



SUBMISSION

To

Joint Select Committee on the Australia Fund Establishment

Prepared by:-

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Background

The Western Australian Farmers Federation (Inc) (WAFarmers) is WA's largest and most influential rural lobby and service organisation.

WAFarmers represents approximately 3,500 Western Australian farmers from a range of primary industries including grain growers, meat and wool producers, horticulturalists, dairy farmers, commercial egg producers and beekeepers.

It is estimated that collectively our members are major contributors to the \$6.9 billion gross value of production (2007/08 – ABS, WA Agri-Food Industry Outlook – December 2009) that agriculture in its various forms contributes to Western Australia's economy.

Additionally, through differing forms of land tenure, our members own, control and capably manage many millions of hectares of the State's land mass and as such are responsible for maintaining the productive capacity and environmental well being of that land.

Introduction

WAFarmers welcomes the opportunity to provide comment to the Joint Select Committee on the Australia Fund Establishment.

The last three decades of Australian agriculture have been characterised by increased price volatility, unparalleled seasonal variation, a complex trading environment, and increased social expectations. Additionally, it was recognised that whilst ABARES concluded in 2009 that productivity increase in agriculture exceeded that of other mainstream industries, decreasing terms of trade; reducing investments in research and development and increased age of farmers threaten the ability of agriculture to maintain that level of innovation.

It is well-recognised that in recent times, natural disasters such as drought, flood and frost events have become not only more widespread, but the resulting lower industry profitability, the ability for industry to correct itself following a natural disaster has been highly compromised.

Hence, WAFarmers wishes to make comment to the two broad terms of reference of

- (i) The need for a fund to assist rural and manufacturing industries in crisis and support communities affected by natural disasters
- (ii) Whether existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis



(i) The need for a fund to assist rural and manufacturing industries in crisis and support communities affected by natural disasters

WAFarmers supports the provision of drought support where historically-viable farming businesses have suffered to the extent where there is distortion in the marketplace that prevents those distressed business from re-bounding back into a stronger; better prepared, more competitive business.

In the experience of WAFarmers members, the natural disasters - particularly prolonged drought events – at a time of reducing profitability, have been of such a scale in recent times, that proven viable, competitive farm businesses, have struggled for several years later to regain original profitability.

In some cases, despite effective post-drought management, farm businesses effectively ‘limp along’ for several years and prevent whole generations from returning to the farm business.

This dynamic is exacerbated by a shrinking availability of local labour; a general devaluation of farm land, and a general tightening of credit.

WAFarmers recognises that the inefficient producers must make adjustments within their business and the industry, and in some cases, exit the industry early enough to forge a successful pathway into other parts of the industry to maintain the skill base.

However, rationalism comes at a large cost, particularly to local farming communities, who through upscaling for efficiency; mechanisation and a low input cost structure, has seen some WA shires have less than a hundred viable farms per shire. This puts huge strain on local communities.

In 2013 and 2014, the unacceptable delays between the Australian government and the WA State Government in offering concessional and drought finance packages led to farm businesses not able to trade their way out of the effects of drought until adjustment could occur. In some cases, with several factors intervening, farms were put into liquidation, which has long-ranging knock-on effects for industry.

Establishing a fund that will quickly provide finance, support and drought mitigation measures under ‘one roof’ will provide quick, efficient and responsive measures to help businesses under severe drought recover until adjustment within or outside the industry can reasonably occur.

Multi-Peril insurance options are a market-driven mechanism that costs the taxpayer virtually nothing, but insures that not only farms can minimise losses, whilst continuing to trade, but is a willing price to pay by industry to transfer the risk away from the producer and the taxpayer through various drought schemes, that often do not build resilience into many farm businesses through the blanket criteria approach.



The cost of farms laying idle waiting for sale, combined with the knock-on effects, would be transformed into revenue for the Australian Government to the tune of many hundreds of millions of dollars.

WAFarmers feels that the relatively costly audit process is a barrier to uptake of the multi-peril crop insurance products, with the benefit of such as process extends to improved capacity building within a business, with substantial benefits from improved business management and drought risk management.

(ii) Whether existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis

In recent experience, banks have been impatient with stressed accounts, and have initiated forced sales.

According to the Rural Financial Counselling Service WA, it takes between two and three years to market distressed properties, given that land valuations have often dropped; properties are often disused and/or leased out, and a forced lack of maintenance and presentation further reduce market value.

The effects of forced exit of farm businesses in drought have ramifications for all businesses, especially around random land valuations for viable properties, who find themselves with compromised funding arrangements from no direct reflection of their own management or personal finance situation.

WAFarmers believe that introducing measures that will alleviate the effects of forced sales on the local and regional economy will strengthen the community and better position viable farm businesses to contribute to the regional economy.

WAFarmers does not necessarily believe in the taxpayer 'propping up' inherently unviable farm businesses which will prevent upscaling for regional landholders for increased efficiency; other investment and young farmers from entering the industry.

To this end, WAFarmers support sustainability grants and loans for young people to enter into the farm investment space during a drought period, that will provide post-drought investment opportunities; stabilisation of property prices, and innovative and collaborative ways of co-investment, such as a young farmer buying stock to co-manage with the established albeit drought-affected landowner with destocked farm land, once the drought has been broken.