

CONTENTS.

	Page		Page
INTRODUCTORY	1	CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS— <i>continued.</i>	
RURAL INTERMEDIATE CREDIT ACT, 1927 ..	4	Proposed Conference	26
RURAL INTERMEDIATE CREDIT REGULATIONS ..	6	Relations with	26
ADMINISTRATION OF SYSTEM—		List of Directors and Secretary-Treasurers ..	27
Constitution of Board	6	Amount of Loans granted	27
Meetings of Board and Local Committee ..	7	LOANS TO FARMERS WITHOUT THE INTERVENTION OF ASSOCIATIONS—	
DISTRICT BOARDS—		Method of Application	27
Constitution and working	8	Development of Method	28
Meetings	8	Amount of Loans granted	30
Changes in personnel	8	DISCOUNTING—	
LOCAL ADMINISTRATION	9	Nature of System	30
ADMINISTRATIVE AND DETAIL WORK	10	Companies adopting System	31
PUBLICITY WORK—		Volume of Business transacted	31
General	11	LOANS TO CO-OPERATIVE SOCIETIES	32
Publications	11	FINANCE AND ACCOUNTS—	
Co-operation with Farmers' Union	12	General	32
Distribution of Annual Report	12	Accounts to 30th June, 1930	32
Articles published in Newspapers and Journals ..	12	Issue of Debentures	33
Conferences with Associations	13	Collection of Payments due by Borrowers ..	34
Addresses to Meetings	13	Accounts of Associations	34
GENERAL AS TO LOANS—		Volume of Business	34
Nature of System	13	VALUATIONS	34
Securities over Land	15	SUPERVISION OF SECURITIES	35
Guarantees	15	DAIRY COMPANIES	37
Pedigree and Stud Stock	16	INSTRUCTIONS TO OFFICERS	38
Conditions on which Loans are granted ..	17	INSPECTION OF WORK	39
Sheep-farmers and Grain-growers: System for		CONCLUSION	39
"Limits"	19	APPENDIX I—	
Applications and Accounts	20	Comparative Statement of Transactions as at	
Legal Work	21	31st August, 1928, and 31st August, 1929 ..	40
Interest and Discounting Rates	21	APPENDIX II—	
CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS—		List of Directors and Secretary-Treasurers of	
Nature of Associations	21	Co-operative Rural Intermediate Credit Asso-	
Preliminary Expenses	22	ciations	40
Payment of Expenses of Administration ..	23		
Assistance rendered	24		
Formation of	25		
Supervision of Operations	25		

INDEX

F

12 ... **FARMERS' UNION, Co-operation with**

13 ... **FARMERS' UNION, Co-operations**

G

14 ... **General**

15 ... **General**

16 ... **General**

17 ... **General**

18 ... **General**

H

19 ... **Handicrafts**

20 ... **Handicrafts**

21 ... **Handicrafts**

22 ... **Handicrafts**

23 ... **Handicrafts**

24 ... **Handicrafts**

25 ... **Handicrafts**

26 ... **Handicrafts**

27 ... **Handicrafts**

28 ... **Handicrafts**

29 ... **Handicrafts**

30 ... **Handicrafts**

31 ... **Handicrafts**

32 ... **Handicrafts**

33 ... **Handicrafts**

34 ... **Handicrafts**

35 ... **Handicrafts**

36 ... **Handicrafts**

37 ... **Handicrafts**

38 ... **Handicrafts**

39 ... **Handicrafts**

40 ... **Handicrafts**

41 ... **Handicrafts**

42 ... **Handicrafts**

43 ... **Handicrafts**

44 ... **Handicrafts**

45 ... **Handicrafts**

46 ... **Handicrafts**

47 ... **Handicrafts**

48 ... **Handicrafts**

49 ... **Handicrafts**

50 ... **Handicrafts**

51 ... **Handicrafts**

52 ... **Handicrafts**

53 ... **Handicrafts**

54 ... **Handicrafts**

55 ... **Handicrafts**

56 ... **Handicrafts**

57 ... **Handicrafts**

58 ... **Handicrafts**

59 ... **Handicrafts**

60 ... **Handicrafts**

61 ... **Handicrafts**

62 ... **Handicrafts**

63 ... **Handicrafts**

64 ... **Handicrafts**

65 ... **Handicrafts**

66 ... **Handicrafts**

67 ... **Handicrafts**

68 ... **Handicrafts**

69 ... **Handicrafts**

70 ... **Handicrafts**

71 ... **Handicrafts**

72 ... **Handicrafts**

73 ... **Handicrafts**

74 ... **Handicrafts**

75 ... **Handicrafts**

76 ... **Handicrafts**

77 ... **Handicrafts**

78 ... **Handicrafts**

79 ... **Handicrafts**

80 ... **Handicrafts**

81 ... **Handicrafts**

82 ... **Handicrafts**

83 ... **Handicrafts**

84 ... **Handicrafts**

85 ... **Handicrafts**

86 ... **Handicrafts**

87 ... **Handicrafts**

88 ... **Handicrafts**

89 ... **Handicrafts**

90 ... **Handicrafts**

91 ... **Handicrafts**

92 ... **Handicrafts**

93 ... **Handicrafts**

94 ... **Handicrafts**

95 ... **Handicrafts**

96 ... **Handicrafts**

97 ... **Handicrafts**

98 ... **Handicrafts**

99 ... **Handicrafts**

100 ... **Handicrafts**

A

1 ... **Accounting**

2 ... **Accounting**

3 ... **Accounting**

4 ... **Accounting**

5 ... **Accounting**

6 ... **Accounting**

7 ... **Accounting**

8 ... **Accounting**

9 ... **Accounting**

10 ... **Accounting**

11 ... **Accounting**

12 ... **Accounting**

13 ... **Accounting**

14 ... **Accounting**

15 ... **Accounting**

16 ... **Accounting**

17 ... **Accounting**

18 ... **Accounting**

19 ... **Accounting**

20 ... **Accounting**

21 ... **Accounting**

22 ... **Accounting**

23 ... **Accounting**

24 ... **Accounting**

25 ... **Accounting**

26 ... **Accounting**

27 ... **Accounting**

28 ... **Accounting**

29 ... **Accounting**

30 ... **Accounting**

31 ... **Accounting**

32 ... **Accounting**

33 ... **Accounting**

34 ... **Accounting**

35 ... **Accounting**

36 ... **Accounting**

37 ... **Accounting**

38 ... **Accounting**

39 ... **Accounting**

40 ... **Accounting**

41 ... **Accounting**

42 ... **Accounting**

43 ... **Accounting**

44 ... **Accounting**

45 ... **Accounting**

46 ... **Accounting**

47 ... **Accounting**

48 ... **Accounting**

49 ... **Accounting**

50 ... **Accounting**

51 ... **Accounting**

52 ... **Accounting**

53 ... **Accounting**

54 ... **Accounting**

55 ... **Accounting**

56 ... **Accounting**

57 ... **Accounting**

58 ... **Accounting**

59 ... **Accounting**

60 ... **Accounting**

61 ... **Accounting**

62 ... **Accounting**

63 ... **Accounting**

64 ... **Accounting**

65 ... **Accounting**

66 ... **Accounting**

67 ... **Accounting**

68 ... **Accounting**

69 ... **Accounting**

70 ... **Accounting**

71 ... **Accounting**

72 ... **Accounting**

73 ... **Accounting**

74 ... **Accounting**

75 ... **Accounting**

76 ... **Accounting**

77 ... **Accounting**

78 ... **Accounting**

79 ... **Accounting**

80 ... **Accounting**

81 ... **Accounting**

82 ... **Accounting**

83 ... **Accounting**

84 ... **Accounting**

85 ... **Accounting**

86 ... **Accounting**

87 ... **Accounting**

88 ... **Accounting**

89 ... **Accounting**

90 ... **Accounting**

91 ... **Accounting**

92 ... **Accounting**

93 ... **Accounting**

94 ... **Accounting**

95 ... **Accounting**

96 ... **Accounting**

97 ... **Accounting**

98 ... **Accounting**

99 ... **Accounting**

100 ... **Accounting**

1930.
NEW ZEALAND.

RURAL INTERMEDIATE CREDIT BOARD

(REPORT OF THE) FOR THE YEAR ENDED 30TH JUNE, 1930.

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

SIR,—

Wellington, 26th September, 1930.

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 year ended 30th June, 1930.

1. The present report is the third report submitted by the Board. The two previous reports made it clear that the periods covered by them were largely occupied in the establishment of the intermediate credit system upon the lines laid down by the Rural Intermediate Credit Act. It is to be remembered that the system entrusted to the Board for administration was an entirely new scheme, upon novel lines, and unfamiliar both to the farmers whose financial requirements in respect of their farming stock and collateral it was intended to provide and to the investing public upon whose response to issues of debentures by the Board the development and extension of the system will be dependent. In view of the entirely new nature of the scheme so far as the Dominion was concerned, a considerable amount of thought and care had to be devoted to laying down the lines of organization, particularly with regard to the performance of the detail work in the districts, and specially energetic measures upon lines described in the earlier reports were necessary to bring particulars of the lending facilities and the other aspects of the scheme before those who were intended to benefit as a result of its introduction.

2. While the machinery for the carrying-out of the decisions of the Board and the performance of the detail work had been provided at the commencement of the past year, in a substantial measure the efforts of the Board during the year were devoted to work of essentially a preliminary nature, such as the establishment of further points of contact with the farming community by the formation of additional co-operative rural intermediate credit associations or through arrangements concluded with dairy and other companies to guarantee loans or discount promissory notes with the Board, the placing of the Board's debentures before the investing public with suitable measures to bring before the notice of investors the adequacy of the security standing behind the debentures, the definition of the Board's lending policy in regard to a number of matters affecting the consideration of loan applications and the control of loan accounts by the associations and by the local officers of the Board.

3. While this preliminary work has engaged attention there has also been a rapid expansion of the business recorded under all headings—namely, loans granted to farmers as members of co-operative rural intermediate credit associations,

the discounting of promissory notes made by farmers and suitably endorsed, and the making of loans direct to farmers who have not joined associations of the description referred to but have been able to submit satisfactory proposals to the Board for independent guarantees supporting their applications. Principally the expansion of the business during the year has been attributable to the operations of the dairy companies which at an early period in the Board's operations took the opportunity of assisting their suppliers to secure advances by guaranteeing direct loans or endorsing promissory notes made by their suppliers for discounting with the Board, and those of the early rural intermediate credit associations. It is only fitting, therefore, that a tribute should be paid to the vision and the public-spiritedness of those who were responsible for such early decisions to take advantage of the facilities provided by the Board. The result of the developments regarding the formation of associations or the utilization of the other lending methods for the submission of applications which took place during the present year will be reflected in the business recorded during the coming year. There is every indication now that the Board's business is firmly established on a satisfactory basis and that it will show a substantial development in the future.

4. The growth of the business has been steady ; the statistics of each successive year have shown the business to have been at least doubled during the course of the year, as will be seen from a comparison of the amount of the total business dealt with or under consideration at the 30th June, 1930, £590,246, with the corresponding figures of £273,244 as at the 30th June, 1929, and £32,260 as at the 30th June, 1928.

5. The chief feature of the year's working has been the extension of the association method of securing loans, the interest in which was greatly stimulated by the increase of the limit for loans from £1,000 to £2,000, with the consequence that the system became more suited to the requirements of sheep-farmers and grain-growers than had been the position when the lower limit applied to the lending transactions. As these classes of farmer are not so favourably placed in regard to the obtaining of the guarantees required to support loans as dairy-farmers, the majority of their applications will be submitted through the medium of associations. The success which attended the steps taken to form associations is attributable to the active interest shown by the New Zealand Farmers' Union and similar farmers' organizations, which have fully co-operated with members and representatives of the Board in stimulating interest in the various districts in this method of obtaining loans from the Board.

6. As is inevitable in the early period of development of any such scheme, the decisions reached by the Board in regard to the general standard of security required or the application of its general lending policy to individual cases have not always met with agreement on the part of those who have been concerned in the submission of applications for consideration. Every endeavour, however, is made to adjust any difficulties which arise in a manner consistent with the safe-guarding of the funds entrusted to the Board, particularly with regard to the methods of submitting and handling applications, and dealing with matters arising out of the loan accounts. Much has been done through the organization of the work in the central office and the districts to ensure that all matters will be dealt with promptly, and the scheme thereby made of the fullest value to the farming community. Reference is made later to the main policy matters upon which differences of opinion have arisen between the Board and those engaged in the submission of applications to it, and to the reasons which have guided the Board in adopting the principles laid down. As is the case with all lending systems of a new nature, the declining of unsuitable applications has occasioned some criticism, but it may be stated generally that where the necessary security has existed the loans have been made available promptly, and on the most favourable terms. It is the object of the system to provide loans principally on the security of farming stock and plant, and the difficulties encountered have for the most part arisen out of proposals put forward for the acceptance of other classes of security. In suitable cases the Board has accepted collateral of a satisfactory character where there has been security for the major portion of the loan in the borrower's farming stock and implements.

7. The rapid expansion recorded in all classes of the business has resulted in the advance of £400,000 from the Consolidated Fund provided for by the Act being fully absorbed, and has made it necessary for the Board to go on to the open market to secure the necessary funds for the continuation and development of its lending business. The practice adopted by the Board of requiring substantial payments in each case on a basis within the individual borrower's ability in view of the total commitments with which he is faced has resulted in the fullest use being made of the funds placed at the Board's disposal, as the repayments received from time to time reach a large total, and it has been possible to employ them in making further loans available to other borrowers. It is the aim of the Board to establish its debentures in the financial world as a readily marketable form of security, with adequate assets supporting them, in which investors for both large and small sums will have full confidence, knowing that the Board's operations are faithfully and economically conducted. The comments regarding the Board's lending policy which have received extensive publicity have been confined to the criticism that the loans are granted only on a conservative basis, and will in themselves be an assurance to investors that the Board bears constantly in mind its obligations in regard to the moneys entrusted to it for investment.

8. It cannot too often be emphasized that the legislation provided the means for farmers to secure improved financial facilities largely by their own efforts. This applies to the provision of funds for the Board's business as well as to its lending operations, and the interest of farmers in the scheme should not, therefore, be confined to the obtaining of loans from the Board or the organization of the farming community in the various districts for the purpose of the submission of loans to the Board, and their criticism of the lending policy adopted by the Board should not be restricted to a borrowing point of view. It will be recognized that the maintenance of a prudent standard of lending will ultimately be to the greatest benefit to farmers as a whole, as it will mean the consolidation of a financial structure commanding a constant supply of funds for farmer-borrowers with acceptable security, of dimensions and with a degree of permanence which would otherwise not be possible. It also rests with farmers in their own interests to use all means at their command to ensure the success of the debenture issues made by the Board.

9. The following statements have been made in regard to the Board's operations, and indicate the relations which generally exist between the Board and co-operative rural intermediate credit associations and dairy companies submitting applications or discounting promissory notes with the Board:—

EXTRACT FROM LETTER DATED 13TH AUGUST, 1930, FROM THE CHAIRMAN OF DIRECTORS OF THE NEW ZEALAND CO-OPERATIVE DAIRY CO., LTD., HAMILTON, TO THE COMMISSIONER.

The rural intermediate credit scheme as arranged between your Board and this company has rendered excellent service to our suppliers, and the relationship existing between your Board and my company has been appreciated by us, and I have no hesitation whatever in saying that it has been worked without anything to mar the progress of the applications received.

EXTRACT FROM THE *Waikato Times* OF THE 19TH AUGUST, 1930, REPORTING THE ANNUAL GENERAL MEETING OF THE OTOROHANGA ASSOCIATION.

The directors expressed their appreciation of the courtesy of the District Supervisor, Hamilton, and his staff, and of the sympathetic consideration given by the Rural Intermediate Credit Board.

EXTRACT FROM THE REPORT OF THE DIRECTORS OF THE HOROWHENUA ASSOCIATION TO THE ANNUAL GENERAL MEETING OF THE ASSOCIATION.

In conclusion, we would state that the result of the first year's operations is very gratifying, and the extent to which the resources of the association have been utilized gives positive proof that the establishment of the system of rural intermediate credits has fulfilled a long-felt want amongst certain members of the farming community of New Zealand. We have no hesitation in stating that as the benefits of the scheme become more widely known, its usefulness will still grow further as a factor towards developing the farming industry of this district.

EXTRACT FROM THE REPORT OF THE DIRECTORS OF THE STRATFORD ASSOCIATION TO THE ANNUAL GENERAL MEETING OF THE ASSOCIATION.

The relations between your directors and the local officers of the Board have been most cordial, and we desire to thank them for their valuable assistance, and, in particular, we desire to thank the District Supervisor at Hawera for the manner in which he handled the scheme and the valuable help rendered in the establishment of the scheme. The experience of your directors is that all applications have been dealt with promptly, and that during the year under review there has been no ground for complaint.

