



**Submission to the Department of Agriculture,  
Fisheries and Forestry in response to the  
Review of the pilot of drought reform measures in  
Western Australia**

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## 1. Executive Summary

The NSW Farmers' Association does not believe that the findings of the pilot can provide credible justification for any changes to Government drought policy. Whilst we welcome the intent of some of the pilot, a number of key concerns limit its value. The Association believes that there should be a stronger focus on how the pilot measures compare to those available in the rest of Australia, identifying gaps in policy and support available for participants.

An increased focus on preparedness cannot come at the expense of genuine business support for Australian farming businesses struggling with climatic conditions that cannot be reasonably planned for. The severe drought, short timeframe of the pilot and the impossibility in assessing future benefits leave very little credible findings. Funding restrictions, overly restrictive eligibility criteria and the near absence of qualitative feedback to stakeholders are of further concern.

## Summary of Recommendations

### **Recommendation 1**

View the findings of the drought policy in the context of the wider drought policy.

### **Recommendation 2**

Retain Business Support in any future drought policy

### **Recommendation 3**

Ensure that full consideration is given to alternate drought policies to promote preparedness.

### **Recommendation 4**

Exclude Farm Assets from eligibility criteria in all agricultural policy.

### **Recommendation 5**

Remove conditions that require immediate business restructuring obligations for income support recipients.

### **Recommendation 6**

Do not remove support before recipients have recovered financially.

### **Recommendation 7**

Remove the requirement that recipients must 'establish themselves outside of farming' to allow for continued employment in the rural sector.

## **2. Introduction**

The NSW Farmers' Association (the Association) is Australia's largest state farming organisation representing the interests of the majority of commercial farm operations throughout the farming community in NSW. Through its commercial, policy and apolitical lobbying activities it provides a powerful and positive link between farmers, the Government and the general public.

The Association has a long history of involvement in drought-related matters, particularly at a policy level. Submissions and representations at hearings as part of the 2008 drought policy review contain Association positions on drought related policies. While the development of the WA drought pilot is a step forward and progression of the review, the Association is concerned that the focus has moved away from the review of drought policy as a whole to a focus on preparedness measures.

The ongoing drought has had a significant impact not only from economic, production and environmental perspectives, but also from a social perspective at family, community and regional levels. Farmers in NSW occupy 80 percent of the NSW landmass, playing an important stewardship role in maintaining and preserving the landscape.

Through its close ties with farmers and rural communities, the Association is in a unique position to contribute to the review of the Pilot of Drought Reform Measures in Western Australia ('the pilot'). We will firstly provide general comments on the pilot and its relevance to wider drought policy reform, before addressing each pilot measure individually.

## **3. The Pilot of Drought Reform Measures in Western Australia**

The Association welcomes the opportunity to comment on the pilot. We strongly support the intent of many programs available, and commend the Government's aim to assist farming communities prepare for low rainfall periods. Further support for rural communities and better coordination of services are important goals. We applaud the Government for the increased recognition of and focus on the social, community and health elements of drought. Conversely, the removal of business support, overly restrictive availability criteria and underfunding of key programs are of concern.

The Association has long advocated the need to further support farmers in the preparation for and management of drought. However, there must be provisions to allow for events which cannot be reasonably planned for. The pilot does not contain allowances for emergency or exceptional relief for farm businesses in times of severe drought, a key issue for the Association. It is important for Government to note that whilst preparedness can increase the drought-resistance of a farm business, it is impossible to be completely drought-proof.

It is difficult for stakeholders to assess the pilot's success at this stage given the lack of qualitative data and the uncertainty surrounding its relevance to the existing drought measures available outside the pilot area. Qualitative information in the form of feedback from successful and unsuccessful applicants, other farmers in the pilot region, and those involved in the pilot roll-out is of far greater importance, and the limited information available is of concern. The Issues Paper seems to be targeted at participants of the pilot. Limited access to comparative data will reduce the quality of input from individuals, businesses and organisations outside the pilot area. The Association believes that there should a stronger focus on how the pilot measures compare to those available in the rest of Australia, identifying gaps in both policy and support available for participants.

