

## Exceptional Circumstances

### Interest Subsidy Support

Any farmer whose property is located within a declared Exceptional Circumstances (EC) area may apply for EC Interest Subsidy Support. The declared areas are the Northern Victoria (Revised), Mallee Northern Wimmera (Revised), Central Victoria South (Revised), Central Victoria North (Revised), Central and East Gippsland (Revised) and North East. A more detailed definition of these areas is available on the website [www.ruralfinance.com.au](http://www.ruralfinance.com.au).

To receive assistance farmers will be required to meet eligibility criteria established by the Minister for Agriculture, Fisheries and Forestry, which are summarised herein.

The scheme is funded by the Australian and Victorian Governments and administered by Rural Finance.

Essentially assistance is for farmers who rely primarily on farming for their livelihood and who would normally be considered profitable in the long term, but due to exceptional circumstances are in financial difficulty and in need of assistance.

Farmer means a person engaged in the farm sector but not a person whose business consists principally of the provision of services.

### Purpose of Support

The support will facilitate one or more of the following strategies:

- The provision of carry on finance;
- Improvements in productivity including for recovery purposes;
- Debt restructuring.

Expected outcomes from the provision of support are:

- Financial demands on the business are reduced;
- A farm enterprise that is productive, profitable, sustainable and financially viable in the long term (without Government support);

- Farm enterprise is assisted to recover from the exceptional circumstances;
- Increased farm productivity and/or restructuring of debt.

### Subsidy Support

A subsidy is available based on the interest payable on, and associated costs of, borrowings supplied by a commercial institution, vendor or by private arrangements. Support will be provided where loans are provided on commercial terms, at arms length and at a competitive interest rate with that which is generally applicable to the type of loans being subsidised. Commercial borrowings or associated costs of borrowings already subsidised under any other Commonwealth scheme will not be considered for support.

Where an applicant has purchased farming property since EC was declared, the property purchase price shall be deducted from the level of commercial borrowings unless the purchase took place more than 12 months prior to the date of application.

The amount and period for which a subsidy is provided shall be determined by Rural Finance but shall not exceed 12 months for each application period.

Assessments will be based on 2010/11 financial projections or a combination of actual and projected results.

The level of support for the 2010/11 year will be up to 80% of the interest payable on eligible farm debt to an amount that creates a breakeven result.

The closing date for applications is 31 March 2011 except for Central and East Gippsland (Revised) which closes on 30 April 2011. A 28 day grace period may apply to each closure date.

The provision of support in any year does not guarantee support in a subsequent year. Likewise farmers who did not receive support in a previous year may be eligible for support in a subsequent year.

Applicants can apply for an additional interest rate subsidy within the same period as their last successful application, provided it is for additional debt in relation to drought carry on. Any additional support will be provided on a pro rata basis. Where an applicant is already in receipt of support, a new application can be lodged no earlier than 3 months after the date of that support. A farmer can only receive one subsidy for each EC year.

Rural Finance with the agreement of the Australian Government may attach other terms and conditions to the support considered necessary for any particular case.

Rural Finance may also terminate support under the scheme and where necessary, seek recovery of a subsidy where recipients do not rectify any identified breaches to terms and conditions of support.

In determining the amount of subsidy, the level of assistance that has already been provided under Exceptional Circumstances or any other support schemes will be taken into account. In this regard the total amount of interest subsidy payable for Exceptional Circumstances support may not exceed \$100,000 per applicant in any twelve month period, or cumulative support of \$500,000 over 5 years. Any support beyond \$300,000 will require an independent consultant's report as to the farm's viability but the final decision on eligibility rests with Rural Finance.

### Eligibility Criteria

In assessing the eligibility of a farm enterprise for Exceptional Circumstances Interest Subsidy Support the following factors will need to be satisfied:

1. The producer must be located within an Exceptional Circumstances area.
2. The enterprise is in financial difficulty due to exceptional circumstances. In this regard, Rural Finance will take into account the total amount of interest payable per annum, the estimated farm

profit over the medium term, the applicant's equity in the farm business as well as off-farm assets and income.

3. Without support under these guidelines the farm would not have the capacity to achieve or maintain sustainable long-term profitability.
4. The farming operation has been profitable in the past and has the potential to return to profitability in the future. In assessing the likelihood of long-term profitability of the enterprise the following factors shall be taken into account:
  - i) the expected future capacity of the farm to operate profitably (without Government support) as measured by its ability to meet future financial commitments relating to:
    - farm operating costs
    - living cost of the farm family
    - servicing the farm debts
    - future capital requirements for plant and improvements
    - investment requirements to return the farm to profitability;
  - ii) the long-term economic trends which impact on the farm enterprise;
  - iii) the demonstrated technical, financial and business management performance of the applicant;
  - iv) the provision of financial support for the farm enterprise by commercial lenders through the exceptional circumstance period and beyond.
5. The farm is of commercial scale.
6. The farmer is primarily reliant on this activity for his/her livelihood. In this regard it is expected that the applicant has been a farmer for at least two years and under normal circumstances contributes at least 75% of his/her labour to the farm enterprise and at least 50% of income is derived from farming.

7. The applicant is able to demonstrate a need for financial assistance. In this regard the personal financial resources of the family including FMD's and term deposits are relevant.
8. The applicant has disposed of:
  - all non-essential farm assets, and
  - off-farm assets such that the net value is not to exceed \$750,000

Note: investment in bona fide insurance and superannuation funds are exempt from the off-farm asset test.

9. Income from drought driven livestock sales which is to be used for subsequent restocking will be ignored in the income assessment however actual or budget amounts should still be included in any application.

#### **Procedure for Application**

Farmers in nominated EC areas who are seeking assistance should contact Rural Finance or access our website [www.ruralfinance.com.au](http://www.ruralfinance.com.au) (under Government Schemes) to obtain an application form and any further information.

If required, a Rural Finance officer will be in contact for a further discussion, which may include a personal interview or a farm visit.

The program is being administered through Rural Finance's Head Office located at:

57 View St , Bendigo  
PO Box 1313  
Bendigo Central 3552  
**Ph:** 5448 2600  
**Fax:** 5441 8901  
**Email:** [admin@ruralfinance.com.au](mailto:admin@ruralfinance.com.au)  
**Web:** [www.ruralfinance.com.au](http://www.ruralfinance.com.au)



## ***Exceptional Circumstances Interest Subsidy Support***

This brochure outlines assistance available under the Interest Subsidy Support Scheme for Northern Victoria Revised Mallee Northern Wimmera Revised Central Victoria South Revised Central Victoria North Revised North East and Central & East Gippsland Revised EC Declared Areas

Revised Guidelines effective from 1 April 2010 - 31 March 2011

