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CENTRE FOR ECONOMIC STUDIES
ADELAIDE & FLINDERS UNIVERSITIES

Analysis of Exceptional Circumstances Interest Rate Subsidy (ECIRS) Recipients

Final Report

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Contents

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Executive Summary

The South Australian Centre for Economic Studies (SACES) was commissioned to undertake a survey and data analysis of a sample of Exceptional Circumstances Interest Rate Subsidy (ECIRS) recipients to determine their level and pattern of government support and to establish a profile of this group. The study also sought to analyse the potential impact of ECIRS in assisting farmers to improve business management and adapt to climate variability, including adjustment in the agricultural sector.

Has the provision of ECIRS assisted farmers to manage exceptional circumstances (in the short and long term) and prepare and better manage adjustment to climate variability?

On balance, our assessment is that ECIRS has helped to sustain farm operations experiencing severe drought conditions. There is no evidence from interviews with farmers that the scheme has prevented adjustment within the agricultural sector; it appears more likely to have helped to sustain operations and assist farmers to make on-farm improvements.

Farmers in receipt of the interest rate subsidy are operating viable farms which have been assessed by state authorities. They most often have written business plans.

Up to 84 per cent of those in receipt of the ECIRS stated that they planned **not to** take on additional debt in the near future; most were using the subsidy to run down debt or to make investments in on-farm productivity improvements; and 230 of 250 respondents stated that the subsidy helped to ease cash flow, service debt, retain farm labour and assisted in planning for the future.

Conversely, when asked if there had "been no ECIRS scheme" almost 50 per cent of the sample said they would "borrow more money" to maintain farm operations.

Impact of ECIRS

- The debt to asset ratio of farmers tended to fall between the first and latest year of the current drought. The first year is usually stated as 2003, although a small number of farmers quoted 2002 or 2004. The latest year refers mostly to 2007, with a small number of farmers referring to 2006. Overall, the average value of assets, as stated by the respondents, rose faster than the average value of debts which suggests that the financial status of subsidy recipients had improved in the short to medium term.[1]
- The total ECIRS payments rose substantially between the first and latest year of the current drought across all three state samples. Average payments per recipient increased by between 76 per cent in New South Wales and 113 per cent in Victoria. The average increase in Queensland was 92 per cent.
- Because most farmers were using the subsidy to reduce debt or to implement productivity improvements, the increase in the amount of subsidy most likely reflects the increase in rate of subsidy from 50 per cent in year 1 to 80 per cent in subsequent years.

[1] The value of assets is based on a farmer's own assessment so it is possible that largely subjective estimates are unreliable.

- The amount of the subsidy relative to outstanding debt (i.e. the ratio of the amount of subsidy to debt) for the first year (2003) and the latest year (2006 or 2007) was
  - Victoria 2.6 rising to 4.1; and average subsidy $46,700;
  - New South Wales 3.6 rising to 4.9; and average subsidy $36,200; and
  - Queensland 3.1 rising to 4.7; and average subsidy $29,000.
- 41 per cent of ECIRS recipients reported that debt levels had increased while in receipt of the subsidy. However, this was often due to increased investment in the property to improve on-farm productivity rather than adversity. Roughly one third said debt levels were unchanged.
- 27 per cent reported that debt levels had fallen while in receipt of the subsidy with most reporting using the subsidy to pay off debts. Other factors also contributed to a decline in the level of debt, including rising prices for farm output, sale of stock or sale of other assets.
- Most respondents (84 per cent) planned **not** to take on additional debt in the near future, and 84 per cent had a plan in place for debt reduction.
- Water availability or trading of water was stated not to have impacted on debt levels by 68 per cent of respondents.
- The gap between normal farm income and drought income closed significantly across the samples in the three states between the first and latest year of the current drought. This suggests a potential benefit of the subsidy in maintaining cash flow while farmers adjust to the drought and/or conditions improve.

Advice and Training, Information

- Training or personal development courses on offer whilst receiving ECIRS payments were considered adequate by 91 per cent of respondents. Courses were taken by 42 per cent of farmers in the sample and this compares to 21 per cent of ECRP participants (SACES: 2008).
- The types of advice that respondents considered most relevant to help them through the current drought and variable climate generally were farm management advice, including that from agronomists and stock agents; financial advice, including help from rural financial counsellors; people in similar situations, farmers support groups and other farmers in the area; and information about the weather.
- The most popular training course taken was production management, followed by financial and general business, and natural resource management/ biodiversity.
- Agribusiness and accountants were the most commonly consulted sources of information on advice and training, with significant mention of media sources such as the internet (site providing information on the weather), radio, newspapers, and other farming-related publications.

Business Plans and Climate Change

- Around two thirds of farmers said that they had incorporated climate change into their risk management strategies. The most common answers were to adjust the crop varieties grown or livestock farmed, and to improve water infrastructure and make better use of available water. Only 28 per cent said that they did or would consider forward selling as it was "too risky" to sell more than a small percentage of farm output in this way.

- Business plans were used by 73 per cent of respondents. Just over half of all respondents had undergone a financial assessment during the preceding one to two years, either with a financial adviser or Rural Financial Counsellor (RFC).
- The most common part of the business plans was to use ECIRS payments to reduce debt. Second was using a drought management plan, and third was debt restructuring and/or refinancing.
- The most common risk management tools that respondents would have used if there had been no ECIRS scheme, were to borrow more money and/or to sell stock or assets, or to downsize the farm operations. A significant number also talked about finding work off the farm.
- Farm management deposits (FMDs) were currently used by only nine of the 263 participants during the sample period, although about one sixth of respondents said they had used FMDs at some point in the past and exhausted these savings.

General Comments

- When asked how they originally heard about the ECIRS scheme, the most common answer was through media sources, mainly newspaper and radio. Important secondary sources were accountants, financial advisers and RFCs.
- The level of satisfaction with ECIRS assistance was very high, with all but ten of the 234 respondents saying they were very satisfied or somewhat satisfied.
- The main specific reasons for seeking ECIRS assistance were to counter high levels of debt and to improve cash flow, cover short-term input costs, cover rising costs in general and to keep the business going.
- ECIRS assistance received very positive feedback. There were also a number of suggestions about how it might be improved, and concerns about how it currently operates, including its administration as well as the eligibility criteria. In the main these related to the amount of paperwork involved on the part of the farmer. The researchers have not been able to assess this issue formally, although we are aware of assistance provided to farmers to complete applications by RAAs and rural advisers.[2]

[2] Towards the completion of this study the researchers undertook a study for the Victorian Department of Treasury and Finance on drought measures. We spoke with the Rural Finance Corporation, DPI and rural advisers and formed the view that the scheme is well managed by the Finance Corporation, that it is well targeted and professionally administered.

1. Background to this Study

1.1 Introduction and Terms of Reference

The South Australian Centre for Economics Studies (SACES) was commissioned by the Department of Agriculture, Fisheries and Forestry (DAFF) to undertake a survey and data analysis of Exceptional Circumstances Interest Rate Subsidy (ECIRS) recipients to determine their level and pattern of government support and to establish a profile of this group. The study is concerned with only those farmers in receipt of the Interest Rate Subsidy and not eligible small business or agriculture dependent small business operators.[3]

1.2 Objectives of the study

The terms of reference were:

(1) Analyse uptake, use and impact of ECIRS to determine if interest rate subsidies have:

- assisted farmers to manage exceptional circumstances in the short term; and
- the extent to which they have been used to manage longer term climate change.

(2) Determine if the use of ECIRS has assisted farm businesses to improve their management and preparedness to drought and climate variability.

(3) Through profiling ECIRS users in the 1994/95 drought and 2002/2007 drought and considering Objectives 1 and 2, determine if ECIRS has prevented or facilitated change and adjustment within the agricultural sector.

1.2.1 Methodology

In order to be able to satisfactorily address the objectives of the study and construct a profile of ECIRS recipients, the researchers required financial information on each recipient, as well as individual input from farmers from a personalised telephone survey.

The researchers were provided with financial information, interest rate subsidy history and basic demographic information of 263 ECIRS recipients by the Rural Finance Corporation of Victoria, the New South Wales Rural Assistance Authority, and the Queensland Rural Assistance Authority (collectively referred to as RAAs). In addition, the Centre designed and delivered a personalised telephone survey to 263 Interest Rate Subsidy recipients from these three states.

Financial information supported by data from the telephone survey were used to:

- compile generic demographic details on ECIRS recipients;
- analyse financial status and change over time; and
- profile recipients across the three states.

[3] See section 1.4 of the ECIRS guidelines on eligibility criteria for small business operators.

In order to develop a financial profile of the 263 ECIRS recipients the data requested (by DAFF using a standard template, see Appendix C) included:

- the recipients subsidised in 1994/95 (only provided for New South Wales), the first year of the current drought and the latest year in the current drought; and
- the financial position of longer term recipients in the first year of ECIRS compared with the latest year of subsidy.

The data requested of the RAAs was designed to enable a comparison of the 263 subsidy recipients ─ 51 from New South Wales, 63 from Victoria and 149 from Queensland to include, but not limited to, issues identified at Appendix D, with a spread across region, industry and farm size.

The second component of the study involved a survey of 263 ECIRS recipients. The RAAs wrote to farmers and invited them to participate in a telephone survey which was undertaken by SACES. A copy of the telephone survey is provided in Appendix E. Information collected from the telephone survey was grouped under the following broad headings:

- information on the farmer and farming activity;
- participation in training;
- business management and climate change; and
- financial and general impact of ECIRS.

The number of respondents is shown in Table 1.1:

Table 1.1
Total number of respondents to the survey

	Number of participants
Queensland	149
Victoria	63
New South Wales	51
Total	**263**

It should be noted that for each survey question, the number of respondents varies as some choose to answer some questions and not others. Also, for some questions, multiple answers were often provided, so the total number of answers exceeds the number of respondents.

1.3 EC Interest Rate Subsidy: business support

Business support is provided through ECIRS. This assistance is for eligible farm business owners and small business operators considered profitable in the long-term, but who due to Exceptional Circumstances (EC), are experiencing financial difficulties and in need of ECIRS assistance to achieve long-term profitability. ECIRS assistance is available to eligible farmers for the duration of the EC declaration covering their farming business.

Receipt of ECIRS is **not automatic** on the EC declaration of an area. The actual period from which applicants can receive ECIRS and the level of support they receive are determined on an individual basis by the State and Territory Rural Adjustment Authorities (RAAs) that administer ECIRS. Entitlements are calculated in terms of the Australian Government policy guidelines issued for each event.

State/territory-based RAAs must be satisfied that the applicant's farming or business enterprise is in financial difficulty due to the EC event, and that it has prospects of long-term profitability and sustainability. The RAAs also require that other eligibility requirements are met, such as assets tests.

Eligibility criteria

Farmers must demonstrate that under normal circumstances they contribute at least 75 per cent of their labour to the farm enterprise, derive at least 50 per cent of their income from farming and have been farmers for at least two years.

Eligibility criteria for small business operators is summarised in Appendix B. Small business operators in receipt of the subsidy are not considered in this report.

Amount of interest rate subsidies

The maximum interest rate subsidy level payable to farmers and small business operators in their first year of EC-declaration is 50 per cent, and up to 80 per cent in the second and subsequent years. The maximum interest rate subsidy payable under the guidelines is $100,000 in any 12 month period, with a cumulative maximum of $500,000 over five years.

1.4 A Final Note

SACES undertook a study for DAFF of 400 farmers receiving ECRP and provided a final report to the department in April 2008. To the extent, and where possible throughout this report, relevant comparisons can be made between the two groups (i.e. ECRP and ECIRS) then a discussion is provided. The earlier report was titled *Comparison of Farmers in Exceptional Circumstances Declared Areas and Farmers in the Farm Help Program* (SACES, April 2008) and is cited in this report as (SACES: 2008).

2. Financial Analysis

2.1 Introduction

This chapter profiles the farmer and farm activity in the survey, and then presents an overview and analysis of their financial situations. We look at debt to asset ratios; farm incomes in 'normal' versus drought years; and the use of FMDs. Then we look specifically at the distribution of ECIRS payments and the financial impacts of these payments on the recipients to determine if ECIRS has assisted farm businesses and adjustment in the agricultural sector. Attitudes of farmers towards these issues are presented in Chapter 3.

DAFF wrote to each state RAA and requested financial data on farmers to be surveyed. They provided a response template (see Appendix C). However, the responses to the data request from Queensland, New South Wales and Victoria were not consistent in terms of the level of detail and the types of data supplied. This accounts for some of the inconsistency in the analysis, and whether conclusions can be drawn from the data. Each state has presented its results differently, and respondents have answered questions in different ways. For example, no FMD information was supplied by Queensland; New South Wales gave only one figure for normal farm income, while the other states provided a figure for the first and last year of the current drought. The three states provided variable data for the 1994/95 drought, so analysis of this period is limited.

2.2 Activity, Age, Ownership Profile

This section summarises the farm activity, age of respondents and ownership of the farm from responses to the first three questions in the phone survey.

2.2.1 Activity profile

The pattern of activities captured in the three samples surveyed is presented in Table 2.1. With a large number of farms involved in more than one activity, the total number of activities exceeds the total number of farms in the survey (N = 263).

Table 2.1
Activity profile of farms in samples

	Queensland	Victoria	New South Wales	Total
Cattle – Beef	99	20	46	165
Sheep	58	35	37	130
Grain	50	26	20	96
Cattle - Dairy	16	22	3	41
Cotton	12	0	2	14
Pigs	1	2	1	4
Goats	0	0	4	4
Poultry	1	2	0	3
Hay growing	2	1	0	3
Other	4	2	3	9
Number of Activities	243	110	116	469
Number of farms	**149**	**63**	**51**	**263**

Source: ECIRS Survey 2008, SACES.

