



## GrainGrowers Policy Position- Risk Management

***It is appropriate that government deliver a range of risk management tools tailored for modern farming businesses, their families and their communities.***

### **Background**

Australian agriculture is the most volatile sector of the Australian economy. The value of output from the agriculture sector has been almost two and a half times more volatile than the average for all the major sectors of the economy. Furthermore, OECD data indicates that the volatility of Australian agricultural businesses has been the second highest of any nation over the 40 year period, signifying the high risk environment that Australian farm businesses operate in. Within agriculture, there may be different degrees of output volatility across products and regions. Grains and oilseeds exhibit the highest degree of volatility in the value of farm production, at 1.8 times the average.

Despite this challenge, Australian farmers have consistently made productivity improvements greater than other sectors of the economy and followed community expectations around running environmentally sustainable enterprises. This suggests that Government expectations around regular or normal business risk management practices may not be as appropriate or useful for agriculture compared with other sectors of the economy. However, despite their extremely volatile operating environment, Australian farmers remain much more self-sufficient than their international competitors, even as our Government rightly pursues a trade liberalisation agenda.

### **Our Position**

Given the industry's level of volatility, it is appropriate for government to deliver a range of risk management tools tailored for modern farming businesses, their families and their communities.

Such measures should include:

- the Farm Management Deposit scheme, which through the doubling of the maximum deposit limit to \$800,000 and use as an offset account against a bank loan will deliver more flexibility to farm businesses and set aside funds for low income years;
- income averaging taxation settings to recognise that farm business circumstances change over time;
- multi-peril crop insurance, which the Agricultural Competitiveness White Paper identified as an efficient risk management tool, and;
- a welfare safety net.

All of these measures should be delivered within a coherent risk management policy framework.