

1928.

NEW ZEALAND.

# RURAL INTERMEDIATE CREDIT BOARD

(REPORT OF THE) FOR THE YEAR ENDED 30TH JUNE, 1928.

*Presented to both Houses of the General Assembly in accordance with Section 76 of the Rural Intermediate Credit Act, 1927.*

SIR,—

Wellington, 29th September, 1928.

In accordance with section 76 of the Rural Intermediate Credit Act, 1927, I have the honour, on behalf of the Rural Intermediate Credit Board, to submit a report on its operations for the period ended 30th June, 1928.

1. The report sets out the progress made in the inauguration of the system, the developments of the Board's business, and the policy of the Board in regard to its lending operations and other matters. The volume of applications dealt with during the period was not large, but it must be remembered that the Board did not meet until the 17th February, 1928, and a certain amount of time was occupied in the preliminary work occasioned through the setting-up of the new system. Much propaganda work was necessary, as indicated in the report, to bring particulars of the system before the notice of the farming community, and consequently it was not until towards the close of the period under review that the system was in full operation. To a large extent the efforts of the Board have been directed to setting up the necessary machinery for the conduct of its operations and to laying the foundations of a sound business. The developments which have occurred during the period inspire the confident belief that the system will be largely availed of in the future, and that it will bring substantial benefits to the farming community and so indirectly to the Dominion as a whole.

## HISTORICAL SURVEY.

2. Although perhaps greater prominence has been given in post-war years to the difficulties confronting the farming community concerning credit facilities, a survey of economic conditions and developments during the last century and the present one indicates that they are to be traced to causes of comparatively long standing. Perhaps one of the most remarkable features of commercial and business life during the nineteenth century was the first gradual and later rapid development of the joint-stock-company form of enterprise, with the accompanying growth of confidence in the shares and securities of such companies as a method of investment. The outstanding result of the adoption of the joint-stock principle was the increasing extent to which, through the medium of trading companies, the savings of the community were utilized for industrial purposes.

These developments were not accompanied by an equal extension of the joint-stock principle to the farming industry, and to this and to the consequent lack of any organization for diverting capital to agricultural purposes is largely attributable the absence of adequate credit facilities for farmers. It is not difficult to understand the delay in the application of the corporate principle to rural conditions: the characteristics of the farm as an enterprise are such as to place it in a materially different category from the various branches of industrial, commercial, or financial activity which we are now accustomed to associate with corporate enterprise. Throughout the world farms are separate units, and the successful conduct of farming operations is generally found to be dependent upon the labour and ability of

the individual. Where the corporate or co-operative principle applies, it is not generally connected with the actual conduct of the farming operations, but rather with some matter closely allied to those operations, but yet distinct from them. It may be in regard to the purchase of farming requisites, the marketing of produce, or the manufacture of goods therefrom. In more recent years there have been important and widespread developments in the direction of collective action upon the part of farmers in relation to their marketing and seasonal credit requirements. It will be shown later that full scope in this direction is provided in the New Zealand rural intermediate credit system.

Post-war conditions served to accentuate the need for the better organization of agricultural credit, as to the normal features of the problem of securing the best arrangements for the farming community were added serious difficulties of an abnormal nature. In the case of the Dominion the inflation of farm-values in the war period was followed by a period of depression, accompanied by difficulties to the majority of farmers and extreme hardship to those who had purchased their properties at the period of peak prices and to those whose financial position was not of the strongest. While a reassuring economic recovery was achieved, it was clear that in comparison with pre-war conditions farming was not an equally profitable occupation, and that, among other factors, the heavy indebtedness upon the part of the farmer generally was a serious burden to him, operating against the best success of his efforts and affecting production. In view of the importance to the Dominion of the welfare of the primary producers, attention became naturally focused upon the credit facilities open to farmers, and, while much had already been done by way of State and private enterprise to meet the requirements in this direction, uncertainty was felt as to whether the existing machinery was sufficient to meet the conditions existing in the Dominion.

The efforts to improve the position of the farming community have not, of course, been confined to the financial side of the matter, and contemporaneously with the investigation of matters of finance determined efforts have been made to increase production by the application of better and more scientific methods of farming, and to secure better results for the primary producers by the application of improved methods of marketing.

With the object of ensuring that first-hand information would be available in regard to the systems of rural finance in force in other pastoral countries and their suitability for adoption in the Dominion, the Government, in 1925, appointed a Royal Commission to conduct investigations of the systems in operation in the American and European Continents, and to submit a report thereon and recommendations as to the system considered most suitable for adoption in the Dominion. The Commission was composed of the late Mr. P. H. Cox, of Wellington, a retired banker of the highest standing; Colonel J. J. Esson, C.M.G., V.D., J.P., of Wellington, Financial Adviser to the New Zealand Government, and at present Chairman of the Rural Intermediate Credit Board; and Mr. W. J. Polson, of Wanganui, president of the New Zealand Farmers' Union. The result of their inquiries and their recommendations are set out fully in their report (B.-5) printed in 1926.

In view of the difficulties experienced in the Dominion in regard to rural credit facilities the following remarks of the Commission in regard to the conditions existing in other countries are of particular interest:—

“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 Commission emphasized that the object of any reform should be “ to create confidence by establishing conditions which will make investment in rural securities attractive ” and remarked that the tendency of the different land-mortgage credit systems was to create confidence, with the result that capital flowed in freely. Stress was laid upon the desirability, in the interests of borrowers, of granting loans on a reducing basis so that, in addition to the benefits afforded by more favourable interest rates and borrowing conditions generally, borrowers should have the opportunity of improving their financial position by gradual repayments of the loans under suitable conditions.

The Commission's report dealt separately with short-term, intermediate, and long-term rural credit systems. In regard to short-term credit, it reported that it had failed to discover anything better than the existing facilities afforded in New Zealand under ordinary banking conditions, and by stock and station companies and similar institutions. Its recommendations in regard to long-term credit were given effect to by the Rural Advances Act of 1926, which provided for the creation of a special Rural Advances Branch of the State Advances Office, with the function of making long-term advances on land on an amortization basis, the funds to be provided by issues of debentures secured upon the assets of the Rural Advances Branch. The maximum amount of a loan was fixed at £5,500, taking into account any other advances which the borrower may have obtained from the State Advances Office upon the security of freehold or leasehold land, and advances are limited to two-thirds of the value of the borrower's land.

In regard to intermediate credit, or credit for periods ranging from six months to five years, the Commission favoured the adoption of a system similar to that which is in force in the United States of America, which in turn is based upon European systems. The main principles involved in the system proposed by the Royal Commission were—

- (a) That farmers desirous of securing financial accommodation should band themselves into co-operative rural intermediate credit associations to which they should contribute share capital in proportion to the extent of accommodation required, the operations of these associations to be subject to the close supervision and control of the central organization referred to later :
- (b) That a central authority should be appointed to secure capital for investment upon rural securities by means of debenture issues to the investing public and to make financial accommodation available for the benefit of farmers, through the medium of such co-operative rural intermediate credit associations and other farmers' co-operative organizations engaged in the production or marketing of staple agricultural products or live-stock ; also that such authority should have discounting powers :
- (c) That financial assistance should be given by the Government to this central organization for the purpose of establishing the system, by way of both grants to cover the initial expenditure and advances on loan, free of interest for the first ten years, to permit of the borrowing and lending operations of the central organization to be put rapidly into operation, and that debenture-holders should have priority for purposes of repayment over the right of the Government to receive repayment of such advances.

The Royal Commission further laid down certain rules to be observed in the administration of both the intermediate and the long-term credit systems : firstly, that thrift should be encouraged ; secondly, that any increase in the mortgage debts of borrowers should have the effect of increasing production and should be so regulated that it does not grow out of proportion to the increase in production ;

and, thirdly, that capital should not be provided to credit societies for the purpose of general trading. As the legislation restricts the functions of co-operative rural intermediate credit associations so that they are not given any authority to enter into trading operations, the last-mentioned requirement is provided for. The other matters receive the close attention of the Board in the conduct of its lending operations, and a reference to the practice adopted is included in a later portion of this report dealing with the policy of the Board in regard to its lending business.

#### THE RURAL INTERMEDIATE CREDIT ACT, 1927.

3. The recommendations of the Royal Commission were given practical effect by the Rural Intermediate Credit Act, 1927. The main purpose of the Act is to organize rural credit upon a sound basis and thus secure a flow of capital for investment upon rural securities—mainly stock, produce, and other chattels—at the most reasonable rate of interest consistent with prudent administration. Initial funds for investment by the Rural Intermediate Credit Board, to which the administration of the scheme is entrusted, are provided by an advance from the Consolidated Fund, on loan and free of interest for the first ten years, of £400,000, of which one-third must be placed to the credit of a special redemption fund and is to be applied only for the purpose of redeeming debentures issued by the Board, and the remaining two-thirds is available for making advances by the methods and upon the securities permitted by the Act. Provision is also made for grants up to a total of £10,000 to cover the expenses of establishment and the preliminary cost of administration. The first-mentioned payment through the Consolidated Fund, as indicated, is by way of loan, and the permanent and main source of the Board's funds for investment will be the issue to the public of debentures secured upon the Board's assets. Apart altogether from the margins in the values of the stock, chattels, and other assets forming the securities of the individual advances by the Board, holders of debentures issued are assured of a margin of assets and investments above the amount of the Board's outstanding debenture issues equal to the amount of the original advance from the Consolidated Fund (£400,000); for the Act gives the debenture-holders, in effect, priority over the claims of the Crown to repayment of this advance, and restricts repayments to the Crown so that they may not exceed the amounts transferred from time to time to the reserve accounts of the Board. The total of the debentures issued is not at any time to exceed the sum total of the advance from the Consolidated Fund and the amount of the investments of the Board, or the sum of £5,000,000, whichever is the less.

