

THIS DROUGHT: WHEN IS ENOUGH, ENOUGH

Rob Atkinson¹

When is enough, enough?

To what degree do people, businesses and communities have to suffer, before decisions will be made that no more economic, physical and mental damage is allowed to occur to thousands of people, hundreds of businesses, millions of animals, all because it has not rained?

No one likes to be negative, but this situation has to be recognised for what it is, it has to be addressed. A solution, a way, a truce, has to be called. A truce, to save, to preserve as many businesses, families, people, animals, as we can, to see a future, a livelihood.

The current drought crisis - a Natural Disaster

The problem now is that for many of those in this drought, this drought is about to become their second biggest problem. From here on, the biggest problem is equity, debt and a future. Imagine, heaven forbid, if this drought goes on for another year.

We will be telling our future generations, our kids and grandkids, that there used to be primary industry out here, there used to be thriving towns, west of the Great Dividing Range.

There used to be prosperity, employment, and hope. All of these vital commodities are getting hard to find.

History will say that there was a drought out here in the early part of the 21st century, 2013 to 2016? Governments and the bureaucracy wouldn't take it seriously, they turned a blind eye, they thought it would go away. Out of sight, out of mind.

Now, right now, this drought has reached a desperate stage. It is unrelenting. Forget all the political correctness, it is a Natural Disaster.

This drought covers 80% of Queensland. Many towns and communities, and many millions of hectares of land, from the Gulf of Carpentaria, to the Queensland border, and beyond. In the last month, I have travelled much of Queensland and northern New South Wales, looking for grass and agistment. This drought is massive, it is crippling the bush and people are demoralised.

Handouts and donations are great, but in reality, mostly, they will not save people's businesses, their homes, their jobs, their security, their future. What they do, is show that people in the cities care. That is important. Drought aid is, however, even after every good intention, not fairly distributed. I suggest local shires should be put in charge of distribution. Shires know their towns and rural residents, they know who the rate payers are. Much of the donated goods, services and cash are not fairly distributed. Shires could be reimbursed for the cost of distribution.

¹ Rob Atkinson owns Katandra Station, a 40,000 hectare cattle property about 1140km west-northwest of Brisbane, and 88km from Hughenden.

Right now, however, sound businesses are failing - hell, west and crooked. But out of sight, out of mind. Politicians come and go. There are talkfests. Nothing changes, it just gets worse.

Many people have stopped thinking they can salvage their businesses, they are just staying where they are until it rains, until the drought breaks, then they will sell to the buyer with the best offer, be it an Australian buyer or overseas investors. The sale of their properties and businesses will be driven either by their own need for an easier livelihood, an easier life, or in many cases, by financial pressures. They won't care, they are over it, they have had a gutful. Country people are renowned for their courage, their grit, their resourcefulness. Unfortunately for many, there is no fight left.

Our industry relies on rain, but when that rain fails for three consecutive years, many Agri-businesses cannot remain viable. Debt, cashflow and diminished equity will become the main drivers, as lower incomes and high costs continue. Everyone can survive one year of drought, most can survive two consecutive years, three stretches everyone's resources, financial, mental and physical. From here on, it will be a spiral for the bush. Why? Because it has already started. It is nobody's fault. It isn't because people are bad business managers, or because they are lazy, or slack. It is the culmination of many reasons. This long running drought is the straw that is breaking the camel's back.

For many years, the grass-fed beef industry has, in general, been going deeper into debt, subsidising the cost of beef to domestic and overseas markets. The same can be said for farming of all persuasions. Dairy farmers, for example, whose milk is being sold for \$1/litre. Far less than the price of bottled water and fuel. This is absurd.

The whole financial side of our industry, probably primary industry in general, has to come from a different angle. Saving in the good times to survive the bad times is a fallacy for many. What happens is that most producers try and catch up with improvements and property maintenance in the times when their industry is profitable. There is seldom a time when money can be put aside to build a war chest to battle this kind of drought.

