

Submission to the Review of the Primary Industry Productivity Enhancement Scheme (PIPES)

Additional Information in Response to the September 2009 Discussion Paper

Queensland Farmers' Federation (QFF) is the peak body representing and uniting sixteen rural industry organisations who work on behalf of primary producers across the state. QFF's mission is to secure a sustainable future for Queensland primary producers within a favourable social, economic and political environment by representing the common interests of its member organisations'. QFF's core business centres on resource security; water resources; environment and natural resources; industry development; economics; quarantine and trade.

Our goal is to secure a sustainable and profitable future for our members, as a core growth sector of the economy. Our members include:

1. Australian Prawn Farmers' Association,
2. CANEGROWERS,
3. Cotton Australia,
4. Growcom,
5. Nursery and Garden Industry Queensland,
6. Queensland Chicken Growers Association,
7. Queensland Dairyfarmer's Organisation,
8. Queensland Chicken Meat Council,
9. Flower Association of Queensland Inc.,
10. Pork Queensland Inc.,
11. Biological Farmers of Australia
12. Fitzroy Food and Fibre Association,
13. Pioneer Valley Water Co-operative Limited,
14. Central Downs Irrigators Limited, and
15. Burdekin River Irrigators Association
16. Aquaculture Federation of Queensland

1. UPTAKE OF PRIMARY INDUSTRIES PRODUCTIVITY ENHANCMENT SCHEME (PIPES)

- QFF acknowledges the purpose of the Review is to verify whether or not the three PIPES programs achieve the Queensland government's economic development policies and priorities, and if they are effective in delivering assistance to primary producers. The Discussion Paper outlines the three specific programs and the 5-year (2003/4 to 2007/8) summary activity of each is as follows;

PIPES Program	Number of Loans	Total Value (\$m)	Average Loan (\$)
Development Program (DP)	498	\$89.9	\$180,500
Resource Management Program (RMP)	84	\$7.1	\$84,500
First Start Program (FSP)	244	\$72.8	\$298,400
Total PIPES	826	\$169.8	\$205,600

- There are a number of measures to identify the significance or otherwise of the PIPES activities. The Discussion Paper identifies the total rural debt as a possible yardstick. QRAA's last rural debt survey estimated that 14,183 Queensland farm enterprises had \$11,283.3 million of commercial debt at an average loan of \$795,550 as at 31 December 2007. It is worth noting that the number of 'commercial' farms in Queensland is approximately 23,180 (output greater than \$22,500), meaning that about 40% of farmers have no debt.
- In this context it is reasonable to conclude that PIPES fills a small but important niche of providing concessional finance to 826 farmers who might otherwise have had to curtail their farm improvements and either operate at a less than satisfactory level or ultimately close the business. The data in the Discussion Paper shows that there is sufficient use of the programs across regions and industries to indicate that PIPES does provide an important source of funds for certain farmers requiring this form of financial assistance.

2. THE ROLE OF PIPES IN A DROUGHT POLICY CONTEXT

- QFF notes that the Discussion Paper identifies that there has been a National Review of Drought Policy and this may be relevant to the question of policy alignment, especially in the context of climate risk preparedness and adaptation and mitigation responses to climate change. QFF has consistently asked that the Queensland government make every effort to ensure its primary industry policies and programs be aligned and consistent with national programs wherever possible. QFF and some of our member organisations and their farmer members made detailed submissions and contributed during public and panel meetings during the National Drought Policy Review processes. These are a matter of public record and support the general points made in this submission. Of particular relevance to the timing of the PIPES review are the sixteen Productivity Commission recommendations to the Australian government and the Primary Industries Ministerial Council (May 2009). Importantly QFF notes that there is almost universal acceptance that the current Exceptional Circumstances (EC) program needs to be terminated and replaced with proactive government programs targeting climate change preparedness and business scale self reliance. QFF sees this change in

policy direction as a positive one for Queensland and one that needs to be supported by the Queensland government through both policy and programs. It is the view of QFF that PIPES assistance can be part of the proactive approach that is recommended and required for a sustainable future for primary industries.

- In the 2008-09 QFF Annual Report it is noted that QFF endorses the approach embodied in the sixteen Productivity Commission recommendations, especially the steps towards an intergovernmental agreement that embeds climate risk management in an overarching Australia's Farming Future framework. QFF sees this new national approach as the one to which the Queensland PIPES should be aligned. The key NDP Review recommendations that are likely to be important to Queensland are:-
 - A new Farming Family Income Support (FFIS) scheme with a Mutual Responsibility Contract (replacing the ECRP system) as the primary mechanism to deliver cash payments to farm families in hardship. The capital asset and income caps are to be set at practical levels relevant to normally viable operating farms (\$2-3 million sliding scale and \$20k/year).
 - An extended Australia's Farming Future (AFF) initiative to ensure climate risks and greenhouse gas emissions are addressed comprehensively with public funds for proactive programs and research, development and extension to assist farmers prepare for, manage, and recover from the impacts of climate variability and change.
 - Significant additional public funding for continuous learning programs within an enhanced FarmReady platform (extend the successful elements of the former FarmBis program).
 - Commonwealth, state and territory governments enter into an intergovernmental agreement linking Commonwealth funding to progress made by state and territory governments to fulfill their commitments to reform, including alignment with the revised Australia's Farming Future.
 - Establish a third-party monitoring process to assess compliance with the intergovernmental agreement that incorporates prompt timelines for any transition arrangements from EC programs to new AFF climate programs.
- QFF notes that the above changes to National Drought Policy will create a significant change in assistance available to farmers. For instance, in the 5 years 2003/4 to 2007/8 the Exceptional Circumstances business support program approved 11,754 Queensland applications involving \$334,961,000. All of this financial assistance relates to interest rate subsidies on commercial farm loans, and this investment under a new policy regime could be managed under a scheme such as PIPES. It is clear that there will be a role for government support for farm investments to mitigate climate change impacts and operate improved climate risk management strategies. While some of this support will likely be in the form of grants it is likely that provision of concessional loans will create greater public benefit.

