



Submission to the  
**Productivity Commission**  
on the  
**Draft Inquiry Report: Inquiry into  
Government Drought Support**

**December 2008**

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## Executive Summary

Growcom is supportive of the direction that the draft report is headed. However, in order to get the policy settings right, more work is required on particular areas such as irrigation drought and risk management strategies. This is essential to ensure the desired outcomes are achieved while more efficiently spending the tax payers' dollar.

The recommendations that Growcom believes need to be added to the final report are:

- A joint government and industry taskforce to be set up to investigate the development of an overarching food policy which incorporates a strategic long term approach to ensuring our food sector remains sustainable into the future.
- Both state and federal governments to undertake further investigation and action in response to issues relating to irrigation drought. This needs to include:
  - Detailed regional information on climate, temperature and rainfall being made available and easily accessible to producers to enhance their ability to manage or respond to risks they may face in the coming planting/harvest periods;
  - A review of state and national water management arrangements with the review's recommendations implemented to ensure water markets and allocation processes are:
    - Providing timely and accurate information to growers that allow them to properly plan for available water supplies and manage the risk of low supplies.
    - Ensuring water market planning and processes work effectively, including water licensing and trading.
    - Allowing flexibility in growers' capacity to store, source and use alternative supplies (particularly recycled water, ground water or overland flow water).
  - Enhancing the opportunities for industry-delivered programs that deliver on-farm improvements in water use efficiency practices and technology.
- Additional consultation and analysis to be undertaken to determine whether the proposed temporary income scheme would meet the needs of producers impacted upon by irrigation drought. This needs to include ABARE or similar undertaking an analysis of assets levels to determine the appropriate asset cap that should be applied to a temporary income scheme for horticulture enterprises.
- Establishment of funding programs and initiatives to identify, develop, implement and evaluate the specific risk management strategies, tools and supporting information that is required by each industry to enhance their self-reliance and preparedness in responding to or managing future climatic events such as drought. This should include:
  - Significant investment in climate research programs.
  - A specific funding stream that focuses on irrigation drought.
  - On-farm programs that tailor solutions to individual requirements and circumstances.

A transition period of five to ten years is required to achieve the desired policy and industry sustainability outcomes.

## **Introduction**

Growcom welcomes this opportunity to provide further feedback to the Productivity Commission on the Inquiry into Government Drought Support. We also appreciated the opportunity to appear before the Productivity Commission at the public hearing in Brisbane on the 1 December 2008.

Our organisation provided a submission to the commission in August 2008. This submission remains the backbone of our feedback on the draft report. We would like to build on the points raised in our first submission and provide additional feedback on the draft report on behalf of the Queensland horticulture industry. This submission includes suggested recommendations that Growcom believes should be included in the final report.

### **1. About Growcom**

Growcom is the peak representative body for the Queensland production horticulture industry, providing a range of advocacy, research and industry development services to the sector. We are the only organisation in Australia to deliver services across the entire horticulture industry to businesses and organisations of all commodities, sizes and regions, as well as to associated industries in the supply chain. We are constantly in contact with growers and other horticultural business operators. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

The organisation was established in 1923 as a statutory body to represent and provide services to the fruit and vegetable growing industry. As a voluntary organisation since 2003, Growcom now has grower members throughout the state and works alongside other industry organisations, regional producer associations and corporate members. To provide services and networks to growers, Growcom has approximately fifty staff located in offices in Brisbane, Bundaberg, Ayr, Toowoomba and Tully. Growcom is a member of a number of state and national industry organisations and uses these networks to promote our members' interests and to work on issues of common interest.

### **2. About the Queensland horticulture industry**

Queensland is Australia's premier state for fruit and vegetable production, growing one-third of the nation's produce. Horticulture is Queensland's second largest primary industry, worth almost \$2 billion per annum and employing around 25,000 people. Queensland's 2,800 farms produce more than 120 types of fruit and vegetables and are located from Stanthorpe in the south to the Atherton Tablelands in the far north. The state is responsible for the majority of Australia's banana, pineapple, mandarin, avocado, beetroot and mango production. There are 16 defined horticultural regions with a total area under fruit and vegetable production of approximately 100,000 hectares.

