



## **National Farmers' Federation**

### **Submission to Review of the Rural Financial Counselling Service program**

August 2014

## NFF Member Organisations



CANEGROWERS



CORPORATE  
AGRICULTURAL  
GROUP



COTTON  
AUSTRALIA



Goat Industry Council  
of Australia Inc.



NEW SOUTH WALES  
IRRIGATORS'  
COUNCIL

*The Pastoralists'  
Association of  
West Darling*



**Ruralco**  
HOLDINGS LIMITED



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## 1. Introduction

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The NFF welcomes the opportunity to make a submission to inform the National Rural Advisory Council's (NRAC) review of the Rural Financial Counselling Service (RFCS) program. This submission will focus on acknowledging the important role played by the RFCS, while recognising that improvements may be required to optimise outcomes for the farming community.

The NFF 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. Since its inception in 1979, the NFF has continued to lead the identification, development and achievement of robust policy outcomes - championing issues affecting farmers and dedicated to the advancement of agriculture. The NFF is dedicated to proactively generating greater understanding and better-informed awareness of farming's modern role, contribution and value to the entire community.

The NFF strongly supports the RFCS in its role of providing free financial counselling to primary producers, fishers and small rural businesses who are suffering financial hardship and who have no viable alternative sources of impartial support. NFF supports the current focus to include building primary producers capacity to manage change, to assist the development of forward planning for clients over a number of areas.

However, it is recognised there is room for improvement around the current system to ensure farmers' individual capacity is improved over time and that the limited funds available are used in the most appropriate and effective manner.

The NFF firmly rejects recommendations by the Report of the National Commission of Audit to abolish the RFCS<sup>1</sup>. A secure future for the RFCS is vital in improving farmers' understanding of their financial situation and their options, as well as offering guidance in making plans to improve their position and providing referrals to government programs and other professional advisors and counsellors.

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<sup>1</sup>[http://www.ncoa.gov.au/report/docs/phase\\_two\\_report.pdf](http://www.ncoa.gov.au/report/docs/phase_two_report.pdf)

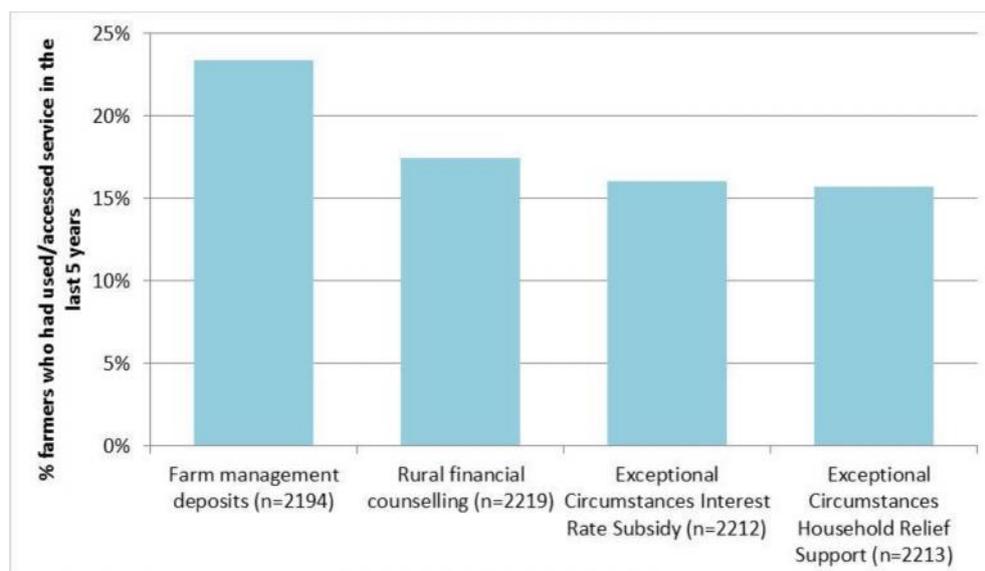
## 2. Need for the Service

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The RFCS provides an important and well recognised service, delivering free and independent assistance to producers. It is unrealistic to consider a commercial provider reproducing this type of service and mode of delivery, particularly in more remote areas of Australia, with little evidence of the RFCS ‘crowding out’ other private providers.

