



*Rural Financial
Counselling Service*
SOUTHERN QUEENSLAND

*Assisting rural people to identify
ways to become self-reliant
and better equipped to manage
change and adjustment*



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Supported by the Australian and Queensland Governments

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SUBMISSION to FUTURE DROUGHT FUND – Drought Resilience Funding Plan (Draft)

Rural Solutions Queensland Inc. Trading as Rural Financial Counselling Service – Southern Queensland

Background

Rural Solutions Qld Inc. (RSQ) is a not-for-profit organisation established in 1998. Since 2006, RSQ trading as Rural Financial Counselling Service – Southern Queensland (RFCSSQ) has been funded to provide free, financial counselling assistance to primary producers and small rural businesses across Southern Queensland through the Rural Financial Counselling Service (RFCS) Program.

The Program is funded by the Australian Government through the Department of Agriculture and the Queensland Government's Department of Agriculture and Fisheries.

The objectives of the RFCS Program are to:

- to assist eligible clients, through the provision of rural financial counselling services, to understand their financial position and the viability of their enterprise
- assist eligible clients to identify options and develop and implement plans to improve their financial self-sufficiency and
- deliver effective, flexible and responsive services to those clients in need of assistance

RFCS Southern Queensland has a seven member Program Committee consisting of different professionals and experienced farmers from our rural constituencies, a Chief Executive Officer and twenty-seven rural financial counsellors and small business counsellors located across the region.

Situational Analysis

RSQ welcomes the opportunity to provide a submission on the Draft Drought Resilience Funding Plan.

Our clients are farmers and related small business people and produce a very wide range of agricultural products and services.

They are particularly exposed to the variable climate conditions across the service regions. Our service covers coastal and hinterland communities right through to the far west and south of the state and the current drought and has impacted areas that usually have reliable rainfall and have previously been immune to prolonged dry periods.

Longstanding agricultural practices have not been sufficiently responsive to cope with this drought and agricultural production and outputs are considerably lower across all sectors of the community. The very wide-spread nature of the current drought has had a vast financial impact on farming enterprises and local communities.

While periodic droughts are recognised as part of the Australian landscape, this period in particular has seen a more widespread and deeper level of impact as very few regions have been spared from severe declines in annual rainfall combined with higher than average temperatures. As noted by the fund these conditions have led to other significant events such as bushfires, placing further stress on already depleted community incomes and well-being.

The Consultation Process

In order to prepare our submission, RSQ held a range of meetings with the Board, our team of rural and small business financial counsellors and a very broad group of external stakeholders. These meetings discussed in depth the key Strategic Priority areas:-

- economic resilience for an innovative and profitable agricultural sector
- environmental resilience for sustainable farming landscapes
- social resilience for resourceful and adaptable communities

Executive Summary

RISK MANAGEMENT AND MITIGATION

- Strategies must address more significant challenges as severe dry periods now last longer than was considered 'normal' in the past
- Primary producers need assistance to develop business and drought management plans to undertake transformational change of the farm enterprise where necessary, prior to droughts. The Rural Financial Counsellors could assist with this planning support
- Preparations for long periods of variation must be viewed as a fundamental to agricultural management strategy. Plans must be robust and sufficient to carry the business forward through prolonged droughts
- Farmers need access to professional advice to preserve the asset base and achieve transition in a controlled way. Rural Financial Counsellors could assist with preparing for and enabling this advice
- Government support measures to assist with transition to a new production model would be beneficial to primary production enterprises, when experiencing hardship
- Grants available to farmers could include low interest capital works loan, with interest free period and long repayment loans.

WATER SECURITY AND INFRASTRUCTURE

Success of agriculture is driven by rain and water availability. Consideration should be given to co-funding farmers to establish large and small scale projects that enable Recycling Water, New Water projects, Harvesting, Storage, Infrastructure, Irrigation pipelines, Research etc.

BUSINESS PLANNING

The development of a rigorous and costed business plan is ESSENTIAL to any farming operation. These should be in place prior to, and during prolonged drought, and the Rural Financial Counsellors could support and facilitate this planning.

BUSINESS SKILLS

- Training, education and mentoring in generic and primary production oriented business skills should be funded, tailored, provided and available to all farmers
- Expanded role for the RFCS Program (a Federal Government initiative) is to one of proactive engagement with any farmer keen to protect their enterprise and plan for sustainability.

