

SUBMISSION

PRODUCTIVITY COMMISSION DRAFT INQUIRY REPORT INTO GOVERNMENT DROUGHT SUPPORT

RURAL FINANCIAL COUNSELLING SERVICE TASMANIA

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1. Rural Financial Counselling Service Tasmania

1.1 Background

Rural Financial Counselling Service Tasmania (RFCST) commenced operations during the 1986/87 recession. The service employed a northern based rural financial counselor (RFC) covering the whole State, including King and Flinders Islands and a second RFC to cover the South of the State was employed in 1992, followed by two part-time Admin Assistants since 1995 and an Executive Officer in 2006.

RFCS Tasmania is currently the only statewide, free, on-farm rural financial counselling service available in Tasmania. Over the 20 years of operation, the Service has built up credibility within the local communities and is a highly valued service by the user community.

1.2 The RFCST Programme

The RFCS Programme supports primary producers, fishermen and small rural businesses who are suffering financial hardship, and who have no alternative sources of impartial support, to manage the challenges of industry, climate change and adjustment by becoming more self-reliant and better equipped.

The rural financial counsellors ensure the client group has access to financial information, options, decision support and referral services, encourage early contact and the use of rural financial information services and provide needs-based financial information.

RFCST has a strong on service delivery focus as it based on extensive knowledge gained from the 20 years the service has been operating.

The service provides a free, objective and confidential financial analysis to primary producers, fishers and small rural businesses in need. The RFCST provides this flexible, holistic service to the State of Tasmania, including the Bass Strait Islands.

RFCST is governed by an Executive Committee and a Reference Group. These are made up of community and professional industry representatives.

2.0 Introduction

RFCST endorses the Review of National Drought Policy, a process that is proactively seeking to position farm families to manage drought, climate change and climate variability.

We agree that there is a need to support farmers to manage climatic variability and other challenges that impact on the viability of rural

businesses however; we are concerned that any major changes to policy should not be implemented half way through a drought event.

We also strongly advise that any current schemes and programs should not be removed until there are new programs to take their place.

3.0 Productivity Commission Recommendations

The following points relate to each of the draft recommendations of the Productivity Commissions Inquiry into Drought Support.

3.1 EC Relief Payment Scheme

RFCST agrees with the Productivity Commission recommendation to introduce a temporary income support scheme that is not limited to EC areas.

RFCST recognises that there are many challenges and hardships that impact a farm family in addition to drought.

However we are concerned in the change in eligibility for income support, there should be an equitable system for accessing payments.

A system that recognises that many farmers have set up off-farm investments as a type of “superannuation” policy to support themselves during retirement, in particular if their children are to inherit the family farm and home is required.

It would be unfair to force farmers to cash in their “superannuation” to survive a drought and increased asset tests are important as a result due to the nature of the family business.

RFCST agrees with the mutual obligation component of the recommendation; however believe that some consideration should be given to the timelines for eligibility review and updating plans given the seasonality of farm enterprises.

We are also concerned about the capacity of existing services to manage the increased workload that the mutual obligation requirements create.

Access to support services to assist in the development of self-reliance plans and financial support may be limited in some areas. It is important that the farm family has access to advice that is realistic, cost effective

and beneficial to the improvement of their farm business. Financial support to access these services should be considered.

RFCST are concerned that the proposed \$2m asset cap is far too low and will exclude almost all farmers from being able to access support. RFCST feel that such a low asset limit is a significant denial of recognition of the investment involved in agriculture today.

RFCST believe that a Relief Payment Scheme should not be designed to only assist the bottom 30% of farm businesses. All farm businesses are different.

3.2 EC Interest Rate Subsidies (ECIRS)

RFCST is concerned that there will be an impact on farming operations if the interest rate subsidy is terminated before providing a recovery period at the end of the current drought.

The termination of payments may create additional financial, emotional and social impacts on the farm operation, farm family and the farm community in general.

However, we appreciate that the payments are not sufficient to play an effective role in supporting a viable farm business in difficulty and there is likely a more beneficial avenue to support farm business.

3.3 The EC Declaration Process

RFCST agrees with the termination of the current EC declaration process – the process as it stands creates boundaries within communities, especially in a small state like Tasmania that has a highly variable climate.

EC Declaration does not trigger the activation of other key support services to the declared areas and any new system needs to allow for some additional coordination of all services required in a community affected by an exceptional climatic event.

RFCS believes there should be a change in terminology regarding Exceptional Circumstance as potentially we are entering a climate of more frequent extremes.

Farm Management Deposits

RFCST agrees with the Productivity Commission recommendation that the Farm Management Deposits scheme should be maintained with its current guidelines.

3.4 Building Capacity to Manage Drought

Research and Development

RFCST agrees that funding should be directed to R&D and extension to assist farmers prepare for, manage and recover from the impacts of climate change and variability.

Increased access to extension services would be of value to farmers; especially the delivery of outcomes researched through centres of excellence and could include areas such as approach to risk management, climate predictions, processes and stages of recovery.

Currently there is evidence that indicates there is a lack of understanding of the different agricultural industries and those in the best shape to handle an exceptional circumstance.

RFCS could provide a vital role in identifying trends regarding the impact on local communities and the local interpretation of community response to drought and contribute to the provision of information and education to encourage an acceptance of change and support to the enterprise as they respond.

Rural Financial Counselling Services

RFCST strongly believes that any proposed review of the RFCS should be left until at least 2011 (when existing funding arrangements are completed). This will enable sufficient time to review the recently introduced service delivery changes with regard to the case management approach.

The RFCS is operating very effectively in Tasmania and a further review is not required. A recent survey of our clients has portrayed strongly that RFCS Tasmania is more than meeting the needs of our clients.

In Tasmania the service has been operating for 20 years and the rural financial counsellors have established effective referral mechanisms – working similarly to a GP with clients referred onto specialist service providers but with the counsellors maintaining a monitoring and coordination role, to ensure outcomes are achieved.

Training

RFCST strongly believes that the previous FarmBi\$ scheme should be re-introduced, allowing farmers access to training of relevance to them on a cost-share basis.

Schemes that encourage farmers to increase their capacity to adapt to change are important in securing food and fibre security in the long term.

Other

RFCST is concerned that service delivery in times of change are poorly integrated – eg one service looks after finance, another mental health, another farm management advice and often these are established and operate with little interaction with industry.

RFCST recommends that the implementation of a Change Task Force in each State – similar to the recently established Drought Task Force in Tasmania. This would assist in alleviating some the confusion that can exist in communities regarding who is actually providing the services and coordinating the relief.

In the development of a drought strategy we need to endorse a higher level of support for young farmers who are generally more highly geared to debt and at higher risk than established farmers.

4.0 Conclusion

RFCST thanks the Productivity Commission for the opportunity to comment on the Draft Recommendations of the Inquiry into Government Drought Support and wishes to indicate that they are available to provide additional information if required.