



Joint Select Committee on the Australia Fund Establishment
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Joint Select Committee on the Australia Fund Establishment. The NFF was established in 1979 and is the peak national body representing Australian farmers. The NFF represents a broad cross section of the agriculture sector across Australia, encompassing the breadth and the length of today's supply chain. Its membership comprises all of Australia's major agricultural commodities.

Australian agriculture competes with other sectors of the national economy for human, land and capital resources; while making a significant contribution to export earnings of around \$38 billion per annum¹. As part of that cross-economy investment process, business or sector volatility is an important consideration.

There is a large amount of variability between agricultural commodities, but overall Australian agriculture is and remains, the most volatile sector of the Australian economy over the past four decades². 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 appropriate or as useful for the agriculture sector—particularly in relation to business debt and equity levels.

Even though their operating environment is extremely volatile, Australian farmers are much more self-sufficient than their international competitors (with whom we compete on both an international and domestic level). At 0.2% of National GDP, Australian agriculture has the

¹ http://data.daff.gov.au/data/warehouse/agcstd9abcc002/agcstd9abcc0022013/ACS_2013_1.0.0.pdf

² Including Risk in Enterprise Decisions in Australia's Riskiest Businesses, Mick Keogh AFI, Farm Policy Journal vol9. No.1 Autumn 2012.

lowest level of support in the world³. 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 Australian Government has rightly identified, agriculture is a key pillar of the Australian economy.

While there is general agreement that seasonal variability is a normal feature of a farmer's operating environment and should be managed like any other risk, in recognition of the severe volatility of performance of the Australian agriculture sector, even the best farmer cannot be expected to cope through a severe or prolonged natural disaster events. Given this unique operating environment of Australian farmers, characterised by this highly variable climate, as well as exposure to international market forces and minimal Government intervention, it is particularly important that funding arrangements are effective in the mitigation, resilience and recovery of farm businesses in the face natural disaster events.

In the NFF's view, natural disaster funding arrangements must have a clear focus on both preparedness and mitigation. Australian farmers already invest heavily to prepare for and manage weather events, but government support in helping facilitate this is vital. The NFF has called for support to be given to the Bureau of Meteorology and related weather-related information sources, for both short-term weather accuracy and also longer-term seasonal forecasting, as well as increased investment in programs such as the Managing Climate Variability Program. These programs are critical in helping farmers prepare for extreme weather events. However, whilst such investment in preparedness is important, it must not come at the expense of a maintained focus on in-event and recovery support. In light of this, sound mitigation investment that does not compromise in-event and/or recovery support, should be a clear focus for any natural disaster funding.

The Natural Disaster Relief and Recovery Arrangements (NDRRA) provides a framework for the Australian Government and states to collaboratively support the community and businesses following natural disaster events. To date the NDRRA has provided a strong framework for cross-jurisdictional action during times of natural disaster. While improvements can always be made, the arrangements have helped facilitate state responses where interstate management is required and supported the development of national emergency management capability. It is critical that cross-jurisdiction coordination and support is embedded in any changes to natural disaster support mechanisms.

In addition to the range of natural disasters covered under the NDRRA (bushfire; earthquake; flood; storm; cyclone; storm surge; landslide; tsunami; meteorite strike; or tornado), drought is another key climatic factor that Australian farmers take into consideration in the operation of their business—it is a factor that is part of growing food and fibre in the Australia's variable climate. However, sometimes drought conditions extend beyond what should be expected as reasonable to prepare for. The current drought across much of the country (with particularly severe impacts in Queensland and New South Wales) exemplifies this.

Concerning specific drought assistance arrangements, a lack of clear and consistent commitment from all levels of government has been witnessed since the dismantling of the Exceptional Circumstances framework without a suitable replacement. This has disappointingly led to worse outcomes, with government at all levels not committing adequately to funding preparedness and then subsequently responding ad-hoc to drought

³ <http://www.oecd.org/tad/agricultural-policies/monitoring-and-evaluation.htm>

events, rather than through a transparent and consistent framework. The NFF believes it is important that the governments provide drought assistance to businesses in a consistent, structured manner that places sufficient effort on preparedness, in-event support and recovery. Within this inquiry, a holistic focus approach to drought policy should be considered in addition to other natural disaster events.

In summary, ongoing government commitment to a well-funded and transparent framework for natural disaster response and drought policy is critical to Australian agriculture. Hence, this inquiry's deliberations must be underpinned by some key principles to ensure the best support for agriculture in times of need. Firstly, holistic and transparent support that clearly recognises the need to help individuals and businesses adequately prepare for, respond to and rebuild after the event is of utmost importance. Secondly, drought must be recognised as an issue that sits outside natural disaster frameworks, but significantly impacts the operation of farm businesses. Finally, it must be ensured that no reduction in overall funding occurs as a result of establishing new response frameworks—it is important the Australian Government identifies the most appropriate way to fund these critical initiatives that ensure resilience of rural businesses and communities.

Yours sincerely,

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