

Regional Investment Corporation

Drought Loan Medium-Term Evaluation

Report

16 April 2026





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Executive Summary

Drought remains one of the most significant and recurrent risks to Australia's agricultural sector, placing sustained financial pressure on farm businesses and threatening regional economic stability.

In July 2018, the Australian Government introduced the Drought Loan to provide concessional finance through the Regional Investment Corporation (RIC) to farm businesses experiencing, recovering from, or preparing for drought. In turn, enabling farm businesses to continue operating during drought, recover as seasonal conditions improve, and build resilience for future events.

Since its introduction, the Drought Loan has been shaped by a range of external pressures that have influenced both its development as a policy mechanism and its uptake as a financial product. Reviews of the RIC and its enabling legislation, heightened scrutiny of drought policy frameworks, and fluctuations in demand and interest rates attributable to broader economic conditions have all prompted developments to the Drought Loan that differ markedly from the context in which it was originally introduced. In response, the RIC has introduced a range of processes, procedures and outward-facing guidance materials to support capability uplift and emerging expectations of the loan product as a policy tool.

This medium-term evaluation considers the extent to which the Drought Loan has met its objectives and helped farm businesses to address short-term financial stress and realise long-term viability. It examined demand for the product, loan retention and serviceability, credit-risk alignment, and the effectiveness of the Drought Management Plan (DMP) requirement in supporting preparedness, management and recovery activities. This evaluation draws on a range of quantitative and qualitative data, including RIC administrative data, surveys of Drought Loan recipients, questionnaires and focus groups with RIC and DAFF personnel, and client interviews. Noting capability uplift continues to occur, this evaluation does not consider the effectiveness of processes newly introduced, such as annual monitoring of DMPs.

Overall, this evaluation finds that the Drought Loan has largely supported farm businesses across the drought lifecycle and met its broader program objectives. It finds that loan has been effective in assisting businesses during acute periods of drought, and over time has increasingly been used to implement preparedness measures intended to improve resilience.

Key findings from this evaluation include:

The Drought Loan has met market demand and remains responsive to climatic conditions.

Demand has fluctuated in line with drought severity, concessional settings and the availability of alternative loan products. In particular, persistent drought conditions from 2017–20 and the subsequent 2020 interest-free period strongly drove uptake. While demand has moderated in recent years and has been overtaken by demand for the Farm Investment Loan (FIL), the Drought Loan continues to represent the majority of the RIC's active loan portfolio.

Loan retention decreases substantially when clients transition to principal and interest repayments.

Retention beyond the interest-only period remains low, with over 90% of the loans that were repaid, repaid before commencing principal and interest repayments. This reflects a perceived reduction in concessional support once principal repayments begin and volatility in the sector – driven by external factors such as climate and commodity prices on industry confidence – which may impact the success of on-farm financial strategies.



The loan recipient pool is strongly aligned with the RIC's Credit Risk Appetite Statement (CRAS).

Since insourcing loan assessment in 2023, all new Drought Loans have been approved within the RIC's credit-risk appetite or tolerance. Further, since a move to in-house processing, there has been a positive shift in alignment to risk tolerance. This reflects strengthened processes, enhanced staff capability and improved oversight of risk assessment.

Most Drought Loan clients have been able to service their loans.

As at November 2025, 93% of settled clients remained fully compliant with repayment obligations. Serviceability has been supported by the concessional design of the loan and its predominant use for refinancing existing commercial debt, which improves liquidity for farm businesses during drought.

While variable in quality, Drought Management Plans (DMPs) support planning across the drought cycle.

Most clients implemented measures outlined in their DMPs and reported that the process of preparing the plan was useful for identifying preparedness, management and recovery strategies. Opportunities exist to continue to strengthen the DMP template and monitoring arrangements to better understand outcomes over time.

Client awareness is driven primarily by trusted local networks.

Rural Financial Counsellors were the most common referral pathway into the Drought Loan. While early demand meant limited formal promotion was required, increased engagement through Drought Resilience Hubs and regional networks has improved awareness of the loan's preparedness purpose.

Together, these findings indicate that the Drought Loan has generally met its objectives across the drought lifecycle, while also highlighting opportunities to better support preparedness, improve DMP monitoring, and strengthen client understanding of the loan's intended uses. This evaluation identifies a series of recommendations to continue maturing the Drought Loan product in future drought periods:

Recommendations

If future re-design of the loan occurs, DAFF and RIC should consider supporting further research examining the impact of successive adverse weather events and the impact on clients' ability to transition to principal and interest, and whether exceptional-circumstance provisions – allowing greater flexibility in loan terms – are required.

While beyond the RIC's remit, a broader reconsideration of the interest rate determination by government may be warranted, if loan concessionalality performs poorly relative to intended policy outcomes.



Overview

The Drought Loan is a concessional loan product administered by the Regional Investment Corporation (RIC) to help eligible farm businesses prepare for, manage through and recover from drought.

Designed to support farm businesses with the prospect to remain financially viable in the long-term, but facing short-term financial need due to drought conditions; the Drought Loan allows farm businesses to borrow up to \$2 million over a 10-year loan term, with the initial 5 years repaid at interest-only. After the loan term, any remaining balance on the loan must be refinanced with a commercial lender (or repaid by other means).

By offering a concessional loan product to farm businesses in short-term financial need, with an interest-only period of 5 years, the Drought Loan seeks to provide a time-bound, affordable alternative to commercial lending arrangements. This alternative provides reprieve to farm businesses, without impeding structural adjustment or commercial lending practices, to enable long-term drought management, recovery, and resilience practices.

Drought Loans can be used for a range of activities, including:

- drought management – to fund operating expenses necessary to continue the normal operations of a farm business
- drought recovery – to contribute to the cost of drought-recovery activities
- drought preparedness – to contribute to the cost of activities to prepare for future droughts, and
- refinancing – to refinance commercial debt and government-funded concessional loans.

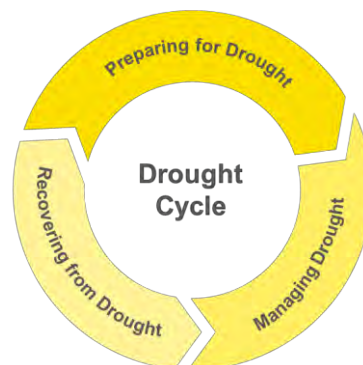


Figure 1 - Drought cycle

Drought Loan eligibility

To be approved for a Drought Loan, farm businesses must meet all eligibility criteria outlined in the *Drought Loan Guidelines*,^{1,2} which require the businesses to:

- have a *Drought Management Plan*, a document that outlines the specific activities a farm business will undertake to address drought preparedness, management, and recovery
- be in financial need of a loan, by demonstrating significant financial impact over two-consecutive years
- be financially viable in the long term, by demonstrating that the business generates sufficient net profit after fixed and variable expenses

¹ **Note:** 'Farm businesses' refers to business listed in the Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006 (Revision 2.0) codes for agriculture and aquaculture

² **Note:** The Drought Loan Guidelines (Accessed 25 February 2026) are available at: https://www.ric.gov.au/sites/default/files/documents/20241219_Drought%20Loan%20Guidelines%20v7.9.pdf



- have the capacity to repay the loan amount
- have existing commercial debt
- be in the agriculture, horticulture, pastoral, beekeeping (apiculture), or aquaculture industry
- undertake all primary production aspects of the business wholly within Australia, and
- meet all other requirements listed in the Drought Loan Guidelines.

Regional Investment Corporation

The RIC is a corporate Commonwealth entity established by the *Regional Investment Corporation Act 2018* to administer farm business loans and financial assistance, on behalf of the Commonwealth, to support farm businesses, farm-related small businesses, and to promote growth, resilience, and sustainability across the agricultural sector.

Established 1 July 2018, the RIC represented a fundamental shift in support to farmers, moving from state and territory-based systems to a more streamlined model for loan arrangements delivered at a federated level, resulting in more consistent, fair, and efficient support.

The RIC administers low-interest concessional loans directly to farm businesses who are in significant financial need from drought, natural disasters and cumulative events, to improve cash flow. To date, the RIC has approved more than 3500 loans valued over \$3.75 billion, providing direct on-farm benefit, across the country.

As at writing, the RIC offers three concessional loan products to support farm businesses facing hardship, including the:

- Drought Loan – to support farm business to prepare for, manage through, and recover from drought
- Farm Investment Loan – to support farm business to recover from severe business impact and prepare for future financial disruptions, and
- AgBiz Loan – to support farm-related small business manage and recover from drought.

Additionally, the RIC also offers the AgriStrarter Loan which supports new farm businesses and succession farm businesses to establish and grow their business.

A further two concessional loans are expected to be made available in the first half of 2026:

- Drought Hardship Loan – to support farm businesses to manage through and recover from prolonged and severe drought, and
- Marine Recovery Loan – to support wild catch fishing and aquaculture businesses to manage through and recover from the South Australian algal bloom.

Monitoring and evaluation

To better support farm businesses and to ensure the delivery of loan products continues to meet both the needs and expectations of farm businesses and government, the RIC has conducted monitoring and evaluation activities since its establishment.

In 2025, Callida was engaged to support an external monitoring and evaluation program, evaluating products across the RIC's loan portfolio at various stages of maturity and implementation. As at 2025, the majority of RIC loan products moved into medium-term maturity (i.e. within 4-8 years of the products offering) making them suitable for a monitoring evaluation, as depicted in Figure 2, *below*.³

³ **Note:** The RIC considers products to be within 'medium' maturity within 4-8 years of the products offering and uptake by clients.

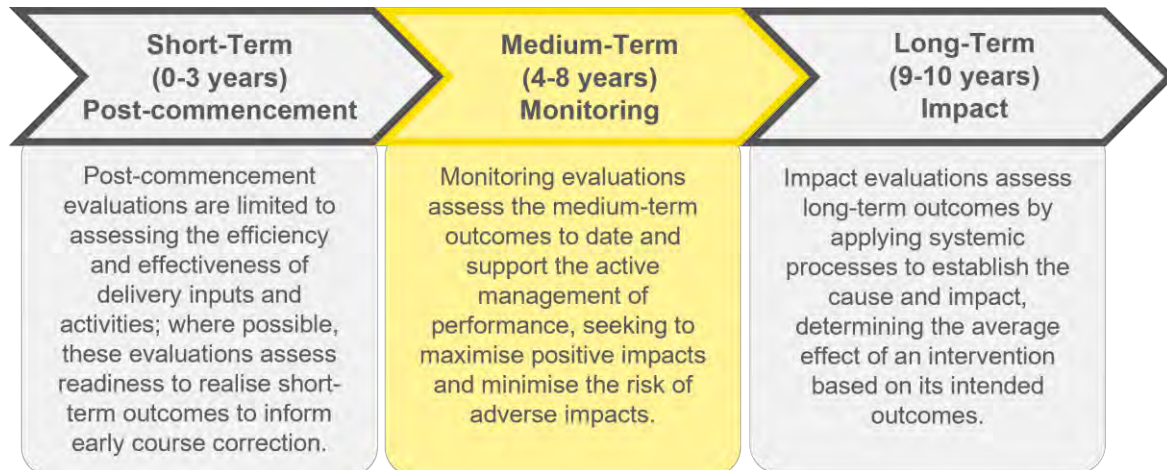


Figure 2 – Lifecycle of the RIC loan scheme monitoring and evaluation program

This evaluation is a medium-term evaluation of the Drought Loan, 8 years after the product's launch. An initial short-term evaluation of the Drought Loan was undertaken internally by the RIC in 2022. A long-term evaluation of the Drought Loan, determining the impact of the loan product is anticipated to commence in 2027.

Scope of this evaluation

This medium-term evaluation of the Drought Loan commenced in November 2025 to report against the outcomes expected from the loan product, 4-to-8 years following its initial offering.⁴

The evaluation is guided by the Evaluation Plan which was developed to define the Drought Loan's objectives, outcomes and performance measures. The Evaluation Plan was endorsed by RIC on 27 November 2025, and includes:

- Theory of Change – how the Drought Loan is expected to change the behaviour for loan recipients through various stages of the Drought Loan's implementation (*Appendix E: Drought Loan Theory of Change* refers)
- Drought Loan Program Logic – outlines the Drought Loan's inputs, outputs, short-, medium- and long-term outcomes (*Appendix F: Drought Loan Program Logic* refers)
- Key Evaluation Questions (KEQ) – derived from the medium-term outcomes specified in the Program Logic to understand the extent to which the inputs, outputs and medium-term outcomes have been met (Table 1 refers), and
- Drought Loan Data Matrix – used to systematically categorise data, reducing ambiguity when gathering information from multiple sources (*Appendix G: Drought Loan Data Matrix* refers).

⁴ **Note:** While RIC loans – including the Drought Loan – form part of the broader Australian Government Drought Plan, this evaluation is independent of the Department of Agriculture, Fisheries and Forestry *Drought Policy Monitoring, Evaluation and Learning Plan*.



Table 1 below outlines the KEQ and sub-KEQs for this evaluation of the Drought Loan.

Table 1 - Key evaluation questions aligned to medium-term outcomes

Key Evaluation Question	Medium-Term Outcomes	Sub-Evaluation Questions (aligned to the Drought Loan Medium-Term Outcomes)
1. To what extent did the Drought Loan help farm businesses continue to manage through drought conditions, recover once the season breaks and prepare for future droughts?	Interest-only period finalises and businesses maintain loan with the RIC	1.1 To what extent have farm businesses retained their Drought Loan beyond the interest-free and interest-only periods?
	Loan recipient pool aligned to RIC Credit Risk Appetite Statement	1.2 To what extent is the loan recipient pool aligned to the RIC Credit Risk Appetite Statement?
	Loan recipient maintains serviceability.	1.3 To what extent have farm businesses been able to service their Drought Loan?
	Farm businesses have implemented measures in their drought management plan which have established their farm business to manage through, recover from and prepare for future droughts.	1.4 To what extent have farm businesses implemented measures in their Drought Management Plan and to what extent have these measures supported farm businesses' drought preparedness, management and recovery strategies?
	Loan product continues to meet market demand and/or updated to meet market needs	1.5 To what extent has the Drought Loan been able to meet market demand?

This evaluation includes all RIC Drought Loans on the loan portfolio, including those repaid, from 1 July 2018 to 31 November 2025. Other RIC products, such as the Farm Investment Loan may be referred to for comparison but are not within scope for specific assessment. Table 2 below outlines the Drought Loan clients included and excluded within the evaluation's scope.

Table 2 - Drought Loan statuses included and excluded

Included	Excluded
<ul style="list-style-type: none"> Approved Settled Repaid 	<ul style="list-style-type: none"> Withdrawn Lapsed Declined Ineligible Any status from December 2025 onwards

Methodology

This evaluation applies a sequential mixed-method approach, leveraging a range of qualitative and quantitative data to determine the extent to which the medium-term outcomes of the Drought Loan have been met.

Commencing November 2025, this evaluation started with an analysis of the Drought Loan Guidelines, RIC administrative data from July 2018 to 25 November 2025, and secondary sources such as the *Independent Review of the Regional Corporation Act 2018*. The results of this initial analysis – and from



comparable data sources collected during an evaluation of the Farm Investment Loan – were then used to identify gaps in understanding across the sub-KEQs and to inform subsequent qualitative data collection activities.

Following this, Callida designed a range of activities to target known gaps, including a questionnaire for relevant RIC and Department of Agriculture, Fisheries and Forestry (DAFF) staff and a client survey, to capture policy, administrative, and farm-business perceptions of the loan outcomes and experiences. Drawing on interim survey results, two focus groups were undertaken – one with RIC and one with DAFF – to explore insights into the design, purpose, and performance of the Drought Loan.

