

1931.

NEW ZEALAND.

# RURAL INTERMEDIATE CREDIT BOARD

(REPORT OF THE), FOR THE YEAR ENDED 30TH JUNE, 1931.

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

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SIR,—

Wellington, 21st October, 1931.

In accordance with the provisions of 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, 1931.

1. During the year under review the Board's operations have steadily extended, and the result of the year's working must be deemed very satisfactory having regard to the difficult conditions which have ruled in the farming industry during the period. Previous reports have dealt fully with the establishment and development of the system, and it may now be stated that the Board's policy on all major matters has been defined and that the system is firmly established and is operating successfully. The Board has continued its efforts to extend the range of operations so that the advantages of the system may be made available to the maximum number of farmers throughout the Dominion.

2. An outstanding feature of the year's operations has been the increasing popularity of the method of obtaining loans through the medium of rural intermediate credit associations. As will be seen from the figures published in Appendix I to this report, the amount owing in respect of loans granted through associations greatly exceeds the amount owing in respect of loans granted direct to farmers.

3. The total business through associations, under Part III of the Act, and by the discounting of promissory notes dealt with or under consideration at the 30th June, 1931, amounted to £840,301, as compared with £590,246 as at the 30th June, 1930—an increase of £250,055.

4. The year now past has proved a difficult one for farmers owing to the reduced prices received for primary produce and to the unfavourable season experienced in many districts. It is therefore all the more gratifying to record that the great majority of the Board's borrowers have met their commitments in full, and that with but comparatively few exceptions the Board's loans are in a satisfactory position. Although it has been necessary in certain cases to grant relief by suspending principal repayments or postponing interest, these cases have been few in number, and with a reasonable recovery of prices the majority of those to whom concessions have been granted will be able to overtake their arrears in succeeding years. Even if, as appears probable, the prices of produce do not reach the level to which they have attained in recent years, the borrowers should be able to carry on successfully if reasonable prices rule, and if production costs are adjusted in accordance with those prices. Since its inception the Board has insisted upon adequate security for its loans, and has also required that applicants shall demonstrate to the satisfaction of the Board that under reasonably favourable conditions they will be able to make a success of their farming operations and meet their outgoings. It is evident that no

good purpose would be served by granting a loan to a farmer whose finances are involved or who would not be able to meet his commitments from the income which he is likely to receive. That the Board's attitude has been the correct one is evidenced by the results which have been achieved, and existing debenture-holders and intending investors can rest assured that their interests have received, and will continue to receive, the fullest protection the Board is able to afford.

5. In view of the existing economic conditions, the Board has been urged in some quarters to relax its requirements in order that it may assist farmers who bear a good reputation in their districts and who are farming their places capably but who are not able at present to offer security of the standard normally insisted upon by the Board. Any such relaxation would, however, involve the loss of confidence of the investing public, and less money would be available for lending, so that the final result would be unfavourable rather than favourable to the farming industry as a whole. As the Board's debentures have been constituted trustee securities, it must be assumed that the Legislature intended that loans should be made only to farmers who have sufficient security to support their loans. It is apparent that it is in the interests of the investor, and ultimately of the farmer himself, that the Board's present policy should be adhered to.

6. When the system was first established one of the objects aimed at was the supply of credit to the farmer in progressive amounts as his position improved and as the opportunity for the more extensive employment of credit increased. It is pleasing to record that this object has been largely attained. Many farmers who, during the earlier years of the Board's operations, obtained loans to improve their properties have later made application for further advances to enable them to increase the stock carried and thus to obtain the full advantage of the improvements they have made. The system has thus proved of great value to progressive farmers who have been able to increase materially the output from their properties without any corresponding increase in the fixed charges on their lands, and the Board is desirous of assisting farmers of this type to the greatest possible extent. Farmers who have obtained loans from the Board and who desire further advances for productive purposes will have no difficulty in obtaining the requisite finance, provided their relations with the Board have been satisfactory, their financial position is sound, and the securities are acceptable to the Board.

#### ADMINISTRATION.

7. *Personnel of Board.*—The Board records with regret the death of Mr. R. E. Hayes, C.M.G., who as Financial Adviser to the New Zealand Government was a member of the Board. The vacancy was filled by the appointment of Mr. A. D. Park as Financial Adviser to the Government.

