



Review into the Intergovernmental Agreement on National Drought Program Reform

Victorian Farmers' Federation Submission

October 2017

The Victorian Farmers Federation

The Victorian Farmers Federation (VFF), Australia's largest state farmer organisation and only recognised consistent voice on issues affecting rural Victoria, welcomes the opportunity to comment.

Victoria is home to 25 per cent of the nation's farms. They attract neither government export subsidies nor tariff support. Despite farming on only three per cent of Australia's available agricultural land, Victorians produce 30 per cent of the nation's agricultural product. The VFF represents the interests of our State's dairy, livestock, grains, horticulture, flowers, chicken meat, pigs and egg producers.

The VFF consists of a nine person Board of Directors, with seven elected members and two appointed directors, a member representative General Council to set policy and eight commodity groups representing dairy, grains, livestock, horticulture, chicken meat, pigs, flowers and egg industries.

Farmers are elected by their peers to direct each of the commodity groups and are supported by Melbourne-based staff.

Each VFF member is represented locally by one of the 230 VFF branches across the state and through their commodity representatives at local, district, state and national levels. The VFF also represents farmers' views on hundreds of industry and government forums.



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Introduction:

The Victorian Farmers Federation welcomes the opportunity to provide a submission into the Review of the Intergovernmental Agreement on National Drought Program Reform.

Drought remains one of the greatest threats to the profitability and productivity of Australian farming businesses. Recognising that drought is becoming an increasingly common feature of the Australian climate, the VFF is seeking a consistent national policy approach to drought that fosters preparedness, resilience and sustainability.

What currently works:

In light of increased climate volatility, the VFF supports the need for policies that promote farmer self-reliance whilst acknowledging that there are circumstances of severe and prolonged drought which cannot be prepared for.

The VFF is therefore supportive of Commonwealth programs such as the Farm Management Deposit Scheme (FMDs) and farm management training which effectively promote drought preparedness.

The recent changes to FMDs including raising the deposit limit from \$400,000 to \$800,000 and increasing the off-farm income threshold from \$65,000 to \$100,000 have been a positive step in boosting farmer contributions. As of the 31st August 2017 there was \$5.32 billion in FMD accounts in Australia.

Similarly, the VFF believes providing viable farming businesses the tools to effectively manage drought is also essential. The provision of concessional loans schemes and rural financial counselling services have been an important support to farm businesses during difficult times.

The VFF are pleased that both the Commonwealth and Victorian governments have allocated additional funding to rural financial counselling services in Victoria. This vital service has assisted many farmers with their business planning and debt mediation during periods of drought.

Whilst acknowledging the importance of self-reliance, it is critical there are adequate safety-nets in place to ensure the welfare of Australian farmers and farming communities.

The Farm Household Allowance ensures eligible farmer households experiencing financial hardship receive necessary assistance, just as other Australian households can access support.

Additionally, the VFF were largely supportive of the Victorian State Government's 2015 drought response package which had a strong focus on farming communities as well as farming businesses.

The package included programs such as a kindergarten fee subsidy providing 15 hours of free kindergarten and a 'Camps, Sports and Excursions Fund' for children residing in drought affected areas, recognising the impact droughts can have on children's welfare and education.

Additionally, there was significant state funding targeted at mental health for programs such as 'Look Over the Farm Gate' to address the high rate of mental health problems during drought periods.

What needs improvement:

State drought response structures:

State drought response structures needs to be consistent with the principles of the IGA.

For example, in the Victorian state government's 2015 drought response, only those who resided in 10 Local Government Areas were eligible for many of the drought schemes, in effect meaning that eligibility was still dictated by 'lines on a map'. This contradicts the IGA's first principle for reform:

*“ there should no longer be Exceptional Circumstances declarations or 'lines on maps'.
Instead, governments should focus on addressing the specific needs of farming families,
farming businesses and farming communities.”*

As noted in the Productivity Commission's 2009 report, the Exceptional Circumstances system was inequitable as it applied differential treatment to farmers inside and outside declared boundaries.

