

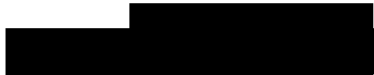
**SUBMISSION TO THE  
AGRICULTURAL COMPETITIVENESS  
WHITE PAPER**

**National RURAL FINANCIAL COUNSELLING SERVICES Network**

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## **Introduction**

The Rural Financial Counselling Services (RFCS) currently provide a critical role in agricultural structural adjustment throughout Australia, primarily assisting farmers to work with the changing fortunes and financial aspects of their businesses. In this submission to the Agriculture White Paper we are affirming RFCSs as a significant support service to agriculture, farming and farming families and that RFCSs have an important role supporting and enabling agricultural productivity and farming into the future.

There are 14 RFCSs across regional Australia, who provide consistent but diverse services to meet the needs and specific challenges of the rural communities in their region.

Each of the RFCSs in each state and territory are regarded as a most significant and trustworthy source of unbiased information and support to farming enterprises in financial difficulty across Australia. They provide an independent, free and confidential service that is valued by all of its stakeholders, and they continue to engage and support remote, rural and difficult to reach farms and farming families.

As well as being recognised as a service system with a strong, established interface with individual farming enterprises and farming families, the RFCS network has been readily available and responsive in providing emergency support and connectivity with farming families in times of crisis.

The service has a reputation for helping farm businesses to develop realistic options about short, medium and long-term farm viability scenarios, assisting businesses to make adjustments toward commercial viability or support the farming family to exit the industry in a planned and dignified manner.

The primary objectives of the RFCSs 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;
- To ensure primary producers, fishers and small rural businesses have access to financial information, options, decision support and referral services;
- To provide services that are adaptable, flexible and can be mobilised to assist in times of urgent or special circumstances.

## **PART 1:**

### **RFCSS and the Agricultural Competitiveness Issues.**

The RFCSSs currently operate in the early stages the agriculture production chain, working directly with farming families and farm enterprises that are either struggling to survive financially as a business enterprise (can often be the consequences of circumstances beyond their control), stagnant in terms of making adjustment and change to improve production, or simply struggling with adaptation to modern farming.

In Part 1 of our submission we are identifying where the RFCSSs contribute to each of the nine Issues raised in support of the Agriculture White Paper.

#### **Issue 1: Ensuring food security in Australia and globally**

In supporting improvement and expansion of agricultural production, RFCSSs assist and challenge farmers to adjust, professionalise and increase knowledge in pursuit of improved production practices and increasing both volume and profit.

- RFCSSs work with farmers to develop options and provide support for continuous improvement of the farm enterprise through planning and consolidating.
- RFCSSs bring alternative views to important conversations on the links between the farm enterprise and international trade markets, trade trends and the relationships between local produce and trade opportunities.
- While aspiring to meet volumes and quality demands through early planning, RFCSSs assist in farmers managing change and adjustment through assisted learning and businesslike approaches to farming.

#### **Issue 2: Farmer decisions for improving farm gate returns**

- RFCSSs facilitate information sharing to assist farmers to increase knowledge and skills.
- Through case management and planning, RFCSSs are able to highlight the risks being managed by the farmer, working with them to understand, identify and mitigate risks for their business and their production.
- In business management and applying business structures RFCSSs are able to assist the more vulnerable farm enterprises to become more business-like and professionalise their management of their farm enterprises. More specifically, RFCSSs provide clarity and options to establish financial awareness and accounting practices to include cash flows, profit and loss, and balance sheets.

- RFCSS can identify succession planning issues with the farmer and assist with clarification on the options available and make referrals to appropriate sources who support structuring for succession planning.
- RFCSSs have a role in encouraging awareness and active membership with peak industry bodies, understanding marketing issues and connecting them to the 'bigger picture' as opposed to being an isolated producer.
- RFCSSs focus on planning and working with the farmer to mitigate impacts and risks that come with natural disasters, droughts, floods and fire. RFCSSs are also on the front line in terms of local support to farmers during and after damaging events.
- RFCSSs sponsor collective learning and developing knowledge through local forums focused on local issues.

