



National Drought Forum 2023

Money Talks session transcript

(Duration 92 mins 31 secs)

26 September 2023

Introduction

This is the transcript of one of the Department of Agriculture, Fisheries and Forestry's National Drought Forum sessions. This transcript is for the Money Talks session, held at the Forum, 26 September 2023.

This session features Bron Christensen, session Chair, and panellists Ardie Lord, Leanne Rudd, Andrew Smith and Angie Bowden.

Learn more about the [National Drought Forum](#).

Transcript

[Recording begins]

Bron Christensen [00:00:01]:

Okay, am I on? Yes. Good morning, everyone, and my apologies for the somewhat late, well, couple of minutes late start. One gets talking and that's the way it is. Welcome to today's Q and A panel discussion on Money Talks, obviously something that's very close to all our hearts, particularly if you're on a property or grazing, whether it's cropping, grazing, whatever.

My name's Bron Christensen and I am the chair of the National Farmers Federation Economic Policy and Farm Business Committee, which is an amazing committee, we cover a lot of ground and I'm very, very well supported by NFF as well in that role and the other Chairs of the FSO's and organisations around Australia who partake in that. Aside from the NFF, I'm the newly engaged CEO of the Kimberly Pilbara Cattlemen's Association. Three weeks into the job, certainly a way to start a job, finding that 75% of your whole industry has just shut down on your first day in the role. But it's been a really big learning process and a baptism of fire, and certainly a great way to start a role.

Aside from that, I'm also a Grazier here in central Queensland in a small place called Theodore, which is 2 and a half hours Southwest of Rockhampton here. We have a small place, as I say, when I'm in the Territory or in Western Australia, probably a bit of a hobby farm, we've only got about 4000 acres, which is really their horse paddock over there. But yeah, run a few cows and I do say I'm a Grazier, I must say I'm more like the offsider, really. Yeah, the bookwork, sort of hop on a horse occasionally, hop on a tractor occasionally. But it's really my husband and as he says, I just turn up for the photos. Usually that's okay. So being a Grazier, I'm very aware of good seasons, of bad seasons, of bank managers, of budgets, of cash flows, and certainly I'm very aware of drought and can

remember some of the droughts we we're talking about today. I have now a 17-year old, I think she was about 2 before I could actually put her outside off a mat. She hadn't actually touched grass until she was about 2 because we just we didn't have the water, my garden got sacrificed, everything got sacrificed. So certainly, when you're living with that, it brings it right home when you realise your little 2-year-old actually hasn't had a lot of green grass to play on.

So I'll be your chair for today's session. Before we get started, can I just remind everyone to turn their mobile phones off to silent? Otherwise you shout at the bar at lunchtime. And if you do need to take a phone call, please step outside to do so. The focus of today's session will be to unpack and discuss some of the problems, the barriers and the challenges with building financial resilience and what can be done by the finance sector, government and other agricultural sector stakeholders to help farmers build financial resilience, to prepare for the next drought. Really, to help set the scene and like everything, we really need to define, exactly what we mean by the words financial resilience, particularly as it pertains to the drought cycle. We see financial resilience as the ability for a farm business to withstand the on-farm financial challenges brought about by the drier periods. We look at financial resilience from the perspective of both a farmer's capacity and a farmer's capability. I'm sure we're all aware of this, but just to revisit it, capacity is having the resources and infrastructure to draw upon if needed. It can include a strong level of equity or cash reserves, which is always nice, access to finance from the bank or family member, which would be lovely, and input cost saving, such as having feed on hand. Can I just say on that basis, at one stage we had about 40 or 60 tonne of cotton seed in our sheds, which, whilst we didn't need it at the time, did provide about 2 years' worth of boogie boarding entertainment for the kids, which was great, up and down the stack of it.

Capacity could also include having time or staff or equipment to undertake certain activities. At a high capacity, maybe from good luck or good fortune, or alternatively it can be steadily built up at time. Conversely, low capacity may not actually be a poor reflection of the business, but simply reflect the stage a business is at, or the vulnerability of a farm business. So that's capacity. Capability, is a farmer's knowledge and understanding and experience. It's their managerial skill and ability to pull the required levers at the right time to get the business through. Do they have a Drought Plan? Are they ready? Can they access good advice quickly? Do they know what government support and other support is available and how to access it? Better resilience outcomes are more likely, as we know, if a farm has both the capacity and the capability to get through the difficult times. So today we'll be looking at both of these as we consider our financial resilience. Later in the session there will be the opportunity to ask questions. There are hand-held microphones on each table or in the room and staff will assist you with those. And you can also use the Slido app to ask questions. Directions for downloading and using the app should be on the screen now. Have I got the clicker, sorry. Does someone know how clickers work? Do we go back? Oh well, we'll get to that. We'll just get on to it.

Okay. First of all, to get things started, I'd like to introduce Ardie Lord, who with his wife Kasie are owners in 2 businesses, Lord Pastoral, a family owned and operated beef cattle business, and Lord and Penna, a grazing partnership business he owns with his brother James and his wife Marjorie, and another couple. Ardie is speaking today to give a firsthand account of the financial aspect of drought from an on the ground farming perspective. Would you please welcome Ardie.

Ardie Lord [00:06:21]:

Sorry, I just have to work this out because I don't do 2 things at once very well. Ladies and gentlemen, thanks Bron. I just had a chat with Minister Murray Watt before. Minister Watt said due to the declining economic conditions in Australia and heading into a recession, that all government salaries are going to be cut by 2 thirds. Just to add to that, Brad Banducci, the CEO of Woolworths, said that all the supermarket shelves are going to be empty by Christmas. Welcome to our world. The price of cattle is actually one third of last year in the stall market. A lot of the relative we used before was being half, and it's currently one third of that same steer in the USA today.

The price of meat is exactly the same as where it was through the middle of last year. Most of our periods of lesser rainfall last for 4 years, and molasses supply is most likely to run out, with hay stocks and grain stocks already very tight. When viability goes out the door, all the issues of animal welfare, environmental welfare and human mental health arise. How do we manage in a drought?

Firstly, for us, it's the people. At home, it's a carton of beer if you use the word drought, or hot. It goes to Friday night drinks in Sutherland. There are times of less rain, much less rain. The serious side of that is we have a culture that worships drought and feeding hay, and we need to be wary of any programs that do just that. There is resilience feeding. I'm not knocking resilience feeding as a program. There is resilience feeding. But there is no such thing as resilience feeding of livestock for 4 years and burning up 20 years of viability. We need to drop the word drought from our vocabulary.

It's a time of lesser rainfall and matching stocking rate to carrying capacity is our job. For those not familiar with the terms of stocking rate and carrying capacity, stocking rate is the grass eaten, carrying capacity is the feed grown, often confused. Our most successful time of lesser rain, if there is such a thing, was in 2002 to 2006. We sold early, we created cash flow, we sent most of our young cattle to the Northern Territory on agistment and we rested our country. We actually went for 6 and a half thousand head on our home property to 297 very small weaners and we had a paddock of nice grass sitting in front of the house which we were able to drive through for the whole year. By the end of the year, we were able to bring back a thousand weaners before any rain in January that next year.

And our stocking rate for that year was 1/10th, it was 10% of our average, though it felt very good to be in control. What doesn't work? Holding onto the animals in the hope of rain. Feeding large animals has never worked for us and feeding without an end goal. It's a discussion we need to have about building haystacks to feed. I clearly remember a person in the 80's droughts, particularly feeding MHU and hay. Fine for the first 3 months, but by the end of 3 years, he'd dug a financial hole that took his property and his life to fill. His land was so degraded that even the bark of the ironbark trees was eaten. And I won't describe the animals in that.