It is clear from the table that the sample is dominated by livestock farmers, particularly beef cattle on 165 farms and sheep on 130 farms. Grain is one of the main activities on 96 properties. There are 41 dairy farms and 14 properties growing cotton represented in the sample and both groups are irrigators who are seriously impacted by the drought and reduced water allocations.

There are multiple activities on many of the 263 farms, giving a total of 469 activities, or 1.8 per farm. Looking at each state, the dominant farming activity among the 149 participants in the Queensland survey, as in New South Wales, is clearly in rearing beef cattle, with 99 of the respondents citing this as one part of their business. The second most common is sheep farming with 58 respondents, many of whom combine sheep and beef farming. Third was grain growing with 50 respondents, many of whom also farm beef cattle and sheep. Other livestock activities include 16 dairy farms, one poultry farm and one pig farm. There is also one business that focuses on keeping bees for honey. Other crops include 12 cotton producers, and single occurrences of peanut growing, and apple and pear growing.

In New South Wales, among the 51 participants in this survey, the dominant activity is beef cattle farming, with 46 respondents citing this activity. Second most common was sheep farming, and in most cases the sheep and beef cattle were co-produced. Cropping was cited by 20 respondents. Other livestock activities in the New South Wales sample are farming goats, dairy cattle and pigs. Other cropping activities specifically cited are growing cotton, grapes, soya beans and sunflowers.

Victoria is the only state in which the sample is not dominated by beef cattle. Of the 63 surveys completed, rearing sheep is shown as the most common activity, on 35 farms, with only 20 rearing beef cattle. The second main activity is grain growing on 26 farms, and dairying on 22 properties.

The activity profile of this sample of current recipients of ECIRS by farming activity closely approximates that of ECRP recipients reported in an earlier study,[4] although that study included up to 100 Tasmanian farmers. Notwithstanding, beef cattle, sheep (meat and wool), grain farmers and dairy were the major farm activities of recipients of ECIRS and ECRP.

2.2.2 Age profile

The age profile of the farmers in the samples is summarised in Table 2.2 and in the last column the age profile of a sample of ECRP farmers in SACES 2008 earlier study. There is a bunching of farmers in the three age groups from 40 to 64, accounting for 77 per cent of the total 236 who answered this question (73 per cent in ECRP survey). The single largest age group in both surveys was the 50 to 59 age category.

In each of the three states, approximately 32 per cent of farmers were aged 60 and above. The only discernible difference in the two samples (although this was not found to be statistically significant) is that younger farmers (i.e. those < 39 years) comprised 7 per cent of interest rate subsidy recipients and 16 per cent of ECRP recipients. The average age of farmers is approximately 56 years and it is difficult for young farmers to get into farming. One might therefore expect a bias in the statistics towards older farmers receiving support.

[4] SACES (2008), "Comparison of Farmers in Exceptional Circumstances Declared Areas and Farmers in the Farm Help Program", April.

Table 2.2
Age profile of farmers in samples

Age Range	ECIRS					ECRP
	Queensland	Victoria	New South Wales	Total	Per cent	Per cent
20to29	2	0	1	3	1.3	2.7
30to39	6	6	1	13	5.5	13.3
40to49	30	16	5	51	21.6	22.4
50to59	49	20	25	94	39.8	34.6
60to64	18	13	6	37	15.7	16.0
65to69	14	3	5	22	9.3	6.5
70 and over	9	3	4	16	6.8	4.6
Total farmers	**128**	**61**	**47**	**236**	**100.0**	**100.0**

Source: ECIRS Survey 2008, SACES.

2.2.3 Farm ownership structure

The dominant ownership structure in the sample was a partnership or family ownership, accounting for 182 of the 235 respondents to this question, or 77 per cent. This dominance was consistent across all of the three samples. Second most common were sole owners, of which there were 26, or 11 per cent. There were 15 trusts and 12 private companies, accounting for 6 per cent and 5 per cent, respectively. In the SACES: 2008 report on ECRP recipients, 24 per cent were sole owners compared to 11 per cent in this study; 63 per cent held the farm as a family or other partnership compared to 77 per cent of interest rate subsidy farmers.

Table 2.3
Ownership structures of farms in samples

	Queensland	Victoria	New South Wales	Total	Per cent
Partnership/family	101	46	35	182	77.4
Sole owner	16	7	3	26	11.1
Trust	6	5	4	15	6.4
Private company	3	3	6	12	5.1
Total	**126**	**61**	**48**	**235**	**100.0**

Source: ECIRS Survey 2008, SACES.

2.3 Farm debts and assets

This section provides an overview of the financial situation in each state for the farms for which data were provided by the RAAs. Table 2.4 shows the total and average assets and debts, and the overall debt to asset ratio for each of the three states separately, in the first year of ECIRS payments and the latest year. This mostly relates to the first year as 2003 and the latest year is 2006 or 2007 depending on the answers provided by the respondents. For Victoria and Queensland, there are two sets of data for the latest year because the middle column relates to the same farms as the first column, while the third column includes all of the farms for which data were available for that year. In Victoria there were 20 more farms providing these data in the latest year than in the first year and for Queensland, the difference was eight.

Table 2.4
Debt to asset ratios of farmers

Victoria	**First year (41 farms)**	**Latest year (41 farms)**	**Latest year for all farms (61)**
Total assets	$89,041,935	$113,307,447	$177,389,914
Average assets	$2,171,755	$2,763,596	$2,908,031
Total debts	$35,706,420	$43,810,976	$65,308,116
Average debts	$870,888	$1,068,560	$1,070,625
Debt to asset ratio overall	0.40	0.39	0.37
New South Wales	**First year (50 farms)**	**Latest year (50 farms)**	
Total assets	$92,152,404	$141,851,116	
Average assets	$1,843,048	$2,837,022	
Total debts	$28,439,866	$36,924,410	
Average debts	$568,797	$738,488	
Debt to asset ratio overall	0.31	0.26	
Queensland	**First year (122 farms)**	**Latest year (122 farms)**	**Latest year for all farms (130)**
Total assets	$234,018,000	$331,453,000	$366,161,000
Average assets	$1,918,180	$2,716,828	$2,816,623.08
Total debts	$66,983,000	$92,640,906	$101,982,906
Average debts	$549,041	$759,352	$784,483.89
Debt to asset ratio overall	0.29	0.28	0.28

Source: State RAAs; SACES calculations.

Table 2.5
Proportional changes in Table 2.4 (per cent)

	Victoria Latest year (41 farms)	**New South Wales Latest year (50 farms)**	**Queensland Latest year (122 farms)**
Average assets	27.3	53.9	41.6
Average debts	22.7	29.8	38.3

Source: State RAAs; SACES calculations.

It can be seen from Table 2.4 that there is a clear pattern across all three states, with the debt to asset ratio falling in the latest year. The greatest change is seen in New South Wales, where the debt to asset ratio fell from 0.31 to 0.26 for the sample's 50 farms, *as average assets rose at a faster rate than average debts*. In Victoria, the ratio fell from 0.40 to 0.39 for the 41 farms providing data for both years, and the ratio was lower again at 0.37 when the other 20 farms providing data in the latest year were included. Queensland's debt to asset ratio fell from 0.29 to 0.28 for the 122 farms in the sample providing data for both years, and the ratio remained at 0.28 when the remainder of farms providing data in the latest year were included.

The percentage changes in assets and debts from the first year are presented in Table 2.5. It can be seen that the largest relative asset increases for the samples providing data for both years are in New South Wales, at 53.9 per cent, while debts rose just 29.8 per cent. In Queensland, the average increase for the 122 farms was 41.6 per cent, with debts rising 38.3 per cent, a much smaller gap than in New South Wales. In Victoria, average assets increased by 27.3 per cent for the 41 farms, while debts rose by 22.7 per cent. Overall, the average value of assets was rising faster than the average value of debts which suggests that the financial status of subsidy recipients had improved in the short to medium term.

Table 2.6 summarises the average farmer in receipt of ECIRS where the farmer was in receipt of the subsidy in 2003 and again in 2006 or 2007. In each state a similar picture is evident:

- the average value of farm assets has increased for each sample;
- the average value of farm debt has increased but by less than the average value of farm assets;
- the debt to asset ratio has declined (as in Table 2.4); and
- the subsidy relative to debt has increased for all samples.

It is not possible to conclude however, that improvement in the equity position of farmers is due to the subsidy or simply to rising asset values over time. In Table 2.6 the first year refers to 2003; however the latest year was sometimes 2005, but most often 2006 or 2007.

Table 2.6
Summary Statistics: 2003 and 2006/07
By State

	First Year	Latest Year	Percentage Change
Victorian averages			
ECIRS received	$19,683	$46,067	134.0
Farm debt	$747,146	$1,111,507	48.8
Farm assets	$1,702,743	$2,801,119	64.5
ECIRS to debt	2.6	4.1	
New South Wales averages			
ECIRS received	$20,795	$36,199	74.1
Farm debt	$572,049	$735,555	28.6
Farm assets	$1,776,168	$2,684,781	51.2
ECIRS to debt	3.6	4.9	
Queensland averages			
ECIRS received	$14,566	$27,626	89.7
Farm debt	$465,487	$586,917	26.1
Farm assets	$1,862,859	$2,532,744	36.0
ECIRS to debt	3.1	4.7	

Note: Sample sizes smaller as only included those receiving ECIRS in both years and providing complete data for both years. Victoria N=38; New South Wales N=50; Queensland N=78).
Source: State RAAs, SACES calculations.

2.4 Farm incomes

Average normal and drought farm incomes for each of the state farm samples are presented in Table 2.7 for the first and latest year of the current drought. No information was provided for 1994/95.

Normal farm incomes in Victoria for the sample surveyed averaged around $381,500. Average drought income was $341,200, a difference of nearly $40,000. By 2006, the average normal incomes for our sample had risen by 56.8 per cent to $598,100. Average drought income was about $87,000 lower at $511,200.

For the New South Wales sample, the normal farm income figures were provided as a single figure and not differentiated by year, hence the average being shown as around $315,600 in both 2003 and 2006. It is interesting to note that average drought income was substantially lower in 2003 at $186,300, than in 2006, when the average was nearly $222,300. The fact

that New South Wales data did not appear to adjust average normal farm income from the first to the latest year suggests a need for caution in interpreting the trend described above.

Table 2.7
Normal and drought income in samples ($)

	First year	Latest year	Per cent change
Victoria			
Average normal farm income	381,541	598,083	56.8
Average drought income	341,184	511,182	49.8
Drought as a percentage of normal	89.4	85.5	
New South Wales			
Average normal farm income	315,647	315,647	0.0
Average drought income	186,310	222,264	19.3
Drought as a percentage of normal	59.0	70.4	
Queensland			
Average normal farm income	315,034	315,772	0.2
Average drought income	199,275	269,444	35.2
Drought as a percentage of normal	63.3	85.3	

Source: State RAAs; SACES calculations.

The average normal farm income for Queensland farmers in 2003 was approximately $315,000, rising only slightly to $315,700 in 2006. The drought income averaged $199,300 in 2003, but was 35.2 per cent higher in 2006 at $269,400.

Comparing average normal farm income in a non-drought year with the latest year of drought (in Table 2.7) for:

- Victoria, it falls from 89.4 per cent to 85.5 per cent;
- New South Wales, it increased from 59 per cent to 70 per cent; and
- Queensland also increased from 63 per cent to 85 per cent.

Drought income (in any single year) could increase due to a farmer selling stock, reducing farm activity and hence input costs, receiving higher prices for farm output due to reduced supply in the marketplace.

2.4.1 Declaration of FMDs

For the farmers across the three states only nine declared that they were making use of FMDs. According to the survey, no one in the Queensland used FMDs during the survey period.

In New South Wales, of the 51 respondents, four declared their use of FMDs. FMDs were mostly in the range of $25,000 to $60,000, although one farmer accessed larger amounts of around $200,000. The activities of the four using FMDs were cattle farming, sheep farming, cotton and other cropping.

In Victoria, FMDs were declared by five of those surveyed. This is far less than the average of one third of Victorian farmers holding FMDs as reported by ABARE.[5] Three had FMDs in the first year in which ECIRS payments were received, with amounts of $40,000, $46,990 and $144,883. One of these was also using FMDs in the latest year of receiving ECIRS payments,

[5] ABARE (2008) National Farmer Survey.

as well as two others. Three farms used FMDs in the latest year, to the amounts of $30,000, $150,000 and $220,000. Four of the five ECIRS recipients using FMDs were dairy farmers.[6]

Overall, it appears that almost all subsidy recipients had exhausted or did not have previous income saved in the FMD scheme.

2.5 ECIRS payments overview

Table 2.8 shows the average and total ECIRS payments received in the first and latest years for which data were provided for each of the three state samples. The first year with data for Victoria is 1993/94. The 39 recipients in the sample received an average of $21,900, giving a total bill of around $850,000. In the latest year for which respondents provided data, which was in most cases was 2007, there were a larger number of recipients at 60, and between them they received $2.8 million, or $46,700 each. This is more than double the average payment in 1993/94. (It should be noted that the figures in Table 2.8 are not directly comparable to those in Table 2.6 as each table refers to different samples.)

Table 2.8
ECIRS payments in first and latest years ($)

	First year	Latest year
Victoria	**1993/94**	**Mostly 2007**
Total ECIRS	854,648	2,800,117
Average ECIRS	21,914	46,669
Number of recipients	39	60
New South Wales	**Mostly 2003**	**Mostly 2007**
Total ECIRS	1,049,940	1,809,956
Average ECIRS	20,587	36,199
Number of recipients	51	50
Queensland	**Mostly 2003**	**2006**
Total ECIRS	1,713,350	2,729,310
Average ECIRS	15,162	29,035
Number of recipients	113	94

Source: State RAAs; SACES calculations.

ECIRS payments average $20,600 in the first year, rising 76 per cent to $36,200 in the latest year. The total ECIRS bill to this sample rose from $1.0 million to $1.8 million.

