



**Response to Agricultural Competitiveness
Green Paper
By**

**The Board of
Rural Financial Counselling Service
NSW - Southern Region incorporated**

10 December 2014

This submission is made to the Australian Government as additional commentary on the green paper on the Competitiveness of the Agricultural Sector that will provide directions for enhancing the profitability of the sector and boosting agriculture's contribution to economic growth, trade, innovation, productivity and regional communities.



The Rural Financial Counselling Service, NSW – Southern Region Inc. is one of the fourteen regional rural financial counselling services primarily funded through the RFCS program of the Australian Government. Financial contribution is also made by the NSW Government.

The charter of The Rural Financial Counselling Service (RFCS) Program is currently to provide free support to primary producers, fishers and small rural businesses who are suffering financial hardship, and who have no alternative sources of impartial assistance, to manage the challenges of change and adjustment.

The Board of RFCS, NSW – SR welcomes this opportunity to make submission to the Agricultural Green Paper. This submission by the Board supports the Australian Government's key objective to achieve a better return at the farm gate to ensure a sustainable and competitive Australian agricultural sector.

The Agricultural Competitiveness Green Paper states that RFCS currently 'provides information and assistance to farmers in financial difficulty', then goes on to say stakeholders suggested expanding the role of Rural Financial Counselling , in the expanded model, 'the RFCS could act as a first point of contact and referral service for all agricultural businesses, including to promote learning and extension activities and provide links with mental support services. The function of the RFCS could include assistance for farmers to access external sources and referral services on ways to improve their personal wellbeing and business sustainability as well as direction on where to access extension services. The RFCS support line would provide links to existing support mechanisms from government and industry providers and could be used as a reference point for agricultural resources and research.'

The Board of RFCS, NSW-SR supports the statements of the Green Paper and would like to emphasize in this paper the value of the Service engaging proactively with farmers and rural small business to ensure optimal outcomes are obtained by counsellors for their clients.

In many instances clients request assistance from Rural Financial Counsellors (RFC's) when they are in dire financial positions. Unfortunately the options that are available to the client with the assistance of the RFC at this very late stage are limited and often terminal to the business. Often they will be directed toward making an orderly exit from the agricultural industries in a timeframe that ensures preservation of the clients and their families mental health. The timeframe will also make allowance for relocation, reskilling and work-procuring by the client in an unfamiliar environment. This situation is extremely disruptive to production on an individual farm basis and collectively on an industry basis.

We understand the vital role that RFCS plays in the support of clients who have reached this financially critical position and will no doubt be forced into exiting farming or rural business . We also understand the need for this role to be ongoing as it is a primary responsibility of the Service and part of the RFCS Charter, however the identification of options and assistance in working toward positive outcomes with clients who are at risk but certainly not terminal, will provide a major benefit to Australian Agriculture and considerable savings in social security costs when industry exits are avoided.

In using the term 'at risk businesses' we make reference to farming businesses that are maintaining viability, are however suffering from diminishing returns, but also have not reached the point of being eligible for assistance from an RFC under the 'suffering hardship' condition.

These businesses at risk are those that RFCS NSW - SR believe can be helped most rapidly and efficiently back to financial health and sustainability. They are then in a position to resume making a positive contribution to agricultural production, National GDP and as a consequence of their improving position, to agricultural competitiveness.

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Engaging 'at risk' clients is seen by Southern Region as a method of attaining the most positive result for the farmer, farming family and farm business with the least cost to government, society and the RFCS. Addressing a number of manageable farm business related problems by the client and the counsellor when the business remains sustainable significantly reduces production losses and the costs of remedial work. In these cases the outcome can be optimal with few resources being used by the client or the counsellor.

The greater the financial problem becomes, the greater the cost of a return to sustainability for the farming business will be. The proactive approach to assisting farmers and rural small business is then the most likely to achieve the best outcomes with the lowest use of resources.

The RFCS, NSW – Southern Region supports the expanded service model identified in the green paper.

