

PRO-FORMA REQUEST FOR COSTING AN ELECTION COMMITMENT¹

Name of policy	Future Farmer Guarantee Scheme
Person requesting costing (Prime Minister/Leader of the Opposition/Leader of a minority party):	Prime Minister
Date of public release of policy:	19 April 2022
Link to the publicly released policy:	https://nationals.org.au/75-million-to-assist-farmers-into-ownership/
Date of request to cost the policy:	2 May 2022
Summary of policy (please attach copies of relevant policy documents):	<p>The Coalition will reallocate \$75 million from within the existing Regional Investment Corporation (RIC) appropriations to the establishment of the new Future Farmer Guarantee Scheme.</p> <p>Under the scheme, the Coalition will guarantee 40% of an eligible new farmer's commercial loan up to a maximum value of \$1 million.</p> <p>The maximum Loan to Value Ratio will be capped at 70%.</p> <p>Applicants must have at least three years of relevant on-farm or equivalent experience.</p>
Intention of policy:	The scheme will support farmers into first time ownership by enabling commercial lenders to offer better terms in the presence of the guarantee, such as lower interest rates and lower equity requirements.
Certification that this, or a substantially similar costing request, has not been submitted to the Parliamentary Budget Office:	This, or a substantially similar costing request has not been

¹ An electronic version of this pro-forma can be found at www.electioncostings.gov.au/templates.

	submitted to the Parliamentary Budget Office.
<p>Description of policy (note: where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)</p> <p>What are the key assumptions that have been made in the policy including:</p>	
<p>Is the policy part of a package?</p> <p><i>If yes, list and outline components and interactions with proposed or existing policies.</i></p>	No.
<p>Where relevant, is funding for the policy to be demand driven or a capped amount?</p>	Capped.
<p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?</p> <p><i>If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</i></p>	No.
<p>Are there associated savings, offsets or expenses?</p> <p><i>If yes, please provide details.</i></p>	No.
<p>Description of policy (note: where the request to cost a proposal differs from the announced policy, the costing will be on the basis of information provided in the costing request)</p> <p>What are the key assumptions that have been made in the policy including:</p> <p>(continued)</p>	
<p>Does the policy relate to a previous budget measure?</p> <p><i>If yes, which measure?</i></p>	<p>This proposal is an alternative to the AgriStarter loan program.</p> <p>The AgriStarter loan program was an element of the July 2020 Economic and Fiscal Update measure <i>Drought Response, Resilience and Preparedness Plan - further support for farmers and communities in drought</i></p>

<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? Will funding/cost require indexation?</p> <p><i>If yes, list factors used.</i></p>	<p>Not applicable.</p>
<p>What are the estimated costs each year? Are these provided on a cash or fiscal basis?</p>	<p>2022-23 \$0.7m 2023-24 \$0.4m 2024-25 \$0.2m 2025-26 \$0.1m</p> <p>reflecting departmental funding to Regional Investment Corporation.</p> <p>Additional cash impacts may arise as a result of defaults on guaranteed loans. However the impact is expected to be small.</p> <p>Given negotiations with commercial lenders would need to occur to participate in the scheme due to commercial sensitivities the expected default rate would be not for publication.</p> <p>Cash basis.</p>
<p>Are the revenue and/or expense costs likely to be significantly different beyond the forward estimates period?</p> <p><i>If yes, why?</i></p>	<p>No.</p>
<p>What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?</p>	<p>Not applicable.</p>
<p>Has the policy been costed by a third party?</p> <p><i>If yes, can you provide a copy of this costing and its assumptions?</i></p>	<p>No.</p>

<p>What is the expected community impact of the policy?</p> <p>How many people or businesses will be affected by the policy?</p> <p>What is the likely take up?</p> <p>What is the basis for these impact assessments/assumptions?</p>	<p>Increased rates of farm ownership by new farmers.</p> <p>It is expected that around 100 loans would be guaranteed under the Scheme.</p>
<p><i>Note: it will be up to the professional judgment of the relevant Secretary as to whether these assumptions are adopted in a Treasury or Finance costing of the policy.</i></p>	
<p>Administration of policy</p>	
<p>Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc.)?</p>	<p>Regional Investment Corporation</p>
<p>Should departmental expenses associated with this policy be included in this costing?</p> <p><i>If no, will the Australian Government Entity be expected to absorb expenses associated with this policy?</i></p> <p><i>If yes, please specify the key assumptions, including whether departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies).</i></p>	<p>Yes.</p>
<p>Intended date of implementation.</p>	<p>1 January 2023.</p>
<p>Are there transitional arrangements associated with policy implementation?</p>	<p>No.</p>
<p>Will the policy be ongoing or terminating*?</p>	<p>Terminating.</p>
<p>If terminating:</p> <p>What is the intended date of termination?</p> <p>Are there any transitional arrangements associated with the conclusion of the policy?</p>	<p>30 June 2039.</p> <p>Applications will be open for an 18 month pilot. Eligible loans will have a maximum term of 10 years, with an option to extend the loan term by two years for applicants who are experiencing significant financial hardship. A further allowance is provided to account for mediation or recovery action.</p>

List major data sources utilised to develop policy (for example, ABS cat. no. 3201.0).	Not applicable.
Are there any other assumptions that need to be considered?	Not applicable.

* Ongoing policies continue indefinitely (until a decision is made to cease or alter the program). Terminating measures end on a date set out in the initial policy and a further decision is required to continue the program beyond this date.