



# National Irrigators' Council

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## ***Drought Policy***

### **Position Statement**

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# NIC Position Statement

## Drought

### Introduction

Farmers involved in irrigated agriculture well understand the flow on effects of drought on communities, on businesses and the environment. These impacts can be significant for agricultural productivity in the face of less reliable rainfall and reduced water allocations. Through efficient water storage and investment in irrigation infrastructure however, these impacts can be partially mitigated.

For irrigation farmers the impacts of drought may be less immediate than for dryland farmers, but they are no less severe. Zero or low allocations directly impact income and high water prices jeopardise the viability of many crops. Large losses in drought are not uncommon leading to severe financial pressure and stress on families and mental health.

Investment in irrigation infrastructure in Australia has underpinned growth in the irrigated agriculture sector and has enabled these mitigation measures both during times of major flooding, and during prolonged dry times.

Importantly, the Murray Darling Basin Plan enables the holding of water for the environment, separate from water for the irrigated agriculture sector, to improve system health for the overall faster recovery from droughts when they occur.

Water trading, for both sellers and buyers, provides a benefit to many irrigators; it enables water to be moved to the production of the most valuable crops, allowing choice and flexibility in business operations and increasing productivity. Water trading has enabled farmers in some cases to survive through drought periods.

### NIC Principles Relevant to this statement

- A healthy environment is paramount.
  - Sustainable communities and industries depend on it.
- Water property rights must be protected or enhanced.
  - Characteristics of water entitlements should not be altered by ownership.
- There should be no negative third party impacts on reliability or availability.
  - Potential negative impacts must be compensated or mitigated through negotiation with affected parties.
- Irrigators must be fully and effectively engaged in the development of relevant policy.

## Key Messages

- NIC supports a National Drought Strategy designed to involve federal and state governments to enable consistency via a national approach, to:
  - Provide farmers with information on federal and state government assistance.
  - Assist farmers to prepare, manage through and recover from drought.
- NIC will continue to engage governments in the development of drought policy, and in particular, policy that may risk undermining water property rights.
- The development and modernisation of irrigation infrastructure has served to act as a drought mitigation measure.
- Water infrastructure and water saving infrastructure has an important role to play in preparation for drought and climate change as a part of the agreed Government principles of building resilience.
- The risk as a result of climate change must be shared by all those impacted and not borne solely by the agriculture sector.
  - The sector, in many systems, already bears this risk through the annual water allocation process.
- Drought assistance, and farm family support in particular, must be accessible for those in need with the least possible administrative complexity.

## Background Information

NIC was invited to participate in the Prime Minister's National Drought Summit in October 2018. Participants at the Summit included states and territories Premiers and Chief Ministers as well as farm and agriculture industry leaders from across the country, charities and banking and financial services. Those attending acknowledged the healthy state of Australian agriculture, but noted that drought is affecting large areas of the country.

Prior to the Summit, the National Farmers' Federation (NFF) called on the Government to amend the Inter-Governmental Agreement on Drought that would provide a truly national approach to preparation, response and recovery.

In December 2018, COAG agreed to develop a National Drought Agreement, acknowledging the importance of national action to tackle drought. NFF was critical of the National Drought Agreement, suggesting it fell short of a National Drought Strategy, noting that, amongst other issues, the Agreement lacked a coordination mechanism linking governments, industry and community groups and a mechanism to assess the effectiveness of drought preparedness and support programs.

The Australian Government's approach to drought policy and programs is guided by two key documents:

### 1992 National Drought Policy

The 1992 National Drought Policy describes the broad context of drought policy in Australia and sets out the Australian Government's overarching approach to the provision of support and assistance.

The objectives of the 1992 National Drought Policy are to:

- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climate variability
- facilitate the maintenance and protection of Australia's agricultural and environmental resources base during periods of climatic stress
- facilitate the early recovery of agricultural and rural industries, consistent with long-term sustainable levels.

