



# QUEENSLAND FARMERS' FEDERATION

Primary Producers House, Level 3, 183 North Quay, Brisbane QLD 4000  
PO Box 12009 George Street, Brisbane QLD 4003  
qfarmers@aff.org.au | 07 3837 4720  
ABN 44 055 764 488

## Submission

12 December 2019

Consultative Committee  
Future Drought Fund  
Department of Agriculture

Online: [haveyoursay.agriculture.gov.au/future-drought-fund](http://haveyoursay.agriculture.gov.au/future-drought-fund)

Dear Consultative Committee

### Re: Drought Resilience Funding Plan 2020 to 2024

The Queensland Farmers' Federation (QFF) is the united voice of intensive, semi-intensive and irrigated agriculture in Queensland. It is a federation that represents the interests of many specialised farming groups, which in turn collectively represent more than 13,000 farmers across the state. QFF engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- Queensland Chicken Growers Association (QCGA)
- Queensland Dairyfarmers' Organisation (QDO)
- Australian Cane Farmers Association (ACFA)
- Flowers Australia
- Pork Queensland Inc.
- Queensland United Egg Producers (QUEP)
- Queensland Chicken Meat Council (QCMC)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Fairbairn Irrigation Network Ltd
- Mallowa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd.

QFF welcomes the opportunity to provide comment on the draft Drought Resilience Funding Plan. We do this to emphasise our strong support for the principles in the latest National Drought Agreement (NDA)

*The united voice of intensive, semi-intensive and irrigated agriculture*



2018) and those of the Future Drought Fund (FDF). We specifically support the FDF's aim to align, complement and integrate programs to support the National Farmers' Federation's goal of growing agriculture to \$100 billion by 2030, by helping reduce "the inherent risks of drought". We provide this submission without prejudice to any additional submission from our member organisations or individual farmers or agribusiness interests.

## **Background**

QFF is currently participating in the Queensland Industry Working Group (IWG) for Drought Program Reform, the Queensland Drought and Climate Adaptation Program (DCAP) Steering Committee and is a partner in the Queensland Climate Adaptation Strategy (Q-CAS) program. As such various QFF staff consult regularly with members and others on drought and resilience planning matters. This submission has been prepared on behalf of members at short notice and draws on earlier submissions and recent industry meetings. Queensland recently completed an independent expert panel review of the effectiveness of existing state government drought support measures and their consistency with then Intergovernmental Agreement (IGA) on National Drought Reform. Importantly the panel recommended options for a new whole-of-government drought model to improve resilience and assistance for Queensland farmers for future droughts.

The Queensland government accepted thirteen of the panel's twenty recommendations and the IWG is working towards a plan for these to be implemented when the current drought breaks and new programs can replace the old. The IWG is also reviewing six of the seven remaining recommendations which focus mostly on drought preparedness and resilience planning. As such, the Queensland reforms can be seen to be moving to be more aligned with national drought programs, but industry remains concerned that the aspirational whole-of-government model may yet elude us. For Queensland, the recommendation relating to "drought electricity tariffs" remains "in limbo" because of structural issues relating to who is responsible for electricity tariff structures and settings. QFF members see the FDF draft funding plan as a strong opportunity to bring all stakeholders together to solve these legacy policy challenges through the proposed holistic approach.

The FDF draft funding plan outlines an approach that is consistent with QFF's long advocated position that drought policy should encourage farmers to adopt self-reliance and increase resilience while facilitating the maintenance and future protection of Australia's agricultural and environmental resources. To better assist farmers to do this and adapt to the climatic challenges that are part of farming in Australia, the principles of the Council of Australian Government's December 2018 National Drought Agreement (NDA) need to be adhered to across all jurisdictions. QFF believes the FDF can be an instrument to finally begin to achieve this, partly because of its stated aims, and partly because \$100 million/year is sufficient to impact change on the scale needed to ameliorate drought responses at all levels of society.