The Queensland figures were provided mostly for 2003 and 2006. There were 113 recipients in the sample in the first year and 94 in the latest year. The average ECIRS payment in the first year was $15,200, giving a total bill of $1.7 million. This average almost doubled to $29,000 in the latest year, and the total bill rose by more than $1 million to $2.7 million.

To the extent the subsidy reflects the level of existing debt (whatever the reason for higher debt levels, (such as purchase of another farm, additional loans, higher operating costs, etc), then Victorian farmers in the sample attracted the highest average amount of subsidy.

[6] Victorian administrative procedures take into account FMDs and notionally apply them before determining any IRS support.

Average debts and average ECIRS payments are summarised below for the latest year:

- Victoria: average debt $1.070 million, average subsidy $46,700;
- New South Wales: average debt $0.738 million, average subsidy $36,200; and
- Queensland: average debt $0.784 million, average subsidy $29,000.

2.5.1 Financial impact of ECIRS

There was a section in the telephone survey which asked about the farmers' impressions of the financial impact of the ECIRS payments they had received. These questions related to whether debt levels had risen, fallen or been unaffected; whether water availability or trading of water had affected debt levels; intentions regarding taking out additional debt in the near future; debt reduction plans, attitudes to FMDs; and satisfaction with ECIRS assistance to date.

The farmers were asked first whether their debt levels had risen, fallen or remained unchanged since the receipt or ECIRS. As shown in Table 2.9, the answers were fairly evenly split in the Victorian and New South Wales samples, while relatively more respondents answered that their debts had risen in Queensland.

Table 2.9
Perceived changes in debts levels (Per cent in brackets)

Debt levels	Victoria	New South Wales	Queensland	Totals
Risen	21 (34.4)	17 (36.0)	58 (45.3)	96
Fallen	19 (31.2)	14 (30.0)	31 (24.2)	64
Unchanged	21 (34.4)	16 (34.0)	39 (30.5)	76
Total	61 (100)	47 (100)	128 (100)	

Source: ECIRS Survey 2008, SACES.

In Victoria, the reasons for rising debts included paying for farm inputs, such as livestock feed; having to increase borrowing to sustain the farm; and the increase in 'drought-related expenditure'. Also, a number of the respondents said they had spent money investing in equipment for the farm, while others had sold some of their stock to pay bills. New South Wales farmers with rising debts mostly cited purchasing extra land or property to expand; buying new equipment for the farm or inputs such as livestock; and upgrading the farm's facilities. Some said that their income levels were still not sufficient to reduce debts. In Queensland, those with rising debts cited a combination of poor or failed crops; improving or expanding the property; and rising costs.

For those who had reduced their farm debts, the main reasons given by the Victorian farmers were a good or reasonable harvest; desire to increase equity in the farm; using assistance funds such as the ECIRS to pay off debts; and tight management of spending. In New South Wales, some had sold some of their farm land or property, reduced livestock numbers, or seen improving conditions in the marketplace. In some cases falling debts were attributed largely to the ECIRS payments, in other cases, downsizing or selling off assets were the main factors. In Queensland, the farmers who said that their debts had fallen mostly said that this was due to rising market prices for their products, a better season, and therefore better incomes and cash flow. Some cited earning a portion of off-farm income, others had sold some stock.

Mixed fortunes affected those whose debt position was relatively unchanged. Some of the reasons provided were the offsetting of assistance and increased earnings in some areas by increased expenses or adversely affected areas of their businesses in others. Some farmers cited the offsetting factors of paying off debts, investing in or maintaining the property, and facing rising input costs, against having a good season, gaining off-farm income, and receiving better product prices.

In summary, the experience of farmers is mixed or is dependent on personal decisions. For example, the drought may influence one farmer to "sell out" while another sees the drought as an "opportunity to purchase additional land at lower than market rates" or rates that may prevail in non-drought times. Similarly, many farmers are experiencing higher input costs particularly for fertilizers while others are investing in on-farm productivity improvements such as improved water delivery or stock containment. However, from feedback provided to SACES, many farmers do use the interest rate subsidy directly to rundown debt and thereby improve equity in the farm. Consistent with these actions, most report a desire not to take on additional debt (see discussion below).

When asked specifically whether water availability or trading of water had affected debt levels, it can be seen from Table 2.10 that more than two thirds of respondents said that they personally had not seen an impact. However, the Victorian sample showed a different pattern, with more than half of respondents saying that debt levels had been affected.

Table 2.10
Responses to debt-related questions

	Victoria	New South Wales	Queensland	Total
Has water availability or trading had an impact on debt:				
Yes	34	14	27	75
No	27	34	101	162
Additional debt in near future:				
Yes	16	7	15	38
No	44	40	111	195
Plan for debt reduction:				
Yes	43	37	123	203
No	18	12	5	35

Source: ECIRS Survey 2008, SACES.

Those whose debt had been adversely affected by water availability or trading of water cited their reasons as follows: increase in costs having to buy water and pay for cartage; they have no other option for water supply; improving or putting in new water infrastructure; having to buy in feed. Some respondents however had seen the water situation improve their debt position because they had sold some of the temporary and/or permanent water to offset other costs or to obtain income. Those who were not affected gave the following reasons: the business is dryland farming; they use bore water and do not need to irrigate; using less water; have storage water; or are in a high rainfall area. In New South Wales, additional reasons for not being adversely affected included being in a high rainfall area, and having water available on their own property.

With regard to the second question in Table 2.10, asking whether they intended to take out additional debt for the farm business in the near future, from a total of 233 respondents, 195 or 84 per cent stated that they did not.

Conversely, the third section of Table 2.10 shows the responses to the question about whether farmers had a plan for debt reduction. The overwhelming response was affirmative, with 203 of the 238 respondents saying that they had a plan in place.

Paying down debt (and here being assisted through the subsidy payment) was the principal element in future plans, which also included the planting of addition crops, while 16 farmers indicated they would purchase another farm property in addition to that which they owned.

The 'other' category was selected by some respondents, who specified a range of activities in response to the drought including reducing inputs; selling stock; increasing stock numbers and higher selling prices for outputs such as milk as well as optimism about the seasons and better market price (i.e. trends in the market place were expected to help the farmer). In addition, farmers in the Queensland sample talked about selling part of the property, increasing off-farm income, and raising productivity on the farm. In the New South Wales sample, the most commonly mentioned development on which the plans were based were to sell their livestock at good prices. The rising prices for their products were helping cash flow and several respondents said that they intended to increase their stock levels.

The next question in the phone survey was whether the farmers had saved previous income in the FMD scheme. As shown in Table 2.11, only 40 of 240 respondents said that they had made use of FMDs in the past. The pattern was similar across the states.

All but five of the 40 who had been using FMDs said that they had accessed the funds to meet current/short-term costs and of these 35, most said that they had exhausted all of the FMD funds available to them.

Table 2.11
Respondents who made use of FMDs

Made use of FMDs	Victoria	New South Wales	Queensland	Totals
Yes	12	7	21	40
No	49	41	110	200

Source: ECIRS Survey 2008, SACES.

When asked how satisfied they were with the ECIRS assistance, 190 of 234 respondents said that they were very satisfied, 34 were somewhat satisfied, nine said that it could be improved, and only one person said that they were not satisfied at all.

Table 2.12
Level of satisfaction with ECIRS assistance

	Victoria	New South Wales	Queensland	Total
Very satisfied	45	34	111	190
Somewhat satisfied	14	10	10	34
Could be improved	2	4	3	9
Not satisfied at all	0	0	1	1

Source: ECIRS Survey 2008, SACES.

2.6 Overview of ECIRS payments to Victorian sample[7]

In this section the SACES researchers consider the situation of farmers in each of the states separately. The reasons for this are that the quality and amount of data provided by the state RAAs was variable, but also because experience and responses to the current drought may differ between the states and for different groups of farmers.

The ECIRS outlay for the sample of Victorian farmers in 1993/94 was $854,600. The average was $21,900, shared between 39 farms. Twenty of the sample did not receive ECIRS at that time. Average non-drought farm income was $581,400, where the normal or usual annual farm income is stated by respondents. Average drought farm income was $519,900, a difference of $61,500, although it should be noted that four farms did better in the drought than normal. Excluding these, the average drought farm income was $102,000 less than normal. This loss of income would impact on a farmer's ability to service outstanding loans.

Total ECIRS in the latest year was $2,800,100, shared across 60 farms, giving an average ECIRS of $46,700, more than double the average in 1993/94. Three farms did not receive ECIRS in the latest year. The average normal farm income was $617,400. Average drought farm income was $527,700, a difference of $89,700. Excluding the 14 farms that recorded a better than average income during this drought period, the average drop in farm income was approximately double that of the previous drought period, at $203,500.

Of the farms that did not receive ECIRS in the latter period, each recorded above average income during the drought period. However, there were 12 other farms that recorded an increase in farm income and received ECIRS payments. Of these 12, the average increase in farm income was $300,900, and the average ECIRS payment was $59,900. This means that one quarter (25.7 per cent) of total ECIRS payments to this group of farmers went to farmers with above normal drought income. Those who experienced a drop in income during the drought years averaged a $203,500 drop, and received an average of $42,500 in ECIRS payments.

Looking at the relationship between the farm debt and ECIRS payments, Figure 2.1 shows that there is a positive and consistent relationship between the two. Up to the maximum payment level of $100,000, the larger ECIRS payments in the latter period have been made to, as would be expected, those farm businesses with the largest levels of farm debt. Table 2.13 illustrates this point, showing the average level of farm debt associated with each range of ECIRS payments. The chart omits one outlier with over $11 million in farm debt, which received the full $100,000 ECIRS payment.

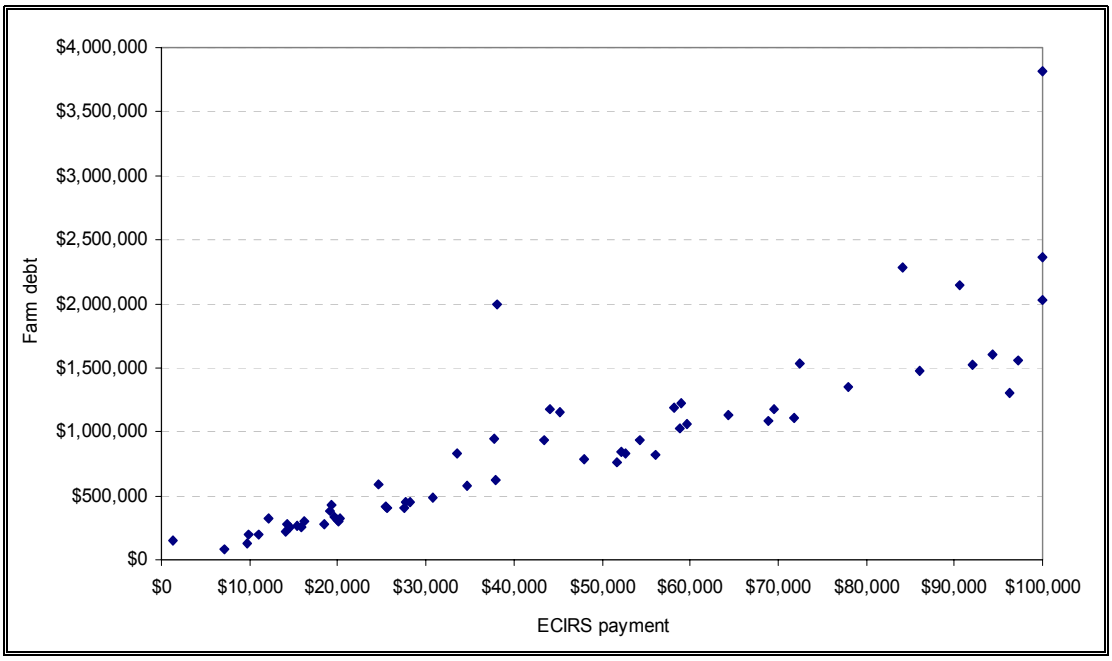
Table 2.13
ECIRS payments and associated farm debt in 2006/07

ECIRS payment range	Farm debt ($)
$0-20,000	257,419
$20-40,000	626,408
$40-60,000	979,114
$60-80,000	1,229,946
$80-100,000	2,859,153

Source: State RAAs; SACES calculations.

[7] Appendix A for Victorian Farmers on ECIRS, ECRP and small businesses is provided as an overview of the total population of farmers and businesses assisted as at November 2007 and February 2008. The summary was prepared for another report but is included here for information purposes.

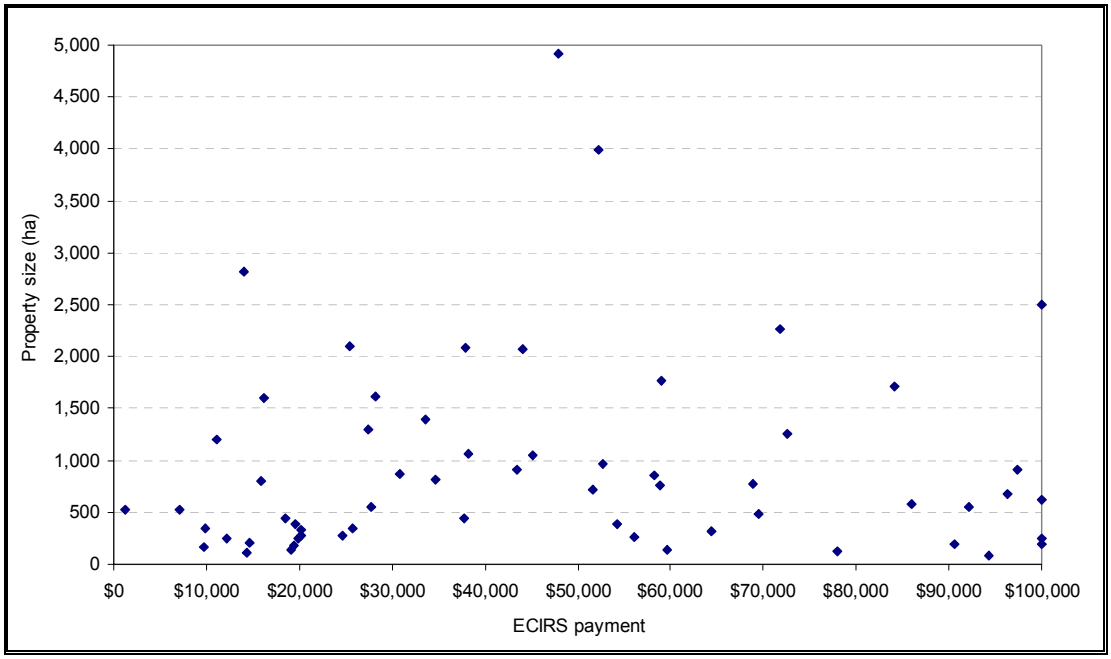
Figure 2.1
ECIRS payments and farm debt of ECIRS recipients in the latest Victorian sample 2006/07



Source: State RAAs; SACES calculations.

