

Submission to the Productivity Commission on Drought Support December 2008

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. Victorian Regional areas such as the Wimmera have been under drought conditions for so long (10 years) that both farming enterprises and business who have been prepared for drought (and a decline in profits) have had their mitigation funds and strategies stretched to the limit and in many cases have run out. There are now increasing numbers of farmers and businesses in small towns going into or increasing debt.

Wimmera Development Association (WDA) support the Horsham Rural City Council in its request for the extension of Exceptional Circumstances (EC) Funding. It is easier for farmers and business to take responsibility for managing risks associated with climate variability in a normal year - from a position of strength – rather than expecting them to improve self-reliance and preparedness beyond what they have at the end of a prolonged 10 year drought. The dry seasons has already taken a toll on farmers and business. Those who have survived the drought in regional Australia have been strong, viable businesses who have followed risk management strategies but find themselves struggling because they have low cash reserves from which to implement various survival strategies. EC Funding in much of Western Victoria currently ends in March '09. As there are many farming enterprises and businesses who can still benefit from EC funding, it suggested that allowance be made to extend access to EC funding until farmers receive an average income for two seasons. Declarations for EC are described by the Commission as being ex post which is true in the first declaration or when there has been re-declaration after one has been withdrawn. When EC is extended without a time gap, however, then producers and business 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, are particularly reliant on farmers. Businesses in towns of this size do not have significantly less difficulties than farmers in diversifying income, due to their reliance on farmers, being in a small town. Diversification of income sources can only be successful if the local demand is adequate and, therefore, do not have the diversification options available to businesses in larger regional centres such as Ballarat, Bendigo or Geelong. Program obligations such as those under Newstart are not necessarily more easily met by business due to owners having to run their business so that it survives until they can benefit from farmers developing an increased income. Supporting business owners during an exceptionally decreased income period, helps to maintain town vitality and community.

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