

EXCEPTIONAL CIRCUMSTANCES INFORMATION HANDBOOK

A guide to policy, processes and assistance measures

October 2010

Introduction	3
Exceptional circumstances policy	3
Exceptional circumstances criteria	3
The National Rural Advisory Council	4
The exceptional circumstances process	4
Exceptional circumstances applications.....	5
Aspects of the exceptional circumstances application.....	6
Important exclusions.....	7
Exceptional circumstances application analysis and assessment	8
Analysis.....	8
Assessment	8
Exceptional circumstances review process	9
Exceptional circumstances assistance measures	10
Exceptional Circumstances Relief Payment	11
Exceptional Circumstances Interest Rate Subsidies	11
How to apply for income support and interest rate subsidies.....	11
Appendices	12
Appendix 1	12
Appendix 2	13
Appendix 3	14

Introduction

This handbook has been prepared by the Australian Government Department of Agriculture, Fisheries and Forestry, and is a Commonwealth refinement of earlier versions of the handbook first developed in consultation with state and territory government agriculture and primary industry departments. This handbook is intended as a guide only and provides information on exceptional circumstances (EC) policy arrangements and processes as at October 2010.

EC is the Australian Government's principal mechanism for assisting farmers and small business operators who are experiencing exceptional hardship due to a rare and severe climatic or other event. The rationale for providing EC assistance is to ensure that eligible farmers and small business operators with long-term prospects for viability are not forced to leave the land or their business due to short-term adverse events that are beyond their ability to reasonably manage.

Australian farmers have been successful in managing the inevitable 'booms and busts' that occur in agriculture. They have done this by developing flexible farm management practices and plans that minimise the risk to their farm business of changes in prices, seasonal conditions and personal circumstances. They have also achieved this through other means, such as using investment opportunities, savings strategies and private insurance, where this is available.

Australian, state and territory government rural policy encourages continued improvements in efficiency and competitiveness in all rural industries. The role of government is, therefore, to assist farmers enhance their skills in key areas of risk management, business planning and natural resource management.

This handbook, together with further information relating to EC policy, EC assistance measures and EC declared areas can be found on the Department of Agriculture, Fisheries Forestry's website at www.daff.gov.au/agriculture-food/drought.

Exceptional circumstances policy

Current EC policy was agreed in 1999 and aims to help farmers who are viable in the long-term cope with rare and severe events that are outside those that a farmer could normally be expected to manage using responsible farm management strategies. EC assistance involves short-term, targeted assistance for farmers and small businesses, including income support for households and interest rate subsidies for business debt.

Exceptional circumstances criteria

In March 1999, Australian, state and territory agriculture ministers agreed to a set of criteria to be used when assessing areas for an EC declaration. The criteria require that an event for which EC assistance is being sought must:

1. Be rare and severe

A rare event is one that occurs on average only once in every 20 to 25 years. A rare event is severe if it is of a significant scale. It must also affect a significant enough proportion of farm businesses in a region to warrant government intervention.

2. Result in a rare and severe downturn in farm income over a prolonged period

The effects of a rare and severe event must result in a rare and severe income downturn that cannot be managed by producers using normal risk management practices. The impact must extend beyond 12 months, as producers should reasonably be expected to manage one year of difficult seasonal conditions.

3. The event must not be predictable or part of a process of structural adjustment

EC support is not available to those producers whose problems have arisen from the fundamental need for structural adjustment. EC assistance is also not available for events that:

- have been foreseeable
- are covered by existing Australian, state and territory government assistance mechanisms
- are covered by the Natural Disaster Relief and Recovery Arrangements
- are manageable using normal risk management strategies such as insurance.

The National Rural Advisory Council

The National Rural Advisory Council (NRAC) is a skills-based independent advisory council to the Australian Government Minister for Agriculture, Fisheries and Forestry.

NRAC was established in December 1999 as a statutory consultative body following legislative changes to the *Rural Adjustment Act 1992*.

NRAC provides advice to the minister on rural, regional and industry issues affecting agriculture in Australia, including advice on EC declarations. NRAC consists of up to eight members including:

- a Chairperson
- a representative of the National Farmers' Federation
- others appointed as expert members in the areas of economics, financial administration, banking, sustainable agriculture, farm management or training
- one Australian Government representative
- one state or territory government representative.

The exceptional circumstances process

The EC application process requires state or territory governments to determine if there is an EC event occurring in their jurisdiction that may warrant EC assistance.

If the state or territory government believes there is a case for EC assistance, an application for an EC declaration is submitted to the Australian Government Minister for Agriculture, Fisheries and Forestry for consideration.

