



Submission to the

Productivity Commission Inquiry into

Government Drought Support

NFF Response to the Productivity Commission Inquiry into Government Drought Support

Contents

Executive Summary	page 3
Introduction	page 4
Background	page 4
Statistics on Australian Agriculture	page 5
Rationales for and Efficacy of Current Drought Support	page 7
Drought Policy and Climate Change	page 9
Transition	page 10
Proposed National Policy Framework	page 11
Drought as Part of a National Agriculture Strategy	page 11
Removing the EC Trigger	page 12
Producers' Choice of Drought Policy Streams	page 13
Impacts of Drought Policy Streams	page 17
Conclusion	page 18
Drought Strategy within National Framework Diagram	page 19

Executive Summary

- *Drought policy must be perceived as one aspect of a national agriculture policy framework.*
- *Within the national agriculture policy framework, climate change adjustment tools such as research, development and extension, risk management tools, water management and education and training, must be maintained in non-drought years if they are to obtain results.*
- *The National Drought Policy (NDP) principles of self-reliance and risk management remain relevant but policy measures better aligned to these principles are needed.*
- *The NFF considers that, in a changing climate, an Exceptional Circumstances policy trigger is no longer appropriate.*
- *The NFF proposes a new approach to drought policy based on a partnership between primary producers and government.*
 - *The key platforms of this policy model are that farmers can select the policy option best suited to their circumstances, industry/government co-investment is achieved and the bulk of government investment will result in tangible on-farm preparedness improvements.*
 - *The model can be pared back or expanded to deal with extreme conditions.*
- *A meaningful transitional period is imperative to fully communicate an implemented any new policy.*
- *The NFF looks forward to working with government to expand this model.*

Introduction

The National Farmers' Federation (NFF) was established in 1979 and is the peak national body representing farmers, and more broadly agriculture across Australia.

The NFF's membership comprises of all Australia's major agricultural commodities. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations collectively form the NFF.

Each of these state farm organisations and commodity council's deal with state-based 'grass roots' issues or commodity specific issues, respectively, while the NFF represents the agreed imperatives of all at the national and international level.

Background

The last five years in particular have been a challenging period for Australian farmers with widespread and prolonged drought leading to a severe reduction in farm production and a resultant 40 per cent escalation in farm debt levels.

In addition, the strength of the Australian dollar (particularly against the US dollar), has had a dampening effect on farm export returns, while costs of key farm inputs such as fuel and fertiliser have risen sharply on the back of shortening global supplies.

However, despite the frustrations for Australian farmers, the international market for agricultural commodities has been very strong, with the *Westpac-NFF Commodity Index* (measuring the weighted average price of key global agricultural commodity prices) reaching record highs in late 2007.

This has been brought about by surging global demand for biofuels, strong economic growth in developing countries, global population growth leading to increased demand for food, urban encroachment on arable land and widespread drought in key agriculture production nations.

The underlying fundamentals for Australian agriculture remain extremely strong and are expected to remain so over the medium to long term.

In order to capitalise on these opportunities, Australian farmers, with the assistance of the Commonwealth Government, must focus on areas for which they can realistically manage outcomes.

Meaningful adaptation to climate change and seasonal variability, building better and more efficient capacity in areas such as transport and labour, and boosting our efforts in gaining access to key global markets are just a few areas that must be resourced effectively. For example, many regions, with generally strong preconditions, are placed for remarkable growth in the next few years, yet the inability to find reliable labour stands to impact on labour-intensive production such as horticulture, which has not become mechanized. Unemployment levels at record lows mean that even this pool of potential labour is far from sufficient to address the shortfall.

Statistics on Australian Agriculture

There are approximately 130,000 farm businesses in Australia (99 per cent of broad acre and dairy farms are family owned and operated¹), utilising approximately 60 per cent of Australia's landmass. The agricultural sector, at farm-gate, contributes approximately 3 per cent of Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2006-07 was \$34.4 billion, down from \$38.4 billion the previous year.²

However, when factoring in the vital value-adding activities that occur to farm outputs post farm-gate, and the value of all the economic activities supporting farm production in the farm-input sector, agriculture has averaged a contribution of 12.1 per cent of GDP (approximately \$103 billion in 2004-05 dollar terms) in the six years ending 2003-04.³

In 2006-07, Australian agricultural exports were valued at \$27.6 billion. These exports account for approximately 65 per cent of Australia's agricultural production volume and 75 per cent of value. In 2006-07, agricultural products accounted for 16.3 per cent of Australian merchandise exports.⁴

The future of Australian agriculture depends largely on conditions in overseas markets. However, with declining terms of trade in agricultural commodities, Australian agriculture has been challenged to maintain a low cost base in order to remain competitive. Indeed, Australia's balance of payments is strongly dependent on this being the case.

