



September 2017

AgForce Submission

Joint Review of the Intergovernmental Agreement on National Drought Program Reform

Introduction

AgForce Queensland Farmers (AgForce) is the peak rural group representing the majority of beef, sheep & wool and grain producers in Queensland. The broadacre beef, sheep and grains industries in Queensland generated around \$5.7 billion in gross farm-gate value of production in 2014/15. AgForce exists to facilitate the long-term growth, viability, competitiveness and profitability of these industries. Our members provide high-quality food and fiber products to Australian and overseas consumers, manage around 40 percent of the Queensland agricultural landscape and contribute significantly to the social fabric of rural and remote communities.

AgForce has a keen interest in supporting our members in effectively managing climate risk and welcomes this opportunity to provide input into the joint review by the Commonwealth and state and territory governments of the Intergovernmental Agreement on National Drought Program Reform (IGA) signed in May 2013. The IGA expires on 1 July 2018.

The letter inviting AgForce to assess the value of the IGA and the parties' progress towards the agreed outcomes of the IGA (s22 of the IGA) clearly states the review is not intended to be a review of Australia's national drought policy. It will not seek to adjust existing support measures but will build on past policy reviews. These include the 2008 National Review of Drought Policy, the 2010 pilot of drought reform measures and the work undertaken through the Agricultural Competitiveness White Paper process.

The scope of the current review covers three key areas:

1. How has the IGA influenced drought programs delivered by each jurisdiction?
2. Are there opportunities for stronger collaboration within and between governments, and with industry and non-government organisations?
3. Should the IGA be extended or otherwise varied?

Our submission will address each of these key areas in the sections following in more detail.

Summary of Key points:

- The aims and outcomes of the IGA are supported in principle by AgForce
- Australian primary producers receive very little financial support from governments – we must ensure that the limited financial support that is available is effective
- Measurement and monitoring of progress towards the identified outcomes of the IGA lacks transparency and publicly available annual reports are strongly recommended
- Industry can play a larger role in providing feedback on the effectiveness of policy measures
- AgForce has undertaken surveys and provided submissions on individual state and federal drought measures and their rollout. These should be reviewed
- Queensland can provide some examples of involving industry within program and cross-departmental decision making that could be usefully replicated at the national level

- Many of the existing types of policy measures included under the IGA umbrella are supported, but need further improvements to maximise the links to the IGA outcomes
- Social support services, like many other measures should be embedded in the communities throughout the drought cycle, not as a short-term crisis response model
- Concessional loans programs provide a good example of iterative program improvements but highlight the need for industry and other stakeholder involvement in initial policy design
- Farm business training has yet to achieve a consistent national approach and must be needs based and empower producers
- Further investment in tools and technologies is indicated to ensure they can reliably inform the key points in the drought management decision-making of producers
- Current IGA provisions about responding to future droughts embed uncertainty concerning available measures and acts against proactive drought risk management business investment as provided for in the Agriculture Business cycle (attached)
- Collaboration is vital and any future IGA should look to more formally engage regularly with industry representatives
- AgForce's Agricultural Business Cycle should be adopted and further developed within any future drought IGA
- Another drought IGA, informed by the above points, would be supported by AgForce.

Progress towards the agreed outcomes of the IGA (s22)

Goals

The overarching consideration for any review is understanding what the IGA is seeking to achieve and if those goals are being met. The aims of the IGA are to:

- a) Assist farm families and primary producers adapt to and prepare for the impacts of increased climate variability
- b) Encourage farm families and primary producers to adopt self-reliant approaches to manage their business risks
- c) Ensure that farm families in hardship have access to a household support payment that recognises the special circumstances of farmers
- d) Ensure that appropriate social support services are accessible to farm families
- e) Provide a framework for jurisdictions' responses to needs during periods of drought.

The IGA was intended to facilitate the following outcomes:

- a) Primary producers have an improved capacity to manage business risks

b) Farm families are supported in time of hardship.

The aims and outcomes of the IGA are supported in principle by AgForce and it is incumbent on the signatories to ensure that the IGA and supportive policy measures are delivering effectively in securing them as intended.

A key concern for AgForce is minimising the adverse impacts of climate risks on farming families and businesses and progressively improving their capacity to manage business risks. This should occur through effective preparation for likely events, such as two failed wet seasons, where the business can establish adequate reserves, and combined with increased public support for the less frequent, more severe events that overwhelm reasonable efforts to prepare. Such events are acknowledged by the White Paper on Agricultural Competitiveness and are implicit in the approach taken within the current IGA.

During the current drought, AgForce has undertaken two formal surveys of our members in drought-affected areas. An April 2015 AgForce member survey covering 31 currently or previously drought-declared shires saw 46 pc, 65 pc and 59 pc of respondents (n = 138) rate the current drought event worse than previous droughts they had experienced in terms of the relative environmental, financial and personal impacts respectively. While this related to a range of precursor impacts, including the Millennium drought and the live export suspension decision, it is vitally important that these impacts of drought are progressively reduced over time.

