

Background

- 2.1 The National Rural Advisory Council (NRAC) is an independent advisory council to the Australian Government Minister for Agriculture, Fisheries and Forestry. NRAC provides advice on matters including rural adjustment, regional issues, training, Exceptional Circumstances (EC) applications, extensions to EC declarations and other matters as requested.¹ NRAC was established in December 1999 as a statutory consultative body following legislative changes to the *Rural Adjustment Act 1992*.²
- 2.2 Under section 6 of the *Rural Adjustment Act 1992* (Cth), the Minister may appoint not more than seven members to NRAC on a part time basis. The Act stipulates the skills, qualifications and experience that must be held by NRAC's membership. This will be discussed further in Chapter 3 of this report.
- 2.3 In 2011-12, the focus of NRAC's work was to review expiring Exceptional Circumstances (EC) declarations. The criteria for an EC event is that it:
- must be rare and severe, that is, it must not have occurred more than once on average in every 20 to 25 years and must be a significant scale
 - must result in a rare and severe downturn in farm income over a prolonged period of time (e.g. greater than 12 months)
 - must not be predictable or part of a process of structural adjustment.³

1 Department of Agriculture, Fisheries and Forestry: *National Rural Advisory Council*: <<http://www.daff.gov.au/agriculture-food/drought/nrac>>.

2 Department of Agriculture, Fisheries and Forestry: *National Rural Advisory Council*: <<http://www.daff.gov.au/agriculture-food/drought/nrac>>.

3 Department of Agriculture, Fisheries and Forestry: *Definition of Exceptional Circumstances*: <<http://www.daff.gov.au/agriculture-food/drought/ec/background>>.

- 2.4 During the reporting period, declarations were due to expire in the River Murray and Lower Lakes Corridor, Bundarra and Eurobodalla regions.⁴ In reviewing EC declarations, NRAC must establish 'whether seasonal, agronomic and resource conditions have provided an opportunity for most producers within the EC declared area to return to typical farm management practices relevant to their enterprise type and production cycle.'⁵
- 2.5 NRAC's review concluded that the expiring declarations did not require renewal. As a result, Australia was deemed effectively drought-free for the first time in a decade.⁶
- 2.6 With no EC declarations to review, NRAC's work program shifted to project based work. From July 2012, NRAC's work program consisted of three assessments:
- Agricultural insurance products including multi-peril crop insurance (MPCI) and its feasibility in Australia;
 - The effectiveness of the Farm Management Deposit (FMD) Scheme; and
 - Agricultural employers' workforce planning capabilities.⁷
- 2.7 The Committee's inquiry canvassed the latter two assessments and these will be discussed in the following Chapter.

A renewed focus on drought reform

- 2.8 Since 1992, Australia's response to drought has been underpinned by the National Drought Policy (NDP). The NDP's objectives:
- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climate variability
 - facilitate the maintenance and protection of Australia's agricultural and environmental resources base during periods of climatic stress

4 Department of Agriculture, Fisheries and Forestry: *NRAC Annual Report*, p. 4

5 Department of Agriculture, Fisheries and Forestry: *Definition of Exceptional Circumstances*: <<http://www.daff.gov.au/agriculture-food/drought/ec/background>>.

6 Department of Agriculture, Fisheries and Forestry: *NRAC Annual Report*, p. 4

7 Department of Agriculture, Fisheries and Forestry: *NRAC Work Program 2012-13*: <<http://www.daff.gov.au/agriculture-food/drought/nrac/work-program>>.

- facilitate the early recovery of agricultural and rural industries, consistent with long-term sustainable levels.⁸

2.9 The NDP saw the introduction of a number of drought assistance measures including the Rural Adjustment Scheme, providing interest rate subsidies and the Drought Relief Payment, providing income support for farmers in EC declared areas.⁹ In 1997, these payments were subsequently renamed the EC Interest Rate Subsidy and EC Relief Payment. Between 1996 and 2000 a number of other programs were established under the NDP including the Farm Management Deposits (FMD) scheme and the Rural Financial Counselling Service (RFCS).¹⁰ A number of these assistance measures form the basis for discussion in the following Chapter.

2.10 In 2008, a meeting of the Primary Industries Ministerial Council (now known as the Council of Australian Governments Standing Committee on Primary Industries or SCoPI) agreed that the approaches under the NDP regarding drought and EC were no longer appropriate.¹¹ This has led to a comprehensive review of the NDP and the development of new approaches to these issues. These will be discussed in more detail in the following Chapter.

8 Department of Agriculture, Fisheries and Forestry: *History of Drought Assistance and Reviews*: <<http://www.daff.gov.au/agriculture-food/drought/history>>.

9 Department of Agriculture, Fisheries and Forestry: *History of Drought Assistance and Reviews*: <<http://www.daff.gov.au/agriculture-food/drought/history>>.

10 Department of Agriculture, Fisheries and Forestry: *History of Drought Assistance and Reviews*: <<http://www.daff.gov.au/agriculture-food/drought/history>>.

11 Department of Agriculture, Fisheries and Forestry: *National Review of Drought Policy*: <http://www.daff.gov.au/agriculture-food/drought/history/national_review_of_drought_policy>.

