

Productivity Commission Inquiry into Government Drought Support

I have read the report ..

Understandably it appears that the Government does not wish to keep handing out to farmers and with all the recommendations there will be no further handouts.

The main focus is for farmers to become self-reliant and prepared for dry seasons. We would all love to be in that position and with a couple of good seasons that will be possible. However with Climate variability that is doubtful.

There is justification in the report for all their recommendations but I do feel that when and if we do have another year like last year we will be left without any form of assistance, remembering that EC has probably been one of the most significant factors in many farmers in this region managing to put a crop in this year.

I have cut and pasted bits of the report, if you don't have it and wish to read it, go to www.pc.gov.au

Monday the 24th November there will be a roundtable discussion in Northam on this draft report, I will be attending if anyone has some ideas please ring me.

Key points

- Most farmers are sufficiently self-reliant to manage climate variability.
 - In 2007-08, 20 per cent of Australia's 150 000 farms received drought assistance, totalling over \$1 billion, with some on income support continuously since 2002.
 - Even in drought declared areas, most farmers manage without assistance. For instance, from 2002-03 to **2006-07, on average, more than 70 per cent of dairy and broadacre farms in drought areas received no drought assistance.**

I WOULD ARGUE THAT MORE THAN 30% OF FARMERS IN OUR REGION RECEIVED DROUGHT ASSISTANCE

- All governments agree that the current approaches to drought and Exceptional Circumstance (EC) declarations are no longer the most appropriate in the context of a changing climate. In marked contrast to the policy objectives, current drought assistance programs are not focussed on helping farmers improve self-reliance, preparedness and climate change management.
- EC Interest rate subsidies and state-based transport subsidies are ineffective, can perversely encourage poor management practices, and should not extend beyond 2009-2010.**
- EC household relief payments are limited to those in drought declared areas.
 - All farm households in hardship should have access to temporary income support designed for farming circumstances, after which the standard community safety net should apply.
- The EC declaration process is inequitable and unnecessary. It should not be extended to new areas and existing declarations should terminate by the end of 2009-2010.**
- The National Drought Policy should be replaced with expanded objectives for *Australia's Farming Future*. These would recognise that the primary responsibility for managing risks, including from climate variability and change, rests with farmers — underpinned by more appropriate forms of government support.
- Research, development, extension, professional advice and training to improve business management skills can help build farmers' **self-reliance and preparedness.**
 - These areas warrant significant government funding provided they are well targeted, area appropriate and deliver a demonstrable community benefit.
- Farm Management Deposits, despite their use for tax deferral, have encouraged farmers to save and to be more self-reliant, and should be retained.
- Policies relating to water, natural resource management and climate change all impact on farm businesses and local communities

Exceptional Circumstances programs

To be eligible for assistance, a farm must first be in an area declared as being in Exceptional Circumstances (EC) — the ‘trigger’ — and then satisfy the eligibility criteria of the individual programs.

Despite the NDPs stringent **one in 20–25** year criterion for an area to be EC declared, it has been common for 30 per cent or more of Australia to be declared (figure 2). Indeed, as at June 2008, more than half of the country was declared and some areas had been declared for 13 of the past 16 years. When compared with rainfall records, **it would appear that a generous interpretation of the criteria**, rather than protracted low rainfall, is mainly responsible for such widespread declarations. The process has failed to differentiate between severe and lesser droughts.

Small Business Income Support

Agriculture-dependent small business operators based within or outside EC declared areas are eligible to apply for small business income support (SBIS). The scheme was introduced with little consultation or justification in November 2006 and expanded in September 2007 to allow non agriculture-dependent business operators to also apply. The scheme, which will end in June 2009, is intended to assist with living expenses, rather than business operating expenses. Across Australia, other small businesses are not afforded special treatment.

Small business operators do not face the same constraints that farmers do in accessing the broader income support measures — they generally do not have such lumpy non-divisible assets; do not face the same difficulties in diversifying income sources; and are usually located in towns and so would be more able to meet program obligations, such as those that are required of Newstart recipients.

Preferential access to income support for some small businesses is not justified.

Draft recommendations

DRAFT RECOMMENDATION 6.1

Exceptional Circumstances relief payments should be terminated, with the last year of eligibility for those in EC areas being 2009-10.

THIS IS BEING REPLACED BY ACCESS TO NEWSTART.

