



# Analysis of Farm Management Deposits Scheme key performance indicators

## 2022–23 findings

Financial Policy and Business Support Branch

### Background

As part of ongoing monitoring and evaluation activities, the department developed revised key performance indicators (KPIs) for the Farm Management Deposits (FMD) Scheme following the [2021 scheme evaluation](#):

- 1) Long term, stable rolling averages or increases in number of FMD accounts and total FMD holdings.
- 2) A ratio that shows a positive relationship, at an industry level, between changes in farm cash income and changes in FMD holdings.

‘Industry level’ refers to industries for which ABARES collects farm cash income data for (beef, sheep, cropping, and dairy).

The first KPI measures stability or growth in scheme uptake over time. Confirmation of stability or growth shows the scheme provides the agriculture sector with an effective financial buffer and an increased ability for primary producers to manage risks. A 10-year rolling average is used in the calculation to account for fluctuations in scheme use between seasons.

The second KPI demonstrates that primary producers are using the scheme to suit their individual circumstances to manage financial risk and enhance their financial capacity. The ratio is calculated by dividing the percentage change in annual net FMD holdings by the percentage change in average farm cash income (FCI). The net change is calculated on the difference between 1 July and 30 June.

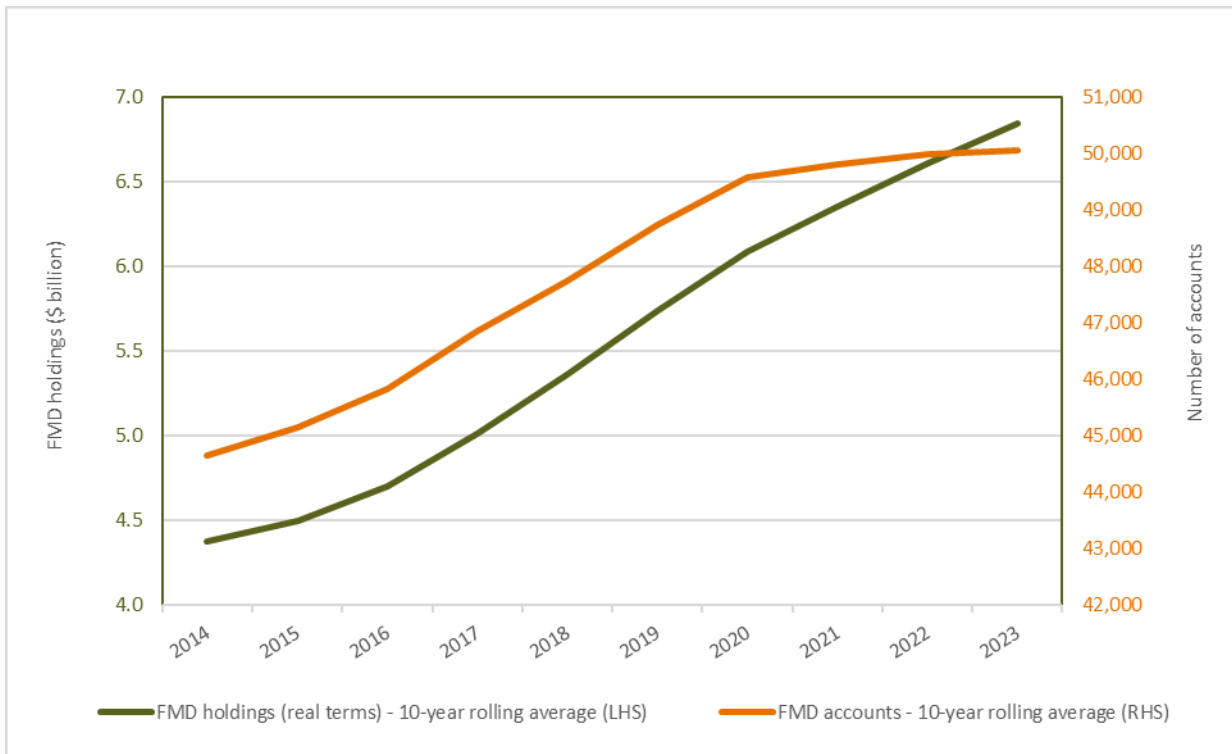
The KPIs are calculated and considered annually, supported by ABARES analysis.

