Prepared for the Regional Investment Corporation

AgBiz Drought Loan: Short-Term Evaluation

18 July 2025

Callida

Table of Contents

Executive Summary

The Regional Investment Corporation (RIC) is an Australian Government delivery agency providing concessional loans to long-term viable businesses in short-term financial need. The AgBiz Drought loan is available to small businesses that supply primary production related goods or services to farm businesses in drought-affected areas. This recognises that these non-farm small businesses suffer financial hardship due to the effects of drought causing reduced demand and income from farm businesses.

Agriculture is essential to regional and rural Australia and in providing essential food and products for all Australians. Agriculture is also a major export for Australia generating around 2.4% of GDP in 2023-24.[1] Australian agriculture accounts for around 5.9% of rural employment and 2.2% of national employment (315,600 people in 2023-24). As such, the small businesses that supply primary production farms are critical to the ongoing success of this industry and to the social fabric and wellbeing of regional and rural communities.

As of December 2024, AgBiz Drought loans have a total value of $33.68m which represents 1% of the total value of the RIC loan book, and 3% of the volume of all RIC loans.

The findings of this evaluation are based on contemporaneous reporting and data holdings from the RIC between 2020 and 2024. Stakeholder input from key RIC and Department of Agriculture, Fisheries and Forestry (DAFF) personnel in pre-2025 focus groups was also analysed, alongside a survey that was deployed to AgBiz Drought loan clients in May 2025.

This report discusses this data and input in the context of a short-term evaluation of the AgBiz Drought loan by examining two Key Evaluation Questions (KEQs):

1. How well designed was the AgBiz Drought loan in alleviating financial hardship for relevant businesses during drought?
2. To what extent did the AgBiz Drought loan alleviate financial pressure due to drought in the short-term?

On balance and within the scope of this evaluation we find that the AgBiz Drought loan was to a large extent well designed and well executed to alleviate financial pressure in the short-term.

This assessment, however, does not preclude further opportunities for design and administrative enhancements or opportunities for consideration in future Monitoring & Evaluation (M&E) activity as explored throughout this report. The details of our scope, approach and methodology can be found in the next section, with a summary of key limitations and caveats further detailed in Appendix A.

Also of note is the natural fluidity of the program, as it is based upon periods of drought, leaving the RIC with potential variations in demand, or as the case has been, significantly less demand than the previous years. Currently, this requires the RIC to manage the peaks and troughs in the program across its broader suite of concessional loan products. This fluidity may persist depending on the preferred legislative and policy design outcomes set by Government, and any design changes that may follow this report and/or future M&E reports. As such, the RIC will need to consider how it services surges in AgBiz Drought loan demand due to rapid changes in drought classification or other key drivers of demand such as the introduction of interest-free periods.

Additionally, it is expected the loan will be available into the foreseeable future. Therefore, this report also recommends activities the RIC and/or DAFF should consider undertaking to ensure the AgBiz

---

[1] Department of Agriculture, Fisheries and Forestry, Australian Bureau of Agricultural and Resource Economics (ABARES) report: Snapshot of Australian Agriculture 2025.

Drought loan program guidelines remain fit-for-purpose; particularly in the context of similar or complementary concessional loan programs that may be currently available by States and Territories.

It should be noted, there are several other external factors in the broader policy and agricultural business environment that may also impact the final delivery (i.e. success) of the short-, medium- and long-term outcomes for the AgBiz Drought loan. This includes changes to government priorities, other climatic and drought specific conditions that may occur across the life of the loan and changes in the commercial environment including changes in interest and exchange rates.

The table below outlines a summary of consolidated findings in this report, which can also be found in the report body alongside further context and analysis. The confidence levels attached to these findings are categorised by validated, partial evidence, and limited evidence and is explained further in Table 5.

Table 1: Consolidated Findings

#	Findings	KEQ	Confidence Level
1	The AgBiz Drought loan is aligned with legislated Government objectives under the Regional Investment Corporation Act 2018, as outlined in the Regional Investment Corporation (Small Business Drought Loans) Rules 2020.	1.1	Validated evidence
2	The AgBiz Drought loan was designed and established within a compressed timeframe during a period of heightened drought in 2019-20.	1.1	Validated evidence
3	There are a range of concessional loans and grant programs across states and territories targeting farm and farm-adjacent businesses, that may impact the perceived and/or actual value of the AgBiz Drought loan to prospective clients and subsequently the relative nature, magnitude and distribution of the opportunity.	1.1	Validated evidence
4	There has been a decline in overall demand for the AgBiz Drought loan between FY2019–20 and FY2024–25, the patterns in both volume and geographic distribution of applications corresponds to the occurrence of drought across Australia, suggesting that demand for the loan product is responsive to market conditions. Noting also that an interest free period at loan inception likely accounts for the initial high demand.	2.1	Partial evidence
5	Loan processing time has significantly improved since inception, likely due to multiple factors including reduced demand and a more streamlined application form and application processing procedures and associated performance targets.	2.1	Partial evidence
6	A significant majority of AgBiz Drought loans were approved for activities that support or alleviate financial hardship where 25% were intended to be used for working capital and 72% for debt refinance.	2.2	Validated evidence
7	A significant majority of AgBiz Drought loan recipients indicate upon loan repayment that they remain in the industry (28 of 30), with a significant majority that were surveyed agreed it has assisted continuity in their business operations (14 of 15).	2.3	Partial evidence
8	A significant majority of AgBiz Drought loan recipients have maintained or improved their credit risk rating (credit risk grade and/or security cover grade) since loan approval indicating continued or improved financial health of the business. This suggests that most businesses have remained financially stable, with some showing signs of improved financial health as the businesses recover from the effects of drought.	2.3	Validated evidence
9	The AgBiz Drought loan has likely not been used as a ‘loan of last resort’, as the primary use has been to support small businesses to continue to operate (as opposed to bolstering non-viable business operations).	2.4	Partial evidence

The table below outlines a summary of recommended changes to the AgBiz Drought loan program for consideration. These recommendations have been made with the intention of strengthening the design intent and improving the administrative efficiency and effectiveness of the AgBiz Drought loan program and the design of any future loan programs. The recommendations can also be found in the report body alongside further context and analysis.

Table 2: Consolidated Recommendations

#	Recommendations	KEQ
1	Future re-design should consider periodically revisiting the AgBiz Drought loan eligibility and other parameters to consider opportunities to further align with contemporary Government priorities and/or strengthen accessibility. This could include the 'small business' definition and the ineligibility of certain loan uses such as 'capital expenditure'.	1.1
2	Future re-design should consider periodic reviews to identify similar and/or complementary concessional loan programs, to situate the AgBiz Drought loan within the broader Government-provided concessional loan ecosystem; to subsequently inform potential changes to the loan design and/or targeted outreach to prospective clients.	1.1
3	Recognising budget implications, future re-design should consider expanding the eligibility criteria for the AgBiz Drought loan to align with the 'drought-affected' changes captured in the Regional Investment Corporation (Drought Loans Expansion) Rule 2020.	1.1
4	The RIC and DAFF should consider jointly re-baselining their perspectives regarding the primary drivers of demand for the AgBiz Drought loan; where possible also examining any variance between states and territories in the context of drought conditions and the availability of comparable hardship support, given the alternative schemes discussed in KEQ 1. This may then inform future re-design and/or targeted outreach.	2.1
5	The RIC should consider periodically reviewing its records management to ensure any non-eligible loan use (e.g. capital expenditure) is appropriately contextualised. The RIC should continue to apply a risk-based and proportionate assurance framework to understand the extent to which its clients have used the loan for its intended purpose and ensure this is accurately and consistently recorded. * *We note the RIC reports this is likely due to discretion being applied and/or unintentional record keeping error, given that for the few loans that were recorded with capital expenditure, the RIC is able to demonstrate at settlement that funds were distributed to refinancing and / or working capital accounts.	2.4
6	The RIC and DAFF should continue to refine and develop how it conceptualises 'resilience' alongside profitability, viability and risk management capability for the AgBiz Drought loan and other products. This should be done alongside defining and agreeing the measures for these concepts in the short, medium and long term.	2.4

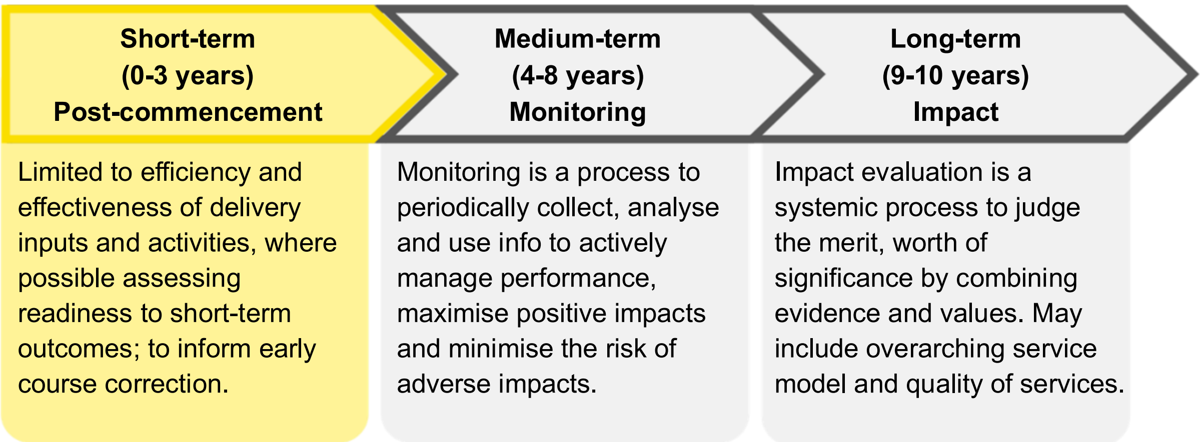
Introduction

Background

The RIC Monitoring & Evaluation Program

Callida was engaged by the Regional Investment Corporation (RIC) to undertake a suite of Monitoring and Evaluation (M&E) activities including a range of short-, medium and long-term evaluations on the RIC's suite of loan products. The first of these evaluations identified by the RIC is the AgBiz Drought loan. This is a short-term evaluation focused on how well the loan product has been designed and delivered to address the problem the product is seeking to solve. A second evaluation focused on assessing the AgBiz Drought loan's medium-term outcomes will be undertaken in late 2026.

