





Future Drought Fund

Drought Resilience Plan 2020 to 2024

Consultation Response

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NSW Farmers' Association
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About NSW Farmers

The NSW Farmers' Association is Australia's largest State farming organisation representing the interests of its farmer members.

Farmers across New South Wales produce just under \$17 billion worth of food and fibre every year, representing around one quarter of Australia's total agricultural output. Our state's unique geography means a wide variety of crops and livestock can be cultivated and nurtured.

NSW Farmers is Australia's only state-based farming organisation to represent the interests of farmers of all agricultural commodities – from avocados and tomatoes, apples, bananas and berries, through grains, pulses and lentils to oysters, cattle, dairy, goats, sheep, pigs and chickens.

NSW Farmers focus on issues that are explicitly connected to primary production - the environment, biosecurity, water, economics, trade and rural and regional affairs. We also have an eye on the future of agriculture as advocates for innovation, striving to ensure our members have access to the latest research, development and extension opportunities. Our industrial relations section provides highly specialised advice about labour and workplace matters.

Our regional branch network ensures local voices guide and shape our positions as they affect real people in real communities. Members are the final arbiters of the policies of the Association – through our Annual Conference, 63-member Executive Council, and member elected issue- and commodity-specific Advisory Committees - providing specialist, practical advice to guide the Association's advocacy.

Over-arching Comments

Food and fibre production has a long and strong history across NSW. Given Australia's reputation for high quality safe produce, the raw and value-added food and fibre produced in the state have a strong and expanding place in global markets, gaining high returns from markets both at our doorstep and further afield.

The agriculture sector is always seeking opportunities for improvements, be it in financial planning and risk mitigation, seeking out innovations in crop and soil management, or increasingly leveraging emerging technologies to aid decision-making, improve monitoring, reduce costs, and increase productive output.

While current drought conditions are extremely harsh, farmers understand that agriculture works on seasonal cycles and farmers plan for significant variations in environmental conditions and adjust their risk management strategies accordingly. Farmers know how to gain the most productive output adapting to a variety of unpredictable weather and environmental conditions. Every season provides an opportunity to adapt and refine practice.

In response to our November 2019 member survey 70% per cent of the 478 respondents indicated that practices they are putting in place now are either likely or very likely to aid management through future droughts. These practices include new business management strategies, adaptations to operational practice, and/or introduction of new monitoring, management and/or delivery technologies. The majority of respondents had accessed targeted government supports, including concessional loans and rebates, which have aided them in repositioning their business.

Strategies that complement business decisions; empower farmers to mitigate risk; and enable long-term planning need to be prioritised for funding from the Future Drought Fund. This fund must provide supports and initiatives to underpin localised response and contribute to building best practice and aid in smoothing the impediments to sustainable improvement. This fund must be outcome - not input - focussed.

Priority must be given to providing opportunities for individual applicants to identify the issue to be addressed, outline how these funds will mitigate the impact, and most important identify the success factors – not require onerous applications that have rigid criteria that may lead to ineligibility of the applicants. For example, the current eligibility for a Regional Investment Corporation Drought Loan is that the farm business is in an area determined to be affected under the United Nations Convention to Combat Desertification. This means that the majority of farmers in coastal areas are ineligible, yet many are experiencing severe drought conditions.

At the same time the November 2019 NSW Combined Drought Indicator collated by the NSW Department of Primary Industries shows that all southern coastal areas are 'drought affected (intensifying)' and for the area north of Newcastle all coastal areas are determined as in 'drought' or in 'intense drought'.

It will be important that the criterion for funding prioritises those in historically drought prone areas, but not exclusively, and allow for all primary producers to provide an evidence based case for initiatives that will improve sustainability and productivity given the extreme climate variabilities that are currently being experienced across all states and territories.

Australian farmers are often referred to as resilient and self-sufficient. However there is a critical inter-dependency with the local community – including essential agricultural and business services, social and cultural engagement, and provision/maintenance of essential infrastructure. Maintenance of productive capacity is critical, meaning that sustainable micro-economies is vital.

The most impactful outcome for the Future Drought Fund is the important message that it sends to the agriculture sector about investment confidence. This fund has the capacity to instil confidence for the private sector and farming families to reinvest in agriculture for the long term.

