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MG/AS/GG115

8 November 2018

Mrs Michele Lawrence - Panel Chair
Farm Household Allowance Review 2018
Department of Agriculture and Water Resources

By Email

Dear Mrs Lawrence

Re: Farm Household Allowance Review 2018

Thank you for the opportunity to provide a submission to the Review Panel appointed to conduct the Farm Household Allowance Review (FHA) and make comment on this important assistance support measure. AgForce Queensland Farmers (AgForce) is the peak rural group representing beef, sheep & wool and grain producers in Queensland. The broadacre beef, sheep and grains industries in Queensland generated around \$7.2 billion in gross farm-gate value of production in 2016-17. AgForce exists to facilitate the long-term growth, viability, competitiveness and profitability of these industries. The producers who support AgForce provide high-quality food and fibre to Australian and overseas consumers, manage around 40 per cent of the Queensland agricultural landscape and contribute significantly to the social fabric of rural and remote communities.

The FHA is a valuable tool to help farmers and their families put food on the table during events like drought. The following submission will address the policy settings, eligibility and delivery of the FHA and will make nine recommendations. Since its commencement in July 2014, AgForce has continued to advocate for improvements to the program and we welcome the review which will ensure the FHA continues to be fit for purpose and well-adjusted to farmer needs. AgForce is supportive of a farm family welfare support tool which provides a 'safety net' in periods of low income and acknowledges the unique circumstances of agriculture.

AgForce implores the Queensland Government to consider the recommendations made in the submission attached and is available to meet at your convenience to further discuss our recommendations. Inquiries should be directed in the first instance to Amelia Shaw, Policy Officer, on (07) 3236 3100.

Yours sincerely

Michael Guerin
Chief Executive Officer



November 2018

AgForce Submission

2018 FARM HOUSEHOLD ALLOWANCE REVIEW

INTRODUCTION

AgForce Queensland Farmers (AgForce) is the peak rural group representing beef, sheep & wool and grain producers in Queensland. The broadacre beef, sheep and grains industries in Queensland generated around \$7.2 billion in gross farm-gate value of production in 2016-17. AgForce exists to facilitate the long-term growth, viability, competitiveness and profitability of these industries. The producers who support AgForce provide high-quality food and fibre to Australian and overseas consumers, manage around 40 per cent of the Queensland agricultural landscape and contribute significantly to the social fabric of rural and remote communities.

The Farm Household Allowance (FHA) is a valuable tool to help farmers and their families put food on the table during drought. The following submission has been produced in response to the Australian Government's review of the FHA which provides assistance for farmers experiencing financial hardship for up to four years. Since its commencement in July 2014, AgForce has continued to advocate for improvements to the program's eligibility, delivery and policy settings.

AgForce is supportive of a farm family welfare support tool which provides a 'safety net' in periods of low income and acknowledges the unique circumstances of agriculture. AgForce views farmer-friendly income support payments under conditions of hardship as an important element in any policy response that addresses severe drought events that exceed the reasonable efforts by broadacre producers to prepare. As this measure has been in place for some time, AgForce welcomes the review which will ensure the FHA continues to be fit for purpose and well-adjusted to farmer needs.

RECOMMENDATIONS

Recommendation 1:

AgForce recommends the adoption of the Agricultural Business Cycle as a framework for structuring the development and delivery of agricultural and regional Australia policy and assistance measures.

Recommendation 2:

AgForce recommends Farm Household Allowance case managers have greater training to assist with both the application process and provision of advice on options for assessing the viability of farm businesses.

Recommendation 3:

AgForce recommends that the frequency which a primary producer can access the Farm Household Allowance support be extended to align with the Productivity Commissions 2009 Inquiry into Government Drought Support which recommended welfare assistance be available based on three in seven-year period, not the farming lifetime of a primary producer.

Recommendation 4:

AgForce recommends that the Farm Household Allowance continue to be provided as a measure that can be accessed when and if needed, rather than a range of prerequisite activities such as undertaking business training and destocking.

Recommendation 5:

AgForce recommends that the current asset test limit of \$5 million remain of and continue annual CPI adjustments.

