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PROACTIVE RISK MANAGEMENT – THE SOUTH AUSTRALIAN APPROACH

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INTRODUCTION

As every land manager knows risk takes many forms and is always present. Today, I want to talk about drought and the approach taken in the Central North East of South Australia to assist primary producers to cope with it. While this is the focus of my comments the principles can be applied to other risk events – it is just a matter of thinking it through.

SITUATION STATEMENT

The Central North East part of South Australia (see map Appendix 1) suffered several years of erratic rainfall, grasshoppers and locust plagues. This, coupled with low wool prices, had a devastating effect on the economy and the people of the area. It also had an impact on the natural resources of the area, which will take some time to recover.

Following a failed bid for Exceptional Circumstances (EC) support, a joint Australian and State Government package to assist producers to develop and implement strategies to increase their ability to manage risk was developed. This was the Central North East Farm Assistance Program (CNEFAP), which was officially launched on August 15th 2000 and closed on April 6th 2004. The Program, which had a high level of community involvement in its development and implementation, was about on-ground assistance to farmers facing hardship and industry adjustment. An important feature of CNEFAP was the involvement of the community in developing the structure of the Program and their insight to include a structured suite of projects, which would lead to lasting effects rather than short term financial relief for some. A formal evaluation has been compiled and some of the findings will be presented in this paper. During the time CNEFAP was operational the seasons were uncooperative to say the least: 2000 was very dry, 2001 was a very good year for those in cropping areas but for much of the rangelands was a continuation of the drought, 2002, 2003 and 2004 to date have been droughts. Stocking rates in the rangelands are down to one third of normal and have been for some time. Croppers have been living on savings and pool payments from 2001. Some have not sown a crop for two years and some of those that did wish they had not.

Not a pretty picture – and familiar to many in other parts of Australia over the last few years.

The question that challenges governments and industry on one front and producers on the other is how to manage the adverse event to survive and then recover as quickly as possible when favourable conditions return. I have deliberately posed the question in this way because it seems that it is often an “us and them” debate when, in reality, all parties are in the same boat. All need the primary industry to survive and be able to bounce back to normal as quickly as possible for economic, land management and social/infrastructure reasons. The current concern where national sheep flock numbers are much lower than normal is a good economic example.

This leads me to some of the other issues that have to be considered when developing an assistance package. There are many of them but in this paper I only want to mention four that I think have a huge influence on the overall outcome of assistance and recovery from an adverse event for primary producers – in this case drought.

ADDITIONAL CONSIDERATIONS

Before mentioning these, I am not an expert on design of drought packages. I do not have special qualifications in the areas to be discussed but I have been working as a Project Manager delivering assistance and reconstruction programs for the last nine years. The points that follow are personal opinions, in some cases supported by the views of policy makers, in other cases my opinion alone. But I would not mention them in this paper if I did not stand by them and believe them important.

- a) Handled the wrong way assistance programs can encourage receivers to be dependent on assistance. In the worst scenario this means that people do not attempt to manage their risk believing that government will bail them out whenever they get into trouble. This is a recipe for disaster! Governments take time to act and in this scenario the people involved can be in very serious trouble before assistance arrives, if it arrives. It tends to increase the frequency of events needing assistance and fuels the severity of serious events. It also propagates a notion that people are not responsible for their actions.
- b) On the other hand, to not provide assistance in times of severe hardship would result in a level of human, animal and environmental suffering that is unacceptable in this country. Accepting this, some assistance is needed from time to time. The timing, content and processes of the assistance are the critical considerations.
- c) In this regard, it is important that the assistance measure(s) encourage people to take responsibility for their actions and to rely on their own resources – intellect, skills, finances, access to business support etc as far as is reasonable. In other words, to be self reliant as much as is reasonable. This introduces a problem. What is reasonable for one may not be for another. To manage this, norms, with a fair degree of tolerance, need to be established. Those of us who work closely with people usually have a fair idea of the norms for a particular group of people or industry. Accepting this, it is then possible to provide assistance that enhances the ability of people to be self reliant.
- d) The fourth critical element is: - what needs to be provided immediately and what needs to come as follow up? Starving animals and serious human hardship cannot wait. These have a serious emotional effect on those responsible for the welfare of those suffering, i.e. the Owner/Manager and Partner. This cannot wait either. Recovery and rebuilding can wait a little while. Under current protocols, environmental degradation and economic hardship/losses are usually the focus of assistance packages. Unfortunately, the psychological and social effects do not get the same attention. These are difficult to assess and often seen to be invasive areas. However, the simple fact is that people under severe stress, suffering from anxiety, depression or both are not in a healthy state of mind to manage their way out of a crisis. They are either incapable of facing the real issues and thinking them through, make rash decisions or make no decision at all. The outcome in some cases can be one or more of the following: - declining health, domestic violence, self harm, and increasing severity of the impact of the drought / event on the business and people involved. The focus of assistance in this case should be to help people to manage “stress” so that they are in a good state of mind to manage their way out of financial trouble and address any environmental concerns.