Figure 2.2 shows the Victorian sample of farms plotted by farm size against the ECIRS payments received. The chart omits one outlier because it was much larger than the rest of the sample.[8] The chart shows that there is a fairly even spread of farms of all sizes across the range of ECIRS payment levels, i.e. there is no discernable relationship between farm size and ECIRS payments.

Figure 2.2
ECIRS payments and property size of ECIRS recipients in the latest Victorian sample 2006/07



Source: ECIRS Survey 2008, SACES.

[8] It is likely that there is an error in the data input by the state RAA in regard to this one farm so it has been omitted from this analysis.

2.7 Overview of ECIRS payments to Queensland sample

Table 2.14 shows the total and average ECIRS payments received in the Queensland sample between 1997 and 2008. Information for the 1994/95 drought was not provided. It is clear from the table when the latest drought started to bite, i.e. during 2002, as the number of ECIRS claimants rises from 18 in 2001 to 85, and the total ECIRS paid surges by $1 million to $1.3 million. In the following year the number of claimants rises by about another 50 per cent to 127, and the total bill touches $2 million.

Table 2.14
Average and total ECIRS received by sample in Queensland, 1997 to 2008

	Average ECIRS ($)	Number of claimants	Total claimed ($)
1997	14,400	7	100,802
1998	12,221	11	134,427
1999	12,924	5	64,622
2000	18,315	1	18,315
2001	18,331	18	329,962
2002	15,591	85	1,325,248
2003	15,721	127	1,996,556
2004	15,691	102	1,600,450
2005	28,848	84	2,423,206
2006	27,838	108	3,006,510
2007	34,485	126	4,345,088
2008*	29,365	18	528,577

Note: * For the two months only.
Source: State RAAs; SACES calculations.

It is interesting to see that between 2004 and 2005 there is a distinct change in the pattern of payments. The number of recipients falls from 102 in 2004 to 84 in 2005, while the average received per claimant almost doubles from $15,700 to $28,800, resulting in a 51 per cent increase in the total ECIRS bill to $2.4 million. From 2005, the average ECIRS payment per claimant in our sample remains at this elevated level, and peaks at around $34,500 in 2007. With the number of claimants also rising to 126, comparable to the figure for 2003, the ECIRS bill tops $4.3 million in 2007. The figures for 2008 are for January and February only so are not directly comparable with the other annual figures.

Looking at the ECIRS payments by activity, Table 2.15 shows that cattle farmers have accounted for the greatest share of the total over the period 1997 to 2008 at $5.1 million, followed by combined farming of grain, cattle and sheep with $4.8 million. The two activity categories also top the average payments, which are presented for 1997 to 2007 (since 2008 is an incomplete data set). The average total payments made to all cattle farmers was approximately $450,000 per annum over the 11-year period. The combined grain, cattle and sheep farmers were close behind on nearly $420,000. Cotton growers received around $200,000 per annum. The other activities received much smaller amounts ranging between $55,000 and $75,000.

Table 2.16 provides the comparable data to Table 2.15, but focuses on the period 2002 to the start of 2008, which is the latest drought period. The interesting pattern that emerges from Table 2.16 is in the average claim per annum per farm. It can be seen that cotton farmers have received the highest payments on an individual basis, at nearly $30,000 per annum over the 2002 to 2007 period. Sheep farmers received the next highest, at $21,000 per annum. The three categories of cattle, grain, and the combined grain, cattle and sheep farmers all

received between $16,000 and $17,000 each per annum, followed by the cattle and sheep category with $12,000. The lowest payments were dairy farmers, averaging around $8,500 each per annum.

Table 2.15
Average and total ECIRS by activity, 1997 to early 2008

Activity	Total ECIRS 1997-2008 ($)	Average annual ECIRS 1997-2007 ($)	Number of claimants
Cattle	5,148,805	446,782	46
Grain, cattle, sheep	4,781,976	418,854	45
Cotton	2,238,770	203,525	12
Dairy	836,835	74,949	16
Sheep	789,721	68,629	6
Grain	777,706	69,346	7
Cattle, sheep	623,576	55,798	8

Source: ECIRS Survey 2008, SACES.

Table 2.16
Average and total ECIRS by activity, 2002 to early 2008

Activity	Total ECIRS 2002-2008 ($)	Average annual ECIRS 2002-2007 ($)	Average claim per annum per farm ($)
Cattle	4,909,515	779,219	16,940
Grain, cattle, sheep	4,596,824	737,041	16,379
Cotton	2,120,119	353,353	29,446
Dairy	836,835	137,406	8,588
Sheep	784,158	124,893	20,816
Grain	706,108	115,201	16,457
Cattle, sheep	600,318	98,420	12,302

Source: ECIRS Survey 2008, SACES.

Of the 14 farms which saw incomes rise above normal income levels in 2003, ten received ECIRS payments averaging nearly $13,000 (Table 2.17). In 2006, of the 41 farms which saw incomes rise above normal income levels, 28 received ECIRS payments, which averaged over $37,000. The role of the subsidy in returning farms to profitability cannot be discerned from the data provided to the researchers. It may be that other factors such as improved returns to farmers, or a rise in commodity prices were more significant in farm income levels.

Table 2.17
ECIRS received by farms which saw their incomes rise, 2003 and 2006

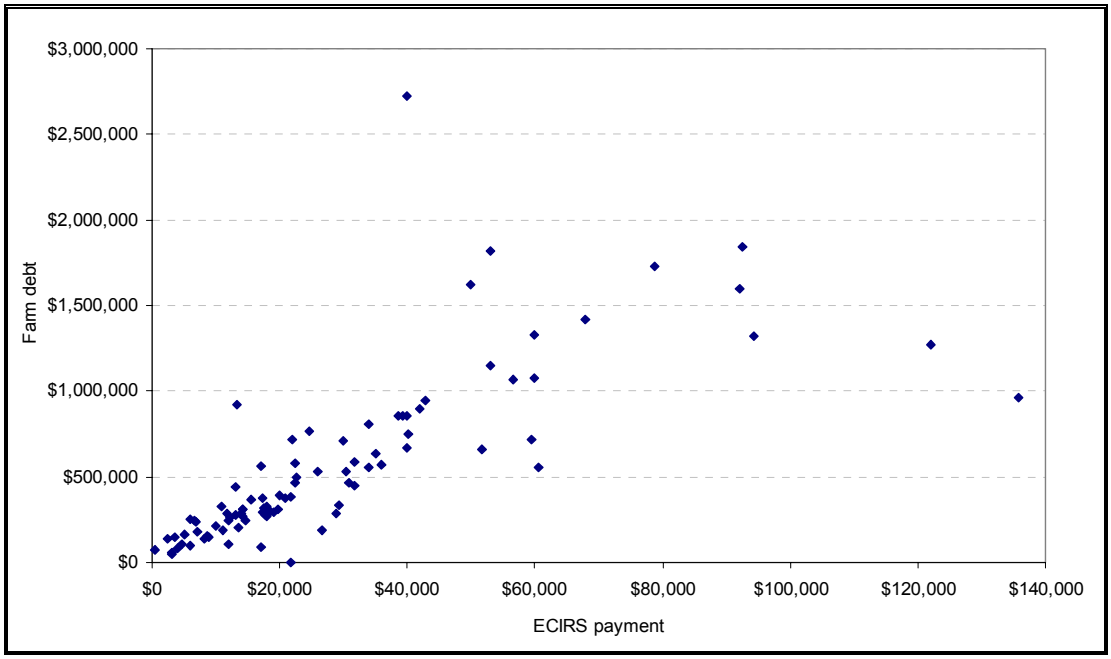
Incomes rise	Number farms	Number which received ECIRS	Average ECIRS payment ($)
2003	14	10	12,899
2006	41	28	37,111

Source: ECIRS Survey 2008, SACES.

Figure 2.3 illustrates the relationship between ECIRS payments and farm debt of ECIRS recipients in the Queensland sample in 2006. Two outliers have been removed which had farm debts of $5.6 and $5.7 million each, receiving $26,000 and $52,000 in ECIRS payments, respectively. There appears to be a linear relationship, with ECIRS payments being positively related to farm debt levels.

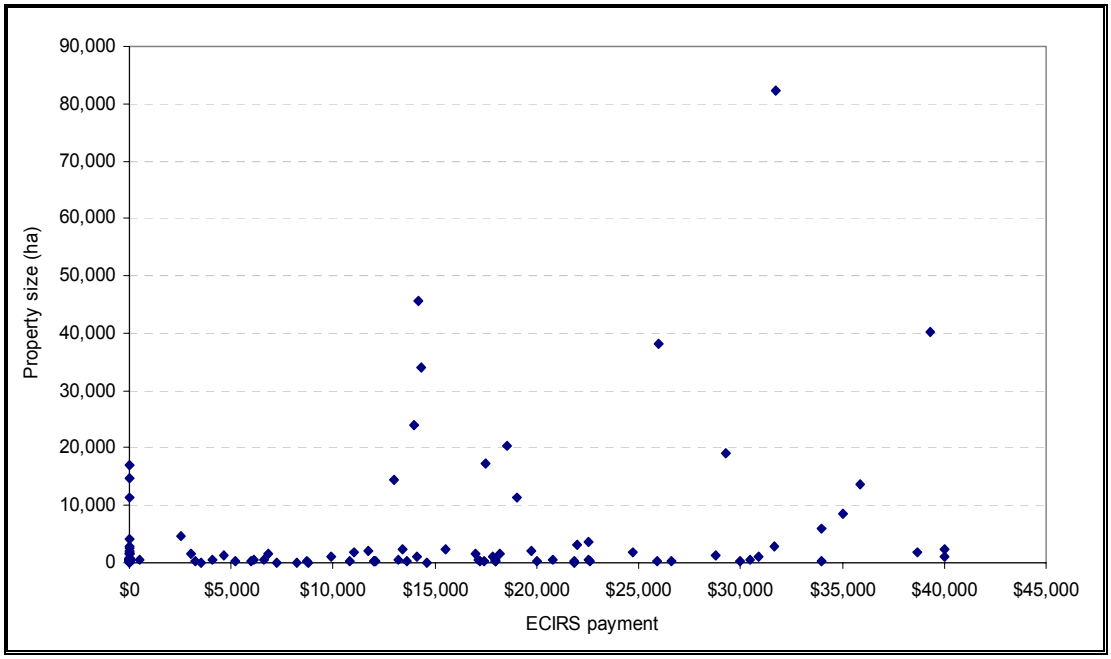
ECIRS payments are then plotted against property size of ECIRS recipients, as shown in Figure 2.4. The chart provides no clear evidence of a relationship between ECIRS payments and property size, as was the case with Victorian subsidy recipients.

Figure 2.3
ECIRS payments and farm debt of ECIRS recipients in the Queensland sample, 2006



Source: ECIRS Survey 2008, SACES.

Figure 2.4
ECIRS payments and property size of ECIRS recipients in the Queensland sample, 2006



Source: ECIRS Survey 2008, SACES.

2.8 Overview of ECIRS payments to New South Wales sample

The total ECIRS payments received by New South Wales respondents in our survey in the drought of 1994/95 was $1.26 million, which shared between the 32 claimants from this group, averaged out at $39,400 each.

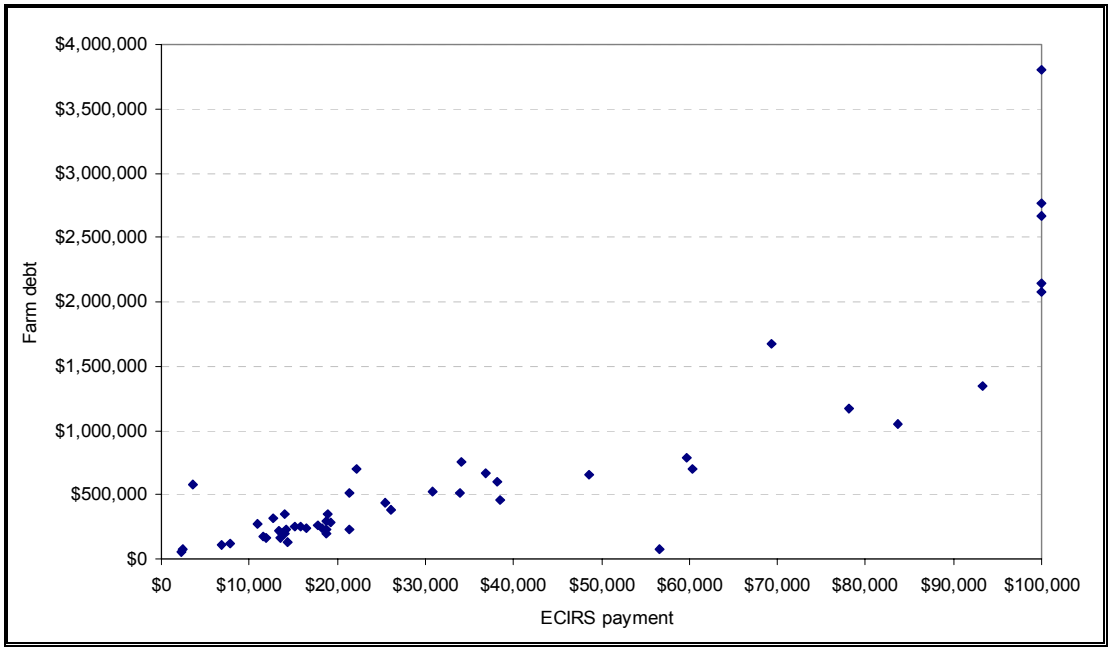
In the current drought, virtually all of the respondents claimed ECIRS payments, suggesting that the impact of the drought was more widespread. In the first year of the drought, which was usually quoted as 2003 (and occasionally as 2002 or 2004), 51 claimants received a total of just over $1 million, which averaged out at $20,600 per claimant. This average rose by a substantial 76 per cent to over $36,000 during the latest year of the current drought (cited as 2007, and occasionally as 2006), for the 50 claimants, resulting in a total bill for the year of $1.8 million.

