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ADMINISTRATION OF RURAL ADJUSTMENT ASSISTANCE IN N.S.W.

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A widening range of rural adjustment assistance measures is being utilized, thereby increasing the range of government organizations involved. In choosing between these measures additional government and non-government research is required, with proposed policies accounting for the division of responsibility for assistance that exists between government organizations. There is also a need for greater policy co-ordination between these organizations, and a proposal for the establishment of a N.S.W. Rural Adjustment Advisory Council is outlined.

1 INTRODUCTION

The traditional forms of government assistance in rural adjustment have been: technical and economic advice to farmers, outlook advice, and debt reconstruction and farm build-up financial assistance. Recently this has been widened to include other on-farm measures such as unemployment benefits and carry-on finance. In addition, government assistance is increasingly focusing on off-farm measures such as school vocational guidance, decentralization, counselling, retraining schemes, and rehabilitation assistance. This greatly increases the range of government organizations involved, both Commonwealth and State. It is suggested that evaluating the effectiveness of each adjustment policy, choosing an appropriate mix of policies, administering them, and monitoring their effects requires a level of research and policy co-ordination which does not yet exist.

Implementation of rural adjustment policies in New South Wales is currently the task of five government organizations. Of these, the Rural Assistance Board and the Rural Bank are involved in on-farm financial assistance, whilst the Department of Agriculture is responsible for technical, managerial and economic advice. Two interdepartmental committees also exist, namely the Guidelines Committee Assisting the Rural Assistance Board, and the Inter-Departmental Standing Committee on Rural Adjustment.

It is argued that the fragmented administrative machinery existing in New South Wales makes it difficult for overriding adjustment issues of relevance to all organizations to be discussed and resolved. To establish a co-ordinating mechanism, we suggest the formation of a New South Wales Rural Adjustment Advisory Council with representation from the relevant organizations.

This situation also has implications for economists. Research as to the relative efficiency of each form of rural adjustment assistance is a necessary part of the selection of an appropriate combination of adjustment policies. As Government cannot be regarded as a single entity, but as a set of relatively autonomous agencies primarily concerned with administering their own particular policies, there is a need for other organizations to take

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a broader, more comprehensive perspective. However proposals flowing from such research need to be specific as to the agency responsible for implementation.

2 THE BROADER PERSPECTIVE

The increasing trend towards a broader perspective of rural adjustment is best summarized in the Industries Assistance Commission's Report on Rural Reconstruction where it is stated:

“The Commission views rural reconstruction as the process whereby human, land and capital resources are assisted to make the adjustment required by changing circumstances in the Australian rural sector . . . For the purpose of this report the Commission prefers the use of the term ‘adjustment’ rather than ‘reconstruction’. The latter term is considered too narrow to describe the numerous ways in which the rural community may adjust to adapt to a continually changing set of socio-economic circumstances.

“The assistance measures considered in this report are not limited to the individual farm unit (termed ‘on-farm’ assistance). They also encompass certain ‘off-farm’ assistance, particularly where there exists a common problem or set of problems, which may involve changes to the infrastructure of the region or assistance to related processing industries such as loans to dairy factories for the installation of bulk milk receival facilities. The administrative arrangements enunciated in this report are intended to be sufficiently flexible to deal with problems arising from required adjustment in all ‘on-farm’ and certain ‘off-farm’ situations.” [6, p. 10.]

Other Australian Government reports also indicate this changing emphasis to include non-financial assistance. For example, the *Financial Aspects of Rural Poverty* report of the Australian Government Commission of Inquiry into Poverty [3] suggests measures such as a Farm Household Relief Scheme and a farmer annuity scheme. The report also recommends “that there should be greater integration of policies so that rural industries operate against an effective and integrated background of services aimed at eliminating rural poverty” [3, p. 4.]. The Green Paper on *Rural Policy in Australia* makes the same general point. [4, Principles and Guidelines for Chapter 7.]

This view of rural adjustment is being carried forward into practice: a review of forms of assistance is given by the IAC [6]. Initially, financial assistance was mainly limited to debt reconstruction, farm build-up and rehabilitation. In recent years this has been expanded to include loans for diversification, farm improvement, bulk vat and dairy factory conversion. Carry-on loans, compensation for redundant farm assets, retraining assistance, unemployment benefits and household support are also recent additions to rural adjustment assistance.

3 EXISTING ADMINISTRATIVE MACHINERY IN N.S.W.

The five main government organisations involved with rural adjustment in New South Wales are:

- Rural Assistance Board (RAB)—responsible through the Treasurer for farm build-up assistance, debt reconstruction and associated on-farm financial measures.
- Department of Agriculture—responsible for on-farm managerial, technical and economic advice, and some counselling.
- Inter-Departmental Standing Committee on Rural Adjustment (IDSCRA)—responsible through the Minister for Primary Industries for the co-ordination of non-financial rural adjustment measures.
- Rural Bank¹—responsible through the Treasurer for the operation of the Rural Industries Agency which allocates rural adjustment funds under a number of short-term assistance schemes.
- Guidelines Committee Assisting the Rural Assistance Board—responsible to the Minister for Primary Industries for the provision of technical and economic advice to the RAB.

