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## Farm Household Support Amendment Bill 2000

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I N F O R M A T I O N   A N D   R E S E A R C H   S E R V I C E S

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No. 56 2000-01

Farm Household Support Amendment Bill 2000

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18 October 2000

# Contents

Purpose .....	1
Background .....	1
Farm Poverty .....	1
Farm Family Restart Scheme .....	2
FFRS Re-establishment Grants .....	3
Review of the Farm Family Restart Scheme .....	4
Main Provisions .....	6
Concluding Comments .....	7
Endnotes .....	8
Appendix .....	10
Programs to address Farm Poverty which were put in place from 1989-1999 .....	10

# Farm Household Support Amendment Bill 2000

**Date Introduced:** 7 September 2000

**House:** House of Representatives

**Portfolio:** Agriculture, Fisheries and Forestry

**Commencement:** On a day to be fixed by Proclamation, but not later than six months after Royal Assent.

## Purpose

This Bill amends the *Farm Household Support Amendment Act 1992* in order to:

- change the name of the Farm Family Restart Scheme to Farm Help
- extend the Farm Help income support application deadline to 30 November 2003 and the income support closing date to 30 November 2004, and
- introduce a mandatory requirement for farmers assessed as non-viable to develop 'activity plans'.

The Bill makes consequential amendments to other legislation to give effect to the name change.

## Background

### Farm Poverty

Farm poverty in Australia is not new. It has been a feature of Australian agriculture for many years.<sup>1</sup> A report in 1974 stated that in the late 1960s and early 1970s, 'inadequate income for a large and growing number of family farm businesses was a major feature of agriculture'.<sup>2</sup> Farm poverty came to the attention of the wider Australian public during the severe drought experienced in much of eastern Australia in the early 1990s. Although there has been poverty among farming families for many years, the drought both exacerbated and highlighted the problem, particularly drawing attention to the inadequacies of the standard social security safety net for farm families.<sup>3</sup>

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In recent years governments have addressed the issue of farm poverty through a number of initiatives, including the Drought Relief Payment, the Farm Household Support Scheme and, most recently, the Farm Family Restart Scheme. A list of some of the programs designed to address farm poverty in the past ten years is included at Appendix 1. This Bill proposes to introduce Farm Help, a program which renames the Farm Family Restart Scheme to better reflect its intention which is, in the Minister's words, 'to provide support addressing the individual needs of farming families, whether they choose to remain on the farm or exit agriculture'.<sup>4</sup>

The Government announced in the 2000-01 Budget context that it would be providing \$111.2 million over four years to continue the Farm Family Restart Scheme in order to 'ensure farm families in difficulties continue to have access to an appropriate family support payment and other assistance'.<sup>5</sup> Enhancements to the program were announced later, including:

- a retraining grant of \$3 500 available to those farmers and their spouses who receive a re-establishment grant
- case management of Farm Help clients including the mandatory requirement that an 'activity plan' be developed for farmers assessed as non-viable, and
- an increase of \$10 000 in the net assets threshold for re-establishment grant recipients.<sup>6</sup>

Some commentators have suggested that the frequent changes to income support arrangements for poor farmers may be indicative of the failure of these policies to meet their objectives.<sup>7</sup> They argue that dealing with farm family poverty poses a number of challenges for policy makers. Firstly, the unique nature of the family farm which so closely combines business, household and lifestyle issues, can make the standard approaches to delivering income support difficult to apply. In particular, the difficulty of separating business from household issues may lead policy makers to be concerned that any income support is a *de facto* subsidy to a struggling business. Secondly, the application of the assets test to benefits under Australia's social security system impacts on farm families disproportionately. This is an issue addressed by a number of Parliamentary enquiries in recent years.<sup>8</sup> Thirdly, how governments respond to drought and other exceptional events is closely linked with overall attempts to address farm poverty. For example, the Drought Relief Payment provided relatively generous income support to farmers in designated areas. However, farmers in poverty outside the areas designated by the Government to be in 'exceptional circumstances' missed out.<sup>9</sup>