## National Drought Agreement

On 12 December 2018, the Council of Australian Governments signed a new National Drought Agreement (NDA). The NDA sets out a joint approach to drought preparedness, responses and recovery, with a focus on accountability and transparency.

The NDA recognises the need to support farming businesses and farming communities to manage and prepare for climate change and variability. The new agreement focusses measures across all jurisdictions on bolstering risk management practices and enhancing long-term preparedness and resilience. The NDA replaces the 2013 Intergovernmental Agreement on National Drought Program Reform. (*further information on the NDA below*)

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### History of drought policy in Australia

Drought policy in the middle of the 20th century focused on attempts to 'drought proof' agriculture through the expansion of irrigation. In 1971, government policy shifted to recognise drought as a natural disaster, enabling support for those affected to be provided under the joint Commonwealth-state Natural Disaster Relief and Recovery Arrangements.

In 1989, drought was removed from these arrangements and a review undertaken, which determined that previous drought policy was poorly targeted, distorted farm input prices and worked as a disincentive for farmers to prepare for drought. The response to this review was the National Drought Policy, announced in 1992. The objectives of the National Drought Policy were to:

- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climate variability
- facilitate the maintenance and protection of Australia's agricultural and environmental resources base during periods of climatic stress
- facilitate the early recovery of agricultural and rural industries, consistent with long-term sustainable levels.

Under the National Drought Policy, a number of assistance programs were introduced. The Rural Adjustment Scheme offered grants and interest rate subsidies and the Drought Relief Payment provided income support for farmers within declared Exceptional Circumstances (EC) areas. In 1997 these programs became the EC Interest Rate Subsidy and the EC Relief Payment.

Between 1997 and 2012, EC arrangements were the primary mechanism for supporting farmers under the National Drought Policy. For an event such as drought to be declared an exceptional circumstance, it had to:

- be rare and severe, that is it must not have occurred more than once on average in every 20 to 25 years and must have been of a significant scale
- have resulted in a rare and severe downturn in farm income over a prolonged period of time (that is, greater than 12 months)
- not be predictable or part of a process of structural adjustment.

Over time, the EC arrangements were shown to be inequitable particularly because eligibility was determined by 'lines on a map'. The decision to close the EC programs was based on successive reviews of drought policy which found that EC assistance was ineffective and could result in farm businesses being less responsive to drought conditions. On 30 April 2012, the last EC declarations lapsed. There have been no EC declarations since.

Other programs were also established under the National Drought Policy between 1996 and 2000, including the Farm Management Deposits scheme, the Rural Financial Counselling Service, FarmBis and FarmHelp. FarmBis and FarmHelp were discontinued in 2008.

#### The National Review of Drought Policy

In 2008, Australian state and territory primary industries ministers agreed that drought support based on EC was no longer appropriate in the face of a variable climate. In the same year, the Australian Government commissioned a national review of drought policy to help inform decisions on how it could better support farmers.

- An economic assessment of drought support measures was undertaken by the Productivity Commission. The report was publicly released on 12 May 2009.
- An Expert Social Panel was appointed to examine the social impacts of drought on farm families and rural communities. The seven member panel prepared A Report to Government, It's About People: Changing Perspectives on Dryness in September 2008.
- A climatic assessment was undertaken by the Bureau of Meteorology and the Commonwealth Scientific and Industrial Research Organisation (CSIRO). The assessment looked at the likely future climate patterns and the EC standard of a one-in-20-to-25-year-event. The report, An assessment of the impact of climate change on the nature and frequency of exceptional climatic events was released in July 2008. Further information can be found on the Bureau of Meteorology or CSIRO websites.

The review found that drought conditions in Australia were likely to occur more often and be more severe. It also recommended that drought assistance programs be restructured to help farmers prepare for drought rather than waiting until they are in crisis to offer assistance.

#### The Intergovernmental Agreement on National Drought Program Reform (IGA)

It should be noted that the National Drought Agreement signed on 12 December 2018 replaces the 2013 Intergovernmental Agreement on National Drought Program Reform.

