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**Drought**

by

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## **EXECUTIVE SUMMARY**

Drought is an intrinsic part of the Australian landscape. There is no universal definition of drought, one suggestion is that drought is a prolonged, abnormally dry period when there is not enough water for users' normal needs. Drought is not simply low rainfall, for then much of inland Australia would be in perpetual drought. The National Drought Policy Review Task Force noted that an objective, scientific definition of drought has proved difficult to standardise on a regional or industry basis because of the complexity of considerations involved. Instead, the Task Force noted that in an agricultural context, drought represents one of the uncertainties farmers face in maintaining the volume and quality of production. It finally adopted the following working definition of drought: "drought represents the risk that existing agricultural activity may not be sustainable, given spatial and temporal variations in rainfall and other climatic conditions."

Australia has one of the most variable rainfall climates in the world, and severe drought affects some part of Australia about once every 18 years. However, intervals between severe droughts have varied from four to 38 years. Whilst there are many causes for these fluctuations, the most influential is the climate phenomenon called the Southern Oscillation. This is a major air pressure shift between the Asian and east Pacific regions whose best known extremes are El Nino events. Many, but not all, droughts over eastern and northern Australia are the result of an El Nino event.

Contemporary drought policies have as their basis the findings of the 1989 Commonwealth commissioned Drought Policy Review Task Force. The Task Force was established following a Commonwealth decision to remove drought funding from the Natural Disaster Relief Arrangements from 1 July 1989. The Task Force was critical of the inclusion of drought under natural disasters relief schemes, where the focus became not on the variability of climate, and the ability to cope with it, but the conditions under which government assistance could become available. The Task Force recommended that a national drought policy should focus attention on the respective roles of producers and governments in implementing a self-reliant, risk management approach to drought. A new National Drought Policy was ratified by state and commonwealth governments in 1992. The three principles of the Policy are to: encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing climatic variability; maintain and protect Australia's agricultural and environmental resource base during periods of extreme climatic stress; and ensure early recovery of agricultural and rural industries, consistent with long term sustainable levels.

Federal involvement in drought relief is determined on the basis of exceptional circumstances. State Government relief commences after an area has been drought declared for a period of six months. The current drought now affects 92 percent of the State, and debate has focused on how to 'drought-proof' the nation.

## 1.0 INTRODUCTION

Drought in Australia is a natural occurrence, and there are a wide range of perceptions in the community about the nature and significance of drought. However, severe drought can have a debilitating effect on rural and regional communities and represent a major cost to the wider community. This paper discusses: the causes of drought; policy responses to drought; the drought currently affecting New South Wales; and reviews the responses of the Commonwealth and State Governments to the present drought.

## 2.0 CLIMATE, WEATHER AND DROUGHT

The Australian Bureau of Meteorology notes that there is no universal definition of drought. It suggests that a drought is a prolonged, abnormally dry period when there is not enough water for users' normal needs. Drought is not simply low rainfall, for then much of inland Australia would be in perpetual drought. Meteorologists monitor the extent and severity of drought in terms of rainfall deficiencies. Agriculturalists rate the impact on primary industries, whilst hydrologists compare ground water levels and sociologists define drought in terms of social expectations and perceptions.<sup>1</sup> The National Drought Policy Review Task Force noted that an objective, scientific definition of drought has proved difficult to standardise on a regional or industry basis because of the complexity of considerations involved. Instead, the Task Force noted that in an agricultural context, drought represents one of the uncertainties farmers face in maintaining the volume and quality of production. It finally adopted the following working definition of drought: "drought represents the risk that existing agricultural activity may not be sustainable, given spatial and temporal variations in rainfall and other climatic conditions."<sup>2</sup>

### 2.1 The Frequency and Causes of Drought

Australia has one of the most variable rainfall climates in the world, and over the long term, we experience about three good years and three bad years out of ten (ie, high / low rainfall). Severe drought affects some part of Australia about once every 18 years. However, intervals between severe droughts have varied from four to 38 years. There is also significant variation between how long a drought lasts. Some are long lived, whilst some are short and intense. Some can be localised while other parts of the country receive plenty of rain.<sup>3</sup>

Whilst there are many causes for these fluctuations, the most influential is the climate phenomenon called the Southern Oscillation. This is a major air pressure shift between the Asian and east Pacific regions whose best known extremes are El Nino events. Many, but not all, droughts over eastern and northern Australia are the result of an El Nino event.

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<sup>1</sup> Bureau of Meteorology Australia, *Living with Drought*. See URL: <http://www.bom.gov.au/lam/climate>.

<sup>2</sup> Drought Policy Review Task Force, *Managing for Drought*, Final Report Volume II, May 1990, at 19.

<sup>3</sup> Bureau of Meteorology Australia, *Living with Drought*. See URL: <http://www.bom.gov.au/lam/climate>.

El Nino translates from Spanish as the ‘boy child’, a reference to the Christ child used by Peruvian anchovy fishermen to describe the appearance around Christmas of a warm ocean current (the El Nino current) off the South American coast. Unfortunately for the Peruvian fishermen, the warm ocean currents are of low nutrient value, resulting in reduced plankton density which are the food source for the anchovy. The anchovy catch collapses during these events.

Today the term El Nino refers to a sequence of changes in circulations across the Pacific Ocean and Indonesian archipelago when the warming off the South American coast is particularly strong. Normally the cold waters of the Humboldt current travel north from South America and then flow westward along the equator and are heated by the tropical sun. These normal conditions make the western Pacific about 3 to 8 degrees Celsius warmer than the eastern Pacific. During these conditions, the easterly trade winds typically bring moist air towards the Indonesian region. The air, moving over normally warm seas, is moist and rises to high levels of the atmosphere. In the process, it forms towering cumulonimbus clouds and rain. The air, then high in the atmosphere, next moves eastward back to the eastern Pacific and sinks to the earth’s surface due to the colder Humboldt current off western South America. This sinking air is associated with dry conditions.

However, during an El Nino event, the water off the South American continent is warmer than the western Pacific of northern Australia and Indonesia. This results in ocean surface winds flowing westward from northern Australia, which then rise and produce rainfall in the middle and eastern Pacific Ocean. The air then sinks down over Indonesia and Australia, creating dry or drought conditions for these regions.

The southern oscillation is measured by an index, known as the southern oscillation index. A strongly negative index reading (below –10) is characteristic of El Nino, whilst a strongly positive reading (greater than +10) is associated with La Nina. La Nina often brings widespread rain and flooding to Australia, such as during 1988-89 where vast areas of inland Australia had record rainfall.

The Australian Bureau of Meteorology releases seasonal climate outlooks every three months. The outlooks are a general statement about the probability or risk of wetter or drier than average weather over a three month period. In addition, it also releases drought statements, which outline rainfall deficiencies across the country.

Some of the most severe droughts and their effects are outlined in table 1.

**Table 1: Major Australian Drought Years and Effects<sup>4</sup>**

1864-66	All States except Tasmania affected
1880-86	Southern and eastern States affected
1895-1903	Sheep numbers halved and more than 40 % of cattle lost. Most devastating drought in terms of stock losses.
1911-16	Loss of 19 million sheep and 2 million cattle

<sup>4</sup> Bureau of Meteorology Australia, *Living with Drought*. See URL: <http://www.bom.gov.au/lam/climate>.

1918-20	Only parts of Western Australia free from drought
1939-45	Loss of nearly 30 million sheep between 1942 and 1945
1963-68	Widespread drought. Longest drought in arid central Australia: The last two years saw a 40 % drop in wheat harvest, a loss of 20 million sheep, and a decrease in farm income of \$300 – 500 million.
1972-73	Mainly in eastern Australia
1982-83	Total loss estimated in excess of \$3 billion, most intense drought in terms of vast areas affected.
1991-95	Average production by rural industries fell about 10%, resulting in possible \$5 billion loss to economy. \$590 million drought relief provided by the Commonwealth.

### 3.0 AGRICULTURAL POLICY RESPONSES TO DROUGHT

Government and society's response to the plight of primary producers suffering from the effects of drought have changed considerably over the years. The response in the 19<sup>th</sup> and early parts of the 20<sup>th</sup> Century was one of irrigation.

