

1956-57
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VICTORIA

RURAL FINANCE CORPORATION

REPORT

AND

STATEMENT OF ACCOUNTS

FOR THE

YEAR ENDED 30TH JUNE, 1956

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

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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.

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 Sixth Annual Report, together with Balance-sheet and Profit and Loss Account for the year ended 30th June, 1956.

J. B. CLARKE, Chairman.

W. A. SANDALL, Member.

W. R. MANN, Member.

W. P. J. EVANS General Manager,
2nd May, 1957.

The Honorable H. E. BOLTE, M.L.A.,
Treasurer of Victoria.

RURAL FINANCE CORPORATION

MEMBERS:

J. B. Clarke (Chairman).

W. A. Sandall.

W. R. Mann.

ADMINISTRATIVE OFFICERS.

GENERAL MANAGER :

W. P. J. Evans.

SECRETARY :

J. E. Glassborow.

ACCOUNTANT :

(VACANT)

OFFICE OF THE CORPORATION :

107 Russell-street, Melbourne, C.I.

SIXTH ANNUAL REPORT

OF THE

RURAL FINANCE CORPORATION OF VICTORIA

The financial year ended 30th June, 1956, produced little change in the economy of the State, but the demands by an expanding population for financial aid in a period of rising costs have presented the Corporation with many difficult problems.

The year has been one of comparative prosperity with full employment, and further rapid development of our natural resources, but any optimism as to the future should be tempered by a cautious consideration of our overseas commodity markets, where we have to meet the surplus production of other exporting countries.

During the period under review, the Corporation approved of loans totalling £1,352,304, comprising £1,140,743 for primary and £211,561 for secondary industries.

The appointment of a State Financial Authority to provide more effective credit facilities for rural development has been justified by the fact that, since its establishment in 1950, the Corporation has approved of loans amounting to £8,777,714, of which £6,138,653 related to primary and £2,639,061 to secondary industries.

Owing to the continuation of the general prosperity of the farming industry most borrowers have been able to meet their repayments; in fact, in a number of cases, borrowers have made special repayments of principal in addition to the statutory repayments required under the conditions of their loans.

PRIMARY INDUSTRIES.

Flood conditions were experienced in many parts of the State as the result of a particularly wet winter, and many farmers in those areas sustained heavy financial loss.

The continuous heavy rain in the wheat-growing districts during the normal sowing period resulted in about three-quarters of the usual acreage being sown to wheat. Most farmers, however, in those regions which are usually regarded as "dry areas", are hopeful of obtaining good yields.

Dairying districts generally benefited by the heavy winter rains and an excellent spring is anticipated.

While the outlook for primary production brings a feeling of restrained optimism, it is disturbing that, whereas the volume of rural products exported from Australia during 1955-56 was 6 per cent. higher than in the previous financial year, the value of such products was about £13 millions lower.

In view of our dependence upon overseas markets for the sale of our rural production, it is obvious that, in future years, Australia must aim at a considerable increase in its export earnings to meet the expansion of imports required by a rapidly growing population.

Purchase of Farm Properties.

Of the amount of £1,140,743 approved during the year for primary industries, the sum of £422,050 represented loans for the purchase of farms.

When considering applications for loans to purchase farms, the Corporation pays particular attention to the personal factor, the availability of working capital and whether or not the subject property constitutes a "living area".

While applications for loans of this type were well spread throughout the State, sales at high prices were more evident in the dairying districts.

Farm Improvements.

Following the inability of farmers to obtain additional bank accommodation for the improvement of their farms, it has been necessary for the Corporation, in many deserving cases, to use a large portion of its funds for the refinancing of a farmer's existing overdraft before providing the finance required to effect further improvements.

Loans to refinance liabilities and provide fresh finance for improvements required an amount of £465,542, while loans for improvement of farms, where no element of refinance was involved, necessitated loans totalling £98,075.

