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**PRIME MINISTER**

FOR PRESS

22 OCTOBER 1978

ELECTORATE TALK

Shortly, the Primary Industry Bank of Australia will begin processing its first applications from farmers for long term loans.

The establishment of the bank fulfills a pledge by the Government to cater for the special credit needs of rural Australia.

Access to long term capital on suitable terms had become a serious problem for the family farm. With the commercial market unable to meet this need a new and unique insitituion was required.

While the demand for credit for capital expenditure and working capital has grown significantly over recent years, many producers - because of depressed markets, adverse seasons or possibly both - experienced great difficulty in increasing their earnings to the stage where they can either finance investment from their income or prove themselves sound borrowers.

Denied access to long term finance, farmers often had to postpone vital investment decisions essential to the long term viability of their properties. They were also less equipped to ride out those recurring periods of low market returns.

The Government realised that to provide farmers with long term loans at suitable terms a special institution was required. The Primary Industry Bank is the result of a long period of research and negotiation. It combines both government and private funds to lengthen the term of loans and reduce the interest rate.

The Board of the Bank brings together people with wide experience in financial and agricultural policy fields and in farming itself. The two farmer representatives on the Board will make sure that the interests of farmers are heard.

As announced by the Minister for Primary Industry and the Treasurer, the new Bank will be making loans available to farmers - and I should also include fishermen and foresters - for periods of eight to thirty years at an interest rate of only 10.5% for loans under \$100,000. A rate of 12.5% will be charged on loans above \$100,000. The loans will be on terms and conditions considerably more favourable to the borrower than normally available from commercial sources.

Primary producers will now be able to finance farm investments on a loan term more appropriate to the expected life of the investment.

It is significant that longer term loans reduce the annual amount farmers must put aside each year for debt servicing.

For example, the annual payment of principal and interest on a \$30,000 loan at 10.5% over eight years is \$5,726. But over 20 years the annual payment is only \$3,645, a reduction of just over \$2,000 a year.

The Bank will not only provide longer term funds for the rural community but will be the means of replenishing supplies of rural credit available from non-government sources.

Over the past ten years there has been an enormous increase in government funding of the rural sector debt.

Currently, some \$1,000 m. or 35% of rural indebtedness to institutional lenders is covered by funds directly advanced by the Commonwealth Government. This represents an increase in excess of 60% in government lending since 1970, during a period when a number of institutions - such as pastoral houses, insurance companies and the trustee houses - have withdrawn loan funds from the rural sector.

The Government strongly believes in providing the opportunity for farmers to obtain their credit needs on conditions of repayment which enable them to plan long term investment programmes.

The Primary Industry Bank will provide this facility and by using funds raised commercially in its lending operations the Bank could well boost the aggregate flow of credit to the rural sector.

I believe that, through the operations of the Bank, the family farm will be able to look to the future with great confidence.