However, it is important to note that these "incremental, transitional and transformational changes" will not be even because the starting points for change are not even. Current drought policies and assistance measures do not fully appreciate the impacts of drought on intensive, semi-intensive and irrigated agriculture. Future state and federal drought policy must better reflect the different business models that operate within the sector and government support arrangements must acknowledge and respond to the way drought impacts farm businesses within different industries and locations.

Finally, we note that the FDF is all about "building drought resilience" and the draft funding plan outlines nineteen funding principles after a brief discussion about private benefit/public good and value for money. For many reasons discussed further in this submission we suggest caution in following these principles too rigidly, especially in the early years of the FDF operations.

## **1. Guiding Principles**

Consistent with much of the FDF draft funding plan, QFF recommends future drought policies, assistance measures and programs be underpinned by a consistent and measurable logic that:

1. encourages preparedness and resilience planning, based on accurate climate hazard assessments
2. incentivises and promotes best practice agriculture, that are adaptive to climate risks
3. builds profitable and revenue diverse businesses, that incorporate risk management plans
4. avoids input subsidies unless required for transitional or extreme event arrangements
5. balances practical and economically rational policy positions.

These five guiding principles should ensure that state programs are consistent with the NDA as state assistance measures move towards greater alignment with the national approach. The principles also provide a framework to monitor, assess and report the performance of and delivery towards the objectives of the NDA, something that had been missing from earlier IGAs.

Any government support should have a legacy that empowers farmers to better prepare for and manage drought risk. Future drought policies and assistance measures must better understand and address the needs of intensive and semi-intensive animal industries and irrigated agriculture to ensure they are equitable across all agricultural industries and respond to the differing drought pressures.

## **2. Enabling farm businesses to be 'drought prepared'**

Ultimately, the settings for national drought policy and guiding principles for state government drought reform are contingent on and their success determined by the ability of farm businesses to be drought prepared. This depends on the frameworks in place for current and transition support measures; new risk management programs; progressing other risk management enablers such as insurance, better weather and climate data and information, and alternative income streams; and the complementarity of drought responses at all levels of government.

QFF acknowledges that the Future Drought Fund is “not to provide in-drought assistance”, and supports this guideline, but for at least the period 2020 to 2024 it needs to be recognised that many state transition arrangements will be impacting how farmers respond to new programs because current programs have adverse distorting effects on business behaviours. We identify some of these below.

### **2a. Current Support Measures**

Political realities have meant that current drought policies and programs, at both state and federal levels, are predominately focussed on addressing the more visual impacts of drought (i.e. hungry stock, dry creeks and dams, bare paddocks, dust storms and the like). It is widely recognised that this approach is narrow sighted and creates unnecessary inequities and distortions as it fails to recognise the co-dependence of production across different industries in the sector.

QFF supports retaining certain transactional measures while the government transitions to new drought programs in Queensland, in so far as they are government or regulated structures that distort how farmers and regional communities prepare for and manage drought. Also, in extreme circumstances transactional support will remain crucial at least until seasonal conditions are conducive to wide scale uptake of resilience investments both on farm and in the community.

- ***Drought Relief Electricity Charges Scheme (DRECS)***

To prepare for and manage through drought, farmers must be able to manage costs. Current government policy does not provide essential and enabling services such as electricity and water at a 'fair cost' for agriculture. For intensive, semi-intensive and irrigated agriculture, the massive increases in the price of electricity over the last 10 years (a minimum of 136 per cent to more than 200 per cent, while CPI has increased by just 24 per cent over the same period) have eroded profitability margins, challenged international competitiveness, and threaten ongoing business viability.

Similarly, the cost of water (and associated pumping costs) is becoming prohibitive for some farm businesses. With approximately 300,000ML of unutilised water already sitting in existing public storages,

the state government needs to broaden its water policy settings to enable irrigators to make better use of this water and in turn, deliver a better return on public assets.

The IWG is reviewing the Emergency Water Infrastructure Scheme (EWIR) and DNRME water licence waivers along with DRECS, and QFF will continue to lobby new drought electricity tariffs that meet NDA and FDF objectives. However, until the state government changes its approach to managing these critical inputs for agriculture, it is important that any new investments in drought preparedness and resilience recognise these structural and pricing problems.

