



Australian Government
Department of Agriculture
and Water Resources



Farm Business Concessional Loans Scheme

Drought Assistance Concessional Loans

Guidelines for Victoria

July 2017

For further information:

Telephone: 1800 260 425 (Free call)
Email: industryprograms@ruralfinance.com.au
Web: ruralfinance.com.au
Fax: 03 5441 8901
Postal address: GPO Box 1313
Bendigo Central, VIC, 3552

© Commonwealth of Australia 2017

Ownership of intellectual property rights

Unless otherwise noted, copyright (and any other intellectual property rights, if any) in this publication is owned by the Commonwealth of Australia (referred to as the Commonwealth).

Creative Commons licence

All material in this publication is licensed under a Creative Commons Attribution 3.0 Australia Licence, save for content supplied by third parties, logos and the Commonwealth Coat of Arms.

Creative Commons Attribution 3.0 Australia Licence is a standard form licence agreement that allows you to copy, distribute, transmit and adapt this publication provided you attribute the work. A summary of the licence terms is available from creativecommons.org/licenses/by/3.0/au/deed.en. The full licence terms are available from creativecommons.org/licenses/by/3.0/au/legalcode.

Cataloguing data

This publication (and any material sourced from it) should be attributed as Department of Agriculture and Water Resources 2017, Farm Business Concessional Loans Scheme, Drought Assistance Concessional Loans: Guidelines for Victoria, Canberra. CC BY 3.0.

Internet

Farm Business Concessional Loans Scheme, Drought Assistance Concessional Loans: Guidelines for Victoria are available at ruralfinance.com.au.

Contact

Farm Business Concessional Loans Scheme
Rural Finance
Telephone: 1800 260 425 (Free call)
Email: industryprograms@ruralfinance.com.au
Web: ruralfinance.com.au
Fax: 03 5441 8901
Postal address: GPO Box 1313
Bendigo Central, Victoria, 3552

Inquiries about the licence and any use of this document should be sent to copyright@agriculture.gov.au.

The Australian Government acting through the Department of Agriculture and Water Resources has exercised due care and skill in preparing and compiling the information and data in this publication. Notwithstanding, the department, its employees and advisers disclaim all liability, including liability for negligence, for any loss, damage, injury, expense or cost incurred by any person as a result of accessing, using or relying on any of the information or data in this publication to the maximum extent permitted by law.

Contents

Key features of Drought Assistance Concessional Loans.....	1
1 Scheme overview	2
2 Scheme objectives	3
3 How the scheme will operate.....	3
4 Scheme dates	4
5 Eligible Debt.....	4
6 Loan amount.....	4
7 Eligible uses.....	5
8 Who is eligible to apply	7
9 Loan assessment criteria	11
10 Key loan features.....	11
11 Relationship between concessional loans.....	12
12 Security	14
13 How to apply.....	14
14 How Applications are assessed.....	15
15 Notifying Applicants of loan decisions.....	16
16 Review and appeals process	16
17 Loan conditions	16
18 Conflict of interest.....	17
19 False and misleading information	17
20 Onus on the Applicant.....	18
21 Privacy statement.....	18
22 Disclaimer	18
23 Monitoring and evaluation.....	19
24 Review of guidelines.....	19
Glossary	19

Key features of Drought Assistance Concessional Loans

- Drought Assistance Concessional Loans are for eligible Farm Businesses for the purposes of debt restructuring, new debt for operating expenses, drought preparedness activities or drought recovery activities, or a combination of these.
- Loan amounts are up to a maximum of \$1 million in total.
- A concessional variable interest rate commencing at 2.47 per cent (as at 1 November 2016), which is reviewed on a six monthly basis.
- A maximum loan term of 10 years, with interest only repayments for the first five years and principal and interest repayments for years six to 10.
- The Farm Business must repay or refinance the remaining loan balance at the end of the loan term.
- The availability of loans is subject to funds being available—applications closing on the closing date of the application period (as published on the Rural Finance website) or when funding is fully committed, whichever occurs first.

These guidelines relate solely to Drought Assistance Concessional Loans in Victoria.

Information on Dairy Recovery Concessional Loans and Business Improvement Concessional Loans in Victoria is available in the guidelines for those loans on the Rural Finance website.

1 Scheme overview

The Farm Business Concessional Loans Scheme in Victoria allows eligible Farm Businesses to access three types of loans—Drought Assistance Concessional Loans, Dairy Recovery Concessional Loans and Business Improvement Concessional Loans.

Under the scheme, the Australian Government will provide Victoria with funding for Drought Assistance Concessional Loans, Dairy Recovery Concessional Loans and Business Improvement Concessional Loans. The amount of funding available in each financial year will be published on the Rural Finance website.

The Drought Assistance Concessional Loans assist eligible Farm Businesses in need of financial assistance to manage, recover from and prepare for droughts and maintain prospects for long term Commercial Viability. Drought Assistance Concessional Loans allow eligible Farm Businesses to access concessional finance for debt restructuring, providing new debt for operating expenses, drought recovery activities or drought preparedness activities, or a combination of these purposes.

The Dairy Recovery Concessional Loans recognise that the 2016 decisions of Murray Goulburn Co-operative Co. Ltd or its subsidiaries or related companies (Murray Goulburn), Fonterra Co-operative Group Ltd or its subsidiaries or related companies (Fonterra) and National Dairy Products Pty Ltd (NDP) to reduce the farm gate price of milk is having a severe impact on some dairy Farm Businesses. Dairy Recovery Concessional Loans are available for debt restructuring, providing new debt for operating expenses or productivity enhancement activities, or a combination of these purposes.

The Business Improvement Concessional Loans recognise that, while a current or ex-FHA recipient was by definition in financial hardship, if a farmer has improved their financial circumstances then, the Farm Business may benefit from being able to reduce its interest payments by restructuring and refinancing existing loans.