### **Issue 3: Enhancing access to finance**

- Within the business structures of the farm enterprise, RFCSSs work with the farmer to formalise and assess debt issues, working toward formal or informal debt mediation (Farm Debt Mediation), and establishing strong working relationships with financial institutions and banks with the farmer.
- RFCSSs have a direct role in providing practical assistance to farmers applying for government sponsored low interest loans (Farm Finance package) and negotiating re-financing opportunities on behalf of the farmer.

### **Issue 4: Increasing the competitiveness of the agriculture sector and its value chains.**

- RFCSSs contribute to the competitiveness of agriculture sector by working with farm families to prepare for structural adjustment, future business planning and succession planning.
- In conjunction with other professional service providers, RFCSSs support families to implement adjustment decisions.
- RFCSSs involvement ensures encouragement and support to farm enterprises making significant changes and adjustments in managing the farm. In turn, this allows people to exit and enter the industry in a positive and planned fashion. Through this process young skilled farmers and agribusiness entrepreneurs often get the opportunity to enter the industry where they take up technology, innovate and value add to production.

### **Issue 5: Enhancing agriculture's contribution to regional communities**

- RFCSSs throughout Australia are managed by people who are strongly connected to rural and regional communities and the services are imbedded within the fabric of the communities in which they work, providing valuable connections between farmers and regional communities.

- RFCSS support primary producers to manage financial commitments and address financial sustainability issues which have a direct impact on the viability and sustainability rural and regional communities. More productive and financially viable agricultural businesses provide raw materials to regional food manufacturing businesses and create demand for the supply of goods and services. Resulting in direct and indirect employment via business activity multiplier affects and flow on benefits to community wellbeing and social cohesion through financial contributions, participation and community volunteerism and leadership.
- RFCSSs have a key role in assisting farmers to mitigate the financial and social impacts of unsecured indebtedness that occurs within regional communities. RFCSSs help farmers manage repayments and assist farmers to develop payment plans and agreements. Unmanaged indebtedness can directly affect family health and wellbeing, causing social isolation and underpin community social breakdown.

### **Issue 6: Improving the competitiveness of inputs to the supply chain**

- RFCSSs currently provide financial counselling services to small rural businesses that supply farm businesses. The viability and availability of these supply chain businesses are critical components within the agricultural productivity supply chain.
- Without these small supply chain businesses supporting primary producers there would be a decline in competition and readily available inputs and services to the farmers which impacts viability and productivity.
- Through supporting rural farming enterprises, RFCSSs are well placed to support
  - small town businesses
  - rural connectivity
  - social capital within communities, and
  - the viability of small towns.

### **Issue 7: Reducing ineffective regulations**

If Australian agriculture is to remain competitive, it is imperative that an environment of innovation is to the forefront. There has to be a balance between regulation and the cost of regulation to businesses.

The issue of being able to produce food safely in Australia will always be non-negotiable, and the regulatory framework must continue to deliver effective food safety outcomes. It can be seen that ineffective regulatory processes impose costs on businesses and, ultimately, on the consumers. RFCSSs are engaged across all agriculture sectors and are well placed to understand regulatory requirements and how they may be impacting on a primary producing enterprise as further costs to production.

It has been reported previously by the 2006 Agriculture and Food Policy Reference Group Report, that the Australian food industry is highly regulated in terms of safety standards. These standards relate to the health of consumers and underpin Australia's reputation in international markets. Reforms have not achieved their intentions and previous submissions received by the Food Policy Reference Group argued that product innovation is being stifled by regulatory processes.

To enable the Australian food sector to reach its full potential, reviews of ineffective regulations need to be prioritised to

- ensure standards continue to be met,
- that the industry is not unnecessarily burdened by regulation, and
- the task it brings to the farm gate provides benefit to farm gate profitability and productivity.

Rural Financial Counsellors cannot change the regulative environment, and there is agreement that a simplification to the actual extent and processes would be beneficial. However, the role of the RFCs is to provide farmers with accurate and appropriate information as to what is required by the various authorities to then allow the farmer to make the best decisions and work within the legislation and regulations.

