
The Parliament of the Commonwealth of Australia

Report into the National Rural Advisory Council Annual Report 2011-12

House of Representatives
Standing Committee on Agriculture, Resources, Fisheries and Forestry

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Canberra

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Foreword

In November 2012, the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry resolved to inquire into the 2011-12 Annual Report of the National Rural Advisory Council (NRAC). NRAC is an independent body providing advice to the Minister for Agriculture, Fisheries and Forestry on matters including rural adjustment, regional issues, training, Exceptional Circumstances (EC) applications and the extension of EC declarations.

In 2011-12 one of NRAC's core responsibilities was the review of EC declarations that would expire during the year in the River Murray and Lower Lakes Corridor, Bundarra and Eurobodalla regions. NRAC's determination was that these declarations did not need renewal - Australia was deemed to be drought free for the first time in a decade. Following this, NRAC was tasked with a program of policy development work within the agricultural sector. This included assessment of the Farm Management Deposit Scheme, aimed at reducing volatility in farm incomes over the longer term and agricultural employers' workforce planning capabilities.

To reflect this shift in its focus, the Committee recommended that NRAC's composition be monitored to ensure that its membership adequately reflects the skills needed to deliver high quality outcomes for its current work program.

In parallel with NRAC's work, a process has been undertaken by the Council of Australian Governments Standing Council on Primary Industries (SCoPI) to examine drought assistance reform. This was borne, in part by a 2008 declaration by that body stating that EC declarations were no longer an effective mechanism for managing drought assistance and that the focus should be on better planning and preparation for times of hardship.

The Committee notes that during the course of its inquiry, SCoPI entered into an Intergovernmental Agreement on National Drought Program Reform. Part of these reforms included the announcement of a Farm Finance package aimed at providing assistance to agribusiness. At the time of this report, formal agreements between the Commonwealth, States and Territories had not been reached nor had

relevant legislation been enacted to enable the elements of the package to commence. The Committee recommended that these agreements and legislation be finalised as soon as possible to ensure assistance flowed to farmers and communities. The Committee also recommended that agreements to implement the full package agreed to by SCoPI be completed so that it could commence no later than the agreed date of 1 July 2014.

I would like to thank the representatives of the Department of Agriculture, Fisheries and Forestry and NRAC who appeared before the Committee's public hearing. Their assistance in clarifying a range of matters for the Committee proved invaluable in the development of this report.

I hope that the Committee's recommendations and the significant efforts through SCoPI in developing the package of drought assistance reforms is a positive outcome for farming families and communities throughout Australia.

Hon. Dick Adams MP
Chair



Membership of the Committee

Chair Hon Dick Adams MP

Deputy Chair Mr Alby Schultz MP

Members Mr Darren Cheeseman MP

Mr George Christensen MP

Mr Geoff Lyons MP

Mr Rob Mitchell MP

Mr Dan Tehan MP

Committee Secretariat

Secretary	Mr David Brunoro
Inquiry Secretary	Mr Muzammil Ali
Research Officers	Mr Shane Armstrong
Administrative Officers	Ms Jazmine Rakic Ms Karen Underwood



Terms of reference

On Thursday, 29 November 2012, the Standing Committee on Agriculture, Resources, Fisheries and Forestry resolved to inquire into the 2011-12 Annual Report of the National Rural Advisory Council.



List of abbreviations

NRAC	National Rural Advisory Council
EC	Exceptional Circumstances
MPCI	Multi-Peril Crop Insurance
FMD	Farm Management Deposit
NDP	National Drought Policy
RFCS	Rural Financial Counselling Service
SCoPI	Standing Committee on Primary Industries
CSIRO	Commonwealth Scientific and Industrial Research Organisation
ABARES	Australian Bureau of Agricultural and Resource Economics and Sciences
DAFF	Department of Agriculture, Fisheries and Forestry



List of recommendations

3 Issues and analysis

Recommendation 1

The Committee recommends that the National Rural Advisory Council monitor its composition and if necessary, make recommendations to the Minister for Agriculture, Fisheries and Forestry to ensure that its membership adequately reflects the skills needed to deliver high quality outcomes for its current work program.

Recommendation 2

Given that regions across Australia are once again experiencing drought conditions, the Committee calls on the Australian Government, States and Territories to finalise the Farm Finance Package so that it can be implemented by 1 July 2013.

Recommendation 3

The Committee recommends that the Australian Government, through the Council of Australian Governments' Standing Committee on Primary Industries, ensure that the complete new package of drought reform measures is agreed and implemented by the stated target date of 1 July 2014.

Introduction

Adoption of inquiry

- 1.1 On 28 November 2012, the House of Representatives Standing Committee on Agriculture, Resources, Fisheries and Forestry resolved to inquire into the 2011-12 Annual Report of the National Rural Advisory Committee (NRAC).
- 1.2 Standing Order 215(c) of the House of Representatives allows a standing committee appointed by the House to:
 - ... make any inquiry it wishes to make into annual reports of government departments and authorities and reports of the Auditor-General presented to the House.¹

The Committee's inquiry

- 1.3 Following the adoption of the Committee's inquiry, the Committee wrote to inform the Minister for Agriculture, Fisheries and Forestry that the inquiry would be conducted and that Council representatives would be called to give evidence.
- 1.4 The Committee held a public hearing for the inquiry on 20 March 2013 in Canberra at which representatives of NRAC appeared. Details of witnesses who appeared before the Committee are in Appendix A. Details of the submission received as part of this inquiry are in Appendix B.

1 House of Representatives Standing Order 215(c).

Background

- 2.1 The National Rural Advisory Council (NRAC) is an independent advisory council to the Australian Government Minister for Agriculture, Fisheries and Forestry. NRAC provides advice on matters including rural adjustment, regional issues, training, Exceptional Circumstances (EC) applications, extensions to EC declarations and other matters as requested.¹ NRAC was established in December 1999 as a statutory consultative body following legislative changes to the *Rural Adjustment Act 1992*.²
- 2.2 Under section 6 of the *Rural Adjustment Act 1992* (Cth), the Minister may appoint not more than seven members to NRAC on a part time basis. The Act stipulates the skills, qualifications and experience that must be held by NRAC's membership. This will be discussed further in Chapter 3 of this report.
- 2.3 In 2011-12, the focus of NRAC's work was to review expiring Exceptional Circumstances (EC) declarations. The criteria for an EC event is that it:
- must be rare and severe, that is, it must not have occurred more than once on average in every 20 to 25 years and must be a significant scale
 - must result in a rare and severe downturn in farm income over a prolonged period of time (e.g. greater than 12 months)
 - must not be predictable or part of a process of structural adjustment.³

1 Department of Agriculture, Fisheries and Forestry: *National Rural Advisory Council*: <<http://www.daff.gov.au/agriculture-food/drought/nrac>>.

2 Department of Agriculture, Fisheries and Forestry: *National Rural Advisory Council*: <<http://www.daff.gov.au/agriculture-food/drought/nrac>>.

3 Department of Agriculture, Fisheries and Forestry: *Definition of Exceptional Circumstances*: <<http://www.daff.gov.au/agriculture-food/drought/ec/background>>.

