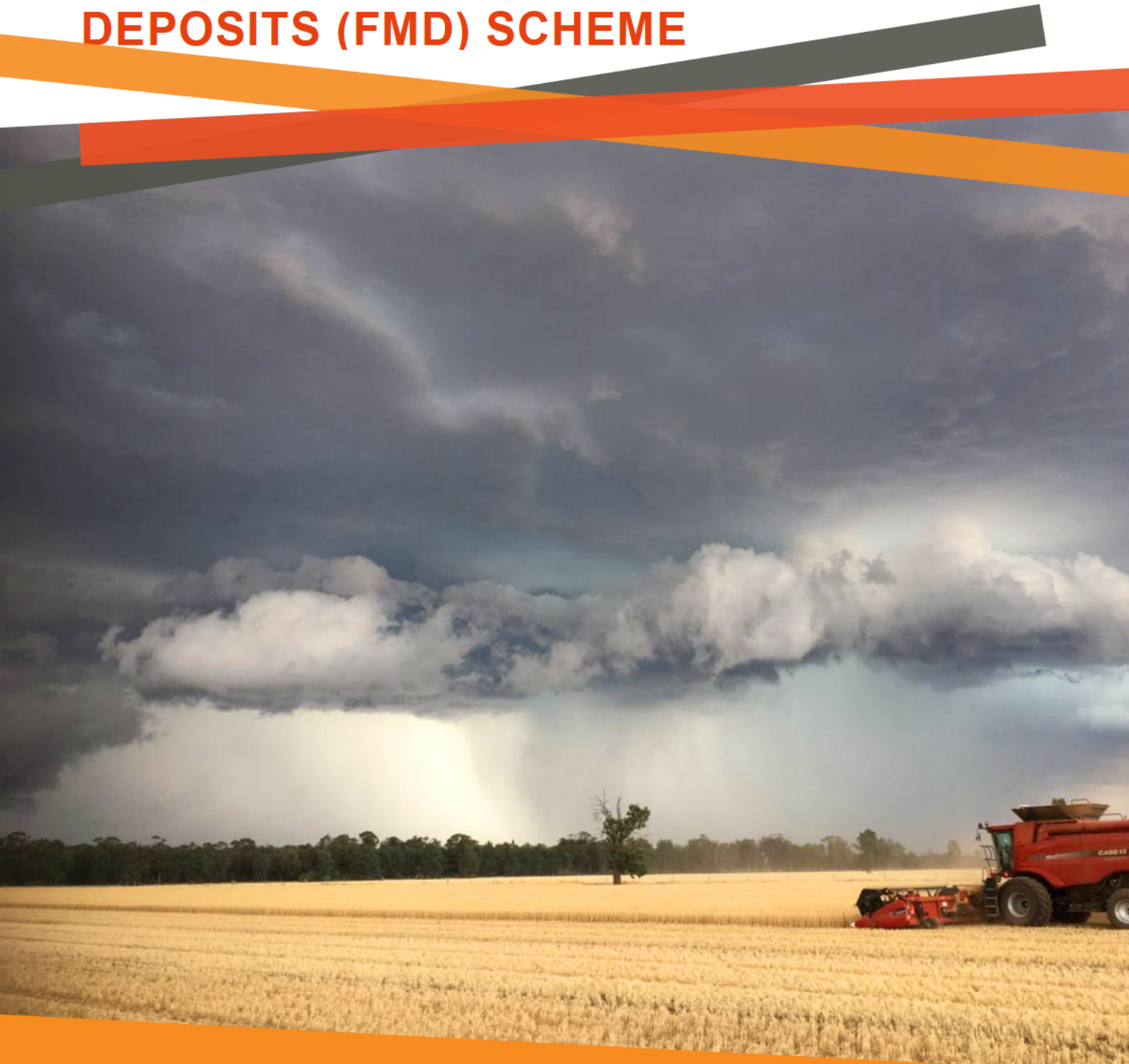


SUBMISSION IN RESPONSE TO THE EVALUATION OF THE FARM MANAGEMENT DEPOSITS (FMD) SCHEME



EXECUTIVE SUMMARY

Australian farmers operate in one of the most risky environments in the world. They have to cope with numerous sources of risk including weather uncertainty, variable market process, and institutional changes in their business managements¹.

The Australian grains industry is a fiercely competitive industry with grain farming businesses exposed to global markets and not heavily subsidised unlike its international competitors².

Australian grain farming enterprises are:

- Operating in volatile environment impacted by both production and market risk.
- Often capital intensive, low margin operations, that are faced by either low profitability or high-income variability across years.
- By-and-large family-owned operations that are increasingly requiring greater scale to ensure ongoing viability.

To continue to be effective and globally competitive grain producers, the risk management measures need to be suitable along with ensuring regulation does not impeded upon the self-reliance of farming businesses. GrainGrowers believes it is critical to ensure that taxation measures are fit-for-purpose and effective as they have a significant impact on the competitiveness of our farming sector. It is imperative that the policy settings are right to ensure the grains industry remains internationally competitive.

There are a range of taxation measures on hand to assist farming businesses in managing climate and market volatility. One of which is the Farm Management Deposits Scheme (FMDs or the Scheme), along with income averaging which seeks to smooth out the income of farming business whilst also providing opportunities to self-manage risk, especially in times of drought.

GrainGrowers believes that Farm Management Deposit Scheme is one of a suite of measures that growers should have access to for managing the risks associated with climate change and market fluctuations. GrainGrowers believes that FMDs are an effective tool that require some adjustments to ensure they reflect the realities of modern farming practices and business structure. GrainGrowers' recognises that the Scheme is a tool to improve resilience of farming businesses, however good planning and access to expert advice is also key.

This submission makes comment on the following:

- The Australian grain farming enterprise operating environment.
- Use of Farm Management Deposits in the grain's context.
- Recommendations for improvement.