Figure 1: Lifecycle of a RIC loan scheme M&E program



As the graphic shows, a short-term evaluation of the AgBiz Drought loan was due within three years of delivery of the loan (i.e. 2023) which was delayed. The RIC commenced an initial short-term evaluation of the AgBiz Drought loan in 2024 that was subsequently paused, which Callida resumed in May 2025. The status of the evaluation and the implications for the AgBiz Drought loan and this evaluation are discussed in the section below.

Status and Scope of the AgBiz Evaluation work

The AgBiz Drought loan has been in operation since January 2020, and as noted above a short-term evaluation of the product was initiated internally by the RIC. This internal AgBiz evaluation was undertaken by an internal RIC evaluator, but it was delayed due to internal staff movements and ultimately paused in October-November 2024. This was in the context of a decision to establish a broader M&E framework for RIC programs into which this evaluation was subsumed. Callida has worked closely with the RIC and reviewed documentation compiled by the previous evaluator to assess the status of the prior evaluation and the re-use of any prior materials. The Scope section identifies which materials were re-used from the prior evaluation, while also noting relevant limitations and considerations.

Given the status of the prior evaluation, Callida's data collection and analysis is focused on the 2020-2024 period and contemporaneous reporting and data holdings from the RIC. It is important to note, while the commencement of the evaluation was delayed (i.e. from 2023), this may have allowed more time for the intended short-term outcomes of the AgBiz Drought loan to be realised. However, given short-term evaluations are intended to inform program design adjustments in the early stages of delivery, this opportunity will not be fully realised in the context of the current evaluation, given the delay.

Given this context, Callida has considered the specific environment of the AgBiz Drought loan and any enhancements or changes to the loan product that have occurred over the relevant period. This has occurred through engagement with the RIC Subject Matter Experts to understand any recent enhancements and those under development.

Additionally, as short-term evaluation are internally focused, this evaluation primarily considers the appropriateness of the AgBiz processes, procedures, and the successful delivery of activities in the short-term. The medium- and long-term outcomes and the impact of the product overall are out of scope of this evaluation. These will be considered in the medium term (monitoring) evaluation of the AgBiz Drought loan in late 2026, approximately six years into the delivery of the loan.

It should be noted, there are several other external factors in the broader policy and agricultural business environment that may also impact the final delivery (i.e., success) of the short-, medium- and long-term outcomes for the AgBiz Drought loan. This includes changes to government priorities, other climatic and drought specific conditions that may occur across the life of the loan, changes in the commercial environment and changes in interest and exchange rates.

Program Context

The AgBiz Drought loan, launched by the RIC in January 2020, is intended to help eligible *drought-affected small businesses*[2] that supply primary production related goods and services to farm businesses in drought-affected areas to mitigate the effects on their businesses. AgBiz Drought loans are available to provide:

(1) working capital to help manage essential operating costs and

(2) refinance (restructure existing commercial debt).

AgBiz Drought loans are available for up to $500,000. The loan term is 10 years, with interest-only repayments in the first five years and principal and interest repayments for the final years of the loan.

Like all the RIC products, the AgBiz Drought loan is intended to provide temporary relief to farm related businesses that would otherwise be viable in the long term. In this way, the AgBiz 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 thrive and reduce the impact of the external factors on their businesses (i.e. drought).

The AgBiz Drought loan is distinct from the other RIC products in that it targets businesses that support farms (as opposed to farms and agricultural businesses directly). These businesses may be wholesalers or typically provide services and products such as agricultural equipment and repairs, agricultural and farm business support services and transport and transport services.

As of December 2024, there were 120AgBiz Drought loans on the RIC loan book with a total value of $33.68 million. This represents 1% of the total value of the RIC loan book, with AgBiz representing around 3% of the volume of all RIC loans. More than 90% of AgBiz Drought loans are in New South Wales and Queensland, with a small number in South Australia, Victoria, and Western Australia.

[2] ‘Drought-affected small businesses’ is defined in the AgBiz Drought loan guidelines.

Table 3: AgBiz Drought loans Approved, Settled or Repaid as of 31 December 2024

Loan Status[3]	Count	Value ($m)
Approved	0	0.00
Settled and still active	90	25.47
Repaid	30	8.21
Total	**120**	**33.68**

Scope

This is the first evaluation in a series of independent evaluations to be undertaken as part of RIC's M&E program between 2025 to 2027. These evaluations focus on the RIC loan products and the delivery of each loan products' policy outcomes.

The specific focus of this short-term evaluation is the AgBiz Drought loan product. Analysis and commentary are limited to the AgBiz Drought loan, except where comparisons have been made to the wider loan book for context.

In March 2025, Callida worked closely with the RIC and the Department of Agriculture, Forestry, Fisheries (DAFF) and Subject Matter Experts to consider the parameters of the AgBiz program and refine the draft Program Logic and Data Matrix to support the evaluation of the AgBiz program.

The Program Logic outlines the inputs, outputs, short-medium- and long-term outcomes for the AgBiz program.

The Data Matrix outlines each of the Key Evaluation Questions (KEQs) and sub-evaluation questions for each type of evaluation for AgBiz, including this evaluation. The Data Matrix also outlines the Key Performance Indicators (KPIs) under each of the sub-evaluation questions and the data sources and methods used to assess whether each KPI is met and the extent to which the associated KEQ and sub-evaluation question is answered.

The evaluation questions and sub-evaluation questions within scope for this evaluation are detailed below:

[3] 'Approved' refers to loans that RIC has deemed eligible and suitable but have not been 'Settled' where the funds have been disbursed. This is point-in-time data, therefore as loans move from 'Approved' to 'Settled', the count for 'Approved' will decrease or be zero.

Table 4: Key Evaluation Questions and Sub-Evaluation Questions

Key Evaluation Question	Sub-Evaluation Question
(1) How well designed was the AgBiz Drought loan in alleviating financial hardship for relevant businesses during drought?"	N/A
(2) To what extent did the AgBiz Drought loan alleviate financial pressure due to drought in the short term?	*2.1 To what extent was demand established for the loan product and converted into appropriate loan / client base?* *2.2 To what extent were the uses of loan funding (i.e. working capital to continue small businesses operations and financing) spent on activities that support or alleviated financial hardship?* *2.3 To what extent were small business' immediate financial pressures alleviated to enable their continued operation?* *2.4 To what extent did small businesses begin to improve their profitability, viability, or risk management capability.*

Approach and Methodology

Callida's approach (as agreed with the RIC) has been to, where possible, re-use the materials and data collected from the initial evaluation in mid-to-late 2024. This is to support, where possible, a point in time and accurate assessment of the progress of the AgBiz Drought loan and its short-term outcomes.

As such, any new data collection has primarily involved collection from RIC data holdings that are contemporaneous, and historical data reports. Callida also developed and deployed a survey over a two-week period that sought the views of AgBiz Drought loan clients who either had a current RIC loan (in 2020 to 2024) or had repaid their loan in the same period.

This evaluation focuses on feedback to support course correction, and provide insight into the program or activity's operations, implementation and service delivery (as opposed to the direct loan product attribution for specific outcomes or underlying key performance indicators). This report seeks to identify actionable refinement opportunities to improve, enhance, and standardise delivery to support medium- and longer-term progress toward intended goals and outcomes, and M&E activity to understand this progress in the future.

The data collection and analysis for the AgBiz Drought loan was multiple methods (i.e. it included both qualitative and quantitative data collection and analysis). All data collection was undertaken concurrently to support a final interpretation of the data and where possible triangulation of data i.e. to use two or more data sources to enhance the validity and reliability of findings.

Given the unique circumstances of this evaluation, details of the data sources and methods of analysis and detailed caveats and limitations are provided at Appendix A. Broadly, the data sources used for this evaluation include:

- Focus and interview data collected by the previous RIC internal evaluator, which are unable to be replicated or independently verified by Callida.
- Reported data analysis undertaken by the previous RIC internal evaluator, which have not been replicated by Callida.
- AgBiz Drought Client Survey, developed by Callida and deployed to 120 AgBiz Drought loan clients on the loan book between 2020-2024 by the RIC on behalf of Callida.