An October 2013 member survey by AgForce (n = 251 responses, 81pc drought declared) saw 93 percent of respondents indicated they had undertaken drought preparedness activities after the last drought. Of respondents who specified preparedness strategies (n = 107) these included improving water resources (65 pc), managing/reducing grazing pressure (39 pc), supplementary feeding infrastructure and storage (16 pc), native vegetation regeneration and pasture improvement (15 pc), more proactive management/planning (16 pc), establishing a financial reserve (8 pc), marketing changes (5 pc) and additional property purchases (4 pc). Given such an overwhelming response and assuming they reflect on-ground practice, an important question for the IGA parties is how to ensure that preparedness efforts are indeed effective at assisting producers deal with future events, particularly where they become worse under climate change scenarios.

In relation to the aim of encouraging producers to adopt self-reliant approaches to manage business risks, Australian primary producers are already receiving very little financial support from governments, a trend that has been sustained for an extended period of time prior to the IGA. The OECD estimates of public support for primary producers in Australia in 2016 was just 1.95 percent of gross farm receipts (compared to the OECD average of 18.77 pc) and just 0.07 percent of our GDP, less than New Zealand (0.08 pc).¹

Australian farmers receive no market price support, with co-funded R&D programs providing a major component of government support. According to the OECD, in 2016 around 45pc of direct supports to producers was targeted towards input use, including helping producers deal better with droughts through concessional loans plus subsidies for upgrading on-farm water infrastructure. Income tax

¹ <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm>, accessed 7 September 2017

averaging arrangements, farm management deposits and other environmental programs accounted for 42 percent of the total support to producers.²

Drought significantly reduces productivity and profitability for Australian agricultural businesses, with the time taken to recover cash flows in the order of 2 years per year of drought and taking up to 20 years to restore a business's former overall financial position after a severe extended event. As climate risk focused assistance forms the bulk of the very limited public assistance available to Australian producers it is vital that this assistance is well targeted, coordinated and effective.

Measuring progress

A key contributor to the success of the IGA is the use of objective measurements of producer progress and the monitoring and evaluation of the effectiveness of individual policy measures in supporting that progress.

The role of the Commonwealth (s12e and f) and the various state and territory jurisdictions (s13 d and e) included monitoring and assessing the delivery and performance of their respective programs under the IGA and to annually report on the contributions of these programs to the achievement of the IGA outcomes.

Objective measurement of progress is vital for an effective and useful evaluation of the current IGA and its component policy measures, as well as any future agreement, but evidence for a systematic objective assessment of success is lacking.

The National Farmers Federation (NFF) requested information from the review team in the Department of Agriculture and Water Resources (DAWR) on the monitoring and reporting under the IGA. The response indicated that:

- The AGSOC Drought Task Group (and its predecessors) requires each jurisdiction at its meetings (normally 6 monthly) to provide verbal updates on program progress, including against the IGA objectives. These updates are usually comprehensive, but not routinely shared outside the AGSOC Drought Task Group.
- The AGSOC Secretariat requests very brief summary paragraphs annually from the task groups outlining their achievements/key outcomes for the preceding year. This may be included with a summary of activities provided to AGSOC and AGMIN as they review task groups annually.

This annual reporting has not been transparent to industry and it is unclear what progress has been achieved towards the goals and outcomes of the IGA. It is important that this IGA review process be transparent about what has been achieved and which measures within the IGA umbrella have contributed most towards those outcomes. Should progress to date be limited then a review of the policy and supporting measures is strongly recommended, building on past findings, and AgForce would request industry involvement in that assessment and the identification of alternative or new measures.

Looking forward, should the IGA be continued then AgForce would support clear objective measurement and transparent public reporting of progress towards the identified goals, with release of annual reports, so that improvements can be made as required.

² <http://www.oecd.org/tad/agricultural-policies/producerandconsumersupportestimatesdatabase.htm> , accessed 7 September 2017

It is important to acknowledge that large areas within Queensland have been drought affected during the full period of the IGA. As beset the Western Australian Drought Pilot program, it is difficult to resource and assess programs aimed at preparedness and self-reliance when in the middle of a severe dry period.

AgForce therefore, supports and seeks a policy framework that encourages risk management, 'preparedness' for drought and the building of industry resilience. It is important during reform discussions and with the expectation of climate change to acknowledge that preparedness and resilience takes time and favourable seasons to be achieved. Drought policy must be practical, meet the needs of producers in hardship and account for severe droughts that can overwhelm the reasonable efforts of individuals to be well prepared. Any changes to drought assistance must include a suitable transition period to the new settings and provide adequate time for enterprises to recover and build reserves after the current event so they can operate effectively under any new framework.

