

**Division 65: Rural Business Development Corporation, \$206 000 —**

Mr M.W. Sutherland, Chairman.

Mr D.T. Redman, Minister for Agriculture and Food.

Mr R.J. Delane, Director General, Department of Agriculture and Food.

Mr K. Chennell, Executive Director, Livestock.

Mr P. Metcalfe, Executive Director, Grains.

Mr G. Paust, Director, Regional Operations.

Ms M.A. Somers, Director, Corporate Strategy and Operations.

Mr S.A. Mitchell, Chief of Staff, Office of the Minister for Agriculture and Food.

Mr S. Helm, Policy Officer, Office of the Minister for Agriculture and Food.

**The CHAIRMAN:** The member for Cockburn.

**Mr F.M. LOGAN:** I refer to the balance sheet for the Rural Business Development Corporation on page 791. I can predict how the minister will answer this question; it will probably be the same as the answer he gave on the previous division. I understand that grants and subsidies go up and down. That can be seen quite clearly in the line item “Other expenses”. This is another department of the minister that is running a deficit. He can ask for supplementary information; he can do what he likes. But, at the end of the day, the word in the brackets at the bottom of the page indicates that the department is running a deficit. That is because the department’s expenses are higher than its income. It is fairly straightforward. Why did the service’s appropriation differ so dramatically between the budget for this financial year and the estimated actuals? Obviously, there will be some income coming in from somewhere. It then drops back to what appears to be normal funding for the out years. Nevertheless, that is not sufficient to cover the costs of running this organisation.

**Mr D.T. REDMAN:** I thank the member for the question. I am happy to provide information at another time on the specifics of the surplus or deficit. But I highlight now that in the 2010–11 estimated actual, significant resources were drawn upon from the RBDC for the drought pilot scheme in Western Australia. I draw the member’s attention to the top of page 792, which gives an idea of the activities of the RBDC. The RBDC is essentially a forum to manage specific programs. Historically, when there have been exceptional circumstance programs for the drought response in Western Australia, resources have been applied; some have been from the state for transactional subsidies and some have been from the federal government.

**Mr F.M. LOGAN:** I know what the department does. The minister does not need to explain it to me because I am aware of it. I want him to deal with the specifics that I have asked about—that is, the balance sheet. I know what the department does. I want the minister to explain to me why the department continues to run at a deficit and why the minister does not fund it properly.

[11.10 am]

**Mr D.T. REDMAN:** I am happy to provide by way of supplementary information details about any of the figures at the bottom of page 791. I highlight that this is the mechanism for funds that flow from both the state and federal government for a range of programs that start and end over a period of time. That is why we have a range of figures at the top of page 792. In fact, there is a figure of \$8 million in the mainstream budget for the Department of Agriculture and Food for the new drought pilot program mark II in 2011–12, which has not been accounted for in these budget papers. I expect that at some stage, once we have determined the program of rollout for the extension of the drought pilot, resources will be shifted over to the RBDC accounts. This simply reflects the first drought pilot, which is why there are significant resources in 2010–11. Indeed, these are the resources we drew upon to roll out that program. There is a mix of state appropriations, which are always appropriated in accordance with the fact that we have resources there to spend, and commonwealth funds, which come in at different times, as the member knows, depending on the timing of the federal government writing the cheque and giving it to Western Australia.

**Mr F.M. LOGAN:** Minister, you are responsible for two departments and both of them are running at a deficit.

**Mr D.T. REDMAN:** If the member has a specific question around a number at the bottom of page 791, I am happy to get that information, if that is what he is requesting; or is he simply making the political statement that they are all deficit figures?

**Mr F.M. LOGAN:** The minister is running two departments, and they are both running at a deficit. That is not a particularly proud history, given what he has been spouting for the past 20 minutes.

**Mr D.T. REDMAN:** I make an offer to the member to provide, by way of supplementary information, the accounting process whereby we arrive at the figures at the bottom of page 791.

**Mr F.M. LOGAN:** I do not need them; I have the budget papers in front of me.

**Mr M.P. MURRAY:** Considering that the minister has mentioned more than once that this has been one of the driest years on record, I note that there is a huge reduction in funding for the Western Australian drought pilot scheme. Why is the minister considering dropping that funding during one of the driest years on record?