The funds provided in these modes are to be made available to the farming community by four methods—

- (a) By advances to farmers as members of a special class of limited-liability company, termed "co-operative rural intermediate credit associations" (Part II of the Act):
- (b) By advances to farmers individually, the loans being additionally secured by the partial or entire guarantee of a company or private individual (Part III of the Act):
- (c) By loans to farmers' co-operative organizations (Part IV of the Act):
- (d) By discounting farmers' promissory notes or bills of exchange (section 15 of the Act, and paragraph 46 of the Rural Intermediate Credit Regulations of the 21st December, 1927).

The main features to be noted at the present juncture in regard to the Board's lending business are that the total advances which an individual farmer may obtain from the Board, whether he applies through an association or direct, or obtains accommodation through a promissory note or bill of exchange presented to the Board for discounting, may not exceed the sum of £1,000, and, in the case of loans to farmers as distinct from loans to co-operative organizations, the loan must be applied for one or more of certain specified purposes. The term of advances is fixed at five years in the case of advances to farmers, and three years in regard to farmers' co-operative organizations, while no maximum period is prescribed in the case of discounts.

The securities taken by the Board are mainly chattels securities—*i.e.*, mortgages of live and dead stock, implements, crops, produce, and the like—with, in suitable cases, collateral securities over land, and, in the case of loans to

individual farmers under Part III of the Act, guarantees by approved persons or companies for not less than 20 per cent. of the original amount of the loan, or, where deemed necessary, for a larger percentage. Where a loan is granted to a member of an association the advance is made by the Board to the association and the security from the farmer-borrower is taken in the association's name. The Board is suitably secured in each case by a charge over the association's assets and the investments made by the association out of the funds advanced by the Board.

The subject of the control of the system both centrally and in the districts is dealt with in detail later in the report.

#### RURAL INTERMEDIATE CREDIT REGULATIONS.

4. Comprehensive regulations in terms of the Act were issued on the 21st December, 1927 (*N.Z. Gazette* No. 88, 22nd December, 1927). These regulations deal mainly with matters of procedure and detail, and cover the following matters:—

- (a) The management of the affairs of the Board, the district boards, and co-operative rural intermediate credit associations:
- (b) The granting of loans by the Board:
- (c) The Board's discounting business:
- (d) Finance and accounts (including debenture issues by the Board):
- (e) Various standard forms are prescribed, such as the standard articles of association of co-operative rural intermediate credit associations, the instruments by way of security taken by the Board, guarantee forms, forms of debenture, &c.

Amending regulations for the purpose mainly of simplifying the proceedings of co-operative rural intermediate credit associations were published in the *New Zealand Gazette* No. 70, of 20th September, 1928.

#### ADMINISTRATION OF SYSTEM.

##### CENTRAL.

5. By section 5 of the Act the administration of the rural intermediate credit system is entrusted to a Board, to be known as the "Rural Intermediate Credit Board," and consisting of seven members. The Public Trustee, *ex officio*, is the principal executive member of the Board, with the designation of "Commissioner of Rural Intermediate Credit," and the remaining six members, of whom one at least must have practical experience in farming, are appointed by Governor-General's Warrant.

The personnel of the Board as appointed on the 6th February, 1928 (*N.Z. Gazette* No. 10, 16th February, 1928), is as follows:—

Colonel J. J. Esson, C.M.G., V.D., J.P., Wellington, Financial Adviser to the New Zealand Government, Chairman of the Rural Intermediate Credit Board.

Mr. J. W. Macdonald, Wellington, Public Trustee of the Dominion of Zealand, Commissioner of Rural Intermediate Credit.

Mr. John Brown, Lowliffe, Canterbury, farmer.

Mr. T. E. Corkill, Wellington, formerly assistant general manager of the Bank of New Zealand.

Mr. Norton Francis, C.M.G., Christchurch, company-director.

Mr. J. N. Massey, Puni, Auckland, farmer.

Mr. W. Waddel, Wellington, Superintendent of the State Advances Office.

It will be observed that, although the Act requires the appointment of only one practical farmer, two have been appointed, one from each of the two Islands, so that farming interests are fully represented on the Board.

The Act also contains provision for the appointment of a Deputy Commissioner of Rural Intermediate Credit. On the 23rd March, 1928, Mr. J. Snell, Wellington, was appointed Deputy Commissioner, and discharges the duties of this position in conjunction with those of Controller of the Mortgage Division of the Public Trust Office.

The Board met for the first time on the 16th February, 1928, and meetings have since been held monthly, the regular meeting-day being the second Friday of each month. Shortly after the appointment of the Board Mr. T. E. Corkill left the Dominion on a trip abroad, and for this reason he has been unable as yet to attend meetings of the Board.

The remaining six members of the Board have been in attendance at all meetings of the Board held during the period under review.

6. *Local Committee of the Board.*—The regulations issued under the Act on the 21st December, 1927, gave the Board power to appoint a committee consisting of three of its members permanently resident in Wellington, of whom the Commissioner must be one, for the purpose of dealing with loan applications. Provision was also made for the appointment of other committees to perform such of the functions of the Board as it might desire to delegate to them from time to time.

With a view to ensuring the prompt consideration of loan applications and other matters incidental to the conduct of the Board's lending operations, it was decided to set up a Local Committee, composed of the Chairman (Colonel J. J. Esson), the Commissioner, and Mr. W. Waddel, with power to approve loans of all descriptions, consent to the registration of co-operative associations under Part II of the Act and co-operative societies under Part IV, to approve guarantees under Part III of the Act, and to effect discounts within the limits (referred to later) laid down by the Board. The Local Committee meets weekly, or more often as required, so that the loan business arising between the meetings of the Board is dealt with without delay. Four meetings of the Local Committee were held prior to the close of the period under review.

#### LOCAL ADMINISTRATION.

7. The Dominion has been divided into sixteen districts, for each of which there is a district board, and also one or more representatives of the central Board, designated "District Intermediate Credit Supervisors." These representatives and others in the smaller centres, designated "District Officers," are in each case branch officers of the Public Trust Office, the organization of which, as explained elsewhere, is being utilized by the Board for the conduct of its operations. The following table shows the districts in which district boards have been appointed, the headquarters of the district, the District Intermediate Credit Supervisors acting therein, and the District Officers for each district:—

District.	Headquarters.	Representatives of the Board.	
		Town.	Designation.
North Auckland ..	Whangarei ..	Whangarei ..	District Intermediate Credit Supervisor.
Auckland ..	Auckland ..	Auckland ..	"
Waikato ..	Hamilton ..	Hamilton ..	"
		Te Kuiti ..	District Officer.
Poverty Bay ..	Gisborne ..	Gisborne ..	District Intermediate Credit Supervisor.
Hawke's Bay ..	Napier ..	Napier ..	"
		Waipukurau ..	"
		Dannevirke ..	"
		Wairoa ..	District Officer.
		Hastings ..	"
Manawatu-Wellington	Palmerston North	Palmerston North	District Intermediate Credit Supervisor.
		Wellington ..	"
		Feilding ..	District Officer.
		Taihape ..	"
		Levin ..	"
Taranaki ..	New Plymouth	New Plymouth	District Intermediate Credit Supervisor.
		Hawera ..	"
		Stratford ..	District Officer.
Wanganui ..	Wanganui ..	Wanganui ..	District Intermediate Credit Supervisor.
Wairarapa ..	Masterton ..	Masterton ..	"
Marlborough ..	Blenheim ..	Blenheim ..	"
Nelson ..	Nelson ..	Nelson ..	"
Westland ..	Greymouth ..	Greymouth ..	"
North Canterbury ..	Christchurch ..	Christchurch ..	"
		Ashburton ..	District Officer.
		Rangiora ..	"
South Canterbury ..	Timaru ..	Timaru ..	District Intermediate Credit Supervisor.
Otago ..	Dunedin ..	Dunedin ..	"
		Balclutha ..	District Officer.
Southland ..	Invercargill ..	Invercargill ..	District Intermediate Credit Supervisor.
		Gore ..	District Officer.

*District Boards.*

8. *Appointment and Constitution.*—As an active commencement of the Board's lending business was not possible until the district boards had been set up, the appointment of the several boards received the fullest attention of the Board at its earlier meetings, and such rapid progress was made that, with the exception of one vacancy on each of four boards, it was possible to announce the personnel of the boards on the 15th March, 1928, the remaining appointments being completed by the 23rd April, 1928. The personnel of the district boards is set out in the Second Appendix to this report.

In deciding upon the personnel of the district boards the Board aimed at making them as representative as possible, and, as a general rule, the constitution of the district boards is as follows:—

- (a) The District Intermediate Credit Supervisor stationed at the headquarters of the district, as chairman of the district board:
- (b) A representative of another Government Department with such special knowledge of farming matters as to render his services of particular value to the district board; the Lands and Survey, Valuation, and Agriculture Departments are represented on the district boards:
- (c) A stock and station agents' representative nominated by the local stock auctioneers and agents' association.
- (d) and (e) Two prominent farmers resident in the district, selected as far as possible so that all farming interests in the district are represented.

