



17 February 2020

Senator McDonald
Standing Committee Chair
Senate Standing Committee on Rural and Regional Affairs and Transport
Via: rrat.sen@aph.gov.au

Dear Senator McDonald,

Re: Federal Government's response to drought

GrainGrowers is a national grain farmer representative organisation with 17,000 grower members across Australia. Our vision is a more efficient, sustainable and profitable grains industry for all Australian grain farmers. GrainGrowers welcomes this opportunity to provide feedback to the *Federal Government's response to the drought and the adequacy and appropriateness of policies and measures to support farmers, regional communities and the Australian economy.*

As you are aware drought is one of the most significant risks faced by regional communities and Australian agriculture. GrainGrowers believes farmers are in the best position to assess the risks they face and take active steps to adopt risk management strategies that consider their individual needs and circumstances. Governments have a responsibility to ensure the environment farmers operate in is open with limited barriers that impede upon a farming enterprises ability to adopt and implement preparedness and resilience measures.

Attached you will find GrainGrowers' drought policy. Our drought policy outlines the actions governments should take now in order to respond to the current pressures of drought along with empowering growers to manage their risks. We have taken this opportunity to also provide our Future Drought Fund submission.

Yours sincerely,

David McKeon
CEO
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GRAINGROWERS' DROUGHT POLICY



Drought is one of the most significant risks faced by regional communities and is a regular feature of the Australian agricultural landscape. There is a need for an enduring, coordinated and effective national drought policy in Australia.



GRAINGROWERS' DROUGHT POLICY PRINCIPLES

- Growers should have access to risk management tools that strengthen the social, environmental and financial resilience of farm business and help support the communities they operate in.
- Governments play a role in ensuring the environment in which farming businesses operate is open with few barriers that impede upon a farming enterprises ability to adopt and implement preparedness and resilience measures.
- Government should provide a basic safety net for farmers.
- Government support for farmers should not foster market distortions or promote poor business operating practices. GrainGrowers does not support transaction-based subsidies.
- Government support should recognise that new entrants play a critical role in ensuring a strong, vibrant and enduring agriculture sector and that newer entrants often face greater impediments in implementing preparedness and resilience measures compared to established businesses.

GRAINGROWERS' DROUGHT ASKS

1. Growers in severe drought should be provided with an option to defer local government rates for a defined period to alleviate the pressure felt on them and their family.
2. Farmers in severe drought should be provided with an option to receive temporary support to help cover the payroll expenses of on-farm employees. This ensures that farmers can retain employees and helps prevent a decline in regional populations and communities.
3. Farm businesses should be supported in developing and maintaining a business plan that considers all risks including drought.
4. Growers and their staff are supported in accessing ongoing training and development that (a) improve the enterprises' sustainability, preparedness and resilience to risks such as drought; and (b) supports the transition to post-farming employment should an enterprise be no longer viable.
5. The Commonwealth Government should implement all recommendations outlined in the Farm Household Allowance Review 2019 (other than that of Recommendation 1) by 31 December 2020.
6. Governments should invest in supporting succession planning through the provision of funds for farmers to access professional services and advice and by providing stamp duty and capital gains tax exemptions during drought.
7. Farmers must have access to affordable and accessible finance options through the Regional Investment Corporation that supports their viability, sustainability and resilience.
8. Government assist with the establishment of a viable and sustainable crop income protection market by 2024 so that farmers can access tools to manage their own risks.
9. Farm Management Deposits should be made available to all farming business structures (i.e. companies and trusts) to improve uptake and effectiveness as a risk management tool.
10. The Commonwealth Government Future Drought Fund builds the resilience of all farmers irrespective of size or commodity type.



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13 December 2019

Mr Brent Finlay
Future Drought Fund Chairperson
Australian Government Department of Agriculture
Via: droughtresilience@agriculture.gov.au

Dear Mr Finlay

Re: Drought Resilience Funding Plan 2020 to 2024

GrainGrowers is a national grain farmer representative organisation with 17,000 grower members across Australia. Our vision is a more efficient, sustainable and profitable grains industry for all Australian grain farmers. GrainGrowers welcomes this opportunity to provide feedback to the *Future Drought Fund – Drought Resilience Funding Plan 2020 to 2024 Draft consultation* (the Plan).

GrainGrowers is pleased by the commitment taken to ensure the agricultural sector has a secure fund of \$100 million per annum to be allocated towards continuous improvement and resilience of farming enterprises and the communities they reside in. The investment should be focused on new initiatives, which must be measurable in their impact and ability to deliver for farmers irrespective of their size or commodity type. The Fund is an opportunity to establish a baseline and then focus on specific areas to drive tangible outcomes. We implore the Fund is not used to duplicate or substitute current programs in a cost shifting opportunity.