Despite declining terms of trade, Australian farmers have been able to remain internationally competitive and sustain their businesses largely through productivity growth. The productivity

¹ Australian Bureau of Statistics, 2008

² ABARE, 2007 Australian Commodity Statistics, Canberra

² Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

³ ABARE, 2007 Australian Commodity Statistics, Canberra

growth in Australian agriculture has average 2.8 per cent over the past 20 years, consistently out-performing other sectors.⁵

Much of this productivity growth can be directly attributed to R & D investment which has improved *inter alia* crop varieties, new technologies and systems, and led to other efficiency gains. It is therefore vital R & D investment (both government and industry) be continued into the future so that this focus on continuing to make efficiency gains continues.

In 2007-08 there were 294,000 people directly employed in Australian agriculture. This number has decreased from 385,000 (over 20 per cent) in 2001-02.⁶ Importantly, many regions are either emerging from drought, or have the irrigation infrastructure to vastly expand their output, constrained not by low rainfall, but insufficient staff to capitalize and grow. Across all farming, up to 120,000 additional staff will be required once the sector substantially emerges from drought, yet many regions already have chronic shortages which will be exponentially exacerbated by future demand as the broader sector recovers and seeks to attract the staff it lost, plus more, to do so.

The complete agricultural supply chain, including affiliated industries, provides over 1.6 million jobs to the Australian economy (one in six jobs). For every million dollars of Agricultural Sector GDP, there are 22 jobs in the Agricultural Sector and an additional 65 jobs in the rest of the value chain.⁷

In 2008, the Australian Government developed a one-stop program under the \$2.2 billion 'Caring For Our Country' initiative, recognising the work farmers already do in sustainable agriculture and protecting Australia's natural resources, to encourage greater undertakings. The National Farmers' Federation (NFF) is intimately involved in the development, implementation and promotion of these programs, as well as those that complement it – including the \$50 million 'Environmental Stewardship' and \$130 million 'Australia's Farming Future' programs, both initiated by the NFF.⁸

Despite common misconceptions and the worst drought on record, Government support for Australian farms represents just 6 per cent of farming income. By comparison, according to the Organisation for Economic Cooperation and Development (OECD), in Korea it's 63 per cent, Japan 53 per cent, in the European Union it's 32 per cent, in Canada it's 23 per cent, and in the

⁵ Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

⁶ ABARE, 2007 Australian Commodity Statistics, Canberra

⁷ Australian Farm Institute, March 2005, *Australia's Farm Dependent Economy*

⁸ Australian Government Federal Budget, 2008.

United States it's 11 per cent. In fact, Australian farmers are among the most self-sufficient in the world.⁹

Rationales for and Efficacy of Current Drought Support

There are many reasons why it is appropriate for governments to intervene during drought, a fact borne out by selective drought policies enacted by Governments of both political persuasions in previous decades. In its Issues Paper, the Productivity Commission acknowledges that there are economic, social and environmental justifications for government intervention in cases of severe drought. For the purposes of this submission, and given the BOM/CSIRO report indicates that drought will be a recurring and severe feature of our climate, this submission will refer to 'drought' rather than attempt to define 'severe drought'.

Many past studies and reviews have already contemplated this issue and found strong arguments in favour of government intervention. The NFF considers that it is important to periodically reassess the justification for the provision of government assistance to primary producers during periods of drought.

Although the focus of the National Drought Policy has been to encourage and assist Australian farmers to take responsibility in managing drought and climatic variability, current policy arrangements recognise that there are droughts for which even the best farm managers cannot prepare, and in these instances the government is committed to the provision of Exceptional Circumstances (EC) drought assistance¹⁰. The provision of assistance aims to maintain and protect Australia's agricultural and environmental resource base during periods of climate stress and to facilitate the early recovery of agricultural industries consistent with long-term sustainable levels. In reviewing these objectives, NFF considers that given there remains a clear absence of commercial opportunities for farmers to mitigate against the risks of drought and in the interests of future farm productivity, regional, state and national economies, there remains a compelling argument for governments to assist primary producers to manage drought and to deliver against these agreed objectives.

