



25/1966

RURAL CREDIT

Statement by the Prime Minister, Mr. Harold Holt

The Prime Minister announced tonight that as foreshadowed in his statement to the House of Representatives on 8th March, he, the Minister for Trade and Industry and the Treasurer held discussions today with the General Managers of the major trading banks and the Governor of the Reserve Bank on proposals for new and extended farm loan facilities.

The main proposals put forward by the Government were :-

- (a) That a new system of Farm Loan Funds should be established for the financing of farm development. There would be an initial transfer of \$50 million to these Funds, part from Statutory Reserve Deposits of the trading banks with the Reserve Bank and part from the resources of the trading banks as under the existing Term Loan scheme. The purposes of the Farm Loan Funds would be to provide loans on longer terms than are now available under the Term Loan Scheme for development of both new and existing rural properties, and loans for drought rehabilitation and mitigation measures and the general enhancement of farm productivity;
- (b) That the existing Term Loan Funds would be increased by a transfer of \$20 million part from the Statutory Reserve Deposits and part from trading bank funds. It was envisaged that rural loans would continue to be made from these Funds on the same basis as previously, i.e., for periods generally of three to eight years and that, over a period, much the same proportion of the Term Loan Funds would be used for rural purposes as hitherto;
- (c) That trading banks lending on overdraft to rural borrowers would not be diminished on account of the new arrangements which would thus represent a net addition to the finance available for rural purposes;
- (d) That releases from the Statutory Reserve Deposits of the trading banks for the above purposes should be without prejudice to the normal administration of the S.R.D. system from time to time for liquidity purposes.

It was proposed that the rates of interest on loans from the new Farm Loan Funds would maintain the preference already extended to primary producers and would fall within the range of rates currently charged to primary producers on overdraft loans.

Representatives of the trading banks expressed themselves as being generally in full agreement with these proposals. Further discussion on details will, however, be held between the Reserve Bank and the trading banks. It is expected that announcement of full details of the new arrangements as agreed will be made at an early date.

Mr. Holt added that he regarded the outcome as a very successful result and entirely in keeping with the objectives he had announced in the House on this matter as representing Government policy. Members of the Government are very appreciative of the helpful and constructive contribution representatives of the banks made to the discussion.

CANBERRA,
17th March, 1966