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The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

Response to Farm Management Deposit Reforms

Livestock SA is the body incorporated to represent and promote the interests of beef cattle, sheep and goat producers in South Australia. We have over 2,500 members, predominantly sheep and cattle producers, spread throughout the State and on their behalf take this opportunity to respond to the proposed reforms.

Firstly we would like to congratulate the Federal Government for the foresight in making these changes and can see substantial benefits to primary producers in South Australia.

By increasing the limit an individual can have at any time to \$800,000, this enhances the risk management capacity of a property manager immensely. As restructure in the grazing industries is occurring, the previous figure of \$400,000 was not in line with potential gross income. For example a property running 5,000 Merino breeding ewes and 2,000 merino wethers and weaning 90% lambs to ewes mated; keeping 550 wether weaners and 1,350 ewe weaners per annum could have an annual gross income of \$500,000. If running 5,000 crossbred ewes for prime lamb production, the figure could be \$600,000 and running 500 breeding cows it could be \$400,000.

If such properties suffered a full blown drought or a series of failed autumns/springs then the gross income could change drastically. Under the previous limit of \$400,000 a drought lasting two years would most likely cause all the FMD funds to be drawn down. With the increased limit the chances of seeing out a difficult drought are increased substantially.

By allowing Farm Management Deposits (FMD) to be linked to existing primary production debt and allowing an off -set arrangement, this will reduce debt servicing costs. Added short-term advantages may be the extension of existing overdraft facilities due to unexpected circumstances. In these cases the lender can be comfortable with the knowledge there is additional security available if the problem is not resolved short-term.

By allowing the early withdrawal of funds, within the 12-month period of making this deposit, due to severe drought has real merit and gives the risk management process on many farms in South

Australia an increased level of comfort. In some cases such droughts can be short-term and may last more than six months but less than two years; say a failed autumn and spring. This may play havoc on reproductive performance, ability to finish stock or the need to buy in fodder. This early withdrawal allows the farm operator to replace loss of income with FMD funds and not incur increasing debt to meet continuing costs. Or on the other hand the early withdrawal could be used for the purchase of fodder to enable breeding stock to be retained rather than sold.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Geoff Power', with a long horizontal flourish extending to the right.

Geoff Power
President Livestock SA