

SECTION 4

Implications for Policy Makers and Planners

4.1. Introduction

Although the ability to forecast the arrival and duration of particular extreme climatic events is limited, they will naturally and inevitably recur as inherent features of Australian agriculture. Most farmers and other rural business people are aware of fluctuating seasonal (and market) conditions and make their own contingency plans. Such plans result in marked changes in production and incomes in the rural sector, and some transfer effects to the rest of the economy – see Lovett (1973) and Anderson (1979) for an overview of these effects; and Campbell *et al.* (1983), Purtill *et al.* (1983) and Gibbs (1984) for discussion of the most recent drought (1982–83). Most farmers balance the good and bad times, and maintain both their ability to continue production and their household living standards until better seasonal conditions return. However, some do not make adequate provision for the stock, income and cash flow losses caused, for example, by drought, flood and fire. Selected reports of the ravages and hardships of drought are irresistible headline material in the media. Sympathy flows from the public, and governments agree, all too readily, to provide subsidies from public funds for drought assistance.

4.2. Climatic Variability and Governmental Intervention

Policy makers have concentrated interventions by governments on the impacts experienced by farmers. Measures such as income equalization deposits certainly cannot stabilize the effects of variable climate completely. However, they operate at the discretion of individuals, who hold their individual attitudes to risk and perceptions of climate, without distortion of the realities of their turbulent environments. These include climatically sensitive agricultural environments and, increasingly, nonagricultural sectors of the economy. The number of rural producers and their families who derive revenue from sources other than the home farm is increasing (Reithmuller and Spillman, 1978). This

compensating tendency is only partial because of the multiplier effects of drought on sectors other than agriculture. A further measure that could be important in buffering the impact of future extreme climatic events on producers is the Rural Adjustment Scheme, with its provisions for carry-on finance and household support (Threlfall, 1977). As noted above (Subsection 3.5), however, self-employed business people who are also severely affected by climatic impacts should be considered on a basis similar to that applicable to farmers.

Several features of the dynamic regulations pertaining to income taxation have been promulgated in recognition of the particular difficulties posed for producers by variability in their environment, including those of climatic origin. Such measures as income equalization deposits (and the earlier drought bonds), and the special provisions concerning forced sale of livestock and carry-forward of losses are of undeniable assistance to many producers (particularly those with substantial tax burdens) in mitigating the financial impacts of climatic variability. Such interventions have been reviewed by the IAC (1978).

Natural disaster relief is generally the responsibility of the states although the Commonwealth Government stands ready to join state governments (currently on a \$3 for \$1 basis beyond stated base levels of expenditure) to assist in financing a range of measures, such as drought, bushfire and other disaster relief. Under complementary Commonwealth and state legislation, the Natural Disaster Relief Arrangements (NDRA) support a broad framework of core measures of assistance and for sharing the subsidy costs. Drought relief measures are set internally on an individual state basis and differ between states. They are too varied to catalogue here; but include concessions on road and rail freight on livestock to and from agistment (rented pasture), restocking movements, forced sales of livestock, fodder, water, and grains. Loans to primary producers are also usually available at concessional rates and conditions for carry-on finance and restocking. Other measures are stock slaughter compensation, provision of centralized water points and various forms of unemployment relief. Such measures are clearly of importance to affected individuals, but may increasingly be distorting, ineffective and costly (Freebairn, 1983).

Availability of drought concessions is usually triggered by official drought declarations made by appropriate agriculture ministers, based on regional advice. The timing of these declarations is of importance to governments and primary producers in different ways. Early declaration can have implications for state treasuries by rapidly depleting financial reserves. Late declaration, while likely (at least in short-drought situations) to deplete state treasuries to a lesser extent, can lose political support in adversely affected regions.

The interactions between livestock condition, pasture status, prices in the market place and the timing of onset and retreat of drought are complex enough factors for property managers to handle. The superimposition of a game of guessing when freight concessions might be introduced does not make the managerial task any easier. Sometimes producers who take action early to avoid stressing livestock or pastures can be disadvantaged relative to those who wait for concessions to be introduced. The recent shift to "objective" declaration, based on Bureau of Meteorology rainfall statistics (interpolated decile ranges) as triggers, is imperfect but commendable.