



27 April 2021

FMDS Evaluation Secretariat
Department of Agriculture, Water and the Environment
fmds.evaluation@agriculture.gov.au

Evaluation of the farm managed deposits scheme

The Australian Banking Association (ABA) welcomes the opportunity to contribute to the Department of Agriculture, Water and the Environment 's (DAWE) evaluation of the farm managed deposits scheme.

Some ABA member banks have indicated they are providing feedback directly to the FMDS Evaluation Secretariat.

Industry level observations are outlined below.

Industry level observations

Outcomes for primary producers

Farm management deposits are a useful risk management tool to assist farmers to manage the volatility of farm incomes. While FMDs are a useful tool for many farmers the scheme should not be positioned as the primary mechanism for encouraging financial resilience. The scheme is more likely to be used by farmers who are profitable and understand what it takes to be sustainable and mitigate future risk.

A number of farmers using FMDs appear to be using the scheme as primarily a tax management tool. Some banks have noted that drawdowns are not as common as may be expected with most account holders only accessing the FMD when times are very challenging.

Administration of the FMDS

The scheme allows the account holder to move the tax payment point into the future. This can present a challenge when winding-up an estate. For example, if the FMD is held by parents, it becomes a taxable income for those that inherit estate, shifting the tax burden to the next generation.

An operational challenge, for farmers and their financial advisors, is presented in the tracking and time stamping deposits, particularly when people amalgamate into one account. If it was made simpler, there would be more uptake from advisors and farmers.

Legislative framework (including 2016 policy changes to the scheme)

The ABA and member banks supported doubling the deposit limit from \$400,000 to \$800,000 in 2016. Average deposits are currently well below this threshold.

The 2016 legislative amendments removed the restriction that prevents Authorised Deposit-taking Institutions (ADIs) from offering FMDs as offset accounts. Providing an offset arrangement should be a commercial decision for an individual bank.

Coordination and Support

The uptake of FMDs could be increased by improved awareness amongst farmers and financial advisors. Note, banks are able to promote FMDs and their benefits, however not in a position to give tax nor product use advice.



Possible changes to the FMDS.

The ABA and our member banks believe that FMDs should remain fit for purpose:

“The FMDs were designed to encourage increased financial self-reliance among primary producers. It is a tax-linked financial management tool that aims to improve the capacity of primary producers to manage financial fluctuations caused by environmental and market conditions”¹.

That said, if the intention is for more farmers to access the product, then Government may wish to consider extending FMDs to companies and trusts.

The ABA asks that Government consult with the banking industry at an early stage on any proposed policy changes to the FMD scheme that result from the evaluation. Banks are well positioned to provide insight into the potential impacts of policy reforms and implement and support potential policy changes to the scheme.

If you have any questions or would like to arrange further engagement with our members, please contact me on [REDACTED] or via email [REDACTED]

Yours sincerely,

Signed by

Amanda Pullinger
Policy Director

¹ Farm Management Deposits Scheme Evaluation 2021 Terms of Reference, p.1