The evolution of drought policy in Western Australia

Supporting your success
The evolution of drought policy in Western Australia

Developed by the Rural Business Development Unit

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Introduction

Government drought policy is largely influenced by the prevailing climatic, economic, social and political demands of the time. The purpose of this document is to provide an overview of the evolution of drought policy and assistance in Western Australia (WA). The use of the term ‘evolution’ refers to the process of continuous adaption, growth and improvement of WA’s drought policy.

On 1 July 2014, WA entered another important phase of evolution with the implementation of the new National Drought Program reform policy. This policy has been designed in response to various expert reviews and pilot programs and represents a positive step forward.

This reform will intersect with the re-introduction of Australian government funded in-drought concessional loans for farm businesses. As a result, social and economic commentators may continue to question whether there is an appropriate balance between the social welfare needs of farm families and the corporate responsibilities of operating a business.

This document acts as a useful source of information about the various drought assistance schemes and policy decisions administered throughout WA’s history and outlines the rationale supporting them.
What is drought?

Australia has one of the most variable climates in the world and drought is one of the persistent and recurring features. A drought is a prolonged, unusually dry period that results in a water shortage. Drought is not just low rainfall; if it was, much of inland Australia would be in constant drought.

Drought can mean different things to different industries. Meteorologists monitor the scope and severity of drought in terms of rainfall deficiencies. Agriculturalists focus on the impact on primary industries, hydrologists compare ground water levels, and sociologists examine the impact on social welfare and wellbeing. People’s different uses and needs of water are what make it difficult to find a universal definition of drought.

The following terms are used to describe rainfall deficiencies that result in drought conditions in Australia.

**Lowest on record** – lowest rainfall since 1900 when the data analysis records began.

**Severe deficiency** - rainfalls in the lowest 5% of historical totals.

**Serious deficiency** - rainfalls in the lowest 10% of historical totals, but not in the lowest 5%.
The effects of drought

A lasting drought can have a nationwide impact but it’s the agriculture industry that feels it the most. Drought is just one of the many climatic risks that agricultural industries must manage. Heavy rain, floods, frosts, hail and extreme wind can also harm crops, livestock and infrastructure as well as affect production and profit.

However, drought differs from other climatic risks in two significant ways. Firstly, drought can affect a large amount of farm businesses at once. Secondly, drought has a slow onset with effects that can last years and has a highly uncertain end date. While the impact of other climatic events is immediate, the prolonged nature of drought has a number of ongoing effects including:

- disruption to cropping programs and reduction of breeding stock, which threatens the profit and long-term viability of farm businesses
- a downturn of regional, state and national economies.
- serious environmental damage including vegetation loss, soil erosion, and water contamination
- an increase in the frequency of bushfires and dust storms
- decline of the physical and mental well-being of farming families, which can impede an individual’s decision-making and their ability to engage with family and their community
- a decrease in vitality an viability of rural businesses and communities.
These effects can extend well beyond the actual event of drought; so it can be difficult for farming businesses to recover and for government to define a trigger to provide appropriate assistance.

Improved farming technologies and systems, many which were developed by the Department of Agriculture and Food, Western Australia, have led to a historic trend of increasing wheat production. Yet as figure 1 shows, despite this trend, wheat production drops significantly in years of drought.
The effects of drought

The maps below demonstrate the impact drought can have on grain production in the WA wheatbelt.

Figure 2 WA grain receival production in 2010 compared to 2006-09 average
In 2010 WA experienced some of its lowest rainfall on record resulting in a severe decrease in grain production as demonstrated in figure 2. Farm businesses which had a yield of less than 70% average would have had difficulty covering farm operating costs for that year.

Figure 3 WA grain receival production in 2013 compared to 2006-09 average
Drought in Western Australia

Drought is not an unexpected occurrence for WA farm businesses. Climate data records show that WA, along with the rest of Australia, has regularly been affected by drought throughout history.

In 2008, the CSIRO and Bureau of Meteorology released a report forecasting that drought is likely to increase in frequency and intensity from 2010 to 2040. From now on, it’s likely that exceptionally low rainfall, exceptionally high temperatures and exceptionally low soil moisture levels will occur twice as often in most regions of Australia, and four times as often in the South-West.

From as early as 1909, there have been government concerns over the viability of dryland farming in areas with less than 250mm (10 inches) of annual rainfall or less than 175mm of winter rainfall. Historically, these areas have not had sufficient reliable rainfall to support profitable cropping, with the land being more suitable for pastoral grazing.

As figure 4 shows, rainfall has decreased over time. This has resulted in more areas with less than 175mm winter rainfall and more dryland farm businesses operating in areas which were once deemed unviable for farming. Farming in these areas has been made possible by the use of new and improved farming systems and technology. However, these improvements alone are unlikely to ensure profitable and sustainable farming in these low rainfall areas.