### Farm Family Restart Scheme

The Farm Family Restart Scheme (FFRS) was announced on 14 September 1997 as part of the Government's integrated rural policy package entitled *Agriculture – Advancing Australia* (AAA). It was described there as 'the Government's key program for delivering improved welfare support to the farm sector, as well as providing adjustment assistance to farmers who wish to leave the land'.<sup>10</sup>

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The FFRS is administered by Centrelink and commenced in December 1997 replacing the re-establishment grants previously available under the Rural Adjustment Scheme. FFRS provides a welfare safety net for low income farmers experiencing financial hardship who cannot borrow further against their assets and/or who are not ready to make a decision to place their farm on the market and access welfare support under the Social Security hardship provisions.

The FFRS also operates as a 'decision support system' for farmers considering leaving the industry by giving them access to professional advice on the future viability of their business and on employment opportunities if they choose to leave the farm.

The key features of the FFRS include:

- income support paid at the Newstart Allowance (this payment is available for a maximum period of twelve months)
- recipients do not have to satisfy an activity test and do not have to put the farm on the market to obtain assistance
- recipients have a binding obligation to obtain professional advice on the future viability of the business, and career counselling where appropriate (financial support is provided to help recipients meet this obligation), and
- access to a re-establishment grant of up to \$45 000 on the sale of the farm.

### **FFRS Re-establishment Grants**

The Restart Re-establishment Grant Scheme is set up under subsection 52A(1) of the *Farm Household Support Act 1992*.<sup>11</sup> The purpose of the scheme is to grant financial assistance to eligible farmers on the sale of their farms. Such a grant is called a re-establishment grant. The Restart Re-establishment Grant Scheme is implemented through written instructions made by the Minister for Agriculture, Forestry and Fisheries which are tabled in Parliament as disallowable instruments. Changes to the written instructions are also made by disallowable instruments.

The Restart Re-establishment Grant Scheme is a time limited scheme and originally had a deadline for applications of 30 November 1999. Last year the Government extended the final date for re-establishment grant applications to 30 June 2000. On 14 August 2000 the Government tabled a further amendment to the re-establishment grant disallowable instrument (*Restart Re-establishment Grant Scheme Amendment 2000 (No. 2)*) which has the effect of extending the re-establishment grant application deadline to 30 November 2003.

To be eligible for the re-establishment grant a farmer must finalise the sale of the farm within 12 months of applying for the grant, or if he or she receives Restart Income Support, within 12 months of ceasing income support. Farmers and their partners may

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have up to \$100 000 in net assets and still qualify for the maximum grant of \$45 000. The net assets threshold excludes household and personal effects up to a value of \$10 000. The re-establishment grant is reduced by \$2 for every \$3 in assets above this threshold and is not payable if all assets after the sale exceed \$167 500.<sup>12</sup>

At 30 June 1999, 1208 farm families were receiving income support under the FFRS. In addition, during 1998-99, 172 farmers leaving their farms received re-establishment grants.<sup>13</sup> The Minister said in his second reading speech on this Bill that since the FFRS began in December 1997, 'nearly 4 600 farm families have received income support, nearly 4 700 professional advice sessions have been attended and nearly 500 farm families have received re-establishment grants'.<sup>14</sup>

### Review of the Farm Family Restart Scheme

In 1999 the South Australian Centre for Economic Studies was commissioned by Agriculture, Fisheries and Forestry – Australia (AFFA) to undertake the mid-term review of the FFRS. The purpose of the mid-term review which was completed in March 2000, was to evaluate the program as a whole and its separate elements, report on progress to date and provide comment against key questions. Key questions addressed by the review included:

- what have been the key outcomes of the program?
- how effective has the program, as a whole, as well as its individual elements, been in delivering its key objectives?
- have the FFRS elements brought about positive change for participating farmers?
- what has the provision of income support achieved for farmers?
- why has the rate of FFRS clients exiting farming been relatively low?
- what types of support and assistance would facilitate the decision of non-viable farmers to exit farming?

