

1951-52

VICTORIA

RURAL FINANCE CORPORATION

REPORT

AND

STATEMENT OF ACCOUNTS

FOR THE

PERIOD 12TH APRIL, 1950, TO

30TH JUNE, 1951

PRESENTED TO BOTH HOUSES OF PARLIAMENT PURSUANT TO THE PROVISIONS OF
SECTION 39 OF ACT NO. 5414.

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RURAL FINANCE CORPORATION.

Pursuant to the requirements of Section 39 of the *Rural Finance Corporation Act* No. 5414 of 1949, the Rural Finance Corporation has pleasure in submitting its First Annual Report, together with Balance-sheet and Profit and Loss Account for the period 12th April, 1950, to 30th June, 1951.

C. H. JOHNS, Chairman.

J. B. CLARKE, Member.

W. A. SANDALL, Member.

W. R. MANN, General Manager,
17th December, 1951.

The Honorable J. G. B. McDonald, M.L.A.,
Treasurer of Victoria.

RURAL FINANCE CORPORATION.

MEMBERS.

C. H. Johns (Chairman).

J. B. Clarke.

W. A. Sandall.

ADMINISTRATIVE OFFICERS.

GENERAL MANAGER :

W. R. Mann.

SECRETARY :

W. P. J. Evans.

ACCOUNTANT :

J. E. Glassborow.

CHIEF VALUER :

K. Chapman.

CHIEF CLERK :

R. I. Dick.

OFFICE OF THE CORPORATION :
107 Russell-street, Melbourne, C.I.

RURAL FINANCE CORPORATION.

(Guaranteed by the Government of Victoria.)

Established 1950.

OBJECTS.

The objects for which the Corporation was established are—

To encourage and assist country settlement and development ;

To stimulate country production ;

To improve the conditions under which country industries are conducted ;

To protect maintain improve and develop country industries ;

To encourage the establishment of new country industries ;

by the making of advances by way of loan at the lowest possible rates of interest.

FIRST ANNUAL REPORT OF THE RURAL FINANCE CORPORATION OF VICTORIA.

The Rural Finance Corporation was constituted for the purpose of creating additional and more effective credit facilities for the establishment, development, and general assistance of primary and secondary industries in rural areas.

For the fulfilment of these objects the Corporation was empowered by the Rural Finance Corporation Act, which came into operation on 12th April, 1950, to borrow up to a limit of Ten million pounds and to make loans, repayable upon easy terms and conditions. Loans for various farming purposes, which were made by different Government Departments, have been discontinued and this type of business is now undertaken by the Corporation.

The financial year under review was one of the most unpredictable in Victoria's economic history, and this was reflected in the problems which confronted the Corporation in its initial year. The Corporation, however, whilst having regard to the purpose and object of its loans, as contemplated by the legislation, was guided by sound valuations. In the assessment of values, it avoided the many pitfalls which are always present in an era of inflation when market values outreach economic or real values and care was taken to see that any loans did not contribute to the inflationary trend. In this manner the Corporation not only safeguarded its funds but protected the interests of its borrowers.

The volume of business transacted by the Corporation was considerable and during the period covered by this report, viz., 12th April, 1950, to 30th June, 1951, approval was given to loans amounting to £1,433,394. For the purpose of this report this amount has been divided into loans for primary industries, £759,910, and loans for secondary industries, £673,484, and within these categories the loans have been classified according to purpose referred to under respective headings.

Although approval was given to loans totalling £1,433,394, it will be noted from the Balance Sheet that, at the close of the financial year, the amount owing in respect of loans was £780,794. The difference between the amount approved and the amount actually owing is attributable largely to the policy of the Corporation, in relation to loans to secondary industries, of making progress payments as those industries are established or developed.

PRIMARY INDUSTRIES.

PURCHASE OF FARMING PROPERTIES.

For a long time it has been apparent that there are many persons with farming experience or, in other ways, suited to farming, who have not been able to acquire properties on their own account because of insufficient funds. The limits imposed by some lending institutions and the rates of interest and conditions of repayment have not been encouraging to persons desirous of establishing themselves on the land, and the creation of a lending institution, guaranteed by the Government, which would provide finance under reasonable conditions, should contribute to the economic welfare of the State.

It is gratifying to report that, in the first year of the Corporation's operations, out of the total amount of £759,910 loans approved on account of primary industries, £395,740 was granted for the purpose of assisting in the purchase of farming properties. In this manner, the Corporation has materially assisted in establishing many people on the land, including many persons who previously had resided in urban areas.

It is also pleasing to record that among those who obtained loans for the purchase of farming properties were former servicemen who, for various reasons, were unable to obtain assistance from the Soldier Settlement Commission.

