

Farm Finance: big questions still to be answered

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Exactly a year to the day after the Federal Minister for Agriculture, Fisheries and Forestry, Minister Ludwig, declared Australia officially drought free for the first time in a decade, parts of Australia have been declared back in drought.

On Monday, a year after federal exceptional circumstances funding ceased for the final two declared areas, the QLD Government has confirmed that 13 local government areas – an area equivalent to more than a third of the state – are in drought.

QLD is not alone in experiencing a return to dry conditions. A large proportion of SA is severely rainfall deficient, along with parts of VIC, WA, the NT and NSW. And, in many areas, farmers are shouldering a double burden: a lack of rainfall combined with issues accessing capital, as the farming sector feels the effects of Australia's \$60 billion rural debt.

Just this week it has been reported that there has been a large jump in the number of farms going into administration because of high debts. In QLD alone, according to the ABC, farm debt jumped 19 percent over the two years to 2011 to around \$17 billion. According to the Australian Financial Review, at least 80 significant farming operations worth more than \$1 million each have gone into receivership or are in financial distress due to high costs, depleted income and sliding land values.

At the urging of farm bodies, including the NFF, the Federal Government has this week stepped up to the issue, announcing a rural financial package – *Farm Finance* – to assist struggling farmers. While the package on the whole appears to be in response to concerns re the growing level of debt, other elements are part of the broader discussion on drought policy reform – a slow moving policy reform process that is now entering its sixth year.

The NFF has cautiously welcomed this announcement. We certainly appreciate that the Federal Government is listening to the concerns of farmers and acting upon them, particularly at a time when the national budget has a significant deficit, yet we are concerned about the piecemeal approach to policy development. This announcement is a commitment to action, which is a very promising start. What we want to see now is the full drought reform package realised.

The *Farm Finance* package, as it stands, consists of four main components: appointing 16 additional rural financial counsellors across the country to work with farm businesses;

progressing a national consistent approach to debt mediation across the country; building upon the Farm Management Deposits Scheme; and – the bulk of the package – providing concessional loans of up to \$650,000 to farmers to help restructure debt and invest in productivity.

According to the Government, eligible farmers will be able to access these loans, although exactly who is eligible and what the funds can be used for has still not been made clear. It seems that scant detail exists behind this policy announcement. Obviously, big questions around these loans – and indeed, all the package detail – remain. Some farmers are looking for funds to assist with planting crops, others to diversify their businesses into different enterprises, and others into investing into drought preparedness measures like on-farm feedlots and silos. The Government has not yet made clear whether these investments and these farming operations will be eligible – and we ask them to do so as a matter of priority.

The other big question is whether the various state and territory governments will sign on to the package to help deliver it to farmers, and whether they will also contribute to providing additional funds, allowing more farmers access. As it currently stands, the Federal Government will provide up to \$60 million over two years to each state and territory to deliver the loans. This means that if each farmer receives the maximum of \$650,000, only 92 farmers per state/territory will receive the assistance. So, while the funds will certainly help some, not all farmers will feel the benefit.

Our biggest concern regarding the *Farm Finance* package is that it does not address the elephant in the room: the looming return to drought. While elements of the package have a drought focus, there is no mention whatsoever of the wider drought reform policy. What is required now is strategic, long-term policy decision making by Government – not adhoc, issued based responses. Farmers, who are operating in an extremely diverse and ever-changing environment, need the certainty of a confirmed drought policy. Quite simply, a piecemeal approach of various program announcements with minimal consultations with the agricultural sector and the states and territories is not conducive to a successful long term approach.

As Minister Ludwig said in April 2012 when he declared Australia drought free, now is the time to progress drought reform. We couldn't agree more. We await the finalised drought policy, and the election priorities from both major parties regarding rural and regional Australia and agriculture, with interest.

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