



Australian Government

Department of Agriculture, Fisheries and Forestry

**PRIMARY**

**INDUSTRIES**

**MINISTERIAL**

**COUNCIL**

**Record and Resolutions**

**Sixth Meeting (Special)**

**Melbourne**

**27 July 2004**

# **RECORD AND RESOLUTIONS**

**OF THE**

## **PRIMARY INDUSTRIES MINISTERIAL COUNCIL**

**SIXTH MEETING (SPECIAL)**

**MELBOURNE, 27 JULY 2004**

© Commonwealth of Australia 2004

ISSN 1446-6031

This work is copyright. Apart from any use as permitted under the Copyright Act 1968, no part may be reproduced by any process without written permission from the Secretary, Primary Industries Ministerial Council, c/- Australian Government Department of Agriculture, Fisheries and Forestry, GPO Box 858, Canberra ACT 2601.

This document is also accessible at Internet site: [www.mincos.gov.au](http://www.mincos.gov.au)

**PRIMARY INDUSTRIES MINISTERIAL COUNCIL**

**SIXTH MEETING (SPECIAL)**

**MELBOURNE, 27 JULY 2004**

<b>CONTENTS</b>	<b>Page</b>
Council participants	ii
Officials in attendance	iii
Agenda/resolutions	iv
Chairman's opening comments	1
Resolutions	2
Meeting communiqué	9

**PRIMARY INDUSTRIES MINISTERIAL COUNCIL**

**SIXTH MEETING (SPECIAL)**

**MELBOURNE, 27 JULY 2004**

**COUNCIL PARTICIPANTS**

The Hon Warren Truss MP (Chairman)	Minister for Agriculture, Fisheries and Forestry Australian Government
The Hon Ian Macdonald MLC	Minister for Primary Industries New South Wales
The Hon Bob Cameron MP	Minister for Agriculture Victoria
The Hon Henry Palaszczuk MP	Minister for Primary Industries and Fisheries Queensland
The Hon Kim Chance MLC (by phone)	Minister for Agriculture, Forestry and Fisheries Western Australia
Mr Jim Hallion (representing the Hon Rory McEwen MP)	Chief Executive Primary Industries and Resources SA South Australia
Mr Kim Evans (representing the Hon Steve Kons MHA)	Secretary Department of Primary Industries, Water and Environment Tasmania
The Hon Kon Vatskalis MLA (by phone)	Minister for Primary Industry and Fisheries Northern Territory
Mr Jon Stanhope MLA	Chief Minister and Minister for Environment Australian Capital Territory

**OFFICIALS IN ATTENDANCE**

[\*Denotes member of the Primary Industries Standing Committee (PISC)]

**Australian Government**

Mr Michael Taylor\*

Dr Cliff Samson

Department of Agriculture, Fisheries and Forestry

**Secretariat**

Mr Phil Lansdown

Ms Lyn Fairweather

Dr Geoff Love\*

Bureau of Meteorology

Mr Shaun Coffey\*

CSIRO

**New South Wales**

Mr Barry Buffier\*

Department of Primary Industries

**Victoria**

Mr Scott Ashby

Mr James Hider

Dr Bruce Kefford

Department of Primary Industries

**Queensland**

Mr Jim Varghese\*

Mr Bruce Turner

Department of Primary Industries and Fisheries

**South Australia**

Mr Barry Windle

Primary Industries and Resources SA

**Australian Capital Territory**

Dr Maxine Cooper\*

Environment ACT

**PRIMARY INDUSTRIES MINISTERIAL COUNCIL**  
**SIXTH MEETING (SPECIAL)**  
**MELBOURNE, 27 JULY 2004**

<b>Item</b>	<b>Page No.</b>
Drought Policy	1

**PRIMARY INDUSTRIES MINISTERIAL COUNCIL**

**SIXTH MEETING (SPECIAL)**

**MELBOURNE, 27 JULY 2004**

**CHAIRMAN'S OPENING COMMENTS**

The Chairman welcomed Ministers to the sixth (Special) meeting of the Primary Industries Ministerial Council.