Finally, random-stratified sampling was undertaken to identify 16 Drought Loan recipients to interview on their experiences with the product, whether it had met their needs, and the impact on their farm-business practices.

Further detail on the data collection methods, caveats, and limitations are provided at *Appendix A: Data Sources, Methods and Caveats*. Data sources relied upon to support this evaluation include:

- RIC loan administrative data – De-identified and limited information on loan duration, purpose, status, risk, and arrears
- JWS RIC customer survey 2021-2025 data – Annual survey results collected by a third-party provider; provided in a raw and summarised format
- desktop review – Primary and secondary sources on the drought loan policy context and RIC operational context
- previous evaluation data – De-identified focus group responses collected for a 2025 evaluation of the Farm Investment Loan
- Drought Loan questionnaire – De-identified questionnaire responses from select RIC and Department of Agriculture, Forestry and Fisheries (DAFF) staff
- focus groups – De-identified transcripts from focus groups with select RIC and DAFF staff
- client survey – De-identified survey results (418) from 2,685 Drought Loan recipients,⁵ and
- client interviews – Interview transcripts from one-on-one semi-structured interviews with Drought Loan clients.

Given the mixed-methods used in this evaluation, Callida has analysed and validated data sources, where possible, relevant to each evaluation question, to provide a ‘confidence level’ for each finding. The level and explanation in the report for each of these are provided in – Evaluation confidence levels Table 3, *below*.

Table 3 – Evaluation confidence levels

Confidence level	Explanation
Validated	A validated finding generally means there were 2 or more sources of information including independent analysis of raw data that was corroborated/replicated.
Partial evidence	Partial evidence finding typically refers to a finding that either has only one fully substantiated data source or it may have 2 sources e.g. quantitative data and information from focus groups, but the veracity of this information is compromised or limited.
Limited evidence	Limited evidence finding means the finding may only be supported by a singular source e.g. document analysis or aggregated data that cannot be verified.

⁵ **Note:** As several questions were by-design optional, total figures used throughout this report are subject to some variation.



This report

This report draws on a combination of qualitative and quantitative evidence to assess the extent to which the medium-term outcomes of the Drought Loan have been achieved. To support readability, interpretation and consistent understanding, a number of formatting and stylistic conventions have been applied throughout the report, as outlined *below*:

Quotes

Throughout this report, short, illustrative quotes are included to supplement the quantitative analysis and provide insight into stakeholder experiences and perspectives. These quotes are drawn from client interviews and focus groups with RIC and DAFF personnel and are intended to contextualise findings rather than serve as standalone evidence.



Interview and focus group participants – from whom quotes have been identified – self-selected into the consultation process, which may introduce a degree of participation bias, and as a result individuals who agreed to participate in interviews and focus groups may differ in perspective from those who did not. For this reason, quotes are used to highlight common themes and experiences identified through the evaluation, rather than to generalise all Drought Loan clients.

Tables

Tables are used to present analysis clearly and concisely and may include results for both a full cohort (for example, all Drought Loan clients who have repaid their loans) and defined sub-sets of that cohort (such as clients who repaid loans and accessed interest-free settings).

To assist interpretation, colour shading is applied across tables with:

- yellow shading (*Example Table A*) denoting analysis relating to an overall cohort or complete dataset, while
- light blue shading (*Example Table B*) denoting analysis focused on a sub-set of a cohort or a partial dataset.

Where relevant, explanatory notes are included below tables to guide interpretation.

Example Table A

Title – complete	#	%
Example	#	%
Example	#	%
Total	#	100%

Example Table B

Title – subset of data	#	%
Example	#	%
Example	#	%
Total	#	100%



Errata

This medium-term evaluation, and the findings included within this report, reflect sources made available to the evaluation team as at November 2025 – listed in the Methodology section. This includes administrative data supplied by the RIC, survey results, and a series of targeted consultations with Drought Loan clients, and with RIC and DAFF personnel. As noted in *above*, client interview insights reflect a small number of views across the Drought Loan portfolio and do not represent the views of all Drought Loan clients.

Further, it is noted that this evaluation was conducted during – and in some cases, immediately following – a series of process uplifts within the RIC, which impacted Drought Management Plans (DMPs) reporting. As such, it notes that the views presented by RIC and DAFF staff may not reflect contemporary practices adopted by the RIC, and that as a result, several findings of the report may have been superseded by planned uplift.

Finally, this evaluation acknowledges that the RIC holds a range of internal, more recent and, in some cases, live data sources. Due to initially agreed scope and timing, it was not possible to access, review or independently validate all such materials as part of this evaluation. Where relevant to contextual understanding, references to these materials are included in footnotes to provide insights and moderate analysis. Where this has resulted in an error of fact, this has been corrected. As such, Callida considers the evaluation findings are substantially factual, irrespective of the additional materials provided by the RIC.



Drought Loan Demographics and Status

This section provides an overview of the status and demographic profile of the Drought Loan, including the distribution of loans across jurisdictions and industries as at November 2025.

As at November 2025, 2,764 Drought Loans had been approved, settled, or repaid since July 2018, representing 79% (\$2,962.62 million) of the total value of all RIC loans.⁶

Portion of Drought Loans in RIC loan book

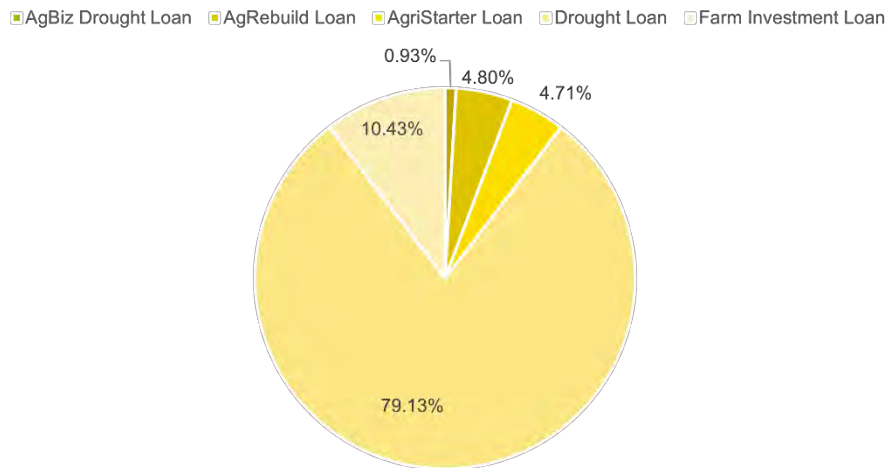


Figure 3 - Portion of Drought Loans in RIC loan portfolio

The majority of these loans (approximately 79.70%) are settled and active, with most of the remainder repaid (approximately 19.68%). As at writing, 17 loans (0.62%) were approved, but not yet settled.

Table 4 - Split of Drought Loan clients

Split of Drought Loan clients	#	%
Approved	17	0.62%
Settled	2203	79.70%
Repaid	544	19.68%
Total	2764	100.00%

Geographic profile

The geographic distribution of Drought Loans reflects the concentration of drought-impacted farm businesses across Australia.

⁶ **Note:** Across all four available RIC loans.



As at writing, New South Wales accounts for 54.96% (1,519) of all approved, settled or repaid loans, followed by Queensland (17.19%) and South Australia (12.37%). Smaller proportions are held across Victoria, Western Australia, Tasmania, the Northern Territory and the ACT.

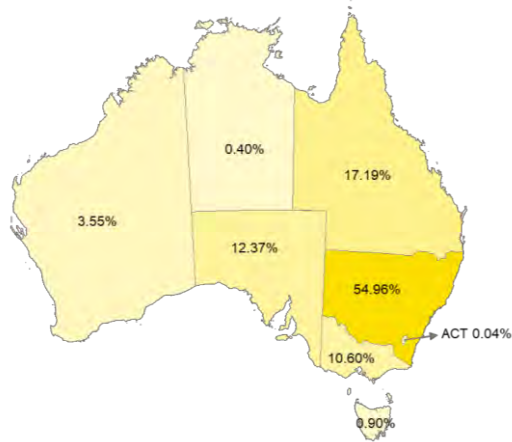


Figure 4 - Drought Loan client distribution by State and Territory (as at November 2025)

Industry profile

The Drought Loan is available to a broad range of agricultural, horticultural, pastoral and aquacultural industries.

As at November 2025, the loan was most frequently utilised by Grain-Sheep or Grain-Beef Cattle Farming, which accounted for 41.28% (1,141) of all loans. This aligns with the national profile of the agricultural sectors, where sheep, beef cattle and grain farming represent the largest industry grouping.

Table 5 - Drought Loan Client distribution across industry ANZSIC class codes as at November 2025

Industry	#	%
Grain-Sheep or Grain-Beef Cattle Farming	1141	41.28%
Beef Cattle Farming (Specialised)	474	17.15%
Sheep-Beef Cattle Farming	320	11.58%
Other Grain Growing	293	10.60%
Dairy Cattle Farming	165	5.97%
Sheep Farming (Specialised)	161	5.82%
Cotton Growing	54	1.95%
Other Livestock Farming n.e.c.	21	0.76%
Grape Growing	15	0.54%
Other Agriculture and Fishing Support Services	11	0.40%
Pig Farming	11	0.40%
Vegetable Growing (Outdoors)	11	0.40%
Other	87	3.15%
Total	2764	100.00%



Evaluation Findings

This evaluation considers the overarching KEQ:

To what extent did the Drought Loan help farm businesses continue to manage through drought conditions, recover once the season breaks and prepare for future droughts?

Within the scope of this evaluation, the Drought Loan is considered to have largely supported farm businesses to manage through drought, stabilise operations during recovery, and – increasingly over time – undertake activities associated with drought preparedness.

This evaluation draws on several key indicators, including:

- the volume and pattern of loan applications as a measure of demand across policy, drought and macroeconomic conditions
- the proportion of loans continuing beyond the 2-year interest-free and 5-year interest-only repayment periods
- shifts in credit risk through Credit Risk Rating data
- loan business survival rates, and
- the extent to which farm businesses have implemented measures in their Drought Management Plans (DMPs).

The evaluation assesses the performance of the Drought Loan against its medium-term outcomes (see Table 1, p.8) and considers opportunities to strengthen positive impacts and mitigate or minimise unintended effects. A more detailed analysis is considered against a range of Sub-KEQs, presented in Table 6, below to assist readability, this report considers Sub-KEQ 1.5, focusing on market demand, first.

Table 6 - Revised Sub-KEQ sequence for improved readability

Revised Sub-KEQ sequence

Sub-KEQ 1.5 To what extent has the Drought Loan been able to meet market demand?

Sub-KEQ 1.1 To what extent have farm businesses retained their Drought Loan beyond the interest-free and interest-only periods?

Sub-KEQ 1.2 To what extent is the loan recipient pool aligned to the RIC Credit Risk Appetite Statement?

Sub-KEQ 1.3 To what extent have farm businesses been able to service their Drought Loan?

Sub-KEQ 1.4 To what extent have farm businesses implemented measures in their Drought Management Plan and to what extent have these measures supported farm businesses' drought preparedness, management and recovery strategies?



Sub-KEQ 1.5

To what extent has the Drought Loan been able to meet market demand?

This section examines the extent to which the Drought Loan has met market demand since its introduction in July 2018.⁷ Overall, it finds that the demand for the Drought Loan has shifted over time, with a considerable spike in 2020 driven by periods of significant drought activity and the announcement of further concessional elements, such as the interest-free period.

For Drought Loan recipients, this evaluation found that over 90% of clients self-reported that the loan had helped their farm business to continue normal operations during drought, suggesting that the product has broadly met the needs of drought-impacted farmers. Further, while demand for the Drought Loan has slowed substantially since the 2020 peak, the Drought Loan continues to represent nearly 80% of the broader RIC loan portfolio.

This evaluation observed a range of demand factors driving application for the Drought Loan, including:

- drought conditions, noting that to be eligible for the loan, prospective clients must be experiencing, recovering from or preparing for drought
- the interest-free period, which was applicable to existing Drought Loans and for loan applications received between 1 January 2020 and 30 September 2020
- the availability of other concessional or like-products, including products available through the RIC, and state government and commercial lenders
- client experiences of the Drought Loan, including the application process and concessional rates, and
- promotion of the Drought Loan as a preparedness product.⁸

Across the evaluation period, the strongest drivers of demand were drought severity and concessional settings (particularly the interest-free period). Over the medium term, competing products and broader eligibility criteria appear to have had a moderating effect on overall demand, however further analysis on demand drivers is limited.⁹

Finally, this evaluation notes that observed demand may under-represent the need for the loan product, as not all drought-affected farm businesses were willing or able to apply due to eligibility constraints, the RIC's risk tolerance,¹⁰ limited awareness of the product, or a reluctance to take on additional debt to address drought preparedness. This observation is made noting that the RIC must apply responsible lending practices in line with its operating mandate, loan guidelines and CRAS, and reflects a broader consideration of the design of the policy intervention, not RIC operational practices.

Drought conditions

Demand for the Drought Loan has broadly tracked the incidence and severity of drought conditions across Australia, since its introduction.¹¹

As eligibility for the Drought Loan requires applicants to be experiencing, recovering from, or preparing for drought, this evaluation has observed the highest uptake of the loan in regions experiencing

⁷ **Note:** For the purposes of this evaluation, *market demand* is understood as the level of interest and applications for the Drought Loan over time.

⁸ **Note:** Promotion is used in this evaluation as a means to realise the policy objectives of the loan – namely preparedness – rather than increasing demand and awareness of a commercial product.

⁹ **Note:** For the final evaluation of the Drought Loan product – anticipated in late 2027 – consideration of unmet demand may provide a clearer picture on designing and targeting future loan products.

¹⁰ **Note:** This evaluation considers that market demand must be balanced against the RIC's Credit Risk Appetite Statement, which limits the extent to which demand can be met where applications fall outside of acceptable risk thresholds.

¹¹ **Note:** This section considers secondary sources for climatic information. Further consideration in the future may be given to mapping LGA climatic information to loan applications on an ongoing basis.



prolonged drought conditions. As a result, New South Wales (NSW) – which was severely impacted during the 2017-2020 drought period –¹² has accounted historically for the largest proportion of drought recipients, as shown in Figure 5.

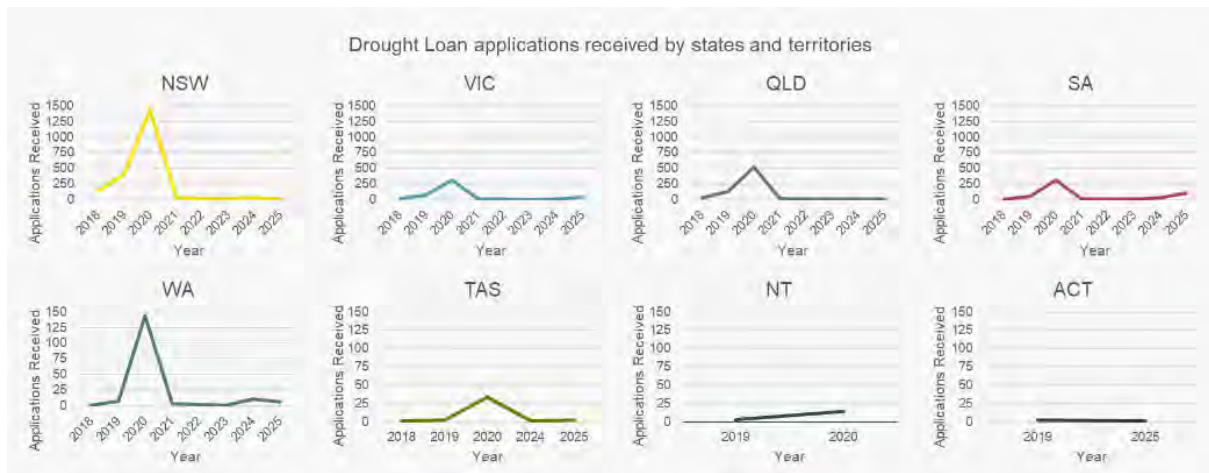


Figure 5 – Drought Loan Applications Received by State and Territory

During this drought period, in 2018 the NSW Department of Primary Industries classified 99.8% of the state into one of three drought categories – with 30% Drought Affected, 54% in Drought, and a further 16% in Intense Drought.¹³ Separately, in 2019, the Bureau of Meteorology recorded the warmest and driest year on record. These climatic conditions contributed to immense financial pressure on farm business, leading to a strong demand for drought relief and targeted financial support, such as the Drought Loan.