Drought Program Measures

The Terms of Reference (TOR) of the IGA Review pose the following questions:

- *How has the IGA influenced drought programmes delivered by each jurisdiction?*
- *How have programs aligned to the IGA?*
- *What has worked and why?*
- *What has not worked and why?*
- *What processes did jurisdictions use to implement in-drought support, and could these be improved?*

These questions will be addressed in overview first and then in relation to the individual parties' contributions to the IGA. The IGA document itself is relatively clear and easy to understand, although of nil or limited visibility to primary producers themselves. However, as for the evaluation of progress, it is generally unclear to industry how the IGA has practically influenced the offering and integration of programs, particularly in Queensland.

In April 2015 AgForce surveyed members on the current drought, their experiences in seeking government assistance and what further assistance is now needed considering deteriorating conditions. The report on this survey is attached to this submission and the review team are encouraged to closely consider those findings.

It should be noted that these findings relate to a point in time, and while indicative of issues relating to the rollout of programs administrative changes since the survey have addressed several the identified issues.

Key points from the survey included:

- The drought was having (and continues to have) serious environmental, financial and personal impacts
- Federal assistance was generally viewed as being more difficult to access and of less help than that offered in previous droughts. Extension of the Emergency Water Infrastructure Rebate (EWIR) program was supported

- Many respondents had not applied for Farm Household Allowance (FHA) or the concessional loans – application process for FHA was considered complicated and difficult to complete
- Concessional loans were compared unfavorably to interest rate subsidies (IRS) with the benefits thought insufficient to risk existing relationships with lenders
- Strongly supported measures included the Rural Financial Counselling Service, the Assistance for Isolated Children Scheme (thought to need increasing), Farm Management Deposits and the EWIR- top-up
- Queensland government assistance was generally seen as easier to access and more useful although caps on assistance needed to be raised
- Supported measures included the EWIR, Drought Relief Assistance Scheme (DRAS) subsidies, and other cost subsidies
- About 80 pc felt confident that they knew what drought assistance was currently available and how to find out more information about their options
- Additional assistance options largely concerned alleviating the financial impacts of severe drought, to sustain local communities as well as enabling environmental and economic recovery to occur more quickly
- Several other program improvements were identified by respondents.

Queensland State measures

The measures provided by the Queensland State Government under the IGA framework are listed below:

- Drought Relief Assistance Scheme (DRAS)
- Emergency Water Infrastructure rebate (EWIR)
- Community Assistance Package (Department of Communities)
- Tackling Regional Adversity through Integrated Care program (Queensland Health)
- Land Rent Rebate and water licence waivers (Department of Natural Resources and Mines)
- Drought Relief from Electricity Charges (Department of Energy and Water Supply)
- Drought and Climate Adaptation Program.

The Agriculture and Environment Committee of the Queensland Parliament recently reviewed the DRAS program³ and AgForce made a submission to that review which is attached. This submission provided our views on the DRAS, EWIR, Rural Financial Counselling Service, cost relief, information provision and drought program administration.

AgForce has been funded through the Community Assistance Package to deliver producer relevant workshops on topics designed to get producers off-farm and includes social networking and mental health support and referral elements. A successful program it has been funded for two years and has delivered events across Queensland.

Further, the State Government also brings together relevant departments, government agencies, NRM groups and industry representatives within a Drought Industry Coordination Group. This group meets as

³ <http://www.parliament.qld.gov.au/work-of-committees/committees/AEC/inquiries/past-inquiries/rpt29-05-DroughtRelief>, accessed September 2017.

required (approximately monthly during extensive drought periods) to review seasonal conditions and outlooks, regional conditions and policy issues. It represents a useful forum for information exchange, coordination and issue identification. It is a good example of involving industry within cross-departmental decision making and could be usefully replicated at the national level.

The Drought and Climate Adaptation program⁴ (DCAP) is an initiative of the Queensland Government to improve drought preparedness and resilience by delivering a range of RD&E projects, including some focused on improved seasonal and climate forecasting and providing better producer decision support tools. It includes a project examining decision-making by producers to identify relevant decision-support tools and to improve the current offering. Industry, including AgForce, is represented on the project Steering Committee which makes investment decisions on proposed projects and collaborates with program partners on project delivery, including best management practices and business mentoring. While only operating for under 2 years, and with a relatively ad hoc project selection process in the initial year, the program emphasises projects with clear producer involvement and a focus on on-ground change and improvement in climate risk management.

In response to the Review TOR question about partnerships with industry, these represent good examples of how government can work to integrate industry into project assessment and delivery and strategic responses to drought events. This approach could be usefully integrated into the IGA principles should a further iteration of the agreement be forthcoming.

