



Australian Government

Department of Agriculture, Fisheries and Forestry

SUBMISSION 001

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**Questions on Notice from the
House of Representatives Standing Committee on
Agriculture, Resources, Fisheries and Forestry
Wednesday, 20 March 2013 public hearing**

***National Rural Advisory Council
Annual Report 2011-12***

As requested by the Committee Secretariat, the Department of Agriculture, Fisheries and Forestry (DAFF) is pleased to provide the Standing Committee on Agriculture, Resources, Fisheries and Forestry with this submission. It provides responses to the questions taken on notice during the public hearing for the inquiry into the National Rural Advisory Council Annual Report 2011-12.

The responses to these questions have been coordinated by the NRAC Secretariat within DAFF. Responses to three of the questions are in the form of publicly available information.

Questions on Notice - Public Hearing for the inquiry into the National Rural Advisory Council Annual Report 2011-12.



QUESTION:

(Pages 3 and 4 of the Committee Hansard)

Ms Freeman: That is still being developed as part of the new program. Basically, the Commonwealth and state governments have agreed to the five core elements and everyone has gone away for their budget processes to sign off on that. That is where we are up to. At the moment, you do not have EC areas. There is a payment called the transitional farm family support payment so that you can get food on the table now. For the take-up, at the moment there are approximately 370 people Australia wide who are on that payment. I am happy to give you a breakdown by state.

Mr TEHAN: Can you give us a breakdown by state; and, in particular, if you can do it by region, is that possible?

Ms Freeman: I will just check, only because of the privacy issues for people. I will take that on notice.

Mr TEHAN: Yes. It could be by broad payments. Take it on notice—whatever you can.

ANSWER:

Transitional Farm Family Payment

The Transitional Farm Family Payment assists farm families who are experiencing financial difficulties regardless of location or the reason for hardship. This payment allows farm families to apply for a maximum of 12 months household income support, combined with other assistance to help farm families review their circumstances and take action to improve their long-term financial security.

The payment is delivered by the Australian Government Department of Human Services on behalf of the Australian Government Department of Agriculture, Fisheries and Forestry. The Rural Financial Counselling Service is responsible for providing individualised case management assistance to farmers receiving the payment, and reviewing and reporting progress in meeting program requirements.

The Australian Government Department of Human Services is responsible for assessing and determining eligibility and making payments, which are paid at the same rate as the Newstart Allowance.

As at 28 February 2013, there were 383 recipients of the payment. A breakdown by state is provided in the table below.

TFFP by state—current as at 28 Feb 2013	
New South Wales	89
Queensland	<20
South Australia	121
Tasmania	<20
Victoria	79
Western Australia	74
Total	383

Data source: Department of Human Services. Current as at 28 February 2013



QUESTION:

(Page 5 and 6 of the Committee Hansard)

Mr TEHAN: There are some real pressure points, and if we do not get an autumn break pretty soon, we are going to see things starting to get to a head. Last year's rainfall I think was pretty much across the board about 40 per cent below the norm and so far this year I think we would probably be even below what it was last year. How do we monitor that? New Zealand have come out and said they are in drought in certain areas, and questions are starting to be asked on where we are with regards to that.

My second question is whether any research has been done around debt relief, not loans but in terms of okay, when there are serious debt issues, is there a way we can look at that. There is anecdotal evidence that a group have put something to the Treasurer—I do not know whether or not you are in a position to comment generally on that—about some sort of debt swap arrangement. It seems to me, and this is something that is often put to you, especially when you have got sectors which are struggling, that, the EC loans did not work but is there a mechanism where we could potentially do something around debt which may or may not help?

Ms Freeman: Do you want me to have a go at the first one, Mick?

Mr Keogh: You have a go. You know what is happening at the state offices level.

Ms Freeman: A couple of things on how you know what is happening. There are a few things from our perspective. One is that ABARES and the Bureau of Meteorology put out a weekly climate update. I am happy again to provide you the details. That is tracking where it is raining, where it is not, what you expect to happen, that sort of stuff.

CHAIR: There is a whole program online.

Ms Freeman: It is all online, yes, but we will send you the reference to that. That is a source of information that looks at where are the hotspots, and you are quite right that there are hotspots. From within the department something else that we have been looking at, because we also fund the Rural Financial Counselling Service, is what is happening there in terms of new clients potentially and what is the nature of the issues that are coming through the door for people. What you tend to see is that where those pressure points are you will often see an increase in clients coming to the door, so that is not a bad barometer. The other one is new applications for this transitional farm family payment. There is obviously a bit of a lag because they take a while to be assessed, but there again there are a couple of things to look at. In terms of a state applying for EC to the Commonwealth, there is no sense of that happening. While there are hotspots, there are some fairly steep hurdles. For somebody to be exceptional circumstance, that has got to be a pretty rare and severe event. So I think we are probably not at that.

Mr TEHAN: But the old mechanism and the old process is still in existence.

Ms Freeman: Yes, it is. Notionally there is nothing stopping a state applying to the Commonwealth tomorrow, saying, 'We want this part of our state to be considered to be in exceptional circumstances.' On the debt relief—and I cannot talk about what the Treasurer did or did not get—there was a debt round table that the Treasurer hosted in Queensland. There have been ongoing discussions about debt. I think it is interesting that, when you look at the latest figures released by ABARES, you are actually seeing on average what is happening to people's debt levels. In some areas they are going up, but the reason for the increase is that people are restocking after the drought. So I think it is also important to look at what is driving those debt increases. There is quite a bit of variability in those numbers, so I think that is one thing to look at.