## **2b. New Risk Management Programs**

Future drought policy and any new programs must be forward looking to ensure farmers are resilient against climate change and dynamically changing markets. To achieve this, future programs must ensure they assist farm businesses in becoming more drought prepared. In Queensland, the IWG is currently reviewing options for a Drought Ready Finance Scheme (DRFS) and Individual Business Risk Management Plans (IBRMP) as part of Queensland's reformed drought response.

The cost of energy and water and the productivity nexus that exists not only challenges the profitability of high value agriculture in drought years, it is challenging the capacity of those farming businesses to maximise profitability in the 'good' years. This reduces farmers' flexibility to invest in on-farm risk management and resilience planning.

Energy and water are inextricably connected. There is a connection between climate change and the water-energy nexus and how efforts to increase efficiency in both energy and water end uses can increase the agricultural sector's resilience. Climate change is continuing to affect water availability and put new stresses on energy systems, particularly in constrained areas. As such, investment in tailored programs that address these challenges is critical. Proactive integrated water and energy advice and investment opportunities would assist farmers in drought preparedness.

- ***Drought energy-water nexus program***

Funding would first be required to properly investigate the 'nexus' issue. An industry-led research project should be undertaken to examine the water/energy/productivity relationships and what the implications of not addressing this issue properly would mean for the future pricing and use of both water and electricity, and the future viability of the state's irrigation schemes. Recommendations could then be made for an immediate program to start addressing the research findings, as well as longer term recommendations for government and industry action.

The program should combine and leverage energy efficiency (e.g. Energy Savers) and water efficiency (e.g. Rural Water Use Efficiency) programs to increase energy and water productivity. Delivery of such a program would need to include demonstration pilots, extension and outreach, and training for service providers, linked to a capital fund that farmers could access for new infrastructure capable of improving energy and water productivity. Informing program participants of the availability and application of other existing drought preparedness measures would also be an integral part of the delivery. It is worth noting that for every \$1 invested in RD&E returns over \$10 over the course of 25 years.

- ***Feed resilience program***

Feed availability and cost are major concerns for intensive and semi-intensive animal industries during droughts. While farm businesses within these industries already have on-farm storages, they are likely to be insufficient as droughts intensify and become more protracted, so feed inventory levels will need to be increased. Greater investment in on-farm feed storage will help improve business preparedness and resilience to drought, much like the investment in emergency water infrastructure. Feed storage rebate programs for investment in infrastructure and the feed itself, where feed stores could act like Farm Management Deposits, would encourage greater investment in this risk management practice and should be investigated.

## 2c. The Role of Insurance

Insurance can be a useful a risk transfer mechanism. Over the last couple of years, QFF has led an industry push to help develop a nascent insurance market in Queensland. For many years, the agricultural sector has called on government to subsidise, seed fund, and/or underwrite a North American style multi-peril crop insurance program. All levels and sides of government have consistently resisted doing this for over 20 years. As such, QFF has focussed on other potential insurance options, such as parametric products, that can still deliver risk management opportunities and strategies for farmers.

It is evident that the development of a holistic agricultural insurance market has stalled in Australia. To overcome this, two key elements need attention;- more products need to be available for proactive farmers to self-insure income (e.g. crops) against severe weather events, and the cost of available products (price) is a major inhibitor for take-up.

- ***Stamp Duty***

QFF has been calling on the government to help address 'price' for some time by removing the 9 per cent state tax on agricultural insurance. This inefficient tax has now been removed in NSW and Victoria, and it discourages Queensland farmers from taking up insurance that can help their businesses become more resilient and drought prepared.

- ***Enabling funding for product development***

The government has a role to play in the development of insurance options to benefit farmers, where the market has not demonstrated the ability/desire to do this (as has been the case in Queensland). Enabling funding through the Drought and Climate Adaptation Program has already proven some value, with the development and early trial of cyclone insurance coming through this program. This small investment must continue if we are to progress a stalled Queensland insurance market that will benefit farmers and transfer some of the financial impacts of drought to the commercial sector.