A copy of the review has been provided to the Parliamentary Library as a publicly available document and is in the Library's collection.<sup>15</sup>

In summary the review found that:

- farmers in three states, Victoria, NSW and Queensland were more likely to participate in FFRS relative to the state's share of farming population, while farmers in South Australia and Western Australia were very low users of the scheme
- at least 28 per cent of FFRS clients had previously accessed Exceptional Circumstances Relief Payment (ECRP)

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- drought and low commodity prices (that contributed to debt problems) were the most significant factors cited by farmers for accessing FFRS

#### *Income Support Recipients*

- the distribution of income support recipients was dairy (26 per cent), sheep/wool (23 per cent), and beef cattle (23 per cent)
- thirty per cent of income recipients had farms of less than 100 hectares
- the average time on their current farm was 19.7 years (with 25.6 years as the average time spent farming)

#### *Re-establishment Grant Recipients*

- the distribution of re-establishment grant recipients by main farming activity was dairy cattle (37 per cent), fruit and vegetables (19 per cent), beef cattle (14 per cent) and sheep/wool (7 per cent). Victorian dairy farmers accounted for 82 per cent of dairy farmer grant recipients, and 30 per cent of all re-establishment grants
- for grant recipients, 70 per cent of farm enterprises were below 200 hectares, with 43 per cent below 100 hectares. Exiting farmers often said that their farm was too small to remain viable in the current market
- the average age of grant recipients was 44.7 years, and they had farmed an average of 19.3 years
- 71 per cent of farmers exiting farming resided within the same postcode after leaving the farm, with almost half expecting re-employment in the agricultural industry
- one-third of grant recipients had an asset level of less than \$50 000, two-thirds below \$150 000, and younger farmers possessed fewer assets on average.

The review suggested that in the administration of the FFRS, further consideration should be given to a number of issues, including:

- end of year (end of income period) follow-up to assess the results of the professional advice given, actions planned or undertaken and changes to viability
- extending the time to sell the farm
- farmers who lose control of a property (eg. to a bank) should still be eligible for the re-establishment grant<sup>16</sup>
- raising the asset limit for the re-establishment grant would assist older farmers who may want to leave farming and are likely to have accumulated more assets than a younger farmer,<sup>17</sup> and

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- farmers deciding to leave farming should be encouraged to access career training and education, and advisers should promote this requirement more actively.

The findings of the mid-term review of the FFRS have been used to inform the changes proposed by the Minister. In particular this Bill requires non-viable farmers to develop a plan of action that can be followed up. A retraining grant of \$3500 will be available to farmers and their spouses who receive a re-establishment grant. The Minister may also exercise discretion in paying a re-establishment grant in exceptional cases when the sale of the farm takes longer than the 12 months allowed.<sup>18</sup> In addition, the net assets threshold for re-establishment grant recipients was recently increased.<sup>19</sup>

## Main Provisions

**Schedule 1** of this Bill contains many amendments to the *Farm Household Support Act 1992* (Principal Act) to give effect to the program's change of name from Farm Family Restart Scheme to Farm Help. This is done by omitting the word 'restart' wherever it occurs in the legislation and substituting 'farm help'.

**Item 2** renames the Restart advice scheme which is set up by delegated legislation made under section 52B of the Principal Act. The renamed 'farm help advice scheme' will commence on a Proclamation date (**item 4**). The Explanatory Memorandum states that this will allow for the associated amendments to the disallowable instruments to be implemented and commence on the same day.<sup>20</sup>

The effect of **item 16** is to extend the deadline for farm help income support applications to 30 November 2003. Income support may be paid for a period of twelve months. **Item 17** extends the farm help income support closing date to 30 November 2004.