¹ Charles Stuart University (2004), Risk management strategies by Australian farmers via https://www.researchgate.net/publication/227365292_Risk_management_strategies_by_Australian_farmers_two_case_studies

² GrainGrowers & AFI Briefing Paper: Transparency in trade and farmer support via <https://www.graingrowers.com.au/wp-content/uploads/AFI-briefing-paper-Australian-Farm-subsidies-May-2020.pdf>

[Front Cover Image: Approaching storm – Peter Herrick]

SUMMARY OF RECOMMENDATIONS

The effectiveness of the Farm Management Deposit Scheme should be based on delivering the intent rather than subscribers to the Scheme. Growers view FMDs as an effective tool to manage their risk and should be accessed when appropriate to them and their business. Utilisation of FMDs should be viewed in context of the stage a business is at and the broader operating environment. For example, a new farming business, experiencing their first drought may interact differently with the Scheme, compared to a farming enterprise who has been in operation for many years and has recently had a run of good seasons.

Recommendation 1 – Access to Companies and Trusts

Farm Management Deposits should be made available to all farming business (i.e. partnerships, companies and trusts) to improve uptake and effectiveness as a risk management tool.

Recommendation 2 – Aligning taxation provisions

Farm Management Deposits to be brought in line with taxation rules regarding the treatment of a taxpayer when they pass away.

Recommendation 3 – Individual holdings

The Australian Government undertake a review of the Farm Management Deposit holding threshold cap with full engagement and consultation with industry. The review of the cap should be included in the scope of the ongoing evaluation process undertaken by the Department of Agriculture, Water and Environment.

Recommendation 4 – ‘Non-primary producer’ definition

The ‘non-primary production’ income eligibility to be reviewed and consideration be made to ensure it reflects modern business practices.

Recommendation 5 – Reporting and evaluation

The Australian Government to review and strengthen key performance indicators for the Scheme and expand consideration of success beyond uptake of Scheme by farm businesses.

2. SNAPSHOT OF AUSTRALIAN GRAINS INDUSTRY

The grains sector is a powerhouse of regional Australia with 23,000 farm businesses growing on average 43.6 million tonnes of grains, oilseeds and pulses each year for domestic and global customers. The farm-gate value of Australian grain production is \$15 billion, contributing 21% of the value of Australian agriculture. We are a major contributor to the Australian economy, directly employing over 100,000 people.

The Australian agricultural sector is striving to reach \$100 billion farmgate value by 2030, up from current value of \$61 billion with the broader agribusiness supply chain striving to reach \$300 billion. A significant increase in the value of farm production in a decade is clearly a challenging task. However, the Australian grain industry has a history of transformational change, underpinned by research and development and innovative farm businesses.

Grains are produced in all Australian states and territories. Australia's total winter crop area is around 21.5 million hectares each year, with summer crop area around 1.1 million hectares. By land area, nearly 40% of winter crop is concentrated in Western Australia, followed by 25% in New South Wales.

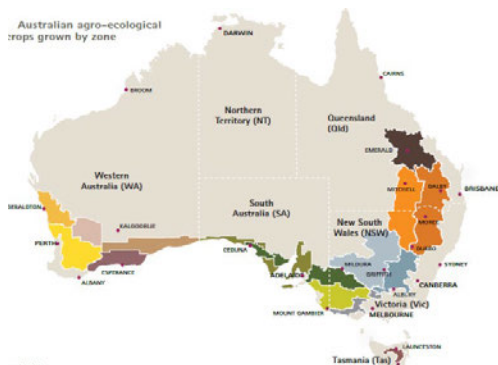


Figure 1 Australian grain production regions
Source: AEGIC

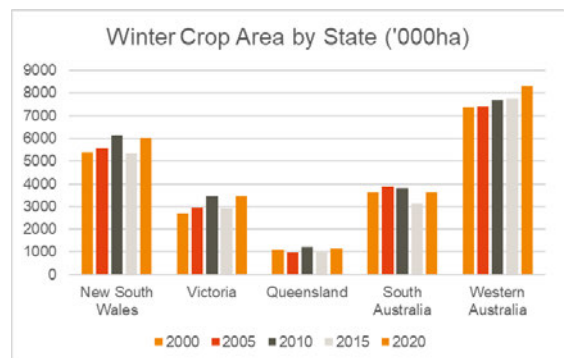


Figure 2 Winter crop area by state.
Source: ABARES

The Australian grain industry is export focused with approximately 70% of total production sold to overseas customers in normal (non-drought) years. When looking at global trends the grains industry is seeing the rise in developing nation's populations and increasing incomes seeing growth in consumption for western food products such as breads along with demand for animal protein. Both these trends result in opportunities for Australian grains be they for providing food quality wheat or a feed source for animal production systems.

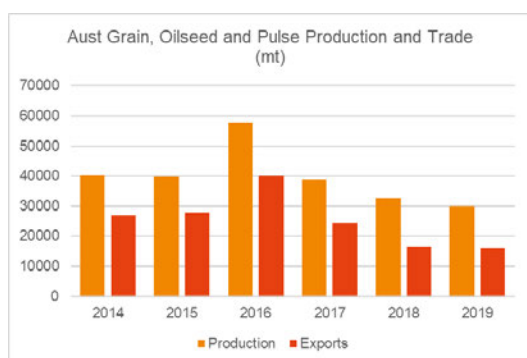


Figure 3: Australian grain production and trade
Source: ABARES

3. GRAINS

OPERATING ENVIRONMENT

Agricultural Volatility and Risk

Agriculture is and continues to be an industry that operates in a highly volatile operating environment. Risk comes in two forms, the first being that of production risk being that associated with the generation of an actual crop and the second risk comes from market price fluctuations.