- 2.4 During the reporting period, declarations were due to expire in the River Murray and Lower Lakes Corridor, Bundarra and Eurobodalla regions.⁴ In reviewing EC declarations, NRAC must establish 'whether seasonal, agronomic and resource conditions have provided an opportunity for most producers within the EC declared area to return to typical farm management practices relevant to their enterprise type and production cycle.'⁵
- 2.5 NRAC's review concluded that the expiring declarations did not require renewal. As a result, Australia was deemed effectively drought-free for the first time in a decade.⁶
- 2.6 With no EC declarations to review, NRAC's work program shifted to project based work. From July 2012, NRAC's work program consisted of three assessments:
- Agricultural insurance products including multi-peril crop insurance (MPCI) and its feasibility in Australia;
 - The effectiveness of the Farm Management Deposit (FMD) Scheme; and
 - Agricultural employers' workforce planning capabilities.⁷
- 2.7 The Committee's inquiry canvassed the latter two assessments and these will be discussed in the following Chapter.

A renewed focus on drought reform

- 2.8 Since 1992, Australia's response to drought has been underpinned by the National Drought Policy (NDP). The NDP's objectives:
- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climate variability
 - facilitate the maintenance and protection of Australia's agricultural and environmental resources base during periods of climatic stress

4 Department of Agriculture, Fisheries and Forestry: *NRAC Annual Report*, p. 4

5 Department of Agriculture, Fisheries and Forestry: *Definition of Exceptional Circumstances*: <<http://www.daff.gov.au/agriculture-food/drought/ec/background>>.

6 Department of Agriculture, Fisheries and Forestry: *NRAC Annual Report*, p. 4

7 Department of Agriculture, Fisheries and Forestry: *NRAC Work Program 2012-13*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/work-program>>.

- facilitate the early recovery of agricultural and rural industries, consistent with long-term sustainable levels.⁸
- 2.9 The NDP saw the introduction of a number of drought assistance measures including the Rural Adjustment Scheme, providing interest rate subsidies and the Drought Relief Payment, providing income support for farmers in EC declared areas.⁹ In 1997, these payments were subsequently renamed the EC Interest Rate Subsidy and EC Relief Payment. Between 1996 and 2000 a number of other programs were established under the NDP including the Farm Management Deposits (FMD) scheme and the Rural Financial Counselling Service (RFCS).¹⁰ A number of these assistance measures form the basis for discussion in the following Chapter.
- 2.10 In 2008, a meeting of the Primary Industries Ministerial Council (now known as the Council of Australian Governments Standing Committee on Primary Industries or SCoPI) agreed that the approaches under the NDP regarding drought and EC were no longer appropriate.¹¹ This has led to a comprehensive review of the NDP and the development of new approaches to these issues. These will be discussed in more detail in the following Chapter.

8 Department of Agriculture, Fisheries and Forestry: *History of Drought Assistance and Reviews*: <<http://www.daff.gov.au/agriculture-food/drought/history>>.

9 Department of Agriculture, Fisheries and Forestry: *History of Drought Assistance and Reviews*: <<http://www.daff.gov.au/agriculture-food/drought/history>>.

10 Department of Agriculture, Fisheries and Forestry: *History of Drought Assistance and Reviews*: <<http://www.daff.gov.au/agriculture-food/drought/history>>.

11 Department of Agriculture, Fisheries and Forestry: *National Review of Drought Policy*: <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy>.

Issues and analysis

- 3.1 This chapter analyses the key issues that were highlighted during the Committee's inquiry. These issues are as follows:
- Composition of the National Rural Advisory Council (NRAC);
 - The future of drought assistance;
 - Social and support services;
 - Personal and business finance; and
 - Farming smarter.
- 3.2 The latter three topics stem from the package of drought reform measures proposed by the Council of Australian Governments' Standing Council on Primary Industries.¹

Composition of NRAC

- 3.3 As highlighted in Chapter 2, NRAC has a range of functions including the review of existing Exceptional Circumstances (EC) declarations.² The Committee was interested in the composition of NRAC in a period where no EC declarations were current (as of 30 April 2013),³ and while it

1 Council of Australian Governments' Standing Council on Primary Industries (SCoPI), *SCoPI 2 Communique* <<http://www.mincos.gov.au/communiques/scopi>>.

2 National Rural Advisory Council, *Annual Report 2011-12*, p. 6.

3 Department of Agriculture, Fisheries and Forestry, *Review of EC Areas* <http://www.daff.gov.au/agriculture-food/drought/nrac/assessment_of_ecdeclared_areas_january_2011>.

undertakes a significant program of work assessing a number of issues affecting the agribusiness sector. .⁴

- 3.4 Under section 6 of the *Rural Adjustment Act 1992* (Cth) (“the Act”), the Minister for Agriculture, Fisheries and Forestry (“the Minister”) may appoint no more than seven members to NRAC on a part time basis.⁵ Section 7 of the Act prescribes that members of NRAC may be appointed for a period not exceeding three years and for a maximum of three periods of appointment.⁶
- 3.5 The Act stipulates that NRAC’s membership must comprise a Chairperson and members holding relevant qualifications as prescribed. Section 6(3)(a) of the Act states that NRAC’s composition must include:
- (a) at least one is to be appointed, after consultation with State Ministers, to represent the States; and
 - (b) at least one is to be an officer of the Department appointed to represent the Commonwealth; and
 - (c) one is to be appointed to represent the National Farmers' Federation; and
 - (d) the others are to be appointed because of their expertise in economics, financial administration, banking, sustainable agriculture, regional adjustment, regional development, farm management or training.⁷
- 3.6 On release of NRAC’s 2011 – 12 Annual Report, the membership was comprised as follows:
- Chairperson;⁸
 - Two Australian Government representatives;⁹
 - State and Territory representative;¹⁰
 - Representative of the National Farmers Federation;¹¹

4 Department of Agriculture, Fisheries and Forestry, *NRAC Work Program 2012-13*, <<http://www.daff.gov.au/agriculture-food/drought/nrac/work-program>>.

5 Section 6(3)(a), *Rural Adjustment Act 1992* (Cth).

6 Section 7(1) & (2), *Rural Adjustment Act 1992* (Cth).

7 Section 6(3)(a), *Rural Adjustment Act 1992* (Cth).

8 National Rural Advisory Council, Annual Report 2011 – 12, p. 6.

9 National Rural Advisory Council, Annual Report 2011 – 12, p. 8.

10 National Rural Advisory Council, Annual Report 2011 – 12, p. 8.

11 National Rural Advisory Council, Annual Report 2011 – 12, p. 7.

- Member with expertise in farm management and training;¹²
- Member with expertise in finance and banking;¹³
- Member with expertise in regional development;¹⁴
- Member with expertise in sustainable agriculture;¹⁵

3.7 At the time of producing this report, NRAC was composed as follows:

- Chairperson¹⁶
- Australian Government Representative;¹⁷
- State and Territory representative, with expertise in agricultural productivity/industry development and operations;¹⁸
- Member with expertise in health and safety research, education and service delivery;¹⁹
- Representative of the National Farmers Federation;²⁰
- Member with expertise in sustainable agriculture/regional development;²¹
- Member with expertise in finance and banking;²² and
- Member with expertise in government and primary industries.²³

12 National Rural Advisory Council, *Annual Report 2011–12*, p. 7.

13 National Rural Advisory Council, *Annual Report 2011–12*, p. 7.

14 National Rural Advisory Council, *Annual Report 2011–12*, p. 7.

15 National Rural Advisory Council, *Annual Report 2011–12*, p. 8.

16 Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

17 Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

18 Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

19 Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

20 Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

21 Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

22 Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

23 Former Tasmanian Senator Kerry O'Brien. Department of Agriculture, Fisheries and Forestry, *NRAC Member Biographies*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/nrac-member-biographies>>.