DRAFT RECOMMENDATION 6.2

Exceptional Circumstances interest rate subsidies should be terminated, with the last year of eligibility for those in EC areas being 2009-10.

MANY FARMERS IN OUR REGION WOULD NOT BE HERE NOW WITHOUT THE INTEREST RATE SUBSIDIES

DRAFT RECOMMENDATION 6.3

States and territories should, as previously agreed, terminate transactions-based subsidies, effective by 30 June 2010.

CAN THE STATE GOVT CAN STILL PUT EMERGENCY PROGRAMS WHEN NECESSARY IN PLACE LIKE THEY DID LAST YEAR

DRAFT RECOMMENDATION 7.1

The objectives of the Australia's Farming Future initiative should be revised and expanded to the following:

- assist primary producers to adapt and adjust to the impacts of climate variability and climate change*
- encourage primary producers to adopt self-reliant approaches to managing risks*
- ensure that farm families in hardship have temporary access to a modified version of income support that recognises the special circumstances of farmers.*

IT APPEARS THAT FARMERS ARE EXPECTED TO BE SELF-RELIANT WHICH IS PERFECTLY FINE IN AN IDEAL WORLD. WE HERE IN THIS REGION HAVE TO CONSIDER OUR ABILITY TO ADAPT TO CLIMATE CHANGE

DRAFT RECOMMENDATION 8.1

Significant public funding should be directed to research, development and extension to assist farmers prepare for, manage, and recover from the impacts of climate variability and change.

THIS SOUNDS GOOD

DRAFT RECOMMENDATION 8.2

The contribution of rural financial counsellors to greater farmer self-reliance should be reviewed to assess:

- *the institutional barriers to the provision of private sector financial advice services in rural and remote regions*
- *the extent to which the schemes case-management provides for referrals to other relevant services in a timely manner*
- *how services might better be targeted to instances where alternatives are not available*
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THIS IS WHY THE PROGRAMME IS UNDERGOING CHANGES

Draft Recommendation 8.3.

Significant public funding should be directed to a continuous learning program, incorporating the successful elements of the former Farmbis within the Farm Ready platform. The revised program should encompass advice and training for managing climate variability and for farm business management. Funding should be provided in the form of a subsidy which covers a proportion of the cost of training, with the recipient contributing the balance.

FARMBIS NO 2 CAN WORK VERY WELL

Draft Recommendation 8.4

The Farm Management Deposits scheme should be retained with its current cap of \$400000 and no widening of the eligibility criteria.

PERHAPS WE SHOULD CONSIDER ASKING THAT THE AMOUNT BE RAISED IF FMD ARE MEANT TO BE DROUGHT PROOFING YOURSELF, WITH INCREASED INPUTS PERHAPS A HIGHER LIMIT

Draft Recommendation 9.1

All farmers facing hardship should have access to temporary income support designed for farm circumstances. It would provide income at Newstart levels, subject to:

- *an overall asset cap, inclusive of the value of the farm house, beginning at \$2million with a taper to \$3million*
- *a liquid asset sup-cap of \$20 000 (inclusive of bank balances and FMDs)*

and be conditional on the applicant:

- *seeking independent financial advice on the viability of the business*
- *developing and carrying out a plan of action to improve self reliance*

and on eligibility be reviewed, payments acquitted and plans updated, every six months.

The scheme should be limited to a maximum claim of three years out of seven. It should commence on 1 July 2009.

Governments should ensure that there are adequate programs to assist those considering leaving farming, including counseling training suited to earning off farm income and the recognition of prior learning

HOUSEHOLD SUPPORT HAS ALWAYS BEEN NIGH ON IMPOSSIBLE TO RECEIVE AND I THINK THIS WILL MAKE IT EVEN HARDER, THOUGH THE PRINCIPLE OF IT WILL PROBABLY ENCOURAGE QUICKER EXIT DECISIONS.

Draft Recommendation 10.1

The Exceptional Circumstances (EC) declaration process should be terminated. No new areas, full or interim, should be declared and current declarations should cease by 30 June 2010. In areas that remain declared, recipients of EC assistance should continue to receive assistance until declarations terminate, but not beyond 30 June 2010.

THE REPORT JUSTIFIES ALL THE REASONS AS TO WHY THIS SHOULD END BUT HOWEVER THERE DOES NOT SEEM TO BE A POLICY FOR SEVERE DROUGHT. THE ONUS APPEARS TO BE ON THE FARMER TO PREPARE THEMSELVES FOR DROUGHT.