For us, we produce a lot of hay, but most of it we sell as a separate enterprise. We always carry forward a year's supply, to cover the first year of drought, for destocking in early weaning purposes. For us to feed a cow hay, costs about \$10 a day, and in a drought, a cow is usually only worth about \$600. So after 60 days, you've burnt up the capital value. Having said that, there are situations of containment feeding that have been very successful. I've seen in the Merino industry, people who can containment feed, and basically let the wool pay for the feeding and look after their country and the very production runs their business. We also use it very much so for feeding early weaners, as we have a breeding operation that can't be switched off when it just goes dry.

So containment feeding can fit the 3 goals. Financially viable, swells the rest of the country and key animals remain on the property, and healthy. Be careful, resilience programs do not become long term drought feeding programs, with all the negative side effects. All right, I'll get behind there.

Let's talk about our strategies in the time of less rain. To monitor our rolling stock days of 100 mil, project your rolling stock days of 100 mil forward 3 months with no rain and adjust stocking rate to carrying capacity accordingly. Selling older animals, larger animals to reduce our total LSU burden, and identify overpriced animals. Early weaning, feeding, storage of product of early weaners and moving stock. Feed budget every year after the wet in April, then review your budget to actual regularly. Having an appropriate enterprise mix for your land and its drought-proness. The golden rule of the Downs country. An old fellow said to me once, 'don't take a female there, 2 legged or 4. Don't feed lick'. Apologies to anyone that lives there because we do.

The message was clear for me. You're going to face 4 years in every ten of very low rainfall, and therefore you need to be flexible in your herd and your stocking rate. Get your enterprise mix right. What do we need from governments and banks? Our meatworks need to be operate at capacity. They've been crying out for labour and the lifting of visa restrictions and getting labour is paramount.

They're burdened by red tape from government. And if you want a comprehensive list of those things, just talk to Terry Nolan, I can give you his phone number. Live exports is essential for the North. We've just seen the catastrophic effects of a very little, another short closure of markets and I went across northern Australia and there's overstocked properties everywhere in the build-up.

Water resources. For 20 years we've been trying to access water resources and in the in the rounds of tenders, 30 out of 34 people were rejected on technicalities. Taking profit in the good times. The most powerful move we've done has been to separate our business enterprise from our land. That's the cows, the people and the machinery. Then we have the business pay a profit as one of its first expenses to the Landowner of the Lessee, as a dividend or profit. Taking this money out of the business every quarter creates a discipline that makes a business profitable and then a very conscious decision of what happens to that money by the Landowner. Other tools of tax averaging, forced sales and FMDs are great tools to put money away in the good times to manage for the tough ones.

Drought's effect is on a business's profitability, so the financial pitch usually comes when it's time to rebuild, in our circumstances particularly. Our banks are co-operative. We have an amazing relationship with our bank. Rabobank, I can't ask for more. I'm on a client council with them, we have direct access to senior management both here and in the Netherlands.

They've supported us financially and with the resources to support our communities and with the client council, we have 5 main pillars that we operate, and that we are given money and resources to go back and support, of industry capacity, ag education, environmental sustainability, urban and rural divide and rural health, adaptation and disruption, including natural disasters. We also have our bank manager sitting on our family board.

Education is the best resource to help. Sorry, I'm gone ahead, I'm clicking away. Education is the best resource to help a community. The financial support of education, to help people to keep on the path is paramount. Anyone can run a profitable business in the good times, but management defines those that can survive in the tough. Management is the art of grazing, balancing grass, animals, money and time. I heard a lovely definition of art and art is combining all the knowledges from all our faculties, both subconscious and conscious. Resilience comes from knowledge, and knowledge comes from education. And when we look at education to manage through the tough times of drought, fire, flood, market loss and disease, we need to be better at people, management better at land management, animal management and financial management.

Maybe we could delete the word drought and manage for disruption? Tough times, because it is not just the drought that hurts us, it's a lack of knowledge and the market loss. If we looked at Australia as one big farm, average carrying capacity usually sits at around 25 million cattle, just to use cattle as an instance. It fluctuates from 22 to 29 million. Normal killing capacity is usually at around 8 million and live export capacity combined.

And our average in natural increase is also around that 8 million. Our problem exists when we when we handle the destock of Australia as a farm, from a La Nina period to an El Nino period. We have an extra 7 million cattle that we that we need to deal with. If we could manage this, we would manage the massive costs of drought, feeding market slumps and all the in animal and environmental disasters that come along.

I've got 2 stories to tell. In 2019, we had a flood. It killed more than 650,000 cattle in northwest Queensland. By good estimate, nearly all the horses and the kangaroos and even the birdlife. The toll on human health was immense. By good fortune, we timed our flood a month before a federal election and a compassionate Prime Minister came to see firsthand. The uplift from the support that came from many sources was unbelievable. People who lost everything, were getting around 3 months later with smiles on their faces. In 2011, we had a live export ban that was imposed on us by the then Labor government for political gain to hold onto power by appeasing the Greens. Indonesia took exception to being told by the Australian Government that they were inept. Our trading relationship broke down with Indonesia, just as we entered an El Nino period from 2012 to 2015. And when we needed that market, we suffered the effects of that ban for 4 years and we were made to feel like criminals by our own government. The cost to our business alone was around \$3 million.

To conclude, disruption by less rainfall is a is a mismatch of stocking rate to carrying capacity. So, for me, it comes down to educating ourselves and building our capacity to process and export. Thank you.

Bron Christensen [00:19:59]:

Thank you, Ardie. And I must admit, I heard Ardie speak last week at the Rangelands Conference in Broome and one of the things that he didn't get time to touch on today was, I guess, the communication that you have across your whole supply chain and particularly with your family that greatly assists you and we might touch on that in a little while during the questions.

Probably my key takeaways from that is I really appreciated your advice to the Minister and certainly that eliminating drought from our vocabulary, because as we know you do, if you dwell on something, if you think it, you become it and so it's a very downward cycle. Matching the stocking rate to grazing capacity or matching the stocking rate to the carrying capacity is obviously a key form of good grazing management anyway and certainly the preparation from the dry times and containment feeding versus resilience feeding in the long term. So, they're aspects that we will get a chance to talk to Ardie a little bit more in the panel session. Moving on now, I'd like to move into the discussion of this topic, and we'd like to welcome our panel members.

Can you please welcome Leanne Rudd from Money Edge, also Andrew Smith from Rural Bank, Angie Bowden from the Rural Financial Counselling Service, and we'll also have Ardie joining us on the panel as well. So first of all, we're going to start with some introductions and a brief overview of the topic from their perspective. Leanne, can I get you to, when we've got everyone seated...we've all got mics? If I could get you to introduce yourself to the room today, please.

Leanne Rudd [00:21:45]:

Yes, thank you for having me today. Did you want us to do the presentation? We had a little presentation set. What have we got? Oh, we're good to go. Yep, I could do my little presentation? Thank you.

So, my first real memory of drought when I was about 11 years old, the early 80's, the 82, 83 drought. During that time after school and on weekends, all I can remember was digging out sand troughs in the river, feeding cattle, making sure they weren't bogging and a little bit of feed with lick.

I spent some time with boarding school and university, always coming home for the holidays and on weekends, and I went looking for some old photos and this is what I came across. Some old photos of my dad and the property, and interesting, yeah, I'm just reflecting on it, it was like, oh that was back in the mid-90's, that article, so the worst in 50 years back then, apparently. And I'm from the Ceratodus, or North Burnett area and yeah, so selling in dry conditions, stores up following rain, restockers were cautious, so it was just interesting as I was reflecting on some memories of my childhood, the cotton seed trough, filling out the cotton seed and a family affair.

