

Our ref: R90/1160.smcb Out-16876
12 February 2009

The Hon Anthony Albanese MP
Leader of the House;
Minister for Infrastructure, Transport, Regional Development and Local Government.
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Mr Albanese

I write on an issue not strictly in your portfolio but which is of significant concern to councils and the communities we serve: the drought policy review. As Minister for Local Government I feel you need to be appraised of NSW Local Government concerns.

The Association has welcomed the government's wide ranging review of drought policy. We have made submissions to both the Expert Social Panel and the Productivity Commission Inquiry into of Drought Support and have participated in public hearings and roundtables. The Association has long advocated the need for such a review.

The Association is concerned about many of the recommendations contained in the draft report of the Productivity Commission.

The Commission's recommendations 6.1 and 6.2 to remove the Exceptional Circumstance (EC) relief payments by 2009-10 would adversely affect farmers and rural businesses in a period where they are still experiencing one of the worst droughts in Australia's history. Removing EC relief by 2009-10 would not allow recipients enough time to recover from the current drought impacts and mitigate for future dry periods. The Association has serious doubts about the effectiveness of any replacement relief programs that would need to be developed and implemented in the short time period before the EC relief funding is proposed removed.

It is our view that the Exceptional Circumstances (EC) Declaration concept needs to be retained, but with its processes reviewed and amended to provide a more equitable and sustainable system. We believe that the EC declaration system should be overhauled and renamed to reflect what it truly represents - "drought identification". We consider that the process of identifying areas in drought is essential to drought affected communities; terminating the process completely as recommended by the Commission will have devastating impacts.

The Association agrees with the Commissions draft recommendation 8.1 that significant public funding be provided for research, development and extension to assist farmers prepare for, manage and recover from the impacts of climate variability and change. We would like to see that the funding package is flexible enough to respond circumstances that constantly change.

The Association strongly supports the recommendation to retain Farm Management Deposits (FMD) and support the provision of early withdrawal of funds for farmers experiencing all circumstances of hardship, not just linked to drought. We disagree with the recommendation to keep the current cap and eligibility requirements for FMD, and the Associations believe that the cap should be allowed to be increased to reflect the current increases in farm inputs and the CPI. We recommend that the Commission adopt the Department of Agriculture, Fisheries, and Forestry FMD Review key finding, i.e.: *The review acknowledges the increasing scale of farm businesses and thus the increased cost of production. To remain effective into the future, thresholds should take account of farm sector trends and the parallel need for larger risk management reserves to operate larger scale farm businesses.*¹

The Association supports long-term funding and job security for Rural Financial Counsellors and Drought Support Workers. This view is also supported by the NSW Rural Mental Health Network, which remains extremely supportive of Farm Family Gatherings as an important ingredient to improving the mental health and wellbeing in rural communities, particularly in times of stress. We are concerned about the Commission's draft recommendation 8.2 for a review of Rural Financial Counsellors assessing:

- The institutional barriers to the provision of private sector financial advice services in rural and remote regions;
- The extent to which the schemes' case-management provides for referrals to other relevant services in a timely manner; and
- How services might be better targeted to instances where alternatives are not available.

The Association calls for a commitment from the federal government not to reduce the extent and range of services provided by Rural Financial Counsellors.

Farmers are currently experiencing high levels of debt because of the unprecedented drought in its duration and severity. As an alternative to ongoing drought support payments, the Association maintains that a more effective method to support farmers adversely financially affected by drought is to offer long term low interest rate loans, with an initial interest free period, and provide tax incentives (e.g. accelerated depreciation, and write offs in the year of funding of improvements for silos and other drought proofing measures). This would effectively provide financial support to farmers through the difficult drought period without the stigma of receiving welfare.

State subsidies need to continue; therefore we oppose the Commission's recommendation 6.3 to terminate all state and territories transactions-based subsidies by 30 June 2010. The NSW state government transport subsidy provides farmers with valuable assistance to ease the effects of drought on livestock by for stock, fodder and water transport. We consider that state subsidies continue past February 2009 and remain as an aspect of drought support while farmers experience the negative impacts of drought.

Although the Associations recommend that drought support should be in the form of long term low interest rate loans and tax incentives, if Temporary Income Support (TIS) continues with the Commission's recommendation 9.1 adopted, we would oppose the restriction of maximum claim of three out of seven year's eligibility for TIS. Such a measure would be detrimental if another period of drought occurs similar to the previous seven years. Requiring drought affected farmers to apply for assistance through the general social security system after the three years of TIS and be required to meet the low income and assets limits will disqualify most farmers in need, just on farm equipment assets alone.

¹ DAFF, Review of the Farm Management Deposits Scheme – November 2006

It is considered essential that the agricultural sector be supported through drought. In 2007/08 Australia had a gross value of Australian farm production of \$41.2 billion, and with agricultural establishments providing rural employment in Australia of 359,800. Farm, Forest, and Fishery sectors contributed 13.4% to the Australian total exports. These industries compete on an unlevel playing field against heavily subsidised American and European counterparts and still managed to contribute \$31.3 billion to the Australian export market in 2007/08.² These statistics highlight how the agricultural industry is essential to the Australian population and economy.

Farmers need to be encouraged to farm, to maintain this essential industry. Where feasible farmers should be supported to stay on the farm rather than exit farming, and government policy needs to be focused on retaining occupancy on farms. Depopulation of farms will have a detrimental effect on rural & regional communities, the economy, and places Australia at greater risk of food insecurity. Local Government calls upon the state and federal government to recognise the value of agricultural industry and provide statements and policy to support the continued growth and operations of the agricultural industry. The Association recommends that drought policy needs to be focused on grants for a “farming future”.

Any new policy for drought support needs to allow time for recovery and mitigation of drought before its implementation; and the recovery needs to be proven. Two types of recovery ought to be completed before any amendments occur, the recovery of climatic drought conditions and the financial recovery. In previous droughts farmers required on average three consecutive years of good seasons to recover financially from the impacts of the drought.

It is the view of the Association that the trend of policy referring to drought as “climate change” digresses from the actual meaning and recognition of the impacts of drought. Drought is and will be “dry weather; lack of rain³” as it is in our current climate just as it will be in the proposed future climate variability. The Association also believes that drought should be considered as a natural disaster in the same context as the damaging impacts of floods and storms.

Yours sincerely



Cr Bruce Miller
President

Cc: The Hon Tony Burke MP, Minister for Agriculture Forestry and Fisheries
Jock Laurie, President, NSW Farmers Association
David Lister, Chair, Livestock Health and Pest Authority

² Australian Bureau of Agriculture and Resource Economics, Australian Commodity Statistics 2008

³ The Macquarie Dictionary, third edition.