The scheme replaces and builds on previous concessional loans schemes—the Farm Finance, Drought, Drought Recovery and Dairy Recovery Concessional Loans schemes. It also complements a range of other drought and risk management measures under the Agricultural Competitiveness White Paper to provide assistance to drought-affected Farm Businesses.

The Rural Assistance Commissioner will deliver the Farm Business Concessional Loans Scheme in Victoria using funds provided by the Australian Government.

On 30 June 2016, the Victorian Government appointed a new Rural Assistance Commissioner under the Rural Assistance Schemes Act 2016. The new Commissioner replaces the former Rural Finance Corporation Victoria.

Through an agreement with the Victorian Government, some rural assistance schemes such as grants and loans are delivered by Rural Finance, a division of Bendigo and Adelaide Bank.

The Rural Assistance Commissioner will enter into Loan Agreements with Successful Applicants in its own name using funds provided by the Australian Government. The division of the Bank called “Rural Finance” will however administer these Loan Agreements on behalf of the Rural Assistance Commissioner. In this capacity, the role of Rural Finance will include (but will not be limited to):

- receiving Drought Assistance Concessional Loan, Dairy Recovery Concessional Loan and Business Improvement Concessional Loan applications;
- undertaking Drought Assistance Concessional Loan, Dairy Recovery Concessional Loan and Business Improvement Concessional Loan assessments in accordance with the relevant guidelines;
- conducting farm visits;

- disbursing loan funds to eligible loan recipients on behalf of the Rural Assistance Commissioner;
- managing on an ongoing day to day basis, all Drought Assistance Concessional Loan, Dairy Recovery Concessional Loan and Business Improvement Concessional Loan accounts (including arrears) consistent with the existing practices and procedures of Rural Finance.

2 Scheme objectives

Through the Farm Business Concessional Loans Scheme, the Australian Government aims to support eligible Farm Businesses by providing concessional loans.

The objectives of the scheme in Victoria are to assist:

- commercially viable drought-affected Farm Businesses to continue to operate through drought conditions, recover once the season breaks and prepare for future droughts
- commercially viable Dairy Farm Businesses through the short-term crisis caused by the 2016 decisions of Murray Goulburn, Fonterra and NDP to reduce farm gate milk prices

a Farmer of a commercially viable Farm Business who has exhausted their full 1,095 day FHA entitlement, on or before 30 June 2018, to continue to improve the financial circumstances of the Farm Business.

3 How the scheme will operate

Rural Finance will assess and decide if Applications are eligible through a non-competitive priority process based on the order of receipt. Eligibility is based on Applicants and their Farm Business meeting the requirements of the scheme as specified in these guidelines. To apply or enquire about the scheme, contact Rural Finance.

The Australian Government has capped the amount of funding allocated to Victoria for Drought Assistance Concessional Loans, Dairy Recovery Concessional Loans and Business Improvement Concessional Loans. Rural Finance will publish the total amount of funding provided to Victoria on its website. This amount may be increased, subject to demand and at the discretion of the Australian Government.

Applications will open on the opening date of the Application Period, as published on the Rural Finance website. The availability of loans is subject to funds being available, with Applications closing on the closing date of the Application Period, as published on the Rural Finance website, or when funding is fully committed, whichever occurs first.

If the funding allocation is fully committed, no further Applications will be considered. If this happens, notification of the early closure will be published on the Rural Finance website and those who have already lodged an Application will be advised in writing.

Applicants must have existing Eligible Debt to be eligible for a Drought Assistance Concessional Loan, Dairy Recovery Concessional Loan or a Business Improvement Concessional Loan. Farm Businesses that do not have existing Eligible Debt are outside the scope of the scheme (see **Section 5**).

Applicants can apply for all types of loans under the scheme. Loan Recipients can also receive more than one Drought Assistance Concessional Loan or Dairy Recovery Concessional Loan provided the previous loan has been repaid and the Farm Business meets the eligibility and loan assessment criteria for the scheme.

Applicants are responsible for all costs incurred in the preparation and lodgement of their Application. Successful Applicants will be required to pay any actual costs associated with

establishing the loan (for example, title searches, mortgage registrations, personal property securities register searches and registrations and personal and corporate background checks).

Successful Applicants must also sign a Loan Agreement with the Rural Assistance Commissioner, which will set out the terms and conditions of the loan including the requirement for the Successful Applicant to provide satisfactory security.

Before applying for a Drought Assistance Concessional Loan, Dairy Recovery Concessional Loan or a Business Improvement Concessional Loan, or making any decision, Applicants should seek advice from their legal, business and financial advisors.

4 Scheme dates

Rural Finance will publish details of the Application Period for Victoria on its website.

Applications will close on the closing date of the Application Period, as published on the Rural Finance website, or when funding is fully committed, whichever occurs first.

5 Eligible Debt

Applicants must have existing Eligible Debt to be eligible for a Drought Assistance Concessional Loan.

Eligible Debt means debt that has been established upon commercial interest rates, terms and conditions. Eligible Debt also includes existing debt that has been debt restructured under a Farm Finance Concessional Loan, Drought Concessional Loan, Dairy Recovery Concessional Loan or a Business Improvement Concessional Loan. These amounts are included because the original debt was established upon commercial interest rates, terms and conditions.

Examples of non-eligible debt include, but are not limited to:

- private debt or family debt not provided at arm's length and at commercial interest rates and terms and conditions
- non-balance sheet loans
- equipment finance facilities
- funding of normal or additional working capital
- debt that was not established upon commercial interest rates, terms and conditions, such as;
 - debt established for productivity enhancement activities under an existing Farm Finance Concessional Loan
 - debt established for operating expenses or drought recovery and preparedness activities under an existing Drought Concessional Loan
 - debt established for operating expenses or productivity enhancement activities under an existing Dairy Recovery Concessional Loan
 - debt established at a concessional interest rate under Commonwealth and state or territory government schemes.

6 Loan amount

Loan amounts are up to a maximum of \$1 million in total.

The total amount of Commonwealth Funded Concessional Loans held by a Farm Business must not exceed 50 per cent of its Final Debt Position.