Federal government measures

The measures provided by the Australian Government under the IGA framework are listed below:

- Farm Household Allowance
- Social and Community Support
- Drought Communities Program
- Farm Management Deposits
- Managing Farm Risk Program
- Taxation measures
- Drought-related concessional loans
- Rural Financial Counselling Service
- Farm Business Training (refer to state and territory websites)
- Pest and Weed management.

Specific programs provided by the Bureau of Meteorology include:

- Rainfall Deficiency Analyser (in support of Concessional Loans Scheme)
- Improved seasonal forecasting services project
- Improved forecasting of extreme climate events
- Improved rainfall analysis
- Weather and Climate Risk course.

⁴ <https://www.daf.qld.gov.au/environment/drought/queensland-drought-mitigation-centre-qdmc>, accessed September 2017

The Federal drought package covers family welfare, counselling and support programs (social), income smoothing, tax incentives, concessional loans and business training (financial) and environmental impact management elements.

Personal assistance - household support payment in hardship

Farm Household Allowance (FHA)

AgForce supports the provision of farm family welfare support as a 'safety net' in periods of low income, particularly where it effectively acknowledges the unique circumstances of agriculture, and supports its inclusion as a headline measure within the IGA. The FHA income support provides up to \$75,441 over three cumulative years for a household of two recipients.

While the IGA review is not focussed on the specifics of policy measures, the use of reasonable mutual obligation elements (e.g. case support and entering a Financial Improvement Agreement) as a way of incentivising and supporting planning for self-reliance and assisting producers to improve their financial circumstances (on and off farm) is a positive step towards reducing the impacts of future droughts.

What has worked and why:

The FHA has provided nationally around 7,500 recipients payment (June 2017) and 2,083 in QLD as of September 2017. The exit review undertaken by the case officers has included recipient feedback via an optional survey.

Take-up of this survey and sample size to date (as at June 2017) is small (n = 27)⁵ however positive response to the scheme has been recorded. Of those who provided feedback 93 pc felt the FHA has improved their current financial circumstances, 82pc felt their position had been improved over the next 12 to 24 months and 73 pc reported that the FHA had improved the outlook for their long-term future (24 months and beyond). While preliminary, such feedback is positive.

AgForce would like to see greater ongoing public reporting of this recipient sentiment to assist in assessing the effectiveness of the FHA program and for it to be expanded to include a 12-month voluntary follow-up interview to assess transitional experiences, particularly for those who leave agriculture.

What has not worked and why:

AgForce's Drought Survey 2015 highlighted a number of shortcomings of the FHA program, noting that some efforts have been made to address these. They include:

- Submissions via the online format problematic due to poor rural internet connections, combined with potential long travel times for in-person submissions – up to 450km round trip cited in one case.
- Complex and detailed nature of applications, particularly for relatively common farm business structures including trusts, and inconsistencies in requested information – while some streamlining has occurred further efficiencies would be welcomed. As of September 2017, the form is still extensive (19 pages plus input and other government documents and statements)

⁵ Information provided by DAWR.

- Some unsuccessful submitters received limited information regarding eligibility decisions – is an administrative decisions review process available? If not should request.

AgForce is on the record as holding significant concerns about some key settings of the FHA program, particularly the current application of assets tests (including essential and illiquid farm assets) and the limitation of receipt of FHA to just 3 years in the life of a primary producer. As the first cohort of recipients are reaching the end of their period of eligibility, the success of the program remains to be demonstrated, although early indications are positive that better circumstances are being achieved.

Personal assistance – social services

Another key aim of the IGA is to ensure that appropriate social support services are accessible to farm families. Dealing with the many challenges involved in farming, especially the challenges presented during droughts, can take a toll. Personal or social impacts of drought are significant and a key response area in dealing with severe drought, as highlighted by the Peter Kenny led Report in 2008.⁶

It is important that social support programs are coordinated and delivered in a collaborative manner. The federal Department of Human Services provided regional coordinators and funding towards community engagement activities and events, free professional help, including one-on-one counselling, family support services and referrals to people in need to enhance social and mental health services in drought-affected areas, initially announced on 26 February 2014.

It is intended that the measure would complement the range of existing services and support that are available on an ongoing basis to assist people who are experiencing distress or mental illness. The Queensland Government has also rolled out social support programs including the Community Assistance Package, administered by the Department of Communities, and the Tackling Regional Adversity through Integrated Care program, administered by Queensland Health along with the Drought Wellbeing Service.

Alignment to the IGA:

This measure is supported by AgForce for inclusion into the IGA as a key component of any response to severe drought events and climate risk.