Concerns around government assistance have been raised since the first implementation of concessional loans in 1910. In 1917, the Royal Commission of Agriculture declared the effect of government funded lending to WA farmers would “weaken the self-reliant fibre of a rural community” due to the “unmistakable tendency to regard state advances not as a privilege but as a right.” Almost a century later, similar concerns over the reliance on government assistance remain.
Figure 4 Changes to growing season rainfall isohyets in the WA Wheatbelt
What is WA’s drought policy?

The Western Australian Government’s current approach to drought assistance is based on the objectives of the Australian Government’s drought policy, and was set following a WA Cabinet Decision in January 2011 and endorsement of the Intergovernmental Agreement on Drought Program Reform in May 2013.


The National Drought Policy 1992 (NDP) is the Australian Government’s overarching approach to the provision of drought support and assistance.

The objectives of the National Drought Policy 1992 are to:

- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing climatic variability
- maintain and protect Australia’s agricultural and environmental resource base during periods of extreme climatic stress
- ensure early recovery of agricultural and rural industries, consistent with long term sustainable levels.
The Intergovernmental Agreement on Drought Program Reform (IGA) aims to refocus government support to measures that encourage farm businesses to prepare for droughts and manage their business risks, instead of waiting until they are in crisis to offer assistance.

The drought assistance measures currently available in WA were developed and are based upon the NDP, IGA and the successful WA Pilot of Drought Reform Measures. (see Appendix 3.)

The assistance measures available are farm household payments, Farm Finance Concessional Loans, support for farm business training, Rural Financial Counselling, access to Farm Management Deposits and funding for social support such as counselling and regional community development.

As well as providing direct drought support, the Department of Agriculture and Food, Western Australia (DAFWA) has invested in the research and development of a number of new technologies to assist farm businesses become more self-reliant. Recent initiatives include the installation of 125 weather stations to provide timely, relevant and local weather data, as well as research and trials of Yield Prophet®, a yield prediction tool that assists farmers to make more informed decisions and manage seasonal risk.
What is drought assistance?

The term ‘drought assistance’ refers to all measures funded and implemented by the Australian and state governments to support drought affected farm businesses, farm families and regional communities.

The focus of drought assistance has changed over time; from loans for seed, fertiliser and irrigation to promote settlement; to treating drought as a natural disaster; to providing direct financial and social support to help farm businesses through hardship. This evolution of assistance measures has been the governments’ response to changing policy, research, social opinion and climate.

Who implements drought assistance?

All Australian and state funded drought assistance schemes are managed by the Department of Agriculture and Food, Western Australia (DAFWA) and the Rural Business Development Corporation (RBDC).

All schemes administered by DAFWA and the RBDC follow established government processes and undergo strict financial and strategic audit. DAFWA’s aim is to improve the long-term profitability and viability of WA farm businesses to create a competitive and sustainable farm sector.
Finding an equitable and effective approach to drought is something the Australian and state governments have struggled with since the early 1900s. Finding a policy solution remains a challenging task as there are a range of emotive, environmental and economic issues to be considered.

In general, household support for farming families receives wide political and community support. An Australian National University survey found that about six out of ten people believe government assistance for farmers should be increased, and regarded drought as the most serious problem facing rural Australia.

The fact that 98.5% of Australian farm businesses are family-owned is another reason that gathers the public’s emotive support for drought assistance. ‘I think at a personal level there’s a very strong ethos in Australia that people shouldn’t be allowed to be desperate and not have money to put food on the table’ says Mick Keogh, Executive Director of the Australian Farm Institute.

However, public support starts to waver when taxpayer funded assistance is provided to farm businesses. Treasurer Joe Hockey has declared that ‘the age of entitlement is over’ referring to claims that drought assistance leads to the government favouring agriculture over other industries.
John Freebairn, Professor of Economics at University of Melbourne, warned that drought assistance ‘socialises losses, so whenever farmers have a drought, they get handouts from the Government; whenever they’re in good seasons they keep the profits’. Despite this, Prime Minister Tony Abbott indicated that he considers drought assistance as different to a corporate handout, even at times comparing drought to a natural disaster.

The farming community has a similar divide of opinion regarding drought assistance. One perspective is that drought management is the responsibility of farm businesses and that drought assistance raises land prices, makes it difficult for new farm entrants to buy land, and props up unviable farm businesses. ‘Efficient farmers who save and invest off farm are penalised, whilst farmers who waste money and spend everything get help’. Yet others believe that the current drought conditions are impossible to prepare for. ‘You can be the best farmer in the world; if it doesn’t rain, it doesn’t matter how good you are’.

The more successful farm businesses argue that drought support or assistance gets capitalised as land values. Making it more expensive to achieve economies of scale and for new entrants to purchase land and commence farming, while least efficient farm businesses get support and remain farming only to lose more equity. This conflict of opinion is no surprise given the impact of drought is individual to each farm business.

There are many organisations throughout rural and regional WA providing social support services; ranging from business advice to family counselling and emergency assistance. DAFWA has produced a directory of these services to help farm businesses find appropriate support. The ‘Assisting you’ directory is available online at agric.wa.gov.au
While it is agreed that drought can devastate a farm business; review and research indicate that there are ways farm businesses can be self-reliant when managing the impacts of drought.