INSURANCE/TAX INCENTIVES

- Consider reducing the cost of crop insurance by exempting it from stamp duty
- Consider incentives (that apply in periods of extensive dryness) that allow farmers to continue to employ workers and contractors

DEFINITION OF A PRIMARY PRODUCER

- A Standard definition of a primary producer adopted and applied by all agencies

EDUCATION AND SHARING BEST PRACTICE

- Investigate and establish a Farmer Mentor Program which should acknowledge, capture and share the practices adopted by farmers who have successfully weathered prolonged drought
- Facilitate availability and access by young people to appropriate subsidies to undertake studies based on farm and business management, best practices and new technologies

- Ensure face to face delivery of services and training to primary producers, as this is deemed important to the majority of primary producers
- Implement rurally focused financial awareness education and support program that would provide participants with the skills needed to effectively tackle personal and business financial matters and make positive financial choices.

STRENGTHENING COMMUNITIES

- Regional support funding to be made available to encourage new residents to the droughted area and encourage workers and farmers who left the community due to drought and other employment opportunities to return post drought.

SUPPORTING SMALL BUSINESS DEVELOPMENT

- Small business operators need additional support in terms of functional skill development, general business management skills and a reasonable base of support during periods of prolonged drought. The Rural Financial Counselling Service could assist with this.

ECONOMIC RESILIENCE FOR AN INNOVATIVE AND PROFITABLE AGRICULTURAL SECTOR

The focus on an Economic Resilience Strategy was determined to be the **most important strategy** and the one that would underpin any changes in the environmental or social space, be it incremental, transitional or transformational.

Current conditions have exposed the challenges that farm enterprises will have to face when dryness is prolonged.

'Normal' risk management strategies have, for the most part, proved insufficient to manage the length and depth of this situation. Wholesale changes to agricultural practices may well be necessary to ensure some sectors survive and thrive in a much more variable climate.

However, the challenges faced by these communities have provided the impetus to consider and adopt new solutions, approaches and practices; and this experience and knowledge will provide a solid platform for the development of future economic strategies and innovation.

Drought Preparedness

Drought preparedness can mean many things.

Traditionally it has been managing cash from good seasons in Farm Management Deposits, accumulating savings for poor or bad seasons, increasing feed storage capacity, increasing production capacity through lease or purchase, improving access to water, and its storage and reticulation, along with landscape and environmental management strategies.

Farmers in general are proactively seeking to improve outputs and manage their enterprise on a sustainable basis.

But the extent of the current dry period means that **risk management strategies** must address more significant challenges that last very much longer than was considered 'normal', and may include having plans in place during the dry to undertake transformational change of the farm enterprise.

The current approach of trying to 'hang on' until it rains has seen many previously successful businesses totally deplete reserves that have been built up over many years.

The fundamentally optimistic view that it will rain soon, has seen some farmers increase debt to unsustainable levels. For others it has meant that some farmlands are totally degraded and will need many years to regenerate productive pasture. Some have incurred pointless costs as they gamble on a getting an opportunistic crop, or have faced the loss of long held lines of breeding stock as conditions inevitably decline.

Under the **new normal**, preparations for very long periods of variation must be viewed as a fundamental to agricultural management strategy. Plans must be robust and sufficient to carry the business forward for not just one or two poor seasons but potentially many. Alternatives to the preferred production method (be it crop type, animal breed or species) must be in place, realistic, affordable and achievable.

Climate variation may mean that it is not financially safe or viable to carry on as usual after 'normal' reserves are depleted and in these cases **farmers need to have access to professional advice** that looks at preserving as far as possible their asset base so that a transition can be achieved in a controlled way.

This kind of approach can be supported by government measures to **assist with the transition to the new production model** or even changes between the two where this is proven effective.

The older models of complimentary production such as sheep and wheat, may no longer be at all viable and the alternatives, while offering a long term solution, may require interim government support as market and expertise is developed.

Government funding to aid drought resilience projects can be linked to specific activities under a plan developed by the farmer and their advisers.

Specific grants can be awarded to complete these activities that have a reasonable prospect of success and carry an acceptable level of risk.

Where government favours an approach that sees the farmer investing their own capital in the transition, a portion of the grant may be in the form of a low interest capital works loan, with a significant interest free period and longer terms for repayment.

Farmers willing to transition before totally depleting their own resources should be encouraged rather than support initiatives that rely on providing assistance only when the enterprise is on the brink of total failure.

The development of a **rigorous and costed business plan**, ongoing oversight of financial expenditure and working with farmers to support them to reach their goals could be overseen by government funded organisations or providers already established in the agricultural sector.