My 2 little boys back then, that was in 2009 and my 2 nieces. So it was a bit of a family affair. This was in 2019. We're on the Burnett River and that's my husband fixing a fence trough, oh, sorry, a fence into the river? Yeah, normally the water's above his head there. So at that time, cattle were crossing across to the neighbours, so it was quite a busy time. So, and again, you know, the bull obviously wanting some help and the help coming to muster, you know, many hands on deck. My husband grew up out near Aramac and these were just a couple of photos that he's, you know, his memory of drought is, you know, feeding 200 poddies, taking them through the nursery, the kindy and the preschool.

And again, these are yeah, this was my most confronting picture when I was a child. But my most recent experience was in '19. We bought cattle from my parents in '16 after we'd done our succession and took over the property. But our choice back then was to destock. So we destocked quite a lot and we're still building that today. The last couple of years we have been upgrading fences, setting up solar pumps, adding additional watering points and we've lots more to do for the

combined property. It's taken considerable time and investment, but we're now prepared for a more sustainable future. So you know, and why I'm here obviously is to do with my financial and accounting business. We look after lots of farming families and we look after all of their financial needs. And I suppose we like to uncover what's really going on in their business and make sure that everything is sorted out. We don't just do tax and compliance, we make sure we really get to understand them.

So the relationships are very deep, this allows us to ask the hard questions, to get involved and to yeah, really uncover what it is they want to do. I just don't believe that I can add value as an advisor to them if I can't ask these questions. So I've got a very privileged role to play and I'm grateful for what I do every day, being able to advocate for them. I help my clients with conversations around succession because it's a tough one. And obviously having gone through that personally myself, it's given me tremendous insight into the emotional side of things. But my role is to empower my clients to make the decisions and explain the risks associated with what they're looking to do and how we can minimise any fears they might have.

But yeah, on a daily basis, I'm questioning their farming practices, I'm questioning their effectiveness in building businesses and especially in drought. So from my client's perspective, every drought obviously is different, we've heard that already today, but drought for each of my clients is also very different. So we look after various commodities from citrus, macadamia, avocados, are different to tomatoes, snow peas, capsicums, watermelons, sweet potatoes, are different from livestock, cattle and sheep.

So the size of the property is also, you know, whether they're large scale or smaller hort or crop means varied impacts during much less rain. But I'll have to say that water management was the biggest issue for my clients back in 2019. You know, I had distressed clients that had planted trees a couple of years earlier and to not only were they in drought, but we had water issues with our local dam. And I could say that nearly all of my hort clients have purchased water well in excess of what was ever needed, but because of the allocation issues we have, it's quite a concern for them. So that was a really big issue. So, you know, from their perspective, you know, they need water security, they need clear pricing and they need good water infrastructure.

I work with some amazing farming family businesses. Some are great farmers and some are great farmers and great business people. So my role, I believe, is to work out if they know how to farm and then if they know how to run a commercial, sustainable business. So, you know, we've heard, you know, farmers deal with lots of different things in their business every day from labour, the hort award, fair farms, fresh care, HAZOP, global gap, they've got land clearing, they're dealing with energy companies, they're dealing with climate and carbon issues, biosecurity, food waste and a lot of supply chain issues. So complex compliance, you know, they deal with it every day. And look, we need quality and we need compliance, but we just need to make sure that it makes for a sustainable business and that there's value in that.

So, you know, I think there can be simplification. The differences, I suppose in the primary production businesses that I work with are, you know, there's a lot of sometimes emotional decisions because of the land, they're connected to the land, generational issues with that land. You know, sometimes when things are really, really good, they just love to keep spending and sometimes over capitalise on a few things.

So succession is hard. It's really, really hard for them. Again, that emotional connection to land and the families before them, you know, financial literacy and also legislative understanding. There is so much that they need to be over. It's very confusing. And also land values can give a false reality of what's really going on in the business. But we must make, you know, the Producer responsible for their decisions and the impact on their decisions.

And the biggest thing I can help them with is challenging their thinking and inspiring that change in their behaviour. So my clients have accessed various tax incentives over the years. The forced disposal of livestock, the FMD's, or all of the above. But, you know, drought's not new, it's going to continue. But, as we get more vulnerable and we get into drought, I think that's where that decision making becomes a lot harder.

So hence the plan. You know, when we're looking at scenario planning, we're looking at many what if questions. We're looking at, you know, we need to focus on the process around the plan, why they're doing it, and not the pretty document that sits on the shelf. And not just to tick a box, you know, it needs to cover off on so many different things, and not just that 2 to 3 years, it needs to cover off on 4 and 5, 10, 10 year plus plans, you know, diversification, risk, the business, continuity, all of those sorts of things. What does life look like after farming? What are their personal and financial needs for the future and educating their children? You know, there needs to be buy-in with that plan and there needs to be real ownership with lots of follow up.

That's where the value is in. How did we go? What did it look like? 12 months in, are we still on the same track? Do we need to change things? You know, we recently had a client that went through the business resilience process and look, they had some amazing ideas on what to do with water infrastructure, but it was just not cost effective, it just wasn't affordable for them. So during drought and, you know, obviously that's when the plans activated, you know, what decisions are we to make now? In 2019, we had more hand-holding than ever before. And it was just, you know, clients don't, they just do the do, and it was us calling them, just checking in, 'How are you going? What's going on?' Because they're not going to call and say, 'Oh, I'm in a bit of a pickle'. So, you know, that's where I suppose that relationship comes in and that's where we've been able to, you know, really get on top of things early. If there's a problem.

Bron Christensen [00:32:34]:

Thank you Leanne, and honestly, I know that when we get you on the panel and the questions that come from the floor, we're going to put you on the spot with a lot of that information. Thank you for that. Andrew, can I now get you to give you an introduction as well? So please welcome Andrew Smith.

Andrew Smith [00:32:54]:

Thanks Bron. And the challenge Jenny put to me was to have a think about how we as a bank and an industry can support farmers to build financial resilience, so I'll set about thinking about that and a few of the things I wanted to touch on today was just, I guess, our perspective in the industry and what we do see agriculture, in terms of its resilience, being as we start, if you like, and then have a think about what that means in a banking perspective and how banks work with farmers through challenging times and what support there might be available to them.

So just as I thought about it, in terms of our starting position, I would say Australian agriculture is very resilient. We certainly over time have adapted our businesses, we've seen through my journey, which is close on 40 years working with farmers, some people adjust their stocking programs, their operations and diversification and also build farm management skills, which I think today, and listening to the Minister and others, a lot of what we are talking about is preparing for the dry times and being able to manage through those. So I think from a, not talking to the converted here, but I think we do have an industry that is resilient, has been growing very strongly and certainly the diversification that we've seen across the sector has been really quite pronounced.

So if I have a think about what perhaps makes up some of that resilience and certainly as a bank we get often asked around you know funding for drought mitigation programs, for example where people are looking to invest into their business to set themselves up to work through those challenging times. And I think having a long-term financier is really important in that. I always talk about managing through the cycles in agriculture and certainly having someone who understands the business, who is at the table, who may be on the family board, as Ardie said, that that can really add value to the relationship is just so important.

And I think having access to funding. So often times as you're working into a dry situation, it's about what headroom you may have in your facilities, what buffers you might have built in in terms of equity, but also farm management deposits and alike are really risk management tools that we see our farmers to call upon when they need to.

And for us it's important as we think about good times and we've been obviously through a period of pretty good seasons, good commodity prices, lower interest rates, rising land values. It has been a pretty profitable time for agriculture. And often, as we were thinking through that, it's often in saying, well what happens if something does turn awry and have we got a buffer in here that we can support people through?