Recommendation 6:

AgForce recommends that the Farm Household Allowance income reporting structure considers the inconsistencies and irregularities of agricultural businesses. AgForce recommends that the payment be changed from that of a welfare receipt or amend the existing guidelines to be consistent with the taxation guidelines attached to primary producers. Further transparency is also required so a client better understands their projection is in relation to real-time position.

Recommendation 7:

AgForce supports the appointment of the Queensland Farm Liaison Officer and looks forward to the work this position seeks to do in being a conduit between Government, Centrelink, Rural Financial Counselling Service, industry and primary producers. AgForce recommends that this role continue to be supported.

Recommendation 8:

AgForce recommends greater transparency of reporting and evaluation of effectiveness of support. Establishment of an evaluation tool and framework with industry input is sought as a means of ensuring those who have engaged with the support have been better off in the long-term. Reporting of statistics and figures do not provide a full picture for the department and industry to fully understand the Farm Household Allowance’s success for a client both while and after receiving the support.

Recommendation 9:

AgForce recommends the Farm Liaison Officer work with other support agencies, not-for profits and industry in sharing of identified hotspots that may require further social or financial support.

POLICY SETTINGS

While, FHA support is not limited to hardship caused by drought, a coordinated and collaborative approach needs to be applied to manage the risk cycle associated with these ongoing events, rather than just crisis response during a drought event. AgForce would 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 social support services must be in place and engaged well before a crisis is declared. There is a significant time lag between identification of a drought event and assistance reaching those in need. For example, decisions to provide social support services, establish program administration settings, recruit and deploy staff, time for them to understand the local community and existing networks within community and other service providers, meet people and win their trust and to finally 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 work with and support existing providers within a community who are 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.

Getting the policy settings right, by taking a holistic approach to the provision of social services, as outlined in the attached AgForce Agricultural Business Cycle (See Appendix A) with emphasis on availability on a continuous or as-needed basis, is as vital as the FHA itself. The Cycle is established upon eight core principles, one of which is 'mutual responsibility'. In line with this, the FHA includes case support and requires a Financial Improvement Agreement as a means of incentivising and supporting planning for self-reliance and assisting producers to improve their financial circumstances (on and off farm). This is a positive step towards reducing the impacts of future hardship circumstances caused by drought.

Recommendation 1:

AgForce recommends the adoption of the Agricultural Business Cycle as a framework for structuring the development and delivery of agricultural and regional Australia policy and assistance measures.

The FHA is a safety net payment, for individuals and/or their partners to access when they are experiencing hardship. AgForce seeks that once receiving support, the program (through the case officers) should assist clients in observing their enterprises' viability and assess options to progress towards a decision for their future within the four-year timeframe. Case officers need to have the capacity, experience and knowledge to assist clients effectively. The relationship between the case officers and the clients should be constructive and look towards assisting clients in making decisions about their enterprise's future. Anecdotally from our membership, it is apparent that there is inconsistency in case management, leading to inconsistent outcomes.

AgForce believes that the presence of case officers and the need to enter into Financial Improvement Agreements are measures that assist in working towards a sustainable future in agriculture. However, AgForce members indicate that the practical case management is not always working towards a sustainable business outcome. In some circumstances, case managers are not providing the support a client requires to assess their situation due to a lack of understanding of the industry and how agricultural businesses operate. AgForce acknowledges and supports the recent internal changes that require a Rural Financial Counsellor to be attached to a case. However, further steps need to be taken within Centrelink to ensure a greater understanding of agricultural enterprise risks and possible management options.

Recommendation 2:

AgForce recommends Farm Household Allowance case managers have greater training to assist with both the application process and provision of advice on options for assessing the viability of farm businesses.