The purpose of the Rural Financial Counselling Service (RFCS) Program is to provide free support to primary producers, fishers and small rural businesses (the target client group) who are suffering financial hardship, and who have no alternative sources of impartial assistance, to manage the challenges of change and adjustment<sup>2</sup>.

In recent years, the National Rural Well Being Survey found that nearly one in five farmers that participated in their process had utilised the RFCS in the last five years. According to the survey, RFCS support services were most commonly accessed by farmers who are women, farmers aged 30 to 49, and those living in New South Wales and Queensland; and least commonly by those in Victoria and Western Australia, and those aged under 30 (many of those aged under 30 may not be eligible to access this service as not all are the primary farm manager)<sup>3</sup>. These statistics show a genuine demand for rural financial counselling, further reiterating the need for the RFCS role to be supported, strengthened and highlighted as a successful model of support for farm enterprises.



The need for the RFCS must be considered in the context of the current challenges facing Australian agriculture and in the context of building resilience and the capacity to manage change. While increasing global demand for agricultural products is presenting unprecedented market opportunities, the escalation of rural debt in Australia and the ability of producers to manage their finances during periods of drought and other hardships is a serious issue for the agricultural industry. Captured in the recent environment of an appreciated Australian dollar, uncertainty around political decisions, decreasing terms of trade and declining land values in many regions, the sustainability of a high level of debt is of concern

<sup>2</sup><http://www.daff.gov.au/agriculture-food/drought/assistance/assistancerural-financial-counselling-service>

<sup>3</sup> [http://www.canberra.edu.au/murray-darling-crn/attachments/pdf/RWS\\_2013-Report\\_Page-91-to-Page-143.pdf](http://www.canberra.edu.au/murray-darling-crn/attachments/pdf/RWS_2013-Report_Page-91-to-Page-143.pdf)

to the agricultural industry. Many of these factors have substantial evidence, while others cannot be well-articulated within the policy debate due to a lack of sound, comprehensive information. As part of the broader process of improving data sources to inform agricultural policy decision making, a concerted effort must be taken to collate information on levels of farm debt and financial arrangements. Often the local RFCS counsellor is a valuable ‘barometer’ of rural financial health in a local area and an early warning point for changing policy responses.

Managing a farm business is becoming increasingly complex over time and the RFCS is viewed upon by NFF members as sound public policy, particularly during times of drought and natural disasters. As long as farming in Australia is characterised by a highly variable environment and exposure to international market forces, there will continue to be circumstances engendering financial hardship that cannot always be anticipated. Every farmer across Australia takes drought into consideration in the operation of their business—it is a factor that is an intrinsic 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, underpinning the need for programs such as RFCS to help support agricultural businesses and broader rural communities in preparing for and rapidly recovering from such challenges.

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 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 as appropriate or as useful for the agriculture sector—particularly in relation to business debt and equity levels. Given the large proportion of farm businesses are owned and operated by families, it is appropriate for the Government to support measures such as the RFCS, which help operators of these complex small businesses develop skills and plans to navigate through a volatile operating environment.

The business and family is also intricately linked for the majority of farm families, as captured by the 2008 report, *It’s About People: Changing Perspectives on Dryness*<sup>5</sup> - too many farm decisions are made under stress and in absence of thorough thought or planning, and can be at the expense of either. The role of the RFCS mechanism of delivery appropriately enables this to be identified and therefore plays an important role in the wellbeing of human capital, while supporting development of planning capacity.