- Publicly available reports such as the RIC Corporate Plan, Annual Reports, Bureau of Meteorology and Australian Bureau of Statistics Data, and RIC legislation.
- A range of RIC quantitative data related to the status, loan value, geographic spread and credit risk rating of the AgBiz Drought loans across the relevant reporting period.

Given the multiple methods used in this evaluation, Callida has analysed and where possible validated data sources relevant to each evaluation question, to provide a 'confidence level' for each finding. The level, explanation and legend in the report for each of these are provided in the table below.

Table 5: Confidence level, Explanation and Report Legend

Confidence level	Explanation
Validated	A validated finding generally means that there were 2 or more sources of information including independent analysis of raw data that was able to be 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 i.e. quantitative data and information from focus groups undertaken by the previous evaluator, but the veracity of this information is in some way compromised or limited. For example, the qualitative information was developed by the previous evaluator and can't be independently verified by Callida.
Limited Evidence	Limited evidence finding means that the finding may only be supported by a singular source i.e. document analysis or aggregated data that can't be verified.

Evaluation Findings

Loan Design

The first KEQ examined in this evaluation is: "How well designed was the AgBiz Drought loan in alleviating financial hardship for relevant businesses during drought?". We find within the scope of this evaluation, that the AgBiz Drought loan is to a large extent appropriately designed to help drought affected small businesses mitigate the effects of drought on their business.

The following key indicators have been utilised, and are discussed further below:

- Alignment or non-alignment to broader Government objectives,
- Level of need *or* identification of need to support drought affected small businesses,
- Nature, magnitude and distribution of the opportunity,
- Benefits and appropriateness of a loan product to meet the need of drought affected small business and relevant evidence base.

We also identify design review opportunities that RIC and DAFF may consider to jointly re-baseline AgBiz Drought loan design appropriateness and/or to assist with incremental design uplift; these range from expanded loan use criteria to stronger working definitions of key outcomes introduced in AgBiz Drought loan guidance documentation.

More detailed analysis and discussion is below.

KEQ 1.1 – How well designed was the AgBiz Drought loan in alleviating financial hardship for relevant businesses during drought?

Alignment with Government objectives

Under the *Regional Investment Corporation Act 2018*, the *Regional Investment Corporation (Small Business Drought Loans) Rules 2020* empowers the RIC to provide concessional loans to a drought-affected small business, for the purpose of providing working capital for the business or refinancing existing commercial debt owed by the business.

In this context, the AgBiz Drought loan is aligned with legislated Government objectives, and further was unique in providing concessional loan support to non-farm business in the context of drought. Previously only farmers were eligible for RIC loan products, whereas the AgBiz Drought loan recognised that drought also affects small businesses that rely on farmers for their income and in turn supply these drought-affected farm businesses.

Contextual data from 2019-20 suggests that at the point of program design, there were no comparable programs providing monetary support through a concessional loan and in a drought-affected context. In pre-2025 consultation with DAFF, the AgBiz Drought loan has also been characterised as "...an on-the-shelf, disaster relief product, for farm dependent small business."

Finding 1:

The AgBiz Drought loan is aligned with legislated Government objectives under the Regional Investment Corporation Act 2018, as outlined in the Regional Investment Corporation (Small Business Drought Loans) Rules 2020.

Understanding drought-affected need

Pre-2025 focus groups with DAFF indicates there was a general understanding of the need to support the prospective farm-dependent small business cohort that the AgBiz Drought loan was seeking to target, as key economic actors in the broader farm-related economy.

DAFF was also aware there are a variety of non-farm businesses that demonstrated unique and significant dependency on farmers in addition to being impacted by drought, for example hospitality or other services in the same economic or geographical catchment area that do not supply primary production inputs to farm businesses. However, what prevailed was a general expectation that many of these small businesses would have opportunities to diversify and thus should be less impacted by drought.

As a result, drought-affected need is reflected in the eligibility criteria, which was eventually narrowed to the definition of 'drought-affected small businesses' in the AgBiz Drought loan guidelines. A key criteria was that a substantial part of the turnover of the business must be, or have been, from the business supplying to farm businesses in affected areas, goods or services relating to primary production by those farm businesses.

Notably, this input from the pre-2025 DAFF focus group also highlighted the compressed timeframe between Government decision to pursue this path, loan design by DAFF, and eventual implementation by RIC – all occurring during a period of heightened drought in 2019-20. Additionally, DAFF noted they were aware of the challenges in developing a product to respond to an emergency and being able to design a product that appropriately targeted the desired cohort of non-farm businesses impacted by drought.

The DAFF focus group also expressed an interest on the appropriateness of the current loan settings; given the loan in their view, was originally conceived and forecasted to be in place for approximately 2 years to alleviate the worst impact of the drought. As such, the DAFF focus group suggested revisiting the loan settings and its eligibility and other parameters, particularly where this may be unintentionally impeding non-farm businesses that may be worthy of support.

For example, DAFF noted considering the appropriateness of the 'small business' definition, i.e. the requirement that throughout the 6 months before applying for the loan that the business have fewer than 20 employees other than casual employees.

The RIC focus group also suggested reconsidering eligible expenditure based on the impacts of the type of eligible expenditure for AgBiz Drought loan clients. Consideration could also be given as to whether the exclusion of capital expenditure remains appropriate for future loan program design.

As such, given the initial circumstances and rapid development of the AgBiz Drought loan we suggest RIC and DAFF revisit the AgBiz Drought loan settings, such as eligibility and other parameters to consider opportunities to further align with Government priorities and/or strengthen accessibility in the drought context, where required.

Finding 2:

The AgBiz Drought loan was designed and established within a compressed timeframe during a period of heightened drought in 2019-20.

Recommendation 1:

Future re-design should consider periodically revisiting the AgBiz Drought loan eligibility and other parameters to consider opportunities to further align with contemporary Government priorities and/or strengthen accessibility. This could include the 'small business' definition and the ineligibility of certain loan uses such as 'capital expenditure'.

Nature, magnitude and distribution of the opportunity

The National Farmers Federation (NFF) is the peak national body representing farmers and, more broadly, agriculture across Australia. The NFF stated in August 2024 that, "[t]he RIC has proven to be essential for administering concessional loans in a nationally consistent manner, particularly during drought periods".[4]

However, there are a range of existing and newer state based concessional loans and grant programs that support primary production and farm-based enterprises. This includes the New South Wales (NSW) Rural Assistance Authority (RAA) *Drought Ready and Resilient Fund Loan*, which is focused on drought preparedness and drought management activities for eligible primary production enterprises generating income from the Australian and New Zealand Standard Industrial Classification (ANZIC) codes for Agriculture, Forestry and Fishing.[5]

While this NSW scheme and other similar schemes managed by the Queensland Rural Industry and Development Authority (QRIDA), are focussed on primary production as opposed to drought affected small businesses, the number of schemes in operation across states and territories is considerable. The South Australian Government also provides rural support grants through the *Rural Business Relief Fund* that provides up to $1,500 in practical financial assistance (such as the payment of fuel and utilities) to eligible South Australian primary producers and rural small business owners who are facing, or are at risk of, financial hardship due to impacts of drought.[6]

While this scheme is a one-off small grant as opposed to a concessional loan, we suggest RIC and DAFF undertake a review to identify similar and/or complementary concessional loan programs, to situate the AgBiz Drought loan within the broader suite of support available to non-farm businesses in a drought-affected context. This may subsequently yield further insights regarding potential changes to the nature, magnitude and distribution of the AgBiz Drought loan opportunity and inform more targeted marketing and outreach as required.

Finding 3:

There are a range of concessional loans and grant programs across states and territories targeting farm and farm-adjacent businesses, that may impact the perceived and/or actual value of the AgBiz Drought loan to prospective clients and subsequently the relative nature, magnitude and distribution of the opportunity.

Recommendation 2:

Future re-design should consider periodic reviews to identify similar and/or complementary concessional loan programs, to situate the AgBiz Drought loan within the broader Government-provided concessional loan ecosystem; to subsequently inform potential changes to the loan design and/or targeted outreach to prospective clients.

Overall benefits and appropriateness of a loan product to meet the need of drought affected small business and relevant evidence

We note that in January 2020, the Australian Government announced an extension to the Drought loans program through the *Regional Investment Corporation (Drought Loans Expansion) Rule 2020* – which expanded eligibility criteria so that all Australian farm businesses could access drought loans regardless of their location, either located within an affected area as defined in the Desertification Convention or located outside this area.

[4] National Farmers Federation, NFF welcomes *Regional Investment Corporation Review*, media release 2 August, https://nff.org.au/media-release/nff-welcomes-regional-investment-corporation-review/.
[5] New South Wales, Drought Ready and Resilient Fund, https://www.raa.nsw.gov.au/loans/drrf.
[6] South Australian Government, Rural Support Grants: https://www.ruralbusinesssupport.org.au/what-we-do/relief-fund/.

Recognising budget implications, we suggest that RIC and DAFF consider expanding this eligibility criteria for the AgBiz Drought loan. This will ensure that farm businesses that are accessing concessional loan(s) through RIC (e.g. Drought loan), and their non-farm business counterparts that rely on them (e.g. AgBiz target cohort) in the same geography can both access concessional loan support from RIC in a drought-affected context.