The Corporation has continued to make loans for such purposes as electricity supply, water supply and drainage, dairy improvements, &c., usually at a concessional rate of interest, and loans for those purposes totalled £7,600.

Plant and Machinery.

Many farmers are in need of finance to purchase essential items of plant and machinery but, in the past, no great volume of business of this nature has been conducted by the Corporation. This has been largely due to the inability of the Corporation to provide hire purchase facilities and the objection by most farmers to the publicity in trade gazettes of Bills of Sale.

Loans for the purchase of plant and machinery totalled only £925 but, following the amendment of the Rural Finance Corporation Act as explained later in this Report, the Corporation will be able to make hire purchase finance available under more attractive conditions than farmers have been able to obtain heretofore.

DRIED FRUITS INDUSTRY.

The dried fruit areas of the State experienced an adverse season owing to violent weather fluctuations, with the result that the position of many growers has further deteriorated.

A considerable number of growers was again unable to pay their water rates and, in order to avoid the imposition of interest at a penalty rate, assistance was given by additional loans totalling £1,850, making a total amount of £127,890 advanced for this purpose in the two years ended 30th June, 1956.

Many growers in the Sunraysia district suffered losses as the result of a severe hail storm. The Corporation assisted these growers by loans, with interest at a concessional rate of 2 per cent. per annum, to the extent of £35,182 for the production of the 1956 crop, and those growers who were not in a sound financial position obtained a definite improvement through compositions and schemes of arrangement by means of advances totalling £132,557 from the Rural Rehabilitation Fund at an interest rate of 3 per cent. per annum.

A Committee of Inquiry, appointed to make an investigation of the dried fruits industry in the Mid-Murray Valley area—including the Nyah and Woorinen districts—has made recommendations involving improvement to water supply and drainage, re-adjustment of existing holdings and the possibility of some alternative form of production. The Corporation, in the light of these recommendations, has continued to render financial assistance to growers in these districts and, during the year, seasonal advances totalling £86,682 were approved.

REFINANCE.

Many applications were received from farmers desiring loans to repay an existing mortgage, a bank overdraft or balance of purchase money under a contract, in order to obtain the benefit of a lower annual principal payment and thus be able to effect some improvements to their farms.

The Corporation, owing to its limited funds, has been obliged to adopt a more selective policy when making loans of this nature, and has declined many deserving applications where loans would have merely discharged an existing obligation.

FISHING INDUSTRY.

Several years ago the State Government made advances to Co-operative fishermen's societies towards the cost of installing refrigeration plants at several ports along the Victorian coastline.

Generally, the professional fishermen supplying these societies were obliged, owing to variable weather conditions and lack of capital, to operate small boats near the coast, with the result that the available refrigeration space has not always been filled to capacity.

During the year the Corporation approved of loans totalling £16,787 for the construction and equipment of larger boats, fitted with such modern devices as echo-sounding apparatus and two-way radio. This will enable fishermen to go further out into deeper waters and new fishing grounds and operate for several weeks at a time under all weather conditions.

Loans are made only to such fishermen as are sponsored by a co-operative society, and loans are repayable out of a fixed percentage of their fishing returns.

The security is usually a mortgage over the boat, but in some cases the borrower has been able to give a land mortgage as suitable security.

SECONDARY INDUSTRIES.

The year has shown a further advancement of secondary industries in rural areas. The industrial outlook is promising, with most factories working to capacity. Full employment is general; in fact, some industries could employ more operatives if they were available.

A slackening in the building trades has affected the timber industry and brought about an over-production of bricks and some other building materials.

Loans amounting to £211,561 were approved during the year for industrial development in rural areas, and these included loans for textile industries, engineering works, butter factories and other industries manufacturing essential commodities.

Further loans were made to undertakings which had previously received assistance, such loans being generally for the purpose of financing the completion or extension of factories.

When financing an industry, the Corporation's loan is related to the capital requirements of the industry, the working capital of the undertaking being usually provided by bank accommodation on the security of the current assets.