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

<sup>5</sup> [http://www.daff.gov.au/\\_data/assets/pdf\\_file/0008/889946/dryness\\_report.pdf](http://www.daff.gov.au/_data/assets/pdf_file/0008/889946/dryness_report.pdf)

Further to the exposure to risk (both production and price) faced by farm businesses, 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 taxpayer support in the world<sup>6</sup>. Further, when compared to other Australian industries currently under scrutiny for Government Assistance, it's important to remember that agriculture receives less than half the level of assistance of these industries when considering the value of assistance as a percentage of industry output<sup>7</sup>. Accordingly, any claims that the agriculture sector already receives a large amount of Government assistance, and cuts should be made to reduce the sectors reliance on the taxpayer, is inaccurate.

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. Any well-targeted Government expenditure on appropriately designed agriculture-specific programs should be viewed as an investment in the long-term productivity of the Australian economy.

The current drought across Queensland, New South Wales, the Northern Territory and South Australia is one of these unprecedented events, which is inherently hard for a farm business to prepare for. The current drought has been impacting for a few years, compounded by the hottest year on record across Australia in 2013<sup>8</sup> and many regions receiving record low rainfall<sup>9</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.

Compounding these events is the lack of clarity in the farming community regarding available drought assistance since the abolition of Exceptional Circumstances arrangements. The RFCS has played a key role in providing farmers an understanding of available resources to assist them during financial stress, with referrals to both Government programs and further independent financial advice a key part of the counsellor's role. This networking function is at least partially inconsistent with the motives and focus of a commercial financial advisor to maintain an income stream. Services such as the RFCS must not be viewed in isolation, but taken in the context of the variety of available support for farm businesses – both from Government and other sources. They are not competing with alternative providers, but are complementary with differing roles in helping farmers develop plans and achieve resilience.

As policy processes progress – such as a National Approach to Farm Debt Mediation, which should be a priority for a Government aiming to improve the financial situation of farm businesses – the role of the RFCS program will be integral in ensuring farmers have transparent and independent advice on their obligations and opportunities.

The NFF, through its member organisations, has received feedback from a number of producers who expressed that the role of the RFCS should not be underestimated as part of support through the current drought. The independence and accessibility of the service seems

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<sup>6</sup><http://www.oecd.org/tad/agricultural-policies/monitoring-and-evaluation.htm>

<sup>7</sup>[http://www.pc.gov.au/\\_data/assets/pdf\\_file/0007/137788/trade-assistance-review-2012-13.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0007/137788/trade-assistance-review-2012-13.pdf)

<sup>8</sup>[http://www.bom.gov.au/announcements/media\\_releases/ho/20140103.shtml](http://www.bom.gov.au/announcements/media_releases/ho/20140103.shtml)

<sup>9</sup><http://www.bom.gov.au/climate/drought/archive/20140108.shtml>

to be generally viewed as key to its success. In drought-affected areas, feedback would indicate demand for the service is exceeding current available services – something to be further considered as part of the program’s effectiveness.

In times of no drought, the service is well placed to meet objectives of building capacity to manage change, and to assist clients develop skills to support forward planning – clearly aligning with Government and industries aims of building resilience. Overall, NFF members believe that the RFCS is a valuable and necessary program with a variety of benefits (both social and economic) that outweigh the cost to Government. However, it is recognised that the program would benefit from improvements if it is to retain its effectiveness and greater justification for the resources that it requires.

**Recommendation: The Government needs to formally recognise the ongoing need for the RFCS and provide certainty of funding. Further consideration of the need for the service and its functions needs to be underpinned by the collection of reliable evidence, such as nationally consistent information on farm debt and the needs of primary producers under hardship.**

### 3. Effectiveness and Efficiency

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While NFF members generally support the RFCS program, there is a variety of views on the program's effectiveness. Some of the limitations of the program are with the capacity of counsellors, while others are structural/governance impediments, holding back the ability of the RFCS.