So for us, I think making sure our bankers are well on top of what support schemes are out there is important. They're often sometimes the first at the table or a Rural Financial Counsellor might be the next. Identifying issues in a business and starting to think about what support we might be able to provide. So from a banking perspective, I think most of the banks certainly look to have specialists in the business, so people have studied agriculture or from farms who do understand the seasonal nature of it and think as we structure up finances for people, making sure that the structuring of the lending is right. So we're not going too short we're not going too long either and making sure that people are building a balance sheet, that is quite resilient and having some flexibility within seasons as well is really important.

I think as things turn, it's a bit about having, as I said earlier, some of the buffers there, but also I think as banks we do need to look at working through the cyclone. And I know of cases where, coming out of the 2014, 15 tough times, we only had cases that really resolved themselves in the last few years. So we're working hand in hand with our clients over a pretty extended period. And that's just so important, I think, to make sure that we don't see what we may have seen in the 80's, which was really heightened levels of foreclosure, quick action by banks and sort of that exit strategy that

really did a lot of damage at the time and we saw a lot of structural adjustment, so, my story there is certainly the partnership is just so important.

And just want to share a little bit of how the banks think about this from an Australian Banking Association perspective. Over the last few years, we have been building out a Financial Assistance Hub that is a place where people who are having some difficulties can go to and understand what assistance the banks can provide. Most banks have natural disaster relief schemes where you're able to move things onto interest only hold margins, make sure that we've got the funding in place for people to get through and those are triggered in times of flood or drought or what have you. And that's important that people are aware of those and do tap into them.

But also having that that access to government support, I think many of our bankers would work with, whether it was QRIDA or with the RIC around how we can structure up the funding that people are after. And it's that partnership and supporting people to get some of that government support as it becomes available. So I think from a perspective of giving back, we do look to have education offerings through most of the organisations I work with to be able to work through people in terms of business planning, making sure that we've got good skills in the business, and that's how I guess that sets us up to get through the tougher times that do come around. And I think though we are heading into this tighter time in pretty good position, if I look at where people are from a balance sheet perspective, we have seen an opportunity to really reduce debt, build FMD's, equity's probably moved up quite markedly, so a lot of the sort of construct for this current outlook is probably in not a bad space, but I might pause it there Bron and look forward to the panel.

Bron Christensen [00:39:28]:

Thank you, Andrew. Our final person on the panel is Angie Bowden from the Rural Financial Counselling Service, which I think we all appreciate and yeah, do a marvellous job. So, Angie, if you'd like to introduce yourself, please.

Angie Bowden [00:39:55]:

So the widespread perception still exists that farmers don't prepare for droughts. In my many years as a Rural Financial Counsellor in one of the lowest rainfall areas of the country, this is not how it happens. It's not how it happens and it's not how it looks at all. So farmers do prepare for droughts, but they do it within the limitations of what they know and within the financial resources that they have available. Can they do better? Yes, they absolutely can, but as support services and bankers and industry representatives, so can we.

So there's 3 things that I wanted to talk about today, and one of them is business planning, so making planning first priority. Secondly, getting the right tools to the right people. And third, by early intervention when things go wrong. So as a Rural Financial Counsellor, I've got a unique perspective. I see clients who are in financial difficulty or have let go of the reins for some reason in their business. So that's the perspective that I have. So, what I see is planning is definitely first priority and it's imperative to building financial resilience. Adversity can strike anyone at any time and farmers are particularly susceptible and we all know that. So drought can be coupled with the floods and subsequent floods and another one, you can throw in a major life event or a change in government or trade policy and an illness, death or divorce.

And you know, that would turn any business into a spin so that can impact your production and your income, or it can just stop it completely altogether. So being financially strong increases the options for farmers and focus should be internally within their business and what they can change themselves individually and not just waiting for rain. So in the face of deteriorating conditions, being armed with quality financial data, a risk management plan and a forward looking strategy is empowering for a farm business owner and it's also reassuring for their bank.

So no one wants to be heading off to the bank cap in hand at the first sign of a dry season seeking additional funds. For most, I guess, in most regional towns, it's probably likely that the bank's closed down since the last drought. So more importantly, I think the bank is generally a larger stakeholder in the business and they'd lose confidence in your managerial ability pretty quickly and deem your business high risk.

So a good plan must have strategies that are based on the individual business and their own situation and their own risk profile. And from my experience, the best plans are achieved one on one with farmers taking full ownership of it, and then with input from their professionals' advisors as well. So our organisation, Solutions Queensland, deliver the Future Drought Fund's Farm Business Resilience Planning Program, specifically for grazing businesses across southern Queensland. So since 2022 we've completed 132 business plans and assisted 266 individuals in that program. And from this we've identified that there's now increased awareness about production and mental health impacts since the last droughts. But the gap still exists with financial and business management as an area for development. So, over the last ten years we've clearly evolved with drought policy, and I was right amongst it during the last drought, seeing the new programs implemented. What's been achieved with the Future Drought Fund in the planning and preparedness space are all very positive steps.

We've got all the right tools, we have the technical information and the science, but I just find that those tools are not getting yet to the right people. So, building awareness of what exists is essential and those that know they need it will seek it out, but those that don't know they need it, they don't really know what they're looking for. So with these tools, the farmers have the capacity to be at the forefront of identifying new and emerging risks, new technologies and ways that they can do things which are excellent ways to build their financial resilience. Finally, farmers will often wait until their financial situation deteriorates significantly before seeking help. This can be attributed to real stoicism and stress, making it difficult for them to recognise.

So, I've got many examples of very financially capable farmers who've had previously strong businesses that have actually benefited from RFCS support at a very challenging time. So early intervention is the key. Most people in the room are probably familiar with the RFCS. We support small businesses, sorry, farm and small rural businesses who are experiencing financial hardship and we work alongside them to provide support for a limited time and so they can return to viability or become self-sufficient or exit the industry.

So, in 2023 last year, we assisted 7046 businesses. Getting back on track and empowering people to move forwards is achieving, oh I've skipped a slide. My colleagues and I are skilled professionals and qualified Financial Counsellors. We've got local connections and we provide a free, confidential and impartial service that provides immense value in regional farming areas.

So we assist people getting back on track and we're empowering them to move forwards and making sure that they're imparting, yes, so we're imparting knowledge and developing skills. I'm slightly out of time. I'll just move on to the last one. So I think the final thing that I wanted to say really was in this very we're all in the same pen, so we all have a role to play in building financially capable farm businesses, and RFCS place immense value on our stakeholder relationships. This forms an integral part of the financial counselling process, and that includes the banks, the accountants and lawyers, and the mental health service providers. And there's other agencies that we work with as well to get the outcomes that we do. So to be effective, we all need to connect with these distressed businesses early and while they've still got options. The longer situation is left, the options reduce.

So we've got the skills to identify and stop this and early intervention should be our goal. Thank you.

Bron Christensen [00:47:47]:

Thank you, Angie, and I do apologise for being a nasty timekeeper up here, but we have to talk to the department next time, we need a lot more time than what we've got. But look, thank you. Look, we're about to open it up for questions. We do have a few, I guess, already, Dorothy Dixers here, I suppose. And so I guess what we're going to do is cover what can be done by the finance sector, government and other agricultural stakeholders to assist farmers build financial resilience. I know we have the Regional Investment Corporation, I think John Howard's here in the audience as well. So we will be throwing to you as well, John, and please feel free to contribute with that as well. Now just a reminder, you can ask questions using the hand-held microphones or you can actually put your question up through Slido and it will come up here. But we'll get started and just to start off, I guess I've got a couple of questions myself.

