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President

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Committee Secretary
Senate Rural and Regional Affairs and Transport Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

To whom it may concern,

RE: Farm Household Support Amendment (Relief Measures) Bill (No. 1) 2019

The New South Wales Farmers' Association ('the Association') welcomes the opportunity to comment on the Farm Household Support Amendment (Relief Measures) Bill (No. 1) 2019 ('the Bill').

The Association is Australia's largest State Farming Organisation, representing the interests of over 8,000 farmers in New South Wales (NSW). The current drought, the worst on record, has had a significant impact on our members and farmers across Australia. It has affected, and continues to affect, rural and regional communities at a social, economic and environmental level. With dry conditions set to continue, it is important to ensure that all farmers in need have access to fit for purpose support mechanisms.

The Association recognises that the Farm Household Allowance (FHA) program is a taxpayer funded public payment available to farmers and their partners experiencing financial hardship; it is not a drought specific payment. We note that the intent of FHA is to provide income support and funding for farmers to assess their business and take action to improve its long term financial situation. It is important that any suggested amendments to FHA continue to reflect the true intention of the program and remain applicable to farmers and their partners experiencing financial hardship due to a range of circumstances.

The Association supports the improvements to the FHA program introduced by the Bill, but notes that many issues identified by our members and other stakeholders are yet to be addressed. Our members have shared a number of concerns regarding FHA, including the need to simplify and streamline the application and review processes.

Those concerns relevant to the Bill are outlined in further detail below.

Time limit on payment (Schedule 1)

The Association supports the increase of the maximum time a person can receive payments under the Farm Household Allowance from four years over a person's lifetime to four years in each specified ten year period.

This goes to recognising that this payment is not just for drought, but for any circumstances farmers find themselves in giving rise to financial hardship. In the dynamic nature of farming, which is exposed to many risks and external influences, this is a necessary feature to be included in the FHA. This is an important support

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mechanism to enable farmers and their partners to be confident and comfortable to make management decisions moving forward.

However, the Association seeks further information on what support will be available in those periods where a farmer is not able to receive FHA. We do not want to see families being forced off their farm with no source of income at the exhaustion of this payment. Whilst the Bill has introduced a lump sum relief payment to be paid at the exhaustion of the four year FHA period, this would do little to support families reaching this stage.

Additionally, our members seek further information on the communication and/or interventions available for farmers approaching the exhaustion of their four year payment period. We do not want to see farmers reach the exhaustion of their FHA period, receive a relief payment and be sent on their way with no further support. It is critical that those approaching the exhaustion of FHA are identified and receive the additional support they need to prepare for transitioning off the payment.

Farm business losses (Schedule 2)

The Association welcomes the expansion and simplification of the income offset provisions outlined in the Bill. The opportunity to offset income where the farm business operates at a loss, and to offset income from the farm enterprise and related businesses, such as agistment, will better reflect the farmer's true financial situation.

Farming families frequently have multiple streams of income, including off-farm income, which become intricately entwined in the farming business. This measure will go towards addressing the situation that has arisen where farmers experience financial hardship and operate at a loss, but due to off-farm income have been ineligible to receive FHA.

The Association seeks greater clarity around the administrative processes to be used in distributing the FHA, particularly in light of changes such as the expanded off-farm income offset. This indicates a move away from a social security approach to a more fit for purpose method recognising the complexities of the farming business. Whilst this move is welcomed by the Association, our members have expressed concern about the consequences of overpayments resulting from the current system. Similarly, clarification is sought on how this provision will apply in practice; will the payment be applied based on the initial assessment regardless of ad hoc income while the farm is still in a loss position? It can be extremely difficult for farmers to estimate potential farm income and losses, and this can result in overpayment and debt back to the Department of Human Services.

We hope that this measure will reduce the complexity faced of managing the interface between couples, individuals and businesses in accessing FHA. The FHA in its current format was not designed with businesses in mind, leading to a very complicated application process, onerous reporting requirements, and in some cases overpayment resulting in further debt for recipients. The Association calls for further steps to be taken to address these issues and to make the FHA fit for farmers and fit for purpose, rather than continuing in an attempt to apply social security concepts designed for single recipients to a business often involving multiple family members.

Our members are of the view that the overall procedure for processing applications and assessing loss and income needs to be overhauled, rather than tinkering with different parts. There is significant complexity in the application process and in the ongoing reporting requirements, and these need to be addressed. The Association hopes that this provision may go toward simplification of some of these processes.

Relief payment (Schedule 3)

The Association welcomes the introduction of a relief payment for a person who has already received the maximum 1460 days of FHA. However, we seek further information and clarity around the purpose of this payment.

The amount specified in the Bill, \$13 000 for a couple, \$6 500 for a recipient who is a member of a couple, or \$7 500 for a single recipient, may be an effective transitional payment to support a person who is no longer eligible to receive FHA. But, the relief payment should not be considered an exit payment. If an exit payment is to be

introduced, it needs to be available prior to exhaustion of the payment, and the amount needs to be much greater, as it has been in the past.

The Association notes that the Minister's rules can prescribe other circumstances in which a relief payment may be made, and what that amount can be. This may provide scope for an adequate exit payment for those farmers who have decided their business is no longer viable, and assist them to adjust accordingly, including the selling of assets, acquisition of a new home and career.

The Association is particularly supportive of subclause 89F(3) of the Bill, as a major concern of our members is that accidental overpayments then result in further debt. This provision will prevent this situation arising in relation to relief payments, where the payment is not obtained by fraud. It is a welcome addition alleviating some of the stress felt by farmers. The Association also suggests the expansion of this provision to the broader FHA to prevent farmers accumulating further debt where they have been overpaid through no fault of their own.

We welcome the relief payment concept, but caution that if the intent of this payment is to assist a farmer to sell off, the payment needs to be provided prior to the end of the fourth year of receiving FHA and needs to be increased in order to properly facilitate the transition.

Other comments

The Bill and FHA more broadly cater for farm businesses and businesses directly related to a farm enterprise, but do not capture those businesses that are dependent upon agriculture and the farming sector, such as contract harvesters. Limited work means limited income for these businesses, which in turn impacts the broader community. This is a key issue in rural and regional communities, leading to increased social and economic issues such as increased unemployment and relocation of families into larger communities. The flow on effects are felt throughout the entire community.

The Association would welcome an independent analysis of how people work through the FHA program, and the effectiveness of active management helping people move through decisions about their farming business in the long-term.

We would like to see a practical, enduring FHA program suitable not just for drought, but for any circumstances giving rise to financial hardship. It needs to be practical, easily accessible, fit for purpose, and not contribute to further debt.

The Association appreciates the opportunity to comment on the Farm Household Support Amendment (Relief Measures) Bill (No. 1) 2019. Overall, the Bill is a step in the right direction and begins to address some of the issues and difficulties faced by farmers in accessing FHA.

Yours sincerely

James Jackson
PRESIDENT