

RIC Farm Loans

Customer Insights Report

2023



**Strengthening
Australian agriculture**

Acknowledgement of Country

RIC acknowledges the Traditional Custodians of Country throughout Australia and their continuing connection to lands, waters and community. We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past, present and emerging.



A message from RIC CEO John Howard

Welcome to our RIC Farm Loans Customer Insights Report 2023. RIC (Regional Investment Corporation) is an Australian Government farm business lender strengthening Australian agriculture through our low-cost loans for farmers.

For more than 5 years, we have supported Australian farmers in times of drought, natural disasters and other financial disruptions. We have also helped new farmers start their farming journey and next generation farmers to keep family farms in the family through succession planning.

In just over 5 years since 1 July 2018, we have settled almost 3000 low interest loans valued at over \$3.20 billion.

Since 2020, we have asked our customers to tell us about the difference their RIC loan has made to their farm business and their outlook on the agriculture industry. This year, we're pleased to bring you our 2023 survey responses and our first public report.

The response this year was outstanding with more than 500 customers completing the independent survey. We value the feedback and insights from our customers who have shared their experiences. We are extremely grateful for their contribution, efforts, and time allocated to share their thoughts.

Our customers told us RIC loans are making a big difference with almost 9 in 10 (86 per cent) agreeing they are more confident, almost 9 in 10 (88 per cent) have recovered easier from tough financial times and more than 8 in 10 (83 per cent) now more drought resilient.

Farming is unpredictable and sometimes events happen outside a farmer's control, but we're pleased to see RIC loans are making a meaningful difference to the financial wellbeing, confidence and outlook of Australian farmers and the regional communities where they live.

*Farm Loans Customer Insights Report 2023 independent online survey conducted by JWS Research in July 2023 with a sample size of 504 existing RIC loan customers.

Highlights 2023

86%

Agree their RIC loan has given them greater confidence in the future of their farm.

88%

Agree their RIC loan has made drought, natural disaster or external disruption recovery easier.

83%

Agree their RIC loan enabled them to improve their drought resilience.

55%

Agree their RIC loan enabled their farm to keep operating, without it their farm would not have survived.

79%

Agree their RIC loan allowed them to pay down debt.

76%

Agree they have greater confidence in the long-term future of the agriculture industry.

Agriculture looks different today

Unpredictability is part of Australian farming, however ABARES modelling shows that over the past 20 years, climate change has reduced the average Australian farm's profitability by 23 per cent*.

Return to El Nino drying conditions is placing financial uncertainty on Australian farms and small farm-related businesses. Downward pressure on livestock and produce commodity prices continues to be a burden on income, with meat markets over-correcting by more than two-thirds in just 12 months.

The highs which followed the recent severe drought from 2017-2020 are now a distant memory. Changing climate and severe weather events causing natural disasters are more frequent, cumulative and prolonged. In times of hardship, farmers need access to capital to be sustainable and grow.

The face of agriculture is changing with the average age of a primary producer 56 years, 17 years older than the average Australian worker. While young people are keen to move on-farm, access to land, high property prices, cost of living pressures and rising interest rates are barriers.

Exponential advances in digital technology, innovation and automation are helping to manage risk, prepare and recover yet understanding cost to benefit ratios are relatively unknown causing reluctance to invest. Similarly, 'know-how' in this space remains a challenge for some farmers.

Most Australian farms remain family owned and operated. Their contribution to rural and regional communities is highly valuable. The complete agricultural supply chain including food and fibre industries, contributes over 1.6 million jobs to the Australian economy, building thriving regional communities.