Portion of the money lent was advanced to farmers who desired to build up their properties to an economic area, or wished to purchase additional land on which to establish members of their families.

DEVELOPMENT AND IMPROVEMENT OF FARMING PROPERTIES.

A number of applications was received for loans for the development of farming properties, and an amount of £178,960 was approved for this purpose.

Whilst some farmers may be content to continue working farms which are under-developed and are not producing to full capacity, there are many other farmers who are desirous of carrying out a programme of improvement and development but who have not been able to obtain the necessary finance. The granting of financial assistance for this purpose has been an important feature of the work of the Corporation.

The inability of a farmer to obtain sufficient funds for development and improvement is frequently due to the existence of a mortgage on his property and to the mortgagee not being prepared to provide the requisite additional finance. Where those conditions exist the Corporation has advanced sufficient money to extinguish the mortgage debt and has provided funds with which to carry out developmental work or effect improvements to the property.

PURCHASE OF PLANT AND EQUIPMENT.

In the absence of sufficient power to undertake hire-purchase business the Corporation is finding it difficult to assist many farmers in financing the purchase of plant and household amenities. Comparatively few loans were made directly for these purposes and the total amount approved was £8,735. However, as many of the loans granted for the development and improvement of farms included provision for the acquisition of farming plant, this figure of £8,735 does not represent the total amount actually lent for the purchase of plant and equipment generally.

Repayment was secured by bills of sale, which is not a satisfactory method of doing business. As loans of this nature were to have been one of the features of the Corporation's work an amendment of the Rural Finance Corporation Act is being sought to meet the position.

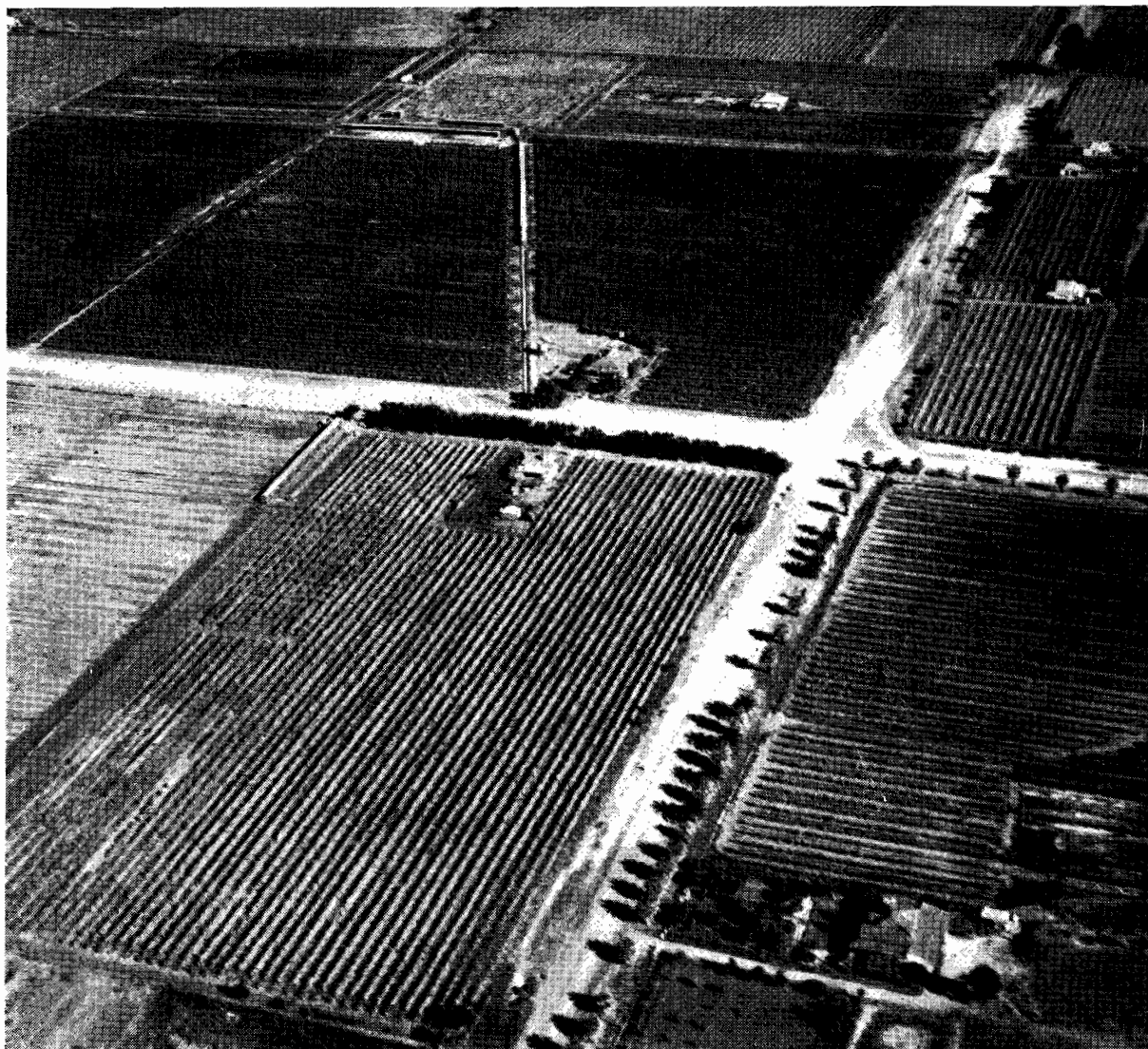
FARM WATER SUPPLY, DRAINAGE, AND IMPROVEMENT OF DAIRIES.

