



**National Farmers'**  
FEDERATION

**Immediate drought relief measures proposed  
by the National Farmers' Federation (NFF)**

13 February 2014

# NFF Member Organisations



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# The need for a comprehensive drought relief package

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Every farmer across Australia takes drought into consideration in the operation of their business—it is a factor that is part of growing food and fibre in the Australian environment. However, sometimes drought conditions extend beyond what should be expected as reasonable to prepare for. Now is one of these times for many farmers.

The current drought across Queensland, New South Wales, the Northern Territory and South Australia is not a few dry weeks. The current drought has been building for a few years, compounded by the hottest year on record across Australia in 2013<sup>1</sup> and many regions receiving record low rainfall<sup>2</sup>. Two years without a wet season across many parts of Northern Australia is difficult for many farmers still recovering financially from the suspension of live cattle exports to Indonesia.

It is important that all Australians understand this situation impacting many Australian farmers. Just as responses to cyclones and floods may require an increased focus by Governments and industry in light of an increasingly variable climate, so will drought. Drought is a natural disaster and requires a response from government and industry similar to other natural disasters—a mix of preparation and in-event measures.

Over the last few years, the NFF has led the development of a Blueprint for Australian Agriculture, mapping out where we, as an industry, want to go and how we are going to get there. This year, as the Federal Government undertakes the development of the Agricultural Competitiveness White Paper, we will be looking to ensure this builds on the foundations laid by the Blueprint.

The NFF believes it is also important that Governments at all levels take drought into consideration in their policies affecting farming. This is something that requires a demonstrated commitment across all tiers of Government and across the wide variety of agencies delivering policies interacting with farmers and their businesses.

Recent commentary around whether drought assistance is appropriate need to be put into context.

Australian agriculture competes with other sectors of the national economy for human, land and capital resources; while making a significant contribution to export earnings of around \$38 billion per annum<sup>3</sup>. As part of that cross-economy investment process, business or sector volatility is an important consideration.

There is a large amount of variability between agricultural commodities, but overall Australian agriculture is and remains, the most volatile sector of the Australian economy over the past four decades<sup>4</sup>. The value of output from the agriculture sector has been almost two and a half times more volatile than the average for all the major sectors of the economy. Further, data indicates that the volatility of Australian agricultural businesses has been the second highest of any nation over the 40 year period. That is, Australian farm

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<sup>1</sup> [http://www.bom.gov.au/announcements/media\\_releases/ho/20140103.shtml](http://www.bom.gov.au/announcements/media_releases/ho/20140103.shtml)

<sup>2</sup> <http://www.bom.gov.au/climate/drought/archive/20140108.shtml>

<sup>3</sup> [http://data.daff.gov.au/data/warehouse/agcstd9abcc002/agcstd9abcc0022013/ACS\\_2013\\_1.0.0.pdf](http://data.daff.gov.au/data/warehouse/agcstd9abcc002/agcstd9abcc0022013/ACS_2013_1.0.0.pdf)

<sup>4</sup> Including Risk in Enterprise Decisions in Australia's Riskiest Businesses, Mick Keogh AFI, Farm Policy Journal vol9. No.1 Autumn 2012.

businesses have faced a more risky operating environment than has been the case anywhere in the world over the last 40 years. Despite this challenge, Australian farmers have consistently found productivity improvements greater than other sectors of the economy, increased their commitment to environmental stewardship and sought to meet changing community expectations.

Accordingly, this evidence suggests that Government expectations around regular or normal business risk management practices may not be appropriate or as useful for the agriculture sector—particularly in relation to business debt and equity levels.

Even though their operating environment is extremely volatile, Australian farmers are much more self-sufficient than their international competitors (with whom we compete on both an international and domestic level). At 0.2% of National GDP, Australian agriculture has the lowest level of support in the world<sup>5</sup>. Further, when compared to other Australian industries currently under scrutiny for Government Assistance, it's important to remember that agriculture receives up less than half the level of assistance of these industries when considering the value of assistance as a percentage of industry output<sup>6</sup>.

The fact is, Australian farmers don't impose a burden on taxpayers. They underpin one of the very few sectors that creates real value for the economy. As the current Federal Government has rightly identified, agriculture is a key pillar of the Australian economy.

While there is general agreement that seasonal variability is a normal feature of a farmer's operating environment and should be managed like any other risk, in recognition of the severe volatility of performance of the Australian agriculture sector, even the best farmer cannot be expected to cope through a severe or prolonged drought. It is appropriate that the Government provides drought assistance to these businesses in a consistent, structured manner, providing certainty to the businesses impacted by the drought and the taxpayer providing the assistance. Over the coming year, through the Federal Government's agricultural competitiveness white paper, the NFF will be looking to improve policy settings surrounding preparedness for future droughts, farmer access to finance and rural debt. However, what we need now is a comprehensive suite of policy measures to help farmers, their families and rural communities cope with the current drought.

