

Drought Discussion Paper

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The current drought within Australia has significantly affected Australia's best prepared, most environmentally sound farmers and has been labelled the worst drought in history, a one in one hundred year occurrence and an event worthy of triggering a recession across rural Australia.

However it is not only farmers that are feeling the pressure of the current drought; agricultural industries and rural communities which rely upon farming are also reeling from the drought and it is already impacting upon the level of services which are provided in regional areas. This ultimately flows on to metropolitan areas through increasing food prices and it places a greater strain on the provision of essential services.

There are other facets of severe drought that are unable to be measured in production or dollar terms. These are the social ramifications testing not only the farmers but all people on the front line of drought. Depression, isolation, alcohol abuse, family breakdown and suicide rates in regional and farming communities are all exacerbated in time of drought. These areas are also the least equipped to deal with such mental health issues.

This document which was prepared by the NSW Farmers' Association makes a series of proposals to all levels of Government and community groups on immediate measures that can be adopted to alleviate some of the pressures caused by the current severe drought situation.

This document breaks the proposals up into four sections, Priority, Social, Financial and Environmental support measures.

The Association and all aspects of the farming industry have been continually working on how to ensure the long term viability of agriculture in Australia; cementing Australia's food security and the survival of small rural communities. This has involved collaborative discussions at the highest of levels with Government agencies, industry groups and other farming organisations.

The proposals contained in the document have evolved from member concerns and due to the nature of drought, the document will be continually updated and reviewed in order to reflect the circumstances facing farmers across NSW.

What the Association Is Seeking

Relaxation of the off farm income level, asset cap on receiving Family Income Support and Interest Rate Subsidies and the maximum amount payable under the Interest Rate Subsidy (IRS) scheme.

Background

To be eligible for EC Family Income Support, total assets excluding essential farm assets & *bonna fide* superannuation and life insurance, must not exceed \$229,000. This excludes a large proportion of farmers who may have assets tied up in non-liquid investments geared towards their retirement, however these farmers are still faced with exactly the same issues of having a low to zero cash flow.

Off farm income allowances are currently capped at \$40,000. This figure was originally designed to supplement a farm income experiencing EC conditions. Due to the severity of the current drought, many farms will receive no farm income and therefore become totally reliant on off farm sources. The cap for off farm income should therefore be modified to meet the changing requirements of the current drought.

To be eligible for Interest Rate Subsidies (IRS), off farm assets must not exceed \$446,000. This figure fails to recognise successful farmers who diversify through investing off farm, yet still face the immediate financial difficulties associated with drought. Often these investments are designed with superannuation in mind.

The maximum support payable under IRS is \$100,000 in any 12 month period with a cumulative maximum of \$300,000 over the previous five years. These figures were originally designed to reflect a much shorter period of drought and interest rate subsidies of 50%. Due to the increased level of interest rate subsidies for the second and third year of IRS and the fact that some farmers have reached the \$300,000 cap with more approaching that level, the total figure should be changed to reflect the ongoing severity of the drought.

Furthermore it appears as though the current EC criteria discriminate against certain business structures and therefore consideration needs to be given to these structures in order to ensure that farmers are not excluded from vital assistance.

Benefits

- Family Income Support is crucial for providing for the basic living needs of families.
- IRS is crucial in supporting the commercial side of the farming enterprise.
- Through the provision of financial assistance to farmers regional communities are able to continue operating due to the multiplier effect of the assistance.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry

What the Association Is Seeking

Concessions in the assessment for family support (NewStart) criteria in order to provide assistance for farm contractors.

Assistance that provides agricultural contractors with the ability to maintain their equipment and business during the period of low or zero income as a result of the drought.

Background

On-farm contractors play a vital role in the operation of farming businesses, providing labour and equipment to assist in agricultural practices. However the assistance measures currently available to them are quite restricted compared to those available to producers and general members of the community.

