

Issue

Significant rainfall across some parts of the state in recent weeks has led to the most significant drop in drought declarations in many months. The December 2007 drought figures show that 69.4% of the state is now 'in drought', with a further 14.9% of the state considered 'marginal'. However, it should be noted that only 15.7% of the state is considered 'satisfactory' from a climate perspective. The Association is continuing to lobby both the State and Federal Governments for additional drought assistance measures in light of the unprecedented nature of the drought.

What the Association Has Achieved

Following a regional gap analysis of local access to chaplaincy and/or pastoral care services, the Association and Salvation Army have joined forces to help ease the burden in the West Wyalong area. The Association has contributed financially to the appointment of a Rural Chaplain, who will operate for at least six months from 17 December 2007, supported by his wife (who is also a rural chaplain).

Following extensive lobbying by the Association and its Rural Mental Health Network, the NSW Government announced 30 November 2007 that an additional \$17 million would be spent on drought assistance measures:

- Drought Support Workers are now funded until at least December 2008 (rather than December 2007);
- Farm Family Gatherings and drought workshops are now funded until at least December 2008;
- Drought Transport Subsidies have been extended for a further three months (funding had been due to expire 30 November 2007);
- The 2008 Pest Insect Levy has been deferred; and
- The Wild Dog Destruction Board Rate in the Western Division has been waived for 2008.

In response to sustained lobbying by the Association and National Farmers' Federation, on 26 September 2007 the former Prime Minister announced a suite of significant improvements to drought assistance policies and programs. Key improvements included:

- An increase to the off-farm income exemption from \$10 000 to \$20 000;
- An increase to the EC Interest Rate Subsidy off-farm assets limit, from \$473 000 to \$750 000;
- Immediate access to the \$5 000 professional advice and planning grants for farmers in EC-declared areas (NB: the Association is still seeking amendments to the grant criteria);
- Extending the eligibility of small businesses access to EC assistance, to include all small businesses in towns of up to 10 000 population, that have a significant reliance on farmers for their income, and have suffered a downturn;
- Grants of up to \$20 000 to irrigators in the Murray Darling Basin to implement water management strategies in response to significantly reduced allocations;
- Information workshops to assist irrigators manage their farm businesses with reduced water allocations;
- An exit grant of up to \$150 000 for farmers who have decided to leave the land, and an increase in the assets limit to access this grant, to \$350 000. A further \$10 000 is available for advice and retraining, and up to \$10 000 for relocation expenses is also available to those who take up the exit grant;
- Funding for up to an additional 13 Rural Financial Counsellors, an additional 10 Centrelink Rural Support Officers, and a further 5 social workers;
- Additional social and emotional counselling through the establishment of 25 Family Support Drought Response teams;
- An increase of \$1 000 to the Assistance for Isolated Children Additional Boarding Allowance;
- Up to an additional \$10 000 per school in EC declared areas; and
- An additional \$4.5 million for the Emergency Relief Program to fund community and charitable organisations to provide emergency assistance.

Fact sheets on the recent changes are available at <http://www.daff.gov.au/agriculture-food/drought/media/publications>.

What the Association is Doing

Federal Government Assistance Measures

Whilst the above changes to Federal drought assistance policies and programs are extremely helpful, a number of significant improvements are still required. The Association is seeking clarification from the new Federal Agriculture Minister, the Hon Tony Burke, about the Rudd Government's proposed review of EC, which will include reconsidering 'the meaning of EC for the future' in the context of its *Australia's Farming Future* initiative. In the interim, the Association is continuing to lobby for the following improvements:

- Exclude any secondary residence retained for educational purposes or farm succession from the off-farm assets test for EC business support.
- Increase the upper limit of \$100 000 in any 12 month period for Interest Rate Subsidies in light of dramatically increased debt levels. Similarly, the cap on assistance of \$500 000 over a five-year period should also be increased, with independent business assessments required for applicants seeking support over a cumulative total of \$500 000 (rather than \$300 000 as is the case currently).
- Strengthen the \$10 000 annual offset against the income test for EC Relief Payments by offsetting income against farm losses; averaging income over a prescribed period (eg six years); significantly raising the offset; or using a sliding scale income similar to the aged pension. The Rural Mental Health Network has expressed concern about the complexity of the current sliding scale (meaning assistance varies depending on the time of year you apply), which acts as a disincentive to those considering off-farm employment.
- Ensure the current interest rate subsidy (or at least 60% of the current interest rate subsidy) continues for a period of up to ten years after the end of the drought, with a moratorium on capital repayments. Interest rate subsidies would only be available on debts accrued and not capital acquisitions.
- Extend the recent amendment to the EC guidelines relating to the purchase of an additional property in an EC-declared area to include retrospective application. The amendment to Section 3b(iii) of the EC Interest Rate Subsidies Guidelines currently only applies to new and existing claims. (See Case Study attached)
- Introduce an option to access EC business support in the form of either a grant or interest rate subsidy for farmers who have been EC-declared for at least three years.
- Ensure Rural Financial Counsellors are well supported (personally and professionally), including adequate training and supervision; improved dialogue between the State and Federal Governments, long-term funding certainty; and support for local groups as advisory bodies to regional management.
- Streamline the paperwork associated with EC applications to alleviate processing time. This is consistent with the Productivity Commission's recommendation to remove duplication in applying for drought assistance, as reported in its *Annual Review of Regulatory Burdens on Business: Primary Sector*, released 12 September 2007.
- Immediately investigate the possibility of eligible farmers having early access to their superannuation as a temporary drought assistance measure. This may also include consideration of Government intervention to encourage investment in agriculture by superannuation funds.
- Streamline eligibility criteria for the Pension (particularly re: properties on more than one title).
- Amend the eligibility criteria for the Professional Advice and Planning Grant.
- Extend access to Youth Allowance to the children of primary producers in EC-declared areas.