When the appointment of the district boards was under consideration the president of the New Zealand Stock Auctioneers and Agents' Association (Mr. R. S. Abraham, of Palmerston North) was invited to request the local stock auctioneers' associations in the districts for which the Board proposed to set up district boards to nominate representatives for appointment to those boards. This he willingly agreed to do, and in the majority of cases nominations were received and accepted by the Board. The Board desires to express its appreciation of the assistance rendered by Mr. Abraham in this matter.

The calibre of the district boards is uniformly high, and the announcement of the personnel evoked favourable comment in regard to the qualifications of the members appointed. It is a matter for general satisfaction that persons of such prominence in their respective spheres of activity should be willing to make their services available in the interests of the farming community—often, indeed, at some personal sacrifice. The personnel of the district boards is a guarantee that in the granting of loans all relevant factors will receive due consideration, and that the interests both of investors in the Board's debentures and of borrowers will be properly studied. In addition to the specific functions with which they are entrusted under the Act, the boards are in a position to render valuable advice on problems of rural finance not only to the central Board but also to all classes of borrowers.

9. *Functions of District Boards.*—In the initial stages of the administration of the system the functions of the district boards have been confined mainly to the consideration of applications for loans under Part III of the Act, and the power has been conferred upon them to grant, under certain conditions, loans of this description up to the maximum amount of £250, and to furnish recommendations for the guidance of the central Board in regard to larger applications. Though it would be of great value to the Board to have the advice of the district boards upon applications submitted to associations, it is felt that, as these applications require to go before the directors of the associations before being submitted to the Board, it would make the procedure too cumbersome to require them to be considered also by the district boards. The services of the district boards are, however, frequently enlisted where doubt is entertained as to the suitability of applications submitted by associations.

Apart from dealing with loan applications, the district boards have from time to time been requested to deal with matters involving local knowledge, such as the

nomination of valuers to be employed by the Board, the question whether it is practicable, and, if so, desirable, to adopt standard values for stock for loan purposes; the question of keeping current accounts for borrowers; and other matters of a similar nature. Considerable assistance has been derived by the Board from the advice tendered by district boards on these subjects. A number of suggestions have been received from time to time from the district boards upon matters affecting the Board's policy, the procedure in regard to loans or matters of detail, and much benefit has been derived by the Board from suggestions placed before it in this manner.

The various district boards have been called together as frequently as necessitated by the business requiring to be transacted in the districts under their control. Economy of administration has been observed, and in cases where the business to be dealt with by district boards does not warrant the expense of a special meeting the views and recommendations of the members are obtained by correspondence. A considerable saving of travelling-expenses is effected in this manner.

It is only fitting that the fullest recognition should be given to the services rendered by the district boards, the close consideration which they have given to the matters placed before them, and the active interest shown by the members in promoting the Board's business. The success of the Board's activities will depend to a very material degree upon the manner in which the district boards operate, and the experience of the Board up to the present indicates that with the district boards its interests are in very capable hands.

#### ADMINISTRATIVE AND DETAIL WORK.

10. It was recognized when the legislation was first contemplated that the nature of the Board's operations would call for extensive representation throughout the Dominion, and the alternatives were to provide for the establishment of a separate organization for the conduct of the work or to utilize some suitable existing organization. The latter course was favoured, and the Act made provision for the Board, with the consent of the proper authority, to utilize the services of any Department of State in the conduct of its operations. The Public Trust Office was selected as the most suitable medium for the Board to function through, and mutually satisfactory arrangements were made for the Office to act as agent of the Board in the performance of the detail work. The Public Trust Office acts simply as the agent for the Board for the carrying-out of the policy laid down by it and the performance of the clerical and detail work involved, and beyond this and the fact that its district representatives are the local officers of the Board, it is not identified in any manner with the scheme, and has no other responsibility for or control over the operations of the Board. All expenses and charges incurred directly in the administration of the system are charged direct to the Board's account, and for the services rendered by the Public Trust Office or the expenses incurred by it for which it is not practicable to make a charge direct to the Board it is proposed to make a suitable comprehensive payment annually.

It is considered that the arrangements made provide the most economical method of conducting the Board's business. Not only would the cost of setting up a separate organization throughout the Dominion have amounted to a considerable sum, but there would also have been a certain amount of delay in launching the scheme. Again, the impossibility of knowing in advance in which districts the scheme would make the greatest progress would have made it difficult to decide upon a scheme of local representation which would have been adequate without being unnecessarily expensive in some districts.

Apart from the Public Trustee, who, as stated, is the principal executive member of the Board, with the designation of "Commissioner of Rural Intermediate Credit," and Mr. J. Snell, the Deputy Commissioner, the following officers at the Head Office of the Public Trust Office are among the chief executive officers of the Board, their duties being in addition to those undertaken by them as officers of the Public Trust Office:—

Mr. W. M. Barr, Chief Accountant of the Public Trust Office, who acts as Chief Accountant to the Board.

Mr. C. E. Cole, Assistant Solicitor to the Public Trust Office, who acts as Solicitor to the Board.



The nineteen District Public Trustees and one of the District Managers of the Public Trust Office have, in terms of the Act, been appointed local representatives of the Board, under the designation of "District Intermediate Credit Supervisor," the Supervisor at the headquarters of the district board being, by virtue of his office as Supervisor, the chairman of the district board. District Intermediate Credit Supervisors have certain definite functions and duties in terms of the Act and the regulations; for example, in addition to dealing with applications originating in their districts, they are statutory directors of any associations formed in their districts. In other towns the District Managers of the Public Trust Office are also local representatives of the Board, but their functions are confined mainly to the handling of inquiries and the carrying-out of the directions of their controlling District Intermediate Credit Supervisors.

#### INAUGURATION OF SYSTEM.

11. During the period which elapsed between the passing of the Rural Intermediate Credit Act, 1927, and the first meeting of the Rural Intermediate Credit Board on the 17th February, 1928, a considerable amount of work was performed by the Public Trust Office organization in preparing for the commencement of the Board's operations. Much attention was devoted to the consideration of provisions thought suitable for inclusion in the regulations, and information was gathered through the branch officers of the Public Trust Office in regard to matters involving local knowledge, such as suitable persons for appointment to the district boards and the system of valuation, so that these matters might be considered by the Board immediately upon its appointment. So far as it was possible prior to that event the accounting system had been set up, a record system established, and all necessary forms and records, including forms to enable loan applications to be considered, had been drafted; so that, subject to the general policy of the Board in regard to its lending business being defined, and certain steps, such as the appointment of district boards, determination of the method of valuation to be adopted and so forth, being taken, matters were fully in train for the immediate commencement of the Board's operations. Appreciative reference was made at the first meeting of the Board to the efficient manner in which the extensive preliminary work had been carried out by the Public Trust Office organization.

#### PROPAGANDA WORK.

12. From the time when the Rural Intermediate Credit Bill was introduced into Parliament considerable interest has been shown in the scheme throughout the Dominion, and when the measure had passed through Parliament, and more so when the Act was in operation, there was considerable demand upon the part of the farming community and others for authoritative expositions of the system. It was desirable, too, from the point of view of the Board, to take advantage of any opportunities that were afforded to explain the system, as, notwithstanding the wide publicity given by the press to the parliamentary debates upon the Bill and official statements regarding the scheme, many misapprehensions had arisen as to the objects aimed at by the measure, the classes of security which the Board was authorized to accept, the various methods by which loans might be applied for, and, at a later date, the policy of the Board in regard to its lending business and related matters.

As it was felt that the Farmers' Union and its branches throughout the Dominion would be interested to see that the farming community was made conversant with the details of the legislation passed in their interests, an early opportunity was taken of conveying to the Dominion executive of the union the willingness of the Commissioner to co-operate with it in making the system widely known, and particularly by attending personally or arranging for the Deputy Commissioner or the nearest District Intermediate Credit Supervisor to attend meetings of farmers convened for the purpose of having the system explained to them. At the request of the union the Commissioner delivered, on the 3rd May last, an address dealing with the system to the Dominion executive of the union, and at the conclusion of the meeting discussed with the Dominion president and the Dominion secretary the best means of bringing particulars of the scheme before the notice

of farmers generally throughout the Dominion. It was then decided that, as attendance at branch and executive meetings of the union would make too great a demand upon the time of the Commissioner and the officers of the Board, it was preferable to arrange for addresses to be given at the annual conferences, then pending, of the union in the provincial districts.

At the time of writing this report the programme arranged at this meeting is practically completed, and the remaining addresses will be delivered when it is found convenient to arrange meetings in the respective districts. In addition to these addresses at the provincial conferences, there have been many special requests in the various districts for explanatory lectures, and arrangements have been made for these requests to be complied with by addresses delivered by the Deputy Commissioner or the District Intermediate Credit Supervisor in the district. Mainly the requests have originated from the local branches of the Farmers' Union or other groups of farmers, but there have also been requests from Chambers of Commerce, delegates of dairy factories, and other quarters.

The Commissioner received and accepted an invitation from the executive of the National Dairy Association to deliver an address on the system to the North Island conference of the association at Palmerston North on the 21st June last. This meeting afforded an excellent opportunity of making the details of the system known to delegates who were intimately connected with farming interests, and of rendering dairy companies represented at the conference conversant with the various methods by which they could utilize the system or assist their suppliers to take advantage of it. An address to the South Island conference of the association was delivered by the District Intermediate Credit Supervisor at Dunedin.

