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.

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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 Challenges[1]

- 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

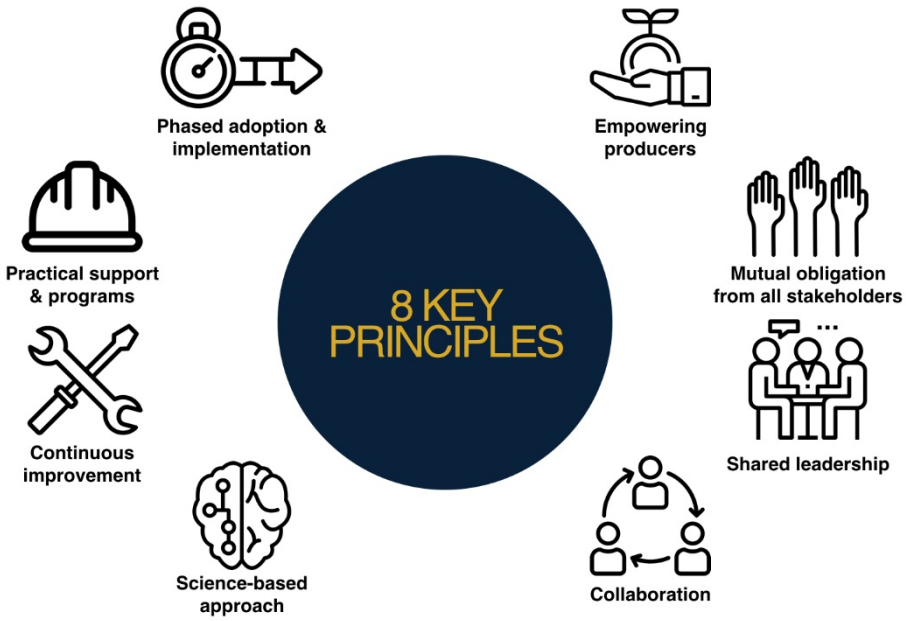
Drought policy is currently largely reactive, and crisis-response driven rather than proactive, promoting preparedness and certainty for all stakeholders. This change in approach is aimed at reducing the environmental, financial and human costs of managing climate risk.

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.

[1] Informed 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.

AgForce Queensland Farmers 2018. For further information on the Agricultural Business Cycle or on AgForce's drought policy please contact Amelia Shaw, AgForce Policy Officer shawa@agforceqld.org.au or (07) 3236 3100



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.

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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.

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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.

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