



10 January 2024

Dr Wendy Craik AM
RIC Act Review
Department of Agriculture, Fisheries and Forestry

Dear Dr. Craik,

RE: Review of the Operation of the Regional Investment Corporation Act 2018

The National Farmers' Federation (NFF) welcomes the opportunity to provide a submission to the Review of the Operation of the Regional Investment Corporation Act 2018.

The NFF is the national peak body representing Australian farmers and agriculture. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and length of the sector, the value of which reached a record high of \$92 billion in 2022-23.

The NFF supports the Australian Government's ongoing responsibility to provide the agriculture sector with access to financial incentives and concessional loans to support farm businesses to prepare for, manage and recover from drought. The NFF has long supported the role of the Regional Investment Corporation (RIC) in delivering concessional loan products to farm businesses on behalf of the Australian Government, to strengthen agriculture and build regional communities.

The RIC has successfully supported 2,975 agricultural businesses in financial need to access requisite capital and a greater degree of financial relief. The impact of the Drought Loan and the Farm Investment Loan has been particularly significant, effectively enabling farm businesses to prepare for, manage through and recover from periods of drought. While it is important to acknowledge that excessive loan application processing times and complexity diminished the value of the RIC during severe drought conditions, the overall impact of the RIC since 2018 has been extremely positive. Further, the addition of the AgriStarter Loans has been well-received by industry, in recognition of the need to support new entrants to the industry and ensure the next generation of Aussie farmers.

The scope of the RIC's activities after 30 June 2026

The NFF strongly supports the continuation and extension of the RIC's activities after 30 June 2026. The RIC's loan package policy objectives strongly align with the NFF's National Drought Policy. Existing loan packages aim to:

- Assist farm businesses to prepare for, manage through and recover from periods of drought;
- Support the long-term strength, resilience and profitability of Australian farm businesses by helping them to build and maintain diversity in the markets they supply, and take advantage of new and emerging opportunities across Australia and overseas;
- Assist new entrants to farming looking to purchase, establish or develop their first business and support farming succession arrangements.

Concessional lending is a fundamental pillar of Australia's drought policy and the NFF sees that it will continue to play an important role in ensuring the long-term resilience of Australia's agricultural sector. The objectives of the RIC remain relevant to the sector's needs and will continue to be relevant in the long term.

The Intergovernmental Panel on Climate Change (2022) supports that climate change, including increases in the frequency and intensity of extremes, has reduced food and water security.¹ As Australia's weather and climate continue to change in response to a changing global climate, droughts are forecast to become more frequent, severe, and longer-lasting in many regions.² The impact of climate change on food production in Australia is wide and complex. There will continue to be times when even the most prepared and resilient will need support, as conditions exceed what small-to-medium businesses can withstand.

However, Australian farmers are managing a series of challenges that have a significant, cumulative impact on their resilience: a relentless succession of extreme weather events, unstable availability and sky-high cost of critical inputs, labour shortages, threats of disease and both pre- and post-farmgate supply chain disruptions and inefficiencies perpetuated by the pandemic and increasing geopolitical conflict. Additionally, the National Farmer Wellbeing Report (2023) found that 88% of Australian farmers have had their farming operation significantly impacted by natural disasters over the past five years, with an average cost of \$1.4 million per farm. Further, the report supports that, in recent years, half of Australian farmers (45%) have felt depressed, with almost two-thirds (64%) experiencing anxiety.

With drier conditions forecast across the country,³ it has never been more important to provide industry with the assurance that measures such as the RIC

¹ IPCC, *Summary for Policymakers* (2022).

² CSIRO, *State of the Climate 2020* (2020).

³ Bureau of Meteorology, [El Niño and positive Indian Ocean Dipole declaration](#) (2023).

will continue to support Australian farmers in the years to come. Farmers require certainty that fundamental policy tools will be available when and if they need them.

Governance arrangements for the RIC

The NFF has no substantial concerns or comments regarding the governance of the RIC. We note the need to ensure that the Board's skill matrix is well-balanced: at least one member of the Board must possess experience regarding agribusiness and the financial viability of businesses within the agricultural sector.

Effectiveness of the RIC and concessional loans as a policy tool

The NFF believes the RIC has achieved national consistency and resulted in better outcomes for farmers.

As stated above, the NFF views concessional lending as a fundamental and effective pillar of the Australian Government's drought policy, supporting farmers in and through times of drought-induced crisis. RIC loans offer profitable farmers a financial lifeline on favourable terms, allowing them to better manage cashflow challenges and cover essential costs such as feed, water supplies, maintenance strategies, or re-finance existing debt to free up more capital for these essential activities.

Through the RIC's Drought Loan and Farm Investment Loan, farmers are supported not only to endure the unpredictable and increasingly frequent challenges of drought but also to implement sustainable and resilient practices that contribute to the long-term viability of Australian agriculture.

By providing additional access to discounted finance, these loans can de-risk the farming sector (to a certain extent) and, by extension, reduce the risk inherent in the agricultural loan book. Discussions with the banking sector suggest that concessional loans offered in these circumstances do not adversely impact commercial players. RIC criteria which requires applicants to hold a minimum of 50% of debt with a commercial lender further supports this notion.