A preferred approach may include any or all of the following:

- Support agricultural businesses by providing a **thorough assessment of the business strengths** in times of drought
- Assist farmers to become competent agricultural business managers with the functional skills added to their existing operational skills
- While acknowledging traditional attachment to the land on which they farm, encourage all rural enterprises to adopt standard business measures when looking at succession and transition planning
- Skills that assist them to understand how to calculate financial ratios on different production methods, how to effectively budget and manage cash flow, how to choose and invest in products/services that provide alternate income streams; and without diminishing the importance of their attachment to the land help them develop an understand of how broadening their asset deployment can work better for them
- For smaller farms, a realistic assessment of the costs associated with sustaining the viability of the business to help prevent a tendency to over borrow and threaten their asset base
- Revise stock and carrying capacity based on new weather data within regions to provide more accurate information and allow for better assessment and determination of when to de-stock or implement management options. Leaving stock on property too long leads to further decline in condition, increased costs and farmer out of options and little, if any financial return
- **Determine business threats** based on land and stock vulnerability
- **Implement plans** to support invasive weeds eradication and pest management practices.

- **Consider incentive grants** to increase uptake of the following activities:
 - Fodder storage facilities
 - Enhance opportunity for the farmer to purchase fodder and supplements in non-drought times to avoid inflated pricing and scarcity in drought times
 - Encourage smaller farmers to consider forward contracting on feed which provides certainty to growers as they can plan based on more certain income
 - Ensure lower rates on water and electricity inputs to horticulture, agriculture and animal production
 - Protect and enhance agricultural land. In Queensland, exclusion fencing has revived agricultural land from being minimally productive to highly productive. Fencing has ensured the land is secured for farming purposes and excludes pest and feral animals
 - Increase or introduce funding component to increase to improve water collection and reticulation facilities and reduce run-off on farm. This could include ponding and more water catchment facilities to ensure no wastage or majority of run-off is captured.
 - Succession Planning Incentive/Grant with a (available at age 50) and transition plan for family involvement or exiting agriculture

Business Planning

Business planning is vital to the success of any business and should be a **compulsory component** of every rural enterprise. A successful business plan would incorporate the following:-

- Prepare a baseline assessment of current business practice.
- Prepare and utilise comprehensive analysis, including milestones and monitoring to ensure that business plan is reviewed and adapted with changing circumstances
- Incorporate land care and stewardship as well as issues that relate to the social contract – i.e. improved environmental or animal welfare initiatives.
- Incorporate long term financial planning with preparation of cash flow projections for 3 to 5 years or longer in drought prone areas
- Ensure carrying or production capacity is based on relevant recent data, rather than historic data.
- A risk register for each business should be compiled with management strategies including firm timelines, or other signals that trigger action

Basic Business Skills

Farm enterprises like all small businesses, rely on the expertise of the owner to manage a myriad of operations and functions. Operationally Australian farmers are among the best in the world, but many do not possess the functional skills necessary to support and grow a business. This is complicated by the inability in many circumstances to separate business and personal consequences of the decisions they take. This is not only a problem for farmers. Many small business owners also struggle with this separation as personal capital is always involved and decisions may not always be completely rationale.

Further training, educational opportunities and mentoring should be tailored, provided and available to all farmers.

Consideration can be given to expanding the role of the RFCS Program (a Federal/State funded program) Government initiative to one of proactive engagement with any farmer keen to protect their enterprise and plan for sustainability.

Insurance and Taxation Incentives

Consider reducing the cost of crop insurance by exempting it from stamp duty. This would provide more farmers a means to safeguard their income.'

Definition of a Primary Producer

Standard definition of a primary producer should be adopted and applied by all agencies, departments and statutory bodies for the purposes of taxation, subsidies, grants, programs etc.

Other Improvements and Proposed Strategies to Increase Economic Resilience

Financial support for projects or strategies to ensure agriculturally based communities remain strong.

- Consider incentives (that apply in periods of extensive dryness) that allow farmers to continue to employ workers and contractors. With sensible precautions and eligibility criteria this can reduce staff turnover, prevent increased claims for income support, keep skilled workers within rural communities and reduce the high burden of additional labour on farmers during dry times. The irony is that farm labour requirements (especially in animal production) is much higher in dry times.

Water Security and Infrastructure

The success of agriculture is driven by rain and water availability. Some of the initiatives for consideration include:-

- Recycled Water. Many farmers have developed innovative farming practices which utilise water conservation and recycling to improve resource management. Recognise and promote these innovative practices, along with incentives or grants to research options and encourage development of new water saving strategies
- New Water projects – funding to encourage new dams and enlarge existing dams to increase water security by offering low interest loans and grants
- Utilise flood events by increasing storage options to provide for droughts
- Investigate harvesting and storage facilities and necessary infrastructure
- Grants to undertake assessments of more irrigation pipelines to redirect water to drought prone areas
- Ongoing research into methods of retaining soil moisture levels, encouraging more adoption of low tillage methods.
- Consider providing funding to access underground water under a planned scheme for each region.