The following submission outlines GrainGrowers' response to the consultation draft and provides recommendations for ensuring this opportunity is maximised to benefit farmers and regional communities.

Yours sincerely,

David McKeon
CEO
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RECOMMENDATIONS

GrainGrowers is supportive of the Commonwealth's commitment of ongoing funds to be directed towards drought preparedness and resilience building. This is essential in the context of a changing and variable climate which is impacting how and where we produce Australia's food and fibre. Fundamentally, GrainGrowers believes that the Future Drought Fund should be used to accelerate activities or practice change that wouldn't happen without it. The Fund should not be used to cost shift existing Commonwealth or state funded activities or programs.

The following submission responds to the administration and evaluation of the Future Drought Fund along with outlining what GrainGrowers views on areas necessary for building the economic, environmental and social resilience of farmers. Specific recommendations include:

- GrainGrowers recommends that the Future Drought Fund Plan should include a prioritisation framework to inform transparent decision making. This is key to ensure funded initiatives results in real and substantial change, have clear impact, and represents value for money.
- GrainGrowers recommends that in order to improve the financial capability and resilience of farming enterprises the Plan's focus needs to be skills development, benchmarking, risk and natural capital incentives and tools (such as insurance) as well as property development activities.
- GrainGrowers recommends that to empower growers to enhance environmental resilience through sustainable practices and effective natural resource management the Plan's focus should be on improved information to inform decision making, natural capital incentives and skills development.
- GrainGrowers recommends that in order to improve the resilience of our human capital the Plan's focus should be on strengthening our regional leadership and supporting the physical and mental wellbeing of all who live in these communities.
- GrainGrowers recommends that the first Future Drought Fund Plan should incorporate a focus on undertaking a stocktake and analysis of Australian farming enterprises' resilience, benchmarking and supporting the development of risk management incentives.

ABOUT AUSTRALIAN GRAINS INDUSTRY AND DROUGHT

The grains sector is a powerhouse of regional Australia with 22,000 farm businesses growing on average 45 million tonnes of grains, oilseeds and pulses each year for domestic and global customers. The farm-gate value of Australian grain production is \$14.2 billion, contributing 22% of the value of Australian agriculture. We are a major contributor the Australian economy, directly employing over 100,000 people.

The Australian agricultural sector is striving to reach \$100 billion by 2030, up from current value of \$65 billion. A significant increase in the value of farm production in a decade is clearly a challenging task. However, the Australian grain industry has a history of

transformational change, underpinned by research and development and innovative farm businesses.

Grains are produced in all Australian states and territories. Australia's total winter crop area is around 24 million hectares each year, with summer crop area around 1.3 million hectares. Nearly 40% of winter crop is concentrated in Western Australia, followed by 25% in New South Wales.

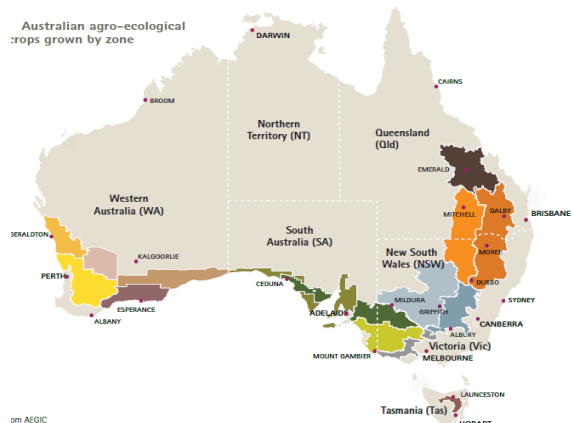


Figure 1 Australian grain production regions
Source: AEGIC

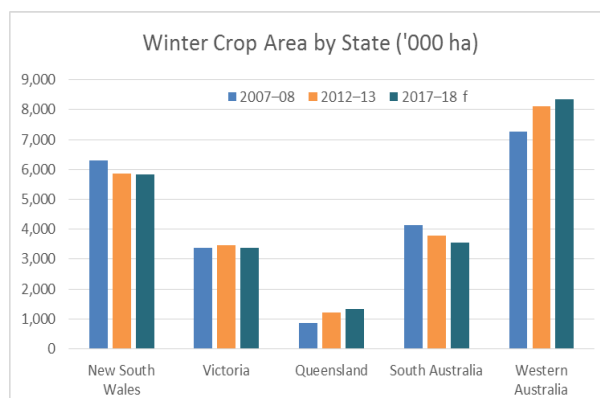


Figure 2 Winter crop area by state
Source: ABARES

The Australian grain industry is export focused with approximately 70% of total production sold to overseas customers in normal (non-drought) years. Total Australian grains exports are typically around 30 million tonnes per annum.