A Farm Business' Final Debt Position comprises its Eligible Debt at the time of the loan assessment, debt established under previous Concessional Loans Schemes and any new debt approved as part of this scheme.

In all cases, the approved loan amount will be determined by Rural Finance.

7 Eligible uses

Drought Assistance Concessional Loans are available for:

- a. debt restructuring
- b. providing new debt for operating expenses
- c. providing new debt for drought recovery activities (when seasonal conditions allow)
- d. providing new debt for drought preparedness activities
- e. any combination of a) to d).

7.1 Debt restructuring

Drought Assistance Concessional Loans are available to restructure:

- a. existing Eligible Debt; and/or
- b. the amount of an existing Farm Finance Concessional Loan and/or Drought Concessional Loan provided the interest only term does not extend beyond the period originally approved.

The amount of a Farm Finance Concessional Loan and/or a Drought Concessional Loan can be refinanced either in full or in part and must be drawn in the same Applicant's name.

7.2 Operating expenses

Drought Assistance Concessional Loans are available to assist in funding operating expenses that are necessary to continue the normal operations of the Farm Business.

The full amount of a Drought Assistance Concessional Loan may be used for operating expenses.

Examples of eligible operating expenses may include:

- paying outstanding bills on hand
- paying salaries or wages of employees
- paying creditors
- paying farm rent or rates
- buying consumables that are essential to carry on the Farm Business, for example, fuel and other farm inputs
- buying fodder or carting of water for livestock or produce or transporting livestock or produce.

7.3 Drought recovery activities

Drought Assistance Concessional Loans are available to contribute to the cost of planting and/or restocking drought recovery activities (when seasonal conditions allow) and associated expenses.

The full amount of a Drought Assistance Concessional Loan may be used for drought recovery activities and associated expenses.

Successful Applicants must provide information to show that seasonal conditions allow planting and/or restocking drought recovery activities and associated expenses to commence. If this

information is not currently available, Applicants can still lodge an Application to enable Rural Finance to assess the Application against the other eligibility criteria and the loan criteria. If all other criteria are met, Applications will be Approved in Principle. Final approval will be granted upon provision of satisfactory evidence to demonstrate that seasonal conditions allow for eligible planting and/or restocking activities to commence.

a) Planting activities

Loans for eligible planting activities will be limited to the area of the Farm Business currently developed for cropping or improved pasture.

Examples of eligible planting activities may include:

- purchase of seed or seedlings
- purchase of chemicals
- purchase of fertiliser
- purchase of fuel/diesel
- payment of labour/contract planting, spraying, harvesting fees
- harvesting.

b) Restocking activities

Loans for eligible restocking activities will be limited to activities associated with the cost of purchasing stock in line with usual operating practices up to the average herd size/stocking rate for the Farm Business over the last three years (excluding years where the Farm Business destocked to prepare for or manage the effects of drought).

Examples of eligible restocking activities may include:

- purchase of stock (including agent fees)
- purchase of provisions and associated labour costs for initial care (e.g. drench, vaccinations, ear tags and branding for the new stock)
- purchase of usual feed/fodder and/or supplements (e.g. salt licks)
- purchase of fuel/diesel to transport stock.

7.4 Drought preparedness activities

Drought Assistance Concessional Loans are available to contribute to the cost of activities to prepare for future droughts.

The full amount of a Drought Assistance Concessional Loan may be used for drought preparedness activities.

Examples of eligible drought preparedness activities may include:

- use of weather and seasonal climate forecasting products or tools to inform production decisions
- proactive water management measures, such as increasing dam capacity, investment in water reticulation and groundwater infrastructure
- water-efficient cropping techniques
- reduction or agistment of stock
- change to more water efficient crop type

- accumulation of feed reserves for stock or sale
- adoption of early weaning practices.

7.5 Non-eligible uses of a Drought Assistance Concessional Loan

Examples of non-eligible activities may include, but are not limited to:

- purchase of private and domestic assets
- payment of private and domestic expenses
- purchase of land
- purchase of and/or investment in Non-Farm Assets and expenses
- payment of tax and other statutory and legal payments
- costs associated with family succession arrangements
- Applicant's own labour costs
- reimbursement for depreciation of assets
- payment of dividends or other distributions of equity to owners
- purchase of capital equipment that is not essential to the Farm Business's drought recovery and preparedness
- funding activities previously funded under Commonwealth and state or territory government schemes, with the exception of any amount of a *Farm Finance Concessional Loan* and/or a *Drought Concessional Loan* being refinanced to a Drought Assistance Concessional Loan.

8 Who is eligible to apply

To be eligible for a Drought Assistance Concessional Loan in Victoria, a Farm Business must meet the eligibility and loan assessment criteria in place at the time their completed Application is lodged, noting that these criteria may be reviewed and amended in the future.

8.1 Eligibility criteria

An Applicant for a Drought Assistance Concessional Loan must demonstrate that:

- a. their Farm Business has existing Eligible Debt (see **Section 5**) and their Farm Business has not already borrowed up to 50 per cent of its Final Debt Position from the Commonwealth; and
- b. their Farm Business is in financial need of a Drought Assistance Concessional Loan; and
- c. they have owned and operated the Farm Business for at least the past three consecutive years and their Farm Business:
 - i. operates as a sole trader, trust, partnership or private company; and
 - ii. is involved within the agricultural, horticultural, pastoral, apicultural or aquacultural industries; and
 - iii. is wholly located in Australia; and
 - iv. is registered for tax purposes in Australia with an Australian Business Number (ABN) and is registered for GST; and

