Rabobank

Media Release
June 13, 2013

Good news 'on the horizon' with Farm Management Deposits – Rabobank

There is good news 'on the horizon' for farmers wanting additional flexibility to invest in Farm Management Deposits (FMDs), with proposed legislative changes that would see a lift in the threshold for off-farm income to $100,000 per annum.

Rabobank group executive for Country Banking Peter Knoblanche says the planned change – which was recently announced along with the Federal Government's Farm Finance package – would provide additional flexibility to farmers investing in FMDs, following on from another legislative change last year which allows for FMDs to now be held with multiple institutions.

"In our experience, the amount of allowable off-farm income – which currently stands at $65,000 per annum – has been a restricting factor for many farmers wanting to take advantage of investing in FMDs," he said. "As this off-farm income includes everything from contract harvesting to investment returns, off-farm employment and hosting renewable energy projects, a significant number of farmers have been ruled ineligible to take out FMDs.

"This new change, which is proposed to take effect from July 1, 2014, should open the way for farmers who have previously been excluded from this very useful income-smoothing tool."

Mr Knoblanche said the planned increase in the off-farm income threshold followed a review of the FMD scheme by the National Rural Advisory Council (NRAC), which went further, recommending a full phasing out of the threshold by 2020.

"The council's recommendation was that enhancing participation in the FMD scheme would, on balance, be best served by removing the non-primary production income threshold. However the NRAC recognised that as this would be a significant change to the scheme, it would be prudent to phase the threshold out, rather than suddenly removing it," he said.

Rabobank senior manager deposits Carlos Vieco said FMDs were available to primary producers as an effective financial management tool, allowing income to be set aside in better farming years to access later when cash flow was tight.

"FMDs can be used by farmers, who don't exceed the threshold for off-farm income, to set aside pre-tax income from more profitable years and earn interest on this money," he said. "The FMDs can then be redeemed, after 12 months, at a time when there is a cyclical downturn in agriculture."

The investment can be fully tax deductible in the year of the deposit and only taxable in the year of the withdrawal. Deposits must usually be held for a minimum of 12 months to qualify for these tax benefits.

Mr Vieco said Rabobank FMDs allowed primary producers to choose from a range of competitive options including variable, short-term fixed and long-term fixed. Rabobank currently offers a rate of 4.25 per cent p.a. for one and two-year fixed term FMDs.

“Producers are able to choose the FMD that best suits their financial needs from a range of options for a minimum investment of $1000 up to a maximum of $400,000 per person allowed under the scheme,” he said.

FMDs are covered by the Australian Federal government guarantee of deposits, which protects combined deposit balances of up to $250,000.

All interest payments and withdrawals from Rabobank FMDs are directly credited to a nominated bank account and no account service fees apply.

Rabobank is the world’s leading food and agribusiness bank, and one of Australia and New Zealand’s largest rural banks and a major provider of corporate financial services to the region’s food and agribusiness sector. For more information, please visit www.rabobank.com.au.

<ends>

Rabobank Australia & New Zealand is a part of the international Rabobank Group, the world’s leading specialist in food and agribusiness banking. Rabobank has more than 110 years’ experience providing customised banking and finance solutions to businesses involved in all aspects of food and agribusiness. Rabobank is structured as a cooperative and operates in 47 countries, servicing the needs of approximately 10 million clients worldwide through a network of more than 1600 offices and branches. Rabobank Australia & New Zealand is one of Australasia’s leading rural lenders and a significant provider of business and corporate banking and financial services to the region’s food and agribusiness sector. The bank has 93 branches throughout Australia and New Zealand.

Media contacts:

Denise Shaw
Media Relations
Rabobank Australia & New Zealand
Phone: 02 8115 2744 or 0439 603 525
Email: denise.shaw@rabobank.com

Jess Martin
Media Relations
Rabobank Australia & New Zealand
Phone: 07 3115 1832 or 0418 216 103
Email: jess.martin@rabobank.com