- 3.8 It should be noted that while the specific skills, qualifications and experience of some members have differed over time, they remain consistent with the composition of NRAC as prescribed in the *Rural Adjustment Act 1992 (Cth)*.

Committee comment

- 3.9 NRAC has a significant program of project based work, as highlighted in Chapter 2, rather than focusing primarily on exceptional circumstances declarations. At present, this work is supported by NRAC members who are appointed for three year terms by the Minister for Agriculture, Fisheries and Forestry.
- 3.10 However, to ensure that relevant and timely expertise is available on NRAC, the Committee considers there is a need for NRAC to monitor the alignment between its composition and current work program. Should NRAC require specific expertise to assist current priorities, NRAC should recommend membership changes to the Minister for consideration. In order to ensure high quality outcomes, the Committee notes that from time to time the decision to replace a member of NRAC before their three year term has been completed may need to be made.

Recommendation 1

The Committee recommends that the National Rural Advisory Council monitor its composition and if necessary, make recommendations to the Minister for Agriculture, Fisheries and Forestry to ensure that its membership adequately reflects the skills needed to deliver high quality outcomes for its current work program.

The future of drought assistance

- 3.11 As stated in Chapter 2, the Australian Government has worked on reforming Australia's drought assistance program since 2008.²⁴ These aim at better planning for farmers and their families affected by drought rather than using the current Exceptional Circumstances (EC) model. These reforms stemmed from agreement between Commonwealth, State and Territory primary industries ministers that EC assistance programs as a feature of the National Drought Policy that began in 1992 were no longer appropriate given changing environmental conditions.²⁵
- 3.12 In reforming drought assistance measures, the Australian Government commissioned a review of the National Drought Policy.²⁶ The review assessed drought policy at the time through economic, social and climatic assessments, finding that:
- ... drought conditions in Australia were projected to occur more often and be more severe. It also recommended that drought assistance programs be restructured to help farmers better plan and prepare for drought rather than waiting until they are in crisis to offer assistance.²⁷
- 3.13 The economic assessment of the policy was conducted by the Productivity Commission that released its final report in 2009.²⁸ It found that a range of reforms were needed, including that the EC framework did not assist farmers to improve their self-reliance, preparedness and climate change management.²⁹

24 Department of Agriculture, Fisheries and Forestry, *National Review of Drought Policy*, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy>.

25 Department of Agriculture, Fisheries and Forestry, *National Review of Drought Policy*, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy>.

26 Department of Agriculture, Fisheries and Forestry, *National Review of Drought Policy*, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy>.

27 Department of Agriculture, Fisheries and Forestry, *National Drought Program Reform*, <<http://www.daff.gov.au/agriculture-food/drought/drought-program-reform>>.

28 Productivity Commission, *Government Drought Support*, <http://www.pc.gov.au/projects/inquiry/drought/report>>.

29 Productivity Commission, *Government Drought Support*, <<http://www.pc.gov.au/projects/inquiry/drought/report>>.

- 3.14 The social impact of the drought policy was conducted by an expert panel appointed by the Minister for Agriculture, Fisheries and Forestry.³⁰ The panel found that 'future policy should seek to move people towards an acceptance that future dryness will occur and is not a crisis, and that planning for dryness should be about personal, family, farm and community wellbeing'. Its report made a range of recommendations to the Australian Government based on a number of themes:
- observations on values, attitudes and policy;
 - planning for future dryness;
 - community;
 - families; and
 - delivering human support services (including education and training; human capital; health and wellbeing).³¹
- 3.15 The climatic assessment was undertaken jointly by the Australian Government Bureau of Meteorology and the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The assessment examined 'the implications of future climate change for the current exceptional circumstances (EC) standard of a one in 20-25 year event'.³² The assessment found that the current 'trigger' for an EC declaration was no longer appropriate given changing climatic conditions.³³ As a result, the assessment called for 'user-friendly, reliable and up-to-date location-specific information on historical climatic conditions and future climate variability'.³⁴ The report cited a number of areas for improving the current flow of information:

30 Department of Agriculture, Fisheries and Forestry, *Dryness Report*, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy/social_assessment/dryness-report>.

31 See Executive Summary, Department of Agriculture, Fisheries and Forestry, *Dryness Report*, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy/social_assessment/dryness-report>.

32 Department of Agriculture, Fisheries and Forestry, *Drought Impact Report*, p. 1, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy/climatic_assessment/drought-impact-report>.

33 Department of Agriculture, Fisheries and Forestry, *Drought Impact Report*, p. 1, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy/climatic_assessment/drought-impact-report>.

34 Department of Agriculture, Fisheries and Forestry, *Drought Impact Report*, p. 1, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy/climatic_assessment/drought-impact-report>.

- further improvement of drought monitoring capability and maintenance of networks for rainfall and other key climate observations;
- an online climate information system which readily integrates climate change projections with the historical database;
- participatory studies to more accurately identify the climate change information needs of the different rural sectors;
- research to improve climate change projections and seasonal-to-interannual forecasts, particularly with respect to specific rural sectors and a localised scale; and
- more detailed analyses of projected changes in exceptional climatic events in smaller regions and beyond the next 20-30 years.³⁵

3.16 Following the review, a pilot of selected drought reform measures was conducted in Western Australia in 2010 and was subsequently reviewed by an independent advisory panel. In October 2012, the Council of Australian Governments' Standing Committee on Primary Industries (SCoPI) agreed to a package that would assist primary producers prepare and better manage the effects of drought.³⁶ The Committee discussed both the pilot and SCoPI agreement with NRAC at its public hearing. It should be noted that the latter was formalised via an intergovernmental agreement some weeks after the Committee's public hearing.³⁷

WA pilot

3.17 Following the review of national drought policy, the Australian Government, in conjunction with the Western Australian Government piloted a range of drought reform measures in that State under a National

35 Department of Agriculture, Fisheries and Forestry, *Drought Impact Report*, p. 1, <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy/climatic_assessment/drought-impact-report>.

36 Council of Australian Governments' Standing Council on Primary Industries (SCoPI), *SCoPI 2 Communique* <<http://www.mincos.gov.au/communiques/scopi>>.

37 Council of Australian Governments' Standing Council on Primary Industries (SCoPI), *SCoPI 3 Communique* <<http://www.mincos.gov.au/communiques/scopi-3-communique>>. and also: Hon. Wayne Swan MP, Treasurer, *Fairer Finance for Aussie Farmers – Media Release*, <[http://www.treasurer.gov.au/wmsDisplayDocs.aspx?doc=pressreleases/2013/056.htm&pageID=003&min=wms&Year=&DocType=0](http://www.treasurer.gov.au/wmsDisplayDocs.aspx?doc=pressreleases/2013/056.htm&pa geID=003&min=wms&Year=&DocType=0)>.