You are also seeing a lot of the pressures on some of the sectors. The dairy industry in Victoria is one obviously at the moment where there are a range of drivers impacting on the sector that are making things not as good as they were 12 months ago.



Mr Keogh: Anecdotally the message seems to be that there is a bit of strife in the cattle industry in Northern Australia where people had high debt loads. In the cropping sector in parts of Western Australia similarly there too high capitalisation and gearings happened and it is not as safe as it used to be. Then, as Fran said, that is also the case in some of the dairy regions, particularly where they are a bit more reliant on domestic milk sales than exports. But exports are affected as well.

Mr TEHAN: Where you had New Zealand entrants you also had the high dollar—

Ms Freeman: Yes.

Mr SCHULTZ: Have you been able to overcome the problems where all through the EC process there were complaints from people who had been responsible in stocking up fodder or putting some reserves into the bank. The people who were irresponsible were getting all of the EC assistance and the people who needed some of it but because they had been frugal and wise were denied it.

Ms Freeman: The Productivity Commission put out a report that looked at that, amongst a range of other issues. Certainly it goes to the point Mick was making before about interest rate subsidies. In some ways the people who got the money were quite different from those who had actually prepared for and managed that risk. The other thing that is interesting to look at is farm management deposits.

CHAIR: I wanted us to move away from that. I want to get onto the positives around how are we really start to support enterprise. We have to get our properties making money, keeping productive, employing people and keeping the produce coming so we generate the economic processes. That is where we have to get to.

Mr LYONS: Can I ask a more general question: what is the debt level?

Ms Freeman: Now? I should know that.

Mr LYONS: Is there an average?

Ms Freeman: Yes, there is. We can certainly get you those numbers. The ABARES March—

Mr LYONS: Do you have them by—

Ms Freeman: By state and by sector, by broadacre and by dairy. We can get you those.

(Page 9 of the Committee Hansard)

Mr LYONS: Obviously there is this thing at the moment about people getting out of the timber industry in Tasmania and all that stuff. I am really interested that only 30 per cent in drought areas are getting assistance. Is there a reason for that? Just in your figures here, it says that 70 per cent missed out on assistance, in dairy, broadacre and—

Mr Keogh: I know what you are referring to.

Mr LYONS: How did the 30 per cent get there? What is the difference? Are they better at writing reports? Is it boundaries?



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Mr Keogh: No. I think the point was made that, in relation to that extended period of drought, even though there were certainly a lot of issues, 70 per cent of farm businesses survived that drought without government assistance of any substantial form. I think that, if you drill into that, a couple of different things are evident. About 40 per cent of farm businesses, so defined, have a turnover of less than \$100,000 per annum, so 40 per cent are in that sort of zero to \$100,000 turnover category, and yet, when you look at their data, about 95 per cent plus of their net income comes from off-farm sources. So included in that group are an awful lot of farmers who run the farm at the weekends or in their spare time, and—

Mr SCHULTZ: And their wives are working during the week.

Mr Keogh: are quite secure in terms of their income, so probably quite a few of those are in that. Then you probably have a middle group between about \$100,000 turnover and about \$500,000 turnover that I would think most of the pressure is on, because they are too large to work part-time and probably do not have the capital to buy equipment, machinery and that sort of thing of the scale that the larger ones do. So I suspect that some of that group is—

Mr LYONS: Is information about the equity of these businesses available, pre and post?

Ms Freeman: Just to be clear: do you mean the debt-equity levels? We would not have it for farms that did receive assistance and did not. We would not have it, just to be clear. But we would certainly have a time series on debt-equity levels over time by region, by broadacre and dairy. We would certainly have that. We will check what we have. I am not sure.

ANSWER:

Weekly Australian Climate, Water and Agricultural Update

http://www.daff.gov.au/abares/publications/weekly_update

Rural Debt –

ABARES Australian Commodities, March Quarter 2013 pp190–7.

http://www.daff.gov.au/abares/publications_remote_content/publication_series/australian_commodities



QUESTION:

(Page 8 of the Committee Hansard)

CHAIR: I think the labour force issues are a lot to do with modern management and understanding where some of that is at now. I think it is about education and skill base development and skilling the workforce in modern processes. I want to go to the COAG reforms that are being looked at. Is that public, Fran?

Ms Freeman: Certainly. There are a range of things that—

CHAIR: Are there five programs, five points?

Ms Freeman: There are five aspects to it, if you like. 'Programs' is probably the wrong word, but there are five pillars of it, I suppose, that have been agreed by Commonwealth and state ministers. They have signed off that there will be an income support payment and that there will be a training component that the states will be responsible for. AgriFood Skills Australia is working with the states on that. There is the social support issue that we talked about it, about better coordination. The other one is tax concessions, so farm management deposits is obviously one in there. The other one is the general term of 'tools and technologies'. That is the one that is probably the least developed—looking at how you actually get information to farmers, how they use it and how they understand it.

ANSWER:

<http://www.mincos.gov.au/communiques/scopi>