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25 November 2014



**SHIRE
COUNCIL**

A.B.N. 19 499 848 443

80 CASTLEREAGH STREET
COONAMBLE NSW 2829

Mr Andrew Laming MP
Chair
Joint Select Committee on the Australia Fund Establishment
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir

RE: COONAMBLE SHIRE COUNCIL SUBMISSION

Please find attached a submission on behalf of Coonambale Shire Council to the Joint Select Committee on the Australia Fund Establishment.

Council welcomes the opportunity to have input on this important topic for regional Australia. The issues raised have been discussed by Council's Economic Development Committee.

Yours faithfully

RICK WARREN
General Manager
Encl.



**COONAMBLE SHIRE COUNCIL SUBMISSION TO THE JOINT SELECT COMMITTEE
ON
THE AUSTRALIA FUND ESTABLISHMENT
NOVEMBER 2014**

Coonamble Shire Council supports the establishment of the Australia Fund to support rural industries in crisis and support communities affected by natural disasters.

Background:

Rural industries underpin the nation's wealth. The Australia Fund is an opportunity to stimulate innovation, entrepreneurship and the entry of a new generation into agriculture and related industries, by reducing the risk to individual businesses created by natural disasters. The amelioration of risk associated with primary production allows Australia the opportunity to feed Asia without extended lag recovery periods after natural disasters or disease outbreaks which disrupt production, denying the government taxation income and the nation wealth.

Australia's capacity to help feed others improves our National security as other nations strive to get resources in an ever expanding world. Food production must advance at 5% per annum to achieve the Federal Governments goals. In order to meet this challenge, rural industries require assistance to achieve financial stability in the face of an inherently volatile physical environment and world market. Combined with technology, engineering and genetic gains, having suitable mechanisms in place to improve the financial viability of the nation's primary producers will position Australia to be world leaders.

With regard to the Committee's Terms of Reference, Council supports the establishment of a fund to support rural industries and associated businesses affected by natural disasters. Rather than providing emergency relief, loans, or grants it would be advisable to implement initiatives that (alongside preparedness programs) foster self-help, build the capability of industry to withstand natural disasters, and reinforce long term business viability.

There are a range of potential strategies available to government which could be explored via The Australia Fund. One of these is to encourage the creation of and participation in an affordable and sustainable Multi-Peril Insurance Scheme for all primary producers and associated businesses operating in rural areas.

Local Context: Coonamble Economy & the Current Drought

Coonamble Shire is 9,955 square km (995,500ha) located in north west NSW and the economy is heavily agriculture-reliant. The farming sector revolves around broadacre dryland cropping and livestock production. At the last census, 27.8% of the population was employed in some kind of farming.

In 2011, 60.5% of the businesses in the Shire were agricultural. The vast majority of non-agriculture sectors are also heavily reliant on agricultural businesses for their annual income. There are few Coonamble Shire businesses immune to the fluctuating fortunes of agriculture.

Coonamble's long term average annual rainfall is 505mm. Rainfall recorded from January to December 2013 was 269.8 mm. Since 1878 there have only been 12 years (including 2013) to receive less than 300mm. Ten of these years were prior to and included 1957. The only other year since 1957 receiving less than 300 mm was 2002, the beginning of the 'millenium drought' which ended in 2009/10. Since that time the district has experienced two flood events and, in 2012/13, around 70% of the Shire area slipped back into drought along with our northern neighbours.

Many producers have now experienced over 2 years without reasonable income, magnified by the expense of sowing and spraying two failed crops. Lack of water run-off remains an issue across almost 100% of the Shire area. The Rural Financial Counselling Service and local accountants report an increasing number of agricultural enterprises reaching the end of their borrowings with banks.

For the non-farm sector, there has been a definite downturn since March last year becoming markedly worse since October 2103 with another large fall in March this year. The district's businesses are facing the compounding effects of the drought-flood-flood-drought and loss of skills and population is again an immediate risk.

