Developing a Commonwealth Strategy for Drought Preparedness and Resilience

Consultations
February 2019
INTRODUCTION

The Prime Minister has asked the Coordinator-General for Drought to advise him on the development of a long term Commonwealth strategy for drought preparedness and resilience.

In November and December last year, the Taskforce heard from many organisations who were broadly supportive of the scope and identified priority areas for Commonwealth action (summary at page 8). This consultation paper outlines the Taskforce’s findings on these priority areas and potential ways the Commonwealth could address these issues. We are now seeking your views on this paper and the Strategy’s direction. In particular, we welcome your feedback on:

- The priority areas - are they right for the Commonwealth? Is anything missing?
- The key findings, which we will seek to address through the Strategy.
- Issues to take into account when developing actions to address the priority areas.

The Strategy will provide a holistic picture of the Australian agriculture industry, and recognise that while many farmers have prepared relatively well for this drought, the level of preparation and resilience varies. It will also address a broader range of issues than outlined in this consultation paper, including current work on other existing policies and programs that contribute to the overall purpose and vision of the Commonwealth’s drought policy and response.

Once your views are received, the Coordinator-General and Taskforce will continue to refine the priority areas and develop strategies to guide and focus the Commonwealth’s future efforts. The Strategy will be provided to Government for consideration and agreement in the first half of 2019.

PURPOSE AND SCOPE

The Strategy will be one of three key documents that will guide the Commonwealth’s approach to drought. These guiding documents relate to each other in the following way:

1. The National Drought Agreement (NDA)
   The NDA outlines how the Commonwealth, state and territory governments will cooperate on drought, jurisdictions’ responsibilities, and a framework for national reform. It will underpin the Strategy.

2. Commonwealth Strategy on Drought Preparedness and Resilience
   The Strategy will set out how the Commonwealth will meet its obligations under the NDA and its long term approach to managing drought. It will identify priority areas to provide high-level direction for all future Commonwealth policies, programs and funding decisions on drought. The Strategy, by definition, will not be a list of specific policy, program or infrastructure commitments.

3. Future Drought Fund - Drought Resilience Funding Plan
   If passed by Parliament, the Future Drought Fund will be a significant funding source for drought preparedness, resilience and response projects. Consistent with the requirements outlined in the draft legislation, future funding decisions will be guided by a Drought Resilience Funding Plan – a rolling four-year framework to ensure a coherent and consistent approach to funding projects. The Plan will have regard to related drought policies and strategies, including the NDA and the Strategy’s priorities and be developed through a public consultation process.

VISION

Taking on board feedback from last year’s consultations, the Strategy’s proposed revised vision is:

To have farm businesses and rural communities that are prepared for, and capable of responding to drought, in pursuit of a prosperous and sustainable future.
Underpinning Foundations
To help us achieve the Vision, each part of the Strategy will be underpinned by the following foundations that cross-cut every area of drought policy:

1. Drought is an enduring, regular feature of the Australian landscape that is different to the sudden-onset of natural disasters.
2. While droughts are normal for Australia, drought conditions are likely to become more frequent and severe due to climate change.
3. Policies and programs should encourage and support farming businesses to plan and prepare for future droughts and not undermine incentives to manage risk.
4. Drought preparations must continue during times of no drought.
5. Information (social, economic and environmental) about drought conditions and impacts should be understood at the local level so that governments, farmers, families and communities can tailor their plans and responses.

PRIORITY AREAS

Primary responsibility for preparation and managing drought risk rests with farmers and rural communities, with states and territories playing an important role to ensure the right frameworks and incentives are in place. Three priority areas have been identified, and tested through consultations last year, for the Commonwealth:

1. Informing governments, businesses and communities
2. Incentivising good practice.
3. Stewardship of important natural resources.

Within these areas, the Taskforce has refined where the Commonwealth can best contribute to drought preparedness and resilience.

1. Informing governments, businesses and communities

Information – its accuracy, availability and the way it is communicated – crosscuts every area of drought policy. It is vital to how all levels of governments, farm businesses, communities and individuals manage, and prepare for drought risk to make early, informed decisions to avoid a crisis response.

Communicating

Research shows that farmers gather information through a range of channels, with information only accepted if it can be tested and confirmed through a mix of trusted sources.

