



Farm Management Deposits Scheme Evaluation
Department of Agriculture, Water and the Environment
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TFGA Submission: Farm Management Deposits Scheme Evaluation

The Tasmanian Farmers and Graziers Association (TFGA) is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Agriculture is one of the key pillars of the economy and, with the current level of support from the government, are well positioned to further capitalise on the stature of Tasmanian agriculture.

The TFGA appreciates the opportunity to make comment on the Farm Management Deposits Scheme (FMDS) Evaluation. The FMDS is an important financial risk management tool available to eligible primary producers which encourages increased financial self-reliance and preparedness for fluctuations in cash flow. As of February 2021, there was approximately \$93 million¹ held in FMD accounts by Tasmanian primary producers and approximately \$5.27 billion nationally.

There are several factors that can impact the cash flow of a primary production business from year to year, including market fluctuations and climatic variability. The ability to set aside pre-tax income derived from primary production activities during years of high income which can be withdrawn during years of low income, allows farm businesses to continue operating throughout difficult periods which are often a result of factors that are unable to be controlled eg. drought.

Timing is critical in agriculture, and outside factors like weather events have the capability to severely impact farm operations at crucial times such as during harvest or shearing, which can have significant impact on a business' income for that year. Market fluctuations can also have significant impact, and whilst there are other methods to help mitigate these risks such as increased on farm storage, there are times when being negatively impacted by market instability is unavoidable.

While there are additional forms of government assistance available to primary producers including income tax averaging, the Farm Household Allowance (FHA) and concessional farm business loans which can assist with cash flow management, it is important to note that each scheme is unique and each can be suitable/unsuitable for different business models. One of the key advantages of the

¹ Farm Management Deposits Statistics, ABARES <https://www.agriculture.gov.au/ag-farm-food/drought/assistance/fmd/statistics#2021>

FMDS is that it allows account holders to be more financially self-reliant and access funds promptly and at the most appropriate time for their business.

As seen in recent years, the FHA scheme and concessional farm business loans are well utilised by primary producers across Australia. Applying for these schemes can be a complex and confusing task for many, and the application process is often accompanied with lengthy waiting periods before any funding can be approved. This is particularly disadvantageous to businesses that may be struggling as a result of climatic factors such as prolonged drought or severe flooding and require more immediate assistance.

The 2016 review of the FMDS saw three policy changes introduced, one of which being that *primary producers experiencing severe drought conditions can now access FMDs within 12 months of deposit without losing their claimed tax concession*. The addition of this policy to the FMDS is particularly valuable and allows primary producers to be self-reliant and maximise the benefits of the scheme when they need it most.

While it is noted in the FMDS Evaluation terms of reference that expansion of the FMDS to include other business structures is out of scope, further consideration to this point is something that the TFGA would be highly supportive of. Many farm businesses are structured as family trusts and expanding the scheme to allow these businesses to access the FMDS would further increase financial self-reliance and give them the ability to broaden their risk management plans.

The TFGA believes that the FMDS is an extremely valuable tool for building resilience within the agricultural industry and would again like to thank the Department of Agriculture, Water and the Environment for the opportunity to comment on the FMDS Evaluation.

If you have any questions regarding this submission, please feel free to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'John McKew', with a stylized flourish at the end.

John McKew
Chief Executive Officer
23 April 2021