In NSW, according to Davidson, "The droughts of the early 1880s led to the appointment of a Royal Commission under Sir William Lynne which examined the water resources of the whole colony . . . The only practical outcome of the Lynne Commission was the establishment of the Water Conservation and Irrigation Branch, initially within the Department of Mines".<sup>5</sup>

The severe impact of the 1895-1903 drought in NSW, however, led to the actual commencement of irrigation schemes within the colony. The drought of 1902 promoted intense agitation by landholders for irrigation, with powerful lobby groups emerging along the Murray and its New South Wales tributaries.<sup>6</sup> The outcome of this agitation was that, in 1905, an engineer with the NSW Public Works Department was appointed to study the issue of irrigation. The *Burren Jack Dam and Murrumbidgee Canals Construction Act 1906* was approved by the NSW Parliament. In 1912 the *Irrigation Act* was passed and the Water Conservation and Irrigation Commission (WCIC) established.<sup>7</sup>

Irrigation work in eastern Australia was accelerated in 1915 when the federal government and the state governments of NSW, Victoria and South Australia concluded the Murray River Agreement establishing the River Murray Commission. The Commission was empowered to

<sup>5</sup> Davidson, B. *Australia Wet or Dry: The Physical and Economic Limits to the Expansion of Irrigation*. Melbourne University Press, 1969.

<sup>6</sup> Lloyd, C. *Either Drought or Plenty: Water Development and Management in New South Wales*. NSW Department of Water Resources, 1988.

<sup>7</sup> See *Drought in New South Wales* NSW Parliamentary Library Briefing Paper No 20/94 for a more detailed review of early drought policies.



build storages on the upper Murray and at Lake Victoria near the South Australian border and a series of weirs and locks on the Murray and Murrumbidgee Rivers.<sup>8</sup>

The renamed Burrinjuck Dam became operational in 1927 and the area under irrigation in NSW expanded considerably during the 1920s. According to Roy Powell, the entire area irrigated in eastern Australia reached 200,000 acres by 1930.<sup>9</sup> In the 1930s the economic depression, according to Davidson's account, "slowed but did not halt the expansion of irrigation. In 1933 . . . the New South Wales W.C. and I.C. started building Wyangala Dam to store water on the Lachlan River . . . the completion of the Hume Reservoir in 1936 allowed irrigation in Victoria and New South Wales to expand in the early 1940s. Between 1939 and 1946 the total area of irrigated land in Australia increased from 814,000 to 1,406,000 acres." After the end of the Second World War irrigation was extended even further and Davidson wrote in 1969 that "Between 1955 and 1967 the storage capacity of reservoirs used for irrigation in Australia was increased from 3,690,000 to 12,350,000 acre feet. During the same period the area irrigated increased from 1,750,000 to 3,200,000 acres."<sup>10</sup>

However, an increasing recognition that the provision of dams and irrigation was not a panacea for drought relief, led to the development of other policies. This culminated in the classification of drought under the Natural Disaster Relief Arrangements in 1971. Writing in 1993, the NSW Department of Water Resources noted that irrigated agriculture in the State accounts for only 20% to 25% of the value of agricultural production and only about 1.2% of agricultural land use. The Department noted: "With the balance being dryland farming, it stands to reason that irrigation cannot offer large-scale drought protection to agricultural production in NSW."<sup>11</sup>

In May 1989 the Commonwealth commissioned the Drought Policy Review Task Force to undertake an independent and comprehensive review of drought policy. The Task Force was established following a Commonwealth decision to remove drought funding from the Natural Disaster Relief Arrangements from 1 July 1989. The Task Force was critical of the inclusion of drought under natural disasters relief schemes. It stated that the Scheme had undermined the basic understanding of the role of government in providing assistance to industry, and that it encouraged in some States a view that a period of dry weather is sufficient for government assistance. The focus became not on the variability of climate, and the ability to cope with it, but the conditions under which government assistance could become available. The Task

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<sup>8</sup> Davidson, B. *Australia Wet or Dry: The Physical and Economic Limits to the Expansion of Irrigation*. Melbourne University Press, 1969, at 75.

<sup>9</sup> Powell, R. "Farm Investment" in Williams, D.B. *Agriculture in the Australian Economy*, 2<sup>nd</sup> Edition, Sydney University Press, 1982.

<sup>10</sup> Davidson, B. *Australia Wet or Dry: The Physical and Economic Limits to the Expansion of Irrigation*. Melbourne University Press, 1969, at 75.

<sup>11</sup> NSW Department of Water Resources, *Effects of Drought on New South Wales*, March 1993, at 5.

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Force noted that the treatment of drought as a natural disaster had transferred the responsibility of coping with drought to the public purse.<sup>12</sup>

The Task Force noted that a continuation of the concept of drought as a natural disaster would continue to promote a crisis management, rather than risk management, approach to drought relief. The 'natural disaster' approach suggests that drought, however defined, is beyond the capacity of individual farmers to cope with. The Task Force recommended that a national drought policy should focus attention on the respective roles of producers and governments in implementing a self-reliant, risk management approach to drought.<sup>13</sup>

The Task Force seriously questioned the efficacy of the then existing drought declaration procedures and the way financial assistance was provided to farmers during drought. The Task Force noted the use of transaction based subsidies such as freight rebates, agistment and fodder subsidies to those affected, and was concerned that these subsidies are inconsistent with a self reliant approach to farm and drought management. The Task Force stated:

A subsidy approach to government assistance can develop into an incentive for less economic, less efficient and less sustainable farming. It offers little or no incentive to change or adjust management practices according to changing conditions. Nor does it add to the competitiveness or productivity of agricultural industry.

Instead, subsidies or rebates provide an incentive to use government assistance as the main drought management strategy. Subsidies encourage an assistance mentality and notions of 'compensation farming', sometimes referred to in the literature as the 'drought relief syndrome'.

The absence of needs based eligibility criteria for these subsidies and rebates means they represent a form of welfare payment to primary producers to offset the costs of undertaking specific farm activities...Most of these input costs would have been incurred in any case and represent the cost of doing business in that particular location.<sup>14</sup>

The Task Force argued that freight and other subsidies:

- Are reactive rather than pre-emptive;
- Do not have the intended incentive effect;
- Are highly inequitable across industries;
- Are not based on any assessment of need;
- Discourage self-reliance;
- Benefit mainly the freight transporters and fodder suppliers;
- Reduce the incentive to take early contingency action;

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<sup>12</sup> Drought Policy Review Task Force, *Managing for Drought*, Final Report Volume II, May 1990, at 40.

<sup>13</sup> Drought Policy Review Task Force, *Managing for Drought*, Final Report Volume II, May 1990, at 42.

<sup>14</sup> Drought Policy Review Task Force, *Managing for Drought*, Final Report Volume II, May 1990, at 155.

- Encourage overstocking;
- Exacerbate land degradation pressures;
- Have little or no effect on producer decision making;
- Shift responsibility onto the public purse.<sup>15</sup>

Instead, the Task Force noted the need for farmer assistance when the short term combination of factors, beyond an individual's control, can result in significant resource movements that later need to be reversed. In the Task Force's opinion, concessional loans are the preferred mechanism to do this, and have the following benefits:

- Can alleviate cash flow problems;
- Maintain overall responsibility with the producer (as the principal plus the concessional rate of interest must be repaid);
- Allow recipients to decide on the best use of funds;
- Are not enterprise specific;
- Are not related to a particular management action;
- Are relatively equitable across industries;
- Can be needs based;
- Allow accountability and monitoring of assistance needs.<sup>16</sup>

The Task Force recommended that (irrespective of Commonwealth programs) where State or Territory assistance is provided that: "assistance for drought purposes be made available by way of general concessional loans; transactions based and other specific subsidies should be discontinued, but if they are retained at State or Territory level, they should contain specific performance criteria before they become available."<sup>17</sup> Examples provided of these performance criteria included requiring producers to have taken specific management action such as destocking below some minimum percentage of the regional average, and/or a certain percentage of the herd or flock to be on survival feeding.

### **3.1 Contemporary Drought Policy**

In response to the findings of the Drought Policy Review Task Force, a new National Drought Policy was ratified by state and commonwealth governments in 1992. The three principles of the Policy, which reflect the work of the Task Force as noted above, are to:

- Encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing climatic variability;
- Maintain and protect Australia's agricultural and environmental resource base during periods of extreme climatic stress; and
- Ensure early recovery of agricultural and rural industries, consistent with long term sustainable levels.

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<sup>15</sup> Drought Policy Review Task Force, *Managing for Drought*, Final Report Volume II, May 1990, at 158.

