

2019

*Gippsland Drought
Response Proposal*

Looking **AHEAD**



LOOKING AHEAD | 2019 GIPPSLAND DROUGHT RESPONSE PROPOSAL

This document was prepared by East Gippsland Shire Council and Wellington Shire Council in May 2019 with the support of:

- **East Gippsland Shire Drought Reference Group**
- **Wellington Shire Agriculture Industry Representative Group**



Introduction

Gippsland people are pulling together through one of the worst droughts in our history. The Australian, Victorian and Local Governments and volunteer agencies are all helping our community on many fronts.

East Gippsland Shire and Wellington Shire Councils have Reference Groups and are also making staff available to help coordinate community and individual support programs.

The two Local Government areas are working well together and are committed to continue working closely together throughout this drought disaster and beyond into recovery.

The two Councils and supporting agencies have organised a significant number of gatherings to provide information and support to community members and businesses impacted by the drought. These have also created an opportunity to gather information about what support programs are working and areas that could be improved.

This proposal is an outcome of those discussions and includes suggestions for government and agencies to consider now and into the future. The list is long, but then our community has never faced a drought event of this scale. Essentially this means there is much to do, as we seek to manage and recover from this significant disaster.





Achievements

Some of the initial things achieved to date are:

- 1.** Managing and implementing the Australian Government drought package for each local government area.
- 2.** Supporting grants for community initiatives such as field days and community events.
- 3.** Advocating for local communities to the Australian and Victorian Governments.

Impacts

It is clear people are very severely impacted, which is manifesting in the following ways:

- 1.** Financial pressures resulting from reduced income and increased costs.
- 2.** Fatigue from long hours of constant workload and stress over two years.
- 3.** On-farm issues mostly relating to lack of water and feed for stock.
- 4.** Pressures from invasive native and pest animals on farms.
- 5.** Physical and mental health and wellbeing impacts on individuals and families.
- 6.** Stresses created through navigating agency assistance packages.
- 7.** Flow on financial pressures being experienced by supporting businesses.



Accumulation of these impacts will almost certainly result in some farm enterprises transitioning out of agriculture. This is particularly likely in the case of older farmers whose children are not taking up farming. There is a very real risk of significant loss of knowledge to the sector; and that declining agricultural land management will create on-site and broader off-site social, environmental and economic impacts. Support for people in our community to exit with dignity and provide an opportunity for succession will be required for a long period of time.

While the immediate impacts are being felt now, it will take communities many years to recover to an equivalent static state. For instance, a beef farming operation that has reduced stock levels to 50% normal carrying capacity will take around five years to recover stocking levels. Sheep farming operations will take at least three years. It will be difficult to accelerate this rate by purchasing additional stock as high demand for breeding stock will drive high prices. Farm productivity, through measures such as pasture re-establishment, will take several years to recover. Financial recovery may take up to 10 years. Negative environmental impacts such as soil loss, may be experienced for decades.

Horticulture will face similar challenges as the drought results in water supply shortages that affect crop development and yield. Investment in improving horticulture efficiency will also be slowed due to business funds being focused on initial survival.



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Our communities want to support people now, but also look ahead towards a positive future that drives opportunity and positivity in the agriculture sector.

Gippsland is now a large provider of safe and healthy food security for Victoria and the nation. Our food reputation is growing and we now play a major role in fresh food production in Australia.

It is likely that the drought will break with a significant flood event, inevitably creating a different, increased need for damage repair and recovery efforts.

Despite this, our community is determined to look ahead. We understand that a fresh look is required, especially in the context of these long dry periods potentially continuing and/or recurring into the future. People are talking about our changed and changing climate and discussing the need for developing an agricultural future more resilient to adverse weather periods. Adaption and change is being advocated by many and the time is right to commence this discussion in earnest.

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Three-Tier Approach

Based on the above, we propose a three-tier approach to further drought assistance as follows:

- 1 Transition Programs** for those who either choose to, or have no choice other than to transition away from agriculture.
- 2 Recovery Programs** to help manage the impacts on farm and reduce off-farm impacts for the community.
- 3 Adaption Programs** to help the community explore better pathways for agriculture in a changed climate.

The following pages outline options for consideration under these three themes.





1 *Transition*

1. Continue the Rural Financial Counselling Service at current levels for the next five years to help people determine their own future and manage financial pressures with an experienced guide.
2. Continue Australian Government financial programs for five years after the drought breaks, in line with anticipated recovery timeframes.
3. Introduce an additional program that provides loans for living expenses for farm families who will be transitioning from agriculture through eventual property sale. The loans could be structured similarly to equity loans for retirees. Length of loan tenure would be based on an assessment of debt/equity ratios in each circumstance.
4. Farm Management Deposits (FMDs) are an excellent exceptional circumstance planning tool that can be utilised in harder times such as drought. However, they can create difficulties for people who are nearing the time of transition from farming. FMDs should be able to be transferred to superannuation funds as part of transitioning/retiring from farm businesses at little or no tax penalty. It is suggested that to help achieve this, FMDs could be taxed at the concessional super rate.