Farm businesses who operate on a larger scale, employ business and risk management strategies such as securing income from other sources or by diversifying, are the ones who cope better with drought. Furthermore, the 2008 Productivity Commission Review found that under the Exceptional Circumstances policy up to 70% of farm businesses in drought affected areas did not receive drought assistance, yet were able to manage the effects of drought sufficiently. (For details of the Exceptional Circumstances policy, see appendix 1)

Despite these review findings, the demand for government assistance remains and is likely to continue for as long as the family farm business model dominates the agricultural sector. Although interest in other business models has increased over time, the family business model and the call for government assistance remains typical to Australian agriculture. This characteristic may have created a culture of intergenerational dependence on corporate welfare within some parts of the agricultural industry.

Finding a way to balance the issues at play is why drought policy proves to be such a complex task. Nonetheless, agriculture plays an important role in the future of WA, so as the frequency of drought is forecast to increase, the development of a long term, cohesive solution grows more important.
How does Australia compare worldwide?

The Australian farming sector is one of the least subsidised in the world, yet is considered one most self-sufficient. The Department of Foreign Affairs and Trade stated, “Australia provides agricultural produce to world markets without the high levels of financial support, protection and other trade-distorting practices used by some countries… this has resulted in Australia being one of the world’s most efficient agricultural producers.”

Australia is not just a leader in effective and self-sufficient farm production; we’ve also gathered global recognition and interest for our effort at developing a comprehensive national drought policy.
It seems other countries are following Australia’s lead, as there is a worldwide trend of reduced government agricultural assistance and a rise in drought policy reform. The United Nations Convention to Combat Desertification’s push for the development of national drought policies and preparedness means Australia’s experiences will provide valuable lessons for other countries.

During 2012–13, DAFWA administered over $30.7 million of financial support to Western Australian farm businesses and regional communities.

Figure 5 Total government support estimate by country, 1995 and 2001—12 (% of GDP)

Timeline of drought assistance in WA

From encouraging the settlement of a fledgling state, to crisis management, to promoting farm business self-reliance, the purpose behind drought assistance in Western Australia has changed throughout history.

The following timeline shows how WA’s drought policy has evolved in response to climate conditions, review recommendations, evidence and changes in Australian Government policy.

Timeline Key
- Schemes & assistance
- Severe drought
- Policy decisions
- Other
- Break in time

Note: Countries are ranked according to 2010-12 levels. The OECD total does not include the non-OECD EU members. Source: OECD 2013
1893: Homesteads Act
To encourage settlement, the WA Government provided free land grants of 160 acres to any male over 18 years of age. The grants came with the condition of at least five years residence and substantial improvement to the land.

1895: Opening up of the Wheatbelt
The Agricultural Bank of Western Australia began operations with loans to settlers in the Wheatbelt region of up to £400 pounds for clearing and cultivation of the land.

1906: More loans to WA farmers
The Agricultural Bank of Western Australia relaxed their lending policies which led to both a rapid expansion of the Eastern Wheatbelt and a marked increase in applicants for government assistance. In some cases, wheat growers in areas of extremely low rainfall were refused assistance to prevent the development of unviable farm businesses.

1911 & 1914: Severe droughts for WA settlers
Both 1911 and 1914 were years of severe drought due to extremely low rainfall levels in over 70% of agricultural land in the South West.

1914: Industries Assistance Board and Seed and Wheat Board
A severe drought and wide scale failure of the wheat crop left many new settlers unable to repay credit. To prevent the abandonment of farms, the government set up the Industries Assistance Board, who subsidised settlers’ taxes and machinery, and the Seed Wheat Board who supplied seed wheat, fertiliser and fodder to settlers in drought-affected areas.

1914: Industries Assistance Board and Seed and Wheat Board
Grants of £1,000 were provided to returned servicemen to set up farm businesses. The Australian Government scheme, which supplied grants to over 5000 ex-servicemen in WA, proved unsuccessful as many abandoned their farms due to lack of capital and in some cases lack of agricultural experience.

1917: Soldier Settlement Scheme
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1925: Agricultural Bank of WA advanced £5 million pounds to WA farmers
After two phases of extensive agricultural expansion, the Agricultural Bank of WA had advanced £5 million in loans and over 60% of the state’s wheat growers were receiving government financial assistance.

1931: The Depression and Royal Commission Review
The Depression brought the collapse of wheat prices and the rise of debt amongst new settlers, with many abandoning their properties. The Royal Commission blamed the Agricultural Bank’s generous lending for contributing to the downturn: describing settlers as clamouring for assistance to stay on the land in bad years yet neglecting to make repayments in the good years.

1935: Commonwealth Loan Act (Farmers’ Debt Adjustment)
As part of the Farmer’s Debt Adjustment scheme, the Australian Government granted £1,300,000 to the WA Government to assist distressed farm businesses with debt reconstruction.