If an EC application is submitted to the Australian Government by an organisation other than a state or territory government it will require the formal support of the relevant state or territory government for it to be accepted.

As state and territory governments are integral to preparing EC applications, communities and industry bodies that consider they may be experiencing an EC event should contact their relevant state or territory government agriculture or primary industries department. A list of state and territory government contacts is at Appendix 1 (current as at October 2010).

Once an application is received by the Australian Government, the minister may refer it to NRAC for assessment. NRAC then conducts a comprehensive assessment of the application against the EC criteria, which may include an on-ground inspection. The information used by NRAC in assessing applications is gathered from a number of sources including:

- state and territory agriculture and primary industries departments
- industry bodies
- individual farmers
- the Bureau of Meteorology
- the Australian Bureau of Agricultural and Resource Economics – Bureau of Rural Sciences (ABARE–BRS).

On completion of its assessment, NRAC presents its recommendations to the minister. If NRAC concludes that EC assistance is warranted and the minister agrees with the recommendation, the area is EC declared. It is the minister's responsibility to consult with the Australian Government prior to agreeing NRAC's recommendations and declaring EC.

During this same period, the minister may also ask the Department of Agriculture, Fisheries and Forestry to undertake a prima facie assessment of the application. If a prima facie case is established, the government may consent to eligible farmers and small business operators applying to Centrelink for up to six months of Interim Income Support while NRAC assesses the application for full EC support.

Once declared, eligible farmers in the EC area may be entitled to receive income support in the form of the Exceptional Circumstances Relief Payment and business support in the form of Exceptional Circumstances Interest Rate Subsidies. Eligible small businesses either in, or dependent on, the EC area, are also eligible to apply for income support and interest rate subsidies.

EC assistance measures are typically available for an initial period of up to 24 months with the expiry date aligned to the major production cycle of the area. Prior to the expiry of an EC declaration, NRAC reviews EC declared areas to assess whether an extension to the declaration is warranted. Assistance may be extended by the Australian Government if NRAC recommends there has been limited opportunity for farmers to commence a recovery.

Exceptional circumstances applications

Under the process agreed to by the Australian, state and territory governments, communities or industries are expected to initiate the process for developing an application for an EC declaration. The application process involves two steps:

- the community or industry body raises its concerns with the relevant state or territory government, which will assess the case for supporting an application for an EC declaration for that area; and

- the state or territory government examines the situation against the EC criteria. If the state or territory government believes an application is justifiable, it will work with the region or industry body to develop an application. This is then forwarded formally to the Australian Government Minister for Agriculture, Fisheries and Forestry by the relevant state or territory government agriculture or primary industries minister.

It is the responsibility of communities, industries and the state or territory government to establish a case for an EC declaration on the basis of objective evidence, and to set appropriate boundaries for the application area. State and territory governments are responsible for producing EC applications and collecting and collating all of the information and data required. The application can include information from state and territory agriculture and primary industry departments.

Although it is the responsibility of state and territory governments to develop and lodge new EC applications, NRAC automatically assesses existing EC declarations prior to their expiry to assess whether an extension to the declaration is warranted.

Aspects of the exceptional circumstances application

Applications must address all of the EC criteria and provide a detailed description of the event. Several factors can combine to form an event, for example a drought that extends for more than 12 months combined with severe or abnormal frosts.

For a drought event to be considered a rare and severe, one in 20 to 25 year event, the rainfall deficiency must be within the historical 0–5th percentile range, across the majority of the area, during the application period. Rainfall deficiency maps displaying areas which have recorded 0–5th percentile rainfall deficiencies can be accessed through the Bureau of Meteorology website at www.bom.gov.au.

Applications must also clearly define the event period and provide evidence that the event is discrete. The event period for a drought should be at least 12 months in duration and be provided in whole months or more. The event period must also not overlap a previously claimed event period that resulted in an EC declaration, and typically should not occur within 12 months of a previous EC declaration expiring for a similar area.

Further, long-term climatic conditions should be considered when determining an appropriate event period. For instance, to be considered a rare and severe event, the event period for an arid area with low, unreliable or irregular rainfall may be longer than that for a temperate area with a more reliable rainfall pattern.

Applications must provide evidence of the following in relation to the event being rare and severe:

- that it is, on average, a one in 20 to 25 year occurrence
- that it has had a sustained and severe adverse affect on income levels (lasting for more than 12 months)
- a description of the meteorological, agronomic and environmental conditions arising from the event
- the location and a detailed boundary description of the area
- the timing and duration of the event

- the impacts on crop production, stock returns, water supplies and farm viability
- the scale – impact on (for example) the different industries, the number of farmers, the size of the region, the value of production
- any other relevant material.