<sup>16</sup> Drought Policy Review Task Force, *Managing for Drought*, Final Report Volume II, May 1990, at 161.

<sup>17</sup> Drought Policy Review Task Force, *Managing for Drought*, Final Report Volume II, May 1990, at 160. Recommendation No 23.2.

The Policy noted that farmers will have to assume greater responsibility for managing the risks arising from climatic variability. In turn, the Policy stated that it was Government's role to create the overall environment which is conducive to a property management planning and risk-management approach. This was to be achieved through a system of incentives, education and training and research and development. A new Rural Adjustment Scheme was established to provide assistance to farmers in times of exceptional downturn. An improved income equalisation deposits and farm management bond scheme were introduced in an attempt to increase farmer self-reliance.<sup>18</sup>

The then NSW Minister for Agriculture and Rural Affairs Hon Ian Armstrong MP welcomed the majority of the new policy, and stated:

All the States have agreed in principal to the implementation of a National Drought Policy, which includes recognition of extreme drought. The National Drought Policy incorporates an improved Income Equalisation Deposits scheme and a new method of saving for bad times through Farm Management Bonds and encouragement to instigate whole farm planning....

The Commonwealth believe the new National Drought Policy will negate the need for transactional based drought subsidies in the long term and the States have agreed to review their position on these with a view to phasing the subsidies out over five years.

However, the meeting agreed the State Governments may provide drought assistance in addition to those offered by the Commonwealth, at their own discretion, but these should not compromise the overall direction of the national policy.<sup>19</sup>

David White suggests that a number of factors have impeded the full implementation of the National Drought Policy. The first of these has been the frequency and severity of El Nino events affecting large parts of Australia since 1991, when drought reached a climax in 1994. The second factor was that many farmers were already experiencing high debt at the commencement of these droughts. Many farmers were therefore poorly equipped financially to cope with a major drought.<sup>20</sup> In 1994/95 much of eastern Australia was gripped by a severe drought, where rainfall was in the lowest five percent of historical observations for some locations. In some sub-regions pasture availability and crop yields were the lowest or second lowest in the 100 year record. In was under these circumstances that the Commonwealth Government developed a policy of Drought Exceptional Circumstances, allowing the Commonwealth Minister for Agriculture to allocate business and welfare support for affected farmers.<sup>21</sup>

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<sup>18</sup> "New National Drought Policy" *Media Release*, Hon Simon Crean MP, Minister for Primary Industries and Energy, 29 August 1992.

<sup>19</sup> "Armstrong welcomes national drought policy" *Media Release*, Hon Ian Armstrong MP, Minister for Agriculture and Rural Affairs, 24 July 1992.

<sup>20</sup> White, D. "Australia's National Drought Policy Continues to Evolve" *Drought Network News*, June 1998, Volume 10 No 2.

<sup>21</sup> Laughlin, G and Clark, A. "Drought science and drought policy in Australia: A risk management perspective." Bureau of Rural Sciences, paper prepared for the Expert Group

To determine if a region was affected by ‘drought exceptional circumstances’ the Minister for Agriculture relied on the advice of the Rural Adjustment Scheme Advisory Council. The Council was comprised of representatives from government, rural industry and the farming community. The Council reports to the Minister for Agriculture, while the final decision on the allocation of exceptional circumstance payments resided with the federal Cabinet. The assessment was based on a formal application from the State Government in which the affected region was located. However, the use of rainfall as one of the core criterion of defining a drought exceptional circumstance event attracted considerable controversy.<sup>22</sup>

With the election of the Howard Coalition government, in 1997 the government formally broadened the concept of drought exceptional circumstance to simply Exceptional Circumstances. This acknowledged that other risks, outside or relating to rainfall variability, such as pests, disease, frosts and water logging would be formally included in an assessment. The Commonwealth Government’s 1997 *Agriculture – Advancing Australia* package recognised that there are exceptional circumstances beyond the scope of normal risk management and in these exceptions the Government should provide assistance.<sup>23</sup> The package also allowed for the introduction of income support in exceptional circumstance declared areas.

The *Agriculture – Advancing Australia* package also introduced the Farm Management Deposit scheme. This provides farmers with a tax linked savings mechanism to allow them to set aside pre-tax income from the good years to help them better manage their businesses during the more difficult years. The Farm Management Deposit scheme (FMD) replaced the Income Equalisation Deposits and Farm Management Bonds schemes.

Only taxable primary production income can be invested in a Farm Management Deposit. Deposits are fully deductible in the period of deposit, and the amount withdrawn is taxable in the period of withdrawal. The Farm Management Deposit must be held for a minimum of 12 months to receive the taxation benefits. When a deposit is made, it will not be included in the producer’s taxable income in the period in which it is earned. When withdrawn, the amount withdrawn will be subject to tax in the period in which it is made. This is more likely to occur in a low income period if the scheme is used to its best potential.<sup>24</sup>

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Meeting on Early Warning Systems for Drought Preparedness and Drought Management, Lisbon, Portugal, 5-7 September 2000, at 3.

<sup>22</sup> Laughlin, G and Clark, A. “Drought science and drought policy in Australia: A risk management perspective.” Bureau of Rural Sciences, paper prepared for the Expert Group Meeting on Early Warning Systems for Drought Preparedness and Drought Management, Lisbon, Portugal, 5-7 September 2000, at 3.

<sup>23</sup> Laughlin, G and Clark, A. “Drought science and drought policy in Australia: A risk management perspective.” Bureau of Rural Sciences, paper prepared for the Expert Group Meeting on Early Warning Systems for Drought Preparedness and Drought Management, Lisbon, Portugal, 5-7 September 2000, at 4.

<sup>24</sup> See Federal Department of Agriculture, Fisheries, Forestry Australia website: URL <http://www.affa.gov.au/>

### 3.2 Exceptional Circumstances

At the core of federal government involvement during drought periods is the declaration of exceptional circumstances. The criteria to be met for exceptional circumstances to be declared in a region or for an industry were agreed by the Commonwealth and States at their ministerial council meeting (Agriculture and Resource Management Council of Australia and New Zealand - ARMCANZ) in 1999. They were:

- the event must be rare and severe;
- the effects of the event must result in a severe downturn in farm income over a prolonged period; and
- the event must not be predictable or part of a process of structural adjustment.

The key indicator, a severe income downturn, should be tied to a specific rare and severe event, and be beyond responsible farmers normal risk management strategies. The ARMCANZ criteria define 'rare' events as those that occur, on average, once every 20 to 25 years. The event is 'severe' if its impacts lasts for a prolonged period, ie, greater than 12 months, and is of a scale that affects a significant proportion of farm businesses in a region.<sup>25</sup>

The process for obtaining an exceptional circumstance declaration begins 'on the ground'. The participation and information from the rural community, including Rural Lands Protection Board staff, local government, rural financial counsellors and lobby groups, is integral to the development of an application. State agricultural departments provide coordination and undertake additional analyses. If the State agricultural Minister is reasonably confident that the case fully meets the exceptional circumstances criteria, the application is then forwarded to the Commonwealth Agriculture Minister. If the Commonwealth Minister is convinced of a prima facie case, the application is forwarded to the National Rural Advisory Council. The Council is in turn provided with independent advice from the Bureau of Rural Sciences and the Australian Bureau of Agriculture and Resource Economics. The Council, after visiting the region to be assessed, makes a recommendation to the Minister for Agriculture. The final decision on exceptional circumstances declaration resides with the Minister for Agriculture in consultation with the federal Cabinet.<sup>26</sup>

Exceptional Circumstances assistance is provided by way of interest rate subsidies and/or the Exceptional Circumstances Relief Payment (ECRP). Interest rate subsidies provide business support (a 50% subsidy on interest rate payments associated with farm business borrowings, up to \$100,000 in one year and \$300,000 over five years) and the ECRP provides farm families with income support and special access to Health Care Cards, Family Payments, Youth Allowance and AUSTUDY.

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<sup>25</sup> Clark, A *et al*, "Exceptional circumstances: A case study approach in the application of climate information to decision making." *Cli-Manage Conference*, Albury NSW 23-25 October 2000, at 5.

<sup>26</sup> Clark, A *et al*, "Exceptional circumstances: A case study approach in the application of climate information to decision making." *Cli-Manage Conference*, Albury NSW 23-25 October 2000, at 6.