What has worked and why:

The Commonwealth Department of Human Services administrators made efforts to involve AgForce staff into annual meetings of program staff to provide updates on seasonal conditions and the pressures on drought affected producers across the state. There was also good engagement with AgForce's regional staff in some regions, although this wasn't consistently reported. These contacts improved service delivery and the capacity of AgForce to inform members about the availability of included programs. While the line of sight wasn't as clear, there was also indications of collaboration between state and federal social support programs.

⁶ http://www.agriculture.gov.au/SiteCollectionDocuments/ag-food/drought/publications/dryness_report.pdf
accessed September 2017

What has not worked and why:

A coordinated and collaborative approach needs to be applied on an ongoing basis within the drought risk cycle, not just as a crisis response during an event. AgForce would also like to highlight the downfalls associated with crisis response based programs. To establish effective and meaningful relationships with local producers and their communities, industry and services social support needs to be in place and engaged well before a crisis is declared. There is a significant time lag between identification of a drought event, decisions to provide social support services, establish program administration settings, recruit staff, deploy them, for them to understand local community situations and existing networks within community and other service providers, meet people and win their trust and to provide effective support and referral services. This often means that the event is well advanced before services reach needy people.

A more effective model is to look to and rely on and support existing providers within a community, where sufficiently skilled, or continually embed social and health services prior to the event occurring. The drought recovery period is also a time of serious stress and personal challenge.

The IGA should look to take a more holistic approach to the provision of social services, as outlined in AgForce's Agricultural Business Cycle Approach (see attached), with emphasis on availability on a continuous as needed basis, much as the FHA.

Business/individual assistance – income smoothing

The Farm Management Deposits (FMD) Scheme helps primary producers deal with the fluctuations associated with the highly variable business environment of Australian agriculture. This scheme promotes self-reliance and reducing risks associated with income management by empowering producers to respond within good seasons with a mind-set of preparedness.

As a tool it is consistent with AgForce's Agricultural Business Cycle proactive approach and had the support of the Productivity Commission within its 2009 drought policy inquiry report. The Productivity Commission also found farm drought management performance is related to business-like management thinking and practices, income diversification and having an appropriate store of available capital for preparing for, managing and recovering from drought (such as restocking).

What has worked and why:

The Australian Government has retained the scheme. It has also implemented enhancements to the FMD Scheme by increasing the non-primary production income threshold to \$100,000, allowing eligible accounts to be consolidated and excluding FMD accounts from unclaimed money provisions. It has also raised caps to \$800,000, enabled early access in case of drought (with provisions⁷) and enabled voluntary provision of related farm business debt offset capability, advocated for by AgForce. These enhancements will allow more primary producers to use the FMD Scheme, and make it easier to manage existing FMD accounts.

⁷ <http://www.agriculture.gov.au/ag-farm-food/drought/assistance/fmd> accessed September 2017

What has not worked and why:

In supporting the IGA desired outcome of primary producers having an improved capacity to manage business risks and communities enhancing their long-term sustainability and resilience, the FMD scheme could be further improved by:

- Extending eligibility to also trusts and companies – these business structures are increasing in prevalence within agriculture and this would also facilitate the use of the offset capability given many farm debts sit against the trust or operating company rather than individual depositors
- Extending eligibility to include farm-dependant rural or remote small businesses
- Treating FMDs as exempt assets for FHA assessments given their important role in recovery from drought events, rather than requiring depositors to run these reserves out and then have less capacity to rebuild after drought and recover to resilience.

AgForce strongly promotes and endorses the use of FMDs as a means of managing income and financial risk in the context of drought policy. It is important that these measures remain a part of any drought program into the future.

Like FMDs, insurance uptake is another area of potential for buffering income variability but there are limited products available for broadacre industries in Queensland, particularly for the livestock industries. Multi-peril crop insurance (MCPI) is experiencing a resurgence and investigation, however the NRAC report,⁸ published in 2012 on farm insurance could not see a way past the need for government subsidisation for the establishment and likely continuation of an insurance market.

Insurance offerings have been inconsistent and the Managing Farm Risk Program has been poorly taken up. Reasons for this may be lack of current commercial providers for many industry sectors in Queensland or by the structuring of the program requiring reimbursement only being provided in the case of an offer of insurance. AgForce does support investigating market failure around MCPI insurance, and notes research work within the Queensland DCAP on index based insurance options.

During Managing Farm Risk Program development, AgForce advocated for a broadening of eligible activities to include expert enterprise financial assessment for risk management purposes and it is timely to revisit that concept again.

Business assistance – tax incentives/measure

There are a range of other tax incentives in addition to FMDs that fall under the remit of the IGA including income tax averaging, provisions for double wool clips and forced livestock disposal in case of drought. These measures are supported as acknowledging that agriculture experiences the greatest income variability of all industry sectors, and indeed we have the most variable agricultural sector in the OECD. Importantly Australian agriculture receives very low levels of support from public funds, totally only 1.9pc of gross farm gate receipts in 2013, down from 10pc in the early 1990s, and compared to an OECD average in 2013 of 18.2pc and to 7.4pc in the United States. AgForce notes that it is important that the taxation system remain flexible in its ability to respond to the variabilities of the agricultural industry and ensuring efficient use of public funds available.