THE CNEFAP EXPERIENCE

CNEFAP consisted of the following key elements:

- a) **Property Management Planning:** - a small group workshop based process to encourage and lead producers through a strategic evaluation of their business. Producer attendance was funded by CNEFAP.
- b) Individual business plans through a funded private consultant were available. Each business plan was funded to a limit of \$3,000 – producers had the option of paying extra if they wanted a more detailed plan.

- c) On the basis of an acceptable business plan producers could initially apply for a Productivity Improvement Grant (\$10,000) and/or an Infrastructure Grant (\$5,000), which would assist them to improve the productivity of their property. Later, a Drought Risk Management Grant (\$5,000) was made available to assist the funding of drought risk management initiatives.
- d) To support the above, an evaluation of likely diversification options (as identified by consultation with producers across the region) was prepared and the information made available to producers. The more popular options were the subject of supporting workshops. In all cases, printed information was prepared and made available at no cost. In several instances, workshops were held to assist industry bodies to review their strategic direction.
- e) Producer-initiated R&D projects were also funded. This initiative allowed producers with innovative ideas to develop them further. A condition of grants provided was that the findings be made public so that others in the area could benefit.

These elements encouraged producers to become more involved in managing their way through drought at a time when they were getting worn down by stress and hardship. The program gave them some financial relief and enabled productivity improvement adjustments which would help them manage the drought and into the future.

It also acknowledged their plight (they were not overlooked or forgotten) and gave them access to additional knowledge and skills, applicable to the situation facing them. It helped producers to see a way out of their predicament – to see positives rather than doom and gloom in an environment where confidence was being eroded and being positive was a real challenge. It did not provide measures that allowed them to borrow more money or provide access to funding that would keep them afloat without a sound business plan.

CNEFAP ACHIEVEMENTS

CNEFAP initiatives, the number of participants involved and the funds committed are summarised in Table 1. There were a total of 350 primary industry businesses in the program area.

Table 1. CNEFAP initiatives, the number of participants involved and the funds committed.

CNEFAP Initiative	Number	Total \$
PMP	191 Participants	573K
Business Plans	147 plans	438K
Productivity Improvement Grants	109	1079K
Infrastructure Grants	108	534K
Drought Risk Management Grants	57	280K
R&D projects	10	367k
Enterprise evaluations	9	105K
Other Publications	5	50K

Table 2 shows project types undertaken, the expected benefits per project and the overall benefit per annum to the CNEFAP area. Table 3 shows participation and attitudinal data from two telephone surveys conducted by independent consultants.

As can be seen from the phone survey results (Table 3), 54% of participants in the survey thought that CNEFAP helped them cope with the drought.

It must be remembered that some were not eligible due to off farm investment, non viable, or non bona

vide primary producer status.

It is also a fact that people initially just wanted the money and did not want to “jump through hoops to get it”. They wanted help to survive – not training.

Figure 1, sourced from the October 2003 telephone survey, shows that while some may not have seen the value in the CNEFAP approach at the beginning, many found it extremely valuable during and after the event.

Figure 2, sourced from the October 2003 telephone survey, shows the CNEFAP activities perceived by Producers to be of the greatest assistance.

Table 2. Expected combined benefits from productivity, infrastructure and drought risk management grants approvals.

Project	Expected benefits per project p.a.
Alternative Power	\$17,300
Cattle	\$61,690
Feedlot	\$180,070
Fencing	\$326,050
Feral Goats	\$31,850
Fine Wool	\$404,530
Hay	\$164,180
Land Development	\$11,750
Lucerne	\$1,070
Meat Sheep	\$129,740
Minimum Tillage	\$518,830
Piggery	\$52,380
Saltbush	\$74,000
Shearing Shed	\$20,950
Tourism - Accommodation	\$82,600
Tourism - Tours	\$8,410
Water	\$629,840
Grand Total	\$2,715,240 p.a.

Table 3. Participation and attitudinal data from two telephone surveys conducted by independent consultants.

