



QUEENSLAND FARMERS' FEDERATION

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Submission

26 October 2018

Independent Panel
Drought Program Review
Department of Agriculture and Fisheries
41 George Street
BRISBANE QLD 4000

Via email: DroughtProgramReview@qld.gov.au

Dear Mrs Wade and Mr Burke

Re: Queensland Government Drought Program Review

The Queensland Farmers' Federation (QFF) is the united voice of intensive agriculture in Queensland. It is a federation that represents the interests of peak state and national agriculture industry organisations, which in turn collectively represent more than 13,000 primary producers across the state. QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- Queensland Chicken Growers Association (QCGA)
- Queensland Dairyfarmers' Organisation (QDO)
- Australian Cane Farmers Association (ACFA)
- Flower Association
- Pork Queensland Inc.
- Queensland United Egg Producers (QUEP)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Queensland Chicken Meat Council (QCMC).

QFF welcomes the opportunity to provide comment on the Queensland Government Drought Program Review. QFF provides this submission without prejudice to any additional submission provided by our members or individual farmers.

The united voice of intensive agriculture



Background

QFF understands the Drought Program Review, announced by the Minister for Agricultural Industry Development and Fisheries on 26 August 2018, is being led by an independent expert panel (panel). The panel will consider the effectiveness of existing state government drought support measures and their consistency with the Intergovernmental Agreement on National Drought Reform (IGA), and recommend options for a new whole-of-government drought model to improve resilience and assistance for Queensland farmers in future droughts.

It is important to note that despite the objectives of national drought policy being consistent since 1992¹, all levels of government have failed to realise them. This is not acceptable and must change. Drought policy should encourage farmers to adopt self-reliance and increase resilience while facilitating the maintenance and future protection of Australia's agricultural and environmental resources. To better assist farmers to adapt to this climatic challenge that is part of farming in Australia, the issue must be de-politicised and ensure consistent and complementary drought policies across different levels of government are put in place.

It is also important to note that the government's current drought policies and assistance measures do not fully appreciate the impacts of drought on intensive, semi-intensive and irrigated agriculture. Future state and federal drought policy must better understand the different business models that operate within the sector and government support arrangements must acknowledge and respond to the way drought impacts farm businesses within different industries.

Over the years, there have been numerous independent reports and government inquiries and reviews into the various elements of drought policy. QFF does not seek to replicate that work, but encourages the panel to also review it as there have been many valuable lessons learnt that are yet to be incorporated into state government drought policy.

1. Guiding Principles

Drought policy in Queensland should align with the IGA. First signed by the Australian and all state and territory governments in 2013 and reaffirmed in May 2018, QFF agrees with the aims of the IGA. While it is focused on helping preparedness and self-reliance, the IGA also includes guidance on the provision of in-drought support. QFF notes that the transactional support measures available through the Drought Relief Assistance Scheme (DRAS) are not fully consistent with the IGA.

QFF recommends future drought policies, assistance measures and programs be underpinned by a consistent and measurable logic that:

1. encourages preparedness and resilience planning
2. incentivises and promotes best practice agriculture
3. builds profitable and revenue diverse farming businesses
4. avoids input subsidies unless absolutely needed
5. balances practical and economically rational policy positions.

These five guiding principles should ensure that programs are consistent with the IGA and that state assistance measures move towards greater alignment with a national approach. The principles also provide a framework to monitor, assess and report the performance of and delivery towards the objectives of the IGA – a requirement under the agreement that does not appear to happen.

Any government support should have a legacy that empowers farmers to better prepare for and manage drought risk. Future drought policies and assistance measures must better understand and

¹ <http://www.agriculture.gov.au/ag-farm-food/drought/drought-policy>

address the needs of intensive and semi-intensive animal industries and irrigated agriculture to ensure they are equitable across all agricultural industries and respond to the differing drought pressures.

Recommendations

- 1. Ensure future drought policies and programs are consistent with the IGA and they demonstrate a more thorough understanding of the drought pressures across all agricultural industries to ensure more equitable policies and a more holistic response from government.**
- 2. Adopt guiding principles to formulate future policies and programs and use it as a framework to annually monitor, assess and report the performance of and delivery towards the objectives of the IGA.**

2. Drought Declarations and Local Drought Committees

The state government drought declaration process is not transparent or contemporary. The current drought declaration trigger – a 12-month rainfall deficiency likely to occur no more than once every 10 to 15 years – does not reflect the frequency of drought in Queensland and is not even consistent with the previous federal drought declaration process that was abolished in 2012 (i.e. a rare event that occurs on average only once in every 20 to 25 years).