In considering the rationale for ongoing Government drought assistance, it is also important to acknowledge that contemporary governments have tended to rely on the competitive market as the preferred means of dealing with a range of competing alternatives¹¹. On this basis, government intervention has typically been limited to instances where the market cannot

⁹ OCED, *Agricultural Policies in OECD Countries: Monitoring and Evaluation 2007*

¹⁰ Australian Government, 2002

¹¹ McColl (1997) and O'Meagher, 2003

efficiently function or where intervention can be justified on the grounds of public interest. The broader Australian community relies on the agricultural sector to provide food, and to be environmental land stewards. In accordance with this approach, NFF believes there remain valid market failure and public interest arguments, on which to justify continuing government intervention in the future management of drought, these include:

- The need to overcome market failure within the insurance and finance sectors, given that farmers are currently largely unable to access insurance or financial products to underwrite the risks of climatic variability on agricultural production;
- The need to preserve Australia's core breeding stock and genetic resources to prevent against the shock effects of drought on the rural economy and to allow rapid and efficient recovery;
- The need to manage potential external effects of drought on the natural resource or the agricultural asset base, combined with the public interest outcomes arising from such investment;
- The complexities faced by commercial lending agencies in assessing whether to extend commercial finance to farming enterprises, particularly young farmers, industry entrants, or small producers as a consequence of their perceptions of risk;
- The inability of farmers to pass on increased production costs as noted by the ACCC grocery price inquiry, as they cannot convey the additional costs of drought management at the farm level on to consumers in the prices paid for agricultural products; and
- The need to preserve social capital and skills within regional areas during periods of severe drought and the associated economic downturn.

The existence of market failure and the clear public benefit accruing from government intervention during drought provides strong justification for the modest industry-specific measures that are currently extended to eligible farmers under the National Drought Policy. While critics often question the provision of drought assistance to farmers and farm-dependent businesses, where small businesses in other business sectors are not extended comparable assistance measures, NFF considers that the unique attributes of the agricultural operating environment, outlined previously, provide a strong justification for the Government's current approach. The role of the farm sector in Australia's sustainable management of land, native animals, plants and water is not replicated in other business sectors. The government must act to stabilise market failures in order to preserve Australia's farming base.

Although clear justification for future intervention remains, it is necessary to review the appropriateness of current drought assistance measures to ensure that any future assistance measures are capable of achieving the objectives of the National Drought Policy in an efficient, equitable and non-distorting manner.

Drought Policy and Climate Change

The NFF sees a robust drought policy model as a keystone to a national vision for agriculture. Committing to a long-term drought policy is vital to securing an agricultural base that is resilient to a changing climate. Similarly, many policies currently being pursued by government and the farm sector will contribute to strengthening the sectors ability to adapt to climatic factors such as drought.

However, the NFF considers that one of the dangers of the government's current Exceptional Circumstances policy package is that it includes policies which, while bearing an impact on drought management, primarily target other objectives. An example of such policies have been education and training initiatives and industry partnerships. Many policy areas affect agricultures ability to cope with drought, such as water management, emissions trading schemes, research, development and extension, and others. However, drought should not be the primary focus of such policies. They are important and necessary policy areas in their own right. On this basis, the NFF advocates a new approach to drought policy that sees drought policy perceived as part of a coherent national framework of policies.

Under such a model, drought policy would represent a smaller suite of policy measures, but would be complemented by a strong suite of interdependent policies (see diagram on page 19). Farmers would be able to access policy measures from a number of sources as applicable to their situation. Such a framework would remove the current situation where if a farm business is no longer considered to be located in an Exceptional Circumstances area, they are immediately ineligible for all sources of drought support except a means-tested family welfare payment.

It is unrealistic to expect farm families to move from survival to preparedness in a changed climate without government support and incentives to drive this significant structural change. We note that many families do not have the capital to re-stock or replant after drought, let alone invest in the important measures necessary for preparedness.

Only by taking a strategic approach can we appropriately support a bright future for Australian agriculture.

Transition

Having made the case above for urgent and comprehensive reform of Australia's drought policy, the question of timing remains a vexed one. Given that most of Australia continues to be suffering under scientifically-defined 'exceptional circumstances' of hardship, ending the Exceptional Circumstances (EC) policies designed to cope with these exact circumstances in favour of a suite of policies that is focused more towards future preparedness would hurt the sector immeasurably. The NFF instead considers that the policies must exist in parallel until such time that all of Australia is no longer EC-declared according to the current EC definition.