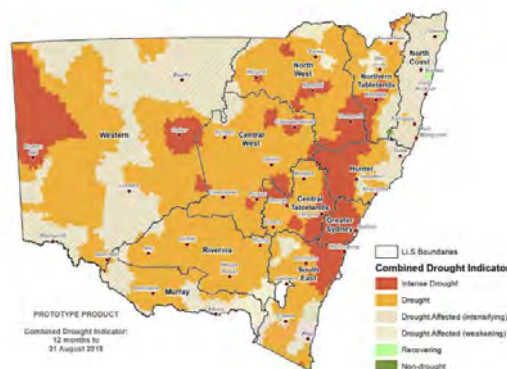


Figure 6 - Verified NSW Combined Drought Indicator to 31 August 2018¹⁴

In more recent years, there has been a geographic shift in demand for the Drought Loan, as shown Figure 7, below.

¹² **Note:** Droughts, fires, cyclones, hailstorms and a pandemic – the March quarter 2020, available at: <https://www.abs.gov.au/articles/droughts-fires-cyclones-hailstorms-and-pandemic-march-quarter-2020>

¹³ **Note:** NSW State Seasonal Update - August 2018, available at: <https://www.dpi.nsw.gov.au/climate-landing/ssu/aug-2018>

¹⁴ **Note:** Figure reproduced from NSW State Seasonal Update - August 2018, available at: <https://www.dpi.nsw.gov.au/climate-landing/ssu/aug-2018>

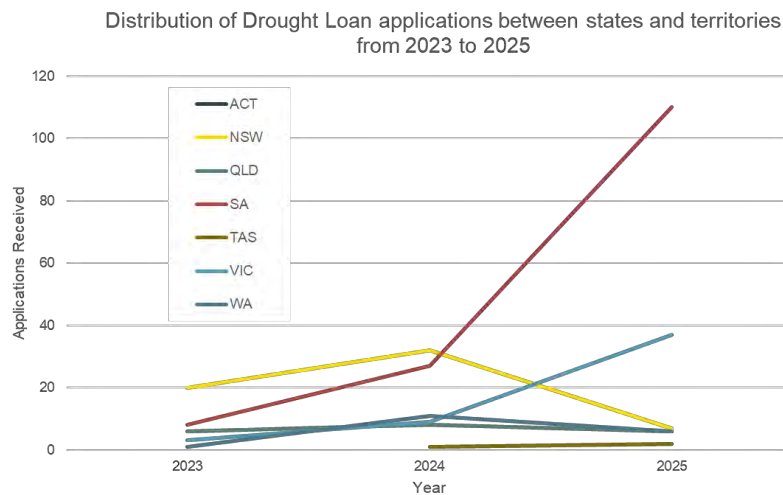


Figure 7 – Distribution of Drought Loan applications between states and territories from 2023 to 2025

With drought conditions easing in parts of NSW, but intensifying across Victoria and South Australia, applications for Drought Loans has increased in these locations. This corresponds to reporting from the Bureau of Meteorology and Australian Bureau of Statistics (ABS), both of which indicate persistent rainfall deficiencies across southern Australia. Notably, since 2023, southern Australia has experienced below average rainfall and has below-average April-October rainfall (area-averaged) for 26 of the 32 years from 1994 to 2025.¹⁵

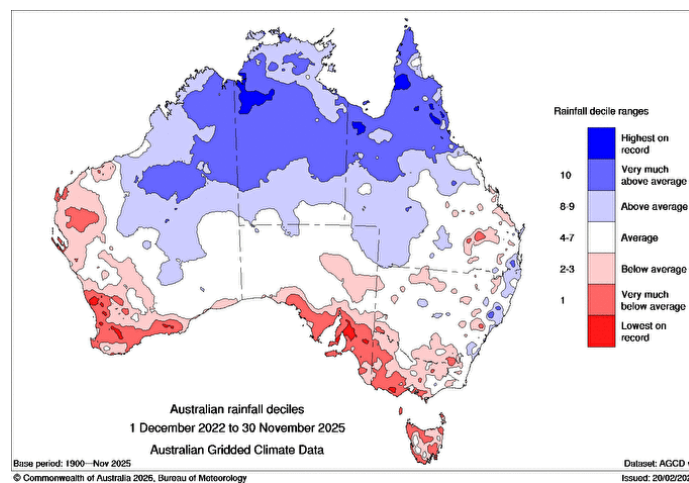


Figure 8 - Australian rainfall declines from December 2022 to 2025¹⁶

Finally, while this section considers that drought conditions were a key driver of demand, it is recognised that some drought-affected farm businesses did not, or could not, apply for the Drought Loan due to factors such as eligibility constraints, awareness gaps, or the availability of alternative financial support.

¹⁵ **Note:** Drought – Rainfall deficiencies and water availability (February 6, 2026), available at: <https://www.bom.gov.au/climate/drought/#tabs=Summary>

¹⁶ **Note:** Figure reproduced from Drought – Rainfall deficiencies and water availability (February 6, 2026), available at: <https://www.bom.gov.au/climate/drought/#tabs=Summary>



Interest-free period

While drought conditions remain a key driver of Drought Loan market demand – and are a key eligibility criterion – they do not fully explain long-term fluctuations in demand. This evaluation observed the most significant increase in demand correlate with the introduction of the two-year interest-free period.

Announced by the Government on 7 November 2019,¹⁷ the introduction of the interest-free period provided existing Drought Loan holders, and new Drought Loans received between 1 January and 30 September 2020, a two-year period in which they did not accrue and were not liable to pay interest.¹⁸ This policy, introduced in response to the drought conditions discussed above, sought to build on the concessional interest rate to reduce the debt burden for drought-affected businesses, providing an opportunity to refinance and increase their cash flow.

Significantly, and as noted in the Independent Review (2021), the RIC being directed to introduce interest-free terms for its Drought Loans during this period was contrary to the RIC’s budget-neutral model.¹⁹ The RIC Act Review reported that consequently, around \$165.2 million in interest revenue was foregone.²⁰ As such, the Review proposed these terms should be viewed as a “one-off” occurrence and the RIC should continue to operate with cost neutrality as a key objective.²¹

The commencement and cessation of the interest-free period influences observed demand for the Drought Loan. In particular, although not moderated by other factors, the announcement of the final date for application of a loan subject to interest-free terms (cutoff date) impacted demand. As shown in Figure 9,²² and reported by the RIC Act Review, during the interest-free application period, the RIC received 3,063 Drought Loan applications. According to analysis conducted for the RIC Act Review, Drought Loan applications increased from 44 in October 2019 through to 1,146 in September 2020.²³ The spike in September 2020 is understood to be attributable to the cessation of the interest-free terms from 1 October 2020 (cutoff date), which was announced by the Government on 22 July 2020.²⁴

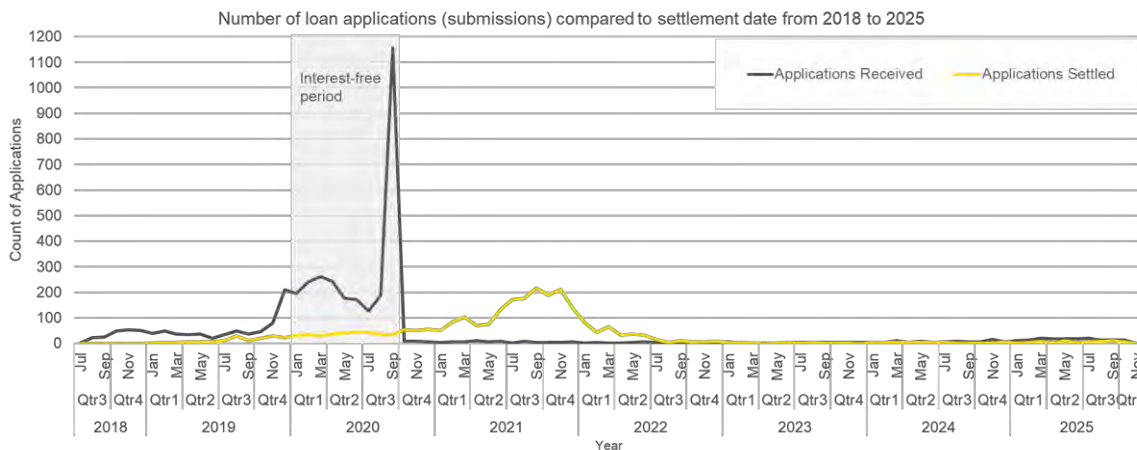


Figure 9 - Numbers of loan applications (submissions) compared to settlement date from 2018 to 2025

The significant surge of applications during this period generated a considerable backlog of applications, contributing to unprecedented processing volumes and delays in loan assessment and

¹⁷ **Note:** See RIC Annual Report 2019/2020, p.11

¹⁸ **Note:** See RIC Annual Report 2020/2021, p.10.

¹⁹ **Note:** See *Independent Review of the Regional Investment Corporation* (2021) p.77.

²⁰ **Note:** See *Independent Review of the Regional Investment Corporation* (2021) p.68.

²¹ **Note:** See *Independent Review of the Regional Investment Corporation* (2021) p.77.

²² **Note:** Slight lag is evidenced in Figure 11 due in the time between submission and settlement date, due in part to the approvals process which occurs prior to settlement and that settlement dates are also reliant on third party approvals.

²³ **Note:** See *Independent Review of the Regional Investment Corporation Act 2018* (2024), p.67.

²⁴ **Note:** See RIC Annual Report 2020/2021, p.10.



processing.²⁵ This is reflected in the pronounced lag between application submission and settlement shown in Figure 10.

It is noted that during this period, the RIC was resourced to assess approximately 300 applications per financial year,²⁶ and the introduction of the interest-free period was not accompanied by an uplift in resourcing to meet the additional demand.²⁷

Under the RIC's current (FY 2025-26) Corporate Plan, loan processing performance is measured from the time an application is submitted through to when a decision is issued. This metric reflects the influence of external third parties – such as commercial lenders – on settlement dates. The RIC reports that it is currently within its target of 50 days for providing a decision on new applications for FY2025-26 which includes weekends and public holidays.²⁸

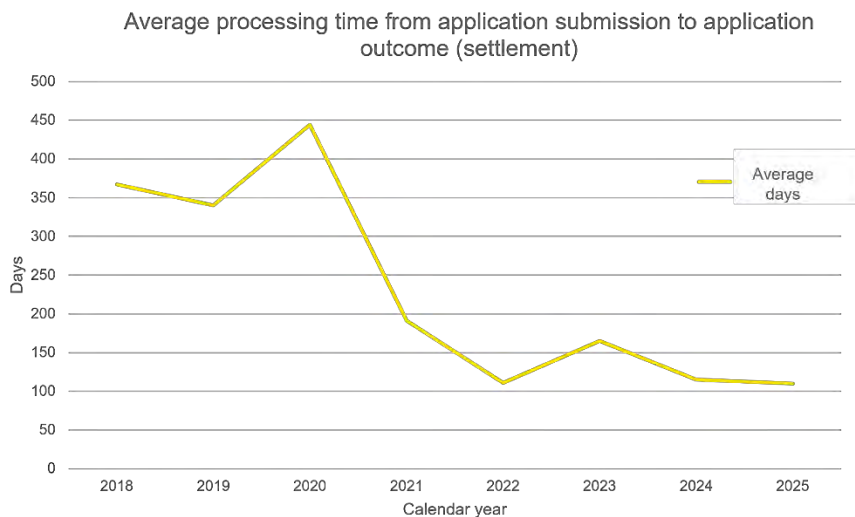


Figure 10 - Average processing time of a Drought Loan from application submission to application outcome (settlement) in days

Despite improvements, the Drought Loan processing times remain a relevant consideration when assessing historical market demand, as capacity constraints may shape ongoing product demand. Throughout interviews conducted for this evaluation, Callida observed that clients who applied during the peak of the interest-free period were more likely to express dissatisfaction with processing delays – potentially impacting future market demand. By contrast, clients who had applied within the last two years – outside of the demand spike – reported a more streamlined and positive experience. This pattern is consistent with the RIC's account of progressive enhancements to its loan processing approach, since establishment.

Taken together, this evaluation considers that while the interest-free period played a major role in driving demand for the Drought Loan – and while the effects of the demand spike are still recent in the minds of RIC clients – it should not be considered independent of the exceptional drought conditions that precipitated its introduction.

²⁵ **Note:** Loan processing times refers to the time taken between the initial submission of the loan application and the loan application outcome – including approvals, rejections or instances where applicants withdraw their submissions.

²⁶ **Note:** RIC Annual Report, 2020, p.6.

²⁷ **Note:** see *Independent Review of the Regional Investment Corporation Act 2018* (2024), Section 2.4

²⁸ **Note:** RIC loan pathway, <https://www.ric.gov.au/ric-loan-pathway#:~:text=Our%20target%20is%20to%20provide,bank%20to%20prepare%20for%20settlement.>



Other products and perceived concessionality

This evaluation finds that long-term demand for the Drought Loan is influenced not only by drought conditions but also by the perceived concessionality of competing products, particularly those with broader eligibility criteria or more favourable terms.

Views shared by the RIC and DAFF indicated that, expectedly, the perceived level of concessionality relative to other products was a key determinant of whether farm businesses chose to apply for the Drought Loan. This view was furthered in client interviews, where recipients reported that features such as the interest-free and interest-only periods were significant factors in their decision to apply; with a number of clients indicating that as interest rates went up (resulting in a lower perceived concessionality) their interest in the loan product and willingness to take on further drought loans in the future, decreased.²⁹

Broadly, this evaluation has observed demand for the Drought Loan declining since 2021, coinciding with the cessation of the interest-free period in 2020, discussed *above*. Concurrently, since 2022, the RIC has reported an increase in the uptake of their Farm Investment Loan (FIL), receiving more applications for this product than any other RIC loan.