Recommendation 3:

Recognising budget implications future re-design should consider expanding the eligibility criteria for the AgBiz Drought loan to align with the ‘drought-affected’ changes captured in the Regional Investment Corporation (Drought Loans Expansion) Rule 2020.

Alleviating short-term financial pressure

The second KEQ examined in this evaluation is: “To what extent did the AgBiz Drought loan alleviate financial pressure due to drought in the short term?”. We find within the scope of this evaluation, that the AgBiz Drought loan has to a large extent assisted non-farm businesses through working capital and/or refinancing pathways navigate drought-related financial hardship.

Our more detailed analysis and discussion sits alongside the following sub-KEQs, and are discussed further below:

- **KEQ 2.1:** To what extent was demand established for the loan product and converted into appropriate client base?
- **KEQ 2.2:** To what extent were the uses of loan funding (i.e. working capital to continue small businesses operations and financing) spent on activities that supported or alleviated financial hardship?
- **KEQ 2.3:** To what extent were small business’ immediate financial pressures alleviated to enable their continued operation?
- **KEQ 2.4:** To what extent did small businesses begin to implement activities to improve their profitability, viability or risk management capability?

KEQ 2.1 – To what extent was demand established for the loan product and converted into appropriate client base?

We find that within the scope of this evaluation to a large extent initial demand for the loan product was established and converted into an appropriate client base where demand has been aligned to drought conditions across Australia and an interest-free period for new and existing RIC drought-based loans to 1 October 2020.

We have primarily used the following indicators to make this assessment of the extent to which demand was established and converted into an appropriate client base for AgBiz:

- Product demand (as shown by enquiries and application submissions),
- Loan processing time (time between application submission and approval),
- Drought conditions and Government policy.

<u>Product Demand, Drought Conditions and Government Policy</u>

While there has been a decline in overall demand for the AgBiz Drought loan between FY2019–20 and FY2024–25, the patterns in both volume and geographic distribution of applications corresponds to the occurrence of drought across Australia, suggesting that demand for the loan product is responsive to market conditions.

Table 6 and Table 7 show the number of applications and the geographic spread of applications since the commencement of the AgBiz Drought loan.[7]

Table 6 shows a sharp decline in annual application numbers from 161 in both FY2019–20 and FY2020–21 to just 4 in FY2023–24, indicating a significant reduction in demand over time.

Table 6: AgBiz Drought Loan Application Status by Financial Year

Loan Status	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	Total
Applications	161	161	3	2	4	4	**335**
Approved	16	101	2	0	1	0	**120**
Settled (still active) plus Repaid	1	55	61	2	1	0	**120**

Table 7 presents the distribution and status of AgBiz Drought loan applications by state from FY2019–20 to FY2024–25. The majority of applications and active loans are concentrated in New South Wales and Queensland. While these states have significant agricultural sectors, the high volume of applications from these regions more likely reflects the severity and duration of drought conditions during the program's early years.

This is supported by contemporaneous reports from the Australian Bureau of Statistics (ABS) and the Bureau of Meteorology (BOM), which reported persistent and widespread drought across both states from early 2017. By August 2018, all of New South Wales and Queensland were drought declared and by the end of 2019, the BOM had confirmed it as the warmest and driest year on record. These climatic conditions created a strong demand for drought relief, including targeted financial support such as the AgBiz Drought loan.[8]

Table 7: AgBiz Drought Loan Application Status by State

Loan Status	NSW	QLD	SA	TAS	VIC	WA	Total
Settled (still active)	68	16	1	0	4	1	90
Repaid	21	7	1	0	1	0	30
Declined	51	15	4	0	6	1	77
Ineligible	18	9	2	1	2	0	32
Lapsed	56	14	1	0	1	1	73
Withdrawn	21	11	0	0	1	0	33
Total	**235**	**72**	**9**	**1**	**15**	**3**	**335**

[7] We have assumed that number of applications is a proxy for demand for the AgBiz Drought loan, notwithstanding findings from KEQ 1.1, where we assume there are limited barriers to apply for the loan and that small businesses who are interested in receiving the loan apply for it.

[8] Droughts, fires, cyclones, hailstorms and a pandemic – the March quarter, 2020. Australian Bureau of Statistics, https://www.abs.gov.au/articles/droughts-fires-cyclones-hailstorms-and-pandemic-march-quarter-2020.

As such, these tables and reports reflect the initial need and demand established for the AgBiz Drought loan to respond to extreme drought conditions on the ground at the time. Given these well-known conditions, and the Government's response through the development of the AgBiz Drought loan, as noted in KEQ 1, the high demand for the AgBiz Drought loan initially is evident.

However, we note that initial demand for the loan may also be correlated to an interest-free period for new and existing RIC drought-based loans including the AgBiz Drought loan announced on 8 November 2019. This interest free period was cut off as of 1 October 2020. The Australian Government's announcement of this interest free period was intended to support farmers and the wider agricultural sector given the extensive impacts of drought on the industry.[9]

Additionally, we note that interviews with RIC Subject Matter Experts and DAFF staff, as well as analysis from the pre-2025 focus group with RIC staff highlight that AgBiz Drought loan demand reduction is likely multifaceted, including:

- Improvement in drought conditions from 2019, resulting in a reduced application pool particularly in relation to the Desertification Map eligibility criteria and businesses potentially accessing alternative avenues for hardship support,
- Rate of RIC AgBiz Drought loan concessions (i.e. interest rate) not as competitive as it was in the early phase of the loan rollout,
- Less targeted and robust marketing and outreach regarding the AgBiz Drought loan as an available product, particularly in the context of underlying incentives and drivers from primary referral partners (for example Rural Financial Counsellors).

Notably, the pre-2025 DAFF focus group also reflected an acceptance by the Department that demand for this kind of loan would naturally fluctuate given conditions on the ground. As such, the focus group reflected that this was a unique and useful feature of this kind of loan – that it could be used when the specific need arose.

Given these varying drivers, we consider that further analysis by RIC in partnership with DAFF regarding the current drivers for demand may then inform opportunities (if any) to more effectively profile the AgBiz Drought loan opportunity and support a stronger understanding of its readiness to alleviate short-term financial pressure for non-farm businesses that are drought-affected.

Finding 4:

There has been a decline in overall demand for the AgBiz Drought loan between FY2019–20 and FY2024–25, the patterns in both volume and geographic distribution of applications corresponds to the occurrence of drought across Australia, suggesting that demand for the loan product is responsive to market conditions. Noting also that an interest free period at loan inception likely accounts for the initial high demand.

Recommendation 4:

The RIC and DAFF should consider jointly re-baselining their perspectives regarding the primary drivers of demand for the AgBiz Drought loan; where possible also examining any variance between states and territories in the context of drought conditions and the availability of comparable hardship support, given the alternative schemes discussed in KEQ 1. This may then inform future re-design and/or targeted outreach.

[9] Regional Investment Corporation, Annual Report 2019/20, page 11.

Loan Processing Time

An important measure to understand the efficiency of the RIC in meeting demand for the AgBiz Drought loan is loan processing time. Loan processing time refers to the time taken between loan application submission and the loan application outcome (noting this will include approvals, rejections and instances where applicants withdraw their submission).

The RIC's FY2019-20 annual report notes that the RIC was resourced to assess 300 loan applications annually in line with forecasted demand for all loans in the RIC portfolio.[10] However, across FY2019-20, due to unprecedented demand for RIC drought products specifically (including both the AgBiz Drought loan and the Drought loan), and likely because of the announcement of the interest-free period attached to these loans, the RIC was receiving 300 applications a month at the peak of demand. September 2020 was particularly high with the RIC receiving 1,294 applications across all loan types.

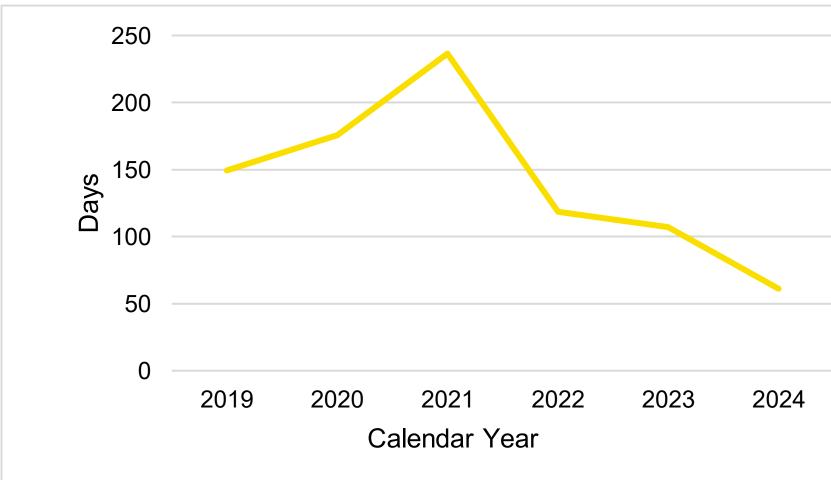
However, the policy changes attached to the eligibility parameters of the AgBiz Drought loan and other loan products were not met with additional resourcing for the RIC to meet its service standards for loan processing times. Additionally, due to flooding events in North Queensland in 2019, the AgRebuild disaster loan was launched, which added additional pressure to the RIC to respond quickly to flood affected farm businesses seeking support in the FY2019-2020 period.

