

SUBMISSION TO THE PRODUCTIVITY COMMISSION REPORT: “INQUIRY INTO GOVERNMENT DROUGHT SUPPORT”

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We would like to thank the Productivity Commission for the opportunity to comment on the draft report and acknowledge the extensive research undertaken in the development of it.

General Comments:

While we acknowledge that some farming businesses might not yet have adopted best business practices, we strongly oppose the underlying assumption that this is due to a belief that governments will support them during droughts. We cannot see any conclusive proof for this assumption but mere anecdotes, often from others ineligible for assistance. The self-reliant strategies suggested in the report include building financial reserves as a hedge against drought risks or undertaking off farm employment. However, the building of financial reserves in an area such as ours, which has been in drought now for more than ten years, would be more than difficult for even the most prudent farmer. The repeated suggestion to seek off farm employment negates the necessity to even in drought manage land and stock to maintain the future viability of the farm.

Comment on Draft Recommendations

Recommendation 6.1

EC relief payment terminated at the end of financial year 2009/2010.

- The recommendation fails to take into account the needs of small rural communities with a population of less than 5,000. These communities rely on the farming community to support their economy. The recommendation does not factor in the difficulty for farmers and their partners to seek alternative employment. In small rural communities, especially if they are isolated from larger centres, employment opportunities off farm are limited, as is childcare and after school care. In addition farmers are still required to manage their land and stock and often have not received formal recognition of the skills and knowledge acquired in the course of their career.
 - Recommendation: To continue EC relief payments until the end of the financial year 2010/2011 while adopting the training strategies of the Newstart support program and supporting the further implementation of the Victorian Government's Rural Skills Connect scheme.

Recommendation 6.2

EC interest rate subsidies should be terminated at the end of the financial year 2009/2010

- We acknowledge that, while the interest rate relief support has been effective to those receiving it the ineligible farmers have felt hard done by. However, the argument that viable farmers should be able to access carry on finance, have loans restructured to reduce repayments or defer payment without cost, does not agree with the reality experienced by many farmers in our region. In actual fact the current economic crisis has seen a number of banks recall substantial loans.
 - Recommendation: For EC interest rate subsidies to continue to be available to farmers and businesses that show viable statistics and practice management plans and self reliant strategies, which are implemented over a 5 year period.

Recommendation 7.1

The objectives of the Australia's Farming Future initiative should be revised and expanded (...)

- We very much welcome the suggestion to revise and expand the Australia's Farming Future initiative. To fully utilise the benefits of this initiative it is recommended:
 - Recommendation: To support the initiative with on farm productivity grants, and subsidised professional development. To continue the support of Drought Response Officers as a means for Local Government to support and engage with the farming industry and promote and implement the objectives of the Australia's Farming Future initiative.

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.

- We believe this recommendation to not only be vital for the future sustainability of our farming communities but also for Australia's food security. Any public funding directed to research and development should be conditional on communication plans detailing how the information gained will be disseminated to the farming communities and appropriate funding directed to extension.

Recommendation 8.3

Significant public funding should be directed to a continuous learning program, (...)

- We very much welcome the suggestion to incorporate the successful elements of the former FarmBis within the FarmReady platform. While a subsidy covering a proportion of the cost of training will be of great assistance to the farming community, the cost of some training is significant and even proportional costs out of reach of some farming families.
 - Recommendation: That in addition to the subsidy covering a proportion of the training costs support similar to HECS be considered.

Recommendation 9.1

All farmers facing hardship should have access to temporary income support designed specifically for farm circumstances. (...)

- As stated in the PC 2005, farm numbers are declining with an increase in the average size of the farm. While farm numbers are still dominated by small farms, large farms account for the majority of farm production. Bearing this in mind, the proposed temporary income support should be conditional on farmers seeking independent financial advice and develop and implement an action plan. The continuation of the Professional and Planning Grant available through Centrelink should be considered to assist this process.
- Recommendation: Due to the increase in average farm size the overall asset cap should be exclusive of the farm house, beginning at \$2.5 million with a taper to \$3.5 million. The temporary income support plan should be reviewed every six months for the first 12 months and thereafter every 12 months and be conditional on the implementation of a farm management plan, sustainable farming practices and training. The scheme should commence on 1st July 2010. The scheme should be limited to a maximum claim of three years out of seven, however, an option of a fourth year should be considered following independent reviews of the viability of the farm business and the farmers and their partners undertaking of training to strengthen their self reliant management skills.
- Further consideration should be given to adequate programs supporting farmers considering leaving the farm or pursuing off farm employment options. These should include career counselling, training and recognition of prior learning as undertaken by the Victorian Government's Rural Skills Connect program.
- To review the EC Exit Grants in line with the revised program targeted at small irrigation holdings in the Murray Darling Basin. In particular the lack of formal recognition and portability of the skills learnt during farming need to be addressed – again this could be undertaken with the help of the Rural Skills Connect program.

Recommendation 10.1

The Exceptional Circumstances (EC) declaration process should be terminated.

- Recommendation: To consider extension of the EC declaration for the North Western Region of Victoria covering the Mallee and the Wimmera and the shires of Hindmarsh, Yarriambiack, Buloke and Horsham until 30th June 2010. The report recognises the divisive effect of EC interest rate subsidies on rural communities. Continuing EC declaration in some areas but ceasing it in others would have a similar effect on a nationwide scale. The report acknowledges that it would be unreasonable to terminate EC programs immediately.
- Recommendation: The EC declaration process should be terminated. In areas that continue to meet the former EC criteria declarations should cease by 30 June 2010, irrespective of a formal current declaration.