In all, a very large number of meetings have been addressed by representatives of the Board, and they have well served their purpose of rendering the principles of the system familiar to the farming community. In a number of cases the meetings were followed by immediate results, either by the formation of co-operative rural intermediate credit associations, or through the decisions of dairy companies to guarantee loans to their suppliers under Part III of the Act or to discount promissory notes with the Board. The formation of the co-operative rural intermediate credit associations at Dargaville, Waiuku, Hamilton, Otorohanga, Te Awamutu, Te Kuiti, Paeroa, New Plymouth, Kaimata, and Tapanui are directly the result of interest aroused at meetings addressed by representatives of the Board.

In addition to action upon these lines, much work has been performed in the answering of inquiries from persons desirous of ascertaining how to proceed with an application for an advance; and at the branches also there have been many inquiries from directors of dairy companies and organizations of a like nature dealing direct with farmers which have necessitated short explanatory addresses.

With the object of providing a means of ready access to particulars of the system, a booklet has been prepared dealing with the system from the point of view of the borrower. This publication, issued under the title "New Finance for Farmers," contains a full exposition of the various methods by which loans may be obtained from the Board, with an explanation of the control and administration of the system both centrally and in the various districts, and a statement setting out how the funds administered by the Board are provided. Later, when a public issue of debentures is required, a further booklet, which has already been prepared, will be issued dealing with the system more particularly from an investor's point of view. A comprehensive distribution of the first-mentioned booklet, which it may be mentioned has been well received, is now being made among farmers, farmers' organizations, dairy factories, stock and station companies, and other concerns likely to be interested in assisting farmers to secure financial accommodation from the Board. It is confidently anticipated that as the result of the extensive publicity thus achieved increased interest will be aroused in the Board's operations.

Pending the issue of the explanatory booklet a short pamphlet was printed setting out briefly the procedure to be followed in obtaining loans and the quarters to which inquiries for information should be addressed. This pamphlet was distributed extensively to inquirers in the early period of the Board's operations.

## POLICY OF THE BOARD.

13. From the commencement of the Board's operations there have been many inquiries and applications by persons who have no adequate security to offer but are under the impression that the scheme was intended to be mainly for the benefit of those who had no likelihood of securing their financial accommodation through the channels previously available. It has been the policy of the Board to give sympathetic consideration to all applications coming before it, but, nevertheless, in the cases referred to it has been quite impossible to give the applicants the financial assistance they desired.

The main purpose of the rural intermediate credit system is to improve the existing credit machinery by organization and supervision and to create a greater degree of confidence in rural securities—mainly chattels and the like—than has existed in recent years, and so to secure a flow of funds for investment upon those securities at reasonable rates. In accordance with developments abroad, the individual lender, from one point of view, or borrower, from the other, will be replaced by a corporate concern, the Rural Intermediate Credit Board, which, by reason of the extent of its operations and the wider spread of risk, will, it is anticipated, be able to secure the necessary funds on more advantageous terms than would be possible in the case of individual borrowers. The success of the Board's operations must depend to a large extent upon its ability to secure a flow of funds through debenture issues, and confidence upon the part of the investing public cannot be expected if the Board does not maintain a prudent standard of investment. The Board is also a trustee in respect of the advances received by it from the Consolidated Fund, which are by way of loan only, and it is equally under an obligation to safeguard those funds. In view of the fact that by the Act debentures are constituted trustee securities it is evident that it was the intention of Parliament that advances should be made only against adequate security. To adopt any other lending policy would be inconsistent with the Board's responsibility to the Government and the debenture-holders, and would be opposed to and almost certainly defeat the accomplishment of the objects aimed at by the introduction of this system.

The producer will benefit from the policy followed by the Board not only by reason of the more favourable rates of interest at which accommodation is procurable, but also because of the security of finance provided where arrangements are made with the Board for accommodation.

In view of the experience of this Board, the following extract from the report of the Federal Farm Loan Board in America for the year ended 31st December, 1924, is of particular interest:—

“The losses which intermediate credit banks have charged off are negligible. That losses will occasionally occur in any banking enterprise is to be expected, but by adhering to the policies already adopted, which are considered as liberal as business prudence justifies, they will never be a disturbing factor. That a departure from these policies will result in a failure of service cannot be too often emphasized. It has been necessary to reject many applications for loans, and rediscount privileges. Should every application be granted and unsound and inadequately secured loans taken on by the banks, the entire system would be discredited in the investment markets and the service necessarily denied to worthy applicants, since the service is dependent upon the ability of the banks to market securities in volume.”

In order that the funds raised by the Board may be re-lent to farmers on the most favourable terms, every endeavour is being made to work the scheme as economically as possible, and with a minimum of cost to the borrower. The scale of fees fixed by the regulations for the preparation of instruments securing advances by the Board is on the most reasonable basis, and the arrangements made with the valuers ensure that the cost is kept to a minimum, and, indeed, in some cases valuers are charging less than their usual fees in order to help in achieving the success of the scheme. Every effort is made also to ensure that applications are dealt with as promptly as possible, and with this object district boards have been given power

to deal finally with applications under Part III of the Act, provided the amount does not exceed £250, while loans exceeding £250 are dealt with expeditiously either by the Central Board or by a special committee of the Board which has been set up and meets each week or more frequently if required in order that applications may be promptly disposed of. Arrangements have also been made to meet the case where borrowers change their flocks and herds according to seasonal requirements, with the result that amounts received from the realizations of the security will require to be paid in reduction of the borrowers' accounts, and further advances made as the stock is replaced. Applications for readvances of this nature will be dealt with promptly by the District Intermediate Credit Supervisors acting in conjunction with the district boards, so that the borrowers' requirements in this regard will be fully provided for.

The interest fixed by the Board for advances under Parts II, III, and IV of the Act, and its discount rate also, have been fixed at  $6\frac{1}{2}$  per cent. per annum. In the case of loans to co-operative rural intermediate credit associations the rate charged is 6 per cent., so that associations may be in a position to make advances to their members at  $6\frac{1}{2}$  per cent., and the Board has imposed conditions as to the manner in which this margin of  $\frac{1}{2}$  per cent. is to be employed by the associations.

The above rates of interest and discount will, it is estimated, provide a margin above the cost to the Board of funds raised by debenture issues sufficient to cover operating-costs and enable suitable reserves to be set up. The advance of £400,000 to the Board from the Consolidated Fund being free of interest for the first ten years, this concession will enable the Board to build up reserves, thus providing an attractive margin of security for investors. Continuance of the rates stated above will depend upon the conditions prevailing from time to time; and, moreover, the Board is not yet in a position to ascertain the public response to its debenture issues. The private inquiries which have been received by the Board up to the present encourage it, however, to believe that the existing rate of interest can at least be maintained.

In the conduct of its lending operations the Board aims at the gradual improvement of the position of the borrower, and the loans are granted on a reducing basis, the terms of repayment being fixed to suit the circumstances of each case. Where the applicant is a dairy-farmer it is the usual practice to take an order on the borrower's milk cheques to cover the interest and repayments agreed upon. This is found to be in the best interests of the borrower, as well as the Board, for it ensures that his payments are spread over the period when he is receiving his farming returns.

Special regard is paid to the purposes which loans are applied for, and the Board ensures, as far as possible, that each loan granted will serve to improve the position of the borrower by assisting him either to consolidate his financial position upon a better and more favourable basis, or to increase production through the building-up of his herd or flocks, the purchase of fertilizer, the acquiring of improved farming accessories, or in other manners. It endeavours to ensure that any increased indebtedness upon the part of a borrower will be followed by increased returns, accompanied by a steady improvement of the borrower's financial position through the gradual repayments which are made to the Board in the case of every loan to farmers.

Under the provisions of the Act the Board may not grant loans for periods in excess of five years, but in the case of those borrowers who, at the expiry of such a period from the granting of the loan have not repaid their advances and desire to continue their accounts with the Board it is not anticipated that there will be any difficulty in making arrangements for accommodation for a further term. For the protection of the Board it is necessary to provide in each case that the loans shall be "on demand," this being the basis upon which loans are granted by all companies and institutions granting advances on the security of stock and other chattels. Borrowers from the Board need have no reason to fear that their loans will be called up arbitrarily while their conduct continues to be satisfactory and the security presents a sufficient margin to protect the Board.

## CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

14. *Nature of Associations.*—The provisions of the Act dealing with the formation of co-operative rural intermediate credit associations meet the demand which existed for some time past for the provision of machinery to enable farmers to combine for the purpose of financing themselves as individuals on their collective financial strength as a group. Briefly, the procedure is for a group of farmers of not less than twenty in number to form a co-operative rural intermediate credit association, a special form of limited-liability company, to which the Board is authorized to advance funds to be re-lent by the association to its members upon securities approved by the Board.

The minimum share capital which each member must contribute is twenty-five £1 shares, and a shareholding of this amount will permit of a member obtaining a loan up to £250 if his security is considered sufficient. A member desirous of obtaining a larger loan must take up shares to the nominal value of one-tenth of the amount of the loan, and, as under the Act the maximum loan which may be granted to any one farmer is £1,000, the share capital subscribed by a member will be from twenty-five to one hundred £1 shares, according to the amount of his loan. Members of associations are not liable for the loans obtained by other members beyond the amount of the share capital they have taken up.