Apologies were noted from The Hon Rory McEwen (SA) and The Hon Steve Kons (Tas).

<b>Primary Industries Ministerial Council</b>	<b>MEETING NUMBER:</b> 6 (Special)
	<b>LOCATION:</b> MELBOURNE
	<b>DATE:</b> 27 JULY 2004
<b>RESOLUTION</b>	<b>No: 1</b>

## DROUGHT POLICY

1. At PIMC 5 (May 2004) Council:
  - (a) noted the key views identified at the Roundtable and agreed that those views would be taken into account in developing options for future drought policy and support measures;
  - (b) requested that the Industries Development Committee (IDC) develop options for future drought policy and support measures in consultation with major industry representatives (including Roundtable participants) for PIMC to consider in July 2004;
  - (c) agreed that cost sharing would be addressed at a later date once the policy principles and funding implications of the IDC's options have been confirmed; and
  - (d) noted:
    - (i) peak industry organisations consider it important that all governments maintain a commitment to drought policy reform;
    - (ii) producers already in drought should not be adversely affected by any outcomes of drought policy reform; and
    - (iii) there is a case for improved accuracy and usefulness of research into climate variability.
  
2. The 1992 National Drought Policy promotes producer self-reliance and effective risk management, with government intervention in rare and severe events, namely events that occur once in 20 to 25 years.
  
3. The objectives of the Drought Policy are to:
  - (a) encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climate variability;
  - (b) facilitate the maintenance and protection of Australia's agricultural and environmental resource base during periods of increasing climate stress; and
  - (c) facilitate the early recovery of agricultural and rural industries, consistent with long-term sustainable levels.
  
4. The IDC considered this policy framework remained valid.
  
5. The IDC's view was that the current welfare arrangements, which provide a basic safety net for income support for the most in need during a drought, should remain in place.

6. These views were also supported by the April 2004 National Drought Roundtable and the Drought Review Panel.
7. The IDC considered that EC reform of drought policy could be significantly advanced through simplifying and streamlining the current EC declaration process and by shifting the focus of government assistance from business assistance during drought towards drought preparedness measures.

### **Simplifying the EC Process**

8. Exceptional Circumstances are defined as rare and severe events outside those that producers could normally be expected to manage under responsible farm management strategies.
9. The EC guidelines reflect this definition. However, the administrative arrangements under EC have caused considerable delay in EC approvals and potential exists to significantly improve the timeliness of EC processes.
10. IDC provided Council with an assessment of the options that IDC considered could be adopted to simplify the current administrative arrangements and provide more timely access to drought assistance.

#### Removal of the EC criterion that the event must result in a severe downturn in farm income over a prolonged period

11. The simplification measures proposed by IDC involved removal of the “first tier” EC criterion that an event must result in a severe downturn in farm income, which must be experienced by a majority of producers over a prolonged period, and its replacement by an assessment of production impact.
12. The purpose of this criterion was to establish that an event had an impact on producers beyond what could be addressed through normal risk management approaches. However, retention of the 1 in 20 to 25 year event trigger would implicitly address this issue, together with retention of the current “second tier” individual eligibility criteria that producers need to meet to access EC assistance.
13. Council was informed that demonstrating the “severe downturn in farm income” criterion has required a significant commitment of time and resources in data collection and collation at the EC application stage. This cannot be demonstrated until well after the agronomic impact in the region has taken effect, resulting in considerable delays in making EC applications. Furthermore, the data collection required in the application stage is effectively repeated at the individual producer level for access to either welfare or business support.
14. IDC considered that by replacing the income downturn criterion with an assessment of production impact, EC applications and assessments will be simplified and assistance provided sooner. This would also negate the need for interim EC declarations, a process that can delay full EC assessment and contribute to confusion amongst producers.