This package needs to be delivered to fill the void left by removal of previous drought assistance measures without an appropriate replacement. Up until mid-2012, Federal Government drought assistance was able to be provided in the form of Exceptional Circumstances interest rate subsidies and a range of associated measures that would be provided following a drought declaration.

The Exceptional Circumstances interest rate subsidies were discontinued and development of a new suite of drought preparedness measures initiated. This new scheme is not due to start in July 2014 and is intended to focus on preparedness, this is too late for the many farmers currently in the grips of drought. Further, the proposed new scheme has no substantial measures that will significantly assist farmers to prepare and it fails to adequately address the need for in-drought support.

The NFF has developed the following suite of measures directly in response to the current drought and now calls on the Federal Government to respond with action. Delivery of drought assistance must occur as a matter of urgency and red tape removed to ensure assistance is provided when it's needed.

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<sup>5</sup> <http://www.oecd.org/tad/agricultural-policies/monitoring-and-evaluation.htm>

<sup>6</sup> [http://www.pc.gov.au/data/assets/pdf\\_file/0016/123901/trade-assistance-review-2011-12.pdf](http://www.pc.gov.au/data/assets/pdf_file/0016/123901/trade-assistance-review-2011-12.pdf)

Over the past 18 months to 2 years, NFF has worked with Australian Governments to develop appropriate drought policy. While we continue to develop longer-term solutions, the following suite of measures relates directly to the current drought.

We now call on the Federal Government to respond to the problem.

## **1. Details of the drought relief package**

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In recognition of the current drought, this package has been developed by the NFF and members directly in response to the needs of farmers, their families and rural businesses. These measures are targeted, reasonable and deliverable.

The delivery of the measures canvassed below would be consistent with the processes agreed for in drought support in the Intergovernmental Agreement on National Drought Program Reform, which allows governments to tailor the type or level of support provided to farmers and/or rural communities as seasonal conditions change. Given the severity of the current drought, existing measures need to be increased to address growing demand, while new measures need to be introduced to address identified needs. The measures are intended to be easily accessible and not bogged down in extensive administrative requirements.

## **2. Changes to existing Federal measures**

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There are a limited number of assistance measures available for farmers managing through the current drought and this assistance is restricted by extensive administrative requirements and is not easily accessible. Current assistance is not meeting the needs of farmers in hardship. The following amendments are required to existing measures so an effective program can be delivered:

- Improved access to farm household income support
- Improving farm finance low interest loans for greater interest cost relief
- Expanding water infrastructure grants
- Updating Farm Management Deposits (FMDs)
- Improving coordination of social services, and
- Better communication of available assistance.

## **2.1 Measure: Improving access to farm household income support**

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Access must be better targeted to meet the needs of farm families by:

1. lifting asset tests or removing essential farm assets
2. removing impractical arbitrary time limits, and
3. ensuring automatic provision of complementary assistance measures for successful applicants (including Healthcare cards and isolated children's education assistance).

### **What's currently available?**

Until 1 July 2014, the Transitional Farm Family Payment (TFFP) is intended to allow farm families in hardship apply for household income support, paid at the same rate as the Newstart Allowance. The household income support provided is combined with individualised case management assistance and activities intended to help farm families improve their long-term financial security, a key element in ensuring drought resilience<sup>7</sup>. Currently, income and assets tests are the same as for the Newstart Allowance (although farm assets are exempt for the purpose of calculating the amount of assistance to be paid). Total farm family and business net assets (includes both farm and non-farm assets and debt) must be less than \$1.5 million.

Planned to phase in from 1 July 2014, the Farm Household Allowance (FHA) is intended to allow farm families in hardship due to a range of reasons to apply household income support, paid at the same rate as the Newstart Allowance. A Health Care Card will be provided to recipients. The household income support provided will be combined with individualised case management assistance and activities to help farm families improve their long-term financial security. This measure will only be available for a maximum of 3 years (during a farming career). Income and asset test are currently being finalised—however, early indication is that a complex two-tier structure is being developed, ultimately providing a limit of \$2.5 million (if the recipient only holds farm assets), much less if off-farm assets are being held.

### **What changes are required?**

Current access to farm household income support (through the TFFP) is only providing limited relief to the many farmers currently impacted by drought conditions. Household income support, provides a welfare level of financial support for farm families experiencing hardship, acting as a basic safety net in extended situations of nil or near zero income. While a level of consistency with mainstream social security assistance is necessary for equity reasons, it also needs to be recognised that farmers in drought face unique challenges including:

- Already being employed fulltime on animal welfare and environmental management tasks
- Due to these responsibilities and geographical isolation in many cases, opportunities to seek alternative income sources are limited
- Drought also has severe impacts on rural and regional economies and this also acts to depress alternative income sources.

