

All classes of loans showed approximately an equal rate of increase. Loans granted to associations under the provisions of Part II of the Act outstanding increased from £13,655 to £89,530. Advances to farmers direct supported by guarantees increased from £15,979 to £117,987, the majority of the loans being granted as mentioned elsewhere upon the guarantees of dairy companies, and the face value of bills and notes discounted showed an increase from £1,265 to £7,265. The balance of the totals referred to above were made up of advances to associations for preliminary expenses, which amounted on the 31st August, 1929, to £394, as against £46 on the 31st August, 1928.

The total of loans paid and bills discounted from the inception of the scheme up to the 31st August, 1929, was £264,496, and apart from this there were then loans amounting to £42,874 granted, but not completed, and applications totalling £10,260 under consideration, bringing the total of the business actually completed, in prospect, or under consideration to £317,630.

### DAIRY COMPANIES.

63. The facilities for rural finance provided by the Rural Intermediate Credit Act have proved to be specially suited to the needs of the dairying industry, and have been utilized very extensively in most parts of the Dominion where dairying is carried on. A substantial proportion of the loans have been made either directly or indirectly through the medium of dairy companies (co-operative and proprietary), which have made use of the various methods for securing financial assistance for their suppliers.

There are three ways in which a dairy company may assist its suppliers to obtain the benefits of the system, viz. :—

- (a) By guaranteeing direct loans from the Board to individual suppliers of the company. The use made by dairy companies of the system of direct loans has been particularly marked in the Waikato district, where the direct provisions of the Act have been largely availed of. In undertaking to guarantee 20 per cent. of each loan dairy companies are running little risk, since loans are made by the Board only on sound lending margins on valuations made by capable and experienced valuers. Moreover, the loans granted are definitely on a reducing basis, and repayments of principal and periodical payments of interest are secured by orders on the milk cheques which are lodged with the companies which guarantee the loans. The adoption of the system by the dairy companies assists their suppliers materially, and it is also of direct advantage to the factory by increasing the suppliers' production, and consequently the output of the factory. It seems undoubted that as the benefits of the new system become apparent to the dairy companies they will be prepared to utilize the provisions of the Act to an increasing extent. As already mentioned, the Act confers on every company power to enter into guarantees of this nature, even if the company is not authorized or is expressly forbidden by its memorandum of association to give guarantees.
- (b) By organizing the formation of a co-operative rural intermediate credit association among its suppliers and undertaking the secretarial duties in connection with the association when formed. In many cases where this is done the directors of the dairy company have further assisted by serving upon the board of directors of the association, their knowledge of local conditions being of great assistance both to the association and also to the Board when applications for loans are being considered.
- (c) In addition to the provisions which permit of the lending of moneys upon the security of a mortgage of stock and chattels, power is given to the Board by the Act and the regulations issued under it to discount promissory notes and bills of exchange given by farmers