8. *Meetings of Board and Local Committee.*—The Board has continued to meet on the second Friday of each month for the consideration of matters of general policy, and for periodical review of the working of the system and the position of the various loan accounts. Matters requiring prompt attention, including the consideration of loan applications, are dealt with by a committee of three members of the Board resident in Wellington, which meets weekly, the decisions of the committee being subsequently circulated to all Board members for review. During the year ended 30th June, 1931, twelve meetings of the Board and forty-six meetings of the Local Committee were held.

9. *District Boards.*—The district boards have continued to operate satisfactorily during the year and have rendered valuable service to the Board and the farming community. The chief function of the district boards is the consideration of loan applications not exceeding £250 in amount, but the boards have also been frequently consulted by the central Board on matters of general policy, and the advice and assistance rendered by them is greatly appreciated.

Mr. W. A. Gordon has become a member of the Waikato District Board on his appointment as District Government Valuer, Hamilton, in succession to Mr. G. W. Hyde, who has retired through ill health. The Board places on record its appreciation of the services rendered to the scheme by Mr. Hyde. No other changes in the personnel of district boards have taken place.

10. *Meetings of District Boards.*—The number of meetings held has varied in the different districts according to the volume of business to be transacted. Arrangements have been made for applications for loans to be circulated to board members for consideration where the business on hand is not sufficient to warrant the calling of a board meeting. Meetings are, however, held not less frequently than once in every six months in order that the district board members may be kept conversant with the development of the system, and may have an opportunity of discussing any suggestions which they consider will result in the better administration of the system. Altogether forty-two meetings of district boards were held during the year ended 30th June, 1931.

11. *Executive Work.*—The senior officers of the Public Trust Office have continued to act as the executive officers of the Board. The only change in personnel results from the appointment of Mr. F. Menneer to the position of Chief Accountant, in succession to Mr. W. M. Barr, who has been appointed an Assistant Public Trustee. The arrangement under which District Public Trustees and District Managers of the Public Trust Office act as District Intermediate Credit Supervisors and District Officers respectively, and the appointment of District Supervisors as Chairmen of the district boards and *ex officio* directors of associations operating in the various districts, has worked most satisfactorily. An additional District Intermediate Credit Supervisor has been appointed in the Waikato District, with headquarters at Te Aroha, consequent upon the formation of a new Public Trust Office district. The necessary alterations have been made to the boundaries between the Auckland and the Waikato districts.

The County of Waimarino, which was previously included in the Manawatu-Wellington District, has been transferred to the Wanganui District.

The employment of the services of the Public Trust Office has continued to be economical and satisfactory to the Board. The wide experience of the senior officers in Wellington and of the branch officers has been of considerable value, and it is believed that the system could not have been operated so economically or satisfactorily had this arrangement not been available.

### PUBLICITY.

12. The Board has continued to take active measures to bring before the farming community and other interested persons the advantages of the system and the developments which have occurred from time to time. Full information has been supplied by the Board's officers to all inquirers, and, where necessary, an officer has been made available to address meetings of farmers convened for the purpose of receiving information in regard to the system. Ten meetings were addressed by officers of the Board during the year.

The New Zealand Farmers' Union has materially assisted the Board by publishing periodically information furnished by the Board. The union also arranged a number of meetings of farmers which were addressed by representatives of the Board on the working of the system.

Reports of the Board's operations have from time to time appeared in newspapers and farming journals, and statements in regard to important alterations in the administration of the Board's business have also received valuable publicity. The Board places on record its appreciation of the assistance thus rendered by all sections of the press.

### GENERAL POLICY OF THE BOARD.

13. Though certain modifications in policy have been found necessary or desirable, these have been comparatively small in number and importance. Generally speaking, the lines laid down at the inception of the Board's operations have proved adequate and satisfactory. The following decisions involving development or variation of policy should, however, be mentioned:—

14. *Pedigree and Stud Stock.*—The Board's policy in this connection was set out fully in the last annual report, when it was mentioned that the Board was giving consideration to suggestions which had been made for the acceptance of higher valuations of pedigree dairy bulls in cases where the borrower was aiming at the

progressive improvement of his dairy herd. With a view to assisting those farmers who desire to improve the standard of their herds, the Board decided that pedigree bulls should be accepted as security at valuations in excess of the maximum value of £15 per head normally allowed for grade stock, provided that the value of the bulls does not exceed 10 per cent. of the value of the herd, and that the valuation of any individual animal should not exceed £40 for lending purposes.

