



Australian Government



Ref: RIC 23-78

12 December 2023

[REDACTED]
Department of Agriculture, Fisheries and Forestry
70 Northbourne Avenue,
CANBERRA ACT 2601

Dear [REDACTED],

Department of Agriculture, Fisheries and Forestry: Agriculture, land and emissions – Discussion Paper

Thank you for your request for feedback and comments on the Agriculture, Land and Emissions discussion paper. The RIC (Regional Investment Corporation) seeks to provide a submission to the Department of Agriculture, Fisheries and Forestry (DAFF) regarding what role the RIC could play around providing incentive for investment toward delivering a reduction in emissions and expanding carbon storage across agriculture and the land.

RIC is a Corporate Commonwealth Entity and Special Investment Vehicle (SIV) governed by an independent board appointed by, and accountable to, the Minister for Agriculture, Fisheries and Forestry and the Minister for Finance. Within the SIV ecosystem, RIC is the exclusive financing entity for the pre-farmgate agriculture sector. Our capability ranges from loan origination, customer management, loan management supported by a contact centre and an agri-lending assessment team. This is a unique capability and customer base amongst SIVs.

We deliver government policy through concessional loans to farm businesses, and farm-related small businesses, to build a stronger regional Australia. Our loans deliver growth, resilience and adaptation which supports regional Australia, government, and the agriculture industry. We are committed to ensuring farm businesses and farm-related small businesses are well positioned to prepare for, manage through and recover from adverse conditions.

Since our inception in 2018, the RIC has approved \$3.209 billion in loans which have assisted more than 2,900 farmers and farm-related business owners navigate natural disaster, encourage growth, investment, and resilience, as well as presenting an opportunity to modernise and diversify. We are a high volume, lower value lender (currently the maximum loan amount is \$2m).

A key barrier to progressing on-farm emissions reduction is access to sustainable finance. Commonwealth Bank Australia (CBA) and National Australia Bank (NAB) currently offer marginally discounted funding through their Agri Green Loan product lines, toward transitioning to more environmentally sustainable business practices such as soil sequestration, development of carbon

sinks, and switching to regenerative farming practices. Recent data collated by NAB revealed that demand for green equipment finance increased by 59 per cent, and demand for energy efficient, agricultural equipment finance, grew by 226 per cent, between April and June 2023.

Separate NAB research stated that one in five small-to-medium enterprises strongly intend to invest in improved business sustainability over the next two years, although there are limited financial products currently accessible to specifically support sustainability outcomes. The existing market is only accessible to very large producers, or those with strong credit positions effectively as a “lending extension” product for banks wishing to issue further debt. Our customers are viable mid-scale farming enterprises who are experiencing external financial disruption, or barriers to accessing capital.

Banks are typically less willing to finance the high upfront costs and longer timeframes that sustainability projects require, given that these investments may require short-term cash flow trade-offs that compromise loan servicing capability, particularly for smaller enterprises.

The RIC’s legislation currently restricts it from providing loans primarily for sustainability activity; however, this may be reviewed as part of the current Statutory Review underway of the RIC Act. We have engaged in preliminary discussions with the Clean Energy Finance Corporation and DAFF around the possibility for a concessional loan product that would address this known market gap and accelerate the uptake of sustainable agricultural practices allowing farm businesses to overcome the finance barrier to undertake sustainability activities.

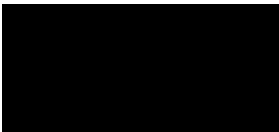
A concessional loan targeted at sustainability would support the Government’s priorities to increase biodiversity, improve soil health, achieve a 30% reduction in methane emissions and 43% reduction in greenhouse gas emissions by 2030, and achieve net zero emissions by 2050, while maintaining a productive and sustainable agriculture sector that supports farmers to adapt to changing consumer trends and access new markets. Incentivising sustainability through concessional lending is the most cost-effective way for the government to lower entry barriers and achieve its targets, through widespread incentivisation of farm businesses across Australia.

If a specialised concessional loan product that makes sustainable practices more financially accessible and viable for mid-scale farmers is deemed a policy delivery option, the RIC is positioned to facilitate the deployment of this loan product into the Australian agriculture sector. Concessional lending could diminish the perceived high-risk associated with such investments, which is especially pertinent given the increased frequency and severity of climate-related hazards impacting Australian agriculture and safeguard the resilience and sustainability of the Australian agricultural sector against the challenges posed by climate change.

The RIC is available and should be considered as a possibility for future lending in this space should funding be identified to deliver policy outcomes in RIC’s primary producer sector.

Should the [REDACTED] require further information, please contact me on [REDACTED] or email [REDACTED].

Yours sincerely



John Howard
Chief Executive Officer