To qualify for Exceptional Circumstances Relief Payment, a person must:

- be a farmer,
- be over 18 years old,
- be an Australian resident and living in Australia, and
- hold a current Exceptional Circumstances certificate issued by the State Rural Adjustment Scheme Authority, which identifies the farm enterprise is in an 'exceptional circumstances' affected area.

Exceptional Circumstances Relief Payment is paid fortnightly at a rate equivalent to Newstart Allowance, and payment is subject to the same income and assets tests applying to the Allowance. However, the farm assets, including the farmer's superannuation and life insurance, are exempt from the assets test. Proceeds from the forced disposal of livestock due to drought are excluded from the income test. In this case, farmers will be required to deposit the proceeds from the forced sale in either a Farm Management Deposit or a deposit with a term of at least three months with a bank, building society, credit union or other institution that receives money on deposit. Payment continues to be made while the exceptional circumstances declaration is in force. It also continues for a recovery period determined on a case-by-case basis by the Government and according to the exceptional circumstances involved. A 12 month recovery period where customers will continue to receive payment applies in the case of drought exceptional circumstances. There is no activity test for this payment.<sup>27</sup>

The Primary Industries Ministerial Council (comprised of Federal and State Ministers responsible for primary industries) has debated changing parts of the exceptional circumstances framework. At their last meeting in May 2002, the Council resolved the following:

Council:

Agreed in principle to the elements of the Exceptional Circumstances framework developed by Commonwealth and state officials which are consistent with the principles outlined above, but recognised that further negotiation was needed to finalise the detail of the elements listed below:

- no change to the current EC eligibility criteria;
- EC assistance should continue to be available for a period of 24 months (during the 12 months of the EC declaration plus for a 12 month recovery period);
- Once an area is determined to be in EC, applications for further EC assistance for a similar event can only be lodged within six months of the end of the 24 month period;
- A new consultative application and assessment process;
- The ability to change EC boundary of an application area on NRAC's advice;
- Buffer zones which adjoin and are reasonably proximate to the EC boundary and contain no more than 10 percent of the total number of farm businesses in the EC application area;
- Farm businesses in buffer zones individually demonstrating a sever and prolonged impact of the EC event through a downturn in farm income and production;

<sup>27</sup>

See Centrelink Web site, <http://www.centrelink.gov.au/internet/internet.nsf/payments/ecrp.html>.

URL:

- The assessment of completed, formal EC proforma applications within four weeks of the date of lodgement;
- Farm business support in the form of variable individually assessed grants (up to a maximum of \$60,000), based on need; and
- Continued availability of both EC business and welfare support for eligible farmers in EC declared regions, with the second year of EC business support conditional on the (individual) demonstration of the development of a well founded business recovery plan.<sup>28</sup>

The Commonwealth also put forward proposed changes to the funding of the EC business support, so that it be funded 50:50 Commonwealth – State funding. Presently the States contribute 10 percent of this and the Commonwealth 90 percent. The Council did not agree to these changes, and it was noted that the Commonwealth's position was that the elements of the EC framework agreed in principle as outlined above were conditional on agreement to 50:50 Commonwealth – State funding of EC business support. However, it was agreed that the Chairman of the Council and individual Ministers write to State/Territory Treasurers to seek an agreed package. It was also noted that the Commonwealth will review interest rate subsidies as a form of farm business support.<sup>29</sup>

The National Farmers' Federation has noted that a major problem with the current drought policy arrangements is the relationship between the State and Commonwealth governments. It stated that whilst the Commonwealth has responsibility for declaring the existence or otherwise of exceptional circumstances and also provides the majority of funding, there is little or no incentive for state governments to examine critically applications for support. The Federation noted that it is politically easier for state governments to support exceptional circumstance applications and allow the Commonwealth to attract any criticism if the application is unsuccessful, rather than rejecting applications which have little chance of success.<sup>30</sup>

#### 4.0 DETERMINATION OF DROUGHT IN NSW

The Hon Richard Amery MP, NSW Minister for Agriculture releases drought maps each month. These maps are prepared from information provided by the 48 Rural Lands Protection Boards around the state, rainfall details from the Bureau of Meteorology and reports from NSW Agriculture regional staff. The criteria for drought affected classification requires: a review of historic rainfall records for the area; and pasture availability must be below agreed levels for each geographic/climatic area. The impact on pasture availability of other climatic events such as frosts and seasonal factors such as pasture growing seasons is also considered. NSW Government assistance measures require that a Rural Lands Protection District be in the drought affected category for six months, before landholders are eligible for assistance.<sup>31</sup>

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<sup>28</sup> Information supplied by Primary Industries Ministerial Council secretariat.

<sup>29</sup> Information supplied by Primary Industries Ministerial Council secretariat.

<sup>30</sup> National Farmers' Federation, "The Ongoing Battle to Overhaul Drought Policy. An NFF discussion paper." In *Reform*, Autumn 2002, at 10.

<sup>31</sup> See NSW Department of Agriculture website "Areas of NSW Suffering Drought Conditions": <http://www.agric.nsw.gov.au/cgi->



Boards make monthly drought declarations to assist NSW Agriculture in monitoring climate conditions across NSW.

#### 4.1 Time Line of the Current Drought 2001\2002

As noted above, drought declarations are made by the Minister for Agriculture. The development of a drought is therefore reflected in Ministerial announcements.

**12 March 2001:** Minister Amery said that there was no region of the State in drought at the end of February 2001. This was the first time the entire State had been declared free of drought since June 1990. In fact parts of the State were recovering from recent flooding. Minister Amery said: “The upper catchments of the Richmond and Clarence rivers, which were in a critical situation over the summer period, have improved dramatically. Downstream flooding in these catchments caused major inconvenience but did not result in any stock losses. Crop response should compensate for the setback.”<sup>32</sup>

**9 May 2001:** Minister Amery reported a slight deterioration in seasonal conditions. For the previous two months, no area of NSW was drought affected and no area was considered in marginal condition. He stated: “At the end of April three percent of the State was considered to be in marginal drought, with other areas reporting significant shortages of water supplies. The worst affected area is along the South Australian / NSW border, in the western part of Wentworth and Broken Hill Rural Lands Protection Boards, joining an area of drought in South Australia.”<sup>33</sup>

**7 June 2001:** Minister Amery noted that winter rainfall is badly needed, and that 29 percent of the State is now in marginal drought. He stated: “Although no area of NSW was drought affected over the last few months, a significant deterioration in seasonal conditions over the autumn period has led to many areas being considered marginal drought as at the end of May. Three main areas, the northern half of the Western Division, a large part of the Brewarrina / Walgett / Coonamble area and most of the south west slopes, are very dry.”<sup>34</sup>

**12 October 2001:** Minister Amery reported that conditions in the north western quarter of the State remain very dry, with the area of concern spreading east and south. He stated: “Twelve percent of the state is now experiencing drought conditions, including Brewarrina, Bourke and Cobar Rural Lands Protection Boards (RLPB) areas, with a small part of the Walgett RLPB area also drought affected. Another 16 percent of the State is experiencing marginal conditions.”<sup>35</sup>

**12 December 2001:** Minister Amery said: “Despite storm rains that have occurred over much of the north-eastern areas of the state in the last month, the area affected by drought has

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<bin/mapview?display=column,path=climate/rain/drarea,number=6,banner=climate.gif>

<sup>32</sup> “NSW totally drought free says Amery” *Media Release*, Minister for Agriculture Hon Richard Amery, 12 March 2001.

<sup>33</sup> “Slight deterioration in seasonal conditions” *Media Release*, Minister for Agriculture Hon Richard Amery, 9 May 2001.

<sup>34</sup> “Winter rainfall badly needed says Amery” *Media Release*, Minister for Agriculture Hon Richard Amery, 7 June 2001.

