



Response to the Draft Recommendations of the Inquiry into Government Drought Support.

PREAMBLE

Buloke is a rural municipality nearly 8,000 square kilometres in size located in the Wimmera Mallee region of Victoria. The population of the Shire is a little over 7,000 persons and nearly 71% of rateable properties are farms.

Council is supportive of the need for a review of National Drought Policy and believes the three reports commissioned by the Federal Minister of Agriculture have already contributed much to national debate as to the consequences of drought and severe climate change.

Council is however concerned to ensure that the outcome of the review does not undervalue the importance of rural areas in continuing to provide a viable and vital ongoing food and fibre production capacity for Australia. Farmers are an essential ingredient of this process and must be supported to become more economically viable and efficient.

The farming areas of the Buloke Shire are also the foundation of the economy of each of the ten small towns in this area.

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.

Media reports indicate that at a meeting of Federal and State Agriculture Ministers held on 12 November 2008 there was unanimous agreement that the current EC declaration process should be “dumped”. This implies there is already a high level of support for this draft recommendation.

At the same meeting, Federal and State Ministers are reported to have agreed that in the future “farm family welfare assistance should require a level of mutual responsibility”. This suggests that Government will want farmers to be able to show they have taken steps to prepare for drought before they are eligible for assistance.

Council supports the Commission’s recommendation, but believes it essential that national agreement be reached on the eligibility criteria to be applied for the provision of income support to farmers suffering the impact of drought and severe climate change. If national agreement on eligibility criteria for income support for farmers cannot be reached, Council would support continuation of the current arrangements for a further period of two to three years.

Council is also strongly of the belief that thresholds at which income support becomes available to farmers needs to be modelled to reflect the circumstances of differing farming situations, particularly in terms of current and non-current assets. While the consequences of job loss in say the manufacturing sector may have the same impact as loss of income due to severe drought, the circumstances are very different and must be recognised in any determination of thresholds for income support. In addition, in rural economies such as exists in Buloke opportunities for alternative employment are limited and the flow-on impacts of income loss by the farming community much more immediately felt by other sections of the economy. The impact on other local small businesses can also be very immediate and direct.

Council also believes the eligibility criteria for income support for farmers must be divorced from the provision of income and other support as a result of emergency situations. In this context, consideration needs to be given to the classification of severe prolonged drought as a natural disaster in the same manner as flooding following a severe storm incident.

In conclusion, Council believes that the Commission's discussion of the current EC declaration process highlights the inadequacies of the current National Drought Policy and the need for the Commonwealth and the States to agree to a more consistent national approach, particularly in terms of the likely impact of climate change on sections of the farming community.

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.

Council supports the Commission's draft recommendation on the basis of the evidence quoted in the Commission's report as to the relative ineffectiveness of the scheme and the inequities that it potentially perpetuates.

However, Council wishes to make the point, based on anecdotal evidence from local farmers, the statement by the Commission that the average recipient of interest rate subsidy has an equity level of over 80%, does not seem to hold true for this area. The levels of equity in Buloke are much lower.

While Council supports the Draft Recommendation it wishes the Commission to take into account the vital role interest rate subsidies have played in cash flow management for many of the farm businesses in our area when the further modelling recommended above to determine thresholds for income support is undertaken. Farmers currently include the interest rate subsidy and principal repayments as part of their farm budgets and this must be recognised in any income support modelling exercise.

DRAFT RECOMMENDATION 6.3

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

Council supports the Commission's draft recommendation in principle, but has concerns as to the extent of the State based subsidies intended to be captured by it.

For example, it is unclear as to whether the Commission includes the Victorian Government's municipal and water rates subsidy scheme for EC declared areas as a transaction based subsidy.

State Government subsidy of municipal rates for EC eligible farmers in Buloke has been of significant benefit to Council and the local community by ensuring rates are collected. In a municipality where 75% of rate income is derived from the farm sector this has been of significant assistance in maintaining cash-flow, reducing the reliance on short term borrowings and ensuring no increase in long term rate debtors. While relatively small in the overall context of support to farmers in drought situations it has been of significant benefit to this community. Rate rebates relieve the pressure of another expense for farmers. Many farmers would default on their rates if this subsidy was not available. This would put added pressure on the Buloke Shire as we rely on 75% of our income from farming rates.

Council understands that in the total context of the Commission's draft report it is unlikely that a State based scheme such as this would be supported as it is not available to members of the community receiving income support through schemes such as NewStart. However, this highlights the point made in relation to Draft Recommendation 6.1, the need for more modelling of the likely impact of the application of an income support scheme such as NewStart to the farming sector.

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.***

Council supports the Commission's Draft Recommendation.

Considering the available evidence from the CSIRO, BoM and the IPCC climate change will continue to be a reality for the farming community. Assistance to adapt and adjust farming practices to the impact of climate change will therefore be essential.

Managing the risks associated with changing farming practices will become vital. In areas such as Buloke this requires more than just encouraging farmers to attend farming practice forums.

Long term practical on the ground assistance, including innovative schemes to assist with the purchase of new machinery, is required to support new approaches which have less impact on soils and maximise yields such as direct drill, minimum till and precision farming techniques.

Council's support for this Draft Recommendation is directly linked to its support for Draft Recommendations 6.1, 6.2 and 6.3, specifically the need for further modelling of income support proposals.

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.