## 2d. Weather infrastructure and information

Weather data and forecasting play a critical role in on-farm decision making, and underpinning index-based insurance products. Investment in weather stations and Doppler radar technology is needed to improve the granularity of available data across Queensland, particularly for the prime agricultural areas. This data can help the sector by enabling the development of more risk management options and increasing on-farm productivity – both contributing to more resilient, drought prepared farm businesses.

Better climate and weather data assist the development of commercial insurance markets, as it is critical to the effectiveness of the products. Weather data underpins product development, and the pricing, accuracy and trust (by reducing basis risk) of existing products. Investment in new technologies that serve to facilitate and ensure continued productivity growth are compelling. For example, installation of Doppler radar coverage throughout the WA wheatbelt has been estimated to deliver on average \$108 million NPV over the 20-year analysis period (or \$8.68 for every \$1 invested).

Likewise, encouraging farmers to become involved with climate data and climate science is likely to improve the uptake of climate management and drought preparedness tools. There is some evidence that the earlier Climate Champions program and now the Climates Mates program are helping both farmers and researchers develop more meaningful seasonal forecasts and land management tools. QFF believes there is considerable scope to expand Climate Mates to intensive agricultural industries.

## 2e. Income Diversity

The future of farming, particularly when considering the financial impacts of drought, needs to develop and/or exploit alternative or additional sources of revenue to ensure greater resilience and sustainability.

Opportunities exist in several areas, such as land management services (e.g. through the new Land Restoration Fund initiative), renewable energy generation (e.g. solar and wind coexistence), gas developments (e.g. compensation and rent payments, and potentially gas take-off agreements), and bio-futures (e.g. fuel crops). However, government policies around these opportunities are often inconsistent and it is either not possible or not clear how farm businesses can benefit.

## **2f. Regional Communities**

During drought, farm business spending contracts and narrows to life's essentials. This has a negative impact on local businesses in regional towns located in drought affected areas. To help regional towns survive drought, the state government should consider how its public investment programs, such as road infrastructure upgrades, can counter decreased spending downturn from the farm sector. A more targeted approach to this spending would help local businesses survive and provide much needed employment and economic stimulus.

## **2g. Complementary Government Assistance and Transitioning**

Despite long standing national drought policy objectives and the NDA, different levels of government support are not always complementary, and it is difficult for farmers to determine what is available and how they best use what is in place. Part of the reason for this is because generally, governments are only prepared to address and act on drought policy when publicly sensitive drought conditions exist. To progress drought policy, it must be made an ongoing discussion between governments and independent of partisan lines. With more and more pressures on the public purse, it is critical that all levels of government ensure drought policies and spending are synergistic and leverage each other so programs and support measures are maximised for farmers.

## **Conclusion**

Farmers are constantly adapting to climate variability. However, with the uncertainties of a rapidly changing climate we need to ensure they have the tools to bolster their adaptation plans and build greater resilience into their businesses. With droughts predicted to be more frequent and intense in the future, governments have an important role to play in helping farm businesses become better drought prepared. However, governments have found it difficult to implement a consistent and complementary response to drought, which must change if we are to get the best outcomes for farmers.

Through the NDA, the Queensland government has agreed to certain drought policy principles. However, the success of these principles is dependent on the ability of farm businesses to be drought prepared. This depends on the frameworks in place for current support measures; new risk management programs; progressing other risk management enablers such as insurance, better weather data and information, and greater access to alternative income streams; and the complementarity of drought responses across all levels of government.

QFF considers the Future Drought Fund as being in a key role to develop the leadership and policy and program consistency that will imbed drought preparedness and resilience into farm and agribusiness plans. This will also help state officials to transition to the whole-of-government approach to drought resilience that our nation's climate challenges require.

Yours sincerely

Georgina Davis  
Chief Executive Officer