And Leanne, I'm going to throw to you first and put you on the spot there. Now, I know both you and Andrew spoke about FMD's and I'm a big believer in FMD's. It's nice to have that security blanket behind you. But I guess what, other than FMD's, what do you feel are the best management tools for a property business owner in managing risk and also preparing for drought?

Leanne Rudd [00:49:02]:

Bron, there's lots of different management tools, but speaking particularly about FMD's, yeah, the banks do love them, they're a bit more secure as a risk management tool. They do have a downside when you do want that cash out, unfortunately, and that could mean tax. So again, it's all about the planning, it's all about the preparation, about what that looks like when we bring them out. And how are they used in a combination of forced disposal of livestock, you know, how are they being used? So, you know, thinking about FMD's, you know, I would really love to be able to see, you know, different structures for them. I would love to see the banks actually offset those funds against the debt and what that could do.

Andrew Smith [00:50:00]:

Actually, Rural Bank does have an offset account on its FMD, so there you go.

Leanne Rudd [00:50:05]:

Lovely. That's beautiful. But I suppose not everyone operates also as a sole trader or partnership and you know, there's lots of trust structures. We work with trusts, so if we're succession planning and things like that, we love to be able to have that flexibility just to have, you know, then the cash is not physically taken out of that structure. So, you know, again, that would just be on my wish list, could we look at options of keeping those funds in in structure? And also, you know, we've got \$7 billion Australia wide in FMD's, how can we use that for our industry? Like that is just significant funds, you know, are we getting the best out of that? Is there another way? There's got to be another way. You know, they are used obviously from a security and a risk perspective for bank and they do help from tax point of view for a lot of my clients and a lot of farming businesses. But you know it would be lovely to be able to look at what other options we have for them.

You know, even from a succession perspective, I had a few clients that had quite significant money in FMD's and were doing their succession plan. So to bring that money out of the FMD and then they're not primary producers. So again, significant planning needs to go in to that sort of thing. What does that look like? And that could take 5 or 6 years to do that without having huge tax issues as well. So, you know, tax forms part of it, doesn't make it all of it and particularly we don't focus on that, but it's the whole plan and that could take a while from an FMD perspective, but they do, from a risk perspective, work well, yes, I would love to see that offset.

Bron Christensen [00:52:03]:

Andrew, you're in banking. Would you have a comment on that?

Andrew Smith [00:52:06]:

Oh, look, I think FMD's are part of the landscape and certainly lifting the limit up to that 800,000 sort of gave people a bit more opportunity. I think though, that they're only one thing, as you said there and the principle behind them was always being able to bring it out when you needed to. I think largely where people have tried to build an asset outside of the business, it's seen as that.

But certainly for us, as we're looking at credit applications that they're one of the considerations as to do people have the ability to withdraw there and that can offset some of the challenges that might be sitting in the cash flow for example. And I think though, that the structuring is just so important and particularly when it gets to succession as well. So no, I'm probably echoing largely what Leanne had to say there.

Bron Christensen [00:52:53]:

Andrew, while you've got the mic, I'm just going to throw to you. So limited access to capital or high levels of debt can restrict farmers' capacity to invest in modern technologies, infrastructure improvements or risk management strategies. So, what strategies can farmers use to overcome these financial constraints?

Andrew Smith [00:53:12]:

Thanks, Bron. I think as we think about people having too much debt, it's often through those better times I spoke about before, about how you're able to perhaps deleverage at times to create a bit more capacity to reinvest into the business. Certainly, as we've been through this morning, there's been, I think an opportunity to prepare and for certainly the adoption of better practices. We've seen people go and diversify their holdings and having properties in different zones or different enterprises is one way of moving along that diversification curve. I think we've seen things like off-farming come at the right time as being something of a buffer. We've seen people be able to adapt, I suppose, in terms of their business and the enterprise mix as well.

So, in terms of being able to invest back into the business, I think it's a bit about having, in the better times, the right cost controls and the right capital expenditure programs that are investing into sustainability and will set people up for that next phase. So from our perspective, I think obviously when things are tight you tighten up the input cost structure as much as you can and it's a bit about when things are a bit more open, being able to find that that ability to reduce debt, if that's an issue in the business and build some equity to draw upon, but also to be able to invest into it.

Bron Christensen [00:54:42]:

Absolutely. Invest in the good times. Ardie, I've got a question for you. As we're coming into the dry conditions, you talked about reducing herd size, that changing conditions is the key thing. You focus in on your business. What pieces of advice would you give to other farmers or graziers, to most effectively do this and maximise returns? I know you touched on it during your presentation and just to ensure that you are best placed financially to deal with the lower rainfall period, you seem to have it fairly well worked out in your system. What can you share?

Ardie Lord [00:55:10]:

Be profitable in the good times. And hold onto it. We use, to borrow a KLR term, called overpriced, and when an animal's losing weight and you're putting resources into it to lose weight, it is no way in the world, that animal is overpriced. I don't care if you give it to someone, you give it to them for \$1. It's still an overpriced animal. So unfortunately in farming we hang on, we love our cows. We continually go and abuse our country. It's just the nature of farmers wanting to hang on to their sacred cows. But if you understand what an overpriced animal is, there's no future at once. If you can't take it to the next level at the appropriate cost, that someone else might be able to, better move it on. Yep. So sorry, that's probably not answering directly where you are. But for us, you know, deal with the issue before it even becomes an issue.

Bron Christensen [00:56:06]:

Yep. And I think one of the speakers that were also last week in Broome was Tom Manne's grandson, and he reflected on his grandfather, who used to say 'sell, sell and regret, but sell anyway'. And it's funny when you talk about overpriced animals, we have horses. I know all about overpriced animals. So yeah. All right, Leanne, onto your question. Sorry, Angie, onto your question. You almost got out of it. How important is and you did touch on this, how important do you feel it is that farmers have a well-developed and considered drought plan as well as a business plan? And how well do farmers link in financial consideration and be able to quantify the impact on their financial position? So how will the farmers do it? And if not, how can you assist them?

Angie Bowden [00:56:50]:

Well, I think, I've certainly said, it's definitely important for people to have a business plan, and the new Farm Business Resilience program is actually allowing people to put their plans out of their heads and onto paper. But it's already been touched on, when they're actually looking and putting those plans together, some of the things that they just don't consider in a drought is exactly that, that they're holding on to cattle, or livestock, really, a lot longer than what they should be. And that old adage, the sell and regret but sell, that was definitely something that I had very early in my career. And also I've heard a young person say the other day, convert your cows into cash, so that was something else that I hadn't heard but a different perspective on it. So, we definitely through the last drought, that was one of the things that I saw that got people into a lot of trouble. So, that is, yeah, it's not something that people are actually putting into, and considering as it goes on, you know, as the drought starts and as it goes on, particularly because it can be very emotional.

The other thing we're finding that's coming up when we're doing the plans and it's been touched on again already, is the investment of infrastructure into the business, it could be water infrastructure, it could be sheds. People, when they're putting the plans together, they want to have all of these things, but they can't actually afford it. And it's not until we're actually sitting down putting a plan on paper or identifying all of their risks, then what their goals are, but when you look at their financial capacity, it's not there. So, that's definitely something that's come up. So, for the clients that I see and as I mentioned, I've got a fairly unique perspective, I only see the clients that are in financial difficulty. We're actually finding that doing the farm business resilience plans, that's sort of reeling people back into reality. So it's been a really, really positive thing. And we're actually adding in cash flows and cost benefit analysis and other things into those plans for people, so they've got more of an educated understanding of what position they're in, but they can definitely do it better.

Bron Christensen [00:59:26]:

Excellent. Thank you. Leanne, from your position, do you have a comment to add with that?