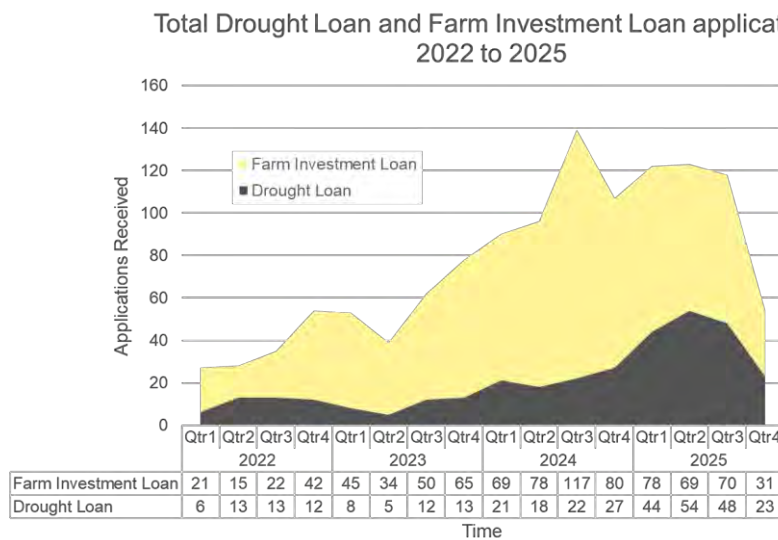


Figure 11 - Distribution of Drought Loan and Farm Investment Loan Applications between 2022 and 2025

This trend was further observed during client interviews and focus groups undertaken by Callida in October 2025, to support a medium-term evaluation of the FIL.³⁰ Findings from these activities suggested that while use of funding secured under a FIL may support drought preparedness activities, the less-restrictive eligibility criteria of the FIL was a significant draw card, allowing recipients to use funding for broader purposes including investment into new markets. The effect of this is that recipients may engage in activities that, while falling outside the strict definition of drought preparedness – have the additional effect of improving business resilience during drought conditions by diversifying business practice.

Finally, questionnaire responses considered that increased competition in concessional products was likely to reduce demand for the Drought Loan. As additional concessional products are made available to farm businesses – either through the RIC, or through alternative providers such as the NSW Rural Assistance Authority (NSW RAA) and Queensland Rural and Industry Development Authority (QRIDA)

²⁹ **Note:** RIC loan interest rates are variable, based on the average of the Australian Government 10-year bond rate, and reviewed every six months. Following a recent Australian Government announcement, the interest rate will continue at 5.18%, which has remained steady since 1 August 2024.

³⁰ **Note:** See Farm Investment Loan (FIL) Medium-Term Evaluation, p.14.
https://www.ric.gov.au/sites/default/files/documents/RIC_Farm_Investment_Loan_Final_Report_2025.pdf



– clients are likely to consider other options to the Drought Loan that better suit their needs or provide less-restrictive eligibility requirements.³¹

This observation broadly accords with findings from Callida’s medium-term evaluation of the FIL, which suggests that there is a degree of overlap between loan products which complicate a strict picture of market demand. Callida notes this is likely to be further complicated by the introduction of two new loan products, the Drought Hardship Loan and the Marine Recovery Loan.³²

Promotion of the Drought Loan

Finally, this evaluation finds that promotion and client awareness of the loan impact demand, though specifics are difficult to quantify without access to non-client data.

Historically, the Drought Loan has not required promotion. When it was first introduced, the Drought Loan was presented as a product developed in response to an existing, and well-established demand from farm-businesses for additional support to combat widespread and persistent drought conditions. Likewise, the introduction of the interest-free period was a response to stated need from farm-businesses and their representatives – resulting in a response to an already established need, rather than promotion.

In light of a high baseline demand and limited promotion, the 2022 evaluation of the Drought Loan found that loans were typically taken out for drought management and recovery,³³ with a limited focus on drought preparedness attributable to how the product was understood. Following this, the RIC has since updated and expanded information available on the Drought Loan on its website, product guidelines and factsheets to support the promotion of the Drought Loan for preparedness purposes.

More recent survey results collected for this evaluation show a shift in this pattern, with just under 20% (19.18%) of Drought Loan clients indicating they use the loan for drought preparedness activities.

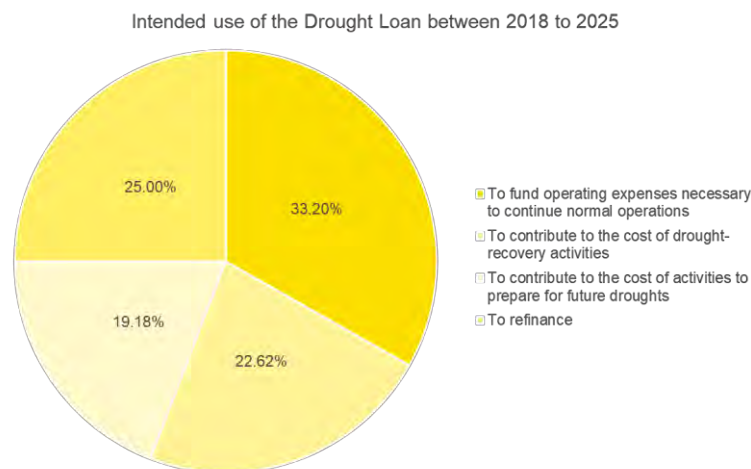


Figure 12 - Distribution of Intended Use of the Drought Loan among Survey Respondents

This is further supported by annual survey data collected by JWS on behalf of the RIC (Table 7, below), which found that in 2024 and 2025, 89.04% of Drought Loan clients ‘strongly agreed’ and ‘somewhat agreed’ that the Drought Loan has enabled them to improve their drought preparedness.

³¹ **Note:** While outside of the scope of this evaluation, Callida notes that demand for alternative state-based concessional loans should be carefully considered against the objectives of the *Regional Investment Corporation Act 2018*, which sought to establish a nationally consistent approach to concessional lending in the agricultural sector.

³² **Note:** Further information is available on the Drought Hardship Loan at <https://www.ric.gov.au/drought-hardship> and on the Marine Recovery Loan at <https://www.ric.gov.au/marine-recovery>.

³³ **Note:** See Short-term Evaluation of the Drought Loan August 2022, p.24.



Table 7: Drought Loan client responses (approved, settled and repaid) in 2024 and 2025 to JWS survey question “Enabled us to improve our drought preparedness”

Strongly Agree	Somewhat Agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree	Total
42	23	2	2	4	73

As above, these recent trends were further explored in focus groups with the RIC and DAFF staff, who noted that increased engagement with stakeholders had led to an increased awareness of the drought preparedness purpose; including through the establishment of Drought Resilience Hubs in 2021, which support farmers and communities prepare for drought by connecting them with regional experts, drought technology innovations, and new practices.³⁴

Finally, this evaluation observed that the majority clients interviewed (n=16), independently noted the role of Rural Financial Counsellors in raising their awareness of the Drought Loan product and for assisting with the application process.³⁵ The remaining interviews reported learning about the Drought Loan product through neighbours or through word-of-mouth referrals. Taken together, this highlights the importance of trusted, local networks in conveying information about the loan – in particular, its use for preparedness activities, which may be less pressing for farm businesses outside of acute drought conditions.³⁶

Findings and recommendations

This evaluation makes the following findings and recommendation in relation to Sub-KEQ 1.5:

Preliminary finding (Validated)

The Drought Loan has largely met market demand, reflecting climatic conditions, concessional loan settings, competition from alternative products, and client awareness. The medium-term trend suggests a stabilisation of demand at lower levels, shaped by a shift in the financial environment and the availability of alternative products.

Preliminary finding (Partial)

Recent uptake of the loan in drought affected areas indicates the product continues to be well-suited to meeting identified demand.

Preliminary finding (Partial)

Increased use of the loan for preparedness activities suggests that regional interventions are successful in promoting the loan as a tool to address all three dimensions of drought response.

Preliminary finding (Validated)

Promotion of the loan is effective through word of mouth and rural councillor networks.³⁷

³⁴ **Note:** See Department of Agriculture, Fisheries and Forestry, <https://www.agriculture.gov.au/agriculture-land/farm-food-drought/drought/future-drought-fund/research-adoption-program/adoption-innovation-hubs>

³⁵ **Note:** Rural Financial Counsellors are part of the Rural Financial Counselling Service (RFCS), an Australian Government program to provide free and independent financial counselling to eligible farmers, fishers, foresters and small related businesses experiencing, or at risk of, financial hardship.

³⁶ **Note:** During executive review of this report, the RIC confirmed that this information is captured on how applicants were made aware of the RIC products, including the Drought Loan.

³⁷ **Note:** Refer to footnote 36 above.



Recommendations

Nil recommendations are proposed in this section as the promotion of the loan through current processes is found to be effective based on available evidence.



Sub-KEQ 1.1

To what extent have farm businesses retained their Drought Loan beyond the interest-free and interest-only periods?

This section examines the extent to which Drought Loan clients have retained their loans beyond the concessional phases of the Drought Loan Product. The concessional phases include a five-year interest-only period and for existing Drought Loans and applications for these loans received before 30 September 2020, a two-year interest-free period, discussed further *below*.

Overall, this section finds that retention of the Drought Loan declines markedly upon conclusion of the interest only repayment period, with a more moderate decline in retention upon the conclusion of the interest-free period. However, this finding should be moderated by the overall maturity of the loan portfolio, with only 12.81% of Drought Loan recipients having concluded their interest-only repayment period (see Table 8, *below*).

Table 8 – Portion of all settled and repaid Drought Loan clients with interest-only compared to principal and interest repayments

Portion of all settled and repaid Drought Loan clients with interest-only compared to principal and interest repayments	#	%
Clients with interest-only repayments	2395	87.19%
Clients with principal and interest repayments ³⁸	352	12.81%
Total	2747	100.00%

Analysis of data collected for this evaluation finds that a broad set of considerations influence repayment behaviour – including cashflow and a perceived reduction in the concessional nature of the loan once principal repayments begin,³⁹ narrowing differences between RIC and commercial lending rates, and a range of exogenous climate and commodity price factors. These factors are considered further throughout. Ultimately, given that a significant benefit of the Drought Loan (and all RIC loans) is the concessional rate and the interest-only period for the first five years of the loan – which in turn, enables increased cash flow – it is anticipated the commencement of the principal and interest period for the remainder of the Drought Loan cohort, will have a significant impact on loan retention. A brief example is considered, *below*.

Cash Flow Implications of Loan Repayment Structure

For a notional \$1 million loan:

- Annual repayments under an interest-only (IO) structure are approximately \$51,800
- Annual repayments under a principal and interest (P&I) structure increase to approximately \$118,500

This represents an increase in annual cash outflows (annual loan repayments) of \$66,700, or 129%, when transitioning from IO to P&I repayments.

These estimates are based on a notional 15-year amortisation of the remaining loan balance, consistent with RIC repayment assumptions used for illustrative purposes.

³⁸ **Note:** The clients who have repaid their loan but would be subject to principal and interest repayments if they had not, is approximated 5 years following settlement, noting the RIC does not keep data on payment type once a client has repaid.

³⁹ **Note:** Raised throughout Drought Loan clients (n=16) interviews



However, this should be considered against the objectives of the Drought Loan to support farm businesses to prepare for, manage through, and recover from drought. While loan retention may be impacted across key transition points – such as the commencement of principal repayments – this is not necessarily contrary to the Drought Loan’s policy objectives. If clients are repaying or refinancing with a commercial lender prior to the 10-year term this likely indicates improved financial viability and a reduction in acute financial hardship resulting from drought related circumstances. This is further discussed in Sub-KEQ 1.3.

Structure of the Drought Loan

The Drought Loan, consistent with other RIC concessional products, is provided for a 10-year loan term comprising of an initial five-year interest-only period followed by a transition to principal and interest repayments.

However, unlike other concessional products offered by the RIC, the Drought Loan included a two-year interest-free period which applied to existing (‘settled’ or ‘active’) clients from 1 January 2020, or to new clients, if their application was received by 30 September 2020.⁴⁰ This interest-free period had a significant impact on demand for the Drought Loan product (refer to Sub-KEQ 1.5), and in turn, loan-retention behaviour (see Table 9, *below*).

Retention beyond the interest-free period

The conclusion of the interest-free period had a notable influence on loan repayment behaviour. As demonstrated in Table 9 of the Drought Loans that repaid that received interest-free terms *below*, 29.79% were repaid prior to the commencement of interest-only repayments.

It is important to note that 544 Drought Loans have been repaid in total, with only 17 of these repaid loans not in receipt of interest-free terms. As such, the majority (527) of Drought Loans that have been repaid as of November 2025 received interest-free terms.

Table 9 – Repaid Drought Loans (who received interest-free terms) repayment period, split by interest-free and interest-only

Drought Loans that have been repaid split by interest-free and interest-only (who received interest-free terms)	#	%
Clients who repaid prior to the conclusion of the interest-free period	157	29.79%
Clients who repaid following the conclusion of the interest-only period	370	70.21%
Total	527	100.00%

Throughout client interviews, this behaviour was explored further with participants. While respondents confirmed the interest-free term was a significant – and in some cases, the primary – incentive to apply for the Drought Loan,⁴¹ the transition to interest-only repayments continued to provide meaningful cashflow support to their farm-business. Respondents distinguished this from the transition to principal and interest repayments, which was described as a more challenging point for their business.

⁴⁰ **Note:** The result of the interest free, interest-only period, was that select farm businesses had access to funding without having to repay the loan amount for two years.

⁴¹ **Note:** Uptake of the Drought Loan during this period, is considered further in *Sub-KEQ 1.5 To what extent has the Drought Loan met market demand*.



“Interest-free helped make future repayments easier even though the last few years [of interest-only] have been tough, we have been able to grow grain which has helped [make payments]. [We intend] to make payments through to the end of the loan term.”



“Looking to refinance before P&I [to try and] consolidate debt [because] serviceability will be tricky”



“Interest-only is useful but the balloon [at the end of the loan term] will be hard.”⁴²

Retention beyond the interest-only period

Compared to the interest-free period, the conclusion of the interest-only period had a significant impact on loan repayment behaviour. As demonstrated in Table 10, of the Drought Loans repaid that were subject to an interest-free period (527 of the total of 544 Drought Loans that have been repaid), 61.86% of these repaid their loan prior to the commencement principal repayments (but following the conclusion of the interest-free period).

Table 10 – Repaid Drought Loans (that received interest-free terms) retention

Repaid Drought Loans (that received interest-free terms)	#	%
Clients who repaid prior to the conclusion of the interest-free period	157	29.79%
Clients who repaid prior to the conclusion of the interest-only period	326	61.86%
Clients who repaid following the conclusion of the interest-free period	44	8.35%
Total	527	100.00%

In addition, analysis was undertaken on all repaid Drought Loans (544) throughout the period, including loans not subject to interest-free terms (a total of 17 Drought Loans that have been repaid). While this analysis (Table 11, below) suggests the transition to principal and interest repayments is a significant trigger for loan repayment, it does not account for the impact of the interest-free period.

Notwithstanding these limitations and noting that different clients have been subject to different loan terms – this suggests that repayment behaviour is driven more by the transition to principal and interest as compared to the transition from interest-free to interest-only. While clients interviewed have reflected the interest-free period was beneficial (where it applied) most were not yet able to repay (or did not wish to repay) prior to or at the conclusion of the interest-free period. Clients interviewed were comfortable

⁴² **Note:** ‘balloon’ in this context refers to any residual payments made at the end of the loan term for which the client is liable but has not yet paid through regular repayments.



making the transition to interest-only terms but were more likely to express hesitation transitioning to principal and interest terms and the impact on their cash flow.

Table 11 - Portion of all repaid Drought Loan clients repaid before principal and interest repayments as at November 2025

Portion of all Repaid Drought Loan clients that repaid before principal and interest repayments	#	%
Repaid before principal and interest repayments	504	92.65%
Repaid during principal and interest repayments	40	7.35%
Total	544	100.00%

This evaluation also considered intended behaviour, by surveying all Drought Loan clients (approved, settled, and repaid, inclusive of all repayment types) on what they had done, or intended to do, upon the commencement of the principal and interest repayments. When questioned on what behaviour clients had taken, or intended to take, during the commencement of the principal and interest repayments, the slight majority (62.04%) indicated that they would continue to make repayments for the full term of the Drought Loan.