The impact of drought can be observed differently between regions and enterprise type and structure. Cropping farms generally face greater climate risk than beef farms, while mixed-cropping livestock farms sit in-between these extremes. There are trade-offs, cropping farms face higher risk but also generate higher returns. Cropping farms experience a decrease in profit from around \$230,000 in a 'typical year' down to a loss of \$125,000 in a 'dry year'³.

Compared to a typical beef operation, profit falls from \$60,000 in a 'typical year' down to a loss of \$5,000 in a 'dry year'³.

The overall financial situation for broadacre remains positive despite many grain farms experiencing the worst drought in many years. In 2019-20 there were very poor outcomes of broadacre farms in NSW, relative to the longer-term average. In other states financial performance varied widely by region relative to longer-term average. With a change in seasonal conditions 2020-21 is expected to deliver higher incomes. The figures below demonstrate the change incomes prior to a change in season conditions and then what can result when widespread rainfall occurs.

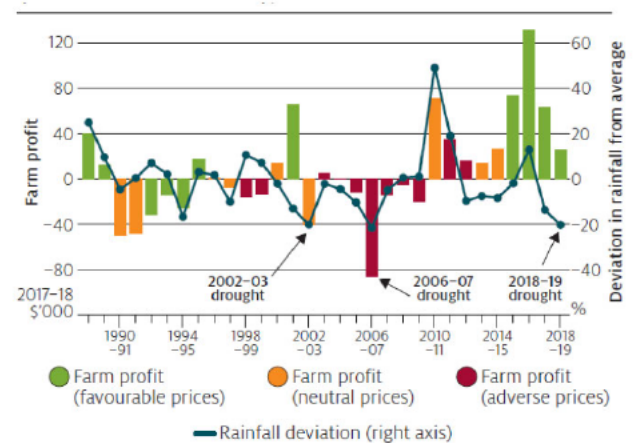


Figure 4 Annual average broadacre farm profit relative to rainfall and commodity prices
Source: ABARES

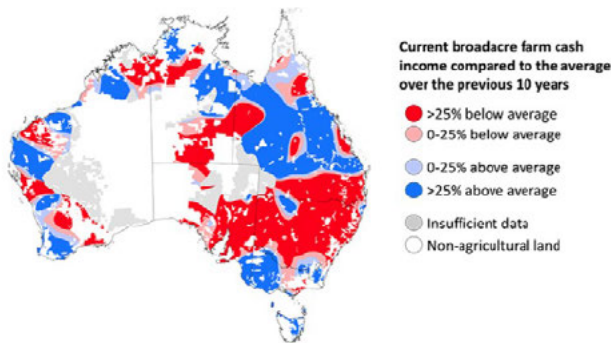


Figure 5 Farm cash income, broadacre farms 2019-20
Source: ABARES Agricultural & Grazing Industries Survey

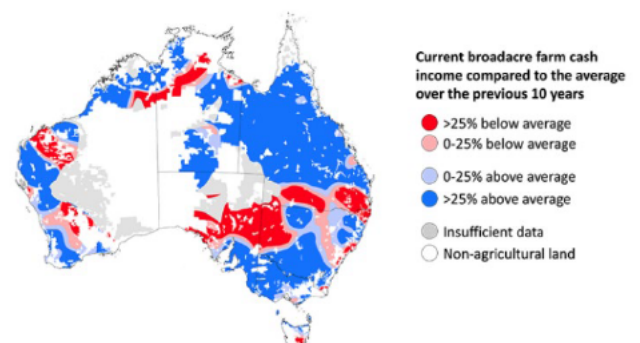


Figure 6 Farm cash income, broadacre farms 2020-21
Source: ABARES Agricultural & Grazing Industries Survey Preliminary estimate

³ ABARES (2019), The effects of drought and climate variability on Australian farms, accessed via https://www.agriculture.gov.au/sites/default/files/documents/EffectsOfDroughtAndClimateVariabilityOnAustralianFarms_v1.0.0.pdf

Industry Support

Whilst there are support measures provided by the Australian Government that seeks to smooth out some of the volatility that is inherent with farming and grain production, when observed in contrast to competitor nations the support is comparatively low. In data collected by the OECD on the levels of farm support provided in countries around the world. The most recent report (2020) reported that Australian agriculture receives the lowest for any developed nation on earth. When observing the Producer Support Estimate (PSE) in the figure below over the period of 2000-18 Australian farmers have received an average of 3% of their gross farm income as support, while Canada has averaged 15%, USA 12, China 11% and European farmers have received 25% as support⁴. Australia is the second lowest (just behind New Zealand) of countries monitored by the OECD and has been steadily reducing over the past two decades.

The Total Support Estimate (TSE) provided to agriculture sectors in the same countries (which includes transfers other than direct payments to farmers) shown in the figure below demonstrates the extremely low level of comparative support provided to Australian agriculture. Since 2009, no more than 0.19% of Australia's annual GDP has been provided as support to the agriculture sector.

Farm Structures

The vast majority of grains farming businesses are family owned. In 2018-19, an estimated 23,000 Australian farms had at least 40 ha sown to grain, oilseed, or pulse. Over the last decade the number of grain farms has fallen by around 35%⁵. Data provided to GrainGrowers illustrates that sole proprietors and partnerships combined are the most common entity for grains and mixed grain operations making up 64%⁶, trusts account of 32% of entities and 4% being companies. This is compared to the Australian agricultural businesses with 44%⁷ being partnerships, 33% sole traders, 14% trusts and 9%

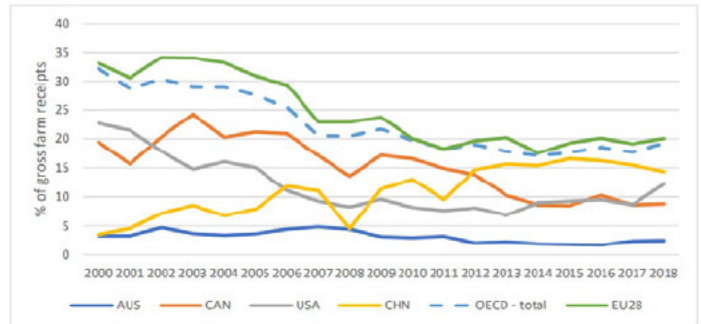


Figure 7 Producer support estimate (PSE) by Country, 2000-18
Source: Based on OECD 2020 and GrainGrowers analysis

