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Telephone (Direct): 02 6391 3000

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Agricultural Competitiveness Taskforce  
Department of the Prime Minister and Cabinet  
PO Box 6500  
CANBERRA ACT 2600

Dear Sir/Madam

The NSW Rural Assistance Authority (the Authority) is a NSW Government agency tasked with the administration of government financial assistance measures to primary producers in rural and regional New South Wales.

These assistance measures are both Commonwealth and State funded. Whilst the rural sector is its core client, the Authority is also responsible for small businesses that have suffered loss or damage due to natural disaster.

The measures include:

- a range of drought preparedness and support measures such as:
  - the Farm Innovation Fund which is a NSW Government incentive to assist primary producers identify and address risks to their farming enterprise, improve permanent farm infrastructure and ensure long-term productivity and sustainable land use, aiding in meeting changes to seasonal conditions, with funding available by way of a loan at a concessional interest rate.
  - the Emergency Water Infrastructure Rebate which assists primary producers in drought affected areas with the establishment of infrastructure to supply water for emergency animal welfare needs.
  - Transport Assistance - a reimbursement to primary producers operating in drought affected areas to assist with the cost of transporting fodder and/or water to a property, or stock to/from agistment.
- The *Farm Finance* Concessional Loans Scheme which is an Australian Government initiative that aims to build the ongoing financial resilience of farmers in New South Wales who are currently struggling with high levels of debt.
- The NSW Farm Debt Mediation Scheme, created under the "Farm Debt Mediation Act 1994", which has the objective of providing for the efficient and equitable resolution of farm debt disputes. Mediation is required before a creditor can take possession of property or other enforcement action under a farm mortgage.

- Natural Disaster Relief Assistance in the form of low interest rate loans to primary producers and small business operators following declared natural disaster events and Category 'C' assistance in the form of Recovery Grants to primary producers and small business operators under the Natural Disaster Relief and Recovery Arrangements following extreme and widespread natural disaster events.

The Authority supports the NSW Regional Assistance Advisory Committee which provides advice to the NSW Government through the Minister for Primary Industries. Its Terms of Reference include:

- to provide feedback to the Minister on when and where adverse climatic conditions are significantly increasing the vulnerability of rural communities or specific groups within those communities.
- to review existing government programs (State and Federal) and provide advice to the Minister on suggested changes;
- to advise on potential farm business, farm family and rural community response programs and initiatives, their relative priority and the timing of their introduction and withdrawal, for consideration by the NSW Government.

The NSW Rural Assistance Authority Board welcomes the review of Agriculture policy within Australia and supports the development of the Agricultural Competitiveness Issues Paper.

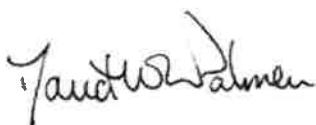
The Board wishes to make a submission on the following issues, raised in the Issues Paper:

2. Means of improving market returns at the farm gate, including through better drought management
3. Access to finance, farm debt levels and sustainability

The NSW Rural Assistance Authority Board also invites the Agriculture White Paper Taskforce to discuss this submission with Board Members and if possible to visit the Authority as part of its consultation process.

The Authority remains a front line agency in the development of policy and the administration of drought and other disaster aid programs. We remain committed to working with the Federal Government to achieve a nation-wide outcome that continues to enrich and preserve the community fabric of rural Australia.

Yours sincerely



**David Palmer**  
**Board Chairperson**  
**NSW Rural Assistance Authority**

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Submission for Agricultural Competitiveness Issues Paper

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ISSUE 2

Means of improving market returns at the farm gate, including through better drought management

Since 2012 when the Australian primary industries ministers agreed to the framework for a new drought package and signed in 2013 the Intergovernmental Agreement on National Drought Program Reform, which effectively ended Exceptional Circumstances (EC) assistance to agriculture, we have largely operated in a national operational policy vacuum. With the exception of support for the Rural Financial Counselling Service, the Interim Family support program and an allowance for State-based transport assistance there has been a clear absence of nationally consistent and uniformly applied Federal and State assistance.

This situation was exacerbated by an eastern drought that commenced in Northern Queensland and over the next 18 months extended south to central NSW. At the height of this 2013-14 drought over 80 per cent of Queensland and approximately 60 per cent of NSW were severely drought affected.

