

The Greater Shepparton City Council's rural population makes up 21 per cent of its 59,202 people who live in the region.¹

In Central Northern Victoria for 2004-05, which includes the Greater Shepparton City Council, milk production accounted for 27% of the total agricultural product, while fruit accounted for 18%.² Yet in 2006-07, due to the effect of dry seasonal conditions, income for Victorian farm producers fell by more than 70%.³ While commodity prices for milk production continued to rise, the drought, low irrigation water allocation and record fodder prices combined to "result in producers reducing cow numbers and feed inputs."⁴ Even though farm business incomes in the dairy industry are predicted to improve in Central Northern Victoria, profits are expected to be negative again in 2007/08, following substantial losses in 2006-07 due to limited availability of irrigation.⁵

On Tuesday 2 September 2008, the Shepparton News reported that 'Central Victoria's economy continues to be affected by the underperforming agricultural sector.'⁶ Mike Flower, ANZ Regional Executive stated, 'This is a tough situation where the prolonged dry and record-low inflows into the Murray have highlighted the reliance of the region's economy on agriculture.'⁷

Given these statistics, the Greater Shepparton City Council's major concern is that the farmers in this region, who continue to endure many years of drought, and income loss, and who have used most of their personal financial resources, will not have the capacity

¹ National Regional Profile: Greater Shepparton (C) (Local Government Area): Population/People, Australian Bureau of Statistics website:
<http://www.abs.gov.au/AUSSTATS/abs@.nsf/Latestproducts/LGA22830Population/People12002-2006?opendocument&tabname=Summary&prodno=LGA22830&issue=2002-2006>.

² ABARE Conference Paper 08.6, Bendigo Regional Outlook Conference: Commodity outlook and financial performance of agriculture in Central Northern Victoria, 21 May 2008, website:
http://www.abare.gov.au/publications_html/conference/conference_08/Bendigo.pdf, p.1.

³ Ibid. p.3.

⁴ Ibid. p. 4.

⁵ Ibid.

⁶ Shepparton News, Tuesday 2 September 2008, p.7

⁷ Ibid.

to make a smooth transition into adopting the proposed drought policy developments for 1 July 2010.

In general terms, the Greater Shepparton City Council agrees with many of the draft recommendations regarding the Productivity Commission Draft Inquiry Report. There are concerns about:

1. Draft Recommendation 6.1
2. Draft Recommendation 6.2
3. Draft Recommendation 9.1
4. Draft Recommendation 10.1

While the Productivity Commission Draft Inquiry Report tries to separate Draft Recommendations 6.1, 6.2 and 9.1, they are linked. Moving Exceptional Circumstance Relief Payments to New Start Payments seems to increase the eligibility criteria and the mutual obligation of the farmer. In theory, this appears to be acceptable, but in practice it fails to consider that many farmers have been enduring several years of extreme drought conditions and living with intense levels of stress. While farmers may be accessing income support, in general they are still working long hours trying to sustain and build their business and cope with significant water loss and lack of rainfall.

There seems to be an assumption regarding 'preparedness' for the 80% of farmers who have not access any drought support.⁸ While many farmers have been well resourced to manage their businesses, particularly during the past three years of severe drought, the Productivity Commission Draft Inquiry Report does not consider the extreme conditions many of these families are enduring in order to refrain from accessing drought support. Also, this figure does not clarify how many of the farmers, who applied for drought support, were rendered ineligible to receive any assistance.

⁸ Australian Government Productivity Commission, Inquiry into Government Drought Support: Productivity Commission Draft Inquiry Report, 2008, p. XXVI
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16 December 2008
Reference: C2008/11260

Throughout the past two years, the Council has seen a growth in the number of farmers who have started to inquire about drought support measures for the first time. Many of these farmers have used a combination of accessing off-farm income, savings and in many cases have extended their borrowing capacity in order to survive this drought. The concern is that many of these farmers, who have managed to date, are the ones who will be forced to quit the industry because the new drought policies will have more stringent guidelines that will continue to render them ineligible. Added to this are the levels of stress these families are experiencing when they do finally make these enquiries.

ACTION: The Greater Shepparton City Council would like the Productivity Commission to include in the report the statistics relating to how many farmers applied for Exceptional Circumstances Relief Payments and Exceptional Circumstances Interest Relief Subsidy and failed to reach the eligibility criteria. The Council would also like to see the statistics as to why they failed to reach the eligibility criteria.

REASON: This would develop the legitimacy of the argument regarding the 'preparedness' of farmers who are not accessing drought support in relation to those who are eligible for support.

In terms of Draft Recommendation 10.1, the Greater Shepparton City Council is concerned that removing the Exceptional Circumstances declaration process, there will be no recognition given to the extreme conditions continuous years of drought brings to a region. The Council concurs that current processes may not be adequate, but consideration does need to be given to acknowledging the insidious nature of drought and the long term impact it can have in a region. Drought is an enormous risk factor for the agricultural industry, but it is a condition that is factored into farming practices. It is the many years of ongoing dryness that has impacted so severely on rural communities this time around and there needs to be a process that acknowledges this.

ACTION: The Greater Shepparton City Council would like the Productivity Commission to include in the report criteria that triggers recognition of extreme conditions of drought.

REASON: Drought by nature is insidious and it can be difficult to understand when it starts, the longevity and the end of the natural disaster as it is occurring. Maintaining a trigger for recognition of extreme conditions of drought legitimates understanding for the farmer and rural communities about the climactic conditions being managed. It also means that when there is recognition of drought, farmers are better able to manage the conditions of their business because they can introduce their own adaptation practices.

As stated earlier, with the exceptions of Draft Recommendations 6.1, 6.2, 9.1 and 10.1, the council in general agrees that there are changes that need to be made to ensure that farmers are better able to manage their business risk independent of government support.

The Council requests that the Productivity Commission be mindful that many farmers, including those who are receiving drought support, have managed the risk of drought in their business and have endured these extreme conditions of drought for many years. The resources available to them 10 years ago, in many cases have been used to survive to today. While there needs to be a set date for changes to be implemented, please consider carefully the introduction of these changes, if this drought continues until 30 June 2010.