Over roughly the last 25 years (1995 to 2018), there are only two short periods where parts of Queensland have not been drought declared – from 30 June 1999 to 31 October 2000, and from 28 February 2011 to 1 April 2013. This highlights the need to reform the state’s drought declaration process.

If drought declarations are to remain in Queensland, the trigger must be underpinned by science-based, multi-layered, publicly accessible indicators. A ground-truthing process will also be required, particularly in the establishment phase. QFF considers the Department of Environment and Science is best placed to construct a more rigorous drought declaration model for Queensland based on science. Reports already available through the Long Paddock² have information to a 0.05-degree pixel on roughly a 5km grid.

Additionally, the timing for a trigger must be extended to reflect extreme climatic conditions beyond what a farm business should be able to manage in a changing climate. There will be much debate over what this level should be, but QFF considers that it should not be activated for anything less than a one in 25-year event.

Recommendations

- 3. Abolish the Local Drought Committees and replace the drought declaration process with a science-based, multi-layered framework of publicly accessible indicators, supported by local ground-truthing.**
- 4. Extend the time frame for what constitutes drought conditions from a ‘one in 10 to 15-year event’ to a ‘one in 25-year event’.**

3. Enabling farm businesses to be ‘drought prepared’

Ultimately, the settings of national drought policy objectives, guiding principles for state government drought reform and drought declaration triggers are contingent on and their success determined by the ability of farm businesses to be drought prepared. This depends on the frameworks in place for current support measures; new risk management programs; progressing other risk management enablers such

² <https://www.longpaddock.qld.gov.au/forage/report-information/drought-assessment/>

as insurance, better weather data and information, and alternative income streams; and the complementarity of drought responses at all levels of government.

3a. Current Support Measures

Political realities have meant that current drought policies and programs, at both state and federal levels, are predominately focussed on addressing the more visual impacts of drought (i.e. hungry stock, dry dams and bare paddocks). Not only is this inequitable, it is narrow sighted as it fails to understand the co-dependence of production across different industries in the sector.

As noted previously, the Queensland Government's transactional drought support measures are not fully consistent with the IGA. QFF met with the consultants (Marsden Jacob Associates) undertaking the review into the effectiveness and efficiency of the various drought programs and their alignment with the IGA on 27 September 2018. The panel should already have that feedback.

QFF supports retaining transactional measures while the government considers the future of drought policy in Queensland, and where there is justification for maintaining them.

- ***Drought Relief Electricity Charges Scheme (DRECS)***

To prepare for and manage through drought, farmers must be able to manage costs. Current government policy does not provide essential and enabling services such as electricity and water at a 'fair cost' for agriculture. For intensive, semi-intensive and irrigated agriculture, the massive increases in the price of electricity over the last 10 years (a minimum of 136 per cent to more than 200 per cent, while CPI has increased by just 24 per cent over the same period) have eroded profitability margins, challenged international competitiveness, and threaten ongoing business viability.

Similarly, the cost of water (and associated pumping costs) is becoming prohibitive for some farm businesses. With approximately 300,000ML of unutilised water already sitting in existing public storages, the state government needs to broaden its water policy settings to enable irrigators to make better use of this water and in turn, deliver a better return on public assets.

While the state government continues to use electricity as a hidden tax (it extracted \$12 billion from its ownership of the networks through: income from unconventional equity extractions (including RAB indexation extractions); dividend payments; tax equivalent payments; and debt fees (competitive neutrality fees) in 3 years³), inefficiently price electricity, and fail to deliver a suite of suitable tariffs for agriculture, DRECS will be needed and is justified.

Recommendations

- 5. Maintain DRECS until government efficiently prices electricity and delivers a suite of suitable tariffs for agriculture.***
- 6. Broaden water policy settings (on a scheme-by-scheme basis) to ensure irrigators can access labile water resources to better prepare for and manage through drought.***

3b. New Risk Management Programs

Future drought policy and any new programs must be forward looking to ensure farmers are resilient against climate change and dynamically changing markets. To achieve this, future programs must ensure they assist farm businesses in becoming more drought prepared.

³ Derived from Energex, Ergon Energy, Energy Queensland and Powerlink Annual Financial Reports

The cost of energy and water and the productivity nexus that exists not only challenges the profitability of high value agriculture in drought years, it is challenging the capacity of those farming businesses to maximise profitability in the ‘good’ years. This reduces farmers’ flexibility to invest in on-farm risk management and resilience planning.

