

1952-53

VICTORIA

RURAL FINANCE CORPORATION

REPORT

AND

STATEMENT OF ACCOUNTS

FOR THE

PERIOD 1ST JULY, 1951, TO
30TH JUNE, 1952

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

Approximate Cost of Report.—Preparation, not given. Printing (copies), 5 .]

By Authority:

W. M. HOUSTON, GOVERNMENT PRINTER, MELBOURNE.

No. —1579/53.—PRICE 5. 0.

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 Second Annual Report, together with Balance-sheet and Profit and Loss Account for the period 1st July, 1951, to 30th June, 1952.

C. H. JOHNS, Chairman.

J. B. CLARKE, Member.

W. A. SANDALL, Member.

W. R. MANN, General Manager,
10th February, 1953.

The Honorable John Cain, 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.

SECOND ANNUAL REPORT OF THE RURAL FINANCE CORPORATION OF VICTORIA.

During the second year of operation of the Rural Finance Corporation, the volume of business transacted provided evidence of the necessity for the establishment of the Corporation as a means of providing adequate credit facilities for primary and secondary industries in rural areas.

With the aid of loans granted by the Corporation, several industries were established in various parts of the State, and many persons were enabled to acquire or develop farming properties.

Seasonal conditions on the whole were favorable but, in certain parts of the State, farmers were subjected to severe losses through floods and bush fires. While there was a fall from the all-time record wool prices of the previous year, the price of primary produce generally remained on a satisfactory level.

A restriction of credit brought an increased number of applications for loans and, in dealing with these applications, it became necessary to exercise careful discrimination.

The Rural Finance Corporation Act cites among its objects the establishment, improvement, and development of primary and secondary industries in country districts, and, in fulfilling the requirements of the legislation, the Corporation has borne in mind the relative importance of these secondary industries in regard to the general development of the State.

Any encouragement of secondary industries in the country aimed not only to develop rural areas and decentralize industry, but to assist in stabilizing the economy. Notwithstanding these motives, and the obvious advantages of establishing and supporting secondary industries—particularly in country towns—it has not been overlooked that Australia is basically a producer and exporter of primary produce and that our national income is derived mainly from that source.

The Corporation, with knowledge of the various aspects of primary and secondary industry development, has adopted a policy of close discrimination and has granted financial assistance only where it was considered most needed in the best interests of the State. In regard to secondary industries, anything of a luxury or non-essential character was not encouraged, and preference was given to industries engaged in the production of building materials and the processing of foodstuffs.

In the granting of loans, the Corporation was guided by sound valuations and, in assessing valuations, it avoided any tendency to follow inflationary trends.

In regard to the establishment of secondary industries where buildings had to be erected and costly machinery installed, the position has presented some difficulties. In most cases, the value of the land has been slight compared with the total cost of the project, and loans have had to be related to a large extent to the value of the factories and other buildings erected on the land and to the value or cost of the plant installed therein. The "cost-plus" method of contracting has made more difficult the task of any lending institution financing ventures connected with secondary industry, and unless care is exercised, the application of this method of costing may not only over-capitalize an industry, but cause a loan to advance beyond prudent limits; however, there is now a tendency to return to the more orthodox contract system.

The loans approved for the financial year ended 30th June, 1952, aggregated £1,650,749, comprising £811,049 to primary industries and £839,700 to secondary industries.

In regard to loans to secondary industries, as the moneys are usually advanced in progress payments extending over a lengthy period as buildings are erected and plant and equipment installed, the actual amount which had been paid out at 30th June, 1952, was, as a result, less than the actual amount approved.

Loans granted to 30th June, 1952, by the Corporation since its inception totalled £2,552,689 and, as repayments for the same period were £188,653, the amount owing by borrowers as disclosed in the balance sheet amounted to £2,364,036.

ENCOURAGEMENT AND ASSISTANCE TO COUNTRY SETTLEMENT.

During the year, an amount of £454,481 was lent for the purchase of farm properties, and many of the loans were made to persons giving up other occupations in favour of farming. The Corporation, before approving of the loan, satisfied itself that the applicant definitely intended to work the property he proposed to acquire.

DEVELOPMENT AND IMPROVEMENT OF FARMING PROPERTIES.

Financial assistance for the development and improvement of farms was an important feature of the year's work, and loans amounting to £202,060 were granted for this purpose. Included in this amount were payments made in order to obtain a borrower's title as a pre-requisite to a loan. During the recent war, and in the immediate post-war years, shortage of labour and material were deterrents to developmental work on farms, but the position is improving and there has been a greater demand for loans for this purpose.