- v. is not a public company under the meaning of the *Corporations Act 2001* (Cwlth); and
- d. at least one Member of the Farm Business must be a Farmer who, under normal circumstances, contributes at least 75 per cent of his or her labour and derives at least 50 per cent of his or her income from the Farm Business; and
- e. the majority of their Farm Business is conducted in Victoria; and
- f. at least one Member of the Farm Business is an Australian permanent resident; and
- g. their Farm Business can secure the support of its commercial lender to the proposed arrangements for the Drought Assistance Concessional Loan; and
- h. their Farm Business is not under External Administration or bankruptcy; and
- i. their Farm Business can meet the requirements of one of the following two options:
 - i. Option A (see **Box 1**) – if your Farm Business is located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event, you need to be able to provide:
 - a valid Bureau of Meteorology Rainfall Deficiency Report that shows your Farm Business is located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event; and
 - evidence of a Significant Financial Impact over a two year period (which can include the forthcoming season); and
 - a Drought Management Plan that demonstrates reasonable steps have been undertaken to prepare for the effects of drought.
 - ii. Option B (see **Box 2**) – if your Farm Business is NOT located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event, you need to be able to provide:
 - a valid Bureau of Meteorology Rainfall Deficiency Report that shows your Farm Business is located outside an area that has experienced a rainfall deficiency equivalent to a 1 in 20 year rainfall event; and
 - evidence of a Significant Financial Impact as a direct result of the effects of drought over a two year period (which can include the forthcoming season); and
 - a Drought Management Plan that demonstrates reasonable steps have been undertaken to prepare for the effects of drought.

Box 1. Option A – If your Farm Business is located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event (Section 8.1.i (i))

Under this option Applicants must provide:

1. a valid Bureau of Meteorology Rainfall Deficiency Report that shows your Farm Business is located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event.

Rainfall Deficiency Reports are valid for a period of 60 days from the date they are issued or accessed.

Information about how to obtain the Rainfall Deficiency Report is available on the Rural Finance website or by contacting Rural Finance on 1800 260 425.

If Applicants are unable to obtain a Rainfall Deficiency Report (e.g. because they are unable to access internet facilities or due to technical difficulties with the website), they may request a report be provided by an alternative means. Please contact Rural Finance for further information on how to access this support.

2. evidence that your Farm Business is experiencing a Significant Financial Impact over at least a two year period (which can include the forthcoming season).

Evidence that your Farm Business is experiencing a Significant Financial Impact may include:

- large reductions in the Farm Business's net cash flow
- large reductions in production and/or yields
- large reductions in operating margins (the percentage margin of farm receipts over farm operating expenses)
- increases in drought-related operating expenses, particularly fodder and agistment expenditure
- large reductions in livestock numbers through forced sales or losses.

These impacts should be evident in the Farm Business's financial statements, taxation returns and cash flow statements provided with the Application.

A valid Rainfall Deficiency Report that shows your Farm Business is located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event will be considered evidence that the financial impacts experienced by your Farm Business are a result of the effects of drought.

Applicants must also demonstrate that they have not contributed to the Significant Financial Impact being experienced by their Farm Business, for example by adopting poor management practices such as overstocking.

3. a Drought Management Plan that demonstrates reasonable steps have been undertaken to prepare for the effects of drought. For example, by providing evidence of some of the following steps:

- use of weather and seasonal climate forecasting products or tools to inform production decisions
- proactive water management measures, such as increasing dam capacity, investment in water reticulation and groundwater infrastructure
- water-efficient cropping techniques
- reduction or agistment of stock
- change to more water efficient crop type
- accumulation of feed reserves for stock or sale
- adoption of early weaning practices.

A Drought Management Plan template is available on the Rural Finance website if required.

Box 2. Option B – If your Farm Business is NOT located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event (Section 8.1.i (ii))

Under this option Applicants must provide:

1. a valid Bureau of Meteorology Rainfall Deficiency Report that shows your Farm Business is located outside an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event.

Rainfall Deficiency Reports are valid for a period of 60 days from the date they are issued or accessed.

Information about how to obtain the Rainfall Deficiency Report is available on the Rural Finance website or by contacting Rural Finance on 1800 260 425.

If Applicants are unable to obtain a Rainfall Deficiency Report (e.g. because they are unable to access internet facilities or due to technical difficulties with the website), they may request a report be provided by an alternative means. Please contact Rural Finance for further information on how to access this support. There are three aspects to this:

2. evidence that your Farm Business is experiencing a Significant Financial Impact as a direct result of the effects of drought over at least a two year period (which can include the forthcoming season).
 - a) evidence that your Farm Business is experiencing a Significant Financial Impact may include:
 - large reductions in the Farm Business's net cash flow
 - large reductions in production and/or yields
 - large reductions in operating margins (the percentage margin of farm receipts over farm operating expenses)
 - increases in drought-related operating expenses, particularly fodder and agistment expenditure
 - large reductions in livestock numbers through forced sales or losses.
 - b) evidence that the financial impacts are directly related to drought conditions. Examples may include the following (as relevant):
 - forced destocking through forced sales and movement of stock to agistment or feedlots
 - feeding purchased fodder to drought affected stock
 - expenditure related to a reduction in water allocations
 - purchasing water supplies for drought affected stock and/or crops
 - crop failure or reduced yields owing to drought
 - expenditure related to assisting the business recover from drought conditions (e.g. restocking, de-silting of dams, replanting)
 - other drought management strategies adopted to manage the Farm Business both over the duration of the drought conditions and its recovery phase.

These impacts should be evident in the Farm Business's financial statements, taxation returns, cash flow statements and Drought Management Plan provided with the Application.
 - c) evidence that they have not contributed to the Significant Financial Impact being experienced by their Farm Business, for example by adopting poor management practices such as overstocking.

Box 2. Option B – If your Farm Business is NOT located in an area that has experienced a rainfall deficiency equivalent to, or worse than, a 1 in 20 year rainfall event (Section 8.1.i (ii)) (continued)

3. a Drought Management Plan that demonstrates reasonable steps have been undertaken to prepare for the effects of drought. For example, by providing evidence of some of the following steps:
 - use of weather and seasonal climate forecasting products or tools to inform production decisions
 - proactive water management measures, such as increasing dam capacity, investment in water reticulation and groundwater infrastructure
 - water-efficient cropping techniques
 - reduction or agistment of stock
 - change to more water efficient crop type
 - accumulation of feed reserves for stock or sale
 - adoption of early weaning practices.