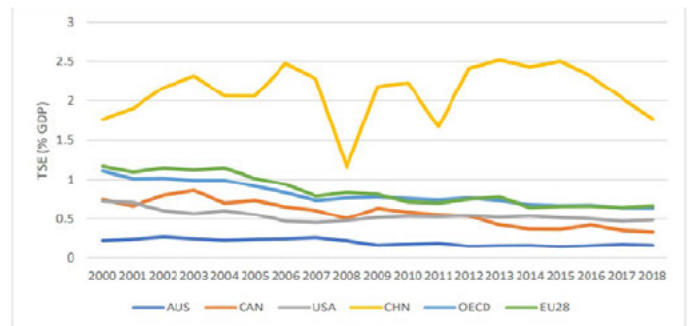


Figure 8 Total support estimate (TSE) by country, 2000-18
Source: Based on OECD 2020 and GrainGrowers analysis

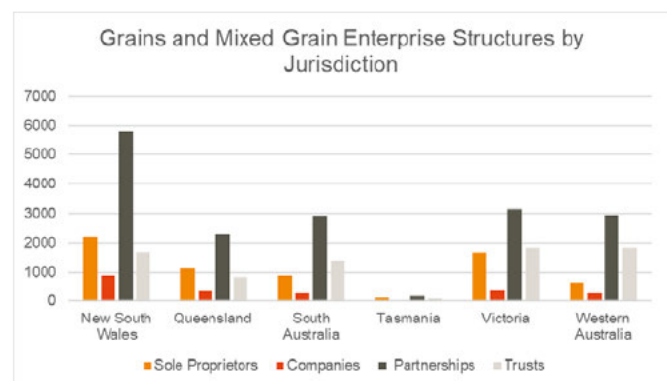


Figure 9 Grains Industry farms by State and Legal entity type at June 2020
Source: ABS, Kynetec, GRDC

⁴ GrainGrowers & AFI Briefing Paper: Transparency in trade and farmer support via <https://www.graingrowers.com.au/wp-content/uploads/AFI-briefing-paper-Australian-Farm-subsidies-May-2020.pdf>

⁵ ABARES, Australian grains: Financial performance of grain farms via <https://www.agriculture.gov.au/abares/research-topics/surveys/grains#farm-characteristics>

⁶ Grains Research Development Corporation, Grains and Mixed Industry farms by State and Legal entity type at June 2020

⁷ National Farmers Federation (2017) Food, Fiber & Forestry Facts via <https://nff.org.au/wp-content/uploads/2020/01/171116-FINAL-Food-Fibre-Food-Facts.pdf>

companies. It also is important to note those businesses in company and trust structures are likely to be largest and represent a greater proportion of farm output.

Productivity

Productivity is an important metric to observe when considering agricultural performance. ABARES via its *Total Factor Productivity (TFP)* work reports that cropping productivity growth is at 1.5%², which has been driven by strong output growth (2.5%) relative to the increase in input use (1.0% growth). Declines that can be noted can be attributed to unfavourable seasonal conditions⁸.

Cost of production

Australian grain farmers' cost of production tends to be high. In a benchmarking report developed by the GRDC⁹ (2018) when comparing wheat production to other international competitors reported that Australia is not a low-cost producer of wheat despite the generally large-scale nature of our production system. Despite achieving a high average price, Australia cannot fundamentally compete when considering the low costs others experience with inputs and labour.

When drilling down into a mixed enterprises' input costs, the majority of costs are livestock materials and services (45%), fertilisers (15%) and crops and pasture chemicals (13%). As figure 12 below highlights the cost of production for mixed cropping enterprises is on the rise. And despite facing periods of income variability because of events such as drought, growers still have costs that cannot be deferred or halted. Even without a crop in a field or having destocked a farm, there are costs of inputs such as weed and pest management chemicals to ensure that the farm is able to make the most of a change in season.