15. *Repayment of Mortgages and Payment of Interest.*—As a result of the conditions which have obtained in the farming community during the past year, the Board received a number of applications for loans for the purpose of reducing or repaying existing mortgages, or for the payment of interest thereon. In many cases it was apparent that, owing to the decline in the values of farm properties, mortgagees were anxious to receive the amount of their mortgages, or a reduction thereof, owing to the danger of loss on realization of the securities. As the effect of the financial stringency became increasingly apparent the Board adopted the attitude that its chief obligations were to assist farmers to maintain and increase production to compensate for the lower prices which were being obtained, and as a result of this felt obliged to conserve its funds for these purposes, and to decline applications for loans for the repayment of mortgages or the payment of interest thereon. In certain cases, however, where mortgagees were prepared substantially to discount the amount of their mortgages in consideration of a cash payment, thus conferring a material benefit on the borrower, the Board made the requisite funds available. Similarly, the Board rendered assistance in certain cases where mortgagors were able, by a prompt payment of their interest, to obtain substantial concessions.

16. *Loans for Repayment of Existing Liabilities.*—Applications for loans have been received in increasing numbers where the moneys applied for were required solely or principally for the discharge of existing liabilities secured on the stock or incurred in connection with farming operations, and not for fresh productive purposes. Although the repayment of existing liabilities is an authorized purpose under the Act, the Board considered that preference should be given to those applications in which, in addition to the discharge of existing liabilities, substantial amounts would be applied to fresh productive purposes. It was accordingly decided that where a farmer's finance was already arranged with a stock firm, bank, or other financial institution the Board would not, in the absence of special circumstances, grant a loan to enable the existing liabilities to be repaid. In a few special cases, where it was established that a farmer's financial position would be materially improved by the granting of a loan, an exception to the general rule was made.

17. *Statements of Financial Position.*—With every application a statement of the farmer's assets and liabilities at the date of the application, with a statement of his receipts and expenditure for the preceding twelve months, is required, in order that the Board may be satisfied, before granting a loan, that the applicant's position is sound, and that he should be able to carry on successfully and meet his commitments. Some applicants have exhibited a reluctance to supply such statements, but it is felt that if a farmer expects the Board to repose in him sufficient confidence to grant a loan he, in turn, should be prepared to place his financial position fully before the Board. It is of the utmost importance that there should be a full disclosure of all relevant information between applicants and the Board.

18. *Term of Loans.*—Representations have been made that in view of the difficulty which farmers have recently experienced in meeting their outgoings the Board should extend the term of five years within which loans must be repaid in accordance with the provisions of the Rural Intermediate Credit Act. Any variation in the direction of extending the present term would, of course, require legislative sanction, but the Board has not considered it desirable to move for any amendment in this direction. The object of the Board as defined in the existing legislation is to provide intermediate credit for productive purposes which in the normal course should permit of the loan being liquidated within the maximum of five years already assigned, and a farmer who is not overburdened with capital liabilities should be able to meet his interest and capital repayments under normal circumstances without undue strain. Where some relief has become necessary owing to the exceptional conditions now prevailing, the matter has been dealt with on the lines indicated in the succeeding paragraph.

19. *Revision of Basis of Repayments.*—It has been found necessary to grant concessions to some borrowers during the year in respect of their principal repayments, and in a number of cases to postpone the payment of interest. Each case in which postponement was applied for was carefully reviewed, and if the mortgagee or lessor of the land was willing to co-operate, and a concession was justified in the interests of the farmer and for the preservation of the security, the Board granted such relief as was warranted by the particular circumstances. The Board has in suitable cases entered into arrangements with the borrower and his other mortgagees or encumbrancers for the financing of the farm until the next ensuing season, and the equitable distribution of the farming proceeds amongst the various encumbrancers.

