Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By:	Australian Labor Party	Proposal No:	A112
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Proposal Title: **REINTRODUCE STOCK & FODDER SUBSIDIES: ASSIST FARMERS IN DROUGHT**

Cluster: Trade and Investment, Regional Infrastructure and Services

General Government Sector Impacts

	2014-15 $'000	2015-16 $'000	2016-17 $'000	2017-18 $'000	4 Year Total $'000
Expenses (ex. depreciation)		40,000			40,000
Depreciation					-
Less: Offsets					-
Revenue					-
Net Operating Result:	**-**	**(40,000)**	**-**	**-**	**(40,000)**
Capital Expenditure					-
Capital Offsets					-
Capital Expenditure:	**-**	**-**	**-**	**-**	**-**
Net Lending/(Borrowing)	**-**	**(40,000)**	**-**	**-**	**(40,000)**
Net Financial Liabilities:	**-**	**40,000**	**40,000**	**40,000**	

Total State Sector Impacts

Net Financial Liabilities:	**-**	**40,000**	**40,000**	**40,000**	

Notes and costing assumptions

This costing makes the following assumptions:

The conditions defined as drought would be equivalent to a one in 1 in 50 year event in terms of rainfall deficiency. Note that there is no commonly agreed definition of drought and a large variety of different approaches to what constitutes drought conditions in Australia.

Based on the current conditions to which such a definition would apply in NSW, there would be a total of 8000 eligible farmers. Note that this figure is the same as the number reported in media coverage as eligible for drought relief water infrastructure grants under a scheme announced by the NSW Minister for Primary Industries and the Acting Premer on 15 January 2015.

The takeup of the grants would be the same as the historical average in NSW for such assistance, at 25%. This rate is consistent with Australia-wide experience with similar subsidy schemes in the past.

The conditions for the grants would be as outlined in the policy proposal and in line with past criteria; that is, a maximum grant available to eligible primary producers of 50% of eligible costs up to a maximum of $20,000 per annum.

The eligible area remains unchanged (see information on drought from NSW Department of Primary Industries at www.dpi.nsw.gov.au/agriculture/emergency/drought).

No additional drought events are assumed to occur in the forward estimates period (note that this is not a

Costing assumptions continued:

prediction of likely rainfall in NSW over the forward estimates period; it is a costing assumption that there are no additional pressures arising from low rainfall that can be reliably estimated).

The reintroduction of transport subsidies for fodder and stock would take some months to affect the budget given that it requires farmers to incur eligible expenditure and then make a claim for the subsidy. This means that the first fiscal year affected by the policy would be 2015-16.

Possible Expenditure based on Assumptions

The potential maximum exposure regarding the above assumptions would be $40 million per annum (2000 farm enterprises @ $20,000). If take-up rates were to be higher than the historical average then the costs would be correspondingly higher.

The costing assumes that if the current conditions continue on into future years – which is unpredictable, given the variability of rainfall patterns – then a new drought declaration (see related policy on reinstatement of drought declarations) would be required for the subsidies to continue. This costing therefore includes only one year.

Other Information

The average spend for this kind of assistance between 2002 and 2014 was $17.9m per annum. The previous scheme operated for 10 years within this period. In 2013-14 expenditure was $17.5m; the highest annual spend under the previous arrangements was $30.5m in 2006-07. Nevertheless a spend of $40m with reintroduction of the scheme is a reasonable assumption given there will be pent up demand for such assistance, and the large number of farmers currently affected by the defined rainfall deficiency.