Energy and water are inextricably connected. There is a connection between climate change and the water-energy nexus and how efforts to increase efficiency in both energy and water end uses can increase the agricultural sector’s resilience. Climate change is continuing to affect water availability and put new stresses on energy systems, particularly in constrained areas. As such, investment in tailored programs that address these challenges is critical. Proactive integrated water and energy advice and investment opportunities would assist farmers in drought preparedness.

- ***Drought energy-water nexus program***

Funding would first be required to properly investigate the ‘nexus’ issue. An industry-led research project should be undertaken to examine the water/energy/productivity relationships and what the implications of not addressing this issue properly would mean for the future pricing and use of both water and electricity, and the future viability of the state’s irrigation schemes. Recommendations could then be made for an immediate program to start addressing the research findings, as well as longer term recommendations for government and industry action.

The program should combine and leverage energy efficiency (e.g. Energy Savers) and water efficiency (e.g. Rural Water Use Efficiency) programs to increase energy and water productivity. Delivery of such a program would need to include demonstration pilots, extension and outreach, and training for service providers, linked to a capital fund that farmers could access for new infrastructure capable of improving energy and water productivity. Informing program participants of the availability and application of other existing drought preparedness measures would also be an integral part of the delivery. It is worth noting that for every \$1 invested in RD&E returns \$10.51 over the course of 25 years⁴.

- ***Feed resilience program***

Feed availability and cost are major concerns for intensive and semi-intensive animal industries during droughts. While farm businesses within these industries already have on-farm storages, they are likely to be insufficient as droughts intensify and become more protracted, so feed inventory levels will need to be increased. Greater investment in on-farm feed storage will help improve business preparedness and resilience to drought, much like the investment in emergency water infrastructure. Feed storage rebate programs for investment in infrastructure and the feed itself, where feed stores could act like Farm Management Deposits, would encourage greater investment in this risk management practice and should be investigated.

Recommendations

- 7. New drought programs must be forward looking to ensure farmers are resilient against climate change and dynamically changing markets.***
- 8. Develop drought preparedness measures suitable for intensive, high value agriculture such as energy-water nexus and feed resilience programs to address existing gaps.***

3c. The Role of Insurance

Insurance can be a useful a risk transfer mechanism. Over the last couple of years, QFF has led an industry push to help develop a nascent insurance market in Queensland. For many years, the agricultural sector has called on government to subsidise, seed fund, and/or underwrite a North American style multi-peril crop insurance program. All levels and sides of government have consistently

⁴ <http://www.parliament.qld.gov.au/Documents/TableOffice/TabledPapers/2017/5517T988.pdf>

resisted doing this for over 20 years. As such, QFF has focussed on other potential insurance options, such as parametric products, that can still deliver risk management opportunities and strategies for farmers.

It is evident that the development of a holistic agricultural insurance market has stalled in Australia, particularly in Queensland. To overcome this, two key elements must be addressed:

1. Products: there are very limited suitable products available for proactive farmers in this state wanting to self-insure income (e.g. crops) against severe weather events.
2. Price: the cost of available products is a major inhibitor for take-up.

- **Stamp Duty**

QFF has been calling on the government to help address 'price' for some time by removing the 9 per cent state tax on agricultural insurance. This inefficient tax has now been removed in NSW and Victoria, and it discourages Queensland farmers from taking up insurance that can help their businesses become more resilient and drought prepared.

- **Enabling funding for product development**

The government has a role to play in the development of insurance options to benefit Queensland farmers, where the market has not demonstrated the ability/desire to do this (as has been the case in Queensland). Enabling funding through the Drought and Climate Adaptation Program has already proven its worth, with the successful development of cyclone insurance coming through this program. This small investment must continue if we are to progress a stalled Queensland insurance market that will benefit farmers and transfer some of the financial impacts of drought to the commercial sector.

Recommendations

9. **Abolish stamp duty on agricultural insurance products to help address the 'price' side of the insurance market challenge.**
10. **Continue providing enabling funding for product exploration and development to help address the 'product' side of the insurance market challenge.**

3d. Weather infrastructure and information

Weather data and forecasting play a critical role in on-farm decision making, and underpinning index-based insurance products. Investment in weather stations and Doppler radar technology is needed to improve the granularity of available data across Queensland, particularly for the prime agricultural areas. This data can help the sector by enabling the development of more risk management options and increasing on-farm productivity – both contributing to more resilient, drought prepared farm businesses.