⁸ <http://www.agriculture.gov.au/SiteCollectionDocuments/ag-food/drought/nrac/fmd-nrac-report.pdf> accessed September 2017

The role these taxation measures have in supporting the effectiveness of the IGA assist in managing the risk of financial hardship and encourage preparedness for future challenges. The recent introduction as part of the Agricultural Competitiveness White Paper process of accelerated depreciation provisions for water, fencing and fodder storage investments is strongly supported and, while largely just changing the timing, it can provide a short-term incentive for drought preparedness activities.

AgForce supports the utilisation of taxation measures as a feature of the IGA. Mutual obligations from all stakeholders (government and producers) is integral to ensuring the IGA is promoting efforts of proactive management rather than simply resulting in crisis response initiatives. AgForce would also seek to promote expanding the R&D Tax incentive in cases of climate risk management to include smaller companies and a wider capture of agricultural business interests.

Business assistance – concessional loans

The concessional loans measure can contribute to assisting producer preparation for events, and a more self-reliant and improved capacity to manage business risks, particularly for severe events that overwhelm reasonable efforts to prepare. The obligation to repay a loan includes the mutual obligation element sought under the IGA to encourage self-reliance. The loans can be used for preparedness purposes, debt restructuring, to meet operating costs during a drought event and for restocking and recovery after an event. Loan offerings should be aligned with the farm's business and climate risk plans. This type of measure is aligned with the principles behind AgForce's Business Management Cycle.

The concessional loans have been through several iterations during the course of the IGA, commencing with the Farm Finance Concessional Loans Program, and each iteration has included structuring improvements, many also identified by AgForce. These have concerned the purposes of the loans, interest rates charged, the repayment periods and engagement with the primary lenders. The first loans are due for repayment in 2018–19. Improvements to the Department of Agriculture and Water Resources' administration of the loans has been identified by the ⁹ with recommendations including:

- DAWR and government's limited experience in delivering concessional loan programs – utilising the local risk and loan assessment expertise of QRIDA is supported as is consulting with industry in a proactive way – many of the problems of the FFP could have been avoided by better consultation, including with primary lenders themselves if the government wishes to avoid being the lender of last resort
- Short timeframe set by government to implement programs once a public announcement was made – it is important that drought affected producer's expectations aren't raised in such a way to deliver false hopes of early access to help.
- absence of an economic analysis of the costs and benefits of the programs and appropriate modelling to estimate potential demand – this goes to the need to work with industry in designing programs and looking at benefits across the whole cycle and not just in the current low interest rate environment

⁹ <https://www.anao.gov.au/work/performance-audit/administration-concessional-loans-programs>, accessed September 2017

- absence of a sound performance measurement and reporting framework to determine whether the objectives set by government are being achieved – this goes to concerns raised previously about measuring and evaluation of the IGA programs in securing the objectives.

To maximise the value for drought-impacted participants it is important that the maximum savings can be passed through, with the program running responsibly though cost-neutrally rather than as a revenue stream for government as has been claimed.

AgForce's member survey of 2015 contained producer commentary on these loan packages and we have provided feedback on improvements to the loans packages and for loan products under the Regional Investment Corporation to the DAWR and deliverer QRIDA.

The use of the Rainfall Deficiency Analyser in support of Concessional Loans Scheme has been problematic and inconsistent with the IGA principle of avoiding 'lines on maps' based approaches – in this case the lines moved every month delivering uncertainty and the results were not always representative of conditions on the ground due to distances between official weather stations and the spatial variability of rainfall being experienced. Encouragingly there are signs of a move away from using the Analyser for this purpose.

Business assistance – Rural Financial Counselling Service

AgForce has been a strong supporter of the RFCS which provides a valuable support service for producers in addressing financial hardship management and providing referral services. AgForce provided input into the NRAC review of the service published in 2014¹⁰ and supported the continuation of the service, improved governance structures, greater counsellor support and the introduction of more flexible service delivery models.

The RFCS is a good example of the need for better coordination between the Australian and state governments in service delivery. The Queensland State government has funded these services in the past but this has not been static, with additional funds provided for targeted areas during drought and instances of defunding the program, presumably with the expectation that the federal government will meet the shortfall. Practically coordination is seen in the need to have clear lines of communication between RFCS Counsellors and the FHA Case Officers to ensure seamless and effective support of producers in financial hardship. A future IGA could look further at this element.