3. IMPROVING PIPES AS A CLIMATE CHANGE POLICY RESPONSE

- Notwithstanding what the Australian Government may do to provide financial assistance to farmers to mitigate against climate change and climate stress events, QFF suggests that PIPES may have a more positive impact in Queensland if it were more focused and widely publicised. This form of assistance should achieve more impact if it were less restricted by capital limits. For instance a 3% concessional interest rate on \$1 million equates to approximately \$30,000 in annual assistance and it is this type of assistance that will boost drought preparedness and other longer term investments to prepare farms for changing climate impacts.
- QFF has identified to government that there are already existing programs and frameworks that could be extended to provide more comprehensive government responses that help build climate preparedness and resilience on farms and in regional communities. While QFF's members are heavily involved with the Farm Management Systems (FMS) approach to dealing with issues and risks, we acknowledge that there are other 'models' that may also be usefully applied to the challenges that climate variability and climate extremes may present. For instance, the Productivity Commission identified the Ellis Taxonomy for building "capital" to help farms adapt and be resilient to shocks. This framework could be used to identify public investments that could be made to improve the "capital stock" so that farmers and communities can withstand and cope with climate extremes. QFF suggests this might provide a guiding principle for determining those investments that the PIPES might target in the future.
- The Productivity Commission also identified that governments should strive to better integrate water, natural resource management and climate change programs to help farm businesses and local communities better cope. QFF members have used the Farm Management Systems framework to develop productive partnerships with The Queensland Regional Natural Resource Management Groups Collective (RGC) to deliver better catchment planning outcomes. Since the sustainable management of natural resources is the underlying goal of these arrangements, building on the existing Memorandum of Understanding (MOU) between the industry and regional parties offers another model for developing climate preparedness programs. As a means to assist this review of PIPES QFF notes there are a number of programs that could be extended to provide the framework for public (and private) investments in climate preparedness and guidelines for these investments may prove instructive for the PIPES review (e.g. Corish Report p141-160 and p178-196; Productivity Commission N0.46 p253-285.).
- Farm Management Systems are variously renamed to suit special purpose situations, commodity group interests or regional initiatives. They have been industry developed and a work-in-progress in a variety of forms for about a decade. QFF draws attention to the fact that the FMS approach is already proving a robust method to achieve improved outcomes for multiple stakeholders on an ongoing basis and therefore offers a good framework to redirect public investments into climate preparedness. It is QFF's view that the FMS framework provides the means to better align many government initiatives such as Caring for our Country, Australia's Farming Future FarmReady and AusIndustry's Re-tooling for Climate Change at the national level and Fresh Approach at the Queensland level. These

programs would have greater impact if also aligned to concessional finance such as through PIPES.

4. ADDITIONAL POINTS

- The Discussion Paper noted the issue of fixing interest rates and the timing of loan agreement and draw-down of funds. QFF suggests that PIPES should adopt “best practice” wherever possible so that burdensome administration is avoided. Loan establishment and interest rates are normally best settled through lender and client negotiation prior to signatures.
- QFF acknowledges there are “governance issues” surrounding the expenditure of public monies and suggests that tight Public Expenditure Review Principles and MOU’s that define measurable co-responsibilities can largely overcome these. Co-responsibility and mutual obligations should be defined with agreed performance measures that help identify the public gains from such investments, and the “model” suggested by the Productivity Commission (Final Report pXXXIV-XLVII and p167-174) may be usefully applied in Queensland.

5. SUMMARY

QFF commends the PIPES Review Committee for the detail contained in the Discussion Paper. QFF concludes there is sound evidence that PIPES provides considerable benefits to regional Queensland by providing finance to farmers who may otherwise not be able to secure loans in a timely fashion. QFF recommends that PIPES be continued and streamlined to offer concessional loans to eligible Queensland farm families and agribusinesses in a manner consistent with and supportive of national programs designed to improve farm and sector performance. To provide ongoing economic development benefits to regional Queensland QFF recommends that loan caps be increased to at least \$1million and that this form of concessional finance be more broadly publicised by QPIF and QRAA.

EOD 26 October 2009