On an ongoing basis the RFCS should continue to provide a number of services that can assist farmers and rural small business in need and at risk.

Many of the services provided are components of the planning process. Planning for an ongoing future in farming by clients is the ultimate goal of the RFC and the counsellor assists the client to work through a multi-step process to formulate a plan that will ensure the clients business is able to move toward the selected positive outcomes.

The planning process can involve counsellors in all or some of the following steps:

Helping to identify your financial position. Using historical data, financial accounts, tax returns and financial ratios, counsellors will determine the current financial position and consider the viability of the business with the client. Equity levels, profitability and year-on-year comparisons can be used to gain the required knowledge to work out the strengths and vulnerabilities of a business.

Cash-flow budgeting and forecasting. With a financial position determined the counsellor and client will forecast receipts and payments over the next years to determine the future viability of the business, whether or not the cash generated will support ongoing operations, replace machinery, service loans as well as support family living expenses.

Reviewing debt structure. Variations in the current to long-term debt mix may significantly reduce debt servicing costs and strengthen the business in future years. Clients are assisted to change their debt structure and maximise profitability. In other situations clients can be assisted to liquidate fixed assets or use available cash to reduce debt levels and the financial vulnerability of the business.

Farm and family decision making. Using the information from the work above the counsellor is able to assist farming families to devise options and make clear decisions. The outcomes that can be achieved by making these decisions can lead to better operating results and a stronger financial position for the farm.

Succession Planning. In an environment where the family farm owners are wishing to pass the farm asset onto the next generation and the business has the financial strength and stability to afford this transfer, counsellors are able to facilitate the succession planning process up to the stage where the legal documents binding the succession agreements are drawn up. This process is often lengthy and haphazard and as such a independent RFC, with no personal stake in the succession negotiations can ensure the process progresses in the right direction. Counsellors are also able to assist clients to work toward the succession objectives in the signed agreement.

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Counsellors work in representations to banks and banking negotiations.

Debt refinancing. In a position where borrowing costs have changed, RFC's can assist clients to access better interest rates and help with the calculation of costs associated with refinancing to evaluate cost benefit on any changes from facilities or banks.

Developing bank relationships. When a clients relationship with their banker has broken-down an RFC can often be the conduit that ensures effective communication between client and bank to continue and the business continue to be adequately funded. RFC's can assist in re-establishing banker client relationships by appropriate facilitation.

Farm debt mediation. Counsellors in NSW have been the primary source of assistance for clients involved in FDM (farm debt mediation). Banks enter into FDM when they wish to act against their client to enforce loan conditions, normally foreclosure. Farmers at this point will have few resources to help them get support during FDM and free RFC assistance is a strong stabilising feature, both psychologically and financially over the course of the FDM process. Counsellors assist clients to achieve FDM outcomes as determined at the mediation including sale of all or part of the farm, or re-financing under fixed timeframes.

Counsellors have sound knowledge of government assistance programs.

Accessing government assistance. Counsellors are fully aware of financial, climatic and environmental assistance programs provided by all levels of government. Counsellors assist clients with information regarding government assistance, preparation of applications for assistance and often have strong working relationships with government staff who manage these programs.

Referrals to other services.

Maintenance of a referral database for client needs. Counsellors are aware that their field of expertise and that their role limits the work they can perform. When a counsellor identifies that clients have other needs referrals to other service providers are made. These may be for personal or family counselling, legal advice, succession planning, agronomic advice or accounting advice to name just a few.

The listing above is indicative of the role played in Australian agriculture by an RFC. All of the facets of the role, with the exception of FDM, lend themselves to being included in an expanded service model where counsellors proactively support and assist clients to redirect their businesses toward viability, or in the limited cases where this isn't possible to exit with dignity.

An expanded service will have the scale to provide additional services to farmers and rural small business. These additional services could be considered in a new RFCS model :

Education and training. Specifically RFC's currently have the ability to up-skill clients in finance related matters. At a basic level this includes training in keeping cashbooks, reconciliations and understanding financial statements. At a more advanced level counsellors could facilitate training in capital budgeting, tax planning and understanding of different business structures. The scope in areas of training that will assist farmers is endless and could be considered on a needs basis in each RFCS area under their differing conditions.