In May 2013 the Australian, state and territory primary industries ministers agreed the Intergovernmental Agreement on National Drought Program Reform (IGA). The IGA outlined the roles and responsibilities for implementing the new approach. The IGA recognised that farm businesses need to prepare for drought, rather than rely on governments' response as an exceptional circumstance.

In 2013, the Australian Government also announced the delivery of the farm assistance package which included access to concessional loans, the Rural Financial Counselling Service, a nationally consistent approach to debt mediation and an enhanced Farm Management Deposits scheme.

#### The Agricultural Competitiveness White Paper

The White Paper, released on 4 July 2015, sets out the Australian Government's roadmap of practical actions to grow the agriculture sector. The white paper aims to help farmers prepare for drought, not only from a business perspective but through better social and community support. A number of initiatives were announced in the White Paper including improved seasonal forecasting, tax measures and farm insurance advice and risk assessment grants. Funding was also announced for continued access to concessional loans, Farm Household Allowance, the Rural Financial Counselling Service and Farm Management Deposits Scheme. More information on the White Paper can be found on the Agriculture Competitiveness White Paper website. <sup>1</sup>

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<sup>1</sup> Department of Agriculture and Water Resources: History of drought policy and programs

## National Drought Summit 2018

On 26 October 2018 the Prime Minister convened a National Drought Summit which brought together states and territories Premiers and Chief Ministers as well as farm and agriculture industry leaders from across the country, charities and banking and financial services. Those attending acknowledged *that while Australia's agricultural sector is healthy and productive, drought is affecting large areas of the country.*

At the Summit, the Prime Minister announced several new initiatives, in addition to existing drought support measures, as part of the Government's ongoing drought response:

- establishment of a Future Drought Fund with an initial allocation of \$3.9 billion in 2019, in time growing to \$5 billion – to provide a sustainable source of funding for drought resilience works, preparedness and recovery.
  - Through the fund, the Government will drawdown \$100 million a year for projects, research and infrastructure to support long-term sustainability.
- Extension of the drought communities program, from 60 to 81 local governments and shires in drought-hit areas, giving each community \$1 million to stimulate their local economy – a total commitment of \$81.5 million.
- A further \$15.3 million in mental health initiatives, including \$11 million to expand services at the six existing primary health networks subject to drought and adding two new primary health networks which are part drought-affected.
  - This is on top of the additional funds announced for Headspace which included more than \$10 million focused on providing Headspace areas remotely in rural communities.
- \$30 million to selected charities to continue supporting farmers, farm workers and farm suppliers, facing drought induced hardship – to provide support to at least 10,000 households in drought affected regions, which are already being one run by organisations like the CWA and others.
  - This will be cash payments and vouchers to meet basic needs such as food, personal products and utility bills, with the support being spent in the town.
- \$50 million for on-farm emergency water infrastructure through the rebate scheme to provide financial help to primary producers in drought-affected regions – with assistance up to 25 per cent of costs associated with the purchase and installation of new on-farm water infrastructure needed to keep up water to livestock. Infrastructure might be in the form of piping, tanks, boors, troughs, pumps, fittings and desilting.
- An on-line farm hub, hosted by NFF – to provide farmers, communities and individuals with easy access to information and support and to enable better connectivity to Commonwealth and state level services. So as part of this package I am announcing, the online farm hub hosted by the NFF to provide a single trusted point of access to information and services.

At the conclusion of the Summit, the Prime Minister, Premiers and Chief Ministers committed to the following principles for drought reform:

1. 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.
2. Acknowledgement that drought is just one of a number of hardships that can adversely impact farmers.
3. Recognition of the important role of farmers as the nation's food producers.
4. Future farm family welfare assistance should require a level of mutual responsibility.

5. 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.
6. 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.
7. The role of farmers in natural resource management and their role in maintaining vibrant rural communities.
8. The importance of maintaining and supporting the natural resource base during drought and climate change.
9. Government policies and programs should support farming communities to prepare for drought and enhance their long term sustainability and resilience.

