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I write this submission in response to the "Drought" section outlined in the Agricultural Competitiveness Green Paper.

Recent studies have determined that the annual value of output for the Agricultural sector was twice as volatile as the next most volatile sectors, finance and insurance. I believe that this volatility will continue and rural Australia will also see a prolongation of extreme weather patterns that are having such a direct effect on farm production results.

I live on a 3,000ha farming property situated 15kms north of Coonamble. I am the fourth generation of the Taylor family to farm this property. I am also a member of the Coonamble Economic Development Committee, a sub-committee of Shire. My property is all dry land cropping and has been for the past 11 years. We grow cereal and pulse crops in rotation. We have seen two major droughts in those 11 years; the 2002-2007 El Nino and the present drought. Currently we are experiencing our second year of low rainfall and therefore low production, being drought declared in Nov 2013. The outlook for 2015 is not positive for farming with the Bureau of Meteorology suggesting a late El Nino forming this summer.

My goal with my business has been to try and flat line the effect of weather volatility and in 2013 I was introduced to a Multi-Peril Insurance product. Latevo International (mentioned in the Green Paper) provided a product that took the volatility out of our business. It provided me with the security to continue our operation with the knowledge that if production was not what was expected, we would have these cost covered and we could plant again the following year.

After providing five years of financial data an Audit was completed by Latevo at the cost of \$5,000 and they then offered me Multi-Peril Insurance cover for the 2014 season. This insurance covered my cost of production for the 2014 growing season. This commitment was made in April 2014 and we sowed crops in May/June 2014.

The MPI was a hugely beneficial tool in my decision-making. Knowing I had my production cost covered gave me the security to plant in the correct sowing windows and therefore I was able to maximise the potential of the crops.

We did not receive anything close to average rainfall during the growing season and at harvest we did not recover our costs. The Latevo policy covered our shortfall and we are now in a secure position and very able to make sensible decisions regarding the 2015 growing season. MPI will now become a standard tool in our operation and at a cost of approximately \$20/ha one we are more than happy to embrace.

The farmers I have talked to in NSW do not want Government handouts, they want to be able to manage their own risks and rewards. Governments have in the past offered handouts in times of drought to no real, long-term sustainability for the farmer and our national farm debt is now much too high. Interest rate subsidies, although helping the farmer in the short term, really only assisted the banks and short-term low interest loans will not entice farmers to leave the secure relationship they have with their banks. Farmers do not want to have the Government as the lender of last resort.

My feeling is that the Government should be providing financial incentives that will motivate farmers to investigate options, including the MPI. Stamp duty could be removed on these products or at least standardised over all states. Tax advantages could also be offered to those who cover their own risks. The Government could investigate the potential for farmers to take up 'No Plant' insurance that would apply when the season is so bad that the best decision is to minimise production costs by not planting. Too many farmers are under financial pressure and are making risky decisions where a 'No Plant' policy could lead to better decision-making giving the farmer leeway until conditions improve.

Accountants, major agricultural firms and banks could be the leaders in promoting MPI, insisting that cover be taken before future lending is granted. I found my bank to be very supportive in encouraging me to take on this new product; they saw it as a useful innovation for us as farmers, as well as good security for them.

The Mental Health of farmers is becoming an increasingly worrying issue with suicide statistics on the rise. The pressure of the bad season is enormous and many farmers make decisions based on hope rather than realisation, increasing this stress and increasing financial pressures. Having security to cover peril events will be of great assistance to those who have relied on chance for too long.

Weather Derivatives were also mentioned in the Green Paper. 'Celsius Pro' currently offers this product and again farmers need a nudge to investigate the security these can offer. A weather certificate can cover short-term weather events that have the possibility to effect production e.g. an overly wet period that may effect harvest or an extended dry period that may effect seed formation and yield. Once again Governments could step in and offer incentives that would motivate farmers to take up these products and therefore manage their own risk.

I believe the opportunity has now opened for agriculture to seize the MPI initiative as a critical drought survival and production enhancement tool however this will only happen with the encouragement and proactive support from Government. The time is right to instigate a change in farmers' perspectives; let's make it happen.