New members may be admitted to an association from time to time, and members who have paid off their indebtedness may retire, if twenty shareholders remain in the association, and receive the agreed value of their shares.

In view of their special nature, and particularly because they are not intended to be profit-making concerns, associations have been exempted from certain charges levied in the case of commercial companies, and the procedure in regard to their formation and working has been considerably simplified. At the same time special safeguards have been laid down in regard to their operations, by reason of the fact that they are debtors of the Board, which in turn is trustee for the debenture-holders who have invested their funds in the Board's business, and for the Crown in respect of the funds advanced on loan from the Consolidated Fund. The main safeguards are the requirement of the Board's consent to registration of associations as limited-liability companies before operations can be commenced, the representation of the Board upon the directorate of every association formed, the necessity for each investment of an association (except in regard to the association's paid-up share capital invested in Government securities) to be approved in advance by the Board, and the Board's control over any profits made by an association. The associations are required to adopt standard forms of memorandum and articles of association, and no departures are permitted from these standard forms without the consent of the Board.

Loans may be obtained by members of associations only for certain purposes, namely—

- (a) The clearing, fencing, draining, and general improvement of land in the occupation of the applicant :
- (b) The erection of buildings on any such land :
- (c) The purchase of implements, stock, seeds, plants, trees, and other things required in respect of the occupation and use of any land :
- (d) The payment of any mortgage, debt, or other liability of the applicant incurred in relation to farming operations :
- (e) Any other purpose in relation to farming operations that may be approved by the Board.

The maximum term for which advances may be granted is fixed at five years, and the rate of interest chargeable to the borrower must not exceed 7 per cent.

15. *Preliminary Expenses of Formation.*—Section 18 of the Act authorizes advances to be made to the Board from the Consolidated Fund up to a total of £5,000, to be applied by the Board by way of loans to associations towards the preliminary expenses of establishment. The maximum advance which may be made to any one association is £25, and loans of this description are repayable at such time as the Board determines, but not later than ten years after the registration of the association. For the term for which the advances are granted by the Board

the loans are free of interest, and the Board in turn is not required to pay any interest to the Consolidated Fund on advances made to it in terms of the above provisions.

Considerable advantage has been taken of this provision by the associations which have already been formed, and applications have been received for payments to cover the legal costs and disbursements incurred in the formation of associations, the purchase of the necessary accounting-books and records, and preliminary expenses incurred in setting up the associations. To enable applications for such payments to be dealt with promptly, the Board has authorized the District Intermediate Credit Supervisors to deal with this class of application.

16. *Payment of Expenses of Management.*—The capital assets of associations will not, as a general rule, be very large, as the share capital subscribed by the members is comparatively small, ranging from a minimum of £25 to a maximum of £100, and is not likely, in the earlier stages at least, to be large. Consequently it was realized that, particularly at the commencement of their operations, the revenue at the disposal of the associations might not be sufficient, apart from any profit which the association might make on the readvancing of funds borrowed from the Board, to enable the expenses of administration to be met. The Board also recognized that if the association method was to progress it would be necessary to put the associations in a position to make advances to their members at the same rate of interest as that charged by the Board to borrowers applying direct to the Board without the intervention of associations.

The Board, therefore, decided to fix the rate of interest payable by associations at 6 per cent., being  $\frac{1}{2}$  per cent. less than its general lending rate of interest, and to require this margin of  $\frac{1}{2}$  per cent. to be applied by associations as follows: Not more than  $\frac{1}{4}$  per cent. towards meeting the expenses of management; the balance in setting up a reserve fund.

There has been comment upon the part of some of the associations already formed that this margin of interest is not sufficient to cover the expenses of administration and to enable a reasonable remuneration to be provided for the secretary-treasurers. None of the associations have been working for any length of time, and it is perhaps inevitable that the expenses of management will be exceptionally heavy in the earlier stages of an association's existence, when its capital investments are not very extensive and its revenue accordingly small. The Board feels that when the associations are properly under way it will be found possible for them to operate successfully on the margin of interest made available to them by the Board, but in view of the representations made it has decided in the meantime to permit associations to make a small charge to applicants to cover the cost of the work involved in the consideration of applications. By this means associations are placed in the position, if they so desire, to provide funds for the payment of management expenses without imposing any great burden upon the members of the associations; and, furthermore, the charging of such fees will ensure that unsuccessful applicants, whose membership of the association may cease upon the rejection of their applications, will contribute towards the cost of the work involved in the consideration of their applications.

No opportunity has been lost of impressing upon the directors of associations the necessity for keeping the administrative costs as low as possible, for in other countries high costs of administration have proved a serious obstacle to the development of co-operative enterprise among farmers.

17. *Accounts of Associations.*—In order to ensure the adoption of a proper and uniform system of accounting by all associations, the regulations provide for the accounts to be in the form required by the Board. A system of accounts suitable for associations has been designed by the Board's accountants, together with carefully drawn instructions for the guidance of the secretaries and treasurers of the associations. A copy of the instructions is made available to the secretary of each association formed.

The necessary books of account, statistical books, and forms for the use of associations have been designed and printed in quantities, and the Board is thus able to furnish all supplies of this nature to associations at a much lower cost than that at which the individual associations could provide them.

18. *Formation of Associations.*—The response of the farming community to the association method of securing advances from the Board is most encouraging. The

success reflected in the number of associations formed to date is attributable in no small measure to the interest displayed by the Dominion executive and the branches of the Farmers' Union, which, as previously stated, arranged a considerable number of meetings throughout the Dominion to receive from representatives of the Board explanations of the principles of the rural intermediate credit system and the association method of obtaining loans. A satisfactory feature of the associations formed to date is the action of many prominent farmers in joining up as members of associations formed in their districts, to ensure that the associations will be successfully launched, despite the fact that they are not likely to apply for loans. Many such farmers have given further evidence of their support of the association idea by agreeing to act as directors of the associations.

The first association formed was the South Taranaki Association, with headquarters at Hawera. The Board's consent to registration was given on the 9th March last, and it commenced active operations shortly afterwards.

The movement in the South Taranaki district was followed by the setting-up of associations at Te Awamutu, Feilding (Oroua Association), Hamilton, Otorohanga, Te Kuiti, Waiuku, Paeroa (Hauraki Association), North Taranaki, Morrinsville, Raetihi (Waimarino Association), Dargaville (Northern Wairoa Association), and Taumarunui. In all these cases the Board's consent to the registration of the associations has been given; a number of the associations are in working-order and have submitted applications for consideration by the Board. In addition to the above, associations have also been formed at Helensville, Kaimata, and Tapanui, and they will shortly be approaching the Board for consent to registration, as a preliminary to commencing active operations. Movements are on foot in other parts of the Dominion for the formation of additional associations.

The process of considering the loan applications which have been submitted up to the present discloses that generally the associations formed are composed of a very satisfactory class of borrower, and that careful consideration is given to the applications by the directors before they are submitted for the Board's approval.

It will be observed that at present progress is being made with the formation of associations mainly in the North Island, and particularly in those districts where dairy-farming predominates. It would appear that the adoption of the association idea will proceed somewhat more slowly in sheep-farming districts, and it may be anticipated that as the scheme advances Parliament will be approached by the agricultural community with a request that the sum of £1,000 at present fixed as the maximum of an advance under the Act shall be increased. In the meantime, however, the existing maximum is sufficient to enable the possibilities of the scheme to be thoroughly tested.

#### LOANS TO FARMERS WITHOUT THE INTERVENTION OF ASSOCIATIONS.

19. The recommendations of the Royal Commission did not contain any provision for direct advances to farmers who were not members of rural intermediate credit associations, the only other method provided in their recommendations by which advances might be made for the benefit of farmers, as apart from farmers' co-operative organizations, being through the discounting of their promissory notes or bills of exchange. The provisions which now appear in Part III of the Act (sections 60-67) were introduced into the measure when it was before Parliament mainly in response to representations made that there were many farmers who by reason of the isolated situation of their properties were not likely to have the opportunity of forming or joining associations. It was also submitted that a farmer should not be debarred from receiving the benefits of the rural intermediate credit system simply because an association had not at the time when he required accommodation been formed in his district.

Where loans are made to associations the Board has the protection afforded by the liability of the association to repay the loan, supported by its share capital, investments, and reserves, in addition to the securities taken by the association from the borrowers which have been approved in advance by the Board. In the case of loans to direct applicants security in addition to the stock and chattels upon which the loan is secured is required in terms of section 64 of the Act, which provides that each loan must be guaranteed by one or more persons approved by the Board, to such amount as may be required by it, being not less in any case than 20 per cent.

of the amount originally granted. The Act contains a provision specifically authorizing companies incorporated in New Zealand to guarantee loans under Part III of the Act, notwithstanding any provisions to the contrary contained in their memoranda and articles of association.

Loans to direct applicants are, in terms of the Act, repayable on demand, but in other respects—namely, in regard to the rate of interest payable, the maximum amount of the loans, and the purposes for which loans may be obtained—the conditions are the same as in the case of loans through associations. Although the Act does not in such cases permit the Board to grant a loan for a fixed term the best possible treatment will be given to those borrowers who meet their obligations and maintain their securities in a satisfactory condition, and they need not have any apprehension that their loans will be called up arbitrarily. Subject to the statutory condition that such loans are repayable on demand it is the Board's policy to require such loans to be reduced by instalments, in amounts and at times arranged as far as possible to suit the borrowers' convenience.

