

Once it's wet, they'll leave

Published in The Weekend Australian July 8, 2006 Åsa Wahlquist goes to the heart of the worsening drought that is afflicting all mainland states.

By: Åsa Wahlquist, Additional reporting by freedom of information editor Michael McKinnon THE long drought of 1895 to 1902 devastated western NSW. Millions of sheep starved. Sandstorms buried fences, filled dams and covered the bones of the sheep. The misery was immeasurable. The scars are still visible.

Drought again grips western NSW and much of the rest of Australia. NSW is almost entirely drought-affected. An exodus from the land is expected once the rains come and properties become saleable again. Some land may be abandoned as unviable and critics argue federal aid is postponing the inevitable in such areas.

This week the Australian Bureau of Meteorology reported drought had worsened in some parts, particular central NSW and southwest Western Australia, after one of the driest Junes on record.

“Australia-wide, it was the fifth driest June from 107 years of records, while it was the driest on record for Western Australia and the third driest for Victoria,” the bureau says.

In western NSW, it is six years since there were decent rains, and farmers are getting very tired of drought. More than 40 per cent of farmers in the western division, which is 42 per cent of the NSW land mass, are receiving federal drought support. The total drought assistance across Australia since July 1, 2001, adds up to more than \$1 billion. That money is all that is keeping many on the land. The question has to be asked: Is this the best way to manage the land and help the farmers?

John Kerin is a former Labor federal primary industries minister, treasurer and farmer. He conducted a review of the NSW western division in 2000. “They are coping it very tough,” Kerin tells Inquirer. “I saw a lot of poor buggers just scraping a living, and they have their wives and children captured there. You see that everywhere in areas where it is not viable.”

He found that grazing works when the properties are very big. “But then they got made into smaller leases and the whole viability for grazing was pretty dodgy.” After a royal commission into crown tenancy in NSW in 1900-01, the huge landholdings of the western squatters were divided and leased to family farmers. There are, Kerin stresses, some areas such as the far south and around Tibooburra that are viable. But he worries about the future of the rest.

Bill Loughnan, who runs a property on the Darling River at Brewarrina, expects to join the exodus after it rains. “It's bloody dreadful. I know I have certainly had enough at this point. It has just gone on too long. I'd like to get out. I can't sell this place. When this drought finishes, I think there will be a lot of people leaving.”

After the 1994-95 drought, the big shake-out occurred in the good season of 2001-02, when the Australian Bureau of Agricultural and Resource Economics registered a record number of rural land transactions. More than 9000 farms (about 6.5 per cent) increased their land holdings as older, less profitable producers sold up. Nationwide, the number of farms decreased by 22 per cent between 1986 and 2001.

Farmers, like home owners everywhere, want to sell when the place looks good. “No one is going to come here without a skerrick of feed on it and say: ‘I will pay you top dollar for that,’” Loughnan observes.

Bill Murray, of the NSW Farmers Association, has watched numbers fall in the western division in the past 20 years. The problem now is higher fuel prices; besides, the number of sheep needed to make a farm viable is rising.

John Peden, of Elders Real Estate in Dubbo, says the biggest trend he sees in the western division is the ageing of the farm population. “That is going to mean over the next few years there will be more and more people looking to retire and move out of the western division,” he says.

When it rains, Peden expects to see more properties on the market, amalgamation of properties and interest from outside the area. But, like many others, he fears that local knowledge of the area will be lost. “It does require a certain knowledge base if you are going to move into those areas and be successful,” he says.

In Australia, drought is a loaded and political term. “The problem with drought is once the media starts putting out the terrible pictures, there is no policy that will ever hold,” Kerin says. “Drought, hard-headed economists say, is just another business factor you take into account. That would wipe out all the farmers, and politically that's impossible.”

He is more mindful of the consequences than most. “One of my hardest decisions ever was to leave the farm,” Kerin reflects.

Under Kerin's ministry, drought was removed from the national disaster list in 1989. The theory was that drought was another risk that farmers must manage. Then came the 1994 drought, on the heels of the collapse in wool and wheat prices, high interest rates and a recession. The federal Labor government responded with an exceptional circumstances policy: drought assistance for severe and prolonged events that were likely to occur only once every 20 to 25 years, which farmers could not be expected to prepare for. There have been arguments about it ever since.

FROM the air, the Dubbo plains in central NSW are an irregular patchwork of rust-brown paddocks ploughed and waiting for rain, ochred rectangles, straw-dry paddocks with curving contour banks and the occasional startling green of an irrigated circle.

Farther west the straight lines of farming give way to plains dotted with dusty bushes, stamped by the winding dark trees that define the Darling River. Beyond lies land that has not known the axe or plough, country defined by long, dry waterways, chains of dry ponds and tiny creeks that flood once in a generation but leave their memory on the land.

