



David Littleproud MP

Federal Member for Maranoa

Media Statement

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Banks must release FMD offsetting options now: Littleproud MP

FEDERAL Member for Maranoa David Littleproud has called on the major banks to match Rural Bank's new Farm Management Deposit (FMD) financial offsetting product to help producers reduce their interest costs.

"Although the Coalition Government made the necessary changes in 2016, the major banks are still not offering offsetting options to farming customers and given the huge potential this has to help farmers with their interest bills each year, this inaction really concerns me," Mr Littleproud said.

In appearing before the Economics Committee's Review of the Four Major Banks – NAB, ANZ and Westpac were reluctant to say whether they'd offer offsetting options, citing it was too complex and costly to change their systems.

Mr Littleproud said the fact that Rural Bank has created this product demonstrates the major banks had given nonsense excuses, and that greed was the only reason banks were reluctant to create this product for their agribusiness customers.

Offsetting already commonly exists in home lending but Mr Littleproud believes the major banks' reluctance to create this product was more likely about preserving the higher margins charged on agricultural loans over home loans.

"The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimates these offsetting accounts are likely to reduce the interest rate burden by \$150 million and, in my view, farmers are being left high-and-dry by their banks," he said.

The major banks also raised the legal complexity in offsetting a loan account in the name of a corporate entity or trust with the interest accruing in an FMD account, which is required to be held in the name of an individual.

However, Mr Littleproud confirmed this initiative is confined to family farming operations which are predominantly operated by an individual or under a partnership structure.

"There are nearly four times as many of those enterprises in the agricultural sector, than there are trusts or corporate entities and this is about preserving the family farm for generations to come", he said.

Mr Littleproud has written to all registered FMD scheme financial institutions that have not yet created an offsetting product, seeking answers as to when they expect to release their first FMD offsetting product to eligible farming customers.

Fact box:

The Howard Coalition Government created the FMD Scheme to enable farmers to deposit primary production income in good years into FMD accounts, serving as a tax deduction in the year of deposit, only becoming taxable upon withdrawals in later years.

The Coalition Government's Agricultural Competitiveness White Paper 2015 raised the following changes, which took effect in 2016:

- Eligible farmers can now deposit up to \$800,000 in a FMD account, which doubled from \$400,000.
- Removal of restrictions placed on the FMD scheme to allow financial institutions the option of providing FMD accounts that provide an offset on a farm business loan.
- In Australia, there are more than 46,964 FMD accounts with a total value of deposits of \$4,294,321.
- In Queensland, there are more than 9131 FMD accounts with a combined value of \$921,140.
- According to the Australian Business Register, there are 201,044 businesses operating as an individual or a partnership in the agricultural sector and only 52,117 operating through a trust or a company.
- ABARES estimated that if all FMD accounts were used to offset loans, the benefit to the farming sector in reducing interest savings could amount to \$150 million per year.

For more information on FMD's and eligibility, visit: www.agriculture.gov.au/ag-farm-food/drought/assistance/fmd

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