When considering the effectiveness and efficiency of the RFCS, it is important that there is a clear understanding of the purpose the program plays and what the boundaries of counsellors' roles are. There is a level of uncertainty around the specific roles of the counsellors and these roles seem to be increasingly complex. The NFF proposes that the roles of Department of Human Services Offices and RFCS counsellors needs to be considered through the lens of the client (farmers). Any changes made to roles should always be with the intention of improving farmers' ability to access support. The variety of services (from Government, not-for-profit sector and industry) that are delivered by multiple providers during a drought period are already complex and dealing another layer of Centrelink bureaucracy only serves to make it more difficult for farmers to find the assistance they require during an already stressful time.

Feedback from NFF members indicates the quality of counsellors is generally high. They are often well-regarded within the community and are able to work collaboratively with individual farmers, due to their being familiar with and located in regional areas, and having time to build effective relationships in the regions. However, often it can be difficult for the various RFCS bodies to attract and retain quality staff, due to funding pressures and cost cutting associated with short-term funding cycles. To help address the quality of counsellors, a more stable funding base should be considered in order to retain more of the experienced and effective counsellors, along with a consistent application of training opportunities for staff to continually improve their skills base and effectiveness.

Quality counsellors will ultimately help improve the capacity of individual farmers. The ability of a counsellor to gain the trust of the farmer and further develop their ability to understand the individual farm business is critical for a successful outcome.

However, it is important that this close working relationship, built on trust, is not compromised by rigid or inflexible governance procedures. For example, feedback indicates the farm enterprise analysis that counsellors undertake with clients is extremely detailed. However, this may be detrimental to the model in regards to sharing sensitive information. Upon request by the Department of Agriculture to have detailed client information disclosed (in-confidence) when providing rural financial counselling, many farmers abandoned the service due to the confidentiality concerns. There are also time pressures on counsellors to meet internal database reporting requirements which detract from the time available for counsellors to work with clients, particularly in periods of heavy demand such as during drought. Internal reporting requirements could be streamlined, while still meeting accountability needs.

Feedback from NFF members indicates that Governments sometimes struggle with the flexible mechanism of service delivery needed to meet individual producer's needs, as provided by the RFCS and the independence required to do so (i.e. the visits to the home and the lack of an 'one size fits all' homogenous approach). It needs to be understood that each enterprise is different and a variety of approaches are required depending of the individuals

involved. The flexible delivery model is of particular importance in remote regions where it is difficult for farmers who are under already stressed mental, environmental and financial circumstances to travel a number of hours to a large regional centre to seek support – whether that be for personal or business reasons. Maintaining independence and flexibility of the RFCS will continue to be a cornerstone of its success and governance requirements should seek to manage and not restrict this flexibility. Overall, the outreach mobility of the service needs to be maintained.

It has also been brought to the NFF's attention that concerns have been raised by Government officials when counsellors have been spending some of their time attending various community meetings, rather than dedicating all of their time to core counselling duties. While a balance must be struck to make sure the focus is on building the capacity of individuals to improve the operation of their business, it also needs to be recognised that the RFCS model requires a level of trust to be built amongst the local community. The NFF believes the networking role is also integral to links to other services which in turn allows for appropriate and timely cross referral, achieving some of the key findings of *It's About People: Changing Perspectives on Dryness*<sup>10</sup>. For example, the Mental Health Co-ordinators recently appointed in Queensland and New South Wales should have close links with the RFCS counsellors.

When a prolonged period of hardship faces a large region of Australia, resources of the RFCS become stretched, limiting the ability of the counsellors to reach farmers in need of the program. Currently within Queensland, feedback indicates the program is over-subscribed due to the current wide-spread drought (about 75% of the state's area is drought declared) – such events require an increase of funds for the program (such as the announcement of additional resources in early 2013<sup>11</sup>) and a timely response to providing those increased resources.