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<sup>7</sup> Productivity Commission Report No. 46, February 2009

While recognising farm household income support measures are currently going through transition (from the TFFP to FHA), overall access must be better targeted to meet the needs of farm families. Steps need to be taken now, to provide access under the TFFP, then to ensure that the FHA does not have the same limitations.

#### *Lifting farm asset tests*

In addition to Australian farm business working to increase financial resilience, including through expanding in scale and adopting capital intensive technology, in response to ongoing declining terms of trade and other market forces; recent increases in agricultural land values across Australia have not been reflected adequately in asset tests. Only a very limited number of properties would fit within the existing outdated asset thresholds. For example, AgSurf preliminary data<sup>8</sup> compiled by ABARES shows that the value of owned capital, less farm business debt for broadacre industries (crop, sheep and beef) in Queensland averaged \$3.8 million (2012–13 dollars).

Further, modifying farm asset tests to remove farm assets (including land) essential to generating an income recognises the limited liquidity of agricultural land, particularly under drought conditions when buyer interest and hence real values are significantly depressed. This also limits the options of the financial sector to extend credit where drought and poor buyer interest may have eroded previously satisfactory equity positions. It is these essential farm assets that provide the basis for future income for farmers and contribute to financial resilience to future droughts and other disasters in the long-term. Policies that encourage offloading essential farm assets (such as land) during a drought period erode the future income earning capacity and viability of the farm business, reducing resilience and ability to manage through future droughts.

#### *Removing arbitrary time limits.*

It will be important that when moving to FHA, from 1 July 2014, that limited access periods are removed. It is appropriate that mutual provision arrangements and regular access review arrangements are in place for the measure, in line with broader community social security assistance. However, the proposed 3 year limit for access during a farming career is inappropriate given the demonstrated variability of farming in Australia. Australian farm businesses have faced a more risky operating environment than anywhere in the world over the last 40 years.<sup>9</sup> Even the Productivity Commission recommended 3 years of access within any 7 year period, and while far from ideal that would be more appropriate in recognising the nature of droughts and other circumstances that may impact farms.

#### *Ensuring provision of complementary assistance measures*

Complementary assistance measures, such as Healthcare cards and independent Youth Allowance for children studying away from home, should be integrated within income support measures. Additional paperwork and duplicative processes to access these measures would prove a disincentive for farmers under significant time and personal pressure to get the support they need, potentially leading to poorer health outcomes for the family and forgone opportunities for children's education. Such assistance would reflect the real difficulties and added expense in accessing healthcare and education services in

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<sup>8</sup> <http://apps.daff.gov.au/AGSURE/>, accessed 7 February 2014

<sup>9</sup> Including Risk in Enterprise Decisions in Australia's Riskiest Businesses, Mick Keogh AFI, Farm Policy Journal vol9. No.1 Autumn 2012

rural and remote areas. Entrenching a cycle of educational disadvantage for rural and remote communities is a risk during drought periods.

Further steps also need to be taken to ensure a smooth transition from the current TFFP to FHA. This includes clear communication of changes to the farming community so expectations of support are aligned and streamlining of paperwork to ensure minimal impact through cumbersome government processes.

**How will this assist farmers?**

Household income support helps farm families with low to nil income and extremely limited off-farm income opportunities to meet basic household needs, to review their circumstances and take action to improve the family's long term financial security. By amending this measure, assistance will be provided to the farm families most in need and not disadvantage farmers who have farm assets (essential to the ongoing viability of the businesses), that exceed the current limited and outdated thresholds.

## **2.2 Improving farm finance low interest loans for greater interest cost relief**

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The Farm Finance package offers an existing framework to address a significant and recurrent cost impost during a period of low to no income and could operate alongside accessible Farm Management Deposits in delivering access to funds. What the farming sector requires is a greater level of funding for the Farm Finance Package to meet growing demand, broadening eligibility to ensure loans are meeting the needs of drought-affected farmers (including amending eligibility criteria to focus on drought in affected states), a reduction in the interest rate available (currently 4.5%) and an extension of the loan period (currently 5 years) to allow for drought recovery. It has been estimated that each year of drought takes two years of financial recovery. It will also be important that the government works closely with commercial agricultural banks on updating this measure to ensure ongoing support for applicants.

### **What's currently available?**

Under the Farm Finance Low Interest Loans Scheme, eligible farm businesses can apply for a refinancing loan of part of their debt, with a 'concessional' rate (currently 4.5%), for a maximum period of five years. At least interest-only repayments are required during these five years. At the end of the five year concessional interest rate period, the loan funds must be repaid; for example, through successfully obtaining commercial refinancing. Concessional loans are available for either productivity enhancement or debt restructuring, with different arrangements across states depending on regional need and availability of alternative products, e.g. QRAA sustainability loans.