Leanne Rudd [00:59:31]:

Look, I just think planning, in any business, you need to plan and I think, I did mention it before, but not just for 2 to 3 years for, you know, 5, 10 years. So when capital costs and infrastructure costs are so high, you know what's the pay off? What's the return, what's the reward for that? But also, just assistance with those plans. It's follow-up. It's accountability and it's just check in. And that's where, you know, bankers and advisors can help in that that space. But, you know, from a succession perspective as well, just as one part of that, is you just really need to, you know, that can be 8 and 10 years before that is viable to happen. So, you know, there's lots of discussions every year that need to happen. Are we on track? Are we on track? Every year. And I sound like a cracked record with my clients, but we're having those conversations all the time.

Bron Christensen [01:00:34]:

And something I think you need to hear. Definitely. A question to all of our panel members. We know there's a lot of assistance, we've gone through the assistance today, a sort of very quick chat about them. So we know there's assistance from consultants. You know, there's tax measures, there's funding products that farmers can potentially access. We also know there's barriers though, to either

implementing those or accessing those? What are the main barriers that you've observed? And I'm going to throw to you first for that one, please Ardie. So what do you feel are the barriers to the, I guess, the assistance programs or being able to make a profit? What have you found most difficult when you've tried to do something to sort of shore up your business? What have you found most difficult?

Ardie Lord [01:01:34]:

Really, it's just a discipline. And the reason I say that, we pay a lease, we take a profit. And we've gotta make a conscious decision. I've got a couple of daughters, and I shouldn't say that, because it's very easy for anyone to spend what they earn. It's just the first law economics is that we spend what we earn. So to create that discipline, to take a profit, what it takes to make a profit at all times, especially in the good times, and we don't actually use, I've never used FMD's mainly because I've had a very high level of debt. Just been all my life. So I haven't used that, but I've also always had that discipline to separate it and make a clear decision about doing it and not just presume. And I'm seeing that a lot, particularly in the beef industry over the last couple of years. A lot of younger people coming into the industry that have never, ever seen a lot of cash. And, you know, they're driving in pretty flash cars and flash trucks and they've got to have new this, new that. And, you know, I think the reality of what's happening now is it will be a big lesson for that.

Bron Christensen [01:02:40]:

Yeah, I think so. And I think that was reflected in a client that I have, where he said, yeah, he's always driven around in a Hi Luxes or the old beaten up thing and all his sons have got brand new Cruisers. It's a different perspective. Leanne.

Leanne Rudd [01:02:56]:

I suppose the barrier I find, and I'm not sure whether this is relevant or not, but you know, the lifestyle farming, it's quite frustrating for me. So the definition of a primary producer is really, really important and I think we need to be a lot clearer on that. You know, I get phone calls quite often, you know, can you help me set up my 20 dragonfruit, and I'm going to be a farmer? Well, and then access, you know, that just really frustrates me. So we need to be really, really clear that we're helping the right people. And also, you know, I'd be speaking about this in my case and one client in particular comes to mind. 20 years ago, they bought a block of land for a \$00,000. They planted some trees. Now that business is now worth over \$20 million because they gradually bought farms.

And they've grown to significant levels. But that was due to the earning capability of the, the husband or the wife. And, you know, that money obviously was invested significantly into that farming enterprise. So, you know, we've got we've got a couple of things here that get quite tricky when you say what are the barriers to accessing funding or help or advice, and I think we just need to be really, really clear that we're helping the right people.

Bron Christensen [01:04:31]:

Thank you. That's good. Andrew.

Andrew Smith [01:04:34]:

Yeah, I was just thinking about what might get in the way of someone taking up a grant or a tax advantage that might be available to them or some assistance. And from my experience, it's often around awareness, firstly. In Victoria, we've sort of managed various schemes for government over the years and would have grants available and people would say, 'Oh, I didn't know about that'.

And you would be promoting them quite extensively. So there is a bit of a network thing there around awareness and people being able to tap in, because again, from that time, I know those who will tap in really quickly they're sharp business people, they know what is going to be required and they've got their financials together and I think that applies to the second part of why people might not always participate in some of the schemes available is that there is a bit of paper shock around, you know, what does need to be provided in terms of financial information, and if you haven't got your tax done, you haven't done a budget. Those are the things that get in the way of actually just applying quickly and sharply. And that's why I say some of those that do participate quickly and early tend to be those that progress a lot more quickly as well.

Leanne Rudd [01:05:41]:

Absolutely. And, you know, having your compliance stuff done 2 years down the track is not, that's just not, you just can't do that these days. You just cannot survive in that environment. So, you know, it's the forward projections, it's the forward numbers and what does it look like in 2 year's time that, you know, the banks and, you know, need to know about where you're going and what you're doing.

Angie Bowden [01:06:11]:

I think we're on the same page here. I think when we were doing applications for RIC and I think about 40 out of my office, and applications for the Farm Household Allowance, there were 300 from my office right in the midst of the drought. But people not having good financial data, and really not understanding the true financial position was probably the barriers that we found. Not having their tax up to date, that was one thing, but not actually knowing about it was probably a little bit less because that's one thing that we do is we make sure that...[inaudible]. Awareness probably for us is not a huge barrier because the clients that we're working with, we're generally making sure that they know about each individual program that they could potentially be eligible for, but if they haven't got the financial data, we can't support them from the outset. So it's important to keep their tax up to date.

Bron Christensen [01:07:32]:

Very good. John. I might throw to you for that question as well. Do you have a comment on it? If we've got a mic floating around somewhere?

John Howard [01:07:46]:

I concur with everything because one of the great, so sorry I'm with the Regional Investment Corporation, so part of the federal government providing concessional loans, supporting those in financial need, so it's not for everyone. And we're there just for a period of time because our customers and clients need to, we can't be more than 50% of the debt profile. But to the point and the query that's actually being made here is a key element that we see is those that actually have the information at hand and understand their business and the elements that are required to it, you can

help them early and therefore they're able to react and recover a hell of a lot better. And therefore, you know, where we come in with a degree of concessional lower cost finance, it helps them get through those periods of time, a hell of a lot quicker. But definitely, people that are prepared in advance, understand their business, understand their cash flows, understand their situation, they're able to actually, one they're pre-prepared and 2, they're able to therefore enact things a hell of a lot quicker.

Bron Christensen [01:09:04]:

Okay, excellent. Thank you. Another panel question. We've got one from the audience here. We've actually got 2 there, but the one I've got now is what's the panel's opinion on purchasing insurance as a risk transfer tool, or should businesses use that money to reinvest, diversify or self-insure? And I'll see who wants to take that one first?

Andrew Smith [01:09:25]:

I might have a bit of a go, but only in that I had a conversation with an insurer just a couple of weeks ago about parametric insurance, which had been around for a while but is quite complex. And certainly, through those good years of La Nina, we didn't have a lot of uptake. But I guess there's that balance between self-insurance and having some of the structures in place that you might want to have, as I've spoken about in terms of, you know, balance sheet buffers and diversification and other things that allow you to self-insure versus taking on an actual policy, and particularly, I think in the cropping zones that they're more pronounced because you can go from that to nothing. And certainly, when you look at the rainfall basis to a lot of those, I think there's a place for them, they've been expensive to access would be probably the comment and I sometimes tied into a derivative type product too, which is relatively complex and not for everybody. So, I think that they perhaps have a place to play but, yeah, would be interesting to see the underwriters sort of stand behind that year on year on year to become in vogue.

Leanne Rudd [01:10:39]:

Yeah, I just wonder how they measure that because you know when we're in a lesser rain period you know, we can always measure the hailstorm or the flood. But how do we, you know, when drought is so big, yeah, from an insurance perspective, it's a tricky one.

Bron Christensen [01:11:00]:

Yeah. I mean it might be things like, I would assume, aside from drought, but you know, your crop insurance and things like that against storm and everything. Ardie, you self-insure? Or take insurance out?