EXTRACT FROM THE REPORT OF THE DIRECTORS OF THE CENTRAL SOUTHLAND ASSOCIATION TO THE ANNUAL GENERAL MEETING OF THE ASSOCIATION.

It is evident the central Board is anxious to expedite consideration of applications, and everything is being done by the Board and the directors to that end, and it is certain that there will be no room for criticism on that score. It is felt that this scheme will grow to considerable dimensions as the years go on, and that the farming community will increasingly appreciate it. The directors desire to express their sincere appreciation of the ready assistance and advice at all times of the officers of the Public Trustee.

RURAL INTERMEDIATE CREDIT ACT, 1927, AND AMENDMENTS.

10. The establishment of the rural intermediate credit system in the Dominion followed upon the appointment by the Government in 1925 of a Royal Commission on Rural Credits for the purpose of inquiring into and reporting upon the means by which financial assistance was rendered to farmers in the European and American continents and the advisability of the adoption in New Zealand of one or more of the methods in force there, with modifications (if any) which local conditions required or experience showed to be necessary. This Commission was composed of the late Mr. P. H. Cox, of Wellington, a retired banker, Colonel J. J. Esson, C.M.G., V.D., J.P., of Wellington, then 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, and now representative in Parliament for the Stratford Electorate. Extensive investigations were made throughout Europe and in North and South America, and the conclusions arrived at by the Commission are set out in its report—B.-5—presented to Parliament in 1926. Special emphasis is placed in the report upon the fact that the individual lender of moneys on rural securities is now yielding place to finance corporations, which secure funds required for lending purposes through the issue of bonds secured upon the aggregate of mortgage investments. Such organizations act as intermediaries between the investors who have funds available for investment and the farmers who desire additional finance for necessary farm purposes and, by reason of the extent of their operations, the wider spread of risk, and the supervision which is maintained over the securities taken for loans, they are able to establish increased confidence in rural securities upon the part of investors and obtain funds on more favourable terms than would be possible in the case of individual borrowers and, by efficient organization and administration, to make the moneys available to borrowers at lower rates than would otherwise be possible. The necessity was also stressed in the report for co-operative action upon the part of farmers in relation to their financial requirements. As will be shown by the succeeding remarks, these matters have been provided for in the form and in the administration of the intermediate credit system in the Dominion.

The recommendations of the Commission dealt with two classes of rural credit—namely, intermediate credit or credit (generally secured by mortgages over live-stock, farming implements, and non-perishable farm-products) for longer periods than is contemplated in commercial banking transactions and of shorter duration than the usual mortgage term, and long-term mortgage credit, meaning farm-mortgage credit for terms of five years or over secured by first mortgage of farming land. The portion of the recommendations regarding long-term-mortgage credit was dealt with in the Rural Advances Act of 1926, providing for a system of

long-term mortgages upon the security of rural lands. The Rural Intermediate Credit Act of 1927 gave effect to the recommendations of the Commission for the adoption of a scheme of intermediate credit conforming with modern developments and being largely upon the lines of the system in force in the United States of America, which, in turn, is based upon European systems. The recommendations of the Commission provided for loans being granted to farmers only as members of a special class of limited liability company called co-operative rural intermediate credit associations, and in order that settlers in outlying or sparsely settled districts, where the formation of associations might not be possible, should not be deprived of the benefits of the system an alternative method of application now appearing as Part III of the Act was added, permitting direct applications where supported by independent guarantees acceptable to the Board. Thus scope is provided for collective or individual action upon the part of farmers in regard to the class of credit provided by the Board.

The system makes provision for loans to farmers for periods not exceeding five years, mainly on the security of stock and chattels, at the lowest rates of interest and with the most economical service in every regard.

To set the scheme in operation provision was made for advances to the Board from the Consolidated Fund, on loan and free of interest for the first ten years, with a currency of not less than twenty years, up to a total of £400,000. This sum has now been received in full by the Board, and, in accordance with statutory requirements, one-third has been placed to the credit of a redemption fund which, with resulting income, may be applied only for the purpose of redeeming debentures issued by the Board; the remaining two-thirds has been employed in the Board's lending business. Under the provisions of the Act a sum of £10,000 has also been received from the Consolidated Fund as a grant to cover expenditure involved in the establishment and preliminary administration of the scheme.

The main and permanent source of the Board's funds will, however, be the issue of debentures secured upon the assets of the Board, which has power, with the consent of the Minister of Finance, to issue such debentures restricted in total so that they may not exceed the aggregate of the amount of the loan received from the Consolidated Fund and not repaid and the amount of the investments of the Board from time to time. A further restriction is also imposed in that the total amount of debentures outstanding is not at any time to exceed £5,000,000. The debentures may be for terms of from six months to five years, and may be at rates of interest not exceeding 6 per centum per annum. They constitute a floating charge over the Board's assets, and are, in effect, given priority over the right of the Consolidated Fund to receive repayment of the sum of £400,000 referred to above. Repayments of the latter advance are restricted so that they may not exceed in total the aggregate amount from time to time of the accretions to the redemption fund and the amount at credit of the Board's reserve accounts.

The Board is authorized to provide financial assistance to farmers in the following ways:—

- (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 para. 46 of the Rural Intermediate Credit Regulations of the 21st December, 1927, as amended by para. 5 of further regulations issued on 17th September, 1928, and para. 2 of regulations issued on the 13th January, 1930).

Prior to the 1929 session of Parliament the maximum amount which could be advanced to any one farmer was £1,000, but this limit was increased to £2,000 by an amending Act passed during that session in consequence of representations made by the Board that the lower limit did not make it possible for sheep-farmers and grain-growers who desired to do so to avail themselves of the facilities provided by the Board. Loans may be applied only for purposes approved by the Board; the maximum period is five years in the case of loans to farmers and three years in the case of loans to co-operative societies. No maximum term is provided in regard to discounting transactions; but, in view of the nature of this class of business, the Board usually arranges for the amounts advanced to be repaid within a year from the date of discounting, with a maximum term in any case of two years.

As stated previously, the security for intermediate credit is generally live-stock, farming-implements, non-perishable farm-products, and the like, and in the case of loans to farmers under the headings (a) and (b) above a mortgage over the borrower's stock and chattels is required. Collateral security over the farm property is accepted where the value of the stock and implements shows substantially the margin for the loan required by the borrower and he has a good equity in the property from a lending point of view which he is prepared to pledge as security. Further security is provided in the case of association loans by the responsibility of the associations, supported by their called-up and uncalled share capital and reserves created, for the loans granted to the individual members, and in the case of direct loans by the guarantees of approved persons or companies for 20 per cent. of the original amounts granted or any larger percentages required in regard to particular loans.

For loans granted to co-operative societies under Part IV of the Act security will be required over the live-stock or produce belonging to the companies. In discounting transactions the Board holds a promissory note from the farmer who has obtained accommodation by this method, but its main security will be in the endorsement of the discounting company which in every case is accepted only where the company's ability to meet the total notes to be endorsed and discounted by it has been ascertained in advance through an adequate investigation of the company's financial position by the Board's accounting officers.

RURAL INTERMEDIATE CREDIT REGULATIONS.

11. Authority was given by the original Act for the issue by Order in Council of regulations governing the administration of the Board's business in matters of procedure and detail. Regulations which were made on the 21st December, 1927, and published in the *New Zealand Gazette* No. 88, of the 22nd December, 1927, made provision for the control and working of the district boards and co-operative rural intermediate credit associations in addition to laying down the general lines upon which the Board was to proceed in the administration of the system. Amending regulations made on the 17th September, 1928, and published in the *New Zealand Gazette* No. 70, of the 20th September, 1928, provided mainly for the simplification of the proceedings of co-operative rural intermediate credit associations. Further regulations made on the 13th January, 1930, and published in the *New Zealand Gazette* No. 2, of the 16th January, 1930, extended the scale of legal charges and made other alterations which were necessary in view of the provisions of the Rural Intermediate Credit Amendment Act of 1929, principally those providing for the increase of the limit for loans to farmers from £1,000 to £2,000.

ADMINISTRATION OF SYSTEM.

12. *Constitution of Board.*—As constituted by section 3 of the Rural Intermediate Credit Act, 1927, the Rural Intermediate Credit Board, to which the administration of the system was entrusted, was composed of seven members. The Public Trustee *ex officio* was made the principal executive member of the Board, under the designation of "Commissioner of Rural Intermediate Credit," and it was provided that of the remaining six members one at least must have practical experience in farming.

By section 29 of the Finance Act, 1929, the Financial Adviser to the Government was constituted a member *ex officio* of the boards charged with the control and investment of public moneys or other moneys administered by any Department of State and of certain other boards, including the Rural Intermediate Credit Board, the operations of which were of a public character. Since the retirement of Colonel J. J. Esson, one of the original members of the Board, from the position of Financial Adviser to the Government, his successor, Mr. R. E. Hayes, has acted as a member of the Board. Colonel Esson has continued in his private capacity to be chairman of the Board.

The Board at present consists of the following members :—

- Colonel J. J. Esson, C.M.G., V.D., J.P., Wellington, Chairman of the Rural Intermediate Credit Board.
- Mr. J. W. Macdonald, C.M.G., Wellington, Public Trustee of the Dominion of New Zealand, Commissioner of Rural Intermediate Credit.
- Mr. John Brown, Lowcliffe, 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. R. E. Hayes, C.M.G., Wellington, Financial Adviser to the New Zealand Government.
- Mr. J. N. Massey, M.P., Puni, Auckland, farmer.
- Mr. W. Waddel, Wellington, Superintendent of the State Advances Office.

It will be observed that farming interests are adequately provided for by the appointment of a farming representative from each Island.

Mr. Corkill, who had been absent on a trip to England, returned to the Dominion in October last, and since that date has taken part in the deliberations of the Board.

Under the provisions of the Act Mr. J. Snell, of Wellington, was appointed Deputy Commissioner of Rural Intermediate Credit, and discharges the duties of that position in conjunction with those of Controller of the Mortgage Division of the Public Trust Office.

13. *Meetings of the Board and Committees of the Board.*—The Board has met regularly in Wellington at monthly intervals during the past year, the meetings being held as a rule on the second Friday of the month. Matters affecting the Board's lending business which have arisen in the intervals between the meetings of the full Board have been dealt with by a Local Committee composed of three members resident in Wellington, which meets weekly or more frequently if required for the purpose of considering loan applications, consenting to the registration of co-operative rural intermediate credit associations, dealing with the acceptance of guarantees under Part III of the Act, and endorsements of notes for discounting with the Board, considering the appointment of valuers, and similar matters. By adopting this procedure it has been possible to deal expeditiously with applications and other matters incidental to the lending operations. Particulars of the matters dealt with by the Local Committee are furnished to all members of the Board so that they may be conversant with the lines upon which the Local Committee is proceeding. It may be generally stated that the Board at its monthly meetings deals with matters of policy and the Local Committee with the individual lending transactions, but from time to time the Local Committee has referred applications or other matters involving important decisions to the full Board for consideration, so that the general policy of the Board in regard to special classes of transactions may be defined.

For the year ended the 30th June, 1930, twelve meetings of the full Board and forty-three meetings of the Local Committee were held.

DISTRICT BOARDS.

14. *Constitution and Working of.*—The sixteen district boards which were set up by the Board in the months of March and April, 1928, are composed of five members each with the District Intermediate Credit Supervisor at the headquarters of the respective district as chairman *ex officio*. The boards include at least two farming members each representative of the main classes of farming operations conducted in the district, so that all classes of applications may receive the fullest consideration, and, in addition, they generally contain stock and station representatives nominated by the local stock auctioneers' and agents' association and representatives of Government Departments closely associated with farming matters, such as the Lands and Survey, Valuation, and Agriculture Departments. By virtue of their personnel and the wide range of local knowledge and experience which is provided, the district boards are fully qualified to deal with all matters affecting farm finance and to tender advice to the central Board upon matters of general policy which arise from time to time for a decision involving a close knowledge of local conditions. During the year the activities of the boards have been directed for the most part to the consideration of loan applications originating in their districts, a substantial proportion of which is decided finally by the district boards, while recommendations in regard to other applications, mainly direct applications under Part III of the Act as contemplated by the legislation, are furnished by them to the central Board. Those applications originating from associations which are reserved for the decision of the central Board do not, as a rule, go before the district boards. In some cases, however, the Board has sought the advice of the district boards where there have been special features in connection with applications recommended by associations. During the year the Board has delegated to committees of the various district boards extended powers in connection with the control of loan accounts, more particularly in regard to the disposal of the proceeds of stock and produce.

The Board records its appreciation of the valuable services which have been freely rendered throughout the year by district boards and the close attention which has been given by them to loan applications and other matters coming before them.

15. *Meetings of Boards.*—The frequency of the meetings of the individual boards has depended upon the development of the business in their districts and as the expansion of the Board's business has, up to the present, been uneven in the districts the number of meetings held has varied considerably. If the volume of business requiring consideration has not justified the calling together of the boards, decisions have been obtained by circulating particulars of the matters requiring consideration, but it is recognized that it is preferable for loan matters to be dealt with at meetings of the district boards, and this course is followed where practicable.

16. *Changes of Personnel.*—During the year the following changes occurred in the personnel of the district boards:—

Auckland District Board: On 26th August, 1929, Mr. A. S. Faire succeeded Mr. R. F. Ward as District Public Trustee, Auckland, and consequently as District Intermediate Credit Supervisor there and chairman of the district board.

Poverty Bay District Board: On 11th November, 1929, Mr. P. C. Dwyer succeeded Mr. K. A. Henderson as District Public Trustee, Gisborne, and consequently as District Intermediate Credit Supervisor there and chairman of the district board.

Hawke's Bay District Board: On 1st October, 1929, Mr. F. W. Browne succeeded Mr. S. W. Smith as District Public Trustee, Napier, and consequently as District Intermediate Credit Supervisor there and chairman of the district board.

Taranaki District Board: It is with regret that the Board records the death on the 22nd June, 1930, of Mr. H. E. Abraham, of Stratford, who had been a member of the district board since the inception of the scheme. During the year Mr. S. Blake, of Hawera, who was also one of the original members of the board, found it necessary on account of ill health to tender his resignation, which was accepted with regret. To fill the vacancies so created Messrs. H. E. Blyde, of Lepperton, and T. R. Anderson, of Stratford, were appointed members of the board.

Manawatu-Wellington District Board: On 15th November, 1929, Mr. K. A. Henderson was appointed District Public Trustee, Palmerston North, in succession to Mr. A. S. Faire and consequently as District Intermediate Credit Supervisor there and chairman of the district board.

Marlborough District Board: In consequence of his transfer to Christchurch Mr. G. J. Leech, who was appointed on the nomination of the local stock auctioneers' and agents' association, found it necessary to resign his position as a member of the district board. Mr. R. F. C. Priddle, of Blenheim, was nominated by the association in his place, and was appointed by the Board.

Westland District Board: Upon the retirement of Mr. W. T. Morpeth from the position of Commissioner of Crown Lands for the Westland Land District, his successor, Mr. Thomas Cagney, was appointed a member of the district board. On the 24th March, 1930, Mr. A. Bell succeeded Mr. T. R. Saywell as District Public Trustee, Greymouth, and consequently as District Intermediate Credit Supervisor and chairman of the district board.

Southland District Board: Upon the transfer of Mr. N. C. Kensington, Commissioner of Crown Lands for the Southland District, his successor, Mr. John Macdonald, was appointed a member of the district board.

During the year Mr. T. Moss, a member of the Wairarapa District Board, was granted leave of absence in connection with an extended trip abroad, and Mr. G. A. Hodd, of Pahiatua, consented to act as a member of the district board during Mr. Moss's absence. During part of the year Mr. G. W. Hyde, District Valuer, Hamilton, was unable through ill health to act as a member of the district board and Mr. W. A. Gordon, of Hamilton, consented to act in his place.

The Board desires to express its appreciation of the services which were rendered by those members of the district boards who found it necessary during the year to sever their association with the administration of the system, and its regret that their services will unavoidably be lost to the Board.

LOCAL ADMINISTRATION.

17. Since the inception of the scheme decentralization to a considerable degree has been effected in regard to the detail work in order that loan transactions and other matters may be dealt with as promptly as possible; and the Board is giving close attention to the advantages to be gained by the delegation to district boards, directors of associations, and District Intermediate Credit Supervisors, of further powers and duties in regard to the handling of loan matters. As is mentioned elsewhere in this report, extensive powers of making readvances of the proceeds of sales of stock and produce were delegated during the past year.

The operations of the Board in the districts are conducted through the medium of district boards, which are concerned mainly with the consideration of applications for loans and matters arising out of the loan accounts, and of local representatives of the Board. The Dominion has been divided into sixteen districts which, in view of the association of the Public Trust Office with the Board,

correspond with the local districts of the Public Trust Office, except that in some cases one or more of the latter districts have been combined for the control of the Board's operations. In each of the sixteen districts a district board has been established, and one or more representatives of the Board have been appointed, under the designation of "District Intermediate Credit Supervisor," with certain statutory powers and duties apart from these which are conferred or imposed upon them from time to time by the Board. These officers of the Board are in every case the District Public Trustees, and the District Supervisors at the headquarters of each district are, in addition, chairmen of the district boards. In the smaller centres the District Managers of the Public Trust Office act also as representatives of the Board under the designation of "District Officer."