Partnership Agreement in 2010.³⁸ This was subsequently renewed the following year.³⁹ The measures were:

... designed to move from a crisis management approach to risk management. The aim is to better support farmers, their families and rural communities in preparing for future challenges, rather than waiting until they are in crisis to seek assistance.⁴⁰

3.18 Specifically, the measures assessed in the pilot were:

- Farm planning: courses assisting farmers to develop or update strategic plans for their farm businesses including identification of priorities to improve the management and preparedness for future challenges;
- Building farm businesses: provides grants to eligible farm businesses to prepare and adapt for the impacts of drought, reduced water availability and changing climate. Grants also assist strategic planning for natural resource management;
- Stronger rural communities: measures assisting rural communities to prepare for and manage hardship through the development of social capital and community and social networks;
- Farm social support: better coordinated social support to meet the mental health, counselling and social support needs of farming communities;
- Farm family support: income support for farming families to help meet basic needs;
- Farm exit support: assistance to owners of farm businesses exiting the agricultural sector once they have managed to successfully sell their farm property;
- Beyond farming: putting current and former farmers in contact to discuss opportunities outside of farming;⁴¹

3.19 In 2011, the pilot was reviewed by an expert panel.⁴² The panel's Terms of Reference tasked it to:

38 Council of Australian Governments, *National Partnership Agreement on the Pilot of Drought Reform Measures in Western Australia* (2010)

39 Council of Australian Governments, *National Partnership Agreement on the Pilot of Drought Reform Measures in Western Australia* (2011)

40 Department of Agriculture, Fisheries and Forestry, *Drought Pilot Fact Sheet*, <http://www.daff.gov.au/agriculture-food/drought/drought-pilot/fact_sheet>.

41 Department of Agriculture, Fisheries and Forestry, *Drought Pilot Fact Sheet*, <http://www.daff.gov.au/agriculture-food/drought/drought-pilot/fact_sheet>.

- examine the efficiency, effectiveness and appropriateness, and preliminary outcomes of each measure of the pilot against its objective;
 - consider the preliminary outcomes of each measure and the overall pilot in terms of making progress towards long-term reform outcomes;
 - examine the effectiveness of the delivery model of each measure; and
 - make recommendations about how individual measures could be designed and delivered more efficiently and effectively.⁴³
- 3.20 The panel's review made 20 recommendations, concluding that a number of measures would provide a robust future policy platform:
- an income support safety net for farm families in hardship that is available based on demonstrated individual need
 - the permanent presence of social support services delivered via outreach to people in rural communities
 - continuing opportunities to engage in and implement strategic farm business planning
 - ongoing access to the Farm Management Deposit scheme and existing tax incentives for primary producers.⁴⁴

COAG reforms 2012

- 3.21 In progressing the Australian Government's drought reform agenda, the Council of Australian Governments' Standing Committee on Primary Industries (SCoPI) was tasked with 'developing proposals for a future drought policy package that moves from crisis management to a greater emphasis on risk management and preparedness by farmers'.⁴⁵
- 3.22 At its meeting in October 2012, SCoPI agreed to a new package of measures designed to 'help farmers better prepare for and manage business risks, including drought'.⁴⁶ The elements of the package, while

42 Department of Agriculture, Fisheries and Forestry, *Drought Pilot Review*, <<http://www.daff.gov.au/agriculture-food/drought/drought-pilot/drought-pilot-review>>.

43 Drought Pilot Review Panel (2011) *A Review of the Pilot of Drought Reform Measures in Western Australia*, p. 1.

44 Drought Pilot Review Panel (2011) *A Review of the Pilot of Drought Reform Measures in Western Australia*, p. 3.

45 Council of Australian Governments' Standing Council on Primary Industries (SCoPI), *SCOPI 1 Communique* <<http://www.mincos.gov.au/communiques/scopi-1>>.

46 Council of Australian Governments' Standing Council on Primary Industries (SCoPI), *SCOPI 2 Communique* <<http://www.mincos.gov.au/communiques/scopi>>.

still needing approval from individual governments, would be activated from 1 July 2014 and include:

- a farm household support payment;
- promoting Farm Management Deposits and taxation measures;
- a national approach to farm business training;
- a coordinated, collaborative approach to the provision of social support services; and
- tools and technologies to inform farmer decision making.⁴⁷

3.23 At its meeting on 3 May 2013 SCoPI formally agreed to an Intergovernmental Agreement on National Drought Program Reform.⁴⁸ It reaffirmed all elements agreed to at its previous meeting.

3.24 SCoPI also approved a Farm Finance package as part of the overall reforms. The package would 'provide assistance to viable agricultural businesses and help them prepare their businesses for the future'.⁴⁹ The package consists of a number of elements as follows:

- concessional loans to help restructure debt and invest in productivity;
- extra rural financial counsellors to work directly with farm businesses;
- progressing a nationally consistent approach to debt mediation across the country; and
- enhancing the Farm Management Deposits Scheme.⁵⁰

3.25 Each element of the Farm Finance package is subject to either agreements being reached between the Commonwealth, States and the Northern Territory or legislation being enacted in the Commonwealth Parliament.⁵¹

47 Council of Australian Governments' Standing Council on Primary Industries (SCoPI), *ScoPI 2 Communique* <<http://www.mincos.gov.au/communiques/scopi>>.

48 Department of Agriculture, Fisheries and Forestry, *Drought Program Reform* <<http://www.daff.gov.au/agriculture-food/drought/drought-program-reform>>.

49 Hon. Wayne Swan MP, Treasurer, *Fairer Finance for Aussie Farmers – Media Release*, <<http://www.treasurer.gov.au/wmsDisplayDocs.aspx?doc=pressreleases/2013/056.htm&pageID=003&min=wms&Year=&DocType=0>>.

50 Hon. Wayne Swan MP, Treasurer, *Fairer Finance for Aussie Farmers – Media Release*, <<http://www.treasurer.gov.au/wmsDisplayDocs.aspx?doc=pressreleases/2013/056.htm&pageID=003&min=wms&Year=&DocType=0>>.

51 Department of Agriculture, Fisheries and Forestry, *Farm Finance – Frequently asked questions*, <<http://www.daff.gov.au/agriculture-food/drought/assistance/farm-finance/farm-finance-faq>>

Committee comment

- 3.26 The Committee is pleased to see that seeking agreement on drought reform is a key plank of SCoPI's agenda. It is hoped that the announced reforms, and those still to come, will assist farming families and rural communities better prepare for times of hardship, rather than simply provide the traditional crisis based response.
- 3.27 Given that the implementation date of 1 July 2013 for some elements of the Farm Finance package is imminent, the Committee believes that it is imperative upon all stakeholders to finalise agreements and necessary legislation to enact all elements of this package as soon as possible to allow the benefits from this package to flow to farmers and communities throughout Australia.
- 3.28 As an aside, the Committee acknowledges the Queensland Government's decision to declare drought areas in that State during the course of the Committee's inquiry.⁵² However, this declaration is not at the national level and is therefore not discussed further in this report.
- 3.29 Noting the recent Intergovernmental agreement, the Committee hopes that all governments maintain the commitment to implement these reforms by 1 July 2014. Also, the Committee believes that the Australian Government should ensure that adequate measures are retained to support those in need where necessary prior to this date.

Recommendation 2

Given that regions across Australia are once again experiencing drought conditions, the Committee calls on the Australian Government, States and Territories to finalise the Farm Finance Package so that it can be implemented by 1 July 2013.