Implementation of a continuous monitoring system

15. To assess production impacts during a drought, it was proposed that jurisdictions establish a national production monitoring system that draws upon existing agronomic data including climate variables such as rainfall and temperature, soil moisture, vegetation greenness and water availability (storage and runoff). Future data would include production information to generate a “drought index” to measure the severity of impact upon industries across the country. It would need to be able to deal with mixed production systems and with delayed production impacts, or where the impact of drought occurs at a different location, such as with irrigators or intensive industries.
16. The eventual goal would be to progress to a production impact model that measures impact at the commodity level. However, such a model by itself would never be able to automatically declare drought – there would always be the need for some human intervention. Evaluating the impact of drought on intensive industries is likely to require greater human intervention than for extensive industries.

Adoption of a National Drought Declaration Model

17. IDC put forward the view that the change from income downturn to production impact, coupled with adoption of a national production monitoring system would result in a more timely and efficient EC process. These gains could be further enhanced by the adoption of a single national drought declaration model. Under this model, all jurisdictions would adopt the same assessment criteria for drought declaration and assistance, namely production assessment using the national production monitoring system. Whilst retention of the 1 in 20 to 25 year event trigger is proposed for EC declaration, a lesser event trigger, eg 1 in 10 to 15 years, could be used by individual jurisdictions for State-based assistance provided the assessment criteria and data sources were consistent. A lot of current confusion amongst producers would be alleviated if a consistent National model and declaration process was adopted.

**Drought Preparedness**

18. The 2004 Drought Review Panel report “*Consultations on National Drought Policy: Preparing for the Future*” noted that the 1992 National Drought Policy gave emphasis to encouraging farmers and other sections of rural Australia to manage risks stemming from climate variability. The Panel report recommended that governments should encourage drought preparedness measures and make such measures the focal point of future drought policy. The report suggested that the majority of stakeholders would support a shift in government focus towards drought preparedness measures, with a reduced emphasis upon the business support measures.
19. The above views were also supported by the April 2004 Drought Roundtable and are considered by IDC to be the basis for reform of drought policy, along with the simplification measures already outlined.
20. The IDC defined “preparedness” as farmers taking responsibility for managing the impacts of drought that form a normal part of Australia’s climate. “Production oriented preparedness” can include stockpiling of feed, improving irrigation practices, using water more efficiently, building additional water storage facilities prior to drought events or decreasing stocking rates during low rainfall periods. “Business oriented

preparedness” includes using Farm Management Deposits (FMDs), undertaking prudent financial management (eg low debt) or business diversification.

21. Business assistance provided during EC can, if not carefully targeted, impact negatively on incentives to prepare for drought. IDC indicated that it favoured removal of direct business assistance to farmers (perhaps with a transitional or staged removal process) and its replacement with drought preparedness measures and community grants that aim to encourage broad community support, self-reliance and cohesion during droughts.
22. A recent review found that the *Agriculture Advancing Australia* (AAA) package had promoted a significant improvement in strategic planning, information analysis and business oriented attitudes to farming, with 63% of farmers having specific strategies to deal with a serious drought. The review recommended that future policy packages needed to support improved risk management, including the management of climate risks. This highlights that most producers are on the journey towards preparedness, but there is still a significant role for programs such as Farmbis to encourage the wider adoption of preparedness measures.
23. In light of this evidence, IDC proposed that future policy should support producers in making incremental, continuous improvements in their ability to manage risks. This policy should encourage a greater proportion of farmers to implement “production oriented” risk management strategies prior to drought events and greater uptake by all farmers of “business oriented” preparedness strategies. A transitional process needed to be planned to assist producers move towards these goals.
24. The Australian Government Department of Agriculture, Fisheries and Forestry conducts approximately every two years an “AAA/AFFA Program Evaluation – Rural Producer Survey”. A new survey is proposed for early 2005. This survey could ensure better understanding of the causative factors about why some farmers do not better prepare for inevitable droughts.
25. Broader acceptance by farmers of their responsibility for preparedness could be achieved through implementation of one or more of the following:
  - (a) introducing new and improved initiatives to promote preparedness; and
  - (b) introducing preparedness obligations into the eligibility criteria for business assistance where direct business assistance is provided; and
  - (c) building the capability of individuals to utilise commercial options as they become available.
26. Depending upon the findings of the next Rural Producer Survey, measures that governments could take to enhance preparedness include:
  - (a) encouraging increased business diversification and financial planning, as well as changing the off-farm income limits for FMDs;
  - (b) tailoring FarmBis courses to promote specific business oriented preparedness measures;
  - (c) changing the skill/information base of Rural Financial Counsellors to promote preparedness measures;
  - (d) promoting market based options including rainfall insurances, weather derivatives etc;