The current drought pressures in certain regions brings into focus the issue of the mobility of counsellors to go where the demand for services is occurring. While there is often a drought somewhere in Australia, it is rare that the entire country is drought affected. Therefore, it is likely that there is varying demand across the country. When this is the case, counsellors in areas of low-demand should be able to assist in regions where demand for the service is exceeding the capacity of local counsellors. Impediments to mobility of counsellors (whether they be structural, governance, or limitations of roles and responsibilities) must be removed if the RFCS is able to effectively target areas of need. In such service reallocation the importance of relationship development and trust must be acknowledged and so new staff may be most effective in 'back office' duties to free up the time for face to face contact by the counsellors normally based in the region.

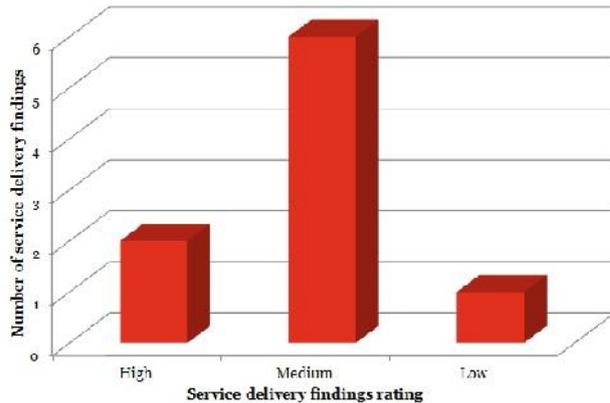
Observations gathered throughout a PricewaterhouseCoopers (PWC) performance assessment found that RFCS service providers' performance in relation to service delivery was generally adequate and there were a low number of findings identified in relation to this (nine findings across the network of organisations).<sup>12</sup> The graph below provides a summary of service delivery findings identified, and the level of risk they pose:

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<sup>10</sup> [http://www.daff.gov.au/\\_data/assets/pdf\\_file/0008/889946/dryness\\_report.pdf](http://www.daff.gov.au/_data/assets/pdf_file/0008/889946/dryness_report.pdf)

<sup>11</sup> [http://www.maff.gov.au/archives/ludwig/Pages/Media\\_Office/Media\\_Releases/2013/April/fairer-finance-for-aussie-farmers.aspx](http://www.maff.gov.au/archives/ludwig/Pages/Media_Office/Media_Releases/2013/April/fairer-finance-for-aussie-farmers.aspx)

<sup>12</sup> [http://www.daff.gov.au/\\_data/assets/pdf\\_file/0010/2285740/rfcs-service-provider-performanace-audits-report-2012.pdf](http://www.daff.gov.au/_data/assets/pdf_file/0010/2285740/rfcs-service-provider-performanace-audits-report-2012.pdf)



The NFF has anecdotally heard that in certain service regions across the nation, numerous farm enterprises have remained ‘on the books’ for a number of years – this poses a number of questions. Is the RFCS not hiring the right individuals or skill sets to work with farmers? Are some farm enterprises becoming too reliant on the service and not assisting themselves, or are they operating in a climate or environment where the need for change management and capacity building remains an ongoing requirement to maintain the resilience of the business and its people in the face of varying challenges, such as fire, drought, flood, market changes, succession and debt to equity ratios? Do RFCS fill a gap in areas where there are no other services of their nature available? Is it in the RFCS’ interest to keep enterprises on record in order to build the case for an existence that in recent years is under constant threat of funding withdrawal? Is it simply a matter of administrative convenience to not deregister them? This matter needs to be investigated further to ensure efficiency standards are being met. The claim by Governments of long-term dependence on RFCS support services needs to be supported by sound evidence before any action is taken.

The RFCS should consider embracing a guiding but flexible timeframe around helping producers put business strategies in place; otherwise there could potentially be a tendency to promote relationships of dependency. When a farm enterprise is experiencing difficult circumstances due to drought or natural disaster and is in need of assistance by the RFCS, the skills and strategies provided should be deployed over a defined timeframe. However, it is important that this timeframe has a level of flexibility to allow for individual business needs. For example, it may be appropriate for a farm business to be on the books of the RFCS if they are faced with a prolonged drought or concurrent external events impacting their business profitability.