As advances under the *Farm Water Supplies Advances Act* 1944, and the *Milk and Dairy Supervision Act* 1928, for farm water supply or drainage, and for improvements to dairies, respectively, were discontinued following the enactment of the Rural Finance Corporation legislation, loans of this nature are now being made by the Corporation. During the period under review approval was given to loans totalling £3,691. The technical advice given by the State Rivers and Water Supply Commission and the Department of Agriculture regarding loans for these purposes was much appreciated by the Corporation.

FINANCIAL ASSISTANCE TO DRIED FRUIT GROWERS IN THE NYAH-WOORINEN DISTRICT.

Owing to a succession of years in which the dried fruit areas in the Nyah-Woorinen district were subjected to adverse seasonal conditions, and the consequential effect on the financial position of the growers and of the packing companies which were financing them, it became necessary in 1950 for the Government to make grants for the maintenance of the growers. The prospect of the Government being obliged to continue these grants, which at that time had amounted to £5,220, caused an inquiry to be made into the financial position of many of the growers in order to determine to what extent further assistance would be necessary. As a result of that investigation the Corporation took over from the packing companies the seasonal financing of the growers whose finances were at a low ebb, and provided them with sufficient funds to meet arrears of water rates and other charges, efficiently work their blocks, and maintain their families in a reasonable standard of comfort.

Where these growers had mortgages to trading banks and packing companies, and neither the bank nor the company concerned was prepared to extend additional credit against equity in a property, the Corporation utilized the Rural Rehabilitation Fund to extinguish any such restrictive mortgage and it substituted mortgages bearing 3 per cent. interest, repayable upon such terms and conditions as the Corporation decided were necessary in order to afford the grower every prospect of success in his industry.



Vineyards in the Murray Valley.

With the easing of the mortgage position and the granting of seasonal advances by the Corporation, there was no longer any need for the Government to make grants. Growers, who formerly were obliged to seek outside employment in order to carry on, were thereupon enabled to give the necessary full-time attention to the working of their holdings.

This assistance to individual growers and to the dried fruit industry generally in Woorinen and Nyah was an important part of the work of the Corporation during the financial year, and it brought into practical operation one of the purposes for which the Corporation was constituted. It also provided an example of the effective use of the Rural Rehabilitation Fund with the Corporation's ordinary loan moneys in the manner envisaged by Parliament when the legislation was under consideration.

The co-operation and assistance of the managers of the packing companies has been most helpful in this matter.

SECONDARY INDUSTRIES.

One of the principal functions of the Corporation is the granting of loans for the establishment and development of secondary industries outside the Metropolitan area.

Many industrial companies and firms are prepared to establish factories at country centres where there is suitable labour and adequate transport facilities are available. In a number of cases where finance has been difficult, the Corporation has been approached and loans have been granted under terms and conditions designed to assist the industry.

