



DECEMBER 2008

SUBMISSION TO THE PRODUCTIVITY COMMISSION REPORT:

“INQUIRY INTO GOVERNMENT DROUGHT SUPPORT”

By Horsham Drought Community Recovery Committee

Horsham Rural City Council would like to take this opportunity to thank the commission for the opportunity to respond to their inquiry into government drought support. Horsham Rural City Council, located in the heart of the Wimmera, Western Victoria, is well aware of the issues and concerns raised and understood by farming communities during the current drought.

The current drought is unsurpassed in its extent both in terms of length and impact on regional communities. We are therefore deeply concerned by the commission’s proposed significant changes to government support during these extreme conditions.

We support the question posed by the Australian Beef Association in their submission when they ask what value the federal government places on the production of food domestically and disagree with the commission’s assumption that a reduction in farmers would lead to an increase in food production and the health of regional communities. This finding appears to be in complete opposition to the findings of the social review, neglecting the obvious findings of reduced social health in regional communities when agriculture suffers and diminishes in regional areas.

Supporting many of the commission’s findings is the use of statistical information which we find concerning. We believe that many assumptions drawn in the report from statistical information is flawed and should be reviewed in light of their importance. For example, the use of participatory information in regard to EC by farmers is construed to misinform the core purpose of EC funding and declarations.

While we support the view that the current support arrangements are no longer suitable to the climatic changes expected for agriculture in the future, the proposed income support structure poses significant concerns, namely:

- While the commission claims to not require the drawing down of liquid assets to a level that makes business recovery impossible, the cap of \$20,000 is inappropriate.
- Under an assets test approach there is no apparent recognition of farm debt levels, despite borrowings clearly forming a part of any liquid asset calculation.

Of particular concern to our Council is our circumstance of being under an EC declaration that expires in March 2009. The proposed new income support strategy is intended to commence in July 2009. While we appreciate the commission's recommendation to allow for parallel operation of the programs during an interim period, we urge the commission not to impact on current EC review processes so that support gaps are created, placing immense pressure and confusion on regional communities.

Considering the current season, where we have faced an appalling spring finish to winter cropping and a confused market at harvest, our region is facing immense pressure to assess the social and economic condition of our community. This position will not be realized until well into 2009, when the final harvest tally can be calculated. Increased input costs as seen in the past cropping season have never before been faced by our farmers and the result of a poor harvest with low grain receival prices will impact significantly. Poor cash flows in previous years have not provided our farmers with the flexibility they once had to use risk management strategies such as on-farm storage and forward contracts, the ongoing impact of the drought needs to be recognized for its ability to reduce the management abilities of agricultural business'.

We request that the EC program be continued for another twelve months while the debate regarding the commission's proposal is given due consideration by all effected, we believe that a universal approach to income support for farming families is positive, yet needs to be well understood by the agricultural community before the conclusion of EC support.

The commission has correctly identified the need for improved government investment in agricultural research yet the delivery of the solutions against this proposal is too late in coming for implementation to effect the current situation. The realization of increased investment in relation to on-ground delivery of research outcomes is at least a decade away, providing little comfort or recovery to those impacted today.

The Victorian 'Rural Skills Connect' project, as mentioned in the commission's report, is delivering significant outcomes and such an approach is strongly endorsed by our Council. This program provides regional solutions to regional issues by utilizing its existing workforce to address skill shortages within the same geographic location. Support is provided through negotiation with service providers and direct support for negotiated training provision, strong linkages are also formed with other private and government service delivery agencies in the field, enhancing the value returned for investment in the program.

The following comments are from the Wimmera Development Association, outlining their concerns in particular relation to the impact on Small to Medium Enterprises by the recommendations in the commission's report:

"While the Commission sees grants for training and advice to farmers as appropriate, we see the application of funding for advice-particularly one on one advice- and training to business' in regional towns of less than 20,000 population as a measure that has just as much importance to small town business operators as it does to farmers, and delivers on community wide benefits from a broader base than farmers alone.

It is important to allow farmers and business to experience a recovery period before expecting them to become self reliant under future harsh conditions such as drought. Regional areas such as the Wimmera have been under drought conditions for so long (>10 years) that both farming enterprises and businesses' who have been prepared for drought (and a decline in profits) have had their mitigation funds and or strategies stretched to the limit and in many cases exhausted.

Wimmera Development Association support the Horsham Rural City Council in requesting an extension to EC funding for at least 12 months. It is easier for farmers and business' to take responsibility for managing risks associated with climate variability from a position of strength rather than the current weakened business environment encountered.

The dry seasons have created efficiencies in both the farming and business environs' and the further rationalization of these entities is limited. The initial purpose of EC funding in supporting farmers and associated business' in times of extreme duress needs to be reinforced. Following from this is the critical factor of uninterrupted EC extensions which needs to occur in the current circumstance so that communities, as a result of farmer and business-based activity, can avoid "suffering a degree of hardship".

It is important to have some form of support available for business owners in country towns. Most towns in the Wimmera Southern Mallee have a population of less than 4,000 people and every business, both agribusiness and retail, in towns of this size, is particularly reliant on farmers. Businesses in towns of this size do not have significantly less difficulties than farmers in diversifying income. We support the commission's findings that regional development strategies should be enhanced to assist business but view this as a long-term strategy. Recognition still must be given to the relationship between businesses that operate in rural areas and activity related to farmers' incomes. We therefore disagree with the commission's finding that business support should be removed from the proposed new support system.

Supporting business owners during a decreased income period, assists in the maintenance of rural town vitality, viability and thereby community health."

In conclusion we urge the commission to consider a review of their timelines and the appropriateness of their recommendations in relation to the expert social review undertaken by the federal government. Again we ask what value is placed on the production of food and add what value is placed on regional communities? While change occurs, adjustment and self-preparedness requires assistance where it is commencing from a stressed playing field.