1938–45: World War 2 Drought
The entire country was affected by severe drought. During this period with WA experiencing some of its lowest rainfall and highest temperatures on record.
1945: Rural and Industries Bank
The Agricultural Bank of WA changed from a government lender to farmers to a trading bank open to the public and was renamed the Rural and Industries Bank of Western Australia (R&I).

1959: Further expansion in the Wheatbelt
In 1959–64, the WA Government released over 6 million acres of land for farming. Under various land settlement schemes, the WA Government provided land grants to encourage further agricultural development of the Wheatbelt.

1969: Severe drought for WA
99% of the South West experienced decile 1 rainfall levels, meaning within the lowest 5% of rainfall levels on record.

1971: Rural Reconstruction Scheme
WA Government was allocated $14 630 000 by the Australian Government under the Rural Reconstruction Agreement. Funding included loans for debt reconstruction, farm productivity enhancement, exit grants and retraining for applicants who had been refused commercial finance. The WA Government set up the Rural Reconstruction Authority to administer the scheme.

1975: Rural Adjustment Scheme
The Australian Government changed the Rural Reconstruction Scheme to the Rural Adjustment Scheme (RAS). The new scheme came with three separate categories of assistance; Part A consisted of debt reconstruction, farm build up, farm rehab and improvement loans; Part B consisted of carry-on loans; and Part C consisted of household support, career counselling, and re-establishment and relocation grants.

1976: Natural Disaster Relief Arrangements
WA farm businesses received drought assistance for the first time under Natural Disaster Arrangements (NDRA). Assistance measures included concessional loans, freight rebates and water cartage subsidies. Australian Government funded NDRA for other states began in 1965.

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1983: Deregulation of banking in Australia
Under the Keating Government, banks were released from government regulation. This led to an increase in competition which meant banks could lower their interest rates and offer more accessible loans to the public, including farm businesses.

1985: Rural Adjustment & Finance Corporation of Western Australia
Up until 1985, the Rural Reconstruction Authority (RRA) and Rural & Industries Bank (R&I) managed all assistance schemes and lending in WA. In 1985, the WA Government consolidated the functions of the two organisations into one known as the Rural Adjustment & Finance Corporation of Western Australia (RAFCOR).

1986–14: Rural Financial Counselling Scheme
In 1986, the Australian Government introduced and funded a free Rural Financial Counselling service across Australia to primary producers, fisheries and small rural businesses. During 1989, this service started providing rural financial counsellors in WA. In 2008, DAFWA provided funding for the employment of additional rural financial counsellors to meet increased demand for their services.
1994: RAFCOR offers WA farm businesses 15% off all loan debts
To speed up the repayment of loans, RAFCOR offered all accounts 15% off their debts if paid before 30 June 1995. By July 1995, the loan portfolio had reduced debt from $32 million down to $7.8 million outstanding.

The release of the National Drought Policy (NDP) recognised drought as a regular part of the Australian climate and shifted policy to focus on encouraging farmers to adopt a self-reliant approach to drought management. The Exceptional Circumstances policy (EC) was introduced which triggered the provision of EC interest rate subsidies and relief payments. The Australian Government also launched Farm Management Bonds, household support, exit grants and financial counselling and support groups.

1991-95 El Nino Drought
Due to El Nino events, Australia experienced extreme drought conditions that resulted in the loss of thousands of stock as well as drop in crop yields of up to 50%. During 1994, most of WA’s agricultural regions experienced well below average rainfall.

1997: Australian Government redefines the Exceptional Circumstances policy
Despite recommendations to remove the EC policy and interest rate subsidies, the Australian Government retained the system with the addition of the EC relief payment. For further details of the Exceptional Circumstance Policy, see Appendix 1.

1997: Review of National Drought Policy and Rural Adjustment Scheme
A Drought Policy Task Force review found government drought measures to be contradicting the NDP objective of encouraging farmer self-reliance. Recommendations included phasing out Exceptional Circumstances Interest Rate Subsidies in favour of farm management training programs and the introduction of a Farm Management Deposit scheme.

1998 - 2008: Farm Business Improvement Program
Following review recommendation, FarmBis was introduced to provide farm businesses and indigenous held properties with access to mentoring and farm business management training. From 2004 – 08, the Australian and WA Governments provided over $4 million in grants for WA farm businesses to engage in the FarmBis program. The FarmBis program received positive feedback from participants and the 2004 Drought Review Panel.

1999 - 2014: Farm Management Deposits
The introduction of the FMD scheme allowed farm businesses to set aside pre-tax income in years of high income, so it could be withdrawn in years of low income. The deposit then became taxable income in the year it was withdrawn. All subsequent drought policy reviews have found FMDs to be an effective risk management tool for farm businesses.

1998: Drought excluded from Natural Disaster Relief Arrangements
In April 1989, the Australian Government declared that drought would no longer be considered a natural disaster and removed it from the NDRA due to concerns that drought payments were dominating the fund and were being misused by state governments. A drought policy review found the drought relief payments to be poorly targeted and acting as a disincentive for farmers to prepare for drought.