As such, the additional demand for all loans generated a backlog of applications that contributed to extended loan processing times caused by the interest-free loan period (and other emergency events).

The RIC's (current FY2025-26) Corporate Plan metrics for loan processing are time to decision. That is, time from submission of an application to loan application outcome. This is because beyond loan application outcome, the RIC is reliant on other third-party processing times, from entities such as banks and primary lenders which impacts the time for final settlement of approved loans.

However, analysis of the RIC's applications and approvals data indicates varying average times from an application to approval for all loans including the AgBiz Drought loan across 2020 to 2024 calendar years. The spike in applications noted above is reflected in longer processing times in the relevant 2020 and 2021 calendar years. For example, in 2020, the RIC reported an average of 175 days between application submission and outcome for all loans and 178 days for the AgBiz Drought loan (reflecting a total of 68 applications).

Figure 2: All Loans Processing Time from Application Submission to Application Outcome (Days)



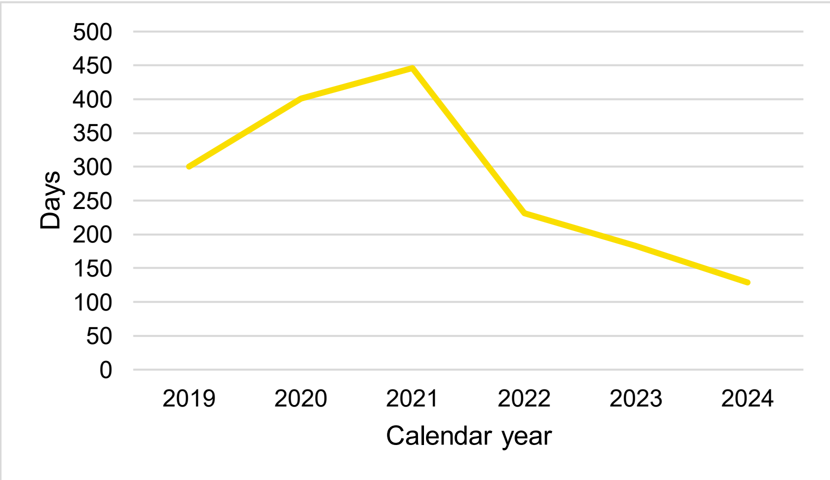
[10] The RIC's Annual Reports indicate it is resourced to process between 300 to 500 loans per year across all loan types. In 2019-20, it was resourced for 300 applications in a year across all loan types. RIC Annual Report, 2020, page 6.

In 2021, the processing time extended to an average of 236 days for all loans and an average of 230 days for AgBiz Drought loans (representing 51 applications). Additional reasons for this spike in demand and the subsequent delays in time from application submission-to-outcome and outcome-to-settlement are discussed further below. Importantly, as of 2024, the average time of application submission to outcome for all loans dropped by 65%, with the submission to outcome for AgBiz Drought loans meeting the (former pre-FY2025-26) 30-day RIC handling target (representing 1 loan application).

Although the RIC does not have oversight or remit over the loan outcome to settlement timeframe given the reliance on third party decisions, an important consideration of demand and met need, is the timeliness of distribution of funds to clients (i.e. settlement). Further analysis of RIC's applications and settlement data also indicates fluctuating average times for submission of an application to settlement for all loans including the AgBiz Drought loan across 2020 to 2024 calendar years.

In 2020, the RIC reported an average of 400 days between submission to settlement for all loans and 394 days for AgBiz Drought loan. (reflecting a total of 68 applications).

Figure 3: All Loans Time from Application Submission to Settlement (Days)



Given the announcement that the interest free period for all drought-based loans would cease on October 1, 2020, as previously noted, the RIC experienced a particularly high volume of total loan applications (1,294) in September 2020 across all loan types.[11] This spike in demand, given the end of the interest free policy impacted the settlement times for all loans including the AgBiz Drought loan in both 2020 and 2021.

In 2021, the settlement timeframes extended to an average of 446 days for all loans and 474 days (51 applications) for AgBiz Drought Loans, despite the end of the interest free period and receiving less AgBiz Drought loan applications than the previous year.

As of 2024, the average timeframe between submission and settlement for all loans is 129 days. Similar to the reduction in the timeframe between submission and outcome between 2020 and 2024, this represents a 67% reduction in time from submission to settlement than in 2020. We note that based on current input from RIC Subject Matter Experts this improvement across both submission-and-outcome and submission-and-settlement timeframes broadly reflects a streamlining of the application form and subsequent processing.

The RIC has advised that as of 2023 it moved to a fully insourced model for loan processing which enabled greater oversight and control of end-to-end processing with significant (and ongoing) improvements to processing times from application submission to loan outcome. While the RIC reports

[11] RIC Annual Report, 2020-21, page 10.

internal processes have supported its ability to respond to spikes in demand, any changes to the eligibility criteria of loans may need to also consider resourcing requirements to process significant increases in demand.

Finding 5:

Loan processing time has significantly improved since inception, likely due to multiple factors including reduced demand and a more streamlined application form and application processing procedures and associated performance targets.

KEQ 2.2 – To what extent were the uses of the loan funding (i.e. working capital to continue small business operations and financing) been spent on activities that supported or alleviated financial hardship?

We find that within the scope of this evaluation a significant majority of AgBiz Drought loans that were approved have used the loan for activities to support or alleviate financial hardship.

A design feature of the AgBiz Drought loan product is the eligible loan use activities were chosen due to their direct influence to alleviate financial hardship. Therefore, where clients have been approved for the AgBiz Drought loan, it is clear their loan use intent has been determined appropriate toward continuity in small business operations and financing.

In this context, the performance indicator that has been used to make this assessment is through examining the total approved and settled applicants whose funds were used for eligible activities, specifically:

(1) working capital to help manage essential operating costs and

(2) refinance (restructure existing commercial debt).

The survey deployed in June 2025 to AgBiz Drought loan clients showed that most clients either already have or are currently using the loan to repay commercial debt. To a lesser extent, 5 out of the 15 survey respondents indicated they used or are using the AgBiz Drought loan for a range of eligible uses including to repay commercial debt, negotiating a better interest rate with commercial banks or lenders, and repaying fuel and other essential business supplies. These are all activities that are intended to alleviate financial hardship.

More broadly, RIC data indicates that at the time of approval of the 120 loans, approximately 3% stated the loan use was for capital expenditure, 25% on working capital and operating expenses and 72% on debt refinance[12]. As such, there are a small number of AgBiz Drought loans who prima facie may have been approved and recorded against a loan purpose that is not within the scope of AgBiz, such as capital expenditure.

While this may have had a positive impact on small business operations and financing, the potential reasons for this and a further analysis of the loan use and purpose at the time of application (and potential assurance considerations) is explored in *KEQ 2.4 To what extent did small businesses begin to implement activities to improve their profitability, viability or risk management capability?*

Finding 6:

A significant majority of AgBiz Drought loans were approved for activities that support or alleviate financial hardship where 25% were intended to be used for working capital and 72% for debt refinance.

[12] Excluding the 1 (i.e. ~1%) of AgBiz Drought loans not reported in SalesForce with no 'loan purpose' data.

KEQ 2.3 – To what extent were small businesses immediate financial pressures alleviated to enable their continued operation?

We find that within the scope of this evaluation that the AgBiz Drought loan to a large extent alleviated immediate financial pressure of drought-affected small businesses.

We have used the following indicators to make this assessment:

- Loan business survival rate across the first stage of the RIC loan,
- Shift in credit grades.

We note that while AgBiz Drought loan recipients have continued operations since loan settlement, there is a challenge to establish the impact of the AgBiz Drought loan on small business operations accounting for other factors affecting recovery of drought-affected businesses and markets. Future loan evaluations will consider the impact of the loan considering the impact of other factors on the achievement of policy outcomes.

Business survival rate

Since the commencement of the AgBiz Drought Loan, a significant majority of loan recipients have continued their business operations.

Table 8 presents the reasons for all repaid AgBiz Drought Loans.

The most cited reason for repayment was that the loan had been fully repaid by the recipient, suggesting that some businesses have achieved a level of financial stability that enabled early repayment. This provides preliminary evidence that the loan support was effective in alleviating immediate financial pressures caused by drought and contributed to business continuity. Notably, only two loans were repaid due to business exit from the industry, indicating that nearly all loan recipients have remained operational.

This finding aligns with results of the June 2025 survey to AgBiz Drought loan clients that shows 14 of the 15 respondents agreed that the AgBiz Drought loan assisted their business to continue to operate.

Table 8: Repaid Loan Reason

Repaid Reason	Count	%
Repaid Loan	15	50%
Partial sale of farming enterprise - Debt reduction	6	20%
Sale of farming enterprise - Remain in Industry	5	17%
Refinance	2	7%
Sale of farming enterprise - Exit industry	2	7%
Total	**30**	**100%**

Finding 7:

A significant majority of AgBiz Drought loan recipients indicate upon loan repayment that they remain in the industry (28 of 30), with a significant majority that were surveyed agreed it has assisted continuity in their business operations (14 of 15).

Shift in Credit Grades

Table 9 and Table 10 show the credit risk rating for AgBiz Drought loan recipients at the time of loan approval and the latest reported credit risk rating[13].