There has been no substantial alteration during the past year in the system of local administration. In consequence of the extension of the Public Trust Office organization, resulting in the establishment of additional district public trustee and district manager offices, the Board is now represented by a number of further District Supervisors in place of District Officers and by some further District Officers. The new District Supervisors are those stationed at Waipukurau and Stratford and the additional District Officers are stationed at Dargaville, Pukekohe, Cambridge, Rotorua, Taumarunui, Pahiatua, Oamaru, and Westport. The Board is now represented throughout the Dominion by twenty-two District Intermediate Credit Supervisors and seventeen District Officers.

A number of changes in the personnel of the local officers of the Board occurred during the year as a result of staff changes made by the Public Trustee and of the retirement or resignation of officers of the Public Trust Office.

ADMINISTRATIVE AND DETAIL WORK.

18. For the administration of the class of finance provided by the Board a thorough knowledge of local conditions is essential, and it is also necessary to keep close touch with the individual accounts. In a substantial proportion of the Board's business local knowledge and control is provided by the directors of the co-operative rural intermediate credit associations so far as the business is transacted through this medium, but to facilitate the transaction of the other business reported to the Board and to provide that general supervision of loan accounts which the Board is under an obligation to maintain in view of its responsibility to the Government and to debenture-holders, extensive local representation is essential. With this object in view, authority was contained in the original Act for the Board to employ the services of any Department of State in carrying on its business, and from the commencement of the system the Public Trust Office has acted in the capacity of agent for the Board. Considerable advantages have accrued to the Board from the utilization of the extensive organization and the representation of that office throughout the Dominion, as it has been found possible to avoid the prohibitive expense which would have been involved in establishing and maintaining a separate organization with adequate provision for extension to meet increasing needs in the districts and representation in districts where movements in the direction of utilizing one or other of the lending methods provided by the Act were reported.

The principal executive officers of the Board in Wellington have been selected from among the senior officers of the Public Trust Office. In addition, the District Public Trustees act as local representatives of the Board under the designation of "District Intermediate Credit Supervisors," the District Supervisors stationed at the headquarters of the districts acting as chairmen of the district boards. In these capacities the District Supervisors bring to the Board the benefit of the knowledge of local conditions gained and the contact with the farming community established in the course of their Public Trust Office duties. Besides the duties mentioned above, each District Supervisor is *ex officio* a director of every co-operative rural intermediate credit association formed in his district. In cases where, owing to the distance at which the headquarters of an association is

situated from the District Supervisor's office, it is not practicable for the District Supervisor to attend each meeting of the directors, it is frequently possible to arrange for the local District Manager of the Public Trust Office to act as his deputy.

The system of local representation and the method adopted for the performance of the administration and detail work has continued to prove satisfactory and well adapted to the Board's requirements.

It is necessary to emphasize that the Public Trust Office acts simply as agent for the Board, and its organization is used for the purpose of carrying into effect the policy laid down by the Board and dealing with the detail work. It has no control over or responsibility for the general policy or operations of the Board, and every care is taken to ensure that no misconceptions will arise as to the relative positions of the Board and the Public Trust Office.

All expenses incurred and disbursements made directly in the conduct of the Board's operations are charged to the Board's account. Other items of expenditure for which it is impracticable for the Public Trust Office to make a direct charge are taken into account in assessing the comprehensive charge made for the services of the Public Trust Office organization. The remuneration of the Public Trust Office is adjusted annually on a basis satisfactory to the Board and to the Public Trust Office.

PUBLICITY WORK.

19. The publicity work performed by the Board during the year was carried out mainly upon the lines described in the report for the year ended 30th June, 1929. As has been stated in another connection, it is found that, despite the comprehensive and energetic measures taken to bring particulars of the system before those associated with the farming industry, misconceptions still exist as to the nature of the system and the methods by which advantage may be taken of the lending facilities provided. The need still exists, therefore, and may be expected to continue for some time yet, for active measures to keep the details of the scheme before the farming community, particularly by arranging for authoritative expositions of it to be given where the extensive utilization of one or more of the lending methods provided by the Act is receiving consideration. Where any definite movement is reported in the direction of setting up a co-operative rural intermediate credit association assistance is given by arranging for a responsible officer of the Board to address meetings of farmers convened for the purpose of receiving information as to the association method and of ascertaining whether a sufficient demand exists locally for the formation of an association, so that full particulars of the lending policy of the Board and of the working of the association method may be available to those farmers from whom the members of any association formed will be drawn. Where, on the other hand, the proposals are to utilize the guaranteeing or discounting provisions, as has in many instances been the case with dairy companies desirous of assisting their suppliers to obtain loans, a representative of the Board has at the request of the company attended meetings of the directors at which the proposals have been brought up for consideration so that full information might be available.

20. *Publications.*—In view of the extensive distribution in the year 1928 of the booklet "New Finance for Farmers" to farmers, branches of the Farmers' Union, agricultural and pastoral associations, dairy-farmers, and other persons and concerns closely associated with farmers, it was not considered necessary to issue any advertising matter of this nature during the past year. The provision of pamphlets giving brief particulars of the terms upon which the various classes of loans are granted is now being considered. A placard for exhibition in dairy factories and other suitable places was printed during the year, in a form adapted for completion with the addition of the name of the local co-operative rural intermediate credit association or company guaranteeing direct loans as the quarter for obtaining information regarding loans, and has been put into extensive use by both associations and guarantor companies. Copies completed with the address of the nearest representative of the Board have also been exhibited by arrangement

with dairy and other companies in districts where neither associations nor guarantor companies have been operating, so that farmers may know to what quarter inquiries for general information regarding the system should be addressed.

A statement is contained in another portion of this report with regard to the steps taken to give publicity to the first public issue of debentures of the Board. It has not yet been found necessary to issue the special booklet already prepared dealing with the system from the point of view of an investor in the Board's debentures.

21. *Co-operation with Farmers' Union.*—From the inception of the scheme the Board has worked in co-operation with the New Zealand Farmers' Union in the measures taken to keep farmers generally informed of the provisions of the scheme. The formation of the majority of the associations operating throughout the Dominion has been due to interest aroused at meetings convened by the local branches of the Farmers' Union, and addressed by representatives of the Board. The central executive of the Union has also rendered considerable assistance to the Board in various ways, and the active interest displayed by all sections of the Farmers' Union organization has had a substantial influence upon the development of the system. Upon its part the Board has maintained close touch with the central executive of the Union and has kept it fully advised of the more important developments in regard to its operations by means of statements furnished for inclusion in publications issued periodically by the Union to its local branches, and any representations submitted through the Union organization in regard to the administration of the scheme have received sympathetic consideration. The Board acknowledges its indebtedness to the Union for its helpful attitude in the above regards throughout the period for which the Board has been operating, and for the further assistance which it rendered in connection with the Board's public issue of debentures, in transmitting detailed information as to the debentures and the terms of the issue to all branches of the Union, so that the question of taking up debentures might receive consideration wherever funds were available for investment.

22. *Distribution of Annual Report.*—As in previous years, a large number of copies of the annual report on the Board's operations for the year ended 30th June, 1929, were printed, and were distributed to the best advantage, so that the comprehensive survey of the Board's operations contained in the report might be brought before the notice of all persons having a special interest in them. Copies of the report were sent to the central organization and the branches of the Farmers' Union, to members of the district boards, co-operative rural intermediate credit associations, guarantor and discounting companies, and other dairy companies and concerns closely interested in farming matters. Copies were also furnished to the daily newspapers, farming journals, and other publications, and extensive publicity was given by them to the contents of the report. A number of applications for copies of the report have been received from institutions administering systems of rural finance in other countries, indicating that the working of the Dominion system is attracting interest in other countries which have felt the need of organizing rural finance for the benefit of the producers. It is proposed to make a similar distribution of copies of the present report.

23. *Articles published in Journals and Newspapers.*—Valuable publicity has been given to the working of the scheme by newspapers throughout the Dominion and by journals devoted to farming matters, and, as a result, the developments in regard to the system and the more important policy decisions of the Board have been constantly before the notice of the farming community and the general public. The Board has willingly met requests by newspapers and journals for the contribution of articles explaining the intermediate credit scheme generally, or dealing with any particular phase of it which is of special interest to the readers of the paper or journal. Upon the part of the farming journals particularly there have been requests for articles of this nature, and in some cases arrangements have been made for the contribution of periodical statements setting out the progress made and the general developments in connection with the operations.

Reports of the proceedings at the monthly meetings of the central Board were furnished to the press, and special statements have also been issued from time to time setting out any major alterations in the provisions defining the scope of the Board's lending business or of the general policy adopted by it. The Board records its appreciation of the extensive publicity given by the newspapers and the journals mentioned to matters arising out of its business. This publicity has been extremely valuable for keeping the scheme before the notice of the farming community and of possible investors in the debentures issued by the Board.

24. *Conferences with Associations.*—It was stated in last year's report that a comprehensive series of conferences with directors of co-operative rural intermediate credit associations operating in the Dominion had been carried out by the Deputy Commissioner so that any difficulties with which they had been faced in the conduct of the associations' affairs might be fully discussed, and that they might receive first-hand information as to the general lending policy laid down by the Board. This undoubtedly assisted to a considerable degree in the smoother working of the association method. It was not considered necessary to arrange for a further programme of conferences upon these lines during the past year, but in any cases where practical difficulties of any moment arose in regard to the operations of any individual association it was usually arranged, if possible, for the Deputy Commissioner to confer with the directors and investigate the possibility of a mutually satisfactory solution of the difficulties being arrived at. Such visits to the districts were not, however, confined to the consideration of matters affecting associations alone, and special developments or difficulties arising out of the other classes of the Board's lending business were dealt with locally with a view to making any improvements in the organization of the scheme which might be necessary. If practicable these matters have been dealt with at the time of the Deputy Commissioner's visits to the districts in connection with his Public Trust Office duties, so that the expense involved has been kept at a minimum.

25. *Addresses to Meetings.*—If it has been possible, arrangements have been made for the addresses to meetings of farmers convened for the purpose of considering the formation of associations to be given by the Deputy Commissioner, so that the fullest information may be available to those present at the meetings in regard to the working of the system and the basis upon which loan applications are dealt with. Since the last report such addresses were given to meetings at Dannevirke, Hastings, Waipukurau, Pahiatua, and Wanganui, the meetings at Hastings, Dannevirke, and Pahiatua being followed by the formation of associations, while movements to set up associations in the other districts are progressing satisfactorily. At the invitation of the Royal Agricultural Society of New Zealand, a further address dealing with the system generally was delivered by the Deputy Commissioner to the annual conference of the society held at Wellington on the 26th June, 1930. Apart from the meetings referred to above, a number of addresses have also been delivered by District Intermediate Credit Supervisors to meetings of farmers, dairy companies, and other gatherings of persons directly interested in the lending operations of the Board, and valuable results have been achieved either through the formation of associations or by the decisions of companies to utilize the provisions for guaranteeing loans or discounting notes on behalf of their suppliers or clients.

GENERAL AS TO LOANS.

26. *Nature of System.*—Although every opportunity has been taken of explaining to the farming community the exact nature of the intermediate credit system and the objects aimed at by its establishment, statements which have been made to the Board by borrowers and others, and criticisms which have been given publicity concerning the classes of security which the Board is prepared to accept, and the standard of security which is required of borrowers, indicate an imperfect understanding in many quarters of the essentials which must be observed by the Board if the system is to achieve that position in the financial life of the Dominion which it was designed to take. The primary object of the scheme is to establish a close

economical relationship between the investor who has money to lend and the farmer who requires it for carrying on his farming operations. While considerable finance had been provided for the farmers prior to the introduction of the system the money made available by the investor reached the farmer by a roundabout method, involving considerable expense, and thus there had sometimes been a substantial disparity between the interest allowed to the investor who made the money available and that charged to the farmer who eventually received it. One of the chief objects of the new system is to "short circuit" the contact with the investor by raising money in the open market at the lowest current rate of interest, and passing the money on to the farmer with the least possible addition of overhead cost. Another is to establish confidence in the operations of the Board, so that an uninterrupted flow of money may be obtained for investment in the classes of security which may be accepted by it. The tendency in recent years has been for rural securities to go out of favour with investors, who have been prepared to accept lower rates of interest on other securities, in view of the difficulties with which they individually have been faced in ensuring adequate supervision of the farming securities and in the collection of interest and principal on due dates. Under the new system these duties will be undertaken by the Board and its organization, while investors will receive a debenture on which the interest will be promptly paid by the Board and the payment of the principal of which will be well secured.

While initial funds to set the scheme in operation were provided by an advance from the Consolidated Fund, which was made available as a loan, not an outright grant, the amount of the advance has now been applied to the full extent permitted by the legislation in the making of loans, and the Board will be dependent for its funds in the future development of the business upon issues of debentures to the investing public. It cannot be anticipated that the debenture issues will appeal to the investing public if the Board does not maintain a prudent standard of investment, measuring the security for its individual loan transactions by that which would be considered satisfactory by the individual investors in the debentures. Any lower standard would depreciate the securities in the eyes of investors, and would have the effect of drying up the sources of finance available to the Board and arresting the development of the scheme. That it was contemplated that advances would be made only against adequate security is clearly indicated by the fact that by the Rural Intermediate Credit Act, 1927, the debentures were constituted trustee securities and authorized investments for moneys under the control of various institutions and State lending departments. Moreover, any other lending policy would be inconsistent with the Board's obligations in respect of the advance received from the Consolidated Fund.

So far as borrowers are concerned the system was designed to provide assured finance upon the security of their farming stock and chattels and suitable collateral, on the most favourable terms, over an extended period, with necessary provision for the calling up of any particular loan if essential during the currency of the loan for the protection of the moneys advanced. The benefit to farmers generally will be from the additional funds to be made available for the classes of security concerned, the more favourable rate of interest charged and easy terms of repayment granted, and the security of finance provided where loans are obtained from the Board.

In view of the circumstances detailed the Board found it necessary to lay down certain standards to be observed in the consideration of loan applications, in regard to the class of security acceptable to it, the margins of security required, and other matters having a general bearing upon its lending operations, which will ensure that the moneys advanced will be adequately protected. By means detailed elsewhere in this report the members of district boards, the directors and secretary-treasurers of associations, and branch officers of the Board are kept informed of decisions upon matters of policy so that applications may be dealt with in a uniform manner. Anything in the nature of a rigid set of rules for measuring applications is avoided, however, and all circumstances which support the granting of loans are fully investigated, particularly if the personal element is reported to be good. All applications may be said to be dealt with on their own merits in the light of general principles laid down by the Board.

27. *Securities over Land.*—It is desirable to refer here to the question of accepting mortgages over farming land as the principal or collateral security for moneys advanced by the Board as the principles upon which it has worked have been the subject of criticism during the year.

It should first be stated that if the farming stock and machinery contain an adequate margin for the advance applied for or other sufficient security is submitted, it is not the practice of the Board to insist upon security being given over the farm property, particularly in view of the fact that such security may involve the borrower in a substantial but unavoidable increase in the legal expenses if, as is generally the case, agency costs have to be incurred by the solicitor entrusted with the preparation of the documents securing the loan.

Various considerations apply to the question of accepting collateral over farm-land for security purposes. In the first place the purpose of the intermediate credit system was to provide facilities for loans upon the security of farming chattels such as live-stock, machinery, non-perishable farm-products, and the like, supplemented in the case of direct loans by guarantees. A separate system was set up under the control of the Rural Advances Board and is administered through the State Advances Office for the provision of credit for longer terms on the security of rural land. It would be outside the proper functions of the Board to advance moneys, as it has sometimes been requested to do, where the greater part of the security submitted has been contained in an equity in the farm property and the equity has, in fact, been the principal security, not the farming stock and machinery. It is important to remember also that a lender who has advanced moneys upon the security of a second or subsequent mortgage of land may in adverse circumstances be faced with the alternatives of taking over prior mortgages to protect his security or of abandoning his security if action is taken by a prior mortgagee to realize the property. The former course would present difficulties in the case of intermediate credit loans, as the total amount which can be advanced in respect of any one borrower is restricted by the Act. Another aspect of the matter which must be considered by the Board is that the funds employed in its business will be provided mainly by issues of debentures, which are constituted trustee securities. The extent to which trustees may invest moneys upon the security of mortgages of land is restricted, and although the Board's loans are in a somewhat different category in that they are substantially reduced from year to year, it follows that some regard must be had to the lending value of the various farm properties proffered as collateral considered from the point of view of trustee securities. A further cause of difficulty lies in the fact that the legislation contemplated that all loans would be cleared within a period of five years from the time of granting. Repayment upon this basis should be well within the borrower's ability in respect of loans for which there is adequate security in the farming stock and implements. The position would probably be different if the loan-moneys represented in substantial measure moneys which would otherwise have been provided by a mortgage over the farm property with amortized payments over a long period, or by a flat mortgage with no repayments of principal before the maturity date named. No rigid rules have been laid down in regard to the consideration of applications in which this question arises, and every application is dealt with on its merits, due consideration being given, for example, to any increase in the values of the properties which would result from permanent improvements to be effected out of the loan-moneys. As a general rule, however, it will be necessary for security for the major portion of the loan to be contained in the farming stock and chattels, a good equity in the farm property ascertained upon the lines referred to previously to be available as security, and for the Board to be satisfied that the borrower is in a position financially to repay the whole or a substantial proportion of the loan during the five-year period referred to in the Act.

