billion dollars per year. The amount of tax-free bonds issued by the Federal Farm Loan Board is estimated at 8 per cent. of this total. The operations of the farm-loan system in the United States have tended to reduce and stabilize interest charges, although the total loans made by the Farm Loan Board amount to only about 15 per cent. of the whole mortgage debt.

The total mortgages on American farms stood at almost $1,500,000,000 in 1921, and the Agricultural Year-book, while unable to give definite figures, states that the total mortgages have considerably increased since that date. In spite of these enormous figures it is the case that a large percentage of American farmers possess little or no credit, while over 50 per cent. of the farms are not mortgaged at all. (U.S. Agricultural Year-book, 1924.)

The interest-rate on first-mortgage loans of commercial banks in the United States averaged 6·89 per cent. in 1923 ; the rates varied from 5·3 in New Hampshire to 9·6 in New Mexico. (U.S. Agricultural Year-book, 1924.) The interest-rate on Federal farm loans in 1923 was the same all over the country—*i.e.*, 5½ per cent.—although it has been as low as 5 per cent. In December last the Federal Land Bank at Omaha was lending at 5¼ per cent. This bank has never paid dividends of less than 9 per cent., and generally 13 per cent., which reduces the net cost to borrowers to under 5 per cent., a point which must not be overlooked in dealing with farm-loan interest.

It is required by law that 25 per cent. of the earnings be retained until the reserve funds equal 20 per cent. of the outstanding capital stock, then 5 per cent. of the net earnings must be added thereto annually, the balance to be paid in dividends. The working-expenses of the banks are small—generally below ½ per cent.

Short-term and Intermediate Credit.

The United States Year-book estimates the short-term credit outstanding at from 30 to 35 per cent. of the total credit used by farmers. The commercial banks are by far the largest source of such credit, but, as is the case in New Zealand, merchants, dealers, and private lenders also make advances on farm stock and products. Short-term bank loans alone are estimated to amount to over $3,000,000,000. The average rate of interest on these loans was 7·6 per cent. in 1923, but the figures do not disclose the true interest, as there is a practice of requiring minimum balances on deposit, and in many cases the interest is collected at the time the loan is made. It is also the general custom to charge commission. In the east it is the practice to insist on an endorsement of the borrower's notes. About one-third of the total short-term bank-loans are secured by collateral, such as mortgages and live-stock, crop liens, chattel mortgages, &c.

> "These short-term loans, for which payment was demanded at maturity, placed the farmers at the mercy of their creditors, even though the purpose for which the loan had been made had not been accomplished."—(U.S. Agricultural Year-book.)

The establishment of the Federal reserve system in 1913 greatly extended the credit due to farmers, though this meant increasing the term of the notes from ninety days to nine months. Notes became acceptable for discount, and more liberal provisions were made for discounting paper for co-operative organizations. The system became at once an important channel through which banks might obtain additional funds to finance the short-term credit requirements of agriculture. In spite of this, however, the situation became so acute that Congress empowered the War Finance Corporation to switch over to agriculture. The situation is thus described in the War Finance Corporation's report :—

> "When the Agricultural Credits Act was passed (August 24, 1923) there was a state of demoralization everywhere among all classes of agricultural producers. Farmers and stockmen generally were in a desperate plight ; breeding-herds were being sacrificed on a wholesale scale, immature stock was being sent to the block ; cotton, corn, and other agricultural commodities commanded prices that were discouragingly low, in many cases materially below cost of production. Forced liquidation and hasty selling impaired the farmers' buying-power, and this in turn brought about a reduced demand for the products of industry. Bank deposits were being withdrawn and reserves depleted, loans could not be collected, and the stability of our whole agricultural and banking situation was being seriously threatened."