

Response to the Productivity Commission Draft Report Inquiry into Government Drought Support and 2008 National Drought Policy Review

KEY RESPONSE POINTS

1. QFF has examined all three official reports that constitute the 2008 National Drought Policy (NDP) review and is frustrated that after such an exhaustive review of government policies and programs there is still very little in terms of substantive program alternatives to provide any confidence that real reform of Australia's drought policies can be achieved. QFF stressed in its earlier submissions that tangible outcomes are needed immediately if Australia is to deal competently with the challenges of operating internationally competitive farms in a naturally dry, variable and changing climate. It is with this urgent aim still in mind that QFF responds to the **Commission's Draft Report** and urges a complete rethink of the Draft Recommendations so that meaningful change can be negotiated between now and the conclusion of this Inquiry into Government Drought Support in February 2009.

QFF supports the Commission's conclusion that NDP has not been as effective as it could have been. QFF also agrees it be replaced with a revised and expanded National Agriculture Strategy, such as Australia's Farming Future (Recommendation 7.1). However, it is neither good policy or wise to terminate something without building public confidence that the transition is necessary and that a better set of arrangements is in place for the future. This submission is aimed at helping achieve the necessary confidence in new programs that can help Australia's farm businesses and rural communities manage more effectively in a highly variable and changing climate.

2. We stress that QFF members are seeking comprehensive principles and strong operational guidelines for governments so that the ad hoc, partial, but very expensive "drought support" programs of the past can be replaced. We note Table 6.1 (p133) identifies that in seven years the Commonwealth spent \$4.4 billion on agriculture support programs, most of which were drought EC expenditures (\$2.9 billion). We note also that the Commission recommends that all EC payments end June 2010 (Recommendations 6.1 and 6.2). We further note that the only substantive "new" initiative offered by the Commission is to expand the *Australia's Farming Future* (AFF) initiative, especially the Farm Ready component.

It is the view of QFF that this is neither a reasonable or credible trade-off given that Farm Ready is a \$26.5 million program over four years. Even if we “budget” all of the Commission’s recommendations into the AFF initiative, including replacing the Centrelink ECRP with a new “broad based temporary income scheme designed for farming circumstances” and keeping Farm Management Deposits (FMD’s) and Rural Financial Counselling Services (RFCS) programs, it seems to us there is about \$1.5 billion of “business support” being removed without any real replacement programs. This is unacceptable for the reasons noted above. For the same reasons QFF could only support Recommendation 6.3 regarding state transaction-based subsidies if adequate preparedness programs were in place and operating effectively. QFF offers some constructive suggestions in comments following.

QFF submits that it is not credible to offer an expanded \$26.5 million program as an adequate replacement for a \$1.5 billion one. Comprehensive programs that engage all stakeholders need to be budgeted and underway before farmers and the community will be confident that governments have a means for dealing competently with current and emerging climate risks.

3. QFF is unsurprised that the Commission has found that the NDP has failed to achieve its stated objectives. However, QFF members are perplexed that the PC has identified no less than five NDP reviews since 1990 (Draft p2 and subsequent p77-98) that have reached similar conclusions that drought assistance programs do not deliver outcomes consistent with NDP objectives, yet in 2008 solutions to this ever widening and expensive gap appear to be still illusive to the officials conducting this Inquiry.

QFF fears that the PC Draft Report and the subsequent Primary Industries Ministerial Forum (PIMF) Communiqué are indicative of inertia among officials. If “a striking feature of the NDP is the mismatch between its policy objectives and its program”, then it begs the question who is responsible for allowing this to go on? Farmers might be excused from thinking that governments aren’t being ‘fair dinkum’ about fixing the problem. We hope not, and that is our motivation to develop this response to the **PC Draft Report** and be available to appear again at public hearings on this matter.

4. QFF wishes to stress the point that after nearly two decades surely we have exhausted discussion on the principles for “self help and preparedness”. The Primary Industries Ministers 12 November restatement of drought reform principles hardly draws confidence when it offers no commitments for budgets or timelines for action. Indeed QFF members have become so cynical about Drought Policy that they are reluctant to remain engaged in pointless exercises that seem to serve no other purpose but to provide opportunities for rhetoric about caring for farmers “doing it tough”.

It is collective view of QFF members that the time has come for operational detail on what must be put in place to create appropriate climate preparedness and risk management programs in communities and on farms. QFF advocates that this is the only way for all Australians to become confident that we have in place what is needed to cope with our variable and changing climate. Anything less is more than a lost opportunity, it will mean a continuance of what we all know is entirely inadequate for the challenges ahead, and a waste of taxpayers’ money.

QFF sees great opportunities for public and private investments in climate management programs. Switching government programs from reactive and selective drought support measures to proactive preparedness initiatives will not only reduce the call on taxpayers' money in the long run, it will also yield positive returns on investments for all involved.

