity rather than capacity to service and repay debt coupled with the EC interest rated subsidies has allowed many landholders to maintain levels of debt well in excess of their capacity to service it.

Every farming operation is different, particularly family farming operations due to a number of reasons many not directly related to the farm, hence it is almost impossible to come up with a drought policy that will be equitable and beneficial to all. The current program tends to support farmers who are less viable, hence for some prolong the inevitable, while the more successful farmers who have made provisions for tough times miss out on assistance, in effect a form of discrimination.

The drought assistance measures which has been the most beneficial for a majority people in the area have been the assistances that apply to all people farming in the area, such as, Western Lands and Wild Dog Board rates being waived by the NSW State Government and freight subsidies, these especially due the greater travel distances of this isolated area and in recent times higher fuel costs.

Issues Paper Questions

Rationales for Government Drought Support

- Intervention is required when circumstances are deemed to be outside the ability of a majority of farmers in an area to cope and causing detrimental affect to the farming community and wider community. Trigger points need to be developed which are not necessarily linked to climatic conditions but a wider variation of factors which came into play during prolonged a drought which are beyond the resources of the average farming business.
- There must be a reversal of the current assistance measures that penalise farmers who accumulate reserves.
- Broadly based forms of assistance that equally assist all in an area such as rate relief are the most equitable forms of drought relief.

- The need to support the wider community to maintain its long term viability.

Impediment to Greater Self Reliance

- Current EC policies penalise the accruing of assets and earning of off farm income.
- Current Taxation policies penalise the accruing of assets and earning of off farm income.
- Extended periods of low commodity prices and low rainfall have been an impediment to the accruing of reserves.
- Current EC policies tends to reward less efficient farmers in favour of efficient farmers.

Are Assistance Measures Effective and Efficient in Severe Drought?

- The EC type relief support should remain for prolonged drought but be better targeted. Farmers that have made provisions and have the best long term viability are discriminated against.
- Money in the bank so to speak, is equivalent to fodder in storage and possibly one of the best forms of drought preparedness.

Business Support Measures

Encourage self insurance for Drought via incentives, some possible suggestions listed below are:

- Support for Rural Counselling Services should continue as these people have built up a lot rapport with their clients plus many years of experience with the situation and are in a position to offer independent advise.
- The Farm Management Deposit scheme needs to be continued as this has proved to be one of the most worthwhile ways of allowing farm families to manage financial fluctuations caused by drought and commodity price variations. It needs to be extended to include a wider range of off farm investment, for example share portfolios and residential property. Possibly along lines of self administered superannuation schemes.
- Develop Taxation policies that encourage investment and or employment off farm and discourage the increasing and maintaining of high debt levels.
- Programs that encourage and support succession planning.

-
- Encourage young farmers back onto the land through a scheme operating along similar guidelines to the First Home Buyers Scheme.
 - Consideration should also be given to setting a HECS type repayments for young farmers buying farming land.
 - Stamp duty was supposed to be abolished with the introduction of GST, this needs to happen, especially where it is applied as a tax upon a tax.
 - The pressure of fuel costs in rural and remote areas should be relieved through a reduction in excise for these areas.
 - Extensive research into carbon emissions and carbon sequestration needs to be undertaken before any introduction of a carbon taxing and trading scheme for agriculture.
 - Agriculture should be insulated from any carbon tax imposed increases on energy costs, if not Australian agricultural producers will be placed at a disadvantage when competing on world markets. Farmers are price takers, not price makers; they are not in a position to pass cost on costs.
 - Education programs targeted at assisting farmers adapt to climate variation and commodity price variation plus training in better business practices.
 - Assistance for farmers diversifying their business to better cope with climate variation and commodity price variation, such as moving from wool production into meat production.
 - Schemes that give relief from rates and transport costs have proved to be the most equitable as everyone is assisted on an equal basis.

Other Support Measures

Ensure wider community support and rural infrastructure is maintained at a high level in the following areas:

- Increased support for families of children who do not have daily access to quality education facilities due to isolation.
- Ensure education, health and aged care services in remote areas are of an appropriate standard.
- Staffing and funding models for services in isolated areas need to be developed to make them more appropriate to the area, city based models are not always the most appropriate for rural and remote areas. It is very difficult to attract and keep professionals in the bush, particularly health professionals.

-
- Infrastructure such transport services, particularly roads need to be maintained at a high standard to allow businesses in the bush to survive and thrive into the future. Funding for roads continues to decline in real terms while usage continues to increase.
 - Telecommunications in rural and remote areas needs to be maintained at a standard and cost comparable to urban Australia with guarantees from Government to ensure this into the future.

In conclusion

Drought in varying degrees will continue to be part of the Australian landscape with appropriate encouragement coupled with the removal of business impediments there is not reason why a majority of Australian farmers can not adapt to future variations of climate and commodity prices. These two external factors to farming are linked, one should not be given consideration without the other. It is much easier to cope with a drought if commodity prices are not also depressed.