

**Inquiry into Government Drought Support
Productivity Commission Draft Inquiry Report
Submission by Moira Shire Social Recovery Committee December 2008**

The Moira Shire is dependent on agriculture as an industry and it is a vital part of our economy. Moira Shire Council values its communities and the people who form them. Therefore the Australian Governments National Review of Drought Policy is of particular relevance and interest to Moira Shire.

The economic and physical landscape of Moira Shire is dominated by Agriculture. In Moira agriculture uses approximately 66% of the land, it contributes 47% of the Gross economic output and provides 20.5% of the employment.

Moira Shire continues to be severely affected by the ongoing impacts of drought. The consequences are evident in the farming sector and increasingly in the small businesses.

The Moira Shire Social Recovery Committee takes this opportunity to provide comments on the Productivity Commission Inquiry into Government Drought Support - Draft Report and to address the specific recommendations (R).

The current drought is having devastating impacts on the community: from children to the elderly. The Moira Shire urges that the development of new drought policy considers the impact on people first and foremost.

The Committee agrees that farm risk management is essentially the responsibility of the farm operator. However it acknowledges that the current rate and complexity of change that farmers are expected to cope with is unprecedented. In addition to the impact of drought numerous other external factors are imposing on agriculture and having the cumulative effect of people's confidence being very low.

In order for Agriculture to adapt and rebound to a position of strength farmers and communities require support and assistance. This review of drought policy is a timely and important opportunity for the Federal Government to clearly demonstrate its support for agriculture and rural Australia: both for today and tomorrow.

Thank you for the opportunity to comment on the report. If you wish to discuss this further please do not hesitate to contact me on (03) 5871 9222.

Yours Faithfully



**Kaye Thomson
Chair
Moira Shire Social Recovery Committee**

The Committee agrees in principal with R 6.1. The support of this recommendation is totally dependent on the seamless transition to implementation of R. 9.1.

The report recommends the termination of interest rate subsidies (IRS) (R 6.2). This was supported by comments implying that they promote poor business management practices and inefficient farming. We would like to point out that;

- There is a complex eligibility criteria for accessing the IRS
- The margins in farming are continually tightening with input costs (such as fuel, fertiliser etc) rising disproportionately to incomes. When this is exacerbated by external factors the IRS is important for maintaining farm businesses and the cumulative impact this has on the wider community
- Younger farmers often have higher debt levels and this safety net provides them with the confidence to continue to invest
- The average age of farmers indicates the urgent need to remove disincentives and to provide support to the next generation of Australian farmers
- Adoption of recommendation 9.1 indicates the scheme should be limited to a maximum claim of three years out of seven. This could be applied to the IRS

Therefore with appropriate financial advice and a “plan of action” as in R 9.1 it is possible to provide this important safety net for young and developing farmers without the concern of the funds being inappropriately allocated to “inefficient” operators.

The Committee agrees with ceasing transport subsidies (R 6.3). However transaction based “subsidies” for infrastructure is beneficial as they promote investment into farm management systems that increase efficiencies and business robustness.

The recent drought has prohibited some farmers from continuing their regular investment into innovation. Technology and infrastructure provide management options and are therefore vital for an adaptable business. Grants that encourage farmers to continue to invest in their business are strongly supported. These grants have the additional advantage of stimulating the local economy by creating demand for product and generating spending (R 6.3 & 7.1). In this way these grants are well in line with the Rudd Governments recently announced “Economic Security Strategy” in strengthening the economy.

R 7.1 relates to expanding the scope of “Australia’s Farming Future” (AFF) initiative. This recommendation touches on the complexities facing rural Australia in this time of change. The future of Australia’s farming requires healthy people, businesses and communities and these elements are innately linked. This message was made repeatedly in the Expert Social Panel report.

The points mentioned in R 7.1 are supported. More specifically we would like to see commitment to expanding the AFF initiative to include the following components;

- Assistance with on farm improvements in the form of infrastructure (as mentioned above)
- Provide incentives and promote diversification of economic foundations to give communities increased resilience, through for example secondary farm household income stream options
- Increasing commitment to community engagement and capacity building. This sort of support is vital in developing skilled and connected communities that are resilient and adaptable. (This is supported by the Expert Social Panel report “A longer term approach would allow human support services to focus on early intervention and the ongoing wellbeing...” p7)
- Support the entire community during any transitional period.

Moira Shire supports with R 8.1 and 8.4.

The committee support the current role played by the Rural Financial Counsellors (R. 8.2) and the professionalism with which they operate. They are important in supporting farmers and referring them to other services.

Moira Shire agrees with R 8.3 but would like to see it expanded to encompass training of the future workforce of agricultural industries.

The committee agrees with R 9.1 and takes the opportunity to provide the following comments;

- Being a municipality with a state border we appreciate the frustrations of the “lines on a map” approach and agree with their removal
- The “Expert Social Panel” recommended the development of ‘individual and family wellbeing plans’. This should be incorporated into the ‘plan of action’ referred to in R 9.1. This would provide the assurance that any income support is being used appropriately and as intended.
- Numerous dairy properties in Moira have recently been purchased from immigrating New Zealanders. Their aim is to settle permanently and farm productively. We do acknowledge and agree with the need for stringent criteria for assistance from the Australian Government. However we urge that any new type of temporary income support has a component of flexibility inbuilt to enable support for unusual circumstances, such as these, as they arise.
- Rural Skills Connect (RSC) is already successfully operating. It addresses skill gaps in local industry by recognising and utilising the transferable skills of the ‘on farm’ sector. Training and/or RPL are components of the program.
- Simultaneously there needs to be skill development within the Agricultural sector. This needs to focus on retaining and attracting workers.

Improving, not terminating the EC declaration process is supported (R10.1). While recognising that the current process is flawed it does provide an important safety net for an industry that can be vulnerable to circumstances beyond even the best operators control.

This report acknowledges, as a key point, that we need to prepare for higher temperatures and more frequent periods of very low rainfall as a result of climate change. Although we do not dispute this it does not mean that localised periods of extreme conditions will cease.

EC provides a response mechanism for assisting communities affected by particularly intense situations and should remain in place to do so. In the last year up to 35% of the farmers in the Moira Shire were receiving drought assistance from Centrelink; this is well above the national average of 20% and indicates the differing regional impacts of drought and the importance of an EC type arrangement.