

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 25-26 February 2009

Question: aet 10

Topic: Government Drought Support

Hansard Page: Written

Senator EGGLESTON asked:

The Productivity Commission released a draft inquiry report in October on the issue of Government Drought Support and it is due to put out its final report on the 27th of February. In that report you cover what support is provided to the 20% of farms that do receive support and you also outline how much they are getting.

1. In the overview of the draft report, figure 4 indicated that the average EC interest rate subsidy payments to recipients was above \$32,000 in 2007-08. Having studied support to farmers, what they use it for and how useful it is, how much of an impact will the \$950 stimulus payment have on the well being of farmers who receive the payment?
2. Having studied what farmers are using their current support payments for, what are they most likely to use their extra \$950 payment for?
3. Compared to the \$32,000+ in interest rate subsidies, the \$950 seems minute; will this payment have any impact on the productivity or viability of the farms that receive it?

Answer:

1. Recipients of these measures have discretion over how they use such funds and are not required to report on how funds are used. As there can be a high level of fungibility between funds expended for the farm business and those for the household, the Commission did not draw conclusions on how EC interest rate subsidy and relief payments are used.

The Commission is unable to infer from its analysis of EC support measures, how farmers will deploy the \$950 stimulus payment made available under the Australian Government's Nation Building and Jobs Plan.

Such an assessment would require a precise definition of the term "well being". Subject to how "well-being" is defined, the effect of such payments would differ.

2. As outlined above, the Commission does not have information on the likely use of payments made under the Nation Building and Jobs Plan.

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3. The Productivity Commission has not been commissioned to assess the future impact of payments under the Nation Building and Jobs Plan on the productivity or viability of farms.