Regional Development
SOUTH AUSTRALIA

Regional Development South Australia
Feedback on the draft Drought Resilience Funding Plan

REGIONAL DEVELOPMENT SOUTH AUSTRALIA

Regional Development South Australia (RDSA) plays a unique role in supporting the economic development efforts of seven regionally based Regional Development Australia (RDA) Committees and the Adelaide Metropolitan RDA. For well over 25 years the eight RDAs in South Australia have evolved into key economic development agencies within their specific regions. They are well regarded and sought after as a key source of regional intelligence on matters of economic development, investment and business opportunity.

RDSA brings the eight RDA's together to collaborate closely on a wide range of cross-regional issues and economic development projects that are fundamental to the future and well-being of South Australia. Seven regionally based RDAs are funded under a tripartite funding partnership between the Australian Government, Government of South Australia and the Local Government Association of South Australia. The Australian Government is the core proponent of the national network of 52 RDAs, but it is South Australia's unique tripartite funding model and state-scale coordination (provided through RDSA) that places South Australian RDAs in the position to genuinely represent regional interests on the national stage.

REGIONAL AGRIBUSINESS

Rural and regional Australia faces many unique challenges such as geographic isolation, declining populations, difficulties in matching skills to jobs, poor access to services and environmental impacts such as drought. Many of these are challenges not faced by people living in larger cities. While the effect of natural disasters, especially drought, has been an ongoing challenge in the Australian landscape, the influence of a changing climate is forecast to make these events more severe and more widespread, resulting in significant local, regional and national impacts[1].

There are currently over 85,000 farm businesses in Australia, and around 304,000 people directly employed in Australian agriculture[2]. With the inclusion of affiliated industries, the Australian agriculture supply chain supports around 1.6 million jobs[3]. In 2017-18, the gross value for Australian agriculture was $59 billion, with South Australia's agricultural farm-gate revenue worth almost $6.6 billion (approximately 11% of the national total agriculture revenue)[3].

A large portion of South Australia's regional economies are dominated by agriculture. Agriculture accounts for around a quarter of gross regional product and total employment in some regions. As such, agriculture is a key industry for RDSA, in particular its sustainable management across the triple bottom line.

[1] CSIRO, 2018. *State of the Climate*. https://www.csiro.au/en/Showcase/state-of-the-climate
[2] Food, Fibre & Forestry 2017
[3] Australian Bureau of Statistics, 2017-18. *Value of Agriculture Commodities*.

THE DROUGHT RESILIENCE FUNDING PLAN

This report provides feedback from RDSA to the Future Drought Fund Consultative Committee (the Committee), established under the *Future Drought Fund Act 2019* (the Act), on the draft Drought Resilience Funding Plan (the Plan). The object of the Act is to enhance the public good by building drought resilience.

According to the Act, the Drought Minister (presently The Hon David Littleproud MP) must take advice from the Committee prior to adopting the Plan, and that the first Plan must come into force before 1 July 2020. Before the Drought Minister first makes either an arrangement or a grant under the Agriculture Future Drought Resilience Special Account (the Fund), the Minister must request advice from the Committee about whether the proposed design of the program of arrangements or grants under the Fund is consistent with the Plan, and from the Regional Investment Corporation Board (the Board) in relation to making the arrangement or grant, or entering into the agreement, as the case may be.

The draft Plan, released for consultation on 29 October 2019 with feedback due by 13 December 2019, outlines that an initial credit of $3.9 billion has been made to the Fund in 2019, which is expected to grow to $5 billion by 2028-29. From 1 July 2020, the Fund will make $100 million available each year to support initiatives that strengthen the drought resilience of Australian farm businesses and communities. The Future Drought Fund 'Have Your Say' website[4] states that the Plan is expected to be finalised in February 2020.

The draft Plan defines 'drought resilience' as: *the ability to adapt, reorganise or transform in response to increasing variability and scarcity of rainfall, for improved economic, environmental and social wellbeing* (p. 3). The draft Plan states that, in recognition of existing 'in-drought support', its vision is: *an innovative and profitable farming sector, a sustainable natural environment and adaptable rural communities—all with increased resilience to the impacts of drought.*

SUMMARY FEEDBACK ON THE DRAFT PLAN

The draft Plan identifies that, although Australian agriculture is widely considered to be innovative and self-reliant, improved agribusiness management capability could increase growth and drive better performance. This is supported by findings that show the Australian agriculture, forestry and fisheries sector scores lowest on average against other Australian sectors for 'overall management capability' and recognises that such low management capability *"… can be affected by other factors such as the access to managerial resources and infrastructure"* (p. 32)[5].

South Australian RDAs, through RDSA, agrees that building the management capability across agribusiness is at the core of building drought resilience. Improvements in management capability at the individual agribusiness scale will spread across communities and provide a solid foundation for ongoing resilience and improve broader social, economic and environmental outcomes. The South Australian RDA network is in a prime position to facilitate and deliver management capability in partnership with other providers to regional agribusinesses.