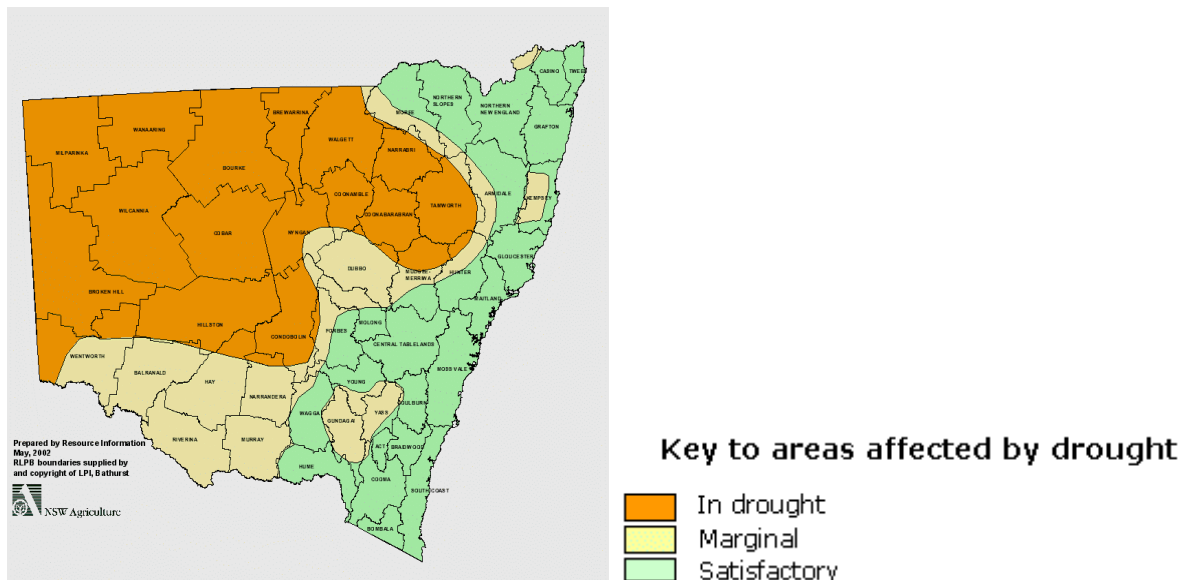
<sup>35</sup> “Dry weather creates tough growing conditions in north west of NSW” *Media Release*, Minister for Agriculture Hon Richard Amery, 12 October 2001.

increased by one percent to 12 percent. There has been a large increase in the area classified as marginal drought, from 18 to 23 percent. This increase has occurred mainly in the western areas but a significant area of the Riverina is also starting to deteriorate rapidly with the onset of summer.”<sup>36</sup>

**6 February 2002:** Minister Amery reported that whilst widespread rainfall had saved many summer crops in the northern cropping belt of the state, the area of NSW in drought had risen from 25 to 35 percent in the past month. The area considered marginal had risen from 27 to 28 percent. He stated: “conditions have deteriorated because of hot, dry conditions and below average rainfall over most of the state in January.”<sup>37</sup>

**17 May 2002:** Minister Amery stated: “Following a very dry April west of the Great Divide, 50 percent of the state is now considered in drought compared with 37 percent last month. The area considered marginal has grown from 13 percent to 19 percent, leaving only 31 percent of the state regarded as satisfactory as we head into winter. Water is the critical issue in some areas of the west and north where there has been no runoff rain for up to two years.”<sup>38</sup> The extent of drought in the State in May is shown in the figure 1.

**Figure 1: Drought Affected Areas of the State May 2002**<sup>39</sup>



**14 June 2002:** Minister Amery announced that 62 percent of the state was experiencing drought conditions, the largest area since September 1997. A further 10 percent of NSW was

<sup>36</sup> “Amery reports drought area increase as temperatures soar” *Media Release*, Minister for Agriculture Hon Richard Amery, 12 December 2001.

<sup>37</sup> “Rain helps summer crops but drought widens” *Media Release*, Minister for Agriculture Hon Richard Amery, 6 February 2002.

<sup>38</sup> “Dry takes grip in State’s west and north: Amery” *Media Release*, Minister for Agriculture Hon Richard Amery, 17 May 2002.

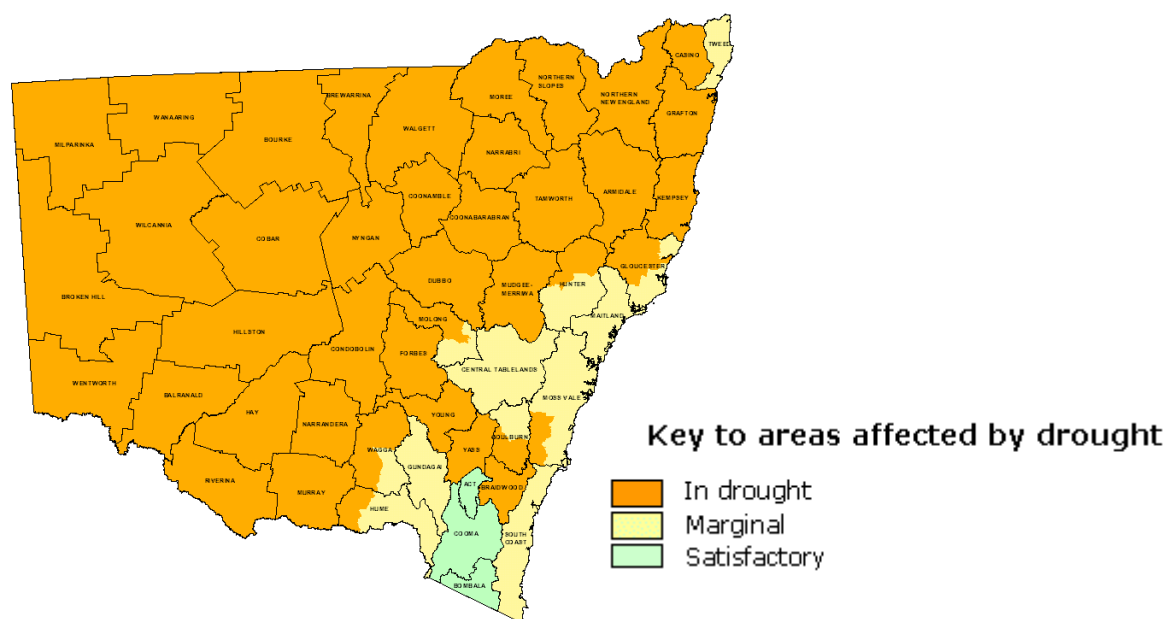
<sup>39</sup> Map from NSW Agriculture website, see URL: <http://www.agric.nsw.gov.au/cgi-bin/mapview?display=column,path=climate/rain/drarea,number=6,banner=climate.gif>

experiencing marginal drought conditions, leaving just 28 percent of the state with satisfactory conditions.<sup>40</sup>

**8 August 2002:** Minister Amery reported that continuing dry weather and heavy frosts have resulted in an increase in the area of the state experiencing drought conditions. He stated: “The latest information from Rural Land Protection Boards (RLPBs) shows 82 percent of NSW is now experiencing drought conditions....while another 10 percent of the state is experiencing marginal drought conditions. With just eight percent of NSW experiencing satisfactory conditions, it is obviously a situation of real concern for the rural sector.”<sup>41</sup>

**11 September 2002:** Minister Amery reported that the area of the state drought affected had increased to 86 percent, with the area in marginal drought increasing to 12 percent of the state. The last time the state registered such drought levels was in January 1995. Rainfall during the last three months in area between Cobar and Wilcannia, stretching north to the Queensland border, was the lowest ever recorded. Rainfall received in most of the rest of the state was in the lowest 10 percent recorded, except for the coastal strip in the north and the southern tablelands.<sup>42</sup> Figure 2 shows the map of drought affected areas as of September 2002.

**Figure 2: Drought Affected Areas of NSW as of September 2002.**<sup>43</sup>



<sup>40</sup> “Drought conditions extend to 62 percent of the state” *Media Release*, Minister for Agriculture Hon Richard Amery, 14 June 2002.

<sup>41</sup> “Amery announces drought eligibility criteria.” *Media Release*, Minister for Agriculture Hon Richard Amery, 8 August 2002.

<sup>42</sup> “Drought conditions extend to 86% of New South Wales: Amery” *Media Release*, Minister for Agriculture Hon Richard Amery, 11 September 2002.