The cumulative four-year limit on FHA support is not reflective of the volatility of the industry that a primary producer will face across their life. For example, severe droughts are becoming more frequent and whilst producers are making management decisions to minimise their business risks, the frequency of these events across the lifetime of producer is beyond what a producer should be expected to predict and manage. The current eligibility limit is harsher than that proposed by the Productivity Commission in

their 2009 report¹ (i.e. 3 years out of every 7 years). Ongoing one-on-one assessment and mutual obligation provisions are a more appropriate approach than a cumulative limit of four years. As the first cohort of clients are reaching the end of their period of eligibility, the success of the program remains to be demonstrated, although early indications are positive, with some recipients achieving improved wellbeing.

Recommendation 3:

AgForce recommends that the frequency which a primary producer can access the Farm Household Allowance support be extended to align with the Productivity Commissions 2009 Inquiry into Government Drought Support which recommended welfare assistance be available based on three in seven-year period, not the farming lifetime of a primary producer.

As previously mentioned, AgForce supports the provision of welfare support as a safety net and should be support that can be accessed when and if needed. AgForce supports and seeks a policy framework that encourages risk management, preparedness, whilst increasing the resilience of the agricultural industry. Policies need to be practical and meet the needs of producers experiencing hardship. Policies need to account for severe droughts, which can overwhelm reasonable efforts of individuals to be prepared.

The FHA support should be an ongoing support measure that producers can access when required. AgForce is concerned that some believe that FHA support should only be access if individuals satisfied pre-required business activities to be eligible (such as business training and destocking). AgForce believes that FHA provides a safety-net in which producers can be supported in moving forward their business or considering exiting industry. Emphasis should also be given to the fact that the support does not have to be utilised at once and that people can enter in and out of the system as needed.

Recommendation 4:

AgForce recommends that the Farm Household Allowance continue to be provided as a measure that can be accessed when and if needed, rather than a range of prerequisite activities such as undertaking business training and destocking.

ELIGIBILITY

When observing the eligibility settings relating to the FHA, there are concerns that AgForce has raised relating to the income and asset test requirements. Specifically, these include:

Asset Test

AgForce supports the recent lifting of the asset limit to \$5 million from \$2.55 million along with the decision to continue to apply CPI to the income test yearly. AgForce supports excluding essential farm assets from the assets test (as was the case under previous Exceptional Circumstances system) to increase the breadth of access to those in need who cannot sell their farms (at a reasonable price during drought) or get further finance from their lenders. The previous net farm asset cap of \$2.55 million for applicants and their partners excluded many commercial broadacre operations in Queensland. It is the

¹ Australian Productivity Commission. (2009). *Productivity Commission Inquiry Report: Government Drought Support*. Retrieved via (<https://www.pc.gov.au/inquiries/completed/agriculture/report/agriculture.pdf>)

recommendation of AgForce that the temporary lifted limit of \$5 million continue along with CPI adjustments.

Recommendation 5:

AgForce recommends that the current asset test limit of \$5 million remain of and continue annual CPI adjustments.

Income reporting

AgForce members have raised the concerns associated with farm income and how particular farming business practices are treated. There have been cases in which producers have been forced to pay back their support due to proactive efforts to manage their business to ensure viability and sustainability of their enterprise; such as destocking during drought. Forced destocking has resulted in additional income that was not previously forecasted by the enterprise. In these circumstances the sale has triggered a forced repayment of FHA support. This is a prime example where farming business operations are not considered, and rather agricultural enterprises are observed under the same circumstances to that of other businesses. Agricultural businesses do not receive regular and consistent income. Funds received from the sale of stock should be quarantined for restocking without being assets tested / or deemed income.

In addition, further transparency regarding the FHA income caps is required both when initially taking up the support and ongoing. Awareness of the limits would enable recipients to monitor income and notify FHA of the change in circumstances, before a situation of needing to payback FHA support develops. This would assist FHA clients in reviewing their projections and monitor against their actual position. The ability to review the projections would assist producers in monitoring their position throughout their time on the support and assist case managers.

Recommendation 6:

AgForce recommends that the Farm Household Allowance income reporting structure considers the inconsistencies and irregularities of agricultural businesses. AgForce recommends that the payment be changed from that of a welfare receipt or amend the existing guidelines to be consistent with the taxation guidelines attached to primary producers. Further transparency is also required so a client better understands their projection is in relation to real-time position.