### Recommendation 1

*View the finding of the WA drought Pilot in the context of the wider drought policy*

## 2.2 Funding

One aim of the progress report was to consider the allocation of financial contributions if demand was significantly different to that estimated at the start of the pilot. The Association understands that many elements of the pilot were significantly underfunded, and yet no further funds were provided specifically for the pilot.

Given that the pilot incorporates both state and federal spending, it has not been qualified how much contribution the States will have in determining the national drought policy. The Association is concerned that this could lead inequitable drought funding between states.

## 2.3 Climatic Conditions

The pilot has been likened to 'conducting a fire drill during a fire' due to the severe lack of rain experienced across much of the WA drought pilot area. Whilst this is unfortunate, it does mean that many of the findings from this review need to be considered in this context and that they may not necessarily reflect true responses under normal conditions. The climatic conditions have dramatically reduced the ability to analyse how these measures will contribute to increased drought-resistance of farming communities.

## 2.4 The Association's Drought Policy

The Association's drought policy has a three tiered approach. This is predicated on the belief that drought response should be part of a broader national agricultural policy that regards agriculture as a critical industry, and recognises the importance of sustainability in the broader context of food security. The tiers are defined as follows:

1. An overarching policy position that improves productivity, resilience and viability, fundamental to the production of food and fibre.
  - This includes general investment in Agricultural Research Development and Extension to ensure continued competitiveness and efficiency.
2. Self-reliance and preparedness to encourage farmers to manage risks to the best of their ability.
  - This includes policy that improves the ability to adjust and manage climate variability, and highly variable income periods such as taxation measures, conservation loans and farm management deposits.
3. A safety net of support to prevent large scale impacts on the industry during extended droughts.
  - This includes allowances for situations that cannot be reasonably planned for such as the current Interest rate subsidies and household income support.

This policy and its relationship to the WA Drought Pilot is summarized below in Figure 1. Current policies and programs are illustrated in standard text with WA drought pilot programs illustrated in italics.

The Association supports the development of a new drought policy with a component supporting preparedness, assuming that business support measures remain. It is essential that the strategic value of agriculture is given adequate consideration.

Furthermore, the Association is seeking:

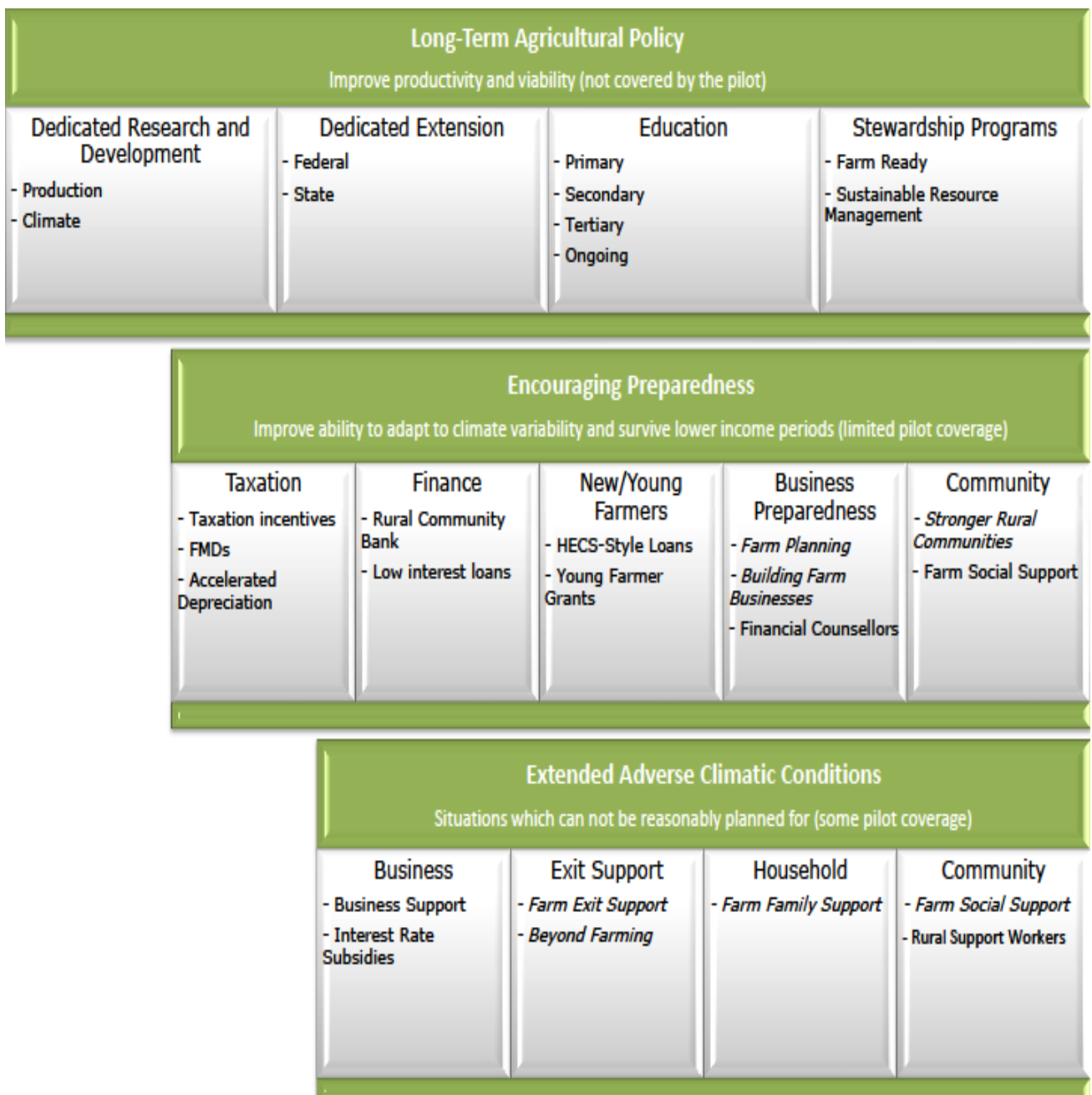
- The harmonisation of the drought declaration process
- Reduction in red tape involved in the application process for drought assistance
- The removal of boundaries for business support
- Improved drought preparedness incentives and initiatives.

**Recommendation 2**

Retain farm business support in any future drought policy.

The Association will now provide specific comments on the individual programs in the pilot, answering questions from the Issues Paper where relevant.

**Figure 1: NSW Farmers' Association's Three Tiered Drought Policy**



## 4. Farm Planning

Measures that can improve the ability of farms to increase drought-resistance increase Australia's ability to produce food during adverse climatic conditions. However, it is crucial to stress that not all droughts can be prepared for. There are numerous factors that influence the efficacy of any strategic plan such as timing, markets or longevity. Should droughts last only a few years, these measures may help to increase the self-reliability of farm businesses. However, should droughts last as long as the recent drought in South-East Australia, it is not reasonable to think that preparedness can completely replace assistance measures. For Australia to play its role in feeding a booming global population, it is essential that Government invests in the three tiers outlined above.

### **8. *Would you suggest any changes to improve the delivery of the program?***

As outlined in the Issues Paper, the Farm Planning Program was fully subscribed by 5 November 2010. After this date no farm businesses were eligible for this program or the Building Farm Businesses Grant. It could be concluded that this demonstrates a strong demand for strategic business planning courses. However, as a mere 27% of farmers undertook Farm Planning to engage in strategic business planning, it seems that the intent of the program did not match the intent of the participants. It is expected that many participants may have taken part in the Farm Planning simply to access the Building Farm Business program. For many applicants who subsequently found that the building farm business program was unavailable to them, it would have been a very confusing and disappointing outcome.

Whilst the program has seemingly missed the mark, it is difficult to know how beneficial it has been, as stakeholders like the Association have not seen any evaluative comments from participants. It would be interesting to know the percentage of participants who claimed to have gained the intended benefits.

Even if these comments were available, the vast majority of any such benefits from this program will not be known for many years. Whilst the findings of the review of this program can't validate changes in broader drought policy, it may provide comment on how future business planning programs are targeted, funded and run.