<sup>43</sup> Map from NSW Agriculture website, see URL: <http://www.agric.nsw.gov.au/cgi-bin/mapview?display=column,path=climate/rain/drarea,number=6,banner=climate.gif>

**October 3 2002:** The Bureau of Meteorology announced that severe rainfall deficiencies persist over the southern half of the country following average to below average rainfall in September. According to the Bureau, the worst affected areas are NSW, northern and western Victoria, eastern SA and southwest WA. For the six-month period from April to September, serious to severe rainfall deficiencies continue across a vast sweep of country extending from northwest WA across the NT and northern SA to western Queensland and further southward across most of NSW and the western half of Victoria. Parts of the southwest of WA are also affected, for the third successive year. However, the deficiencies in the tropical and central areas of Australia are not as significant as those further south on two counts; firstly the April to September period is largely in the seasonally dry time of year, and secondly much of this area experienced a wetter than average summer. A number of places in NSW, including an area between Sydney and Wollongong and an area north of Broken Hill, and parts of southern WA have recorded the driest April to September period in a record dating back to 1900.<sup>44</sup>

**October 9 2002:** Premier Carr toured western NSW for a two day drought briefing. The area of the State drought declared rose from 86% in September to 92% in October. The Australian Bureau of Statistics reported that 40,000 jobs in rural Australia had been lost over the previous three months. Geoff File, NSW Drought Coordinator, reported that sheep numbers nationally had dropped to 100 million in 2002, down from 120 million in 1996. Sheep numbers in NSW have fallen from 41 million in 1999 to 36 million currently. He also noted that of 4.5 million hectares of wheat crop sown in the State, there were only 2.25 million hectares left. The cotton industry had lost some \$700 million and rice production had dropped from 1.3 million tonnes last year to 300,000 to 400,000 tonnes this year. Geoff File was reported as saying: "Once we see these summer crops not going in – rice and cotton in particular – the unemployment you'll see will be quite spectacular."<sup>45</sup>

#### **4.2 Drought Relief Provided by the NSW Government**

There is no formal legislation in NSW that outlines the statutory details of drought relief. However, NSW is a signatory to the National Drought Policy, and as discussed above, a feature of this was the phasing out of transaction based subsidies for drought affected farmers. To this end, on 11 December 1997, the Minister for Agriculture Hon Richard Amery MP announced that drought subsidies would be terminated on 31 December 1997. He stated:

In 1992, the Commonwealth, State and Territory Governments agreed to the establishment of the National Drought Policy which included the phasing out of transaction-based drought subsidies.

This action will encourage greater financial self-reliance and reward producers who take steps to prepare for drought conditions.

It is widely accepted that transaction based drought subsidies have a number of undesirable effects such as discouraging drought preparedness, encouraging over

<sup>44</sup> Bureau of Meteorology, 'Drought Statement' *Media Release*, 3 October 2002, see URL <http://www.bom.gov.au/climate/drought/drought.html>

<sup>45</sup> "Drought costs 40,000 jobs, premier told" in *The Sydney Morning Herald*, 9 October 2002.

stocking, impeding farm and enterprise adjustment and imposing costs on other industries competing for fodder through increased prices.

Provision of freight subsidies to help defray the cost of transporting livestock to and from agistment and the expense of carting fodder and water to properties in drought will be terminated on 31 December 1997.<sup>46</sup>

In a later press release Minister Amery stated that on average only about 16 percent of farmers in NSW, including some of the State's largest agricultural companies, actually accessed drought assistance through transaction based subsidies, and that it had led to a very inequitable system.<sup>47</sup>

In a National Farmers' Federation drought discussion paper, the Federation noted that inappropriate management practices during a drought can cause environmental damage, which may prove costly to repair. The Federation then stated:

One of the objectives of the 1992 National Drought Policy was to end the practice of state governments of offering transaction based subsidies to farmer to transport stock and fodder during drought as those measures were seen to discourage de-stocking. It is important that consideration be given to the implications of any drought policy for natural resource management to ensure that the measures designed to assist farmers through drought do not provide incentives for management practices which are damaging to the environment at a time when it is particularly vulnerable.<sup>48</sup>

### 4.3 NSW Government Assistance in the Current Drought

A drought discussion 'Roundtable' was held in Dubbo on July 29 2002, and on 8 August 2002 Minister Amery released eligibility criteria for drought assistance. The Minister stated that there was general agreement at the Roundtable that producers should be eligible for drought assistance after six months of drought.<sup>49</sup> Announcing the drought relief details, Minister Amery said:

I can confirm that after six months in drought producers will be able to access [50%] subsidies for:

- the transport of water for domestic purposes;
- the transport of fodder to feed drought affected stock;
- the transport of stock to slaughter;
- the transport of water for drought affected stock;
- the transport of stock to and from agistment.

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<sup>46</sup> "Drought subsidy phase out to encourage greater self-reliance." *Media Release*, Hon Richard Amery, MP, Minister for Agriculture, 11 December 1997.

<sup>47</sup> "Few farmers access drought subsidies: Amery." *Media Release*, Hon Richard Amery, MP, Minister for Agriculture, 17 December 1997.

<sup>48</sup> National Farmers' Federation, "The Ongoing Battle to Overhaul Drought Policy. An NFF discussion paper." In *Reform*, Autumn 2002, at 10.

<sup>49</sup> "Amery announces drought eligibility criteria.", *Media Release*, Hon Richard Amery, MP, Minister for Agriculture, 8 August 2002.

I can further announce that the cap on this assistance has been increased to \$20,000 per farm, up from \$15,000 under the old transactional subsidy system.

In addition, farmers may claim up to \$5,000 in any calendar year for subsidies for the transport of water for domestic purposes.<sup>50</sup>

The maximum subsidy that could be claimed by any one holding for animal related subsidies was set at \$20,000 in a calendar year. Claims are to be made through the local Rural Lands Protection Board.

Other drought assistance initiatives announced by the Government included:

- waiving lease payments for farmers on western land leases and waiving the Wild Dog Destruction Board fees;
- providing a new allocation of \$1 million for an emergency feral pig and fox eradication program in the Western Division;
- deferring collection of outstanding payment of Ovine Johnes Disease levy to the Government, for farmers in drought affected areas, pending a review by NSW Agriculture;
- Fast tracking National Parks and Wildlife Service licence requests from drought affected farmers wanting to immediately reduce kangaroos and emus from their properties;
- Investigate the easing of restrictions applying to 'B' double trucks on rural council roads in drought affected areas; and
- Farmers being eligible for drought assistance after their property has been in drought for six months rather than the usual 12 months.<sup>51</sup>

The Chair of the NSW Farmers' Association's Western Division Council, Graham Morphett, said waiving rents on Western Lands agricultural and grazing leases for the 2002/2003 rental period will save farmers \$1.4 million. He stated: "That's more than a thousand dollars in the pocket of each land holder, which can now be used for fodder, water, and other drought-related work...It will be January before some of the farmers in this area are eligible for previously announced packages, and they need help now. Anyone who has already paid their rent will have the money refunded. Those who haven't, will be able to ignore the rate notice sent out last month. It's an unusual way for the Government to offer assistance, but one that is very effective in allowing farmers to help themselves."<sup>52</sup>

On August 11 2002 the Hon Harry Woods MP, Minister for Local Government, Regional Development and Rural Affairs, announced an aid package to assist drought affected businesses. The package consisted of:

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<sup>50</sup> "Amery announces drought eligibility criteria.", Media Release, Hon Richard Amery, MP, Minister for Agriculture, 8 August 2002.

<sup>51</sup> "Premier Carr announces further relief for farmers" *Media Release*, Premier Bob Carr MP, Premier of New South Wales, 26 August 2002.

<sup>52</sup> "Western lands rents waived to combat drought." NSW Farmers Association *News Release*, 22 August 2002.

- businesses dependent on farmers for income such as farm machinery suppliers or those who service and maintain farm equipment can apply for payroll tax relief to ensure they can keep their skilled workers during the drought period; and
- small country businesses can apply for a one-off assistance grant of up to \$3,000 to engage an expert to help them sustain their operations, both during and beyond the drought.<sup>53</sup>

Following a State Cabinet meeting in Cobar on 26 August, 2002, at which Cabinet was addressed by the NSW Farmers' President Mal Peters, NSW Agriculture's Director-General Richard Shel Drake and the state's Drought Coordinator, Geoff File, the Premier announced new drought relief measures. The new measures were:

- extend transport, water and fodder subsidies to also include core production stock;
- extension of the criteria for special conservation loans<sup>54</sup> to also include: dam desilting; major repairs to stock water systems; piping and storage of stock water; and the planting of perennial species such as lucerne and oldman saltbush.
- Extend criteria for accessing the transport subsidies to include full-time farmers who have tried to find work off-farm to supplement their income in order to survive;
- Provide free transport for fodder that has been purchased through drought appeals; and
- The West 2000 Board would meet to consider providing more funds for piping of stock water and for future exclusion fencing.<sup>55</sup>

In response to these announcements, the NSW Farmers' Association President Mal Peters stated: "Additional drought assistance measures announced by Premier Carr today will go some way to helping farmers who are being hit hardest by this drought. The extension of Special Conservation Loans particularly, will help farmers carry out work to ensure they are even better prepared for future droughts." However, Mal Peters warned that farmers would need help to recover from the impacts of drought once it breaks. He said: "We've put a proposal to Cabinet, a key part of which is Rural Recovery Grants, to help people get back on their feet. This could include one-off, non-repayable grants for both the livestock and cropping sectors. Grain growers in particular, have so far not received any specific assistance from the State Government, despite facing the prospect of 12 months without income."<sup>56</sup>

<sup>53</sup> "State Governments offers help to drought affected businesses." *Media Release*, Hon Harry Woods MP, Minister for Local Government, Regional Development and Rural Affairs, 11 August 2002.

