



**Rabobank**

**Media Release  
April 23, 2014**

## ***Changes to FMD scheme to benefit farmers in a 'big way' – Rabobank***

The Farm Management Deposits (FMD) Scheme is set to benefit primary producers in a 'big way' come this July with the planned introduction of legislative changes to amend the scheme, says agribusiness banking specialist Rabobank.

The Australian Government is moving to amend the provisions of the legislation to allow farmers with a number of eligible FMDs (held with different or same financial institutions) to consolidate these into a single deposit without facing adverse tax consequences of withdrawing and immediately redepositing FMDs.

In addition, the amendments will increase the amount of taxable off-farm income that an individual can earn in a tax year from \$65,000 to \$100,000 before they are prevented from accessing the FMD tax concessions which will increase the number of primary producers able to access the FMD Scheme. The Australian Government will also be exempting FMDs from the unclaimed moneys provisions.

Rabobank senior manager for deposits Carlos Vieco says these proposed legislative changes to the Farm Management Deposit Scheme – which, if passed, are scheduled to take effect from July 1 – will provide numerous advantages to farmers who will be able to consolidate their deposits into one account, rather than have them managed separately.

And, Mr Vieco says the changes to the scheme – along with a robust financial performance by farmers in a number of states due to bumper seasons last year – are likely to see a strong increase in the amount of funds invested in FMDs this year.

“Basically, in the past, each year when a farmer opens a Farm Management Deposit account, those accounts have been run individually based on their original start dates,” Mr Vieco says.

“Soon, taxpayers will be allowed to consolidate multiple FMDs that they might hold with their banking service providers and run those under the one account, without facing adverse tax consequences, providing the FMDs have been held for one year or more and meet appropriate tax deductible status.

“This is a huge benefit to farmers – there is less administration involved and therefore fewer costs to worry about – and from an accounting perspective, it's far simpler and more cost effective to review one account than multiple accounts.”

Previously, farmers have only been eligible to take out FMDs if they had a taxable non-primary production income of no more than \$65,000 in the year of the deposit and with an investment of no more than \$400,000 per farmer.

Farm management deposits are designed to help primary producers smooth out the 'ups and downs' associated with agribusiness.



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“You can set aside pre-tax income in good years for use in those lower income years,” Mr Vieco says.

“These days, farmers are becoming a lot more sophisticated in how they manage their money and their taxation – agricultural enterprise balance sheets have evolved to become quite complex, so anything that can be done to simplify managing these cash flows, and importantly, to extract more value for the farmer, is a good thing.”

Following an average to above-average season in some parts of Australia – and, particularly after the excellent harvest in SA and WA – Mr Vieco expects farmers will be well-placed to take advantage of the recent FMDs legislation changes to get the best return on their production. And this is likely to see a big demand for FMDs in 2014.

“As at March 31 this year, Australian farmers had a total of \$3.2 billion held in FMDs,” Mr Vieco says.

“Looking at industry expectations for interest in FMDs this year, we may see an increase of more than \$600 million additional investment in FMDs in June alone. This represents growth of approximately 10 per cent year-on-year.”

For more information, please contact Rabobank on 1300 30 33 or visit [www.rabobank.com.au](http://www.rabobank.com.au).

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***Rabobank Australia 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 42 countries, servicing the needs of approximately 10 million clients worldwide through a network of close to 1600 offices and branches. Rabobank Australia is one of the country's leading rural lenders and a significant provider of business and corporate banking and financial services to the Australian food and agribusiness sector. The bank has 61 branches throughout Australia.***

**Media contacts:**

Denise Shaw  
Media Relations  
Rabobank Australia & New Zealand  
Phone: 02 8115 2744 or 0439 603 525  
Email: [denise.shaw@rabobank.com](mailto: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](mailto:jess.martin@rabobank.com)