The Queensland horticulture industry is:

- A major contributor to regional economies and the mainstay of many regional communities;
- The largest high quality supplier of fresh fruit and vegetables to Australian consumers;
- A diverse industry utilising a range of production methods in different locations and climates;

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- A resource base for significant value adding throughout the food, transport, wholesale and retail industries;
  - The most labour intensive of all agricultural industries, with labour representing as much as 50% of the overall operating costs;
  - An industry with significant links to the tourism industry, providing income for thousands of backpackers and “grey nomads” each year;
  - A high value and efficient user of water resources in terms of agricultural production;
  - A primary and secondary source of income for many families in regional Queensland e.g. through seasonal work in packing sheds; and
  - The site for a number of emerging agricultural industries including olives, Asian exotic tropical fruits, culinary herbs, bush foods, functional foods and nutraceuticals.

### **3. Overarching points**

The key points from Growcom's original submission that form the basis of our response to the draft report are:

- We support the view that current approaches to drought and exceptional circumstances are no longer the most appropriate. The way forward needs to involve policy settings that are forward thinking, incorporating preparedness, self-reliance and risk management approaches for industry, community and governments to ensure future viability against climatic challenges.
- An effective drought policy needs to consider and respond to all policy issues, such as climate change, water, food security and social aspects, that have an impact on food producers' ability to manage or prepare for climatic events, such as drought and cyclones.
- The Queensland climate is naturally highly variable, which has led to our producers being amongst the world's best when it comes to managing climate variability. However, there are climatic risks and events that are outside their ability to manage that they require assistance with.
- Government and industry programs and initiatives need to be adequately resourced and implemented to allow food producers the opportunity to develop risk management strategies and tools that allow them to be more prepared and self-reliant for future climatic events.
- A basic welfare safety net must remain available to producers as they are to the wider community, recognising that some climatic events and associated impacts are beyond even the most vigilant producer's ability to manage or prepare for.
- The implementation of a new drought policy platform must involve: an appropriate transition period; an information campaign to build government, industry and community confidence; risk management strategies, tools and supporting information to be developed, implemented and evaluated; and ensure current drought support recipients are not disadvantaged.

Taking these overarching points and the draft inquiry report into consideration, Growcom believes that more work and discussion is required around the following:

- Promoting the benefits associated with the policy change;
- The need for an overarching food policy;
- Irrigation drought;
- Meeting immediate and emergency needs;
- Risk management strategies and tools;
- An appropriate transition period.

Growcom's submission will provide feedback on the above points, including further recommendations that we believe need to be incorporated into the final report.

#### **4. Promoting the benefits associated with the policy change**

Growcom believes the draft report makes a strong case for change by outlining numerous issues and the unintended flow-on effects associated with the current policy and programs. The additional overlay of the future challenges associated with responding to and managing predicted climate change impacts make this case for change even stronger.

We believe it is important for the Productivity Commission to not only make a strong case for change, but include a strong focus on promoting the benefits associated with making that change. Previous reviews of the national drought policy have not led to substantial changes in the current system, despite the strong case to do so. Therefore, clear reasoning promoting the benefits associated with change must be presented to the Federal Government in the final report to encourage the necessary actions.

The key points that Growcom believes should be addressed to demonstrate the need for government intervention and assistance as well as "selling" the benefits associated with changing the current policy and programs include:

- The Productivity Commission has outlined issues associated with reactive government policy approaches such as reliance on government drought support, the propping up of unviable farmers, and encouraging unsustainable business practices. Government must recognise the need to move away from the hand-out approach as reactive policies will just continue to reduce the incentive for producers to prepare and become self-reliant.
- Moving away from the hand-out approach must not be used as an excuse to cut government funding for revised drought support and drought programs. This will have devastating effects on the economy and communities in the long term as agricultural enterprises dwindle under the impact of climatic events. It should be seen as a shift in investment to proactive strategies.
- According to existing climate predictions, future drought and climatic events are a certainty moving forward. As a result, government can not ignore the fact that industry will require assistance to manage and respond to these events.
- There are many climate risks outside producers' ability to respond to or manage that they require government assistance with, for example climate research, efficient water markets, accurate weather forecasting etc. Assisting producers to

respond to and manage climatic events, including drought, has benefits beyond industry when taking into consideration the reliance of many regional economies and communities on the horticulture and broader agricultural industries.