- (e) reviewing current extension materials/programs to ensure drought preparedness is included; and
- (f) Natural Resource Management programs could be linked to preparedness programs.

### **Financial Impacts**

27. IDC informed Council that whilst it was too early to be definitive on the cost implications from the approach being suggested, funding would shift in focus from business assistance during drought, to preparedness measures prior to drought. Furthermore, it was likely that EC assistance would be provided much earlier in a drought to affected producers, resulting in an earlier call on government funding. However, the overall quantum of funding would not be affected. Costs of development of the national production monitoring system would not be insignificant (even with the use of existing data sources), however, these costs would at least in part be offset by the costs currently incurred in preparing and assessing EC applications.

### **Other Issues**

28. There is considerable support for community grants, special assistance for young farmers and concern over the impact of drought on rural industries outside of farming. There is also a need to consider transitional arrangements to assist in the adjustments needed to implement proposed reforms.

### **Discussion**

29. In discussing the IDC proposals, Council confirmed its support for a simplified and more responsive EC application and assessment process. Council discussed various proposals for achieving this objective and supported replacing the existing criteria that are based on income. Alternative options included event-based and production-based criteria. Council requested that a regional case study be undertaken to evaluate and cost how an event and production-based system would operate. Further advice was also sought on the implementation of a national production monitoring system that would guide decisions about government intervention through business and other support measures.
30. Council emphasised the importance of retaining current welfare measures as a basic safety net for income support for those most affected by drought.
31. Council also expressed its support for investigating a shift in policy towards promoting drought preparedness with a reduced emphasis on business support measures. Concerns were expressed as to the extent that preparedness measures might be capable of replacing business support. Further advice was sought from Standing Committee on initiatives that would promote such a policy shift, including the impact of introducing preparedness obligations into eligibility criteria for business assistance. Special consideration would need to be given, however, to young and new farmers in developing such initiatives.

## RESOLUTIONS

### 32. Council:

- (a) **NOTED** the key view of the Roundtable was that Exceptional Circumstances (EC) arrangements required reform to make them more efficient and effective. This view was also seen to be the case for drought declaration processes and assistance measures in place in all jurisdictions;
- (b) **NOTED** that the Roundtable agreed on:
  - (i) continued support for the main elements of the National Drought Policy, particularly the underlying principles of encouraging self-reliance and risk management;
  - (ii) the importance of drought preparedness as the key focus in future drought policy;
  - (iii) continued support for a welfare safety net that works comprehensively for the rural sector to protect families when the severity of drought exceeds that which could be expected to be handled by normal risk management; and
  - (iv) drought assistance measures, particularly business support measures provided during a drought and the recovery period being targeted and non-distortionary;
- (c) **NOTED** that the work of the Industries Development Committee has therefore focussed on simplifying the EC processes and how an increased focus on drought preparedness could be achieved;
- (d) **SUPPORTED** simplifying EC processes by replacing the requirement in the current EC declaration criteria that a severe downturn in income is to have been experienced by the majority of producers in the designated area with event-based criteria such as rainfall, temperature, soil moisture and remote sensing information such as vegetation greenness as well as water availability or production impact, for example in irrigation, horticultural etc areas.

