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SUBMISSION

FARM MANAGEMENT DEPOSITS

I am a Farm Management Consultant of some 55 years standing with clients in the Southern Sheep Belt of Western Australia within a 75 km radius of Darkan. Clients are mainly owner occupied family farms running self replacing Merino sheep flocks together with around 50% of the land utilised for cropping. The total client base run a significant number of sheep with at least 5% of the Western Australian sheep flock.

The original genesis of FMD was in "Drought Bonds" an excellent concept. They are now extended to be utilised for fluctuations in profit caused by such as exceptional circumstances of climate or price. Essentially they prove to be DIY risk management and thus preclude the requirement for Government assistance.

They are particularly useful in Western Australia especially in the Sheep Belt. This area is never declared drought affected largely because of the definition of that circumstance which their climate never fits. However, the climate of that area does present problems to those farmers operating within it. In particular:-

- Climate change which has altered what was a very stable situation to one of great variability and in particular much lower annual rainfall in some years.
- The break of the season has become less predictable with false breaks or late breaks occurring with some frequency.

A good season tends to provide a satisfactory return whereas bad seasons with the requirement for extra hand feeding, low productivity and stock reduction can lead to serious losses. Incomes that used to be reasonably stable are nowadays very variable.

Farm Management Deposits provide an ideal risk management opportunity for this fluctuating profit scenario.

A popular thought among the farming community is the possibility of all risk insurance. This has two problems for our clients

- 1) There is no thought of applying such insurance to livestock
- 2) The very cost of such insurance is above its return because of the requirement for insurers to make their own profit. As far as I can determine it is only successful in the world where government subsidies apply.

I see FMDs as a much better and more cost effective alternative not only for the farmer but also for the government.

Farming is essentially a risky business. Risk management is therefore important. In an area where government assistance has never been granted, self help is essential. FMDs provide the facility for this risk management and their continuation is vital to the health of our clients businesses.

A handwritten signature in black ink, appearing to read 'JRL Hall AM', with a stylized flourish at the end.

JRL (Bob) Hall AM
Consultant