The Low Interest Loans Scheme is for farm businesses that: can demonstrate their need, their ability to repay a loan and support an overdraft facility and can provide sufficient security; and are experiencing debt servicing difficulties but are considered commercially viable in the longer term.

### **What changes are required?**

The intention of the Farm Finance Low Interest Loans is sound - to ease the pressure on farm businesses by reducing their interest burden. However, a number of structural modifications could be made to provide a greater level of assistance and reduce the administrative burden, given the severity of current drought conditions placing pressure on farm debt servicing capacity.

Currently, the measure has up to \$420 million available nationally in loans to farm businesses—this needs to be significantly increased. This headline figure of total loan amount is not an accurate reflection of the cost to Government given its access to finance at a much cheaper rate than individuals and the likely repayment of the large majority of loans. This approach represents a much lower exposure of government compared to the costs of Interest rate Subsidies in the 2008/09 drought.

To provide greater interest rate relief, the current offered interest rate, which is at 4.5%, needs to be reduced. Other low interest loans, including those provided as part of natural disaster arrangements, are provided at close to the cost of finance for the Government, rather than at a rate close to that provided for home loans. The rate should be set at bond rate, plus 0.5% for risk, with administration costs covered by Government. This would currently mean low interest loans between 2.5–3%.

Originally, the Farm Finance package was intended to assist farmers manage a range of circumstances outside their control, impacting their short-term ability to return a profit. However, as the drought has increased in severity, compounding on many of these other impacts such as the ramifications of the Federal Government's suspension of live exports to Indonesia, the need now arises to ensure the measure can also accommodate the impacts of ongoing drought conditions. Eligibility criteria for the measure needs to recognise that those new to farming, or those who have recently restructured, may not be able to provide the amount of financial history required currently. Also, for many farmers, although they are viable in the long-term, it will take a few of years to recover from drought and return to profit and this needs to be allowed for in assessment of applications.

In recognition of the amount of time it may take a farm business to recover from an extended drought, the low interest loan period should also be 10 years (increased from the current 5 year term). Providing a greater length of time with an interest rate buffer will also allow farmers to plan and make long-term decisions about any potential structural changes to the businesses with the greater certainty of more secure financing.

Feedback on the measure also indicates that assessments by state Government agencies, for matters such as viability tests, are not being applied uniformly across states. The Australian Government needs to work collaboratively with state Governments to rectify this inconsistency and ensure assistance is being provided to those in need.

With the loans causing tension between some of the existing commercial lenders and farmers in many situations, the Australian Government also needs to work closely with key agricultural finance providers to ensure the design and implementation (e.g. mortgage prioritisation) of the measure does not negatively impact farmers' relationships with their banks. This interaction needs to occur as a priority, to ensure package restructuring is effective and timely.

### **How will this assist farmers?**

While the headline will often be about the amount provided in loans, it is often not recognised that the cost to Government of this type of assistance is minimal, even though the relief provided to farmers is much more. A restructured loan of \$1million over a 10 year term with a 3% interest rate differential to full commercially charged interest rates would represent a saving in the order of a few hundred thousand for the farm businesses, while costing the Government next to nothing.

## 2.3 Expanding water infrastructure grants

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Recent provision of water infrastructure grants has been welcomed by the farming community. As this program is rolled out, it should be monitored and reviewed in consultation with agriculture peak bodies, looking to improve outcomes for farmers and the land they manage. Expansion, including for infrastructure maintenance and improvement (e.g. dam de-silting), should be considered for drought recovery.

### **What's currently available?**

The Federal Government is finalising the provision of funds to supplement Queensland (\$7M) and NSW (\$3M) Government's water infrastructure schemes.

In Queensland, a state Government water infrastructure rebate is available to eligible farmers in drought-declared areas, to assist with the establishment of water infrastructure to supply water for emergency animal welfare needs and to contribute to future drought resilience. The rebate is 50% of the cost of putting in water infrastructure, where there is demonstrated immediate need, up to \$20,000 per property, with further funds available based on undertaking of drought management plans. Federal top-ups will take the rebated portion to an estimated 75%, a vital assistance given current low cash reserves. Over 250 respondents to a survey of AgForce members across the drought-affected areas indicated this drought event was more difficult financially than previous events they had encountered. Such assistance is often the difference between the works progressing or not and has flow-on benefits for the farm-dependent businesses and economy in rural areas.

In NSW, the state Government announced earlier this week their intention to provide this assistance as emergency water infrastructure grants of \$30,000, to farmers in a number of shires currently affected by drought.