### **Issue 8: Enhancing agricultural exports**

Australia's export profile is far more rural based than those of most developed countries. The sector's performance is affected by world commodity prices and exchange rates, as well as by trade barriers (such as tariffs and quotas), domestic support programs (such as production and export subsidies), and technical and regulatory barriers (such as product labelling and certification standards) in major exporting and importing countries. On top of the previously identified issues agriculture has to contend with severe extremes within climate that has at times devastating effects upon both cropping and grazing activities across Australia, and thereafter curtailing the ability for exports to actually occur.

To secure a framework within agriculture that encourages the development of an internationally competitive food sector it has been clearly identified that the following actions should occur:

- impediments to the regulatory policy framework resulting from overlaps between various legislation and resultant obligations need to be identified and remedied
- the escalation of establishing further Free Trade Agreements with our key stakeholder countries needs to occur immediately
- food standards regulation should be implemented uniformly and enforced consistently across all levels of government
- food regulation governance arrangements must be revised urgently, to meet national agriculture policy objectives more effectively

The future sustainability of the agriculture and food sector as well as its contribution to Australia's economic growth and sector employment will be determined largely by conditions in overseas markets and by the sector's ability to be competitive in export and domestic markets.

Rural Financial Counsellors can be effective support mechanisms to enhance agricultural exports by being able to provide farmers with accurate and appropriate information to support any possible decision by the farmer to enter into direct export activity or to enhance their capability and success in the domestic market.

## **Issue 9: Assessing the effectiveness of incentives for investment and job creation**

In 2006 a Report by Peter Cornish highlighted that investment in Australian agriculture on a domestic level was estimated at \$1 billion, being invested in primary industry research and development (R&D) each year by governments, higher education institutions, R&D corporations and the private sector. Additional (but unquantifiable) amounts of research contributing to better business performance is undertaken by input suppliers and farmers themselves. At that time government set the institutional framework and the system of intellectual property rights that encourage private research.

Berry Martin from Rabobank International spoke at this year's ABARES (2014). He quoted categorically that there was little interest by institutions such as Australian superannuation funds in investing in Australian agriculture; however Canadian super funds were heavily investing in the Australian sector. Why are we not investing in ourselves – in our own agricultural industry?

The issue of job creation for many agricultural businesses is directly related to the pay rates and becomes a big issue in retaining staff in a business sense. On the flip side agricultural workers often receive other benefits, including free or subsidised accommodation, meals, phones, fuel and vehicles, that at times are not promoted as direct and tax free benefits to any potential employee.

In order to be more competitive in the labour market, there is also scope for improving the employment practices of some farm businesses and rural industries. Workers in agriculture work longer hours (average 50) than those in other sectors (average 42) and this does need to be recognised by employers.

Improvement is needed in several areas:

- better communication between farmers and their staff
- appropriate remuneration
- building career paths
- succession planning
- valuing employees as an integral part of the team
- recognising and managing the impacts of isolation

RFCSs address each of these issues through comprehensive case management and business planning support to the farmer.

### **Summary**

RFCSs continue to play important roles in linking farmers, farming families and their farming enterprises to the 'business world' in which their agricultural production takes place – and very much at the local level and 'behind the farm gate'.

For each of the Issues presented, RFCSs have provided responses associated with the services we currently provide, and potentially contribute to solutions for agriculture into the future.

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## PART 2

### Rural Financial Counsellors survey: April 2014

With over 120 Rural Financial Counsellors having direct links to many farming enterprises at the local level, the National RFCS network has taken the opportunity to survey the rural financial counsellors asking their view on the following six questions:

1. What worries farmers most?
2. What do you think worries farmers most?
3. What do farmers say they need most?
4. What do you think farmers need most?
5. What do farmers believe are the key issues for the future of agriculture?
6. What do you believe are the key issues for the future of agriculture?

There was an excellent response to the survey - 97 responses.

We have summarised the top five most frequent responses to each of the six question and submit them to the White Paper process representing views from Rural Financial Counsellors and their affirmations from the 'kitchen table conversations' with the farming sectors.