It is pleasing to record that the number of cases where concessions have been required was comparatively small, and that the great majority of the Board's borrowers have met their commitments in full.

#### LOANS FOR THE PURCHASE OF FERTILIZER.

20. Farmers have fixed charges, such as interest on mortgages, rent, and rates, to meet every year whether the season experienced is good or bad, and consequently when their income is reduced through unfavourable seasons, or by a decline in the prices of primary products, expenditure in other directions must be curtailed. It was brought to the notice of the Government during the year that there was a tendency on the part of farmers to restrict the application of fertilizer to their properties on the score of economy. As the regular application of fertilizer to much of the farming-land in the Dominion is essential if production is to be maintained, the Government, realizing the importance of the matter, and notwithstanding the many demands made upon the public funds at the present time, decided to make available the sum of £100,000 for the purchase of fertilizer by farmers on easy terms. The amount was entrusted to the Board for administration, and, as it was clear that if the full benefit of the fund was to be obtained it would be necessary for the amount to be lent under somewhat easier conditions than those insisted upon by the Board in its usual lending operations, the Government authorized and requested the Board to relax its usual requirements in respect of the special fund, and agreed that any losses incurred should be borne by the Consolidated Fund. At the same time, the Government adopted the view that, having regard to the heavy calls made upon the general taxpayer at the present time, the moneys should not be made available indiscriminately, but only in those cases where there was reasonable prospect of the amount advanced being recouped from the proceeds of the next season's produce. As requested by the Government, the Board has relaxed its usual conditions, and is advancing the money to the best advantage consistent with reasonable protection to the interests of the taxpayer. Loans not exceeding £75 to any individual farmer are made, provided that a guarantee up to 50 per cent. of the amount is obtained from an institution, firm, or person whose financial position is satisfactory to the Board. Any ultimate loss sustained in any particular loan will be borne in equal proportions by the guarantor or endorser and by the Consolidated Fund. In those cases where a satisfactory guarantee cannot be obtained the Board is prepared to make the advance available provided a satisfactory charge is given over the milk cheques or other proceeds for the next productive season.

#### CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

21. Additional associations formed during the year were the Matamata, Pahiatua, Northern Hawke's Bay (Hastings), Northern Southland (Gore), Papakura, Huntly and Otamatea (Paparoa) Associations. The total number of associations formed and in active operation is now forty. The existing financial stringency has curtailed the formation of associations to some extent, as many farmers who ordinarily would have supported the formation have not been willing, in the present difficult circumstances, to commit themselves to further expenditure, however small. It is evident, however, that as soon as the conditions show signs of improve-

ment the formation of associations will be resumed. Already a number of farmers have intimated their willingness to form associations in the Marlborough, Central Hawke's Bay, and Thames Valley districts, and at Mangonui (North Auckland) and Matakana (Auckland), whilst a certain degree of interest has been aroused in South Canterbury and in the Waikouaiti - Palmerston South district.

22. *Relations with Associations.*—The relations between the associations and the Board have been almost uniformly cordial, and valuable services have been rendered to farmers and to the system by the directors and secretaries of associations, and by the valuers and solicitors employed by them. That the system is proving of benefit to the farming community, and that good relations exist between the associations and the Board, is evidenced by the appreciative references contained in the annual reports of many of the associations. Some of these references are published in Appendix III of this report. It is inevitable that there should be differences of opinion in some cases between the Board and associations respecting particular loan applications or on matters of policy, but it has been found that, as a general rule, a discussion between the directors and a representative of the Board has resulted in an amicable adjustment being arrived at.

23. *Directors and Secretaries.*—A booklet advising directors and secretaries of the Board's requirements in regard to its lending business has been printed and issued. Supplements to the booklets are issued periodically in a form suitable for incorporation in the original booklet. The Board recognizes that if the association method of obtaining loans is to continue to be a success directors and secretaries must be in possession of reliable and current information regarding the scheme.

A revised list of the directors and secretary-treasurers of associations operating throughout the Dominion at the end of the year under review is published in Appendix II to this report.