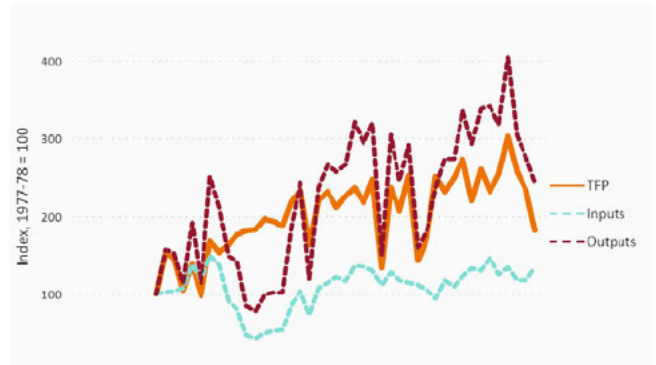


Figure 10 Australian Cropping Industry Productivity Data
Source: ABARES

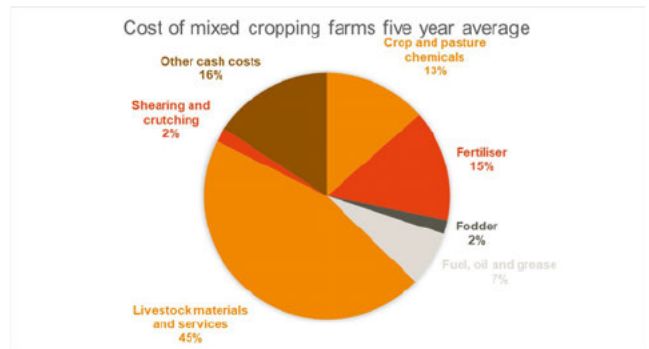


Figure 11 Cost of mixed cropping
Source: ABARES and GrainGrowers

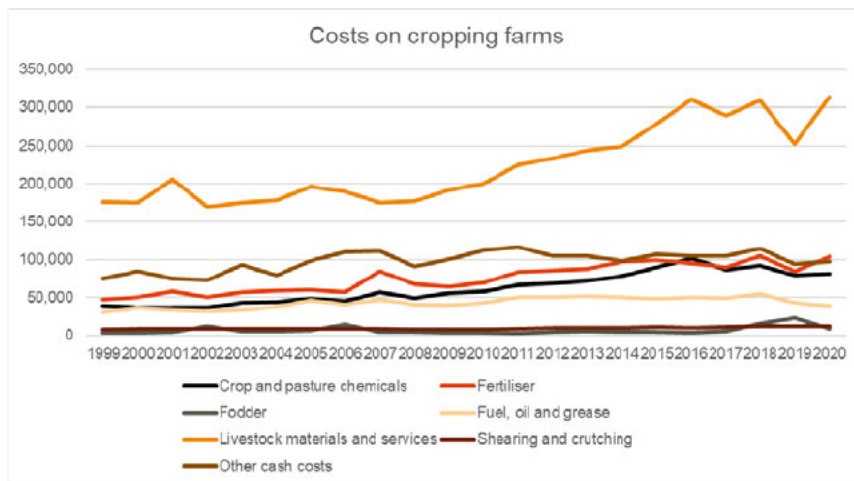


Figure 12 Costs of time for mixed cropping
Source: ABARES and GrainGrowers

⁸ ABARES, Australian Agricultural Productivity via <https://www.agriculture.gov.au/abares/research-topics/productivity/agricultural-productivity-estimates>

⁹ GRDC, Australian wheat international benchmarking via <https://grdc.com.au/resources-and-publications/groundcover/groundcover-133-march-april-2018/australian-wheat-international-benchmarking>

4. USE OF FMDs BY THE GRAINS INDUSTRY

Farm Management Deposit Scheme in Grains Industry

The Scheme has allowed grain growers since 1999 the opportunity to smooth their income over the long term by making tax-effective deposits in higher income-years, which can be withdrawn as pre-tax farm income in later years. GrainGrowers supports the ongoing provision of the Scheme and believes that it aligns with the government’s policy and objectives of encouraging farmers to have greater self-reliance in managing events such as drought, climate change and market volatility.

As of February 2021, the total holdings in the FMD Scheme were \$5.27 billion. When observing grains FMD accounts overtime, drawdowns occur around the beginning of the financial year which reflects the tax benefits associated with the Scheme. However, figures 14 and 15 suggest that in recent times that the value and number of account holders saw a dip in 2019.

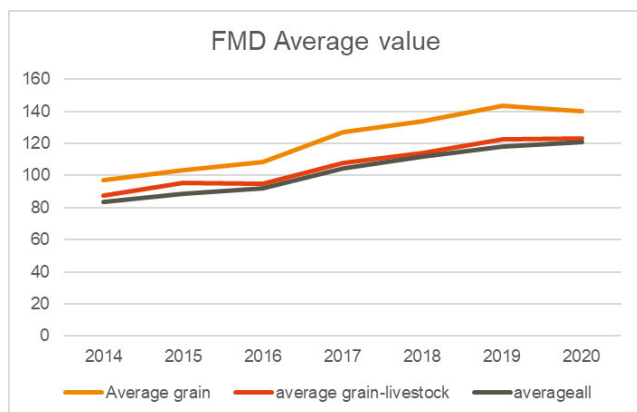


Figure 13 Farm Management Deposit average holding by grains industry Source: DAWE

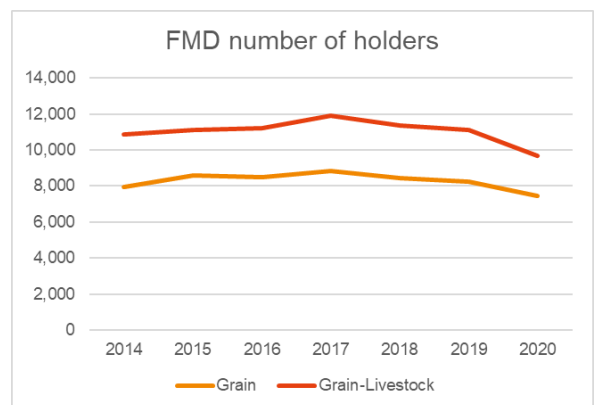


Figure 14 Farm Management Deposit number of account holders Source: DAWE

Since July 2019, NSW, QLD, WA and SA grain growers have taken out \$385 million out of FMD accounts reflecting the seasonal conditions. It is important to note that this data is solely grain enterprises not mixed with livestock and cropping.

