1. PURPOSE
This Bill provides for the establishment of a new Rural Adjustment Scheme. The objectives of this Scheme will be to restore to economic viability those farms and farmers with the capacity to maintain viability once achieved and to help those farmers assessed as being non-viable to leave the farming industry.

2. PROVISIONS
This Bill provides for:

- the execution, on behalf of the Commonwealth, of an agreement between the Commonwealth and all or any of the States substantially in accordance with the form set out in the Schedule to this Bill;
- the making of payments by the Commonwealth to a State provided for in the agreement, by way of financial assistance on the terms and conditions contained in the agreement out of moneys appropriated by Parliament.

The Scheme will commence on 1 January 1977 and will be reviewed from time to time as appropriate by the Commonwealth and States. It will be applicable to all agricultural, horticultural and pastoral industries.

Six forms of assistance will be provided under the Scheme:–

(i) Debt Reconstruction
(ii) Farm Build-up
(iii) Farm Improvement
(iv) Rehabilitation
(v) Carry-on Finance
(vi) Household Support

In the main, the Commonwealth will provide the funds and the States will administer the Scheme via their respective Reconstruction Authorities.

For the debt reconstruction, farm build-up, farm improvement and rehabilitation measures, the Commonwealth will make advances to the States — 85 per cent in the...
form of a loan and 15 per cent in the form of a grant. The loan component carries an interest rate of 7 per cent, subject to review if the long term bond rate changes substantially. The loan will be repayable, together with interest, over 20 years with an initial 3 year repayment holiday. The repayments will be by way of 34 half-yearly payments.

The household support measure will be funded by the Commonwealth. This form of assistance will be available to the farmer by way of a loan from the State, which may be converted to a grant. The States will repay to the Commonwealth any amounts recouped by them from the farmers.

Carry-on finance will be funded on a cost-sharing basis between the Commonwealth and the States to be agreed on each occasion that the facility is used.

3. BACKGROUND

The new Rural Adjustment Scheme has emerged from recommendations of the Industries Assistance Commission,¹ which conducted an inquiry into reconstruction and adjustment in the rural sector.

4. IMPLICATIONS AND RELATED LEGISLATION

Three existing schemes—the Rural Reconstruction Scheme, the Dairy Adjustment Program and the Beef Carry-on Loans Scheme—will be combined and expanded upon to form a new comprehensive scheme—the Rural Adjustment Scheme.

Under the States Grants (Rural Reconstruction) Act 1971, the Rural Reconstruction Scheme commenced operations on 25 May 1971. The States Grants (Rural Reconstruction) Act 1973 provided further assistance and extended the Scheme by one year—from 30 June 1975 to 30 June 1976. The Scheme was extended to 31 December 1976 in the 1976/77 Budget, Appropriation Bill (No. 2), by an appropriation of $27m.

Under the Marginal Dairy Farms Agreement Act 1970, the Marginal Dairy Farms Reconstruction Scheme commenced operations in July 1970. This Scheme was superseded by the Dairy Adjustment Scheme, commencing on 8 April 1974, under the Dairy Adjustment Act 1974. The Dairy Adjustment Amendment Act 1976 extended the Dairy Adjustment Scheme beyond 30 June 1976 to 31 December 1976 or such later date as is fixed by proclamation.

In June 1975 the Beef Carry-on Loans Scheme commenced operations under the States Grants (Beef Industry) Act 1975. The Scheme was extended to provide further finance in 1976/77 by the States Grants (Beef Industry) Amendment Act 1976.

A fourth scheme, the Fruitgrowing Reconstruction Scheme has not been included in the new Rural Adjustment Scheme. This Scheme provides assistance specifically for fruitgrowers in industries suffering from temporary oversupply and was originally intended to apply for only one year. Since its introduction in 1972 it has been extended three times, most recently by the States Grants (Fruit-Growing


Four measures of assistance will now be available for farmers assessed as being viable—debt reconstruction, farm build-up, farm improvement and carry-on finance. Two measures will now be available for farms assessed as non-viable—rehabilitation and household support.

Three existing measures will be continued—debt reconstruction, farm build-up and rehabilitation. Two existing measures will be extended to the whole farm sector—carry-on finance (previously available under the Dairy Adjustment Program and the Beef Carry-on Loans Scheme), and farm improvement (previously available under the Dairy Adjustment Program). One new measure will be introduced—household support.

The future establishment of a National Rural Bank or introduction of a Young Farmers Establishment Scheme may necessitate changes to the Rural Adjustment Scheme.

9 December 1976

FINANCE INDUSTRIES TRADE
AND DEVELOPMENT GROUP,

LEGISLATIVE RESEARCH SERVICE