



Dr Lindsay Campbell
Faculty of Agriculture and Environment

Thursday, 3 March 2016

Committee Secretary,
Senate Economics Legislation Committee
PO Box 6100,
Parliament House, Canberra, ACT 2600.

Re: Inquiry into Tax and Superannuation Laws Amendment (2016
Measures #1) Bill 2016

This brief submission largely relates to Farm Management Deposits (FMD). I write this submission in a private capacity and it may not represent the views of the University of Sydney or the Faculty of Agriculture and Environment.

Australia has historically and currently continues to have a very variable climate especially with respect to reliability of rainfall. The reliability of rainfall is often reflected in the difference between the average and median rainfall for (say) a given month. Thus an assessor should focus on the median rainfall and the standard deviation for rainfall, not simply the average rainfall. To give a simple illustration: the rainfall for a month is 120mm and no further rainfall occurs during the year: thus the average monthly rainfall is 10mm (120/12).

The next issue is when the rainfall occurs: over large areas of Australia, rainfall is either summer dominant (northern Australia) or winter dominant (much of southern Australia). Thus it is not unusual for no rain or very little to occur for six months or more; in common language, this is called the dry season. Does this constitute a drought especially when the rainfall during the dry season is highly variable and typically low? To give an example, it is not uncommon in parts of the Western Australian wheatbelt to have opening rains in May with the season finishing in September.

Farm Management Deposits (FMD) were instituted as a method to cope with a variable climate (read rainfall). It is my belief that FMD's should be used to 'drought proof' a property. As a condition of an FMD¹,

¹ When a FMD is commenced or added to, development of a farm management plan must be a prerequisite. The aim is to make farms more

farms (with FMD's) must develop farm management farms to cope with a variable climate². For instance, these plans should have *inter alia* soil management plans including erosion minimisation; nutrient management plans (including nutrient efficiency and environmental considerations); water management (water harvesting, dams, irrigation, evaporation and evapotranspiration, soil water availability); weed management plans (to deal with annual, herbaceous or woody weeds); pest management (eg rabbits, foxes, wild dogs, feral pigs etc.); disease management plans for livestock and/or crops as well as biosecurity issues relating to the enterprise(s); livestock welfare under variable climates etc. Extensive livestock enterprises should consider risk management (for selling livestock) including available pasture at a given date³, condition of stock, probability of rain etc.

FMD's should relate to a given property and not have transportability between properties. Consideration should be given to have a FMD for property A and another FMD for property B etc with the proviso that the sum of the FMD's does not exceed the cap.

Likewise, the early withdrawal provisions should only apply for the farm experiencing the agreed rainfall deficits and not be transferable to other properties.

The committee may wish to consider implications of FMD's on marginal land, particularly cropping land. As an example, the Goyder's Line (drawn in the mid 1860's) is a well known line demarking the boundary between 'reliable' and 'marginal' land for cropping in South Australia. In good years, crops can be grown north of this line; in other years, crops fail. Such marginal lands are prone to erosion when cropping occurs in other than good years. Would a FMD encourage cropping or similar activities in marginal land?

Some specific comments are:

1. Item 1.23. The Bureau of Meteorology should be given funds to establish a wider network of sites collecting weather data. This would help to eliminate the reliance on sites quite distant to a property resulting in more accurate assessment of 'local' rainfall.

Perhaps a percentage of funds invested in FMD's could be levied to help fund a greater number of weather collecting sites.

productive in the Australian environment and have better risk management. It also makes Australian agriculture more competitive in a global market.

² Farm management plans must be developed within two years of entering into the FMD.

³ All too often livestock producers gamble heavily that rain will come without avail: the result is loss of condition of livestock, low prices paid for animals in poor conditions, and degradation of soils for future pasture production.

2. Item 1.25. A minimum of six months holding of the land is open to gaming - for instance, in regions that experience wet and dry seasons.

3. Item 1.18. In 5. Rather than 'aquatic' read 'freshwater'. For example, it is possible that farming prawns in the Gulf of Carpentaria would qualify for FMD's. Furthermore, there may be need to be more specific in the second dot point in item 1.16 in this regard.

Unless there are restrictions on FMD's as outlined above, FMD's could be used in farming in oceans.

4. Items 1.29 and 1.31 The rationale for an offset is stated for flexibility and reduced funding costs. This may be the case but it also reduces the taxation liability.

5. FMD's are likely to benefit large farms or high intensity small-area farms than small farms. The committee may wish to examine data of ABS on the distribution of farm income and productivity.

On a separate issue, the bill deals with changes to the GST treatment. One can only ask: has the committee examined the means of collection for these goods and services, what integrity measures will be put in place and how will compliance be evaluated? These and other issues may warrant further consideration and maybe defer the implementation to minimise subsequent litigation, costs and community good will (an important part of Australian society).

Yours sincerely,

Dr Lindsay C. Campbell.