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**Sunraysia Rural Counselling Service
Incorporated - Committee of Management
Response to Agricultural Competitiveness White
Paper**

This submission is made to the Australian Government for the development of a White 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.

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Background

Sunraysia Rural Counselling Service (SRCS), trades as Rural Financial Counselling Service Victoria – Murray Mallee (RFCSV-MM) and Small Business Advisory Service – Murray Mallee (SBAS-MM).

Our Vision is – to be the leader in the provision of information and support services to *build resilient rural communities*.

Our Philosophy is – to provide a community driven responsive service which is innovative, flexible and accessible to those in need.

SRCS was established in response to the increasing financial and social difficulties experienced as a consequence of downturns in primary industries in 1984 (in operation for 30 years) and to address the projected long term effects of the downturn.

The service has 14 staff members who operate from two offices located in

- Mildura, where 11 staff are based
- Swan Hill, where 2 staff are based
- with a mobile service working out of Woomelang, where 1 staff member is based

and nine voluntary Committee members from across the region.

Our services are available to farmers, small business and those living in rural communities along the Murray River and in the Murray Mallee local government areas of

- Mildura Rural City Council – townships of Mildura, Merbein, Cullulleraine, Werrimull, Irymple, Red Cliffs, Ouyen, Underbool, Walpeup and Murrayville
- Swan Hill City Council – townships of Swan Hill, Lake Boga, Ultima, Nyah West, Manangatang, Boundary Bend and Robinvale
- Shire of Buloke – Charlton, Wycheproof, Donald, Watchem, Birchip, Culgoa, Berriwillock, Sea Lake and Nandaly
- Gannawarra Shire Council – Kerang, Koondrook, Murrabit, Cohuna, Mystic Park, Lake Charm, Quambatook, Leitchville
- and the northern parts of the Shires of Hindmarsh and Yarriambiack – townships of Rainbow, Jeparit, Netherby, Patchewollock, Hopetoun and Beulah;
- and south western Shires of NSW Wentworth, Balranald and Wakool – townships of Wentworth, Dareton Pooncarie, Gol Gol, Buronga, Euston, Balranald, Kyalite, Tooleybuc and Koraleigh

Our region covers an area of approximately 55,000 square kilometres and services a population of some 108,000 in the North West corner of Victoria.