Telephone Survey of CNEFAP area. (50% of farmer/graziers in the CNEFAP area were contacted)	October 2001	October 2003
Awareness of CNEFAP	77.1%	86.9%
Participants in CNEFAP (any part)	42.9%	56.8%
Satisfied with service and application process	Participants only 89%	81%
Increased sustainable profitability	Participants only	81%
Beneficial effect on community	All surveyed	59.6%
More confidence as business owner/managers	Participants only	70%
Helped cope with drought	Participants only	54%
Positive outlook for the future	All surveyed	89%

In addition testimonials from producers recorded during the October 2003 telephone survey, indicate that the CNEFAP package was well received:

- “CNEFAP helped me look beyond the farm gate – to the processing end. It helped me to understand the kind of quality required for the export market and what we need to do to meet that demand.”
- “Creating a business plan has helped us to focus on the strategic planning aspects of our business. It has helped us make informed decisions affecting our business and to monitor our progress.”
- The CNEFAP program has been an incentive to look at continued productivity and sustainability into the future, whilst dealing with difficult and adverse seasonal conditions”.
- “It was great to be able to try some positive options to diversify and spread the business risk – a light at the end of the tunnel during a period of adversity.”
- “Applying for and receiving a CNEFAP grant helped us to improve the productivity of our business. Our feedlot has helped us maintain sheep numbers.”

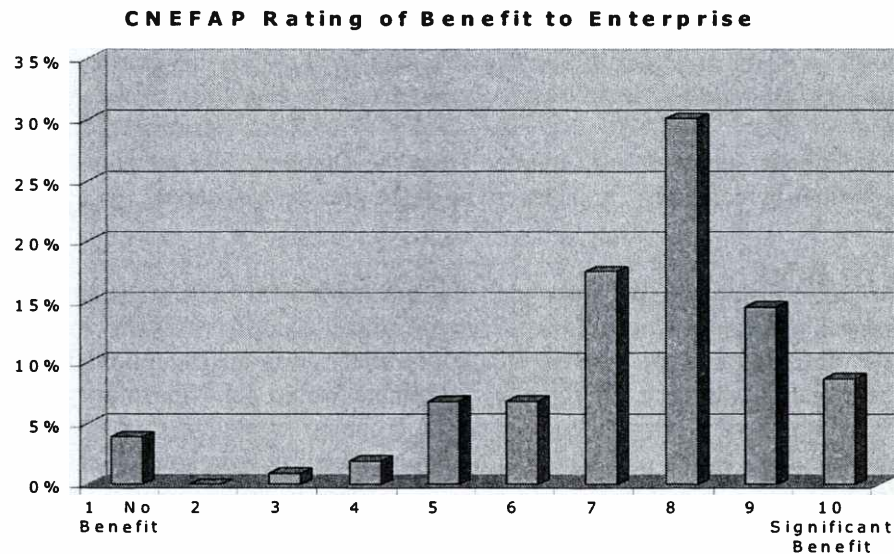


Figure 1. Telephone survey results sourced from October 2003 showing that while some may not have seen the value in the CNEFAP approach at the beginning, many found it extremely valuable during and after the event.

CNEFAP Activities Perceived to be of the Greatest Assistance

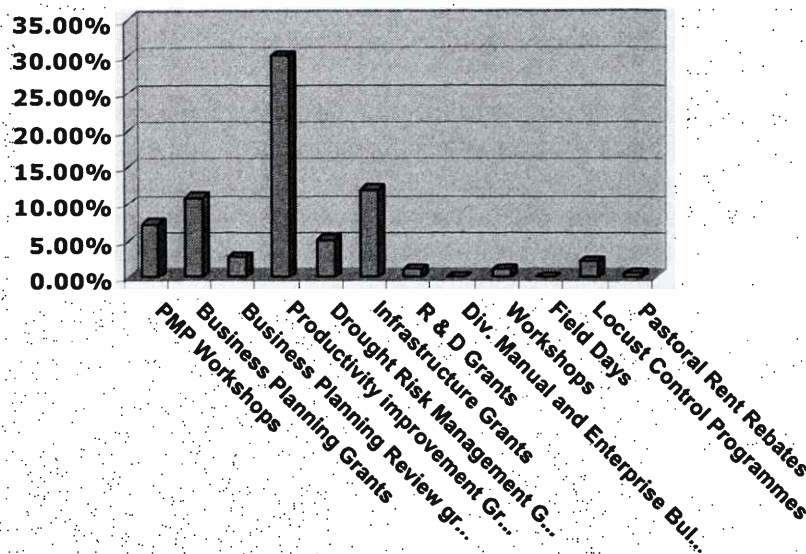


Figure 2. Telephone survey results sourced from the October 2003 telephone survey showing the CNEFAP activities perceived by Producers to be of the greatest assistance.