**Items 31, 53, 54, 57** and **58** deal with the requirement for activity plans. **Item 31** inserts a **new section 13B** which provides that people receiving farm help income support and whose farm has been assessed as not viable, have an obligation to develop an activity plan directed towards either returning the farm to a viable position or securing alternative employment for the farmer. **New subsection 13B(4)** provides assistance to farmers to develop an activity plan. The assistance is to be provided in accordance with guidelines for the farm help advice scheme. If a farmer does not comply with a direction to develop an activity plan, the continued payment of his or her income support will be considered in accordance with guidelines drawn up under paragraph 52B(3)(c) of the Principal Act. These guidelines are disallowable instruments. **Item 53** inserts **new subsection 52A(3)** which provides applicants for farm help re-establishment grants with a similar obligation to develop individual activity plans. **Item 57** ensures that farmers directed to develop an activity plan under **new subsections 13B(1)** or **52A(3A)** are provided with assistance in accordance with guidelines spelt out in the farm help advice scheme. **Item 58** provides that the consequences for farmers who do not comply with a direction to develop an

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activity plan are in accordance with the guidelines spelt out in the farm help advice scheme.

**Schedule 2** contains consequential amendments to the *Bankruptcy Act 1966*, *Health Insurance Act 1973*, *Income Tax Assessment Act 1997*, and the *Social Security Act 1991*. These amendments replace the word ‘restart’ with ‘farm help’ and are required to give effect to the program’s change of name. **Schedule 3** contains transitional provisions relating to farm help income support and the farm help re-establishment grant scheme.

## Concluding Comments

The Farm Help program, and the Farm Family Restart Scheme before it, is quite explicitly tied to structural adjustment policy as it combines household support with re-establishment provisions. The scheme does not separate farm and family, particularly as household support payments are deducted from any subsequent re-establishment grant. Only one in ten farmers who access FFRS make a decision to leave their farms. For 90 per cent of FFRS clients the scheme is seen as providing income support for twelve months and/or access to professional assistance, planning, management and counselling that an individual may not have been able to afford. Advice is sought to ‘maintain and develop the farm’. The income support is helping to pay off debt and ‘put food on the table’.<sup>21</sup> The overriding impression given to the consultants who carried out the mid-term review of Farm Family Restart Scheme is that many farmers simply do not wish to leave farming. According to the review, farmers ‘report that they enjoy the lifestyle, have no alternative career and they believe that conditions will improve’.<sup>22</sup> In the consultants’ assessment, the FFRS income support has made it easier for farmers to ride out the difficult times and thus avoid any immediate necessity to consider leaving the farm. Nevertheless, the FFRS has achieved approximately a 10 per cent ‘success rate’ over the life of the scheme. The ‘success rate’ must be qualified by the fact (reported in the review) that share farmers and those leasing properties have been known to accept the grant and leave farming, only to be replaced by the older owner who had previously leased the property.<sup>23</sup>

It is worth noting that the Farm Help Scheme, along with the other programs to help farmers in poverty, were set up under legislation in the Primary Industries and Energy/Agriculture, Fisheries and Forestry portfolio, rather than in the Social Security portfolio. This may have allowed certain flexibility such as in terms of amending the assets test. However, locating responsibility for developing what is essentially social security policy in an industry portfolio might also have shortcomings. For example, for a number of years Governments have been attempting to encourage marginal farmers to leave their land by offering economic incentives such as re-establishment grants. Sociological evidence appears to suggest that some farmers would prefer to live in poverty rather than give up their farm – a farm which they often regard not as theirs to give but as a trust held for future generations.<sup>24</sup>

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Some commentators have queried whether policy makers in the Agriculture portfolio have been put in the difficult position of providing two, apparently conflicting, roles: one of looking out for the welfare requirements of farm families in poverty; while at the same time promoting the government's economic structural adjustment objectives for the farm sector.<sup>25</sup> They argue that in other areas of government policy, the Cabinet mediates between Ministers representing different interests. But in the farm welfare areas, the balance between the income support needs of farm families in poverty and the need for structural adjustment in agriculture is struck within the one Department.

It might be argued that this prevents the debate on the future of family farming in Australia from receiving the prominence it deserves. In addition, the way the details of the scheme are implemented and amended through written instructions tabled in Parliament as disallowable instruments means that, in practical terms, the legislation is not debated as publicly as it might be.

