

**SUBMISSION TO THE
AGRICULTURAL COMPETITIVENESS
WHITE PAPER**

RURAL BUSINESS SUPPORT

SOUTH AUSTRALIA

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Introduction

The board of RBS welcomes the opportunity to have input into the agricultural competitiveness White Paper. This submission has endorsed a number of recommendations that reflect enhanced support to regional communities and enhanced decision making to increase farm-gate returns and focusses on the following:

1. **Enhancing and facilitating the contribution of agriculture to regional communities, and.**
2. **Enhancing decision making by farmers to increase farm-gate returns.**

Rural Business Support (RBS) is a not-for-profit organization based in South Australia (SA), formed in 2006 as part of the National Rural Financial Counselling (RFCS) network. It continues to provide a rural financial counselling service in both South Australia and the Northern Territory and is funded by the Australian and South Australian governments. From time to time it receives extra funding to provide additional services outside of the rural financial counselling service.

For some time now the RBS board has seen an ever increasing cohort of farmers who require assistance, but do not qualify for the free rural financial counselling service. To this end, in 2012 the scope of services delivered by RBS was broadened to encompass an additional stream known as "Rural Sustainable Business" to form strategic partnerships and undertake additional projects for Rural Financial Counselling (RFC) clients and those considered 'at risk', supported by funding from both the South Australian and Australian governments.

RBS believes that this approach should be supported to enable the national rural financial counselling network to broaden their core service delivery to a similar model.

The RBS board also supports a permanent rural financial counselling service for the Northern Territory.

Recommendations

In forming this submission the RBS board submits the following recommendations:

1. **that the Australian government continues to support and fund the rural financial counselling service program to continue to deliver its core role.**
2. **that a permanent rural financial counsellor be appointed for the Northern Territory**
3. **that an allied health care worker be appointed to all rural financial counselling services**
4. **the Australian Government commits to the rural financial counselling service providing a broader delivery of services to encapsulate the "at risk" cohort of farmers and those affected by major events such as flood, fire, drought**
5. **that the Australian Government establishes a working group to consider future resourcing of rural financial counselling services, i.e. investigate the number of services to ensure a more efficient governance and consistent service delivery**

Rural Business Support (RBS)

RBS incorporates the Rural Financial Counselling Service SA (RFCSSA) and the Rural Sustainable Business (RSB) arm.

The strategic focus of RBS is:

- to maintain a flexible approach; RBS provides assistance to primary producers, including fishermen, market gardeners and small rural businesses, to build capabilities to assist in the management of risks through change and adjustment;
- that the service is free, independent and confidential and delivered through a network of 11 professionally trained staff based throughout the State;
- that the Rural Sustainable Business arm of RBS collaborates with government and industry to deliver projects that support a strong and resilient primary industries sector;
- that projects are developed on an as-needs basis and are dependent on external funding support from state and federal governments, other agencies and industry;
- that RBS works closely with all of its clients to plan for the future, to be better prepared for climate variability and manage through periods of economic difficulties;
- that our priorities remain to continue providing a rapid response service to those in immediate need and assisting them by using our business planning tools to maximum effect and expanding our service to support primary producers at risk.

Rural Financial Counselling

The Rural Financial Counselling Service (RFCS) was established across Australia in 1986. Its Services and personnel have a valuable and unique skill set that facilitates a process for structural adjustment through rural and regional Australia. There are 14 Services across regional Australia. It is an independent, free and confidential service that is trusted and valued by all of its stakeholders and one which has the ability to access and support difficult to reach client groups. It is flexible and can be mobilized quickly.

Rural Financial Counselling Services have a long history of providing specialist financial counselling services to local farming enterprises and communities, assisting primary producers, fishermen and farmer-dependent rural businesses to identify ways to become self-reliant and better equipped to manage change and adjustment.

The primary objectives of the Rural Financial Counselling Services are:

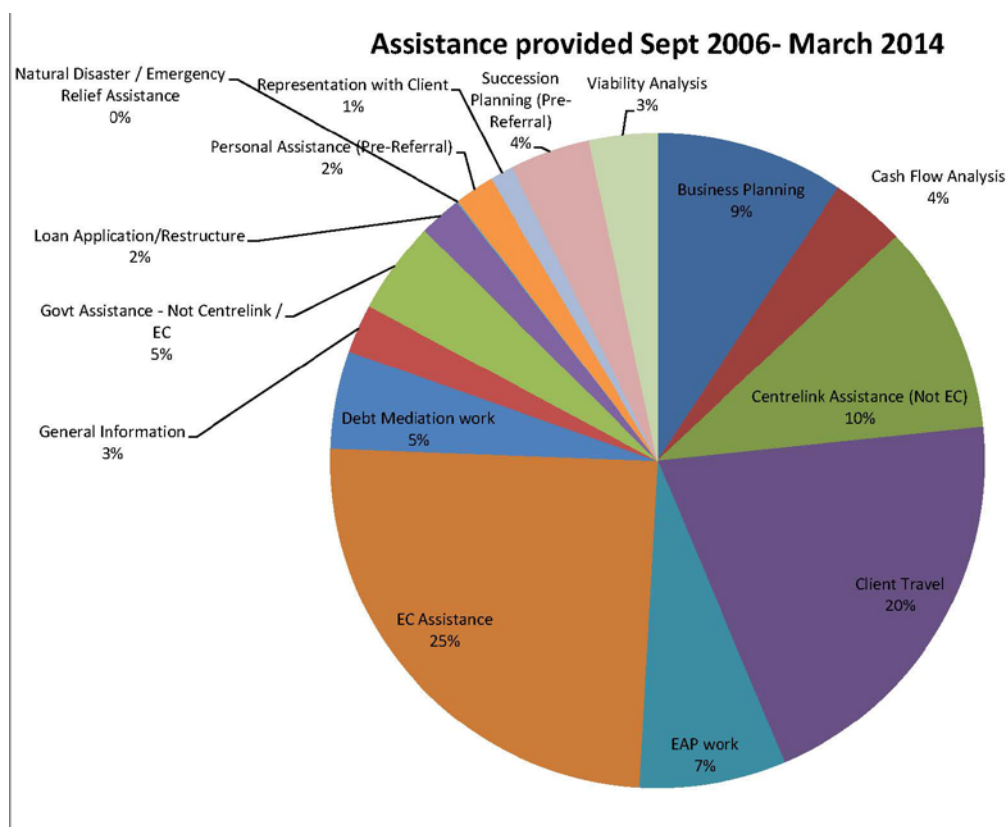
- to provide a free, confidential service to assist primary producers, small rural businesses and fishing enterprises in rural areas, who are experiencing financial hardship;
- to assist identified enterprises and industry issues where change and adjustment are required;
- to contribute to the goal of a more competitive, sustainable and profitable rural Australia;

- ensure primary producers, fishers and small rural businesses have access to financial information, options, decision support and referral services;
- allow primary producers, fishers and small rural businesses to consider information and operations to implement decisions to effectively manage change and adjustment;
- encourage early contact and access to RFCS information services to promote awareness of the benefits of early intervention in accessing available services, and;
- provide a needs-based financial information and referral service that is free, effective, responsive and flexible.

Since 2006, the RFCS network has continued to strengthen its capability and develop its valuable and unique skill set, particularly in the areas of service delivery, leadership, management and governance. The introduction in 2009 of the case management system has continued to allow for best practice service delivery. Staff continue to be trained to a very high level and in many instances individuals have continued to acquire formal qualifications in a range of areas.

Rural financial counsellors are not trained to provide health care services (particularly mental health) and therefore use a network of referrals to cover this area. Health issues remain a major concern in regional areas, particularly in areas such as the South Australian Riverland and currently the north eastern pastoral country. The health care network, particularly in remote South Australian areas, is extremely deficient. This creates a significant problem for our service in that often the two issues cannot be separated and rural financial counsellors are unable to work with a client to assist them to make decisions about their future and the future of their business. It has become increasingly more apparent that RBS would be able to operate far more affectively if it had a health care worker as a member of staff and who could work as a team with the rural financial counsellors.

Type of Service Delivered by RFCSA



Drought Preparedness

As part of the new approach of drought preparedness and to meet the requirements of the Australian Government's Drought Reform, the RBS board invested in an analysis tool called "Plan 2 Profit" (P2P). This software package is a unique farm business planning program which provides clients with a clear picture of their business enterprise over a projected five year timeframe. It allows rural financial counsellors to graphically present a range of options to their clients outlining their current financial position and more importantly, to analyse the 'what-if' strategies that underpin sound farm business planning.

Case Study - "Changing the enterprise mix"

A case study demonstrating how the P2P tool has been used to assist clients.

Hugh & Amy Patterson and previous generations of the Patterson family have farmed their Fleurieu Peninsula family property for many years. Over that period, in addition to purchasing neighboring properties, the core industry of the business has moved from dairy cattle with milk production to beef production and a domestic hay operation. Hugh and Amy also work off farm to supplement their income. The farm business also provides for Hugh's elderly parents.

Being aware of the decline in the farm profits and Hugh's declining time working on the property, they decided to meet with a Rural Financial Counsellor who would analyse their business using the P2P software tool used by all rural financial counsellors in South Australia. This tool was used to assess the farm's financials and consider options for the future by studying not only their current situation, but by looking at a number of scenarios that could be applied to their business over the next five years.

The P2P analysis showed hay production was generating the highest gross margins, but at the cost of more labour input and higher risk. That analysis was compared with the 'status quo' in P2P's scenario planner which showed that with a shift to more intensive cattle operations, there would be lower overall returns, but a reduction of the labour input from Hugh, which freed him up to earn more income off-farm. Other scenarios keyed into the P2P analysis included selling unproductive land to reduce debt levels and future finance costs.

The assessment showed the current farm operations were not going to meet their long term goals, but more importantly, it provided the Pattersons with the financial information necessary to make decisions about their future.

