



Australian Government
National Drought and North Queensland
Flood Response and Recovery Agency



Senator Glenn Sterle
Chair of the Rural and Regional Affairs and Transport References Committee
c/o Committee Secretary
PO Box 6100
Parliament House
CANBERRA ACT 2600

28 February 2020

Dear Senator

As you may be aware, the National Drought and North Queensland Flood Response and Recovery Agency (the Agency) was established by the Prime Minister on 5 December 2019 to provide strategic policy advice, leadership and coordination of the Australian Government's drought response, recovery and preparation initiatives, and harness opportunities for improved collaboration and coordination across jurisdictions on drought matters.

To date, the Australian Government has committed over \$8 billion to support drought response, recovery and build preparedness. The Agency is working to ensure that the Government's investment in drought support measures delivers the desired outcomes for the individuals, businesses and communities impacted.

The Agency works collaboratively with communities, all levels of government, agricultural organisations and non-government organisations to support those who are living through the immediate and longer-term effects of drought, ensuring they're given the right level and type of support and advice at the right time so they are able to better prepare for and withstand future droughts.

Since its establishment, the Agency has spent significant time in drought affected communities across the Northern Territory, Queensland, New South Wales and Tasmania and in coming weeks will be engaging with communities in the remaining States and Territories. Outcomes from Agency engagement activities have highlighted that many farmers appear unaware of the various measures in place, eligibility criteria and who is funding the initiatives and why. As requested by the Australian Government, the Agency will provide advice on how this can best be addressed along with advice on what further actions may be appropriate.

Consistent with the Agency's 'boots on the ground' approach, work is well progressed on the engagement of Regional Recovery Officers. These officers will work closely on the ground with other Australian Government agencies, such as the Rural Financial Counselling Service and the Regional Investment Corporation, to assist communities impacted by drought. The officers are an important conduit between people in our regions and the Australian Government.

The recent rain in some parts of Australia, as encouraging as it is, is not sufficient to break the drought across the Australian landscape. Large swathes of eastern Australia have been in drought for periods ranging from one year to several years, with the record dry conditions prompting calls for further federal and state measures.

As the drought's severity has increased, so too has the Australian Government's response. The Agency would welcome the opportunity speak with the Committee about the contents of this Submission.

Yours sincerely

The Hon. Shane Stone AC QC



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The National Drought and North Queensland Flood Response and Recovery Agency's Submission to the Inquiry into 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.

Agency Role and Responsibility

The National Drought and North Queensland Flood Response and Recovery Agency (the Agency) was established by the Prime Minister on 5 December 2019 to provide strategic policy advice, leadership and coordination of the Australian Government's drought response, recovery and preparation initiatives.

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Since its establishment, the Agency has spent significant time in drought affected communities across the Northern Territory, Queensland, New South Wales and Tasmania. Further trips to the remaining States and Territories will be undertaken in the coming weeks. Outcomes from Agency engagement activities have highlighted that many farmers appear unaware of the various measures in place, eligibility criteria and who is funding them. As requested by the Government, the Agency will provide advice on how this can best be addressed along with advice on what further actions may be appropriate.

Consistent with the Agency's 'boots on the ground' approach, work is well progressed on the engagement of Regional Recovery Officers. These officers will work closely on the ground with other Australian Government agencies, such as the Rural Financial Counselling Service and the Regional Investment Corporation, to assist communities impacted by drought. The officers are an important conduit between people in our regions and the Australian Government (see Appendix 1).

To date, the Australian Government has committed over \$8 billion to support drought response, resilience and build preparedness. As the drought evolves, the Government will continue to do whatever it takes to support farming families and the rural, remote and regional economies that rely on them. The Agency is working to ensure that the Government's investment in drought support measures delivers the desired outcomes for the individuals, businesses and communities impacted.



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Introduction

The recent rain in some parts of Australia, as encouraging as it is, certainly is not sufficient to break the drought across the Australian landscape.

NSW mixed farmer and grazier and current President of the National Farmers' Federation, Ms Fiona Simson, described the current drought impacting vast areas of Australia as "the worst drought conditions in 100 years". ABARES' Chief Commodity Analyst Peter Gooday is on record saying "the total volume of agricultural production is forecast to fall for a third-consecutive year, which hasn't happened for more than 60 years".

Large swathes of eastern Australia have been in drought for periods ranging from one year to seven years¹, with the record dry conditions prompting calls for further federal and state measures. As the devastating drought continues to impact farmers and agriculture dependent communities (see Appendix 2 showing 24 month rainfall deficiencies up to 31 January 2020), the Australian Government has continued to increase its response to the drought.