Council and the community are working hard to diversify and strengthen the economic base of the Shire. Our efforts to innovate and grow are periodically stalled through lack of investment, falling business confidence, and out-flow of skills and population as a direct result of a natural disaster that temporarily sets-back the key industry that underpins economic activity in our region. We do not want a short-term fix. Measures to improve security of income and employment in agriculture, and those businesses that support agriculture, are critical to our region's future.

Finding a Multi-Peril Production Insurance Model

Council is particularly interested in government investment in investigating, designing and establishing a broad-based, affordable and sustainable national model of Multi-Peril Insurance which could be made available to all primary industry enterprises. While the model may require government financial assistance, it should focus on encouraging self-help. It should concentrate on covering the costs of production (rather than projected losses), and not be restricted to cropping, but be available for livestock, horticulture, aquaculture and other industries, including value-adding enterprises and sectors servicing the agricultural industry.

Council believes the development of any model needs to be a collaborative effort involving primary producers, banks, insurance companies, and government. The value of multi-peril crop insurance should be considered, not as a stand-alone alternative, but alongside other existing means for coping with the effects of climatic variability. Rural businesses need a range of tools at their disposal to manage climate risk (eg. geographical spread, enterprise diversification, off-farm investment, FMDs) and the suite of options should be expanded to include insurance cover for multiple perils including drought and flood.

We understand that previous investigations into Multi-Peril Insurance have focused predominantly on cropping, and on yield-based insurance, which limits the spread of risk and raises questions around projected yield and measurement that seriously undermine the potential viability of commercial schemes. Focus on cover for production costs (including farm wages) should simplify assessment and allow farmers to continue production on a year to year basis which in turn will support ongoing employment and income within and beyond the rural sector. Extension of cover to all primary producers and weather-dependent agribusiness Australia wide would enhance a scheme's commercial viability.

Precedence exists in Australia for government support to encourage participation in a broad-based insurance scheme. A levy, compulsory contribution or rebate system that covers all primary industry and associated businesses could be applied in a similar way that green slips, health insurance rebates, or superannuation contributions guarantee participation in other insurance programs of national significance. The Australia Fund could contribute to reducing assessment costs for individual enterprises, and should invest in R&D towards better financial modelling, medium to long term weather forecasting, and measuring the impact of adverse weather events.

The Australia Fund & Sustainability

We believe the Australia Fund could act as a mechanism to provide support to any or all rural-based industries directly or substantially impacted in a time of natural disaster, and to allow rural industries to better manage seasonal volatility. The loss of production during extreme events has a serious flow-on effect in regional Australia that begins with the livelihoods of thousands of farmers and their families and extends quickly to slash the incomes of other agribusiness and non-farm businesses located in affected areas. Helping these businesses to mitigate risk and retain access to working capital in times of need will have substantial flow-on benefits and ultimately contribute to the long term viability of rural and regional economies and communities. It will also help producers to maintain productivity and contribute to national food security over the long term.

While government-funded natural disaster preparedness programs have demonstrable and long-lasting benefits, the traditional responses to support businesses in times of natural disaster have been selective, slow, costly, highly politicised, short-lived and inadequate to arrest financial indebtedness, business failure, rural unemployment and population drift; and even less effective in supporting businesses to recommence operation as the disaster recedes. This inability to assist rural businesses deal with the financial realities of operating in a volatile climate, means that government's mental health and social supports are mere band-aids in the face of persistent financial stress. Rural businesses and regional communities seek a partner in government who will work towards finding a sustainable source of self-help that provides certainty and security into the future.

Conclusion

While rural Australia is strong and resilient, intermittent natural disasters reduce the capacity of rural-based industries to perform and grow in line with national targets. Government, industry and other stakeholders need to work together towards putting strategies and mechanisms in place which will minimise or spread the financial risks that come with operating in a volatile climate.

Coonamble Shire Council and local stakeholders see a broad-based Multi-Peril Production Insurance Scheme as one strategy with potential to provide a reasonable level of security on a self-help basis to primary producers and other rural-based enterprises. We urge the Government to consider the Australia Fund as a possible vehicle to investigate, design and implement a national, affordable Multi-Peril Insurance Scheme that can work alongside other initiatives to reduce the need for crisis intervention in times of natural disaster.

RICK WARREN
General Manager