

AgriStarter Loan Q&A

The Regional Investment Corporation hosted a webinar about the recently launched AgriStarter Loan in February 2021. Our team have put together answers to your most commonly asked questions.

What security ranking will the RIC be looking for?

The RIC will work with the applicant and commercial lender to determine the security arrangements through mutual agreement. The RIC does not insist on first mortgage and has worked closely with all main rural lenders to create protocols to speed up security discussions and arrangements.

What level of security is required?

Loans are expected to have sufficient security within standard lending practices. Security will be assessed on a case by case basis. It can include a registered mortgage over land, a registered mortgage over livestock or a registered security interest in water rights. As stated during the webinar security values are generally discounted to the purchase price or owner estimated value.

How can the security requirements be best met when establishing a new business?

AgriStarter Loan applicants are expected to have built up equity prior to applying. Addressing security requirements may be assisted through the applicant's cash contribution to their purchase or security over unencumbered off-farm assets e.g. residence or investments.

How long will it take for my AgriStarter Loan to be processed?

New AgriStarter Loan applications are being processed by a small dedicated AgriStarter Loan team and the RIC is working hard to deliver these loans with its target 65 days (excluding time application spends with customers and banks).

Does the 'successor' need to take on commercial debt if most debt will be linked to the business?

If a successor is purchasing an interest in the farm business, it is expected that their bank will apportion the relevant debt to the successor in line with the share they are purchasing. Consequently, they will be taking on commercial debt in their own name.

How do you define a 'farm business', does it include businesses value adding primary production?

A business that derives the majority of its income from primary production within the agricultural, horticultural, pastoral, apicultural or aquacultural industries.

How long is this funding available for?

The \$75 million in AgriStarter Loan funding is available this financial year. Further funds are available in coming years. The RIC is responsible for delivering the loan and the funding as required by the Federal Government.

Can AgriStarter be used in conjunction with vendor finance?

Yes, if the vendor finance is set on commercial terms (i.e. a commercial interest rate), with set regular repayments and a written agreement that could be considered eligible commercial debt and the AgriStarter Loan could supply the other 50% of the debt required up to \$2 million.

How many years forecasts would be required for a long-yielding operation?

The Year In Year Out (YIYO) cashflow projection will be important in our credit assessment. This should reflect the operation once it has developed to full productive capacity. We will require at least two years of projected cashflows.

Applicants are encouraged to supply cropping plans or stock schedules to support the transition to achieving the YIYO cashflow. For applicants undertaking the establishment of tree crop enterprises, cashflows should reflect the emerging productive capacity of their trees and the YIYO cashflow will need to demonstrate the viability of the enterprise within the 10-year term of the loan.

Should forecasts assume the application is successful?

Yes, cashflow and production forecasts should demonstrate how, with the assistance of the AgriStarter Loan, the applicant will meet the guidelines of the loan.

Are banks supportive of co-financing?

The RIC worked closely with the banks through the development of this loan. Banks have advised they are supportive of this program. The RIC continues to work with the banks to expedite loan assessments and settlements. Applicants are encouraged to discuss their intention to apply for an AgriStarter Loan with their bank prior to application. Ideally the bank's commitment should be known prior to applying for the AgriStarter Loan. Applicants should seek their own independent financial advice in determining if an AgriStarter Loan is the right option for you.

Could you explain why potential applicants who have earned some primary production income for longer than the 3-year definition of recent are not eligible?

The AgriStarter Loan is for new entrants to primary production. This was required when the loan was established. Potential applicants who are not 'recent' entrants should not self-assess and may still be eligible to apply provided they are able to provide financial and physical reasons why the development of their enterprise has been impacted by events beyond their control and demonstrate the need for the AgriStarter Loan.

How do trusts feature in this loan?

Applicants must operate as a sole trader, partnership, trust or corporation. If an applicant is operating multiple trusts, we encourage you to clearly identify the interplay between those trusts. Potential applicants are encouraged to contact our call centre to discuss individual circumstances.

Still have questions about AgriStarter? Visit ric.gov.au/contact-us