Rural Financial Counselling In the Northern Territory

In July 2011, following the ban on the export of live cattle to Indonesia, the Australian government funded RBS to provide a rural financial counsellor in the Northern Territory to provide business support and rural financial counselling assistance to businesses impacted by the temporary suspension of the live cattle trade to Indonesia.

During the period from June 2011 to March 2014, RBS had contact with 164 cattle producers and associated contractors. It is estimated that RBS either visited or spoke on the telephone to 84% of cattle producers in the Top End.

The effects of the ban on the live export cattle industry are still being felt today, with many expressing concern for the long term viability of the industry. Of concern are declining land values, the Indonesian Government's desire to become "self-sufficient" and the reputational damage to the industry in both Australia and overseas as a reliable supplier of cattle.

RBS continues to work with the NT government and is particularly keen to assist indigenous pastoralists to improve their business skills and to better prepare for change. To do this however would require a permanent rural financial counselling service to the Northern Territory.

Recommendations

- that the Australian government continues to support and fund the rural financial counselling service program to continue to deliver its core role.
- that a permanent rural financial counsellor be appointed for the Northern Territory
- that an allied health care worker be appointed to all rural financial counselling services

Rural Business Support – Rural Sustainable Business

The sustainable business program within RBS has expanded beyond simply providing a RFCS service to deliver projects and programs that support the development of competitive profitable and sustainable primary industry businesses to include:

- training, education and mentoring
- strategic financial business management
- developing leadership skills and capacity
- providing business support and project management services
- identifying and creating opportunities, partnerships and new business models.

Recommendations

- the Australian Government commits to the rural financial counselling service providing a broader delivery of services to encapsulate the "at risk" cohort of farmers and those affected by major events such as flood, fire, drought

Future – An Expanded Rural Financial Counselling Service

Earlier support for service and adjustment

There is considerable anecdotal evidence that there is a growing cohort of farmers and small business owners who are now 'at risk' (up to 60%). This cohort is generally not the target of government and industry support and generally does not source advice from industry specialists, nor do they qualify for the free rural financial counselling service.

The top 20% have and will continue to attract government and industry support as this is the group that takes up R&D, innovation and education to achieve higher levels of productivity gains. The next 20% are generally also in a position to, and have, the capacity and drive to seek, take up and afford (pay for) advice, technology, R&D and agricultural services.

RBS was initiated by the board in 2011 to assist the 'at risk' cohort of farmers who currently do not qualify for RFCS services.

To enable it to compete in a changing environment and with many market challenges, there will be a growing demand to support farmers to restructure their businesses either through expansion and diversification or in some cases, adjustment out of agriculture altogether.

With ever-increasing risks of drought, farmers are looking to acquire new skills to ensure that they manage their businesses effectively and particularly that they manage risk (production, market, financial, human, etc).

Evidence of a changing climate continues to predict that there will be more major events such as drought, fires, flood, etc. Immediate management of these events will be critical to the long term survival of farming businesses.

As a well-established national network, rural financial counsellors are well positioned and have the capability and capacity to respond immediately and efficiently to support farmers whose businesses have been affected. Importantly they have well established connections in their local areas and with governments. However their current Deed of Grant does not permit the provision of services other than to those clients who qualify for the free Rural Financial Counselling service.

RFCS services are very well respected and recognized as a professional, mobile network that has the adaptability to respond to major issues immediately. They work at the coal face of farming communities and with businesses either already in crisis or at risk of financial difficulties without intervention and therefore have the capacity and capability to provide increased services.

While RBS, through its sustainable business arm, has already expanded its service delivery, the national RFCS network believes this model for a broader provision of service to primary producers should be adopted and supported by the Australian Government as a nationally expanded multi-faceted delivery to increase capacity in regional Australia.

The proposed holistic approach to service provision identifies a number of areas in which this expanded service would support, including:

- farm business and economic restructure
- social and personal support
- natural disaster recovery support
- training support
- rural and regional resilience and capability building
- assisting governments to effectively deliver policies and programs in rural and regional Australia

Key areas to consider in a broader service base include:

- adjusting less productive land into highly productive land
- adjusting unprofitable / marginal enterprises into profitable enterprises
- adjusting productive but unprofitable businesses into productive and profitable businesses
- adjusting unviable farm businesses out of the industry to allow for the establishment of new or the expansion of existing profitable businesses
- assisting people to adjust to changing circumstances to become more self-sustaining and explore opportunities to maximise profitability.
- Assisting agribusiness supply chain businesses to positively adjust changing business conditions to become more sustainable.

This model embraces the value of the existing core business of the RFCS network as well as supporting a revitalized and expanded model of service delivery to further contribute to the resilience and growth of Australia's food and fibre industries (including rural and regional supply chain business) and rural and regional communities that sustain these industries

Recommendations

- that the Australian Government establishes a working group to consider future resourcing of rural financial counselling services, i.e. investigate the number of services to ensure a more efficient governance and consistent service delivery.