**Mr D.T. REDMAN:** I thank the member for the question. The drought pilot is a one-year program for 2010–11, and it ends on 30 June 2011. It involves a range of components, to which the state government, along with the federal government, contributed resources totalling, from memory, around \$23 million. The components include Centrelink support, resources for counselling services and business development grants. State funding went into the development of strategic plans for businesses and dealing with the many challenges that they face. Eligible farmers could access business development grants over four years. It was a fixed program for one year, with deployment of grants over a four-year period for eligible and successful applicants. Not all applicants for the first drought pilot scheme were able to access those grants because it was a capped program, funded by the commonwealth government. Again, through the RBDC, we have a commonwealth fund flowing through this for a program for which Western Australia put its hand up to look at alternatives to the current drought policy arrangements across Australia. I am very pleased that we had the initiative to do that, because we now have Centrelink support for farmers and more than 300 businesses in 67 shires, and they are now able to put food on their tables. In the second drought pilot, which is not accounted for here, there will be about \$55 million worth of projects, for which there are resources going into farm business development grants in potentially more than 130 shires, including all of the south west land division. Again, that is a very effective response from this government, in negotiation with the federal government, to create an outcome that will help build capacity and improve resilience in the farming community.

This goes back to the core question of the role of the RBDC. We are seeing a flow of resources from those programs; it is not the government cutting back on funding. We had a specific program in the first drought pilot scheme, we rolled it out, and there are some remnants of resources that go into the out years, according to who was successful in receiving those grants. When they get those grants, over a four-year program, the second drought pilot will show a similar pattern when it comes into play, with the exception that we have been able to negotiate two-thirds of the \$30 000 in grants to be upfront—\$20 000 in the first year and \$10 000 in the second year, given the very acute circumstances that those businesses find themselves in. Contrary to the member's question about the very dry season we have had, this government has responded in two ways. It has deployed resources through the agency to build capacity and provide good advice and good information for farmers to make good decisions; and it has also put in place a drought pilot scheme and extended it to a second drought pilot scheme, which amounts in total to more than \$75 million in resources to Western Australia, which has not gone to other states, given that we are not currently declared to be in a drought. I think the government stands on a very sound record of its response.

**Mr M.P. MURRAY:** I am very pleased to hear the minister singing the praises of the federal Labor government; it is very, very good to hear. What is the breakdown between federal money and state money for this program?

**Mr D.T. REDMAN:** The state government put in 20 per cent of the funding, which is a ballpark figure of \$5 million. The total program includes the federal government's Centrelink support, support for rural financial counselling and some social counselling and farm exit grants, and amounts to about a \$23 million program. I can provide the exact breakdown by way of supplementary information, but it is an approximately \$23 million program, for which the state government put in about 20 per cent.

**Mr M.P. MURRAY:** Further on the same issue, why has there been a focus on farm exits instead of retentions?

**Mr D.T. REDMAN:** Part of the pilot program was to assess and look at an alternative model for dealing with drought responses nationally. Presently there are arrangements around exceptional circumstances. If one has two successive years worse than one-in-25-year events, one can apply to the federal government to have exceptional circumstance declared, which puts a line on the map. If one falls inside that line or circle, a certain set of conditions apply, including social support and interest rate subsidies. We are trialling a model of what the scheme might look like if we take a preparedness approach to drought response—that is, trying to build capacity in the farming community to respond to the inevitable challenges that it will face across a range of issues. These are not restricted only to drought, but also trade issues and a range of other issues. The response is designed to help farmers survive and sustain their businesses. Part of that is about assisting farmers. It may be identified through a strategic planning process that the best decision might be to exit, given equity levels. In some cases, equity levels are very low in some farming communities. It is not the final decision about where this policy lands, but the government is offering through this pilot process a strategy to support farmers to exit with dignity.

Under the arrangements that are in place—that is, the eligibility criteria—it is quite possible that a farmer could exit a farm with support from these grants and finish up with \$500 000 to transition into another vocation or pathway of opportunity. That is part of the trial that is in place.

Three very talented people have been employed by the federal government to carry out a review of the first drought pilot, and they are reporting in September. They will provide feedback to the ministerial council, which includes all the ministers of primary industries at state level and the federal minister, for it to look at a decision about how to transition to a better way of dealing with drought response and a preparedness approach, and exactly what that might look like. We have also been lucky enough to secure a second drought pilot. That also includes a component of exit support for those who are eligible to apply for it.