During the year it was ascertained that a director of an association who was also a borrower had, when making application for a further advance, failed to make full disclosure of his financial position, and had not supplied in his statement of assets and liabilities a complete list of the liabilities. The borrower's account later became unsatisfactory, and on the full facts coming to the knowledge of the Board the position was placed before the directors of the association, with the result that the resignation of the director involved was subsequently received and accepted.

24. *Position of Association Loans.*—The position of the loans generally is very satisfactory, and it is a matter for congratulation that in only two cases during the year was it necessary to realize securities owing to default by borrowers. This result speaks well for the consideration given to applications for loans and for the supervision exercised over securities subsequently to the granting of the loans. In the case of one security a loss was suffered by the association, and in the other case part of the security still remains unsold and only a trifling loss is anticipated when the balance of the security is realized. In neither case is the Board likely to make any loss.

25. *Business transacted through Associations.*—As at the 30th June, 1931, the amount owing by members of associations after crediting the repayments received over the period of the loans, in some cases extending up to three years, amounted to £314,949, as compared with the sum of £156,833 owing on the 30th June, 1930. The figures refer to the net investments only, and do not show the total amount of loans granted or the applications under consideration at the date stated.

#### LOANS DIRECT TO FARMERS.

26. Although the association method of obtaining loans is gradually proving more popular, satisfactory progress has also been made in respect of direct loans, and dairy companies and other companies, as well as firms and individuals, have continued to show their willingness to guarantee loans.

During the year arrangements were made with sixteen companies for the acceptance of their guarantees by the Board, and in four cases the Board agreed to increase the amount previously authorized for the acceptance of the guarantees of the companies concerned. From the inception of the system to the 30th June, 1931, the Board has agreed to accept the guarantees of sixty-eight companies.

27. *Business transacted under Part III of the Act.*—The amount owing to the Board on account of loans granted direct to farmers as at the 30th June, 1931, after crediting the repayments received under the loans since they were granted, amounted to £159,475, as compared with £154,209 owing as at the 30th June, 1930. These figures show only the net investments, and do not include loans granted but not paid over or applications under consideration at the date stated.

#### DISCOUNTING.

28. A satisfactory increase of business was recorded under this heading, and it is evident that this method of obtaining loans from the Board is a popular one, providing as it does a prompt and inexpensive means of obtaining small loans for the purchase of fertilizer or for the meeting of current expenses during the unproductive portion of the year.

Arrangements were concluded with fourteen companies during the year for the acceptance of their endorsements of promissory notes and bills of exchange, while the limits fixed for the contingent liabilities of five companies were increased. Up to the 30th June, 1931, the Board had agreed to accept the endorsements of fifty-five companies.

By Part III of the Act power is conferred on companies to guarantee loans whether or not the power to do so is conferred by the memoranda of association of the companies, but no similar power in regard to the endorsing of promissory notes is given by the Act. It has been brought to the knowledge of the Board that many companies which would be willing to endorse clients' and suppliers' notes or bills are unable to do so owing to the absence of the necessary legal power, and it is clear that if such a general power could be conferred there would be a further increase in the Board's discounting business.

29. *Business transacted.*—The total value of notes and bills outstanding at the 30th June, 1931, amounted to £15,282. As the notes and bills are normally drawn with a currency of not more than one year, the amount outstanding at any time does not give a true indication of the volume of business transacted. The total discounts effected from the inception of the scheme to the 30th June, 1931, amounted to £35,498.

#### DAIRY COMPANIES.

30. Though companies other than dairy companies have guaranteed clients' loans or endorsed their notes and bills, by far the greater proportion of guaranteeing and endorsing companies were dairy companies, and the satisfactory progress recorded is to a large extent attributable to the whole-hearted support given to the system by dairy companies. They have also rendered valuable assistance in the formation of many of the rural intermediate credit associations, and have aided the development of the system by supporting the operations of the associations when formed. The Board places on record its sincere appreciation of the valuable assistance which has been rendered to the scheme by dairy companies and their directors.

#### FINANCE AND ACCOUNTS.

31. The accounting system makes provision for separate records to be kept of advances and transactions of each district board. The accounts of these district boards are incorporated in the central Board's general Profit and Loss Account and Balance-sheet, and a complete record of the Board's transactions is readily available.