The effects of the drought are complex and can vary greatly across locations and farm business. That is why the Government has a range of direct and indirect support measures for drought-affected farmers, small businesses, and communities. The Australian Government's response to the drought is not set and forget. The Australian Government will continue to monitor the effectiveness of drought policy settings and assistance measures and adjust as necessary to ensure they are providing the level of targeted assistance required and efforts are not unnecessarily duplicated or critical issues overlooked.

National Drought Agreement

On 12 December 2018, the Council of Australian Governments agreed and signed a new National Drought Agreement (NDA) (Appendix 3 refers). The NDA sets out a joint approach to drought preparedness, responses and recovery, with a focus on accountability and transparency. The agreement recognises the need to support farming businesses and farming communities to manage and prepare for climate change and variability. It focusses measures across all jurisdictions on bolstering risk management practices and enhancing long-term preparedness and resilience. The agreement provides a framework to enable consistency of drought policy and reform objectives and complementarity of drought preparedness, response and recovery programs. This agreement also complements other measures taken by jurisdictions to promote adaptation to climate change.

The government will continue to support people and invest in impacted communities to get through this drought, recover, rebuild and prepare for the next one. The Australian Government recognises there is more work to be done and a greater level of cooperation and collaboration across all levels of government is essential to ensuring farmers and communities are accessing the available

¹ The Queensland Government have had drought declared Local Government Areas since 2013. Visit: <https://www.longpaddock.qld.gov.au/drought/archive/>



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support. This will ensure that farmers, communities and small business can access the support they need so they can put food on the table and money continues to flow in regional communities.

The Australian Government's drought support measures

On 7 November 2019, the Australian Government released the *Drought Response, Resilience and Preparedness Plan* (Appendix 4 refers). The Plan is underpinned by the Government's drought support measures, which are summarised at Appendix 5.

Measures that care for people

Farm Household Allowance

The 2013 *Intergovernmental Agreement on National Drought Program Reform* and the 2018 *National Drought Agreement* set out that the Australian Government is responsible for funding and delivering a time-limited farm household support payment based on individual and farming family needs.

The Farm Household Allowance (FHA) was introduced in 2014 and as at the end of January 2020, more than \$406 million has been paid to 13,700 recipients. The FHA is a vital hand-up for farm families experiencing hardship.

The FHA provides up to \$1,008 (varies depending on individual circumstances) to a farming couple each fortnight for a maximum of four years in ten. To address feedback about complex paperwork and detailed forms to complete, the Government has continued to expand and enhance the FHA. This includes a significant redesign of the application process and key policy settings, changing the off-farm income offset, a more simplified assets test, and paying one consistent rate, rather than one that fluctuates fortnightly.

From December 2019, people whose time on the FHA has expired will receive a lump sum Relief Payment that is the equivalent of six months on the payment. Single FHA recipients receive \$7,500 while recipients who are members of a couple receive \$6,500 each.

There is currently a Bill before Parliament proposing improvements to the FHA settings (see: https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bld=r6493). The Bill is the Government's final instalment in response to the independent review into the FHA program. The review was undertaken in 2018 and released in May 2019 (*Rebuilding the FHA: a better way forward for supporting farmers in financial hardship*).

Drought Community Support Initiative

There has been substantial, unprecedented demand for the Drought Community Support Initiative (DCSI). On 20 February 2020, the Australian Government announced it has committed a further \$82.75 million to extend the DCSI, taking the total committed under this measure to more than \$180 million since 2018.



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Through the DCSI, the Australian Government provides up to \$3,000 in immediate financial assistance to farm dependent households, farm workers, contractors and suppliers experiencing financial hardship because of the drought. The payment can cover day-to-day living expenses such as groceries, vehicle maintenance, energy and utility bills and school fees.

The DCSI is delivered by The Salvation Army and St Vincent de Paul Society in the Local Government Areas (LGAs) eligible for the Drought Communities Programme (DCP) Extension. Eligible individuals in the 52 new DCP extension LGAs (announced 28 January 2020), along with the previously announced 128 LGAs, will now also be able to access the DCSI payment.

In a complementary, but separate measure, in June 2019, the Country Women's Association of Australia was provided \$5 million to make similar payments to farming households from its Disaster Relief Fund for drought relief in NSW. These Drought Aid Grants are available for a wide range of expenses up to a maximum of \$3,000 per individual applicant or household.