Given the object of the Act, and the objectives and operation of the Plan, RDSA proposes that RDAs (especially in South Australia, with their strong networks across all levels of government and regional industries) should be central to the development, coordination and delivery of projects under the Fund. Without creating additional burden on the operation of the Act and the Plan, it is suggested that the Plan

[4] https://haveyoursay.agriculture.gov.au/future-drought-fund?tool=qanda#tool_tab (sourced 2 December 2019)

[5] Agarwal R, Bajada C, Brown P, Moran I, & Balaguer A, 2019, *Development of Management Capability Scores*, Commonwealth of Australia (https://www.industry.gov.au/sites/default/files/2019-09/development-of-management-capability-scores.pdf, sourced 2 December 2019)

recognise the value that the RDA model will provide in coordinating and implementing elements of the Plan, and in delivering project elements under the Fund. South Australian RDAs are well positioned to act as a pilot for this model.

RDAs are uniquely positioned to help agribusinesses navigate the regional ecosystem, including (but not limited to):

- Matching suppliers to demand, and vice versa (domestic and export)
- Matching skills to jobs (education, succession, local employment and migration),
- Facilitating targeted training (agtech, business software, business management, etc),
- Linking agribusiness owners and managers with counsellors (business and health),
- Finding the right business-to-business mentoring matches,
- Developing product diversification and value chain options,
- Developing business cases for investment in shared infrastructure,
- Modelling economic impacts of developments.

These areas, for which RDAs are uniquely funded by all levels of government to support, will ensure that the public good is enhanced by building drought resilience to its full capacity and maximising regional socio-economic and environmental outcomes.

RECOMMENDATIONS

The RDSA and its member RDAs in South Australia recommend:

1. The initial focus of the Plan and Fund be on building agribusiness management capability; and
2. That RDAs be recognised as critical to the successful implementation of the Plan through their unique position in facilitating outcomes with far-reaching regional development implications.

DISCUSSION

This submission is intended to support the interests of RDSA key stakeholders, being regional industries, regional Councils, the South Australian Government, the Australian Government, and South Australian RDAs. In developing this feedback submission, it is understood that the RDSA position aligns with the intent of the Australian Government in developing the Act and the Plan, and with the feedback of the South Australian Government and South Australian agricultural industries.

Specific feedback from RDSA on the Fund's three key strategic priorities (listed below), and their related objectives, is provided in detail further below.

The three strategic priorities of the Fund are:

1. economic resilience for an innovative and profitable agricultural sector
2. environmental resilience for sustainable farming landscapes
3. social resilience for resourceful and adaptable communities.

Economic Resilience

OBJECTIVE: *Enhancing the public good by building drought resilience through programs that will grow self-reliance and performance of the agricultural sector.*

The draft Plan's definition of 'drought resilience' aligns with other definitions of resilience that refer to a system's ability to recover or bounce back in terms of system performance or functionality following one or more adverse events[6]. To be resilient, agribusinesses need strategies and structures in place to combat the impacts of drought and to develop multiple options to manage adverse events. This may include ways to manage uneven income flows, to diversify income streams, to move along the value chain and to improve operational efficiencies.

While support such as Farm Household Allowance, Farm Management Deposits, council rate rebates, and pastoral lease rent relief are welcomed by RDSA, there remains a need to build long-term management capability across the agricultural sector. This capability will enable each business to better recover from adverse events, thereby reducing reliance on external support and significantly improving long-term outcomes for agribusinesses and regional communities.

It will be important to develop management capability for individual agribusinesses during non-drought periods so they can take on the relevant skills and implement required changes prior to the next drought period or other business shocks. The provision of business-to-business mentoring and targeted business planning and management skills are required to develop capability in the areas of governance, innovation, risk management, succession planning and financial resilience.

Delivery of such a program might use existing networks, such as Rural Business Support, not-for-profits and commercial organisations supported by RDAs in response to local needs and access to services. Whatever model is employed, it should be designed with the ability to rapidly scale-up the development of agribusiness management capability beyond the individual business. RDAs in South Australia are well-placed to facilitate rapid scaling through an understanding of the local context, regional businesses, government processes, and markets for skills and products. A 'one-size-fits-all' approach that simply focuses on the individual agribusiness, and expects business owners to attend 'yet another workshop' will not work for all, in particular for the most unheard and most in need members of the agricultural sector, and for allied industries.

There are many considerations in developing agribusiness resilience, including collaborative farming, cross-border sharing of knowledge and resources, leveraging economies of scale, access to markets, and diversification of operations, products and position along the value chain. Strategies should be developed through robust business models and planning processes that are customised to each agribusiness entity and then facilitated by organisations such as RDAs to navigate the regional-to-international ecosystems and provide the support to achieve desired results.

Suggested actions for economic resilience:

1. Use a combination of existing networks and services to build management capability and to enable rapid scaling of effort
2. Approach successful agribusinesses to take on a business-to-business mentoring role
3. Utilise established business training tools and providers to deliver targeted upskilling
4. Supplement service gaps and facilitate transitions with RDA designed and delivered services.