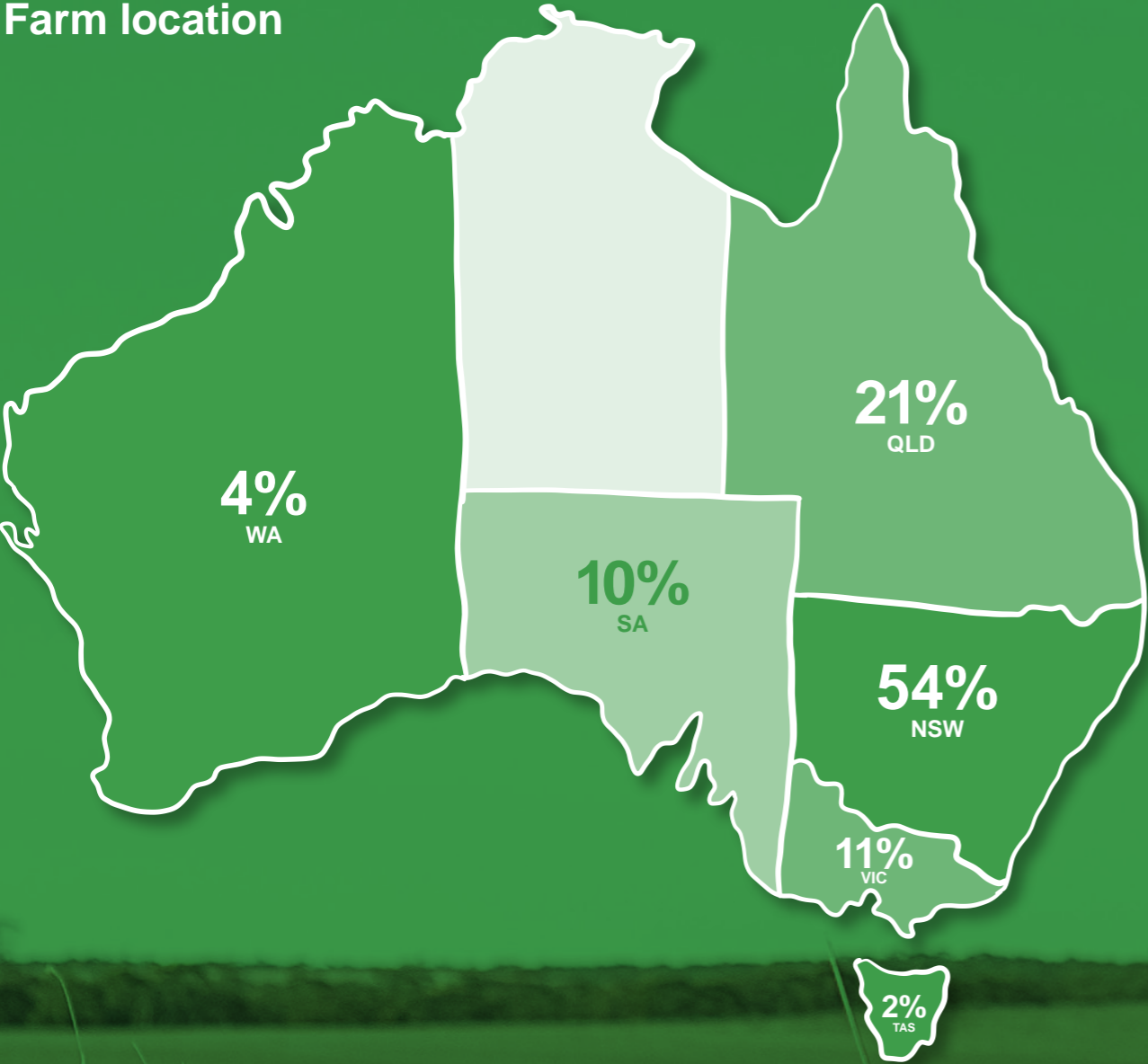
Investing in regional Australia through agriculture has a direct and long term impact on sustainability and resilience bringing community and economic benefits such as, regional jobs, business productivity to support big regions and small towns. This is why RIC exists – financial 'breathing space' for farm businesses to better endure unforeseen impacts, strengthening agriculture as the backbone of the Australian economy.

Source: ABARES Insights 2023

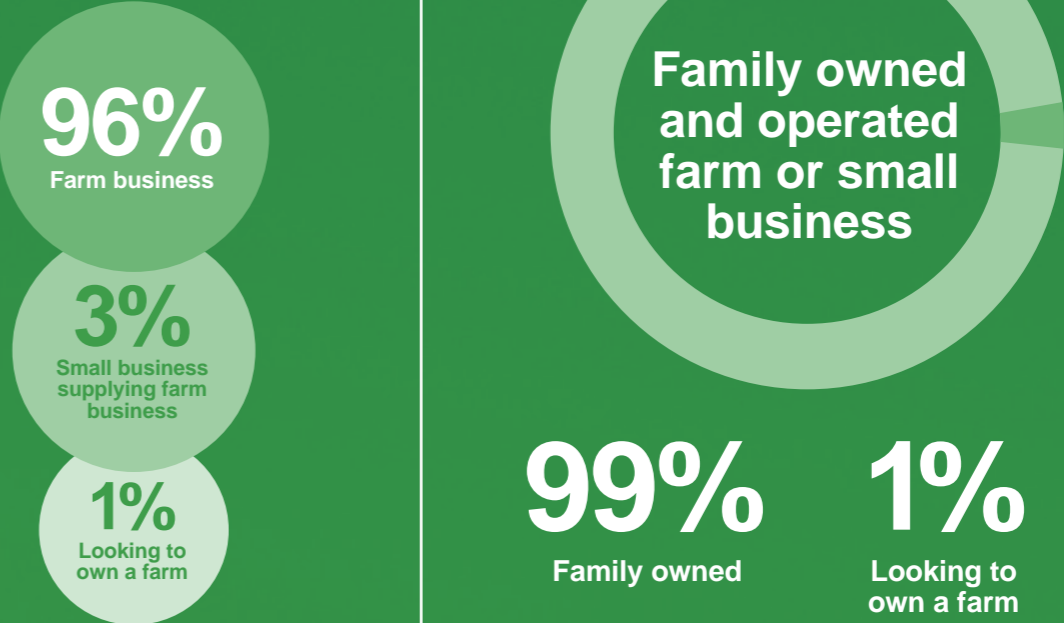
In 2023, more than 500 RIC loan customers responded to our independent survey.