Future Drought Fund Principles:

- Drought resilience is a direct result of strong and ongoing management decisions by farmers – but no farmer or community can prepare for severe and extended drought that lasts multiple years.
- Government support must respond to needs/issues identified by the agriculture sector – not require agriculture to conform to project criteria that is developed within the Canberra bubble.
- The Future Drought Fund must ensure complementarity with programs for enabling infrastructure (road, rail, telecommunications etc.) as well as other ongoing programs for rural and regional development.
- A priority for long-term data collection and independent analysis is critical to underpin forward planning and consideration for scenario planning across all levels of government.
- Cash-flow and access to long-term low interest capital need to be prioritised – short-term concessional loans have a place – but with recovery from drought impacts taking a minimum of 2-3 years and potentially up to 4-5 years following viable rainfall, the capacity for farmers to restock and replant will depend on access to a sustainable line of credit with realistic interest rates.
- Consideration must be given to the reality that no matter how well prepared a farm business may be there is a limit to the reserves that can be made available and that cash injection (or economic stimulus) must be included for consideration.
- Government must be prepared to undertake scenario planning to determine the point at which food security is at critical risk, and therefore more active and interventionist actions must be considered, for example the role of government in responding to the impacts of the February 2019 Queensland Floods.

Economic Resilience

NSW Farmers provides the following for consideration under the Future Drought Fund

- **Value-add to the farm-gate product** – Australia has a significant reputation for high quality raw product – local processing and value-adding will be critical to leverage the best returns from agriculture (e.g. dairy, irrigators, grains/pulses import replacement).
- **Research funding** – focus on the critical role of extension. The intent of any research must be to deliver opportunities for farmers to improve profitability during non-drought years so that they have the capacity to build capital (cash and on-farm reserves) to carry them through low income periods.
- **Innovations** – to enhance data knowledge and therefore decision making – this can be a range of research and applied activities including - technology, data and AI enhancements, increased yielding and drought resilient crops or enhance practice, research for increased frost tolerant crops to improve resilience in dry years and for contained stock management, and greater focus on research and testing for closed production systems.
- **Make available realistic loan products** with longer-term repayment periods recognising the cash flow pressures for restocking and replanting following significant drought periods. The Australian Government is in a position to undertake borrowing at very low rates (1-1.5%) over the long-term and this should be leveraged to deliver the lowest cost concessional loan products to drought affected farmers and farm dependent businesses with a long-term repayment plan. The longer a drought lasts, the greater the impact on the business and the longer it takes to recover and re-establish. Given current drought conditions the existing concessional loans may fall due just at the time that re-establishment is beginning.
- **Improved access to new and emerging markets** – particularly with Australia’s closest Asian neighbours.
- **Improvements in business management and planning** – must be targeted and not assume that all farmers need business and management support. Consideration could be given to strategies that support benchmarking relevant to the sector.
- **Providing the tools for business to identify and manage risk** – income protection insurance, derivatives insurance etc. recognising that cash flow pressures mount as drought periods lengthen putting at increasing risk the viability of the business through the potential need to reduce equity to cover essential business operating costs and standing charges when income is negligible or non-existent.
- **Improve processes for intergenerational farm transfers** – a thorough examination of current disincentives, including current deeming rules.
- **Road maintenance** – develop future planning and associated funding pipeline for both sealed and unsealed local roads to ensure that roads do not degrade adjacent farmland by channelling water in rain events – building up roads rather than grading to below natural contours. Any funding identified must be complementary and add value to local, state and federal strategies for road funding to ensure that impediments to the transport of food and fibre to interconnecting transport hubs are removed.
- **Improve transport access** (road, rail, and air) – poor and inefficient infrastructure adds costs and reduces the return to farmers, including negatively impacting on quality through time added to the transport window.
- **Infrastructure improvements** – focus on effective and efficient infrastructure, particularly road maintenance and improvement by local government to ensure that supply chain costs are reduced and not a disincentive for increased productivity.