DELIVERY

AgForce has identified barriers preventing their uptake of FHA support:

- Application process: producers have identified that while there have been efforts to simplify the application process there are still difficulties associated with this relating to the subsequent forms and information case managers require. Complex and detailed nature of applications, particularly for relatively common farm business structures including trusts, and inconsistencies in requested information
- Myths about application process, going into a Centrelink office, criteria of eligibility
- Stigma: asking for help, identifying help is needed, potential need to go into a Centrelink office
- Self-assessing

- Linked closely with drought: whilst we acknowledge the Farm Household Allowance is available continuously, there is the assumption that it is only triggered when ‘in-drought’. Better promotion is required to address this misconception.
- Preserving entitlements

The recent announcement of the Queensland Farm Liaison Officer is welcomed as a proactive step towards addressing some of the barriers raised above.

Recommendation 7:

AgForce supports the appointment of the Queensland Farm Liaison Officer and looks forward to the work this position seeks to do in being a conduit between Government, Centrelink, Rural Financial Counselling Service, industry and primary producers. AgForce recommends that this role continue to be supported.

Transparency of service and evaluation of effectiveness of support are two concerns that AgForce has raised previously. While, information has been provided regarding the uptake of the support and how many have indicated ‘satisfaction’ post-exit, the wellbeing of clients is unknown. While the program has been in place for four years and some have exhausted their initial three years support, ongoing reporting or ‘check-ins’ with previous clients (at a range of intervals) could assist in ongoing improvements to ensure the FHA’s effectiveness.

Recommendation 8:

AgForce recommends greater transparency of reporting and evaluation of effectiveness of support. Establishment of an evaluation tool and framework with industry input is sought as a means of ensuring those who have engaged with the support have been better off in the long-term. Reporting of statistics and figures do not provide a full picture for the department and industry to fully understand the Farm Household Allowance’s success for a client both while and after receiving the support.

Monitoring and identifying regions of interest or ‘hot-spots’ should be an ongoing aspect of the delivery of the FHA support. It is envisaged that the work of the Farm Liaison Officer will assist in identifying these regions of interest. AgForce seeks that once these ‘hot-spots’ are identified, government and industry in a coordinated effort ensure these areas are noted when observing other social and economic support responses.

Recommendation 9:

AgForce recommends the Farm Liaison Officer work with other support agencies, not-for profits and industry in sharing of identified hotspots that may require further social or financial support.

CONCLUSION

AgForce welcomes the opportunity to provide a submission to *Farm Household Allowance Review*. The agricultural industry has continued to provide significant contributions to the Australian economy. It is important that producers are not only supported during hardship but empowered to prepare and that all stakeholders demonstrate collaborative efforts to promote recovery. AgForce urges the panel to consider the recommendations outlined in this submission.

For any questions or further discussion on this submission, please contact Amelia Shaw, Policy Officer (shawa@agforceqld.org.au) on 07 3236 3100.

AGFORCE QUEENSLAND FARMERS

AGRICULTURAL BUSINESS CYCLE



A new approach to drought policy that aims move from largely crisis responses by government to empowering producers to better manage climate risk.

JULY 2018



The Problem

Australian agriculture operates in a highly variable business environment with dry periods a recurring feature. This operating environment requires farmers to have adaptable farm and business management strategies that consider and addresses the risks and also requires governments to establish policy settings that effectively support those efforts.

Australia needs an enduring drought policy.

Key Challenges¹

- Complexity of the drought problem and effective response measures.
- Difficulties in defining drought, severe events and declaring affected areas.
- Each producer is at a different stage in their business with different capacity and needs.
- Politicisation of declarations and available assistance and industry lobbying (and media's role).
- Credible and bipartisan policy commitment needed.
- Interconnections with other policy areas and questions, such as industry structural adjustment, poverty alleviation and desirable environmental outcomes.
- The significant and often seamless integration between the farming family and the farm business, making structuring of program eligibility more difficult.
- Not acknowledging the limits to the self-reliance of farmers to cope with severe drought.