A Drought Management Plan template is available on the Rural Finance website if required.

9 Loan assessment criteria

An Eligible Applicant for a Drought Assistance Concessional Loan must demonstrate that:

- a. their Application is for:
 - i. debt restructuring
 - ii. providing new debt for operating expenses
 - iii. providing new debt for drought recovery activities (when seasonal conditions allow)
 - iv. providing new debt for drought preparedness activities
 - v. any combination of a) to d); and
- b. their Farm Business has the capacity to repay the concessional loan and has sound prospects for a return to Commercial Viability within the term of the concessional loan; and
- c. the amount of Non-Farm Assets and Liquid Assets owned by the Applicant or Members of the Farm Business is not more than the amount needed for prudent risk management; and
- d. they are able to provide satisfactory security acceptable to Rural Finance (see **Section 12**).

10 Key loan features

10.1 Loan term

The maximum term of a Drought Assistance Concessional Loan is 10 years.

10.2 Interest rate

A concessional variable interest rate will apply for the 10 year loan term. The interest rate set by the Australian Government as at 1 November 2016 is 2.47 per cent. The current concessional interest rate is published on the Rural Finance website.

The variable interest rate will be calculated based on the average of the daily 10 year Commonwealth bond rate over a specified six month period. The concessional interest rate will be reviewed and revised if necessary in accordance with material changes to the Commonwealth 10 year bond rate, where a material change is taken to be a movement of more than 10 basis points (0.1 per cent).

Any interest rate change will be effective from 1 February and/or 1 August each year as applicable. Loan Recipients will be notified of any changes by Rural Finance in writing and via the Rural Finance website when changes take effect.

How interest is calculated and charged will be set by Rural Finance and will be outlined in the Loan Agreement.

10.3 Loan payment

Successful Applicants must fully draw-down their Drought Assistance Concessional Loan from the Rural Assistance Commissioner within six months of approval or as otherwise agreed with Rural Finance.

The full amount of the Drought Assistance Concessional Loan provided for operating expenses, drought recovery activities and/or drought preparedness activities will be paid by Rural Finance on behalf of the Rural Assistance Commissioner to the Successful Applicant's nominated bank accounts. A Drought Assistance Concessional Loan for debt restructuring will be applied directly to the Successful Applicant's loan account with their bank or financial institution. Details for payment of the loan will be specified in the Loan Agreement.

To receive payment of a Drought Assistance Concessional Loan for drought recovery activities, Successful Applicants must provide information to show that seasonal conditions allow these activities to commence. Before payment, Rural Finance may seek to confirm the seasonal conditions information provided by Successful Applicants at the time of applying for a Drought Assistance Concessional Loan.

10.4 Loan repayment

The repayment amounts and frequency offered to Successful Applicants will be determined by Rural Finance based on its assessment and will be detailed in the Loan Agreement.

The minimum repayment over the first five years of the loan term is the interest component, with interest and principal repayments required for years six to 10. The principal and interest repayment amounts will be calculated on the basis of a 10-year loan term, meaning that, generally, only a proportion of the principal will be repaid during the loan term. At the end of the loan term, Loan Recipients must repay or refinance any remaining loan balance, for example, through successfully obtaining commercial refinance.

Conditions relating to loan repayments, arrears, defaults and penalties will be as detailed by Rural Finance on behalf of the Rural Assistance Commissioner in the Loan Agreement. At any time during the loan term, Loan Recipients may prepay the whole or any part of their loan, without incurring any additional fees.

In no circumstances can Loan Recipients redraw on repaid Drought Assistance Concessional Loan amounts.

11 Relationship between concessional loans

Loan Recipients under previous Concessional Loans Schemes may also be eligible for a Drought Assistance Concessional Loan if the Farm Business meets the eligibility and loan assessment criteria set out in these guidelines. An Applicant that obtains a Drought Assistance Concessional

Loan may also be eligible for a Dairy Recovery Concessional Loan and/or a Business Improvement Concessional Loan if the Farm Business meets the eligibility and loan assessment criteria for those loans. Information relating to Dairy Recovery Concessional Loans and Business Improvement Concessional Loans in Victoria is set out in the guidelines for these loans available on the Rural Finance website.

The maximum combined amount of a Drought Assistance Concessional Loan, Business Improvement Concessional Loan, Farm Finance Concessional Loan, and/or Drought Concessional Loan that can be held by a Farm Business is \$2 million in total. In addition to this, a Farm Business may also hold a Dairy Recovery Concessional Loan of up to \$1 million. The amount for the Drought Assistance Concessional Loan cannot exceed \$1 million and the combined total of all loan amounts must be no more than 50 per cent of the Farm Business's Final Debt Position (see **Section 6**).

Examples of different combinations of concessional loans available to a Farm Business are provided.

- A Farm Business with \$1.5 million in Eligible Debt may be eligible for a Drought Assistance Concessional Loan of up to \$1 million (\$500,000 for debt restructuring and \$500,000 for new debt). The Farm Business's Final Debt Position would be \$2 million, with the Commonwealth and the commercial lender each lending 50 per cent.

Type	Commercial lender	Commonwealth	Total
Eligible Debt (following debt restructure of \$500,000)	\$1,000,000	\$0	\$1,000,000
Non-eligible debt	\$0	\$0	\$0
Drought Assistance Concessional Loan amount	N/A	\$1,000,000	\$1,000,000
Final Debt Position	\$1,000,000	\$1,000,000	\$2,000,000

- A Farm Business with \$1.5 million in Eligible Debt that has an additional Drought Concessional Loan of \$750,000 for operating expenses may be eligible for a Drought Assistance Concessional Loan of up to \$750,000 for new debt. The Farm Business's Final Debt Position would be \$3 million, with the Commonwealth and the commercial lender each lending 50 per cent.

