

and endorsed to the satisfaction of the Board. This system, which is explained in another portion of the report, is well suited to the requirements of dairy-factory suppliers requiring temporary financial assistance during the winter months, when the milk cheques have practically ceased, to enable urgent outgoings to be met, such as payment of interest on mortgages, living-expenses, cost of purchase of fertilizers, and similar expenses, and it is in active operation amongst dairy companies in various parts of the Dominion. It is the custom of these companies, towards the close of the production season, to invite applications from their suppliers for loans of amounts required to tide them over the winter months. These applications are scrutinized by the directors of the companies, who select those cases which they are prepared to assist. Promissory notes for the individual amounts are taken from the suppliers and endorsed by the dairy companies to the Board, and the total discounted value of the notes so endorsed is immediately made available to the companies for distribution to their suppliers.

The original limit observed in regard to this class of loan was £100, but in view of its usefulness as demonstrated in actual practice, and in response to a wide demand upon the part of companies discounting notes with the Board, the Board recently extended the limit and an amount of £200 may now be granted to a farmer by this method. Companies, as a rule, provide for the notes being liquidated by deductions from the milk cheques in the next farming season, and in practically every case the amounts outstanding have been repaid by the suppliers within the first few months of the season. Arrangements approved by the Board permit of the monthly repayments received from the milk cheques being paid over to the Board, and a rebate of interest is secured for the benefit of the borrowers, with the result that suppliers whose notes are discounted will be paying $6\frac{1}{2}$ per cent. only on the amount of their loans from month to month.

In view of the opportunity which the intermediate credit system affords dairy companies of co-operating with their suppliers in relation to their financial requirements, it was recently thought advisable to send a circular letter to all dairy companies, setting out the various methods as outlined above by which they might utilize the system for the benefit of their suppliers. This has been done, all companies, whether co-operative or proprietary, being circularized, and in response several companies have made application for the acceptance of their guarantee of loans under Part III or endorsement of notes for discounting.

Apart from this action, inquiries from dairy companies throughout the period under review for information regarding the system or its practical working have been given special attention, and in appropriate cases the Deputy Commissioner or the District Intermediate Credit Supervisor for the district has attended directors' meetings or meetings of suppliers convened for the purpose of receiving first-hand information regarding the scheme and the various ways in which advantage may be taken of the benefits provided by it.

Along with the development of the system there has been a marked increase in the business transacted by the Board either directly or indirectly through the medium of dairy companies, and it may be expected that steady progress will be recorded in this regard in the future.

VALUATIONS.

64. The practice of having the valuations in connection with loan applications made by private valuers, whose services are utilized as the necessity arises, has been continued during the past year, and has given every satisfaction. In several instances the Board agreed to accept the valuations of independent private valuers nominated by associations or by dairy companies proposing to put forward