Table 12 – Survey responses to intended loan repayment behaviour

During the principal and interest repayment period, what action did you, or do you intend to undertake?	#	%
Continue to make repayments for the full term of the Drought Loan	255	62.04%
Refinance with a commercial lender prior to the end of the loan term	87	21.17%
Repay the Drought Loan in full using surplus cash reserves	39	9.49%
Refinance with a government-funded concessional loan prior to the end of the loan term	30	7.30%
Total	411	100.00%

One possible explanation for the discrepancy between the observed repayment behaviour and the reported repayment behaviour, is the inherent bias in repaid loan data – that is, clients who are financially able to repay their outstanding balance are more likely to do so, resulting in disproportionately high early-repayment figures.

A further explanation relates to the challenges of predicting future behaviour. As survey responses included clients who have not yet reached the principal repayment period and actual repayment behaviour can differ materially from intended behaviour, if circumstances affecting the farm business change. This is evidenced through interview data, where respondents identified several factors that had influenced or would influence their repayment behaviour highlighted in Figure 13, below.

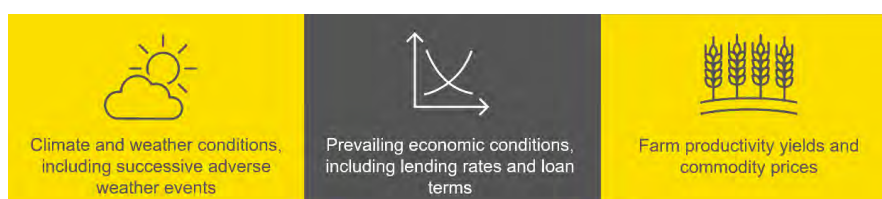


Figure 13 - External factors impacting loan repayment decision making



Expected behaviour

Based on observed loan repayment behaviour, together with survey and interview data collected during this evaluation, repayment of the Drought Loan is expected to increase as a greater proportion of clients transition into the principal and interest repayment period.

Table 13 - Settled Drought Loans transitioning to principal and interest repayments over the next 5 years

Settled Drought Loans transitioning to principal and interest repayments by calendar year								
Calendar year	2024	2025	2026	2027	2028	2029	2030	2031
Quarter 1	2	57	154	604	31	6	13	20
Quarter 2	3	35	109	92	4	5	10	N/A
Quarter 3	21	124	360	126	7	16	22	N/A
Quarter 4	14	56	282	13	1	4	12	N/A
Total	40	272	905	835	43	31	57	20

This anticipated behaviour reflects, in part, a shift in the perceived value of the concessional loan product relative to terms offered by commercial loans as principal repayments begin. While clients generally view the interest-only period as offering meaningful cashflow support to their farm-business, many consider the commencement of principal repayments reduces the relative benefit of the Drought Loan compared with commercial lending alternatives particularly where these alternative products may also offer an interest-only period or have terms that are otherwise more beneficial to the clients individual circumstances.⁴³

During interviews, several clients noted that economic conditions had improved considerably since they had taken out their loan, with commercial interest rates narrowing against the rates offered by the RIC. While interest rates have increased over this period, in relative terms, the RIC continues to offer favourable interest rates. As shown in Table 14, *below*, the RIC has on average offered a concessional rate around 2.38% lower than commercial terms. Notwithstanding this, the RIC interest rate has still increased over time with some clients benefitting from very low concessional terms in February 2021 as compared to more recent clients across 2025-26.

Table 14 - Changes to the RIC interest rate and commercial interest rate since establishment

Changes to the RIC's interest rate and commercial interest rates since establishment																
Interest rate type	Aug 2018	Feb 2019	Aug 2019	Feb 2020	Aug 2020	Feb 2021	Aug 2021	Feb 2022	Aug 2022	Feb 2023	Aug 2023	Feb 2024	Aug 2024	Feb 2025	Aug 2025	
RIC interest rate	3.58%	3.58%	3.11%	2.11%	1.92%	1.77%	2.17%	2.31%	3.04%	4.52%	4.52%	4.99%	5.18%	5.18%	5.18%	
Commercial interest rates	N/A	5.67%	4.81%	4.41%	3.97%	4.68%	3.92%	5.35%	5.84%	7.21%	7.31%	7.57%	7.28%	7.68%	6.94%	
Percentage difference	N/A	2.09%	1.70%	2.30%	2.05%	2.91%	1.61%	3.04%	2.80%	2.69%	2.79%	2.77%	2.10%	2.50%	1.76%	

Note: The commercial interest rates were calculated by averaging the passing interest rate of settled Drought Loans.

⁴³ **Note:** Commercial lending products vary substantially as do individual circumstances which may impact the relative benefit of the Drought Loan and other RIC products against market alternatives. Notwithstanding this, alternative products may not have interest-only terms in which case the Drought Loan and other RIC products would likely be considered more concessional to current and prospective clients.



As a result, some of the clients interviewed indicated that they would likely refinance with a commercial lender prior to entering the principal repayment period due to the impact of increased repayments on their business, of a perceived narrowing of interest rates, and of some alternative products providing more favourable or comparable terms better suited to their business needs. Additionally, this sentiment was affirmed by RIC and DAFF staff who, during focus groups, highlighted stakeholder feedback that the Drought Loan is not perceived as being as strongly concessional, as it once was primarily due to the impact of increased interest-rates.

When pressed further on repayment behaviours, interview participants presented divergent views on their capacity to transition to principal repayments due to broader economic and climatic factors. Several participants stressed that the five-year interest-only period was insufficient in the context of successive adverse weather events, reducing their confidence to manage higher repayment obligations. While others, who had enjoyed more favourable conditions, indicated they were well placed to commence, or in some cases continue, principal and interest repayments.

Taken together, this suggests that repayment behaviour, while expected to continue, experiences a variability driven by a perceived concessional relative to commercial lending and exposure to exogenous climatic conditions. Further, that as a transition to principal *and* interest repayments occurs, and clients' repayment obligations significantly increase at this juncture, decreased cash flow in the farm business is likely to retention behaviours.

Findings and recommendations

This evaluation makes the following findings and recommendations in relation to Sub-KEQ 1.1:

Preliminary finding (Validated)

For those eligible, the conclusion of the interest-free period had a meaningful impact on their retention of the Drought Loan.

Preliminary finding (Validated)

A majority of repaid loans have repaid prior to the commencement of the principal and interest period, noting most loans have yet to reach this maturity.

Preliminary finding (Validated)

A reduction in the perceived concessional has a meaningful impact on reported repayment behaviours.

Recommendations

If future re-design of the loan occurs, DAFF and RIC should consider supporting further research examining the impact of successive adverse weather events and the impact on clients' ability to transition to principal and interest, and whether exceptional-circumstance provisions – allowing greater flexibility in loan terms – are required.



Sub-KEQ 1.2

To what extent is the loan recipient pool aligned to the RIC Credit Risk Appetite Statement?

This section examines the extent to which the pool of drought loan recipients – clients with an approved or settled loan – are within the RIC’s credit risk appetite and tolerance. Overall, it finds that as at November 2025, the majority (98.02%) of approved and settled Drought Loans are within the RIC’s credit risk appetite (within acceptable risk grade). Further, that 85% sit within RIC’s target cohort which represents clients that are in the RIC’s credit risk appetite and are in financial need.

This section also finds that the maturation of the RIC’s Risk, Fraud and Corruption Control Framework, and the policies and procedures that inform the credit risk assessment of loan applications, has resulted in stronger alignment of the Drought Loan cohort to the RIC’s credit risk appetite over time.

Analysis included within this section relies on data which, due to commercial sensitivities, has not been replicated within this report.

Credit risk appetite

The RIC manages credit risk – the risk for potential financial loss to the Commonwealth resulting from a loan recipients’ failure to repay the loan amount – through its Risk, Fraud and Corruption Control Framework (the framework). This framework is aligned with best practice requirements of the Commonwealth Risk Management Policy and ISO 31000:2018 Risk Management – Guidelines.

Within the framework, the RIC has a defined Credit Risk Appetite Statement (CRAS), which establishes the level of risk the RIC is willing to accept across its concessional loan portfolio and which guides the assessment for new loan applications. The CRAS sets out the RIC’s overall credit risk appetite and tolerance as *moderate*; reflecting that the purpose of the RIC is to provide concessional loans to farm businesses experiencing financial need, while ensuring loan recipients have sound prospects of long-term financial viability. In practice, this means the RIC accepts some risk of default or security value decline, but within clearly defined limits that protect the Commonwealth from undue financial exposure.

To operationalise this risk appetite, the CRAS specifies how the Credit Risk Grades (CRGs) – the likelihood a borrower may default on their loan – and Security Cover Grades (SCGs) – the adequacy of the collateral available to secure the loan – inform whether a loan falls within RIC’s risk tolerance.

While some loans may fall within the RIC’s credit risk appetite, eligibility for concessional lending also requires the borrow to be in financial need. As such, the *target cohort*, comprises borrowers who are both in financial need and are considered suitable for concessional lending.

Under the CRAS loans are further classified to fall within the RIC’s risk tolerance (marginal risk grade) – loans that are higher risk than preferred, but still acceptable for concessional lending subject to supporting evidence – or outside of the RIC’s risk tolerance (outside risk grade), which are generally not approved.

Drought Loan alignment to CRAS

Due to commercial sensitivities, Credit Risk Rating (CRR) data has not been replicated within this report. However, data analysed for this evaluation found, approximately 98.02% of current active approved and settled drought loans are within the RIC’s credit risk appetite, as at November 2025. Within this, approximately 85.00% fall within the RIC’s target cohort.

In comparing the CRR for all Drought Loans at approval against all active and settled loans as at November 2025, this evaluation observed:

- an increasing proportion of loans fall within the RIC’s credit risk appetite (97.37% on approval, 98.02% currently),
- an increasing proportion of loans fall within the RIC’s credit risk tolerance (97.72% on approval, 98.96% currently), and



- the proportion of loans outside of the *target cohort* (18.63% on approval, 15.00% currently), has decreased significantly.

In considering the above analysis it is important to note:

- 'At approval' is a relative date to each loan being approved, and
- repaid loans are excluded from the November 2025 data, although analysis indicates these loans are attributable to around half of loans outside of the appetite and target cohort at approval.

Notwithstanding these limitations, this evaluation considers that improvements discussed above reflect both the design of the loan product – as a concessional product to address short-term financial pressures from drought – and structural changes in the RIC's lending operations.

Findings and recommendations

This evaluation makes the following finding in relation to Sub-KEQ 1.2:

Preliminary finding (Validated)

The Drought Loan recipient pool has become more aligned to the credit risk appetite and tolerance since its inception, following important structural changes to RIC processes.



Sub-KEQ 1.3

To what extent have farm businesses been able to service their Drought Loan?

This section examines the extent to which farm businesses have been able to service their loans over the life of the product. Overall, it finds that Drought Loan recipients have maintained a high rate of serviceability, with the majority of settled clients meeting their repayment obligations within the reporting period of this evaluation.

For the purposes of this evaluation, serviceability refers to a farm business's capacity to meet its repayment obligations across both the interest-only period and the subsequent principal and interest period. Serviceability is therefore shaped by several factors, including the financial viability of the Loan recipient at approval (see Sub-KEQ 1.2),⁴⁴ the timing and structure of concessional loan terms, and broader economic and climatic conditions that influence farm-business cash flow.

Analysis of arrears, repaid-loan data, loan purpose, and client feedback indicate that serviceability has been strongly supported by the RIC's credit risk assessment processes and the concessional design of the drought loan. These elements are examined in further detail, *below*.

Taken together, this evaluation finds that a range of factors support the serviceability of the Drought Loan including the RIC's processes and risk policy, the product's concessional nature, favourable loan terms, and the ability to use the loan to refinance debt. However, despite this, a range of exogenous factors – including climatic and economic conditions, continue to have a significant impact on serviceability that is not easily accounted for in loan design.

Serviceability status

As at November 2025, serviceability across the Drought Loan cohort remains high. Of the 2,203 settled Drought Loan Clients,⁴⁵ 2,054 (~93.2%) have maintained their repayment obligations, with 149 clients in arrears.

Within arrears, of the 149 clients, 55 principal and interest paying clients are in arrears greater than 90 days, with the majority (39) in arrears for principal payments. Given that transition to principal payments is recent for most clients paying principal and interest, these results may not be unexpected. It is important to note this is only a small proportion (~12.8%) of clients currently paying principal and interest.

While this suggests a generally high rate of serviceability among Drought Loan clients, it is important to note the RIC applies its own prudential and risk management policies and procedures to manage arrears and the risk of default across all its loans. This includes applying its own arrears management policy and procedure which are developed with consideration to the Banking Code of Practice noting the RIC is required to consider the concessional nature of its loans through the application of a range of tools such as a hardship policy.⁴⁶

RIC's Arrears Management Policy notes, "it is expected that some loans will fall into arrears from time to time".⁴⁷ This is evidenced to some extent in Sub-KEQ 1.2 which shows that despite broadly positive

⁴⁴ **Note:** The RIC defines financial viability as the capacity of the farm business to generate sufficient net profit after fixed and variable expenses to:

- 1) Service borrowing at commercial interest rates;
- 2) Provide an adequate standard of living for relevant members of the farm business;
- 3) Allow investment on farm to maintain the farm's productive assets; and
- 4) Provide funds for investment that increases long-term productivity.

⁴⁵ **Note:** This figure excludes any clients who have repaid their loan.

⁴⁶ **Note:** the RIC has a dedicated loans management unit (LMU) that actively case manages loans in arrears greater than 90 days (and other clients facing challenges in meeting their loan commitments).

⁴⁷ **Note:** RIC Arrears Management Policy, V.20, September 2024, p. 5.



shifts in credit grades over time, some clients remain outside the RIC’s credit risk appetite. Further, that as credit risk ratings have improved, principal payments in arrears greater than 90 days has declined.

Additionally, interpretation of arrears data requires consideration of broader indicators of serviceability, including business continuity (whether farm businesses are continuing their operations) and reasons for loan repayment. Survey data collected for this evaluation indicates that fewer than 5% of clients would have exited the industry if they had not received the drought loan – with the majority considering a range of alternative actions including delaying or cancelling planned investment, applying for another commercial loan, selling assets or equipment, or seeking alternative financing. This suggests that while farm businesses were experiencing financial need at the time of application, most recipients were likely to remain operational independent of the loan, consistent with the RIC’s credit risk assessment process. Given most loans remain within the interest-only period, current arrears levels are broadly within expectations on a concessional product.

Table 15 - Actions survey respondents would have undertaken without the Drought Loan

Actions undertaken without the Drought Loan	#	%
Delayed or cancelled planned investments	172	15.32%
Applied for another commercial loan	170	15.14%
Sold assets or equipment to maintain liquidity	138	12.29%
Sought alternative financing (e.g., private lenders, temporary overdrafts or unsecured lines of credit)	109	9.71%
Reduced herd size or crop area	109	9.71%
Continued operations (including drought management activities) without additional funding to support drought preparedness or recovery	104	9.26%
Increased off-farm income (e.g., secondary employment)	95	8.46%
Applied for another government concessional loan (including state or territory loans)	93	8.28%
Applied for a government grant	71	6.32%
Exited the industry	50	4.45%
Other	12	1.07%
Total	1123	100.00%

Analysis of repaid-loan data reinforces this conclusion. Among the 544 Drought Loans repaid as at November 2025, the majority (69.7%) were repaid due to refinancing or the sale of a farm-business enterprise where the client remained in the industry (see Table 16, *below*). By contrast, only 15.6% were repaid because the client left the industry (representing approximately 3% of the full Drought Loan portfolio).