5. In developing a way forward QFF notes some of the flawed thinking that seems to entrench views about what is happening in Australian farming communities. We suspect it is this “stereotyping” that partly accounts for why governments struggle to adequately address the public issue of climate risks. For instance much of the **PC Draft Report** addresses issues about “structural adjustment” and “annual rainfall variations” that are of limited relevance to modern agricultural practices.

- For example, the Commission identifies that the “agriculture sector is continually adjusting to the many forces of change” (p11) and even identifies the five forms of “capital” that help farmers adapt and be resilient in the face of shocks (Ellis taxonomy – natural; physical; financial; human; and social), then wastes the next 30 pages turning the focus back to historical issues of commercial viability and structural adjustment. QFF affirms that the challenge for agriculture today is to attract new entrants, not dwell on the past. In context, the programs that target and develop those five forms of “capital” will provide a lot more public good than petty debates about “adjustment programs” that are no longer relevant.
- Likewise the Commission identifies that “severely reduced water allocations that have occurred in the last two years represent uncharted territory” (pXXVI). This is a very ‘southern centric’ observation and not helpful for developing a national policy for addressing “the broader issue of climate variability and the new imperative of climate change” (pXLIV). Queensland irrigators have been dealing with low or zero water allocations for much of the past decade, so it is important to keep this debate factual and representative wherever possible.
It is QFF’s view that this vital water issue has been poorly addressed by the NDP review up to this point. For instance, the Commission identifies in Key Points (pXX) that “policies relating to water, natural resource management and climate change all impact on farm businesses and local communities and need to be better integrated”, but later declines to advise how this might be done (pXLIII). It is our view that any policy that does not integrate and coordinate these crucial matters is doomed to failure, as we’d suggest at least partly explains why the current NDP fails to meet either public accountability tests or community expectations.
- A related issue is that of the limited discussion on drought and climate variability. QFF advised the Commission and others of analyses and comments submitted in response to the CAWCR “Drought Exceptional Circumstances” report especially commissioned for this Inquiry. Among other things we pointed out that it was unhelpful to continue climate risk discussions based on “annual averages and variations”. There are two reasons for this, first climate impacts aren’t neatly boxed into twelve-month time frames, and second (and perhaps most importantly), it is the accumulating impacts of climate that have the greatest effects on farming communities and also define the replenishment path for recovery. We do not feel that the Commission’s discussions (p62-75) have helped define either drought or climate change risks in a manner that assists policy development for the real challenges of Australia’s variable climate.

QFF calls for programs that deliver confidence that we as a nation can continue to cope with climate variability and extremes. Proactive policies supporting sustainable growth are needed, not reactionary measures that respond to historical issues or narrow sectional interests.

6. QFF does not wish to repeat the detail and proposals already submitted before the Commission and others. We submit that we represent the intensive agriculture sector in Queensland which accounts for about half the annual agriculture output of the state and supports over 38,000 jobs. The intensive nature of these industries means that producers are aligned to supply chains and therefore tend to “absorb” shocks to the business operating units as they strive to ensure output is maintained. To make such behaviour sustainable, the farm businesses involved have developed over time structured and systematic approaches to cope with all manner of risks, including the very important climate risks. This is why QFF strongly advocates the **Farm Management Systems** (FMS) approach as the viable model for addressing most of the operational issues before this Government Drought Support Inquiry. We are disappointed at this point that the Commission paid scant attention to this robust and proven model for public policy.

- QFF is unimpressed with the public good/private benefit discussions in relation to climate risks and associated public programs (p102-110 and p164-171). It is a conundrum and debate best left to theoretical exercises and is uninformative when considering the practical realities of the shared responsibilities in rural communities. Indeed, the Commission itself seems to recognise the paradox with the discussion surrounding Figures 8 and 7.1 (p157 Governance Elements of a New Approach). QFF agrees with this model and strongly suggests that this integrated approach, applied proactively, will yield very high benefits to all stakeholders, taxpayers included.

QFF affirms its commitment to further development and application of Farm Management Systems (FMS) as the appropriate means for achieving improved outcomes for multiple stakeholders. It is now widely recognised that a “one size fits all” approach to complex business and social issues is not appropriate and that FMS modules can deliver practical solutions on an ongoing basis in farming situations, provided those modules are underpinned with the latest science and research and development knowledge. Public funding of the underlying research is an integral part of the success of these programs.

7. QFF has provided considerable detail as to how these FMS Drought Preparedness, Climate Risk and Business Management operational applications can be developed and enhanced with cosponsored research and constant improvement training regimes. Queensland already has a strong track record in this area and we commend the Queensland approach to climate risk management as one that can assist all of Australia. We make one important caveat however, that being that future efforts in climate research and applications be focused across all agricultural activities and at a regional level, rather than for the more generic pastoral or broadacre operations, as has been the case in the past. Australia is no longer a cattle station, sheep run or wheat paddock, as table 2.1 (p19) basically illustrates.