As drought related programs and services are spread across a number of governments, agencies and departments, the Taskforce is looking at ways to improve information accessibility and communication with farmers and rural communities. Based on early behavioural research conducted by the Taskforce, communication should be:

- Consistent and constant on key messages, including a focus on building drought resilience and preparedness, not just during times of drought.
- Regionally based, targeted and tailored to farmers’ business needs.
- Multi-channel, using trusted sources and intermediaries.
- Streamlined across Commonwealth agencies for improved accessibility.
- Understanding of farmer’s perceptions of government support and ‘welfare’.

This approach could also be adopted by other organisations, including charities and non-government organisations, as well as state, territory and local governments.
This proposed foundation for improving communications is demonstrated in the recently launched FarmHub. Bringing together information on assistance with fodder, water, transport, living expenses and health in a single online resource, FarmHub will continue to grow and evolve. Depending on the region, government agencies also need to account for the level of internet connectivity, and use alternative and innovative means such as the Mobile Service Centres, printed material and outreach activities.

**Key finding:** Information about government support, assistance and advice should be accessible and tailored to account for the way farmers gather and receive information.

**Information on Seasonal Conditions and Drought Indicators**

Governments, farmers and communities know how important accurate and regionally relevant information is to improving drought preparedness. One of the objectives of the NDA is to provide decision makers, industry and the public with access to common sources of quality, drought-related data to improve policy and business decision making. The Commonwealth together with the states and territories has joint responsibility for this under the NDA, including regional and local predictive real time drought indicator information and a consistent early warning system for drought.

To support this, the Taskforce is considering how best to contribute to the development of indicators that would flag drought conditions and trends earlier. Numerous weather and climate indicators already exist, but they can be confusing and are often misinterpreted or in some cases mistrusted. There are also challenges in accessing regionally specific information to inform decisions making, particularly regional climatic forecasts. Such information is also rarely considered in combination with economic and social conditions that may help to provide a more comprehensive understanding of the situation on the ground and early signs of farm businesses and communities experiencing (or likely to experience) greater stress.

The proposed drought indicators would not declare regions in drought and/or lead to automatic government support. Rather they could provide early insight into emerging conditions and trends, and allow early actions to be undertaken to prepare, take action or trigger pre-existing plans, including if action by governments is required. If indicators can be developed that are applicable at a regional or local level, they could also provide triggers or targeted information for farmers to make key decisions as conditions are forecast or change.

**Key finding:** Indicators of drought – climatic, economic and social – could assist governments, communities and farmers to make earlier and better informed decisions to minimise the impacts of drought.

**Unlocking Data**

In line with the Public Data Policy Statement, the Commonwealth will continue to release non-sensitive government data and information to enable industry to develop new and innovative products and services to help farm businesses manage risk. The Taskforce has also identified the value in broadening the types and sources of data beyond Commonwealth holdings to build a richer picture of the situation, including to continue to improve the National Drought Map.

**Key finding:** Government and non-government data, and its availability, is at the foundation of good risk management and drought preparation.
2. Incentivising good practice

Consistent with the approach to other sectors of the economy, the key role for governments is to set the right research, regulatory and financial frameworks to encourage sustainable approaches to business. This allows farmers and communities to manage risks in their local context and for their specific operations.

It is accepted that in some instances further help can be needed, in which case, assistance through graduated levels of support – from business planning advice to help with basic needs – should be available. Assistance should be focused on giving people the tools to get back on their feet, with support while they do so, without perpetuating unsustainable farm operations.

**Tax Incentives**

The Government provides a range of tax incentives to assist farm businesses. It is important for tax incentives to balance the industry’s unique circumstances with the risks of economic distortion and tax integrity.

Stakeholders have indicated their support for the Farm Management Deposits (FMD) scheme which is intended to assist primary producers with managing uneven income flows associated with variability in production and financial conditions.

The Taskforce considers there is scope for the Government to continue to improve its understanding of the operation of the FMD scheme. In particular, how well the FMD scheme is meeting its intended outcomes and the utility of FMDs in assisting a primary producer’s financial resilience during times of drought. A better understanding would be the basis for considering whether any changes are needed to make the scheme more effective.

The Australian National Audit Office is currently conducting a performance audit of the FMD scheme, and is due to report in June 2019. This may improve the Government’s understanding of the effectiveness of FMDs and provide a basis for further work.