Table 2.18
Average and total ECIRS received by claimants ($)

1994/95 drought: total ECIRS received	1,259,850
Average (32 claimants)	39,370
First year latest drought: total ECIRS received	1,049,940
Average (51 claimants)	20,587
Last year latest drought: total ECIRS received	1,809,956
Average (50 claimants)	36,199

Source: ECIRS Survey 2008, SACES.

Figure 2.5
ECIRS payments and farm debt of ECIRS recipients in the New South Wales sample, 2006



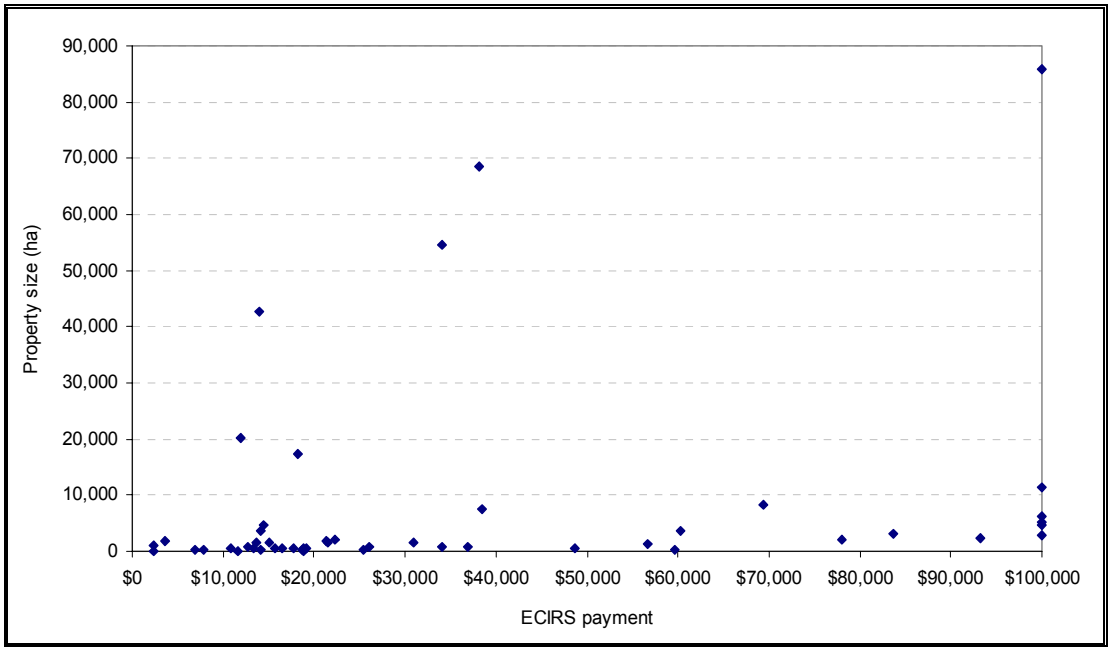
Source: ECIRS Survey 2008, SACES.

Individual farm debts are plotted against ECIRS payments to those in the sample in 2006, as shown in Figure 2.5. It can be seen that the majority of farms in the sample had debts under $800,000, and the majority of ECIRS payments were under $40,000. In 2003, the level of ECIRS payments received were mostly below $35,000, with four in the $50,000 range and only three farms receiving more than this. Only one received the maximum $100,000

payment. Figure 2.5 shows that in 2006, five farms received the maximum $100,000, and there was an outlier with farm debts exceeding $4 million, who also received the full $100,000. A further seven received ECIRS payments in excess of $50,000.

Figure 2.6 shows property sizes plotted against ECIRS receipts, and as with the sample farms in Queensland and Victoria, there is no clear relationship between the two variables.

Figure 2.6
ECIRS payments and property size of ECIRS recipients in the New South Wales sample, 2006



Source: ECIRS Survey 2008, SACES.

The following three Tables (2.19, 2.20 and 2.21) "tracks" a sub-set of New South Wales farmers who received the subsidy in the three years for which we were provided data.[9]

Table 2.19 shows the ECIRS payments by activity in 1994/95 for the New South Wales farmers surveyed. In order to simplify the tables, the primary activity has been chosen for each farm. For example, some of the cattle and sheep farms also grow crops. It should also be noted that, although as shown in Table 2.1 there are 20 farms growing grains, none of the farms in the sample are primarily grain growers, so this category is excluded from these two tables.

It can be seen that in 1994/95, the 18 combined cattle and sheep farmers received the lion's share of ECIRS payments to farms in the sample, totalling $827,000, and averaging $45,900 per farm. The lowest individual payments went to sheep farmers and to dairy farmers, while the highest went to the one cotton farmer in the sample. It is likely that, since the payment is $200,000, the farm combined payments for two years to give this answer, since the maximum per annum is $100,000.

[9] Does include some farmers who received the subsidy only in 1994/95 and 2003, and some farmers who received the subsidy in 2003 and then 2007.

Table 2.19
Average and total ECIRS by activity for New South Wales, 1994/95

Activity	Total ECIRS ($)	Average annual ECIRS ($)	Number of claimants
Cattle, sheep	826,615	45,923	18
Cattle	188,190	23,524	8
Sheep	29,210	7,303	4
Cotton*	200,000	200,000	1
Dairy	15,835	7,918	2

Note: * Most likely refers to two years of data, error in data set provided.
Source: ECIRS Survey 2008, SACES.

Tables 2.20 and 2.21 show the average annual ECIRS payments by activity in 2003 and 2007, respectively. The majority of payment information was provided for 2003 and 2007 and not for the years in between, hence presenting the data in this format.

Again the cotton farmers, of which there are two, have received the largest individual payments in both years, with an average of $58,900 in 2003, rising to $91,900 in 2007. The lowest individual payments in both years were to the sheep farmers, averaging $8,900 in 2003, rising to $18,500 in 2007. The majority of ECIRS payments to farmers in the sample went to those farming both cattle and sheep, accounting for 59 per cent of the total in 2003 at $541,600, rising to 70 per cent in 2007, to total $1.11 million. These payments were shared between 25 farmers in 2003 and between 26 farmers in 2007.

Table 2.20
Average and total ECIRS by activity for New South Wales, 2003

Activity	Total ECIRS ($)	Average annual ECIRS ($)	Number of claimants
Cattle, sheep	541,590	21,664	25
Cattle	213,400	19,400	11
Sheep	17,830	8,915	2
Cotton	117,750	58,875	2
Dairy	30,260	10,087	3

Source: ECIRS Survey 2008, SACES.

Table 2.21
Average and total ECIRS by activity for New South Wales, 2007

Activity	Total ECIRS ($)	Average annual ECIRS ($)	Number of claimants
Cattle, sheep	1,113,516	42,828	26
Cattle	204,020	29,146	7
Sheep	73,960	18,490	4
Cotton	183,700	91,850	2
Dairy	25,380	25,380	1

Source: ECIRS Survey 2008, SACES.

In summary, it is difficult to discern any trends here. Cattle and sheep farmers are numerically the largest number of claimants. The average ECIRS payment declines to 2003 and then rises in 2007, mirroring falling and then rising debt levels as returns to farmers decline with the severity of the drought. It appears that the subsidy "acts as a cushion" in hard times but that debt levels have not declined overall.

3. Analysis of Survey

3.1 Introduction

This chapter presents the answers provided by the farmers in our samples to questions relating to the following: participation in training and courses; use of business plans; other risk management tools; climate change risk management; sources of information used to cope with the recent and current climatic conditions; the impacts of ECIRS payments on their businesses and attitudes to farming; and their thoughts on the current drought.

These questions invited farmers to raise any issues they might have with regard to any of these topics and their responses have been summarised into common categories so as to present an overview of their opinions.

The total number of farmers providing responses to the surveys was 263. The age, activity and business structures for these farms are presented in Chapter 2. Essentially, the sample is dominated by livestock farming, particularly beef cattle and sheep; the farmers mostly fall into the 40 to 64 age group, with a further 32 per cent over the age of 64; and the dominant business structure is a partnership or family business.

3.2 Training

Farmers were asked whether they considered that the training programs available to help them better manage risks and the current drought were adequate. As shown in Table 3.1, 210 out of 231 respondents (91 per cent) considered the programs on offer to be adequate, while 21 thought that they were not adequate.

A total of 98 farmers took at least one of the training or personal development courses on offer whilst receiving ECIRS payments, of which 54 were in Queensland, 23 in New South Wales and 21 in Victoria. This represents an uptake rate of around one third in Victoria and Queensland, and nearer 45 per cent in New South Wales. The participation rate is higher than the figure of 21 per cent of those farmers on ECRP who had participated in some form of training or course (SACES: 2008).

It can be seen from Table 3.1 that all except three of the respondents answered that the course they had taken had been either helpful or very helpful. Only three said it was of little help and no one said that their training was of no help.

As shown in Table 3.2, the most popular course taken was production management with 53 takers, and this course was also the most popular in each of the states. Second overall was financial and general business with 28 people, followed by natural resource management/ biodiversity with 16, although no one in Victoria chose this particular category. Risk management was the second most popular course in New South Wales, but was not chosen at all in Victoria or Queensland. Small numbers of people chose marketing; personal development/counselling/health; and people skills. The same type of courses/training were most popular with ECRP recipients (i.e. production management, general business management, financial management).

Table 3.1
Numbers of training/courses taken and attitudes

	Number of farmers taken training courses	Courses/training taken				Courses/training on offer	
		Very helpful	Helpful	Little help	No help	Adequate	Not adequate
Victoria	21	9	11	1	0	55	6
Queensland	54	28	20	1	0	114	8
New South Wales	23	10	12	1	0	41	7
Total	**98**	**47**	**43**	**3**	**0**	**210**	**21**

Source: ECIRS Survey 2008, SACES.

Table 3.2
Types of training/courses taken

Courses/training taken	Victoria	Queensland	New South Wales	Total
Production management	15	26	12	53
Financial and general business	6	16	6	28
Natural resource management/biodiversity	0	12	4	16
Risk management	0	0	9	9
Marketing	3	2	1	6
Personal development/counselling/health	0	1	2	3
People skills	0	1	0	1
Totals	**24**	**58**	**34**	

Source: ECIRS Survey 2008, SACES.

3.3 Use of business plans

Participants were asked whether they had a business plan, written or otherwise, and whether they had commissioned a financial assessment of their farm during the preceding one to two years, with an external financial adviser or accountant. Table 3.3 shows that a total of 174 out of 238 respondents (73 per cent) said that they did have a business plan, with similar patterns across the states. In the study on ECRP farmers only 54 per cent had a written business plan. The question asked whether the plan was "written or otherwise"; our assessment from responses of farmers is that the majority of business plans were written although we cannot determine an exact percentage.

Table 3.3
Numbers of respondents using business plans and financial assessments

	Victoria	Queensland	New South Wales	Total
Business plan				
Yes	40	101	33	174
No	21	28	15	64
Financial assessment				
Yes	44	48	25	117
No	14	78	20	112

Source: ECIRS Survey 2008, SACES.

With regards to the financial assessment question, just over half of respondents said that they had completed one.[10] However, the pattern varied widely between the states. Three quarters of farmers in the Victorian sample said that they had recently undergone a financial assessment, and there was a small majority who answered 'yes' in New South Wales. However, in Queensland, a minority of just under two fifths had done so.

The financial and planning strategies used in the business plans are classified as shown in Table 3.4. The most common part of the business plans was to use ECIRS to manage or pay down debt in the period of drought. Second was using a drought management plan, and third was debt restructuring and/or refinancing. A handful of respondents chose the other options of professional advice and planning grant; FMDs and irrigators grants. The strategies falling into the 'other' category are mainly related to budgeting.

[10] That is, an assessment other than that undertaken by the RAA to assess financial viability and eligibility for ECIRS.

Table 3.4
Strategies used in farm business plans

	Victoria	Queensland	New South Wales	Total
ECIRS	25	34	22	81
Drought management plans	22	28	12	62
Debt restructuring/refinancing	14	29	10	53
Professional advice and planning grant	3	2	2	7
FMD	3	0	2	5
Irrigators grant	0	1	1	2
Other	20	34	12	66

Source: ECIRS Survey 2008, SACES.

3.4 Risk management tools other than ECIRS

The participants were asked what other risk management tools they would have used if there had been no ECIRS scheme. Respondents often gave more than one answer. The results are summarised in Table 3.5. The most common answer, by almost 50 per cent of the sample, was to borrow more money. The other tools that would have been used, according to 95 of the respondents, would be to sell stock or assets, or to downsize the farm operations. Thirty farmers talked about selling the farm and leaving the business altogether. Working off-farm, or increasing the amount of income already earned off the farm, was mentioned by 22 respondents. Fourteen favoured changing planning and budgeting.