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2000 – 07: Millennium Drought
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2005: End of concessional loans in WA
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2002: Dry Season Advisory Committee
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2008: Exceptional Circumstances declared ineffective
The Primary Industries Ministerial Forum agreed that current approaches to drought support were no longer appropriate in the variable climate. Concerns over the costs of the EC system led to the Australian Government instigating three reviews of drought policy. The first, an assessment of climate change from the CSIRO and Bureau of Meteorology, second, a review by the Expert Social Panel on the social impact of drought on farm families and rural communities, and third, an economic review of drought support by the Productivity Commission.

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2008: CSIRO and Bureau of Meteorology assessment of climate change
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2008: Australian Government set principles for drought policy reform
November 2008, Cabinet set principles for drought policy reform that would enable farm businesses to move from crisis management to risk management and preparedness. The principles included an end to EC declarations, a focus on support that assists farm business preparedness, and programs to develop long term sustainability of farming communities. For drought reform principles, see Appendix 2.

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The Productivity Commission recommended replacing the Exceptional Circumstances policy with a Farming Family income support scheme and an increase in management and preparedness training. EC policy measures were branded as poorly targeted and acting as a disincentive for self-reliance. The review found as many as 70% of drought affected farm businesses were considered ineligible for EC assistance.

2009: Government roles and responsibilities redefined
February 2009, Cabinet agreed that income support would be the responsibility of the Australian Government and assistance for drought preparedness training should be provided by a co-investment of Australian and state governments.

2009–13: Climate Adaption Assistance Scheme (NEAR)
August 2009, DAFWA launched the $1.75 million North East Agriculture Region strategy as part of WA’s Climate Adaption Scheme. The scheme developed new tools and systems to help WA farm businesses manage and adapt to drought conditions.

2009: The end of Exceptional Circumstances declarations in WA
Due to improved seasonal conditions, all EC declarations concluded in WA by June 2009. From 2001–2011, $63.3 million in EC interest rate subsidies were granted to WA farm businesses.

2010–11: Dry Season Assistance Scheme
South West WA was hit with an unprecedented dry season that severely affected many farm businesses. To assist farm businesses experiencing hardship, DAFWA administered $4.5 million of state funding for social service and counselling support, community service grants, and grants for high-volume water tank installation.

2010–12: Pilot of drought reform measures
In May 2010, Agriculture Minister Tony Burke announced WA was to lead drought policy reform with the Pilot of Drought Reform Measures. The pilot, a joint initiative by the WA and Australian Governments, aimed to help farmers, their families and rural communities prepare for future challenges, rather than waiting until crisis to offer assistance. The package included farm business management training and grants, household support, social and community support and exit grants. The pilot saw $80 million of Australian and WA Government funding invested into regional WA.

2010–14: Regional Men’s Health Initiative
The WA Government provided $2 789 000 of funding to continue and expand the Regional Men’s Health program to the whole of rural and regional WA. The aim of the Regional Men’s Health Initiative (RMHI) services is to increase the participation by men in health education activities and their use of health services. The initiative raises awareness and provides support for the pressures faced by men in regional areas such as declining rainfall, rising debt and competition for labour. The WA Government supports further development of the program.

2011: WA Cabinet decision against multi-peril crop insurance and being a lender or last resort
24 January, the WA Cabinet agreed that government-subsidised multi-peril crop insurance, interest rate subsidies and any scheme where the WA Government provides carry-on finance or acts as a lender of last resort are not consistent with the drought reform principles and should not be pursued.
2012: Australia officially declared drought free for the first time in a decade
The end of all EC declarations signals the end of drought in Australia. Ministers affirm that ECIRS and EC Exit Grants will not form any part of future drought policy.

2012 – 14 Building Farm Business Capacity (Farm Planning) Workshops
DAFWA launched the workshops to continue the benefits of the strategic farm planning program developed for the Pilot of Drought Reform Measures. Unlike the pilot program, the Plan, Prepare and Prosper workshops are not accompanied by grant funding. DAFWA plans to continue the workshops subject to industry demand.

2013: Australian Government Farm Finance Package
April 2013, Agriculture Minister Joe Ludwig announced a drought relief package to “lighten the load” of drought-stricken farm businesses. The package featured $420 million for concessional loans, more funding for rural financial counselling, and easier access to the FMD scheme.

2012 The WA pilot of drought reform received the Economic Development Australia National Strategic Planning Award

2013: State Assistance Package
April 2013, following a series of damaging frosts and drought, the WA Government announced a $7.8 million support package for farm businesses and rural communities in the Wheatbelt. The package included $1.5 million of additional funding to regional counselling and support services, $300,000 towards community support grants, up to $5 million in grants to eligible broadacre farm businesses and $20,000 exit grants to assist farmers with the costs of leaving the land.
2013: Intergovernmental Agreement on Drought Program Reform
May 2013, WA Minister for Agriculture and Food Ken Baston signed off on the Inter-Governmental Agreement for Nation Drought Program Reform (IGA) to replace the Exceptional Circumstances arrangements. The IGA was based upon the drought reform principles agreed in 2008 and forms the basis of the current drought policy in Australia.