**Key finding:** There are a range of tax measures already in place to incentivise drought preparedness and resilience and it is important that the Government continues to assess whether these remain appropriate. FMDs are broadly considered a good measure but it is unclear how well they are achieving their intended outcome. This understanding is important before any changes are made.

**Research, Development and Extension (RD&E)**

Another pillar of supporting good practice is the RD&E system. Investment in RD&E and adoption of new technology across the agricultural sector has been, and will continue to be, critical to managing and preparing for drought. Australia has a good reputation for producing quality agricultural research.

The agricultural innovation system is complex involving numerous Commonwealth and state departments, rural research and development corporations, committees, boards, industry and investors. RD&E on drought and related issues cannot be isolated from the broader agricultural innovation framework, which fits within a broader RD&E system.

Current RD&E efforts are not well coordinated and focus heavily on commodity-specific sectors. Research on cross cutting issues, such as drought preparedness, resilience, and natural resource management, is more limited. The Taskforce sees an opportunity to provide greater leadership and coordination to better focus RD&E on cross cutting issues like drought.

**Key finding:** Stronger leadership and coordination in agricultural RD&E would improve the effectiveness of RD&E on cross-cutting issues such as drought.
Financial Planning, Counselling and Income Support

Rural Financial Counselling Service

Focussing on profitability and managing risk requires planning based on a sound understanding of a farm's financial situation, business operations and property management. The Rural Financial Counselling Service (RFCS) – co-funded by the Commonwealth and state and territory governments – provides free, practical support to address the financial sustainability of a farm business in (or at risk of) financial hardship. This assistance should help to make a business more resilient to droughts and other risks, or to take steps to exit the industry if long-term financial security is not achievable.

It is clear that the RFCS is highly valued, but many believe it is not being used as effectively as it could to prepare for the future challenges – including drought. As a result, the service becomes stretched during high demand times. Consideration is being given to how to encourage farmers to prepare for business shocks, to build resilience and prepare for tougher conditions. There is also a need to ensure the service has sufficient resources to manage times of high demand.

**Key finding:** Farm businesses should focus on making decisions about business sustainability, profitability and preparedness to prepare for drought and other risks. RFCS services can assist farmers to better understand their business and help to make it more resilient to droughts. The RFCS needs to have the ability to manage times of high demand.

Small Business

Small businesses, not only farming operations, are also hard hit in rural communities during drought. The Taskforce is investigating whether there is sufficient support available to small businesses affected by drought or whether small businesses are not aware of the already available support.

In assessing the range of existing small business planning and counselling services provided by the Commonwealth and other governments, the Taskforce will consider whether there is a need to augment existing frameworks to account for drought, or establish new mechanisms.

**Key finding:** All businesses in rural communities are affected by drought and some may benefit from support through business planning and/or financial counselling services.

Income Support

As for all Australians, and regardless of how much farmers may prepare for droughts, there will always be the need for a safety net to support farmers and families where they cannot meet basic needs. This is provided by the time-limited Farm Household Allowance (FHA). FHA is more than just a welfare payment, it is a package of assistance that comprises fortnightly income support payments, financial assessments of the farm business, and funding for business advice and training. The FHA program is currently being reviewed by an independent panel.

The time-limited period for the FHA is designed to provide recipients with time to make critical decisions about the sustainability of their business in the longer term. Around 15 per cent of farmers on payment are already receiving their last year of FHA, with some of these having already claimed some form of support pre-FHA.

As demonstrated by the 2010 pilot of drought reform measures in Western Australia, the Taskforce is assessing the benefits of intensive case management targeting key cohorts with support to help them make decisions about their future. To build on the earlier pilot, such case management should supported by research on how farmers make decisions about their long term future.
Key finding: Research would assist government in understanding what drives decision making by farmers. In addition, there are key cohorts of farm businesses that would benefit from intensive case management, to encourage decisions about the sustainability of their business in the longer term.

Families, Individuals and Communities

Drought impacts more than just farm businesses. It has significant social and economic impacts on individuals, families and communities. As with the need to better prepare farms for drought, governments should invest in community preparation and resilience before drought hits.

Mental Health

It is clear that drought contributes to, and exacerbates, mental health and stress-related issues. While accessible clinical services in local communities are vital, the Taskforce has learnt that farmers have had a preference to initially talk with a trusted person and will seek their support and advice. It was also clear that community based mental health support is essential to reduce stigma, facilitate engagement outside the formal health system and assist in establishing informal community based support networks. Consideration is being given as to how government could link and support communities and individuals to build awareness of wellbeing and mental health support services within their community and region.