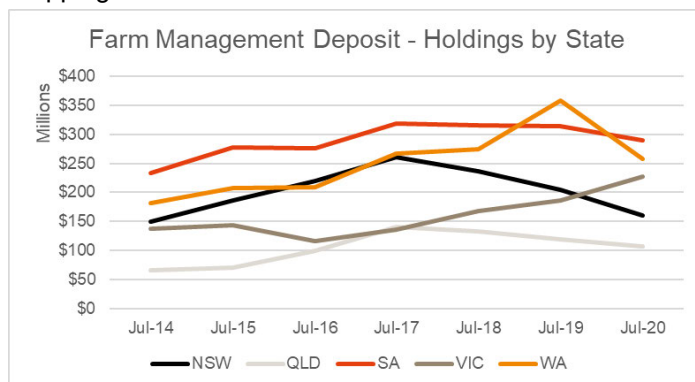


Figure 15 Farm Management Deposit Holdings by State. Source: DAWE

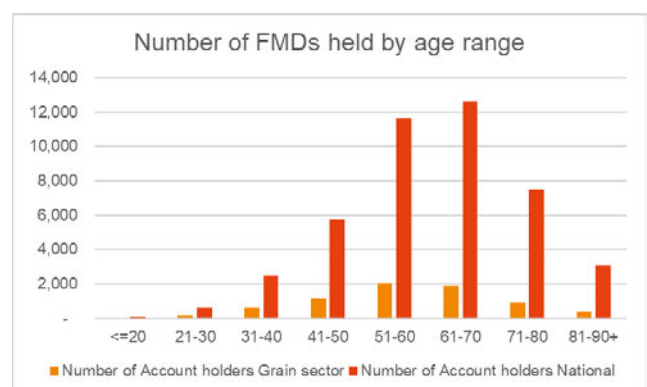


Figure 16 Farm Management Deposit in grains industry by age Source: DAWE

When observing those who have FMDs, the use of this tool seems to be those later in life (see figure 16). This reflects anecdotal evidence collected by GrainGrowers and suggests that the use of FMDs is linked to the stage a business is at. Younger growers may be looking to invest any profits back into the business with older growers putting capital.

GrainGrowers 2021 Grower Survey

In a recent survey conducted from GrainGrowers (2021) with over 700 respondents, 80% (n=559) indicated that they have an FMD account or have previously had one. Of those who indicated that they have or are currently using an FMD account, 61% (n=339) have drawn down on their FMD in the last 24 months. When observing the activities those drawn down funds were allocated to operational and capital improvements (n=168), ongoing drought operational costs (n=151) and post drought mitigation activities (n=129). It is worth noting that respondents indicated that the funds were used for several activities simultaneously. It is positive to see that many growers (n=60) are also using their FMD funds for drought mitigation activities as well as recently announced COVID-response government taxation incentives such as instant asset write-off and accelerated depreciation.

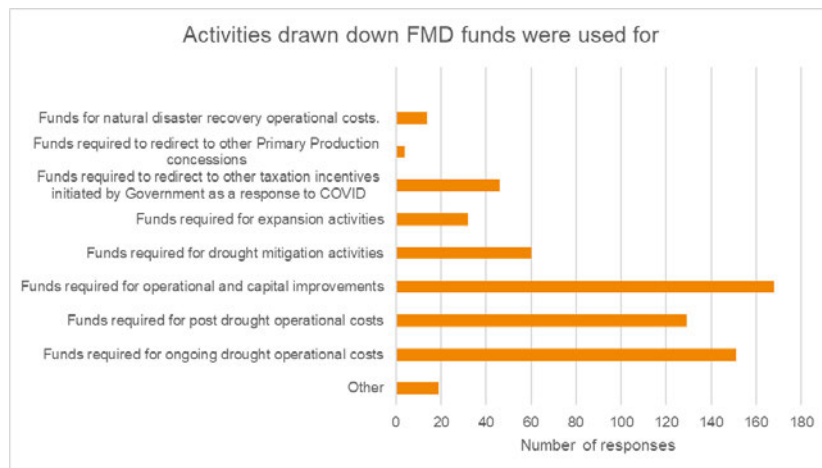


Figure 17 Activities FMD funds were used for
Source: GrainGrowers' Member Survey 2021

When observing the 20% (n=142) who indicated that they do not or have not held an FMD account primary impediments or barriers were noted as:

- Insufficient funds (n=94)
- Business operates as a trust (n=42)
- Not enough information available on how FMDs accounts would benefit business (n=42)
- Business operates as a company structure (n=28)

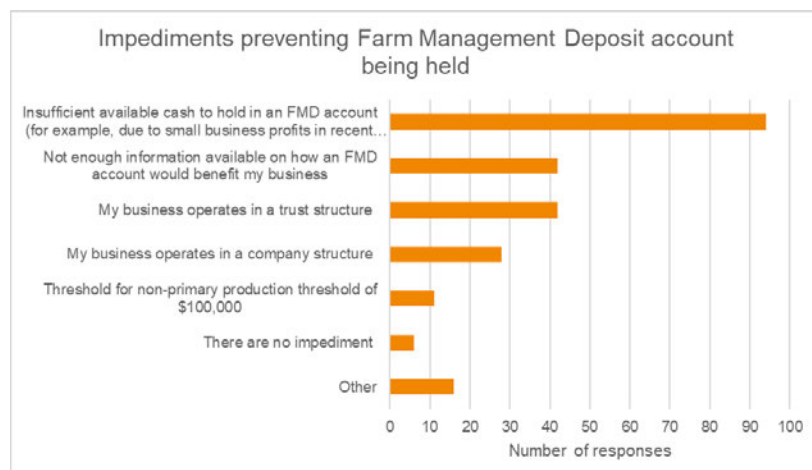


Figure 18 Impediments of FMD uptake
Source: GrainGrowers' Member Survey 2021

Below outlines several other opportunities for improvement outlined by GrainGrowers' membership:

FMDs don't work very well for our business, as the excess funds are generated in a family trust, but it can't use FMDs, so they have to go into individuals' names. On withdrawal the funds cannot be offset against production costs as the individuals are not in business, the trust is. In short, the business entity that generates the surplus funds in a good year needs to be able to put in FMDs in IT'S OWN NAME so when they are withdrawn in a poor year they offset the loss made in the business as they were designed to – Grower, NSW.

