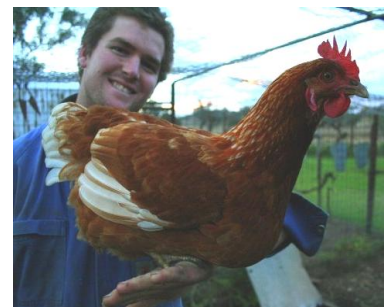




# Young Farmer Finance Scheme



## YOUNG FARMER FINANCE SCHEME

Access to adequate finance is the major factor impeding young people from entering or continuing in farming and the Association believes that a Young Farmer Finance Scheme would help to attract as well as retain, the next generation of farmers.

The NSW Farmers' Young Farmer Council is seeking a commitment to introduce a Young Farmer Finance Scheme in NSW, by establishing a Young Farmer Finance Working Group within 3 months post election which would work towards creating the structure and guidelines for the Scheme.



## YOUNG FARMER FINANCE WORKING GROUP

The Young Farmer Finance Working Group would be made up of Treasury, Industry and Investment NSW, the Rural Assistance Authority, a representative from the banking sector, the NSW Farmers', and other key industry and Government stakeholders. The Working Group would bring about creating the structure and guidelines for a Young Farmer Finance Scheme.

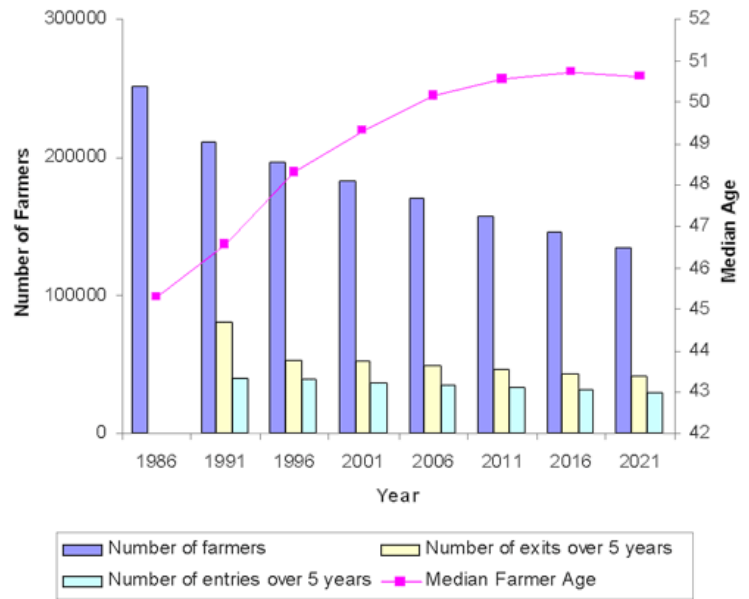
The Working Group would endeavour to have a Young Farmer Finance Scheme structure to present to the Premier and Minister for Agriculture by 2012.

### WHY?

- The average cost of buying a broad-acre farm in NSW is \$817,901; with the average farm size 1270 hectares.
- The cost of buying a farm makes farming beyond the reach of many young people who typically have insufficient equity to put up against a loan to purchase a viable scale farm, and many traditional opportunities to inherit farms are becoming limited with parents needing to obtain full value for the sale of their properties to fund their own retirement.
- If NSW is to make the most of the increase in the demand for food there will be a need to ensure that there are sufficient farmers on farms, and sustainable rural communities to support the food industry.
- There is significant foreign investment in Australia at present. However, these investments are often foreign governments buying food production systems to secure their own food supply.
- Young farmers help make farming a dynamic growth industry. Without young people entering farming, agriculture will wither and regional towns that depend on farming will waste away. The drift to cities will continue, placing further pressure on urban infrastructure.

*The number of young farmers is rapidly declining in Australia, falling by 60% in just 25 years. Only 3300 people aged under 25 years entered farming between 1996 and 2001. The exodus of rural youth to cities in search of jobs has resulted in the average age of the Australian farmer*

Projected Australian farmer numbers, farm exits and entries, and farmer age 1986-2021



*The importance of agriculture to NSW is undeniable, and yet NSW currently has no assistance schemes to encourage young people to take up a career in agriculture. Both the Queensland and Victorian Governments have young farmer finance schemes.*

## INTERSTATE PROGRAMS

Other State Governments appreciate the need to attract young people into farming. As recognition that young farmers face unique challenges in obtaining funds to establish farms, the Governments of Queensland and Victoria have schemes that assist young farmers with finance to purchase their first farm.

The *First Start Farm Program* in Queensland and the *Young Farmers Finance Scheme* in Victoria, provide government funded concessional interest rates at around 2% less than commercial finance rates and also offer increased flexibility in relation to deposit requirements.

NSW did have the *AgStart* Program administered by the Rural Assistance Authority, however, this Scheme is currently being reviewed.

The NSW Farmers' recognised the *AgStart* program was successful in assisting applicants to meet costs such as stamp duty, attending management and financial training courses and implementing capital improvements on their properties, however, the Association believes that the structure of the program was limiting and needed some improvements to the Scheme to better address the issues faced by young farmers.



## OPTIONS FOR A SCHEME

NSW Farmers' has identified two preliminary options for a Young Farmer Finance Scheme. It is predicted that this would be structured further through the work of the Young Farmer Finance Working Group.

|                             | <b>YOUNG FARMER FINANCE SCHEME</b><br>(similar to the Young Farmers' Finance Scheme in Victoria run by Rural Finance)  |
|-----------------------------|--|
| <b>Institution</b>          | Run through the existing structure of the Rural Assistance Authority (RAA)   |
| <b>Program purpose</b>      | Provide access to finance to enable young people to be able to: purchase stock and equipment, establish a farm lease, purchase their first block of land, or establish a first farm of a commercial scale.   |
| <b>Age limit</b>            | Applicants must be under 35 years of age.  |
| <b>Nature of Assistance</b> | Loans at concessional rates. Granted based on perceived success of loan application, as decided by administering Board.  |
| <b>Maximum Loan Amount</b>  | \$500,000 + stamp duty and mortgage duty   |
| <b>Terms of Repayment</b>   | No repayments for the first 2 years, then at 2.77% (in line with the Government Bond Rate).  |
| <b>Eligibility Criteria</b> | <p>Applicant must be under 35 years of age.</p> <p>Government and agribusiness professionals would determine the eligibility of applicants by looking closely at personal attributes, experience, level of need and the ability of the young farmer to manage financial affairs, have suitable farming experience and training in the type of operation to be pursued, accumulated savings and a planning exhibit of the proposed venture, and be personally involved in day-to-day operation of land purchased.</p> <p>Applicants are expected to make a reasonable contribution and have reasonable tenure for their farming activities.</p> <p>Applicants would be required to apply to the Board of the fund for a loan during a set application period.</p> <p>The Board would meet to judge quality and sustainability of the application and grant an amount (up to \$500,000) based on the application.</p> <p>Approximately 20 applications per year would be successful – at the Boards discretion.</p> <p>The Board would supply successful applicants with an agribusiness mentor to assist them over the first five years of their venture.</p> |
| <b>Interest Rate</b>        | 2.77% fixed for the term of the loan   |
| <b>Terms and Conditions</b> | All loans would be subject to an annual review for the first two years.  |