Here’s what they told us about themselves and their farm business.

Farm location



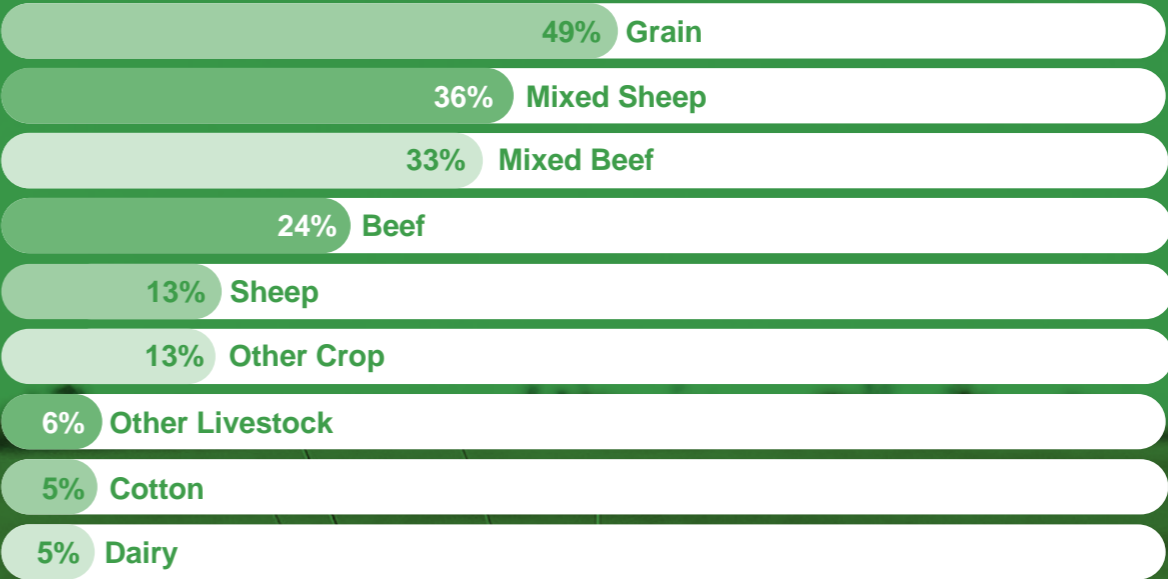
Farm or business ownership status



Length of time farming



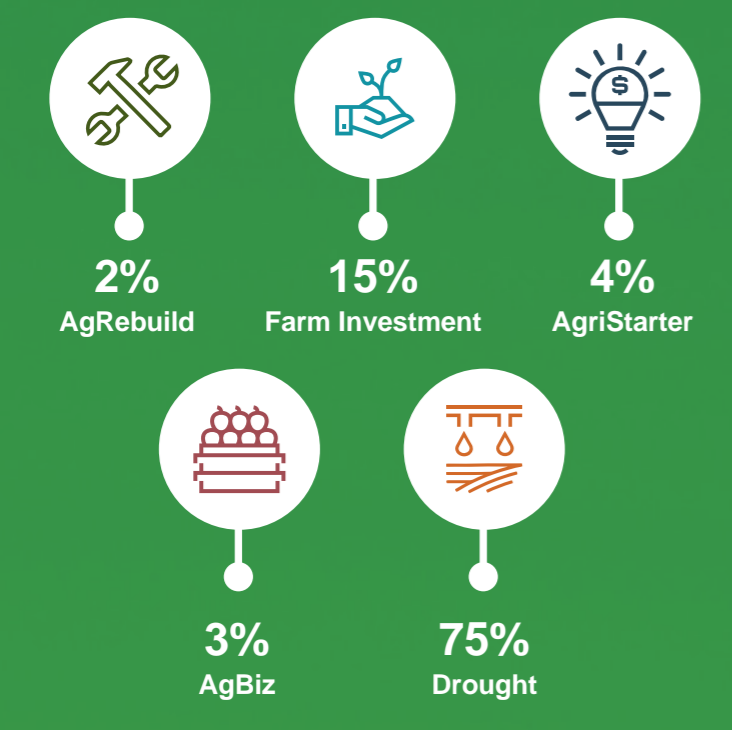
Type of farm (multiple responses allowed)