Applications must also provide evidence that demonstrates that the downturn in income is rare and severe as a result of an on average a one in 20 to 25 year event.

This evidence should include:

- any information that will provide a historical comparison (e.g. production and yield information)
- any available information on the average cash income levels of farms in the application area, separating out cash receipts and cash outlays, and highlighting the impact of any forced sale of livestock
- impacts on crop production, stock returns, and farm viability compared with historical trends
- the forecast impact of the event on crop production, stock returns, and farm viability compared with historical trends
- average debt levels for the application area and the forecast effect of the event on debt levels
- any other financial information that will assist in the assessment of the application.

Where absolute figures are not available, verifiable data indicating the change in these measures over time may suffice.

Applications should also provide evidence that the event is not predictable or part of a process of structural adjustment including evidence that:

- the event is a discrete event
- the downturn in income is not part of longer-term change (e.g. part of a short or long-term downturn in commodity prices)
- the downturn in income is not fundamentally driven by structural adjustment issues
- the changed circumstances were not foreseeable and could not be managed through normal risk management strategies available to farmers.

Farm case studies or surveys have also proved to be a useful way to collect information when they accompany data that is representative of the region as a whole. A list of other suggested sources for additional data to support applications is provided at Appendix 2.

Important exclusions

EC assistance is not intended to be available for all adverse events, particularly those covered by existing assistance mechanisms or those events that farmers are expected to be able to manage using normal risk management strategies.

Insurable events, events covered under the Natural Disaster Relief and Recovery Arrangements (NDRRA), or events covered by existing Australian, state and territory government assistance measures would normally be ineligible as EC events.

Insurable events generally cover damage to farm dwellings and contents, personal and farm property including stock, additional working expenses, machinery breakdown, public liability and personal incapacity. EC assistance does not apply to disasters caused by people or accidents. Natural disasters covered by the NDRRA include bushfires, cyclones, earthquakes, floods, storms, storm surge and landslides (consequential upon an eligible event).

While there are potential links between the NDRRA and EC policy, EC is not generally available as an immediate response to an emergency situation. Rather, EC is only likely to become a possible consideration some time after the 'exceptional' event and indeed, under the EC criteria, cannot be considered until a prolonged downturn in income becomes evident.

Exceptional circumstances application analysis and assessment

Analysis

There are a number of sources from which the Australian Government gathers information to analyse an EC application. These include:

- the application itself
- locally supplied information
- observations made during NRAC's on-ground inspection of the application area
- annual financial and production information for the area (e.g. silo takings)
- local and national survey data.

Once an application is received, ABARE–BRS will assist with the analysis of financial and agricultural production information. It will investigate what trends are occurring regarding incomes and other circumstances surrounding the event.

ABARE–BRS will consider the following indicators:

- farm cash receipts
- farm cash outlays
- farm cash income
- average debt
- liquid assets
- capital additions.

ABARE–BRS will also assist with analysis of the event, particularly in relation to natural phenomena (e.g. weather, rainfall, temperature patterns and other implications).

Assessment

NRAC assess all EC applications against the EC criteria, on the basis of all the information available to it at the time.

1. The event must be rare and severe

A rare event is one that occurs on average only once in every 20 to 25 years. In the instance of an EC event claimed as a result of drought, NRAC relies on Bureau of Meteorology data to assess rainfall, because the bureau maintains quality controlled official climate records dating back to the 1900s.

A rare event is severe if it is of a significant scale. It must also affect a significant proportion of farm businesses in the application area to warrant government intervention. The severity of an event is measured by assessing the impact on industries, the number of farmers, the size of the application area and the overall value of production.

The Australian Government has access to scientific information to assess the rarity and severity of an event. ABARE–BRS provides analysis of the event itself and the impact it has or will have on production in the area. Detailed information should also be included in the application by the state or territory government.

2. The effects of the event must result in a rare and severe downturn in farm income over a prolonged period

The effects of a rare and severe event must result in a rare and severe income downturn that cannot be managed by producers using normal risk management practices. The impact must extend beyond 12 months, as producers should reasonably be expected to manage one year of difficult seasonal conditions.

In assessing the impact on incomes, the Australian Government accesses general information collected by its economists and statisticians, in particular, from ABARE–BRS. Information from ABARE–BRS includes the financial position of farmers before the event, as well as analysis of the impact of the event on production and income. Detailed information should also be included in the application by the state or territory government.

3. The event must not be predictable or part of a process of structural adjustment

The rural sector has evolved considerably over time and will continue to experience change in the future. Structural adjustment is about managing these changes, and the evolution of Australian agricultural practices.