Council supports the Commission's Draft Recommendation although would rather see the word 'recover' replaced by 'adapt' as a better expression of a positive future for the farming sector.

Buloke has a long history of support for farm research initiatives, farm and farmer development schemes and the provision of extension services. The challenge of climate change makes the continued provision of these services critical to the local farming economy.

Council's comments in relation to the need for improved coordination of Federal and State policy and program initiatives made in relation to Draft Recommendation 6.1 are also relevant to this Recommendation. Recent decisions by the Victorian Government to consolidate extension and research activities provided through the Department for Primary Industry (DPI) were received in a very negative manner by the rural community, despite claims that overall resources were not being reduced.

As previously stated, Council believes that research and development is essential to the future of the farming sector. It is only through research that informed decisions can be made as to the best grain varieties to plant in the different soil types that exist throughout the Buloke Shire can be made. Similarly, it is only through research and field trials that the best farming techniques can be developed for each farming area.

Council also draws the Commission's attention to on farm land management and environmental improvement programs such as those operated in this region by Catchment Management Authorities and the Land Care Network as models for the delivery of direct assistance to farmers. These initiatives have provided opportunities for farmers in Buloke to supplement income while undertaking improvement works that benefit the broader environment. This type of program could also be used to allow farmers to make environmental improvements to their properties as part of the 'mutual responsibility' requirements proposed to be attached to any new income support scheme. A further benefit of these programs has been their capacity to keep general farm employees in the area.

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 scheme's case-management provides for referrals to other relevant services in a timely manner***
- ***how services might be better targeted to instances where alternatives are not available.***

Council supports the Commission's Draft Recommendation.

As with Draft recommendation 8.1 above, Council has strongly supported the need for locally based private sector financial advisors to be recognised as having a contribution to make towards the provision of strategic financial advice to farmers. Many of these advisors have a long history in providing advice to the rural sector and have a depth of local knowledge that should be used more effectively than it has in the past.

Council works closely with the Rural Financial Counselling Service and would not like to see this service diminished simply to provide more opportunities for private sector financial advisors. There needs to be a balance between these two different means of service delivery to ensure farmer have a choice and retain the opportunity to seek alternative independent advice if thought necessary.

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 FarmReady 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.

Council supports the Commission's Draft Recommendation.

Lifelong learning is a reality to any successful farm family and should be actively supported by Government in any means practicable.

Wherever possible, continuous learning programs need to be supported through existing networks, including those that fall under the auspice of the State Government. This could include Community Resource Centres, local Schools, local and regional research institutions, Universities, Local Learning and Employment Networks and any other local resources. What should be avoided is the establishment of another service provider network.

Lifelong learning programs should encompass a wide range of programs applicable to farmers and the rural communities within their environs. Programs should be adaptable and providers should develop programs to meet the needs of the farming sector they are serving. This may require a level of flexibility in program development and funding arrangements.

DRAFT RECOMMENDATION 8.4

The Farm Management Deposits scheme should be retained with its current cap of \$400,000 and no widening of its eligibility criteria.

Prior to the current prolonged period of drought many farmers in the Buloke area used the FMD Scheme. Depressed incomes have resulted in less use of the Scheme but discussion with local farmers suggests continuing support for the Scheme.

Comments from local farmers suggest there does need to be a mechanism for reviewing the cap and eligibility criteria particularly due to increases in farm size and the impact of rising input costs.

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 \$2 million with a taper to \$3 million***
- a liquid asset sub-cap of \$20 000 (inclusive of bank balances and Farm Management Deposit balances)***

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 being 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 counselling, training suited to earning off farm income and the recognition of prior learning.

Council supports the Commission's Recommendation in principle, but has reservations about the translation of an income support scheme designed to address the needs of unemployed persons seeking access to employment to farm income support. Council is particularly concerned with the proposal by the Commission to remove access to small business operators in EC declared areas from any income support except through NewStart.

As previously stated, Council believes detailed economic analysis and modelling is required to develop income support eligibility criteria for farmers that are fair and equitable to the different forms of farming practiced across the nation and effects of drought and severe climate change.

Council believes that such an analysis may indicate that use of an existing program such as NewStart is inappropriate to the farm sector given the income patterns and asset holdings of farm families. Levels of off-farm income may also be a relevant consideration in such an analysis.

In relation to small business in rural areas affected by severe drought and climate change Council believes the Commission has failed to recognise the high level of interdependence between farm income and small business. In relatively remote rural areas such as Buloke, with ten towns ranging in population from 1200 to 30, the relationship between farm income and small business activity is profound. The loss of a general store, bakery or mechanical workshop in any of these towns due to changes in the local rural economy is dramatic. While it is easy to dismiss such impacts as the inevitable consequence of a changing economy this is little consequence to the people directly affected. Council believes more research is required on the likely impact of the application of an income support scheme such as NewStart to small business in rural towns prior to the current arrangements being withdrawn.

Council's underlying concern with this recommendation is that whereas current drought subsidies assist people to remain in their own communities, the application of an income support scheme such as NewStart may result in pressures on farm families to relocate in order to meet eligibility criteria if local jobs are un-available.

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.

Council supports the Commission's Recommendation subject to the limitations and reservations expressed above.

Buloke strongly advocates that the Commission add to this Draft Recommendation a statement recommending the allocation of funding to research the impact that climate change on rural communities as a pre-requisite to assistance in current EC declared areas being withdrawn in June 2010. It is also important that farmers have input into the design of this research.