2 *Recovery*

1. Provide rate/tax relief for farmers and farm-associated businesses through a Victorian Government subsidy/grant. We ask government to consider all measures to reduce the increasing cost structure on farm businesses. Rate relief would provide direct cash assistance to help farmers to manage their circumstances through this extreme event. Other forms of relief could come from reduced registration and regulatory costs driven by government efficiency gains. Essentially, farm businesses have implemented all manner of cost reduction and production gains, but see costs out of their control escalating without the same drive for cost reduction.
2. Mental health and wellbeing programs; including back to school/ kindergarten support, camps and excursion funds have delivered direct benefits to communities. We seek continuance of these programs at existing levels for five years after the drought breaks, in line with recovery timeframes.
3. The support of local, volunteer-based welfare agencies such as Country Women's Association, Lions, Rotary, Red Cross and Gippsland Farmer Relief is essential. This type of assistance ensures those most in need are supported, and urgent needs do not 'fall through the cracks'. In the main, funds for these programs have come from community and industry. We propose that all levels of government consider matching these community raised funds 1:1, similar to other grant programs or fund-raising events for serious disease research or responding to tragedies.
4. The Drought Employment Program delivered by Catchment Management Authorities (CMA) has over 35 people employed at present and demand from people impacted by this event is growing. We suggest continuing the program until one year after the drought has broken to provide opportunity for those affected to regain employment.

5. Ground cover has diminished dramatically, which will result in significant onsite and offsite environmental impacts through various types of erosion. Large areas of denuded country will need pastures re-established to prevent erosion from wind and water, which will have a dramatic effect on the quality of the lakes and waterways. We suggest implementing a pasture re-establishment program across Gippsland with grants matching farm businesses at 50% of pasture re-establishment costs. The target area for this initiative is 40,000 hectares. This program will help people get started on recovery and reduce environmental impacts through off-site soil loss.
6. Increase the level of wildlife and pest control programs on Crown and private land. Drought creates feed shortages everywhere across the landscape. Previous landscape scale events have taught us that increased numbers of native and pest animals will invade the farms over winter. East Gippsland CMA has a Reducing Deer Numbers trial proposal and the Department of Environment, Land, Water and Planning (DELWP) will require additional support for wild dog control. Native animal control permits will continue to be needed.
7. Small and larger scale community events undertaken to date at local levels have provided breaks and support opportunities across Gippsland. We propose increasing the level of funding for conducting community events (facilitated by Local Government grants programs) for small events run by community groups.
8. Expenditure on infrastructure will help a whole of community recovery as service providers and support businesses complete infrastructure works. To provide stimulus, we ask the Victorian Government to match the existing Australian Government's 25% contribution to on-farm infrastructure grants. This would bring government matching funds to 1:1 and help stimulate the construction economy. We propose that this program extends well beyond drought times to assist improved drought resilience in the future.

The criteria for these grants require businesses to fund the capital up-front. This places significant barriers to investment because farm businesses are already financially stretched. We propose that the government's funding contribution should be made available at the time of commitment. This means farm businesses will only need to finance 50% of the total investment. We further propose that these programs continue for at least the five-year recovery period, giving time for businesses to assess long term requirements and finance the 1:1 opportunity.

The criteria are also based on quoted and invoiced costs, without consideration for inputs of labour and on-farm machinery. We suggest including labour and on-farm machinery inputs in the 1:1 calculation.

9. Farm businesses will continue to suffer reduced income as stocking levels recover from this event. The potential consequence is that businesses will have no choice other than to terminate any remaining employees at the very time the businesses need their help. Long-term community impacts to employment and succession could result. We propose that governments develop a trial scheme offering a wage subsidy -the equivalent of the Newstart allowance - to allow farmers to retain their existing workforce (and by doing so reduce physical and mental stress) for two years after the drought breaks.
10. The Victorian Government is asked to provide financial support for councils to coordinate local forums, community and individuals support now and through five years of recovery. Current expectation of funding requirement is \$250k annually per council area.
11. It is likely the drought will break with a flood. Severe Gippsland floods in 1997/98 and 2006/07 led to government recovery programs costing \$60 million each. National Disaster Relief and Recovery Arrangements (NDRRA) rules have changed since these events and some pre-planning of governmental response is required now to help community and supporting agencies post-flood.



3 *Adaptation*

1. Drought is the most significant natural disaster faced by regional communities that inevitably leads to other disasters like fire and flood. Response and recovery extends over long timeframes, which exerts high levels of financial, personal and community-wide stresses on farm and associated businesses.

Given the predictions of worsening climatic conditions through climate change, rural communities cannot understand why drought is not declared a natural disaster in state and national classifications. We seek government recognition that drought events are natural disasters. This recognition would provide a sound framework that would facilitate the development of coordinated and strategic support and recovery programs.