During the current period of drought where many crops or other commodities are not produced or fail to reach maturity the need for contractors is reduced. This will deprive many contractors of their normal income stream and produce cashflow problems. Many contractors are also still owed money from jobs that farmers currently have no way of repaying. The nature of contracting requires them to be heavily geared with large amounts of capital tied up in equipment, with their ability to service their debts depending heavily on the annual cashflow from agricultural activities.

Furthermore, because of the required investment by contractors in essential machinery they exceed the asset cap for NewStart family support. Due to the drought situation these contractors have low to zero income, compromising their ability to provide even the most basic support for their family.

Without any income, contractors will be forced to sell equipment and therefore reduce their future income producing potential. This will compromise the capacity for farms to effectively and expediently recover from drought. Furthermore, it will force contractors to seek work in other industries, draining skills from rural and agricultural industries in a time when there is a recognised rural skills crisis.

Benefits

- Basic welfare support would ensure essential goods and services are made available to families, and would help retain a crucial level of skilled workers in the agricultural industry.
- Assistance to allow contractors to maintain their equipment and their business through the period of drought would ensure that these resources are available once the drought breaks. This will facilitate a more effective and expedient recovery from the drought.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry
- Department of Families, Community Service and Indigenous Affairs
- Centrelink

What the Association Is Seeking

Increased presence of Rural Financial Counsellors across NSW.

Background

Rural Financial Counsellors are a valuable asset to any rural community and they have played an important role in helping thousands of farmers examine and assess their financial positions.

With some areas of NSW entering their sixth consecutive year of drought, the workload of Rural Financial Counsellors has steadily been increasing as more people seek their services. Changes to the structure of the Rural Financial Counselling service in September 2006 saw a reduction in funding allocated to provide these crucial services. The result has been a loss of Rural Financial Counsellors, a reduction in the administrative support which Rural Financial Counsellors receive and a high degree of anxiety in areas where the structural changes have yet to be finalised. All these results have left existing Rural Financial Counsellors severely under resourced.

The Association has been made aware that current demand is so high that for example people in Forbes have to wait three months before they can speak to a counsellor. This time period is grossly inadequate given the severity of the current drought, the acute financial position farmers and associated business find themselves in and the alarming rates of depression and suicide in rural areas.

Benefits

- With added pressure brought on by the drought, farmers and people in the agricultural industry need to ensure that they have access to good information when making important financial decisions. The better informed the decision maker, the better their financial decision will be. Rural Financial Counsellors ensure that people are aware of all the financial options available to them.
- Financial pressures, brought on by drought, are a major factor of depression and anxiety in rural communities. The ability for people to discuss financial options with experts plays a major role of alleviating some of the increased stress caused by the drought.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry
- NSW Department of Primary Industries

What the Association Is Seeking

The implementation of alternative seed variety release arrangements to provide growers affected by drought access to good quality and relatively inexpensive seed.

Background

Generally farmers purchase small quantities of pure seed from resellers and retain small amounts of 'farmer saved seed' on farm following each years harvest for future crops. However, given the continuation of the drought, the quantity and quality of such seed has become depleted. As a result, it is likely that substantial quantities of pure seed will have to be purchased next year at substantially inflated prices given supply and demand conditions. Alternatively farmers will be forced to use depleted poorer quality on farm seed which may yield less or be more susceptible to pests and disease.

In recent years a higher proportion of seed varieties are being developed by private breeding companies who aim to protect their intellectual property associated with conducting the research via Plant Breeders Right's (PBR) legislation. Associated with PBR's are End Point Royalties which are paid by growers to the breeder on the total grain produced from the newly released seed variety. Purchase of a PBR protected seed variety means that growers face restrictions on the use of the variety. The major restriction is that seed or grain, either purchased or produced from subsequent harvests, cannot be sold, traded, bartered, or gifted as seed for sowing. Accordingly farmers must purchase new PBR protected seed direct from breeding companies.

NSW Farmers' Association proposes that the Federal Government permit 'farmer to farmer' trading of PBR protected seed on the proviso that the seed is supplied through a third party such as Elders, Landmark or GrainCorp and an end point royalty is paid. These companies would also sample the seed to ensure that it is true to type and of sufficient quality.

