



5 December 2018

Mrs Michele Lawrence
Chair, Farm Household Allowance Review
Department of Agriculture and Water Resources
GPO Box 858
Canberra ACT 2601
FHARReview@agriculture

Dear Mrs Lawrence,

RE: Farm Household Allowance Review

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Review of the Farm Household Allowance (FHA). The Review is an important opportunity to collect feedback and data on the effectiveness of the FHA which has now been in place since July 2014. In making this submission, the NFF would highlight that the vast majority of Australian farmers successfully manage their farm businesses through downturns. We also acknowledge that the Coalition Government has taken active steps to improve the FHA and other farm assistance programs to help alleviate the impact of drought on farming families and rural communities.

The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. The NFF is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers.

The NFF welcomes the Government's support for assistance that helps farmers manage significant financial difficulty. The agriculture sector plays a critical role in Australia's economic and social fabric. The overwhelming majority of food sold in Australia is grown and supplied by Australian farmers. They produce more than 90 per cent of the fresh fruit and vegetables, meat, milk and eggs sold in local supermarkets. Australian farmers also contribute positively to the trade component of Australia's GDP with two-thirds of what they produce exported. Farmers are land stewards for 48 per cent of Australia's land mass. And as the backbone of rural and regional Australia, agriculture supports small businesses and town communities across the country. For these reasons, government policies and programs that assist farmers manage downturns, including the FHA, have far greater impacts than simply helping individual farmers.

The importance of agriculture to the economic and social fabric of other countries is evident in the agricultural subsidies paid by other governments. Australian farmers receive the second lowest level of support in the developed world, second only to New Zealand. Australian farmers are proud that they have thrived despite minimal government assistance. It is appropriate, however, that government support be available to assist farmers manage significant downturns.

NFF notes the Review's Terms of Reference are to review whether the current settings of the program:

- are effective and efficient in meeting the original objectives to provide assistance while assisting farmers to improve long-term financial circumstances,
- remain fit for purpose; and
- contribute to an enduring approach to income support for farmers in hardship, including drought.

Purpose of the FHA

NFF recommends the Review clarify the purpose of the FHA and restructure the program accordingly.

It is clear from the four descriptions of the FHA's purpose below that the program conflates welfare and transition objectives.

The Review's terms of reference define the FHA's original objectives as 'providing assistance while assisting farmers to improve long-term financial circumstances',

The *Farm Household Support Act 2014* states its aim is to 'to improve the financial situation of farmers and their partners, who need financial assistance, by providing them with financial assistance that consists of:

- (a) farm household allowance for up to 3 years; and
- (b) funding to engage in certain activities; and
- (c) funding to obtain a farm financial assessment.'

The FHA Guidelines state: 'The Farm Household Allowance (FHA) provides fortnightly income support to farmers and their partners up to a maximum of four cumulative years (1 460 days of payment) while they take action to address their long-term financial security.'

FHA has been described by policy makers as a wake-up-call to farmers in need to either radically change their farm business or exit. Detailed paperwork, along with the requirement to work with a Centrelink case officer and, as of July 2018, a Rural Financial Counsellor, in order to receive the payment were described as important parts of farmers reassessing their current operations and making long-term decisions about their future in farming¹.

NFF believes the current FHA program conflates the purpose of a *welfare payment* and a *transition payment*. A welfare payment is one that exists to cover basic household payments during periods of financial difficulty. Alternatively, a transition payment provides farmers experiencing financial hardship with the financial support to enable them to reconsider their farming operations and plan either changes to their farm business or exit from farming.

While FHA is based on the NewStart Allowance, the inseparability of a farmer's income from their farm is different to an individual's financial circumstances being dependent on them securing a job. A farm during a drought or experiencing unexplained stock losses, for example, is not the same as not having a job. These differences need to be kept in mind when clarifying the purpose of the FHA and reviewing its effectiveness.

Combining both welfare and transition payments into one program can cause confusion with regard to why farmers would apply for FHA. Farmers are unsure whether FHA exists to tide them over until it rains or markets pick up, for example, or it is there to help them restructure

¹ NFF meetings with officials.

their operations to put them on a sustainable financial footing or to give them time and resources to plan an exit strategy.