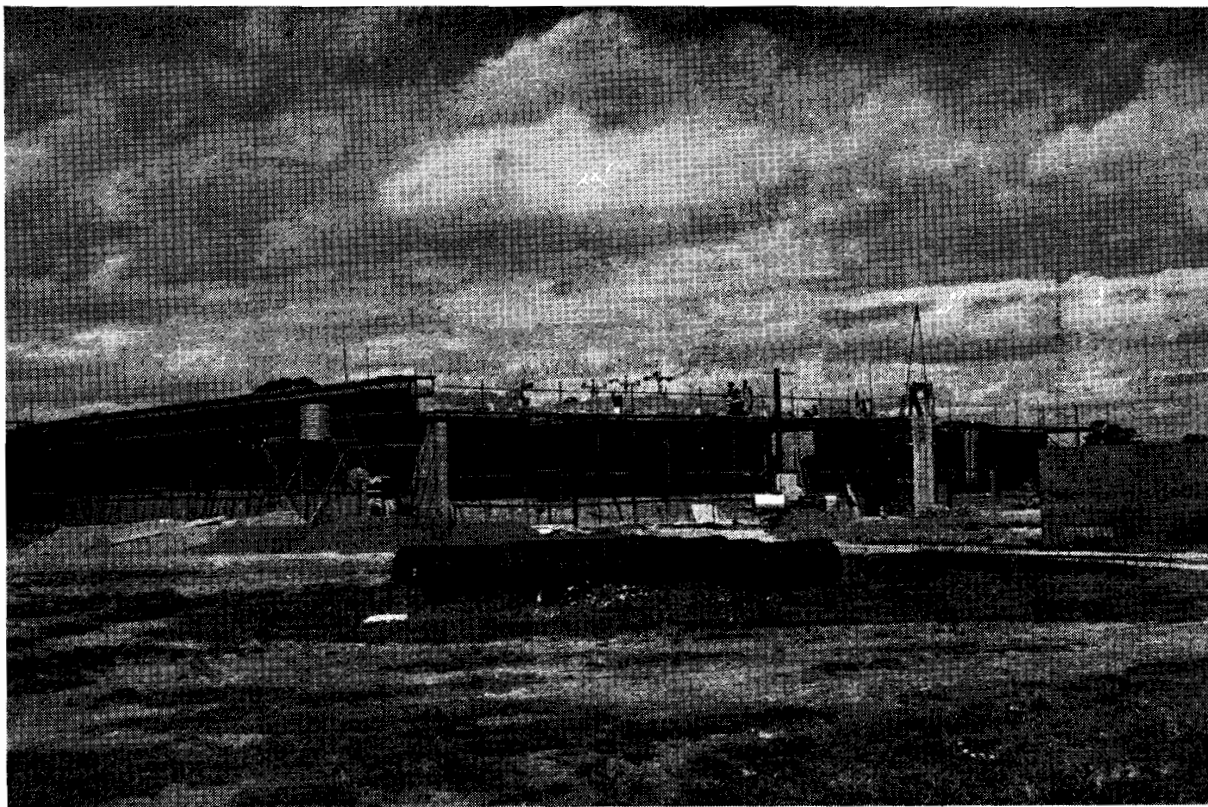
Unfortunately, owing to the continued shortage of basic materials and certain types of industrial machinery, the erection of buildings and the installation of plant have been considerably prolonged, resulting in ever-increasing costs for labour and material. The necessity to use imported materials has also added to building costs in many cases.

Rising costs generally have become a matter of great concern, because the position is rapidly being reached where certain classes of industry, notwithstanding how worthy or desirable they may be from the aspect of decentralization, may not justify the high capital expenditure involved in the establishment of these industries. As a lending authority, this is a matter to which the Corporation has been obliged to give the most careful consideration.

Of the total amount of £1,433,394 loans approved by the Corporation, £673,484 related to secondary industries.

These figures give some indication of the extent to which the Corporation has assisted in the establishment and expansion of secondary industries in country districts. The timber industry accounted for £280,450, and an amount of £25,500 was approved in respect of brickmaking undertakings. These loans were widely distributed throughout the State and represented a valuable contribution to the Government's housing policy.