Benefits

The benefits of the proposal are as follows:

- Farmers provided with the opportunity to purchase good quality seed in a competitive environment but at an affordable price.
- High quality seed is available for sale thereby avoiding emergence of increased pest and diseases in next years crop.
- New seed varieties are more rapidly adopted thereby increasing royalties for plant breeding companies.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry

What the Association Is Seeking

Support to enable farmers to plant their next crop.

Background

A substantial number of farmers across NSW were relying on the income from this year's winter harvest to service outstanding debts from a succession of failed or below average crop yields over the last 5 years. However continued below average rainfall and a lack of subsoil moisture have meant that this year's grain harvest will be significantly reduced with production from staple crops such as wheat are estimated to be potentially as low as 1 million tonnes in NSW. Unfortunately even if significant rain now fell across the main grain regions of NSW, it would be too late for the current winter crop to be salvaged.

Given this years failed winter crop and low equity levels from past poor seasons, farmers will experience difficulty sourcing additional finance to sow their next crop. Even if farmers were able to obtain such finance, the debt and interest burden would only exacerbate their current financial predicament.

Upfront support for farmers to plant their next crop is necessary so that they can obtain harvest income to service current debt levels and turn around their business.

Benefits

- The main benefit of cropping support is that (assuming climatic conditions improve), farmers would be able to independently address their current financial position.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry

What the Association Is Seeking

Support to ensure the survival of key breeding stock during the drought and allow for restocking post drought.

Background

With the lack of ground cover, increasing price of feed and reducing water availability, farmers are starting to de-stock to ensure core breeding stock will survive over the summer. However some areas will be forced to transport feed and water to ensure the survival of breeding stock.

When the drought breaks the cost associated with restocking are likely to be high due to the increased demand for quality animals and reduced supply.

Benefits

- Ensures the survival of core breeding stock.
- Provides financial assistance to livestock producers in order to re-establish their enterprises.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry
- NSW Department of Primary Industries

What the Association Is Seeking

The Federal Government to convene a Drought Summit which would bring together the key relevant agencies at all levels of Government as well as banks and financial institutions in order to identify and agree upon strategies to assist farmers and small businesses during this difficult period.

Background

A coordinated and public response is required to the current drought crisis and through the convening of a Drought Summit, the Association believes this response could be achieved. Agriculture provides a vital contribution to the Australian economy and accordingly when this sector is heavily impacted upon by drought, there is an urgent need for the provision of assistance to this sector.

Previous drought summits and similar events have provided an increased level of awareness amongst Government representatives and people in the general community. The outcome from these summits and events has been the provision of a suite of assistance measures, tailored to meet the needs of the rural sector.

Benefits

- Ensure that the severity of the drought and the need for an appropriate response is clearly understood by key decision makers.
- Provides a focus and an opportunity for industry to be provide possible solutions and a way forward to the Government.

Responsible Agency

- Federal Government
- State Government
- Local Government
- Banks and Financial Institutions

What the Association Is Seeking

Funding for regional gatherings to be held across NSW providing an opportunity for farmers to speak directly with organisations who are involved with the provision of drought assistance and counselling services.

Background

Gatherings of local farming communities and support agencies have been occurring on an *ad hoc* basis across NSW. Reports from these meetings have been overwhelmingly positive, with the gatherings giving people the opportunity to get together and discuss the current drought situation with the relevant local experts present to answer any questions regarding support and assistance during these times.

So far these gatherings have been local initiatives, however with funding and information provided these similar style gatherings could be easily run across the state. These gatherings are a very cost efficient way of achieving two very important functions.

First, by bringing all the local support agencies together it is a very effective way of ensuring that farmers have all the information they require on financial assistance and counselling support. With the NSW Rural Assistance Authority, Centrelink, Drought Support Workers, Rural Financial Counsellors, Mental Health groups, Local Shire Councils and NSW DPI Livestock Officers present, it also provides an informal environment where questions can be asked and the problems of “self assessing” overcome.