### **What changes are required?**

As this measure is rolled out, it must be monitored and reviewed in consultation with farm peak bodies, looking to improve outcomes for farmers and the land they manage. As seasonal conditions continue to deteriorate in other states, this measure should be considered in conjunction with other state Government assistance measures. Expansion of the measure, including for infrastructure maintenance and improvement (particularly dam de-silting) must be considered as drought recovery assistance.

### **How will this assist farmers?**

Drought management and natural resource management outcomes should not be mutually exclusive. Criticisms of this scheme on the basis of poor environmental outcomes are not appropriate, considering that farmers are frontline environmental stewards, owning and managing 61% of Australia's land mass.

The ability to better control grazing pressure distribution assists farmers to sustainably manage limited natural resources, while delivering the nutritional welfare needs of livestock. The measure is specifically designed with limited availability to farmers seeking immediate assistance. Due to a combination of factors, such as the suspension of live cattle exports to Indonesia, deflated livestock prices have made it difficult for many farmers to offload stock during the current drought and build a financial reserve. Further, maintaining a core breeding herd is important for many businesses to ensure they can recover quickly on the return to better seasonal conditions.

## 2.4 Updating Farm Management Deposits (FMDs)

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FMDs offer the capacity for farmers to set aside income in better years to draw on in poor income years and enable funds from emergency livestock disposal to be held over for drought recovery purposes. Currently, farmers affected by other natural disasters and receiving assistance can withdraw their FMDs within 12 months of deposit without losing the taxation benefits – a similar provision needs to be available for those impacted by severe drought.

### **What's currently available?**

FMDs assist farmers to deal more effectively with fluctuations in cash flow, by allowing pre-tax income to be set aside in high income years, to be drawn upon in years of low income. Income is tax deductible in the year the deposit is made and becomes taxable income in the year it is withdrawn.

With exposure to a highly variable climate and to international market fluctuations, FMDs allow farmers to more effectively manage the volatility of income derived from their farming operations. For example, as at December 2013, 4385 beef, sheep and grains producers in Queensland held \$377 million in Farm Management Deposits, which represented a significant draw-down from the \$422 million previously held by 4785 depositors in June 2013<sup>10</sup>, despite potential inflows from the forced disposal of livestock. It should be remembered that not all farmers are in a position to set funds aside, such as new entrants to farming, and these need access to other support measures.

### **What changes are required?**

Currently, farmers affected by natural disasters can withdraw their FMDs within the first 12 months of deposit without losing the taxation benefits if they are currently accessing, or have accessed, primary production Category C assistance under the Natural Disaster Relief and Recovery Arrangements. A similar provision was also available for those impacted by drought under previous drought policies. However, the current drought policy void means greater tax implications for farmers withdrawing their funds within 12 months of deposit, even if the funds will be used to manage drought conditions. This needs to be rectified immediately, allowing farmers to use their FMD accounts to self-manage through drought periods without worrying about the tax implications.

Longer-term, there are a number of amendments that should be considered to the FMD measure, to improve preparation for future droughts, including raising the cap (currently \$400,000) on FMD accounts in line with climate risk levels and size of modern agricultural operations and allowing farm businesses operating in company and trust structures access to FMDs.

### **How will this assist farmers?**

FMDs provide an opportunity for farm businesses to individually maintain financial reserves for drought preparedness and recovery. The approach of each farmer will be different, often during the early stages of a drought a farmer will look to draw down on their funds within a FMD account to pay for their farm management expenses. Allowing farmers to access their FMD funds within 12 months of depositing, without worrying about taxation implications, is in line with Government policies encouraging a greater level of self-resilience in managing drought.

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<sup>10</sup> <http://www.daff.gov.au/agriculture-food/drought/assistance/fmd/statistics>, accessed 6 February 2014

## **2.5 Improving coordination of social services**

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Demand for services are high as the drought conditions continue to deteriorate and with a multitude of providers on the ground it is important that they are coordinated and duplication is limited so as to maximise the effectiveness and coverage of services. Different solutions will be required for different regions and local ownership of initiatives will be critical.

### **What's currently available?**

Although improved coordination of social services has been discussed by Governments for a number of years, this is yet to translate into any tangible action on the ground. Government provided services, such as Rural Financial Counsellors and Department of Human Services Case Workers, do not always effectively link with community-based services such as mental health officers and those by non-government organisations.

Demand for these services are high as the drought conditions continue to deteriorate and with a multitude of providers being established, and ramping up delivery efforts, it is important that services are coordinated on the ground and duplication is limited.

### **What changes are required?**

Links should be made with existing programs at all levels of Government, including Rural Financial Counsellors and mental health services, where these services exist. Gaps should be identified and measures taken to provide an adequate level of services – proximity to large regional centres should not limit availability of social support services. For example, the National Rural Health Alliance estimated in 2009 that 91% of Australia's psychiatrists have their main practice in metropolitan areas, so rural people have to travel long distances or miss out.

