

CHAPTER FIVE

FINANCIAL ASSISTANCE FOR OJD AFFECTED PRODUCERS

Financial Assistance Measures

5.1 The absence of a viable financial assistance component was consistently identified as one of the most significant problems producers had with the National OJD Program. It was also argued that compensation is a necessary part of any control program and that the future success of the NOJDP was dependent on the relevant parties developing a package of measures to assist producers affected by OJD.

5.2 The need to provide adequate financial assistance has been the subject of a number of studies and has also been raised in a number of reports over recent years. As early as August 1996, it was acknowledged that few producers could afford to eradicate OJD through destocking. For example, the NSW Sheep Johne's Disease Strategic Plan 1996-2005 stated in part:

Only those producers with significant annual losses will destock voluntarily, without financial assistance.¹

The Hussey-Morris Report

5.3 The 1998 report prepared by Denis Hussey and Roger Morris stated that if the approach outlined in their report was followed, the payment of compensation would not be necessary (or appropriate). They argued, however, that the program they were recommending did require a degree of financial assistance to ensure sufficient numbers of producers participated. They suggest therefore that:

... there will be a need for incentives sufficient to encourage producers to participate appropriately in a national program, and not undermine its effectiveness.²

The Hassall Report

5.4 As a result of concerns about the lack of financial support available to NSW producers, and the difficulties being experienced in NSW in relating to raising funds, the NSW Ovine Johne's Disease Industry Advisory Committee commissioned Hassall and Associates to prepare a report on the issue of financial assistance.

5.5 The Hassall Report, published in July 2000, noted that there were large numbers of producers, particularly in Residual Zones, who were experiencing

1 Johne's Disease Sheep Industry Steering Committee, *NSW Sheep Johne's Disease Strategic Plan, 1996-2005*, August 1996, p. 1.

2 Hussey, D., and Morris R., *Ovine Johne's Disease. A Report to the Hon. John Anderson, MP Minister for Primary Industries and Energy*, Canberra, 31 January 1998, p. 9.

considerable financial difficulties and emotional stress as a result of an OJD diagnosis. The focus groups conducted by Hassall and Associates during their consultancy confirmed that producers affected by OJD did expect to be presented with a range of measures designed to assist them.

5.6 Hassall and Associates proposed a series of financial assistance option packages which were based on specific socio-economic criteria: whether the assistance was appropriate, the simplicity of administrative processes and industry acceptance. The Hassall study recommended five separate assistance packages: the Farm Business Planning Package, Farm Recovery Package, Farm Recovery Package plus Financial Assistance, Exit Assistance with Counselling and Exit Assistance with Financial Assistance.³

5.7 The Hassall Report also argued that financial incentives were critical to encourage producers to come forward, to test for OJD and to participate in any type of organised OJD control program. The Report stated in part:

There is a recognition that a significant number of producers who are potentially infected realise that in the current policy environment, a low profile is the most advantageous position to adopt. Assistance packages allied to a more transparent policy program will go some way towards encouraging these producers to join their industry partners in overcoming this disease and the effects it is having on people and communities.⁴

The NOJDP Business Plan

5.8 The issue of financial assistance is also discussed in the NOJDP Business Plan. The Plan outlines the importance of attempting to control the spread of OJD during the six years of the National Program, and stresses the importance of gaining producer support. Financial assistance is described as one of the vital ingredients in gaining producer co-operation. In addition to those producers participating in the NOJDP, the Plan supports the provision of financial assistance to any producer who commits to making an attempt to eradicate the disease from their flock.⁵

ACIL Report

5.9 Animal Health Australia recognised the difficulties being experienced by producers who were unable to trade as a result of their properties being under quarantine. As a result of AHA's concerns for these producers, ACIL Consulting was commissioned to investigate the feasibility of setting up a national assistance program.

3 Hassall and Associates Pty Ltd, *Financial Impacts and Forms of Assistance for OJD Affected Producers*, prepared for NSW Ovine Johne's Disease Industry Advisory Committee, July 2000, p. 7.

4 Hassall and Associates Pty Ltd, *Financial Impacts and Forms of Assistance for OJD Affected Producers*, prepared for NSW Ovine Johne's Disease Industry Advisory Committee, July 2000, p. 45.

5 Animal Health Council Ltd, *National Ovine Johne's Disease Control and Evaluation Program, Business Plan 1998/99 to 2003*, p. ii.