52 Australian Financial Review, *One Third of Queensland in Drought*, 29/4/13, <<http://iworks.factiva.com/archive/default.aspx?an=AFNR000020130429e94u00009&hls=&fn=&md=10&ao=0>> and also Hon. John McVeigh, Queensland Minister for Agriculture, Fisheries and Forestry, *Drought Support for 13 Council Areas – Media Release*, <<http://statements.qld.gov.au/Statement/2013/4/29/drought-support-for-13-council-areas>>.

Recommendation 3

The Committee recommends that the Australian Government, through the Council of Australian Governments' Standing Committee on Primary Industries, ensure that the complete new package of drought reform measures is agreed and implemented by the stated target date of 1 July 2014.

Social and support services

- 3.30 In times of hardship for farming families and rural communities, the adequacy and availability of social and support services is important. These ensure that those affected can continue to make the best decisions for their families, livelihood and communities.
- 3.31 The Committee, at its public hearing, discussed a range of social and support services available for those affected by drought with NRAC. In particular, the Committee asked NRAC about the provision of the Australian Government's 'drought bus' to assist affected communities.
- 3.32 The 'drought bus' or mobile service centres are operated by the Australian Government Department of Human Services to 'provide personalised face-to-face servicing to individuals and families who may not have easy access to government services' such as those offered by Medicare and Centrelink.⁵³ The drought bus, staffed by employees of the various government agencies, travels through various regional, rural and remote communities in Australia to provide services that are not immediately accessible in those communities. Importantly, these services include assistance with accessing the Australian Governments' existing drought assistance measures.
- 3.33 At the Committee's public hearing, NRAC noted that there was a level of stigma associated with the 'drought bus':
- ... there is very mixed feedback on the bus ... we hear some very mixed views about some people going to another town to get on the bus, because they do not want to be seen getting on it.⁵⁴

53 Department of Human Services, Mobile Services, <<http://www.humanservices.gov.au/customer/services/centrelink/mobile-service-centres>>.

54 Ms Fran Freeman, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 5.

- 3.34 To alleviate concerns of stigma, NRAC advised the Committee that during the Western Australian pilot study of drought reform measures, the drought bus made visits to individual farms to assist families.⁵⁵
- 3.35 NRAC also told the Committee that during the pilot study, a trial to better coordinate Australian Government and other service providers in regional, rural and remote areas was conducted.⁵⁶ NRAC stated that as part of the trial, government agency representatives including counsellors and mental health coordinators would:
- ... go to a community and we won't go and have five meetings one week at a time for different things. We will go to a community and have one meeting. It will ostensibly be about where you can get help for drought, but at the back of the room we will have a counsellor and a mental health coordinator and we will have the various government departments all sitting around ...⁵⁷
- 3.36 This was found to be effective as those suffering hardship could approach service providers personally and provide their details so that assistance could be provided at a later time.⁵⁸

Committee comment

- 3.37 The Committee believes that supporting farming families and communities is paramount during times of hardship and crisis.
- 3.38 The Committee acknowledges that the Australian Government has made significant efforts to ensure that services and support is extended to communities that have suffered during times of drought. Initiatives such as the 'drought bus' have increased the accessibility of services to some communities. The trial of coordinated attendance of government service providers in affected communities is also a welcome initiative which shows much potential for wider application..
- 3.39 The Committee believes however that while there is renewed focus on reforming drought programs through SCoPI, some areas could benefit from additional attention. In particular, while noting comments by NRAC relating to the attendance of counsellors and mental health coordinators at forums in communities suffering hardship, the Committee believes that there is some stigma attached when accessing mental and physical health

55 Ms Fran Freeman, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 5.

56 Ms Fran Freeman, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 4.

57 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 4.

58 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 4.

services in such settings. To better manage this, the Committee believes that governments should do everything they can to ensure that counselling and mental health services are accessible confidentially, such as via telephone or personalised visits. Consideration should also be given to improved access to local community structures, including support groups, to ensure linkages are made with those in similar circumstances if appropriate.

Personal and Business finance

- 3.40 An important issue to farmers, their families and communities experiencing hardship during times of drought is the ability to navigate financial difficulties and potentially access government support. However, evidence to the Committee suggests that some 70 per cent of farm-based businesses survived the drought without government assistance.⁵⁹
- 3.41 NRAC, in its advice to the Committee, noted that analysis of the number of farm-based businesses that survived the drought free of government assistance showed that 40 per cent of these businesses had turnover of less than \$100 000 per annum.⁶⁰ A high percentage of these businesses, many run at weekends and during the owners' spare time, derived income from 'off-farm' sources.⁶¹
- 3.42 Of those that are under the most pressure are farm businesses that have annual turnover between \$100 000 and \$500 000.⁶² NRAC identified a number of sources of financial pressure during its public hearing with the Committee. In the first instance, NRAC believes that financial pressure may stem from the fact that these particular businesses 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.⁶³
- 3.43 Additional pressure has also been felt from rising levels of debt following the drought. A recent report by ABARES suggests that:

59 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 9. See also Productivity Commission, *Government Drought Support*, p. xxv, <<http://www.pc.gov.au/projects/inquiry/drought/report>>.

60 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 9.

61 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 9.

62 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 9.

63 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 9.

Average debt per farm business more than doubled in real terms for broadacre farms between 2000–01 and 2006–07 from an average of \$247 000 per farm in 2000–01 to \$527 000 per farm in 2006–07. Debt for dairy industry farms increased by even more and continued to increase until 2008–09 from an average of \$328 000 per farm in 2000–01 to \$739 000 per farm in 2008–09.⁶⁴

3.44 This report also suggests that there a number of factors that have contributed to the increase in debt levels:

... including the effects of lower interest rates, increases in farm size, changes in commodities produced and reduced farm incomes in the 2000s as a consequence of widespread and extended drought conditions.⁶⁵

3.45 NRAC cautions that some of this debt may also be the result of farm businesses purchasing additional stock after the drought.⁶⁶

3.46 To alleviate some of the financial pressures faced by farming families a number of government-sponsored initiatives exist, including:

- the Rural Financial Counselling Service (RFCS), which provides impartial support to primary producers and others suffering hardship;
- payments and taxation-linked programs help farming families manage the basic cost of living and cash flow, such as the Transitional Farm Family Payment, and the Farm Management Deposits Scheme; and
- exit assistance programs, supporting farming families to consider if their agribusiness is no longer viable.

3.47 Farming families also have the option to manage their financial difficulties through the private banking system.

3.48 Each of these elements is discussed further below.

64 Australian Bureau of Agricultural Resource Economics and Science, *Australian Commodities, March Quarter 2013*, pp. 190 – 191:
http://www.daff.gov.au/abares/publications_remote_content/publication_series/australian_n_commodities?sq_content_src=%2BdXJsPWh0dHAIM0EIMkYIMkYxNDMuMTg4LjE3LjIwJTJGYW5yZGwIMkZEQUZGU2VydmIjZSUyRmRpc3BsYXkucGhwJTNGZmlkJTNEcGJfYWdjb21kOWFiY2MwMDQyMDEzMDNfMTFhLnhtbCZhbGw9MQ%3D%3D.