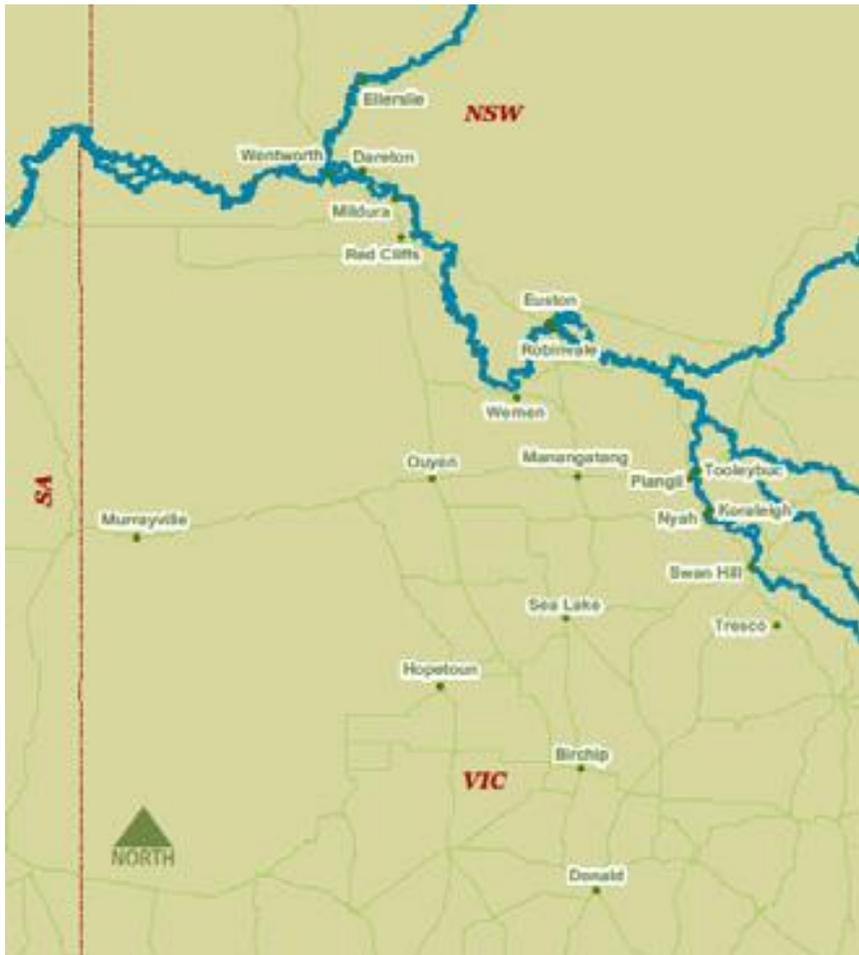


Figure 1 : Service Delivery Map – North Western Victoria and South Western New South Wales

SRCS delivers the following services across the district, on-farm and in rural townships

- **Rural Financial Counselling Services** - a 'no cost', independent, confidential financial counselling service. With 453 clients 2012-2013 (previous years up to 1100 – dependent on natural occurrences and issues impacting on farming)
- **Small Business Advisory service** – a 'low cost or no cost' service providing quality advice, information and support to small businesses. With 160 small businesses to receive individual support services and an estimated 320 to attend workshops and seminars in 2012-2014.
- **Rural Support Programs** – a 'no cost' service providing information, training and support services in rural communities, with 170 clients in 2012-2013.

Introduction

SRCS and its predecessor Sunraysia Growers Advisory Group (SGAG) was the first rural financial counselling service to be formed in Australia in 1984 and has now been delivering unbiased financial counselling, industry and personal support to farming enterprises across the Murray – Mallee for 30 years.

The SRCS Committee of Management Members have extensive experience in rural business, finance, community welfare, irrigated horticultural and dry land farming sectors, with some members having maintained committee involvement for the entire period of operation .

This submission draws together the SRCS Committee of Management Members responses through an online survey conducted in April 2014 which sought feedback on ten questions relating to the key issues raised in the Agricultural Competitiveness White Paper Terms of Reference.

The survey was designed to seek an initial response to the range and scope of the question topics presented on matters that influence the competitiveness of Australian Agriculture.

Subsequent questions relate specifically to how the Rural Financial Counselling Service (RFCS) can offer solutions relating to the Agricultural Competitiveness Issues Paper.

Development of New Agricultural Policy

SRCS Committee of Management Members responded with strong support for the development of the White Paper for Australian Agricultural.

The Issues Paper was supported as covering a broad range of topics, but noted the need to include the effect of changing weather patterns on the viability of farming.

Key themes arising from the SRCS Committee of Management Members responses are

- changing weather cycles, and consistent government response mechanisms to manage the impact of drought and flood
- need for support for rural small businesses and sustainability of regional and rural communities
- recognition and support for the family farm as a business enterprise
- enhanced role for rural financial counselling services in risk management planning across the breadth of seasonal, asset, succession and market risk management
- the need to focus on farm productivity and profit whilst identifying, managing and mitigating risk.

Quote direct from survey response

“On the whole I think the issues paper covers a broad range of topics in its consideration. But it should also consider the longer term impact of changes in weather, although it does offer some short term drought relief with income and infrastructure support. The IPCC in their latest report is indicating acceleration in global warming over the next 10 - 30 years which will put pressure on rural communities, farm production, federal budget and the environment.”