The credit risk rating is comprised of the credit risk grade (CRG) and the security cover grade (SCG). The CRG calculates the relative rating of the probability of default on the loan where the probability of default becomes higher with the progression of CRG from A through to H. Whilst the SCG indicates relative possible loss in the event of a default and a forced sale scenario.

This rating is calculated based on the total debt as a proportion of lending value of the held security. The rating is applied depending on the ratio (shown as a percentage) that indicates the strength of the security position.

Table 9: At Approval AgBiz Credit Risk Rating

		Security Cover Grade							
		A	**B**	**C**	**D**	**E**	**F**	**U**	**Total**
Credit Risk Grade	**A**	-	-	-	-	-	-	-	0
	B	-	-	1	-	-	-	-	1
	C	-	2	19	2	1	-	-	24
	D	3	1	38	8	6	6	-	62
	E	1	-	17	3	3	-	-	24
	F	-	1	5	2	-	-	-	8
	G	-	-	-	-	1	-	-	1
	H	-	-	-	-	-	-	-	0
	Total	**4**	**4**	**80**	**15**	**11**	**6**		**120**

The majority of loan recipients have maintained their credit risk rating since loan approval where only 12% of loans had a change to their credit risk rating. Among these, 11 loan recipients had their CRG improve, while 5 had an improvement to their SCG. There were only 2 instances where the CRG or SCG deteriorated.

Table 10: Latest AgBiz Credit Risk Rating

		Security Cover Grade							
		A	**B**	**C**	**D**	**E**	**F**	**U**	**Total**
Credit Risk Grade	**A**	-	-	-	-	-	-	-	**0**
	B	-	-	1		-	-	-	1
	C	-	2	19	4	-	-	-	24
	D	3	1	38	9	5	5	-	62
	E	1	1	20	3	-	-	-	24
	F	-	1	6	-	-	-	-	8
	G	-	-	1	-	-	-	-	1
	H	-	-	-	-	-	-	-	0
	Total	**4**	**5**	**85**	**16**	**5**	**5**		**120**

This finding highlights that the AgBiz Drought loan is aligned to the RIC's broader concessional loan objectives; that the RIC provides loans to customers that are in financial need, but viable in the long term with capacity to repay the loan.

[13] Most credit risk ratings for AgBiz Drought loan recipients are within the credit risk appetite target of greater than a FD credit risk rating. See Regional Investment Corporation (RIC), *2023-24 performance measures & targets*, RIC, 2024.

Finding 8:

A significant majority of loan recipients have maintained or improved their credit risk rating (credit risk grade and/or security cover grade) since loan approval indicating continued or improved financial health of the business. This suggests that most businesses have remained financially stable, with some showing signs of improved financial health as the businesses recover from the effects of drought.

KEQ 2.4 – To what extent did small businesses begin to implement activities to improve their profitability, viability or risk management capability?

We find that within the scope of this evaluation the AgBiz Drought loan has to a large extent enabled the implementation of activities that improve the profitability, viability and/or the risk management capability of small businesses.

We have used the following indicators to make this assessment:

- Demonstrated capacity for businesses to meet their financial commitments.

We also identify an opportunity to improve the measurement of profitability, viability and risk management capability in the long-term as they relate to strength, resilience and profitability of small businesses in the long term.

Capacity to meet financial commitments

The intended purpose of the AgBiz Drought loan recorded on application assists to understand the activities expected to be undertaken by loan recipients. In this way, it is expected that the AgBiz Drought loan will facilitate access to working capital to continue business operations and/or to refinance debt to reduce borrowings at commercial interest rates. These activities are intended to support drought-affected small businesses to meet their financial commitments in the short-term and improve the strength and resilience of the business in the long term.

We have assumed that AgBiz Drought loans have been used for the loan purpose indicated at time of application.[14] This is summarised in Table 11 and Table 12. Table 11 shows the aggregated loan purpose that aligns to the RIC's loan uses defined in the RIC loan guidelines. Table 12 shows at a disaggregated level the purpose of the loan for specific activities. We note that AgBiz Drought loan clients were able to indicate up to 5 loan purposes, however this evaluation has not reported on loan purpose level 3, level 4 and level 5 as the information has not been reported by all AgBiz Drought loan recipients on application.

Table 11: Settled and Repaid Loan Purpose Level 1

#	Loan Purpose Level 1	Count	%
1	Capital Expenditure	3	3%
2	Working Capital / Operating Expenses	30	25%
3	Debt refinance	86	72%
4	Not recorded in SalesForce	1	1%
	Total	**120**	**100%**

[14] Where there was multiple level 1 loan purpose indicated on a loan application, it was assumed that the primary loan purpose was the first listed on the application. This methodology to determine primary loan purpose may be revisited in subsequent evaluations and may give consideration to 'value' against each loan purpose to rank and determine the primary level 1 loan purpose for an application.

Table 12: Settled and Repaid Loan Purpose Level 2

#	Loan Purpose Level 1	#	Loan Purpose Level 2	Count	%
1	Capital Expenditure	**1.3**	Plant & Equipment incl. new equipment	3	3%
2	Working Capital / Operating Expenses	**2.2**	Stock/restocking costs	4	3%
		2.3	Farm inputs i.e. fuel, chemicals, fertilisers	11	9%
		2.5	Bills/wages/farm rates/rent	15	13%
3	Debt refinance	**3.1**	Commercial Lender incl. cheaper interest rate.	84	70%
		3.4	Vendor Finance	1	1%
		3.5	Consolidate Creditors	1	1%
4	Not recorded in SalesForce			1	1%
Total				**120**	**100%**

Table 11 shows that the majority (72%) of AgBiz Drought loans were used to refinance debt. Table 12 shows that the primary activity undertaken when refinancing debt was to refinance commercial debt for the purposes of receiving a cheaper interest rate.

Table 12 shows that 25% of AgBiz Drought loans were used to access working capital and that this was used for the specific purpose of covering stock/restocking costs (3%), farm inputs i.e. fuel, chemical, fertilisers (9%) and bills/wages/farm rates/rent (13%).

We note that 3 AgBiz Drought loan recipients indicated that they would use the loan for capital expenditure and that this loan use is not eligible for the AgBiz Drought loan. The RIC reports the reason for this is due to record keeping error. Two of the AgBiz Drought loans were recorded against ‘refinance’ and ‘capital expenditure’. However, at settlement (i.e. distribution of funds) a single payment was made most likely for the purpose of refinancing. Following from the initial use of funds for refinancing its possible these clients may then have used funds for capital expenditure. However, the primary purpose of the loan use should more appropriately have been recorded as ‘refinance’.

For the remaining loan recorded against capital expenditure, the RIC reports at settlement three payments were made: one to refinance, one to a credit card and one to a working capital account. These are all eligible uses of the AgBiz Drought loan. Having used the funds to refinance and for working capital its likely this then enabled the client to use funds for capital expenditure.

. Despite these inconsistencies, we suggest that where exemptions to eligibility criteria have been made by the RIC or the primary and secondary loan uses are not accurately or consistently recorded that this is reviewed against the relevant eligibility criteria for the loan to ensure the loan purpose aligns or where there is an exception is made this is recorded for future review. The M&E Program will continue to enhance our approach understanding and analysing loan product use, particularly where clients indicate multiple use activities.

The loan purpose can be further contextualised from findings of the June 2025 survey to AgBiz Drought loan clients. The survey received 15 responses from AgBiz Drought loan clients. It was found that if the client had not received an AgBiz Drought loan the majority would have either applied for a loan from another Loan Service Provider (8 or 53%) or would sell/liquidate assets (4 or 27%).

In conjunction with the recorded loan purpose, this indicates that the AgBiz Drought loan has been primarily used to support the business to continue to operate and that loan recipients are not using the RIC as a 'lender of last resort.' Further, the survey shows that (2 or 13%) of respondents indicated that they would close or sell their business if they had not received an AgBiz Drought loan. This suggests the majority of AgBiz Drought loan clients represent small businesses in financial need yet remain viable in the long term with capacity to repay the loan (as aligned to the credit risk appetite statement).

The survey also reported on the reason the client applied for the AgBiz Drought loan. It shows that there was a relatively even split between clients applying to use the loan to assist drought recovery and to operate in the medium and long term.

A key assumption underpinning our analysis is that the AgBiz Drought loan has been used for its intended purpose. Ideally a risk-based and proportionate assurance framework would assist RIC to understand the extent to which its clients have used the loan for its intended purpose. This may be easier to measure for some loan uses as compared to others – for example:

- Debt refinance: there is likely relatively more transparency where the RIC and the commercial lender coordinate activity as part of a debt refinancing activity. We note that per Table 11 these make up 72% of intended loan purpose.
- Working capital and operating expenses: there is likely relatively less transparency due to the range of working capital spending options and corresponding paperwork that may demonstrate credible evidence of said activity being undertaken. We note that per Table 11 these make up 25% of intended loan purpose.

Finding 9:

The AgBiz Drought loan has likely not been used as a 'loan of last resort', as the primary use has been to support small businesses to continue to operate (as opposed to bolstering non-viable business operations).