Secondly, such gatherings also serve as an important social opportunity for people to come together and help overcome the feeling of isolation that is often associated with drought and times of hardship.

Benefits

- Provide farmers with direct access to organisations who provide drought assistance and support.
- Facilitate social interaction.
- Reassure farmers that they are not alone and that support is available.

Responsible Agency

- NSW Government

What the Association Is Seeking

Funding to supply and distribute mental health resources.

Background

The impacts of drought upon mental health are well recognised. Anecdotal reports from Drought Relief Workers, Rural Financial Counsellors and local GP's all point to an increasing mental health crisis in rural and regional areas, exacerbated by the current drought conditions. These reports are backed up with statistics regarding suicide rates among male farmers and farm workers being more than twice the national average, or the estimate that every four days a farmer takes their own life.

The Association recently launched the NSW Farmers' Rural Mental Health Network, and is working with the Network to rollout \$100,000 in Mental Health First Aid Training during 2007. However there are comprehensive resources available in the form of printed materials and interactive CD/DVD's designed specifically for farmers experiencing tough conditions. These resources lay the foundation for further training and are used as a first point of reference. Examples of these include:

- Managing the Pressures of Farming – Australian Centre for Agricultural Health and Safety
- Toolkit for Getting Through The Drought – Lifeline

These resources provide practical advice and put people in contact with other support services available. The distribution of these resources to front line health care workers and affected farmers in EC areas would help raise the level of awareness and ultimately play a crucial role in reducing the progression of more serious mental illnesses and suicides.

Benefits

These resources are designed to be a first point of reference in recognising signs of mental illness and contacting help. The early identification of mental illness reduces:

- Social issues, such as family breakdowns, alcohol abuse and ultimately suicide.
- Pressure on the overburdened health care system that is associated with treating a person who hasn't sought treatment early and who has progressed to more severe forms of mental illness.

Responsible Agency

- Department of Health

What the Association Is Seeking

Access to Health Care cards for all farmers who live in Exceptional Circumstance listed regions.

Background

At present everyone who is receiving EC Family Support payments from Centrelink automatically receives a health care card. However farmers who don't qualify for EC Family Support Payments still face the same health care issues and very limited potential cash flow.

By making these health services available free of charge it removes one more barrier that people face in seeking support. This is especially crucial when it come to mental illness, encouraging people to seek medical advice and services when they need it not just when they can afford it.

Timely access to medical services and General Practitioners is a provision which should be available to all people, irrespective of whether they are located in the metropolitan or rural and regional areas.

Benefits

- Enable visits to GP. This has mental health implications – if money is tight farmers will forego there own health care – in stressful situations and with depression rife access to GPs is pivotal to ensuring mental health care.
- The provision of bulk billing of medical bills, prescription medicine discounts, ambulance cover, dental and eye care and some social activities.
- Access to timely and professional health services.
- Reduces pressure on the overburdened health care system that is associated with treating a person who hasn't sought treatment early and progressed to more severe forms of illness.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry
- Centrelink is responsible for the allocation of EC payments and Health Care Cards

What the Association Is Seeking

The deferment, rebate or waiving of charges for utilities and services.

Background

Producers who are located within State drought declared areas should receive some form of rebate, subsidy or deferment on the payment of essential charges for utilities and services. Charges like Council rates, RLPB rates, utility bills, motor and machinery registration and school and health fees all place additional pressure on households experiencing low to zero cashflow due to drought conditions.

A system similar to this was administered through the Country Women's Association to ensure essential bills and schooling costs were covered.

Benefits

- Helps alleviate household income pressures.
- Reduces stress and anxiety levels.

Responsible Agency

- Federal Government
- State Government
- Local Government and Shires
- Private utility companies

What the Association Is Seeking

That the NSW Government extend transport subsidies to all producers irrespective of the fat score of the livestock.