[6] Grafton Q, Doyen L, Béné C, Borgomeo E, Brooks K, Chu L, Cumming G, Dixon J, Dovers S, Garrick D, Helfgott A, Jiang Q, Katic P, Kompas T, Little R, Matthews N, Ringler C, Squires D, Steinshamn S, Villasante S, Wheeler S, Williams J & Wyrwoll P, 2019. Realizing resilience for decision-making. *Nature Sustainability,* 2.

Environmental Resilience

OBJECTIVE: *Enhance the public good by building drought resilience through programs that improve the natural resource management of agricultural landscapes*

The fourth industrial revolution is changing how farmers produce food and related products, and the pace of change in agriculture is set to explode as global demand for food increases. Against this backdrop of change, many Australian agribusinesses are battling the drought. Being on the front foot with technology adoption and sustainable farming practices will be crucial to preparing for future droughts.

Efficient water use and sustainable agriculture that manages resource poor landscapes and fragile soils are being increasingly adopted. Precision agriculture is becoming more accessible through linking up the Internet of Things (IoT) with agricultural tools. These practices, along with use of other technologies such as automation, artificial intelligence and drones, are providing farmers with unforeseen predictive abilities and real-time access to data across a raft of applications such as soil moisture monitoring, stock water levels and micro-weather forecasting.

Research, development and extension is required to drive these changes in the right direction, both in terms of new discoveries and adoption by farmers. There needs to be greater access to these new technologies and practices for more tech-isolated agribusinesses. Use of existing networks, training in management capabilities and business-to-business mentoring will bring agribusiness closer to these emerging areas. Using old delivery techniques to deliver training on new technologies should be considered, such as shed meetings and regionally based extension events. In this period of immense change, educated decisions around which technology to invest in and which opportunities to chase will be fundamental.

At the broader scale, management actions are part of social-ecological systems, and improving the environmental resilience performance of one agribusiness at a time will accumulate to cover the majority of the landscape. Tapping into knowledge of the regional ecosystem, core business for RDAs, can accelerate this expansion.

Suggested actions for environmental resilience:

1. Incorporate emerging technologies in management capability upskilling sessions
2. Support the placement of agtech extension capacity in rural communities
3. Focus research, development and extension on areas identified by drought-affected agribusinesses as having potential to increase socio-economic and environmental resilience.

Social Resilience

OBJECTIVE: *Enhance the public good by building drought resilience through programs that maintain and improve the wellbeing and social fabric or rural and regional communities.*

Beyond economic and environmental resilience, there is emerging evidence that an increase in natural farm capital and environmental conditions may improve farmers' wellbeing[7]. Recent studies have also found that financial difficulties are most associated with high levels of psychological distress, intertwined with and underpinned by the ongoing threat of water scarcity[8]. Sadly, as a result of higher rates of mental health

[7] Yazd S, Wheeler S & Zou A, 2019. Exploring the Drivers of Irrigator Mental Health in the Murray-Darling Basin, Australia. *Sustainability*, 11.

[8] Wheeler S, Zou A & Loch A, 2018. Water torture: Unravelling the psychological distress of irrigators in Australia. Journal of Rural Studies, 62.

issues in regions, rural and regional communities have higher suicide rates, especially in young males, than in urban areas[9]. Access to health services is a key factor in effectively managing regional health issues[10].

Generational change and shrinking farming populations are key drivers of poor socio-economic outcomes in regions. The average age of Australian farmers is 57, a trend that has been increasing across the past two decades and shows no signs of stabilising[11]. Most regions are experiencing youth exodus'. The flow on effect of an ever-decreasing farm population has major ramifications for regional agribusinesses and ultimately, value adding businesses and the broader economy.

Any reduction in agribusiness income can become a vicious spiral: agribusiness finances deteriorate and mental health of farmers decline; less farm income means laying off employees or being perceived as insecure employment; population declines and services from public and private sectors disappear; less services force younger generations to leave for the city; and, when conditions turn favourable for farmers, the reduced population and services make it hard to fill jobs (i.e. 'hidden jobs') and production stalls[12]. The 'regional glue' provided by organisations like RDAs is needed to support our regions' resilience.

Rural and regional towns often rely on the agricultural sector for survival. Revitalising small rural communities is also a foundation block to assist social resilience, cohesion and wellbeing. Strong rural communities tend to have vibrant networks, are more proactive on a range of social and welfare issues and have the long-term capacity to respond to issues like drought.

RDSA proposes that, based on established links between farm finance and mental health, development of agribusiness management capability will lift long-term financial hardship of farmers and improve farmer wellbeing, resulting in improved community resilience outcomes. RDAs are well-paced to support these business-to-health connections.

Suggested actions for social resilience:

1. Support programs that aim to improve agribusiness management capability and farmer wellbeing
2. Measure the link between business performance and mental health outcomes
3. Encourage socialisation of wellbeing outcomes throughout communities, with a focus on networks and community connections.

[9] *Australia's Health, 2016*. Australian Institute of Health and Welfare.

[10] *The Great Health Divide, 2016.* Western Alliance.

[11] Australian Bureau of Statistics, 2017-18. *Agricultural Commodities Survey.*

[12] *Social and Economic impacts of drought on farm families*, 2018. Submission by the Australian Institute of Family Studies to the Productivity Commission.