

Short-term credit is the ordinary banking credit of not more than six months. In Europe short-term credit is understood to comprise the two last classes, and includes all credit up to five years.

THE NEED FOR IMPROVED CREDIT.

The insistent demand of the producer for improved credit facilities is by no means peculiar to New Zealand, but merely reflects an almost universal evolutionary movement in the important business of agriculture. Everywhere the problem of agricultural finance has been accentuated by the increasingly keen competition of producing countries, practically all of whom have adopted legislation under which capital may be provided for agriculture and special organizations established to ensure its economic and profitable employment.

The general trend is towards concentration and collective trading combined with the adoption of scientific methods of finance and farming, all designed to increase the volume of production at reduced cost, to the mutual advantage of both consumer and producer.

In those countries where credit facilities are lacking farming is generally less efficient and settlement is retarded.

The New Zealand producer in marketing his produce is handicapped by distance and the costly delay which must of necessity elapse before his saleable product can be disposed of. Higher transportation charges have also to be taken into account. If the New Zealand producer is to retain and improve his position on overseas markets he should enjoy at least the same financial advantages that are open to his principal competitors.

THE APPLICATION OF CREDIT.

Credit machinery properly administered is an important and necessary part of the process of production, but the use of agricultural credit must conform to economic principles. The paramount importance of agriculture is fully recognized in the older countries, where it is regarded as possessing features which entitle it to special consideration in the application of credit.

In their report to the Imperial Government the 1923 Committee on Agricultural Credit makes the following observation :—

“ We feel, however, that the case of the agriculturist presents special features entitling him to exceptional and preferential consideration. In the very nature of things the agriculturist is often isolated and remote from the normal opportunities of obtaining credit. Compared with those of the manufacturer and the trader his operations are complex, long in their cycle, and subject to exceptional risks from weather and disease beyond the ordinary ups and downs of prices and wages which he suffers in common with industrialists. For the greater part of the year, and especially when he is most in need of credit, his capital is sunk in forms of wealth difficult for any one but an expert to value and not readily chargeable as security for an advance, while his personal training and methods of life are not such as to fit him to surmount these natural disadvantages and to establish that position in the credit market to which his financial stability and high standard of probity generally entitle him.”

The problem is how to apply credit wisely and economically, and to avoid creating a belief that easily obtained credit is a remedy for a condition which is often due rather to insufficient collateral security, a fall in prices, or unsatisfactory farming. An artificially created credit must be guarded against. The object of any reform should be to create confidence by establishing conditions which will make investment in rural securities attractive. A close investigation of the different land mortgage credit systems unmistakably discloses that their tendency is strongly in such a direction, and that once confidence is secured capital flows freely. In this connection the standardization of land-values is important. The basis of all satisfactory rural co-operative credit systems is the ascertained productive value of the land. The effect of adopting this principle has been to establish a check upon land speculation, and, whilst not depreciating values, has prevented sharp disturbances of values in those countries where, conditions being normal, co-operative rural credit is largely used.