Potentially this means an overlap of policies of several years in some regions. The cost to the nation of administering the parallel existence of policies however will be the same or less than current arrangements as the policy reform package costs less than current EC measures. It is envisaged that many farmers will voluntarily opt out of EC in favour of moving to the new drought policy package. As areas come out of EC-declarations those farmers that have not opted into the new policy arrangements will need to do so. This model provides the necessary tools and support for farmers to genuinely recover from a period of prolonged drought.

The alternative to this parallel approach is unthinkable. Leaving Australian farmers without EC support due to a government determination that the area is no longer declared exceptional circumstances leaves farmers potentially in a position where they are yet to yield a return from their business due to the farming cycle, able – due to new government transitional arrangements to access a welfare payment to put food on the table – but possibly unable to fund the processing, labour or other necessary measures to reap the return on their business. Such a situation would be dire for the agricultural sector, regional communities and make a mockery of the years of committed EC support provided to those same farmers during the drought. It would also save the taxpayer comparatively little money and potentially have an impact on food prices and supply beyond the farm gate.

In the interests of genuine recovery, preparedness and respect for the hardship that the farming community is undergoing during this extensive and prolonged drought, the NFF considers that it is imperative that government commits to maintaining Exceptional Circumstances arrangements until government processes determine that areas are no longer EC according to the current assessment criteria. It is paramount that if and when this assessment is made, such areas should automatically be eligible for the Drought Reform Policy

Model proposed by NFF. Such a phasing in of preparedness policy is responsible, affordable and necessary to preserve the capacity of Australian agriculture over the long term.

A significant transition period allows for the communication and implementation program that will be needed to roll-out any new drought policy. The NFF notes that this policy will warrant significant investment and a cooperative approach between government agencies and industry groups to be most effective.

Proposed National Policy Framework

The NFF considers that a lesson to be learned from the delivery of Exceptional Circumstances assistance is that it is not appropriate to label all climate change adjustment policies as drought support. Climate change adjustment tools such as research, development and extension, risk management tools, water management, and education and training to name a few, must be maintained in non-drought years if they are to obtain results. At the same time, it is essential that economic and social policies be pursued to create the necessary environment for business improvement. Climate change, economic and social policies will not all be agriculture-specific, however they are a vital part of the national policy framework that is necessary to support a reformed drought assistance package.

Drought as Part of a National Agriculture Strategy

On this basis, the NFF advocates a new approach to drought policy that sees drought policy perceived as part of a coherent national framework of policies. This concept could be described as a National Agriculture Strategy. Under such a model, drought policy would represent a small suite of policy measures, but would be complemented by a strong suite of interdependent policies (see graphic below). Farmers would be able to access policy measures from a number of sources as applicable to their situation (see diagram on page 19). Such a framework would resolve the current situation where if a farm business is no longer considered to be located in an Exceptional Circumstances area, they are immediately ineligible for all drought government policy assistance except a means-tested income support payment.



Removing the EC Trigger

Taking stock of the Bureau of Meteorology – CSIRO report on Drought and Exceptional Circumstances, the NFF proposes that Exceptional Circumstances be removed as a trigger for accessing drought policy. This is on the grounds that the report states:

“The current EC trigger, based on historical records, has already resulted in many areas of Australia being drought declared in more than five per cent of years, and the frequency and severity are likely to increase. The principle implication of the findings of this study is that the existing trigger is not appropriate under a changing climate.”¹²

In place of a triggered system of Exceptional Circumstances policy measures, costing upwards of \$740 million per annum, the NFF considers that any investment by governments into agriculture be targeted towards a policy framework that encourages innovation and preparedness measures aimed towards insulating the farm business from the vagaries of a changing climate. By any measure, achieving preparedness across the sector represents significant structural change – some of which has commenced during recent the drought event.

¹²¹² BOM CSIRO, An assessment of the impact of climate change on the nature and frequency of exceptional climatic events, July 2008, page 1.

Consistent with recent leaps forward in adopting sustainable practices (see page 6), Australian agriculture, is keen to do a lot more to respond to climate change.

Along with the Australian Government and the rest of the world, the scope, causes and long term consequences of climate change are only now being documented. For this reason it is not reasonable to judge agriculture harshly for not being ready to move immediately from drought to preparedness. Many other areas of the economy have not suffered the effects of a prolonged drought event or a similar circumstance and yet are not ready to move without assistance to the new operating models that climate change demands.

Producers' Choice of Drought Policy Streams

Instead, what agriculture needs is an incentive based system that focuses on fostering a partnership between government and producers, where co-investment in preparedness measures is the key feature and farmers are encouraged to save against future risks, including climate variation. Few would argue this proposition; however, it is important to understand that even with a generous transition period, not all farmers will be in the same situation.