The provision of EC assistance is not intended to interfere with, or impede, ongoing and necessary structural adjustment. Consequently, EC assistance is not available to farmers whose problems have arisen because of the fundamental need for structural adjustment. EC assistance is also not provided for foreseeable change, for example, policy changes that might affect an industry and which farmers could have reasonably known about for some time.

If there is insufficient information to develop a case for EC assistance, the chances of an application's success are reduced. However, NRAC has extensive experience in assessing applications and will use its expertise to form a recommendation to the Australian Government Minister for Agriculture, Fisheries and Forestry based on the merits of the application.

Exceptional circumstances review process

A streamlined review process was introduced by the Australian Government in 2005 to make it easier for farmers who have not experienced a break in the drought to have their EC declarations assessed for a possible extension.

Under the review process, NRAC reviews EC declared areas before their expiry date to assess whether an extension to the declaration is warranted. The EC review criteria differ from the EC criteria and take in to consideration whether:

1. seasonal, agronomic and resource conditions have provided an opportunity for the majority of producers within the EC declared area to begin to carry out typical farm management practices relevant to their enterprise type and production cycle
2. climatic conditions have enabled the majority of crop producers to carry out typical farm activities such as allowing the planting and harvesting of their average crop area
3. rainfall and temperature in the main growing season has resulted in an increase in plant growth to enable the majority of livestock producers to carry out typical farm management practices, and taking into account long term trends, a return to average livestock numbers is underway
4. there is sufficient water for livestock and domestic water use.

While NRAC takes note of the financial position of producers, it is not a criterion against which recovery is assessed, as producers' financial positions are also affected by other factors, including commodity prices. As part of the review, NRAC assesses information from a number of sources, including analyses provided by ABARE–BRS, state and territory governments and local producers. NRAC also takes into account the major production systems in the area under review. Additionally NRAC may undertake an on-ground inspection of the area to aid its deliberations.

During the review, NRAC considers any variability in conditions across the area and the extent to which recovery has occurred, with the final recommendation based on the conditions experienced across the majority of the area by the majority of producers. In areas where conditions are variable, state and territory governments are open to submit advice and possible boundary revisions prior to the expiry date of the EC declaration for those areas where recovery has not commenced, or where recovery has not been uniform across the EC area as a whole.

If NRAC recommends that EC assistance is longer warranted for an area, and the Australian Government Minister for Agriculture, Fisheries and Forestry accepts its advice not to extend the declaration, assistance ceases on the date the declaration ends. If NRAC supports extending the declaration, and the minister agrees, assistance can continue until the new declaration end date subject to whole of Australian Government agreement.

Following the announcement of the outcome of EC reviews, state and territory governments are open to submit an appeal against a decision. Appeals must be submitted by state or territory governments to the Australian Government Minister for Agriculture, Fisheries and Forestry prior to the end of the expiring declaration period and must include all relevant information to support the appeal case.

Exceptional circumstances assistance measures

The Australian Government approves expenditure on each EC declaration separately; therefore, the forms and duration of assistance may vary for different EC events.

However, the two major measures that form EC assistance are income support and interest rate subsidies, both of which are available to eligible farm businesses, small businesses and their families.

Exceptional Circumstances Relief Payment

Income support is provided as the Exceptional Circumstances Relief Payment and is paid at the same rates as the Newstart Allowance. Income support is to assist eligible farm and small business families to meet their day to day living expenses.

For more information on the Exceptional Circumstances Relief Payment, including eligibility requirements and the income and assets test please refer to the Department of Agriculture, Fisheries and Forestry's website at www.daff.gov.au/agriculture-food/drought/assistance/income-support.

Exceptional Circumstances Interest Rate Subsidies

Business support is provided in the form of Exceptional Circumstances Interest Rate Subsidies. The subsidy is to assist eligible farm business owners and small business operators who are considered profitable in the long-term but who, due to exceptional circumstances, are experiencing financial difficulties and are in need of assistance to achieve long-term profitability and sustainability.

For more information on Exceptional Circumstances Interest Rate Subsidies, including the policy guidelines and eligibility requirements please refer to the Department of Agriculture, Fisheries and Forestry's website at www.daff.gov.au/agriculture-food/drought/assistance/business-support.

How to apply for income support and interest rate subsidies

Farmers and small business operators can obtain income support application forms from their local Centrelink office, from the Centrelink website at www.centrelink.gov.au or by calling the National Drought Hotline on 13 23 16.

Farmers and small business operators should contact their state or territory Rural Adjustment Authority to apply for interest rate subsidies. Contact details are provided at Appendix 3 (current as at October 2010).