IMPROVEMENT OF DAIRIES.

In order to comply with the requirements of the *Milk and Dairy Supervision Act 1928*, a number of loans was granted for the erection and improvement of cow-sheds and dairies. These loans were made at a concession rate of interest on the recommendation of the Department of Agriculture.

FARM WATER SUPPLY AND DRAINAGE.

The Corporation continued the granting of loans for improvements to farm water supply and drainage under the conditions provided in the *Farm Water Supplies Advances Act 1944*, which became inoperative following the enactment of the Rural Finance Corporation Legislation.

THE TIMBER INDUSTRY.

In view of its importance to the State in producing building materials for housing, the timber industry received financial assistance from the Corporation, and loans to sawmillers aggregated £102,500.

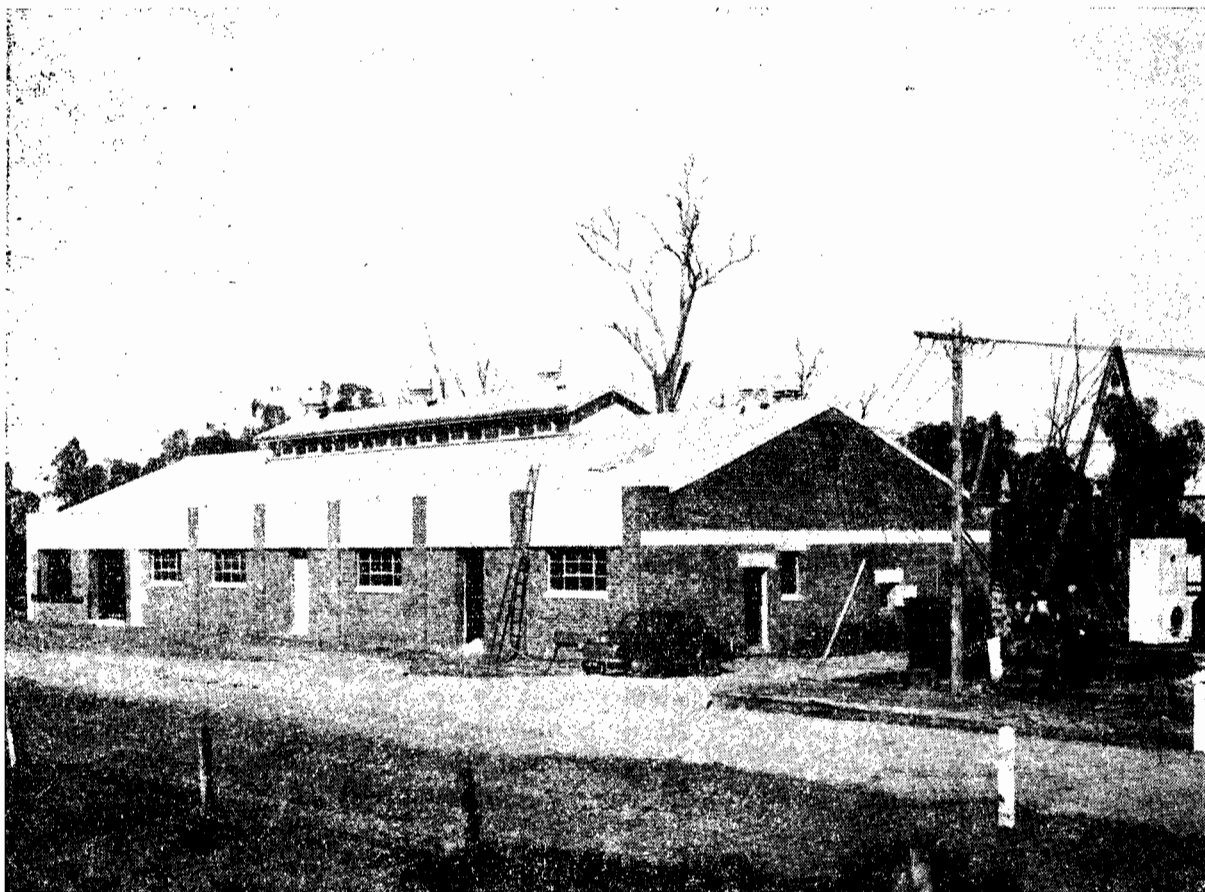
HOUSING.

Apart from special loans made to farmers for the replacement of houses and outbuildings destroyed in the bush fires in February, 1952, loans for housing were limited to industries where the houses were required for occupancy by employees, either as owners or tenants, and were the means of attracting and retaining the services of employees. Loans granted for this purpose amounted to £376,900.