Environmental Resilience

NSW Farmers provides the following for consideration under the Future Drought Fund

- **Water access** – the construction of significant dams is critical for both agriculture and community resilience. Any water harvesting infrastructure takes time and should be prioritised for early action. Consideration to be given to:
 - Reducing evaporation and seepage from open channels – pipeline construction and/or channel covers;
 - Extend funding to additional cap and pipe work on artesian bores;
 - Strategies for on-farm water capture including for turkey-nest dams to both capture and allow overflow; and
 - Research to enhance productive output with greater water efficiency.
- **Fund new strategies for water management, capture and recycling** – both on-farm and by LGAs for communities. To maintain stability of supply there will be increasing requirements for recycling and re-use strategies for to better manage water availability and reduce dependence on rainfall, flood-plain harvesting, bore water, dams and river pumping.
- **Water markets** – build capability for farmers to participate in water markets in a knowledgeable and competent way.
- **Native vegetation management** – must be a collaborative activity between farmers and agencies that will enhance ground cover and subsequently moisture retention to expand stands of shrub/trees that will improve pasture management while still delivering the land available for cropping and grazing.
- **Increase availability of stewardship programs** – designed in close consultation with landholders and provide for compensation to landholders for any loss of property rights related to current and historic legislation.
- **Program to support to longer-term fire management** – supporting landholders to develop and implement planting strategies that prioritise random rather than contiguous plantings.
- **Soil and land contour management** – strategic planning and new applications to improve soil health, and including strategies that enable the farmer to re-contour land and manage water flow during rain periods should be considered for prioritisation. An example is the Ecosystem Management Understanding (E.M.U.) currently being trialled in Western NSW.
- **Weed management** – supporting the eradication of invasive weeds for example, Hudson Pear, Serrated Tussock, and Harissa Cactus.
- **Energy access** – funding for innovation in accessing, storing and generating energy – including through reusable sources including solid and liquid waste (e.g. bio-gas), solar panels to harvest drinking water, and solar for on-farm water pumping to reduce reliance on diesel and other fossil fuels.
- **Pest management** – strategies that identify and reduce the impact of feral animals – dogs, pigs and deer – particularly funding research to enhance local baiting, trapping, etc.
- **Managing total grazing pressure** – improved scientific management of the kangaroo population in the pastoral areas of Australia.

Social Resilience

NSW Farmers provides the following for consideration under the Future Drought Fund

- Communities can only remain viable if there is economic activity in and around the community and there is cash circulating across businesses. Supporting the development of the following would aid resilience:
 - Local solutions to enhance connectivity – as the communities become smaller and more distant the traditional delivery of technology (voice and data) becomes less reliable and more expensive;
 - Underpinning ‘value-add’ at a local level – from developing processing plants, providing support to attract and expand clusters (complementary agriculture businesses);
 - Supporting the attraction of new agriculture (e.g. micro-greens, green houses) on smaller agricultural blocks;
 - Expand economic precinct identification and prioritise attraction for processing that complements existing primary production or can capitalise on a new value adding product in abundance in the region.
- **Enable diversification of economic base in regional communities** including priority funding for additional tourist activities related to agriculture, such as equine centres or agricultural produce processing facilities that value-add to the region’s output.
- **Recognise the role of established local not-for-profit business support organisations** that deliver ongoing essential services and at times underpin Agricultural suppliers that service farming and other SMEs in regional communities (through support from programs such as Business Connect, ASBAS, and NEIS) to ensure that these services are maintained during drought and provide ongoing employment to maintain capacity in these smaller centres.
- **Complement the Rural Financial Counsellor** program by committing to additional funding for ongoing (rather than contract) employment for RFCs and introduce opportunities to aid business management capability development to leverage new and emerging opportunities.
- **Increasing access to local clinical services** particularly those related to underpinning strong mental health, but also reducing barriers to accessing health services locally. With sustained local health delivery the need for short-term additional ad-hoc programs to provide wellbeing support would be reduced.
- **Strategy to eradicate Q fever** reducing the risk of Q fever infection, particularly prevalent during drought, by enabling community groups to hold vaccination clinics.
- **Provide additional funding to LGAs through the established Financial Assistance Grants program** that allows for this funding to not be tied to pre-determined programs, but allows for the discretionary use, including to deliver rate rebates to impacted farming businesses with significant cash-flow constraints during drought.