28. *Guarantees.*—Next to this question of accepting collateral security over land for lending purposes the main difficulties in regard to loan applications have arisen in cases where applications for loans in excess of the amounts which would be granted on the farming stock and chattels and other security proffered have been recommended on account of guarantees submitted which have not been

supported by any tangible security. It has not been the practice of the Board to attach substantial value for security purposes to guarantees not supported by adequate and satisfactory security; and the Board has not found it possible to depart from this attitude, except in cases where the amount involved has been small and there has been substantially the margin of security in the other assets available as security. In most of the cases where the unsupported guarantees constituted a main part of or even the principal security offered the guarantees submitted were those of private individuals reported to be of good standing, and some disappointment was expressed when the Board's requirements regarding security were made known. It is, however, generally difficult to assess the exact value of a private guarantee at the time when the application is made, and there is always the possibility of a rapid change afterwards in the position of the guarantor which would render the guarantee valueless. For these reasons, and in view of the need for adequately safeguarding the funds entrusted to the Board by the Government and the debenture-holders, it is felt that the Board would not be justified in taking guarantees into account for lending purposes unless supported by tangible and satisfactory security.

29. *Pedigree and Stud Stock.*—Applications have frequently been made for loans representing approximately the maximum sums which could be advanced on the usual margins on pedigree dairy cattle or stud sheep stock if the stock were taken into consideration at the special values, often much in excess of the values of grade animals of a similar class, assigned to the stock. During the year the Board gave consideration to the principle involved, and while recognizing that stud and pedigree stock and the progeny thereof command in favourable circumstances prices in excess of grade stock and in the case of dairy cows the animals may be of a higher-producing strain, it came to the conclusion that it would be inadvisable to take such stock into account for lending purposes at values much in excess of those placed upon grade animals, in view of the circumstances under which the Board is operating, and the difficulties which would be associated with the valuation of the stock and the supervision of the securities. The handling of pedigree and stud stock requires special skill, knowledge, and experience, and the number of farmers possessing the requisite qualifications is limited. It would be unsafe for the Board to lend moneys upon the basis of high valuations of stock of pedigree or stud quality to farmers without the necessary qualifications. The valuation of these classes of stock is highly specialized, and as the valuers appointed by the Board, while fully competent to value ordinary stock, are not, generally speaking, experienced in valuing pedigree and stud stock, it would be necessary to utilize in each case the services of recognized valuers with expert knowledge in the particular class of stock concerned not only at the time of the original application, but throughout the currency of the loan when questions such as the maintenance of the herd or flock to the required standard, the purchase of foundation or other stock, and the regulation of sales of stock came up for consideration. In view of the scale of charges which would apply it is probable that the cost to the individual borrowers, both at the time of the original loan application and later for supervision purposes, would be heavy. Moreover, the total volume of business which might be forthcoming in any one district would not justify the setting-up of special facilities, with necessary safeguards, for breeders of such stock. To a limited extent, however, the Board has agreed to take pedigree and stud stock into account for lending purposes at valuations somewhat in excess of those assigned to grade stock. In these cases a limit of valuation of £15 has been fixed in respect of pedigree dairy cows and bulls and £2 2s. for stud sheep stock, with proportionate valuations for young stock and provision for pedigree bulls and stud rams of exceptional value being taken into account at higher valuations if covered by a live-stock insurance policy. The Board is at present giving consideration to suggestions which have been made for the acceptance of higher valuations of pedigree dairy bulls in cases where the borrower is aiming at a progressive improvement of his dairy herd.

30. *Conditions on which Loans are granted.*—So that a proper conception may be obtained of the conditions on which loans are made available by the Board, and the reasons underlying the principles laid down, the succeeding portion of the report sets out the main requirements of the Board. It has first to be emphasized that the finance provided by it is intended not to be of a temporary nature, but to cover the borrowers' requirements over a period of years. A number of misconceptions which exist will disappear with a proper understanding upon this point.

For the reason just stated the Board in dealing with loan applications specially investigates the financial position of the borrower and his ability, as disclosed by the information submitted, to carry on his farming operations successfully and comply with his obligations to the Board, including the repayment of the loan or a substantial portion of it within the statutory period. The applicant's probable requirements for the development of his farm property are considered in relation to the total extent to which the Board would be able to grant assistance to him. Where the borrower's position is reasonably sound and may be expected in normal conditions to continue so over the period for which he requires the loan, and there is substantially the margin for the sum he requires in the security offered by him, the Board has had no difficulty in making the moneys available to him promptly. In addition, as will be mentioned later, the Board has in a number of cases financed the development or extension of the borrower's farming activities during successive years.

In some cases, however, it has been evident that the conditions under which the operations of applicants were being conducted were financially unsound, and that the amount of the loans which could be provided by the Board would not afford them any real relief in view of the obligations with which they were faced as lessees or mortgagors, or of separate liabilities which could not be discharged from the loan or out of any other resources of the applicants. In other cases the amounts which have been required immediately could be provided by the Board, but on account of the security available the total finance required by the applicant in the near future could not be made available. Any temporary gain to the borrowers from the lower rate of interest charged for intermediate credit loans would be outweighed by the subsequent expense of rearranging the farm finances, and in such cases it would not be in the interests of the borrowers themselves to take up any loans which could be made available. Where such circumstances have existed it has not been possible for the Board to grant the loans applied for. Applications have, however, not been declined arbitrarily, and the Board has willingly investigated any proposals for the rearranging of leases or mortgages or provision for other liabilities or for improved arrangements for the working of the properties which will place the applicants in a more favourable position, and it has in a number of cases held over a final decision in order to give them the opportunity of bringing to finality proposals which would enable them to secure intermediate credit loans. In dealing with border-line cases special importance is attached to the personal element, as much depends there upon the ability, energy, and integrity of the particular farmer. The Board has derived considerable assistance in these cases from the district boards which, being composed largely of practical farmers with knowledge of local conditions, are in a position to weigh the prospects of the ultimate success of the farming ventures, and the protection which would be afforded in the meantime for the loans applied for, and borrowers themselves have, in many instances, benefited from suggestions made by the district boards in regard to the improvement of their financial arrangements or methods of farming. The recommendations submitted by directors of associations have also contained evidence of thoughtful attention to the various features of the applications recommended by them.

An important requirement is therefore that the borrower should be reasonably assured of his finances in respect of his existing operations and his tenure of the farm property throughout the period of the proposed loan. This does not, however, mean that he will be subject to any restrictions if he desires to terminate his operations during the period of the loan, as all loans granted by the Board may be repaid at any time without formal notice. If the borrower has no definite tenure

of the land, as may be the case where he is a share-milker, it is important to ensure that the stock will not be liable to be removed at a moment's notice, possibly at a time unfavourable for realization, and this is provided for by requiring the guarantee of the owner of the farm property to be obtained as a condition of the approval of the loan. Where the farm property is leased for a short term, suitable provision is made in fixing the basis of repayment for the clearing of the loan, or the repayment of the major portion of it, during the term of the lease. Adequate steps are also taken in the case of stock depasturing on leasehold properties to protect the Board from loss as a result of distraint being made by the landlord upon the stock for rental unpaid by the borrower.

There has been a tendency upon the part of some borrowers to include part only of the stock upon the farm property in the security offered for the loan. As the taking of security over part only of the stock on the property is likely to lead to misunderstandings and to difficulties in the identification of the stock charged as security, it has been made a rule that all stock on the farm property must be included in the bill of sale. Where the borrower has special reasons for desiring to exclude a portion of the stock, as where this portion is held for sale and the proceeds have been earmarked for some necessary purpose, and the balance of the stock and any other security to be taken show a sufficient margin for the loan, his wishes will be met by undertaking to place the proceeds of that portion of the stock at his disposal if the position of the loan account at the time of realization is satisfactory. Where more than one herd or flock separately owned are run in conjunction, an application for an advance is not regarded favourably unless all the stock is brought within the security, or adequate safeguards are provided otherwise in respect of the possibility of the identity of the stock charged as security being lost.

The circumstances of each loan are taken into consideration in fixing the repayments to be required of the borrowers. Regard is had to calls upon the borrower in other directions, and where it is necessary the repayments to be made during the earlier years are fixed on a lower basis than those to be obtained towards the end of the period of the loan, and the borrower is in this manner given the opportunity of establishing his finances on a sound basis. In the case of dairy securities the basis of repayment throughout the full term is laid down at the time of the granting of the loan, though if sufficient reasons for a variation of the repayments are adduced later this basis is not rigidly adhered to. The repayments and interest are secured by an order on the borrower's cream cheques, and arrangements are made as far as possible to collect the total sums required during the flush months of the milking season, leaving the payments free during the winter months when the cheques are small and are as a rule required in full to meet current expenses. The payments are collected either by an order for a suitable percentage of the cream cheques, or for fixed amounts during named months of the season selected by the borrower so that the deductions will not fall due at the same time as payments to be made by him in respect of interest, rent, or otherwise.

In the case of sheep loans the practice is to review the position of each loan annually to determine the repayments to be required of the borrower. This course is adopted as there are more extensive changes from time to time in sheep securities than in dairy securities, and it is very necessary to ensure that the flocks do not depreciate in value. Loans are also granted to sheep-farmers under a special system for "limits" which is explained in detail elsewhere in this report.

The documents securing the loans provide for all loans being on a "demand" basis, and any arrangements made by the Board for repayments are subject to the condition that repayment of the loan may be demanded at any time. While this is so, the Board exists solely for the purpose of providing farmers with loans on the most favourable terms possible, and borrowers are assured that so long as their securities are maintained and their obligations to the Board complied with the Board will not arbitrarily call up their loans.

It is stated elsewhere that the position regarding compliance by all classes of borrowers with their obligations to the Board is extremely satisfactory in regard to both payment of interest on their loans and the payment of the prescribed instalments in reduction of principal. This clearly indicates that the total payments required of borrowers under the conditions imposed by the Board do not press unduly on them.

Additional assistance has been granted to a number of borrowers who, after reducing or repaying their loans in accordance with the arrangements entered into by them, have asked for increased or fresh loans for the purpose of extending their farming operations by bringing into a higher state of productivity additional portions of the farm property, or by building up their herds, their requirements in the latter regard being frequently a direct result of increased carrying-capacity attributable to improvements effected out of the original loan-moneys. It had been evident in these cases that the borrowers had been making steady progress. The provisions of the Act do not permit of the repayment of such loans being spread over a further period of five years, but if it would not be reasonable to expect the borrower to repay the increased or additional loan over the balance of the term of the bill of sale, repayments on a lower basis have been agreed to, subject to the balance of the loan unpaid at the end of the term being made repayable then, when the question of granting a fresh loan to liquidate the balance and provide for further requirements of the borrower can, if necessary, be considered.

31. *Sheep-farmers and Grain-growers : System for Limits.*—As forecasted in the previous report of the Board, special facilities have been provided for sheep-farmers and grain-growers, whose loans for various reasons must be treated on a different basis from those of dairy-farmers, with which class of farmer the major portion of the lending business had been transacted up to that time. The system of a fixed loan to be liquidated over a period of years by regular payments, as provided in the case of dairy loans, is not equally applicable to the requirements of sheep-farmers and grain-growers, whose indebtedness steadily increases during the major portion of the year and is then rapidly liquidated either wholly or in part during the production season.

The increase of the limit for loans to £2,000 made it possible for the majority of these classes of farmers to have recourse to the system, if they desired to do so, for the purpose of financing their operations. So as to make the system of the fullest benefit to them the Board gave consideration to the provision of facilities upon similar lines to the overdraft system which is made available by the banks and stock and station agents, and by which limits are fixed against which the borrowers may draw to meet their requirements. After consultation with the district boards and the associations operating throughout the Dominion, the Board adopted a system of limits for these classes of loans upon the following basis:—

- (a) The limits fixed will not exceed the amounts which the Board would be prepared to lend on the usual margins on the proffered security.
- (b) All existing encumbrances on the security will require to be discharged from the amount made available by the Board.
- (c) The charge on stock, crops, and/or land will be registered against the security to cover present and future advances.
- (d) Reasonable notice is to be given by the borrower of additional advances required from time to time, up to the limit fixed by the Board.
- (e) The Board will not be able to adopt a system of cheques or orders similar to those used in the case of stock and station agents. A maximum of one withdrawal a month, or, in the case of more frequent payments being required, a minimum of £50 per withdrawal, has been fixed as regards the amounts to be received from time to time to meet living and current expenses. The amounts paid over by the Board can be lodged by the borrowers to the credit of their banking accounts and cheques drawn in the usual way until the amounts are exhausted, when further amounts can be obtained within the limit authorized.
- (f) Interest will be charged only on the amount owing by the borrower from time to time.
- (g) The position of each borrower will be reviewed annually by the Board, which will then decide whether the limits will be varied.

In view of the statutory provisions governing the Board's lending business, the securities for loans under this system for limits are drawn so as to make the loans repayable on demand, and they do not impose any definite obligation to make further advances available from time to time. Borrowers who satisfactorily comply with their obligations to the Board will, however, not meet with any difficulties on this account.

The working of these facilities is being carefully watched by the Board so that any improvements which are suggested by practical experience of their working and are suitable for adoption may be incorporated.

As a result of the provision of these additional facilities there has been increased interest in the scheme upon the part of the classes of farmers affected, and one result has been the activity shown in the formation of associations, or in initiating movements in that direction, in districts where sheep-farming or grain-growing is carried on, as it is probable that these farmers will not have the same facilities for guarantees placed at their disposal as dairy-farmers have had, and consequently they will not be in a position to utilize the direct method for the submission of their applications to the Board. It has also led to increased business upon the part of associations already operating in districts partly or mainly devoted to farming operations of that nature. Already a substantial amount of business of a satisfactory character has been recorded under the system for limits, and it is anticipated that this class of lending will in course of time assume considerable dimensions.

32. *Applications and Loan Accounts.*—All possible steps have been taken by the Board to ensure the prompt handling of applications for loans so that the farmer may have advice at the earliest date of the result of his application, and may receive the loan thereafter with the least possible delay. Facilities for the submission of applications are provided for farmers utilizing the direct or guarantee method through the wide representation of the Board throughout the Dominion, and the existence of numerous associations, which are being added to rapidly so that the time is now in sight when there will be a chain of associations operating throughout the Dominion, ensures that those farmers who desire to approach the Board for loans under the provisions of Part II of the Act will, in the majority of cases, have the opportunity of doing so.

Standard forms of application, valuation, and statement of financial position have been printed for use in all classes of loans, which, if adhered to, furnish all the information required for the consideration of the applications. The system of valuation adopted by the Board makes it possible for the required valuation to be obtained in each case from a qualified valuer resident within easy reach of the security, at correspondingly low expense to the applicant.

After the valuation has been made and in the case of association applications the decision of the directors has been given, the application is submitted promptly for a decision by the district board or the central Board, as the case may be. Meetings of the district boards are held as frequently as the volume of business renders it practicable to call them together, and in the intervals between the meetings the views of individual members are ascertained by circulating copies of board papers summarizing all the information having a bearing on the desirability or otherwise of granting the loan, so that the decision of the district boards may be given with despatch. District boards have powers within defined limits of dealing with applications whether submitted through the medium of associations or lodged direct with the Board. In the central office the Local Committee of the Board deals with all loan applications requiring a decision by the central Board and other matters arising out of the lending business, such as the approval of guarantees, or of endorsements in connection with discounting transactions, and consenting to the registration of associations; and it meets weekly or more frequently if required to deal with these matters. By the use of standard forms for the submission of applications for a decision, and through special measures for advising local officers of the decisions reached, delays are avoided.

The taking of the securities for loans which have been approved is then facilitated by the use of standard forms, which in the case of loans under the provisions of Part II of the Act are supplied to the associations at cost price.