The ability for farmers and their families to travel into a town or service centre can often be limited during a drought situation, where livestock require feeding regularly, water runs are a daily task and cost pressures are intense. Services need to take such factors into account and look at outreach or property visit delivery models.

Inadequate infrastructure, both roads and telecommunications can also be a limiting factor in finding social support and access to services and multiple delivery channels are required. The farming population often copes with a level of services below what is available in metropolitan areas. However, during critical times, such as during a drought it is not appropriate for people to miss out on fundamental services due to poor infrastructure planning and underinvestment by multiple levels of Government.

While this needs to be driven by Governments, it also needs to take into account community-led initiatives. This measure is about practical action, not high-level Government official discussions. Different solutions will be required for different regions, as no two areas are the same, and local ownership will be critical.

### **How will this assist farmers?**

With time-poor farmers and limited resources available for social services in rural and remote areas, efficient and effective delivery means assistance is provided to those in need in a streamlined and accessible way, without frustration and confusion for farmers and the delivery agents.

Through a more efficient delivery of services, a wider level of services is provided to a greater number of communities.

## **2.6 Better communication of available assistance**

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Feedback indicates the level of awareness by primary producers and their communities of available drought assistance is poor. To ensure assistance is being accessed where most needed, communication to the farming community, including through farm service sector and peak bodies, needs to be increased through multiple communication channels and provision of industry liaison officers (potentially located in peak bodies, who have established communications networks).

### **What's currently available?**

There are currently a limited number of measures available for farmers in drought, delivered by state and Federal Governments. However, feedback from farmers indicates that the level of awareness and understanding of available drought assistance is poor in many regions and delivery through multiple agencies across multiple jurisdictions is confusing.

The confusion is compounded by the multiple levels of drought support measures potentially available, including under the Exceptional Circumstances arrangements being phased out, the current Farm Finance package, which does not clearly address drought, and the new National Drought Policy (due to commence 1 July 2014) which is concerned with preparedness not delivering needed in-drought assistance.

### **What changes are required?**

To ensure assistance is being accessed where most needed, the Federal Government, in collaboration with relevant state and territory Governments needs to invest in providing clear communication to the farming community, including key advisers to farm businesses such as accountants and livestock agents.

Farming peak bodies (such as State Farming Organisations) can play a key role in this communication effort and Government's should consider locating industry liaison officers within these organisations to develop communication material and work directly with individual farmers to improve the level of understanding of available assistance and other Government services available to farmers. Further, these liaison officers could play a key role in assisting farmers unable to work their own way through the significant paperwork required during application for assistance.

### **How will this assist farmers?**

Instead of spending time dealing with multiple agencies and acting off hearsay regarding available support measures, a clear and concerted communications strategy, delivered by Government, with industry input, would ensure farmers understand what support is available and will be more likely to access if needed.

Receiving the assistance needed in a more efficient manner would allow farmers to spend more time working on their farms rather than tied up in red tape and administration. It would also free up Government resources for other activities

### **3. Proposed new measures**

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Recognising the severity of the current drought and its impacts across social, financial and environmental spheres, a suite of further new measures is also required to target specific needs of farm families, their businesses and rural communities. These measures include:

- Providing farm-labour wage assistance
- Improving social and community outcomes
- Implementing a farm advisory grant to help farmers obtain professional advice
- Improving measures for pest animal and weed management, and
- Developing a forward work program for the National Rural Advisory Council (NRAC).

### **3.1 Providing farm-labour wage assistance**

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Access to assistance that allows workers to remain working on farm part time while receiving Newstart type payments. Such measures should also be considered for agriculture-dependant rural businesses affected by drought as included in past programs.

#### **What's required?**

It is critical that a skilled agricultural workforce is kept in rural Australia, underpinning the long-term viability of the sector and also providing the social and economic fabric of rural communities. To help ensure the farm workforce is maintained and ready for a return to more conducive seasons, the Australian Government needs to provide access to Newstart-type allowances, with working credits to allow workers to remain working on farm in full time or part time capacities. Keeping the agricultural workforce in vital agricultural employment would prevent a draw down on other social services, including Newstart, as employees would otherwise be unemployed and seeking new jobs and likely moving out of the industry and rural and remote regions with their families. Such a measure should be seen as a cost-effective preventative step while delivering real benefits to rural and remote communities.

To further support this measure, programs such as the previous Drought Force should be considered, providing the dual benefit of employment for those looking for work and labour assistance for farmers. This would have to be carefully managed to ensure the right match of employees with appropriate skills, employers and potential jobs. However, the benefits to individual businesses and broader society would be significant.

Given that many rural businesses are built around servicing the agricultural sector, labour wage assistance measures should also be considered for agriculture-dependant rural businesses, also suffering from the current drought and depressed farm expenditure.