Food Security

SRCS Committee of Management Members responded to the issue of food security from the perspective of both domestic and global security with key themes arising from the responses

- need for industry information and financial management expertise to be at the highest possible level to ensure good informed decision making based on the long term viability of the farm and consistent approach to production quality
- food security, concept that Australia should be self-sufficient in terms of agricultural production
- branding of Australian grown produce and marketing to be stronger
- stronger trade barriers for imports that compete with Australian produce
- protection from biosecurity threats (pests and disease)
- interdependency of the strength of farming enterprises, sustainability of rural small business and community structures and the health and well-being of community members.

Quote direct from survey response

“Assisting businesses to stay in where viable or get out where not supports the principle of efficiency which supports food security.”

Support Decision Making to Improve Farm Gate Returns

SRCS Committee of Management Members have a clear recognition that timely financial information, management and decision making are key drivers of farm gate returns. Rural financial counsellors are often working with the bottom 10-20% of farming enterprises which often have limited capacity to provide, understand or interpret key financial and industry data.

These enterprises require educative support and immediate response from the rural financial counselling service to

- inform them of options and tools available to farming enterprise to analyse and assess financial viability
- review farming enterprise viability objectively with all available information
- assist farmers make informed decisions on their capacity to continue in farming or exit the industry
- advocate on their behalf with banks, lenders and creditors in times of crisis or disaster.

Quote direct from survey response

“Assisting owners review the viability of their business using analyses of a number of options from which they can make decisions to stay or go. Facilitating a decision other than deciding to not make

a decision in times when it is less stressful to avoid decision that requires actions to stay or go from their business.”

Enhancing Access to Finance

With a notable change in the farm lending practices from asset backed to cash flow based, farming enterprises require a higher level of sophistication in the understanding and interpretation of their business forecasts and the presentation of a business case to lenders.

Survey responses indicated that the role of the RFCS has increased with need for

- enterprise and industry financial forecasts to support loan application and debt mediation
- representation of farming enterprise through debt mediation
- maintenance of closer relationships with lenders and financiers to ensure any business case and financials are presented in appropriate format, within lending tolerance and timelines
- clear enterprise, production and management system benchmarking for farming enterprises, as it relates to financial performance.

Quote direct from survey response

“Our counsellors are well known to lenders, and the assistance we give also informs the farmer how to manage an application form, how to arrange their budget or affairs to present a better looking option for lenders.”

Competitiveness through the Value Chain

Responses to this survey question centred on the role rural financial counselling has in leading and supporting farming enterprises to develop a broader perspective to local agricultural production through provision of wider industry information, benchmarking and development of new practices.

Re-occurring themes in responses were

- development of rural forums and educational opportunities across wide ranging topics from administration and marketing to actual farming practice and outcomes of trials
- raising awareness of grants or other funding opportunities for new farming techniques
- assisting with industry adjustment, supporting decision making for unviable farming enterprises to exit the industry which could provide opportunity new operators with greater capacity for business success to enter the industry.

Quote direct from survey response

“We assist some of the non-viable farmers 'in a dignified manner' out of the business who cannot compete, which allows the operators with more market capacity to take on that land and be a viable contributor.”

Agriculture’s Contribution to Regional Communities

With the strength of local farming enterprises and the associated agricultural service sector a major factor in the strength of regional communities; SRCS Committee of Management Members indicated rural financial counselling services enhanced agriculture’s contribution to their regional community by

- providing free, unbiased, confidential counselling and support services to farming enterprises on location within their communities
- maintaining strong linkages with and working with other service providers for better outcomes for farming enterprises and their communities
- presenting options and opportunities to farming families to maintain viability (perhaps with off farm income) and grow skill and expertise through skills development and education.

Keeping the agricultural and associated services sectors strong, contributes to the local economies of small rural communities providing employment, encouraging stability of population and retention of other services and social and recreational groups (schools, post offices, general stores and sporting clubs).

Quote direct from survey response

“Healthier farming ensures less debt is left in Rural Communities, making them stronger.”

Competitiveness of Inputs to the Supply Chain

Again SRCS Committee of Management Members related the role of rural financial counsellors to the provision of information and education to farming enterprises and guiding farming enterprises through adjustment has allowed

- consolidation and delivery of some service provision to more central or better serviced locations, which has reduced some inefficiency
- development of new businesses to service the needs of new farming practises
- sound financial information and decision making drives business viability which in turn drives development and innovation within farming enterprises and greater investment in local community.