Victoria's use of local government areas to determine drought eligibility poses similar issues. For example, in 2015 30 students who resided in officially drought-affected local government areas, Ganawarra and Buloke, but attended a specialist school in Swan Hill were deemed ineligible to access the Camps, Sports and Excursions Fund because the school was outside of the 10 drought-affected Local Government areas.

It is essential that state governments employ flexibility in responding to drought, to ensure they achieve greater consistency with the principles of the IGA and promote better outcomes for farming businesses.

Provision of offset loans accounts for Farm Management Deposit Scheme:

Whilst the VFF welcomes the 2016 legislative amendment to allow FMDs to be used as an offset account against a primary production business debt, the government needs to place more pressure on financial institutions to offer this as financial product. According to the Australian Bureau of Agricultural and Resource Economics and Sciences, off-setting FMD's could provide an estimated \$150 million a year in savings for farmers however, currently only Rural Finance offers this to their customers.

Increased co-operation between State and Federal Governments:

Increased co-operation between state and federal governments is needed to ensure drought is responded to in a timely manner.

This was particularly evident in the rollout of the Concessional Loans scheme, with bilateral negotiations between the Commonwealth Government and each of the jurisdictions causing not only an overall delay in the rollout of the programs, but considerable variances in the start dates between states . As result of prolonged negotiations between the Victorian State Government and the Commonwealth, Drought Concessional Loans were made available to Victorian farmers 6 months after their New South Wales counterparts, despite the urgent drought conditions experienced in the Mallee and Wimmera regions at the time.

Greater consistency in the administration of Commonwealth schemes by State Governments:

Greater consistency is needed in the implementation and administration of Commonwealth drought schemes at a state level.

The Concessional Loan Scheme is a notable example, which differs significantly state by state. As the below chart illustrates, there are considerable variances between the products offered:

Jurisdiction	Loan type	Loan amount (max)	Extended loan term (years) available at commercial rate of interest
New South Wales	Debt restructuring	\$650 000	One
Queensland	Debt restructuring	\$1 million. Increased from \$650 000 (6 November 2013)	Two
Victoria	Debt restructuring	\$650 000	Two
	Productivity enhancement (added September 2014)	\$650 000 Minimum \$100 000	
Western Australia	Productivity enhancement	\$400 000. Increased from \$200 000 (May 2014) Minimum \$50 000	Two (added 16 January 2015)
	Debt restructuring (added 16 January 2015)	Loan totalling \$1 million for debt restructuring and/or productivity enhancement.	
South Australia	Debt restructuring	\$650 000 Minimum \$200 000	No extension.
Tasmania	Debt restructuring and productivity enhancement	\$650 000	Two
Northern Territory	Debt restructuring	\$1 000 000	Two

Source: ANAO analysis of departmental information.

Source: <https://www.anao.gov.au/work/performance-audit/administration-concessional-loans-programs>

There are also been significant discrepancies in the assessment criteria between states. These differences have led to considerable variation in the uptake of loans between states. In South Australia for example, there were only 8 farm businesses approved for drought concessional loans in 2015-16, in comparison to Victoria in which 81 farm business were approved.

It is essential that there is greater consistency between states in the administration of Commonwealth schemes to ensure farmers have equitable access to Commonwealth drought support.

Further clarity surrounding the role of the states:

If the IGA is to be extended it is important that the role and responsibility of the states is better defined.

Whilst the Commonwealth Government's role in the IGA is fairly clear, the role and responsibility of states lacks clarity.

In the absence of a clear division of responsibility, government response to drought risks being ad-hoc. It is essential that the state's role is better defined, to prevent governments from policy making

on the run and to provide farmers certainty about what support will be provided in the event of drought.

Increased transparency and accountability:

There needs to be increased transparency surrounding the implementation of the agreement and execution of roles and responsibilities.

As part of the IGA, parties are required to report annually to the Primary Industries Standing Committee and the Standing Council of Primary Industries meeting. This annual reporting, however, has not been made available to the public and it is unclear what progress has been made in regards to achieving the goals and outcomes of the IGA.

To ensure the effectiveness of national drought policy, the VFF recommends the adoption of a consistent reporting framework that is made publically available.

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