Table 16 - Repaid reason for all repaid Drought Loans

Repaid reason	#	%
Refinance	171	31.43%
Sale of Farming Enterprise - Remain in Industry	118	21.69%
Partial Sale of Farming Enterprise - Debt Reduction	90	16.54%
Sale of Farming Enterprise - Exit Industry	85	15.63%
Payout of RIC Loan Through Surplus Cash Reserves	54	9.93%
Discharge Reason Not Available*	22	3.86%
Repaid Loan	4	0.74%
Total	544	100.00%

Finally, this evaluation observes that the rate of full repayment remains low. As the majority of Drought Loans were settled in 2021 (1623) and 2022 (349), and therefore remain within the interest-only period, this is broadly expected. However, as a greater number of clients transition to principal-and-interest repayments, higher rates of repayment – and potentially arrears – are expected from 2027.

Loan purpose and use

This evaluation finds a strong link between the serviceability of the Drought Loan and the purpose for which most clients have used the product. Consistent with the design of the loan and the RIC's credit risk assessment processes, a significant majority of Drought Loan clients have used the loan to refinance commercial debt – with RIC administrative data illustrating that 80.43% of Drought Loan clients used the loan to refinance commercial lending arrangements.

The predominance of refinancing is considered to likely reflect several factors including:

- the availability of commercial finance as an alternative product with terms that may be more favourable to clients once their acute financial hardship has eased (sub-KEQ 1.5 refers)
- widespread reliance upon commercial finance among farm-businesses with data from the Australian Prudential Regulatory Authority (APRA) showing an increase in aggregate lending to the farm sector in 2023-24 of 6% (in real terms)⁴⁸, and
- the requirement that at least 50% of total debt be held with a commercial lender to the eligibility guidelines of the Drought Loan.

This refinancing behaviour is consistent with the RIC's policy objective – to provide concessional loans to farm businesses experiencing short-term financial need, but with strong with prospects for long-term financial viability. This evaluation considers that by enabling clients to consolidate or replace commercial debt, the Drought Loan has supported liquidity during drought conditions, which has by design, enabled higher rates of serviceability in the long term. Consequently, this may in turn support the financial viability and future of the farm businesses the loan is intended to support.

Annual survey data undertaken by JWS on behalf of the RIC, provides Drought Loan client survey responses from 2022 to 2025. Table 17, *below*, shows between 2022 and 2025 that because of the

⁴⁸ **Note:** Trends in Farm Debt: Agriculture lending data 2023-24. Australian Bureau of Agricultural and Resource Economics and Sciences, p.1.



loan, 86.48% of Drought Loan clients respondents indicated they 'strongly agree' or 'somewhat agree' that the Drought Loan has given them confidence in the future of their business.

Table 17: Drought Loan client responses (approved, settled and repaid) from 2022 to 2025 in response to JWS survey question "I have greater confidence in the future of my farm or small business."

Strongly Agree	Somewhat Agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree	Not sure	Total
362	284	72	11	10	8	747

Additionally, beyond refinancing, RIC administrative data indicates that clients used the Drought Loan for a range of working-capital and capital-investment purposes, though at materially lower volumes. These included financing operating expenses, restocking, cropping and planting costs, and investments in water and property infrastructure (see Table 18, *below*). While these uses represent smaller proportion of overall activity, these findings must be moderated against the possibility that a number of farm businesses may have already taken on commercial debt to manage drought-related pressures and to support drought-related activities, subsequently seeking concessional finance to reduce their overall debt burden and improve cash flow.



Table 18 – Drought Loan clients (settled, approved, and repaid) loan purpose at application

Loan purpose level 1 ⁴⁹	Loan purpose level 2	#	%
Debt refinance	Commercial lender	2118	77.36%
	Concessional loan	57	2.08%
	Family loan	18	0.66%
	Vendor finance	9	0.33%
Working capital / operating expenses	Consolidate creditors	9	0.33%
	Farm inputs i.e. fuel, chemicals, fertilisers	163	5.95%
	Stock / restocking costs	128	4.67%
	Bills / wages / farm rates / rents	58	2.12%
	Cropping / planting costs	40	1.46%
	Fodder or carting of water for livestock or produce	25	0.91%
	Property improvements	79	2.89%
Capital expenditure	Plant & equipment	18	0.66%
	Water	9	0.33%
	Purchase new property	7	0.26%
Total		2738 ⁵⁰	100%

Product concessionality and loan terms

Client interviews conducted for this evaluation consistently indicated that the concessional features of the Drought Loan (interest-free and interest-only periods) played a central role in realising loan serviceability. In addition, clients also referenced (albeit to a lesser extent) structural loan features, such as the \$2 million cap and the 10-year loan term, as important to realising serviceability. Throughout respondents described concessional features as providing “breathing space” during periods of acute drought conditions, enabling them to maintain operations and address business cash-flow.

Despite this, serviceability for loans that transition into the principal and interest repayment period is expected to be more variable. Throughout client interviews, several respondents reported anticipating challenges meeting repayment obligations and having a reduced confidence in doing so. Confidence

⁴⁹ **Note:** When applying for a RIC loan, clients can provide up to 5 levels of increasingly granular information on loan use. For the purposes of this evaluation, levels 3,4 and 5 were unavailable for Drought Loan clients and level 2 is partially incomplete, with only 98% of level 2 loan purposes represented.

⁵⁰ **Note:** These figures are based on aggregated RIC data and do not equal the size of the Drought Loan cohort (2764) for all approved, settled and repaid Drought Loans due to ongoing remediation of loan use data to effectively capture loan use details provided in Drought Loan application forms.



here appeared to align with exogenous factors to the farm business – including broader economic conditions such as varying commodity prices, and climatic conditions such as the duration of drought.⁵¹

Findings and recommendations

This evaluation makes the following findings in relation to Sub-KEQ 1.3:

Preliminary Finding (Partial)

Drought Loan clients have broadly maintained a high level of loan serviceability – attributable in part to the use of the loan as a refinancing tool and taking advantage of the interest-free and interest-only terms of the loan.

Preliminary Finding (Partial)

The commencement of principal and interest repayments has presented a challenge for loan serviceability. As more clients transition to principal and interest it is expected that this may impact loan serviceability further.⁵²

Recommendations

Coupled with the considerations of KEQ 1.1,⁵³

While beyond the RIC's remit, a broader reconsideration of the interest rate determination by government may be warranted, if loan concessionality performs poorly relative to intended policy outcomes.

⁵¹ **Note:** Similar findings were observed for Sub KEQ 1.1 on loan retention.

⁵² **Note:** See Findings and Recommendations in Sub-KEQ 1.1 for more context.

⁵³ **Note:** See *Expected behaviour*, in KEQ 1.1



Sub-KEQ 1.4

To what extent have farm businesses implemented measures in their Drought Management Plan and to what extent have these measures supported farm businesses' drought preparedness, management and recovery strategies?

This section examines the extent to which Drought Loan recipients have implemented the measures outlined in their Drought Management Plans (DMPs), and where possible, the extent to which those measures have supported drought preparedness, management, and recovery.

Overall, it finds clients self-report that DMPs have played a meaningful role in supporting drought preparedness, management and recovery strategies. However, as DMPs are not static, but live documents amended and updated over time in response to drought developments, it is difficult to delineate specific developments to previously agreed actions.

Although out of scope of this evaluation, it is noted that recent changes to DMP data collection and monitoring processes made in response to the RIC Act Review, are likely to support a richer evidence base on DMP implementation and measures of drought preparedness, management, and recovery moving forward. A brief overview is considered, *below*.

DMP requirements over time

Drought Management Plans (DMPs) have long been used as a planning tool in drought-related programs, to support farm businesses to plan, document, and implement strategies for drought preparedness, management and recovery.

When the Drought Loan was first established in 2018, the DMP was adopted as an important policy lever and the completion of a DMP was included as a mandatory requirement for application. Applicants for the Drought Loan could complete a DMP using the RIC's template or provide their own plan, provided it covered off on basic requirements. At establishment, the RIC was required only to ensure that a DMP existed for each recipient; it was not expected to assess the quality of DMPs or monitor their implementation. However, expectations of the DMP have since shifted. In 2024, the *Independent Review of the Regional Investment Corporation (RIC) Act 2018* recommended that the RIC comprehensively assess DMPs as a core loan requirement, similar to credit and security assessments, and collect more structured data on drought strategies and progress over time.

In its 2025 response, the Government noted that the RIC had:

- Defined an appropriate DMP and designed a process to supports its assessment and review.
- Developed guidance materials for staff to ensure all DMPs are comprehensively and consistently assessed
- Provided loan portfolio DMP-related data to the department and government which will be refined and expanded over time

Materials reviewed for this evaluation – though ultimately out of scope – indicate that, since late 2024, the RIC has implemented these standards and now works with applicants to ensure DMPs meet the required level of detail. As part of this uplift, DMP updates are now requested every three years, or annually through full financial reviews for loans assessed as medium to high risk.

Notwithstanding the above, this evaluation notes that stakeholders remain mixed in their views, and raise legitimate questions, regarding the appropriate role of a government-backed lender in monitoring farm-level drought practices. While enhanced visibility of drought strategies improves assurance and evaluation capability, further monitoring requirements would need to balance policy intent, resourcing implications, client burden, and expectations about the RIC's mandate to operate in a manner broadly consistent with commercial lending practices.

Monitoring of DMPs

Monthly data provided to DAFF on DMPs and estimated completion rates, indicates that that most active Drought Loan clients have DMP in place (96.98%), with the majority of DMPs (over 99%) providing



details on the activities they are undertaking aligned to overall drought preparedness, management and recovery strategies.⁵⁴ As shown in Table 19 Table 19 - Drought Loan clients (settled and approved) DMP activities status as at November 2025, *below*, this initiative provides a degree of assurance regarding DMPs for Drought Loan clients and the progression of their self-reported activities.

Table 19 - Drought Loan clients (settled and approved) DMP activities status as at November 2025⁵⁵

DMP Activities Status	#	%
In Progress	360	5.35%
Completed	876	13.02%
No longer commencing	7	0.10%
Delayed start	3	0.04%
Data not available on platform (interim status) ⁵⁶	5482	81.49%
Total	6728	100.00%

Interviews with select Drought Loan clients and focus groups conducted for this evaluation, proposed a series of potential enhancements to improve the oversight and monitoring of DMP activities including:

- uplifting the DMP guidance by including clearer prompts supporting applicants to more consistently articulate how proposed activities support drought recovery, management and preparedness⁵⁷
- introducing more nuanced monitoring approaches, including recognising that drought cycles and their impact often span beyond short- and medium-term time horizons, and⁵⁸
- ensuring that any reporting requirements introduced remain minimally invasive, and no more than twice a year, allowing farm business to report accurately and enabling proportionate processing by RIC resourcing.⁵⁹

This evaluation notes that these potential enhancements that have been suggested by stakeholders should be considered against, and may already be superseded by, planned updates to monitoring by the RIC.

Importantly, interviews conducted with the evaluation team indicated that some loan recipients would be amenable to providing updates on DMP activities on a semi-regular basis – particularly where reporting was clearly linked to loan purpose and remained proportionate to the administrative burden on farm businesses. Building on this thread, several further noted that once their DMP was submitted,

⁵⁴ **Note:** In data collected following the commencement of this evaluation, the RIC has reported that since November 2025, 100% of Drought Loan clients have a DMP with at least one activity identified against drought preparedness, management and recovery strategies.

⁵⁵ **Note:** The RIC has noted that the high percentage of 'not started' in the DMP activities status table is due to this field being progressively updated as clients undertake either a behavioural review or a customer-initiated review. As such, it is expected that more will be known about the status of DMPs once a review has been taken across the entire cohort.

⁵⁶ **Note:** This evaluation understands that this data is now collected through an alternate platform, which was not available to the evaluation team at the point of initial analysis.

⁵⁷ **Note:** This evaluation recognises that there is an inherent challenge in establishing guidance that supports the development of detailed DMPs given the diversity of agri-businesses.

⁵⁸ **Note:** One suggestion was to assess farm equity over time at key junctures considering the drought cycle.

⁵⁹ **Note:** This evaluation subsequently notes that as per the RIC Review Policy, the view held by some clients regarding review frequency is incorrect.



there was no clear line of sight as to how the plan was used by government, reducing the perceived value of maintaining or revisiting it.

DMP utility and planning

As part of this evaluation, Callida considered the extent to which DMPs served as a useful planning tool for farm businesses and the extent to which they influenced ongoing drought preparedness, management and recovery planning and consideration. Across stakeholder groups, perspectives on the utility of the DMP varied unexpectedly.

Within focus groups and questionnaires undertaken with RIC and DAFF staff, views were mixed. Several participants observed that, in the absence of ongoing monitoring process of DMP implementation, the DMPs were likely to be less useful as a planning tool for Drought Loan applicants. Others, however, considered that while DMPs were not subject to rigorous ongoing oversight,⁶⁰ the process of drafting a DMP may allow farm businesses to step back and consider their operational risks,⁶¹ realising a level of strategic pause that may not otherwise occur during acute drought conditions.

By contrast, Drought Loan clients expressed considerably stronger support for the DMP as a planning tool. Survey data collected for this evaluation indicates that around 80% of Drought Loan clients *agreed* or *strongly agreed* that the DMP was a useful tool for planning drought-related activities across the drought lifecycle. Further, most survey respondents agreed that the implementing the activities outlined in their DMP – where they had the opportunity to do so – had helped, or would help, their farm business to recover from, manage through, or prepare for drought conditions. This sentiment was reinforced in interviews, where clients consistently described the DMP drafting process as valuable in prompting them to identify and priorities in the in the short-, medium-, and long-term.

An overview of client responses to relevant survey questions, is outlined in Table 20, *below*.

Table 20 - Drought Loan Clients perspectives on the utility and implementation of activities in their DMPs

The utility of the DMP in supporting drought management, recovery and preparedness for Drought Loan clients.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Unsure	Total
I have implemented measures outlined in my DMP.	5	5	24	262	107	7	410
I plan to implement measures outlined in my DMP.	4	7	77	204	64	11	367
I have implemented, or plan to implement, measures that are	5	15	84	206	48	22	380

⁶⁰ **Note:** This report acknowledges that stakeholder observations here are at odds with the broader uplift and review of DMP implementation.

⁶¹ **Note:** While not raised by participants, Callida note that as a published requirement of the Drought Loan, the requirement to produce a DMP may still be subject to an important signalling effect. That is, upon application, farm businesses are not made aware of quality assurance standards – likely resulting in some business producing DMPs above the minimum standards required.



not outlined in my DMP.

Finally, in addition to data from the stakeholders mentioned above, some interview respondents also noted while they had not revisited the DMP since submitting it to the RIC, they considered the act of developing the plan was itself beneficial. In several interviews, participants independently noted that being required to reflect on their business operations, and documenting those operations in a more structured manner, was an important exercise.

DMP activities and support for drought preparedness, management and recovery

This evaluation found that 90% of Drought Loan clients self-reported that they have implemented the measures outlined in their DMP. Further, that a similar proportion reported that these measures had helped or would help their business manage, recover from, manage through, or prepare for drought.

Table 21 - Drought Loan Clients perspectives on the utility and implementation of activities in their DMPs

The utility of the DMP in supporting drought management, recovery and preparedness for Drought Loan clients.	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Unsure	Total
The DMP is a useful tool for planning drought management, recovery and preparedness activities for my farm business.	6	8	59	235	92	6	406
Implementing the activities in my DMP has helped, or will help, my farm business to manage through, recover from and prepare for future droughts.	7	6	44	233	116	7	413

In considering the predominant purpose of the DMP, focus groups and questionnaires undertaken with RIC and DAFF staff suggested that DMP activities undertaken using the Drought Loan were likely to centre on drought recovery and management. However, information provided by interviewees on their activities suggested a more even distribution across drought preparedness, management, and recovery, presenting an interesting point of consideration, noting the design of the loan product builds heavily on previous products intended primarily as drought recovery instruments.