To avoid delay, once a loan is granted, in the handling of the proceeds of produce, or of stock sold where the borrowers change their herds or flocks to meet seasonal requirements or dispose of surplus stock, and require readvances of the proceeds to purchase additional stock or for other necessary purposes, the Board during the year granted extended powers of dealing with requests for such readvances to directors of associations and to District Supervisors acting in conjunction with members of the district boards. As a result matters of this nature will be dealt with largely in the districts from which the loans originate, with adequate safeguards for the protection of the funds invested by the Board. Provision has also been made for the authorization in a similar manner of further advances required by the borrowers to meet urgent requirements in cases where the original loans have been substantially reduced. In addition the system for "limits" in the case of sheep-farmers and grain-growers enables these classes of farmers to arrange their finances in advance of actual needs, so that the additional sums required by them from time to time during the non-revenue producing period of the year may be obtained with reasonable promptitude. As the Board does not make any charge in the nature of interest or otherwise for holding on a borrower's account part of a loan which has been approved but is not needed immediately, and interest is charged only on the sums actually paid out from time to time and not repaid, dairy-farmers may also arrange for their financial requirements well in advance of the times at which the moneys will be needed, and an internal office system is being brought into use in connection with dairy accounts also for fixing lending limits at the time of the granting of loans, so that any subsequent applications for further accommodation may be dealt with promptly in the districts.

33. *Legal Work.*—A number of important legal matters in regard to which difficulties had been encountered by the Board's legal officers were referred to counsel. Instructions as to the course to be followed in these cases as advised by counsel are now being prepared for the guidance of the legal officers of the Board in the districts and of the outside solicitors who have been entrusted with the preparation of securities for co-operative rural intermediate credit associations or for the Board.

34. *Interest and Discounting Rates.*—The rate of interest charged to borrowers and the discount rate have been maintained at $6\frac{1}{2}$ per cent. per annum during the past year, this being the rate which has applied to these classes of transactions from the commencement of the Board's operations. In the case of co-operative rural intermediate credit associations the loans are made to the associations at the rate of 6 per cent. per annum, so that associations may be able to provide for the costs of management and make the loans available to their members at the same rate of interest as that charged to borrowers direct from the Board—namely, $6\frac{1}{2}$ per cent. per annum. The conditions on which associations are authorized to utilize the full margin of interest to cover the working expenses and provide an adequate remuneration for the secretary-treasurer are set out in the portion of this report dealing with co-operative rural intermediate credit associations.

CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

35. *Nature of Associations.*—A co-operative rural intermediate credit association is a special form of limited liability company composed of twenty or more farmers, to which the Board is authorized to lend moneys to be readvanced by the association to its members upon securities approved by the Board. Associations are not trading concerns—their functions are confined to borrowing moneys for relending to their members.

Members of associations are required to take up at least twenty-five £1 shares, which holding will entitle a member to make application for a loan up to £250. If a borrower desires to obtain a larger loan he must take up shares to the nominal value of one tenth of the amount of the loan. As a rule 1s. per share in respect of the share-capital is called up on the formation of each association, and so far the directors of the various associations have not found it necessary to call up a larger

amount of share capital. All called-up capital must be invested in Government or other securities approved by the Board. Arrangements have been made with the Public Trustee whereby the paid-up share capital of associations, which after the initial period of the associations' existence is received in small payments, may be invested in the Common Fund of the Public Trust Office on favourable terms. The liability of members of associations in respect of loans taken up by other members is limited to the share capital which they have contributed; there is no joint and several liability.

After an association has been formed other farmers desirous of taking advantage of the facilities provided by it may be admitted as members, and existing members who do not obtain loans or who have repaid their loans may surrender their shares and receive their value provided that their retirement will not reduce the number of members remaining in the association below the statutory minimum of twenty.

As it is probable that the Board will be the sole source of funds for lending by the associations their operations are subject to control by the Board in many respects. Associations are required to adopt standard forms of memorandum and articles of association from which no departure may be made without the Board's consent. The District Intermediate Credit Supervisor for the district is *ex officio* a director of each association operating in it, and in addition the Board has power to appoint a further director from among the members of the association. This latter provision has been utilized to meet cases where an association has extended its operations beyond the area originally intended to be covered, so that the consideration of applications by farmers in the additional districts served will be facilitated through local knowledge being available to the directorate. Additional directors have been appointed to three associations under this provision. The Board is also given control over the disposal of the profits of associations, which, however, will not be large, as the purpose for which associations were constituted was the provision of financial accommodation to farmers at the lowest rate of interest and they were not intended to be profit-making concerns. On this account it was specially provided that there should be only one paid official for each association, and directors are not entitled to receive remuneration for their services, except where they act as the paid official referred to. It is suitable to draw attention here to the fact that the association method of securing loans was expressly provided to give scope for co-operative effort upon the part of farmers in relation to their financial requirements, and it is only by the co-operation of all concerned that the method can be made of the fullest value to the farming community.

On the other hand, when the legislation was passed it was found possible, in view of the special nature and restricted functions of associations, to relax a number of the requirements which apply to other limited liability companies.

The purposes for which loans may be obtained by members of associations are the following :—

- (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 under the Act is five years, and the rate of interest charged to borrowers must not exceed 7 per cent. per annum.

36. *Preliminary Expenses of Associations.*—Section 18 of the Rural Intermediate Credit Act, 1927, provides for advances up to a total of £5,000 being made to the Board from the Consolidated Fund, to be applied in making loans to associations of not more than £25 in each case to cover the preliminary expenses of formation and

establishment. No interest is paid by the Board on advances of this nature, and the amounts lent to the individual associations are free of interest for periods up to ten years, as arranged by the Board.

Up to the 30th June, 1930, loans totalling £598 17s. 11d. had been made to associations under this provision and had served to cover such outgoings as the legal costs and other expenses incurred in the course of formation, the charges for accounting books and records, and other expenses of a like nature. The District Supervisors deal with applications by associations for advances under this provision.

37. *Payment of Expenses of Administration.*—The revenue to meet the working-costs of associations is derived from two sources: Firstly, profit interest on the funds advanced representing the difference between the rate of interest charged by the Board to the association and the rate of interest charged by the association to the borrower; and, secondly, levies from applicants of small fees to cover the cost of the work involved in the consideration of their applications.

The rate of interest charged by the Board to associations is 6 per cent. per annum, which enables provision to be made for the expenses of management and the loans to be granted to members at the same rate of interest—6½ per cent. per annum—as that charged by the Board in respect of direct loans under the provisions of Part III of the Act. While moneys continue to be obtained by the Board through its debenture issues at 5½ per cent. per annum it is a definite condition of the Board that the rate of interest charged by the association to the borrower shall be 6½ per cent. per annum. In the earlier stages the Board imposed the requirement that ¼ per cent. out of the margin of interest provided should be used for the purpose of setting-up a reserve fund to meet contingencies, but on the representations of associations that the income available on this basis was not sufficient to enable the associations to obtain the services of or retain suitable secretary-treasurers, it was agreed to waive the requirement in cases where associations took steps to supplement the revenue by the charging of consideration fees to applicants upon the following basis:—

- (a) Applications for loans under £500, 10s. 6d.
- (b) Applications for loans of from £500 to £1,000, £1 1s.

In view of the increase of the limit for loans to £2,000 this provision has been extended by fixing the fee for the consideration of applications for loans in excess of £1,000 at £2 2s.

It was definitely stated by the Board that the above arrangement was to be regarded as a temporary one only, and it has reserved the right to reimpose the condition as to the setting-up of reserves as soon as the associations are in a position to operate successfully under the original conditions laid down. Those associations which have decided to conduct their operations on the ¼ per cent. margin of interest are permitted to make charges to borrowers on the above basis if they so desire. The majority of the associations have availed themselves of the opportunity afforded by the Board of supplementing their income.

In view of the periods over which the majority of the loans granted are likely to be current the arrangements referred to provide a convenient method for the associations to augment their incomes without imposing any material burden upon the applicants, and in addition the charging of the fees ensures that unsuccessful applicants will contribute in some manner to the cost of the work involved in the consideration of their applications.

In a large number of associations operating it has been found of considerable advantage to combine the position of solicitor and secretary-treasurer, when the remuneration received in the latter capacity is supplemented by the legal fees charged in respect of the preparation of the securities taken by the association from the borrowers.

The Board has also taken all possible steps to ensure that the affairs of associations are conducted upon the most economical basis. In consequence of the provision of standard forms of memorandum and articles of association and the lower scale of legal charges which is on that account possible, the expenses in connection with the formation of the individual associations are kept at a

minimum. All other legal forms and accounting and other records which are required in any number by the associations have been printed by the Board, and are supplied to them at cost price. The saving of interest on amounts repaid by borrowers to an association and applied by the association in the reduction of its account with the Board has also been given consideration and associations which are receiving substantial payments monthly from dairy factories under orders given by the borrowers may effect an appreciable saving of interest by directing, if they desire to do so, the dairy factories to make the payments direct to the Board so that interest to the Board may stop simultaneously with the cessation of interest to the association in respect of amounts paid over on the borrowers' accounts. An arrangement of this nature is entirely optional on the part of associations, and by agreeing to receive the total of the payments the Board does not accept any responsibility for seeing that the correct individual amounts are received or that payments are made when due, the secretaries of the associations concerned being responsible for attention to these matters.

38. *Assistance rendered to Associations.*—The success of the Board's operations is dependent to a material extent upon the success of the various associations throughout the Dominion. Measures are therefore taken to assist the directors and secretary-treasurers of associations to become fully conversant with the policy of the Board in regard to its lending operations and the basis upon which it proceeds in dealing with loan applications, so that applications throughout the Dominion may be treated on a uniform basis, and applicants may be saved the disappointment of having applications which do not fulfil the general requirements of the Board entertained by the associations and subsequently declined by the Board. The District Supervisors are *ex officio* directors of associations operating in their districts, and, where practicable, they attend meetings of associations to which loan applications are being submitted, and in this case the directors have the benefit of discussing the various general requirements of the Board in regard to specific cases. Sometimes the District Manager of the Public Trust Office in the district attends meetings of directors as deputy of the District Supervisor. In many instances, however, the headquarters of the association are situated at some distance from the nearest representative of the Board, and in view of the expenditure of time and labour involved it is not practicable for the Board to be represented at the directors' meetings. So that directors in these cases may have the opportunity of becoming conversant with the policy and procedure of the Board and to provide directors in all cases with access to information upon these matters, the Board has issued to all directors and secretary-treasurers a booklet setting out in concise form particulars of the standard of security asked for, the special requirements of the Board in regard to the various classes of applications, the nature of the credit provided, the conditions upon which loans are granted, particularly with regard to the currency of the loan and the terms of repayment, and the control of the loan accounts. In addition, it contains a summary of the various obligations imposed upon the directors and secretary-treasurers. A supplement was later issued in a form suitable for incorporation in the original booklet dealing with the additional facilities in regard to sheep and grain accounts provided by the Board on the increase of the limit for loans to £2,000, and the system laid down by the Board for the authorization of readvances of proceeds of stock and produce sold or of repayments received, which contains provision for the decision regarding the disposal of the proceeds resting in certain circumstances with the directors of the association, setting out the amendments necessary as a result of the passing of the Amendment Act of 1929, and containing advice of other developments having a definite bearing on the operations of the associations. The Board has been informed that these publications have proved of substantial assistance to the officers of associations in the conduct of their operations.

The system of accounts to be adopted by associations was laid down in the Rural Intermediate Credit Regulations of the 21st December, 1927. At the time of the formation of the associations the secretary-treasurers are supplied with detailed instructions for the keeping of the accounting records and any further information or assistance which may be required by them is furnished by the

accounting officers of the Board in the course of the periodical inspections of the associations' books referred to later.

These are the means by which as a general rule contact is maintained with the associations, and by which they are kept advised of developments affecting their business. Where the opportunity has occurred or special circumstances have rendered such a course desirable arrangements have been made for a member of the central Board or a representative of it to confer with the directors. This course has permitted of a full and personal discussion of general policy matters and of special problems with which the directors have been faced in the course of the associations' operations, and has done much to assist the smooth working of this method of providing financial assistance for farmers.

In the course of a visit to the Waikato district Mr. Norton Francis, a member of the central Board, conferred with the directors of certain associations operating in that district, when the practical working of the association method was fully discussed and the Board's policy outlined on several important matters.

39. *Formation of Associations.*—As at the close of the Board's year ended 30th June, 1929, twenty-one associations had been formed, and it was stated in the report covering that period that six additional associations had been formed after the close of the year. Since that time continued interest has been shown in this method of submitting applications to the Board, and a further six associations were formed during the remainder of the Board's year ended the 30th June, 1930, making a total of twelve associations formed during the year, and of thirty-three associations actually formed up to the close of the year. The six additional associations formed were the following: Rotorua, Whangarei, South Otago, Eastern Southland, Canterbury, and Southern Hawke's Bay. Since the close of the year four additional associations have been formed—at Matamata and Pahiataua, and in the Northern Hawke's Bay and Northern Southland districts—and movements are under way to form further associations in the Auckland, Waikato, Central Hawke's Bay, Wanganui, and Marlborough districts.

An important development during the year was the formation of associations in districts chiefly devoted to sheep-farming and grain-growing, attributable to increased interest in the Board's operations consequent upon the raising of the limit for loans from £1,000 to £2,000, and upon the provision by the Board of special facilities, much on the lines of an overdraft system, for these classes of farmers. Upon the passing of the amending Act providing for the increased limit of loans, measures were taken by the Board, with the full co-operation of the local branches of the Farmers' Union, to facilitate the formation of associations in these districts and where sufficient interest was shown arrangements were made for addresses explaining the system and the special facilities provided for the above classes of farmers to be delivered by representatives of the Board, generally the Deputy Commissioner, to meetings of farmers convened by the Farmers' Union. Certain of the associations recently established were formed as the result of joint action taken by the Farmers' Union and the Board, and movements to form associations in other districts have been due to interest being aroused in the same manner. The latter movements give every promise of successful conclusion in the near future. It should be explained that the operations of associations formed in districts which are largely devoted to the two classes of farming referred to are not necessarily confined to the consideration of these classes of applications. Wherever possible, arrangements are made for all classes of farmers in the districts to be represented on the directorates, so that applications from any class may receive due consideration.

40. *Supervision of Operations of Associations.*—As the funds advanced by the associations to their members are those provided by the Board in the first instance, it is necessary for the Board, in view of its obligations to the Government and to debenture-holders, to keep closely in touch with the loan accounts of the associations. The effect of the operations of the Board in regard to Part II of the Act is that the loan-moneys are provided by the Board, and the associations are charged with the duties of, firstly, the investigation of loan applications and the submission of recommendations thereon for the consideration of the Board; secondly, the disbursement of the loan-moneys for the purposes for which the advances were granted,

except in so far as this is the responsibility of the solicitor preparing the securities, as where the discharge of prior encumbrances over the farming stock, implements, or lands has to be arranged; thirdly, the collection of the interest on the loan accounts and the prescribed repayments of principal; and, lastly, the supervision of the loan accounts and of the stock and other assets charged as security. It should be mentioned that every loan granted by an association is submitted for approval to the central Board or a district board before the loan is paid over, and variations of the terms on which the loans were granted and applications for further advances (with certain exceptions in this latter regard) are dealt with in a similar manner. The accounting records of the associations are inspected at regular intervals by officers of the Board to ensure that the system of accounts laid down is adhered to, and that the responsibilities of the association to the Board have been observed. At the same time, any cases in which the conditions upon which the loans were granted have not been complied with in regard to payments of principal and interest or in other respects are noted for further review from time to time. The Board also takes steps to ensure that the provisions of the Companies Act which apply to associations, and, in particular, those which involve penalties for non-compliance are fully observed by the various associations. Copies of the annual reports and accounts of the associations are submitted to the Board, and the position of the associations' affairs as disclosed thereby is closely watched.

The Board is pleased to record that its experience of the associations generally is that their affairs are well and economically conducted, and to state that the satisfactory position of the loan accounts of the Board referred to elsewhere as regards the payments of interest and repayments of principal by borrowers is due in a large measure to the efficient control by associations of their loan accounts.

41. *Proposed Conference of Associations.*—The suggestion which had previously been made, with the support of the Dominion Executive of the New Zealand Farmers' Union, that a conference of representatives of co-operative rural intermediate credit associations and members of district rural intermediate credit boards should be held with a view to arriving at a uniform method of dealing with loan applications, was repeated during the year. It was mentioned in last year's report that consideration of the suggestion had been deferred for the time being owing to the fact that the majority of the associations had only recently been formed, and that special arrangements had been made for a series of conferences between the directors of the individual associations and a representative of the Board. These steps, together with the further conferences of members or officers of the Board with directors of associations held during the past year and the measures which have separately been taken to apprise directors and secretary-treasurers as to the lines upon which the Board deals with applications for loans, have to a large extent provided for the object aimed at by the suggestion. Apart from this, the cost of holding a conference at which the associations and district boards throughout the Dominion would be represented would be substantial, and it is doubtful whether the Board and the individual associations would be justified at present in incurring the somewhat heavy expenditure necessary for the holding of such a conference; but regional conferences, which would be of substantial value, could be held at a considerably reduced cost, and consideration is now being given to the advisability of holding a series of such conferences during the coming summer months, at which time of the year the demands upon the time of directors of associations and officers of the Board are not so heavy, or if it is not possible then at the same period of the year following.