LESSONS LEARNT

As CNEFAP unfolded and we moved into 2001, which was an exceptionally good year for the croppers the situation was ripe for recovery. Farmers would have the money to adopt applicable change. There was a very positive outlook in the cropping areas, but short lived as 2002 and 2003 were severe droughts. In the rangelands drought continued, despite small local areas of relief. The area went further into survival mode. As a result, interest in diversification to spread risk and take advantage of more positive markets dropped away. Producers were focused on how to get their remaining stock through the bad times while at the same time minimising economic loss.

It was recognised that CNEFAP needed to flex to achieve its goals, i.e. help the producers through these difficult times with timely critical information while at the same time introduce planning skills and methods that matched their immediate needs. Some producers were not managing themselves, i.e. their stress levels, very well and the need for sensitively introduced awareness and information in this area was acknowledged.

In response to the situation workshops spread across the region were held. The core content of the workshops was drought feeding and stock management decision making. Added to this was a session delivered by an early-intervention mental health worker on stress management. The latter session was known to be essential but if offered on its own would not be attended by most males as it is not an accepted norm in rural communities for males to be seen at such functions. To some extent this is changing but admission of stress is largely seen as an admission of weakness. The workshops were low-key interactive sessions, set up so that all could share information rather than listen to a lecture. Workshops were well received. It was valuable for them to talk about their situation and find others were in the same boat. A feature of farmers' reaction to drought and related stress is that they stop talking, stop socialising and work to the point of exhaustion. A vital part of assisting recovery is to start them talking about their situation, sharing concerns and discussing ways of handling the situation. The sessions on drought feeding and stock management started this process and led into the stress

management session.

The information provided on stress management was largely new to most. Feedback indicated that the stress management sessions were extremely valuable in terms of helping people to understand what was happening to them emotionally, the effects on their loved ones and what needed to be done. Some went on to seek professional help from stress counsellors.

As a follow-on to the road shows, the early-intervention stress counsellor, John Ashfield, wrote a book called "Taking care of yourself and your family" which was sponsored by the SA Government. This book is being distributed free of charge to producers in drought affected areas of SA and has been made available to the medical profession and support workers. To date over 3,500 books have been distributed. Feedback on the book is very positive.

While this was not part of the original agreement, it introduced a range of business management skills relevant to the situation and went a long way towards helping policy makers and producers understand the importance of personal management and the requirement for personal support in situations of adversity. It also alerted all involved that business management skills are only part of the solution to helping people manage their way out of adversity – the other part is the skill to manage themselves. Those of us who have been severely stressed know that it is difficult to make well-balanced and considered decisions when in this state. It is necessary to get yourself under control and then work on the decisions that need to be made.

CLOSING STATEMENTS

Proactive risk management is about developing the skills and knowledge to manage your way through adversity. We all know that adversity is a fact of life but most of us do very little to develop the skills to take it in our stride.

When things are going well most people want to reap the benefits and are not interested in skilling up to handle bad times. When things are bad the resources are often not there and the will has been eroded by worry.

Proactive risk management is about understanding this and making an extra effort while the resources are available and human capability is strong to organise the business, which includes the environmental, economic and people aspects in such a way that adversity is expected and strategies are in place to manage it so that the business comes out of hard times in good shape.

CNEFAP attempted to provide these skills. As it happened, the changing seasons and related changing circumstances of producers favoured interest in diversification and development of related business skills in the first two years. As the drought progressed they favoured decision-making related to survival and recovery. The added area of personal support was recognised and provided.

At the close of the program the area was still in drought, and while the businesses and people are still hurting, they are in better shape to recover when the drought breaks than before CNEFAP. They have new knowledge, skills and awareness. I expect significant further change will occur in the adoption of the new management practices, including climate and price risk management. Increased collaboration between primary producers will result in better management of natural resources and enhance productivity, profitability and sustainability of their businesses.

This will bring lasting benefits to the region and its people. The moral of the story is "give a family a

fish and they will eat for a day, teach them how to fish and will eat every day”. The key is teaching people how to manage, i.e. developing human capacity so that they have the knowledge and skills required to manage change and adversity.

ACKNOWLEDGEMENTS

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- The vital role of the community in developing the proposed structure of the program and their insight to include the structured site of projects which would lead to lasting effects rather than just short term financial relief for some.
- The role of the PIRSA Agriculture Food and Fibre and Rural Finance and Development Divisions in managing the Program.
- The two telephone surveys commissioned by Primary Industries and Resources South Australia. These surveys were undertaken by the Lucas Group Pty Ltd of Norwood, South Australia.

APPENDIX 1

**CENTRAL NORTH EAST FARM ASSISTANCE PROGRAM AREA
JULY 2000**

