

Rural and Regional Adjustment (Drought-related Assistance Schemes) Amendment Regulation 2022

Explanatory Notes for SL 2022 No. 15

made under the

Rural and Regional Adjustment Act 1994

General Outline

Short title

Rural and Regional Adjustment (Drought-related Assistance Schemes) Amendment Regulation 2022

Authorising law

Sections 10, 11 and 44 of the *Rural and Regional Adjustment Act 1994* (the Act)

Policy objectives and the reasons for them

The policy objective of the amendment regulation is to allow the Queensland Rural and Industry Development Authority (QRIDA) to administer three new schemes of financial assistance for primary producers that will improve drought preparedness and drought response. It is proposed to establish by regulation the:

- Drought Ready and Recovery Finance Loan Scheme (New Schedule 40)
- Emergency Drought Assistance Loan Scheme (Replacing existing Schedule 5)
- Drought Carry-on Finance Loan Scheme (Replacing existing Schedule 4).

The Act requires that all QRIDA schemes of financial assistance be set out in regulation.

These new drought preparedness/drought response programs were announced in the 2021-22 Queensland State Budget as part of its Drought Assistance and Reform Package. The Queensland Government has committed to a drought reform process to introduce policies and programs that will improve the drought preparedness of Queensland primary producers for future drought. The intent of these new programs is to move away from the provision of reactive drought assistance that provides assistance for a narrow range of activities, such as the Queensland Government's Drought Relief Assistance Scheme (DRAS), towards programs that will better improve the drought preparedness of primary producers and bring Queensland programs into closer alignment with the National

Drought Agreement (the national agreement between the Australian Government, the states and territories) on drought policy.

The principal new measures under the Drought Assistance and Reform Package include:

- drought risk management and planning advice through the Farm Business Resilience Program, an initiative co-funded from the Australian Government's Future Drought Fund (not the subject of this regulatory amendment).
- rebates of up to \$2,500 under the Farm Management Grants program for the development of individual farm business resilience plans also co-funded from the Future Drought Fund (not the subject of this regulatory amendment).
- Drought Preparedness Grant Scheme, a program which will provide a 25 per cent rebate on new capital infrastructure identified in the applicant's resilience plan that is undertaken to improve the drought preparedness of his or her primary production enterprise, for example, the purchase and installation of new water infrastructure or fodder storages. The maximum amount payable under the scheme is \$50,000 (introduced via regulation last year with a minor change to the eligibility criteria of this scheme included in this regulatory amendment (see below)).
- New Schedule 40 Drought Ready and Recovery Finance Loan Scheme, a concessional loan of up to \$250,000 to either support projects or activities undertaken by the producer to improve his or her drought preparedness (the purchase and installation of new permanent capital infrastructure such as water infrastructure or fodder storages), or readiness or activities that will assist the producer recover from a drought such as replanting and restocking. The scheme will require that the applicant submit a satisfactory resilience plan to QRIDA.
- Replacing existing Schedule 5 with the Emergency Drought Assistance Loan Scheme, providing an interest free loan of up to \$50,000 for drought impacted producers to assist with carry-on finance that can be used to pay for expenses such as wages, creditors, rent and rates and goods, including fuel, for carrying on the business.
- Replacing existing Schedule 4 with the Drought Carry-on Finance Loan Scheme, a concessional loan of up to \$250,000 to support a primary producer in managing the ongoing carry-on farm expenses during a drought. The Scheme will assist producers with carry-on finance that can be used to pay for expenses such as wages, creditors, rent and rates and goods, including fuel, for carrying on the business. It is intended that this Scheme will be used where the assistance under the Emergency Drought Assistance Loan Scheme is insufficient to assist the primary producer manage the drought and the maximum of \$250,000 is inclusive of the \$50,000 that might have been received under the Emergency Drought Assistance Loan Scheme.

This regulatory amendment also makes a minor change to Schedule 39 Drought Preparedness Grant Scheme - a program introduced in 2021. This scheme previously provided that an applicant could not receive a Drought Preparedness Grant if he or she had received a payment under DRAS in the same financial year. To speed the transition to the new drought programs, this eligibility criterion is being changed to exclude an applicant from receiving a Drought Preparedness Grant if the applicant has received DRAS on an invoice, within the six months from the date of the invoice.

Achievement of policy objectives

The amendment regulation will achieve its objective of improving the drought preparedness of Queensland primary producers by introducing three new schemes of financial assistance. The current Drought Relief Assistance Scheme, which was reviewed during the Drought Program Review conducted by the Queensland Government and identified as not encouraging drought preparedness, will be gradually phased out (not to be offered when areas become drought declared in future droughts). It is being replaced by the above programs.

These schemes of financial assistance, developed after extensive industry consultation, will encourage the adoption of measures and practices that will improve drought preparedness and the ability to manage during drought better than the current DRAS program.

Consistency with policy objectives of authorising law

The amendment regulation is consistent with the policy objectives of the Act. The Act establishes QRIDA primarily to administer assistance schemes that foster the development of a more productive and sustainable rural and regional sector in Queensland including schemes offered by the Australian Government.

QRIDA may also administer approved assistance schemes to assist primary producers, small business and other sectors during periods of temporary difficulty, or to otherwise benefit the Queensland economy.

Inconsistency with policy objectives of other legislation

This amendment regulation is not inconsistent with the policy objectives of any other legislation.

Benefits and costs of implementation

The schemes subject to this regulatory amendment will be funded by the Queensland Government. They form part of Queensland's Drought Assistance and Reform Package. \$27 million over four years (and \$50 million in loans per annum for four years) is being provided for the new drought reform measures, including the programs subject to this regulatory amendment.

Primary producer drought preparedness is an important measure to improve farm viability and resilience in the context of climate change and will also support regional communities which are regularly impacted by drought and are extensively reliant on agriculture. The schemes subject to this regulatory amendment will be open to all primary producers impacted by drought, whereas the main current drought program, DRAS, is only available to producers in the livestock grazing industry.

No major adverse impacts are identified as a direct consequence of the introduction of the new schemes of financial assistance subject to these regulatory amendments. The Government will, however, gradually phase out DRAS administered by the Department of Agriculture and Fisheries, which will not be offered again in future droughts, the

Government having previously committed to maintaining existing drought measures such as DRAS for the duration of the current drought. Thus, given the majority of the state is currently drought declared, drought declared producers can still access DRAS so long as they do not also apply for the assistance schemes the subject of this regulatory amendment. That is say, producers can apply for DRAS or these new programs, but not both.

Consistency with fundamental legislative principles

The amendment regulation has been drafted with regard to, and is consistent with, the fundamental legislative principles as defined in section 4 of the *Legislative Standards Act 1992*.

Consultation

Industry stakeholders have been engaged throughout the drought reform process. Industry and producers were consulted as part of the independent Drought Program Review that was conducted by the Queensland Government to review existing policies and identify the best policies and settings for future droughts. The new assistance programs the subject of this regulatory amendment were developed with input from the Drought Reform Working Group, a working group comprising major agricultural industry organisations such as Queensland Farmers' Federation, AgForce, Queensland Dairyfarmers' Organisation and Canegrowers.

The Office of Best Practice Regulation advised that the amendment is excluded from further analysis under the *Queensland Government Guide to Better Regulation* on the basis the regulatory proposals that are unlikely to result in significant adverse impacts and will not add to the regulatory burden.