Drought Community Outreach Activities

On 20 February 2020, the Australian Government committed \$10 million for Drought Community Outreach Activities which bring together community members and share with them important information about available drought support and how to access it. Rather than expecting drought hit farmers to come to the agencies, under the initiative Australian Government agencies (often in partnership with state government agencies and non-government organisations) travel to drought hit communities to assist farming households. The events provide face-to-face confidential conversations to farmers and community members suffering the impacts of drought.

In 2019, the Australian Government conducted 72 Drought Outreach Community Activities in New South Wales, Victoria, South Australia and Queensland. The sessions were attended by approximately 2,500 farmers and community members across rural, remote and regional communities. Australian Government agencies involved included the Australian Taxation Office, Services Australia, along with NBN Co., state agriculture and natural resource management organisations, peak agricultural bodies, the Rural Financial Counselling Service and Royal Flying Doctor Services. The sessions were also an opportunity to learn what policy and program settings are working well, where improvements are required and to identify gaps in drought support and recovery measures.

Rural Financial Counselling Service

Drought can be a major source of financial stress for farmers and their communities. For farmers, seeing their crops fail, selling breeding stock, long hours of feeding animals and land deterioration can take its toll. Since 2016 the Australian Government has invested more than \$77 million in the Rural Financial Counselling Service (RFCS) program. In 2018-19 the RFCS assisted over 6,600 clients, which was an increase of more than 1,700 clients from the previous financial year. The RFCS offers free financial counselling tailored to individual farm businesses who are suffering financial hardship and can help them to identify financial and business options. The RFCS can



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also put farmers and graziers in touch with trusted advocates that can provide appropriate personal counselling.

Farm Debt Mediation

In February 2019, the Australian Government agreed to establish a national Farm Debt Mediation Scheme (as part of its response to the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry), and supported banks offering farm debt mediation as soon as a loan is classified as distressed. The Government is seeking to have this scheme in place with states and territories by mid-2020.

Drought Community Small Business Support Program

To complement the RFCS program, the Australian Government has committed \$7 million to establish a pilot financial counselling service to assist small businesses in drought-affected communities. The Drought Communities Small Business Support Program assists small businesses in rural and regional communities impacted by the drought to understand their financial position and identify options and implement plans to improve the financial viability of their business.

Regional Investment Corporation loans

In 2018, the Australian Government established the Regional Investment Corporation (RIC) to deliver \$2 billion in nationally consistent concessional loans to farmers. The RIC offers drought loans to help farmers prepare, manage and recover from drought. Since its establishment until 31 January 2020, the RIC has approved 411 applications totalling \$428 million.

RIC drought loan repayments are tailored to the cash flow of the business. This will assist farmers being able to manage through the drought by buying fodder, agistment of livestock, transporting water and netting of horticulture, and when it does rain recover quicker through replanting and restocking assistance. Under the current loans, farmers can borrow up to \$2 million to fund drought-related activities, refinance debt, enhance productivity or pay for operating expenses or capital.

Small businesses are the lifeblood of our regional communities. The Australian Government is supporting farm dependent small businesses in drought-affected communities. Small business drought loans are available to provide the working capital required to help manage their business during drought. A new program for small businesses dependent on agriculture offers loans worth up to \$500,000 that can be used to pay staff, buy equipment and refinance. This will assist small businesses such as livestock transporters, equipment repairers and harvesting contractors to refinance existing debt or keep their businesses going until the drought breaks. These loans demonstrate the Australian Government's commitment to providing practical support to help rural and regional communities achieve economic growth and agricultural productivity.



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FarmHub

The Australian Government has committed \$774,400 to FarmHub which is managed by the NFF. In one website, farmers are able to browse assistance options to build resilience into their farm business from all levels of government and delivery partners including charities.

Taxation Measures

The Australian Government has made a number of taxation concessions available to help farmers to better manage their cash flow and invest in the profitability and resilience of their farms, including accelerated depreciation for fodder storage and the Farm Management Deposit Scheme (FMDS).

The FMDS offers drought-affected primary producers' incentives to support farming businesses' risk management and build resilience into the future. The FMDS enables primary producers to deal with income fluctuations and better manage their cash flow and invest in the profitability and resilience of their farms. This will help primary producers immediately deduct (rather than depreciate over three years) the cost of fodder storage assets, such as silos and hay sheds used to store grain and other animal feed, making it easier for them to invest in and stockpile fodder.

At 31 January 2020, the total holdings in the Farm Management Deposits (FMD) Scheme were \$5.63 billion.

Drought Communities Program Extension

Drought not only impacts the productivity and profitability of farms. It also affects businesses, communities and regional economies. Services and businesses suffer as less money is spent locally. It is important that drought policy and measures recognise the important role of farming businesses in maintaining strong, prosperous and vibrant rural communities.