5.10 ACIL's report outlined a number of problems associated with setting up a national program. The report stated that because there is currently no threat to public health, it was difficult to mount an argument for the assistance package to be funded nationally by taxpayers. The report also argued that the sheep industry should be the major source of funding, however it acknowledged that this could be problematic:

The situation is complicated by the fact that the market failure is associated with OJD yet the assistance claim derives from being involved in State arrangements to deal with the market failure.⁶

5.11 The Report argued that, practically, there are currently only two national mechanisms for raising industry funds for an OJD assistance package:

- the sheep transaction levy; and
- the wool levy.

5.12 The Report indicated that a 10 cent sheep transaction would provide approximately \$4 million annually and a 0.3% levy on wool could raise around \$8 million annually. It was proposed that the 10 cent sheep transaction levy would be additional to the current levy and the 0.3% would be part of the current levy. Using these figures as a base, it was estimated that approximately \$12 million could be provided per year. ACIL described the funding as "a modest amount to spread across the industry " and argued that the amount illustrates the difficulty in providing income and compensation.⁷

5.13 ACIL also reported that following discussion with the key parties, it was agreed that an additional 10 cents on sheep transactions was the largest rise industry would be prepared to accept. It was also argued that while a target of 0.5% would be more desirable, an amount of more than 0.3% appeared "too hard to sell" to the industry.⁸

Mid-Term Review

5.14 The Mid-Term Review Report identified a number of "key success factors" which will need to be addressed if the NOJDP is to succeed into the future and the provision of "financial, managerial and social assistance" appear at the top of the list.⁹

6 ACIL Consulting, *National Assistance Measures for Ovine Johne's Disease: Policy Principles and Issues*, Discussion Paper Prepared for Animal Health Australia, February 2001, p. ii.

7 ACIL Consulting, *National Assistance Measures for Ovine Johne's Disease: Policy Principles and Issues*, Facilitator's Report, Prepared for Animal Health Australia, February 2001, p. 5.

8 ACIL Consulting, *National Assistance Measures for Ovine Johne's Disease: Policy Principles and Issues*, Facilitator's Report, Prepared for Animal Health Australia, February 2001, p. 5.

9 Animal Health Australia, *Mid-Term Review of the National Ovine Johne's Disease Control and Evaluation Program*, May 2001, p. 7.

5.15 The report also argued that, on the whole, the sheep industry supported the continuation of a control program and recognised the importance of providing incentives which encourage producers to protect themselves from OJD. The importance of producer confidence and goodwill was also stressed:

It is in the national interest of all parties concerned that some financial support is offered from the national sheep industry to those affected. Without such help, the lack of goodwill will continue to frustrate the sheep industry's capacity to keep the disease in check.¹⁰

5.16 The Review also stressed the importance of the national sheep industry reaching an agreement with regard to a national levy on both wool and sheepmeats, along the lines suggested in the ACIL Report. Recommendation 29 of the Mid-Term Review Report reads:

In line with the Animal Health Australia Report on National Assistance Measures for OJD, prepared by ACIL Consulting, that the Wool Council of Australia and the Sheepmeat Council of Australia work with the Commonwealth Government's Agriculture, Fisheries and Forestry Australia to progress implementation of a national transaction levy and an increased wool levy for the NOJDP, including new assistance measures for infected producers. (Recommendation No. 29)¹¹

5.17 The findings of the Mid-Term Review are discussed in more detail in Chapter Eight.

Industry View

NSW Stud Merino Breeders Association

5.18 In a recent letter published in *The Land*, the President of the NSW Stud Merino Breeders Association, Mr John McLaren, indicated that the council of the Association was considering requesting its members to refrain from conducting any further testing for OJD. Mr McLaren indicated that this was in response to government and industry's rejection of the Hassall report - a report that the Association believes addresses all the problems associated with the current NOJDP.

5.19 Mr McLaren stated that it was time to address the problem of providing comprehensive compensation to those affected by OJD. He also argued that it was time to address the inequity of the current situation where the burden of OJD is being shouldered by a few producers for the benefit of the majority:

10 Animal Health Australia, *Mid-Term Review of the National Ovine Johne's Disease Control and Evaluation Program*, May 2001, p. 6.

11 Animal Health Australia, *Mid-Term Review of the National Ovine Johne's Disease Control and Evaluation Program*, May 2001, p.13.