Better climate and weather data assist the development of commercial insurance markets, as it is critical to the effectiveness of the products. Weather data underpins product development, and the pricing, accuracy and trust (by reducing basis risk) of existing products. Investment in new technologies that serve to facilitate and ensure continued productivity growth are compelling. For example, installation of Doppler radar coverage throughout the WA wheatbelt has been estimated to deliver on average \$108 million NPV over the 20-year analysis period (or \$8.68 for every \$1 invested).

Recommendations

11. **Invest in weather stations and Doppler radar technology across the prime agricultural areas to help with the development of more risk management options (insurance and better decision making) and increased on-farm productivity.**

3e. Income Diversity

The future of farming, particularly when considering the financial impacts of drought, needs to develop and/or exploit alternative or additional sources of revenue to ensure greater resilience and sustainability. Opportunities exist in several areas, such as land management services (e.g. through the new Land Restoration Fund initiative), renewable energy generation (e.g. solar and wind coexistence), gas developments (e.g. compensation and rent payments, and potentially gas take-off agreements), and bio-futures (e.g. fuel crops). However, government policies around these opportunities are often inconsistent and it is either not possible or not clear how farm businesses can benefit.

Recommendations

- 12. Develop a logical framework that outlines agriculture's role across all government policy priorities and highlight the opportunities for farm businesses. Existing barriers should be identified through this process, which need to be overcome.***

3f. Regional Communities

During drought, farm business spending contracts. This has a negative impact on local businesses in regional towns located in drought affected areas. To help regional towns survive drought, the state government should consider how its public investment programs, such as road infrastructure upgrades, can counter decreased spending from the farm sector. A more targeted approach to this spending would help local businesses survive and provide much needed employment and economic stimulus.

Recommendations

- 13. Review regional public investment programs and where possible, tailor schedule of works to offset decreased farm sector spending in regional areas.***

3g. Complementary Government Assistance and Transitioning

Despite long standing national drought policy objectives and the IGA, different levels of government support are not always complementary, and it is difficult for farmers to determine what is available and how they best use what is in place. Part of the reason for this is because generally, governments are only prepared to address and act on drought policy when publicly sensitive drought conditions exist. To progress drought policy, it must be made an ongoing discussion between governments and independent of partisan lines. With more and more pressures on the public purse, it is critical that all levels of government ensure drought policies and spending are synergistic and leverage each other so programs and support measures are maximised for farmers.

Similarly, at a state level, drought policy needs to become an ongoing discussion, particularly as there will need to be a transition away from some existing programs and support measures. To do this effectively, a working group involving all government departments and key stakeholders should be established to assess the changes in drought policy and programs, their effectiveness, performance and alignment (using pre-determined criteria).

Recommendations

- 14. Establish a single, user-friendly portal to house all-government drought support arrangements and related assistance information.***
- 15. If unable to do this at an all-government level, establish a Queensland only portal to set an example and advocate for an all-government portal.***
- 16. Request that a COAG Agriculture Council be established and drought policy put forward as a standing item of business.***

17. Establish a working group involving all government departments and key stakeholders to assess timing for changes to drought policy and programs, and to measure their ongoing effectiveness, performance and alignment.

Conclusion

Farmers are constantly adapting to climate variability. However, with the uncertainties of a rapidly changing climate we need to ensure they have the tools to bolster their adaptation plans and build greater resilience into their businesses. With droughts predicted to be more frequent and intense in the future, governments have an important role to play in helping farm businesses become better drought prepared. However, governments have found it difficult to implement a consistent and complementary response to drought, which must change if we are to get the best outcomes for farmers.

Through the IGA, the Queensland Government has agreed to certain drought policy principles. However, the success of these principles is dependent on the ability of farm businesses to be drought prepared. This depends on the frameworks in place for current support measures; new risk management programs; progressing other risk management enablers such as insurance, better weather data and information, and greater access to alternative income streams; and the complementarity of drought responses across all levels of government. Recommendations are made to the panel on all these critical success factor areas and should not be taken in isolation.

QFF considers the Queensland Government should see this review as the first step in an ongoing and regular discussion that needs to happen to deliver better drought policy outcomes, and we look forward to working with all levels of government to achieve that.

Yours sincerely

Travis Tobin
Chief Executive Officer