Business assistance – Farm business training

Overview and alignment to IGA:

Under the IGA one of the included measures is a national approach to farm business training. Training is an important part of building farmers' capacity to prepare for and manage risk. Improved business skills support the productivity, profitability and viability of farm businesses. Training can also encourage better farm risk management practices and more informed decision making.

A new national approach to farm business training was intended to be based on the development and roll-out of a farm business 'skill set' - a targeted group of units of competency delivered through the

¹⁰ <http://www.agriculture.gov.au/SiteCollectionDocuments/agriculture-food/drought/nrac/nrac-review-rfcs.pdf>, accessed September 2017

Vocational Education and Training system. The national farm business training skill set was finalised in December 2013 and includes the following units of competency:

- Develop and review a business plan
- Monitor and review business performance
- Support and review business structures and relationships
- Manage risk.

Under the IGA, the states and territories are responsible for encouraging the delivery and uptake of the new skill set. It is noted that that Queensland, the Northern Territory and Tasmania aren't listed as participating jurisdictions.¹¹ This points to a failure to establish a truly national training approach and something that should be rectified in any new IGA.

It is recognised and understood that Queensland has been extensively drought affected for over 5 years and as such resources have been prioritised towards managing the current event rather than towards skills training. It is important that producers have access to training that targets evidenced-based, self-identified needs across the climate risk cycle and at the appropriate level rather than a one-size fits all basic level approach. It is important that individual primary producers are empowered to self-manage drought and there are doubts that the current approach to training will deliver empowerment.

Business assistance - tools and technologies to inform farmer decision making

When refereeing to 'tools and technology' this measure aims to improve and better promote the information, tools and technologies that can help primary producers with decision making. State and territory government primary industries departments provide a wide variety of tools, of varying uptake and usefulness. There needs to be an examination of the underlying reasons for non-adoption of tools – be it poor reliability, presentation or targeting to important decisions – the assumption should not be made that producers operate in a culture of ill-preparedness or vulnerability.

The Australian Government's focus in relation to this measure is on the provision of weather and climate information and specific programs provided by the Bureau of Meteorology include:

- Improved seasonal forecasting services project
- Improved forecasting of extreme climate events
- Improved rainfall analysis
- Weather and Climate Risk course.

Supported by AgForce, ongoing investments into weather and seasonal forecasting are necessary to continually improve the reliability of information provided to producers and further investments are also needed in training producers in understanding and interpreting Bureau outputs, such as the Managing Climate Variability Program. The appointment of a national agriculture coordinator (Peter Stone) is a step in the right direction in engaging with industry and taking a more outward-looking focus.

AgForce notes that whilst these tools provide necessary insights into assisting in the drought mitigation and management process these should extend to greater integration into practical agricultural systems decision-making, such as:

¹¹ <http://www.agriculture.gov.au/ag-farm-food/drought/drought-policy/drought-program-reform>, accessed September 2017

- Assessment of soil cover – both cropping and grazing
- Grazing / soil moisture monitoring
- Grass volume
- Management of water
- Fencing
- Stock performance.

A project within the Queensland DCAP program, 'Enabling drought resilience and adaptation: A program of social research and knowledge support' is an example of working to better understand modern producer's decision-making processes to better integrate tools and technologies and to identify best-practice approaches being taken to manage climate risk. Such evidence should be incorporated into the selection of measures and their structuring under any future IGA.

While the initial years of IGA, focus was on the delivery of DRAS, in 2017/18 under the DCAP the Queensland Government is turning their focus to delivering projects to inform producer's decision-making through the Queensland Drought Mitigation Centre (QDMC) and The Grazing Futures in collaboration with AgForce. QDMC is delivering the following programs:

- Climate Risk and Climate Change Adaptation, and
- The Western Queensland Improving Drought Resilience (WQIDR).

Business assistance – pest and weed programs

Environmental impacts are a significant part of the overall devastation inflicted by extended dry periods and droughts and a key management area for primary producer land managers. AgForce has supported federal government funding programs towards addressing pests and weeds – particularly given drought increases the vulnerability of both the native environment and introduced pests and weeds.

Such programs are welcomed within the suite of measures under the IGA and should be continued in any extension of the IGA framework. Funding should continue with acknowledgement that pests and weeds not only effecting enterprise during an event but also need attention throughout the Agriculture Business Cycle.

Response to severe droughts under the IGA

Under the IGA any future permanent or temporary programs had to be consistent with the principles for reform agreed by the parties. The agreed principles for reform (April 2011) included:

- Avoiding 'lines on maps' approaches and addressing specific needs
- Recognise the important role of farmers as the nation's food producers and managers of natural resources and in maintaining rural communities
- Welfare assistance to require a level of mutual responsibility
- Business support to assist producers plan and prepare for the future and be based on a willingness to prepare for the impacts of drought and climate change
- Importance of maintaining the natural resource base
- Policies and programs should support communities to prepare for drought and enhance their long-term sustainability and resilience.