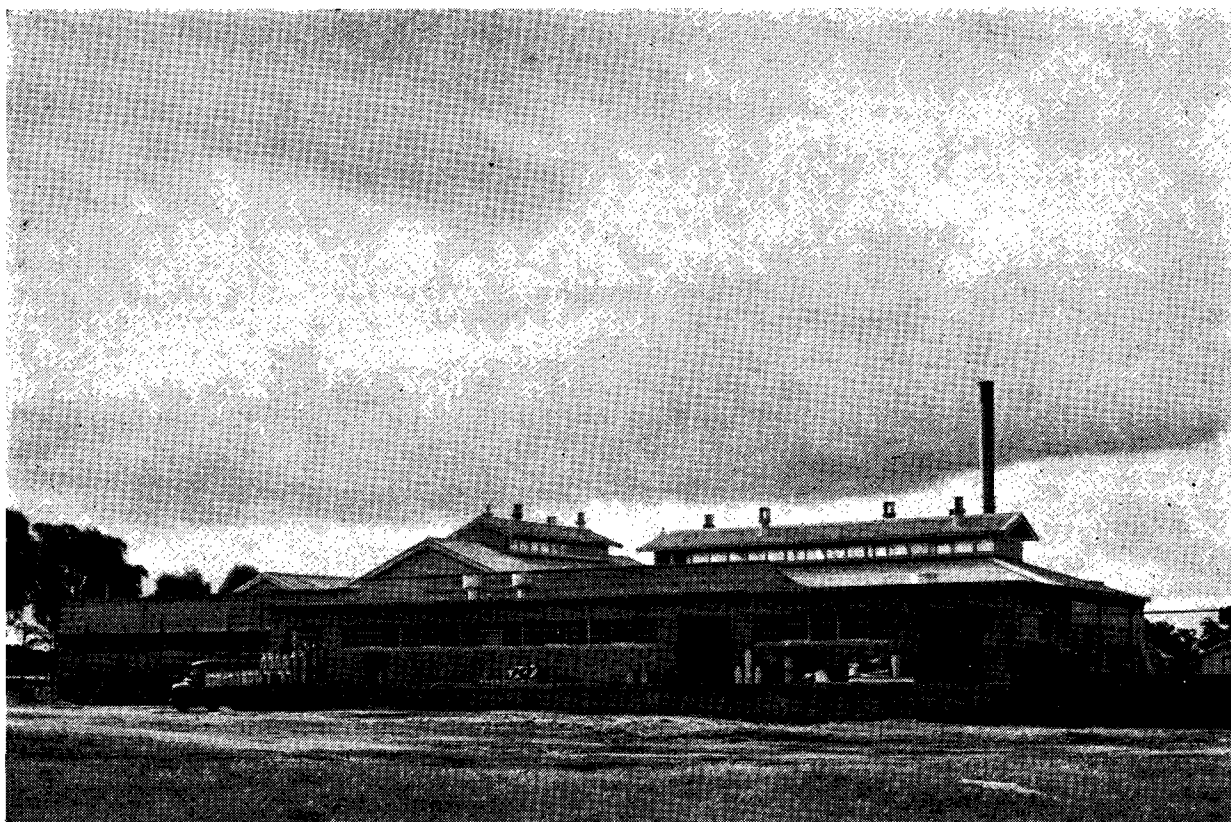
The provision of cool stores in connexion with both the fresh fruit and the dried fruit industries accounted for £124,000. A total amount of £181,334 was approved for the purpose of establishing and extending industries dealing with other food products, including the manufacture of butter and cheese and the pasteurization of milk. The textile industry absorbed £48,500 and other country industries were granted loans totalling £13,700.



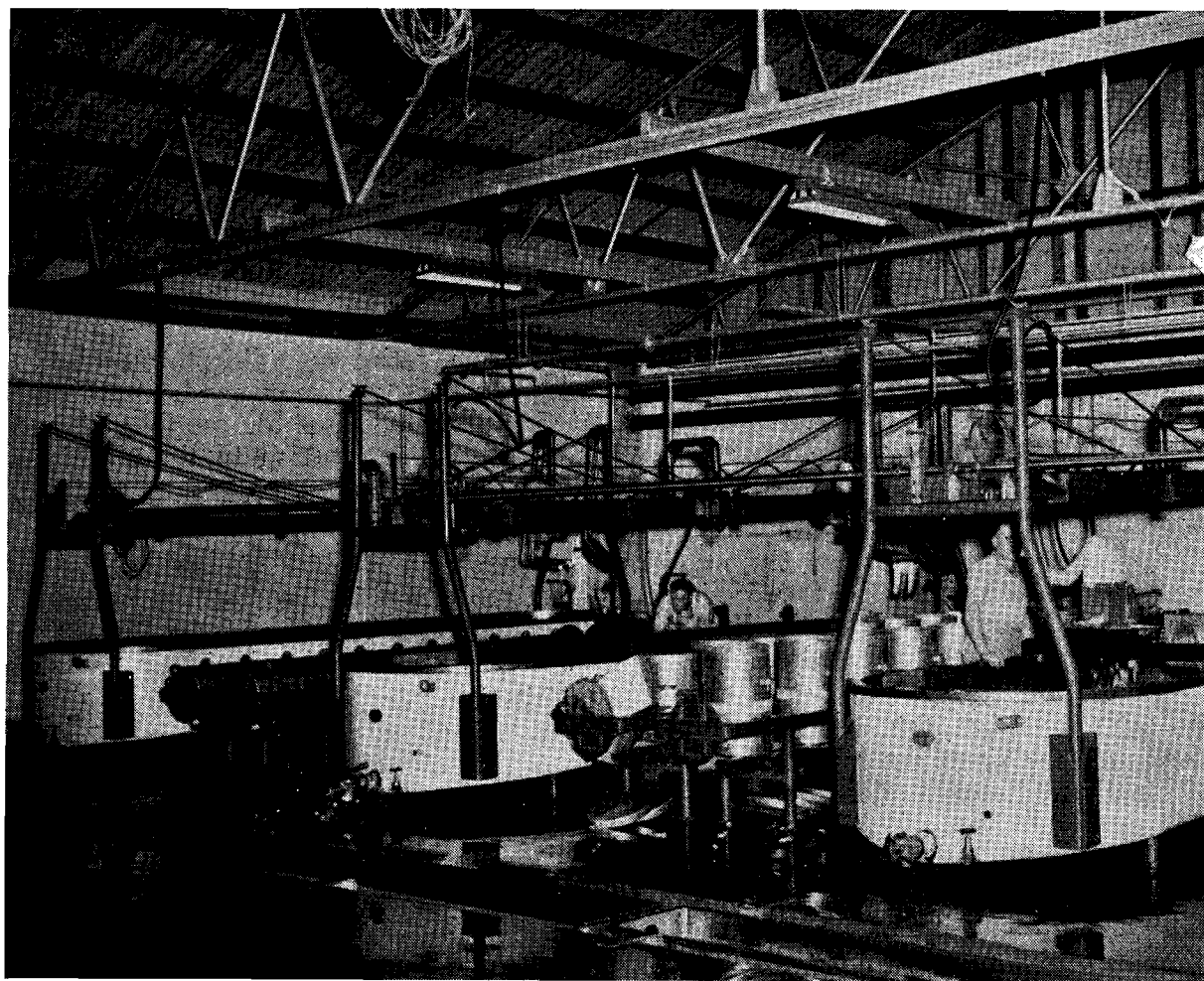
Cool Store being Constructed with the Aid of Funds Provided by the Corporation.