### KPI 1: FMD accounts and holdings

At 30 June 2023, the 10-year rolling average of accounts remained stable, increasing by 0.1% to 50,047. The 10-year rolling average of FMD account holdings increased in real terms by 3.5% to \$6.84 billion, coinciding with continued strong seasonal conditions and farm performance across much of Australia in recent years (Figure 1).

Note: The number of accounts does not indicate the number of primary producers participating in the FMD Scheme as a primary producer may hold multiple FMD accounts with different authorised deposit-taking institutions (ADIs).

**Figure 1: 10-year rolling average of FMD account holdings (real terms) and number of FMD accounts, at 30 June each year**



Note: Dollar values are presented in real terms (adjusted to 2022–23 values). Adjusting to real terms removes the effect of inflation and allows financial values across different time periods to be compared in like terms. ABARES adjusts for inflation using the [consumer price index](#) supplied by the Australian Bureau of Statistics.

Sources: [Australian Agricultural and Grazing Industries Survey](#) and [Australian Dairy Industry Survey](#), and [DAFF FMD statistics](#)

## KPI 2: Farm cash income and FMD holdings

For 2022–23, a positive relationship between changes in farm cash income (FCI) and FMD holdings was observed for each assessed industry (Table 1). FCI decreased in 5 of the 7 industries. This coincided with a decrease in FMD holdings. FCI increased for two industries (cropping and dairy), coinciding with an increase in FMD holdings.

**Table 1: Ratio of annual percentage change in FMD holdings to annual percentage change in farm cash income (FCI), 30 June 2023**

Industry	Annual % change in FCI	Annual % change in FMD holdings	Ratio of annual % change in FMD holdings to annual % change in FCI
Beef	-14.7%	-1.3%	0.09
Sheep	-20.7%	-11.4%	0.55
Cropping <sup>a</sup>	+11.8%	+8.1%	0.69
Sheep-beef	-26.0%	-8.3%	0.32
Mixed livestock and cropping <sup>b</sup>	-15.0%	+6.2%	0.32
<b>Total broadacre<sup>c</sup></b>	<b>-6.4%</b>	<b>-1.4%</b>	<b>0.22</b>
Dairy	+19.3%	+6.2%	0.32

**a** Cropping is reported as 'grain' in monthly FMD statistics **b** Mixed livestock and cropping is reported as 'grain-sheep/beef' in monthly FMD statistics. **c** Broadacre comprises: beef, sheep, cropping, sheep-beef, and mixed livestock and cropping.

Sources: [Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey](#), and [DAFF FMD statistics](#)

In addition, ABARES used a log-log linear regression model to test that the relationship between FCI and FMDs holds over time and is statistically significant. ABARES conducted a log-log linear regression on data for broadacre, cropping, mixed livestock and cropping, beef, sheep, and sheep-beef from 2002. A log-log linear regression is a statistical method that finds the relationships between a dependent variable and one or more independent variables. The inputs to the linear regression model were the dependent variable (value of FMD holdings) and the independent variable (value of FCI), by industry. The FCI data for these industries are sourced from [Australian Agricultural and Grazing Industries Survey and Australian Dairy Industry Survey](#), which are run annually by ABARES. The value of FMD holdings was sourced from monthly data provided to DAFF by ADIs.

The results from the model show evidence that a positive, long-term relationship exists at the industry level, excluding dairy, between FMD holdings and FCI. [Previous ABARES analysis](#) highlighted that individuals use FMDs to suit their particular circumstances, with usage varying by industry, location and farm size. Dairy producers typically experience more consistent cashflow than broadacre farmers, which may contribute to the way they use the FMD Scheme.

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