#### **How will this assist farmers?**

During droughts, there is often an increased workload for farmers and farm workers, ensuring the welfare needs of livestock are met and environments managed appropriately. However, due to other increased cost pressures and low income during droughts it becomes increasingly difficult for farm businesses to keep employees on, having flow-on impacts to the social fabric, such as school enrolments, and economic resource for rural communities. It also places further pressure on environmental management as farm about resources are further stretched.

Assistance to maintain the agricultural workforce helps alleviate the physical and mental strain on farmers, facing an increased workload in many circumstances. Further, maintaining a level of farm workers in rural regions also allows farms to increase production quickly following the drought, ensuring drought recovery and preparedness for the next drought are able to be undertaken

## **3.2 Improving social and community outcomes**

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The health and wellbeing of farmers and their local communities could be improved during drought periods by delivering funding to the National Centre for Farmer Health and its Sustainable Farm Families (SFF) program and ensuring these services are delivered effectively to drought affected regions across the country. At a more local level, funding available to local community groups for specific community events would assist maintaining social fabric of rural communities and ensure outreach services can be delivered for mental and other health related matters.

### **What's required?**

Underpinning drought management is the health and wellbeing of farmers and their local communities. At a National level, providing a funding commitment to the National Centre for Farmer Health, then boosting with project funding would allow programs such as SFF to be rolled out in areas most needed.

SFF would engage farm men and women in their health, wellbeing and safety. As has been previously proven during and after natural disasters, SFF has the capacity to be rolled out quickly and would be able to drive improved outcomes<sup>11</sup> in health behaviours, health conditions, mental health and farm business decisions.

Funding available to local community groups for specific community activities would assist maintaining social fabric of rural communities and ensure outreach services can be delivered for mental and other health related matters. Such programs have previously been delivered during drought and other natural disasters, with community BBQs and concerts providing a much needed break from daily tasks for farmers and the community. During such events, outreach services from Government and community groups are able to be delivered through a non-obtrusive manner. The delivery organisation in each community will be different, with most relevant community groups ensuring the best local buy-in.

The Queensland Government recently announced \$2M for community programs aimed at social and mental resilience. The Federal Government is encouraged to add further funding to leverage the outcomes of such initiatives.

### **How will this assist farmers?**

As the 2009 Kenny Report indicated, during drought periods it is important that communities stick together and help each other through the hard times. Ensuring farmers have the right tools and access to services to understand their physical and mental health needs is critical. Programs such as SFF would help ensure that the health of a farmer, their family or their employees is not risked due to lack of understanding or lack of services. In turn, farmer health and wellbeing is critical to underpin sound decision making during difficult circumstances driven by the drought.

Community activities are absolutely critical for agricultural regions in the grip of drought. Taking time away from the day-to-day activities, such as feeding livestock, allows farmers to have a much needed break, while reconnecting with their community and social services. Also importantly, through the social interaction, farmers are able to identify their peers who are not coping so well with drought conditions and lend a helping hand.

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<sup>11</sup> The SFF program shows an economic return of 5.6:1 to Government through health savings

### **3.3 Implementing a farm advisory grant to help farmers obtain professional advice**

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Providing farmers with a small grant to cover specific professional services, such as financial or business advice, would help ensure rational business decisions are made during stressful times.

#### **What's required?**

It is important that during a drought, farmers are able to make rational business decisions, based on sound advice from an independent party with an outside perspective. To assist with this, it would be appropriate to provide farmers with a small grant (for example, \$5,000) to cover specific professional services, such as accountancy or business advice. As a discretionary item, expenditure on such services are much less likely to occur when prioritised against much more immediate demands including providing supplementary feed and water to keep the core breeding herd or flock alive.

While the longer-term intention that farmers and Governments should be working toward is building the skills of the farmer to assist with future decision-making; this measure is intended to focus on the immediate decision-making for ongoing operation of a drought affected business, but could incorporate longer-term strategic planning. With previous business advice schemes mainly benefiting consultants, steps also need to be taken to ensure farmers are the main beneficiary of this assistance through flexible service selection and not the professional service providers. This measure also has the potential to provide a multiplier effect into local communities.

#### **How will this assist farmers?**

During times of financial stress, brought on by drought, it is important that farmers do not forgo professional advice on management of their farm business.

While many farmers make have developed a drought preparedness plan and taken steps to ensure they are prepared, often critical decision-making can be difficult in the midst of a multitude of stress factors. By providing the opportunity for farmers to seek advice, in-drought decisions can be underpinned by an independent professional opinion.

### **3.4 Improving measures for pest animal and weed management**

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Measures need to be put in place to manage pest animal populations, with industry and Governments working collaboratively together. In addition, financial assistance for fencing activities would help maintain ground cover and protect sensitive areas, such as waterways. To help control weed infestations, particularly during drought recovery, the Australian Government's Green Army could undertake a concerted weed control program in affected regions.