In addition to these State organizations, Commonwealth authorities such as the Commonwealth Employment Service, the Bureau of Agricultural Economics, and the Department of Social Security are also involved. Discussion of the role of such Federal organizations is beyond the scope of this paper.

The RAB is an agency concerned with on-farm financial assistance in New South Wales. It is fully occupied with the day to day management of existing reconstruction schemes, and is not involved in on-farm counselling, or off-farm measures, except through rehabilitation loans and grants. The RAB is represented on IDSCRA and on the Guidelines Committee.

The Department of Agriculture is involved in the provision of economic and technical advice to farmers seeking such assistance. It is usually not involved in advising farmers assisted or rejected by the RAB. It is represented on the Guidelines Committee and on IDSCRA.

The Guidelines Committee is responsible to the Minister for Primary Industries. Members include the Departments of Agriculture and Lands as well as the RAB and Reserve Bank. There is no formal connection between the Guidelines Committee and IDSCRA although currently there is a common chairman. The role of the Guidelines Committee is to provide technical and economic advice to the RAB.

IDSCRA has attempted to initiate interdepartmental activity in rural adjustment, particularly with regard to off-farm measures. It plays a

¹ Although strictly speaking the Rural Bank is not part of "government", as a statutory body it allocates rural adjustment funds through its Rural Industries Agency, and this activity is considered as a "government" activity for the purpose of this paper.

co-ordinating role for departments such as Agriculture, Decentralisation and Development and Technical and Further Education which have programmes of relevance to adjustment in the rural sector. IDSCRA membership is made up of fifteen representatives from eleven departments [7].

The Rural Bank is also an important agency in rural adjustment. The bank provides the field staff for the operations of the RAB, and acts as its agent. Additionally, the bank operates a number of assistance schemes through its Rural Industries Agency. Assistance is available for items such as fodder conservation, small landholders assistance, bushfire and flood relief, and farm water supplies.

4 DIVERSITY OF ASSISTANCE MEASURES

One of the difficulties in integrating rural adjustment measures in New South Wales is that a wide range of activities can be referred to as rural adjustment. The variety of measures available to government are indicated by the following listing of on-farm and off-farm measures.

<i>On-Farm</i>	<i>Off-Farm</i>
Technical and economic advice	School vocational guidance
Managerial advice	Decentralization
Income stabilization	Counselling
Outlook advice	Employment services
Counselling	Retraining schemes
Short-term carry-on finance	Rehabilitation assistance
Debt reconstruction	
Farm build-up	

A wide range of resources is therefore required in administering the set of policies chosen:

- (i) Resources for administering financial assistance.
- (ii) Provision of agricultural economic, farm management and technological advice.
- (iii) Off-farm government assistance measures such as decentralization, counselling and retraining.

It would appear impractical to place all these resources within one department. For this reason some method of achieving interdepartmental co-operation for adjustment activities undertaken is considered necessary.

5 NEED FOR RESEARCH INTO ALTERNATIVE MEASURES

With a wide range of rural adjustment assistance measures available, and a variety of organizations responsible for their implementation, inconsistencies in policy formulation can be expected. These can be reduced by administrative actions, and, perhaps more importantly, by undertaking research into the trade-offs between alternative measures in the achievement of government objectives. Such trade-offs exist between preventative and remedial measures, between on-farm and off-farm measures, and between individually tailored policies (such as financial or relocation assistance), and general approaches (such as decentralization or vocational guidance).

Although there is considerable agreement that government should undertake such alternative adjustment measures [1, 2, 3, 5, 6, 8, 9, 10], a review of the literature reveals little research into trade-offs between these adjustment measures. The need for assistance measures aimed at both economic efficiency and welfare is stressed but not elaborated upon [1, 2, 9, 10]. From this lack of research, and the comments in the literature on the need for alternative measures, the implication is that such research is the role of government. The Industries Assistance Commission, in their *Report on Rural Reconstruction*, while recommending a wider range of measures, cite very little evidence on the effectiveness of each measure. The report in fact proposes that research into the relative effectiveness of various assistance measures be undertaken in the context of the administration of their proposed single Rural Adjustment Scheme [6, p. 66]. There is however, some question as to whether the government organizations involved with rural adjustment will undertake this research. Such organizations have neither the resources nor the responsibility to obtain an understanding of the trade-offs involved. This research must therefore be initiated by a government body that transcends departmental boundaries, or come from non-government research institutions.

These investigations might indicate that certain policies are inconsistent and should not be used together. It may be that debt reconstruction and farm build-up hinder the acceptance of the need for increased rural resource mobility, influence agriculture's capital structure, and are overly expensive forms of assistance. A comparison of on-farm and off-farm measures may reveal that both efficiency and welfare measures can be better achieved by providing a greater proportion of funds to off-farm measures.

6 SCOPE FOR CO-ORDINATION

Whilst research may indicate trade-offs in the allocation of assistance, there may still be some difficulty in formulating an appropriate set of policies. This is because the relevant government instrumentalities have specific areas of responsibility. In New South Wales on-farm financial assistance is provided by the RAB and the Rural Bank. The Department of Agriculture appears to have little input into the allocation of funds or the managerial and technical advice to farmers receiving financial assistance.