The Association is also working closely with the Department of Agriculture, Fisheries and Forestry on improvements to the National Agricultural Monitoring System (NAMS). NAMS is a web-based databank/analysis site aimed at streamlining the EC drought application and assessment process. Further information on NAMS is available at www.nams.gov.au.

State Government Assistance Measures

The Association is continuing to lobby for the following improvements to State drought policies and programs:

- Introduce annual rebates for local government and Rural Lands Protection Board rates for bona fide primary producers and agricultural-related businesses in areas officially 'in drought'. The rebate should be set at 50% for 2007/08, to be reassessed after this point if the drought has still not broken.
- Ensure Drought Support Workers are well supported (personally and professionally), including adequate training and supervision and measures to minimise staff burnout.
- Provide a waiver of fixed water charges for irrigators who have had their allocations reduced due to drought.

State Government Assistance Measures (cont'd)

- NSW Rural Assistance Authority to provide detailed information including EC uptake by region and commodity, as well as number of applications lodged vs approved. This information will assist in the identification of regional and commodity 'hotspots' and future planning.
- Seek commitment from NSW Education Minister that teachers will not be transferred because of falling student numbers in schools located in drought-declared areas. In light of the lag-effect between the physical drought ending and the financial recovery commencing, this moratorium should be in place for a period of six months after drought-declarations expire.

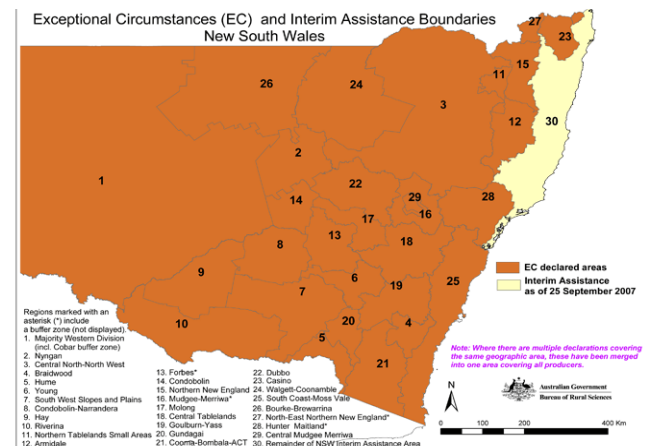
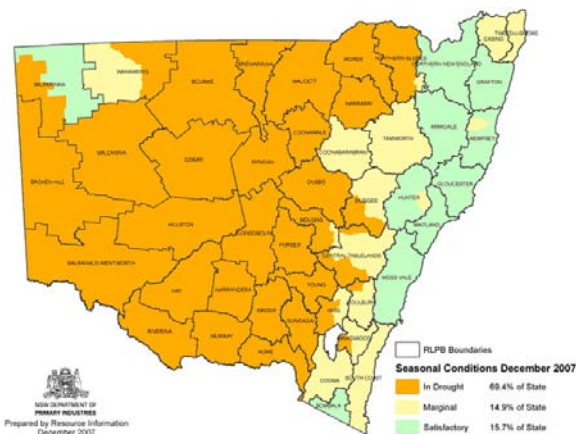
Other Practical Assistance Measures

The Association is also working with a range of organisations (primarily through its Rural Mental Health Network and Rural Alliance) on the following issues:

- Continued analysis of local access to chaplaincy and/or pastoral care services to identify regional 'gaps' and means to fill them as a matter of urgency.
- Improved access to information and promotion of reputable property-sitting services to enable farm families to leave the farm for brief periods for personal respite.
- Liaison with business groups regarding the need for improvements to local small business support measures, including the retention of staff and addressing increasing customer debt levels.

Overview of the Current Situation

- The December 2007 NSW drought figures revealed that the area of the State officially 'in drought' was 69.4%, down from 81.9% last month. A further 14.9% of the State is classified as 'marginal' (up from 10.5% last month), with only 15.7% of the state classified as 'satisfactory' (up from 7.6% last month). The current state drought declarations are shown below left (available at <http://www.agric.nsw.gov.au/reader/drt-area>).



- The vast majority of NSW is Exceptional Circumstances (EC) drought declared. The former Prime Minister announced 17 September 2007 that 26 of the 29 EC-declared regions of NSW would have their EC declarations extended from March 2008 until at least September 2008. Of the remaining three EC-declared regions, Bourke-Brewarrina (based on a northern production cycle assessment) will be reviewed along with other northern declarations in June 2008; and Hunter-Maitland and Central Mudgee Merriwa are already declared until March 2009. The current EC declarations are shown above right (available at http://www.daff.gov.au/agriculture-food/drought/ec/nsw_act).
- The Association understands that as at November 2007, EC Relief Payment recipients in NSW number more than 9 000, representing just over 25% of the NSW farming population. This figure rose by 12% in October/November and is expected to continue rising up to Christmas as crop evaluations occur.