It was also agreed that it was critical that governments plan for the future, given that droughts are part of Australia's landscape.

**The COAG (Council of Australian Governments) meeting Communique** of 12 December 2018 stated: *Drought is a recurring part of Australia's landscape. Australia is a dry continent with a highly variable climate and experts predict we will spend more time in extreme drought. The coming summer will likely see a continuation of drought conditions, extending pressure on farming families, businesses and communities.*

*Our farmers are adopting increasingly sophisticated and effective strategies to deal with drought. They are not alone — all governments are working together to support farming families, businesses and communities to better prepare and plan for the future.*

*COAG agreed and signed a new National Drought Agreement, which sets out a joint approach to drought preparedness, response and recovery with a focus on accountability and transparency. It recognises the need to support farming businesses and farming communities to manage and prepare for climate change and variability. The new agreement delivers on a commitment made by leaders at the National Drought Summit and focusses measures across all jurisdictions on bolstering risk management practices and enhancing our long-term preparedness and resilience.*

#### **National Drought Agreement – December 2018**

The National Drought Agreement signed by COAG, was established, recognising that droughts are part of Australia's landscape and managing drought has become a feature of Australian agriculture. The agreement notes that Australian farming businesses and farming communities are adopting increasingly sophisticated and effective strategies to deal with drought and respond to climate change and variability.

The agreement builds on drought policy reform including moving away from Exceptional Circumstances arrangements and associated lines on maps to qualify for drought support. It prioritises objectives and outcomes that enhance long-term preparedness, sustainability, resilience and risk management for farming businesses and farming communities in Australia. It describes the way Commonwealth, state and territory governments will cooperate and collaborate on drought-related issues and outlines responsibilities when supporting farming businesses, farming families and farming communities.

The agreement provides a framework to enable consistency of drought policy and reform objectives and complementarity of drought preparedness, response and recovery programs. This agreement also complements other measures taken by jurisdictions to promote adaptation to climate change.

#### Current role of the Commonwealth

The Commonwealth is responsible for:

- a. funding and delivering a time-limited household support payment based on individual and farming family needs, including:
  - i. reciprocal obligations that encourage resilience; and
  - ii. case management to support reciprocal obligation requirements
- b. establishing and operating a Future Drought Fund, to enhance drought preparedness and resilience.
- c. providing continued access to incentives that support farming businesses' risk management, including taxation concessions, the Farm Management Deposit Scheme and concessional loans.
- d. improving and maintaining national, regional and local predictive and real time drought indicator information, drawing on the Bureau of Meteorology's (BOM) observation network and forecasting.

#### Current role of the states and territories

Each state or territory is responsible for:

- a. encouraging the delivery and uptake of capability-building programs to improve farming businesses' skills and decision making that are flexible and tailored to farming businesses' needs.
- b. ensuring animal welfare and land management issues are managed during drought.

#### Shared roles and responsibilities

The Commonwealth, states and territories are responsible for:

- a. developing, designing, implementing and funding drought preparedness, response and recovery programs that are consistent with this agreement, encourage robust risk management and seek to avoid market distortions.
- b. developing capability-building programs, tools and technologies to inform and improve farming businesses' decision-making and promote resilience.
- c. provision of rural financial counselling services.
- d. support to mitigate the effects of drought on the health and wellbeing of farming families and farming communities.
- e. sharing, coordinating, collaborating and communicating information on drought preparedness, response and recovery policies and programs being developed and implemented.
- f. ensuring information on assistance for drought preparedness, response and recovery is accessible and readily available.
- g. ensuring consistency of drought policy and reform objectives and complementarity of drought preparedness, response and recovery programs.
- h. contributing to the development of quality, publicly available data, including but not limited to:
  - i. weather, seasonal and climate forecasts;
  - ii. regional and local predictive real time drought indicator information;
  - iii. a consistent early warning system for drought; and
  - iv. an improved understanding of fodder crops and holdings across Australia.



