

A dairy company is in a position to secure adequate protection for itself by a careful selection of the accounts to be guaranteed, and from the knowledge derived through the handling of the suppliers' produce, and the other information as to the financial position, character, &c., of the applicants which it comes to possess in the ordinary course of business. Moreover, when loans are being arranged it can be made a condition that an agreed portion of the milk cheques shall be applied from time to time in reduction of the loan.

Where loans of smaller amounts are required by the suppliers a dairy company can utilize the discounting method and endorse the promissory notes of approved suppliers for subsequent presentation to the Board for discounting. Here again the company can sufficiently protect itself through its knowledge of the suppliers and by requiring provision to be made for the payment of the note at maturity by periodical deductions from the milk cheques. Where sufficient funds are received by the company from deductions from milk cheques during the currency of notes discounted it can adopt the practice of retiring some of the notes out of the moneys received by it, making an adjustment on account of interest among the individual suppliers; or, if the company is working upon a bank overdraft, it can utilize the interim repayments received by temporarily placing them to the credit of its bank account and pass on to the suppliers the saving of interest effected in this manner. In these ways it can take the maximum advantage of the discounting method, by which loans are obtainable at the most moderate discount rates and by a very simple procedure.

The increasing extent to which dairy companies are utilizing the system for the benefit of their suppliers contains a promise of the healthy development of the Board's business in the future; for not only may it be anticipated that the suppliers will be anxious to secure the benefits of the low rate of interest charged by the Board and the feeling of confidence that a loan, when granted, will not be arbitrarily called up, but the close interest of the dairy-company organizations in the loans granted by the Board under arrangements such as those described above will be an added measure of protection to the Board.

#### VALUATIONS.

26. A matter which received the very close attention of the Board in view of its important effect upon the Board's operations was the system to be adopted for the valuation of securities submitted in support of loan applications. The matter had been carefully investigated prior to the appointment of the Board, and the District Public Trustees (who were, of course, later appointed District Intermediate Credit Supervisors) were invited to submit their views and comments as to a system suitable for adoption by the Board. Their reports were summarized and were available for the Board's consideration immediately upon its appointment.

The alternative courses for the Board to adopt were, firstly, the appointment of a valuer or valuers in each district as permanent and full-time officers of the Board, and, secondly, the utilization of the services of stock-valuers employed by other Government Departments, private valuers, and the representatives of stock and station firms, or of any one class of these valuers. The first course did not appear practicable at the outset of the Board's operations, both on account of the uncertainty as to the development of the Board's business in the various districts and also on account of the expense which would have been involved in maintaining a considerable staff of valuers throughout the Dominion. There was also the likelihood of delays occurring unavoidably where a large number of applications were coming forward for consideration in the district covered by a particular valuer. The Board therefore decided against the appointment of valuers to its permanent staff, and thought it best to arrange for the valuations to be made by approved outside valuers, to be employed when the necessity for their services arises.

Arrangements were made for the district boards to consider and submit lists of competent and reliable valuers whom they recommended for employment in their particular districts. The lists submitted include both representatives and