The value of the provisions appearing in Part III of the Act has been evidenced by the number of cases in which dairy companies have approached the Board to accept their guarantees of loans to their suppliers. Many of the companies had already been engaged in financing their suppliers, often borrowing the requisite funds upon the security of their assets. The guarantee method of obtaining financial accommodation therefore offers to these companies the means of reducing their definite financial commitments, while the suppliers' requirements are provided at more favourable rates than those which the companies found it necessary to charge them. The guarantor companies are able to protect their interests by requiring a fixed proportion of the applicants' milk cheques to be applied in payment of the interest on the advances and in reduction of the loan accounts, and their knowledge of the borrowers' farming operations and the supervision which, in their own interests, they exercise over the borrowers are an added protection for the Board.

The usual procedure is for a company desirous of securing financial accommodation for its suppliers to submit to the nearest District Intermediate Credit Supervisor evidence as to its financial position. The financial position of the company is investigated, and the Board decides, after considering the condition of the company's affairs disclosed by the investigation and the report of the District Intermediate Credit Supervisor upon the company, to what extent it will accept the guarantee of the company, the limit, of course, being subject to review from time to time according to changes in its financial position. The company then proceeds to submit applications from approved suppliers whose loans it is prepared to guarantee, and these are considered by the Board or the district boards upon their merits.

The benefits to be derived by dairy companies through utilizing the provisions of Part III of the Act were first realized in the Waikato district, and as early as January last proposals with the object of financing its suppliers by this method were submitted by the New Zealand Co-operative Dairy Co., Ltd., Hamilton, which, as is well known, is the largest co-operative dairy company operating in the Dominion. Satisfactory arrangements were concluded, and a substantial volume of business has since been transacted along the lines of the arrangement reached. Since then applications by dairy companies for the acceptance of their guarantees have come forward steadily, and up to the present arrangements have been concluded with twenty dairy companies, while other applications are in course of examination. It is known also that a number of other companies are contemplating the guaranteeing of their suppliers' loans.

The bulk of the business under Part III of the Act which has come before the Board up to the present has resulted from arrangements concluded with dairy companies. To a lesser extent loans have been granted where the guarantor is a private individual or a stock and station concern. Shortly after the Board commenced operations an inquiry was received from the New Zealand Stock Auctioneers and Agents' Association for information as to the position which stock and station companies would occupy when guaranteeing loans granted by the Board, and setting out the considerations which were essential from their point of view. The matter was given the fullest consideration by the Board, and its policy was defined upon the various points raised by the association. Advice of



the decisions reached was duly conveyed to the association, and it is understood that the arrangements approved by the Board were acceptable to the stock and station companies. So far, however, the volume of loans granted with guarantees by stock and station companies has not been large.

#### LOANS TO CO-OPERATIVE SOCIETIES.

20. Part IV of the Act is designed for the benefit of farmers' co-operative companies desirous of securing financial accommodation upon the security of their live-stock or produce. The expression "co-operative society" is defined by the Act as "a co-operative company (not being an association established primarily for the purpose of the Act) incorporated under the Companies Act, 1908, and having for its principal object the production or sale of staple agricultural or pastoral products, including live-stock, and including goods manufactured from any such products."

To be competent to receive a loan from the Board a society answering to this description must have a subscribed capital of not less than £2,500 and be composed of not fewer than thirty members. Provision is made for the keeping of a register of co-operative societies to which the Act is applicable; entry in the register is made only on the application of the societies, and is a condition precedent to the granting of any loan. To a society fulfilling the above requirements the Board is authorized to grant advances not exceeding 80 per cent. of the fair market value of the live-stock or produce belonging to the society upon which the loan is secured. Loans are to be for terms of not less than six months and not more than three years, and the maximum rate of interest chargeable is fixed at 7 per cent. per annum.

These provisions have not been utilized to any extent. One application was received for entry on the Board's register of co-operative societies and it was duly approved, but so far no applications have been received for advances.

#### DISCOUNTING.

21. The conduct of the Board's discounting business is governed by paragraph 46 of the Rural Intermediate Credit Regulations of the 21st December, 1927, which provides that, in order to enable banks and approved financial institutions to afford financial assistance to farmers, the Board may discount promissory notes and bills of exchange in the following circumstances:—

- (a) The Board may determine the rate of discount chargeable:
- (b) The holder of the promissory note or bill of exchange is to be a bank or financial institution approved by the Board:
- (c) The maker of the promissory note or the acceptor of the bill of exchange is to be a farmer engaged in farming operations on his own account:
- (d) The note or bill is to be endorsed to the satisfaction of the Board:
- (e) The maximum amount of accommodation which a farmer or firm of farmers may obtain through applications under the Act and by means of discounted notes or bills is fixed at £1,000.

At the outset of the Board's operations the Board gave careful consideration to the question of putting its discounting-powers into operation, but in view of the impossibility of foreseeing to what extent the funds at its disposal would be available to meet the applications for loans under Parts II, III, and IV of the Act, which it was considered should have preference, the Board decided that it would not, in the meantime, enter into the business of discounting.

It was, however, later brought to the knowledge of the Board that there were a considerable number of farmers throughout the Dominion who desired advances of small sums to enable them to purchase fertilizer for increasing the productivity of their farms and for similar purposes, and that in view of the small amounts of the loans and the short periods for which they were required the cost of giving chattels securities to secure advances under the provisions of Parts II and III of the Act would render the cost of obtaining the loans prohibitive. Certain dairy companies indicated their desire to assist their suppliers to secure loans from the

Board for these purposes, and the Board decided to undertake the discounting of notes and bills with the object of providing the necessary accommodation on the best possible terms. It was, however, decided to restrict the discounting business so as not to make a larger sum than £100 available for any individual farmer by this means, as it was thought that in the case of the larger loans the proper course for the applicant to adopt was to make an application for an advance under Part II or Part III upon the security of his stock and chattels.

Up to the present nine dairy companies have concluded arrangements with the Board to discount promissory notes or bills given by their suppliers and endorsed by those companies. The procedure is similar to that which is followed in cases where companies make application for the acceptance of their guarantees under Part III of the Act, which has been explained in an earlier portion of this report. Evidence of the financial position of the company is obtained, and the Board fixes a limit to which it will discount notes or bills for it. The subsequent procedure with the Board is, however, more simple, as there are no stock or chattels to be valued and no documents of security over these or other assets to be prepared.

There is evidence that this method is commending itself to dairy companies desirous of assisting their suppliers to secure accommodation for the purchase of fertilizer, and it seems likely that it will be resorted to extensively in the future. It also has advantages from the point of view of the Board, as the work involved is comparatively light and the Board is amply protected from loss, not only by reason of the dairy companies assuming full responsibility for the notes or bills by their endorsements, but also from the fact that, in view of this liability, the dairy companies are not likely to tender notes or bills for discounting unless they are well satisfied with the financial standing of the farmer whose signature appears upon them. Moreover, it may be expected that the companies will require deductions from the borrowers' milk cheques to be set aside during the currency of the notes or bills to meet the amounts payable on their maturity.

#### FINANCE AND ACCOUNTS.

22. In view of the probable rapid growth of the Board's business, the importance of establishing the accounts on a sound basis was early recognized, and steps were taken to have a complete accounting system designed by the Board's accountants. All necessary books of account and statistical records have been provided for, and the system adopted is one which, while essentially simple and economical in the early stages of the business, when the volume will naturally be comparatively small, is capable of indefinite expansion to cope with the requirements of the future.

In designing the accounts the principle of decentralization has been kept in view. Clients find it a great convenience to have all details of their transactions available locally, and such an arrangement, in addition to proving a source of satisfaction to clients, leads to a more expeditious completion of the business. Accordingly provision has been made for all accounts in connection with the investments made in each district to be kept at the office of the district board. A proper system for the keeping of the district accounts has been established, and full instructions have been prepared for the guidance of district officers.

In order to facilitate the transfer of funds between the accounts of the central Board and district boards, the Board approached the Bank of New Zealand and was fortunate in being able to make arrangements for such remittances to be made free of exchange. This will save the Board all expenses in connection with such remittances, the exchange on which would have been considerable, and liable to increase with the growth of the business.

Regular returns have been provided for to keep the Head Office fully advised of the progress made in respect of applications for loans up to the stage when settlement will be required. Remittances will be made from Head Office only when funds are actually required, so that there will be no large sums of money lying idle at different points.

Temporary investments of the Board's funds pending the granting of loans have been arranged for, and the funds will remain in these temporary investments until actually required for the completion of loans granted to applicants. These

arrangements for close temporary investment of the Board's funds will undoubtedly result in a substantial benefit to the Board, particularly where loans to meet the future requirements of the business are raised by issues of debentures and large sums of money would otherwise be lying idle pending investment in loans.

Generally, it may safely be stated that the accounting and financial arrangements made are such as to provide a proper record of all transactions, keep the Board well advised of its commitments, and enable it to deal expeditiously not only with the business already in sight, but with the much larger volume that will surely follow upon an increased knowledge of the benefits of the scheme.