[11.20 am]

**Mr M.P. MURRAY:** With the funding that is coming from the federal government, which has certainly not been matched dollar for dollar by the state government —

**Mr D.T. REDMAN:** Does the member think it is a good deal?

**Mr M.P. MURRAY:** We know where the money is coming from and who is supporting the agricultural industry. Why did the minister run away from the several insurance schemes that were being touted to help the farmers insure not crop losses but plantings? Although the minister jumped on the bandwagon towards the end, why did he not give farming groups, particularly wheat farmers, the financial assistance to get one of these plans up and running, instead of placing emphasis on farmers leaving their farms?

**Mr D.T. REDMAN:** I will answer the last part first. The emphasis of the drought pilot scheme is not on leaving the farm; the emphasis is on building capacity in the farming community and taking a preparedness approach to farm businesses to better prepare farmers for the decisions they make to deal with the challenges they face. The focus of the drought pilot scheme is about building capacity. It contains grants to support farmers in their endeavours to put in place a strategic plan. There are other minor components in that, of which the farm exit grant is one, whereby eligible farmers may choose to apply for help in their transition out of the farm if, indeed, that is the best decision for them. That assists people who may want to exit but cannot. It assists people when they make the decision to exit, given their equity levels and that they would be putting far too much at risk for the income potential. That is a good part of the drought pilot scheme that should be incorporated in the national approach.

**Mr M.P. MURRAY:** The minister is heading towards corporate farming in WA.

**Mr D.T. REDMAN:** The other part of the member's question relates to our support or otherwise for crop insurance schemes. I am assuming that the member's reference to what was being touted in the media related to multi-peril crop insurance. The member asked whether we had engaged the Insurance Commission to look at information and so on. When we have engaged in forums and discussions with international people who have been involved in these schemes in a range of other countries in the world, a couple of strong points have come out. One point is that when governments choose to subsidise insurance schemes, either by underwriting a payout or subsidising a premium, the private sector moves right out of the space. A number of fledgling private sector insurance schemes are trying to move in and offer packages for farmers to take up. If we were to move in and put government money into subsidising something, we would undermine what they are trying to achieve and the commercial arrangements they are trying to put in place to set up opportunities for farmers to offload some risks. That is a strong point. Therefore, the government's position in not subsidising a farm insurance scheme has been about allowing the commercial sector to get instruments in place to support the farming community. With the support of WA farmers and others, CBH Resources has this year put out a pilot insurance scheme. The Department of Agriculture and Food is playing a support role in that. We are in a position to identify the information that those organisations need to assess the risk and pitch a premium; and we can provide that quite independently. That is a very good role that government can play. Additional to that, as a part of our arrangements with the federal government, we have secured half a million dollars to get the Australian Bureau of Statistics to provide the information that is needed for those insurers and reinsurers to assess data to offer instruments to farmers to offload risk. We have been very effective in doing that.

We are also doing some work in boosting the number of weather stations out there so that farmers can have much more up-to-date weather information. Hopefully, in time, that data will also assist some of the providers —

**Mr C.J. TALLENTIRE:** I have a point of order.

**Mr D.T. REDMAN:** I am responding to a question from the opposition. This is not a dorothy dixer!

**Mr M.P. MURRAY:** The question was about insurance.

**Mr D.T. REDMAN:** What is the member's point of order?

**Mr C.J. TALLENTIRE:** Weather is distant from insurance. I refer the minister back to page 792.

**Mr D.T. REDMAN:** Mr Chair, what is the point of order?

**The CHAIRMAN:** He said that the minister was digressing. Does the minister want to continue?

**Mr D.T. REDMAN:** I want to finish the point, otherwise the last comment will not be understood.

We talked about putting in some weather stations. There are commercial instruments that I think are called “weather derivatives” under which farmers can insure against weather events and for certain levels of rainfall and therefore get a payout if that is not achieved. By putting more weather stations in the South West we are able to provide the information necessary to give those companies confidence in offering instruments to the farming community. We have done a hell of lot to support the farming community going forward.

