Submission No 63

SUPPORT FOR DROUGHT AFFECTED COMMUNITIES IN NEW SOUTH WALES

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Committee on Investment, Industry and Regional Development
NSW Legislative Assembly
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Dear Committee Secretariat

Thank you for the opportunity for The Australian National University (ANU) to make a submission to the *Inquiry into support for drought affected communities in New South Wales*. As Australia's national university, ANU is committed to solving some of the nation's and the world's biggest challenges. How we ensure our farms are sustainable well into the future, particularly in an era of extreme weather, is one of the biggest challenges we face.

The ANU Sustainable Farms Initiative

For twenty years, scientists from ANU have collected data about biodiversity and ecology from hundreds of farms in inland Victoria, New South Wales and south-east Queensland (Australia's eastern wheat-sheep belt). This includes work across more than 250 farms between Albury to the NSW/QLD border. This continual monitoring is one of the largest, long-term studies of its kind.

Our research focus has been on the sustainable management of farms, including the establishment of shelterbelts and replantings, the conservation of remnant vegetation on farms, the conservation of rocky outcrops, and the renovation of farm dam environments.

The Sustainable Farms Initiative focuses on the intersection of improved environmental and financial management of farms, and improved mental health of farmers. A multi-disciplinary team of researchers from the Centre for Mental Health Research, the College of Business and Economics, and the Fenner School of Environment and Society drives the initiative.

These are some key insights regarding responses to drought and post-drought recovery that have emerged from their past work (that dates back to 1998) and the current multi-disciplinary program.

1. Improvements to farm dam infrastructure can make a significant positive difference to animal production, animal welfare, water persistence on farms, and biodiversity conservation.

2. Well-designed shelterbelts can not only improve health, production and welfare (such as by boosting lambing success) but also significantly enhance on-farm biodiversity conservation.

3. Farmers that undertake restoration efforts on their properties are more likely to be in a better mental health state.

4. There are new ways of reforming farm financing instruments using insights from Higher Education Loans Schemes (i.e. HECS). These new instruments would have enormous positive benefits for more sustainable financing of farm infrastructure and increasing resilience to drought.

5. There are opportunities to generate stewardship payments to farmers to better manage environmental outcomes on farms. These can provide a new revenue stream for farmers and help

diversify income streams and therefore help with risk spreading, especially during challenging periods such as droughts.

6. Key insights into farm management can only be derived from large-scale, long-term monitoring. Work at the Fenner School of Environment and Society has specialised in such kinds of monitoring.

Our work indicates there are important new ways to better deal with droughts through the maintenance of key natural assets on farms and more sustainable financing to invest in infrastructure to better maintain and improve those natural assets. There are also opportunities to invest more heavily in environmental stewardship programs to promote environmental sustainability on farms and, at the same time, create additional income streams for private landholders.

Income Contingent Loans

Governments have intervened in the agricultural market for many decades. A different approach is to offer farmers financial relief through what are known as income contingent loans (ICL). These are quite unlike the loans now available because they are repaid when a farm borrower has the financial capacity to do so. That is, with this type of loan, when the farm is doing poorly in the future only small loan repayments are required, and if the farm is doing well it repays a lot more. The best known example of an ICL is HECS, Australia's innovative student loan scheme.

Farming is an uncertain business. Significant year-to-year differences in a farm's finances are typical. This happens for a range of reasons as well as drought: exchange rate vicissitudes; floods; international unrest affecting food production; and the agricultural policies of other countries.

ICL have three critical features:

- Compared to a normal loan in which repayments have to occur on a regular basis (what the existing government concessional loans scheme requires) there is default protection, with an ICL the farm is not at risk of repossession due to an inability to meet repayment obligations;

- They make life easier for farmers because just about all the loan repayment obligations will be met when a farm's financial circumstances are propitious, so there are no repayment hardships; and

- Unlike grants or loan interest rate subsidies given to farmers, ICLs don't involve significant subsidies.

Appearing Before the Committee

The academics who have contributed to this submission would be delighted to appear before the Committee. Please contact Ms Belinda Lawton, A/g Manager, Government Relations on [redacted] who can coordinate this.

Yours sincerely

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