Background

The NSW Government provides a range of transport subsidies to reduce the costs incurred by primary producers who are located within a drought affected area. The assistance is provided in the form of a 50% rebate of the transport costs for movements of:

- water for domestic use
- water and fodder for stock
- stock to and from agistment
- stock to sale/slaughter

From 1 June 2006 changes were made to the transport subsidy provided by the NSW Government for stock to sale or slaughter. These changes meant that the subsidy only applied to the transport of stock of fat score 1 to 3 (inclusive). Furthermore claimants were required to sign the Statutory Declaration portion of the claim form verifying their stock were fat score 1 to 3 (inclusive) at the time of movement.

The Association is concerned by these changes because due to drought, producers may be forced to dispose of stock which are still in a reasonable condition, however these producers will be ineligible to obtain the subsidy. An example of this situation would be where the producer attempts to retain core breeding stock, however as a last resort they are forced to sell the stock which may in fact have a fat score greater than 3.

Furthermore, the Association is concerned with the additional stress which compliance to these changes has brought to producers at a time when they are already experiencing significant hardship due to drought conditions.

Benefits

- Sales of livestock which are triggered by drought conditions will be eligible to receive the subsidy if the animals are fat score 4 or 5.
- Livestock will be transported in better condition and therefore there is less likely to be animal welfare concerns.
- Reduced stress levels on producers as they will not be required to assess the fat score of animals and then sign a statutory declaration.

Responsible Agency

- NSW Department of Primary Industries

What the Association Is Seeking

Support for small businesses that will be affected by the drought.

Background

The current drought has meant a significant reduction in cash flow into rural communities. While support to farmers does have a flow on affect through the economy, this often only applies to basic commodities and leaves many small businesses and their staff in a perilous position. With the declining populations and infrastructure located in rural communities already being a major cause for concern, further financial burdens could accelerate this rural – urban drift.

By declaring the most severely drought affected areas a Natural Disaster small businesses would be eligible for assistance. The definition of a Natural Disaster applies to natural hazards including bushfire; earthquake; flood; storm; cyclone; storm surge; landslide; tsunami; meteorite strike; or tornado. Australia is one of the only countries in the world where severe drought isn't classified a natural disaster.

If the Federal Government recognises severe drought as a natural disaster, relief measures provided by the State that qualify for Australian Government assistance are:

- Grants for relief of personal hardship and distress.
- Concessional interest rate loans to small business operators, farmers and voluntary non-profit bodies to replace assets that have been significantly damaged in an eligible disaster. Recipients must have no reasonable access to commercial finance and,reasonable prospects for long-term viability.
- Payments for providing psychological counselling to people who have experienced an eligible natural disaster.

Once a natural disaster has been notified, the State Government seeks reimbursement from the Australian Government under the above criteria. Under an agreement with the Commonwealth, NSW pays for the first \$89 million of all natural disaster costs in each year. The Commonwealth matches NSW expenditure for costs between \$89 million and \$155.8 million and beyond that they pay for three quarters of all costs.

Benefits

Under this scheme, small businesses adversely affected by the drought would be eligible for support through grants.

- Loans of up to \$130,000 at a concessional rate of 2.7% to small businesses affected by disasters and which meet certain eligibility criteria.

Responsible Agency

- The Department of Transport and Regional Services administers the *Natural Disaster Relief Arrangements*

What the Association Is Seeking

Funding to assist producers who are seeking temporary relocation. More specifically the Association is seeking relocation grants, rental assistance grants, pension entitlements and skills based training grants/reimbursements

Background

Many farmers are being forced to relocate to regional centres to find paid work while the farm is unable to generate an income stream due to the current drought situation.

Relocation grants would assist people not capable of financing this relocation process and who would hence be forced to remain on their property. Rental assistance would further help people in this situation, and also provide an avenue for people to financially support themselves through an off farm income during the period where the farm isn't producing.

As part of relocation grants, skills based training concessions or reimbursements would ensure that people exiting the farming industry would be able to support themselves in alternate industries and therefore reduce their dependence upon welfare.