Education and Sharing Best Practice

Farmer Mentor Program

There are successful farmers who survived many droughts and maintained a successful farming business. The practices adopted by these farmers should be acknowledged, captured and shared. Their expertise could be shared through community workshops.

Relevant case studies that connect others with the knowledge and experience of successful rural operators are a valuable resource and training tool.

Farm Management Diploma/Qualification

Many young family members on the land are keen to remain on the family farm and take over operations from older family members.

Ensuring young people can access appropriate subsidies to undertake studies based on farm and business management, best practices and new technologies through Agricultural Colleges or other educational facilities would provide more opportunities to “professionalise” farming. This type of course would be similar to an agricultural apprenticeship and will ensure the youth on the land has a qualification as well as exposure to information to enhance their management of the rural enterprise.

Rural Task Training Program (Recognition of Skills)

Queensland, in the 1990s, had a state government funded program that incorporated training programs for rural industries. The program enabled farmers, their family members and employees to access various training courses which were held in rural and regional centres by attending and obtaining skills certification. Training providers assessed each participant’s skills and at the end of the course they were provided with a qualification. Some of the courses included skill recognition for operating a chainsaw and other tools, forklift and grader operator, pregnancy testing and artificial insemination etc.

The course not only provided opportunities to gain new skills but recognised the many skills that they had from working on the land. This enabled farmer and workers with alternatives to earn off-farm income during tough financial times.

Financial Literacy

Low levels of financial literacy negatively impact a large proportion of the community in general. Small business people and farmers are no exception and low levels of basic financial knowledge and basic business financial concepts can hinder their decision making.

Without access to financial education and literacy programs, farm enterprise managers and small business owners continue to focus on short term critical issues and are unable to make the necessary decisions to improve the overall financial position of themselves and their families. There remain significant gaps in the provision of services that are specifically relevant, developed and delivered in an appropriate way for rural communities.

While extensive resources have been dedicated to providing online and telephone based support services RSQ believes that these services do not resonate well with rural communities. The **face to face delivery of services and training** continues to be the preferred method for dealing with what are considered to be very personal matters. Our experience is that the general demographic profile of our rural clients means they are unlikely to have the skills, confidence or resources to access remotely provided services.

RSQ supports the development of a **rurally focused financial awareness education and support program** that would provide participants with the skills needed to effectively tackle personal and business financial matters and make positive financial choices. Potential topics include:

- Manage and budget income
- Competence in assessing banking and lending products
- Skills in negotiating loans and loan facilities
- Managing equity
- Cash flow budgeting and analysis
- Awareness of consumer rights in banking and financial services area
- Overview of banking and financial services products

Only the level of detail would change if the material was focused at a consumer versus an enterprise level. Financial Counselling support is a necessary adjunct to any program to enable people to get back on track once they have a full appreciation of the current situation and wish to employ options to manage debt, re-arrange their finances and provide ongoing support as skills develop and confidence is gained.

Innovation and Technology

Incentives for those producers who want to adopt and implement new technologies on their land which will lead to more sustainable agriculture and drought effectiveness are worth full consideration in much the same way as small business is provided with incentive to join the digital economy.

Incentives should also be available to transition or enable a farmer to diversify into a new industry or product that has more drought tolerance than their current business practices.

Technology – Farmers adopting proven technology could be supported through grants and educational subsidies to adopt technology that provides predictive information about various aspects of agricultural production.

Creating and maintaining a centralised fodder reserve database and distribution networks to forecast demand, analyse supplement availability and demand and co-ordinate orders.

Research, Investigate and Develop New Industries or Cropping

Increasing areas of agricultural land is now impacted by prolonged drought and dryness. A funding allocation could be made for research to identify those livestock, agricultural and horticultural industries that respond and perform well in dry conditions and demonstrate high tolerance to variations in climate. Other countries experiences may offer agricultural options that can be adapted for Australian conditions.

Evaluation of Market Performance

Fund research projects and analyse different rural industries and products, setting up benchmarks, returns on investment and other relevant indicators that new entrants would find useful and those already participating could measure their performance against.

Hardship Payments - Income Support

Government policy ensures basic income support for farmers badly affected by drought and it has an adjustment for increased assets held by framers and allowances for off farm income. While very well received by eligible farming families, there is some resentment among badly impacted small businesses in small rural towns who can only access support via the newstart program, and generally do not qualify under various rules around availability for work, assets tests etc.

