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Dear Mr Hutchinson

REVIEW OF THE INTER GOVERNMENTAL AGREEMENT ON NATIONAL DROUGHT PROGRAM REFORM 2017

Thank you for your letter dated 25 August 2017 in regards to the review of the Inter-Governmental Agreement on National Drought Program Reform (IGA). I understand you are now seeking feedback on the IGA and the performance of the national arrangements in Western Australia (WA).

The Rural Business Development Corporation (RBDC) in WA is a statutory body that administers approved government schemes of assistance to Western Australian primary producers and rural businesses. Currently, the RBDC administers the Commonwealth Concessional Loans Schemes here in WA on behalf of the State Government. In our recent history, the RBDC has played an active role in the national drought policy reform space, including the administration of the 2010 WA Drought Pilot of Drought Reform Measures.

Given that the IGA has evolved from national policy development work undertaken since 2008, the RBDC has a keen interest in the IGA, and its performance since it began on 1 July 2014.

Our observations are as follows:

- WA farm businesses have a strong appetite for farm business training. The RBDC (and its predecessors) have been involved in farm business training programs for at least three decades. In the 1980's and 90's there was 'Farm Business Advice', in the 2000's, it assisted with the FarmBis and Better Business programs, and more recently, it has built upon the successes of the (2010-12) WA Drought Pilot of Reform Measures.
- Approximately 1,200 out of the 10,000 farm businesses in WA (Australian Bureau of Statistics Agricultural Commodities 2009-2010) went through farm business training (with the attraction of a farm business grant at the trainings end) under the Pilot from 2010 to 2012. Since then, farm business training has continued to attract farm businesses with approximately 532 additional farm businesses (with no grant available at the trainings end) completing the training. This indicates that the farm business training provided in WA under the IGA arrangements is of value and farm businesses

are accessing this measure to ensure they are maintaining a current business management and strategic skill set.

- Farm business training was established under a flexible delivery approach with Universities, VET (TAFE), Industry training providers and agricultural consultants delivering the training in WA. The added value of this flexible arrangement meant that training could be tailored for smaller groups in remote locations and the variety of providers also brought different networks to facilitate both the marketing of the IGA measure and the training delivery.
- The implementation of SmartyGrants for on-line applications, surveying processes, co-ordinating the groups, training applications, and feedback, has been well received but also created some challenges to farmers without access to computers and/or acceptable internet.
- The positive performance of farm business training is based on the research undertaken during the WA Drought Pilot. The training delivery was based upon the facilitation of small groups, with an adult (action) learning focus. Continuous improvement and the adaption of training materials was undertaken to meet the needs of different farming groups as they arose. The commitment by the WA team to the continual review and improvement of the training program delivery and material, by obtaining feedback after each workshop, and by on-going discussion with facilitators, has seen the adaption of farm business training to meet the varying needs of farmers in this State.
- Farm business training does impact upon the behaviour changes necessary for farm businesses to better manage their business and business risk. This is evidenced by the evaluation results for a subset of 68 Drought Pilot participants from the annual Planfarm/Bankwest survey, conducted for broadacre farm businesses across many rainfall zones in WA, by Planfarm and Bankwest from 2007 to 2013. The Planfarm/Bankwest Benchmarks allows farm businesses to compare their financial and production performance to other farmers in their rainfall zone. Following the completion of the Drought Pilot programs, the evaluation, based on the 2012/13 season Planfarm/Bankwest survey results, found that the 68 Drought Pilot participants, outperformed the average of the 559 Planfarm/Bankwest clients. Prior to training, the 68 Drought Pilot participants had not been outperforming the average of the PlanFarm/Bankwest sample. It could be concluded that there is a positive link between farmer training and farm profitability. Improvements in the Drought Pilot participants financial and production performance are expected to be ongoing, with 98% completing a full strategic business plan. The Drought Pilot training has supported the development and utilisation of farm businesses strategic plans, which enables farmers to better adapt and adjust to the challenges of primary production in the global market place.

The RBDC endorses farm business training as the cornerstone to improving the capacity of farm businesses in WA. The Farm Business Training measure is the key to the success of the IGA, as all the other measures can only be utilised successfully with a competent understanding of farm business management and the core competencies that the IGA articulates.