Recommendation 5:

The RIC should consider periodically reviewing its records management to ensure any non-eligible loan use (e.g. capital expenditure) is appropriately contextualised. The RIC should continue to apply a risk-based and proportionate assurance framework to understand the extent to which its clients have used the loan for its intended purpose and ensure this is accurately and consistently recorded.*

**We note the RIC reports this is likely due to discretion being applied and/or unintentional record keeping error, given that for the few loans that were recorded with capital expenditure, the RIC is able to demonstrate at settlement that funds were distributed to refinancing and / or working capital accounts.*

Profitability, Viability and Risk Management Capability

We note that future M&E activity will further examine the impact of the implemented activities on profitability, viability and risk management capability will be measured. We note that this will also need to measure the impact of the RIC loan on these outcomes where the small business may continue to be affected by countervailing factors like persistent drought or other intervening variables.

Conceptually we recognise that financial viability is currently outlined in the AgBiz Drought loan guidelines, and describes a small business is considered financially viable when the business generates sufficient net profit after fixed and variable expenses to:

- service borrowings at commercial interest rates
- provide an adequate standard of living for relevant members of the small business

- allow investment to maintain the business's productive assets
- provide funds for investment that increases long-term productivity.

We also acknowledge that RIC and DAFF are jointly considering a basket of metrics that indicate profitability, viability and risk management capability – with a particular focus on unique market conditions in an Agribusiness context (for example seasonality and its effect on financial measures).

Recommendation 6:

The RIC and DAFF should continue to refine and develop how it conceptualises 'resilience' alongside profitability, viability and risk management capability for the AgBiz Drought loan and other products. This should be done alongside defining and agreeing the measures for these concepts in the short, medium and long term.

Appendix A: Data Sources, Methods and Caveats

The following table details the data sources, methods and relevant caveats and limitations of all the data sources included and excluded relevant to the AgBiz Drought Loan evaluation.

Table 13: Data Sources, Methods, Caveats

Data Sources	Methods	Included or Excluded	Caveats and Limitations
Interviews and Focus Groups with RIC and DAFF staff conducted by the previous evaluator in mid-late 2024.	Qualitative interviews and focus groups with a select number of RIC and DAFF staff on AgBiz design, initial delivery, successes, and lessons learned.	Included	Callida has used but has not re-validated this data or undertaken separate interviews and focus groups with RIC and DAFF staff as part of this evaluation.
AgBiz Drought loan information from 2020-2024 including loan status data, application information, value, loan purpose, use and repaid information and shift in credit grades.	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 Finnacle which capture information on RIC loans across their lifecycle from October 2023 onwards.	Included	Analysis and review of the data provided was undertaken independently by Callida.
AgBiz Drought loan information from 2020-2024 arrears information and loans management unit (LMU) data.	This data was attempted to be extracted by RIC staff at Callida's request. Only data at time of reporting could be readily extracted. The RIC keeps information in arrears, including arrears greater than 90 days which trigger an automatic flag that results in the loan being referred to the RIC's Loan Management Unit (LMU) for closer analysis and case management.	Excluded	Arrears and LMU case management information are 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 a daily basis. As such, time of reporting information is only available for loans referred to the loans management unit (LMU). The RIC advised that only one AgBiz Drought loan (as of May 2025) is being managed through LMU processes. Similarly, arrears information, while available across monthly reporting snapshots can also be extracted at time of reporting. Only two AgBiz Drought loans have been reported as in arrears greater than 90 days. The RIC reports there is only one currently (as of 2025, arrears started in August 2024), and this is primarily due to a cashflow issue due to seasonal harvest. The RIC has advised that enhancements to the system

			are underway to improve the functionality and view of loans in arrears and under LMU case management over time.
Review of publicly available documentation and datasets including contemporaneous media reports, the RIC annual and corporate reporting and legislation and supporting instruments.	Extracted by Callida from publicly available websites to support both a contextual understanding of the RIC, the agricultural lending environment and the requirement for the AgBiz Drought loan specifically.	Included	Where these have been used in the report the relevant source is cited, and any specific limitation is noted.
Callida designed survey deployed to 120 AgBiz Drought loan clients on the loan book from January 2020 to December 2024. These are AgBiz Drought loan that are classified as either settled (i.e. approved and finds distributed or repaid) between the relevant time period.	The survey was deployed on 26 May and closed on 6 June. The survey was sent to selected AgBiz clients by the RIC on behalf of Callida. The survey was voluntary and anonymous. 15 of 120 AgBiz Drought loan responded. The survey comprised of 11 questions, including Likert scales, multiple choice and free text questions. The survey questions focussed on seeking AgBiz Drought loan views the extent to which the AgBiz Drought loan had alleviated financial stress, the use of the loan and what alternatives clients may have pursued had they not received the loan.	Included	Given the focus of this survey on the initial delivery of the AgBiz Drought loan and the extent to which it met any early short-term outcomes for those clients, declined, ineligible, lapsed and withdrawn applications were not included in the scope of the survey. There was one client within scope the survey was unable to be deployed to. The RIC advised the email and phone numbers they have for this client are defunct and the ASIC search indicates to business went into liquidation on 2 September 2024. There was one survey respondent that required the assistance of the RIC customer service team to complete the survey due to internet connection issues. This was reported to Callida and noted in the response to the relevant question (Question 11).
RIC call centre enquiry data and hits on the AgBiz Drought Loan website page.	The RIC extracted call centre and website data on behalf of Callida. However, this data was only available for the 2023 and 2024 calendar periods due to: (1) limitations in the migration of data from the Bendigo Bank to the SalesForce system and (2) the RIC changed the provider for the website analytics in May 2023 and does not have historical website data. Given this data is only available for the most recent two years under examination and have not been shown to have a strong relationship to demand they have not been included in the broader analysis.	Excluded	Website analytics and call centre data are both proxy measures for demand. The data provided is limited to the 2023 and 2024 period. The RIC advised Callida that due to the contact centre for the RIC moving in-house from mid-July 2023, there is only one call enquiry logged prior to 2023. Additionally, the RIC advised, their records indicate that there were no conversions from enquiries to applications.

			The RIC provided website traffic for the RIC AgBiz Drought page from May 2023 to December 2024. Brief analysis of the data has showed the averages in each calendar year to be around the same even though the first few months of calendar year 2023 are unavailable.
Client Experience Survey run by JWS Research on behalf of the RIC.	The RIC has separately engaged JWS Research to run several client experience surveys (since 2020) to understand the experience of RIC clients and their satisfaction with the RIC loans. Callida has engaged with the RIC and JWS Research and understand that some of this survey information may be a relevant source of data for evaluative analysis. Given the scope of this survey, and timeframe in which the survey data was able to be provided to Callida, the JWS survey results related to AgBiz Drought have been excluded for the purpose of this evaluation.	Excluded	Callida understand that the JWS Survey is not longitudinal i.e. it captures a different client group randomly selected from the population group. The survey is run each year and captures clients or individuals who engaged with the RIC within the last two years.

Appendix B: Glossary

The below table provides a glossary of the key terms used throughout the report in relation to the evaluation of the AgBiz Drought loan.

Table 14: Glossary

Term	Working Definition
Approved	Refers to loans that RIC has deemed eligible and suitable but have not been 'settled' where the funds have been disbursed.
Commercial debt	Commercial debt is debt that has been established on commercial interest rates, terms and conditions.
Concessional loan	A concessional loan is a loan made on more favourable terms than the borrowers could obtain in the market. This includes lower interest rates and extended repayment time frames.
Credit risk grade (CRG)	The CRG calculates the relative rating of the probability of default on the loan where the probability of default becomes higher with the progression of CRG from A through to H.
Credit risk rating	The credit risk rating is comprised of the credit risk grade (CRG) and the security cover grade (SCG).
Declined	The loan application has been assessed by RIC as unsuitable or otherwise ineligible for the loan.
Financial viability	A small business is considered financially viable when the business generates sufficient net profit after fixed and variable expenses to: • service borrowings at commercial interest rates • provide an adequate standard of living for relevant members of small business • allow investment to maintain the business's productive assets • provide funds for investment that increases long-term productivity.
Finacle	Finacle is an internal RIC system holding financial and other customer data on RIC loans.
Ineligible	The loan application does not meet the eligibility criteria of the loan.
Lapsed	The time for the prospective client to continue proceeding with the loan application has passed.
Loan processing time	Refers to the time between a client submitting an application for a loan and the RIC providing an outcome or decision on that application (including approvals, rejections and instances where applicants withdraw their submission).
Refinance	Restructure existing commercial debt, including taking out a RIC loan to pay off the initial debt on typically more favourable terms and conditions.
Repaid	The loan has been repaid in full.
SalesForce	SalesForce is an internal customer-based relationship management system. Holds most of the information the RIC has on its clients including their financial, contact and loan grade information and customer feedback and interactions. Primarily holds loan application data.

Term	Working Definition
Security cover grade (SCG)	The SCG indicates relative possible loss in the event of a default and a forced sale scenario.
Settled	The loan has been approved with all funds distributed to the client. The loan is ‘active’ on the RIC loan book.
Withdrawn	The application for the loan has been withdrawn.
Working capital	Working capital is the capital a business has for day-to-day operations. This includes cash and liquid assets to cover any short-term and immediate obligations.

Appendix C: Key Document List

The below provides a list of the key documents used in the document analysis for the evaluation of the AgBiz Drought loan.