Ardie Lord [01:11:17]:

It's actually a debate within our board a little bit with my son. He's a fairly high-risk profile and he probably takes some things off the table that I think would be a major hit. But as far as managing for drought, I don't think it comes into play for me at all because I don't think, I think it would mask us getting on with doing what we need to do, which is balancing stocking rates, I think I said it before.

Bron Christensen [01:11:46]:

Yeah, yeah, I think so, you might have.

Ardie Lord [01:11:49]:

So yeah, I think all insurance is a balance of risk and frequency and it's mainly just for, it should only be there for the ones that are going to knock us around severely, you know, if they turn up as a curveball. I know there used to be insurances for fire and things like that in livestock, but I haven't seen them used for years, and the profile of them. In the live export game, there certainly has been with Docker there for dealing with buyers you don't know enough of for that reason, but they're all expensive. Yeah.

Bron Christensen [01:12:27]:

Okay. Can we just flick back to what the first Slido question was. I just thought it was a good one and we were talking at the time. But I'll hand the question over to the floor first while we you think.

Xavier Martin [01:13:01]:

My name is Xavier Martin and I'm the President of New South Wales Farmers, and before I bring you back to FMD's and where we need to go, I just want to deal with this issue of parametrics and whether this insurance...our annual conference a couple of months ago had a whole panel such as the eminent panel today dealing with the matter. Good news is that one in 8 Australian farmers are using, to some extent, these products. As I use it myself, I can declare that a serious problem is you quickly lose your primary producer status, because if you use the product, it's not seen as primary production income. And it's remarkably easy to use, there's an enormous number of rock concerts and hydroelectric schemes in the northern hemisphere that want to back off our sort of volatility and dryness and flooding, and it doesn't matter whether you want to get wet or dry or frosty or hot. They're all there, they're all done on your local weather stations and they all work. But look, that's just clarifying that last discussion. What I want to take you back to is this morning's imminent presentations from the Treasurer, and the Minister and under the heading of preparing for drought in the next steps, we heard about how we're going to plan to streamline and align.

And you know, the Minister was kind enough to say he'd like new ideas. Well, I'm going to bring you back to a new idea around FMD's. They're one of the larger tools in the box. We've got \$7 billion worth of it. But if I'm a hungry domestic or native animal out there right now, we're all about to go to lunch, but they're looking for theirs, FMD's aren't exactly going to provide them with lunch. It doesn't guarantee the right type of fodder, in the right place, at the right price. And what I'm saying is that as a modern nation and Leanne, thank you for your legacy slides earlier, we should not be doing that to our herds and flocks. Absolutely shouldn't be.

And then that has a knock-on effect with our native animals. So what we've got to be smart enough to do is to develop, under the same prudential rules that FMD'S are managed, we've got to have a national fodder reserve. And I think we should be smart enough to pilot at least one port zone where we pick one generic feed stock, one fodder stock, perhaps feed barley, and start doing warehouse warrants and instead of the taxpayer being asked to fund compost coming from Western Australia on road trains and paying for the freight and the diesel and rubber, we've got to start looking at

preparing that fodder to satisfy that hungry domestic or native animal, as I've described it, or else we are going to continue to do the same thing, albeit a little bit more streamlined and aligned. We've got to do something new or else the same thing will keep happening. Thank you Chair.

Bron Christensen [01:15:57]:

Thank you. And that's a lot of food for thought there. So a very different way of thinking. So thank you. It will be considered. Okay, our question that I wanted to go back to, which I thought was a good one. If government policy makers had to choose between providing financial support, tax incentives, or one-on-one training and support, what will have the most impact?

Leanne Rudd [01:16:20]:

I'll go for that. One-on-one. Look, it's all about learning and education and skilling people up, you know, like working as a team with the Financial Counsellor, the banker, the advisor, the extension officer. Just learning how to better manage your farm. Just the value in that. You know, a lot of people don't turn up to events or attend financial literacy training because they could be slightly embarrassed. Well, what would my neighbour think? You know, I'm here today, you know, don't I know anything about finance? You know, I think there's still that stigma that exists. So, you know that one-on-one, yeah.

Bron Christensen [01:17:05]:

Good. Excellent. Any further comments from the panel other than that?

Ardie Lord [01:17:11]:

I was just going to add to the financial training aspect. I don't know where the stigma is of not turning up, but we've got, through Rabobank, client council and they're very good, one of the guys from Victoria and running the same program in New Zealand, we've got a financial skills workshop a couple of modules out that's put over 3 and a half thousand farmers through. Our goal is 5000 for 25 and we're going to blow that out of the water. But it's probably the most constructive thing that I keep going, that I keep seeing. Yeah, I'd really like to get back to the question on fodder and drought, also, if we can.

Bron Christensen [01:17:50]:

You can.

Ardie Lord [01:17:53]:

I haven't calculated yet, but 29 million cattle and 150 million sheep or whatever is in the country. I don't know how big the haystack is. My question is that I lived in the era of the Bill Gunn's floor price scheme, which got distorted because it changed the purpose and it took the price up way beyond where it was, they took it away from being a floor price. They created an artificial market. We suffered for 10, 15 years as a result of that. I went back into sheep the year the floor price extinguished in 2000. I went from selling, shooting sheep and selling lambs for \$2, to the next year, buying a flock of sheep at \$25 and within a year there were 150. So, we can create artificial barriers, and in the drought space and you know, the hay, the give a bale and the hay runners and all those

things distorted so many people's lives. You know, I live in northwest Queensland and they came up in the trucks and they end up bringing hairdressers up and they brought other people in. They put the locals out of business for a month. They, you know, I had other people who are trying to run a feedlot, needed that hay and all of a sudden the whole hay demand is gone. Very cautious about treating the symptom. And I'm not saying it's, you know, it's got a lot of merit on-farm what we do and manage, but when we when we step into that space we go to look at it and any of the repercussions that come I think and I'm sure you have it, just that'll be one hell of a big haystack if it burnt.

Xavier Martin [01:19:31]:

So, just to be clear, in case I got it wrong, it would be prudentially managed just like cash is in farm management deposits. It's not a formal price game, it's not a reserve. It is only that you and I at the moment, as primary producers can put \$800,000, up to \$800,000 aside for farm management deposits. What I'm proposing is that that cash doesn't mean that hungry animal is going to get the right fodder, in the right place in our paddocks, at the right price. So what I'm saying is we should be smart enough as a nation to let you or I, put \$100,000 or \$2,000 worth of, it may not be barley, it might be oats, it might be faber beans means, it might be whatever feed we choose. But we should be able to hold a warehouse warrant under the similar prudential terms and conditions of the cash in a bank management deposit, and when you and I want to go and draw it, it's not in Western Australia, it's in our local port site. So it's the right fodder in the right place at the right price.

Ardie Lord [01:20:34]:

I've got you now, sorry. And exactly the same with molasses as well.

Bron Christensen [01:20:41]:

Excellent. Thank you. On that last question, anything else to add? Otherwise, we'll move on. So one of the questions that's come from the floor is those who often don't prepare are the ones who make noise about assistance. How do we minimise the perpetual hand up mentality? Which is probably something we can apply all across society, but in the realm of Ag, let's look at that.

Leanne Rudd [01:21:03]:

Do we come back to that definition again of, you know what really is a primary producer and are they in a commercial sustainable business? So, if they're in a commercial, sustainable business prior to a disaster event, they're more likely to be successful. So yeah, I have strong views on making sure that we're giving the funds to the right people to grow. But if they weren't sustainable prior, they're never going to be.

Bron Christensen [01:21:36]:

Good point. Any further comments from anyone?