#### ACCOUNTS TO 30TH JUNE, 1928.

23. The Act, which came into force on the 1st January, 1928, provides that accounts shall be prepared on the 30th June in each year, so that the period covered by the accounts to the 30th June, 1928, is six months only. A considerable part of this period was devoted to preliminary work in connection with the establishment of the Board and district boards, the organization of the general system on which the business is to be conducted, and publicity and propaganda to bring the aims and objects of the scheme prominently before the notice of the rural community. Consequently, although a considerable number of applications for loans had been received or were in prospect at the 30th June, 1928, it was not possible actually to complete many investments prior to that date. In those cases, too, where loans were completed they were paid over towards the end of the period, and as a result very little income by way of interest on such loans had accrued up to the end of the financial period. This position is reflected in the accounts.

The Profit and Loss Account shows that the total income derived to the 30th June, 1928, amounted to £52 6s. 1d. only, while the expenditure totalled £2,018 13s. 7d. There was thus an excess of expenditure over revenue for the period of £1,966 7s. 6d. The expenditure has been incurred almost exclusively in connection with the general organization of the scheme, and its establishment on a sound basis. The balance of the Profit and Loss Account for this preliminary period has, therefore, been temporarily capitalized by transferring it to a Preliminary Expenses Account which appears in the balance-sheet as an asset. The amount of these preliminary expenses will be written off against profits during the first few years of the Board's activities.

The Balance-sheet shows the financial position of the Board at the close of the period. The principal liabilities are more or less permanent grants and advances from the Consolidated Fund under the various provisions contained in the Act. These include an establishment grant from the Consolidated Fund, £4,000, being a portion of a total grant of £10,000 authorized by section 19 of the Act for expenditure for general administrative purposes; advances from the Consolidated Fund for preliminary expenses of associations, £200, representing a first payment on account of the £5,000 authorized to be advanced to the Board under section 18 of the Act for re-advancement to associations; and advances from the Consolidated Fund under section 16 of the Act, £20,100. This last-mentioned item represents the first advances for the general business of the Board under the provision authorizing advances to be made from time to time up to an amount not exceeding in the aggregate £400,000.

The assets include investments totalling £8,734 2s. 3d. Of this amount, however, £6,700 represents the statutory investment in Government securities for the Rural Intermediate Credit Redemption Fund of one-third of all advances to the Board under section 16 of the Act. The investments of this Redemption Fund, set up under section 17 of the Act, are earmarked for the redemption of debentures issued by the Board, and cannot be applied to any other purpose. The investments in the course of the Board's ordinary business amounted to £2,034 2s. 3d. only, being all advances to farmers without the intervention of associations under Part III of the Act. At the date of the Balance-sheet none of the co-operative rural intermediate credit associations had completed any loans to members.

While the investments actually completed were few in number, a considerable number of loans were in process of settlement at the close of the period, and on

30th June, 1928, the funds necessary to complete these loans were obtained from the Treasury by way of advances under section 16 of the Act. In consequence a considerable amount was held in the bank, the total cash balances at 30th June, 1928, being £14,399 3s. 9d. Of this amount, however, £3,200 was in transit to branches for settlement of loans, while a further £9,000 approximately was remitted during the ensuing month to enable loans to be settled. Advances to associations for preliminary expenses amounted to only £3, the formation of most of the associations not having progressed to the stage where advances were required to defray expenses.

#### ISSUE OF DEBENTURES.

24. The funds to be employed in the Board's business will be derived from advances from the Consolidated Fund, and the issue by the Board of debentures, debenture certificates, or inscribed stock, under the provisions contained in sections 20 to 34 of the Act.

A complete system to govern the issue, record, and control of the debenture issues is laid down by the regulations, paragraphs 66 to 92; and the regulations also prescribe the form of the bonds and debenture certificates to be issued and the conditions to which they are subject. The forms of the registers to be kept of debentures and debenture certificates issued, and the register of inscribed stock, are also prescribed by regulation.

All matters in connection with the issue of debentures have been fully considered, and the arrangements for the first issue are well forward, so that when the time is opportune for the raising of a loan, and funds are required, everything will be in readiness to place the issue before the public.

Inquiries received from investors desirous of purchasing bonds indicate that it will probably be possible to place the first issue privately without issuing a prospectus.

The Bank of New Zealand has agreed to make payments of interest on debentures and repayments of principal on maturity on the same terms as are enjoyed by the Treasury in respect of Government bonds and debentures. The arrangements for the payment of interest and principal on due dates at any branch of the Bank of New Zealand in the Dominion will be appreciated by investors, and should prove of great advantage to the Board.

#### DAIRY COMPANIES.

25. It is pleasing to record that from the outset the dairy companies have shown considerable interest in the rural intermediate credit system, and have been quick to recognize the opportunities it affords them to assist their suppliers to secure financial accommodation on the most favourable terms. This is attributable to the fact that the methods by which loans are obtainable from the Board are of such a nature that the companies are conveniently placed to enable their suppliers to take advantage of the system.

In the first place, a dairy company is in a position to assist suppliers to form a co-operative rural intermediate credit association, and once an association has been formed among the suppliers it can further assist by placing its existing organization at the disposal of the association and undertaking the secretarial work in connection with it. If desired, the directorate of the association could largely coincide with that of the dairy company. As a result of these steps the expenses of administering the association would be reduced to a minimum, while it would have at its disposal all the information in the possession of the dairy factory as to farming experience, reliability, and financial position of the likely borrowers. This course has already been followed in the case of one association formed in the Waikato district, and it is known that other dairy factories are contemplating similar steps.

The direct method of securing loans where a suitable guarantee is forthcoming has made a special appeal to dairy companies, and I have referred elsewhere to the considerable number of cases where arrangements have been reached with these companies for the acceptance of their guarantees of suppliers' accounts.

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

employees of stock and station companies, and private valuers, and in one district (Westland) arrangements have also been made for the Field Inspectors of the Lands Department to make valuations at a suitable remuneration when their departmental duties permit of it.

For the present it has not been found practicable to set up a general scale of fees to apply to valuations made in connection with the Board's work. It has been possible to arrange with the valuers for the valuations to be made at very reasonable figures, so that the expense to borrowers may be kept at a minimum. The matter is being carefully watched by the Board, and should it appear that a suitable scale can be prescribed which would be satisfactory both to the valuers and the borrowers, steps will be taken to set up such a scale.

#### SUPERVISION OF SECURITIES.

27. It is essential in the conduct of any business dealing with advances upon stock and other chattels to maintain supervision over the securities for loans, and to keep closely in touch with the general trend of the borrowers' farming operations. To a certain extent a useful guide is provided by the payments received in the case of charges over dairy stock from the borrower's milk cheques, giving an indication as to the success of his operations, and in the case of charges over other stock from the payments from stock realized, produce, and the like, which in terms of the chattels security must necessarily be made in the first instance to the lender. Nevertheless, it is desirable in the interests of safeguarding the funds lent out to keep in close touch from time to time with the individual securities.

The methods by which the Board is authorized to make loans were designed to secure some degree of independent supervision. Associations, in the first place, were not intended to be simply organizations for securing advances for their members, but it was contemplated that one result of the mutual responsibility of the members, to the extent of their contributed share capital, for the loans obtained by other members would be the careful administration of advance accounts, including the maintenance of an adequate watch over the individual securities. The areas covered by most associations will be comparatively small, and the associations composed of farmers living relatively close together. Consequently any conduct upon a borrower's part tending to endanger the association's security for an advance should in practically every case be brought promptly to the notice of the directors, so that proper steps could be taken to avert the risk of loss. In an association well administered, with members properly cognizant of the ultimate benefit to themselves of keeping a reasonable watch over the operations of other members indebted to the association, adequate supervision should be possible at a minimum of expense.

Again, when provision was made for direct applications for loans, the requirement that such loans should be guaranteed to the satisfaction of the Board up to 20 per cent. or more, as required in individual cases, was inserted not only for the purpose of obtaining for the Board the benefit of an independent security comparable with that provided by the corporate responsibility of associations, but also for the reason that the liability of the guarantor to meet the whole or part of the advance would influence him to keep in close touch with the farming operations of the borrower, to the benefit indirectly of the Board. It is anticipated that particularly valuable services will be rendered where the guarantors are dairy companies or stock and station companies and similar concerns, the existing organizations of which will enable them to exercise a proper degree of supervision. In the case of private guarantors it will not, of course, be possible to rely to an equal degree upon the supervision exercised by them.

While the factors mentioned above will contribute to the protection of the Board in regard to securities for advances, it is not intended to rely wholly upon them for safeguarding the Board from loss. The sufficiency of the supervision so obtained will be tested by independent inspections carried out at the direction of the Board, and probably for this purpose advantage will be taken of the services of the farm-inspecting staff of the Public Trust Office to conduct inspections at as frequent intervals as the experience of the Board demonstrates to be necessary.

## INSTRUCTIONS TO OFFICERS.

28. In order that the practice and procedure adopted by the branch officers of the Board and the district boards may be uniform, comprehensive instructions setting out the Board's policy in regard to the various classes of loans and other matters affecting its business have been prepared and distributed to all District Intermediate Credit Supervisors and District Officers. Further decisions involving changes of practice or procedure or new developments in regard to the Board's business are notified in a circular which is issued monthly to all officers.

## INSPECTION OF WORK.

29. The system for the inspection of the clerical and accounting work of the Public Trust Office, which is explained in the annual reports relating to that Office, has been extended to cover the work carried out in the branch offices of the Public Trust Office on behalf of the Rural Intermediate Credit Board. The system which has proved its value during the years for which it has been in force in the Public Trust Office will ensure the prompt and accurate performance of the Board's work.