The Farm Investment Loan encourages long-term planning and resilience, by allowing farmers to invest sooner and more significantly in technology, infrastructure, innovation and adaptive strategies to enhance productivity, risk management and generally strengthen the business. This type of loan supports businesses to recover from drought and equally contributes to longer-term preparedness objectives. The RIC undoubtedly supports farm businesses' long-term strength, resilience and profitability.

Moreover, concessional lending also importantly contributes to the overall economic stability of rural communities by sustaining livelihoods and promoting agricultural growth. It is well established that farming communities suffer the diverse consequences of drought conditions; ensuring the profitability of farm businesses also ensures the social and economic prosperity of surrounding, reliant communities.

Legislative framework and eligibility criteria

The RIC's ability to ensure that loan packages, eligibility and terms and conditions are fit-for-purpose and responsive to market factors is significantly constrained by its legislated mandate. No two farm businesses are the same. Farm businesses, like all businesses, have differing and unique financial needs.

The NFF supports that the RIC's mandate can better reflect the broad needs of our sector. This can be achieved by providing the RIC with greater power to adjust eligibility criteria and ensure terms and conditions are appropriately flexible. At a minimum, the RIC should have the power to adjust criteria once loan products are in-market. This will improve the accessibility of support for primary producers. Further, as it stands, the RIC is unable to be agile and responsive to economic factors and industry-specific pressures. To remain relevant to the industry in the long-term, loan eligibility criteria and terms and conditions must account for the soaring cost of land prices and critical farm inputs.

Rabobank's Australian Agricultural Land Price Outlook (the Outlook) shows agricultural land prices across the country rose by 29 per cent (median price per hectare) in 2022, with cropping land increasing by 29 per cent, livestock grazing land by 26 per cent and dairy by 29 per cent. The Outlook indicates that agricultural land was on track for another year of strong price growth in 2023.

Rural Bank's Australian Farmland Values 2023 report found that over the past nine years, the national median price of Australian farmland has risen by 167 per cent at a compound annual growth rate (CAGR) of 11.5 per cent, with the exceptional growth rates seen in recent years now lifting the national 20-year CAGR to 8.5 per cent.

The cost of production for farmers has also dramatically increased in recent years. The past few seasons have seen farmers pay record-high prices for critical inputs including fertiliser, chemicals and energy, perpetuated by geo-political conflict, post-pandemic supply chain disruptions and generally insecure supply. Australia's headline inflation rate is the highest among the world's largest advanced economies, which is prompting concern about interest rate implications.

To remain relevant to farm businesses, broader economic and industry dynamics must be regularly reflected by changes to the RIC's eligibility criteria and terms and conditions. As a starting point, the NFF recommends:

- The maximum loan amount of \$2 million dollars is no longer fit-for-purpose when considering a combination of inflationary factors and rising cost-of-production. 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. With increasing costs across the board, this recommendation applies to drought loans, investment loans and AgriStarter loans alike.
- The RIC should explore longer-term loan options and a combination of fixed versus variable interest rate loans. Farmers need increased flexibility to determine which loan is most suitable for their farm businesses and their unique financial circumstances. Particularly relevant to the AgriStarter loans, longer-term loans reduce the size of periodic payments and can further de-risk entrance to the industry.
- Drought loans should include, or have the ability to include, a minimum two-years interest free, as recognition of the need to support farm businesses to manage through severe or prolonged drought conditions. The announcement in November 2019 of a two-year interest-free period on the RIC's Drought Loans, and a further three years of interest-only repayments, was incredibly well-received by drought-affected farmers. Despite lengthy processing times, this loan package effectively eased pressure on farm businesses, often being used to refinance existing debt at a lower rate to free up cash flow to assist in everyday operations during the drought.
- Diversifying income is a valuable and common risk management strategy. Expanding farm businesses to create or expand value-add capacity and explore new markets is also an increasing and encouraged domestic trend. As more farmers seek to expand and diversify their income, current eligibility criteria regarding the percentage of income to be earned from the farm businesses, and the percentage of labour contribution, will be prohibitive for otherwise eligible and legitimate primary production businesses. The need to reflect this industry practice change must be balanced with ensuring only legitimate agribusiness applicants and primary production businesses can access support.
- In regard to the AgriStarter loans, the NFF supports further consideration as to how to better support applicants with less capital or assets available to them e.g. through enabling security interests over livestock agistment arrangements etc..

Products and services

As discussed above, NFF feedback suggests that the Drought Loan, Farm Investment Loan and AgriStarter Loans are all valuable tools and continue to contribute to the sector's long-term strength and profitability. Although beneficial in their current form, greater flexibility and eligibility criteria adjustments within these products would ensure they continue to be fit-for-purpose.

Industry's future needs and challenges

The NFF's [2030 Roadmap](#) outlines our industry vision to exceed \$100 billion in farm gate output by 2030. It provides extensive insight into the megatrends influencing our ability to achieve this goal, in addition to our industry's aspirations, actions, impacts and metrics to which we hold ourselves accountable. We strongly recommend the RIC consider this document to better understand the opportunities for agriculture in the next decade.