North of Broken Hill, Ralph and Maria Pope live on their property, Paringa. Below its stone woolshed, the white-limbed gums pick out the line of a creek that Ralph Pope says used to run twice a year. Close to the north lie low ancient hills that provide run-off when it rains, which it hasn't for too long.

Pope pulls out the rainfall chart for this year with its infrequent marks.

“In January we had 11mm. In February we had 3mm, March we had 1mm, 3mm so far in April,” he says. Last year's

chart had lines drawn through the first five months: no rain was recorded at all. June to November brought 170mm. But in the drought of 2002, the area got just 100mm, far short of the average 255mm. "It hasn't recovered since."

He admits he is not as worried about his circumstances as he was in 2002. For a start, stock prices have held up. "We sold sheep the other week for \$50 [a head], and in the big drought in 2002 we were offered \$2 and it cost me \$1 a head to get them in there."

Two years ago the Popes put Paringa on the market. Drought and low prices for sheep in the wake of the Cormo Express incident -- when a shipload of about 50,000 sheep was rejected by Saudi Arabia in 2003 because the animals were allegedly diseased; other countries also rejected the sheep, until they were eventually discharged at a port in Eritrea -- had given them a gutful, Pope says.

They stuck to their price and a sale to the one interested buyer fell through.

Traditionally the western division is merino country. But the collapse in wool prices in the 1990s led some, such as the Popes, to switch to damaras, drought-hardy South African meat sheep. So instead of selling, the Popes decided to build up their damara flock, go organic and keep rounding up the feral goats that have at times earned twice as much as a merino.

Pope describes the pasture on their 26,000ha as "rugged, hard, harsh. It's a man's world out here. I feel sorry for the wife," he adds. Maria Pope, sitting next to him, agrees. The hardest part, she says, has been the lack of money. She is grateful their three daughters are adults, if living too far away in Adelaide and the Riverland. "It has been hard, very hard," she says.

Two things have kept them going: drought-relief payments and interest-rate subsidies.

The relief payment goes straight into Maria Pope's account, for groceries. The interest subsidy, Ralph Pope says, "is just enough to keep the bank from the door".

"Without that assistance we'd have to sell the sheep to survive. You have to pay the petrol bill at the end of the month and you have to pay your rates and taxes. There are farmers out here that are down to 2000 sheep because they have to sell down, sell down."

One of the great themes of the west is how well the country recovers with rain. "I would just like it to rain," Pope says. "It makes it so easy and makes it so good. I have seen the country down here with the creeks running, and I have seen clover two-foot high. Down in the flood-out country you couldn't ride a motorbike through it."

TWO years ago, Garry Hannigan won the NSW Farmer of the Year award. He runs an organic meat sheep operation on the road between Wilcannia and Broken Hill. "I don't run a lot of stock, so a drought doesn't affect me quite as badly," Hannigan says. Now he is on an Australian Nuffield Farming Scholars Association scholarship to study organic lamb marketing. But although he is better prepared for it than most, drought has not spared him. "I have used drought support, mainly the interest subsidy," he says, adding that the subsidy has helped to keep him viable through hard times.

Wentworth-based Brian Dodson has been the rural counsellor for much of southwest NSW for 15 years. "Over the past decade a lot of the western division has been in [drought declared] exceptional circumstances. And the damage has been unbelievably bad." A former banker, he now has to convince the banks to back off. Land values have doubled in places. "So from a banker's point of view, equity is looking pretty good. But from people's ability to repay a debt of one million bucks, that is going to be extremely difficult."

Dodson estimates the merino flock is down to perhaps 20 per cent of traditional carrying capacity. Recovery will take a long time.

He says drought relief has enabled families to put food on the table, "and it probably ensures the kids have a decent upbringing". But it also delays the inevitable. "The debt load with some of these properties is getting to the stage [that], if EC [exceptional circumstances aid] is withdrawn on November 30, I think the proverbial is going to hit the fan."

Dodson occasionally runs into former clients, now re-established in town. "There is an irony in that nine times out of 10, in three or four years they have more money than [before]. They are more than happy with their life and a lot of them actually say it's a pity they hadn't done it years beforehand."

Sharon Knight is the rural counsellor farther north, at Bourke. "I see the people that are still here are tired and older," she says. "I see people that perhaps would like to go because of an age thing. I see people who are worried how they are going to get back into it because they know they are probably going to have to borrow to build their stock numbers up. I see people that have gone and are quite pleased that they have."

She says government benefits have helped local farmers, but: "I don't think anyone could have envisaged that it could go on for this long. That is the problem."

And she points out they might otherwise be on Centrelink payments in town. "Out here they don't apply until they have to. Some can semi-exist with what they have got and I don't think it is as big a drain than if they all sell up and move to Dubbo."

Kerin argues that farming could be replaced with stewardship payments: "Maybe to pull out the fences and fill in the dams and just have people there to try to do something to get the environment back."

