



4 December 2014

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

By email: australiafund.sen@aph.gov.au

Re: The Australia Fund Establishment Inquiry

GrainGrowers is Australia's only national, independent, member-based, technically resourced, grain producer organisation. We appreciate the opportunity to provide a submission to the Parliamentary Joint Select Committee on The Australia Fund Establishment.

The Australian grain crop is worth \$13 billion per annum, and represents more than 25 percent of total farm production. The sector includes some 22,000 farming businesses, the majority of which are family businesses and between them generate a total of more than 179,000 jobs as a direct or indirect result of grain production. Grain production is important in all states of Australia and is the primary provider of economic activity to many non-coastal regional communities

GrainGrowers works to make a more efficient, sustainable and profitable grains industry for all Australian grain producers. It is our strongly held view that the most effective way to support rural industries such as the grains industry and their communities, is to bolster and enhance the capacity of the industries to thrive in their own right over the long term. This means that well operating and profitable businesses should be supported in their ventures. Regulatory and operating environments should be geared to assist profitable businesses plan for the potential of adverse operating conditions.

In regard to this specifically, we fully support:

The continuation and expansion of the Farm Management Deposits (FMD) Scheme. Our submission to the Agriculture Competitiveness White Paper includes our recommendations to:

- increase the \$400,000 deposit limit;
- increase the \$100,000 off farm income cap (this was recently increased from \$65,000 to \$100,000, however, GrainGrowers supports further increasing the cap as this would ensure grain farmers are not penalised for seeking off-farm income as an alternative to risk management practice and takes into account the increasing scale required of grain farms).
- re-establish early access provisions for times of drought. This will enable FMD holders facing drought to withdraw their funds within 12 months of deposit without losing the tax benefits of the scheme.



It is unclear in the information provided in relation to this inquiry how broadly the Fund's remit will be cast. The pre-eminent current concern to the grains industry is prolonged drought. Our view with respect to drought is:

- We support the necessity for Australian family farm operators to be given access to a safety net as is afforded to others across our society. This necessarily requires that criteria for access to safety net social assistance is accommodating of the nature of farm ownership and farm asset values, especially in the short-term.
- Assistance with preparedness for drought is preferable to after the fact relief.
- Development and support of a Multi-Peril Crop Insurance scheme with government backing is an efficient way for support to be provided, and it has precedents internationally.
- Subsidised finance (i.e., interest rate at market rate minus an allowance), so that it recognises the special conditions around maintaining agricultural production but is still linked to market signals, is preferable to unlinked support.
- ALL support should be linked to the expectation that farmers are adopting best management practices / using effective farm business decision technology, and so is linked to demonstration of performance and ongoing viability.

While drought is front and centre of mind in many areas presently, natural disaster events that have crisis potential for our industry also include flood, hail, frost, fire and disease events. In many cases the greater unpredictability of events such as severe hail storms, especially at later stages of the growing season when all production costs have been expended, can be more damaging. We recommend you consider the wider range of natural disaster perils in your remit as the principles should be consistent in most cases.

From the limited information available to us regarding the background and intention of the Fund, it appears the concept is in its early stages. As it proceeds we would welcome the opportunity to contribute further to your inquiry.

Yours sincerely,

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