Whilst as a matter of principle, farm businesses should only receive assistance from the RFCS for a short number of years – with capacity and empowerment and ultimate independence of the farm business owner being a key outcome sought, care needs to be taken to recognise that the circumstances facing these farm businesses may last for multiple years (such as extended droughts and their recovery periods – e.g. 2002 to 2009), requiring RFCS support for successive years. The concern expressed by the Department of Agriculture that some farm businesses have been on RFCS support for a number of years, needs to be put in context of the operating environment facing these farm businesses before any ill-considered policy decisions are made. The consideration of a business having to fail to meet one of 5 benchmarks under an Enterprise Action Plan has provided a working criteria, with flexibility that recognises the various contexts in which support may be provided.

Upon conclusion of the timeframe and depending on the circumstances of that enterprise, an arranged review date would be deemed appropriate to assess the progress of the enterprise and determine whether a reassessment is needed accordingly. Instances where a farm enterprise was kept on continual registered support would prove to be a poor investment of resources and would over inflate the services numbers. Changes to the rules around service delivery and reporting would prevent any such co-dependent relationship from occurring and ensure resources are being evenly and effectively applied.

It is recognised that in certain regions the RFCS has tried to look forward by creating a fee for service body to provide farm management and bookkeeping services. However, there are challenges within this model, particularly if individual counsellors provide both free and fee-paid services. If the policy outcome sought is an improved capacity to manage through business hardship challenges, then fee for service may be counter-productive to getting those in most need of assistance to adopt it.

To help improve the overall efficiency of the RFCS program, and level of service to farm businesses, steps should be taken to reduce administrative overheads. As for all Government agencies, it would be appropriate for the Government to explore changes to achieve administrative efficiencies and this should be a key focus on NRACs report to the Government.

**Recommendations:**

- **To ensure the program delivers intended outcomes, steps must be taken to improve clarity and community understanding of the role of counsellors**
- **To attract and retain quality experienced counsellors, longer-term and secure funding arrangements should be explored**
- **To improve overall quality of counsellors, a greater level of training should be funded and applied across the service**
- **To better deliver assistance to those who need it most, impediments to counsellor mobility should be removed and working across jurisdictions should be encouraged**
- **To improve consistency of services and reduce overheads, steps should be taken to improve administrative efficiency of service providers while not diluting the delivery of RFCS programs on-the-ground.**

## 4. Potential Future Roles

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The free RFCS remains a critical ingredient for the success of Australian farming and regional small businesses in a volatile operating environment.

Across various states there has been mixed success in delivering a variety of services by RFCS bodies. While the NFF is not opposed to this, a cautious approach must be applied, particularly due to the small number of counsellors overall and the variety of existing service providers already operating in some areas. As capacity and empowerment is built across the farming community (in part due to the work of the RFCS) there may actually be increased demand for independent professional services – it is important that the RFCS does not crowd out the development of such services if there is a clear market demand developing.

Having said that, the outcome of building capacity of primary producers to manage change, and assisting clients to develop forward planning, covering areas such as management practices, climate variation, cash flow planning, are integral components of building resilience. This is a key outcome articulated by current government drought policy.

The achievement of these outcomes requires skill, time and trust. The RFCS has a position of service delivery, trust and longevity within community that enables the understanding of the intangibles embedded within family farming business's to be understood and identified, thus providing a holistic approach, rather than just a simple financial focus. The value of this holistic approach should not go unrecognised when considering what other options are available to this client base.

While the RFCS program can improve its role in delivering communication of other Government services (such as mental health support), it will be important that the program does not lose focus by trying to broaden its mandate beyond its capacity or get bogged down in meeting solely commercial incentives.

**Recommendation: A cautious approach must be taken if the role of the RFCS is to be expanded – the RFCS must first focus on improving its existing service.**