65 Australian Bureau of Agricultural Resource Economics and Science, *Australian Commodities, March Quarter 2013*, pp. 190 – 191:
http://www.daff.gov.au/abares/publications_remote_content/publication_series/australian_n_commodities?sq_content_src=%2BdXJsPWh0dHAIM0EIMkYIMkYxNDMuMTg4LjE3LjIwJTJGYW5yZGwIMkZEQUZGU2VydmIjZSUyRmRpc3BsYXkucGhwJTNGZmlkJTNEcGJfYWdjb21kOWFiY2MwMDQyMDEzMDNfMTFhLnhtbCZhbGw9MQ%3D%3D.

66 Ms Fran Freeman, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 6.

Rural Financial Counselling Service (RFCS)

- 3.49 The Rural Financial Counselling Service (RFCS) is administered by DAFF.⁶⁷ RFCS provides grants to state and regional organisations to provide free rural financial counselling to those in agribusiness suffering financial hardship and who have no other means of impartial support.⁶⁸
- 3.50 The objectives of services provided by RFCS are to:
- provide clients with access to financial information, options, decision support and referrals to other sources of industry, professional and government assistance;
 - empower clients to make their own decisions on how to most effectively manage change and adjustment issues; and
 - deliver effective, flexible and responsive services to those in need of assistance.⁶⁹
- 3.51 RFCS achieves these objectives through the use of qualified and experienced financial counsellors. RFCS counsellors 'cannot provide financial advice, succession planning or family, emotional or social counselling, but they can provide referrals to appropriate professionals and information on how to prepare for discussions with succession planning experts'.⁷⁰
- 3.52 The Committee was told that in relation to RFCS, there were two pressure points, being new applications for the Transitional Family Farm Payment (this is discussed below) and also an increase in clients seeking assistance from RFCS.⁷¹ The Australian Government has recently recognised the additional pressure being placed on RFCS by providing an additional 16 RFCS counsellors to support the current 110 counsellors.⁷²

67 Department of Agriculture, Fisheries and Forestry, *Rural Financial Counselling Services*, <<http://www.daff.gov.au/agriculture-food/drought/rfcs>>.

68 Department of Agriculture, Fisheries and Forestry, *Rural Financial Counselling Services*, <<http://www.daff.gov.au/agriculture-food/drought/rfcs>>.

69 Department of Agriculture, Fisheries and Forestry, *Rural Financial Counselling Services*, <http://www.daff.gov.au/agriculture-food/drought/rfcs/rfcs_program_charter>.

70 Department of Agriculture, Fisheries and Forestry, *Rural Financial Counselling Services Program Charter*, <http://www.daff.gov.au/agriculture-food/drought/rfcs/rfcs_program_charter>.

71 Ms Fran Freeman, Department of Agriculture, Fisheries and Forestry, *Transcript of Evidence*, Canberra, p. 5.

72 Hon. Wayne Swan MP, Treasurer, *Fairer Finance for Aussie Farmers – Media Release*, <<http://www.treasurer.gov.au/wmsDisplayDocs.aspx?doc=pressreleases/2013/056.htm&pageID=003&min=wms&Year=&DocType=0>>.

Transitional Farm Family Payment

- 3.53 The Committee was interested in the specific types of assistance provided to farming families experiencing financial hardship. NRAC advised the Committee that the Transitional Farm Family Payment provided eligible families with a maximum of 12 months' of income support payments.⁷³ The payment, in line with other Australian Government income support payments, aims to assist farming families to assess and improve their long-term financial security. Eligibility does not require provisions of the reason for hardship or of the recipient's physical location.⁷⁴
- 3.54 NRAC highlighted to the Committee that the Australian Government Department of Human Services is responsible for assessment, determining eligibility and administering the payment.⁷⁵ Under the payment, personalised assistance is also provided by the RFCS, which:

... is responsible for providing individualised case management assistance to farmers receiving the payment, and reviewing and reporting progress in meeting program requirements.⁷⁶

Farm Management Deposit Scheme

- 3.55 Another type of assistance provided to farming families experiencing hardship is the Farm Management Deposit (FMD) Scheme. The FMD provides tax incentives and also assists farming families to better manage their incomes in difficult times.
- 3.56 In a submission to the Committee, NRAC advised that:

The FMD Scheme is a tax-linked risk management tool that helps primary producers to be more self-reliant and better manage fluctuations in their income due to climate variability and market changes. Farm Management Deposits provide tax benefits if kept for at least 12 months, as tax is not payable on the income until the financial year it is withdrawn, when primary producers may benefit from a lower marginal tax rate. The FMD Scheme encourages individual farmers to set aside pre-tax income in good years for use in low-income years.⁷⁷

73 National Rural Advisory Council, Submission 1, p. 2.

74 National Rural Advisory Council, Submission 1, p. 2.

75 National Rural Advisory Council, Submission 1, p. 2.

76 National Rural Advisory Council, Submission 1, p. 2.

77 Department of Agriculture, Fisheries and Forestry, *Farm Management Deposits*, <<http://www.daff.gov.au/agriculture-food/drought/assistance/fmd>>.

3.57 As part of its current program of work, NRAC has been tasked with 'evaluating whether the scheme is meeting its policy objectives, and is supporting primary producers' abilities to manage their financial risk in preparing for future challenges such as climate variability and market fluctuations'.⁷⁸ In conducting its evaluation, NRAC considered a range of factors:

... including the appropriateness of the \$400 000 FMD cap and the \$65 000 non-primary production income threshold. NRAC also considered ways to increase participation in the scheme, including whether to expand it to include farm business structures currently not eligible to participate.⁷⁹

3.58 NRAC's assessment of the FMD scheme was released in April 2013, noting that it consulted stakeholders in reaching a number of conclusions. NRAC found that there was a high level of awareness of the FMD amongst the farming community however further action was needed to improve the 'understanding of the scheme as a risk management tool, especially with accounting peak bodies, financial institutions and farm organisations'.⁸⁰

3.59 NRAC also made a range of other recommendations aimed at improving the FMD including:

- a temporary increase in the threshold in the FMD's application to non-primary production income to allow farming families to diversify income streams during downturns;⁸¹
- a retention of the current \$400 000 individual cap on the FMD scheme to be reviewed every three years;⁸²
- retention of the capability for farmers to withdraw FMD funds early in cases of natural disaster without losing tax benefits;⁸³

78 Department of Agriculture, Fisheries and Forestry, *NRAC Work Program 2012-13*, <<http://www.daff.gov.au/agriculture-food/drought/nrac/work-program>>.

79 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 1.

80 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 1.

81 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 2.

82 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 1.

83 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 2.

- that an exemption against the loss of taxation benefits, similar to that applicable to farmers currently operating under EC declarations, be developed as part SCoPI's reforms;⁸⁴
 - to ensure a reduction in administrative burden as a result of operating multiple FMD accounts (each with a cap of \$400 000), FMD legislation should be amended to allow 'matured funds to be consolidated into a single account, under conditions that would not conflict with scheme objectives';⁸⁵ and
 - to improve collection, analysis and reporting of FMD scheme data, the Department of Agriculture, Fisheries and Forestry should continue to work with the Australian Taxation Office in relation to taxation data and Treasury in relation to taxation policy.⁸⁶
- 3.60 In responding to the issues highlighted by NRAC's assessment, the Australian Government has developed a number of measures under its 'Farm Finance' package.⁸⁷ In particular, it has announced that it will support NRAC's recommendations pertaining to increases in the non-primary production income threshold, the consolidation of existing FMD accounts from 1 July 2014.⁸⁸

Agribusiness exit assistance

- 3.61 In some circumstances and for some farming families, there may no longer be a viable benefit in remaining in the agricultural sector. In such circumstances, the Australian Government provided assistance for this purpose. Assistance to exit the agribusiness sector was:

... available for farm businesses whose owners are willing to leave the industry. This little used package (around \$10 million has been paid since 2007) consists of an Exit Grant, which provides a taxable

84 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 2.

