



Government Drought Support Inquiry
Productivity Commission,
Locked Bag 2, Collins St
East Melbourne, VIC 8003

19th December 2009

To the Productivity Commission,

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

The Northern Grampians Shire Council, located in the Wimmera in Western Victoria, has been greatly affected by the impacts of the drought over successive and compounding years. The economic viability and social fabric of our rural communities has eroded and so too have many of the agricultural related industries located within the shire region. We are however, also experiencing an increase in on-farm processing business and industry innovation and diversification in adapting to drier times.

This adaptation however takes time, the current drought is unsurpassed in its length and impact on our regional communities and in many ways has exacerbated underlying issues of social rural decline together with market changes and declining terms of trade experienced by farm businesses over recent years. We are therefore very concerned by the commission's proposed significant changes to government support during these extreme economic, social and environmental conditions. Our key submissions are:

The value of agriculture and rural communities

The question must be asked, what value does the Australian Government place on agricultural food production and rural communities? We submit that primary producers and the businesses and industries that support primary production must be valued in a fundamentally different way from other industries and sectors of the Australian economy. With this in mind it is superfluous to compare the drought support system to other systems and industries and it is indeed undermining the value and significance agriculture plays, not only in our national economy but in the uniqueness and richness of our rural regions, townships and people.

Food security is an issue of growing concern, resulting from insecurity in international trade, travel and terrorism exposure. For food security, Australia must remain a food exporter. Food production is currently undervalued because its value does not yet reflect food insecurity elsewhere. One of the objectives of drought support should be to maintain Australia's long term average value and diversity of food production.

Government decisions have impacted directly on costs of primary producers. The loss of rail freight capacity increases transport costs and crop marketing changes are all key examples of how government has exacerbated agricultural problems in rural areas.

Changes to Exceptional Circumstance Declaration and Income payments:

While we support the view that current support arrangements are no longer suitable in a changing climate and that EC declared areas can cause divisions and inequity, the proposed income support structure poses significant concerns.

- The proposed timelines are too small and community consultation of system changes needs to be far more inclusive and extensive in order to arrive at an appropriate and fair system that is easily understood and communicated.
- There needs to be more analysis and research undertaken in determining the appropriateness of asset caps, and income thresholds which take into account all facets of the farm business, including debt levels. These caps and thresholds need to take into account unique farming situations and the fundamental differences the farming sector plays in our Australian social fabric and national economy.
- Of particular concern to our council is our circumstance of being in an EC declared region which expires in March 2009. Whilst we recognise there will be a transitional program, the proposed new income support strategy is intended to commence in July 2009. This means there will be three distinct programs operating within a five month period. This will cause immense confusion, support gaps and distress in already stressed farming communities. This year, again, the Shire's farmers have been under increased pressure with rains not eventuating, costs of production high, low yields and low grain prices over harvest. This cumulative impact over successive years have not provided many of our farmers with the flexibility they once had to put in place risk management strategies and invest in drought proofing infrastructure. EC decisions, especially at this time need to be given due consultation time and in turn be put in place, before the conclusion of current EC support arrangements.

Research, development and extension:

The Northern Grampians Shire Council strongly supports the proposed increased investment into research, development and extension services. An extensive research and development program together with a subsidised continuous learning program for farmers and rural small business is vital in order to create innovation and industry growth.

Unfortunately Australia's investment to date in these areas has been poor and it will take time for sound research and development recommendations and results to be generated and have a significant impact on the health of the industry. This time lag provides little comfort or recovery for those impacted today. This needs to be recognised when sharply terminating drought support initiatives, particularly with little public consultation.

Of particular importance is the retention of young innovative rural leaders and increased investment in rural based campuses, training facilities, courses and tertiary education. The slow roll out of broadband internet services has also hampered rural access to up to date advice and information and global best practice learning opportunities. Increased investment in these areas is essential in order for rural Australian communities to adapt to climate change and become innovative global leaders.

EC Exit Grant:

The Northern Grampians Shire favours the review of the EC Exit Grants and eligibility requirements. It is clear that the lack of uptake in these grants in the face of increasingly difficult economic times and an aging farming population, is due to strict and sometimes inappropriate eligibility requirements. If this program was to be terminated it is vital that a program is in place to assist farmers to exit from farming, especially when average debt levels in this region are at an all time high \$ 500 000.

Rural Financial Counselling Service, Rural Skills Connect and other grants/subsidies:

The Northern Grampians Shire Council strongly supports the work of the rural financial counsellors in this region. The professional and experienced officers covering this region have provided independent, clear guidance to many rural farm businesses and provided immense relief in assisting to guide farmers through the myriad of schemes and paperwork required to apply for government drought support programs. The recently launched Rural Skills Connect program is also fulfilling an important gap in assisting farmers to retrain and seek off farm employment opportunities. Our

communities have also found the Council rates subsidy and on farm productivity grant extremely useful in assisting them to better manage risk and invest in farm drought proofing infrastructure.

Local Government Contribution:

It is extremely important to recognise the resources and efforts of local governments in assisting rural communities to survive and adapt to this extended period of drought. The Northern Grampians Shire Council has achieved a great deal in responding to the effects of climate change. These efforts have included providing emergency bore water access, stormwater harvesting in our major town ships, administering the municipal rate subsidy and assisting drought recovery efforts through social responses and hosting educational forums on climate change impacts and responses.

The Northern Grampians Shire Council would like to thank the Productivity Commission for the opportunity to respond to their inquiry into government drought support and urges the commission to consider a review of their timelines in order to allow for more extensive consultation and strategy development.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Kevin Erwin'.

Kevin Erwin
Mayor, Northern Grampians Shire Council