It is totally unrealistic to expect this small number of producers to carry the burden of supposedly protecting the rest of the industry without compensation.¹²

5.20 Mr McLaren also indicated that the Association did not support the report recently published by ACIL Consulting, and dismissed the assistance measures it proposed as "nothing more than welfare payments, which are an insult and totally unacceptable".¹³

Australian Wool Growers Association

5.21 The Australian Wool Growers Association made it very clear that it was not supportive of the current Program. The Association's submission argued that the National OJD Program is currently "failing to provide any commercial benefit to the industry as a whole and in particular affected sheep producers are facing real financial difficulties".¹⁴

5.22 The Association described as "impossible" the situation of those producers faced with the alternatives of de-stocking, or participation in a trial vaccination program, without the benefit of any financial assistance. It was also argued that not only are large numbers of producers facing the loss of all the genetic assets of their flocks, they are facing the complete failure of their business enterprises - all without the benefit of assistance.¹⁵

NSW OJD Advisory Committee

5.23 The Chairman of the NSW OJD Advisory Committee, Mr Ian Cathles, also argued in a recent edition of *The Land* that there was an urgent need for peak industry councils, Animal Health Australia and the Federal Government to work together to implement the recommendations made by the Mid-Term Review Committee.

5.24 Mr Cathles supported the Mid-Term Review's call for "meaningful assistance" and argued that assistance needed to be made available to affected producers without further delay:

I urge the relevant organisations to base their future assistance calculations on this premise and not delay the availability of assistance by recommending yet another consultancy.¹⁶

12 *The Land, Unfair to make studs bear the OJD Burden*, 14 June 2001, p. 12.

13 *National Assistance Measures for Ovine Johne's Disease: Policy Principles and Issues*, discussion paper prepared for Animal Health Australia by ACIL Consulting.

14 *Submission 78*, Australian Wool Growers Association Ltd, p. 1.

15 *Submission 78*, Australian Wool Growers Association Ltd, p. 2.

16 *The Land, Swift action called for on OJD compo*, 14 June 2001, p. 8.

New South Wales Farmers Association

5.25 The NSW Farmers Association told the Committee of its concerns about affected producers in NSW carrying an inequitable share of the financial burden. The Association argued that those producers in NSW who had been diagnosed with OJD, were carrying the financial burden; not only on behalf of the rest of NSW, but also the rest of Australia.

5.26 Mr Lane also stressed that NSW had been experiencing considerable difficulties collecting adequate funding. He explained that while NSW Agriculture does have legislation which allows it to collect a "voluntary" levy, if the levy remains unpaid, it becomes a "compulsory" payment. The Association argued that this particular problem has been a distraction to the Program, and has caused considerable disquiet amongst producers.

5.27 Mr Joseph Lane, a Director of the NSW Farmers Association, informed the Committee that following the release of the Hassall Report, the Association surveyed members regarding the payment of financial assistance. In evidence, Mr Lane advised:

Eighty per cent of the survey results said that our producers support financial assistance being made available to affected producers. They also committed a certain amount of money to that support. However, that was contingent upon matching government assistance.¹⁷

5.28 Mr Lane told the Committee that the Association had put a proposal to the Hon. Warren Truss, Minister for Agriculture, Fisheries and Forestry, that a meeting between the Commonwealth and state governments and industry be set up in an attempt to formulate a way for the state industry to collect funds on a transaction basis. Mr Lane stated in evidence:

Minister Truss has said that he does not believe that that tripartite meeting will achieve anything, and he has put it back to the states. We believe that there needs to be a national approach. We will be progressing this at a state level but, again, we believe that a national approach is the better way to overcome this problem.¹⁸

Sheepmeat Council of Australia

5.29 The Sheepmeat Council of Australia was critical of the lack of financial assistance in NSW and argued that because of zoning and trade restrictions, infected producers are carrying the major cost of disease control.¹⁹ The Council also argued that producers were currently making their contribution via a transaction levy which was helping to fund the surveillance, research, management and communication components of the Program.

17 *Evidence*, New South Wales Farmers Association, p. 321.

18 *Evidence*, New South Wales Farmers Association, p. 322.

19 *Submission*, Sheepmeat Council of Australia, p. 5.