42. *Relations with Associations.*—Although as is to be expected in connection with a comparatively new system such as that administered by the Board there have been some cases where the directors of associations have not been in agreement with certain aspects of the general lending policy of the Board or its application to individual loan applications, the relations between the Board and the various associations have been generally satisfactory. Where there have been differences of opinion they have mainly arisen out of advances recommended by the directors which are dependent to a substantial extent for security upon private guarantees unsupported by tangible security or upon collateral second or later mortgages of land, or the security has comprised stock of a pedigree nature valued upon a higher basis than

that which the Board is as a matter of policy prepared to adopt, or the applications have presented other features which in the Board's opinion has been such to place them outside the scope of a scheme such as that entrusted to the Board. The policy of the Board in the particular cases mentioned is discussed elsewhere in this report. Where the applications have complied with the requirements of the Board as outlined in the booklet issued to directors and secretary-treasurers and the supplement thereto there have been practically no cases where the directors' recommendations have been departed from to any material extent. Some decisions in regard to the applications originating from one association were recently made the subject of criticism which received considerable publicity. It is satisfactory to record that these criticisms were not endorsed by associations generally, and that in several instances the directors of associations passed resolutions definitely disassociating themselves from any such criticism of the Board.

43. *Directors and Secretary-treasurers of Associations.*—A list of the directors and secretary-treasurers of associations formed throughout the Dominion up to the present is published in Appendix II to this report.

44. *Amount of Loans granted to Associations.*—As at the 30th June, 1930, the loans outstanding to members of the co-operative rural intermediate credit associations (as distinguished from direct loans under Part III), after crediting substantial repayments of principal received, in some cases over a period up to two years, amounted to £156,833, as compared with the sum of £68,828 outstanding on the 30th June, 1929. On the 30th June, 1928, shortly after the inception of the scheme, no loans had actually been paid over to members of associations, although a number of applications had then been approved and were awaiting settlement. Comparing the figures as at the 31st August in each of the years of the Board's operations, the corresponding figures were: 31st August, 1928, £13,655; 31st August, 1929, £89,530; 31st August, 1930, £209,434.

These figures do not furnish a complete indication of the business transacted by associations up to the dates mentioned as the association applications under consideration, or granted but not paid over, on these dates are not included. It will be seen from Appendix I to this report that on the 31st August, 1930, the total applications under consideration amounted to £39,782 and the loans granted but not completed to £55,484, a total of £95,266. A substantial proportion of these transactions relates to business transacted through associations, but separate statistics are not available.

LOANS TO FARMERS WITHOUT THE INTERVENTION OF ASSOCIATIONS.

45. *Direct Method of Application.*—A method for the submission of applications direct to the Board was not provided for in the recommendations of the Royal Commission of 1925 on Rural Credits, but was inserted by the parliamentary Committee which considered the Rural Intermediate Credit Bill and on which farming interests were adequately represented, to supplement the association method already described and the discounting method referred to later, in view of the difficulties with which applicants in outlying districts would be faced in regard to the formation of associations, and the fact that the latter method was intended more for small loans for short periods than for providing loans such as those which are normally secured upon the borrowers' farming stock and chattels. It was also considered that a farmer should not be prevented from making an application to the Board simply because at the time he required accommodation an association had not been formed in his district. In effect the direct method of application provides for the expansion and development with adequate safeguards of the facilities for loans on the security of farming chattels which were made available through the State Advances Office under the provisions of the State Advances Amendment Act, 1922.

The provisions relative to direct loans are contained in Part III of the Act, the principal requirement being that each direct loan must be collaterally secured by a guarantee satisfactory to the Board for such amount as may be required by it, being not less in any case than 20 per cent. of the original amount of the loan.

It is specifically provided that such guarantees may be given by any company incorporated in the Dominion, notwithstanding anything to the contrary contained in its memorandum and articles of association. In these direct loans the collateral security afforded by the necessary guarantee takes the place of the responsibility of an association to the Board to repay all advances obtained by the association to enable loans to be granted to the members.

Apart from the differences arising out of the methods by which the loans are granted, the same conditions apply to both classes of loans, including the purposes for which the loan may be granted, the rate of interest payable by the borrower, and the maximum amount of the loan, the limit for direct loans, previously £1,000, having been increased to £2,000 also by the amending Act of last year. The securities relative to both classes of loans are drawn so as to make the loans repayable on demand, but borrowers have the assurance that so long as their obligations are complied with and the securities maintained in a satisfactory condition the best possible treatment will be accorded to them and their loans will not be called up arbitrarily. The practice of requiring loans to be repaid by instalments suited to the individual cases also applies to direct loans.

46. *Development of Direct Method of Application.*—For some time at the commencement of the Board's lending operations the direct method of loans made more rapid progress than the association method, owing largely to the utilization of the former method by some large dairy companies for the purpose of assisting their suppliers to secure loans from the Board, the companies giving the guarantees required by the Act. The method has continued to commend itself to these companies, and other companies have from time to time submitted proposals to the Board to utilize it where there has been a sufficient demand upon the part of the suppliers. Various factors have, however, operated in the meantime to more or less equalize the business transacted under the two headings, and it is probable that, while the business recorded under Part III will show steady development, ultimately the loans granted through associations will be greater in volume. In the first place the guarantees have for the most part been given by dairy companies, and consequently the method has largely, though not exclusively, been used for meeting the requirements of only the one class of farmer. A number of dairy companies have, however, been averse to entering into guarantees of any description, and consequently the tendency in the districts served by them has been to submit the applications through local associations, or, if no such associations have existed, to arrange the formation of new associations among their suppliers. Again, with the increase of the limit for loans to £2,000 a substantial increase has already been recorded, and a further expansion will undoubtedly occur, in the business transacted with sheep-farmers and grain-growers, whose applications will for the most part be submitted through associations as these classes of farmers will probably not have the same facilities for obtaining the necessary guarantees as dairy-farmers have been provided with, and there is not likely to be any compensating increase in the business recorded under the direct provisions. Lastly, the extent to which the Board is able to accept the guarantees of dairy companies necessarily has relation to the financial position of each company. Some of the companies have financed their suppliers to the full extent possible under their limits with the Board, and further loans cannot, in these cases, be granted on the guarantees of the company until the company's liability under the existing guarantees is reduced as a consequence of repayments, partial or complete, of the existing loans. In some cases where the demand by a company's suppliers for loans has exceeded the total amount which can be provided within the company's limit it has been arranged for further applications to be submitted through an existing association, or a new association has been formed expressly for the purpose of meeting the suppliers' requirements. The business recorded already under the direct-lending provisions and the interest which continues to be shown by dairy companies demonstrates that the facilities have met a real need, and that they should continue to prove of very great value in achieving the purposes aimed at by the legislation.

It is convenient to refer here to the criticism, which has been repeated during the year, that the provisions appearing in Part III of the Act impair the usefulness

of the system in that it will ultimately be in the best interests of farmers to develop the co-operative spirit in regard to their financial requirements and that the existence of a means of direct application will have the effect of limiting the development of the co-operative or association method of obtaining loans from the Board. This expectation has not been borne out by the experience of the Board up to the present. Already thirty-seven co-operative rural intermediate credit associations are in operation and have transacted a substantial volume of business of a satisfactory character, and the fact that sixteen of these associations have been formed since the 30th June, 1929, and the formation of several additional associations is assured, indicates no lessened interest upon the part of the farming community in this method. Moreover, for the reasons already stated, a comparatively greater development is anticipated in future in the business transacted under Part II of the Act than in regard to the direct method. In practice also the expansion of the direct method of application has been attributable to co-operative effort upon the part of farmers, as the major portion of the business recorded under this heading has been transacted upon the guarantees of co-operative dairy companies and the utilization of the direct provisions by the companies has had the same practical effect as the formation of associations among their suppliers.

The procedure for a company desirous of assisting its suppliers to secure loans direct from the Board is to submit evidence of its financial position, mainly in the form of the company's audited balance-sheets and profit and loss accounts for the last three complete financial years of the company. This information is investigated by the Board, which decides to what limit it will accept the guarantees of the company, the limit being subject to review from time to time in relation to alterations of the company's financial position. Frequently a company desires to discount promissory notes with the Board in addition to guaranteeing loans and suitable limits will, if required, be fixed for the company in respect of both classes of business. All information supplied to the Board is treated as confidential and if the companies prefer it they may submit it direct to the head office of the Board. Once a limit has been fixed for it a company may, within the scope of the limit, submit applications from its suppliers, which will then be considered by the central Board or the district board upon their merits. The members of the Board are kept fully advised of the position of guaranteeing and discounting companies by periodical reports setting out the position of the companies as ascertained from a perusal of the annual accounts submitted by the companies and any other information which is essential for the purpose of ascertaining the value of the guarantees.

With a view to facilitating the submission by dairy companies of the applications, which have in the majority of cases to come before the directorates of the companies before their guarantees are given, the Board has been approached in several cases to accept the valuations of directors or employees of the companies who are experienced in valuing dairy stock and farm machinery for security purposes. The Board has made it a general rule not to accept such valuations, unless the loans are fully guaranteed in every case by the dairy company concerned. Where applications are submitted in these circumstances with the full guarantees of the companies the same standard of security is required as in the case of applications by members of co-operative rural intermediate credit associations and the general requirements of the Board in other respects are not departed from.

Up to the present fifty-seven companies have concluded arrangements with the Board for the acceptance of their guarantees of loans. A number of companies which had already arranged limits with the Board found it necessary to apply for increased limits, in order to cope with further requests upon the part of their suppliers for guarantees, and in the majority of these cases it was possible to grant extended limits in view of the financial positions of the companies concerned.

The accounting records relative to this class of loan are kept in the Board's local offices, and the accounts are under the immediate control of the District Supervisors. Applications for such loans are dealt with largely by the district boards.

47. *Amount of Loans granted under Part III.*—The expansion of the business recorded under the direct lending provisions is shown by a comparison of the following figures representing loans to direct borrowers (as distinguished from members of co-operative rural intermediate credit associations) outstanding on the dates named after crediting repayments made by the borrowers which, at the last two dates referred to, represented a substantial proportion of the original amounts of the loans: 30th June, 1928, £2,034; 30th June, 1929, £92,334; 30th June, 1930, £154,209.

The corresponding figures at the 31st August in each of these years are as follows: 31st August, 1928, £15,979; 31st August, 1929, £117,987; 31st August, 1930, £181,841.

These figures represent the actual amounts of the loans outstanding on the various dates, and to obtain a complete indication of the business in hand then it would be necessary to take into account a proportion of the applications in course of consideration and the loans granted but not completed on those dates. It will be seen from Appendix I to this report that the total of these transactions on the 31st August, 1930, amounted to £95,266, but separate figures in regard to direct loans are not available.

DISCOUNTING.

48. *Nature of System.*—The provisions governing the Board's discounting business are set out in para. 46 of the Rural Intermediate Credit Regulations of the 21st December, 1927, as amended by further regulations issued on the 17th September, 1928, and the 13th January, 1930. The Board is authorized to 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, financial institution, company, firm, or person 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 £2,000.

The discounting system was brought into operation by the Board at the request of some dairy companies which desired to assist their suppliers to secure small loans without the expense of valuations or of securities over stock, the loans being required mainly for seasonal purposes such as the purchase of manure and seeds or small purchases of stock. The sum of £100 was originally fixed as the maximum amount which could be made available to any one farmer by this method, but this limit was later raised to £200. The discount rate is $6\frac{1}{2}$ per cent. per annum, and the maximum term for which notes are discounted is two years, though as a general rule the companies which have entered into arrangements with the Board to discount notes provide for the notes being cleared by the close of the next milking season.

During the past year the Board was requested by certain companies to raise the limit for discounting transactions still further, but it was not able to accede to the requests, being of the opinion that in view of the class of finance concerned and the purposes for which the loans are provided larger advances should, in the interests of the Board and the companies concerned, be secured by a bill of sale over the borrower's farming stock and implements, and should accordingly be dealt with under the provisions of Parts II and III of the Act.

The procedure for companies desirous of arranging for the acceptance of their endorsements of notes and bills for discounting is similar to that followed in regard to the acceptance of the guarantees of companies in support of loans under Part III of the Act. Limits for the individual companies are fixed by the Board after an investigation has been made of the financial positions of the companies mainly on the basis of the information contained in the balance-sheets and profit and loss accounts for the last three complete financial years of the companies, together with any other information which may be necessary. The limits fixed are subject to review from time to time in sympathy with alterations of the companies' financial position. As a general rule the Board is requested to fix a comprehensive limit, or separate limits, in regard to the acceptance of a company's guarantees of loans and its endorsements of promissory notes for discounting. In deciding upon a limit for discounting purposes due regard is paid to the fact that the Board's main security is its right of recourse against the company which endorses the note, there being no charge over stock or other farming chattels, and limits which may be used exclusively or alternatively for discounting are therefore fixed on a more conservative basis than limits for guarantees alone. While the Board's security is restricted to its rights of recourse against the makers of promissory notes and the endorsers thereof, the discounting business is regarded as satisfactory in that the discounting companies, the financial position of which has been investigated by the Board in advance of any discounting transactions, are fully responsible for payment of the notes on maturity, and consequently they will be unlikely to endorse the promissory notes of farmers unless their financial position is established to the satisfaction of the companies. Moreover, practically all of the discounting companies are dairy companies, and, as a general rule, these companies arrange for sufficient deductions to be made from the cream cheques during the following milking season to liquidate the whole amount or a substantial proportion of each note so that they will be in possession of sufficient funds to meet the notes on the maturity dates.

Once a limit has been fixed in respect of a company, it will obtain promissory notes from the suppliers whom it desires to assist in obtaining advances, within the total permitted by its limit with the Board, and will then submit them with the endorsements of the company to the Board for discounting. The procedure is extremely simple and inexpensive, as no valuations of stock and chattels are required and the expense of legal documents is avoided.

49. *Companies adopting System.*—Up to the 30th June, 1930, thirty-five companies had entered into arrangements with the Board for the discounting of promissory notes. Several companies have been prevented from making use of these facilities owing to the fact that their memoranda of association have not contained the requisite legal power for them to do so, and while some companies have taken steps to alter their memoranda of association so as to obtain the requisite power, the business in immediate view has not justified other companies in incurring the expense of doing so.

50. *Volume of Discounting Business transacted.*—As at the 30th June, 1930, the value of bills discounted by the Board and outstanding was £11,464, as compared with the corresponding figure of £4,232 as at the 30th June, 1929. No discounts had been effected as at the 30th June, 1928. The face value of the bills discounted as at the 31st August in the years 1928–1930 are given in the following statement: 31st August, 1928, £1,265; 31st August, 1929, £7,265; 31st August, 1930, £13,882.

As a general rule the notes and bills discounted with the Board are drawn for periods of twelve months or under so that the loans may be repaid at the close of the next milking season after the date of discounting. Consequently, the discounting transactions are cleared more rapidly than loans granted under the provisions of Parts II and III of the Act, which are generally repaid upon a five-year basis, so that the proportion of completed transactions is correspondingly higher, and the volume of business dealt with is substantially greater than is actually indicated by the above figures alone.

LOANS TO CO-OPERATIVE SOCIETIES.

51. As yet no advantage has been taken of the provisions of Part IV of the Act, which set up facilities for advances to farmers' co-operative companies upon the security of their live-stock or produce. Under these provisions applications may be made to the Board by co-operative companies having for their principal object the production or sale of staple agricultural or pastoral products, including live-stock, and including also goods manufactured from any such products. To be competent to receive a loan from the Board such a company must be composed of not fewer than thirty members, and have a subscribed capital of not less than £2,500. Provision is made for the keeping of a register of co-operative societies to which the Act is applicable and entry on this register, which is to be made only on the application of the societies, is a condition precedent to the granting of any loans. 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 to be secured. Loans are to be for terms of not less than six months or more than three years, and the maximum rate of interest chargeable is fixed by the legislation at 7 per cent. per annum. The Board's general lending rate, at present $6\frac{1}{2}$ per cent. per annum, will apply to any business transacted under this heading.

FINANCE AND ACCOUNTS.

52. The accounting system continues to satisfactorily meet all requirements, and enables a full and complete record of the Board's transactions to be obtained without undue labour. It provides for a separate record of the transactions of each district board, and the incorporation of the accounts relating to all the district boards in the Board's general Profit and Loss Account and Balance-sheet. The accounts recording advances are kept at the offices of the district boards and information regarding their accounts is thus at all times readily accessible to borrowers.

The system of supervision of the business transacted by district boards by means of periodical returns has assisted the Head Office to keep closely in touch with the position in each district, and has enabled the financial requirements of district boards to be accurately estimated and provided for.

The arrangements made for the temporary investment in Government securities of moneys not immediately required have proved of great advantage, permitting the funds to be profitably employed, while at the same time ensuring that there shall be no delay in making them available for the Board's lending operations when required.