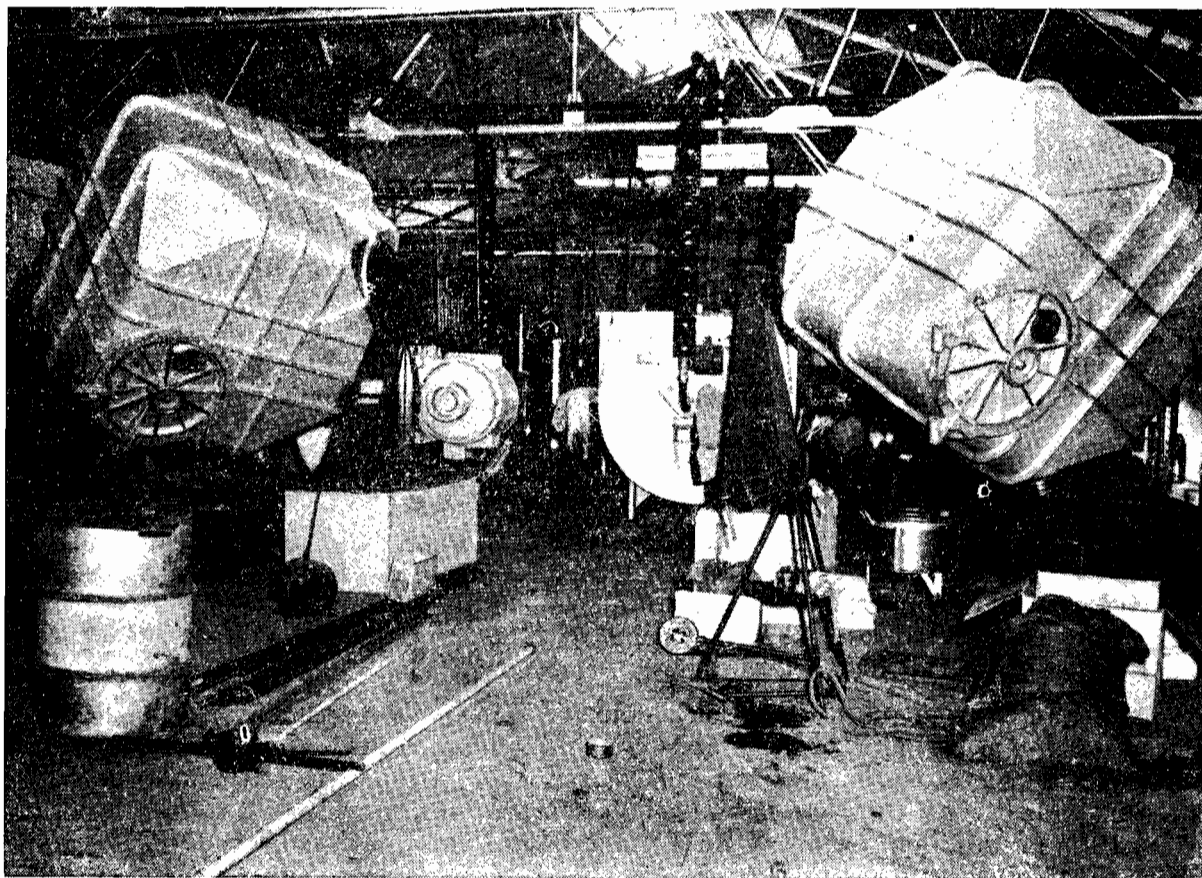
Most of the industries to which these loans were made were engaged in the production of building materials, so that, in providing this financial assistance, the Corporation itself made a substantial contribution to the home-building programme.

BUTTER AND CHEESE FACTORIES.

Many factories are faced with the replacement and modernization of their machinery at a time of high prices, and are having difficulty in finding finance sufficient for the purpose. To meet the competition of overseas companies engaged in the processing of whole milk, some factories are confronted with an expenditure beyond their financial capacity. In some districts where new areas are being opened up, such as those under the Soldier Settlement Scheme, it may be that the increased business will justify the capital outlay, but, where an extension of business is not possible, provision of finance has become a serious matter.



New Butter Factory at Koondrook financed by the Rural Finance Corporation.



Modern plant being installed in the factory.