➤ **1. What worries farmers most?**

○ Low commodity prices	60/97	62%
○ Climate and weather issues	55/97	57%
○ high/rising costs of production	36/97	37%
○ managing high debt levels	35/97	36%
○ banks – pressures	19/97	19%

#### Quotes

*"Banks having too much power or influence."*

*"Mental health issues – some farmers having their wife and children moving to Perth for schooling, left on the farm by themselves."*

*"Being stuck with being a price taker."*

*"Feeling trapped in an industry with major issues."*

*"An unfair playing field."*



➤ **2. What do YOU think worries farmers most?**

○ Self-worth and providing for their family	40/97	41%
○ Managing high debt levels	25/97	26%
○ Weather/climate	20/97	21%
○ Commodity Prices	17/97	18%
○ Succession / retirement	15/97	16%

*Quotes*

*"Their terms of trade are eroding."*

*"They are people first and foremost, wrapped up inside their farm business."*

*"... an ever increasing risk being borne by the farmer if / when things go wrong."*

*"loss of face, reputation, to be seen as a failure."*

*"How to feed and educate their family when there is no money coming in."*

➤ **3. What do farmers say they need most?**

○ Better / fairer prices	44/97	45%
○ Government support	25/97	26%
○ Low-interest loans	22/97	23%
○ Better seasons	21/97	22%
○ Better understanding from banks – lenders	15/97	16%

*Quotes*

*" Time and assistance and weather patterns that suit their enterprise."*

*"more understanding and flexibility from their banks."*

*"Farmers are typically say they do not want a handout – but a hand up."*

*"Feed for their animals before they die."*

➤ **4. What do YOU think farmers need most?**

○ A more businesslike approach to farming.	33/97	34%
○ Skills education and training	20/97	21%
○ stronger (non-financial) support from govt.	19/97	20%
○ greater financial literacy	18/97	19%
○ greater support from banks	12/97	13%

Quotes

*"Farmers need to be willing to change."*

*"More understanding from the general public of how tough it can be running a farm."*

*"Yes, a lot of genuine farmers are there that need a little support....."*

*"Certainty from their bankers."*

*"Hope!"*

➤ **5. What do farmers believe are the key issues for the future of agriculture?**

○ Certainty with prices	30/97	31%
○ Reducing rising costs	27/97	28%
○ Supporting new and young farmers	18/97	19%
○ Ensuring a more even playing field	15/97	16%
○ Managing debt	9/97	10%

Quotes

*"Challenges of education for children in and from rural communities."*

*"The ability for young farmers to afford to get into Ag: The ability for older generations to afford to get out."*

*"The power of big business and its ability to dictate prices."*

*"They have to pay us more, we can't always continue to absorb costs."*

*"To feel backed and supported by our government."*

➤ **6. What do YOU believe are the key issues for the future of agriculture?**

○ Encouraging young people into farming	23/97	24%
○ Commitment of government	19/97	20%
○ Managing financial pressure	18/97	19%
○ Businesslike approaches to farming	14/97	15%
○ Fair Commodity Prices	8/97	9%

*Quotes*

*"The 'family farm' is the fabric of most country town(s)."*

*"Viability - without viability, younger generation will not be attracted to farming."*

*"Farming has to move from a lifestyle to business."*

*"The world is shrinking so we have to think BIG."*

Thankyou to the participating Rural Financial Counsellors.

This Paper has been endorsed by the following Rural Financial Counselling Services:

- ❖ Rural Financial Counselling Service Victoria – Murray Mallee
- ❖ Rural Financial Counselling Service Victoria – Gippsland
- ❖ Rural Financial Counselling Service Victoria – North Central
- ❖ Rural Financial Counselling Service Victoria – Wimmera South West
- ❖ Rural Financial Counselling Service Victoria – Goulburn Murray Hume
- ❖ Rural Financial Counselling Service Tasmania
- ❖ Rural Financial Counselling Service NSW – Central West
- ❖ Rural Financial Counselling Service NSW – Bourke
- ❖ Rural Financial Counselling Service NSW – North
- ❖ Rural Financial Counselling Service NSW - South
- ❖ Rural Financial Counselling Service Qld – Central southern Region
- ❖ Rural Financial Counselling Service Qld – South West
- ❖ Rural Financial Counselling Service South Australia

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