Included in the total amount of £673,484 provided for secondary industries were loans amounting to £112,000 to co-operative companies. In no case was any loan made to an industry engaged in the manufacture or processing of non-essential goods or products.

The advantage to the State from the granting of these loans should be very great, particularly in regard to decentralization.



Cheese Factory Financed by the Corporation.



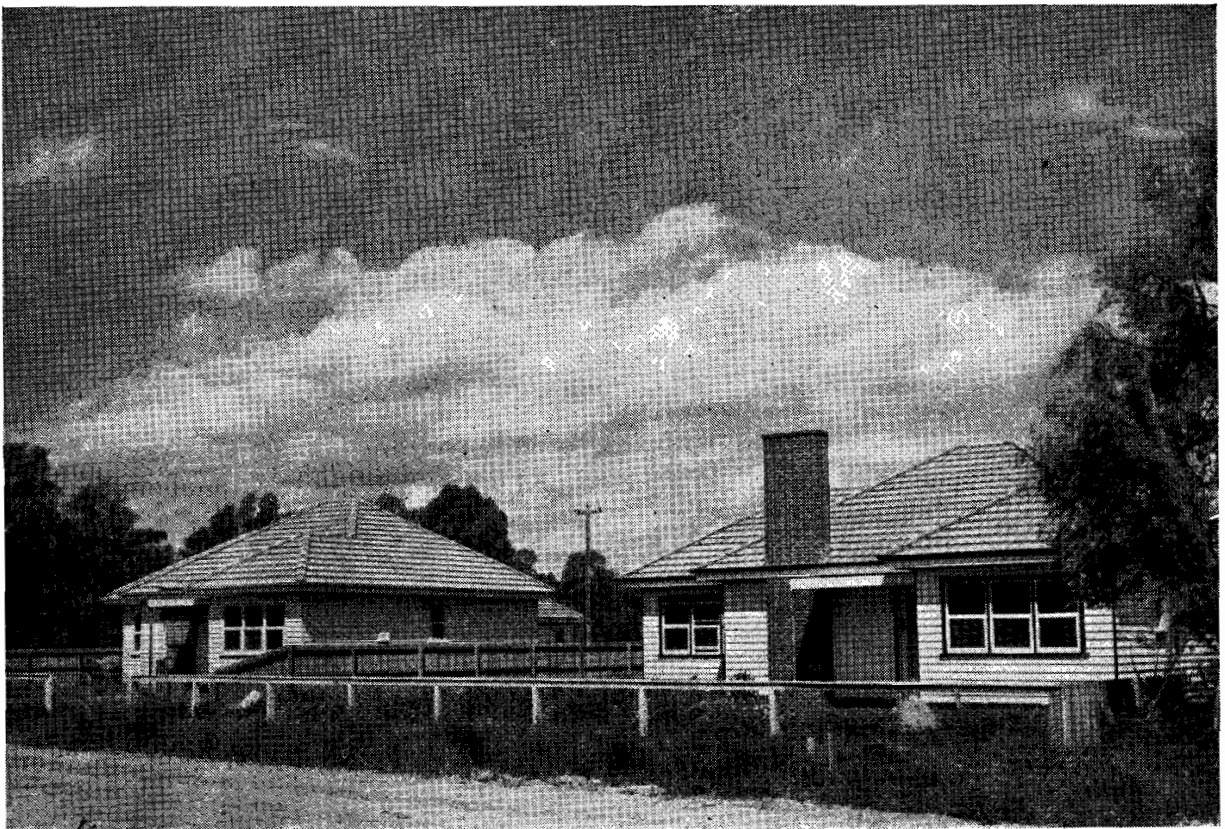
Modern Cheese Making Vats.