Our farming enterprise is operated by our family company of just 2 directors. It is a 100% agricultural business and have often felt frustrated that we cannot access the FMDs just because we are a company. In the past it would have been another great tool for us to incorporate in our strategic management plan for safeguarding ourselves through difficult years. Grower, NSW

Unable to utilise FMD now as operate as a partnership of family trusts. Disappointing that in implementing succession plan and having structures to facilitate succession and protect assets we are unable to use FMDs. Grower, NSW

Would love for the Company to be able to utilise FMDS. Would definitely use them. Grower, NSW

The issue we have with FMDs is that once the money is withdrawn from the FMD it is in the personal name of the FMD holder rather the company, which then has tax implications for the individual rather than the business. If we do need to draw down on our FMDs we ensure that we put that money back into the FMD before the EOFY so the individual does not face those tax implications. Obviously, this may not always be possible if funds are not available. Grower, QLD

Overall, support for FMDs amongst growers is positive. Several indicating that this tool has been necessary and important fixture of their business risk management strategy for many of years.

The FMD got us through the drought. Grower, NSW

FMD's have been a great tool for our farming business. Have been using them for 30 years and have helped us through drought and the good times. Grower, SA

FMD's offer a level of financial security to manage seasonal cash flow matters resulting from variable grain prices and yield fluctuations. Our FMD's are linked to Loans so interest assists payments on those loans. As a small family business this arrangement is valuable to our operations and continued viability. Grower, SA

Our farming operation has been using Farm Management Deposits for over 30 years with great success. With ongoing dry seasons, it has been our insurance policy against drought and for upgrading plant and machinery giving us peace of mind knowing that we have money set aside to cover costs associated with these situations and thereby not relying on Government assistance. Grower, SA

This is an extremely valuable scheme that has allowed us to put aside money in good years to drought proof our farm and helps us sleep at night knowing that we could get through a poor year (drought) without having to sell any land or rely on government assistance. Grower, VIC

We have used FMDs for some time now. Each year we utilise differently. On occasion we have been able to add to it in the rare event of two good years in a row! Recently we have not had much cash left by June 30 to invest and have needed to access FMD as capital to keep us going, which has been very reassuring and especially useful. I would hope the programme could continue. Grower, SA



Grower Profile

Tristan Baldock. Operate a 6000 ha cropping operation with wife Lisa and Parents Graeme and Heather at Buckleboo, on SA's Eyre Peninsula. Grow wheat, barley, canola, peas, lentils, vetch hay and export oaten hay. Low rainfall environment, with less than 300 mm annually.

GROWER CASE STUDY

Tristan Baldock, SA Grain Farmer



Farm Management Deposits and drought

“FMDs are a great scheme and a very important tool, building capacity and resilience to allow farmers to better prepare for and manage drought.” – Tristan Baldock

The past three years (2018-2020) have been difficult for Tristan and his family receiving less than half of their annual rainfall, adding pressure to the complex operating environment, that is farming. As a fourth-generation farming operation Buckleboo prides itself of operating under the principles of best practice agronomics, and sound business practices but despite the best efforts multi-seasonal drought events do occur. For over a decade, the Baldock's have used Farm Management Deposits intermittently.

The ability to build up reserves over time has worked to the business and families' advantage recently assisting with cash flow. FMDs are viewed as one component to the Buckleboo enterprise risk mitigation strategy. FMDs are viewed as one component to the Buckleboo enterprise risk mitigation strategy.

Details

For over two decades FMDs have been used by the Buckleboo enterprise. With an estimated annual cost of production of \$1.2 million each year, the opportunity to set aside \$800,000 in reserves to manage the cost of production is an essential part of this operation's risk management strategy.

The decision to incorporate FMDs into the plan was made in consultation with the businesses long-term accountant coupled with the families' knowledge and experience of the industry.

The last three years being 2018-2020, annual rainfall for this SA farm has been well below average. When considering whether to draw down on their FMDs the Baldocks had a conversation with their accountant regarding cash flow. Without income derived from crops, the discussion with their accountant consisted of looking at combination of increasing the overdraft

and drawing down on FMDs. Tax implications were a part of that discussion especially in the context of income averaging.

The Baldock's have drawn down on their FMDs for the last three years to assist with running costs for the business which includes staff wages, inputs, overheads, and business development. Many of these costs cannot be put on hold and if so, would be of detriment to the sustainability of the enterprise long term.

Tristan believes that the FMDs have enabled his family's business to continue to operate and without this tool the business would be worse off. Recovery from the past three years would have been a lot longer and would have seen the need to consider other government assistance and increasing debt.

4. IMPROVEMENTS TO FMDs

GrainGrowers believes that the Scheme is one tool in a suite of measures that growers need to access to manage the risks associated with climate change and market fluctuations. GrainGrowers believes that FMDs are an effective tool that require some adjustments to ensure they reflect the realities of farming practices.

It is important to note that grain growers, do not make decisions regarding their business and its cropping operations in isolation. The use of trusted advisors be they agronomic or financial experts are important to the success of a farming business. The decision to take out an FMD is often done in collaboration and from advice provided by either an accountant, financial planner, bank manager or all in combination. Of those surveyed, 42 respondents indicated that information or understanding of the Scheme is a barrier to uptake. If the government were considering opportunities to improve understanding of the FMD scheme, this should be done in consultation and collaboration with those trusted advisors of farm finance and not in isolation.

In recent years, the impacts of drought have also influenced the decision of many growers to engage in the Scheme choosing to place any income back into the business to address the ongoing cost of operating. This was noted in the GrainGrowers' survey with drought and operational costs identified as primary reasons for drawdowns in the last 24 months (refer to Section 3)

Currently, FMDs assist some grain growing enterprises in achieving the policy intent to support farmers in managing the risks associated with climate variability and market fluctuations, however there are impediments or barriers preventing some farmers from deriving value and becoming more financially self-reliant. Below are recommendations that GrainGrowers believes will address such barriers that are preventing the policy intent being achieved by all farming enterprises.