2013: WA Government agreed to Farm Finance Concessional Loan Scheme
December 2013, the WA Government signed the Australian Government Loan Agreement to provide $50 million in concessional loans for WA farm businesses. To remain consistent with previous WA Government decisions, the loans are for farm productivity enhancements, not for debt restructure.

2013: More funding for Queensland, New South Wales and Victoria
Following a tour of regional Northern Queensland, new Agriculture Minister Barnaby Joyce announced an additional $30 million in funding for farm business concessional loans in Queensland, New South Wales and Victoria. The changes reduced Australian Government funding for other states, yet Minister Joyce declared the worsening drought in Queensland meant that state was rightly the focus.

2013: WA’s Royalties for Regions ‘Seizing the Opportunity’ initiative
The WA Government announced $300 million of funding for the agricultural sector. The unprecedented initiative will consist of 14 projects, 10 run by DAFWA, which aim to support the WA agriculture sector capture new export opportunities. $20 million of funding is assigned for business skills training with the aim to improve the self-reliance and performance of WA agriculture and food businesses.
2014: Australian Government Drought Assistance package
26 February 2014, Prime Minister Tony Abbott and the Minister for Agriculture Barnaby Joyce announced a “hand up not a handout” $320 million drought assistance package. The package consisted of easier access to income support, $10.7 million to increase access to social and mental health services, and $280 000 million for a concessional loan scheme. The package also included $12 million of funding to install water-related infrastructure and $10 million to help reduce the impact of pest animals on drought-affected farm businesses in QLD and NSW.

2014 Implementation of the Intergovernmental Agreement of Drought Program Reform
As part of the nationwide agreement, from July 2014 all state and territory governments will implement assistance measures including farm household support payments, continued access to Farm Management Deposits and taxation measures, support for access to farm business training, tools and technologies to inform farmer decision making and enhanced provision of social support services.

2014: Farm Business Assessment Scheme
February 2014, WA Agriculture and Food Minister Ken Baston recognised the tough season dealt to farm businesses in parts of the Eastern Wheatbelt and allocated grants of up to $10 000 for farm businesses to access professional advice to assist their business management and financial situation.
Conclusion

As the timeline demonstrates, Western Australia’s approach to drought policy has been an evolutionary process to find the most effective and appropriate measures for WA’s economic, social and natural environment of the time.

As you would expect, people’s opinions vary when it comes to the efficiency of government drought assistance measures. Yet the reality is there will always be a difference of opinion when it comes to balancing the welfare of farm families with the responsibility of farm businesses.

With this in mind, the Western Australian Government will continue to make evidence based policy decisions that are aligned to the principles of the Intergovernmental Agreement on National Drought Program Reform. These decisions aim to focus on improving farm businesses’ drought preparedness by providing more options for business training, enhanced risk management tools and better social support for farm families in hardship.

With climate variability set to increase, all drought policy decisions will need to take into account the outcomes of the past, as well as the outlook for the future if they are to truly support a resilient, sustainable and profitable agricultural sector.
Appendix 1: What was the Exceptional Circumstances Policy?

The Exceptional Circumstances policy (EC) aimed to help farm businesses, who were viable in the long-term, to cope with rare and severe events that were outside of what a farmer could normally be expected to manage. For a drought to be declared as Exceptional Circumstances, the event needed to have the following criteria:

1. Be rare and severe
   A rare event is one that occurs on average only once in every 20 to 25 years. A rare event is severe if it is of a significant scale. It must have also affected a significant number of farm businesses in a region to warrant government assistance.

2. Result in a rare and severe downturn in farm income over a prolonged period
   The effects of the event must have resulted in a rare and severe income downturn that could not be managed by producers using normal risk management practices. The impact must have extended beyond 12 months, as farm businesses should reasonably be expected to manage one year of difficult seasonal conditions.
3. The event must not be predictable or part of a process of structural adjustment
EC support was not available to those producers whose problems have arisen from the fundamental need for structural adjustment. EC assistance was not available for events that were foreseeable, covered by existing Australian, state and territory government assistance measures, or were manageable using normal risk management strategies such as insurance.

The three forms of Exceptional Circumstances assistance were:

**The Exceptional Circumstances Interest Rate Subsidy (ECIRS)** was provided as a grant calculated against 50% of the interest payable on new and existing loans for the first year of an EC declaration, then at 80% in the second and subsequent years, up to a maximum of $100 000 in any 12-month period and a maximum of $500 000 over five years.

**The EC Relief Payment (ECRP)** provided up to $405 per fortnight for the farmer and partner. In 2007-2008, around 29 000 farm families received payments at a cost of approximately $380 million.

