

undertake in writing to cultivate themselves or with the help of their families. The amount of loan is limited to 40,000 francs, and the average loan is 20,000 francs: the longest term is twenty-five years, and the usual term fifteen to twenty years. Interest is fixed by law at 2 per cent., reducible to 1 per cent. if the recipient is a military pensioner, or civil victim of the war. These loans are mostly raised by married men, in which case the wife's consent has to be given.

The provision for long-term credit, while quite adequate in France, where small farming is highly developed, would be unsuitable for New Zealand requirements. The short and intermediate machinery, however, is immensely valuable to the farming community. The system is intimately related to the Bank of France. As one authority explains, "Only farmers can be members of an agricultural society; only farmers can belong to a local rural credit bank; only local banks can form regional banks; and only members of these various organizations can avail themselves of the credit which the Bank of France has placed at the command of the Government for rural purposes."-- ("Principles of Rural Economics.")

Another important institution which caters for all classes of borrowers in France is the Credit Foncier, whose operations are confined usually to building-land, although, where the risk is an attractive one, farm-lands are included. The Credit Foncier is purely a commercial institution, with a subscribed share capital of 300,000,000 francs, and with bond obligations amounting to 9,000,000,000 francs. The price of its shares in the market was 1,400 francs in April last, with a face value 500 francs, and the dividend rate on share capital varies from 14 to 15 per cent. Although the Credit Foncier enjoys a monopoly from the Government, with another 150 years to run, its dividends are not limited by law. The State exercises control over the rate of interest it may charge, and the following rates have been authorized: 1920, 7·15 per cent.; 1921, 8·25 per cent.; 1922, 7·60 per cent.; 1924, 8 per cent.; 1926, 10½ per cent. The rate fixed in 1926 does not represent the true value of interest, but was fixed in order to check borrowing when funds were not available. Bond issues are made when required, and are limited to forty times the guaranteed capital.

The Credit Foncier offers no advantages to borrowers on rural security.

#### COMMENT.

French farms generally are small, and the requirements of their owners are much less than would be the case in New Zealand. Out of a total of 450 loans to individual farmers, 250 were for less than £900.

Whilst rediscounts are generally made with the Bank of France, they are frequently made with the ordinary commercial banks.

The French law provides a store-warrant for goods which can be deposited as security for a loan. Harvest products, wine, and in certain cases live-stock, can be pledged in this way as security for short-term loans.

An unusual feature in the French system is that individual long-term loans can be granted not only by agricultural credit banks but also by credit societies lending on personal property.

#### GERMANY.

The question of agricultural finance in Germany is involved and complicated, but, owing to the great courtesy of the German Foreign Office and the Prussian Ministry of Agriculture, members of the Commission were privileged to meet and discuss the subject with the leading administrators of rural credit.

The need for farming credit in Germany, always great, was in normal times readily met by the German mortgage banks as well as the *Landschaften*, by the principle of issuing mortgage-bonds secured by first-class mortgages. Credit on real estate before the war was also obtained from general financial institutions, such as savings-banks.

Personal credit in agriculture is mostly obtained either through co-operative credit societies or through savings-banks. The co-operative credit societies are of two types. The ordinary co-operative credit societies are federated into the important Federal Association of German Agricultural Co-operative Societies