<sup>54</sup> The Special Conservation Scheme, administered by the NSW Rural Assistance Authority (RAA), is an incentive-based initiative aimed at promoting improved land management practices. Loans of up to 90% of the net cost of the works, up to \$100,000 are covered by the Scheme. The Scheme also covers the following capital programs: soil conservation – including woody weed control; stock and domestic water supply; capping and piping artesian bores; upgrading existing irrigation systems; exclusion netting for prevention of flying fox damage to existing orchards with an existing problem; livestock effluent control; tile drainage; and serrated tussock control.

<sup>55</sup> "Premier Carr announces further relief for farmers" *Media Release*, Premier Bob Carr MP, Premier of New South Wales, 26 August 2002.

<sup>56</sup> "Rural Recovery Grants next step for drought relief" NSW Farmers Association *News Release*, 26 August 2002.

Demonstrating the extent of the drought, farmers in 17 Rural Land Protection Board districts were eligible for state drought relief by August 2002. These Boards were:<sup>57</sup>

#### **Rural Land Protection Boards Eligible for Drought Relief by August 2002**

Bourke	Coonamble	Tamworth
Brewarrina	Kempsey	Walgett
Broken Hill	Milparinka	Wanaaring
Cobar	Narrabri	Wentworth
Parts of Condobolin	Parts of New England	Wilcannia
Coonabarabran	Nyngan	

Premier Carr reported that by the beginning of September 2002, farmers in the Hay, Hillston, and parts of Yass Rural Land Protection Boards will qualify for assistance. From December 11 2002 eleven more Boards would be eligible for assistance including parts of the following:<sup>58</sup>

#### **Rural Land Protection Boards Eligible for Drought Relief by December 2002**

Armidale	Moree
Balranald	Narrandera
Dubbo	Northern New England
Forbes	Wagga Wagga
Hunter	Young

Premier Carr noted that another ten board areas are due to become eligible for drought assistance in the first couple of months of 2003.

On August 30 2002 the Premier announced assistance to honey producers in drought declared areas, where apiarists are finding it difficult to support their hives due to reduced planing of flowering crops and a general lack of plant growth. The State Government drought assistance to the bee industry included:

- A 50% transport subsidy to honey producers for the transport of sugar solution to feed nectar deprived bees; and
- Waiving of permit fees charged to honey producers for access to national parks and State Forests. The waiver will be in place until the end of the drought or until June 2003. If the drought has not broken by June 30 2003 the situation will be reviewed. The fees are between \$65 and \$80 a site and there are about 12,000 registered sites on government land across the State.<sup>59</sup>

<sup>57</sup> "More areas set to receive state government drought assistance." *Media Release*, Premier Bob Carr MP, Premier of New South Wales, 26 August 2002.

<sup>58</sup> "More areas set to receive state government drought assistance." *Media Release*, Premier Bob Carr MP, Premier of New South Wales, 26 August 2002.

<sup>59</sup> "Drought relief for beekeepers." *Media Release*, Premier Bob Carr MP, Premier of New South Wales, 30 August 2002.



On 10 September 2002 the Premier announced that an Exceptional Circumstances application for the areas of Brewarrina and Bourke will be formally lodged with the Federal Government that day.

During August and September, the NSW Government publicly canvassed the perceived lack of drought support by the Federal Government, and criticised the exceptional circumstances framework of Commonwealth drought assistance. For instance, Minister Amery stated:

But while 82% of the state is in drought, even if the New South Wales Exceptional Circumstances application is successful, it will only cover about 7% of the state. At the moment no part of the state is receiving Federal assistance. But the Commonwealth does not have to wait for an EC application. The Carr Government didn't. There is nothing to stop the Commonwealth from announcing some form of assistance to drought affected producers off its own bat. At least then perhaps more than 7% of the State would be eligible.<sup>60</sup>

Similarly, Premier Carr in response to a Question without Notice, told Parliament:

The Commonwealth can step in at any time to offer assistance. There is no law or provision in the Constitution that I know of that says the Commonwealth cannot join New South Wales in offering assistance to farmers. ...

The Government has put in a substantial application for exceptional circumstances. ... This 180-page book covers only 7 per cent of the State. Our drought assistance application covers 60 per cent of the State. However, there is no guarantee that this application will be taken seriously by the Federal Government. It has changed the criteria and made it even tougher to qualify by demanding information that would intimidate even the most resilient farmer.

I will outline what happens with that substantial application. The Minister receives it; he gives copies to three bureaucrats to make an initial assessment, and the bureaucrats recommend to the Minister whether he should forward the submission to an advisory group. That advisory group decides if the case is strong enough. If they think it is, they arrange to visit the affected area and discuss the case with farmers and the community. That is something our people have already done. Then the advisory group meets, makes a decision, and puts a recommendation to the Minister. Bear in mind that in some cases the process has taken seven or 12 months. Then, the Minister takes a recommendation to Cabinet for further discussion. That bureaucratic nightmare must be lived out before a decision can be made, and that can take seven months or 12 months. ....<sup>61</sup>

However, it does appear that the States have a history of criticising the exceptional circumstances framework, which was instituted by a Federal ALP Government and agreed to by the States. For instance, in the 1994/95 drought the then acting leader of the State National Party and member of the NSW Coalition Government Mr George Souris MP was

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<sup>60</sup> "Commonwealth should stop hiding behind EC: Amery." Media Release, Hon Richard Amery, MP, Minister for Agriculture, 3 September 2002.

<sup>61</sup> *NSWPD*, Hansard Proof, *Special Circumstance Drought Assistance*, 18 September 2002, at 40.

reported as saying that Canberra was showing a callous disregard for the gravity of the drought and the hardship it was causing. He was quoted: “Canberra should look to the initiatives of the former Federal Coalition Government in its package of measures in the 1982-83 drought crisis.” Mr Souris said there was still a “clear obligation on the national Government to be directly involved in helping Australia’s most important sector, the primary industry sector, in times of drought and extreme hardship beyond the control of efficient management practices.”<sup>62</sup>

Similarly, after touring drought stricken areas in 1994, then NSW Coalition Premier John Fahey announced a \$10 million drought relief strategy, and called on the Federal Government to activate the Exceptional Circumstances provisions of the Rural Adjustment Scheme. Premier Fahey was quoted as saying: “Sadly, the [RAS] criteria is so difficult that very few qualify...the message to the Commonwealth is you have to ease this criteria to make funding more available under the RAS for farmers. There is no point in saying that there are funds for farmers if, in fact, they have been struggling for two years. It is too late then, and so many people simply miss out on the current criteria.”<sup>63</sup>

On 19 September 2002 the Federal Minister for Agriculture Hon Warren Truss MP announced changes to the exceptional circumstances payment of welfare assistance. Welfare assistance under the exceptional circumstances program will be automatically provided for six months from when the National Rural Advisory Council is asked to examine an application. Minister Truss said: “After a fully completed application has been received by my Department, and it is deemed to have made a prima facie case for exceptional circumstances, the Federal Government will refer the application to NRAC and immediately grant welfare assistance to the community concerned. If the NRAC decides the application meets the exceptional circumstances criteria, the welfare payments will continue for two years. If the application is rejected by NRAC, the welfare payments will end after six months.”<sup>64</sup>

Minister Truss also stated that to enable applications to be considered sooner, the Government would adopt the use of predictive modelling where appropriate to trigger eligibility for exceptional circumstance assistance earlier. Minister Truss said: “These new arrangements will allow faster consideration of completed exceptional circumstance applications and provide faster relief for farmers in need. Exceptional circumstances assistance remains just that – for exceptional circumstances, a once-in-a-lifetime event. Farmers in the future will not have to wait for the NRAC process to be fully completed before having access to welfare assistance....The Commonwealth will continue to press the States to agree to more comprehensive reform of exceptional circumstances.”<sup>65</sup>

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<sup>62</sup> “Nats urge new Federal pay-outs for drought relief.” in *The Sydney Morning Herald*, 22 August 1994.