53. *Accounts to 30th June, 1930.*—The business has continued to expand steadily throughout the year, and the investments (excluding Rural Intermediate Credit Redemption Fund investments) at 30th June, 1930, amounted to £322,507. As the investments at 30th June, 1929, amounted to only £165,115, the increase, £157,392, is almost 100 per cent.

The growth in investments has naturally resulted in a very considerable increase in the gross income, which amounted to £16,195 14s. 3d., compared with £5,940 11s. for the previous year. These figures do not include the income earned by the investments of the Rural Intermediate Credit Redemption Fund, £4,694 2s. 3d., which is credited direct to the Fund Account. The expenditure totalled £12,015 15s. 1d., compared with £5,379 10s. 4d. for the year ended 30th June, 1929, and the excess of income over expenditure was thus £4,179 19s. 2d. This amount compares favourably with the previous year's figure, £561 0s. 8d.

In accordance with the statutory provisions contained in section 39 of the Act, the net profits for the year, £4,179 19s. 2d. have been appropriated in equal shares to the Rural Intermediate Credit Redemption Fund and the Rural Intermediate Credit Reserve.

The full amount of £400,000 available by way of advances from the Consolidated Fund, under the statutory provision contained in section 16 of the Act, has now been received and invested. One-third of this amount has, however, been credited to the Rural Intermediate Credit Redemption Fund in accordance with the provision contained in section 17 of the Act, so that only £266,666 13s. 4d. is available for the Board's lending operations.

The growth of the investments during the year, and the figures published in the first appendix to this report, indicate that a steady increase in the volume of the Board's business may confidently be looked for. It is quite clear from the experience of the Board so far that its business will be somewhat costly to operate. This is unavoidable on account of the number of small loans granted and the special precautions which are necessary in lending upon security of stock and chattels. Accordingly, the Board could not have shown a profit on the year's workings but for the fact that it received the benefit of the profit interest derived from the moneys advanced by the Legislature, which, in terms of the Act, are free of interest for a period of ten years. This position was obviously anticipated when the legislation was enacted by Parliament.

The total investments and accrued interest thereon at the 30th June, 1930, amount to £505,943 12s. 8d. This amount, however, includes the investments of the Rural Intermediate Credit Redemption Fund, which total £139,921 9s. 8d. This fund, which amounted to only £67,329 18s. 7d. at the 30th June, 1929, has been augmented by one-third of all advances received during the year from the Consolidated Fund, under section 16. In addition, one-half share of the profits to the 30th June, 1929, £280 10s. 4d., has been added and invested, while interest on the investments amounting to £4,694 2s. 3d. has accrued and been added to the fund. The fund has been credited with a further £2,089 19s. 7d. representing one-half share of the profits for the year to 30th June, 1930, but these profits had not, of course, been invested at 30th June, 1930. Investments of the Redemption Fund are, by statute, earmarked for the redemption of debentures issued by the Board, and cannot be used for any other purpose.

The investments in the course of the Board's ordinary business amount to £322,507 10s. 5d., classified as follows:—

	£	s.	d.
Advances to associations under Part II ..	156,833	11	2
Advances to farmers under Part III ..	154,209	19	4
Bills discounted	11,463	19	11
	<hr/>		
	£322,507	10	5
	<hr/> <hr/>		

The temporary investments held to provide funds for settlement of loans nearing completion amount to £38,300.

54. *Issue of Debentures.*—With the balance of the loan from the Consolidated Fund which was received during the year and the additional funds provided through repayments, partial or complete, of the existing loans, sufficient finance was available to enable the requirements of applicants to be provided for throughout the year ended 30th June, 1930, including the earlier portion of the winter months of the present year, during which months of the year the demand upon the part of farmers for financial assistance is most marked. In view of the increased volume of applications received later and the indications which existed of the further expansion of the Board's business, it was found necessary to make arrangements for a public issue of debentures, and this was made at the close of the Board's financial year. These debentures were offered to investors, through the Public Trustee acting as fiscal agent for the Board and his organization throughout the Dominion, on the following terms:—

Period.	Rate of Interest. Per Cent.	Denomination of Debentures.
Twelve months	4½	£100, £250, £500.
Five years	5½	£100, £250, £500, £1,000.

Adequate steps were taken to give publicity to this issue of debentures and special measures were adopted to bring it before the notice of persons and organizations having a direct interest in the provision of finance for farm purposes, such as the directors of co-operative rural intermediate credit associations, the central executive and local branches of the New Zealand Farmers' Union, and other concerns closely associated with the farming industry. The present issue of debentures to a total of £100,000 has been made to supplement the funds available to the Board for financing applicants over the period immediately preceding the production months of the present year, during which portion of the year the Board has been able, as a rule, to finance the requirements of new applicants out of the substantial total repayments received monthly from borrowers. Sufficient funds have been contributed in response to the issue to ensure that the requirements of borrowers over the period in question will be fully provided for.

55. *Collection of Interest, Instalments, and Monthly Payments due by Borrowers.*—A gratifying feature of the year's work has been the promptitude with which the great majority of borrowers have fulfilled their obligations regarding payment of interest and instalments in reduction of loans. The system introduced by the Board for the regular scrutiny of all accounts, and the rendering of regular returns of arrears, has revealed that the condition of the investments in this respect is eminently satisfactory.

56. *Accounts of Associations.*—Guidance to the secretary-treasurers of new associations in the opening and keeping of the associations' accounts has been readily furnished where required. Advice and assistance have also been continued in the case of the established associations. To secure uniformity and to reduce the cost to associations suitable books and forms were designed, and these are purchased by the Board in quantities and supplied to the associations as required.

57. *Volume of Business.*—The comparative figures set out in the first appendix to this report show that the total investments of the Board increased during the year 31st August, 1929, to the 31st August, 1930, from £215,176 to £405,789, an increase of nearly 100 per cent. after taking into account the substantial repayments received in the case of practically every loan. Substantial increases were recorded in every class of loan, the most marked increase being in respect of loans to associations under Part II of the Act, where the investments more than doubled in total, the figures being £89,530 and £209,434 respectively. Advances to farmers direct under the provisions of Part III of the Act showed a substantial increase from £117,987 to £181,841, the majority of the loans being granted upon the guarantees of dairy companies. The face value of bills and notes discounted increased from £7,265 to £13,882 and the loans to associations for preliminary expenses, referred to elsewhere, increased from £394 to £632.

The following comparative statement, which includes the loans actually outstanding on the dates named, the loans granted but not paid over, and the applications under consideration then, sets out the total business transacted by the Board up to the dates named: 31st August, 1929, £317,630; 31st August, 1930, £664,136.

VALUATIONS.

58. Valuations in connection with loan applications have since the inception of this scheme been made by private valuers whose services are utilized as the necessity arises, and this system has throughout proved satisfactory for the Board's requirements. The formation of additional associations and the expansion of the business in other directions have made it necessary to appoint additional valuers so that districts in which a valuer had not been available within easy reach might be adequately served. They have, as a general rule, been independent valuers appointed principally upon the recommendation of rural intermediate credit associations upon their formation or on the extension of their operations to districts not previously covered by them, or of companies employing the direct-lending methods for the benefit of their clients or suppliers. In these cases the qualifications of the valuers have been investigated by the district boards, which have advised the central Board as to all appointments of valuers.

In the case of some associations the members have included experienced valuers of stock and land and the Board has raised no objection to the valuations being made by such members, provided the district boards have recommended the acceptance of their valuations and it has been certain that the members concerned will not be applicants for loans through the association. In the opinion of the Board it is undesirable, as a matter of principle, that a borrower from an association should be employed as a valuer in respect of other applications submitted through that medium.

It has been stated elsewhere that dairy companies have made considerable use of the system for obtaining loans for their suppliers, and, apart from discounting notes, they have in different districts been either mainly or largely instrumental in the formation of associations among their suppliers, or have facilitated the submission of the applications by giving the guarantees required to support direct applications. Requests have been received in a number of instances for the acceptance of the valuations of directors or employees of the companies who were qualified to make valuations of farming stock and implements, principally with the object of facilitating the consideration of the applications first by the directors of the company before the guarantees are given and then by the Board, and so of avoiding any duplication. The Board has made it a rule not to accept valuations of this description unless the loans are fully guaranteed by the companies concerned, whether the applications are submitted direct to the Board or through co-operative rural intermediate credit associations. Compliance with this requirement renders it necessary for the value of the company's guarantee to be ascertained by an investigation of its financial position in the manner detailed above in regard to direct loans, and for applications submitted on the basis of such valuations to be within the limit fixed by the Board for the acceptance of the company's guarantees as a result of the investigation. Each such application is dealt with on its merits, and the requirements of the Board concerning these applications are the same in regard to the standard of security required and otherwise as those which apply to other applications under the provisions of Parts II and III of the Act.

A sufficient number of valuers has been appointed to ensure that in practically every case a valuer is available at no great distance. The expenditure involved in valuing securities is on this account kept at a minimum, and there has been no necessity for setting up a general scale of charges governing the fees to be charged for valuations.

SUPERVISION OF SECURITIES.

59. In the supervision of the securities for loans the Board is able to rely to a substantial extent upon the independent supervision provided under the methods by which the loans are granted.

The association method of securing loans from the Board was introduced so that farmers might have the opportunity of obtaining for themselves the benefit of any savings in the cost of providing financial assistance which might be effected through co-operation upon their part. The underlying idea is that associations will consist of comparatively small groups of farmers (a membership of twenty farmers only is sufficient for the formation of an association) who, being resident within short distances of each other, will be able to maintain a close supervision over the securities for loans obtained by members of the association. The cost of supervision is a substantial item of expense to companies and institutions making advances upon the security of farming chattels and collateral, and the success of the association method will depend to no small extent upon the economies which can be effected in the administration of the system as a result of adequate supervision being maintained over the securities by the directors and members of each association. During the year it was suggested by one association, the operations of which covered an extensive area, that the Board should limit the formation of further associations in the district by withholding the consent to registration required by the Act upon the main ground that the administration of one large association could be conducted more economically than that of a number of small associations. While the force of this and other representations put forward by the association was recognized, it was clear that the legislation intended that any group consisting

of twenty or more farmers residing in a well defined district should have the right to set up an association if they desired to do so, and the formation of a number of small associations is quite a desirable feature in view of the local knowledge which is provided and the more effective supervision which is possible. While consent could reasonably be withheld if the operations of the proposed association were to be confined to a small area covered by an existing association operating exclusively in it, or where the association to be formed was of unsatisfactory composition, it would be arbitrary for the Board to prevent the formation of an association in a district which at the time was served only by an association with headquarters at some considerable distance. Any economy of administration which would be effected as the result of the lending business in one extensive district being transacted through the medium of a single association would possibly be more than off-set by the greater cost of maintaining supervision over the securities. For similar reasons the Board has made it a rule that applications will be accepted only through the associations operating in the districts in which the securities are situated, and that it will not accept from an association an application relating to security situated in an area covered by the operations of another association. Any other course would lessen the value of the local knowledge and supervision provided by the association method.

When the provisions for direct loans were incorporated in the legislation it was recognized that the nature of the system and the necessity for economical administration would call for some provision for independent supervision. This need was met by the requirement that each loan should be guaranteed for 20 per cent. or more as might be required by the Board. The provision was inserted as much with the idea that guarantors would in view of their own responsibilities maintain close contact with the securities, thus reducing the supervision to be maintained by the Board, as for the purpose of providing collateral security. The benefit to the Board in the former respect is most pronounced in cases where the guarantees have been given by dairy companies or other concerns with special organizations enabling them to maintain contact with the securities. The arrangement with one co-operative dairy company with which a substantial volume of business has been transacted provides for periodical reports on the securities being furnished to the Board at intervals of three months, six months, or one year, according to the circumstances of the various accounts, with provision for special reports which unforeseen developments may necessitate.

In other cases than those mentioned independent measures are taken by the Board to satisfy itself as to the position of the accounts. Arrangements made by the Board with the Public Trustee provide for the services of the farm-inspecting staff of the Public Trust Office being made available for inspections of intermediate credit securities when the officers are in the districts in which the securities are situated. Such inspections are kept at a minimum for reasons of economy, and are mainly limited to cases where the guarantors are not resident in the district, or inspections of selected cases are made as a check upon the supervision maintained by associations or guarantors.

The form in which the securities over farming stock and chattels are taken by the Board or associations provides for all proceeds of stock and produce charged as security being paid to the Board or to the association concerned. Where substantial changes are effected in the herds or flocks secured to the Board there will accordingly be adequate control over the disposal of the proceeds to provide protection for the loan-moneys outstanding, and in the case of loans on sheep and grain securities the annual repayments decided upon will be provided out of the surplus revenue for the year included in these proceeds and other income. At the same time the arrangements made for the handling of applications for readvances of the proceeds will ensure that the borrower's operations are not hindered in any way. In the case of dairy securities the annual repayments and interest are collected in both association and direct loans under orders on the borrower's cream cheques, and the payments received, particularly where orders for percentages of the cream cheques are obtained, furnish a guide as to the productivity of the farms and the progress made by the borrowers. The Board is in touch with the position of all

such loans as in the case of direct loans the payments are received and the accounts are kept in the district offices of the Board, while in the case of association loans periodical inspections are made of the associations' accounting records. Any unsatisfactory features disclosed in connection with loans of either class are therefore brought quickly under notice and receive prompt attention.

It has previously been stated that a substantial increase is anticipated in coming years in the business transacted with sheep-farmers and grain-growers as a result of the increase in the limit for loans to £2,000, the provision of special facilities for these classes of farmers and the formation of additional associations to facilitate the submission of their applications. It is probable that an extensive development of this class of business may call for a closer touch being maintained with the securities, and may render it necessary for the Board to consider the appointment of an outside staff. In the meantime the Board considers that the independent supervision provided by the lending methods and the steps taken by the Board to supplement this supervision provide satisfactory protection for the moneys advanced.

DAIRY COMPANIES.

60. During the year dairy companies have continued to make extensive use of the lending methods provided by the Board for the purpose of financing their suppliers, and in doing so they have undoubtedly recognized the advantages of extending every facility to their suppliers for obtaining loans at low rates of interest and on the most favourable terms as a means of retaining and extending supplies of cream, particularly as a substantial proportion of the loans are provided for purposes which serve to increase the productive capacity of the farms through improvements to the land or the building up of the herds. These benefits and the fact that the lending methods could conveniently be used by the companies' organizations were quickly realized by a number of leading dairy companies in various districts, and in the initial stages of the Board's operations and later the growth of the business was attributable largely to the active interest shown by them.

A dairy company desirous of assisting its suppliers to obtain intermediate credit loans may do so in three ways. In the first place it may organize the formation of an association among the suppliers, arranging, if need be, for the secretarial duties to be undertaken by the company's organization. In a number of cases the directors have assisted still further by serving upon the board of directors of the association, and as in most cases the dairy companies have to some extent financed their suppliers upon security over their farming stock and chattels the experience the directors have gained and their knowledge of the farming capabilities of the suppliers and of local conditions have been of very great value to the associations and also to the Board in the consideration of loan applications. The formation of associations has been favoured by several companies which have been averse on general grounds to incurring liabilities under guarantees, especially where a large number of suppliers have required assistance. Some of these latter companies have, however, facilitated the obtaining of loans from the associations in cases where the applications have been suitable in every respect, but there has not been quite the requisite margin of security for the loans required, by giving guarantees to supplement the other security offered.

In the majority of cases, however, dairy companies have preferred to utilize the direct-lending provisions of the Act by giving the guarantees required to enable the suppliers to approach the Board. It has been pointed out in previous reports that the risk incurred by dairy companies in giving the guarantees is not great, as in the first place it rests with each company to decide what accounts it will guarantee, and it will no doubt limit the guarantees to those cases where it is satisfied that no loss is likely to fall upon the company. The loans are also made on sound lending margins on the basis of valuations made by capable and experienced valuers, and are granted on a reducing basis with the repayments and interest secured by orders on the milk cheques of the borrowers lodged with the companies guaranteeing the loans. Where the dairy company has requested that the applications be

considered on the basis of valuations made by directors or employees of the company, so that the time and expense involved in obtaining separate valuations for the submission of the applications to the directors of the company in regard to the giving of the guarantee and to the Board in regard to the granting of the loan may be avoided, their wishes have been sufficiently met by agreeing to accept such valuations in respect of the farming stock and chattels provided the loans are fully guaranteed by the companies. No legal difficulties arise in regard to the giving of guarantees by dairy companies in respect of loans under Part III of the Act, as the Act contains a provision authorizing such companies to enter into guarantees, notwithstanding any provision to the contrary contained in their memoranda of association.