Under-capitalization and the absence of reserves are two factors which have been noticeable in examining the financial structure of some of the companies which have approached the Corporation for assistance. Where the Corporation considered that financial assistance was necessary and justified, it granted a loan and, in rendering this assistance, contributed to the retention of a factory in a particular district. Loans granted to butter and cheese factories totalled £44,000.

MILK PASTEURIZATION.

Over recent years, there has been an increase in the number of dairymen supplying pasteurized milk and, in some districts, it is felt that very soon it will not be profitable to carry on business without pasteurization. Furthermore, under the Milk Pasteurization Act, it is competent for the Government at any time to proclaim an area in which all milk must be pasteurized. Because of this possibility, several country dairies decided to instal pasteurization plants, and have sought financial assistance for the purpose. In the year ended 30th June, 1952, the Corporation assisted pasteurization to the extent of £38,000.

COOL STORES AND PACKING SHEDS.

Loans amounting to £159,000 were granted for the purpose of establishing cool stores and packing sheds in various parts of the State.

In each instance, the cool stores were required for the storage of fresh fruit; their establishment in a country centre, adjacent to the fruit-growing areas, will eliminate much of the damage caused by the long haulage of fruit to cool stores in the metropolitan area and effect a saving in transport charges. Although cool stores and packing sheds do not employ a large number of persons, they create local employment and assist decentralization.

MANUFACTURE OF CEMENT.

Approval was given to a loan of £100,000 for the establishment of a works for the manufacture of cement in the Latrobe Valley. It is proposed to use local brown coal and limestone for its manufacture, and the industry should make a substantial contribution towards the State's demands for this essential commodity.

MISCELLANEOUS LOANS TO SECONDARY INDUSTRIES.

Among the secondary industries in respect of which loans were approved were other various activities, including engineering, brickmaking, quarrying, and the manufacture of clothing, and an amount of £19,300 was involved in these loans.

THE DRIED FRUIT INDUSTRY.

Assistance was continued to dried-fruit growers in Nyah-Woorinen district, and advances, secured by liens on crops, were made to the extent of £89,863. It is gratifying to report that many of the growers who had suffered severely through adverse seasonal conditions, and who first applied to the Corporation for assistance in 1950, are now on the way to financial recovery. Through the re-arrangement of their general debt structure by means of the Rural Rehabilitation Fund, and the granting of seasonal advances, the Corporation has placed these growers in a position in which, given reasonably favorable seasons, they can derive the benefits of the payable prices now offering for dried fruits.

RELIEF TO BUSH FIRE SUFFERERS.

The Government arranged for the Corporation to lend up to £2,000 at an interest rate of 2 per cent. per annum for the purchase of a pre-fabricated house through the Housing Commission in order that a farmer, who lost his home in the bush fires in the late summer of 1952, might be provided with a new house at the earliest possible date. Where the farmer co-operated and made a prompt selection, the Housing Commission expedited the completion and delivery of the house.

Loans, bearing the Corporation's ordinary rate of interest, were also made for the replacement of other improvements and for the purchase of stock and plant. Many of the properties damaged in the fires were mortgaged and, in some cases, the farmers had, in addition, debts which they had no immediate prospect of meeting. Where these conditions existed the Corporation, by means of the Rural Rehabilitation Fund, gave relief in respect of these mortgages and other debts. The repayments were spread over a period of fifteen years, with an interest rate of 3 per cent. per annum.

As at 30th June, 1952, financial relief to the extent of £56,034 had been provided and, at that date, a number of cases had not been completed.

RURAL REHABILITATION FUND.

The Rural Rehabilitation Fund (formerly the Farmers' Debts Adjustment Fund) is administered by the Rural Finance Corporation from moneys provided by the Commonwealth Government with the condition that the Corporation be satisfied that advances from the Fund are necessary to enable a farmer to continue successfully his farming operations.

The Rural Rehabilitation Fund was of considerable assistance where a farmer experienced difficulty in re-financing an overdue mortgage. There is still an amount of £1,516,828 owing by farmers whose debts were adjusted with the aid of this Fund. Practically the whole of the amount is secured by mortgage and is gradually being repaid over the periods provided for in the mortgages. As at 30th June, 1952, the Rural Rehabilitation Fund was in credit to an amount of £884,874.

RATES OF INTEREST.

Following the general increase in interest rates, the Corporation was required to increase the rate charged to its borrowers.

The rate of $3\frac{3}{8}$ per cent. per annum, previously charged on loans for the establishment or development of primary and secondary industries, was increased to 4 per cent., and there was an increase of one-half per cent. in the interest charged on loans for the provision of water supply and drainage and for the improvement of dairies, making those loans now $3\frac{1}{2}$ per cent. per annum.

