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30-4-2021

Submission to the Department of Agriculture, Water and the Environment on the review of the Farm Management Deposit Scheme

Introduction

Cotton Australia is the national peak body representing Australia 1400 cotton growers and ginners. In New South Wales (NSW) our growers are located from the NSW/Victorian Border, to the NSW/Queensland Border, primarily within the following river valleys – Murray, Murrumbidgee, Lachlan, Macquarie, Namoi, Gwydir and Border Rivers.

In recent time we have also significant interest and investment targeted at expanding the Australian Cotton Industry across Northern Australia, in Queensland, Northern Territory and Western Australia.

As an industry we strive to be Viable, Value and Advanced.

Cotton Australia is an active member of the National Farmers Federation (NFF), endorses its comprehensive submission to this Review, and supports its recommendations. Consequently, this submission will be very brief.

General Comments

Cotton Australia has reviewed the Terms of Reference and sought input from a cross-section of our growers. The feedback we have received, both direct from growers and financial professionals has been remarkably consistent with those articulate in the NFF submission.

Cotton Australia would like to make the point that the Farm Management Deposit Scheme is one of the very few measures available to irrigators in term of any assistance to manage climate variability, and/or drought.

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Cotton Australia notes that the fact the total FMD balance has been growing, does not indicate lack of genuine use of the scheme. Rather a review of balances over the past decade shows significant fluctuation that demonstrate a pattern of both withdrawals and deposits, which is consistent with the participants using the scheme in the way it was intended, and not as a deliberate tax mitigation tool.

Cotton Australia recommends the following actions (consistent with the NFF's submission):

- FMDS eligibility be explicitly extended to other business structures, such as trusts and partnerships;
- limits on off-farm income be reviewed;
- the FMDS allow the drawdown of FMD accounts over three years for unforeseen circumstances, such as death;
- the cap on deposits be regularly reviewed every three years for its appropriateness given climate and market conditions;
- increased education and awareness on the benefits and implications of various drought measures, including the FMDS; and
- ensuring other government settings promote the use of FMDS, such as prudential regulations.

Conclusion

Cotton Australia looks forward to engaging further with the Federal Government on this review. For further information on this brief submission, or to respond, please contact – Cotton Australia General Manager, Michael Murray – 0427 707868 – Michaelm@cotton.org.au.

Submission ends

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