The provision for EC with interest rate subsidies no longer existed. Drought was not considered "exceptional" and State governments were forced to respond to the politics of drought at the expense of good science-based policy.

NSW responded to the worsening drought with proactive measures based on preparedness and resilience and more reactive measures that focused on emergency water initiatives and transport assistance for livestock and fodder, as well as the waiving of some State-based rate revenues. The response has seen NSW committing to expenditure on reactive initiatives and a \$20 million loan initiative designed to proactively mitigate the impacts of drought through fodder and grain storage and various water harvesting and storage initiatives.

Importantly and for the purposes of the Government's White Paper it must be accepted that drought is a rural community issue and not just a matter for drought affected farmers.

Drought impacts the whole community with negative consequences on town-based suppliers resulting in young families, teachers, mechanics, shearers, etc. moving away thus denying the community the normal enrichment a sustainable society deserves. And they seldom come back!

Consequently, drought financial assistance delivered to farmers does flow to the community and its benefits are not quarantined to farmers. Farmers spend locally and their commitment to their local community cannot be underestimated.

The timing of the Green/White Paper is critical in recognising the need for the development of a national, consistent and uniformly applied drought policy.

### **ISSUE 3**

#### Access to Finance, farm debt levels and sustainability

Over recent years the Australian banking community's appetite for risk when lending to primary producers appears to have diminished. If government is to engage in professional dialogue with banks it needs to understand the true state of the financial relationships between banks and their clients, that is, lenders and borrowers.

Therefore a National Rural Debt Survey (or more precisely - A Rural Finance Survey) is needed. This will form both a benchmark and allow all parties to engage from an informed position. A recent ABARES presentation stated that up to 15% of rural debt (now \$70 billion) may be unredeemable. This is an alarming statistic - the true state needs to be clarified as this figure varies considerably from Bank estimates which are closer to 3%.

The Queensland Rural Adjustment Authority (QRAA), with the cooperation of major lenders in that state, has since 1994 conducted a bi-annual Rural Debt Survey which identified rural debt by region, Local Government Area (LGA) and industry within Queensland

The survey contained analysis of:

- extent, nature and size of gross rural indebtedness
- changes in debt structure
- levels of non-performing debt
- borrowers debt servicing and profitability/viability prospects
- industry breakdown
- regional breakdown

The attitude of lenders in NSW to conducting a similar survey in NSW was ascertained during an initial meeting to discuss policy responses to escalating debt following an extended period of drought. This was followed up in subsequent correspondence with individual banks.

In principle support was provided by the banks to the NSW Rural Assistance Authority (NSW RAA) conducting a survey, with no strong indications of opposition.

Despite this, recent attempts to conduct a survey have failed as have renewed attempts by QRAA. A decision was made by at least one bank at an executive level not to participate due to adverse media comments on banking policy during 2012 and 2013. It was believed to be not as a result of any perceived shortcomings in either the QRAA or proposed NSW RAA surveys.

**DEPARTMENT OF PRIMARY INDUSTRIES  
NSW Rural Assistance Authority**

**Submission for Agricultural Competitiveness Issues Paper**

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The banks have suggested that their position on future surveys would be reconsidered if the survey was conducted by either the Reserve Bank of Australia (RBA) or the Australian Prudential Regulation Authority (APRA).

The banks recognise that the industry requires good information to support decision making and believe that the involvement of the RBA or APRA would allow the information provided to be better validated and from a bank viewpoint to be systematic and centralised. In addition it would avoid the supply of market sensitive information to a third party intermediary

The Board of the NSW RAA see a number of advantages/benefits of a National Survey, including:-

- the ability to monitor trends in rural credit, by individual industry and regions;
- the ability for individual banks, government and industry organisations to match resources to needs and client location;
- identification of trends in the different types of credit provided;
- improved targeted response to natural disasters and provision of specialist services by both the private and public sectors.

As a means to 'de-brand' the major lenders from the study, it has also been suggested that the survey be conducted through the Australian Banker's Association (ABA). The proposed survey needs the backing and drive from the Australian Government so as to ensure a national picture is achieved and the involvement of the RBA or APRA would allow this to be achieved.

The personal involvement of the Federal Minister for Agriculture is seen as a positive to give additional assurances the desired process is undertaken and completed within a satisfactory timeframe.