**The EC Exit Package** was available for farm business owners willing to leave the industry. This little used package, consisted of an Exit Grant, which provided a taxable one-off payment of up to $150 000, an Advice and Retraining Grant, and a Relocation Grant.
Appendix 1.1: Why didn’t the Exceptional Circumstances policy work?

After multiple independent and government initiated reviews, it was found the EC policy was ineffective in a number of ways. These included:

**The application criteria were inappropriate**
For an event to be declared as Exceptional Circumstances, it must be rare and occur only once in every 20-25 years. Yet there were times when more than 50% of Australia was EC declared, with some regions declared for over 10 years. If EC criteria were correctly adhered to, the Bureau of Meteorology’s forecast of exceptionally hot and dry years occurring every 1-2 years would mean most regions would never be eligible for EC assistance.

**EC assistance measures contradicted the National Drought Policy objective by acting as a disincentive for risk management**
Policy evaluations found farmers in EC declared areas who didn’t receive support payments were generating higher on and off farm incomes, and had higher financial reserves to draw on compared to those who did receive payments. In fact, it was found ECIRS led to many farm businesses failing to adopt self-reliant strategies, such as risk management practices, earning off-farm income or building financial reserves, in the belief that governments would support them during droughts.
The EC policy was poorly targeted
EC declarations were determined by ‘lines on maps’. This meant farm businesses that were not within the specific EC declared zones were overlooked for assistance despite being in financial hardship. On average, nearly 70% of farm businesses in drought affected areas did not receive EC assistance.

The EC policy was inequitable
EC declarations did not take differences in farm production cycles or structure into account, meaning some farm businesses had to experience an extended period of hardship before they qualified for assistance. For example, many farm businesses in WA have only one cropping season per year, which meant they had to experience at least two consecutive years of hardship to demonstrate the necessary evidence to apply for an EC declaration. Yet some farm businesses in QLD, Vic and NSW have two cropping seasons per year, which meant they were able to receive assistance much sooner which lead to the unequal delivery of Exceptional Circumstances assistance.

Figure 6 ECIRS payments made by state/territory governments since 2001

<table>
<thead>
<tr>
<th>State/territory</th>
<th>Total assistance ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSW &amp; ACT</td>
<td>1559.84</td>
</tr>
<tr>
<td>Vic</td>
<td>521.64</td>
</tr>
<tr>
<td>QLD</td>
<td>477.55</td>
</tr>
<tr>
<td>SA</td>
<td>206.05</td>
</tr>
<tr>
<td>WA</td>
<td>63.30</td>
</tr>
<tr>
<td>Tas</td>
<td>12.76</td>
</tr>
<tr>
<td>NT</td>
<td>1.16</td>
</tr>
<tr>
<td>Total</td>
<td>2842.30</td>
</tr>
</tbody>
</table>

Source: ANAO analysis of DAFF data 1 July 2001 to March 2011
Appendix 2: Principles of Drought Reform and Intergovernmental Agreement for Drought Program Reform

The objectives of the Intergovernmental Agreement for Drought Program reform are to:

- assist farm families and primary producers adapt to and prepare for the impacts of increased climate variability.
- encourage farm families and primary producers to adopt self-reliant approaches to manage their business risks.
- ensure that farm families in hardship have access to a household support payment that recognises the special circumstances of farmers.
- ensure that appropriate social support services are accessible to farm families.
- provide a framework for jurisdictions’ responses to needs during periods of drought.

This agreement will facilitate achievement of the following outcomes:

- primary producers have an improved capacity to manage business risks.
- farm families are supported in times of hardship.

The following measures will be implemented under this agreement:

- a farm household support payment.
- continued access to Farm Management Deposits and taxation measures.
- a national approach to farm business training.
- a coordinated, collaborative approach to the provision of social support.
- tools and technologies to inform farmer decision making.
All future programs related to the objectives of the Intergovernmental Agreement for Drought Program Reform will be consistent with the principles for reform agreed by the Standing Council on Primary Industries. The principles reconfirmed on April 2011 are:

- there should no longer be Exceptional Circumstances declarations or ‘lines on maps’. Instead, governments should focus on addressing the specific needs of farming families, farming businesses and farming communities.
- acknowledgement that drought is just one of a number of hardships that can adversely impact farmers.
- recognition of the important role of farmers as the nation’s food producers
- future farm family welfare assistance should require a level of mutual responsibility.
- for access to the income support system, farming families should have a temporary period of exemption from the normal assets tests for farm assets, but otherwise receive the same access rights as the wider community.
- government farm business support should assist farming businesses plan and prepare for the future, farm business support will be based on a willingness by those businesses to prepare for the impacts of drought and climate change.
- the role of farmers in natural resource management and their role in maintaining vibrant rural communities.
- the importance of maintaining and supporting the natural resource base during drought and climate change.
- government policies and programs should support farming communities to prepare for drought and enhance their long term sustainability and resilience.
Appendix 2.2 Principles and processes for in–drought support

All future programs providing temporary in–drought support will be consistent with the principles and processes agreed by The Standing Council on Primary Industries in May 2013.