Table 3.5
Other risk management tools which would have been used

	Victoria	Queensland	New South Wales	Total
Borrow more money	34	75	19	128
Sell stock or assets/downsize	22	54	19	95
Sell farm and leave altogether	11	13	6	30
Work off farm	2	19	1	22
Budget/plan/cut spending	5	5	4	14

Source: ECIRS Survey 2008, SACES.

What interpretation should be placed on this result? That is, without the interest rate subsidy which is principally used to service existing debt, farmers indicate that they would have borrowed more money and gone further into debt. It appears that in the short term at least, ECIRS assists farmers to contain debt levels, pay off debt and thereby position themselves to recover more quickly from drought.

3.5 Climate change risk management

When asked whether they had incorporated climate change into their risk management strategies, 155 farmers answered that they did, and 80 said that they did not, as shown in Table 3.6. Certainly it does appear that farmers are "factoring in" longer term climate change in managing farm operations.

Changes that farmers were implementing in response to the drought/climate change and to improve future outcomes in a variable climate, are shown in Table 3.7. There are multiple answers by most farmers. The most common response, by 76 farmers, was to adjust the mix

or totally change the crops or crop varieties grown or livestock farmed. Improving water infrastructure and making better use of available water was cited by 71 farmers. Other strategies included minimising crop tillage; reducing stock numbers; improving farm management techniques; improving or expanding storage facilities; making efforts to minimise input costs; and rotating crops.

Table 3.6
Number of respondents with climate change strategies

Climate change strategies in place?	Victoria	Queensland	New South Wales	Total
Yes	36	36	83	155
No	25	11	44	80

Source: ECIRS Survey 2008, SACES.

Table 3.7
Responses to climate change

	Victoria	Queensland	New South Wales	Total
Different crop varieties/livestock	29	28	19	76
Use water better, increase infrastructure	20	29	22	71
Minimum till	7	42	2	51
De-stock	8	25	12	45
Better management of farm/conservation farming	4	21	8	33
Increase/improve storage	9	13	10	32
Grow own feed for stock	9	8	13	30
Reduce input costs	7	13	4	24
Crop rotation (includes sustainable grazing)	9	12	2	23
Buy property or land	4	4	0	8
Sell/lease some of property	0	2	1	3
Trade water	1	0	0	1

Source: ECIRS Survey 2008, SACES.

Specifically asked whether they did or would consider forward selling, 67 answered yes, while the majority of 170 respondents said no. Many said that they would only sell a small percentage of their crop in this way because it was too risky to forward sell more than that. The main reasons given were to hedge, or to lock in a good price.

Table 3.8
Numbers of farmers who would consider or have used forward selling

Considered/used forward selling	Victoria	Queensland	New South Wales	Total
Yes	17	42	8	67
No	44	86	40	170

3.6 Sources of information

Sources of information that the farmers used most to help them cope with the current climatic conditions were as shown in Table 3.9. The weather outlook (including long range forecasts), agribusiness and accountants were the most commonly consulted sources, with varying levels of dominance across the states.

The most common sources specified in the 'other' category were media sources such as the internet, radio, newspapers, and other farming-related publications. The experiences of other farmers, be they neighbours or in farmer associations or groups, and one's own experience, were also popular sources of information. Other sources which were cited include the Department of Primary Industry (DPI) staff, Rural Financial Counsellors (RFCs), DAFF, the Department of Natural Resources, banks and field days.

Table 3.9
Information sources for farmers

	Victoria	Queensland	New South Wales	Total
Information on the weather	10	75	11	96
Agribusiness	21	61	4	86
Accountant	27	32	19	78
Farm consultant	12	25	9	46
Personal	4	2	0	6
Other	53	81	42	176

Source: ECIRS Survey 2008, SACES.

The types of advice that respondents considered most relevant to help them through the current drought and variable climate generally are ranked in Table 3.10. It should be noted that a significant number of the respondents said simply that all of the sources were equally relevant, which would of course inflate the figures in Table 3.10. Most cited, by 68 respondents, was one-to-one farm management advice, including that from agronomists for crops advice, and stock agents for deciding when to buy and sell livestock.

Table 3.10
Types of advice considered most relevant

	Victoria	Queensland	New South Wales	Total
Farm management (includes agronomist)	21	37	10	68
Financial advice, including RFCs	16	13	9	38
People in similar situations/other farmers/support groups	9	7	9	25
Climate/weather information	1	17	6	24
Risk management/planning	9	5	4	18
Own experience	0	2	3	5

Source: ECIRS Survey 2008, SACES.

Financial advice was highly relevant for 38 farmers, including help from rural financial counsellors.[11] Next most important was talking to people in similar situations, farmers support groups and other farmers in the area, followed by accessing information about the weather. Assistance with risk management and farm planning was the other main form of advice considered most relevant. Five said they relied mainly on their own experience to cope.

Information provided in Table 3.10 complements that provided in Table 3.9. The key difference between the two tables is that Table 3.9 lists information sources, while Table 3.10 lists types of advice. The sources, level of detail required, frequency of access, and ease of access to the information, will vary between the two. For example, Table 3.9 shows that the most common source of information for farmers is regarding the weather, which relates

[11] SACES notes the changed role for rural financial counsellors in that they do not provide financial assessments unless qualified and accredited to do so.

predominantly to checking current climatic conditions and short-term forecasting. In Table 3.10, climate and weather information are the type of advice considered fourth in terms of relevance by respondents.

When asked whether they had seen any benefits from this advice, the response was overwhelmingly positive, with 142 of 155 respondents saying that they had, nine were unsure and only four said they had not seen any benefits.

3.7 Impacts of ECIRS and sources of information about it

The farmers were asked how they originally heard about the ECIRS scheme. As shown in Table 3.11, the most common answers were through the media – newspaper and radio, respectively. Important secondary sources were accountants, financial advisers and rural advisors. Industry bodies, farmer representative groups and other farmers 'in the same boat' were also important for some farmers. State/territory and national governments and bank managers all provided alternative sources of this information. The 'other' category included television, DPIs, VFFs, Landcare drought meetings and drought recovery committees, magazines, and personal knowledge/previous experience.

Table 3.11
Source of ECIRS information

	Victoria	Queensland	New South Wales	Total
Newspaper	14	44	12	70
Radio	6	34	7	47
Accountant or financial adviser	11	22	6	39
RFCs	16	6	12	34
Other	14	10	3	27
Industry body/farmer representative group	2	18	7	27
Other farmers or friends/neighbours	9	8	3	20
State/territory Rural Adjustment Authorities	2	13	0	15
Bank manager	1	12	0	13
Department of Agriculture, Fisheries and Forestry website	3	0	1	4
Centrelink advice or information from Centrelink offices	0	2	0	2

Source: ECIRS Survey 2008, SACES.

Specific reasons for seeking ECIRS assistance (as opposed to just answering 'drought') were categorised as in Table 3.12. More than half of the respondents cited the relatively high level of debt they faced, while lack of water and crop failures were also significant. The respondents in the 'other' category referred predominantly to cash flow problems, covering short-term input costs, rising costs and keeping the business afloat.

Table 3.12
Reasons for seeking ECIRS assistance

	Victoria	Queensland	New South Wales	Total
High level of debt	34	76	26	136
Other	28	62	26	116
Crop failed	14	41	10	65
Lack of water availability	19	25	9	53

Note: Farmers in the survey were asked to nominate one of the four categories shown in Table 3.12. The 'other' category contained answers relating to cash flow in over 85 per cent of responses.
Source: ECIRS Survey 2008, SACES.

The sample population was then asked how helpful the ECIRS payments had been in improving the farm's future welfare and that of the farmers themselves. A decisive 230 out of 250 respondents answered that it had been very helpful, 20 said somewhat helpful, and no one said that they were unsure or that the scheme had not been at all helpful.

When asked what difference (if any) the ECIRS payments made to them in terms of the future prospects of their farm business, there was a range of responses, as summarised in Table 3.13. Most respondents (143) talked about the easing of cash flow, servicing debts, and being more able to cover input costs, including labour. The next most common answer was that the ECIRS payments had helped with the longer term sustainability and viability of the farm business, providing more confidence to plan for the future. These responses are consistent with the Terms of Reference ─ namely, that the subsidy is assisting in the short term, easing cash flows and debt servicing, but also helping to manage through drought and assist with planning for the future.

Fifty-five recipients said that they used the funds to buy equipment or to pay for upgrading their farms. The amelioration of stress or pressure, or keeping their sanity, was mentioned by 29 respondents, while 23 said that the payments had meant that they did not have to sell any stock or assets, or even consider selling up altogether. Only eleven farmers said that it was likely that they would otherwise have had to sell up, or that the payments had helped to keep them on the farm. The very small number of recipients who indicated that the subsidy "stayed any decision to sell the farm" coupled with the overwhelming number of positive responses regarding the use to which the subsidy was put, indicates that ECIRS has not "propped up farmers" or inhibited the normal adjustment process. On the contrary, most farmers looked more positively to the future.

Table 3.13
Main impacts of ECIRS payments

	Victoria	Queensland	New South Wales	Total
Cash flow eased/debts covered/pay labour/buy inputs	50	59	34	143
Business sustainability/viability improved longer term/confidence for the future	32	51	21	104
Paid for upgrading, buying equipment	12	32	11	55
Explicit mention of stress/pressure	8	16	5	29
Would have sold up otherwise/helped keep them on the farm	11	7	5	23
Would have had to sell equipment, property or stock	3	6	2	11
Short term help only/day-to-day survival	3	1	1	5
Not really helped/minimal	1	0	0	1

Source: ECIRS Survey 2008, SACES.

3.8 Thoughts on current drought

Farmers were asked whether they had anything to add, particularly with regard to any thoughts about the current drought, climate change and their own futures. There was a greater prevalence of optimistic than pessimistic responses to the current drought and what the future will bring. Several farmers believed that the weather would change for the better, saying, "it will rain"; "things will return to normal"; "think the dry will end"; "optimistic that the dry will turn around as it did in the 1940s". Others said that they would continue to farm and

adapt: "Farmers will continue to adapt to climate change"; "farming still has big future"; "you have to ride the bumps – can't be good times all the time".

Aside from this general optimism, there were very mixed responses to the question about their specific thoughts on the current drought and climate change, which have been summarised in Table 3.14.

There was a lot of positive feedback about the ECIRS assistance, with 91 people talking about how helpful it had been, and making comments such as "fantastic", "great" and "tremendous help". Many of these farmers also said that they would need it for another year or two while they recovered from the drought. A number of issues were raised by 26 respondents about how the ECIRS scheme operates, such as inconsistent eligibility criteria, and the effect of the payments on the attitudes of farmers. Some said that it was too easy for some farmers to get assistance without helping themselves, and that there was a danger of farmers becoming too dependent on this kind of help. Thirteen cited the excessive paperwork associated with applying for the ECIRS assistance, the application process being too cumbersome and excluding some claimants due to eligibility boundaries.

Table 3.14
Farmer thoughts about the current drought

	Victoria	Queensland	New South Wales	Total
IRS been very useful/a good thing/needs to continue	12	65	14	91
Issues with how ECIRS operates/could be improved/issues with eligibility	7	11	8	26
Ideas for other programs to help farmers	8	15	3	26
Climate concerns – climate change, variability	16	3	5	24
Keeping young people on the land/helping them to start up	0	24	0	24
Increasing costs (interest rates, fuel, seed, exchange rate, etc.)	0	13	3	16
Too much paperwork/application process cumbersome	6	4	3	13
Government needs to increase/maintain concern for agricultural sector	9	2	2	13
No control over selling prices/unfair prices for products	0	10	1	11
Stress/worry/pressure	4	4	2	10
Concern over the survival of rural areas	2	3	0	5

Source: ECIRS Survey 2008, SACES.

As well as the support for the ECIRS scheme, and asking that the ECIRS payments be continued in the short term, there were a number of suggestions for government policy to assist farmers in the short and longer term. A number of respondents suggested that schemes to help Australian farmers should be pro-active rather than reactive. Examples of this which were provided include tax incentives to encourage on-farm productivity and improvements; low interest loans; wanting the "chain stores like Woolworths brought to task" for the prices situation as discussed below; improving areas where there is poor infrastructure; offset profits against debt in drought years; and range of rebate, tax-related and assistance measures.

Some questioned whether climate change was the cause of the drought, and these farmers tended to believe that the current problems were due to the variability of the climate rather than climate change *per se*. For example, "climate change is a bit of an 'in phrase' for people in the media"; "climate change – just seasons and bad luck"; "climate change is just natural occurrences over the last 100 years". Others gave the impression that they were believed that climate change was the cause of the current drought and that it was indicative of problems to

come, although several of these farmers were very positive that they could adapt and cope in the future.

The impact of the drought on the mental health of farmers and their communities was a key issue for ten of the respondents, saying such things as – people in their area are stressed, depression is a big issue, and mental health in their district has deteriorated markedly especially amongst the younger community. Others cited general uncertainty and the general view seemed to be of acceptance of the situation and expressing hope that things would turn around. Only one respondent said that they were planning to stop farming in the foreseeable future.

There was concern expressed by 24 respondents (all in Queensland) about whether young people would be able to afford to stay on farms or to enter into the industry. A related issue was the survival of rural areas, highlighted by five of the sample.

Increasing costs were raised as a concern by 16 people, making specific mention of fuel and the rising Australian dollar. The issue of having no control over selling prices was also raised. A recurring concern was with the relatively weak market position of many farmers, with retail giants such as Coles and Woolworths (with these companies mentioned specifically by four respondents) charging high prices to consumers and paying low prices to farmers. Farmers tend to be price-takers and these respondents are asking that the government do something about the 'unfair pricing' by the large outlets buying the products from the farmers. Furthermore, many referenced the increasing costs for fuel, interest rates, and inputs, which with unfair or unpredictable prices for their products resulted in a difficult market situation.