## Endnotes

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- 1 Rolley, F. & Humphreys, J., 'Rural welfare : the human face of Australia's countryside', *In Prospects and policies for rural Australia*, edited by T. Sorenson & R. Epps, Melbourne, Longman Cheshire, 1993, p. 248.
- 2 Mauldon, R.G. & Schapper, H.P., *Australian farmers under stress in prosperity and recession*, Nedlands, University of Western Australia Press, 1974, p. 109.
- 3 Special Rural Task Force, *Impact of the Social Security assets tests on rural customers: Report*, January 1997. (Chairman: Sen the Hon Grant Tambling).
- 4 Hon Warren Truss, 'Second Reading Speech' Farm Household Support Amendment Bill 2000, House of Representatives, *Debates*, 7 September 2000, p. P18359.
- 5 Hon John Anderson, 'Regional Australia: making a difference', *Media Release*, A-BUDGET016/2000, 9 May 2000.
- 6 Hon Warren Truss, 'Farm help applications extended till 2003', *Media Release*, AFFA00/122WT, 26 June 2000.
- 7 Botterill, Linda, 'Government responses to farm poverty: the policy development process', *Rural Society*, vol. 10, no. 1, 2000, p. 16.
- 8 For example: Senate Rural and Regional Affairs and Transport References Committee, *Impact of assets tests on farming families access to social security and AUSTUDY: Second report --Social Security assets tests*, September 1995. (Chairman: Sen David Brownhill); Special Rural Task Force, *Impact of the Social Security assets tests on rural customers: Report*, January 1997. (Chairman: Sen the Hon Grant Tambling).
- 9 Botterill, Linda, *op. cit.*, p. 16.

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- 10 *Agriculture – Advancing Australia: an integrated rural policy initiative of the Federal Government for farmers and rural communities*, 14 September 1997.
- 11 *Restart Re-establishment Grant Scheme 1997*, notified in the *Commonwealth of Australia Gazette* on 27 November 1997.
- 12 *Restart Re-establishment Grant Scheme Amendment 2000 (No. 2)*, dated 29 June 2000 and tabled on 14 August 2000. This disallowable instrument increased the value of net assets allowable when the amount of a re-establishment grant is calculated from \$90 000 to \$100 000. The same disallowable instrument increased the maximum allowable asset value for payment of a re-establishment grant from \$157 500 to \$167 000.
- 13 Department of Agriculture, Fisheries and Forestry, *Annual Report 1998-1999*, Canberra, 1999, p. 24.
- 14 Hon Warren Truss, ‘Second Reading Speech’ Farm Household Support Amendment Bill 2000, House of Representatives, *Debates*, September 2000, p. P18359.
- 15 *Mid-Term Review of Farm Family Restart Scheme*, undertaken for Agriculture, Fisheries and Forestry – Australia, by the South Australian Centre for Economic Studies, March 2000.
- 16 *ibid.*, p. 65.
- 17 *ibid.*, p. 66.
- 18 *Explanatory Memorandum*, Farm Household Support Amendment Bill 2000, p. 3.
- 19 *Restart Re-establishment Grant Scheme Amendment 2000 (No. 2)*, dated 29 June 2000 and tabled on 14 August 2000.
- 20 *Explanatory Memorandum*, Farm Household Support Amendment Bill 2000, p. 3.
- 21 *Mid-Term Review of Farm Family Restart Scheme*, *op. cit.*, p. 67.
- 22 *ibid.*, p. 64.
- 23 *ibid.*, p. 64.
- 24 Share, P., Campbell, H. & Lawrence, G., ‘The vertical and horizontal restructuring of rural regions: Australia and New Zealand’, *In Family farming: Australia and New Zealand*, edited by M. Alston, Centre for Rural Social Research, Charles Sturt University, Wagga Wagga, 1991 (Keypapers Number 2).
- 25 Botterill, Linda, *op. cit.*, p. 23.