Where small loans have been required for short terms only, the discounting method may be adopted by which the moneys are made available on the security of promissory notes taken from the suppliers concerned and endorsed by the company. By this method the necessity of having a valuation made of the farm stock and implements and of taking a charge over these assets is avoided. Upon a request by a company a discounting limit is fixed for it after its financial position has been investigated, and notes within the limit which bear the endorsement of the company are discounted immediately upon their receipt in the branch offices of the Board. Here again the liability incurred by the company to the Board is, in point of fact, minimized through the careful selection by the directors of the company of the cases to be assisted and by their arranging for the sums required to meet the notes on maturity to be provided in advance of that date by adequate deductions from the cream cheques. This method has largely been adopted to meet the requirements of suppliers in the winter months for the purchase of fertilizer and seeds, to meet outgoings on the farm property, and to provide for living expenses during the period of reduced returns. Usually the company arranges for the notes to be cleared during the next milking season, but in special cases the Board will be prepared to allow up to two years for repayment of the loans.

The discounting method was first employed by a company which desired to provide a number of its members with supplies of fertilizer and as a result of its ability to arrange for the purchase of the fertilizer on a cash basis through the discounting of the promissory notes with the Board substantial savings were effected for the farmers concerned. At the time a limit of £100 had been fixed by the Board as the maximum amount which could be made available under the discounting method for any one farmer; but, in response to representations by the dairy companies utilizing it that the limit did not permit them to meet the full seasonal requirements of suppliers who could be assisted, the limit was increased to £200. It has been suggested since that the limit should be still further extended, but the Board feels, however, that in the interests of the companies concerned, as well as for its own protection, larger loans should be secured in the usual way by a mortgage over the borrower's farming stock and chattels. It is also improbable that a farmer's requirements during the winter months will, in many cases, be on a higher basis than could be provided within the limit of £200 which at present applies to these transactions.

INSTRUCTIONS TO OFFICERS.

61. At the commencement of the Board's operations comprehensive instructions were issued to all officers of the Board setting out its policy in regard to the lending business generally and containing information for their guidance in dealing with the detail work. A circular has since been issued at monthly intervals, in a form suitable for incorporation in the original instructions, notifying changes of policy or procedure, and containing information of new developments affecting the Board's business.

As already stated, copies of a booklet upon similar lines has been supplied to all directors and secretary-treasurers of co-operative rural intermediate credit associations, and supplements to it are issued from time to time. Members of district boards have received copies of these publications.

By these means a greater degree of uniformity in the handling of applications by district boards, associations, and branch officers of the Board is achieved.

INSPECTION OF WORK.

62. A continuous inspection of the clerical and accounting work of the Board is maintained under the inspection system of the Public Trust Office, which is explained in the annual report relating to that office. In view of the experience of the Public Trust Office of the higher standard of efficiency which is achieved and maintained as the result of the periodical inspection of the work made by experienced officers, the system was extended to cover the intermediate credit work performed by the Public Trust Office organization, and has served a useful purpose in ensuring that the work is conducted in the branch offices in a uniform, economical, and satisfactory manner.

CONCLUSION.

63. In conclusion the Board desires to express its appreciation of the services which have been rendered by members of district boards, directors and officers of co-operative rural intermediate credit associations and of guarantor companies, and the officers of the Board throughout the Dominion in making the system of the fullest value to the farming community. It is also indebted to the New Zealand Farmers' Union and its branches throughout the Dominion and similar farmers' organizations for their co-operation in the steps taken to bring particulars of the system before the notice of farmers and to provide the necessary facilities by which they may take advantage of the lending provisions.

I have, &c.,

(For and on behalf of the Board),

J. W. MACDONALD,

Commissioner.

The Hon. the Prime Minister.

APPENDICES.

APPENDIX I.

COMPARATIVE STATEMENT OF TRANSACTIONS AS AT 31ST AUGUST, 1929, AND 31ST AUGUST, 1930.

	1929. £	1930. £
Investments (including loans made and face value of bills and notes discounted)	215,176	405,789
Loans granted but not completed	42,874	55,484
Applications entertained and in course of consideration	10,260	39,782
	£268,310	£501,055

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

	£	£
Advances to associations for preliminary expenses	394	632
Advances to associations under Part II of the Act	89,530	209,434
Advances to farmers under Part III of the Act	117,987	181,841
Bills and notes discounted (face value)	7,265	13,882
Totals	£215,176	£405,789

The business dealt with by the Board up to the 31st August, 1930, or under consideration at that date, reached the total of £664,136, made up as follows:—

	£
Applications under consideration	39,782
Loans granted but not completed	55,484
Loans paid and bills and notes discounted since the inception of scheme	568,870
	£664,136

APPENDIX II.

DIRECTORS AND SECRETARY-TREASURERS OF CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

NORTH AUCKLAND DISTRICT.

Bay of Islands Association (Headquarters: Kaikohe. Registered 10th September, 1929)—

Directors: Herbert Martin Rockell, Kaikohe (Chairman); Hubert Knox Hatrick, Waimate North; William Joseph Pole, Kaikohe; James Gray Ritchie, Kaikohe.
Secretary-Treasurer: Kenneth William Harold, Kaikohe.

Northern Wairoa Association (Headquarters: Dargaville. Registered 9th October, 1928)—

Directors: Henry Polden Walton, Tokatoka (Chairman); George Druitt, Mamaranui; John Irwin, Ruawai; Frank Joseph Johanson, Parore; Arthur Leslie Williams, Dargaville.
Secretary-Treasurer: William Rogers Worsley, Dargaville.

Whangarei Association (Headquarters: Whangarei. Registered 9th April, 1930)—

Directors: John Horatio Hayward, Maunu (Chairman); John Breslin, Titoki; Richard Feaver, Maunu; John Jacob Fraser, Maungatapere; Edward Snell Tremaine, Ruatangata.
Secretary-Treasurer: George Robert Stonham, Maungatapere.

AUCKLAND DISTRICT.

Helensville Association (Headquarters: Helensville. Registered 11th October, 1928)—

Directors: Alexander Ernest Diprose, Kaukapakapa (Chairman); Herbert Hanson, Helensville; James Mackie, Helensville; Harold Phillip McLeod, Helensville.
Secretary-Treasurer: Frank Taylor, Kaukapakapa.

Waiuku Association (Headquarters: Waiuku. Registered 12th June, 1928)—

Directors: Colonel Maxwell Aldred, Whiriwhiri (Chairman); Arthur Lansear Hull, Waiuku; David Sands, Pukeoware; Archibald White, Glenbrook.
Secretary-Treasurer: John Murray Heise, Waiuku.

APPENDIX II—*continued.*

WAIKATO DISTRICT.

- Hamilton Association* (Headquarters: Hamilton. Registered 7th May, 1928)—
 Directors: Walter Cooper-Smith, Frankton Junction (Chairman); Herbert John Coxhead, Claudelands; Charles Edwards, Frankton Junction; Arthur Wallace, Frankton Junction.
 Secretary-Treasurer: Thomas Gordon Reynolds, Hamilton.
- Te Awamutu Association* (Headquarters: Te Awamutu. Registered 12th June, 1928)—
 Directors: Charles Monrath Alexander, Te Awamutu (Chairman); James George Sutherland, Kihikihi; James Gladwin Wynyard, Te Awamutu; Walter Frederick Woodward, Te Awamutu.
 Secretary-Treasurer: James Gladwin Wynyard, Te Awamutu.
- Otorohanga Association* (Headquarters: Otorohanga. Registered 21st June, 1928)—
 Directors: Herbert Arthur Lurman, Otorohanga (Chairman); George Dixon Hall, Otorohanga; Jens Christen Petersen, Otorohanga; James John Walker, Otorohanga.
 Secretary-Treasurer: John Francis Trapski, Otorohanga.
- Te Kuiti Association* (Headquarters: Te Kuiti. Registered 11th July, 1928)—
 Directors: James Nicol Boddie, Te Kuiti (Chairman); Richard Robert Dean, Te Kuiti; Arthur Llewellyn Flux, Te Kuiti; Alexander John Sutherland, Te Kuiti.
 Secretary-Treasurer: Albert William Whyte, Te Kuiti.
- Hauraki Association* (Headquarters: Paeroa. Registered 21st July, 1928)—
 Directors: Murdo Archibald Carter, Awaiti (Chairman); George Death, Netherton; James Irwin, Paeroa; Vivian Young, Hikutaia.
 Secretary-Treasurer: Arthur Thomas Jones, Paeroa.
- Taumarunui Association* (Headquarters: Taumarunui. Registered 18th October, 1928)—
 Directors: Arthur Wesley King, Taumarunui (Chairman); Joseph Fry, Owhango; Geoffrey John Hammond, Owhango; George Petersen, Taumarunui.
 Secretary-Treasurer: William Alexander Nisbet Campbell, Taumarunui.
- Morrinsville Association* (Headquarters: Morrinsville. Registered 22nd September, 1928)—
 Directors: Frederick William Seifert, Morrinsville (Chairman); John Henry Gaddes, Morrinsville; Frederick Chafe Kennedy, Morrinsville; George Henry Pirrit, Morrinsville.
 Secretary-Treasurer: Joseph Lewis Faulkner, Morrinsville.
- Te Aroha Association* (Headquarters: Te Aroha. Registered 23rd November, 1928)—
 Directors: Francis William Walters, Waitoa (Chairman); John Dennerly Johns, Te Aroha; John David MacKay, Waihou; Peter Alexander Swney, Waihou.
 Secretary-Treasurer: Horace Rowbotham, Te Aroha.
- Katikati Association* (Headquarters: Tauranga. Registered 18th September, 1929)—
 Directors: John Dugald Morrison, Katikati (Chairman); Samuel Charles Barron, Katikati; David Charles Douglas Thomas, Katikati; Marcus Nicholson Trotter, Katikati.
 Secretary-Treasurer: James Frederick Russell Wallace, Tauranga.
- Te Puke Association* (Headquarters: Te Puke. Registered 8th October, 1929)—
 Directors: Henry Joclyn Gill, Te Puke (Chairman); Charles Bailey, Te Puke; Charles Lewis Luke, Te Puke; Arthur Berkley Morton, Te Puke.
 Secretary-Treasurer: New appointment under consideration.
- Rangitaiki Association* (Headquarters: Whakatane. Registered 29th October, 1929)—
 Directors: William Alexander McCracken, Whakatane (Chairman); Ian Burman Gow, Edgecumbe; James Palmer, Whakatane; Walter Reid, Taneatua.
 Secretary-Treasurer: Leonard Buddle, Whakatane.
- Rotorua Association* (Headquarters: Rotorua. Registered 13th January, 1930)—
 Directors: Thomas Jackson, Rotorua (Chairman); Joseph Everard Martin, Rotorua; Robert Charles Russell, Rotorua; Thomas Alexander Turner, Rotorua.
 Secretary-Treasurer: Gordon McDowell, Rotorua.

HAWKE'S BAY DISTRICT.

- Southern Hawke's Bay Association* (Headquarters: Dannevirke. Registered 24th June, 1930)—
 Directors: Ralph Searle Chadwick, Dannevirke (Chairman); Archibald William Montgomerie, Norsewood; Harold Alexander Olsen, Norsewood; Frank Alfred Thompson, Takapau.
 Secretary-Treasurer: Marcus David Smith, Dannevirke.

APPENDIX II—*continued.*

NORTH TARANAKI DISTRICT.

North Taranaki Association (Headquarters: New Plymouth. Registered 19th July, 1928)—

Directors: Samuel Vickers, Omata (Chairman); Arthur Robert Alpe, Uruti; Henry Ernest Blyde, Lepperton; William Henry Whittaker, Okoke.
Secretary-Treasurer: Dann Le Cren Morgan, New Plymouth.

Kaimata Association (Headquarters: Inglewood. Registered 1st October, 1928)—

Directors: Henry Jones, Kaimata (Chairman); Alfred Maurice Allen, Inglewood; John Klenner, Kaimata; William Murray Willans, Ratapiko.
Secretary-Treasurer: Ian Percy Grant, Inglewood.

SOUTH TARANAKI DISTRICT.

South Taranaki Association (Headquarters: Hawera. Registered 21st March, 1928)—

Directors: John Cocker, Eltham (Chairman); Louis Frank Bell, Mokoia; Ernest Samson Bennett, Manaia; Thomas Wilson, Ararata.
Secretary-Treasurer: Edward Knowles Cameron, Hawera.

Stratford Association (Headquarters: Stratford. Registered 25th July, 1929)—

Directors: Alfred David, Stratford (Chairman); Ernest Albert Adlam, Waipuku; Herbert James Shrimpton, Lowgarth; William George Thurston, Stratford.
Secretary-Treasurer: Robert Reid Tyrer, Stratford.

MANAWATU-WELLINGTON DISTRICT.

Oroua Association (Headquarters: Feilding. Registered 7th June, 1928)—

Directors: Walter Lough Grice, Cunningham's (Chairman); John Bernard Bradley, Feilding; John Harold Mason, Feilding; George Watt, Kimbolton.
Secretary-Treasurer: Thomas Leonard Seddon, Feilding.

Waimarino Association (Headquarters: Ohakune. Registered 10th October, 1928)—

Directors: George James Goldfinch, jun., Ohakune (Chairman); Louis Fetzer, Ohakune; Arthur Benjamin Harris, Raetihi; Herbert Rieper, Raetihi.
Secretary-Treasurer: Ira Valor Allan Dobbie, Ohakune.

Horowhenua Association (Headquarters: Levin. Registered 29th October, 1928)—

Directors: Robert Gillies Wall, Kuku, Ohau (Chairman); Raymond Vickers Brown, Weraroa; Ronald Joseph Law, Shannon.
Secretary-Treasurer: George Dacre Hamilton, Levin.

WAIRARAPA DISTRICT.

Wairarapa Association (Headquarters: Masterton. Registered 11th December, 1928)—

Directors: Alexander Ross, Longbush (Chairman); Kenneth Groves, Longbush; Charles Churchill Jackson, Kopuaranga; James Miller Laing, Tinui.
Secretary-Treasurer: James Watson, Masterton.

CANTERBURY DISTRICT.

Mid-Canterbury Association (Headquarters: Ashburton. Registered 24th July, 1929)—

Directors: Henry Charles Bayly Withell, Ealing (Chairman); James Carr, Methven; Alfred Gregory, Seafeld; William Thomas Lill, Willowby.
Secretary-Treasurer: Edward James O'Brien, Ashburton.

Canterbury Association (Headquarters: Christchurch. Registered 4th July, 1930)—

Directors: William Walter Mulholland, Darfield (Chairman); John Dryden Hall, Hororata; Colin McIntosh, West Eyreton; Robert Thomas McMillan, Irwell.
Secretary-Treasurer: Archibald Albany McLachlan, Christchurch.

OTAGO DISTRICT.

Tapanui Association (Headquarters: Tapanui. Registered 18th October, 1928)—

Directors: Edward Henry Murney, Tapanui (Chairman); Alfred Squires Herbert, Kelso; Mark McAuley, Tapanui; Arthur James Stuart Sim, Heriot.
Secretary-Treasurer: William Benjamin Naylor, Tapanui.

South Otago Association (Headquarters: Balclutha. Registered 20th May, 1930)—

Directors: Henry Cecil Holgate, Balclutha (Chairman); John Christie, Warepa; Thomas McCulloch, Pukekoma; Andrew Alexander Jensen, Inchelutha.
Secretary-Treasurer: John Thomas Walter, Balclutha.

APPENDIX II—*continued.*

SOUTHLAND DISTRICT.

Central Southland Association (Headquarters: Invercargill. Registered 12th January, 1929)—

Directors: David Teviotdale, Isla Bank (Chairman); Robert Beggs, Wright's Bush; John James Blakie, Ryal Bush; Andrew Hannah Hall, Thornbury; Thomas McKenzie, Wright's Bush.

Secretary-Treasurer: Eric Henry James Preston, Invercargill.

Mataura Association (Headquarters: Mataura. Registered 13th May, 1929)—

Directors: William Young Dickie, Ferndale (Chairman); Henry Cockburn, Mataura; Angus MacKay Robertson, Mataura; Donald Wight, Tuturau.

Secretary-Treasurer: Charles Harold Hargest, Mataura.

Eastern Southland Association (Headquarters: Invercargill. Registered 4th June, 1930)—

Directors: Peter Arnott, Seaward Downs (Chairman); Matthew Lawson Fallow, Fortification; Robert Gibb, Menzies Ferry; James Milne, Kapuka.

Secretary-Treasurer: Adam Laurence Adamson, Invercargill.

Northern Southland Association (Headquarters: Gore. Registered 22nd July, 1930)—

Directors: Ernest Wardlaw Stevens, Balfour (Chairman); Alexander John Cameron, Wendonside; Franklyn Gluyas, St. Patricks; Frank Walker, Waipounamu.

Secretary-Treasurer: Robert Stewart Green, Gore.

The statutory meetings of the Pahiataua and Matamata Associations and of the association formed in the Northern Hawke's Bay District have not yet been held, and consequently the directors have not yet been elected or the secretary-treasurers appointed.

Approximate Cost of Paper.—Preparation, not given; printing (6,960 copies), £102 10s.

By Authority: W. A. G. SKINNER, Government Printer, Wellington.—1930.

Price 1s.]