5.30 The Committee was reminded that under the Deed of Agreement, financial assistance for affected producers is deemed the responsibility of sheep producers within their individual states. The Council also argued that at the time the Deed was being negotiated, it was clear that producers in disease-free states were not supportive of providing financial assistance to producers in other states.²⁰ The Council maintained that it was state industry's responsibility to negotiate the issue of financial assistance (with the state government).²¹

5.31 The Director of the Sheepmeat Council, Mr Peter Klein, argued that producers in OJD-free states and low prevalence areas can derive benefits through their participation in the Program. In evidence, Mr Klein suggested that those who do not currently have a problem with OJD would benefit from contributing financially to a program to restrict the disease:

I am saying that the benefit that they will derive from the program is that we will have controls in place that will protect them from infection. That is what we are saying.²²

Wool Council Australia

5.32 Wool Council Australia indicated that it was supportive of the National OJD Program as a means of disease control and management. The Council argued very strongly that the real issue was not the current regulatory approach to OJD, but the "inability, to date, of industry and Government to address the social and economic hardships confronting affected producers".²³

5.33 The Wool Council made particular note of the fact that the key stakeholders had been experiencing considerable difficulties in reaching consensus in relation to funding for the NOJDP. The Council told the Committee that the model which had proved acceptable to the industry generally involved dividing the industry's funding component into two parts - a national component and a state component.²⁴

5.34 The Council argued further that what is required is:

... a tripartite working party to identify fair, equitable and cost effective mechanisms for raising state industry funds or the recognition that if this is not possible, then industry contribution to the national Program will have to be funded by national industry levies.²⁵

20 *Submission 35*, Sheepmeat Council of Australia, p. 5.

21 *Evidence*, Sheepmeat Council of Australia, p. 335

22 *Evidence*, Sheepmeat Council of Australia, p. 335.

23 *Submission 43*, Wool Council Australia, p. 3.

24 *Evidence*, Wool Council Australia, p. 378.

25 *Submission 43*, Wool Council Australia, p. 3.

Access to Exceptional Circumstances Payments

5.35 Wool Council Australia argued that there is a need for adjustment measures to be made and suggested that the Commonwealth should look at providing Exceptional Circumstances funding (or an equivalent) to producers experiencing severe hardship.²⁶

5.36 The NSW Farmers Association also argued that Exceptional Circumstances assistance should be made available to producers affected by OJD. The Association told the Committee that it had written to the Minister for Agriculture, Fisheries, Forestry, Mr Truss, outlining the effect that financial losses are having on rural communities as a whole, not just individual producers and putting forward an argument for access to Exceptional Circumstances (EC) payments.²⁷

5.37 The Association also argued that the basis of Exceptional Circumstances assistance is a two-year effect and that "without doubt, for those affected producers, studs and breeders, this is certainly a two-year effect - it is long term effect".²⁸

5.38 In response to questions about applications for Exceptional Circumstances assistance, a representative of the Commonwealth Department of Agriculture Fisheries and Forestry (AFFA) acknowledged that there had been two applications for EC Assistance. The Committee was also told that the applications were not passed to the National Rural Advisory Council (NRAC) for its consideration because a prima facie case was not considered to exist.

5.39 According to a departmental representative, the EC guidelines have a number of conventions:

Fundamentally, they are designed to deal with events that are rare and exceptional and of a one in 20 to 25 year probability. The guidelines also reference that events which are not predictable or part of structural adjustment are not eligible, and further, that events which are covered by other Commonwealth-state agreements should not be dealt with through exceptional circumstances arrangements.²⁹

5.40 An AFFA representative confirmed the Commonwealth's view that the Deed of Agreement in relation to the National OJD Program clearly defines the parties' responsibilities in relation to financial assistance. The Commonwealth argued that in accordance with the agreed arrangements, issues relating to financial assistance should be negotiated between the states and the various industry bodies.

26 *Evidence*, Wool Council Australia, p. 377.

27 *Evidence*, NSW Farmers Association, p. 322.

28 *Evidence*, NSW Farmers Association, p. 327.

29 *Evidence*, Department of Agriculture, Fisheries and Forestry, p. 433.

Conclusions

5.41 It is clear to the Committee that financial assistance is the most important (and the most difficult) issue facing the National OJD Program. Without producer and industry support, the Program has no chance of success.

5.42 It is also clear to the Committee that all parties involved - sheep industry organisations as well as the Commonwealth and State governments - have shown a lack of commitment to dealing with the issue of compensation, to the detriment of producers and rural communities.