Additionally, information provided by focus group and interview participants suggests that the cadence of DMP implementation varied considerably across farm businesses with a strong relationship to ongoing climatic conditions. Focus group participants noted that farmers experience drought conditions, and their effect, differently depending on geography, timing and cumulative impact, and must adapt accordingly. This observation was emulated by interviewees, who described having to adjust their plans in response to successive weather events, undertaking different activities than those originally intended or documented. A small number of interviewees reported being unable to undertake planned activities at all due to compounding events, with some considering exiting the industry.

The available evidence suggests that farm businesses are actively undertaking a range of planned and unplanned drought related activities; broadly aligning with the objectives of the Drought Loan. However, this evaluation notes that the long-term outcomes sought from the drought loan product include strengthening farm business resilience against drought conditions. Considering this, the evaluation further notes promising developments regarding DMP uplift and data collection.

Findings and recommendations

This evaluation makes the following findings and recommendation in relation to Sub-KEQ 1.4:

Preliminary finding (Validated)

Drought Loan clients are largely undertaking, or planning to undertake, the measures outlined in their DMPs.

Preliminary finding (Validated)

Farm businesses are self-reporting that DMP measures broadly support drought preparation, management, and recovery strategies.

Preliminary finding (Validated)

DMPs remain a useful tool for prompting Drought Loan recipients to consider strategies to recover from, manage through, or prepare for drought.

Preliminary finding (Limited)

Notwithstanding the recent uplift to RIC processes, some stakeholders reflected opportunities to enhance DMP monitoring and assessment, suggesting that stakeholders' views vary on the utility of the DMP.⁶²

⁶² **Note:** Alternately, that uplift to processes has yet to be sufficiently appreciated by relevant stakeholders.



Appendix A: Data Sources, Methods and Caveats

Table 22 details the data sources, methods and relevant caveats and limitations of all the data sources included relevant to the Drought Loan evaluation.

Table 22 - Data sources, methods, caveats

Data Source / Type	Methods	Caveats and Limitations
<p>RIC Loan Administrative Data</p>	<p>Descriptive analysis of demographic, loan purpose and credit risk rating, DMP, loan processing, loan terms and payment type, and arrears data.</p> <p>This data was extracted by RIC staff at Callida's request and based on engagement with RIC Subject Matter Experts. It is primarily extracted from the RIC Salesforce system and Finacle which capture information on the RIC loans across their lifecycle. Analysis and review of data provided was undertaken independently by Callida.</p>	<p>Arrears information is not currently easily reportable over time due to limitations in the Salesforce system. The Salesforce System is a live dataset, as it is used to manage loans on daily basis. While arrears information is available across monthly reporting snapshots can only be extracted at the time of reporting. The RIC has advised that enhancements to the system are underway to improve functionality and view of loans in arrears over time.</p> <p>Loan purpose data was only available as aggregate data and only for loan purpose levels 1 and 2. Loan purpose information for levels 3-5 are currently unavailable for the Drought Loan. Callida understand efforts to provide loan purpose data for level 3-5 are ongoing.</p> <p>DMP data is a new data collection from RIC. This data is limited to the strategies and activities outlined (at a high level) in each DMP (where available) and progress on the completion of the DMP to date.</p>
<p>JWS RIC customer surveys 2025</p>	<p>Analysis and review of the annual JWS Research customer satisfaction surveys that seek the views of RIC clients within the last two years. Survey waves analysed related to FIL client responses across 2025. This provided an aggregated view of FIL clients recent experiences. Analysis and review of data provided was undertaken independently by Callida.</p>	<p>These surveys were not undertaken by Callida and were designed, delivered and deployed by JWS Research, a third-party provider. Callida understand the JWS survey is not strictly longitudinal, i.e. it captures different client groups randomly selected from the broader RIC loan population group.</p> <p>The survey is run each year and captures clients or individuals who engaged with the RIC within the last two years. The RIC has separately engaged JWS Research to run several client experience surveys (since 2020) to</p>



Data Source / Type	Methods	Caveats and Limitations
		<p>understand the experience of RIC clients and their satisfaction with RIC loans.</p> <p>Callida has previously engaged with JWS Research to understand and gain access to the survey information as a relevant source for evaluative analysis.</p>
<p>Desktop Review</p>	<p>Callida extracted and reviewed publicly available information on the Drought Loan to understand the policy context including Drought Loan Program Guidelines and the Review of the Operation of the Regional Investment Corporation Act 2018.</p> <p>Callida also reviewed internal documents provided by the RIC including the previous RIC internal short-term evaluation of the Drought Loan.</p>	<p>Where these have been used in the report the relevant source is cited, and any specific limitation is noted.</p>
<p>Drought Loan Client Survey</p>	<p>Callida developed a client survey to gather insights on farm business perspectives of the Drought Loan and as all loan recipients were invited to participate, capture the diversity of views. The survey was deployed on 7 January 2026 and was sent to select Drought Loan clients by the RIC on behalf of Callida.</p> <p>The survey was voluntary and anonymous. The survey was comprised of 11 questions including Likert scales, multiple choice and free text questions. The survey was deployed to Drought Loan clients from 7 January 2026 to 30 January 2026, who had repaid, settled or approved loans.</p> <p>Significantly the survey allowed each respondent to self-nominate for a one-on-one interview with Callida to discuss their responses in detail. The survey generated insights into loan purpose, loan usefulness and perception of Drought Loan outcomes with 418 clients responding to the survey, of which 140 individuals self-nominated to participate in a one-on-one interview with Callida.</p>	<p>Given the focus on the medium-term outcomes of the Drought Loan and the extent to which it has delivered on these outcomes for clients, declined, ineligible, lapsed and withdrawn applications were not included in the scope of the survey.</p> <p>Of the total 2764 Drought Loan clients (approved, settled, and repaid), the survey was deployed to 2685 clients this was due to: (1) customers with no email unable to be contacted, (2) on written off loan, (3) removal of duplicate emails.</p>



Data Source / Type	Methods	Caveats and Limitations
	<p>The high response rate to the survey enabled Callida to make the survey results generalisable (i.e. applicable) to all (2764) Drought Loan recipients.</p>	
<p>Client Phone Interviews</p>	<p>Through the deployment of the Drought Loan Client Survey, 140 clients were nominated for a one-on-one interview with Callida. Due to time and resourcing constraints only a total of 16 interviews were available. To provide each client with an equal chance of an interview and to cover the diversity of Drought Loan clients including clients using the loan for preparedness, management and recovery of drought, a stratified random sampling approach was used.</p> <p>This divided Drought Loan clients into unique groups (or strata) based on their stated loan use. A random sample was then taken from each group to identify an initial 16 individuals who were offered an interview slot. 16 clients confirmed a slot, and 16 one-on-one phone interviews were undertaken to understand their farm businesses perspectives in greater depth.</p> <p>Sentiment analysis on these interviews was undertaken in addition to thematic coding which segmented raw text into descriptive does to identify common patterns and link these codes to overarching themes aligned to the relevant Sub-KEQs.</p>	<p>Given the time and resourcing allocated to the Drought Loan medium-term evaluation, only a small sample of Drought Loan clients were able to participate in an interview.</p> <p>The views expressed are solely the views of the individuals participating in the interviews and are not necessarily representative of the whole Drought Loan cohort. For privacy reasons and to ensure the robustness and candidness of information, interviewee and interviewee information is anonymous and de-identified as presented in the report.</p>
<p>Drought Loan Focus Groups</p>	<p>Callida facilitated two separate focus groups with DAFF and the RIC staff. The focus groups were designed to gain a greater understanding of the design, purpose and performance of the Drought Loan including any outcomes and/or unintended consequences that had emerged. Participation in the focus groups was entirely voluntary. The RIC and DAFF were provided guidance on the information and perspective</p>	<p>The views expressed are solely the views of the individuals participating in the Focus Groups. For privacy reasons and to ensure robustness and candidness of information, Focus Group information is anonymous and de-identified as presented in the report.</p>



Data Source / Type	Methods	Caveats and Limitations
	<p>Callida was seeking to support the identification of relevant staff from each agency.</p> <p>Sentiment analysis on these focus groups was undertaken in addition to thematic coding which segmented raw text into descriptive does to identify common pattens and link these codes to overarching themes aligned to the relevant Sub-KEQs.</p>	
<p>RIC & DAFF Drought Loan Questionnaire</p>	<p>Callida developed and submitted a questionnaire to RIC and DAFF to capture their reflections on the Drought Loan, specifically insights on the Drought Management Plan and emerging issues or anticipated changes in the broader policy context that may impact future demand for the Drought Loan.</p> <p>This questionnaire was developed through a gap analysis using key data on the Drought Loan previously provided by RIC and DAFF in focus groups on the evaluation of the Farm Investment Loan (FIL).</p> <p>Sentiment analysis on these focus groups was undertaken in addition to thematic coding which segmented raw text into descriptive does to identify common pattens and link these codes to overarching themes aligned to the relevant Sub-KEQs.</p>	<p>The views expressed are solely the views of the individuals participating in the Focus Groups. For privacy reasons and to ensure the robustness and candidness of information, Focus Group information is anonymous and de-identified as presented in the report.</p>
<p>FIL Medium-Term Evaluation Focus Group data</p>	<p>Focus group information collected and analysed for the FIL evaluation in October 2025 was dawn on as it related to demand and performance of the Drought Loan.</p> <p>This information was used to inform the RIC and DAFF questionnaire and is referenced throughout where relevant.</p>	<p>The views expressed are solely the views of the individuals participating in the Focus Groups. For privacy reasons and to ensure the robustness and candidness of information, Focus Group information is anonymous and de-identified as presented in the report.</p>



Appendix B: Glossary

Table 23, *below*, provides a glossary of the key terms used throughout the report in relation to the evaluation of the Drought Loan.

Table 23 - Glossary

Term	Definition
Approved (Loan status)	Refers to loans that RIC has deemed eligible and suitable but have not been 'settled' where the funds have been disbursed.
Concessional	<p>Concessional refers to a loan provided at below-market terms than the borrower could obtain in the commercial marketplace. The concessional terms may be one of more of the following:</p> <ul style="list-style-type: none"> • an interest rate below the market rate (most common) • deferred repayments • income-contingent repayments. <p>In the case of the RIC concessional refers to loans that are provided at below market interest rates.</p>
Credit risk appetite statement	Establishes the level of risk the RIC is willing to accept across its concessional loan portfolio, and which guides the assessment for new loan applications.
Credit risk grades	The likelihood a borrower may default on their loan.
Credit risk rating	The credit risk rating is comprised of the credit risk grade (CRG) and the security cover grade (SCG).
Declined (loan status)	The loan application has been assessed by RIC as unsuitable or otherwise ineligible for the loan.
Drought loan guidelines	The document that established the parameters and criteria prospective client must meet for the Drought Loan.
Drought management plan (DMP)	Outlines a farm business' drought preparedness, management and recovery strategies. A DMP must be submitted to the RIC as part of an application for a Drought Loan.
Farm businesses	Business listed in the Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006 (Revision 2.0) codes for agriculture and aquaculture
Financial viability	<p>A small business is considered financially viable when the business generates sufficient net profit after fixed and variable expenses to:</p> <ol style="list-style-type: none"> 1. Service borrowing at commercial interest rates; 2. Provide an adequate standard of living for relevant members of the farm business;



Term	Definition
	<ol style="list-style-type: none"> 3. Allow investment on farm to maintain the farm's productive assets; and 4. Provide funds for investment that increases long-term productivity.
Ineligible (loan status)	The loan application does not meet the eligibility criteria of the loan.
Interest	The cost charged by a bank (such as the RIC) for lending the borrower money.
Lapsed (loan status)	The time for the prospective client to continue proceeding with the loan application has passed.
Long-term (evaluation)	Impact evaluations assess long-term outcomes by applying systemic processes to establish the cause and impact, determining the average effect of an intervention based on its intended outcomes.
Medium-term (evaluation)	Monitoring evaluations assess the medium-term outcomes to date and support the active management of performance, seeking to maximise positive impacts and minimise the risk of adverse impacts.
Net profit	The income after all expenses (fixed and variable) are paid.
Principal	The amount of the loan borrowed from the RIC.
Repaid (loan status)	The loan has been repaid in full.
Risk appetite	The RIC's credit risk appetite is the group of loans that are considered suitable for lending.
Risk target	The RIC's risk target is the preferred cohort of loans to lend to that have the more ideal credit risk ratings.
Risk tolerance	The RIC's risk tolerance is loans that are higher risk than preferred, but still acceptable for concessional lending subject to supporting evidence.
Security risk grades	The adequacy of the collateral available to secure the loan.
Settled (loan status)	The loan has been approved with all funds distributed to the client. The loan is 'active' on the RIC loan portfolio.
Short-term (evaluation)	Post-commencement evaluations are limited to assessing the efficiency and effectiveness of delivery inputs and activities; where possible, these evaluations assess readiness to realise short-term outcomes to inform early course correction.
Structural adjustment	An intervention that causes a change in the structure of a market typically by intervening to avoid or avert market failure of an industry.



Term	Definition
Withdrawn (loan status)	The application for the loan has been withdrawn.



Appendix C: Key Document List

Table 24, *below* provides a list of the key documents (non-exhaustive) used in the document analysis for the evaluation of the Drought Loan.

Table 24 - Key document list

Number	Key Document
1	RIC Application Data November 2025
2	DAFF Monthly Report (provided by the RIC)
3	JWS RIC Customer Survey 2022 – 2025
4	Drought Loan Program Guidelines
5	Drought Loan Program Logic
6	RIC Internal Short-Term Evaluation of the Drought Loan August 2022
7	Farm Investment Loan (FIL) Medium-Term Evaluation Focus Group Data
8	Review of the Operation of the Regional Investment Corporation Act 2018
9	Independent Review of the Regional Investment Corporation 2021
10	Annual Report Regional Investment Corporation 2024/25
11	Annual Report Regional Investment Corporation 2019/20
12	RIC Credit Risk Appetite Statement



Appendix D: Drought Loan Client Survey

Survey methods

The purpose of the survey was to capture the views of current and past Drought Loan clients on the loan purpose, loan usefulness and their perception of Drought Loan outcomes.

The below outlines the methods undertaken for the Drought Loan client survey which was administered from 7 January 2026 and 30 January 2026.

Survey sample

The survey sample included 2,685 Drought Loan clients on the RIC loan book from July 2018 to November 2025. Callida proposed the following survey sample criteria, *below*.

Include Criteria

- All recorded 'approved Drought Loan clients', currently on the loan book from July 2018 to November 2025.
- All recorded 'settled Drought Loan clients', currently on the loan book from July 2018 to November 2025.
- All recorded 'repaid Drought Loan clients', ever on the loan book from July 2018 to November 2025.

Exclude Criteria

- Drought Loan withdrawn, lapsed, declined or otherwise in progress applications.
- Drought Loan (any status) from December 2025 onwards.

Before survey deployment, the dataset was confirmed with the RIC and excluded customers with no email, one written-off loan and duplicate emails.

Survey development and deployment

The client survey was developed by Callida through Microsoft Forms. It was deployed by the RIC Customer Optimisation team (via a Microsoft Forms link) on 7 January 2026 and closed on 30 January 2026. The survey comprised of 11 questions which included a mix of multiple-choice questions, open ended responses and Likert scales.

The survey was voluntary and anonymous, and responses were only available to Callida staff on the Callida environment. A client survey follow-up was sent on 23 January 2026 by the RIC Customer Optimisation team to drive stronger response rates.