### **9. *Can you suggest any better ways to encourage farmers to improve their businesses planning skills and prepare for future challenges including drought and climate change?***

Farm enterprises are not homogenous. The majority of farmers have strategic plans around rainfall shortfalls, using sophisticated modeling to predict scenarios. The timing of drought (being insufficient rainfall) is compounded by temperature, which determines growth potential whether it is cropping or livestock. Data from farmers not in receipt of any government support would enable some useful comparison as to what strategies are most effective across a range of regions and enterprises.

Many farmers already have detailed and effective business planning skills, having undergone drought preparedness measures over decades. Association Members often say they have the knowledge, skills and plans, but lack the funds to implement their plans. In situations such as this, it is important that farmers with adequate business plans are not subjected to unnecessary prerequisite training, but rather, are facilitated to pursue those they recognize will strengthen their business skills and resilience.

If future Government policy requires business plans as a prerequisite for preparedness grant eligibility, processes to approve existing plans need to be efficient and streamlined. The farm planning process and certification has the potential to require many resources and add significant costs and is of a concern to our Members. Also, questions could be raised about the credentials of those providing the accreditation, given that farming models are far from homogenous, and flexibility is key to management of drought.

The rural financial counseling program is a valued policy measure, given its capacity to support and enable farm businesses to develop. This program should be an integral part of all future agricultural policy relating to resilience, and ability to adapt business to changing circumstances.

**10. Do you have any other comments or suggestions about this program?**

The Association was frustrated that direct feedback from participants was not provided in the issues paper.

## **5. Building Farm Businesses**

The Association welcomes the aims of the grants available under the Building Farm Businesses programs. As mentioned previously, preparedness projects have proved to be very beneficial during the recent drought in South-East Australia. Specific comments regarding the success of the program are difficult, given lack of qualitative data and the fact that this four year program is in the tenth month.

**4. Are the eligibility criteria appropriate?**

The eligibility criteria are overly restrictive. Off-farm asset limits exclude many farm enterprise structures who would have gained value out of this program. 99% of Australian farms are held by families in a variety of ownership structures. Compounding this is the intergenerational transfer processes, which mean that often three generations of families are involved. The off farm asset value of \$750,000 for all members of the farm business will prove an impediment to this preparedness measure. Numbers were further reduced due to the up-front payment requirement for the course.

Furthermore, in the Pilot the precursor Farm Planning Program was fully subscribed by 5 November 2010. This was filled with many participants who only signed up to be able to access Building Farm Businesses, most of whom were ruled out by eligibility criteria. This meant that participants not only missed out on the Farm Planning Program, but also on the Building Farm Businesses Program.

It is no surprise that budgeted program numbers fell a long way short of those expected. These figures are not consistent with the Government's commitment to encouraging preparedness across the farm sector.

**6. Would you suggest any changes to improve the delivery of the program?**

Grants should be provided up-front in an effort to encourage participation. Also, over-subscribed precursor programs should not be used to limit the numbers of under-utilised programs. Lastly, the asset threshold should be reviewed so that preparedness assistance is available, rather than prohibited by family business structure.

**8. Are recipients of grants less likely to be less reliant on government assistance during a drought? If not, why not?**

The Association could not provide a definitive answer until the program is reviewed in 2014. Due to the large number of factors affecting the demand for Government assistance during a drought, a proper causal link would be very difficult to prove. Research in to the factors that strengthen farm businesses in drought and examination of those businesses that have not required government assistance, would be necessary to quantify which measures affect reliance.

**9. Can you suggest any better ways to equip farmers to manage and prepare for the impacts of drought, reduced water availability and a changing climate; improve on-farm resilience; and reduce the environmental impact of agricultural activity in times of extreme climatic conditions?**

Whilst the Building Farm Businesses could cover some of the suggestions mentioned below, we have listed measures that we feel are the most effective to promote drought-resistance:

*On Farm*

- Fodder Conservation
- Improved Water Storage Facilities
- Stock Management
- Fodder and grain storage
- Water Reticulation
- Bores and Dams
- Pasture Improvement.

