



Pastoralists' Association

of West Darling Inc.

Registered under NSW Government Fair Trading

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Farm Management Deposit Scheme Evaluation 2021 Submission

The Pastoralists' Association of West Darling (PAWD) has been representing the interests of pastoralists in the far west of NSW since 1907, and takes this opportunity to make the following submission to the Department of Agriculture, Water and the Environment (DAWE) evaluation team.

The Western Division of NSW recently experienced the lowest recorded rainfall over any four year period on record from 2017 to 2020. The majority of agriculture businesses in the area are solely livestock production businesses. During this four year period almost all business activity was curtailed from less than forty percent of normal capacity to zero capacity. The following three case studies are members lived experiences which have been generalised for privacy reasons.

In 2019 at the height of the drought Producer 1 withdrew one hundred thousand dollars from FMD's. This was used to purchase sixty thousand dollars' worth of fencing material and the remainder was used to pay a contractor to install the fencing, with the following outcomes.

- Producer 1 was able to continue with the farm improvement program without jeopardising existing cash flow.
- Jobs were created for local contractors at a time when there was a severe downturn in available work assisting the contractor to remain working in the area.
- The additional fencing gave Producer 1 extra capacity to manage livestock under very trying circumstances.

After purchasing a property in 2015, Producer 2 was faced with buying stockfeed during the period of 2017 to 2020. Supplementary feeding in western NSW is mostly only undertaken during times of severe drought. Whilst all producers have the ability to stockpile feed, the length and severity of this drought depleted feed stocks nationwide, causing price increases of over two hundred percent in some cases. Producer 2 was also destocking to maintain cash flow and reduce feed costs.

- Producer 2 was able roll over FMD's to purchase feed, this eliminated the need to sell stock to maintain cash flow or redraw on existing facilities.
- With the use of FMD's Producer 2 was able to exit the drought with additional stock numbers while meeting repayment obligations and not increasing debt load on a fledgling business venture.

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Producer 3 made the decision early to completely destock and put the proceeds into FMD's until the drought was over, and has since used the FMD's to restock.

- Producer 3 was able to safeguard what was "forced sale" income and reduce the risk of a tax shock when cash flow had stopped.
- Producer 3 now has the ability to withdraw FMD's to continue to restock and has cash flow to meet taxation requirements.

The three producers in the case studies have used FMD's in a different way, but all have come through the drought in a much better position than if the facility was not available to them. This added self-reliability has reduced the need for government intervention, reduced financial stress and kept the businesses viable in the harshest of droughts.

Agriculture is unique in the way to which it is exposed to risks associated with variations in the weather. Accordingly, cashflow can be very erratic and difficult to manage. The FMD system is a very useful tool for moderating the peaks and troughs in income and expenditure.

Access to the FMD system encourages the sale of livestock when they need to go as drought approaches, otherwise livestock producers may be inclined to hold some livestock sales over into a new financial year. Doing so could be a bad outcome in terms of welfare of the livestock, and the condition of the land they are running on.

The Western Division of NSW has a widely varying rainfall, and livestock markets are at the whim of many outside factors and can also vary extensively. PAWD fully supports the current FMD system and that the status quo is maintained.

For additional information please do not hesitate to contact the Association via the contact details below.

Yours faithfully,

Terry Smith.
Senior Vice President.