Appendix A

Victoria: Current Numbers on ECIRS and ECRP

Data supplied by the Department of Agriculture Forestry and Fisheries (DAFF) records that the cumulative number of approved applications for ECRP in Victoria since 2001 to February 2008 is 13,874. A number of farmers would have been on ECRP more than once in this time.[12]

Centrelink supplied data on the number of current ECRP Victorian farmers and this is shown in Table A.1 as at November 2007, with 9,370 current recipients who are therefore eligible for other assistance including the municipal rate council rebates.

The number of small businesses as current recipients is 301 (Table A.2); the Commonwealth extended the eligibility of small businesses access to EC assistance to include those businesses that have a significant reliance on farmers for their income. A summary of eligibility criteria and recent changes is included in Section 5.

As at 1 February 2008, there were 5,448 farmers who were current recipients of the Interest Rate Subsidy or 19.4 per cent of Victorian farmers.[13] There were 231 small businesses in receipt of the subsidy as shown in Table A.3. Data supplied by Rural Finance indicates that there were 9,292 subsidies paid out (see Table A.4) which includes the subsidy over successive years based on each application (i.e. 1.7 subsidies per farmer). Payment of the subsidy can extend over a number of years including 'recovery from drought'. The average interest subsidy paid to farmers and small businesses was $28,221. Nearly half the approved subsidy applications (46.4 per cent) were from dairy farmers accounting for 44.3 per cent of the value of the subsidy paid out.

Table A.1
ECRP Victorian Farmers by Region: end November 2007

Victoria : Declaration	Current Recipients	Cancelled Recipients	Total Recipients YTD	Expenditure YTD $m	Share of Expenditure
Central & East Gippsland - All Producers	768	103	871	4.99	8.9
Central Victoria - All Producers	695	70	765	4.18	7.5
Eastern Mallee - All Producers	311	24	335	1.90	3.4
Goulburn -Lodden- Campaspe - All Producers	1,200	78	1,278	7.91	14.1
Mallee-South-East - All Producers	141	12	153	0.91	1.6
Mallee - Northern Wimmera - All Producers	1,754	150	1,904	10.13	18.1
Murray System - All Producers	369	30	399	2.47	4.4
North - East - All Producers	936	87	1,023	5.61	10
Northern Victoria - All Producers	541	46	587	3.31	5.9
South West Victoria	1,930	392	2,322	12.06	21.5
West Gippsland	725	44	769	2.63	4.7
Victoria	**9,370**	**1,036**	**10,406**	**56.10**	100
National Allocation	**34,117**	**2,131**	**26,248**	**148.85**	
Victoria as proportion of National	**27.5**	**48.6**	**39.6**	**37.7**	

Source: Centrelink 2008, multiple claimants over successive years.

[12] It is possible for eligible farmers in EC declared areas to receive *both* income support ECRP and business support in the form of EC Interest Rate Subsidy.

[13] Denominator is 28,027 , the number of Victorian farmers as at 2006 derived from ABARE National Farmer Survey.

Table A.2
ECRP Victorian Small Business by Region: end November 2007

Victoria : Declaration	Current Recipients	Cancelled Recipients	Total Recipients YTD	Expenditure YTD $m	Share of Expenditure
Central & East Gippsland - All Producers	17	3	20	0.09022	5.1
Central Victoria - All Producers	21	2	23	0.13064	7.4
Eastern Mallee - All Producers	5	1	6	0.03363	1.9
Goulburn -Lodden- Campaspe - All Producers	21	5	26	0.13528	7.6
Mallee-South-East - All Producers	4	0	4	0.02419	1.4
Mallee - Northern Wimmera - All Producers	65	12	77	0.36777	20.8
Murray System - All Producers	10	1	11	0.04733	2.7
North - East - All Producers	38	8	46	0.22111	12.5
Northern Victoria - All Producers	47	11	58	0.31592	17.9
South West Victoria	64	15	79	0.37424	21.2
West Gippsland	9	1	10	0.02823	1.6
Victoria	**301**	**59**	**360**	**1.77**	100.0
National Allocation	**872**	**154**	**1,026**	**5.21**	
Victoria as proportion of National	**34.5**	**38.3**	**35.1**	**33.9**	

Source: Centrelink 2008, multiple claimants over successive years.

Table A.3
Victorian Primary Producers and Small Businesses
Interest Rate Subsidy: as at February 2008

	Applications from	Subsidy to
Primary Producers	6,650	5,448
Small Businesses	346	231
Total	6,996	5,679

Source: Rural Finance Corporation 2/02/2008.

Table A.4
Victorian Primary Producers and Small Businesses
Interest Rate Subsidy: as at February 2008

	All Declarations
Applications Registered	12,261
Of which:	
Withdrawn	315
Subsidy Cancelled	7
Being Processed	250
Declined	2,368
Recommended	27
Approved	2
Subsidy Paid Out	9,292
Sum of Amount Approved	263,044,112
Sum of Capital Supported	4,823,889,796
Total Processed	11,662
Percentage Processed	98 per cent
Approval Rate	80 per cent
Average Subsidy - $	28,221

The principal recipients of the interest rate subsidy were dairy farmers (46.4 per cent) followed by broadacre cropping farmers and then grains and animal farmers as summarised in Table A.5.

Table A.5
Victorian Recipients of Interest Rate Subsidy by Industry and Share

Industry	Share by industry per cent
Beef	5.8
Broadacre Cropping	16.5
Dairy & Beef	1.1
Dairying	46.4
Fishing	0.0
Fruit	2.2
Grains & Animals	15.0
Intensive Animal Production	0.4
Prime Lambs	0.8
Small Business	2.4
Vegetables	0.5
Viticulture	1.6
Wool	5.0
Wool & Beef	2.4
Total	100.0

Source: Data supplied by Rural Finance.

Within the dairy sector, 60.6 per cent of approvals were for the Goulburn Valley alone, and next largest share was in Murray Dairy with 12.6 per cent. The second largest category of broadacre cropping was concentrated in Mallee Northern Wimmera, with 55.3 per cent and Eastern Mallee with 16.1 per cent.

The highest approval rates were achieved by Goulburn Valley at 84 per cent and Eastern Mallee at 83 per cent. The lowest approval rates were for small businesses, at 69 per cent, and the North East, with 71 per cent. Approval rates for the other regions ranged between 74 and 81 per cent.

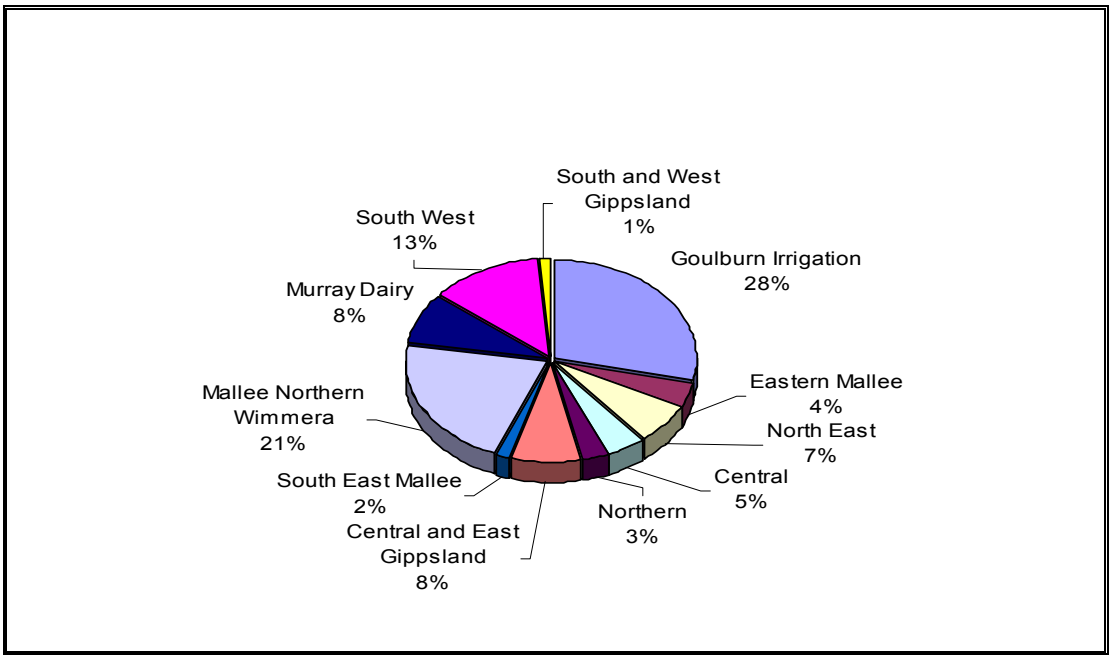
Table A.6 and Figure A.1 shows for 9,471 applications for the interest rate subsidy, the number of approvals by region in Victoria and the share of the subsidy by region. The Goulburn Valley and Mallee-Northern Wimmera are the two largest regions and also by the value of the subsidy paid.

Table A.6
Interest Rate Subsidy by Region and Value of Share

Region	Share by Region per cent	Value of Subsidy by Region per cent
Goulburn Valley	30.7	27.8
Eastern Mallee	4.4	4.0
North East	7.7	6.4
Central	4.5	4.4
Northern	3.3	3.0
Central and East Gippsland	7.9	7.6
South East Mallee	1.7	1.5
Mallee Northern Wimmera	17.4	20.7
Murray Dairy	6.9	8.2
South West Victoria	11.3	12.4
South West Gippsland	1.5	1.4
Small Business	2.5	2.7
Total	100.0	100.0

Source: Data supplied by Rural Finance.

Figure A.1
Primary Producer Interest Rate Subsidy: as at February 2008



Source: Data supplied by Rural Finance.

In terms of the regional split of subsidies paid out, by far the largest payment went to the dairy industry in Goulburn Valley, at $63.7 million, which represents more than half (54.6 per cent) of all subsidies paid to the dairy industry in Victoria, and almost a quarter (24.2 per cent) of all subsidy payments that year to Victorian farmers. It also represents a sizeable 87.3 per cent of the total subsidies paid to all Goulburn Valley farmers. Fruit-growers in the region took the next largest share of $4.6 million, which was over half of the state's total IRS payments to fruit-growers.

Dairying dominated payments to Murray Dairy, accounting for 84.0 per cent of the region's IRS receipts. Dairying was also dominant in South West Victoria, South West Gippsland, and Central and East Gippsland, and was roughly equally as important as beef farming in the North East.

Appendix B

Eligibility criteria for small business operators

Since November 2006, eligible agriculture dependent small business operators have been able to apply for EC assistance.

Small business operators must demonstrate that:

- they have a right or interest in the small business;
- under normal circumstances, they contributes at least 75 per cent of their labour to the small business and derive at least 50 per cent of their income from the small business; and
- they have been operating the small business for at least two years.

Criteria for agriculture dependent small business operators

Agriculture dependent small businesses based either inside or outside of EC declared areas may be eligible for interest rate subsidies. Applicants must demonstrate that they (amongst other things):

- derive at least 70 per cent of their income from the provision of goods and services for farming activities in EC declared areas;
- the small business is in financial difficulty due to an EC event;
- employ up to 100 full time equivalent staff;
- have a current Australian Business Number and carry out commercial activities;
- they have disposed of non-essential business assets;
- they have disposed of non-business assets, such that the net value of non-business assets is not in excess $750,000 (for the period 25 September 2007 to 30 September 2008, inclusive of the 28-day grace period, or the closure of their relevant EC declaration, which ever occurs first). *NB: Outside the period 25 September 2007 to 30 September 2008, the value of non-business assets is not to exceed double the Newstart Allowance Assets test for homeowners (partnered). Assets held in bona fide insurance and superannuation funds are exempt from the non-business assets test.*

Criteria for other small business operators

On 25 September 2007, the eligibility criteria for small businesses were expanded to include other small business operators. Applicants must demonstrate that they (amongst other things):

- have a business located in a town that is substantially reliant on farm incomes, has a population of 10,000 or less and is located in an EC declared area;
- have experienced a significant downturn in total business turnover as a result of the drought;
- have a business that is dependent on income from farmers, farm workers and their families;
- employ up to 100 full time equivalent staff;
- have a current Australian Business Number (ABN) and carry out commercial activities;
- they have disposed of non-essential business assets;

- they have disposed of non-business assets, such that the net value of non-business assets is not in excess $750,000 (for the period 25 September 2007 to 30 September 2008, inclusive of the 28-day grace period, or the closure of their relevant EC declaration, which ever occurs first). *NB: Outside the period 25 September 2007 to 30 September 2008, the value of non-business assets is not to exceed double the Newstart Allowance Assets test for homeowners (partnered). Assets held in bona fide insurance and superannuation funds are exempt from the non-business assets test.*

Appendix C

Letter and Standard Template Provided to State RAA

Letter to RAA Financial Data Request

As you may be aware, the Australian Government Department of Agriculture, Fisheries and Forestry (the Department) and the state government, through the RAA, fund Exceptional Circumstances Interest Rate Subsidies (ECIRS) to primary producers in Exceptional Circumstances declared areas.

The Department and the RAA are interested in obtaining further information on the use and impact of ECIRS assistance on farm businesses in drought through a surveying and research project.

Information is being sought from recipients who have received ECIRS during this current drought (2002-2007) as well as those recipients who also received assistance during the 1994-1995 drought.

The project will be undertaken by the South Australian Centre for Economic Studies (SACES) and comprise two parts. Part A of the project will entail the RAA providing the Department with data provided in ECIRS applications to identify trends in the level of change in liabilities, assets and farm size. This data will then be provided to SACES for analyses. No names or addresses of recipients will be provided to the Department in connection with this data.