Currently older generations of farmers who have passed the family farm to the next generation are not entitled to a pension for a period of five years after the farm is transferred. This results in the parent living on the farm without a source of income and becoming reliant upon the younger generations. By granting pension entitlements to these older generations it would alleviate significant financial burdens on the younger generations who are left running the farm during periods of drought.

Benefits

- Relocation and retraining would significantly reduce dependence on other financial assistance.
- Assist farmers and farming families in accessing other income streams.
- Could provide a valuable first step in assisting farmers and farming families through farm succession issues.

Responsible Agency

- Department of Agriculture, Fisheries and Forestry

What the Association Is Seeking

That Government defer fixed charges for irrigation water supply and stock and domestic use in those catchments where surface water allocations reach zero.

Background

The Murray and Macquarie catchments are now on zero allocations and other catchments are approaching the same situation. The Minister for Natural Resources has previously deferred State Water's fixed charges for the Lachlan Catchment during a zero allocation period.

Benefits

- The deferment of charges will reduce financial pressures on farmers

Responsible Agency

- NSW Treasury

What the Association Is Seeking

That Government postpone the transfer fees on temporary water transfers.

Background

Currently, irrigators pay a fee of approximately \$150 each time they make a temporary water transfer within a farming business. It is not uncommon for irrigators to make up to six transfers each year. The temporary transfer is an administrative process undertaken by State Water.

Benefits

- Reduces financial pressures on members.
- Allows greater flexibility of water use.

Responsible Agency

- State Water

Economic Impact of Drought on Rural Communities in NSW

Background

Australian farms and their related industries generate \$103 billion a year in production and account for 12% of gross domestic product.

The current drought has had a major impact on the Australian economy, with an estimated 46% decline in real farm income and a \$4 billion drop in GDP over the period of 2001-02 to 2002-03¹. According to DTRS (2005), the drought is also estimated to have resulted in a direct loss of 100,000 agricultural employees and flow-on losses of 50,000 jobs in other sectors. This decline has resulted in a shift of employment from farms to regional centres and, in many cases, a migration of skilled labour away from regional Australia.

Agriculture is a vital sector of the New South Wales economy. New South Wales is Australia's most productive agricultural State, contributing at least 25% of the value of Australia's agricultural production in average production seasons. Agriculture is the biggest land user in New South Wales, occupying 61 million hectares (76%) of the total land area. Agriculture in New South Wales employs 122,000 people whilst around 30% of total employment in agriculture nationally.

While the extent of drought declared areas has extended across most of the continent, by end of September 2006, 89% of NSW was drought declared.

According to Federal Treasurer Peter Costello, 'Australia is in the grip of a rural recession, the situation is worsening and for most of the wheat belt we will not be getting a crop.'²

Economic Impacts of Drought

The direct effect of the current drought on agricultural production is that it has had a downward impact on GDP growth of 1.0 percentage point between 2001-02 and 2002-03. ABARE has estimated that the drought reduced the rate of economic growth in Australia during 2002 – 2003 by around \$6.6 billion, from what would otherwise have been achieved³.

In addition to the direct effect there has been various indirect effects. These can be placed into two categories. The first category is the effect on downstream industries, principally transport, wholesale trade and the manufacturing of products from agricultural outputs. The second category comprises the multiplier effects arising from the reduced value of production by the agriculture industry and its downstream industries. This has two elements. One arises from any reduction in the inputs of these industries which leads to a reduction in the production of other Australian industries. The other arises from any reduction in factor income of the agriculture and downstream industries that leads to a fall in final expenditures by farmers and others who draw an income from these industries.

The following economic indicators provide an indication of the devastating impact of the drought.

In relation to 2002-03 drought Federal Treasury estimated that: "... farm gross domestic product fell by 24.3 per cent through the year to the June quarter 2003, rural exports fell by 26.6 per cent, and agricultural income fell by 46.2 per cent. The drought is estimated to have directly reduced agricultural employment by about 100,000 people⁴".