85 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 2.

86 Department of Agriculture, Fisheries and Forestry, *Report on the Effectiveness of the Farm Management Deposits Scheme*, p. 2.

87 Department of Agriculture, Fisheries and Forestry, *Farm Finance* <<http://www.daff.gov.au/agriculture-food/drought/assistance/farm-finance>>

88 Department of Agriculture, Fisheries and Forestry, *Farm Finance* <<http://www.daff.gov.au/agriculture-food/drought/assistance/farm-finance>>

one-off payment of up to \$150 000, an Advice and Retraining Grant, and a Relocation Grant.⁸⁹

- 3.62 Citing results of the program in the context of the Western Australian pilot of drought assistance measures, NRAC stated:

There were certain eligibility criteria and you could receive up to \$150,000. Then there were additional payments to either retrain or relocate. The outcome of the pilot was interesting. Previously, when they had had exceptional circumstances declarations, no-one in WA had actually ever left the farm. In the pilot there were 14 individuals who sold up through that mechanism. Exit programs have had mixed success, historically. They were used in exceptional circumstance areas, but they are only available to a certain cohort. They have to meet a range of criteria.⁹⁰

- 3.63 In assessing the effectiveness of the program, the review of the Western Australian pilot of drought assistance measures concluded that:

... the panel is of the view that exit packages alone are not an inducement to leave farming for most farmers because they do not address the non-monetary reasons why farmers prefer to remain on their farms.

The panel noted that Beyond Farming was being trialled as part of the pilot to help address non-monetary reasons for staying on-farm. The panel also sees value utilising other programs such as Farm Planning and Farm Family Support to further support farmers who are considering their options outside farming.⁹¹

- 3.64 In recommending that the Australian Government abolish exit packages for those involved in the farming sector, the Productivity Commission highlighted the low number of applications received from prospective participants. The Commission also stated:

One reason for the low uptake of the package is the grant's strict eligibility requirements. The program also fails to address the non-monetary reasons why many farmers remain on the farm – the lack of formal recognition and portability of the skills learned

89 Productivity Commission, *Government Drought Support*, p. xxiii, <<http://www.pc.gov.au/projects/inquiry/drought/report>>

90 Ms Fran Freeman, Department of Agriculture, Fisheries and Forestry, *Transcript of Evidence*, Canberra, p. 2.

91 Drought Pilot Review Panel (2011) *A Review of the Pilot of Drought Reform Measures in Western Australia*, p. 80.

during farming and the reluctance to move away from the family home and local community.⁹²

Private banking

- 3.65 In times of financial hardship, an obvious source of relief is through the private banking system. The role of private banks in the agribusiness sector, in addition to their traditional roles of providing financial solutions, has also included assisting farming families to access interest rate subsidies provided by the Australian Government.
- 3.66 As part of the current National Drought Program arrangements, the Australian Government provided farming families affected by EC declarations with an EC Interest Rate Subsidy. The Productivity Commission, in its report on *Government Drought Support*, described this subsidy as being:
- ...provided to farm businesses and farm dependent rural small businesses that are in financial difficulty but deemed viable in the long-term. A subsidy of up to 50 per cent of the interest payable on loans (excluding recent property purchases) is provided in the first year and up to 80 per cent in subsequent years. Recipients' payments are capped at \$500 000 over five years.⁹³
- 3.67 The Productivity Commission suggested that this scheme had proven highly divisive in rural communities. This is because evidence suggested that the subsidy reduced self-reliance strategies by farmers such as earning 'off-farm' income and also made recipients less responsive in times of drought.⁹⁴ NRAC provided further evidence on this view, with one representative who held experience in the banking industry noting:
- There was plenty of talk that the bank would make sure that the viability of a farm enterprise was not reliant upon an interest subsidy and so forth. It was always drummed into us to make that clear. But, at the end of the day, there were recipients who became dependent on it. From a banking perspective it was welcome, but, at the end of the day, it did not solve the problems in many

92 Productivity Commission, *Government Drought Support*, p. xxxii, <<http://www.pc.gov.au/projects/inquiry/drought/report>>.

93 Productivity Commission, *Government Drought Support*, p. xxiii, <<http://www.pc.gov.au/projects/inquiry/drought/report>>

94 Productivity Commission, *Government Drought Support*, p. xxx, <<http://www.pc.gov.au/projects/inquiry/drought/report>>.

cases – especially where it became longer term assistance rather than just short, sharp assistance.⁹⁵

- 3.68 The Commission recommended that the subsidy program be terminated subject to transition arrangements. The Australian Government subsequently did so in April 2012.⁹⁶

Committee comment

- 3.69 The severity of recent drought-like conditions in Australia has placed a significant burden on those farming families and rural communities for whom agribusinesses is a way of life. The Committee understands that these conditions placed many agribusinesses in difficult financial circumstances and left some owners' questioning the viability of their operations.
- 3.70 The Committee is encouraged by SCoPI's recent announcement of measures that will underpin Australia's response to drought in the future. While it is likely that many farming families will benefit from these reforms, the issue of immediate relief from financial difficulties may be more pressing. This is particularly so as levels of debt carried by some agribusiness continues to rise.
- 3.71 The Committee is of the view that where farmers and their families experience financial difficulties, assistance they would benefit from seeking RFCS counsellor assistance in the first instance. These counsellors bring an understanding of current assistance measures that can be applied to individual family circumstances. RFCS can also begin the process of assisting farming families apply for available assistance. The Committee commends the Australian Government response to the need for additional RFCS counsellors in its recent announcement of the *Farm Finance* package.
- 3.72 The Committee understands that farming families face difficult decisions in regards to their financial or agribusiness futures. In many cases, these decisions will not only be difficult but will require that timely decisions are made in order to maximise the assistance available to families and also minimise additional financial burdens. Timely decisions also minimise government funds being supplied sometimes over several years. The

95 Mr Andrew Locke, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 2 Hansard

96 Hon. Joe Ludwig MP, Minister for Agriculture, Fisheries and Forestry, Australia to be Drought Free – Media Release, 27/4/12, http://www.maff.gov.au/media_office/media_releases/media_releases/2012/april/Australia-to-be-drought-free.

Committee believes that the Australian Government should do more to assist in encouraging timely decisions by farmers; but should also provide assistance to these families in making these tough decisions. Decisions by families should be supported by transitional advice, training and if necessary, financial assistance. The Committee hopes that once farming families are well informed about the options available to them that they will be able to make the difficult decisions required about their futures with as much confidence as possible.

Farming smarter

- 3.73 Improving farming practices to ensure that the maximum agricultural yield is obtained will greatly enhance opportunities for farmers and rural communities. The following section will consider a number of issues concerning how farmers can benefit from improved yields through the use predictive tools and will also consider workforce planning issues.