The Vision

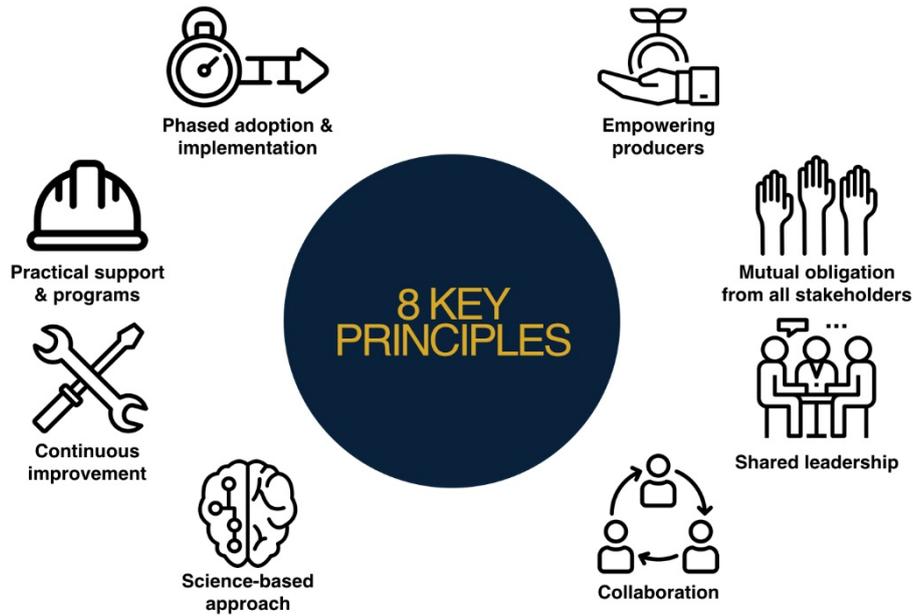
Drought policy is currently largely reactive, and crisis-response driven rather than proactive, promoting preparedness and certainty for all stakeholders. This change in approach is aimed at reducing the environmental, financial and human costs of managing climate risk.

Success is

- Producers have ownership of drought preparedness, knowing how to manage changing conditions.
- Rewarding proactive management by producers and their efforts on business resilience.
- Producers accessing the type of assistance they need when they need it to manage drought.
- Bringing together the expertise needed to address the social, financial and environmental factors involved.
- Fostering best management practices and share innovative approaches.
- Helping producers to continually improve their capacity over time to manage drought better.
- Governments delivering bipartisan, certain policy and secure and adequate funding.

¹Informed by:

L. Botterill. Uncertain Climate: The Recent History of Drought Policy in Australia. *Aust. J. of Politics and History*: vol. 49, no. 1, 2003, pp. 61-74.; A. Ha, et. al., 2007. Squeaky Wheel Gets the Oil: Incentives, Information and Drought Policy, *Aust. Econ. Rev.*, vol. 40, no. 2, pp. 129-48.



Empowering Producers – encouraged to self-manage climate risk and own the decisions being made. This involves producers declaring what phase they are in and self-selecting public and private programs that ensure the social, financial and environmental needs of their business and family are met. This could include local government reporting and implies some caps on assistance (loans and FHA exempt).

Mutual Obligation - both producers and government. After completing eligibility activities, producers assured of access to needed supports. Governments take responsibility to provide bipartisan, certain policy and adequate, secure funding of assistance programs.

Shared Leadership - A united front, consistent messages and credible commitment by both industry and government to view drought from a holistic perspective.

Collaboration - Climate risk management involves social, financial and environmental elements with a wide range of expertise needed to effectively deliver the Cycle approach. Producers, farming representatives, rural financiers, local communities, NRM groups, government officers, R&D professionals, health providers and others all have a role in developing the approach and delivering activities that will stand the test of time.

Science-Based approach - Research and Development investment is critical to answer specific policy questions, such as identifying on-property phase trigger points and in evaluating included measures.

Continuous improvement - built on action learning process. Continuous improvement must occur at the policy level balanced against the need for consistency overall. Continuously building on past experiences, producers are responsive, improving on-farm capacity over time to manage drought, and supported by robust monitoring and review of the various programs facilitating this improvement.