In assessing potential further support measures the following principles were to be considered:

- a) Be consistent with above principles and complementary to measures already in place
- b) Occur where there is a clear role for government and deliver a net public benefit
- c) Address recognised welfare needs
- d) Encourage good farm business decision-making and facilitate adjustment in the agricultural sector
- e) Avoid government being positioned as the business 'lender of last resort'
- f) Enable links with other measures or between service providers
- g) Recognise the importance of maintaining the natural resource base
- h) Be underpinned by monitoring and performance information to ensure any measures implemented are appropriately targeted.

It was agreed that in-drought support be provided through a phased approach to allow governments to tailor the type and level of support to producers and communities as conditions changed.

Except for facilitating adjustment in the agricultural sector, which implies the government 'picking winners', these principles are generally consistent with AgForce's Agricultural Business Cycle approach. A major shortcoming of the IGA's approach to severe drought is the introduction of uncertainty implicit in leaving the introduction of additional measures to progressive government or political decisions. This undermines the confidence required for producers to make good business investment decisions in the preparation phase for subsequent drought events.

A future IGA should seek to provide greater certainty in relation to the suite of measures that would be implemented in the face of deteriorating conditions and clear, apolitical decision points at which those decisions will be made. Some capacity to improve included measures should be retained, based on clear evidence of policy failure.

Collaborative approaches

Over past decades as the Australian Government has become progressively more involved in drought policy and associated interventions, it is increasingly necessary to ensure that it and the various state and territory jurisdictions work effectively together to deliver a coherent and seamless response to drought. This submission has pointed out several areas where collaborations have worked and other areas where further work is required.

AgForce is supportive of governments working together closely on drought and its policy response and sees the IGA as a necessary tool and framework within which to achieve this. We also see potential for greater engagement with agricultural industry representatives in the identification, development, implementation and review of policy measures to maximise their effectiveness. The level of public financial assistance is relatively low and so the investment must be effective and, guided by best-practice.

There is another, lesser, argument for government collaboration with natural resource management groups on addressing the environmental risks and impacts from drought. This should not detract from direct engagement with producers and their representatives.

Future of the IGA

The TOR pose the following question: *'Should the IGA be extended or otherwise varied?'*

As the Australian and state and territory governments are all involved in policy responses to drought with programs managed by each party and delivered to the same population of primary producers, it is important that responses are coordinated and collaborative. For this reason, AgForce supports a continuation of an intergovernmental agreement on drought.

While not focusing on the settings of the many policy measures involved, throughout this submission AgForce has noted a number of potential improvements to the approach taken by the current IGA and the suite of supporting policy measures. Effective provision of drought support is complex, as attested by the many reviews undertaken over the years, as each drought and enterprise are unique and interact differently.

A key change to any future IGA proposed by AgForce is the adoption of the Agricultural Business Cycle approach developed by AgForce as an organising framework and set of principles which we believe would empower producers to take ownership of drought risk management leading to in better outcomes.

Previously presented to both political decision-makers and departmental staff with carriage of drought policy responses at both state and federal levels, AgForce would like to see further collaborative development of the Cycle with the IGA signatories and its ultimate adoption within national drought policy at the operational level.

A short 8-page summary of the Cycle is attached to this submission.

Key principles included within the Agricultural Business Cycle approach include:

- Principle A – Empowering producers
- Principle B – Requires mutual obligation on both producers and government
- Principle C – Shared leadership from both industry and government
- Principle D – A broad collaborative approach taken
- Principle E – Science-based policy development essential
- Principle F – Continuous improvement mindset
- Principle G – Included programs are strongly beneficial
- Principle H – Progressive introduction necessary.

Many of the principles underpinning the Cycle are consistent with the approach being taken within the IGA, but involving greater emphasis on producer ownership and control of engaging in the management of climate risk.

The National Farmers Federation has given in-principle support to the further development by NFF of the Business Cycle concept for national application. It is acknowledged that further developmental work is needed and this is best performed in collaboration with the IGA signatories and other affected stakeholders.

AgForce recommends that the signatories commit to further developing and adopting the Agricultural Business Cycle concept over the next cycle of the IGA, should it continue.

Conclusion

AgForce welcomes the opportunity to provide input into the IGA review and looks forward to further discussion as the review progresses.

For any questions or further discussion on this submission, please contact Dr Dale Miller, General Manager of Policy (millerd@agforceqld.org.au) or Amelia Shaw, Policy Officer (shawa@agforceqld.org.au) on 07 3236 3100, or Helen Lewis, member of the AgForce Finance, Agribusiness, Climate and Drought Committee (picotsfarm@gmail.com) on 0418 785 285.