Key finding: Mechanisms for locally based pathways for individuals and communities to access wellbeing and mental health support should be considered.

Community Preparedness and Resilience

We know that drought is a recurring part of Australia’s landscape which is becoming more frequent and intense with the changing climate. Consequently, like farmers, communities should prepare and plan for its effects as part of managing their risks.

The Coordinator-General has observed through his visits to drought affected regions that communities with strong leadership are better placed to respond to the pressures of drought. This leadership is demonstrated through comprehensive planning, including local engagement and coordination.

The risk management and planning undertaken by all levels of government in preparation for natural disasters is a useful example of how communities can prepare to deal with adversity and build their resilience. Developing an effective plan requires buy-in, ownership and the ability to turn scenarios into practical actions. Consideration is being given to how governments can encourage and support the development of drought plans that are tailored for local circumstances and owned by the local government and community.

Key finding: Communities with strong, local leadership – that drives the development of comprehensive, and inclusive, plans – are better placed to manage the impacts of drought.

3. Stewardship of important natural resources

Managing natural resources is critical to farm performance, sustainability and preparedness. The increased frequency and severity of drought is exacerbating the pressures on our natural resources and affecting the resilience of our farms and communities.

The National Landcare Program has increased adoption of better land and resource management practices, leading to improved practices related to soil acidification, water and wind erosion, organic carbon depletion, and pest animals and weeds management.
However, taking a long term approach to natural resource management is essential in building drought resilience. The Taskforce sees benefit in increasing recognition by governments and industry as to its importance. Improved coordination of existing Commonwealth Government and state-based activities could provide a better return on public investment and building drought resilience. This includes processes to identify regional natural resource management priorities that would improve the resilience of farms. Examples might include regional pest control, property management, stock watering improvements, improving significantly degraded lands or R&D on natural resource management approaches that build drought resilience.

**Key finding:** identifying long term natural resource management priorities in regions would inform government investment and actions on the ground to contribute to building farm resilience.

The Taskforce is also exploring opportunities for farmers to manage their natural resources to diversify sources of potential income through carbon abatement projects and other opportunities. Some farmers are undertaking these projects as a potential alternative, stable income during droughts.

**Key finding:** Encouraging adoption of carbon abatement projects would help to diversify farm income and improve financial resilience.

Australia has one of the driest and most variable climates in the world, and needs to effectively manage its water resources. The Productivity Commission has proposed in its 2018 review of National Water Reform, a renewed National Water Initiative with increased focus that includes urban water, indigenous water needs, environmental water management, compliance and infrastructure.

To support the Government’s significant investment in water infrastructure and reform through the National Water Infrastructure Development Fund, National Water Initiative and Murray Darling Basin Plan, the Taskforce is considering whether there is a need for a strengthened strategic, holistic and long term approach to manage future pressures on this critical national resource.

**Key finding:** A long term, strategic view of national water resources would help to improve prioritisation of major investment decisions and management of key systems to account for future pressures.

**NEXT STEPS**

The Taskforce would be grateful for organisation views on this issues paper by COB 1 March 2019 to drought.taskforce@pmc.gov.au.
2018 CONSULTATION SUMMARY

An issues paper provided in November 2018 sought views on the Strategy’s vision, priority areas and appropriate role for the Commonwealth. This was followed by roundtable consultations late last year, where the Coordinator-General heard from local and state governments, peak bodies, non-government organisations and experts. While not capturing all issues raised, common views included:

- Broad support for the Strategy’s priority areas: information to support better decision-making; incentivising good practice; and stewardship of natural resources.
- Risk management is key – with data, information, training and programs needed to allow better and earlier decisions.
- Information is available but could be communicated better, with a gap between information provided and its adoption and use.
- Any recommendations, programs and policies need to be flexible enough to account for local conditions and circumstances, including the delivery mechanism.
- Government policy should not return to Exceptional Circumstances declarations and associated lines on maps.
- A safety net for farmers who can’t meet basic needs should always be available.
- Some farmers may need to reassess the financial viability of their businesses, including consideration of exit strategies.
- Natural resource management is key to economic and environmental sustainability.
- The importance of investing in rural infrastructure to build resilience, including for drought.
- A broad range of views on agricultural and regional issues, inclusive of drought, but aimed at broader government policy and programs.