Where a jurisdiction(s) decides to implement an in–drought support measure, the measure should:

• be consistent with principles and complementary to measures already in place.
• occur where there is a clear role for government and deliver a net public benefit.
• address recognised welfare needs.
• encourage good farm business decision–making and facilitate adjustment in the agriculture sector.
• avoid government being positioned as the business ‘lender of last resort’.
• enable links with other measures or between service providers.
• recognise the importance of maintaining the natural resource base.
• be underpinned by monitoring and performance information to ensure any measures implemented are appropriately targeted.
Appendix 3: Pilot of Drought Reform Measures

The Australian Government, in partnership with the WA Government, conducted a pilot of drought reform measures in parts of Western Australia. The pilot tested a package of new measures developed in response to the national review of drought policy. The measures were designed to move from a crisis management approach to risk management. The aim was to better support farmers, their families and rural communities in preparing for future challenges, rather than waiting until they are in crisis to offer assistance.

The pilot was initially in place from 1 July 2010 to 30 June 2011 yet due to high demand for the initial pilot, the Australian and Western Australian Governments agreed to Phase 2 of the Drought Reform Pilot. Phase 2 rolled out in 2011—12 and encompassed the entire south west region of the State, extending the pilot area from 67 to 130 shires.

Figure 7 Location of farm planning participants
Appendix 3: Pilot of Drought Reform Measures

The seven drought reform measures that were tested included:

**Farm Planning**
The Farm Planning workshops assisted farm businesses to develop or update a strategic plan for their farm business. The plan identified priority activities to help improve the management and preparedness of the farm business to respond to future challenges.

**Building Farm Businesses**
The Building Farm Businesses program provided grants to eligible farm businesses in two components: Business Adaptation Grants for eligible activities identified in the strategic plan that helped farm businesses prepare for the impacts of drought, reduced water availability and climate variability and Landcare Adaptation Grants for eligible activities identified in the strategic plan with a natural resource management focus and having a broader public benefit.

**Stronger Rural Communities**
This suite of measures aimed to assist rural communities prepare for and manage agriculture–related hardship to build social capital and community networks, and to encourage participation in social networks and community events.

**Farm Social Support**
This measure provided support for better coordinated social support networks to meet the mental health, counselling and other social needs of farming families and rural communities.
Farm Family Support
Income support for farmers facing financial hardship, allowing them to meet basic household expenses.

Farm Exit Support
The Farm Exit Support program aimed to help farmers in significant financial difficulty to re-establish themselves in careers other than farming. Three grants were available to assist eligible farmers:

- Farm Exit Support Grant provided up to $150 000 to eligible farm businesses who sold their farm during the pilot period.

- Farm Exit Support Advice and Retraining Grant provided up to $10,000 to access to professional advice and re-training.

- Farm Exit Relocation Grant provided up to $10 000 to recipients of the Farm Exit Support Grant to help with relocation and retraining expenses.

Beyond Farming
Beyond Farming put current farmers in touch with former farmers to talk about opportunities outside of farming.
Appendix 3: Pilot of Drought Reform Measures

The Pilot of Drought Reform Measures was the recipient the 2012 Economic Development Australia Award. The success of the pilot is evident in the positive response from the majority of the participants. Most participants recorded an increase in confidence and ability to cope with and manage drought and climate variability.

Figure 8 Pilot of Drought Reform Measures participant responses

<table>
<thead>
<tr>
<th>Summary of results</th>
<th>Prior to farm planning</th>
<th>After farm planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved confidence in implementing strategic business plan in the positive ratings</td>
<td>67.5%</td>
<td>98.3%</td>
</tr>
<tr>
<td>Farm Planning compares favourable to previous training experience</td>
<td>79.1%</td>
<td>95.5%</td>
</tr>
<tr>
<td>Improved confidence in future viability</td>
<td>77.3%</td>
<td>92.7%</td>
</tr>
<tr>
<td>Improved drought preparedness (resilience)</td>
<td>62.0%</td>
<td>90.0%</td>
</tr>
<tr>
<td>Would recommend Farm Planning to others</td>
<td>-</td>
<td>94.6%</td>
</tr>
<tr>
<td>Our business has a clear direction and vision</td>
<td>77.0%</td>
<td>99.1%</td>
</tr>
<tr>
<td>Our business has clear priorities that will make a difference</td>
<td>73.1%</td>
<td>98.4%</td>
</tr>
<tr>
<td>I understand how to change the financial position of my business</td>
<td>71.1%</td>
<td>98.2%</td>
</tr>
<tr>
<td>I am able to balance work and life</td>
<td>52.9%</td>
<td>89.5%</td>
</tr>
<tr>
<td>There is good communication between members of our farm businesses</td>
<td>77.7%</td>
<td>93.3%</td>
</tr>
</tbody>
</table>

Sample size: 680 participants.
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