



Australian Dairy Industry Council Inc.

**Public Submission
to the**

**Productivity Commission
Draft Inquiry Report into
Government Drought Support**

By

**Australian Dairy Industry Council
December 2008**

Submission Prepared by:

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Government Drought Support Inquiry
Productivity Commission
Locked Bag 2, Collins St East
MELBOURNE VIC 8003

To the Government Drought Support Inquiry,

**Australian Dairy Industry Council submission in response to the Productivity Commission
Draft Report into Government Drought Support**

On behalf of the Australian Dairy Industry Council (ADIC) I welcome this opportunity to comment on the content of the Productivity Commission (PC) Draft Report as well as the strategic context and potential outcomes of the Governments' drought policy review process.

As the national policy body of the Australian dairy industry, ADIC represents the interests of Australian dairy farm families and businesses, dairy manufacturers and traders across all states and territories.

ADIC notes the eleven draft recommendations made by the PC and, taken broadly, is in a position to agree in-principle to most of them. There is a need, however, to register significant concerns with the detail of some of these recommendations.

Transition Period

In our response to the PC Issues Paper, ADIC espoused that the current Exceptional Circumstances (EC) triggers are no longer appropriate in the context of a changing climate. We therefore concur with the PC proposal that the EC declaration process be terminated.

The PC goes on to recommend that current EC declarations should cease by 30 June 2010 and recipients of EC assistance should not receive assistance beyond this time. ADIC considers this timeframe arbitrary and, if adopted, likely to risk the successful transition to a new policy framework. ADIC is concerned that such an approach essentially devalues the importance of transitioning sensitively from a long-standing drought policy still very much in use to a new policy model. In transition, we need to consider those farmers currently focused on surviving drought.

In the haste to end a system that is widely acknowledged to be imperfect, ADIC contends that the PC recommendation of 18 months transition has already increased the stresses on farm families and, if accepted by Government, would jeopardise the successful introduction of any new policy framework. As outlined in our initial submission, we consider that a meaningful transition phase is crucial to successfully implementing change. The PC has advised a transition period of 18 months in which Government must:

- Respond to the three drought reviews;
- Consultatively develop an alternative policy framework;
- Comprehensively communicate the new policy to farmers;
- Allow farmers time to consider and weigh their options under the new policy, to understand how they will be impacted in the future, and to make adequate preparations and obtain professional advice;
- Train government staff and have them available to answer questions about the operation of the framework and to process applications; and
- Implement the new policy measures to ensure delivery of services and payments on 30 June 2010.

ADIC considers this timeline unfeasible. A preferred way forward would be to uphold Minister Burke's commitment that no area currently EC-declared will be moved off those arrangements until such time as it no longer qualifies for EC status under the existing EC criteria. While there exists an urgent need for an alternative drought policy; it is imperative that Government get the policy framework right and communicate it effectively. ADIC believes a comprehensive communication plan to inform industry members of the changes, implications and opportunities is a vital part of any implementation process.

Time-limited Income Support

Regarding the recommendation that income support be temporary, ADIC has reviewed our position on this matter. Initially, it seemed reasonable that a primary producer-focused income support payment be a temporary measure. This was based on the philosophy that Newstart was available to farmers that continued to experience hardship after the primary producers' targeted income support payment time limit expired. Following consultation and reflection, it has become apparent to ADIC that Newstart is not genuinely available to farmers as primary producers are unable to satisfy the job seeking obligation of Newstart due to the need to maintain stock and other aspects of the farm business. Furthermore, as the objective of income support for primary producers is to put food on the table, and an eligibility criteria is applied, it seems incredible that farmers that continue to face hardship and continue to meet an eligibility criteria would not receive government assistance at the same rate as Newstart payments. ADIC considers that Government should formalise the Primary Producers' Income Support as part of the normal package of government support services for citizens' wellbeing, in this case targeted at primary producers' unique situation. Notwithstanding this concern about the time limitation, ADIC agrees that a mutual obligation in this area as outlined by the PC should be considered.

Holistic Approach to Drought Support

The PC draft report identifies the need for a holistic climate variability policy rather than a 'drought' policy. In our original submission, ADIC called for such a strategic-level policy. We are disappointed that, due in part to the terms of reference for this inquiry, the PC was able to do little more than identify the elements of such an approach. ADIC is concerned that the three reviews into drought commissioned by Government be appropriately brought together and consultatively developed into a new agricultural policy framework. This process should be led by a policy-making body of appropriate authority with appropriate input from industry.

ADIC looks forward to engaging with Government to develop a policy that addresses the current and future challenges of climate variability in a holistic, strategic way that pays due regard to the economic hardship and emotional toll on farmers and their families caused by current drought conditions. Notwithstanding climate variability, droughts will occur in the future and will need to be responded to appropriately. Only through a sensitive and comprehensive approach to policy development can we create the settings and incentives that will promote the necessary adjustment, growth and advancement of the Australian dairy industry, and agriculture more broadly.

This contribution supplements the issues raised and views expressed in the ADIC public submission to the Productivity Commission Inquiry into Government Drought Support Issues Paper (attached).

ADIC supports the National Farmers Federation (NFF) position on drought policy and the incentive-based, integrated agricultural support policy the NFF has proposed. This submission should be read as an adjunct to the NFF submission, outlining some of the specific issues, impacts and ramifications in the dairy industry.

We would welcome the opportunity to contribute further should the opportunity arise.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Allan Burgess", with a horizontal line underneath it.

Allan Burgess
Chairman