Andrew Smith [01:21:39]:

Oh, I was just reflecting, we'd sort of come through that period of having like interest rates subsidies were in vogue 20 years ago and that was often seen by those who are quite progressive in the

industry as not being able to access it and, and perhaps to that point, targeting it where it is best placed. So yeah, it's just, I'm not sure we'd want to go back to that from a handout mentality, which is the question. But yeah, I think that that's probably worth reflecting on past experiences there.

Angie Bowden [01:22:10]:

I think with the Future Drought Fund, that certainly preparedness is something that it's a priority for them. The reliance on things like Farm Household Allowance, etc. is definitely something that we're trying to move away from and working in that education space to help people understand their financial position, and if exit is something that they need to do, we can work through the process with them to make that happen and then give someone else, another farmer an opportunity.

Bron Christensen [01:22:49]:

Yep. Okay. Thank you. That's good. What percentage of farm businesses use an accounting software program like MYOB or QuickBooks or Xero? I'm a big Xero fan lately. The higher percentage, will do a lot with what we're talking about. So, I would assume that most farm businesses these days have to use a pretty good comprehensive accounting program.

Leanne Rudd [01:23:07]:

It has to be real time now. There's none of this, you know, send the USB disc in. It has to be in the cloud and it has to be real time and it has to talk to other, you know, link to other programs that give you really good, you know, production information. You know, there's so many things out there now that can give you that data. And that's where data is gold. You know, you can make decisions when you have data. Have to have it, it's a must these days.

Bron Christensen [01:23:40]:

No other comments?

Andrew Smith [01:23:42]:

No, just intuitively I would have thought it was well over 80% would have been using software, probably more than that actually.

Bron Christensen [01:23:51]:

I think the days of my mum and dad sitting down and, you know, yelling at the kids to get out of the way, get out of the house, so they're sitting down, and they weren't nice nights those nights. But yeah, here's a good one. With regional bank closures and bank managers potentially farther away from their customers, how can banks be present as farmers are doing it tough? Can technology play a role? And I'll just intersperse there that my dad always wondered why he was on a place as well. Wondered how my bank manager actually came and had morning tea with me, whereas he never got to see his. So I've got debt Dad, they're worried about me. They're not worried about you at all. That's the one, I'm the one they're keeping close. So yeah, but just, how can banks better serve agricultural producers in tough times, when they are quite often. Well, I know our branch closed down, our next branch closed down. At one stage, we were in Melbourne then we're in Bundaberg, now we're back in Rockhampton with our manager. So yeah, how can they serve better?

Andrew Smith [01:24:45]:

You know, I can't speak for others, but as the banker in the room, I think having those regional hubs where largely we do locate our bankers and having them within a regional proximity of businesses they do look after is really important, so they can be present. But aside from that I think we've come through Covid and all been adaptive enough to have to work in a Zoom environment or a Teams environment for those conversations that are not as necessary to be right at the at the farm table. So I think you can never takeaway from the one-on-one consultancy type of approach to being on farm and being obviously aware, very much aware of what they're working through. But there are other meetings that you can have and you can use them in real time and keep people moving without travel. So yeah, I think that'd be my take, is that certainly some of that that video opportunity has been existing. And the other one is that availability of data whether it's the cloud or other schemes, so you're more in tune with what is going on in the business, which is again, pretty real time.

Leanne Rudd [01:25:53]:

Yeah. Yep, so the value in just communicating with a phone call when you know, with your banker, it is just so important. You know, just out of the blue, calls are just, you know, they're such an integral part of many of my clients' businesses. And, you know, just to have that phone call, and look, around the kitchen table is always better because that's where they feel more relaxed. But I just think the younger generation are definitely taking up the online a lot better. But yeah, it's just that face to face, that relationship is so important.

Bron Christensen [01:26:27]:

I'm a pretty good cook, so I put it down as bribery really, but just saying. Okay, look, any more questions from the floor? Have we got anyone that hasn't been game enough to try the Slido app and just has a burning question you'd like to ask the panel. Well, we've got them there. Excellent. Alright. We've come in on time as well. So just before we close and I know, as everyone says, we are between you and lunch, but I'm going to ask for some closing comments from our panel.

Ardie, would you like to start us off?

Ardie Lord [01:27:01]:

Do we have to pick a subject, do we?

Bron Christensen [01:27:05]:

Just some closing comments, whatever you'd like to say.

Ardie Lord [01:27:08]:

Probably the thing that I've enjoyed, and I'm talking about our northwest, to start off with our bank, but our bank has probably stepped in to fill a role of knowledge, information, contact through the Zooms and also kitchen table contact. Yep they're very clear on that. They're going to be the best of all. Yep. One of the things I've seen that's very lacking in it might be just our remoteness, but when I first entered, the industry extension was big and it was really good extension of the, you know, the

top 5% of producers in the area being extended to the others. I see a lot of focus, I think I might be misguided, but it seems to be a lot of focus is trying to pick up the bottom 50% instead of worrying about working with the top and using them to showcase what's good and going in the industry. It's just my perception, but I think I think there's a lot of room for working with those that are doing things really well and there's a lot of people out there doing things really well.

Bron Christensen [01:28:08]:

And I will I'll just pick up on that where, for example, the MLA produced a demonstration site which, if there is any MLA people in the room, it had a fair bit to do with them. But whilst the structure itself is not particularly geared for northern Australia, it is a really good program. It's working well down south, but they've actually only got 2, I think they had 2 or 3 applications from northern Australia this year, so there is that opportunity there to access funds as producer groups to actually start that extension process. But it's a fair bit of work. You've got to have someone auspicing it. But yeah, there is the opportunity there to increase it, that extension work, which is good.

Leanne Rudd [01:28:46]:

Just to sum up, you know, my big things are always planning, education and yeah, communication around everything we're talking about today and getting people together to work together and for the best outcome.

Bron Christensen [01:29:01]:

Very good. Yeah, Andrew.

Andrew Smith [01:29:02]:

I was just pleased to hear from the Treasurer and the Minister today talk a lot about the future and how we sort of prepare and incentivise people to be ready for drier times. And I did like the language around not calling it a drought, calling it farming through dry times. And I think that's the reality of the outlook that we have. So being able to support people on the way into that is just really important and not forgetting though, that things are turning, and, you know, we will soon be in the heart of it again with a pretty tough outlook. So yeah, it's a bit about balance I think.

Angie Bowden [01:29:39]:

Yeah, for me probably the early intervention and looking and making decisions early, don't let things just go. I think as well, referrals. So, if you have somebody you know, they're struggling refer them to their accountant, so if it's even if it is the bank manager, send them to their accountants or their Rural Financial Counsellor to get support.

Bron Christensen [01:30:11]:

Okay, excellent, thank you. Well, thank you very much panel and can please can we give a round of applause to all our panel members today for their time and wisdom? I think it's been a really valuable session and certainly appreciate your honesty, your insights and I guess and your time as well. We're now breaking for lunch so you will convene back at 1.30, so I've taken a little bit of your one-hour time. Lunch will be served in the garden, the lounge. However please feel free to break out as you

did at morning tea to have a chat people and just regroup. Just reminder that after lunch at 1.30, the program breaks into the 3 interactive workshop sessions, which are all in different rooms, and so please check your programs to see which room your workshop's in and event staff will obviously be on hand, they're very handy, to let you know where to go. But thank you for your time and your questions and your inputs and have a lovely lunch. Thank you.

[Recording ends]

Acknowledgement of Country

We acknowledge the Traditional Custodians of Australia and their continuing connection to land and sea, waters, environment and community. We pay our respects to the Traditional Custodians of the lands we live and work on, their culture, and their Elders past and present.

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