

Issue

Beginning on 1 July 2010, a pilot of drought reform measures has been underway in Western Australia, testing a number of new drought policy measures. The Panel established to review the pilot released their findings on 2 September. These findings were welcomed by Minister Ludwig, who stated that Panel's report will inform further consideration of national drought policy reform.

This brief outlines some of the key recommendations and findings of the review.

Background

- The Minister drew attention to the following recommendations from the panel's report for a future drought policy platform:
 - an income support safety net for farm families in hardship that is available based on demonstrated individual need;
 - the permanent presence of social support services delivered via outreach to people in rural communities;
 - continuing opportunities to engage in and implement strategic farm business planning; and
 - ongoing access to the Farm Management Deposits scheme and existing tax incentives for primary producers.

Summary of Panel's Review Findings

Farm Family Support

- Income support based on demonstrated individual need, rather than a climatic trigger, should be the foundation future drought policy.

Farm Planning

- 63% of participants did not have a strategic farm plan.
- Planning is worthwhile and should help participating farm businesses to prepare for future challenges and become more self-reliant.
- Any future roll-out of a strategic farm planning program should build on measures already offered in other jurisdictions –not 'one size fits all'.

Building Farm Businesses

- The Business Adaptation grants tended to be used to meet typical input costs that are unlikely to help farm businesses to better prepare for future challenges such as drought, and should not be part of national reform.
- Incentives to encourage further training and farm plan implementation are needed, to complement the strategic farm business planning process.

Stronger Rural Communities

- Better delivered as part of a mainstream regional development program, either as a state or Australian Government initiative.

Farm Exit and Beyond Farming

- Farm Exit Support received a degree of interest but, as for previous exit programs, exit packages alone are not an inducement to leave farming for those in severe financial difficulty.

Other Measures – FMDs

- The panel recognises the importance of farm businesses maintaining adequate financial resources to manage risk.

Base for Future Reform

- An income support safety net for farm families in hardship, based on demonstrated individual need.
- A permanent presence of social support services delivered to people in rural communities via outreach –in their home or other local venue.
- Continuing opportunities to engage in and implement strategic farm business planning.

- Ongoing access to the FMDs and other favourable tax concessions.

Review Panel's Key Recommendations

Recommendation 2.3: Before any national roll-out of a strategic farm business planning program, an audit of similar programs Australia-wide should be undertaken to clearly identify current resourcing to avoid duplication and to coordinate delivery for any future initiatives.

- *NSW Farmers would be well placed to provide input into this audit, most likely as a proactive inclusion in any correspondence to the Minister over the coming weeks.*

Recommendation 4.4: The hardship provisions that are applied by Centrelink in some circumstances for other government support programs should also be considered for application in the case of longstanding beneficiary loans associated with family trust structures.

- *NSW Farmers shares the panel's concerns about the specific business structure of farms contributing to the difficulty in applying for much needed assistance, and supports this recommendation.*

Pilot Review Report – General Comments

Farm Family Support

Pilot measures include a \$2 million net asset threshold. NSW Farmers supports the eligibility criteria used in Exceptional Circumstances, which is a non-farm asset test of \$250,000 (ie farm assets are excluded from asset tests).

Funding Mechanisms

NSW Farmers noted that the West Australian Government contributed further funding during the Pilot. We have concerns that differences in support could exist between states (lines on maps) if any new drought policy relies on joint funding for key initiatives.

Farm Managed Deposits

Key Government documents released in July stated that they would look at an increased role for FMDs, which could be an opportunity to increase the current cap of \$400,000.

Seasonal Forecasting

NSW Farmers strongly backs the panel's support for 'the development of a user-friendly, up-to-date and reliable seasonal forecasting tool'. This could also lead to a decrease in the costs of providing insurance and/or increased companies offering weather/crop insurance of varying kinds, leading to lower prices and increased opportunities for risk management.

Business Support

Should Government implement a new business support policy that adequately replaces interest rate subsidies, we would likely support this. In the absence of any significant new policies *in addition* to those offered under the pilot, NSW Farmers supports the retention of interest rate subsidies.

Future Directions

NSW Farmers will shortly be meeting the Minister to raise the review report. Some key issues to be raised include:

- The need for business support in any future drought policy.
- A support for farm planning initiatives, and a need to recognise prior learning.
- Our support for an increase to planning grant sizes.
- Support for removing overly restrictive asset thresholds for grants, business and household support.