So under the federal West 2000 program, set up after his review, more than \$30 million was put into helping farmers better manage their land. A pilot program was set up, paying 10 landholders \$1 to \$24 a hectare to manage their land for conservation outcomes: maintaining groundcover and controlling watering points, weeds and feral animals.

Nick Abel, of CSIRO's sustainable ecosystems division, says overstocking is no longer a big problem in the western division and he welcomes the West 2000 stewardship scheme. "The focus should be on new opportunities for the west such as this. Many pastoralists have long known this and are already showing great resourcefulness in adapting to what has always been a difficult ecological and economic environment."

Is this the future for much of western NSW? Well-known water scientist Peter Cullen and former head of CSIRO's land and water division John Williams last year called for a debate on whether marginal land should be farmed. Cullen says:

“We should look at these signals and if any area needs assistance more than five years, say, in 25, we should seriously consider focusing our assistance on getting people off the land, not propping them up in a way that maximises human misery and maximises land degradation.”

He raises the spectre of climate change, asking how we will manage if droughts become longer and more severe. Bill Murray, the NSW Farmers Association western division chairman, wants government support to continue through this drought. “But after that I think there should be review of it.” He would like to see higher tax deductions for drought preparation. Murray says the number of farmers has decreased during the past 20 years.

“The problem now is a viable size, with higher fuel prices, and the number of sheep you have got to run to make it viable is getting larger all the time,” Murray says. “We are a lot smarter at handling droughts, but they are not easy and production is cut way back. Those people in Bre [Brewarrina] and Bourke, they wouldn't have had good lambs for five years at least, and that is where a lot of your profits come from. Their numbers [of sheep] have been cut right back.” A study, *Creating Our Future: Agriculture and Food Policy for the Next Generation*, commissioned by the federal Government and chaired by National Farmers Federation president Peter Corish, says interest-rate subsidies are much criticised. “Many see it as rewarding poor management, propping up farmers who fail to respond to changed business conditions or take imprudent risks. It can delay change and reform by keeping otherwise unviable farms in business for longer than would otherwise be the case.” The report recommends interest-rate subsidies be phased out by the end of 2010.

Linda Botterill, lecturer in politics at the University of NSW's Australian Defence Force Academy in Canberra, argues drought policy has moved away from its focus on risk management, towards greater emphasis on welfare. She wants the welfare component to be separated and linked to individual circumstances, not area-wide events.

“I think it is inappropriate that welfare policies are delivered through agricultural policy programs. I think they should be delivered as welfare programs, like they are for the rest of the community,” she says.

Botterill points out the original focus of drought policy was to provide support to viable businesses facing difficulties due to drought. She wonders why farmers in only three of the 10 regions where 40 per cent of farmers are receiving relief also have more than 40 per cent with business subsidies. She suggests the lower take-up rate in the remaining seven, which includes much of the western division, could be because of their marginal viability. She also questions the frequency of EC declarations. “When we start getting a situation where areas are getting declared [as being] in exceptional circumstances on a fairly regular basis, that no longer appears to be an unpredictable event or a circumstance which is a one-in-25-years event.”

She argues farmers are supposed to manage droughts, “but the incentive built into EC is to prove as quickly as possible that what they are experiencing is exceptional. So instead of focusing their efforts on managing, they are focusing their efforts on demonstrating how bad things are.”

And things are bad, very bad, for much of the western division. How bad we will probably know only when the drought ends and the exodus begins.

“You can't make it rain, you have just got to hold on,” Loughnan reflects. “We are the fringe dwellers here. That is how we are made to feel because people are saying you are only holding off the inevitable.”

TWO YEARS' SUPPORT

FARMERS become eligible for federal financial support when their area is declared to be in exceptional circumstances. The event or drought must be rare (a one year in 20 or 25 event) and result in a severe downturn for more than 12 months for a significant number of farmers, and it must not have been predictable or part of structural adjustment. An EC declaration triggers two years of support:

- * An EC relief payment equivalent to Newstart or the dole. Farmers must pass an income and assets test, which excludes the essential farm assets and income from the forced sale of livestock.
- * An EC interest rate subsidy. To qualify, farms must be viable and profitable in the long term. The farmer must derive at least 50per cent of income from the farm.

GROWING RELIEF

AREAS where at least 40 per cent of farmers received exceptional circumstances relief during the 2002-06 drought:

- * Most of western NSW, Young (stone fruits) and the southwest slopes and plains, NSW
- * Peak Downs and southwest districts of Queensland
- * Annex to central northeast pastoral area, South Australia
- * Goulburn, Loddon and Campaspe irrigation areas, Victoria
- * Northern and southeastern wheatbelts, Western Australia.

At least 40 per cent of farmers get EC interest-rate subsidies in:

- * Bourke and Brewarrina
- * Goulburn, Loddon and Campaspe irrigation areas
- * Peak Downs, Queensland

Source: Documents obtained by Inquirer through FoI action

Copyright News Limited. Not to be reproduced or transmitted in any way without permission from newstext@newsltd.com.au