## CONCLUSION.

It will readily be understood that a large proportion of the period covered by this report was occupied in setting up the organization and completing the necessary details to enable the lending operations to be effectively commenced.

The response of the farming community to the facilities provided has been sufficiently marked to establish beyond doubt that the system meets a real need in the economic life of the Dominion and has every prospect of reaching considerable volume in the future as its advantages and possibilities become more widely known. The progress made since the 30th June last has been satisfactory, as will be seen from particulars of the advances made and the applications under consideration as at the 31st August, 1928, which are published in the First Appendix to this report. The Board has had under consideration proposals with the object of granting financial assistance to fruit and tobacco growers, and these will probably lead to substantial business upon a sound basis.

The Board feels confident that by the time the next annual report is submitted the scheme will be well established throughout the Dominion, and that the results achieved will fully justify the large amount of work which has been involved in the establishment and development of the system.

I have, &c.,

(For and on behalf of the Board),

J. W. MACDONALD,

Commissioner.

The Right Hon. the Prime Minister.

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## APPENDICES.

## APPENDIX I.

## STATEMENT OF TRANSACTIONS UP TO 31ST AUGUST, 1928.

	£	s.	d.
Investments (including loans made and face value of bills and notes discounted) .. .. .	30,899	0	0
Loans granted but not completed .. .. .	34,214	0	0
Applications entertained and in course of consideration .. .. .	31,510	0	0
<b>Total .. .. .</b>	<b>£96,623</b>	<b>0</b>	<b>0</b>

The investments referred to above were made up as follows :—

	£	s.	d.
Advances to associations under Part II of the Act .. .. .	13,655	0	0
Advances to farmers under Part III of the Act .. .. .	15,979	0	0
Bills and notes discounted (face value) .. .. .	1,265	0	0
<b>Total .. .. .</b>	<b>£30,899</b>	<b>0</b>	<b>0</b>

## APPENDIX II.

## PERSONNEL OF THE DISTRICT RURAL INTERMEDIATE CREDIT BOARDS.

(See notices in *New Zealand Gazette*s as follows : No. 23, 15th March, 1928, page 737 ; No. 34, 26th April, 1928 page 1174 ; No. 62, 9th August, 1928, page 2440.)

*North Auckland* (Headquarters : Whangarei)—

\*Allan Marshall (District Public Trustee, Whangarei), District Intermediate Credit Supervisor (Chairman).

James Donaldson Steedman, Field Inspector, Lands and Survey Department, Whangarei.

Colonel James McCarroll, Farmer, Whangarei.

Frederick Ernest Cullen, Farmer, Maungaturoto.

Rodney Coates, Farmer, Matakohē.

*Auckland* (Headquarters : Auckland)—

Richard Froude Ward (District Public Trustee, Auckland), District Intermediate Credit Supervisor (Chairman).

Owen Neil Campbell, Commissioner of Crown Lands for the North Auckland Land District.

Alexander Alexander Ross, Farmer, St. Heliers, Auckland.

Frank McIntyre Waters, Farmer, Papatoetoe, Auckland.

John Edward Makgill, Company Director, Auckland.

*Waikato* (Headquarters : Hamilton)—

Frederick John Evelyn Moore (District Public Trustee, Hamilton), District Intermediate Credit Supervisor (Chairman).

George William Hyde, District Government Valuer, Hamilton.

William Newell, Farmer, Tamahere.

Andrew Sinclair Sutherland, Farmer, Ngaruawahia.

John Frederick Vercoe, Retired Farmer, Te Kuiti.

*Poverty Bay* (Headquarters : Gisborne)—

Kenneth Alan Henderson (District Public Trustee, Gisborne), District Intermediate Credit Supervisor (Chairman).

Henry Percival Hamilton, District Government Valuer, Gisborne.

†Joseph Burton Kells, Company Manager, Gisborne.

George Robert Moore, Farmer, Gisborne.

Charles Matthews, Sheep-farmer, Gisborne.

\* On the 14th August, 1928, Mr. David O'Donoghue succeeded Mr. Marshall as District Public Trustee, Whangarei, and consequently as District Intermediate Credit Supervisor and Chairman of the district board. † Nominated by the local stock auctioneers and agents' association.



*Hawke's Bay* (Headquarters: Napier)—

Somerset Ward Smith (District Public Trustee, Napier), District Intermediate Credit Supervisor (Chairman).  
 Gilbert Heathfield Lloyd, District Government Valuer, Hastings.  
 Major-General Sir Andrew Hamilton Russell, K.C.B., K.C.M.G., Sheep-farmer, Hastings.  
 Cornelius John O'Reilly, Farmer, Porangahau.  
 James Livingston, Sheep-farmer, Mangahei.

*Taranaki* (Headquarters: New Plymouth)—

Douglas Leslie McKay (District Public Trustee, New Plymouth), District Intermediate Credit Supervisor (Chairman).  
 William David Armit, Commissioner of Crown Lands for the Taranaki Land District.  
 †Harold Edward Abraham, Company Director, Stratford.  
 Edward Long, Farmer, Manaia.  
 Samuel Blake, Farmer, Hawera.

*Wanganui* (Headquarters: Wanganui)—

Thomas Richard Allen (District Public Trustee, Wanganui), District Intermediate Credit Supervisor (Chairman).  
 Oswald Gardner, District Government Valuer, Wanganui.  
 †William Brown, Retired Stock Company Representative, Wanganui.  
 William Morrison, Farmer, Maxwell.  
 Donald Ross, Farmer, Rapanui.

*Manawatu-Wellington* (Headquarters: Palmerston North)—

Arthur Sylvester Faire (District Public Trustee, Palmerston North), District Intermediate Credit Supervisor (Chairman).  
 †Richard Slingsby Abraham, Company Director, Palmerston North.  
 Robert Waring Taylor, Farmer, Shannon.  
 John Richard Lloyd Hammond, Farmer, Rata.  
 Patrick James Small, Farmer, Kairanga.

*Wairarapa* (Headquarters: Masterton)—

Stanley James Smith (District Public Trustee, Masterton), District Intermediate Credit Supervisor (Chairman).  
 Ernest Percy Fowler, District Government Valuer, Masterton.  
 †David Butcher Carrick, Company Manager, Masterton.  
 Bertram Vivian Skeet, Farmer, Masterton.  
 Thomas Moss, Farmer, Newman.

*Marlborough* (Headquarters: Blenheim)—

Norman Melville Chesney (District Public Trustee, Blenheim), District Intermediate Credit Supervisor (Chairman).  
 John Stevenson, Commissioner of Crown Lands for the Marlborough Land District.  
 †George John Leech, Company Manager, Blenheim.  
 William George Rudd, Sheep-farmer, Blenheim.  
 James Morrin, Farmer, Blenheim.

*Nelson* (Headquarters: Nelson)—

John Fitz-Gerald (District Public Trustee, Nelson), District Intermediate Credit Supervisor (Chairman).  
 Alan Francis Waters, Commissioner of Crown Lands for the Nelson Land District.  
 Albert Edward Max, Farmer, Brightwater.  
 George Newman Hunt, Sheep-farmer, Wakefield.  
 Frederick Clements Page, Farmer, Bridgewater.

*Westland* (Headquarters: Greymouth)—

Thomas Robert Saywell (District Public Trustee, Greymouth), District Intermediate Credit Supervisor (Chairman).  
 William Theodore Morpeth, Commissioner of Crown Lands for the Westland Land District.  
 Charles Samuel Neville, Inspector of Stock, Department of Agriculture, Hokitika.  
 William Clayton, Farmer, Ahaura.  
 George Albert Perry, Merchant, Hokitika.

*North Canterbury* (Headquarters: Christchurch)—

Albert Randolph Jordan (District Public Trustee, Christchurch), District Intermediate Credit Supervisor (Chairman).  
 William Stewart, Commissioner of Crown Lands for the Canterbury Land District.  
 †Charles John Wilson, Company Manager, Christchurch.  
 William Oakley, Retired Farmer, Ashburton.  
 Thomas George Gee, Retired Farmer, Christchurch.

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† Nominated by the local stock auctioneers and agents' association.

*South Canterbury* (Headquarters : Timaru)—

Francis Ernest Duncan (District Public Trustee, Timaru), District Intermediate Credit Supervisor (Chairman).

Frank Stowell, District Government Valuer, Timaru.

† Benjamin Cochrane, Company Manager, Timaru.

Percy Reginald Talbot, Farmer, Claremont.

Arthur William Barnett, Farmer, Morven.

*Otago* (Headquarters : Dunedin)—

George Henry Elliffe (District Public Trustee, Dunedin), District Intermediate Credit Supervisor (Chairman).

Robert Milne, District Government Valuer, Milton.

† William Orr McKellar, Company Inspector, Dunedin.

Robert Bruce Meek, Farmer, Enfield.

Edward Henry Murney, Farmer, Tapanui.

*Southland* (Headquarters : Invercargill)—

Richard Douglas Newth (District Public Trustee, Invercargill), District Intermediate Credit Supervisor (Chairman).

Norman Charles Kensington, Commissioner of Crown Lands for the Southland Land District.

† Robert Albert Anderson, Merchant, Invercargill.

David Dickie, Farmer, Croydon, Gore.

John Dunlop, Farmer, Seaward Downs.

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† Nominated by the local stock auctioneers and agents' association.

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