Conflating these two payments that exist for different purposes also means farmers experiencing financial hardship for different reasons are, nevertheless, treated the same way. Young farmers and those new to farming, for example, who have not had time to build an asset base may need short term welfare payments to help them overcome downturns such as those caused by drought or failed crops. Similarly, experienced farmers who have taken all reasonable steps to manage risks can still find themselves in financial difficulties when faced with extreme downturns, such as extended drought. These farmers do not need advice on their farm business, they need assistance to enable them to manage through the extreme downturn.

Alternatively, transition payments are better targeted at those farmers who consistently fail to adequately prepare for and manage the risks associated with farming, including drought.

RECOMMENDATION 1: That the purpose of the FHA be clarified to differentiate between its welfare purpose and its transition purpose.

Differentiating between the different purposes of the FHA would enable program settings to be better tailored to these specific purposes. For example, farmers requiring short-term assistance, rather than assistance to transition their farming business, might be better served by short-term household payments that were available when the need arose across their farming life. As made clear by a number of NFF members, it is extremely difficult for even the best farmers to prepare for a seven year drought as currently experienced in some areas of Queensland.

Transition payments might include a component to cover household payments but most of a transition payment might be dedicated to enabling the farmer to access financial and farming advice, as well as require a Financial Improvement Agreement and engagement with a Rural Financial Counsellor or similar advisor.

Caps on farm assets might also be different for a short-term household payment, where the current higher cap of \$5 million recognises an otherwise functioning farm business, and a transition payment, where the lower cap of \$2.64 million might more accurately indicate a farmer in need of restructuring.

Because different program settings are needed to achieve different purposes, NFF believes the FHA should either have two different streams of support that cater to these different objectives, or support programs are staged with a welfare program preceding a transition program that applies when a farmer's circumstances trigger a transition program.

RECOMMENDATION 2: That FHA program settings be amended to provide both welfare support and transition support either via two different FHA sub-programs or by staging FHA support with initial welfare support that moves to transition support when certain criteria are triggered.

Another point of confusion regarding the purpose of the FHA program has been whether it is only for farmers impacted by drought or farmers experiencing financial hardship at any time. NFF considers this confusion could be overcome relatively simply by an awareness campaign that provides clear information on the FHA including eligibility.

RECOMMENDATION 3: That the Department of Agriculture and Water Resources implements an FHA awareness campaign to increase understanding of its purpose, eligibility and how to access the program.

Intergovernmental Agreement on Drought

The NFF welcomes the Prime Minister's announcement that 'the Prime Minister, Premiers and Chief Ministers agreed (following the National Drought Summit on 26 October 2018) to discuss at the COAG meeting in December a new Agreement on Drought Reform'. NFF believes this represents a real opportunity to launch new negotiations to create a national drought policy.

While the NFF acknowledges the FHA does not only apply to drought circumstances, the NFF recommends that changes to the FHA be considered as a part of the negotiations for a new Intergovernmental Agreement on Drought.

RECOMMENDATION 4: That the Review recommend that COAG agree to launch negotiations for a new Intergovernmental Agreement on Drought that includes reforms to the FHA program.

Improved Data Collection and Analysis

NFF welcomes this Review as an opportunity to collate data on the operation and effectiveness of the FHA. We recommend, however, that data collection and analysis of this and other farm assistance programs be significantly increased and analysed in order to ensure programs are meeting their objectives. We also recommend that this data be made publically available to help inform recipients and the community at large as to the extent and impact of these programs.

While acknowledging the FHA provides assistance in circumstances beyond drought, the NFF believes this work would most effectively be carried out by a permanent drought unit within the Department of Prime Minister and Cabinet. This unit would act as a central source of drought-related information, and monitor and report publicly on drought safety-net programs, and resilience measures.

RECOMMENDATION 5: That the Review recommend the creation of a permanent drought unit within PM&C that acts as a central source of drought-related information, and that monitors and reports publicly on drought safety-net programs, and resilience measures.

Finally, the NFF strongly recommends that the FHA online application be improved to reduce the occurrence of the website crashing when stressed farmers' are applying for assistance.

RECOMMENDATION 6: That the FHA website is improved.

The NFF appreciates the opportunity to make this submission. We also express our sincere thanks to Ms Georgie Somerset for making time to meet with the NFF Drought Working Group.

Please do not hesitate to contact Dr Prudence Gordon, General Manager for Trade and Economics, on (m) 0404 670 434 or (e) pgordon@nff.org.au, should you have any questions.

Yours Sincerely



Fiona Simson
President