RIC survey respondent demographics



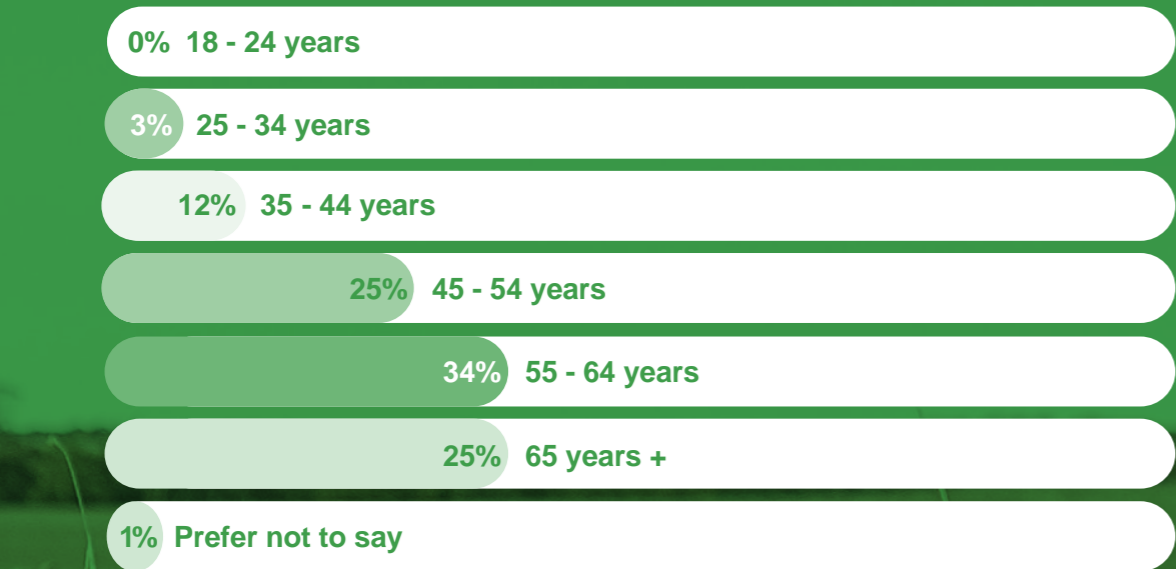
RIC loan applied for



Top 3 source of awareness



RIC loan customer demographics



RIC farmers are more confident in their farm, better equipped to recover from disaster and more drought resilient

Since the earlier years of RIC's operations, we have asked our customers through independent research what their RIC loan has meant to them and their outlook for the future. Over the years more questions have been introduced including some on financial wellbeing and drought resilience, which is why some boxes are blank below.

This year nearly 9 in 10 (86 per cent) agreed their RIC loan has given them greater confidence in the future of their farm. Although slightly higher in 2022 (89 per cent), most likely due to the bumper agriculture season and historically low commercial interest rates, RIC customers are still confident in their future.

Almost 9 in 10 (88 per cent) of respondents agreed their RIC loan has made recovery from drought, natural disaster or external disruption easier, down slightly on 2022 (91 per cent) but higher than 2021 and 2020 (both 83 per cent) coming out of the last drought.

The nature of the agricultural production today is constantly evolving, and we're pleased to be able to support our customers with our low interest loans after an unexpected financial disruption to get back on their feet and plan for the future.

Australian agriculture is stronger through market diversity, particularly family farms, and more than half (55 per cent) of survey respondents agreed their RIC loan enabled them to keep operating after an unexpected financial disruption helping to maintain this diversity.

At RIC we are about making a difference and strengthening Australian agriculture and are proud to see our customers feeling more optimistic about their future even in more challenging times.