With regard to off-farm assistance there are numerous departments involved, such as Agriculture, Education, Technical and Further Education, and Decentralisation and Development and also the Planning and Environment Commission. Whilst these departments can co-ordinate their rural adjustment measures through IDSCRA there is no formal link with the on-farm financial organizations. Specific allocation of funds for off-farm measures of rural adjustment is minimal, and, more importantly, there is no requirement to work out the most appropriate allocation between measures. With the Federal Government increasingly considering off-farm measures it would seem logical to provide these organizations with the funds necessary to implement off-farm rural adjustment measures, or to investigate proposals for implementation by Federal agencies.

Since the RAB already controls a major portion of the financial arrangements it could be argued that the Board should be involved in both on-farm and off-farm measures. However, the RAB has historically had the role of controlling on-farm financial matters, and its experience and statutory purpose lie in this area. Control of off-farm measures requires expertise in many areas such as decentralisation, education and vocational guidance needs, and a broad perspective of the rural sector. The RAB has a specific role which should not be broadened to encompass areas currently alien to its operation. Since organizations already exist in these other areas and duplication should be avoided, the need would therefore appear to be one of co-ordination.

There are already two interdepartmental committees that have a role in co-ordination. The effectiveness of these two committees depends very much on the co-operation of the departments and instrumentalities represented; the committees have not been given the responsibility and the terms of reference needed to ensure that co-ordination is achieved.

7. PROPOSAL FOR A STATE RURAL ADJUSTMENT ADVISORY COUNCIL

To achieve greater co-ordination of administration, and to ensure that the relevant information required in the assessment of trade-offs is available, the authors have suggested that a new Rural Adjustment Advisory Council be established. Its terms of reference would be to:

- (a) Develop guidelines for Cabinet approval as to the allocation of resources between alternative rural adjustment measures, and to ensure co-ordination of measures employed.
- (b) Prepare a combined application for State and/or Federal financial assistance based on submissions from all interested organizations.
- (c) Initiate research projects into the effectiveness of proposed on-farm and off-farm measures, and to evaluate and report on the effectiveness of measures used.

FORUM

- (d) Be responsible to Cabinet through the Minister for Primary Industries for monitoring the use of funds and the co-ordination of rural adjustment.

It is appropriate that the Department of Agriculture should be represented as it has an overall view of the rural adjustment process, both in preventative activities and in guidance as to the forms of off-farm assistance available. Another member of the Council should be a representative from the RAB. That body would continue managing the on-farm financial assistance measures to farmers.

The chairman of IDSCRA would also be a member of the Council. IDSCRA would continue to act as the committee responsible for off-farm measures, and would act as the link between those departments involved in rural adjustment, and the Council. It is envisaged however, that the membership of IDSCRA would alter, to reflect those Departments concerned with off-farm measures of rural adjustment. Under this proposal, IDSCRA would contain two main types of organizations. The first of these would be the (preventative) training departments such as Education, Technical Education and the Vocational Guidance Bureau. The other main category would be departments and instrumentalities involved in environmental aspects, such as Lands, Planning and Environment, and Conservation. The Department of Agriculture could provide the link between these non-farm activities and the farming community.

It is envisaged that the Rural Bank would also be represented on the Council, due to both its close connection with the RAB, and the allocation of adjustment funds through the Rural Industries Agency. Thus the Council could ensure that the many forms of assistance available through the agency accorded with the guidelines set by the Council.

A leading academic experienced in rural adjustment, or a representative of the business community, could be appointed to give a neutral viewpoint. For example, the Director of the Rural Adjustment Unit, University of New England, would appear an appropriate member.

A representative of the Department of Decentralisation and Development would be on the Council. This would ensure that rural adjustment would be considered as part of the overall development of a region, and that rural urban centres would have some representation on the Council. No provision has been made on the Council for a farmer representative. The purpose of the Council is to improve communication between those government organizations operating in the rural adjustment area and to initiate research on the relative effectiveness of the various measures. Consequently a farmer representative would not be pertinent to this particular Council. Grass roots comments on government rural adjustment policy can be achieved in other ways, such as through the recently formed Rural Industries Advisory Committee.²

² This is a body consisting of the Director, Rural Adjustment Unit, University of New England, as Chairman, and farmer representatives, to advise the Minister for Primary Industries.

8. CONCLUSION

The changing attitude towards a wide range of rural adjustment measures and away from sole reliance on financial reconstruction raises two questions. Firstly, are existing administrative arrangements adequate, and, secondly, what is the relative effectiveness of the various on and off-farm measures, and how should this be reflected in the allocation of funds?

It has also been argued that existing administrative arrangements do not achieve co-ordination of adjustment activities. A suggestion is therefore put forward for the establishment of a Rural Adjustment Advisory Council. The Council would establish guidelines as to the allocation of funds between on-farm and off-farm measures. Research could also be initiated by the Council to determine the relative efficiency of expenditure of funds on on-farm and off-farm measures.

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