8. QFF has previously submitted that the nexus between regional employment and climate extremes is still so critical to balanced regional development that it remains a reality of Australia's weather extremes that a "safety net" needs to be in place for those "climate extremes outside best management practices". QFF notes the recognition in the **PC Draft Report** about the process for delivering assistance (p113-130), but feels that discussion fails to shed light on what might be a better way to respond to those climate events "which are beyond the ability of even the most prudent farmer to manage".

While we don't have all the answers we do suggest a closer examination of recent NDRRA's may provide a guide to what works well and what does not. To assist such an investigation QFF members have highlighted some additional considerations that need to be resolved before we can move forward with a credible platform of programs, as follows;

- ✓ recognition that regional issues are often more about maintaining a "critical mass" of industry participants, including crucial farm and regional industry infrastructure, and any comprehensive policy must adequately incorporate such considerations;
- ✓ clarification and some operational detail (especially welfare and asset test issues) of 'transition' arrangements for areas in or out of EC ahead of 2010;
- ✓ further clarification of the design of the welfare system and whether there should be a 'farm viability' test maybe after an initial period of assistance, and what form 'mutual obligation' might take – QFF acknowledges the Commissions approach outlined in Figure 9.6 (p202) and offers to assist fine tuning the process;
- ✓ in addition to FMS modules specific to drought preparedness we also suggest consideration of funding to develop and implement a proactive Enterprise Business Risk FMS module as the overarching framework to guide the specialist decisions (eg. Water, nutrients, etc);
- ✓ further consideration of capital incentives or tax concessions to support drought preparedness investments, especially for say a limited period as a "window for transition";
- ✓ further negotiation to increase the limit for Farm Management Deposits and resolve eligibility issues about incorporated farm enterprises (QFF does not agree with Draft Recommendation 8.4);
- ✓ further analysis of the "new" issue of the irrigation drought and possible unresolved structural adjustment consequences;
- ✓ identification of any continuing role of State drought programs (e.g. DRAS), especially a 'regional flexibility component' to deal with emergency situations from an industry or regional perspective that don't easily fit within the broader national drought policy – As noted above (2) QFF supports Draft Recommendation 6.3 provided there is a suitable alternative incorporating due consideration for 'regional emergencies' and state funding for appropriate preparedness programs;
- ✓ identification and acknowledgement of the real problem of Capacity to Deliver appropriate expertise in the field to support preparedness programs and emergency situations, and a structured approach to closing this important "gap".

9. QFF agrees there are five critical social issues identified in the *Expert Social Panel Report* and we restate that a proactive approach will help overcome climate stresses. The key is to have confidence that "systems" can cope with identifiable climate risks when appropriate management systems are in place. All stakeholders in the rural economy need to take up the challenge to be confident, show capability and capacity to deal with climate extremes, and build up a pool of confident producers and workers who know this to be the case. To support this approach governments need to pursue more integrated and

complete programs than has been the case in the past. In particular this Inquiry has begun to identify important steps forward as follows;

- We note that the Commission identifies that policy should refocus on “the broader issue of climate variability and the new imperative of climate change” (pXLIV), and QFF firmly supports this move. Furthermore, the Commission suggests this be done in an integrated fashion with water, natural resource management and climate change policies better integrated (pXX). QFF agrees and urges all parties to use the momentum of this Inquiry to see that this is achieved as a national priority.
- We feel that further examination of the Expert Social Panel “It’s about people: Changing perspectives on dryness” report may assist in the development of the integrated approach. It seems to us that all governments should seek to facilitate social wellbeing and using Recommendation 6 to promote better planning and delivery of human support services will provide a credible platform to do that in regional Australia.

10. QFF identifies that we should not lose sight of the fact that Australia already has a comparative advantage in dealing with a highly variable and changing climate. The “climate change future” we are addressing requires much more public research on regional issues and the specifics of hydrology so that the risks and opportunities become better known. While we support the Draft Recommendation 10.1 suggesting that drought declarations are no longer needed, we believe this requires the maintenance of a national “climate monitoring” process that helps all stakeholders identify any emerging “climate stresses” that may require the attention and/or action of any and all the stakeholders. As we have suggested elsewhere, in time we would expect that the National Agricultural Monitoring System (NAMS) will provide systematic monitoring of all important climate influences and updated scenarios as climate science improves.

QFF urges the Commission to use its position to provide more substantive guidance to the national government and the Primary Industries Ministerial Forum. We believe our submissions and the additional discussions above provide some clear steps to finalising genuine policy credibility in the Final Report. That is the critical ingredient needed to assist governments move to new climate preparedness programs.

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