At closing, 418 responses were received, with 140 self-nominating to participate in a one-on-one phone interview (noting intent to interview 16 respondents for 15-30 minutes). By virtue of random sampling, not all clients who expressed interest in an interview were selected to participate. As part of the survey, all clients were provided information regarding contact details to the RIC Customer Optimisation team, if they wished to provide direct feedback. However, no client queries were received.

Survey questions

Overview

We'd like to hear about your experience with the RIC Drought Loan.

You're invited to take part in a short survey about your experience with the **Regional Investment Corporation (RIC) Drought Loan**. This survey is being conducted by **Callida**, an independent provider, on behalf of RIC.



The purpose of the survey is to better understand the usefulness of the Drought Loan in supporting your business. Your feedback will directly inform future loan design and service delivery, as part of a broader evaluation of the Drought Loan being conducted by Callida.

All responses will be collected by Callida and will remain **anonymous and confidential**, and input will be de-identified before being shared with RIC. Your responses will be used for evaluation purposes only and will not affect your loan or eligibility.

RIC and Callida strongly encourage you to participate. The survey should take approximately **10-15 minutes** to complete and will remain open until **5:00 PM AEDT, Friday 30 January 2026**.

To ensure the best experience, we recommend completing the survey on a **laptop, desktop, or tablet**. While smartphones are supported, please avoid using your browser's back, forward, or refresh buttons during the survey. Use only the buttons provided within the survey interface.

At the end of the survey, you will have the option to express interest in a 15-minute one-on-one phone interview with Callida to share more detailed insights. Participation in both the survey and any follow-up interview is voluntary.

If you have any questions, please contact the RIC Helpdesk at info@ric.gov.au. For further information on the Drought Loan, please visit the RIC website at <https://www.ric.gov.au/loans/drought>.

Survey Question	Response Options
Q1. What state/s does your farm business operate in? (select all that apply)	<ul style="list-style-type: none"> • NSW • ACT • WA • NT • SA • QLD • VIC • TAS
Q2. Which of the following best describes your farm business? (select all that apply)	<ul style="list-style-type: none"> • Sheep-Beef Cattle Farming • Sheep Farming (Specialised) • Beef Cattle Farming (Specialised) • Grain-Sheep Cattle Farming • Grain-Beef Cattle Farming • Dairy Cattle Farming • Poultry Farming • Nursery and Floriculture Production • Mushroom and Vegetable Growing • Fruit and Tree Nut Growing • Aquaculture • Other Livestock Farming • Other Crop Growing • Other (Please specify ANZIC code, if known)
Q3. What calendar year did you first receive funds for the Drought Loan? (select one)	<ul style="list-style-type: none"> • 2018 • 2019 • 2020 • 2021 • 2022 • 2023 • 2024 • 2025 • 2026
Q4. What was the status of your Drought Loan? (select one)	<ul style="list-style-type: none"> • Approved (i.e. have received confirmation of access to a Drought Loan, but have not received funds) • Settled (i.e. have received funds for the Drought Loan)



Survey Question		Response Options					
		<ul style="list-style-type: none"> Repaid (i.e. have repaid all funds for the Drought Loan, and no longer have a Drought Loan) 					
Q5. At the time you applied for the Drought Loan, what was the main purpose of the activities that you planned to undertake using the loan? (select all that apply)		<ul style="list-style-type: none"> To fund operating expenses necessary to continue normal operations of your farm business i.e., drought management activities To contribute to the cost of drought-recovery activities To contribute to the cost of activities to prepare for future droughts To refinance 					
Q6. What are the main activities that you have undertaken, or plan to undertake, using the Drought Loan? (select all that apply)		<ul style="list-style-type: none"> Pay wages or salaries Pay business expenses e.g., bills, farm rent or rates Planting activities e.g., purchase seeds, chemicals or fertiliser Restocking activities e.g., purchase stock, fodder supplement or fuel Purchase of weather and seasonal climate forecasting products Investment in water reticulation or installation of groundwater infrastructure Refinance commercial debt Refinance government-funded concessional loans Other (<i>Please provide a description in response to Question 7</i>) 					
Q7. Please provide a description of the specific activities that you have undertaken, or plan to undertake, using the Drought Loan.		<ul style="list-style-type: none"> (Free form text, max 500 words) 					
8.	The Drought Loan has helped my farm business to:						
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Unsure
8.1	continue normal operations to manage through drought.	1	2	3	4	5	6
8.2	undertake drought-recovery activities.	1	2	3	4	5	6
8.3	prepare for future droughts.	1	2	3	4	5	6
8.4	service borrowings at commercial interest rates.	1	2	3	4	5	6



Survey Question		Response Options					
8.5	provide adequate standard of living for relevant members of my farm business.	1	2	3	4	5	6
8.6	allow investment on-farm to maintain productive assets.	1	2	3	4	5	6
8.7	provide funds for investment that increases long-term productivity.	1	2	3	4	5	6
9.	<p>As part of your application for the Drought Loan, you were required to develop a Drought Management Plan (DMP) for your farm business. These questions are designed to help us understand the utility of the DMP in supporting drought management, recovery and preparedness, and will not affect your loan or eligibility.</p> <p>Please indicate your agreement with the below.</p>						
		Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Unsure
9.1	I have implemented measures outlined in my DMP.	1	2	3	4	5	6
9.2	I plan to implement measures outlined in my DMP.	1	2	3	4	5	6
9.3	I have implemented, or plan to implement, measures that are not outlined in my DMP.	1	2	3	4	5	6
9.4	The DMP is a useful tool for planning drought management, recovery and preparedness activities for my farm business.	1	2	3	4	5	6



Survey Question				Response Options			
9.5	Implementing the activities in my DMP has helped, or will help, my farm business to manage through, recover from and prepare for future droughts.	1	2	3	4	5	6
<p>Q10. If you had not received a Drought Loan, what actions are you most likely to have undertaken?</p> <p><i>This question is designed to help us understand broader industry impacts of the Drought Loan and does not affect your loan or eligibility. Your responses will remain confidential and will only be used for evaluation purposes. (select all that apply)</i></p>				<ul style="list-style-type: none"> • Applied for another commercial loan • Applied for another government concessional loan (including state or territory loans) • Applied for a government grant • Sought alternative financing (e.g., private lenders, temporary overdrafts or unsecured lines of credit) • Continued operations (including drought management activities) without additional funding to support drought preparedness or recovery • Reduced herd size or crop area • Sold assets or equipment to maintain liquidity • Delayed or cancelled planned investments • Increased off-farm income (e.g., secondary employment) • Exited the industry • Other (Please provide a description <max 100 words>) 			
<p>Q11. During the principal and interest repayment period, what action did you, or do you intend to, undertake? (select one)</p>				<ul style="list-style-type: none"> • Continue to make repayments for the full term of the Drought Loan • Refinance with a commercial lender prior to the end of the loan term • Refinance with a government-funded concessional loan prior to the end of the loan term • Repay the Drought Loan in full using surplus cash reserves 			
<p>Q12. Callida will be conducting 15-minute phone interviews on clients' experiences with the Drought Loan. The interviews will be used to support an in-depth understanding of the usefulness of the loan. Participation in an interview is voluntary, and your input will be de-identified by Callida.</p> <p>Callida will be interviewing a random sample of self-nominated participants to elaborate on responses provided as part of this survey. If you are selected, Callida will contact you to arrange a time for the phone interview, to be conducted between 2 and 13 February 2026 during business hours.</p> <p>Would you be interested in participating in a 15-minute phone interview with Callida about the Drought Loan?</p>				<ul style="list-style-type: none"> • Yes • No 			
<p>Q13. If yes, please provide your phone number so Callida can contact you directly.</p> <p><i>If you are not randomly selected to participate in a phone interview, and you would like to provide further feedback on the Drought Loan, please contact the RIC Helpdesk at info@ric.gov.au.</i></p>				<ul style="list-style-type: none"> • (Free form text, max 20 characters) 			
<p>Q14. 14. You may also provide a preferred first name (optional) to be used if you are randomly selected to participate in a phone interview.</p>				<ul style="list-style-type: none"> • (Free form text, max 20 characters) 			



Appendix E: Drought Loan Theory of Change

Theory of Change Overview

In November 2025, Callida developed a Theory of Change (TOC) based on the Drought Loan Program Logic and data and information available from the RIC systems as of November 2025. The Drought Loan TOC is aligned to the Drought Loan Program Logic inputs, activities, outputs, outcomes and impacts and explains the expected changes to occur through each of the program stages. It provides the underpinning narrative and explanation of the Drought Loan depicted in the Program Logic. Given this, elements of the TOC are discussed throughout the main body of the report, particularly in relation to discussing the intended objectives of the Drought Loan and external factors that may impede its success.

The Drought Loan TOC below was developed in November 2025 for the medium-term evaluation. It was approved by the RIC in November 2025.

Drought Loan Theory of Change

The Drought Loan has been available since July 2018 to help eligible farm businesses continue to manage through drought conditions, recover once the season breaks and prepare for future droughts. Like the RIC's other loan products, the Drought Loan is intended to provide temporary relief to a farm related businesses that will otherwise be viable in the long-term.

In this way, the Drought Loan is not designed to impede structural adjustment in the agricultural market. Through ensuring eligible businesses have the appropriate financial arrangements (including but not limited to an acceptable credit rating, cash flow and other equity) to service the loan, the loan is designed to support eligible businesses to improve their strength, resilience and profitability in the long term whilst supporting drought preparedness, management and recovery activities. It should be noted there are several external factors in the broader policy and agricultural business environment that may impact the final delivery (i.e. success) of the short-, medium- and long-term outcomes for the Drought Loan.

The Drought Loan can be used for refinancing, operating expenses, capital expenditure, or a combination of these. Loans are available up to \$2 million over a 10-year term, with interest-only repayments for the first five years and principal and interest repayments for the final five years. As of July 2025, Drought Loans accounted for 79.72% of RIC's loan portfolio (2739 loans valued at \$2,943.59 million), making it the most accessed RIC loan product.

Appendix F: Drought Loan Program Logic

The below outlines the Drought Loan Program Logic, developed by the RIC and jointly updated by the RIC and Callida in November 2025. The Program Logic connects the inputs and outputs to the loan product's intended short-, medium- and long-term outcomes. The highlighted text shows the focus of this evaluation i.e. the medium-term outcomes of the loan

Vision: Strong, resilient and profitable Australian farm businesses that are financially self-sufficient						
Program Objective: To help eligible farm businesses continue to manage through drought conditions, recover once the season breaks and prepare for future droughts						
Problem statement	Inputs	Outputs: Activities	Outputs: Participation	Short-term outcomes 0-2 years	Medium-term outcomes 3-9 years	Long-term outcomes 10 years onwards
Australian farm businesses operate in a largely arid continent. It is anticipated that drought will become more frequent, severe and longer lasting in many regions as the climate changes. This volatile environment exposes farm businesses to periods of drought which affects the productivity, profitability and sustainability of their operations and impacts their ability to service established loans with commercial lenders	<p>Australian Government commitment towards for Drought loans</p> <p>RIC (Regional Investment Corporation) (Drought loans expansion) Rule 2020</p> <p>Program Governance, including Drought loan guidelines, historical cash flow budget template/financials</p> <p>Human Resources (RIC Staff, Department of Agriculture, Fisheries and Forestry staff, Department of Finance Staff)</p> <p>RIC Board</p> <p>Relevant Ministers</p> <p>Farm Business networks</p>	<p>Drought Loans up to \$2 million</p> <p>Information sessions</p> <p>Loan applications and maintenance</p> <p>Product Development and refinement</p> <p>Stakeholder engagement and product marketing</p> <p>Drought Management Plan (DMP)</p> <p>Work with stakeholders on how to submit an application</p> <p>Drought loan program reporting</p>	<p>Farm businesses that are in financial need of a loan;</p> <p>Farm businesses with sound prospects of ongoing financial viability; and</p> <p>Drought impacted</p>	<p>Demand established and converted to loans / clients</p> <p>Uses of loan funding commences (refinancing, new debt for operating expenses and capital expenditure or a combination of both)</p> <p>Loan recipients begin to implement measures listed in their DMP's to manage through, recover from and prepare for future droughts</p>	<p>Interest only period finalises and businesses maintain loan with the RIC</p> <p>Loan recipient pool aligned to RIC credit risk framework</p> <p>Loan recipients maintain serviceability</p> <p>Loan recipients have implemented measures in their drought management plan which has established their farm business to manage through, recover from and prepare for future droughts</p> <p>Loan product continues to meet market demand and/or updated to meet market needs.</p>	<p>Credit risk managed effectively</p> <p>Loans are repaid and/or refinanced with commercial lenders</p> <p>Drought loan program successfully assist recipients to strengthen the resilience of their farm business and better prepare for and manage drought conditions</p> <p>Farm businesses are more profitable financially viable, and more resilient to business risks</p>
Assumptions: There is a strong uptake from farm businesses of the Drought Loan which positions them to be more resilient and better prepared for drought conditions in the future.				External Factors: Change in government priorities, demand from industry, commercial lenders offer a product with better terms, climatic conditions, changing import/export market conditions, media perception, commodity prices, farm input cost fluctuations, production yields, interest and exchange rate changes and wider government policy changes and tariffs.		



Appendix G: Drought Loan Data Matrix

The Drought Loan data matrix below outlines the key performance indicators (KPIs) for each program stage and output/outcome of the program and defines what data will be used to measure the KPI. In this way, the data matrix explains how the KEQ and each of the five sub-KEQs will be answered.

Key evaluation question	Sub-question	Key performance indicator	Metric	Data source	
To what extent did the Drought Loan help farm businesses continue to manage through drought conditions, recover once the season breaks and prepare for future droughts?	To what extent have farm businesses retained their Drought Loan beyond the interest free and interest only periods?	Proportion of loans continuing beyond commencement of the principal and interest repayment period	Comparison of finance rate prior to commencement of principal and interest repayment period versus after this period commences	Salesforce - Repaid Loan Reason Customer interviews	
	To what extent is the loan recipient pool aligned to the RIC Credit Risk Appetite Statement?	RIC Credit Risk Rating data i.e. shift in Credit Risk Grade or Security Cover Grade	Alignment of loan recipient pool CRR at approval and latest with RIC's Credit Risk Appetite Statement	Salesforce	
	To what extent have farm businesses been able to service their Drought Loan?	Loan business survival rate	Rates of loan repayments and the reason for loan repayment	Salesforce JWS report	
	To what extent have farm businesses implemented measures in their Drought Management Plan and to what extent have these measures supported farm businesses' drought preparedness, management and recovery strategies?	Demonstrated capacity for businesses to meet their financial commitments		Number of businesses that self-declare the Drought Loan is helping with financial viability during drought recovery.	JWS Survey Customer interviews, focus groups or surveys this may include the impact of the RIC loan and what they would have done had they not received the loan.
				Number of businesses that self-declare the Drought Loan is helping with drought preparedness and management.	JWS Survey Customer interviews, focus groups or surveys this may include the impact of the RIC loan and what they would have done had they not received the loan.
				Number of businesses that self-declare the Drought Loan is helping with drought resilience.	JWS Survey Customer interviews, focus groups or surveys this may include the impact of the RIC loan and what they would have done had they not received the loan.
				Improvements in cash flow, interest: capital and equity ratios and other key financial health metrics from a sample of the loan book since 2023.	Salesforce Customer interviews, focus groups or surveys this may include the impact of the RIC loan and what they would have done had they not received the loan.
				To what extent has the Drought Loan been able to meet market demand?	Number of loan applications approved
	Number of businesses that self-declare the Drought Loan design meets their needs from a concessional loan	Monthly data Customer interviews JWS survey			