While it is acknowledged that any extension to income support is difficult to manage equitably, it does provide an issue which may divide communities.

Similarly charity efforts that only support one disadvantaged group in a struggling community can also cause divisions and there is anecdotal evidence to suggest that some groups see a real divide between the help offered to farming families versus town based families struggling as employment opportunities dry up.

STRENGTHENING COMMUNITIES

Whole Communities are impacted by ongoing and wide spread drought. Small businesses, reliant as they are on farm enterprises and related workers, struggle to survive, and they in turn are unable to support local jobs and a general decline occurs.

To enhance the financial capabilities of communities, some of the following strategies could be implemented.

- Regional support funding to be made available to encourage new residents to the area and encourage workers and farmers who left the community due to drought and seeking other employment opportunities to return
- Regional focus targeting drought affected areas and how the community can collaborate and pool knowledge, resources and support mechanisms
- Community hubs working together in a type of a co-operative structure.

SUPPORTING SMALL BUSINESS DEVELOPMENT

There is general community agreement that small business operators need additional support in terms of functional skill development, general business management skills and a reasonable base of support during periods of prolonged drought, much the same as income support programs for farm households.

Small Business owners and operators are generally time and cash poor and this means that any skills programs offered need to be relevant, accessible and affordable.

ENVIRONMENTAL RESILIENCE FOR SUSTAINABLE FARMING LANDSCAPES

Suggested approach would be to focus on integrated tourism.

This is defined as a tourism strategy which has clear connections with local resources, activities, products, production and service industries, and participation and support of local community. Building economic potential of rural landscapes requires partnerships among rural people and the sustainable, productive use of rural resources.

European countries have been able to successfully focus on a 'culture economy' approach which emphasizes the importance of their significantly different local identities.

Here in Australia, the significantly different landscapes, offer the greatest opportunity for communities to apply local resources including both spaces and people as offering a unique tourism experience.

This kind of approach is more than a "farm stay" program, it seeks to integrate all of the resources available to a community and 'package' them for visitors to the area. It may provide an approach to rural development that satisfies all stakeholders.

SOCIAL RESILIENCE FOR RESOURCEFUL AND ADAPTABLE COMMUNITIES

A research project undertaken by Rural Solutions Queensland in 2011 identified that many rural communities wanted to see the establishment of fully functional and supported **Community Resource Centres**. These were envisaged as either new builds or refurbished premises that provided a **one stop shop** for a community's diverse social support needs.

They would provide services and information of a comprehensive nature. Some services would be based on a triage system, where longer term interventions were required, and referrals could be made. For other services and information requirements, community members could use the facilities as a drop in centre where information and resources were easily accessible and coordinated.

While many towns offer facilities for social counselling, financial counselling, information on government support, classes and educational programs, computer and teleconferencing facilities, business incubation hubs etc., these tend to be fragmented.

Local Government provides some services in their own premises or in local libraries, some not for profit and charity services share spaces, and social counselling may be provided either privately or at a local hospital but the view remains that services and information are hard to find, especially for those people not confident or able to access internet based services.

Such **Community Resource Centres** were seen as places where community capacity could be built and supported. In times of need they would be the first point of contact. As many of the services that would be included would be provided by volunteers, the centres were also seen as a way young people could gain recognised skills and mentoring from older more experienced members of the community.

Each centre would be uniquely developed to meet the needs of the community and it was suggested that it be a joint funding program supported by State and Commonwealth government. While the single site was considered very important, so too was adequate recurrent funding to ensure that appropriate professional services were available. While volunteers are an important asset to any community so too are secure, well paid and skilled jobs that keep towns vibrant and attract new people to the community.

The increasing tendency to provide services on a remote basis via telephone or web based has led to a decline in such positions in rural areas. This initiative was seen as one method of reinvigorating local communities and support their ongoing development.

Community Capacity Building

RSQ defines community capacity building as the effort, time, resources, leadership and commitment directed towards community identified goals and change. It aims to develop strategies that will strengthen the well-being of individual, families and the community allowing them to better shape, lead and contribute to their own well-being.

All of the initiatives discussed in this paper are core elements of building capacity within rural communities. It is a focus on education and knowledge being available and shared and appropriate resources made available to support changes. Some will be transitional, some transformational and others incremental but all will help communities deal with the challenges of a more variable, less predictable climate.

Nearly all of the initiatives discussed are happening to one degree or another, in different localities. The dilemma is to bring these actions into a coherent strategy, manage implementation and support communities as they adopt the models that best suit their needs.

For further information on this submission please contact:

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