HOUSING LOANS.

In country districts generally, employers have experienced difficulty in attracting and retaining suitable labour for their industries unless suitable housing is available for employes.

As many industrial undertakings have not the finance readily available for the construction of homes for employes, the Corporation, in an effort to promote and maintain rural industries, has approved of loans to an amount of £128,450 for this purpose.

To assist the Government in carrying out its housing policy, the Corporation also administered a scheme whereby certain industrial concerns engaged in the production of building materials were granted loans under special conditions at a low rate of interest for the erection of homes for their employes. Loans of this nature accounted for £59,950 of the total housing loan figure of £128,450.



Homes Financed from Housing Loan Granted to a Secondary Industry.

RATES OF INTEREST.

The rates of interest charged by the Corporation varied according to the purpose of the loan and ranged from 2 per cent. per annum to 4 per cent. per annum. The maximum rate of 4 per cent. related mostly to seasonal advances and to loans for the purchase of machinery where the security for the loan was confined to the machinery.

Loans for the establishment or development of Primary or Secondary Industries carried interest at 3 $\frac{3}{8}$ per cent.

In regard to loans for the provision of water supply and drainage and for the improvement of dairies, the Corporation continued the concession rate of 3 per cent. per annum for loans granted by the Department of Lands and Survey and the Department of Agriculture respectively when those Departments were administering these loans.

Moneys advanced out of the Rural Rehabilitation Fund usually carried an interest rate of 3 per cent., this rate being designed to ease the burden of interest in respect of those primary producers who, in the opinion of the Corporation, required the assistance of the Rural Rehabilitation Fund.

TERMS AND CONDITIONS OF REPAYMENT.

The terms and conditions under which loans are repayable were fixed having regard to the purpose of the loan and other circumstances. Periods for the repayment of loans varied from six months to twenty years but, in the majority of cases, a term of fifteen years was fixed.

In practically all cases the borrower was obliged to make an annual repayment of principal, the amount varying according to the circumstances of the case. Where a loan was made for the purpose of establishing a secondary industry the Corporation usually provided for a period of one or two years during which no repayment of principal was required, in order to assist the industry in its early stages of development.

RURAL REHABILITATION FUND.

The Rural Finance Corporation became the successor-in-law of the Farmers' Debts Adjustment Board, and it took over from that Board the Farmers' Debts Adjustment Fund now known as the Rural Rehabilitation Fund. This fund was originally created out of a grant of £10,000,000 made by the Commonwealth Government to the States in 1935 for the purpose of adjusting the debts of farmers who were in financial difficulty as a result of adverse seasonal and economic conditions. Victoria was granted £2,392,000, the whole of which was paid to creditors under plans of debt adjustment confirmed under the Farmers Debts Adjustment Act and was repayable over a lengthy term by the farmers on whose behalf it was advanced. The Commonwealth Act, under which the money was made available, provides that any moneys repaid shall be used again for the same purpose.

As at 30th June, 1951, £1,629,836 was owing by farmers whose debts were adjusted with the use of this fund. Practically the whole of this amount is secured by mortgages on land, and it is repayable within the terms of the mortgages.

As disclosed in the Financial Statement of the State Treasury, the amount at credit of the Rural Rehabilitation Fund at the end of the financial year was £771,865.

During the year a substantial amount was utilized in assisting dried fruit growers in the Nyah-Woorinen area to meet their debts to the packing companies and for the purpose of liquidating mortgages where the existence of such mortgages was restricting the credit of the growers and thus adversely effecting production.

Although the greater part of the £1,629,836, shown in the balance sheet as owing for advances, was paid by the Farmers' Debts Adjustment Board under plans of debt adjustment executed in accordance with the provisions of the *Farmers Debts Adjustment Act 1935*, the Corporation now has the control and administration of the securities held for that amount.