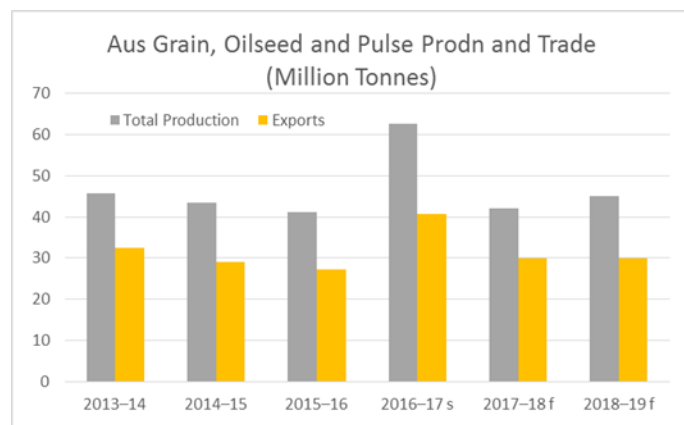


Figure 3 Australian grain production and trade
Source: ABARES

There is a large amount of variability between agricultural commodity groups, but overall Australian agriculture is and remains, the most volatile sector of the Australian economy. Despite the challenges, Australian farmers have consistently found productivity improvements greater than other sectors of the economy and sought to meet the community expectations around running sustainable enterprises.

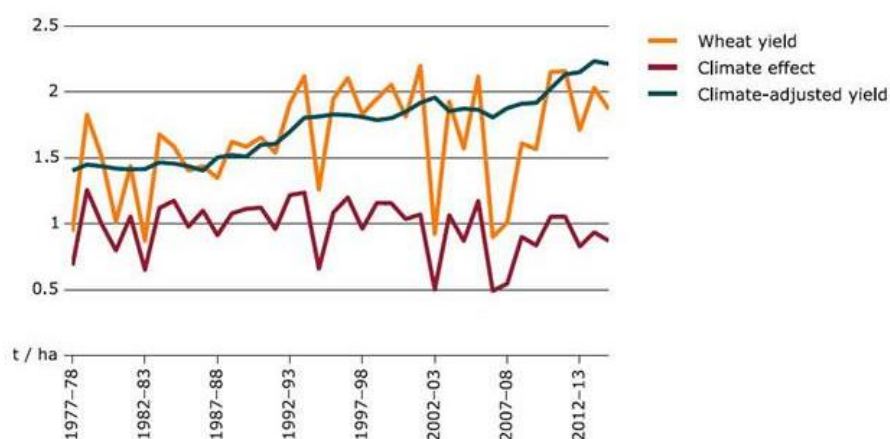


Figure 1 Average climate-adjustment wheat yields 1977-78 to 2014-15

Source: ABARES (2017) *Farm performance and climate: Climate-adjustment productivity for broadacre cropping farms*.

FUTURE DROUGHT FUND

GrainGrowers welcomes the commitment made to ensuring drought receives ongoing attention and moves away from the largely reactive, and crisis-response in-drought decisions. Australian growers are seeking certainty for drought policy and programs that seek to reduce the environmental, financial and human costs of managing climate risk. Successful implementation of the Plan and the funds will be when growers are acknowledged for their proactive management efforts and number of enterprises more resilient to drought events. The Plan should see the bringing together of expertise needed to build resilience and address the social, financial and environmental factors of drought and the business cycles growers are exposed to.

The current situation agriculture finds itself in is one that is highly exposed to messages of drought and information of various support measures. It is the hope of GrainGrowers that the Fund does not add to the noise and confusion some farmers are being exposed to. The Fund should be cognisant of the environment it operates in, and whilst its remit is responding to future drought events, the Plan should not become narrow in its focus of its four-year horizon. There needs to be long-medium and short-term strategic programs that span beyond the four-year plan. In addition, GrainGrowers acknowledges that the Fund is an opportunity for collaboration with various stakeholders and other jurisdictions, however diligence should be taken to ensure no unnecessary administrative costs are incurred when awarding projects to other parties.