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## Appendix

Programs to address Farm Poverty which were put in place from 1989-1999

Year	Responses to farm poverty 1989-1999
1989	<p><b>Removal of drought from the Natural Disaster Relief arrangements Commencement of the Rural Adjustment Scheme 1988</b></p> <ul style="list-style-type: none"> <li>• Part C Household Support, available for up to two years; in theory, the first six months to be a grant for those leaving farming, the balance to be repaid or deducted from a subsequent re-establishment grant</li> <li>• Drought support provided through carry-on assistance under Part B of the Scheme</li> <li>• Re-establishment grant.</li> </ul>
1990	<p><b>Report of the Drought Policy Review Task Force</b></p> <ul style="list-style-type: none"> <li>• Recommended RAS as the most appropriate mechanism for delivering farm welfare support</li> </ul>
1991	<p><b>Modified Jobsearch Allowance</b></p> <ul style="list-style-type: none"> <li>• Access to social security benefits for 'financial hardship' farmers who were long term viable and ineligible for Part C support</li> <li>• provided exemption from assets test for on-farm assets</li> </ul>
1992	<p><b>National Drought Policy</b></p> <ul style="list-style-type: none"> <li>• Agreed policy framework based on principles of self-reliance and risk management</li> <li>• Announced intention to establish a separate farm household support scheme</li> </ul>
1993	<p><b>Commencement of the Rural Adjustment Scheme 1992</b></p> <ul style="list-style-type: none"> <li>• Introduction of exceptional circumstances provisions which provided access to enhanced interest rate subsidies during times of severe downturn</li> <li>• Limited to farmers with long term prospects of profitability and sustainability in the farm sector</li> <li>• Re-establishment provisions for farmers choosing to leave the sector</li> </ul> <p><b>Farm Household Support Scheme</b></p> <ul style="list-style-type: none"> <li>• Provided household support payments at the level of the unemployment benefit (JobSearch Allowance) to farmers unable to access commercial financial support</li> <li>• Available for up to two years</li> <li>• For farmers leaving the land, the first nine months of payments converted to a grant, the balance a loan repayable with interest</li> <li>• For farmers not leaving the land, the full amount was repayable with interest</li> </ul>

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1994	<p><b>Farm Hand Appeal</b></p> <ul style="list-style-type: none"> <li>• Public Appeal to assist farmers with meeting day-to-day necessities</li> <li>• Funds raised were matched dollar for dollar by the Commonwealth Government</li> </ul> <p><b>Drought Relief Payment</b></p> <ul style="list-style-type: none"> <li>• Available as a grant in drought exceptional circumstances areas</li> <li>• Assets test on off-farm assets only</li> <li>• Not limited to farmers with long term prospects in farming</li> <li>• Available at the rate of the JobSearch Allowance</li> <li>• Included exemption from the Austudy assets test and access to a Health Care Card</li> </ul>
1996	<p><b>Special Rural Task Force Review of the Assets Test</b></p> <ul style="list-style-type: none"> <li>• 21 recommendations to improve the operation of the assets test</li> <li>• Recommended that the requirement to offer the farm for sale be removed from the social security hardship provisions</li> </ul> <p><b>Review of RAS 92</b></p> <ul style="list-style-type: none"> <li>• Concluded that RAS was not appropriate to the adjustment needs of Australian agriculture</li> <li>• Building management skills and providing incentives to leave farming were viewed as essential strategies for adjustment</li> <li>• Called for more responsive welfare arrangements</li> </ul>
1997	<p><b>Agriculture Advancing Australia</b></p> <ul style="list-style-type: none"> <li>• Extended the Drought Relief Payment to a new Exceptional Circumstances Relief Payment</li> <li>• Introduced the Farm Family Restart Scheme which provides household support payments, access to professional advice, and a re-establishment grant for eligible farmers on the sale of the farm</li> </ul>

Based on Linda Botterill, 'Government responses to farm poverty: the policy development process' *Rural Society*, vol. 10, no. 1, 2000, p. 18–19.

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