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Agricultural extension facilitation. In the current political climate government has moved away from agricultural extension programs as part of their services to rural Australia. RFCS is ideally positioned in the rural environment to help disseminate current practices, procedures and technologies as well as the distribution of the new technologies and innovations that can increase on-farm productivity and maintain Australia's competitiveness in agriculture. Out-sourced seminars, training sessions and programs facilitated by RFCS (presented in the same style as the old NSW DPI Prograze Program) would be an asset to Australian agriculture and within the capabilities of the RFCS structure.

Agricultural research facilitation. Finding where applied research in agriculture is most needed is an area where RFCS can have a significant and positive input. Counsellors' experience in dealing with farmers in hardship direct them to the sectors of agricultural business that warrant improvement. Research is one area where the business problems that RFC's encounter can be addressed.

In an environment where money for research is becoming difficult to acquire, RFCS could facilitate the passage of funds from private, community and public sector donors to research facilities and projects at minimal cost. Ideally RFCS involvement would ensure that resources transferred to the researchers were maximised as an intermediary that is not required to build profit into this portion of the research project.

Dissemination of research findings is also a niche where RFCS can add value to agricultural competitiveness. The RFCS database lists a sector of the agricultural community that would benefit from applied research findings and this information could be selectively by appointment or electronically distributed to all of our clients.

Service to industry entrants. Young farmers often need practical assistance in the financial and operational facets of their business during their initial years in agriculture. RFCS is in an ideal position to provide mentorship and an effective referral database that will help industry entrants develop a holistic practical knowledge of farming. This service is not provided by other organisations and is a natural extension to the work that RFC's currently perform. It is a proactive step to ensure that young farmers do not get into serious difficulty due to gaps in their farming expertise.

Mental health services. Although RFC's continually refer clients to mental health services, the embedding of a mental health professional within the service would ensure immediate attention to clients that financial counsellors service who are suffering from psychological issues. Financial counsellors often find that clients 'front' to them with financial concerns as this is an easy admission for them. In many cases the client's primary issue is psychological and their mental condition which needs to be managed before their financial concerns can be addressed. A mental health professional embedded within the service would ensure prompt attention to the most pressing problems of the client leading to quicker and more effective outcome for our clients.

First point of contact and referral service for all agricultural business. RFCS can act as a referral base for all agricultural business. This is a proactive approach to providing service to all farmers so that they can all move forward efficiently and before production and financial problems can handicap their business. This concept can help to reduce farm losses by allowing RFC to have symptoms treated at the earliest possible time.

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A commercial component to the RFCS and fee for service. RFCS could provide services on a commercial basis and charge clients for work completed. Any service of this nature would be required to be segregated from the Australian governments RFCS program. Simple services such as bookkeeping, BAS preparation by qualified persons, up to farm consultancy by qualified professionals could be provided to clients on a fee for service basis. Serviced office space could be rented to agricultural businesses that require a professional environment in which to run their business. Obviously this would need to be authorised by RFCS funding bodies to proceed.

The Rural Financial Counselling Service currently provides counselling services to primary producers and rural small businesses suffering financial hardship with no alternative source of impartial support. The Board of RFCS, NSW – Southern Region support an expanded model of the Service where it acts as a referral service for all agricultural businesses, promote learning and extension, and provides appropriately qualified mental health services while continuing to support clients in financial hardship. The Board understands that reaching clients who are at risk will allow the service to achieve much better farming outcomes for individuals, industries, communities and the nation. Ensuring farmers have early intervention in regard to issues that may lead to business failure will maximize the benefit that the service provides to rural Australia and minimize the cost to those who fund the Service. A proactive approach to client service provision by RFCS will make a significant contribution to a more productive and competitive agricultural sector and is recommended for future service provision by the Board of RFCS, NSW – Southern Region.

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