<sup>63</sup> “Fahey seeks \$10 m in drought relief.” in *The Sydney Morning Herald*, 9 August 1994.

<sup>64</sup> “Federal Government steps in after States fail on drought” *Media Release*, Hon Warren Truss MP, Minister for Agriculture, Fisheries and Forestry, 19 September 2002.

<sup>65</sup> “Federal Government steps in after States fail on drought.” *Media Release*, Hon Warren Truss MP, Minister for Agriculture, Fisheries and Forestry, 19 September 2002.

Also on September 19 Minister Truss announced his referral of the exceptional circumstance application for the Rural Lands Protection Board areas of Bourke and Brewarrina to the National Rural Advisory Council for consideration. Eligible farmers in these areas will therefore be provided with immediate welfare support.<sup>66</sup>

The chair of the NSW Farmers' Association Rural Affairs Committee, Jim Graham, said the announcement by the Federal Government that regions will become eligible for interim income support as soon as a preliminary case is established, will considerably cut down the time taken to get assistance. He stated: "However, it's important to remember that the situation is just as dire in other areas of the state, particularly the Western Division, and farmers there need similar help as soon as possible. The problem with EC in the past has been that it's often taken up to two years for farmers to receive federal support to put food on the table. That's far too long, and it's why we've been pushing for the system to be streamlined. ... We call on the NSW Government to urgently prepare EC applications for all those other areas that may qualify, now the Federal Government is using predictive modelling. ... NSW Farmers' Association welcomes the efforts to streamline the EC process, and looks forward to working constructively with the Commonwealth and State Governments to achieve further reform."<sup>67</sup>

On September 24 2002 Premier Carr announced the formation of five new exceptional circumstances teams, to put together applications for 22 additional Rural Lands Protection Board districts. The teams comprise a: Regional Director of Agriculture; livestock officer; an agronomist; economist and a climatologist. More than 24 percent of the State and over 9, 200 farmers will be covered by these applications.<sup>68</sup> The Premier was also critical of the Commonwealth 'improvements' to the timing of welfare support, as outlined above, noting that farmers access to interest subsidies for farm businesses was also vital.<sup>69</sup>

On 3<sup>rd</sup> October 2002 a drought appeal, 'Farmhand', was launched. The private trust 'Farmhand Foundation' was developed by radio personalities Alan Jones and John Laws, as well as executives from some of Australia's public companies, including: Publishing and Broadcasting; News Limited; and Telstra. The Foundation is to be administered by the Red Cross. The *Daily Telegraph* wrote: "The first fundamental of the Farmhand Foundation...will be a month long drought appeal to provide emergency funds to those hardest hit by the crisis – not just farmers, but families and contractors suffering flow on effects. The second stage will be a long term project to raise funds for research projects which would 'drought proof' farms and communities."<sup>70</sup> Writing about the devastating

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<sup>66</sup> "Early help for drought-affected northwest NSW farmers." *Media Release*, Hon Warren Truss MP, Minister for Agriculture, Fisheries and Forestry, 19 September 2002.

<sup>67</sup> "EC changes speed up process." NSW Farmers Association *News Release*, 23 September 2002. See [http://www.nswfarmers.org.au/newsroom/news\\_releases/template11](http://www.nswfarmers.org.au/newsroom/news_releases/template11).

<sup>68</sup> "Premier Carr announces five new exceptional circumstances teams." *Media Release*, Premier Bob Carr MP, Premier of New South Wales, 24 September 2002.

<sup>69</sup> *NSWPD*, Hansard Proof, *Drought Assistance*, 24 September 2002, at 12.

<sup>70</sup> "Give her a hand. Appeal to beat the drought." In *The Daily Telegraph*, 3 October 2002.

impacts of drought, spokesperson for the Foundation Alan Jones stated: “But there has to be a way out of this wretched cycle of drought upon drought. It has to be possible to water Australia, to take water from where it is to where it’s needed.”

The launch of the Farmhand Appeal and the discussion of physically ‘drought proofing’ the nation through the translocation of river water attracted considerable interest. For instance, the Clarence and Macleay rivers on the north coast of NSW discharge 5 MML (million megalitres) and 2 MML to the ocean respectively. One proposal is to tap the Clarence River, store water in a 900,000 ML weir and pump it through a 70 kilometre long tunnel under the Great Dividing Range to a regulating weir on the other side. It would then pass through a 28 Megawatt hydro-electric power plant before flowing into the Border River, ultimately delivering 950,000 ML a year to the inland. In comparison, the Snowy Mountains Scheme transfers 1.2 MML of water a year.<sup>71</sup>

One proponent of the scheme, Geoff White of White Industries, estimated that the ‘new’ water provided will be sufficient to irrigate up to 130,000 hectares of land, create 5,000 permanent jobs and \$500 million a year in agricultural production.<sup>72</sup>

However, in response to these calls to ‘turn the rivers inland’, an alliance of high profile Australian scientists, (calling themselves the Wentworth Group), put forward alternative ways to help drought proof the nation. A member of the group, Professor Peter Cullen, was reported to have said: “You can’t drought-proof Australia. We need to learn to live with the landscape, not trying to fight against it all the time. Reversing rivers is a simplistic reaction to a complex set of problems. We have sufficient knowledge now to set a new direction. This involves some radical changes in land use towards those that can buffer the highly variable climate that is intrinsic to Australia.”<sup>73</sup>

Professor Cullen then outlined five areas that the Wentworth Group believed required reform. He said: “We really do need to clarify the property rights of farmers for water and for others and the obligations associated with those rights. ...We must end broad scale land clearing of remnant native vegetation immediately and as part of that to assist the rural communities with the adjustment that that will require. ...We need to change our taxation and price signals to pay for the full costs of the production of food, fibre and water, including the hidden subsidies currently borne by the environment. ...That will mean putting pollution charges on, so that sediment and other contaminants are built into the price of food we buy at the supermarket. ...We need to restore environmental flows to our stressed rivers and we need to find ways of paying farmers for the environmental services, the clean water, the fresh air, the healthy soils, that we as society are expecting them to provide for all of us.”<sup>74</sup>

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<sup>71</sup> Collins,R. “More than a pipe dream?” in *Water and Wastewater*, Vol 13, No 9, October 2002, at 33.

<sup>72</sup> Collins,R. “More than a pipe dream?” in *Water and Wastewater*, Vol 13, No 9, October 2002, at 33.

<sup>73</sup> “Scientists design blueprint for water reform” in *ABC News Online*, 11 October 2002.

<sup>74</sup> “Scientists design blueprint for water reform” in *ABC News Online*, 11 October 2002.

With this background of community debate, methods to drought-proof the nation will be presented to Federal Cabinet shortly. The Prime Minister said that government agencies, including the CSIRO, would make a cabinet presentation on what could be done about drought-proofing. The Prime Minister is reported to have said: "It's been talked about for years. ... I've got an open mind. If I could be persuaded there were some really big things that could be done, that would make a huge difference, I'd be very happy to have a look at them."<sup>75</sup>

## 5.0 CONCLUSION

Drought and climatic extremes in Australia are a regular event. Climatically, it is not evident how the nation can 'drought proof' itself. This was the approach tried earlier this century through irrigation and abandoned. However, economic and social 'drought proofing' is possible. Herein lies the challenge of balancing two ideals: primary producer risk and self reliance; and the provision of a publicly funded 'safety net' of support and assistance. The National Drought Policy has been in place for ten years, and the principles that underlie it should be well known to both the farming community and those implementing it. However, the implementation of the Policy by both Commonwealth and State governments has not been without problems, and conflict over the Policy by both spheres of government is evident to this day. Without cooperative and consistent policies emanating from the different spheres of government, it will be more difficult for farmers to attain the goal of being 'drought proof'.

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"PM to rule on drought-proof plan" in *The Australian*, 10 October 2002.