

SUBMISSION TO THE REVIEW OF THE REGIONAL INVESTMENT CORPORATION ACT 2018

**PREPARED BY GRAINGROWERS
JANUARY 2024**

19 January 2024

Department of Agriculture, Fisheries and Forestry
GPO Box 858
CANBERRA ACT 2601

Via web portal: Review of the operation of the RIC Act | Have Your Say - Agriculture,
Fisheries and Forestry

To whom it may concern,

Re: Review of the operation of the RIC (Regional Investment Corporation) Act

GrainGrowers welcomes the opportunity to provide feedback to the Review of the operation of the RIC Act. GrainGrowers has provided feedback on the areas of the discussion paper based on grower experiences and feedback.

We recognise and acknowledge that the RIC has supported 2,975 agricultural businesses in financial need and has provided an efficient, nationally consistent, and well-regarded service to agricultural producers.

The government should continue to provide publicly funded concessional loans through the RIC

Australian agricultural production operates in the public good as it sustains food security, domestic production, food affordability and is the life blood of rural economies. Concessional loans to agriculture (especially in preparation for events outside of grower control including drought) bolsters stable food supply, economic resilience and can support better environmentally sustainability outcomes. Supporting agricultural production through loans directly contributes to the broader public interest and welfare, with a high economic multiplier effect.

Concessional loans can have negative impacts, but this is negated by the function of the RIC

Support for continuation of marginal businesses going through hardship as a consequence of drought or natural disaster can deliver large positive GDP multiplier effects and ensure the mid to long term viability of a farm business, provided the correct discipline is in place in relation to lending criteria.

Concessional loans could have unintentional negative impacts if used to prolong the operation of financially unviable businesses. The RIC has demonstrated it has mechanisms in place to avoid these outcomes. The RIC currently uses a robust lending structure, similar to other banks that ensures that loans are merit based and issued based on criteria that include metrics around the ability of the borrower to repay the debt on commercial terms. Through this method of lending through the RIC there remains an efficient market system that does not bias itself toward the rescue of financially unviable businesses.

Are the RIC's functions still relevant?

As shown in the "RIC Farm Loans customer Insights Report 2023"¹, 75% of survey respondents indicated they had had applied for a drought loan from the RIC. The second largest category of loan applied for was the Farm Investment loan. This demonstrates that the core demand from RIC's customers remains firmly in the area of drought resilience, and farm investment. The 2023 Insights Report clearly shows that the range of product offerings provided by the RIC remain relevant and should be retained.

The RIC can offer additional products to help its integration with overall sectorial emissions reduction plans and further value add for growers

The RIC was established primarily to help growers prepare for, endure, and recover from drought (and should remain the case). GrainGrowers believes the RIC should continue to perform its existing functions while expanding its role as a lender enabling agricultural 'green loans' that would address issues related to climate change and sustainability.

There is a need to escalate capital flow into agricultural innovation to assist growers in adapting to a changing climate.

For example, the Farm Investment Loan (FIL) administered by the Regional Investment Corporation (RIC) is limited by its requirement to lend only in response to drought or other hardships.

GrainGrowers believes that a revision of the RIC directive, enabling it to extend loans to small to medium sized farming enterprises investing in emissions-reducing innovations would have significant benefits as a new pilot scheme.

RIC could increase its integration with overall sectorial transition plans and support government environmental targets. Along with this change in scope, GrainGrowers calls for \$50 million of existing RIC funding to be allocated to this pilot that focuses on supporting farmers in adopting low emission practices, initiatives and technologies. This funding should not be contingent on current disaster, hardship, or drought triggers.

¹ [RIC -Customer Insights Report_cl.pdf](#)

Examining RIC lending criteria which currently requires applicants to hold a minimum of 50% of debt with a commercial lender

The current lending criteria requires applicants to hold a minimum of 50% debt with a commercial lender in order to obtain RIC finance.

This 50% threshold requires examination to see if a lower limit may be more suitable in the promotion of RIC products. This could increase the viability of a new loan class that would allow the RIC to write green loans (as mentioned earlier in this submission).

For this new class of loan it may be reasonable for no minimum, or a much lower level of debt, to be held with another lender in order to promote investment uptake by small to mid-sized entities that do not currently have debt (or low levels of debt) but would like to access capital through the RIC to invest in low emission practices, initiatives and technologies.

Fixed vs. variable interest rates

The RIC currently issues variable interest rate loans. It should be examined if the RIC can also offer fixed rate loans to better suit the risk management profile of individual farming business. This may help the further uptake of RIC loan products with product offerings comparable to or superior to commercial lenders.

Maximum Loan amounts

The maximum loan amount of \$2 million dollars is no longer fit-for-purpose or reflective of relevant inflationary factors. This limit needs to be increased to a minimum of \$5 million for RIC packages to maintain relevance and offer a viable alternative to commercial lenders.

This recommendation should apply to drought loans, investment loans and AgriStarter loans alike. This increase would also apply to new products.

Governance arrangements of the RIC

GrainGrowers has no particular concerns regarding the governance of the RIC. We note the need to ensure that the Board's skill matrix is well-balanced; and support the requirement for at least one member of the Board to possess agribusiness experience and an understanding of the financial viability and operation of farm businesses.

Should we be able to provide further assistance or if there are any enquiries relating to this submission, please do not hesitate to contact me via [REDACTED].

Yours sincerely,

Sean Cole
Advocacy and Rural Affairs Manager