During the year, the Corporation approved of a loan to a company producing agricultural lime to be used in the development of a soldier settlement area.

In view of the financial assistance given to sawmilling in previous years, the Corporation has curtailed further loans to that industry but, during the year, made a loan for the erection of a co-operative seasoning works in a country area where ample supplies of suitable timber are available, thus avoiding the cost of hauling the green timber to Melbourne for treatment.

RISE IN INTEREST RATES.

While efforts have been made to keep down costs and encourage development by maintaining interest rates at the lowest practicable level, there has been a considerable diversion of available funds into the short-term borrowing field, where attractive rates of interest are obtainable.

In March, 1956, the Commonwealth Government relaxed its anti-inflationary policy to some extent, by permitting a general adjustment of bank interest rates, allowing a variable overdraft rate of between 5 and 6 per cent., with a proviso that the average rate should not exceed 5½ per cent.

The banks were requested to exercise discrimination in using this interest range so as not to impose too heavy a burden on those industries which are helping the country's economy.

Following this general increase in rates of interest, the Corporation was obliged to increase by one-half per cent. the rates of interest charged to its borrowers.

RURAL REHABILITATION FUND.

The Rural Rehabilitation Fund, formerly the Farmers' Debts Adjustment Fund, is a fund administered by the Corporation, and represents a grant by the Commonwealth Government in 1935 for effecting compositions and schemes of arrangement with the creditors of farmers who, without such assistance, would be unable to carry on their farming operations.

In this financial year an amount of £145,370 has been utilized from this fund for the purposes of assisting necessitous farmers, mainly in the dried fruit areas.

AMENDMENTS OF THE RURAL FINANCE CORPORATION ACT.

The administration of the Rural Finance Corporation Act over the past six years revealed the desirability for certain amendments. During the year Parliament enacted several amendments, some of which were of a minor nature to give effect to the requirements of the Auditor-General, and others had the effect of widening the scope of the activities of the Corporation, and included the following:—

Acceptance of Moneys on Deposit.

In the past, some borrowers have indicated that they had funds which they would be prepared to deposit with the Corporation, provided they received some assurance that such moneys, or part thereof, could be withdrawn in the event of an unfavorable season or some other adversity being experienced.

Prior to the amendment of the Act, any payments made to the Corporation in excess of statutory repayments had to be applied in reduction of the principal moneys. An amendment of the Act now enables the Corporation to accept such moneys on deposit for a fixed term and allow interest at such rate as it may determine. Moneys so held can then be used by the Corporation for any purpose associated with its business.

Purchase of Machinery and Plant.

Previously the Corporation was obliged to take, as security for a loan for the purchase of machinery and plant associated with any primary or secondary industry, a land mortgage, debenture charge or a Bill of Sale. While the Bill of Sale has been the most usual form of security, having regard to the comparatively small amount generally involved, it has not been favored on account of the undesirable effect of publicity in the trade gazettes.

The Corporation can now provide finance to enable existing borrowers to obtain their essential requirements under hire purchase agreements.

Agency Department.

Perhaps the most important amendment of the Act is that which provides for the creation of an "Agency Department" under which the Corporation is empowered to grant financial assistance of a special nature at the request of the Government.

This will enable the Corporation to assist in such emergencies as floods, bush fires and adverse seasons.

ACKNOWLEDGMENT.

The assistance rendered by Commonwealth and State Departments and Instrumentalities, in advising the Corporation on technical and other matters, is 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, 1956.

(Adjusted to the nearest £.)