Access of Company and Trust Structures

GrainGrowers believes that FMDs should be made available to all farming businesses rather than solely available to individuals. As outlined in the 2012 *Tax in Agriculture*¹⁰ paper there is inequality in the current system where companies and trusts are excluded. In addition, the current arrangements forgo consideration that the activities of farming are the responsibility of the individual rather than that of the business entity. With trusts accounting of 32% of structures in the grains sector it is important that the Department of Agriculture, Water and Environment consider this position. In the 2021, GrainGrowers survey of the 142 respondents who do not use FMDs, 70 indicated that their business structure is impeding upon their ability to access and engage with the Scheme. GrainGrowers acknowledges that there would be a need to measures are in place to avoid any harm to the Scheme's integrity.

Recommendation

Farm Management Deposits should be made available to all farming business (i.e. companies and trusts) to improve uptake and effectiveness as a risk management tool.

¹⁰ Australian Government, Rural Industries Research and Development Corporation, Tax in Agriculture (2016) accessed via <https://www.boyceca.com/assets/uploads/1/files/Tax%20in%20Agriculture.pdf>

Treatment at time of cessation

Upon the unexpected cessation of a grain grower due to illness of health or death, an FMD must be withdrawn in full that tax year. This can result in excessive taxation liability which can impair the work of prior tax planning. This issue also fails to see that the activity of the business typically still carries on either by a spouse, business partner or succession children. Ultimately the business is disadvantaged and the individual at risk. It is GrainGrowers' belief that the FMD should be brought back into the business over a two-to-three-year period (through the estate of the deceased) or alternatively the additional income taxed at an average tax rate. Consideration needs to be given to how this recommendation is treated if the executors seek to dissolve the estate in a shorter period.

Recommendation

Farm Management Deposits to be brought in line with taxation rules regarding the treatment of a taxpayer when they pass away. Specifically, being that the Australian Government enables FMDs to be brought into account over a 2 or 3-year period, or the additional income taxed at average rates, upon the unexpected cessation of a primary producer.

Individual holdings in Farm Management Deposits

GrainGrowers has previously called for the cap of the FMD scheme to be increased to the current level of \$800,000 to better reflect the evolving nature of farm businesses and maintaining its value in real terms over time. Whilst this recent policy change was welcomed, GrainGrowers believes that the issue of the holdings limit should be considered as part of the ongoing evaluation of the FMD scheme's effectiveness in the context of does it remain relevant to the agricultural industry overtime. The current cap of \$800,000 was assessed in the context of the *2015 Agricultural Competitiveness White Paper*¹¹ and whilst consideration was given the trend of increasing farm size and input costs in half a decade thing have continued to increase and risk exposure to climate change has also risen.

Recommendation

The Australian Government undertake a review of the Farm Management Deposit threshold cap with full engagement and consultation with industry. The review of the cap should be included in the scope of the ongoing evaluation process undertaken by the Department of Agriculture, Water and Environment.

"Non-primary producer" income definition and threshold

GrainGrowers' believes that it is the right of individual grain growers and their business to make the decision on how best to manage their risks. It is also important to recognise that growers are not making these decisions on their own. Like using professional agronomic advice, grain growers are all too familiar with accessing professional services such as accountants, bank managers and financial planners to advise on the best risk management strategies for that enterprise and what stage it is at. Through this advice diversifying risk through other income streams becomes a common occurrence within the agricultural industry. As noted earlier in this submission, cost of production is continuing to increase and even in a year when growers choose not to plant because of seasonal conditions there are still financial responsibilities that need to be appropriately managed.

GrainGrowers, believes that under the current definition of 'non-primary producer' certain activities that are becomingly increasingly common to farming are being overlooked. Such activities relate to carbon farming and alternative energy sources. GrainGrowers would like to see the Australian Government review the definition in addition to considering if the threshold of \$100,000 is appropriate given the current operating environment.

¹¹ Australian Government, Agricultural Competitiveness White Paper (2015) accessed via https://www.agriculture.gov.au/sites/default/files/documents/ag-competitiveness-white-paper_0.pdf

Recommendation

The 'non-primary production' income eligibility to be reviewed and consideration be made to ensure it reflected modern business practices.

Reporting and evaluation

GrainGrowers supports the ongoing evaluation of all government programs and policies to deliver continuous improvement. This current FMD review seeks to make comments on the effectiveness of the Scheme based upon particular 'in-scope' elements. GrainGrowers would like to see FMD reviews to report on indicators and the success of the FMD program relating to their impact on business resilience and self-reliance.

Through engagement in this review process, the agricultural industry has been asked how participation rates in the FMD scheme could be improved. GrainGrowers believes this is a very narrow instrument for determining success of the program. Further engagement with industry needs to occur to ensure that the effectiveness and success of the program is appropriate. For an instrument such as 'participation' or 'uptake' simplifies the situation and does not consider the complexity of agriculture, the structures of operations, and the broader environment. Currently, 23%¹² of the 93,000 farmers eligible for the FMD scheme have taken up the product. To suggest this number is not a measure of success would be disappointing. There is a significant amount of farmer invested funds in the Scheme which has a significant impact upon a business' resilience either as a financial reserve or when drawn down and put back into the business. To report this number without consideration of the wider narrative is not helpful for the scheme or the industry. Context is significant, for example, someone may choose not to engage for they are in a business phase of growth and are seeking to reinvest any profit back into the business.

Recommendation

Australian Government to review and strengthen key performance indicators for the Scheme and expand consideration of success beyond uptake of mechanism by farm businesses.

¹² Department of Agriculture, Water and Environment (2021) via Farm Management Deposit consultations

CONCLUSION


GrainGrowers welcomes the opportunity to provide a submission to the *Evaluation of the Farm Management Deposits Scheme*. The grains industry has continued to provide significant contributions to the Australian economy and public good. It is critical the growers are empowered to manage the volatility of production, climate, and markets, irrespective of the size of their operation. Given there remains no insurance available to growers to manage drought and cropping losses, FMDs remain a useful tool to protect farmers.


Once again, we fundamentally believe that Farm Management Deposits Scheme (FMDs) and should be continued with improvements made considering the recommendations outlined in this submission.





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