Subsequently, declarations will be made once a rare and severe event has been established, namely events that occur once in 20 to 25 years. All farmers will be immediately able to access welfare support measures subject to individual application;

- (e) **AGREED** that Standing Committee develop a regional case study assessment by the Bureau of Rural Sciences on how the proposed event and production-based system defined above might differ from the present system, including costings;
- (f) **AGREED** to further consider the implementation of a national production monitoring system that assists in the preparation of area EC applications and facilitates decisions for government intervention based on production impacts due to drought for purposes of business and other support measures. A detailed proposal plus costings of this system is to be presented to the next Council meeting for final decision;

- (g) **AGREED** to receive further advice on consistent drought declaration processes across jurisdictions but noted that, in any event, State programs will endeavour to be consistent with the national drought policy arrangements;
- (h) **ENDORSED** the Industries Development Committee undertaking a full investigation into a shift in drought policy towards drought preparedness measures with a reduced emphasis on business support measures, including which specific measures should be included and which, if any, abandoned or reduced, **NOTING** that concerns were expressed as to the extent that preparedness measures might be capable of replacing business support;
- (i) **REQUESTED** further advice, including funding implications, on preparedness measures in relation to:
  - (i) new and improved initiatives to promote preparedness;
  - (ii) introducing preparedness obligations into the eligibility criteria for business assistance with special consideration for young and new farmers; and
  - (iii) building the capacity of individuals to utilise commercial options as they become available;
- (j) **ENDORSED** conducting the next AAA Program Evaluation – Rural Producer Survey as soon as possible to enhance our understanding of the causative factors involved in producer preparedness for drought. Further investigation of preparedness measures to be undertaken in conjunction with this survey and its analysis;
- (k) **ENDORSED** a detailed consultation process with all stakeholders between August and October 2004;
- (l) **AGREED** to retain the current welfare arrangements, which provide the basic safety net for income support for those most in need during a drought; and
- (m) **SUPPORTED** the continuation of existing measures during the current drought, with new drought measures to be introduced once the current drought is over.

# PRIMARY INDUSTRIES MINISTERIAL COUNCIL

## Communiqué

**PIMC6**

**27 July 2004**

### **Drought Policy**

The Primary Industries Ministerial Council met today in Melbourne to consider options for streamlining the Exceptional Circumstances (EC) application and assessment process as well as future drought policy.

Council considered a paper prepared by the Primary Industries Standing Committee's Industry Development Committee (IDC).

Council supported developing a simplified and more responsive EC application and assessment processes. This could be achieved by replacing the current EC criteria (that a severe downturn in income should be experienced by the majority of producers in an application) with event-based criteria (such as rainfall, temperature and other remote sensing information) as well as water availability or production impact.

Under such a system, declarations would be made once a rare and severe event had been established. Farmers would immediately be able to access welfare support measures, subject to individual application. These changes would reduce the burden on producers having to contribute detailed farm income data for the preparation of an EC application and its assessment.

Council requested the Primary Industries Standing Committee to develop a regional case study assessment to evaluate how such a proposed event and production-based system might operate in comparison to the current system.

Council also agreed to further consider implementation of a national production monitoring system to assist in preparation of EC applications and facilitate decisions for government intervention based on production impacts due to drought. Council will consider a detailed proposal on this system at its next meeting.

A full investigation is also to be undertaken by the IDC on the implications of shifting drought policy towards implementing drought preparedness, with reduced emphasis on business support measures.

Council requested further advice, including an assessment of funding implications, be provided on preparedness measures in relation to:

- i) new and improved initiatives to promote preparedness;
- ii) introducing preparedness obligations into the eligibility criteria for business assistance, with special consideration for young and new farmers; and
- iii) building the capacity of individuals to utilise commercial options as they become available.

Council endorsed the next AAA Program Evaluation – Rural Producer Survey being conducted as soon as possible to enhance understanding of the causative factors involved in producer preparedness for drought. The outcomes of this survey will be linked to the further studies of preparedness measures requested by Council.

Council agreed that current welfare arrangements should be retained that provide the basic safety net for income support for those most in need during a drought. Council supported the continuation of existing measures during the current drought, with any new drought measures to be introduced once the current drought is over.

-----ooOoo-----