Quote direct from survey response

“Keeping the farmers enterprises healthier, that in turn gives the rural communities a stronger base in which to work on and diversify their community’s reliance on farming. e.g. Manufacturing in Mildura area has grown significantly and is now the highest/fastest growing sector in the Regional area. Double that of Farming. Therefore Healthier Farming enterprises have choices and can ensure they can demand price and not be price takers...”

Reducing Impact of Ineffective Regulations

The close working relationship which rural financial counsellors develop with farming enterprises is recognised by the SRCS Committee of Management Members as being the primary conduit for immediate information on the ineffectiveness or cumbersome nature of any regulations (government or industry).

Rural Financial Counsellors (RFC) are in a position to provide feedback direct to Government and Industry via

- State and national networks of rural financial counsellors
- funding bodies in monthly and quarterly reporting cycles
- industry forums and meetings
- direct advocacy to industry or government regulatory body involved.

Quote direct from survey response

“RFC’s have a high level of awareness and understanding of issues at the local level and impacts on individual enterprises. Well placed to provide regional and local perspectives to Government.”

Enhancing Agricultural Exports

SRCS Committee of Management Members recognised that the services provided by the rural financial counselling service enhanced agricultural exports through

- interpretation of and understanding of the market and payment cycles with a view to predicting cash flow and credit needs based on the international market conditions
- maintaining close linkages with industry and clients, interpreting relevant information for farming enterprises
- sharing relevant information on market opportunities and any viability issues in supply
- providing information and linkages to specialist advice on export issues.

Quote direct from survey response

“We support growers of export produce to allow them to be in the market through glut or shortage, and try to access and use finance to smooth out the humps and dips.”

Effectiveness of Incentives for Investment and Job Creation

Interpretation and dissemination of information in relation to incentives for investment and job creation is a major role of rural financial counsellors in supporting the development and viability of farming enterprises. SRCS Committee of Management Members recognise RFCS have

- ‘on the ground’ understanding of local communities, businesses and industries and connect them to available incentive opportunities
- ability to recognise innovation and diversification and know how to seek incentives to develop practices or where job creation opportunities can be supported
- capacity to interpret and share information on incentive opportunities and target farming enterprises most likely to benefit directly.

Quote direct from survey response

“Part of building the enterprise also includes innovation, practice excellence and diversification. RFCS where possible assist enterprises in making application for innovation funding to assist in new ideas. ie. Nangiloc grower with new lettuce harvester. Increased intense farming practises born from irrigation initiatives providing water on demand has emerged new enterprise thinking, such as Fig grower in NSW who now employing labour all year round.”

Summary

In summary, the SRCS Committee of Management Members support the addition of changes in weather patterns’ to the key issues to be addressed in the Agricultural Competitiveness White Paper, as the impacts of weather cycles affects the profitability of the sector and agriculture’s contribution to economic growth, trade, innovation, productivity and is redefining the future for regional communities.

SRCS recognises that there is an ever increasing demand for farming enterprises to adopt sound business models and sophisticated reporting and options analysis in the management of the farm business with

- business relationships with lenders and financiers corporatizing;
- maintenance of competitiveness, with reduced margins, requiring better industry information, risk management , industry benchmarking and development of new agricultural practices;
- managers of farming enterprises needing to continually improve knowledge, skills and expertise across a range of enterprise management topics and technologies
- future farm managers to carry higher levels of farm debt than previous generations due to changes in family succession.

It is inevitable that industry adjustment is and will continue to occur in agricultural sector. The flow on effect of adjustment, in health and wellbeing of individuals, the survival of the farming enterprises and ultimately of rural communities is intimately entwined.

Rural financial counselling services are best placed to provide professional guidance for farming enterprises transitioning to new corporate farm management practices and to support communities in transition.