In 1943 the State Government also made available £99,618 for the adjustment of farmers' debts and the whole of this money was paid to creditors of farmers under the plans of debt adjustment. As repayments come to hand they are paid to State revenue and at the end of the financial year the amount so repaid was £37,557. Control of the securities held for the repayments of these moneys is vested in the Corporation.

INSURANCE.

During the coming financial year it is the intention of the Corporation to undertake insurance of any property over which it has taken security and, for that purpose, to establish an Insurance Fund.

ACKNOWLEDGMENT.

The Corporation desires to acknowledge the technical and scientific advice given by various Commonwealth and State Departments and, in particular, by the Commonwealth Scientific and Industrial Research Organization.

STAFF.

The Corporation desires to place on record its appreciation of the loyal and efficient service rendered by the staff during the first year of its operations.

RURAL FINANCE CORPORATION.

PROFIT AND LOSS ACCOUNT FOR PERIOD ENDED 30TH JUNE, 1951.
(Adjusted to the nearest £.)

<i>Dr.</i>	£	£	£	£
To Administration—				
Salaries .. .. .	..	26,462	..	..
Travelling Expenses ..	..	1,891	..	..
Printing, Stationery, &c.	..	881	..	..
Postage and Incidentals	..	221	..	..
Workers Compensation	..	13	..	..
Pay-roll Tax .. .. .	..	631	..	..
Audit Fee .. .. .	..	75	..	..
		30,174		
Interest on Loan Indebtedness .. .. .	..	6,434	..	..
Depreciation .. .. .	..	86	..	..
National Debt Sinking Fund Contribution	..	689	..	..
		37,383		
				37,383

Cr.

By Interest 15,652
Application and Legal Fees 2,366
Balance 19,365

E. A. PEVERILL, Auditor-General.
15th November, 1951.

C. H. JOHNS, Chairman.
J. B. CLARKE, Member.
W. A. SANDALL, Member.
W. R. MANN, General Manager.

RURAL FINANCE CORPORATION.

BALANCE-SHEET AS AT 30TH JUNE, 1951.

(Adjusted to the nearest £.)

Loan Funds—	£	£	£	£	£
Loan Liability—Treasurer of Victoria	..	849,976			780,794
Less Securities Redeemed—National Debt Sinking Fund	..	1,372			..
			848,604		1,629,837
Advances for Purposes of Establishment and Administration—Treasurer of Victoria	..	..	33,000		62,061
				881,604	8,026
Other Funds—					726
Advances— <i>Farmers Debts Adjustment Act 1943</i>	..	99,618			30,000
Less Repayments	..	37,557			771,866
			62,061		3
Funds Provided by Grant under <i>Commonwealth Loan (Farmers Debts Adjustment) Act 1935</i>	..	2,392,000			801,869
Add Interest on Mortgages	..	9,702			..
			2,401,702		..
Trust Account—Amounts in Suspense	..	..	2,463,763		..
Sundry Creditors	..	..	7,769		2,577
Reserve—National Debt Sinking Fund	..	..	895		585
			1,375		..
					3,162
Loans and Advances—					
Loans under Part III.— <i>Rural Finance Corporation Act 1949</i>	..				..
Advances under <i>Farmers Debts Adjustment Act 1935</i> and Part IV.— <i>Rural Finance Corporation Act 1949</i>	..				..
Advances under <i>Farmers Debts Adjustment Act 1943</i>	..				..
Interest Due and Accrued	..				..
Discount and Expenses on Loans	..				..
Funds held by Treasurer of Victoria—					..
Unexpended Loan Funds	..				..
Rural Rehabilitation Fund	..				..
National Debt Sinking Fund	..				..
					3
Fixed Assets—					..
Furniture and Office Equipment— <i>Less Depreciation</i>	..				2,577
Departmental Vehicles— <i>Less Depreciation</i>	..				585
					3,162
Cash—					..
Held in Trust	..				7,769
Other—For General Purposes	..				41,733
Charges Paid in Advance	..				49,502
Profit and Loss Account	..				64
					19,365
					3,355,406

The accounts of the Rural Finance Corporation have been audited for the period ended 30th June, 1951, and in my opinion the Profit and Loss Account is a correct summary of the transactions during that period and the Balance-sheet a correct statement of the financial position of the Corporation at the close of the period.

E. A. PEVERILL, Auditor General.
15th November, 1951.

C. H. JOHNS, Chairman.
J. B. CLARKE, Member.
W. A. SANDALL, Member.
W. R. MANN, General Manager.