

Issue

27 areas of NSW are due to have their Exceptional Circumstances (EC) status reviewed between June and September 2008. There are many questions surrounding the review and what it means to farmers.

Current EC status

- The map (right) illustrates in brown the areas of NSW that are currently EC-declared.
- With the exception of Bourke/Brewarrina (26), which is scheduled to expire 15 June 2008 and Hunter Maitland (28), which is due to expire 31 March 2009, all EC-declared areas of NSW are due to expire 30 September 2008.

Background

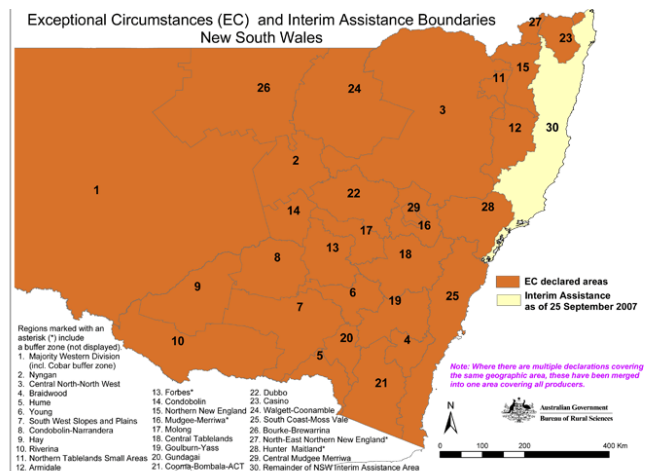
- In 1995 the Agriculture and Resource Management Council of Australia and New Zealand ('ARMCANZ') established a national framework for determination of drought as an Exceptional Circumstance ('EC').
- In 1999, ARMCANZ agreed on new criteria for EC and these criteria continue to apply today. These criteria require that the event:
 - ⇒ must be rare, ie it must not have occurred more than once on average in every 20 to 25 years;
 - ⇒ must result in a rare and severe downturn in farm income over a prolonged period of time (eg. greater than 12 months);
 - ⇒ cannot be planned for or managed as part of farmers' normal risk management strategies; and
 - ⇒ must be a discrete event that is not part of long-term structural adjustment processes or of normal fluctuations in commodity prices.
- In assessing these criteria information on meteorological conditions, agronomic and stock conditions, water supplies, environmental impacts, farm income levels, and scale of the event are taken into account.

National Rural Advisory Council

- The National Rural Advisory Council ('NRAC'), established in 1999, is a skills-based independent advisory council to the Australian Government Minister for Agriculture, Fisheries and Forestry.
- NRAC advises the Minister for Agriculture, Fisheries and Forestry on rural issues including EC applications and extensions to EC declarations.
- As part of the EC review process, NRAC assesses information from a number of sources, including the National Agricultural Monitoring System ('NAMS'), analyses provided by the Bureau of Rural Sciences and Australian Bureau of Agriculture and Resource Economics, State and Local Governments and local producers. Additionally NRAC may undertake an inspection tour of the area.
- The EC Handbook and 2004 Drought Review Panel note that assistance is typically available for both the 'event' and the 'recovery phase'.
- If NRAC assesses an area as no longer being in EC, and the Minister accepts the advice not to extend the declaration, assistance ceases on the date the declaration ends. If NRAC recommends extending the declaration, and the Minister agrees, assistance continues until the new declaration end date.

The EC review process currently underway

- The Federal Minister for Agriculture, Fisheries and Forestry, the Hon Tony Burke, has decided that every EC declaration in NSW will be reviewed prior to its scheduled expiry.
- NRAC has conducted their assessment of the Bourke/Brewarrina EC area. At this stage, no announcement has been made, but it is expected very shortly.
- NRAC has indicated that it will be reviewing the remaining 26 areas of NSW due to expire in September through the months of May, June and July 2008. NRAC has made an initial determination of areas based on information collected by the NSW Department of Primary Industries with the assistance of the NSW Farmers' Association and information from NAMS and the Bureau of Rural Sciences. Areas were divided into three categories, (i) expected to be rolled over, (ii) not expected to be rolled over and (iii)



those that are uncertain. NRAC has indicated that it will tour the uncertain areas in late June/early July. These areas are Armidale, Braidwood, Central Tablelands, Molong, North East Northern New England, Northern New England, and Northern Tablelands Small areas.

- The Association is continuing to work closely with the NSW Department of Primary Industries and the Department of Agriculture, Fisheries and Forestry to ensure there is a regular dialogue on this important issue.

Assistance available

Federal Assistance

- In a media release on 13 May 2008 the Federal Government stated a continuation of EC support in 2008/09 with a commitment of \$760.9 million for EC assistance in the 2008-09. In the 2007/08 budget speech it was indicated that funding of \$688 million in assistance was expected to be provided in 2007-08.
- If an area is declared to continue in EC, access to the current measures will be maintained (please see the Association website <http://www.nswfarmers.org.au> for more information on assistance available). These measures include:
 - ⇒ EC Relief Payments, which include fortnightly income payments to farmers and the provision of a health card; and/or
 - ⇒ EC Interest Rate Subsidies of 80 per cent for farm businesses.
- The Farmhelp program, which provides short-term financial assistance to farm families who are experiencing severe financial difficulties meeting living expenses and are unlikely to obtain a loan from a financial institution, will terminate on 30 June 2008 following an election commitment by the Federal Government.
- In the 2008 budget the Treasurer announced the implementation of a transitional income support program. This will provide the equivalent of the Newstart allowance payments to farmers who meet the identified criteria. Criteria include an income test similar to the Newstart allowance, a net asset test of \$1.5 million and obligations to undertake training and advice under the Australia's Farming Future - Climate Change Adjustment Program. The program is expected to fill the gap of the Farmhelp program and will be available in all areas regardless of EC status.

State Assistance

- The NSW Government also have assistance available to farmers in state drought declared areas. Please see the Association website (<http://www.nswfarmers.org.au/>) for more information on assistance available and the NSW Department of Primary industries website (<http://www.dpi.nsw.gov.au/agriculture/emergency/drought>) for information on NSW drought assistance.
- The Association is continuing to lobby the NSW Government for longer-term funding commitments for Drought Transport Subsidies (which are funded on a rolling three-month basis) and Drought Support Workers (who are funded on a rolling 12-month basis).
- Funding for NSW transport subsidies and drought support workers have been committed until 30 May and 30 June 2008 respectively. An announcement on the continuation of this support is expected in the near future.

2008 Drought Policy Review

- The Primary Industries Ministerial Council meeting on 17 April 2008 agreed on a plan for improving drought policy, including a schedule of reviews of drought programs. The review will include:
 1. An economic assessment of drought support measures by the Productivity Commission
 2. An assessment by an expert panel of the social impacts of drought on farm families and rural communities; and
 3. A climatic assessment by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Bureau of Meteorology of the likely future climate patterns and the current EC standard of a one-in-20-to-25-year-event.
- Progress on the review will be discussed at the next Primary Industries Ministerial Council meeting in November, with the aim of having an improved drought policy established by July 2009.
- This review will not have any effect on the current EC assessment or assistance available. It is however expected to influence the timeframes of any continued assistance.