

SUBMISSION TO THE AGRICULTURAL COMPETITIVENESS WHITE PAPER

PROPOSAL:

SET UP AN AUSTRALIAN AGRICULTURAL WEALTH FUND with the initial aim of providing drought relief funding.

EXPLANATION:

At the farm or single enterprise level drought affects income and costs. There is usually a reduction in income for an unknown period of time, both during the drought and during the rebuilding stage post drought. Depending on drought management strategy there can be a prolonged increase in costs during a drought which usually revolves around making good water and pasture deficiencies.

To best cope with a drought an enterprise needs:

- 1) *ready cash*;
- 2) depending on the severity of the drought, *plenty of ready cash*; and
- 3) an enterprise need its *own ready cash*.

A wealth fund for drought relief funding is a means of translating what is needed at a single enterprise level to what is needed for the whole agricultural sector without the need to rely on government revenue.

STRENGTHS OF THE PROPOSAL:

- Droughts are a recurring feature of Australian agriculture which may become more severe depending on the effects of climate change.
- By and large drought policy has not seen great innovation in the last thirty years despite the regular recurrence of droughts.
- Agriculture is currently under severe cost price squeeze, is likely to be so for the foreseeable future, so the ability to prepare for drought is limited.
- One of the benefits of a more stable income is the likelihood of more resources being put into sustainable land management.
- Income stability in the agricultural sector has a flow on effect to adjacent urban economies and service industries.

- If the agricultural sector can resource its own drought relief funding a political excuse for such relief does not have to be found.
- Young farmers are particularly vulnerable to drought. A wealth fund owned by the agricultural sector would have more chance of targeting drought relief than would a government using public funds.
- Linking compulsory contributions to the wealth fund to profits is not dissimilar to compulsory superannuation – we all know we will one day retire and we all know there will be a drought if you work in agriculture.

WEAKNESSES OF THE PROPOSAL:

- How to impose a tax (say 0.25% of pre-tax income) on the agricultural sector.
- Getting a wealth fund to grow sufficiently quickly.
- If this proposal gets traction the cost of investigating the appropriateness of a wealth fund to provide drought relief to the agricultural sector.
- Acceptance that the impact of drought should *NOT* be a determinant of enterprise viability

Wealth Funds and Future Funds exist in many countries in the world including Australia (e.g the Australian Government Future Fund, Health and Hospital Fund, and the Education Investment Fund). Having experienced how debilitating drought can be on families and farms, and having witnessed the lack of innovative drought policy from successive governments I believe a Wealth Fund would, in time, shield farm enterprises from the debilitating impact of drought, without having to rely on taxpayer assistance.

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