Table 15: Key Document List

Number	Key Document
1	Raw monthly and application data from the RIC data holdings i.e. SalesForce and Finacle.
2	RIC Monthly and Quarterly reporting
3	RIC Corporate Plan and Performance Reports, particularly FY2019-20, FY2020-21 and FY2021-22.
4	ABARES Insights Papers and Snapshot of Agriculture 2025
5	Bureau of Meteorology Quarterly Reporting
6	Legislation such as the *Regional Investment Corporation (Drought Loans Expansion) Rule 2020*
7	The AgBiz Drought Loan Program Guidelines and Frequently Asked Questions
8	National Farmers Federation Media Reports
9	AgBiz Drought Loan Program Logic

Appendix D: AgBiz Drought Client Survey

Survey Methods

The below outlines the methods undertaken for the AgBiz Drought Client survey undertaken from 26 May 2025 to 6 June 2025. This includes the population of AgBiz Drought loan clients surveyed, the clients on the loan book that were excluded and the deployment mechanism and management of the survey.

Survey Sample: The survey sample was all AgBiz Drought loan clients on the loan book from 2020-2024 (n=120). This included all recorded settled (and still active) AgBiz Drought loan clients and all repaid AgBiz Drought loan clients that were ever on the loan book from 2020-2024. The aim was to capture the views and perspectives of current and past AgBiz Drought clients on the extent to which the loan had alleviated financial pressure in the short-term.

All other RIC loan clients i.e. AgRebuild, Farm Investment, AgriStarter, Drought were excluded from the survey. Similarly, individuals that applied for but did not successfully receive an AgBiz Drought loan were also excluded from the scope. This included any AgBiz Drought applications that were withdrawn, lapsed, approved, ineligible or declined. Additionally, as the evaluation focussed on the period between 2020-2024, AgBiz Drought clients from January 2025 onwards were also excluded.

Survey Development and Deployment

The survey was open from Monday 26 May to Friday 6 June to the 120 settled and repaid AgBiz Drought loan clients between 2020-2024. 15 responses in total were received.

The survey was developed by Callida and deployed through a Microsoft forms link. The survey comprised of 11 questions, including Likert, multiple choice and free text questions.

The survey was voluntary and anonymous. The results of the survey were only available to Callida evaluators. The RIC contact centre sent the link to the survey to the selected AgBiz Drought clients on behalf of Callida and monitored any feedback and concerns raised from AgBiz Drought loan clients.

There was one client within scope the survey was unable to be deployed to. The RIC advised the email and phone numbers they have for this client are defunct and the ASIC search indicates to business went into liquidation on 2 September 2024.

There was one survey respondent that required the assistance of the RIC customer service team to complete the survey due to internet connection issues. This was reported to Callida and noted in the response to the relevant question (Question 11).

Survey Questions

The below details the survey deployed to AgBiz Drought loan clients from 25 May 2025 to 6 June 2025.

Survey Overview / Introduction

You are being contacted to complete a survey about your Regional Corporation Investment (RIC) AgBiz Drought loan. The purpose of this survey is to support the RIC to understand the usefulness of your AgBiz Drought loan in supporting your business. The survey is being managed by an external provider, Callida, who have been engaged to support an assessment of the RIC’s loan products, including AgBiz Drought.

Your responses will be collected by Callida on behalf of the RIC. All your responses will be anonymous and confidential. As such, we ask you to answer the following questions as honestly as possible, and complete as many questions as you can. This survey is best completed on a laptop, PC or tablet (Mac or Windows), but may be completed on a smartphone.

Completion of the survey is entirely voluntary. This survey should take approximately 10 to 15 minutes to complete. The survey will remain open until 5:00 PM AEST Friday 6 June 2025.

If you have any questions about this survey, please contact the RIC helpdesk at: info@ric.gov.au. We hope you enjoy completing this survey and thank you for your time!

Please start with the survey now by clicking on the 'Start' button below.

Survey Question	Response Options
Q1. What state/s does your business operate in? (select all that apply)	• NSW • ACT • WA • NT • SA • QLD • VIC • TAS
Q2. Which of the following best describes your business? (select one of the following)	• Transport and transport services • Repair and maintenance services • Wholesaling • Agricultural equipment and repairs • Manufacturing services • Agricultural and farm business support services (i.e. where not listed in the categories above) • Other
Q3. What year did you first receive the funds for your RIC AgBiz Drought loan? (select one)	• 2020 • 2021 • 2022 • 2023 • 2024
Q4. Which best describes the current 'status' of your RIC AgBiz Drought loan? (select one)	• Settled i.e. we have received the monies. • Repaid i.e. we have repaid the monies in full.
Q5. Why did you apply for a RIC AgBiz Drought loan? (select reason/s)	• To help my business recover from drought. • To support my business to operate in the short term (i.e. within 3 years of receiving the loan) • To help my business operate in the medium-term (i.e. within 4-8 years of receiving the loan) • To help my business operate in the long-term (i.e. within 9 years of receiving the loan) • Other
Q6. What did you use the RIC AgBiz Drought loan for? (select use/s)	• To repay commercial debt • To negotiate a better interest rate with commercial bank or lender

Survey Question	Response Options
	• To negotiate a better repayment schedule with a commercial bank or lender • To pay for fuel and other essential business supplies • To pay employees and contractors • To pay business expenses e.g. rent and rates • All of the above • Other
Q7. The RIC AgBiz Drought loan supported my business to continue to operate. (Likert scale, select one)	• Strongly Disagree • Disagree • Neither agree nor disagree • Agree • Strongly Agree
Q8. Please provide an explanation of your response rating.	*<Free form text max 350 words.>*
Q9. If you had not received a RIC AgBiz Drought loan, what option would have been most applicable to your business? (select one)	• Sell/ liquidate assets • Release staff and/or contractors • Applied for a loan from another Loan Service Provider • Exited the market (i.e. restructured or altered the services offered to the market) • Sold my business • Closed my business • Other
Q10. If you had not received a RIC AgBiz Drought loan, in addition to what you most likely would have done, what other three options would you have been applicable for your business? (select the top three that apply).	• Sell/ liquidate assets • Release staff and/or contractors • Applied for a loan from another Loan Service Provider • Exited the market (i.e. restructured or altered the services offered to the market) • Sold my business • Closed my business • Other
Q11. Please provide an explanation of your selected response.	*<Free form text max 350 words.>*

Appendix E: AgBiz Drought Program Logic

The below outlines the AgBiz Drought loan Program Logic, developed by the RIC and jointly updated by the RIC and Callida in March 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 short-term outcomes of the loan.

Vision: Strong, resilient and profitable small businesses that are financially self-sufficient which service Australian farm businesses

Program Objective: To help eligible drought-affected small businesses that supply primary production related goods or services to farm businesses in affected areas improve their productivity, viability and manage risks, and mitigate the effects of drought on their business

Problem statement	Inputs	Outputs: Activities	Outputs: Participation	Short-term outcomes 0-3-years	Medium-term outcomes 4 - 8 years	Long-term outcomes 9 years onwards
Small businesses in an affected area that supply primary production-related goods or services to farm businesses have experienced financial hardship *because* of drought causing a reduced demand and income from farm businesses for the small business' goods or services	Australian Government original commitment of $320 million towards program for the AgBiz Drought loan Program Governance, including AgBiz Drought guidelines. Historical cash flow budget template / financials RIC (Regional Investment Corporation) (Small Business Drought Loans) Rule 2020 Human Resources (RIC Staff, Department of Agriculture, Fisheries and Forestry staff, Department of Finance Staff), RIC Board, Relevant Ministers	AgBiz Drought loans up to $500,000 Information sessions for small businesses Loan applications and maintenance Product development and refinement Stakeholder engagement and product marketing Work with stakeholders on how to submit an application, AgBiz Drought loan program reporting	Eligible small businesses in an affected area	Demand established (measured by number of enquiries) and converted to loans / clients. Uses of loan funding (Working capital to continue small business operations and refinancing) Small businesses' immediate financial pressures are alleviated and can continue operating. Small businesses begin to implement activities to improve their profitability, viability, or risk management capability	Interest-only period finalised, where during this time small businesses have improved financial stability and are in a stronger position. Loan moves to principal and interest and recipients maintain loan with the RIC. Loan recipients are in a better position to service farm businesses and contribute to the growing Australian agricultural industry Loan recipient pool aligned to RIC credit risk framework Small businesses maintain serviceability of the loan. Small businesses have implemented activities to improve their profitability, viability, or risk management capability	Credit risk is managed effectively. Loans are repaid and/or refinanced with commercial lenders Loan recipients improve their long-term strength, resilience, and profitability of the business, and, as a result, are comfortably able to supply primary production-related goods or services to farm businesses.

Assumptions: Small businesses impacted by drought conditions which supply primary production goods or services to farm businesses become more resilient and improve their profitability and sustainability in the long term as a result of the loan.

External Factors: Government priorities and policy changes, competitor Loan Service Provider's (LSP) offers a product with better terms, climatic and drought specific conditions, changing internal commerce environment, media perception. Business impacted (either positively or negatively) by other external factors unrelated to drought, interest, and exchange rate changes.

Callida

Phone
(02) 6162 3339

Website
www.callida.com.au

Office Address
2/28 National Circuit,
Forrest ACT, 2603

Email
info@callida.com.au