Moneys not immediately required for the settlement of loans are temporarily invested and are available immediately they are required. The Board's funds are thus at all times profitably employed.

32. *Accounts to 30th June, 1931.*—The accounts have not yet been completed as the question of the Board's liability for income-tax is under discussion with the Controller and Auditor-General, and the figures given in this paragraph are therefore provisional only. During the year the business has shown considerable expansion. The investments, excluding Rural Intermediate Credit Redemption Fund investments and advances to associations for preliminary expenses, amounted to £489,210 at 30th June, 1931, as compared with £322,507 at 30th June, 1930. The increase, £166,703, is over 50 per cent.

There has been a further substantial increase in the gross income of the Board, which amounted to £28,916 3s. 4d., as compared with £16,195 14s. 3d. for the year to 30th June, 1930. This income does not, however, include £7,578 2s. 2d. the income earned by the investments of the Rural Intermediate Credit Redemption Fund, which is credited direct to the Redemption Fund Account. The expenditure (including the interest paid on debentures) totalled £20,579 9s. 1d., as compared with £12,015 15s. 1d. for the previous year. In this year's accounts provision has been made for £885 estimated possible losses on advances. All loans have been thoroughly reviewed, and in all cases where it is considered that the security is in any way inadequate a reserve has been provided. Considering the volume of the investments and the present conditions affecting the securities upon which advances have been made, the amount which it has been thought prudent to set aside to provide for possible losses is extremely small.

The net profit for the year, £8,336 14s. 3d., has increased by almost 100 per cent. as compared with the profit for the previous year, £4,179 19s. 2d. This net profit, in accordance with section 39 of the Rural Intermediate Credit Act, 1927, has been appropriated in equal shares to the Rural Intermediate Credit Redemption Fund and the Rural Intermediate Credit Reserve.

The total investments and accrued interest thereon at 30th June, 1931, were £670,558 18s. 4d. This amount, however, includes the investments of the Rural Intermediate Credit Redemption Fund which have increased from £139,921 9s. 8d. at 30th June, 1930, to £149,604 17s. 5d. at 30th June, 1931.

The present investments of the Rural Intermediate Credit Redemption Fund are derived from—

|   |             |    |    |
|---|-------------|----|----|
| One-third of advance of £400,000 from the Consolidated Fund under section 16 of the Act .. .. .           | £           | s. | d. |
|   | 133,333     | 6  | 8  |
| One-half share of profits up to 30th June, 1930, appropriated in accordance with section 39 of the Act .. | 2,370       | 9  | 11 |
| Interest received and invested and interest accrued to 30th June, 1931 .. .. .                            | 13,901      | 0  | 10 |
|   | <hr/>       |    |    |
|   | £149,604    | 17 | 5  |
|   | <hr/> <hr/> |    |    |

In addition, the Redemption Fund includes a further sum of £4,168 7s. 1d., representing the one-half share of profits for the year to 30th June, 1931, together with a small balance of interest, £2 1s. 5d., which is yet to be invested. The Rural Intermediate Credit Redemption Fund thus amounts in total to £153,775 5s. 11d.

The investments in the course of the Board's ordinary business amount to £489,210 12s. 10d., classified as follows:—

|   |             |    |    |
|---|-------------|----|----|
|   | £           | s. | d. |
| Advances to associations under Part II .. | 314,948     | 11 | 9  |
| Advances to farmers under Part III ..     | 159,475     | 10 | 10 |
| Bills discounted .. .. .                  | 14,786      | 10 | 3  |
|   | <hr/>       |    |    |
|   | £489,210    | 12 | 10 |
|   | <hr/> <hr/> |    |    |

Temporary investments of funds not required immediately for payment of loans authorized amount to £23,400.

The figures published in Appendix I to this report show that there has been a steady increase in the Board's business. Owing to the large number of small loans and the necessity for the greatest care in the investigation of applications and in the supervision of advances upon the security of stock and chattels when granted, the Board realizes that its business must be somewhat costly to operate. This position was apparently anticipated by Parliament when the provision that the £400,000 to be advanced from the Consolidated Fund was to be free of interest for a period of ten years was included in the statute. The fact that the Board has been able to show a profit on the year's working is due to the use of £266,666 of this sum free of interest.