- The one size fits all approach is not successful or equitable to all producers severely impacted by drought and other climatic events. Different approaches and measures are required for different industries in order to achieve successful policy and industry sustainability outcomes. For example, the horticulture industry requires more appropriate responses to irrigation drought. The best outcomes for government and industry will involve enhancing producers' preparedness, self-reliance and ability to respond to and manage climate risks and events. This needs to occur through supporting the development, implementation and evaluation of risk management strategies, tools and supporting information that work best for each industry.
- A more appropriate policy that ensures producers are more prepared and self-reliant for climatic events including drought may also enhance their ability to respond to other business risks such as the economic crisis.

## **5. Overarching food policy**

Page 9 of the draft report outlines several policy areas that interact with drought policy including water reform, climate change, natural resource management, taxation, innovation and regional development. The page further states that several participants involved in the inquiry raised concerns about the multiple and uncoordinated impacts of government policy "silos" (such as in the above mentioned areas), but that it would be inappropriate for the Productivity Commission to redefine any of these policies in the context of the drought review.

Growcom believes that to achieve the desired outcomes, it is essential to look at all policy areas that interact with drought policy as part of this review.

As a result, we believe it is essential to develop an overarching food policy which incorporates a whole-of-government approach to supporting and encouraging growth and prosperity in food producing sectors. This is becoming increasingly important alongside key issues including food security, economic crisis, global population, increasing demand for food, international competitiveness, climate change and health issues. The Productivity Commission needs to further progress this discussion with a recommendation in the final report.

*Suggested recommendation for the final report: A joint government and industry taskforce to be set up to investigate the development of an overarching food policy which incorporates a strategic long term approach to ensuring our food sector remains sustainable into the future.*

## **6. Irrigation drought**

The substantial differences in the impacts of drought on each agricultural industry must be recognised and catered for in future drought policies and programs.

Irrigation drought is the key issue for the horticulture industry. The draft report recognises that irrigation drought is an important issue, with severely reduced water allocations over the past few years representing uncharted territory. However, it must be recognised that some horticulture regions in Queensland, particularly the Lockyer Valley, have had extensive experiences with irrigation drought over many years. This issue is clearly not confined to the Murray-Darling Basin, which must be catered for in government policies and programs.

For any horticulture enterprise to remain viable, they require access to sufficient irrigation water, whether that is from aquifers, dams or other sources. Information relating to available irrigation supplies directly influences business decisions such as when, where and how much to plant. Overall, any issue impacting on the accessibility, supply, storage or information relating to irrigation supplies now and in the future is a critical factor influencing the success of horticultural enterprises and producers' ability to manage or respond to irrigation drought.

Growcom believes that the Productivity Commission has not thoroughly investigated or responded to policy issues relating to irrigation drought. Much more work is required in this area, with a recommendation on this issue included in the final report.

*Suggested recommendation for the final report: Both state and federal governments to undertake further investigation and action in response to issues relating to irrigation drought. This needs to include:*

- *Detailed regional information on climate, temperature and rainfall being made available and easily accessible to producers to enhance their ability to manage or respond to any risks they may face in the coming planting/harvest periods;*
- *A review of state and national water management arrangements with the review's recommendations implemented to ensure water markets and allocation processes are:*
  - *Providing timely and accurate information to growers that allow them to properly plan for available water supplies and manage the risk of low supplies.*
  - *Ensuring water market planning and processes work effectively, including water licensing and trading.*
  - *Allowing flexibility in growers' capacity to store, source and use alternative supplies (particularly recycled water, ground water or overland flow water).*
- *Enhancing the opportunities for industry-delivered programs that deliver on-farm improvements in water use efficiency practices and technology.*

## **7. Meeting immediate and emergency needs**

Growcom gives in principle support to the proposed temporary income scheme put forward by the commission as a positive step forward in helping farmers who are suffering hardship while also putting in place provisions to help them achieve greater self reliance. However, more consultation is required to ensure the proposed scheme would meet the needs of producers impacted upon by irrigation drought.

Particular attention is required to the point in draft recommendation 9.1 that states income support would be provided 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.