Drought affects farm businesses differently. For instance, not all businesses are in drought for the same period of time, able to access EC support, equally successful with diversification strategies and so on. Recognising these differences, the NFF considers that one option would be to provide producers with a choice of drought policy streams. Producers would then select the stream that best suits their circumstances and eligibility. This approach recognises that not all farmers are in the same situation and instead identifies three broad groups of producers. Those that will be ready after a transition period to move towards preparedness (Stream 1), those that need short-term government support (eg, HECS-style loan) to invest in preparedness strategies (Stream 2), and those that require a longer consolidation period before moving towards preparedness (Stream 3).

The proposed policy streams are structured in such a way that streams 2 and 3 are time limited and governed by eligibility requirements. Their purpose is to provide a launching pad and safety net respectively for farmers endeavouring, but not yet ready, to move towards preparedness. Like the current package of drought policies, stream 3 recognises that farmers may ultimately choose to leave the land. A farm exit grant is recommended for these situations.

The NFF vision is that over time, most primary producers will have opted for stream 1. This will foster a culture of continuous improvement and innovation built primarily on farmers' own

money, with limited industry and government co-funding. Primarily the overall model is one of producer self-reliance fostered through an industry and government partnership approach. It is important to note that this approach will only be successful if farmers have sufficient time to prepare their transition to such a model.

Further detail on the three drought streams is discussed below and in the diagram on page 19. Costing and grant values are not indicated as these must take into consideration government data, the length of the transition period, the full suite of policy measures ultimately provided under each stream and the broader national agricultural policy framework.

Stream 1: Innovate

Policy Stream 1, *Innovate*, is the optimal policy stream –from both a government and a farmer perspective. It provides meaningful incentives to achieve three outcomes: government and industry co-funding, saving for a rainy (dry) day and innovating to maximise preparedness.

Importantly it focuses on increasing farmer accountability and self-reliance. By selecting this stream, farmers are choosing not to access the income support payments with eligibility criteria expanded to suit primary producers. They can, of course, access the Newstart allowance along with the rest of the community.

Selecting Stream 1 is a chance for farmers to work with government and professional service providers to take measures that will, over time, help to insulate their business against the risk of drought. Farmers retain control and accountability over their farm business and are encouraged to save their own money and draw down these funds in hard times. Stream 1 is a long term, ongoing policy strategy that costs governments less per annum than EC but yields tangible results on-farm that are specific to preparedness. Over time, Stream 1 can be expected to have contributed to a significant restructuring of farm businesses so that they are better equipped to survive drought.

It is worthwhile re-emphasising the interdependence of drought policy to other non-drought specific policies here. For example, without meaningful research, development, adaptation and extension, or appropriate risk management tools, the impact of this policy stream will be severely limited. The NFF would welcome the opportunity to discuss the importance of these supporting policies further at the implementation of any new drought policy.

Policy Stream 1 comprises three policy core elements. Other policy measures consistent with providing incentives and building self-reliance could be added to stream 1.

Professional Advice Grant

A one-off grant on selection of Stream 1 to be used for obtaining professional advice on maximising farm business preparedness. Such advice should be practical, affordable and customised for the business.

Innovation Grant

A grant to be used towards preparedness initiatives that are co-funded by the farmer. This grant is accessible once per annum and must be applied for and consistent with broad criteria to ensure that it is delivering genuine preparedness outcomes. This grant is the foundation building a culture of ongoing focus on and investment in preparedness.

Risk Management Deposit

A tax-linked risk management tool that allows primary producers to deal with variable income. RMDs are like Farm Management deposits in that they allow primary producers to set aside taxable primary production income in profitable years, to be withdrawn (usually) in lower income periods. RMDs are taxed at the rate of year of withdrawal, thereby providing tax benefits as an incentive to farmers. Unlike FMDs, RMDs have no restriction on the deposit size or off-farm income. This recognises that all farmers equally need to take measures to protect their business against climate risk.

Stream 2: Advance

The *Advance* stream is targeted at primary producers that are looking at growing their business but are not yet in a position where they are able to invest with confidence in preparedness and growth strategies. Examples of people that may fall into this category are young farmers, farm businesses undergoing succession or generational change, farmers significantly restructuring their business to promote success in a changed climate.

To ensure that farmers in positions such as these are encouraged and enabled to continue driving for this business success, the NFF recommends a HECS-style loan may be appropriate in this instance.