The Drought Communities Programme (DCP) Extension provides immediate economic stimulus to drought-affected rural, remote and regional communities. Since 2018-19 the Australian Government has committed \$301 million to 180 Local Government Areas (LGAs) in New South Wales, Queensland, Victoria, South Australia, Western Australia, Northern Territory and Tasmania. Funding is targeted at community driven, local infrastructure and other activities that provide employment or work opportunities to get money flowing through local shops and suppliers.

To ensure drought measures are being targeted in the optimal way, the Australian Government engaged EY to conduct an independent review of the DCP Extension. A copy of the report was made publicly available in January 2020. The Australian Government will continue to explore opportunities to further refine the model to identify eligible LGAs and continually improve the DCP Extension program using the findings of the EY review and the administration and evaluation of the program. Noting the demand to distribute DCP Extension funds rapidly to support drought-affected communities, to date not all the recommendations were implemented due to time constraints.



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Mental Health Support to Farmers in Hardship

The Australian Government has committed \$29.4 million for mental health support initiatives to help farmers and communities deal with anxiety, stress and the uncertainty of drought conditions. This includes funding for 'Empowering our Communities' to plan and commission community-led initiatives. It also includes funding to expand Telehealth access to psychological therapies via video conferencing to those who face barriers to accessing services and to expand Medicare Benefits Schedule for General Practitioners to deliver Telehealth in rural and remote areas.

Building Better Regions Fund

Round Four of the Building Better Regions Fund (BBRF) has committed \$200 million to drought affected communities. It will specifically target drought-affected communities through either the Infrastructure Projects Stream or the Community Investments Stream.

The BBRF supports projects that involve construction of new infrastructure, or the upgrade or extension of existing infrastructure; or community development activities including, but not limited to, new or expanded local events, strategic regional plans, leadership and capability building activities.

832 projects have been funded under the first three rounds of BBRF and includes funding of over \$150 million for projects in drought-affected communities.

Drought Communities Program Extension – Roads to Recovery

To improve road safety outcomes and build new local road infrastructure, the Australian Government has committed \$138.9 million of additional Roads to Recovery Funding to the 128 Local Government Areas eligible for the Drought Communities Programme Extension. This increase in Roads to Recovery funding provides the equivalent of one additional years funding to each affected council. This investment will improve safety, economic and social outcomes in drought-affected rural, remote and regional communities.

Foundation for Rural and Regional Renewal

The Australian Government has committed \$15 million to the Foundation for Rural and Regional Renewal (the Foundation) to deliver grants to not-for-profit and community groups across drought-affected regions. The projects, delivered by the Tackling Tough Times Together program, target social isolation, leadership development, skills and training and educational participation and addressing disadvantage.

School Special Circumstances Fund and Community Child Care Fund

The Australian Government has committed \$20 million to the School Special Circumstances Fund (SSCF) to support non-government schools facing hardships as a result of on-going drought conditions. It will deliver fee concessions for boarding schools and additional counselling services and ultimately help maintain school's financial viability.



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To complement the SSCF, the Australian Government has committed \$5 million to support continuity of child care, in particular in disadvantaged or vulnerable communities. The amount of funding provided to applicants is dependent on a case-by-case basis and the circumstances of the applicant.

Measures that care for livestock and crops

On-Farm Emergency Water Infrastructure Rebate Scheme

The Australian Government has committed \$50 million for the On-Farm Emergency Water Infrastructure Rebate Scheme (EWIR), providing rebates for emergency on-farm water infrastructure expenses to help farmers buy and upgrade on-farm water such as bores, tanks, troughs and pipelines that will enhance water security for livestock watering and permanent crop plantings. There has been significant demand and to date more than 4,250 rebates have been approved and nearly \$25 million delivered to drought-affected farmers.

The EWIR is delivered through the State and territory governments who are ultimately responsible for animal welfare. In October 2019, the Australian Government announced this scheme would be expanded to cover dam desilting and new bores in the horticulture industry for permanent plantings. The EWIR incentivises farmers to improve their on-farm water supply and care for stock now, enhance preparedness and build resilience.