This key principle of continuous improvement is acknowledged with the inclusion of a required Productivity Commission review of the Fund every three years. GrainGrowers supports this measure as a suitable independent process to ensure drought remains on the agenda. However, it is recommended that the Terms of Reference not be limited to observing the effectiveness and economic, social and environmental outcomes of the

measures associated with the Plan. The review should comment on the effectiveness, efficiency and impact of not only the Plan but also all Commonwealth and jurisdictional drought resilience measures. This will provide a complete picture of the level of preparedness and resilience and encourage alignment of effort and focus.

RECOMMENDATION: The Future Drought Fund's review process (Productivity Commission Review) should not be limited to making comment on the effectiveness, efficiency and impact of the fund's projects but all drought and resilience measures.

The development of a monitoring, evaluation and learning framework is supported for it will not only inform short-term improvements but also identify long-term benefits of the fund for both farming enterprises and communities. GrainGrowers recommends that this framework be developed with industry to ensure that relevant data points are captured that can assist in monitoring and evaluation. The framework should also consider existing industry metrics used by entities such as Research and Development Corporations, private agribusinesses or farming systems groups. Metrics should not be limited to reporting on the dollar spent or individuals engaged in programs but incorporate robust monitoring of the impact associated with the fund such as Australia's ability to continue to produce food and fibre as well as the impact on clients' behavior, business position and general satisfaction with the performance of the program

RECOMMENDATION: GrainGrowers supports the development of a monitoring, evaluation, reporting and learning framework and recommends that this should be developed with industry and draw upon existing work.

It is noted that the draft Plan does not indicate how projects will be prioritised or outline how this process would be undertaken. The projects that are of priority should be known publicly. Suggested metrics that the panel should look to incorporate:

- Impact to agricultural industry: does the project or the issue being addressed have wide-sweeping opportunities for change from the status quo?
- Ability to influence / control: can the project and its outcomes influence change within the industry?
- Landscape assessment: an assessment of other stakeholders operating within the proposed project's scope and evaluation of whether the project should be undertaken by government.
- Portfolio mix: identification of the mix of programs across social, environmental and economic as well as farming enterprise focused projects and community projects.

RECOMMENDATION: GrainGrowers recommends that the Future Drought Fund Panel considers a prioritisation framework to include in the Plan.

GrainGrowers supports the Vision outlined in the draft Plan, however, believes that sustainability is not just limited to that of the environmental strategic priority and has economic and social impacts as well. It has been noted that at several of the community

consultations the theme of 'practice change' has been identified as being fundamental to improving on-farm resilience. It should be recognised that there have been substantial shifts in practice and systems which have allowed farmers to better manage during this drought than previously. An opportunity for the Fund could be to explore what best practice changes really have made a difference during this drought compared to previous events. This scope of work could then assist organisations within the Agricultural sector in promoting these examples of change through communication rather than looking for new solutions.

ECONOMIC RESILIENCE FOR AN INNOVATIVE AND VIABLE FARMING SECTOR

GrainGrowers believes that in order to improve the financial capability and resilience of both farming enterprises and regional communities the focus needs to be on:

- Skills development to improve the financial, risk management, and business skills of farmers which not only benefits to the enterprise but also flow through to the localised economy. It is recommended that the Plan see activities that support the creation of business and risk management plans that consider events such as drought as being eligible.
- Benchmarking and case studies of commodities resilience so single enterprises can understand how they are performing amongst its peers.
- Risk management incentives and assisting in the development and uptake of tools such as agricultural income protection products.
- Natural capital incentives for the protection and management of natural resources when under pressure in times of drought.
- Building individual business financial reserves to ensure the ability to manage and recover from drought
- Wealth-generation activities such as property development through improved water, seed and feed security.

GrainGrowers supports several of the activities outlined in the draft Plan however would like to stress that all work undertaken needs to have the farmer as its primary focus. Any activities that seek to collect data for farmers use to inform decisions needs to be accessible, understandable and adaptable to the enterprise and the systems they have in place. Existing information sources and decision processes that farmers use should be enhanced and not duplicated.

The activity that refers to the development of '*a research, development, extension and adoption strategy*' is not supported by GrainGrowers. This activity should not be under the remit of this fund but should be undertaken by government agencies and the Research and Development Corporations. GrainGrowers believes this strategy should already be undertaken by the Commonwealth agencies and the RDCs rather than accessing the limited funds attached to the plan.