ABARE reported that dry weather over much of the grain belt resulted in a severe reduction to Australia's winter grains production in 2002-2003. Production of the four major winter grains

¹ Department of Transport and Regional Services (2005). *Drought Impacts Beyond the Farm Gate: Two Regional Case Studies*. Canberra.

² *Official: we're in a rural recession*, Sydney Morning Herald, Friday 13 October, 2006

³ <http://www.abare.gov.au/pages/insights/drought.htm>

⁴ The impact of the 2002-03 drought on the economy and agricultural employment, by Lan Lu and David Hedle, <http://www.treasury.gov.au/documents/817>

of wheat, barley, canola and lupins was estimated to have been 13.8 million tonnes in 2002-2003, down 60 percent from the previous year⁵. NSW and Victorian grain producers were the most severely affected by the drought on 2002-2003 grain crop figures⁶ and ABARE⁷ also reported that the lack of irrigation water had severely impacted on the area sown to summer irrigated cotton and rice.

The drought has also had adverse impacts upon livestock producers. ABARE has noted that the turnoff of light under-finished stock and the cost of purchasing hay and grain to supplement depleted pastures are further affecting livestock producers⁸.

According to the 2003 Australian Beef Industry Report commissioned by Meat and Livestock Australia and produced by ABARE, specialist beef producer cash incomes were predicted to have fallen by around 67 percent in 2002-2003, largely due to the drought.

In addition, fodder costs for beef producers increased from an average of \$11,965 per farm in 2001-2002 to an estimated \$19,318 per farm in 2002- 2003⁹.

The net value of farm production for 2002-2003 dropped by 80 percent to \$2 billion, down from the record \$9.8 billion in 2001-02¹⁰.

The relationships between direct and indirect impacts of the drought on the national accounts are quite complex. For instance, the reduced volume of grain produced means that less road and rail freight will be required to move the crops from the point of production to the various final users. Further, the volume of throughput for the wholesale industry will be reduced, resulting in reduced volumes of production by this industry.

The need of some farmers to divest themselves of all but the core stock of animals means in the medium to longer term this will result in a reduction in the quantity of stock available for slaughter and thus a probable reduction in this type of activity in future periods.

Another secondary impact of the drought is the effect on the production of other industries due to a reduction in farm inputs. According to ABARE (2000), under normal seasonal conditions, towns with between 2,000 and 5,000 residents (such as Bourke) have an average agricultural expenditure of \$3,600 per capita, 64% of which is spent on farm inputs, 18% on household items and 18% on capital items. Under drought conditions, and especially protracted drought conditions, the spending power of farmers is severely reduced and hence turnover for other businesses in the town is also reduced. *“Employment would have fallen by 30% or nearly 500 jobs. In 2006 the best information available suggests that around 200 jobs have been lost”*.

Social Impacts of Drought

Small rural town decline and rural depopulation have been a factor of rural life at least since the 1970s. In more recent times structural adjustment, the loss of services and an economic rationalist focus on service and infrastructure support have added to the loss of services, jobs and population particularly in small inland rural towns. The drought then is an added factor in an already unfolding story of inland destabilisation.

The significant social impacts occurring as a result of the drought include serious erosion of income for farms and small businesses, increasing rural poverty, increased workloads (both on-farm and off), the need to seek alternative income, health (including mental health) and welfare issues, problematic service access, overload on service providers, declining educational access and particular issues for women and men on farms, business operators, the aged, young people and children.

⁵ <http://www.abare.gov.au/pages/insights/drought.htm>

⁶ Hooper, Barrett & Martin-ABARE 2003

⁷ <http://www.abare.gov.au/htdocs/pages/MEDIA/2003/18feb.htm>

⁸ <http://www.abare.gov.au/pages/insights/drought.htm>,

⁹ <http://www.mla.com.au/content.cfm?sid=25&newsid=2381>

¹⁰ ABARE reported in Financial Review 17/2/03, p 1.