Water for Fodder Program

Through the Water for Fodder program the Australian Government has committed \$98 million to the South Australian Government to increase production of desalinated water at the Adelaide Desalination Plant. This will ultimately supply water for southern Murray Darling Basin (the Basin) irrigators to grow up to 120,000 tonnes of pasture and fodder for livestock. The South Australian Government is required to sell up to 100 gigalitres (GL) of water allocations to drought affected farmers in the southern connected Basin to grow Fodder in the next 2 years. 40 GL of water available in Round 1 for use in the 2019-20 water year, and 60 GL available in Round 2 for use in the 2020-21 water year. This measure gives farmers a reliable and cost effective supply of fodder and pasture to remain viable and support some farmers to keep breeding stock for a quicker recovery when the drought breaks and improves returns for farming businesses along the southern Basin.

Measures that care for land and biodiversity

Communities Combating Pests and Weed Impacts During Drought Program

The Australian Government's suite of drought support measures recognises the importance of maintaining and supporting the natural resource base during drought. Pest animals and weeds are a burden for farmers. They add pressure to pastures and groundcover on farms—and some pest



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animals also prey on livestock—reducing productivity. The Australian Government has committed \$25 million to the Communities Combating Pests and Weed Impacts During Drought Program – Biosecurity Management of Pests and Weeds to combat pests and diseases and invest in wild dog exclusion fencing projects in drought affected LGAs. This initiative will help drought-affected farmers doing it tough now, and the wild dog fencing will accelerate recovery from drought by protecting sheep and cattle.

Improving Great Artesian Basin Drought Resilience

The Australian Government has committed \$27.6 million Improving Great Artesian Basin Drought Resilience is available to state and territory governments to implement a range of immediate and long-term measures that will improve water security and drought resilience in the Great Artesian Basin (GAB) through increasing artesian pressure and reducing wastage of the resource. Activities that can be delivered include infrastructure works to control bores, the installation of efficient watering delivery systems, education/communication programs and studies that assist state agencies to develop and implement new water management arrangements in the GAB.

Measures that care for our future

Future Drought Fund

Drought is an enduring feature of the Australian landscape. On this basis it is essential drought policies and measures should assist farming businesses plan and prepare for the future. The Future Drought Fund provides a secure, continuous funding commitment for drought resilience initiatives. It will assist farmers, farm businesses and rural, remote and regional communities prepare for and respond to the impacts of drought. Established under the *Future Drought Fund Act 2019* in September 2019, the Fund began with a \$3.9 billion investment, with earnings to be reinvested by the Future Fund Board until the balance reaches \$5 billion (expected 2028-2029). From July 2020, \$100 million will be made available each year to support Australian farmers and communities. These funds will be used to help farmers and communities prepare for, and become more resilient to, the effects of inevitable future drought. Investments will be consistent with the Drought Resilience Funding Plan and aligns with policy and measures including the National Drought Agreement.

National Water Infrastructure

The \$100 million National Water Grid Authority (the Authority) was established in October 2019 to bring together world best science to identify and plan the next generation of water infrastructure that will enhance water security in rural, remote and regional communities and deliver affordable water. A key component of this work will be identifying water infrastructure projects that will increase capacity, connectivity and resilience of Australia's water storage and supply infrastructure. The Authority is responsible for delivering the Australian Government's \$1.5 billion National Water Infrastructure Fund and the \$2 billion National Water Infrastructure Loan Facility.



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These measures are designed to build dams, weirs and pipelines that will meet current and future water demands in regional Australia.

National Drought Map

To assist all levels of government and farmers to understand changing conditions and emerging impacts, and assist with analysis, decision-making and planning, the Australian Government has committed \$4.2 million to the National Drought Map. The National Drought Map is intended to assist farmers understand and adjust their farming business to their individual circumstances such as choice of crops to grow, how much to plant and when to plant based on optimal soil moisture conditions.

Bureau of Meteorology radars and regional climate guides to help with on-farm decision making

Access to data has an important role to improve our understanding of the effects of climate variability on farms and a vital to play in informing potential government policy and support measures to respond immediate to drought and build long-term resilience and preparedness. That is why the government is investing \$77.2 million to improve weather monitoring infrastructure capabilities including four new radars in Queensland, relocating one radar in New South Wales, and providing extra rain gauges in the upper Burdekin region and Flinders catchment in Queensland. Additionally, through a \$2.7 million investment, the Bureau of Meteorology has developed Climate Guides (<http://www.bom.gov.au/climate/climate-guides/>) for each of Australia's 56 Natural Resource Management regions, which helps farmers have a better understanding of local climate and weather conditions.

Appendix list

1. Map showing Regional Recovery Offices and Areas (as at 21 Feb 2020)
2. Map showing 24-month rainfall deficiencies up to 31 Jan 2020
3. National Drought Agreement
4. Drought in Australia – Australian Government Drought Response, Resilience and Preparedness Plan
5. Australian Government summary table of programs