Appendices

Appendix 1

Contacts for advice and assistance for preparing exceptional circumstances applications

<p>Australian Capital Territory Department of the Environment, Climate Change, Energy and Water Levels 2 and 3 Macarthur House Annex 12 Wattle Street LYNEHAM ACT 2602</p> <p>GPO Box 158 CANBERRA CITY ACT 2601 Phone: 13 22 81 www.environment.act.gov.au</p>	<p>New South Wales NSW Department of Industry & Investment 161 Kite Street ORANGE NSW 2800</p> <p>Locked Bag 21 ORANGE NSW 2800 Phone: 02 6391 3100 www.industry.nsw.gov.au</p>
<p>Northern Territory Department of Resources Berrimah Farm Makagon Road BERRIMAH NT 0828</p> <p>GPO Box 3000 DARWIN NT 0801 Phone: 08 8999 2010 www.nt.gov.au/d/Primary_Industry</p>	<p>Queensland Department of Employment, Economic Development and Innovation 80 Ann Street BRISBANE QLD 4001</p> <p>GPO Box 46 BRISBANE QLD 4001 Phone: 13 25 23 www.deedi.qld.gov.au</p>
<p>South Australia Primary Industries and Resources South Australia Grenfell Centre 25 Grenfell Street ADELAIDE SA 5000</p> <p>GPO Box 1671 ADELAIDE SA 5001 Phone: 08 8226 0222 www.pir.sa.gov.au</p>	<p>Tasmania Department of Primary Industries, Parks, Water and Environment 1 Franklin Wharf HOBART TAS 7001</p> <p>GPO Box 44 HOBART TAS 7001 Phone: 1300 368 550 www.dpiw.tas.gov.au</p>
<p>Victoria Department of Primary Industries 1 Spring Street MELBOURNE VIC 3000</p> <p>GPO Box 4440 MELBOURNE VIC 3000 Phone: 03 9658 4000 www.dpi.vic.gov.au</p>	<p>Western Australia Department of Agriculture and Food 3 Baron-Hay Court SOUTH PERTH WA 6151</p> <p>Locked Bag 4 Bentley Delivery Centre WA 6983 Phone: 08 9368 3333 www.agric.wa.gov.au</p>

Appendix 2

Additional sources of information for exceptional circumstances applications

Additional information on the event	Additional financial information
Industry boards	Banks and other financial institutions
National Farmers' Federation	Rural Financial Counsellors
State farmers' organisations	Farm consultants
State and territory agriculture and primary industry departments	Stock and station agents
Local governments	Rural produce stores
Local silos	Wool brokers
Veterinarians	Accountants
National Parks and Wildlife Service	State water authorities
Private agricultural research	District agronomists

Appendix 3

Contacts for Exceptional Circumstances Interest Rate Subsidies

<p>Australian Capital Territory (Refer to the New South Wales Rural Assistance Authority)</p>	<p>New South Wales NSW Rural Assistance Authority 161 Kite Street Orange NSW 2800</p> <p>Locked Bag 23 Orange NSW 2800 Phone: 02 6391 3098 www.raa.nsw.gov.au</p>
<p>Northern Territory Department of Resources Berrimah Farm Makagon Road BERRIMAH NT 0828</p> <p>GPO Box 3000 DARWIN NT 0801 Phone: 08 8999 2010 www.nt.gov.au/d/Primary_Industry</p>	<p>Queensland Queensland Rural Assistance Authority Level 9, 307 Queen Street BRISBANE QLD 4000</p> <p>GPO Box 211 BRISBANE QLD 4001 Phone: 07 3032 0160 www.qraa.qld.gov.au</p>
<p>South Australia Primary Industries and Resources South Australia Grenfell Centre 25 Grenfell Street ADELAIDE SA 5000</p> <p>GPO Box 1671 ADELAIDE SA 5001 Phone: 08 8226 0222 www.pir.sa.gov.au</p>	<p>Tasmania Department of Primary Industries, Parks, Water and Environment 1 Franklin Wharf HOBART TAS 7001</p> <p>GPO Box 44 HOBART TAS 7001 Phone: 1300 368 550 www.dpiw.tas.gov.au</p>
<p>Victoria Rural Finance Corporation of Victoria 57 View Street BENDIGO VIC 3550</p> <p>PO Box 1313 BENDIGO VIC 3552 Phone: 03 5458 2600 www.ruralfinance.com.au</p>	<p>Western Australia Department of Agriculture and Food 3 Baron-Hay Court SOUTH PERTH WA 6151</p> <p>Locked Bag 4 Bentley Delivery Centre WA 6983 Phone: 08 9368 3333 www.agric.wa.gov.au</p>