HECS-style loan

A one-off loan, accessible through a business case and broad eligibility criteria. The loan is paid back by the farmer as their income reaches a certain level. The aim of this loan is to advance business success and encourage self-reliance. It is envisaged that after accessing Stream 2,

most farm businesses will be confident in accessing Stream 1 (rather than the security offered by Stream 3) and therefore co-invest in preparedness measures sooner than would be otherwise possible.

The limits of the loan amount and eligibility criteria will need to be determined via consultation between government and industry.

Move to Stream 1

It is envisaged that after accessing the HECS-style loan, farmers will utilise this capital to engage in strategies available under Stream 1. They will therefore be eligible for a professional advice grant, innovation grant and risk management deposits. The NFF notes that Stream 2 is a one-off access to a HECS-style loan, therefore the move to Stream 1 supports ongoing preparedness endeavours.

Stream 3: Secure

Balanced against streams 1 and 2 is an option for farmers to *Secure* a minimum cashflow. Stream 3 allows farmers to access a time-limited household income support payment. Such a payment ensures that as farmers weigh up their future business options, or await the business cycle in which profits will be reaped, families can be confident of having food on the table and meeting their basic needs. Such a payment would be means-tested and available for a set period of time only, such as 18 months. A business plan or viability assessment will be undertaken as part of the application.

The NFF considers that such a payment is equitable on the grounds that it may take a full year to reap the profits from investments (eg cropping). Given the lack of extra funds due to prolonged drought, lack of cash flow may not indicate lack of business viability. On the other hand, selling a business is a decision that is best made on the basis of professional advice and careful consideration of options. The household income support payment provides slight relief to families considering or in the process of applying for a farm exit grant.

Professional Advice Grant

A one-off grant on selection of Stream 3 to be used for obtaining professional advice to support decision-making. Such advice should be practical, affordable and customised for the business. It may focus on maximising preparedness, evaluating and enhancing business viability or determining whether an exit grant is a preferred option.

Income Support

Equivalent to Newstart in amount received, but time limited and involving a mutual obligation (business case/business viability assessment) that assists farmers to understand their position and business prospects. This payment will be asset-tested, including against a cash-flow criteria. This allows farmers to move forwards in their business rather than selling off their farm assets to become eligible for income support.

Farm Exit Grant

A one-off payment to support farmers leaving the land. Subject to eligibility criteria and means tested.

Impacts of Drought Policy Streams

This combination of three drought streams is structured to provide genuine incentives for primary producers to invest in preparedness. It aims to create a culture where preparedness and climate risk management is factored into farm business planning on a regular basis and farmers use primarily their own money to manage this risk. The administrative burden on government is low compared to the current EC suite of measures, noting that many policies at one time in the EC package would be delivered as non-drought policies under this model.

Scope also exists to consider a new level of drought policy under this model. There is potential for a commodity group/government partnership to drive extension, restructure and preparedness. The NFF strongly supports moves of this kind which will extend the principles of partnering between government and agriculture on this important issue.

The intention of this proposed framework is that future severe droughts will not be met with an EC-style package, but with a continuation and considered expansion of each of the streams as appropriate. For example, more farmers may opt out of stream 1 and into stream 3 to enhance their income security. At an individual level, this is a reasonable outcome. At a sector-level, for the reasons outlined at page 7 of this submission, it may be necessary for governments to re-evaluate the mix of policy measures provided under each stream to ensure that food and fibre production and markets are maintained. The NFF recognises that one model will not be suitable for all potential future circumstances in one model and that a degree of flexibility to meet changing circumstances will always be required.

Conclusion

The Government has commissioned three complementary reviews of the impacts of drought. In addition to the economic review by the Productivity Commission into Drought Policy Support, which this submission addresses, a report has been concluded on the likely climate conditions that will face Australia in the future and an inquiry into the social impacts of drought is currently underway.

The NFF considers that an effective government response to these reviews will result in a comprehensive national agriculture policy framework that covers all these areas. It is likely that the impacts of the drought on farm finances, families, health, educational opportunities and regional development will be felt for decades to come. Therefore a long-term commitment by government to partner agriculture and regional communities is needed.

The NFF looks forward to the opportunity to expand upon our policy model with government. We seek a consultative process that sees government work across portfolios engaging key stakeholders in the development of drought policy measures that genuinely position agriculture to deal with the multi-faceted challenges posed by the current drought event and long-term climate change.

NATIONAL AGRICULTURE STRATEGY

Examples of Complementary Non-Drought Policies

