



Review of the Farm Household Allowance

Victorian Farmers Federation Submission

The Victorian Farmers Federation

The Victorian Farmers Federation (VFF) is the only recognised consistent voice on issues affecting rural Victoria and we welcome the opportunity to comment on the Farm Household Allowance.

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 and regionally located staff.

Each VFF member is represented locally by one of the 200 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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Introductory comments

The Victorian Farmers Federation (VFF) welcomes the opportunity to provide a submission into the review of the Farm Household Allowance (FHA).

Farm income and profits can be volatile, highly vulnerable to climatic events such as drought. The VFF supports the need for policies that promote farmer resilience and self-reliance, whilst acknowledging that there are circumstances such as extended periods of drought which cannot be prepared for. It is critical there are sufficient safety nets in place to ensure the basic welfare of Australian farming households. The VFF therefore supports the Farm Household Allowance as a short term measure to ensure eligible farm households experiencing financial hardship receive necessary assistance.

Whilst the VFF acknowledges the considerable work the Federal Government has done to improve the FHA already, there remains significant barriers that must be addressed.

The VFF would also like to see increased transparency through greater public reporting requirements.

As a key pillar of the federal government's rural support package, it is crucial that the FHA operates effectively.

Role of the Farm Household Allowance:

The VFF supports the FHA as a short term measure to ensure eligible farm households experiencing financial hardship receive necessary assistance. Whilst acknowledging the importance of self-reliance, it is critical there are sufficient safety nets in place to ensure the welfare of Australian farmers and farming communities.

The FHA plays an important role in supporting farmers during periods of short term financial hardship. Historically, farmers have often been ineligible for other social security programs due to their high asset levels. The FHA ensures farmers can pay for essential household expenses during periods of financial hardship without drawing down on their equity to irrecoverable levels due to short term reductions in income.

Eligibility requirements:

The VFF largely supports the current eligibility requirements.

The VFF welcomes the recent increase to the net asset threshold cap from \$2.6 million to \$5 million. This will provide more flexibility for farmers who had previously faced difficulties meeting previous asset thresholds due to machinery and land values, estimated to mean an additional 8,000 extra farmers will now be eligible for the allowance.

The VFF strongly supports that the current mutual obligation requirements of the allowance be maintained to foster long term resilience. Meeting with a Farm Household Case Officer and developing a financial improvement agreement are positive steps to assist farmers to improve their

financial positions. Many Victorian farmers who had received the allowance said they found this very helpful. Similarly, the Activity Supplement of up to \$4,000 to pay for study, training or professional advice was cited by many Victorian farmers as a positive feature of the program.

The VFF is also broadly supportive of a time limit on support. As noted in the Productivity Commission's 2009 Inquiry Report on Government Drought Support "long term government support encourages dependency that is inimical to self-reliance and preparedness, perpetuates many social problems ... and generally impedes adjustment". The previous Exceptional Circumstances Relief Payments did not have a time limit, and almost 10% of recipients had been receiving the payments for over 6 years. There are concerns however, that the current cap of 4 years cumulative over the course of a farmer's working life may pose issues especially for Victorian dairy farmers who already have faced a milk price step down then drought conditions in recent years, and then may be unable to access the FHA if they face any other financial hardships in the future. The VFF therefore support the time limit being amended to a cumulative period of 4 years in a 10 year period to ensure there are sufficient safety nets for farmers who may battle multiple natural disasters over the course of their lifetimes.

Recommendation 1: Extend access to FHA to a cumulative period of 4 years over a 10 year period.

Barriers to uptake:

There are significant barriers which are inhibiting greater uptake of the Farm Household Allowance. This is reflected in the relatively low uptake of the FHA by eligible farmers. Recent reports from the federal agriculture and human services departments indicate that only 2,500 of an estimated 27,000 potential eligible farming households received the allowance.

The onerous application process in particular is a key reason for the low uptake of the scheme. Whilst the VFF acknowledge the recent efforts of Major Stephen Day to simplify the application process which has reduced the application by more than 30 pages, more must be done to streamline the process. Whilst the program is intended to assist farmers during periods of hardship, many have said that the application process only compounded their stress, and was very overwhelming. One farmer who was eventually successful in applying for the FHA only after months of calling and following up Centrelink said the process was so stressful she could see why few persevered. Another farmer said the application process was so time consuming that they were unable to access support for months and were forced to exit the industry. Furthermore, a number of recipients said they found the applications very complex and would have been unable to complete the application without the assistance of rural financial counsellors or accountants.

Similarly, a lack of awareness of changes to the eligibility criteria for the FHA is also inhibiting greater uptake. Anecdotally, many farmers seem to be self-assessing, assuming they are ineligible based on previous eligibility criteria. For example, few farmers were aware that the net asset test had increased from \$2.6 million to \$5 million. Similarly, many farmers were unaware that the time limit had been extended from 3 to 4 cumulative years.

Recommendation 2: Establish a 'short form application' to enable early payment followed by a full application process to verify eligibility with associated payment adjustment.

Recommendation 3: Provide additional funding for Rural Financial Counsellors to assist farmers to complete the applications.

Recommendation 4: Increase the number and training of Centrelink case workers to improve application processing times.

Victorian Farmers Federation recommendations:

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Recommendation 3: Provide additional funding for Rural Financial Counsellors to assist farmers to complete the applications.

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