	1955	1956	1956	1956	1956
	£	£	£	£	£
Loan Funds—					
Loan Liability—Treasurer of Victoria	4,832,609		5,758,230		
Less—Securities Redeemed from National Debt Sinking Fund	61,487		89,775		
	4,771,122				
Advances for Revenue Purposes—Treasurer of Victoria	15,000			5,668,455	
	4,786,122				
Other Funds—					
Advances— <i>Farmers' Debts Adjustment Act 1943</i> —					
Treasurer of Victoria	99,618		99,618		
Less—Repayments	62,254		69,047		
	37,364				
Funds Provided by Grant under <i>Commonwealth Loan (Farmers' Debts Adjustment) Act 1935</i>			30,571		
Add—Interest on Mortgages	2,401,702		2,401,702		
	2,401,702				
Trust Account—Amounts in Suspense	2,000			2,432,273	
Sundry Creditors	1,028			5,862	
National Debt Sinking Fund Reserve	62,093			597	
Provision for Long Service Leave	4,931			90,937	
General Reserve Account				7,083	
Profit and Loss Account—Accumulated Surplus	39,292			78,140	
	7,334,532			8,283,347	
Loans and Advances—					
Loans under Part III.— <i>Rural Finance Corporation Act 1949</i>				5,699,831	
Advances under <i>Farmers' Debts Adjustment Act 1935</i> and Part IV.— <i>Rural Finance Corporation Act 1949</i> (including Doubtful Debts, £51,972)	4,802,310			1,184,960	
Advances under <i>Farmers' Debts Adjustment Act 1943</i>	1,151,481			30,571	
Interest Due and Accrued	44,839			83,404	
Discounts and Expenses on Loans	13,360				
Funds held by Treasurer of Victoria—					
Rural Rehabilitation Fund	1,250,220			1,216,742	
National Debt Sinking Fund	606			1,162	
	1,250,826			1,217,904	
Furniture and Office Equipment—Less Depreciation	3,229			3,106	
Departmental Vehicles—Less Depreciation	520			855	
	3,749			3,961	
Cash—					
Revenue and Loan	28,408			51,890	
Held in Trust	2,000			5,862	
	30,408			57,752	
Long Service Leave Investment Fund				4,888	
Charges paid in Advance, &c.	195			76	
	7,334,532			8,283,347	

The accounts of the Corporation have been audited for the year ended 30th June, 1956, by officers acting under my direction, and, in my opinion, the Balance-sheet is a correct statement of the financial position at the close of the period, and the Profit and Loss Account correctly summarizes the operations during the year.

E. A. PEVERILL, Auditor-General,
21st February, 1957.

J. B. CLARKE, Chairman.
W. A. SANDALL, Member.
W. R. MANN, Member.
W. J. EVANS, General Manager.

RURAL FINANCE CORPORATION.

PROFIT AND LOSS ACCOUNT FOR YEAR ENDED 30TH JUNE, 1956.
(Adjusted to the nearest £.)

1955	Dr.	1955	Cr.	1956
£		£		£
27,094	To Administration—	180,600	By Interest	247,765
3,408	Salaries	4,891	Application and Legal Fees ..	3,931
1,443	Travelling and Other Expenses ..	65	Other	523
184	Rent			
728	Light and Power			
452	Office Cleaning			
447	Printing, Stationery, &c. . .			
521	Postage and Telephone			
135	Pay-roll Tax			
	Maintenance of Office Equipment ..			
350	Maintenance, &c.—Office Furniture and Fittings ..			
226	Audit Fee			
	Incidentals			
34,988				
103,237	Interest on Loan Indebtedness			
	National Debt Sinking Fund—			
10,385	Contribution			
1,784	Interest on Redeemed Securities			
	Provision for—			
393	Depreciation			
2,543	Long Service Leave			
32,226	Profit carried down			
185,556		185,556		252,219
	To Discounts and Expenses on Loans written off ..			
	General Reserve Account	7,066	By Accumulated Surplus at beginning of Year ..	39,292
39,292	Accumulated Surplus Carried Forward	32,226	Profit brought down	57,828
39,292		39,292		97,120

J. B. CLARKE, Chairman.
W. A. SANDALL, Member.
W. R. MANN, Member.
W. J. EVANS, General Manager.

E. A. PEVERILL, Auditor-General,
21st February, 1957.