*Business Measures*

- Taxation measures to support infrastructure and plant upgrades which equip farmers.
- Increased use of Farm Managed Deposits, or mechanisms to manage highly variable income.
  - It is essential that Farm Managed Deposits are opened up to all farm businesses structures. Trusts, partnerships and private company structures with primary producer directors are too often excluded under existing arrangements, vastly reducing the overall levels of preparedness in the agricultural sector.
- A Rural Development Bank.
- Income Contingent Loans.
  - Subsidised loans with repayments dependent on the future economic circumstances of the recipient. Similar to the HECS scheme a loan is provided on the basis of repayment once economic conditions have improved.
- Promotion of insurance measures .
- Income support for farming businesses.
  - Regardless of geographic location, the Association believes that all farming businesses should be eligible to apply for drought assistance. The issues with lines on maps are widely apparent. Whilst business support for the farm sector has not been included in the pilot, it must form a key part of any future drought policy. The Association feels that a case by case approach to business support could be more equitable, and would also reduce the administrative costs of the current declaration process.

### Recommendation 3

Ensure that full consideration is given to alternate drought policies to promote preparedness.

#### **10. Do you have any other comments or suggestions about this program?**

The Government should consider how the drought preparedness activities that farmers have undertaken outside the pilot compared to those taken as part of this program. A holistic cost-benefit analysis is essential to determining the success of this program, and the overall pilot.

Recognition of successful past practices to be addressed when considering eligibility. Farm enterprises have been the most adaptive to climate variability, farming practices have changed to improve productivity and sustainability during times of drought and diminished water. Recognition of current Government policy in other areas that have affected the ability of farmers to be flexible such as Native Vegetation laws in NSW also require consideration.

Reestablishment and recovery after drought is not addressed in the pilot. This is a very important issue that requires Government attention. Furthermore, other Government policy may potentially have implications for applicants accessing support measures.

## **6. Farm Family Support (income support)**

The Association is aware that at 11 February 2011, 471 claims had been received for Farm Family Support, 205 claims had been granted (of which 4 have since become ineligible), 211 claims had lapsed as a result of documents not being supplied by the applicant and 55 claims had been rejected. Only very limited information has been provided as to why so many claims have lapsed or were rejected. The Association's ability to provide informed comment was restricted by this lack of information.

### **3. Are the eligibility criteria appropriate – the income test, net asset test, liquid assets test and waiting period, definition of 'eligible farmer'?**

There appears to be a focus on helping smaller farmers with the asset tests and levels of support. Under Exceptional Circumstances on-farm assets were excluded from asset thresholds, with support tapering for couples with off-farm assets over the value of \$750,000. Whilst the pilot has a significantly increased asset threshold, the inclusion of farm business, the farm house and farm assets will rule the vast majority of primary producers ineligible. The criteria that the farm assets include all members of the business have excluded many farms due to the nature of farming sector.

The net asset limit of \$2,000,000 will exclude all farms of scale. Given that debt to equity ratio for a viable farm is greater than 75%, we are concerned that the majority of farms in NSW engaged in cropping and livestock broadscale enterprises would be excluded on this criteria. This support was highlighted in the Productivity Commission's recommendations as having to be accessible broadly, and its need was recognised also in the Social report, yet the criteria, appears to not achieve this outcome.

### Recommendation 4

Exclude Farm Assets from eligibility criteria in all agricultural policy.

**6. The program's mutual responsibility elements require recipients to undertake a farm financial assessment, develop an action plan and take action to address their long-term business viability, diversify with off-farm income or re-establish outside farming. Is this mutual responsibility appropriate and effective in improving self-reliance?**

The Association has concerns with the activities that farmers are suggested to undertake whilst on Farm Family Support, including:

- Take action to address their long-term business viability
- Diversify with off-farm income, or
- Re-establish outside farming.

This suggests that difficult climatic conditions have not contributed to a difficult financial situation, as action can be taken to improve viability. Farm responsibility in drought is increased, particularly in area of livestock enterprises. Quite often those receiving this type of support are busy keeping the farm running.

Whilst the Association recognises that mutual responsibility is appropriate, if poorly timed it will exacerbate stress levels. If members of a struggling farm business are told by the Government to improve their long-term viability, this could very well contribute to adverse mental health outcomes.