Improved tools for decision-making

- 3.74 Making informed decisions that consider the impact of changing environmental conditions on agricultural production assists farming families and rural communities to better plan operations. A range of tools exist that allow farmers to not only better manage risks associated with environmental factors but also increase agricultural productivity.
- 3.75 In managing risk, NRAC highlighted the weekly climate update provided by ABARES.⁹⁷ The update, a useful planning tool, provides 'access to up to date climate, water and commodity information in a single report' and is available online and free of charge to farmers.⁹⁸
- 3.76 NRAC also cited another aspect of the Western Australian drought reform pilot study where predictive tools were used to assist farmers. In conjunction with the Commonwealth Bureau of Meteorology and the Western Australian Government, participants in the study could access:

97 Ms Fran Freeman, Department of Agriculture, Fisheries and Forestry, *Transcript of Evidence*, Canberra, p. 5.

98 Department of Agriculture, Fisheries and Forestry, *Weekly ABARES Update*, <http://www.daff.gov.au/abares/publications/weekly_update>.

... a bulletproof weather station that collects humidity, wind direction, rainfall et cetera and transmits it back to a central location.⁹⁹

- 3.77 NRAC told the Committee that the outcomes for farmers through the use of tools such as the weather station meant that they could:

... track where they are in terms of rainfall deciles, in terms of crop maturity. We heard examples of people saying, 'We got to a point where we knew that, if we put in any put more inputs, it was going to be a waste of time, so we actually sprayed the crop out.' So it is a much more informed decision-making process. It was really just a quite simple thing. I think the farmers were actually involved in populating the country with another 120 or so weather stations so that data was more localised and readily available. I thought it was a quite simple example of a little bit of information and a bit of technology suddenly changing the way farmers went about their business.¹⁰⁰

- 3.78 Finally, NRAC cited the example of minimum tillage cropping systems that:

... now allow very opportune cropping operations in areas you would never have considered viable for cropping, simply because you can sow the crop within a matter of days and take advantage of rainfall as it occurs, rather than having to have the crop committed well before you know what the situation is.¹⁰¹

Workforce planning

- 3.79 Ensuring that an agribusiness maintains a willing and well-skilled workforce is vital to its success. The Committee was interested in hearing from NRAC about how workforce planning can impact agricultural businesses.
- 3.80 NRAC advised that smaller businesses were the most impacted by workforce planning difficulties, particularly when it came to providing development opportunities for its employees and succession planning for business continuity.

99 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 8.

100 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, pp. 8-9.

101 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 10.

3.81 In addressing these issues, NRAC highlighted to the Committee its current project assessing the workforce planning capabilities of agricultural employers. NRAC's assessment will:

- Identify the role and benefits that workforce planning and human resource capacity play in the retention and skilling of agricultural employees.
- Identify and assess the extent to which agricultural employers currently engage in workforce planning and human resource activities.
- Identify the pathways agricultural employers use to access information on training, development, and recruitment for their workforce.
- Assess agricultural employers' experience and ability to access existing skills, training and development programs.
- Investigate what qualifications and skills agricultural employers may need to acquire in order to improve their approach to the training and development needs of their workforce.
- Identify and assess whether agricultural employers' needs and approach to workforce planning differs between sectors and between geographic regions.
- Identify options for improving any shortcomings in agricultural employers' use of training and development.
- Canvas the views of key stakeholders.¹⁰²

3.82 NRAC advised the Committee that its assessment had not yet been completed, but that in conducting its assessment:

... three of the members of the council, plus the staff, went to northern New South Wales and spoke to quite a range of different groups: individual farmers, cotton gins and Aboriginal employment services A second group of us went to South Australia and went to Murray Bridge and a range of different centres there and had interviews with a whole range of groups. A third group went to Tasmania and went through the same process there for a couple of days ...¹⁰³

102 Department of Agriculture, Fisheries and Forestry, Workforce Planning <<http://www.daff.gov.au/agriculture-food/drought/nrac/work-program/workforce-planning>>.

103 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 8.

3.83 NRAC's extensive consultations had found that larger employers encouraged career pathways for younger employees.¹⁰⁴ NRAC suggested that difficulties arose:

... at the individual farm level, the family farm level, where there might be one or two employees – or in fact the employee might be the son and the father and the workforce development program consists of a kick in the backside at the appropriate time.¹⁰⁵

3.84 NRAC suggested that succession planning, in addition to career development, was also a challenge for smaller agribusinesses.¹⁰⁶ To address this challenge, NRAC again cited the WA drought reform pilot study. Part of the study involved a training program that included a component on succession planning. Involvement in this program required all members of the business to participate. It was noted that involvement by all members of often smaller businesses:

... made a quite substantial difference. It was not the wife or one partner in the business going in, getting all these bright new ideas, coming back and getting kicked around the shearing shed because it was 'stupid'. The fact that they brought all partners into that process and said, 'Where is your plan for succession?' I think created a different dynamic, which was quite useful.¹⁰⁷

Committee comment

3.85 The Committee considers that improved workforce planning practices, including the development of employees' skills and agribusiness succession planning, are vital in ensuring the success of smaller agricultural businesses. The Committee also considers that improved risk management practices, accounting for environmental conditions will increase the longer-term viability of these businesses.

3.86 The Committee acknowledges that workforce planning issues are challenging and can significantly impact on operations. The Committee understands that smaller businesses may encounter issues such as the retention of staff either through the lack of training, development and progression opportunities or through competition from other sectors such as mining, that offer attractive benefits. Smaller businesses may also encounter issues of succession planning, particularly where a younger

104 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 7.

105 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 7.

106 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 7.

107 Mr Michael Keogh, National Rural Advisory Council, *Transcript of Evidence*, Canberra, p. 7.

generation may wish to leave the sector. In moving to address these issues, the Committee looks forward to the results of the assessment currently being conducted by NRAC. Based on information provided on NRAC's website, the Committee anticipates this report to be released in the near future. The Australian Government, through SCoPI, should ensure that these findings are considered in the development of their drought reform package where appropriate.

- 3.87 The Committee's inquiry also provided it with further information on some of the tools available to agribusiness in managing the risks associated with farming. In particular, the Committee encourages operators of agribusinesses to consider in the first instance easily accessible environmental planning tools such as the free weekly updates as produced by ABARES. The Committee would also encourage the Australian Government, via SCoPI, to ensure that as part of the drought reforms the agricultural sector is well apprised of other risk management tools, such as advanced weather stations.

Hon. Dick Adams MP
Chair



Appendix A – Public Hearing

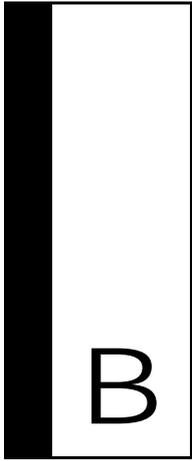
Wednesday, 20 March 2013 - CANBERRA

National Rural Advisory Council:

Ms Fran Freeman, Commonwealth Representative and First Assistant Secretary, Climate Change Division, Department of Agriculture, Fisheries and Forestry.

Mr Michael Keogh, Chair

Mr Andrew Locke, Member



Appendix B – Submission

1 National Rural Advisory Council