GrainGrowers strongly supports the suggested Collaboration and Building Capacity action recommendation that observes the provisions of information such as that of soil health. We

believe that the information growers are actively seeking in this space is insights into their soil health and the benchmarks associated with soil carbon and other key nutrients. Careful attention must be taken to not overcrowd already complex information pathways for farmers but enhancing existing information sources and knowledge pathways.

ENVIRONMENTAL RESILIENCE FOR SUSTAINABLE FARMING LANDSCAPES

GrainGrowers believes that to empower growers to enhance environmental resilience through sustainable practices and effective natural resource management, the needs that should be addressed include, noting that these activities should see a response from Government and aren't under the remit of the Fund:

- Access and incorporation of information and use of evaluation tools to inform scenario planning. Activities could include baselining of soil carbon levels on farm.
- Encouragement for on-farm conservation / public good activities to maintain and enhance Natural Capital for which they should be paid.
- Skills development to enhance production management skills and the ability to access and analyse to relevant information. For example, improvement to land, climate, water, soil and weather data to inform farmer's scenario planning and management decisions.

Again, GrainGrowers recognises the significant contribution made by the Government through initiatives such as Landcare. Care must be taken not to duplicate these activities but focus on additional activities that have a specific focus on enhancing landscape management during periods of drought.

GrainGrowers supports the inclusion of eligible actions outlined in the draft Plan associated with new markets such as ecosystem services to enhance resilience and management of natural resources.

SOCIAL RESILIENCE FOR RESOURCEFUL AND ADAPTABLE COMMUNITIES

GrainGrowers supports the incorporation of human side of drought into the draft Plan. This aspect should not only be focused on the social resilience of farming communities but also the social resilience of those on farm. Focus of the Plan should be on:

- Strengthening leadership: training and development of formal (local, regional and industry bodies) and informal (business owners) rural leaders.
- Protection of physical and mental wellbeing through scenario planning.

Our regional communities also feel the impact of the same agricultural cycles farming enterprises exposed to. Like that of farming enterprises, who are encouraged to look at diversified income streams to spread their risk, so too should regional communities. While it isn't under the remit of the Plan, it should be acknowledged that there are interconnections with other policy areas such as regional development that will assist in building resilience, such as:

- Core services associated with upholding and improving wellbeing
- Infrastructure enablers such as telecommunications, roads and water.

GrainGrowers notes that the draft Plan outlines potential actions to consider small-scale infrastructure projects. GrainGrowers questions how these activities would be assessed and prioritised. Whilst they are important to building resilience, given the pool of funding available these types of projects would take up a significant portion of what is available. If government has interest in this space, GrainGrowers recommends these activities would be better serviced through the establishment of a Building Regions Fund that is established upon the principles of building resilience and responding to a changing climate.

It is noted that the draft Plan does not consider the most vulnerable farming enterprises being that of new entrants. GrainGrowers implores the Commonwealth and panel to recognise the role new entrants play in ensuring a strong, vibrant and enduring agricultural sector and are often a segment that face great impediments to prepare for risks such as drought.

FIRST PLAN

GrainGrowers believes that the Future Drought Fund's first four years of the plan should consider the following approach:

1. Stocktake and analysis of farming resilience:
 - a. Establishing a framework to evaluate the effectiveness and impact of drought programs during this event compared to previous.
 - b. Analysis of each sector / commodity and how they have responded and adapted to the recent and ongoing drought event.
 - c. Analysis of primary producer skills and attitudes towards drought preparedness.
 - d. Assessment of drought impacts on natural capital impacts (including soil health); for example, establishing a baseline for soil carbon
 - e. Assessment of economic impacts caused by drought
2. Benchmarking
 - a. Establishment of best practice benchmarking and case studies
 - b. Understanding the impact of poor practice through benchmarking
3. Identifying incentives
 - a. Risk management incentives
 - b. Natural capital incentives
 - c. Financial incentives

RECOMMENDATION: GrainGrowers recommends that the first Future Drought Fund Plan should incorporate a focus on undertaking a stocktake and analysis of Australian farming enterprises' resilience, benchmarking and supporting the development of risk management incentives.

CONCLUSION

GrainGrowers welcomes the opportunity to provide a submission to the *Future Drought Fund – Drought Resilience Funding Plan 2020 to 2024 Draft consultation*. The Grains industry has continued to provide significant contributions to the Australian economy and public good. It is critical that our growers are empowered to prepare for future droughts and that all, irrespective of size have the opportunity to benefit from the Plan. Once again, we fundamentally believe that the Future Drought Fund should be used to accelerate activities or practice change that wouldn't happen without it.

We implore the panel to consider the recommendations outlined in this submission