Part B will be co-ordinated by the SACES. SACES will conduct a telephone survey to determine the impact that ECIRS has had on farm businesses and whether there are any aspects of the assistance that could be improved or changed to better assist farm families during times of hardship due to dry seasonal conditions. It is expected this survey will commence in the last week of January 2008.

I am seeking your participation in the gathering of data for the project and the survey. The information and findings will not in any way identify you or affect any government payments you might be receiving. Only your responses will be collated to enable a more thorough understanding of how ECIRS are assisting farm families.

Your personal information is protected by law and your participation is voluntary. Information provided by the RAA will be kept strictly confidential. Should you be willing to participate, your contact details will only be provided to SACES and used for the purpose of contacting you regarding in the ECIRS survey and will not be used for any other purpose. If you choose not to participate in the survey, this will not impact on your entitlements to ECIRS provided through the RAA.

The RAA and the Department appreciate your assistance with the survey and would like to take this opportunity to thank you for your time and effort in providing valuable information and feedback on the ECIRS program.

Yours sincerely,

Exceptional Circumstances Interest Rate Subsidy Generic Survey Data

Name:

Property Address **Phone:**

	Home
	Fax:
	Mobile:

	1994-1995 ECIRS application Date: _____/_____/_____	**ECIRS First Year application in Current Drought Date: _____/_____/_____**	**ECIRS Latest Year application in Current Drought Date: _____/_____/_____**
Nature of Enterprise (Industry type)			
Property Size (ha)			
Normal Farm Income			
Drought Farm Income			
Non Farm Income			
ECIRS Received			

Statement of Financial Position:

	1994-1995 ECIRS application Date: _____/_____/_____	ECIRS First Year application in Current Drought Date: _____/_____/_____	ECIRS Latest Year application in Current Drought Date: _____/_____/_____
Liabilities:			
Farm Debt			
Non Farm Debt			
TOTAL			
Assets:			
Farms Assets			
Non Farm Assets (excluding FMDs)			
Farm Management Deposits			
TOTAL			

Appendix D

Attachments to Schedule

All issues/questions are to be examined and asked across the EC Declared Areas in Victoria, New South Wales and Queensland.

Issue	Objective	Potential questions
	▪ Demographics and financial details for profiling	▪ from RAAs (see attachment A)
How do EC clients' financial situation (debt/equity including non farm assets) compare with before the drought?	▪ Better understand impact of drought on debt to equity ratios and drawdowns on non farm assets as a result of drought.	▪ Financially, are you in a better or worse position than before the drought? ▪ Do you intend to increase debt? ▪ Has water availability or trading had an impact on debt? ▪ Reason why sought ECIRS ie not just drought but high debt level, crop failed, lack of water availability etc. Cross tab by industry/farm size/location
What difference has EC assistance made to clients in terms of the prospects of the farm business?	▪ Analyse the extent that Government Assistance is keeping farmers from exiting and identify other factors preventing exit. ▪ Understand how ECIRS is being used and is it impeding/facilitating change & adjustment; the relationship of debt levels to sources of advice used (cross tabbed with those who use accountants/bank managers as main source of advice). ▪ Analyse extent water availability has had on ECIRS levels	▪ If no ECIRS, then what other financial risk mgt tools would have been used. ▪ Have debt levels fallen or risen since receipt of ECIRS? Reason why increase or decrease. Include water availability and sale of water licences. ▪ How have ECIRS been used to manage change & adjustment (allowed business to diversify/implement changes to farm mgt) ▪ Cross tab with financials & demographics.
Sources of Professional Advice	▪ Understand types of advice clients consider the most valuable in current climatic conditions ▪ Understand the impact of professional advice from accountant/bank on use of ECIRS, i.e. increases in debt, refinancing	▪ What advice is predominantly sought and is it implemented? ▪ What results have been gained as a result of implementing advice? ▪ Who is advising to take up ECIRS?

Business management, risk management and planning	▪ Understand what inputs are being used to manage change and plan for the future ▪ Better understand the preparation for drought. ▪ Understand relationship between FMDs and ECIRS. ▪ Understand the response to climate change. Is it a structural change or do farmers still perceive they are in drought (Exceptional Circumstances).	▪ Risk management – what financial and planning tools are used (FMDs/debt structuring and/or reduction & refinancing/drought mgt and preparedness plans)? Cross tab with level of debt and ECIRS if data available from RAAs ▪ What factors are influencing debt structuring (planting of crops, purchasing another farm property, buying water etc) ▪ Do you have a business plan or drought management plan? ▪ Do you have a plan for debt reduction? What are key areas? ▪ If using FMDs and ECIRS have they drawn down? If not why not? If yes, what used for? ▪ In farmers' experience can they detect climate change? What are the impacts/changes of climate change on the farm enterprise and how have they responded? Is climate change a part of their risk management strategies?
Future tools and techniques to assist farmer decision-making	▪ Understand what clients' perceive as useful tools	▪ What types of professional advice and/or planning tools have assisted with management of drought? ▪ Have you formally set down goals and actions which might lead to improved outcomes in the future? ▪ Do you forward sell your crop? If so what tools do you use to assist decision making ie weather forecasts/advice from farm consultant/accountant/ agribusinesses

Appendix E

Telephone Survey

Australian Government
Department of Agriculture, Fisheries and Forestry

ECIRS 2008
Telephone Interview Survey

I am …….. from the South Australian Centre for Economic Studies. We are conducting a survey of farmers on behalf of the Australian Government Department of Agriculture, Fisheries and Forestry which provides the Exceptional Circumstances Relief Payment assistance and the Interest Rate Subsidy (ECIRS).

We are surveying ECIRS clients to assess how the Subsidy may have assisted you in managing the impacts of the current drought and any future needs under the current climatic conditions. We are seeking your views on important issues such as how you are coping with the drought/climate change, and whether the ECIRS scheme has assisted you to manage the current Exceptional Circumstances and to make longer term adjustments to changing climatic conditions.

I would like to assure you that your personal information is protected by law and participation in this survey is voluntary. All identifying information will be removed from the survey data once it has been collected. Your participation will not affect any Australian Government Income Support or other benefits that you may currently be receiving.

The survey will take about ten minutes. Would you be willing to answer some questions now on your Farm Business and experience with the ECIRS?

Yes ❑ No ❑ Call back ❑

Your co-operation is appreciated. Thank you.

The Centre can be contacted on 8303 5555.

INSTRUCTION:

Interviewer: place a number 1-3 in box to code State.

Code: Queensland = 1
New South Wales = 2
Victoria = 3

CODE FOR THE STATE: ☐

Name of Interviewee (if given): .....

Date	Time	Result

A. You and Your Farm

1. Please indicate your age group. (*Tick **one** box only*)

Less than 20 years	❑	50 to 59 years	❑
20 to 29 years	❑	60 to 64 years	❑
30 to 39 years	❑	65 to 69 years	❑
40 to 49 years	❑	70 years and over	❑

2. What form of ownership best describes your working arrangements on the farm? (*Tick **one** box only*)

Sole owner (regardless of mortgage) ❑
Partnership – family (regardless of mortgage) ❑
Partnership – other (regardless of mortgage) ❑
Trust ❑
Private company ❑
Leasing the farm ❑
Sharefarming arrangement ❑
Other (please specify) ❑

3. What are the **3 main activities undertaken** on the farm? *Rank them: 1 represents the most important activity. For example, if the farm was primarily a dairy farm, but also earned a small income from poultry eggs, then place 1 next to cattle-dairy and 2 next to poultry-eggs.*

Main farming activity	**Ranking No.**
Aquaculture – please specify:	.....
Beekeeper	.....
Cattle – beef	.....
Cattle – dairy	.....
Cotton	.....
Crops – grains – please specify:	.....
Crops – other – please specify:	.....
Flowers	.....
Fruit – please specify:	.....
Nursery	.....
Other livestock – please specify:	.....
Pigs	.....
Poultry – eggs	.....
Poultry – meat	.....
Sheep – meat	.....
Sheep – wool	.....
Sugarcane	.....
Vegetables – please specify:	.....
Other – please specify:	.....

B. Courses and Training

4. Have you undertaken any courses/training or personal development courses whilst receiving the ECIRS?

   Yes ❑ (if **yes**, go to questions 5)
   No ❑ (if **no**, go to question 7)

5. What training/personal development course(s) have you completed? *(please select relevant categories)*

   People Skills ..... ❑
   Financial and General Business ..... ❑
   Marketing ..... ❑
   Production Management ..... ❑
   Natural Resource Management/Biodiversity ..... ❑
   Personal Development/Counselling/Health ..... ❑
   Risk Management ..... ❑

   Note type of courses (if they define for you, i.e. welding, drought management, climate change, etc.): .....
   .....

6. How helpful was the training/personal development course(s):

Very Helpful	Helpful	Little Help	No Help
❑	❑	❑	❑

7. Are there adequate training programmes available that could help you better manage risks and the current drought?

   Yes ❑
   No ❑ (if no, please explain)

   If **no**, in your view what specific training programmes needs to be offered?

   .....
   .....

C. Business Management and Climate Change

8. Do you have a business plan (written or otherwise)?

Yes ❑
No ❑

9. Have you had a financial assessment of your farm in the last 1-2 years (with a financial advisor or RFC)

Yes ❑
No ❑ (record if they provide a reason, don't prompt)

.....

.....

10. What financial and planning strategies are used in your business plan? *(please tick relevant box(es)).*

Farm Management Deposits – use of ..... ❑
Debt restructuring/refinancing ..... ❑
Using EC Interest Rate Subsidies ..... ❑
Drought management plans ..... ❑
Irrigators grant..... ❑
Farm Help Advice and Training ..... ❑
Professional Advice and Planning Grant ..... ❑
Other (please specify) ..... ❑

11. If there was no EC Interest Rate Subsidies then what other risk management tools would have been used (i.e. further borrowing, sell off assets, run-down stock numbers)?

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.....

12. Is climate change a part of your risk management strategies?

Yes ❑
No ❑

13 What changes are you trying to implement in response to the drought/climate change and to improve future outcomes in a variable climate?

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.....

14. Do you forward sell your crop or other produce?

Yes ❑ (if **yes**, please explain briefly the basis of your decision-making)
No ❑

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.....

.....

15. What are some of the sources of information or advice that are helping you manage in the current climatic conditions?

Weather forecasts ..... ❑
Advice from Farm Consultants ..... ❑
Advice from Agribusiness ..... ❑
Advice from Accountant ..... ❑
Personal advice/health issues ..... ❑
Other (please specify) ..... ❑

.....

16. In your view, what types of advice or information are most relevant during the current drought (and variable climate)? Why?

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.....

17. Have you seen any benefits from acting on this advice?

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.....

D. Impacts of ECIRS and sources of information about it

18. How did you hear about the ECIRS?

Rural Financial Counsellors…… ❑
Industry Body/Farmer Representative Group ❑
Centrelink advice or information from Centrelink offices ❑
State/Territory Rural Adjustment Authorities ❑
Accountant or Financial Advisor ❑
Bank Manager ❑
Other Farmers or friends/neighbours ❑
Department of Agriculture, Fisheries and Forestry website ❑
Radio ❑
Newspaper ❑
Other (please specify) ❑
.....

19. What were some of the specific reasons for seeking ECIRS assistance? (please select relevant box(es)). (**Interviewer note**: drought is regarded as a general response, interested in consequence of drought on farm performance).

High level of debt ❑
Crop failed ❑
Lack of water availability ❑
Other (please specify) ❑
.....

20. How helpful has ECIRS been in improving your /your farm's future welfare? (please tick one)

Very helpful ❑
Somewhat helpful ❑
Not helpful at all ❑
Unsure ❑

21. Please explain what difference (if any) ECIRS assistance has made in terms of the future prospects of your farm business? How has ECIRS been used? [**Note** – Interviewer to probe, if ECIRS did not make any difference, then why?]

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.....

E. Financial impact of ECIRS

I am now about to ask a few very general questions about the impact of ECIRS on the financial performance of your farm. The information provided will be treated in strict confidence and will not be made available to any third party. Data will be aggregated and summarised so no individual will be identified. I understand the sensitivity surrounding financial information. The purpose is to better understand how governments can assist farmers/families during exceptional circumstances.

22. Have your debt levels risen, fallen, or remained unchanged since the receipt of ECIRS? (Note: debt levels to include water availability and sale of water licences.)

Risen..... ❑
Fallen ..... ❑
Unchanged..... ❑

Please state reason.....

.....

.....

23. Has water availability or trading had an impact on debt?

Yes ❑
No ❑

Please state reason .....

.....

.....

24. Do you intend to take out additional debt for your farm business in the near future?

Yes ❑
No ❑

.....

.....

.....

25. Do you have a plan for debt reduction?

Yes ❑
No ❑

If **yes**, what are the key areas? e.g.:

Planting of crops ..... ❑
Purchasing another farm property ..... ❑
Buying water ..... ❑
Selling Excess Water/Licence ..... ❑
Other (please specify) ..... ❑

26. Have you saved previous income in the Farm Management Deposit (FMD) scheme?

Yes ❑
No ❑

If **yes**, will you or have you accessed FMD to meet current costs (i.e. short-term creditors, investments in farm assets)?

.....
.....
.....

If **no**, any reasons why you have not saved previous income in FMD?

.....
.....
.....

27. How satisfied are you with ECIRS assistance?

Very satisfied..... ❑
Somewhat satisfied ..... ❑
Could be improved ..... ❑
Not satisfied at all..... ❑

28. Is there anything else you would like to add, particularly your thoughts on the current drought, climate change and/or your future?

.....
.....
.....

29. We are particularly interested in obtaining information about the medium and long-term outcomes for those families who receive Exceptional Circumstances Interest Rate Subsidies assistance. Would you be prepared for us to contact you again with some follow-up questions in about a year's time?

Yes ❑
No ❑

Thank you for participating and for your valuable feedback.
We wish you well in the future.