#### **What's required?**

To help reduce total grazing pressure on drought affected regions, assistance through multiple approaches needs to be considered for pest animal management, including wild dogs, macropods, pigs, rabbits, goats, and camels.

Specifically for macropods, markets need to be built across a variety of weight ranges so that there is greater incentive for humane harvesting of overabundant native animals and resulting control of grazing pressure. The Federal Government, in a collaborative partnership with the states, needs to provide greater resourcing to urgently build market access and development of the domestic industry. Recognising food safety and animal welfare requirements of international markets, there may be a role for Governments in facilitating the development of industry standards.

Fencing activities could also be considered to help control total grazing pressure during drought (exacerbated by pest animals), particularly in locations where farms border public lands. Due to the large initial capital cost it is difficult for a single primary producer to justify the expenditure solely on private economic outcomes but as a partnership with government where significant public benefits are also accruing these may make such an investment feasible. Fencing activities could be prioritised on parts of properties sensitive to grazing pressure, such as waterways, resulting in sustained longer term natural resource outcomes.

In drought times, with limited financial resources to spare, weed management can become an issue. The Federal Government needs to consider whether the Green Army could undertake concerted weed control in drought affected regions. The focus of the measure would be different for each region, based on major weed issues.

#### **How will this assist farmers?**

Measures to control feral animal populations will assist farmers manage their landscape, sustain more livestock on available pasture resources and then recover more quickly following a return to more positive seasonal conditions. While farmers work to reduce livestock numbers on their properties during drought conditions, pest animals will often come to take their place negating proactive destocking decisions. Early decision-making and destocking is often a sound drought management strategy, likewise in cropping stubble retention is seen as a way to minimise soil erosion. However, as pest animals move to areas with more feed, they can often selectively impact those farmers who have tried their best to maintain ground cover.

Beyond the benefits from improving landscape management due to controlling grazing pressure, broader economic benefits for rural economies can also occur. As markets are developed, local businesses will be established and workers employed in the processing industry. These jobs in local communities help provide cashflow to local businesses and maintain the social fabric of rural communities under pressure.

### 3.5 Developing a forward work program for the National Rural Advisory Council (NRAC)

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NRAC should look at what updates need to be made to the current Intergovernmental Agreement on National Drought Program Reform, to provide policy clarity and certainty for farmers managing future droughts.

#### **What's required?**

As a key advisory body to the Minister for Agriculture, it would be appropriate for NRAC to look at what updates need to be made to the current Intergovernmental Agreement on National Drought Program Reform, to provide clarity for farmers particularly around what in-event assistance measures are appropriate.

Currently, State and Territory Government's are providing differing levels of assistance in each jurisdiction (For example, Queensland with a range of measures such as transport subsidies, Northern Territory with nothing available). While Government's have not specifically agreed on any measures, they have agreed to a set of principles and processes for the provision of in-drought support. Through the finalisation of the Intergovernmental Agreement on National Drought Program Reform, State and Territory Government's agreed on the following:

*Where a jurisdiction(s) decides to implement an in-drought support measure, the measure should:*

- *be consistent with principles and complementary to measures already in place*
- *occur where there is a clear role for government and deliver a net public benefit*
- *address recognised welfare needs*
- *encourage good farm business decision-making and facilitate adjustment in the agriculture sector*
- *avoid government being positioned as the business 'lender of last resort'*
- *enable links with other measures or between service providers*
- *recognise the importance of maintaining the natural resource base*
- *be underpinned by monitoring and performance information to ensure any measures implemented are appropriately targeted.*

*SCOPI has agreed in-drought support should be provided through a phased approach. This allows governments to tailor the type or level of support provided to farmers and/or rural communities as conditions change. The different phases are:*

- *measures available at all times*
- *existing measures increased to address growing demand*
- *measures introduced to address identified needs.*

*New or additional measures or programs will be subject to agreement by individual governments and will only be introduced if they are consistent with the principles for in-drought support, and when existing measures are found to be deficient. Governments may elect to use an independent advisory committee to help inform its decisions on such programs. Implementation plans will inform and clarify jurisdictions' commitments on in-drought support.*

Given the current debate around what may be appropriate in-drought support measures into the future, it would be appropriate for NRAC to consider potential support elements, within the current Intergovernmental Agreement.

**How will this assist farmers?**

In Australia, weather is unpredictable; the least Governments can do is provide clarity around policy and provide certainty for farmers, their families and rural communities. A National Drought Policy, without clarity on in-event support is insufficient in an operating environment such as Australia's. While farmers undertake numerous steps to prepare for drought, Governments currently seem inadequately prepared to deliver an appropriately comprehensive policy response.