Further, Australian agriculture is increasingly challenged by a range of factors including extreme weather events, the availability and increasing cost of critical inputs, labour shortages, infrastructure challenges, threats of disease and both pre- and post-farmgate supply chain disruptions and inefficiencies. Perpetuated by the global pandemic, geopolitical tensions and extreme weather events, the past few years have seen many of these factors reach boiling point. The resulting pressure on Australian production systems and supply chains has translated to significant price volatility on supermarket shelves.⁴ Ultimately, our sustainable food security will be determined by how we as an industry are supported to overcome the myriad of risks, vulnerabilities, disruptions, challenges and increasing costs that underpin Australia's food production.

We refer the RIC to the NFF's submission to the House of Representatives Standing Committee on Agriculture's (the Committee's) inquiry into food security in Australia, which outlines the interaction of both non-supply chain vulnerabilities, such as drought and disease, in conjunction with supply chain related vulnerabilities to assess the holistic risk to Australia's food security. By way of summary, these include:

- the availability and cost of key inputs such as fuel, machinery and spare parts, ag-vet chemicals, fertilisers and seeds;
- reliance on overseas labour and expertise;
- the ability to manage biosecurity and climate risks;
- the inefficiency of Australia's freight and logistics systems; and
- fragility and monopolisation of market access arrangements for agriculture.

⁴ CHOICE, *Consumer Pulse Survey*, 2022.

Additional RIC products and services

It has been a long-term objective of the NFF to maintain or expand existing concessional loan products for farm businesses in relation to drought and encourage the consideration of new concessional loan products (see [NFF National Drought Policy](#)).

To maintain relevance, the RIC must maintain a strong connection to industry outside periods of drought. The RIC and loan packages must be diverse, adaptable and flexible. Loans beyond the traditional remit of the RIC help to maintain the RIC's capacity, capability, effectiveness and connection to industry both during and outside periods of crisis.

With this context, the NFF recommends that the RIC offer loan packages to support farmers to invest in the adoption of practices, infrastructure and technologies that improve environmental sustainability, reduce emissions, improve efficiency, and increase productivity, without being contingent on existing disaster, hardship or drought funding triggers. As explored above, increasingly frequent and severe climate-related challenges will require farmers to significantly invest in building resilience through infrastructure, technology adoption and practice change. Investing in renewable energy technologies can also generate cost-saving benefits to address the rising cost of production for farm businesses.

Concessional lending is a useful policy tool and the RIC is well-placed to expedite and increase sustainability-driven, on-farm investment. It can be difficult for small-to-medium farm businesses to access the required capital through commercial lenders on sustainable terms to invest in these improved practices, technology and infrastructure, albeit incredibly important for the longevity of the businesses. We do not see adverse competitive consequences for commercial lending under these circumstances. Rather, we hope a RIC loan package of this nature would drive commitments, through the RIC and commercial lenders alike, to enable farmers to better adapt to climate challenges and further support emission reduction and environmental outcomes.

Finally, the NFF notes the importance of ensuring that traditional drought loan products are available to farmers when required. Funding for these products should be maintained and appropriately separated from additional products and services.

Funding model, operations, and loan delivery

The RIC's funding model requires improvement to facilitate its current functions and future longevity.

In conjunction with the recommendation that the RIC continue to operate beyond 2026, the NFF recommends that repayments made on RIC loan products remain in the RIC instead of returning to consolidated revenue, as is currently the case. A sustainable funding model will ensure the RIC's existence into the future, provide the industry with long-term policy certainty in the face of an increasingly challenging operating environment, and continue to support the long-term profitability of Australia's agricultural production.

First Nations engagement and inclusion

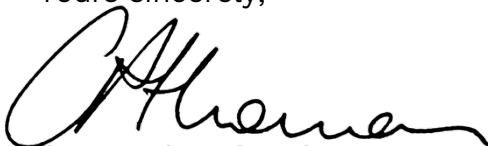
The NFF refers the review to consider the findings of the NFF's Report [*Realising the Opportunity*](#) (May 2023).

Adjustments to the AgriStarter Loan packages particularly should be considered to ensure opportunities available for Indigenous businesses to access capital are designed in line with cultural considerations and nuances. Broadly, the design of capital in terms of application, verification and proof of progress requirements is not reflective of the diverse ways of doing business.

As supported by *Realising the Opportunity*, Indigenous agricultural leaders and enterprises need confidence they can succeed in attracting and utilising investment in circumstances that may not include a typical corporate boardroom scenario. Further, they need to have the option to demonstrate return on investment according to their own timelines and indicators, in line with traditional land and water management practices and general Indigenous ways of working. If capital investment opportunities can be expanded through a cultural lens, Australia's government and financial sectors may just unlock a whole new realm of thriving Indigenous business opportunities.

The NFF thanks you for the opportunity to provide input to the Review of the Operation of the Regional Investment Corporation Act 2018. The policy contact for this matter is Charlotte Wundersitz, Senior Policy Officer (Trade & Economics), via e-mail [REDACTED]

Yours sincerely,



CHARLES THOMAS
A/CEO