Simple maintenance such as de-silting stock water dams has been neglected by many producers during this drought. They have simply not had the financial capacity to employ a contractor to de-silt. This is a real pity, because when it does rain, thousands of unsilted dams will catch water, only to be dry and boggy again well before they should be.

The State Government has been asked many times to add dam de-silting to the list under the Emergency Water Infrastructure Scheme, but both LNP and now Labor, have rejected the calls. De-silting could be part of a stimulus package to support struggling communities where loader drivers and their families, fuel distributors, mechanics and tyre businesses amongst others, would benefit.

This drought is having an enormous effect on youth participation and ownership in rural areas. They will and are relocating. They are unlikely to ever return. This is a huge price for rural Australia to pay.

The biggest irony from this drought is that most people destocked their properties and sold their livestock at a time when market forces and beef processor greed drove down prices to very low levels. This was caused by the live export market intervention by the Federal Labor Government, along with the onset of this drought - with destocking creating an oversupply. Beef processors had no consideration for their suppliers, who were being crucified by low prices. Livestock prices are strong now, at record levels, but most families affected by this drought have been unable to participate in these good returns.

Surely it is time for local, state and federal governments to face reality and act as responsible governing bodies to ensure the economic and mental survival of the people and businesses in these effected areas.

The economic vandalism forced onto our agricultural, exporting, and manufacturing industries by a high Australian dollar must never be repeated. We have a high standard of living in Australia, but business cannot support high input costs such as wages and salaries, with a high dollar. We simply cannot compete with imported product and services.

While this current Federal government has taken much action on free trade agreements, the jury is still out as to how much benefit will be extracted by Australian producers. Cheap, unregulated imports may well put many more domestic businesses in a difficult financial position.

Most politicians only pay lip service to this drought, usually visiting a drought location for a few hours and flying back out. A few politicians do know the extent of the drought and they include Bob and Rob Katter and Bruce Scott. Their calls unfortunately mostly go unheard by the powers that be.

Government, Federal and State, do have drought assistance packages in place, but many people fall through the cracks and do not meet the eligibility criteria. The viability requirements are not realistic. The Gulf Cattlemen's Association conducted a survey of beef producers last year and found that the average debt of the 132 respondents was \$5.5M, with the median at \$4.2M. That situation is now worse. Some producers that do meet the drought assistance criteria, do not want to disturb their existing banking arrangements.

What is the answer?

It is obviously very difficult to find the answers for drought-affected producers, families and communities. When Interest Subsidies were in place as part of 'Drought Exceptional Circumstances', they did keep people on the land and in business. They worked. But Federally, both Labor and LNP governments have rejected calls for the reintroduction of Interest Subsidies. These payments are in effect also stimulus packages for the regions affected. Everyone benefits, because farmers spend back into their local communities. At the moment drought-stricken producers are in survival mode and spend only on bare essentials.

The other option is for banks to freeze interest payments. Obviously, incentive for banks would need to be introduced. It could be tax relief or some other financial or tax incentive that the Federal Government could introduce. Most producers would be able to hang on, if interest payments were frozen.

If producers could be supported through to when better seasonal conditions return, there would be many benefits. Primarily, their land would return to a condition where realistic prices would be received if the property is offered for sale. Land values and valuations would be held at realistic levels. Everyone benefits, including the lender. Banks need to man up, they too invested in our industry, they need to bear some of the pain, face the problem, and be prepared to support their clients in these very difficult times.

If interest payment relief for drought-stricken farmers is not forthcoming, many will leave our rural and regional areas forever.

There has been plenty of talk about an Australian Reconstruction and Development Board. Unfortunately, it has had a few starts and failed to get a run. Some of the reason for this is because political jostling gets in the road of sensible solutions much of the time. From what I understand of it, the Board could be part of the answer.

But right now, only drastic financial relief will save businesses in the drought areas. Restocking finances, maintaining a female cattle inventory that can realistically breed our cattle numbers up again and quick decisive action on all of the issues I have highlighted is desperately required to give people some direction and incentive to bounce back.

These are my thoughts.