

25 October, 2019

We (the independent panel) welcome the opportunity to comment on the proposed amendment, “FARM HOUSEHOLD SUPPORT AMENDMENT (RELIEF MEASURES) BILL (NO.1) 2019.”

We support the proposed amendment to the FHA program. We believe that the proposed additional financial support addresses the immediate short-term urgent financial need that household farming businesses face.

Nonetheless, we only conditionally support the amendment to the extent that it is, as indicated in the amendment (“The Bill is the first instalment of the government’s response to the independent review into the FHA program”), and that additional changes and amendments will follow. We do not believe that the proposed amendment addresses the systemic concerns underpinning the broader recommendations in our report.

Specifically, we urge the government through legislation to explicitly and forcefully recognize that farming households are small business owners, which is the fundamental and critically necessary step towards addressing farmers and rural communities longer term financial as well as personal and general well-being. Without this recognition, it is hard to imagine the current changes will be more than a temporary ‘bandaid’ solution and that long term viability prospects for smaller farm household businesses and rural communities will remain in severe jeopardy for the next drought, crop failure, price shock, flood, shift in international market conditions, technological change or any other recognized challenge for small farm household businesses’ financial viability.

We encourage the government to carefully consider our report with attention to the longer term issues, and especially to our final observation, repeated here:

"The Panel would like to offer the government some insights it has gathered on the broader environment the FHA operates in. The Panel strongly believes the FHA is a financial safety net that can assist farmers currently in need, but the longer-term goal should be to facilitate an environment that minimises farmers experiencing financial hardship and not needing access to income support. The government should continue to focus on existing and innovative preemptive policies that help farmers avoid financial hardship and reduce the need for FHA-type programs.

Farmers face a variety of risks in their work, including: weather uncertainty, an increasingly changing climate, variable market prices, and pests and diseases affecting production. Australian farmers also face higher risks than their international counterparts (see Figure 4) as well as other industries in Australia (see Figure 5).

Following its consultations, the Panel is concerned that smaller farm businesses can be particularly vulnerable when addressing the challenges of agriculture due to the reduced resources at their disposal compared with larger businesses. For example, smaller farm businesses lack economies of scale in production, the ability to implement technological changes and are less able to diversify risks given a paucity of insurance products.

The Panel also found the ability of small to medium farm businesses to recover is more difficult when shocks happen concurrently or in quick succession. Farm resilience requires the ability to rebuild financial equity and natural capital that can be lost due to a shock. One impact of climate change on agriculture is that the ability to recover is going to be more difficult due to increased climate extremes (Australian Farm Institute 2018).

Support programs like the FHA and the RFCS have their place and should continue to be funded by government to assist those who are in financial hardship. However, governments at all levels should continue to invest in existing programs, as well as explore new and innovative approaches that allow farmers to manage risk, prepare for downturns and prevent the need to access the FHA. The Panel heard on a number of occasions ‘no one wants to need FHA’ and considers that governments should continue to invest energy in prevention."

Finally, we hope that, as articulated in Recommendation 5, (“The FHA was designed to support farmers during financial hardship *irrespective of the cause* and should be communicated and promoted to align with its broader purpose,”) that communication of the proposed amendment is done carefully to not exacerbate the incorrect perception that FHA is a drought program, as has been too often the case throughout the media attention with regards to drought relief.

Warm regards,

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