Type	Commercial lender	Commonwealth	Total
Eligible Debt	\$1,500,000	\$0	\$1,500,000
Non-eligible debt	\$0	\$750,000	\$750,000
Drought Assistance Concessional Loan amount	N/A	\$750,000	\$750,000
Final Debt Position	\$1,500,000	\$1,500,000	\$3,000,000

- A Farm Business with \$1.5 million in Eligible Debt that includes a Farm Finance or Drought Concessional Loan of \$350 000 for debt restructuring may be eligible for a Drought Assistance Concessional Loan of up to \$800 000 for new debt. The Farm Business's Final Debt Position would be \$2.3 million, with the Commonwealth and the commercial lender each lending 50 per cent.

Type	Commercial lender	Commonwealth	Total
Eligible Debt	\$1,150,000	\$350,000	\$1,500,000
Non-eligible debt	\$0	\$0	\$0
Drought Assistance Concessional Loan amount	N/A	\$800,000	\$800,000
Final Debt Position	\$1,150,000	\$1,150,000	\$2,300,000

Applicants should note that past financial assistance under any other program (including loans approved under previous Concessional Loans Schemes) is not a reliable indicator of eligibility for a Drought Assistance Concessional Loan.

12 Security

Successful Applicants must provide the Rural Assistance Commissioner with satisfactory security in accordance with Rural Finance's established security requirements.

The security provided must include:

- a registered mortgage over land or other assets satisfactory to Rural Finance; and
- any other security Rural Finance considers necessary.

Rural Finance will consider livestock, water and other chattels as possible loan securities on a case-by-case basis. Additionally, mortgage priority arrangements are settled through mutual agreement with the Applicant, the Applicant's commercial lender and Rural Finance. Decisions on what constitutes security will take into account the individual circumstances of an Applicant.

Where applicable, assets provided as security must be insured (e.g. against fire) to the satisfaction of Rural Finance.

Applicants are advised that the Rural Assistance Commissioner reserves the right to act under its securities where terms and conditions are not met or default occurs.

13 How to apply

Information relating to Drought Assistance Concessional Loans, including an Application and these guidelines, are available on the Rural Finance website. You can also call Rural Finance on 1800 260 425 (free call) for more information.

To ensure your Application has addressed all the requirements:

1. Read these scheme guidelines.
2. Complete the Application and all required supporting documents.
3. Personally deliver, post, email or fax the completed Application along with all required supporting documents by no later than the closing date of the Application Period, as published on the Rural Finance website (see below for lodgement details).

Personal delivery: 57 View Street, Bendigo, VIC, 3550

Postal address: GPO Box 1313, Bendigo Central, VIC, 3552

Email: industryprograms@ruralfinance.com.au

Fax: 03 5441 8901

Applications must be received by Rural Finance no later than the advertised Application Period closing date.

Applications submitted by personal delivery, email or facsimile must be received by 5pm on the Application Period closing date. Posted Applications should be post marked or show other evidence of dispatch by no later than the closing time and date prescribed for the Application Period.

Applications received after the Application Period closing date, in any other circumstances, will be declined.

If the funding allocated in the Application Period is fully committed before the closing date, all subsequent Applications will be declined.

13.1 Frequency of Applications

If an Application is declined, an Applicant can reapply if they can demonstrate their circumstances have clearly changed such that the reason for the declined Application no longer applies and if the Application Period is still open. A new Application will be required to be submitted to Rural Finance, including all mandatory information and documents. The new Application will be assessed in accordance with all other eligibility criteria and in order of receipt with all other Applications.

If an Applicant has previously been declined assistance under the Farm Business Concessional Loans Scheme and they choose to submit a new Application, they must provide clear evidence in their submission that the reason for the original decline no longer applies in order for the Application to progress to full assessment.

14 How Applications are assessed

In administering the Drought Assistance Concessional Loans, Rural Finance will use its expertise to assess and decide Applications in accordance with these guidelines and any relevant Victorian legislation.

Applicants must lodge a completed Application with all of the required supporting documentation by no later than the closing date of the Application Period, as published on the Rural Finance website. Applications will be assessed by Rural Finance against the eligibility and loan assessment criteria in place at the time a completed Application is lodged, noting that these criteria may be reviewed and amended in the future.

Incomplete Applications will not enter the assessment queue until all missing information has been received by Rural Finance. If an incomplete Application is lodged, Rural Finance will advise Applicants of any required information not provided. Applicants can submit the missing information without lodging a new Application provided it is received by Rural Finance within a timeframe specified by Rural Finance. An Application that does not include a Rainfall Deficiency Report will be considered incomplete and will not be assessed by Rural Finance until a copy of the report is provided.

If the required evidence to demonstrate that seasonal conditions allow for eligible drought recovery activities to commence is not currently available, Applicants can still lodge an Application to enable Rural Finance to assess the Application against the other eligibility criteria and the loan criteria. If all other criteria are met, Applications will be Approved in Principle. Final approval will be granted upon provision of satisfactory evidence to demonstrate that seasonal conditions allow for eligible planting and/or restocking activities to commence.

Completed Applications will be assessed in the order of receipt and loan offers will be based on the availability of funds at the discretion of Rural Finance. As the funds available are capped, Applicants

should note that lodging an Application does not guarantee that they will receive a Drought Assistance Concessional Loan.

When assessing Applications, Rural Finance will verify the information provided by Applicants in their Application. Rural Finance may also liaise with the Applicant, their bankers and professional advisors and the Bureau of Meteorology as required to confirm and verify documentary evidence and information provided.

Where necessary, Rural Finance has the right to request further information from an Applicant to assess their Application. If an Applicant does not provide this information in a timeframe specified by Rural Finance, their Application will be declined.

15 Notifying Applicants of loan decisions

Rural Finance will provide formal written notification of the assessment outcome to each Applicant, including reasons for the decision to declined Applicants.