The RBDC believes that attention needs to be directed to the following:

1. A national approach to farm business training

More needs to be done to understand how all the States are performing in relation to the delivery of the Farm Business Training measure. It is not clearly evident how the States are performing (benchmarked) against each other in the delivery of training. It is important for the States to collaborate nationally on the training material delivery methods and KPI's under the IGA

2. Farm Management Deposits and Taxation Concessions

Farm Management Deposits in WA were reported as \$917,529,000 as at 20 June 2017, increasing from \$462,714,000 in June 2012. This near doubling of FMD deposits now represents 11.1% of WA's Gross Value of Agriculture Production (GPVA in WA is \$8,192,485,761).

The RBDC believes that analysis needs to be undertaken by Government to understand the usage of this measure for risk mitigation purposes. More detailed analysis in each jurisdiction is required for the determination of the value of the ease in access and increases in limits of the Farm Management Deposits and its impact on the farmer's behaviour.

3. A coordinated collaborative approach to social support services

The RBDC believes that more attention needs to be given with these services as the demand increases beyond the agencies normal capacity during the time of need, resulting in a skill shortage. The RBDC has found it difficult to assess the effectiveness of social support services when there are no performance indicators or data available for monitoring. Greater focus on measuring the impact and performance of these measures is required, and from that, further analysis will need to be done to understand the effectiveness of this measure in regional Australia.

4. Tools and technologies to better inform farmer decision making

The RBDC has noticed a considerable advance in the availability of tools and technologies in WA since the inception of the IGA. This includes three new Doppler radars, three other radars being upgraded to Doppler, and over 150 new weather/rainfall recording stations across the grain belt of WA. This is an important measure that the RBDC believes is now well represented locally and nationally. Many Government websites nationally now have a considerable array of tools and technologies on offer, for example, the WA eConnected Grainbelt tools and the NSW Drought Forecasting Tool. This is a significant achievement as a result of the IGA. World class state of the art tools and technologies need to be available to all farmers in Australia and a national working group monitoring and providing advice to Government is an important aspect of this delivery.

The RBDC believes that it is important in a national setting to ensure that there is a Government working group dedicated to monitoring the effectiveness of what is on offer, and ensuring that all jurisdictions have access to a national set of tools that the

jurisdictions can adapt for to their local environments and industry conditions for farmer decision making.

There is a need for Government to ensure that these tools and technologies are adopted nationally and this will require a focus on the extension required in each jurisdiction. This could be achieved by establishing a national workgroup dedicated to the incorporation of these essential tools and technologies into the curriculum of the farm business training currently available under the IGA measures.

The IGA has been a significant effective step in the national drought program reform. The removal of lines on maps for IGA measures was one such significant step and achievement for Government, however, this approach needs to be consistently applied across other Government schemes like the Commonwealth Concessional Loans Schemes.

The RBDC feels this approach does need to be adopted nationally as the WA situation with regards to Drought Concessional Loans recognised the BoM rainfall deficiency analyser fails to acknowledge the following;

- Differences between annual and winter only rainfall.
- Accommodating WA's, and any other jurisdictions, predominately Mediterranean climate, utilised by dry land cropping enterprises.


To do away with the BOM analyser lines (or blobs) on maps will allow the Drought Assistance Concessional Loan applicants to demonstrate their eligibility on their evidence provided by financial and production records that for two years the business has sustained a significant financial and production impact and that it was caused by drought.

In closing, the principles established under the IGA remain extremely relevant to all jurisdictions operating in this space. The importance of understanding, and being committed, to uphold these principles are paramount to the success of the IGA. The RBDC has often acknowledged the jurisdiction principle (e) Avoid government being positioned as the business lender of last resort.

The RBDC believes the Commonwealth needs to be mindful of how it conducts its concessional loans schemes with the proposed shift to the national delivery under the Regional Investment Corporation from 1 July 2018, that this principle underpins any adaption of concessional loan arrangements. Also, it is important that a cost benefit analysis be undertaken to determine what the benefits of the concessional loans schemes are to industry. The cost benefit analysis must incorporate the cost of concessional loans administration against the net benefit to industry, not just to the individual farm business.

The Board of the RBDC welcomes this opportunity to provide feedback into this important review and we are available for further discussion and feedback if required.

Yours sincerely



Andrew Clark
CHAIRMAN