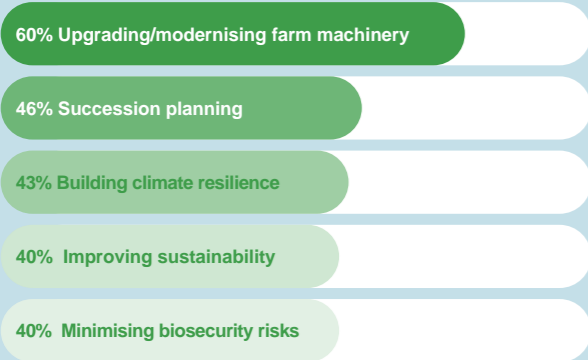
2020	2021	2022	2023	
83%	83%	91%	88%	Agree their RIC loan has made drought, natural disaster or external disruption recovery easier
-	86%	89%	86%	Agree their RIC loan has given them greater confidence in the future of their farm
76%	82%	86%	83%	Agree their RIC loan has given them greater confidence in the profitability of their farm
81%	75%	81%	76%	Agree they have greater confidence in the long-term future of the agriculture industry
61%	69%	75%	73%	Agree their RIC loan has allowed them to grow their farm
-	-	-	55%	Agree their RIC loan enable their farm to keep operating, without their farm would not have survived
-	-	81%	83%	Agree their RIC loan enabled them to improve their drought resilience
-	-	87%	79%	Agree their RIC loan allowed them to pay down debt

Machinery upgrades, succession planning and climate resilience top customer priorities.

We asked our customers to tell us about their priorities and concerns for the next 5 to 10 years which resulted in the top 3 focus areas as machinery upgrades (60 per cent), succession planning (46 per cent) and improving climate resilience (43 per cent).

Customers told us increasing interest rates (82 per cent), water security or drought (61 per cent) and income volatility (58 per cent) were their biggest concerns*.

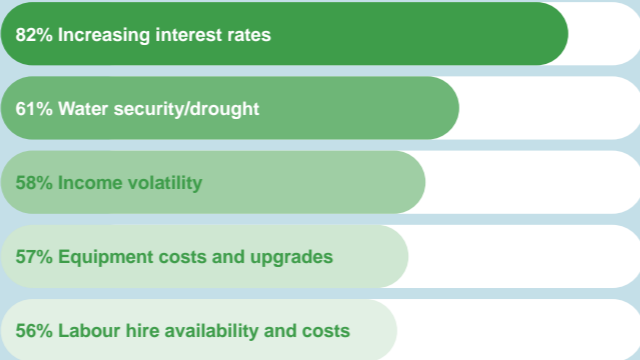
Top 5 customer priorities in 2023



Our loan terms provide a variable concessional interest rate based on the 10-year Australian Government bond rate which is reviewed twice a year. Any change to interest rates come into effect from 1 February and 1 August.

Only two potential interest rate changes per annum can provide farmers with greater certainty and more cash flow predictability to plan for their priorities and concerns.

Top 5 customers concerns in 2023



*Customers could respond to more than one issue in the survey



Improving farmer financial wellness supports regional communities

Our vision is for a stronger regional Australia through thriving regions. Since 2020, we have asked our customers about their confidence in their industry and the extent that they agree or disagree RIC contributes to regional economic growth and more resilient regional communities.

Almost 9 in 10 (87 per cent) strongly agree or agree RIC contributes to regional growth and investment. Anecdotally, our customers told us with money saved by their RIC loan they can invest in their farm businesses and their communities are benefiting too.

Customer experience

“So it means that I then can invest more into my business and vineyard, and I would be spending money locally, so other businesses, local employees or suppliers would see the benefits of that.”

“In our situation, it means I’ll be able to do our development work probably ten years earlier than what we would have normally done, because the interest rates are lower on us. And we’ve got to buy all that stuff from somewhere and employ people to do it.”

“I think they’re helping people get into farms or into regional areas. I think without them, it would be very difficult. So they’re definitely stimulating regional growth. That’s for sure. By helping us stay afloat for a start.”

“It gave us opportunity at the time to move forward and do things that we wanted to do. And it did help us further drought proof our farms.”

2020	2021	2022	2023
81%	75%	81%	76% Agree they have greater confidence in the long-term future of the agriculture industry
80%	80%	87%	87% Agree RIC contributes to regional economic growth and investment
76%	78%	86%	87% Agree RIC contributes to resilience in regional communities



Strengthening Australian agriculture



Australian Government



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Important Note

This information has been prepared by RIC (Regional Investment Corporation). Any information provided in this publication is general in nature and subject to change. Information has been prepared without taking into account your objectives, financial situation or needs. RIC recommends you consider whether this information is appropriate for your individual circumstances.

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