In order to assist farmers who lost their homes in the bush fires, individual loans limited to £2,000 and bearing the low interest rate of 2 per cent. per annum, were granted for the purchase of new houses.

There was no increase in the rate of 4 per cent. originally charged for seasonal advances in the dried fruit areas.

ACKNOWLEDGMENT.

The technical advice and the assistance given by officers of Commonwealth and State instrumentalities are gratefully acknowledged.

STAFF.

The Corporation desires to record its appreciation of the services rendered by its staff throughout the year.

RURAL FINANCE CORPORATION.

BALANCE-SHEET AS AT 30TH JUNE, 1952.

(Adjusted to the nearest £.)

	1951 £	1952 £	1952 £	1952 £	1952 £
Loan Funds— Loan Liability—Treasurer of Victoria			2,424,936		
Less Securities Redeemed—National Debt Sinking Fund			9,181		
			2,415,755		
Advances for Purposes of Establishment and Administration —Treasurer of Victoria			50,000		1,470,213
			2,465,755		46,615
Other Funds— Advances— <i>Farmers Debts Adjustment Act 1943</i> —Treasurer of Victoria	881,604		99,618		
Less Repayments			45,666		
	62,061		53,952		
Funds Provided by Grant under <i>Commonwealth Loans (Farmers Debts Adjustment) Act 1935</i>			2,392,000		
Add Interest on Mortgages			9,702		
	2,401,702		2,401,702		
Trust Account—Amounts in Suspense	7,769				
Sundry Creditors	895				8,323
Reserve—National Debt Sinking Fund	1,375				63,643
	3,355,406		4,953,355		71,966
					126
					22,212
					4,953,355
Loans and Advances— Loans under Part III.— <i>Rural Finance Corporation Act 1949</i>	780,794				
Advances under <i>Farmers Debts Adjustment Act 1935</i> and Part IV.— <i>Rural Finance Corporation Act 1949</i> — Current Advances					1,516,828
Irrecoverable Amounts					53,952
	1,629,837				29,476
Advances under <i>Farmers Debts Adjustment Act 1943</i>					5,686
Interest Due and Accrued	8,026				
Discounts and Expenses on Loans	726				
Funds held by Treasurer of Victoria— Rural Rehabilitation Fund					884,874
National Debt Sinking Fund					166
	801,869				2,585
Furniture and Office Equipment— <i>Less Depreciation</i>					1,448
Departmental Vehicles— <i>Less Depreciation</i>					4,033
Cash— Held in Trust	3,162				8,323
Other—For General Purposes					63,643
	49,502				71,966
Charges Paid in Advance	64				126
Appropriation Account	19,365				22,212
	3,355,406		4,953,355		4,953,355

The accounts of the Rural Finance Corporation have been audited for the year ended 30th June, 1952. In my opinion the Balance-sheet is a correct statement and shows fairly the financial position of the Corporation at the close of the period. The Profit and Loss Account correctly summarizes the transactions during the year.

E. A. PEVERILL, Auditor-General.
20th January, 1953.

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

RURAL FINANCE CORPORATION.

PROFIT AND LOSS ACCOUNT FOR PERIOD ENDED 30TH JUNE, 1952.

(Adjusted to the nearest £.)

1951		1952		1951		1952	
Dr.	£		£	Cr.	£		£
To Administration—				By Interest			
Salaries	26,462	..	28,778	Application and Legal Fees	15,652	..	60,746
Travelling Expenses	1,891	..	2,289	Balance to Appropriation Account	2,366	..	2,632
Printing, Stationery, &c.	881	..	341		19,365	..	2,847
Postage and Telephones	15	..	270			..	
Pay-roll Tax	631	..	694			..	
Audit Fee	75	..	200			..	
Incidentals	219	..	154			..	
	<u>30,174</u>						
Interest on Loan Indebtedness	6,434	..	32,726				
Depreciation	86	..	29,125				
National Debt Sinking Fund—		..	388				
Contribution	689	..	3,924				
Interest on Redeemed Securities		..	62				
			<u>3,986</u>				
	<u>37,383</u>						
							<u>66,225</u>
APPROPRIATION ACCOUNT.							
	1951		1952				
July 1 To Balance	..	..	19,365	June 30 By Balance	..	..	22,212
1952							
June 30 Loss for Year ending 30th June, 1952	..	..	2,847				
			<u>22,212</u>				<u>22,212</u>

E. A. PEVERILL, Auditor-General.
20th January, 1953.

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