16 Review and appeals process

Requests to review a decision must be submitted in writing to Rural Finance within 20 business days of receipt of the original decision notification from Rural Finance.

Applicants should ensure they provide Rural Finance with sufficient information outlining the reasons for their dissatisfaction with the decision. Examples may include:

- disagreement with Rural Finance's advice of the eligibility criteria on which the Application was unsuccessful
- factors an Applicant believes may have been overlooked by Rural Finance in determining eligibility to receive a Drought Assistance Concessional Loan
- relevant information, beyond the required documentation, that an Applicant believes may have assisted the original Application, but may not have been included for consideration.

Within 30 business days of receiving a request for a review of a decision, the Rural Finance Drought Concessional Loans Review Panel will review the decision, make a decision regarding the review, and give notice to the Applicant of the review decision.

Written requests to review a decision should be forwarded to:

Chair – Drought Concessional Loans Review Panel
Rural Finance
GPO Box 1313
Bendigo Central, VIC, 3552

17 Loan conditions

17.1 Contracting arrangement

Successful Applicants will be required to enter into a Loan Agreement with the Rural Assistance Commissioner. The Loan Agreement will be for the term of the loan and sets out the full details of the individual loan terms and conditions.

The Drought Assistance Concessional Loan offer may lapse if the Loan Agreement is not signed by the Successful Applicant, in a timeframe specified by Rural Finance, on behalf of the Rural Assistance Commissioner. Applicants should note that no contractual arrangement will exist with

the Rural Assistance Commissioner until a Loan Agreement is signed by the Successful Applicant and the Rural Assistance Commissioner.

By signing the Loan Agreement, the Successful Applicant agrees that they are subject to compliance requirements specified in the Loan Agreement.

It is a condition of the Loan Agreement that if a Loan Recipient's circumstances change significantly during the term of the loan they are required to advise Rural Finance.

If a Loan Recipient's financial position changes significantly, or there are any breaches of the terms and conditions of the loan as specified in these guidelines and the Loan Agreement, Rural Finance (on behalf of the Rural Assistance Commissioner) may decide to initiate recovery or other remedial actions as specified under the Loan Agreement.

17.2 Loan reviews

Rural Finance will review Drought Assistance Concessional Loans at least annually, in consultation with a Loan Recipient's commercial lender, to monitor compliance and the ongoing capacity of the Farm Business to meet the terms and conditions of the Loan Agreement.

A review may include ensuring funds provided for operating expenses, drought recovery activities and/or drought preparedness activities have been used for eligible purposes. Loans for operating expenses, drought recovery activities and/or drought preparedness activities may be subject to more frequent reviews by Rural Finance.

Rural Finance will provide Loan Recipients with at least two months' notice of a loan review. The final loan review will include an assessment by Rural Finance of a Loan Recipient's capacity to repay the loan by the expiry of the concessional loan term.

Loan Recipients must provide evidence of expenditure against the Drought Assistance Concessional Loan upon request by Rural Finance. Evidence of expenditure includes all tax invoices, Official Receipts, bank statements or other similar records of amounts paid.

In assessing a Farm Business's compliance with the terms and conditions of the Loan Agreement with respect to expenditure and activities undertaken, consideration will be given to the expenditure and activities identified in the Farm Business's Drought Management Plan.

17.3 Reporting requirements

Loan Recipients will be required to provide information in line with the reporting requirements as stipulated in the Loan Agreement.

18 Conflict of interest

In line with Rural Finance's policy for managing conflicts of interest, Rural Finance will take all reasonable measures to ensure its officers involved in assessing and making decisions in relation to Applications do not have any conflicts of interest.

19 False and misleading information

If any information provided in the Application is found to be untrue, false or misleading, recovery action of the loan may be undertaken and the matter may be referred to the relevant law enforcement authorities of the Victorian or Australian governments.

Applicants should be aware that giving false or misleading information is a serious offence under the *Criminal Code Act 1995* (Cwlth).

20 Onus on the Applicant

Applicants are responsible for ensuring they have read and understood these guidelines and all documents referred to in these guidelines.

Applicants are responsible, if successful, for ensuring they have read and understood all aspects of the loan conditions and the Loan Agreement terms and conditions.

Applicants can contact the Australian Taxation Office call centre to discuss business tax enquiries on 13 28 66.

21 Privacy statement

Applicants' personal information may be used by the Victorian Minister for Agriculture ("the Minister"), Rural Finance, the Rural Assistance Commissioner and/or the Australian Government to assess an Application and administer the Farm Business Concessional Loans Scheme.

By completing and submitting the Application, Applicants consent to the Minister, Rural Finance, the Rural Assistance Commissioner and/or the Australian Government collecting, using and disclosing their personal information to assess an Application and administer the Farm Business Concessional Loans Scheme and for any other incidental or related purpose.

The Minister, Rural Finance, the Rural Assistance Commissioner and/or the Australian Government may disclose Applicants' personal information to any party engaged in the assessment or evaluation of the Farm Business Concessional Loans Scheme in any jurisdiction.

The Minister, Rural Finance, the Rural Assistance Commissioner and/or the Australian Government will store personal information collected through the Application, supporting documentation, the Loan Agreement and any monitoring and evaluation activities in compliance with their respective obligations under the *Information Privacy Act 2000* (Vic) and the *Privacy Act 1988* (Cwlth) as amended from time to time.

Applicants' personal information will not be disclosed overseas. Applicants may access or correct their personal information at any time by contacting Rural Finance via email or in writing to the address provided on the front page of these guidelines.

Further information about the relevant Australian Government privacy policy, including rights of access and complaints handling, may be accessed at agriculture.gov.au/about/privacy or by calling 1800 900 090.

22 Disclaimer

The Rural Assistance Commissioner, Rural Finance and the Australian Government do not accept any common law duty of care towards Applicants in relation to the Farm Business Concessional Loans Scheme or any information provided in relation to the Farm Business Concessional Loans Scheme. The Rural Assistance Commissioner, Rural Finance and the Australian Government will not be liable for any loss or damage however caused (including the negligence of the Rural Assistance Commissioner, Rural Finance and the Australian Government), suffered or incurred by Applicants in connection with the Farm Business Concessional Loans Scheme or any information provided by the Rural Assistance Commissioner, Rural Finance and the Australian Government in relation to the Farm Business Concessional Loans Scheme.