Communities are aware the climate is changing and in this context it is considered appropriate to reconsider the classification of drought in the context of the escalating impact of natural disasters.

A more planned and strategic approach to drought declarations would also enable agencies and support organisations to ensure that staff have the understanding and capability to respond to the wide range of impacts that are experienced in drought events, including mental health first aid and appropriate mechanisms for referrals and case management of those impacted.

2. Farm businesses are expressing high levels of frustration about differing criteria for assistance offered by various levels of government. A commonly voiced concern is that the criteria for support programs that do not involve personal support are inconsistent, unfair and largely irrelevant to the current reality faced in farming.

Also, differing eligibility criteria between different organisations and levels of government has created additional stress on a community already under strain. For example, buying a farm business requires a large capital outlay and delivers low returns on capital. Therefore, entry into farming almost always requires family support or off-farm income to be viable. Fledgling farming businesses are particularly vulnerable to significant events such as drought. In times of drought, it is very common for farm business owners to actively seek higher levels of off-farm income to help manage financially. Government criteria for farm business support are inconsistent with this reality as support is not being provided where it is required. Timeframes from application to approval or rejection are too long, effectively stalling farm business decision processes that is in great need for prompt assistance. If we fail to assist new farm businesses, we are cutting off our farming future in Victoria.

This is particularly relevant to farm businesses trying to make a start, or in the early stages of establishment. One farmer (aged 50) recently put the reality in perspective. “To be a farmer under 55 requires off farm income, to enter farming business requires off-farm income, to be any of the above and be viable requires off-farm income. Government does not understand this fact.”

Adaption to this reality requires government to change the criteria for an agricultural business to qualify for assistance. Government should consider changes to eligibility criteria that focus on the farm business enterprise’s viability and vulnerability to the drought event, rather than on assessment of the individuals involved in the farm business.

3. Commence a two-year Ag. Futures project in each local government area as follows:
 - Funded facilitators to be provided for each Shire; or a similar locally based government agency, to coordinate an agriculture adaption in climate change program at a cost of \$250k annually per council area. The two councils will work together with local agencies to get the best staffing expertise and outcome.
 - In Gippsland, some farming approaches that have worked well in this drought are pre-prepared installation and utilisation of water infrastructure, cropping for own fodder needs, and to decisions about stocking rate and duration based on each paddock’s carrying capacity. The use of stock containment areas and subdivision of paddocks to increase rest and recovery of pasture has also led to reduced impacts for many properties. Each of these, together with other successful approaches, should be documented and tested further for community learning and adaption.
 - Continuance of adaption programs such as Better Beef, Southern Farming Systems and Landcare production programs will help the community explore better pathways for agriculture in a changed and changing climate.
 - The Project will bring together groups of agriculture businesses to document learnings from this drought event. The program will document management approaches that worked and begin productive trials or research programs. A drought resilient pasture trial is already being proposed at the Bairnsdale Aerodrome trial site. Operational costs associated with this program are estimated at \$500k annually, which includes funding for implementation of operational trials and research.

4. Many farm businesses that have managed the drought well, have utilised external, one-to-one professional advice. It is proposed the government could fund professional advice grants capped to \$5k per farm business for all interested farm businesses to facilitate improved farm management into the future. Additionally, government could consider making access to assistance funding conditional on the business obtaining professional farm management advice.

Group workshops are good for people to get together and support one another, but do not facilitate improved management as effectively as one-to-one advice. Advice of this kind provides an avenue for the farm business to discuss all matters in a private manner, specific to their needs.

5. Local communities need farming businesses to be vibrant contributors who invest in infrastructure that improves viability and sustainability. Recovery from this event and future adaption will require a stimulus such as tax relief or incentives for agriculture businesses that are investing in drought prevention infrastructure. For example, increase the depreciation limit from \$20k annually to full depreciation of drought prevention infrastructure for the next five years. Tax incentives for those across the community that donate fodder could also be considered as this is a far cheaper option than any government-managed program.

6. Government consider supporting a \$10 million water infrastructure grants scheme in the Lindenow Valley to assist access to available (winter fill) water in the Mitchell River. Community economic modelling has been completed, along with a water infrastructure feasibility analysis, which included options of on-farm storage.
7. The broader community, including the broader business community, will continue to feel the effects of this event as spending and job opportunities reduce. A broader community adaption program is required for a full community recovery. In previous large events, government supported broader economic development opportunities supported by local plans.

Local government areas are best placed to facilitate improved adaption pathways for local areas. The 1997/98 drought and flood events response in the Omeo Region was evaluated by Sinclair Knight Merz.

The evaluation proposed a strategic planning approach for assisting local communities. The approach requires local facilitation and evaluation of community needs and opportunities. Local plans result; approved by local government, that assist the broader community recovery needs. The funding requirement for this approach will depend on the scale and number of local communities selected. As an indicator \$250k per annum per local government area over three years would be a start point.

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