Growcom believes the asset level of many horticultural enterprises are likely to be higher than this level due to their intensive nature and proximity to peri-urban areas.

*Suggested recommendation for the final report: Additional consultation and analysis to be undertaken to determine whether the proposed temporary income scheme would meet the needs of producers impacted upon by irrigation drought. This needs to include ABARE or similar undertaking an analysis of asset levels to determine the appropriate asset cap that should be applied to a temporary income scheme for horticulture enterprises.*

## **8. Risk management strategies and tools**

Growcom is supportive of the Productivity Commission's statement that "*The imperative for governments is to assist farmers to be more self-reliant and more prepared to manage the risks of farming, including those associated with future climate variability and change.*" (Productivity Commission draft report, page xxxviii).

However a lot more work is required in this area before any new policies dealing with drought or climate variability related issues can be implemented. It is important to recognise that farmers can manage some of the risks they face themselves, however there are risks outside their control that they require government assistance with.

Funding programs and initiatives are required to allow industry and government to work together to determine specific approaches and risk management strategies that would work best for the horticulture industry and are tailored to reduce or manage the risks individual producers face. These programs need to include clear budget and timeframe parameters, in addition to activities around developing and implementing the identified tools and risk management strategies to help industry prepare for future climatic events.

Growcom identified many risk management strategies and tools that we believe required further investigation and analysis in our first submission to the commission in August 2008. These included:

- Long range seasonal forecasts that allow producers to adequately identify and prepare for predicted climate variability or climatic events.
- Seeking improvements to water management, planning and associated infrastructure.
- Delivering on the strategies outlined in Growcom's climate change response strategy.
- Building on industry farm management systems that are proactive in identifying business risks and implementing strategies to reduce those risks.
- Increasing opportunities to deliver industry-led water use efficiency and climate change programs.
- Investigating financial planning tools and systems that may be used by producers as effective risk management strategies, including increasing the cap of farm management deposits, to enhance self-reliance during difficult times.

Growcom would like to provide feedback on information included in that draft report on insurance that is incorrect. On page 101 and 105, it indicates that producers are able to access insurance for hail damage. This is not the case, with producers in Queensland unable to purchase crop insurance to protect themselves against hail damage or any other impacts from events outside their ability to control such as cyclones and

biosecurity events. An investigation into innovative Government-supported insurance programs that would allow growers to access affordable insurance to protect themselves against events outside their control is required.

*Suggested recommendation for the final report: Establishment of funding programs and initiatives to identify, develop, implement and evaluate the specific risk management strategies, tools and supporting information that is required by each industry to enhance their self-reliance and preparedness in responding to or managing future climatic events such as drought. This should include:*

- *Significant investment in climate research programs.*
- *A specific funding stream that focuses on irrigation drought.*
- *On-farm programs that tailor solutions to individual requirements and circumstances.*

## **9. Transition period**

Growcom believes that the timeframes set out in the draft report do not provide an appropriate transition period. Sufficient time is required to not only phase out the old policy and programs, but phase in the new. As this will reflect a cultural change, an appropriate transition period is required to build public confidence in a new drought policy and the associated benefits to industry, the community and the economy.

An appropriate transition period is required to ensure:

- Current drought support recipients are not disadvantaged;
- An education and awareness campaign can be undertaken;
- Risk management strategies, tools and supporting information can be researched, identified, developed, implemented and evaluated.

This will ensure that growers have sufficient time to enhance their self-reliance and preparedness for future climatic events including drought.

We believe that a five to ten year transition period is required to achieve the desired results. One to two years is required to research and design the most appropriate temporary income scheme, further investigate issues around irrigation drought, undertake an education/awareness campaign and establish funding programs and initiatives to look at risk management strategies and tools. The remaining time in the transition period should be used to implement and evaluate to ensure the desired policy outcomes will be achieved.

All activities throughout the transition period need to incorporate a cooperative approach between both state and federal governments as well as industry to ensure the most beneficial outcomes are achieved for industry, communities and the economy.

## **10. Conclusion**

Growcom is supportive of the direction that the draft report is headed. However, in order to get the policy settings right, more work is required on particular areas such as irrigation drought and risk management strategies. This is essential to ensure the desired outcomes are achieved while more efficiently spending the tax payers' dollar.