23 Monitoring and evaluation

The Australian Government will conduct an evaluation to determine the extent to which the Drought Recovery and Dairy Recovery Concessional Loans Scheme is contributing to Australian Government policy objectives. Loan Recipients may be requested to provide information to assist in the evaluation at times during the loan period.

24 Review of guidelines

The Australian Government reserves the right to review, revoke or vary these guidelines, in consultation with the Rural Assistance Commissioner, at any time. Revised guidelines will be published on the Rural Finance website.

Glossary

Applicant	An owner of a Farm Business that has lodged an Application for a Drought Assistance Concessional Loan.
Application	The application form and associated documentation that an Applicant must complete and lodge with Rural Finance to apply for a Drought Assistance Concessional Loan.
Application Period	The period from the date applications open in Victoria until 5pm on the date applications close, as published on the Rural Finance website.
Approved in Principle	Means conditional approval from Rural Finance for a Drought Assistance Concessional Loan. Final approval by Rural Finance will be subject to the Applicant satisfactorily demonstrating that seasonal conditions allow for eligible drought recovery activities to commence. Rural Finance may seek to confirm the seasonal conditions information before loan payments are made.
Commercial Viability	A Farm Business is commercially viable when the business generates sufficient net profit after fixed and variable expenses to: <ul style="list-style-type: none">• service borrowings at commercial interest rates; and• allow investment on-farm to maintain the farm's productive assets; and• provide for an adequate standard of living for its Members of the Farm Business; and• provide funds for investment which increases long-term productivity.

Commonwealth Funded Concessional Loans	The sum total of any loans that a Farm Business has under the Farm Finance Concessional Loans Scheme, Drought Concessional Loans Scheme, Drought Recovery Concessional Loans Scheme, Drought Recovery and Dairy Recovery Concessional Loans Scheme and/or Farm Business Concessional Loans Scheme.
Concessional Loans Schemes	The Farm Finance Concessional Loans Scheme, Drought Concessional Loans Scheme and/or the Dairy Recovery Concessional Loans Scheme (as applicable).
Drought Management Activities	Activities that are undertaken by the Applicant to manage ongoing drought conditions. These activities must be set out in the Farm Business's Drought Management Plan.
Drought Management Plan	A document that outlines how the Applicant's Farm Business has been affected by drought and the drought management strategies to be adopted to manage the Farm Business over the duration of the Drought Assistance Concessional Loan.
Eligible Applicant	The Farm Business whose Application is eligible to be assessed for a Drought Assistance Concessional Loan by Rural Finance, in accordance with these guidelines.
Eligible Debt	Has the meaning given in Section 5 of these guidelines.
External Administration	Means, in respect of a body corporate, that an administrator has been appointed in accordance with the <i>Corporations Act 2001</i> (Cwlth).
Farmer	An individual who has a right or interest in land and uses the land wholly or mainly for the purposes of the Farm Business (as defined in the <i>Farm Household Support Act 2014</i> (Cwlth)).
Farm Business	A business that: <ul style="list-style-type: none"> a. operates as a sole trader, trust, partnership or private company; and b. is involved within the agricultural, horticultural, pastoral, apicultural or aquacultural industries; and c. is wholly located in Australia; and d. is registered for tax purposes in Australia with an Australian Business Number (ABN) and is registered for GST; and e. is not a public company under the meaning of the <i>Corporations Act 2001</i> (Cwlth).
Farm Management Deposits	A scheme provided by the Australian Government to assist primary producers to deal more effectively with fluctuations in cash flow.
Final Debt Position	Has the meaning given in Section 6 of these guidelines.

Liquid Assets	Immediate funds, including cash immediately available in personal and business bank accounts, term deposits, shares, Farm Management Deposits and other financial accounts.
Loan Agreement	A loan agreement between the Rural Assistance Commissioner and a Loan Recipient in respect of a Drought Assistance Concessional Loan.
Loan Recipient	A Successful Applicant that receives a Drought Assistance Concessional Loan.
Member(s) of the Farm Business	A person who has a right or interest in a Farm Business.
Non-Farm Assets	The net value of any asset not essential to the effective running of the Farm Business, including land or property, residential (not used as the primary place of residence) or business, for the Applicant or any Member of the Farm Business (as applicable), excluding life insurance policies and superannuation, provided the superannuation is in a complying superannuation fund for the purposes of the <i>Superannuation Industry (Supervision) Act 1993</i> (Cwlth).
Official Receipt	A receipt including: <ul style="list-style-type: none"> a. the name and address of the entity that issued the receipt b. the entity's Australian Business Number (if it has one) c. a description of each item to which the receipt relates.
Rainfall Deficiency Report	A report from the Bureau of Meteorology identifying those areas within Australia that have experienced one of two rainfall deficiencies, which extend 12 months or more. The 12 month period needs to be continuous, in whole months (i.e. not part of a month) and wholly within the last two years. The report will show areas that have experienced a rainfall deficiency, which is: <ul style="list-style-type: none"> 1. equivalent to, or worse than, a 1 in 20 year rainfall event, or 2. less than a 1 in 20 year rainfall event.
Rural Assistance Commissioner	Created under the <i>Rural Assistance Schemes Act 2016</i> (Vic), the position oversees the effective delivery of financial support to rural and regional communities, on behalf of the Victorian Government.
Rural Finance	A division of the Bendigo and Adelaide Bank Limited.
Significant Financial Impact	An adverse financial impact on a Farm Business that must occur over at least a two year period, which can include the forthcoming season.
Successful Applicant	An Eligible Applicant that satisfies the loan assessment criteria and has been offered a Drought Assistance Concessional Loan.