**Mr M.P. MURRAY:** You do not give any support whatsoever for insurance schemes.

**Mr D.T. REDMAN:** If the member wants to put that up as an opposition policy and wants to subsidise multi-peril insurance, by all means do so!

**Mr C.J. TALLENTIRE:** I refer the minister to page 792 and the \$4.6 million to be expended on a range of programs that could be described as responses to the impacts of climate change.

**Mr D.T. REDMAN:** What is the member looking at?

**Mr C.J. TALLENTIRE:** On page 792, the budget estimate for 2011–12 totals \$4.67 million. I am curious to know the estimate of the number of farming families that are going to need that money because they have been impacted by climate change.

**Mr D.T. REDMAN:** I am assuming that the member is looking at the total in the column for the 2011–12 budget estimate of \$4.678 million, which relates to a range of programs that are listed above that figure. These programs are in varying stages of progress. One relates to the climate adaptation assistance scheme, and I am happy to get the director general to talk about that scheme. Other programs are the FarmLink scheme, which will finish up at this time, future rural support schemes, some research grants and also, of course, the drought pilot scheme, which is the dominant figure in that list. These are specific programs that have been put in place and are managed and rolled out through the Rural Business Development Corporation that are in various levels of deployment. Does the member want particular information about those programs?

**Mr C.J. TALLENTIRE:** These figures are included in the *Budget Statements*, and I am curious about the number of people who are going to need to access those funds through the differently configured programs. How many people are we talking about? How many farms are involved?

**Mr D.T. REDMAN:** Some programs are finishing up and are at the end of their life, and some are at the start. Indeed, the drought pilot scheme is right in the middle of its life, and this program takes up the lion’s share of the resources. As that is probably the most relevant program to the member, I am happy to supply information specifically about who has been in receipt of what components of the drought pilot scheme.

**Mr C.J. TALLENTIRE:** I do not want to know who, just roughly how many.

**Mr D.T. REDMAN:** There are 400 farm businesses in drought pilot 1 that accessed the farm planning component, which comprises five modules. The information I have is up to 27 May this year: 414 farm business applications were approved to receive that training. There were 83 applications approved for building farm business grants of up to \$60 000. Up to 13 May 2011, there have been 374 recipients of farm family support—that is, those who are facing financial hardship in order to meet household expenses.

**Mr C.J. TALLENTIRE:** Does the minister have the number of exits?

[11.30 am]

**Mr D.T. REDMAN:** Under the farm social support scheme, Centrelink has made 6 813 customer contacts with 723 farm or home visits. Rural social workers have made 1 087 customer contacts, with 209 farm or home visits; the mobile office first trip to the pilot region visited 26 communities and serviced more than 1 400 rural customers; and mobile officers, on their second trip to the pilot region, visited 12 communities and serviced 633. I think that has been through quite a broad section of farming community. Under the rural and regional family support service to 30 April, 2 128 customers have been seen; for online counselling from rural young Australians initiative—called eHeadspace—there are 32 registered clients from the pilot region; and of farm exit support grants of up to \$170 000, 26 applications have been received, one grant paid and a further four applications are eligible, subject to the sale of the farm.

We have effectively doubled the resources for drought pilot 2. More than 800 farm businesses will get access to the farm planning component. We have reduced the grant from \$60 000 to \$30 000 to go to more farm

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Chairman; Mr Fran Logan; Mr Terry Redman; Mr Mick Murray; Mr Chris Tallentire

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businesses. Prior to the new drought pilot we will backfill those in drought pilot 1 that were eligible but did not receive those farm business grants, because it would not be right that the people who went through the first pilot could not get a grant because it was a capped fund. We need to first backfill that with \$30 000 grants, or whatever they are eligible for, before we roll out drought pilot 2.

I think the tenet of the member's question is: how far does that extend in the farming community? The footprint is very widespread. Given there are 400 businesses in the first instance, we could be talking 1 000 people. With 800 businesses in drought pilot 2, it is significantly more than that. Over two years, we are looking, potentially, at \$75 million going into drought pilots 1 and 2 at a time when Western Australia is not declared to be under drought.

**Mr C.J. TALLENTIRE:** How much federal and how much state money; what is the breakdown there?

**Mr D.T. REDMAN:** Roughly 20 per cent state and the rest is federal government funding in both the programs.

**The appropriation was recommended.**