



# Risk Management

## helping others make the right decisions

***www.goodtimeshardtimes.com.au provides information for farmers on how to get business operations right. It also gives contact details of the State Farmer Associations which can provide specific advice for farmers on business planning.***

Farming is an inherently risky business. Farmers will make good decisions and bad decisions, but it is those farmers that build on the successes and learn from the let downs that will ensure Australian agriculture prospers. This is the opinion of Peter Arkle – the National Farmers' Federation's policy manager for Rural Affairs. Peter says that the principles of self reliance, mutual obligation and proactive farm business risk management are seen as the way forward from an NFF perspective.

"NFF strongly encourages farmers to seek the right information and to take control of potential business risks. If farmers are to achieve self reliance during times of business downturn, then it is important they are provided with the information and the confidence necessary to establish a resilient farm operation."

Good decisions are made on the basis of good information or advice. Peter feels that the value of quality information on potential business risks has been highlighted during this current drought. Climatic prediction products to emerge from the Climate Variability in Agriculture Project and the National Climate Centre have proved to be of immeasurable value in helping farmers to make decisions on such things as stocking rates, cropping strategies and on capital expenditure. These products translate complex scientific predictions into information that can be directly integrated within farm planning.

"Around forty per cent of farmers are utilising some form of climate predictions within farm management. From an NFF viewpoint, as these products continue to improve, there is no reason why more farmers should not be taking the guesswork out of production through drawing on this information."

While farm business risks such as drought, fires and floods tend to dominate the headlines, there are also more insidious risks that can threaten the viability of a farm enterprise. The degradation of the natural resource base through salinity, soil acidification, soil structural degradation or through the infestation of pests and weeds have the potential to place pressures on a farm business over the long term. However, Peter believes that farmers are not alone in the challenges they face and there are a lot of good people available to offer expertise on what can be highly complex management issues.

"Farm Organisations are an excellent first point of contact. They are easily accessible and contain a wealth of information and contacts."

Many farmers are also taking advantage of advice from Rural Financial Counsellors, the commercial finance sector and "more and more, private farm or social consultants who are experts in specific aspects of farm business management". Farming organisations are a great starting point for farmers wanting to identify the best source of this expertise. It is through drawing on the experiences of those that have "been there before" that good farm management decisions can be made.

Peter knows that farming is unique, with 98% of farm businesses also farm families. There is a fine line between family relationships and business realities. Peter emphasises the importance of farm families clearly outlining the relationship between the business unit and the family, therefore better equipping individuals to deal with the social and economic pressures that can arise as a consequence

of an abrupt change in circumstances. The death of a spouse or a family breakdown too often leads to the demise of both farm families and farm businesses, with devastating outcomes for all concerned. Social pressures often lead to financial difficulties and create the need to carefully, and quickly, evaluate the farm's future.

"That's where farming, in Australia particularly, is unique – we still have that very strong link between the family unit and the business unit. It poses both opportunities and challenges," he said.

Peter believes that the major challenge for Australian farming over the next 5-10 years relates to the intergenerational transfer of agricultural enterprises. The process of succession or generational transfer can place great strain on both farm businesses and farm families, particularly where there are diverse and distinct interests at play.

"It's never a clear cut process. Every farm is unique in terms of composition, challenges and future viability. There are no easy answers, but when the process is done well, the outcomes benefit all."

Peter said NFF is currently working with government and its member organisations and representatives from the finance and social sectors in developing sound policies to assist farmers manage this complex transition process.

NFF has also been working with Government to improve the accessibility and flexibility of programs targeted at assisting farmers in times of downturn. The Farm Management Deposit Scheme provides farmers with the opportunity to deposit cash reserves in

profitable years, without paying tax, and to then draw on those funds in marginal years. NFF has been working closely with the Government and financial institutions in helping to make the Scheme more flexible and attractive for farmers.

"In recent months we have seen refinements to the Scheme, including a relaxation of the regulations to allow farmers within Exceptional Circumstance declared areas, the opportunity to draw on their funds within twelve months of depositing them, without incurring a tax penalty."

NFF continues to work with the Commonwealth Government to modify programmes in order to ensure that an effective safety net for farmers is available in times of drought and downturn. Peter believes it is important that all farmers who are facing any adverse business conditions take the time to contact Centrelink or the Rural Adjustment Authority and investigate what support may be available.

### Some useful reference sites for information include:

- Agriculture Advancing Australia  
[www.affa.gov.au](http://www.affa.gov.au)
- Exceptional Circumstances assistance  
[www.centrelink.gov.au](http://www.centrelink.gov.au)
- Farm Biz  
[www.farmbis.ruralfinance.com.au](http://www.farmbis.ruralfinance.com.au)
- Farm Help  
[www.centrelink.gov.au](http://www.centrelink.gov.au)
- Rural Financial Counselling Service  
[www.affa.gov.au](http://www.affa.gov.au)



Peter Arkle (right) – NFF Policy Manager for Rural Affairs – with Geoff Bloom, Executive Director for Rural Skills Australia