The Association suggests recipients should have the options to undertake the suggested measures after following drought or an improvement in season. This would ensure that measures are taken to attempt to improve business practices, but not necessarily at the time of the greatest stress for the business.

**Recommendation 5**

Remove conditions that require immediate business restructuring obligations for income support recipients.

**8. Do you have any other comments or suggestions about this program?**

As stated previously, the lack of Business Support in the pilot is of great concern. Combined with the asset and income restrictions on Farm Family Support, there is very little support available for farmers. There are concerns that the pilot does not allow for support in conditions that cannot reasonably be planned for.

The Association recommends that any support should continue through to financial recovery. The Government has recently changed the Exceptional Circumstances handbook so that payments could be removed once the 'opportunity to recover' has been given. Unfortunately, opportunities cannot be used to pay bills and put food on the table. Under no circumstances should this policy be included in any further drought programs. It provides undue stress and complications, and has the potential to lead to forced sales of farms following significant seasonal improvement.

**Recommendation 6**

Do not remove support before recipients have recovered financially.

A suite of transition measures to provide farm families and rural businesses with time and support (both financial and non-financial) to recover from drought should be enacted both immediately, and as part of any future drought policy.

If the top two tiers of policy aims outlined in the Association position are adequately resourced with a real commitment to view agriculture as a critical industry, the Government will see a greater degree of self reliance. This requires that impediments that restrict flexibility and resilience are replaced with rewards for innovation and preparedness. This will reduce reliance on support required during low rainfall periods.

## 7. Stronger Rural Communities

The Association strongly supports this program, and welcomes the Government's increased focus on improving rural infrastructure. Support for rural communities is crucial, no matter what the climatic conditions. It is important that community support is provided to compliment drought policy. However, it is important to distinguish between the two.

## 8. Farm Social Support

Overall, the Association supports the measures offered under the Farm Social Support program. Rural Australia is in dire need of improved mental health and community support. Many relevant issues were highlighted in the Social Assessment under the National Review of Drought Policy. Further comments regarding the numerous programs could not be made due to the lack of information provided.

## 9. Farm Exit Support

Farm exit programs have traditionally been very unpopular. This shows that farmers are desperate to stay in the farming industry, and financial incentives to sell are either inadequate, or irrelevant. The Association questions why funding is only available for farmers who exit farming completely. There may be many options for employment in the farming sector outside of owning a farm enterprise. Should programs such of these be retained as part of future Government drought policy, the Association suggests that the conditions are changed from 'to establish themselves outside of farming' to a condition being made that a new farm cannot be purchased within a certain period. This would allow a farmer to stay in the farming industry if they chose, but to also exit their farming business.

### **Recommendation 7**

Remove the requirement that recipients must 'establish themselves outside of farming' to allow for continued employment in the rural sector.

## 10. Concluding Comments

The NSW Farmers' Association welcomes the Government's intent to make significant changes to Australia's drought policy. We strongly agree that the current system of lines on maps and perverse incentives often fail to provide necessary support, or reach intended recipients. This leads to division within communities already under stress, and needs to be addressed. Whilst an increased focus on

preparedness is a welcome move, this cannot come at the expense of genuine support for Australian farming businesses struggling for climatic conditions that cannot be reasonably planned for.

The limited information available, and near absence of qualitative feedback from participants made it very difficult to comment on many areas of the pilot. The testing of preparedness measures during a severe drought makes it very difficult for this review to contribute to evidence-based policy. Similarly, the short time-frame of the pilot means that the impact of the pilot will not be known for many years.

The Association supports the intent of the pilot, and applauds the Government for its increased focus on the social issues that are the result of drought. However the funding restrictions, overly restrictive eligibility criteria and an absence of business support are key concerns for our Members. Furthermore, uncertainty from Government regarding the future of drought policy, and how this review will contribute to its formulation, are a problem.

The Association stresses that no amount of preparedness can justify the removal of income support in times of extended drought. However, the use of policy instruments such as those suggested by the Association can ensure that Australian drought policy takes an important step forward.