Practical support and programs - Each policy program and initiative must deliver practical long-term benefits to the business, individuals involved and the wider community.

Phased adoption and implementation - producers have invested based on current policies and will have a range of climate and financial circumstances so a significant transition period is required in moving to any new approach. For example, this could be 3 years to full development followed by 7 years to full implementation.

The Solution

The Agricultural Business Cycle is an industry-developed framework to focus policy delivery and ensures all drought phases and types impact are addressed with relevant and useful measures.



Indicative phase definitions (northern Australia)

Non-Drought: This phase represents the absence of trigger conditions rather than the presence the trigger conditions that applies to the other phases.

Drying: This phase occurs between the first failed wet / growing season and up to the point just after the second failed wet / growing season. The early warning indicators include pasture reduction at the end of the expected growing period for a region or upon reaching September or October and with dwindling water supply. The definition of ‘dryness’ depends on the management system and the need for and timing of the use of available water. Early warning of drying needs to trigger a wider effort by producer groups and government to activate an agreed dryness plan, including extension of relevant management steps.

Dry (in event): This phase commences just after the second failed wet season is experienced. The definition of ‘failed wet season’ is when the effectiveness of rainfall received (given the seasonal conditions) is inadequate to secure the expected, reasonable agricultural production targets for the enterprise and region in the coming year.

Recovery: This phase starts when a producer can complete a pasture growing season plan as pasture volume is restored, or alternatively can plant a crop into an adequate soil moisture profile. It ends when land conditions, cash flows and personal wellbeing are restored.

Further characteristics of the approach

Effective provision of drought support is complex as every enterprise is unique and will experience drought differently as each enterprise:

- Enters at varying times and recovers over different periods
- Experiences and addresses social, financial and environmental factors differently
- Requires different levels and types of assistance during the various phases.

While to some extent artificial divisions, the proposed approach divides the drought risk cycle into four Phases – labelled ‘Non-Drought’, ‘Drying’, ‘Dry’ and ‘Recovery’ and with three general action categories of drought impacts or influence – Social, Economic, and Environment. Following a continuous learning approach, the starting Cycle for a producer is followed by future Cycles where lessons are applied and a greater resilience to impacts is developed.

A suite of policy measures, both private and public, within each Phase and Category of influence are identified by stakeholders using the best available knowledge on producer needs and effectiveness of the intervention, both individually and in combination with other measures. These measures ‘populate’ the Cycle Phases as options for self-selection by individual producers with some measures applicable in all Phases or in certain Phases only.

Challenges for implementation

In managing taxpayer expenditure, access to publicly-funded programs would be subject to a centrally-administered overall cap per enterprise over a set period. This would commence in line with past total government expenditure on drought assistance and be easier to budget for given the cap and time limits per producer that a crisis driven response.

Importantly, any concessional loan programs would not be subject to the cap as these would be repaid by the producer and cover any administration costs. Further, any welfare-based support would not be subject to the cap but would involve mutual obligation provisions and exit assistance for non-viable producers once received for a set period, e.g. three years in a seven-year period as proposed by the Productivity Commission. Thus, welfare would be managed fairly while not unduly preventing industry adjustment.

A key challenge in developing the Cycle is clearly and robustly defining the Phases of the Cycle, and the triggers when producers transition between Phases, for each geographical or production region. In defining drought, a range of deficiencies are experienced (meteorological, agricultural, hydrological, and socio-economic), exacerbated by contributing factors (e.g. other climatic factors (temperature extremes, time since last dry/wet period, etc.) and past business conditions (markets, regulations, other policies, etc.). There are also government and organisational differences in the existing definitions being used.

Further research and development work is needed to clearly identify the attributes of each Phase and the transition triggers for each region and each enterprise type or combination of enterprises. This information could be contained in a guideline for producers making such decisions and provide clarity about the likely frequency of movement through Phases around the Cycle. This piece of work is best done in collaboration involving government and industry stakeholders, the Rural Development Corporations that may contribute funding, and members of the RD&E professions.