33. *Issue of Debentures.*—During the year it was necessary to place an issue of debentures on the market to secure funds for the extension of the lending business. These debentures were offered to the public through the organization of the Public Trust Office throughout the Dominion, on the following terms:—

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

A prospectus was issued and accorded considerable publicity by newspaper advertising. Special measures were taken to bring the issue before the notice of the investing public, including organizations directly interested in providing finance for farmers. The full issue of £100,000 was subscribed, and a further issue of debentures is now available for subscription. The funds thus obtained, together with the substantial repayments received from borrowers, have enabled the Board to carry out its lending programme during the past year.

34. *Accounts of Associations.*—Considerable assistance and guidance has been extended to associations in connection with the accounting work. In the case of new associations this assistance is necessary to ensure uniformity. Suitable accounting and statistical books are purchased by the Board and supplied to associations at cost.

#### SUPERVISION OF SECURITIES.

35. The necessary supervision of securities is exercised in the case of association loans by the directors of the associations, and, in regard to loans direct to farmers, usually by the guarantors of the loans, who have a financial interest in ensuring that the securities are adequately maintained, and by the District Supervisors. The Board has also arranged with the Public Trustee that, where necessary, the services of the Farm Inspectors of the Public Trust Office may be utilized.

As the association method of obtaining loans has become increasingly popular, the supervision by directors has become of added importance, as the success of associations depends to a large extent upon the supervision exercised over the securities and over the farming operations of the borrowers. Not only have directors protected the interests of the associations and the Board, but they have at all times been willing, and in fact, anxious, to tender advice to farmers with the object of assisting them in their operations. The Board expresses its appreciation of the attention given by the directors to the affairs of the associations, and of the advice and assistance rendered to the borrowing members. All services are rendered gratuitously by the directors, and both the Board and the farming industry is under a debt of gratitude to them. Only by the generous co-operation of all interested parties could the system be successfully worked.

#### INSPECTION OF WORK.

36. The inspectorial staff of the Public Trust Office has continued to make periodical inspections of the rural intermediate credit work which is performed by the Branch Officers of the Board, and has thus ensured that the work is conducted in a uniform and satisfactory manner.

#### LEGAL WORK.

37. The legal work of associations is conducted by the solicitors for the respective associations, and it is with the legal work in respect of direct loans only that the Board's legal officers are, as a rule, concerned. There were, however, during the year a number of general matters of legal importance which required consideration, and these were referred to the Board's legal officers for opinion. The arrangement made with the Public Trustee under which the legal staff of the Public Trust Office is available for the performance of the Board's legal work has continued to prove very satisfactory.

## SYSTEMS IN OTHER COUNTRIES.

38. Arrangements have been made by the Board to obtain reports and publications regarding similar systems in operation in other countries. Numerous reports and publications dealing with systems in operation in British and foreign countries were received during the year and were carefully analysed with the object of ascertaining whether any suggestions or ideas contained in the reports could usefully be embodied in the system in this Dominion.

## CONCLUSION.

39. The financial stringency which the Dominion is experiencing, and which is particularly felt by all members of the farming community, has proved a searching test of the soundness of the principles on which the Board has been operating. It can confidently be claimed that the policy of the Board carried out during the past few years of granting loans only to those farmers who could show a reasonable margin of security and a reasonable prospect of making a success of their farming operations has been abundantly justified.

I have, &c.

(For and on behalf of the Board),

J. W. MACDONALD, Commissioner.

The Right Hon. the Prime Minister.

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## APPENDICES.

## APPENDIX I.

COMPARATIVE STATEMENT OF TRANSACTIONS AS AT 30TH JUNE, 1930, AND 30TH JUNE, 1931.

|  | 1930.    | 1931.    |
|--|----------|----------|
|  | £        | £        |
| Investments (including loans made and face value of bills discounted) .. | 323,604  | 490,482  |
| Loans granted but not completed .. .. .                                  | 57,347   | 35,418   |
| Applications entertained and in course of consideration .. .. .          | 63,038   | 17,310   |
|  | <hr/>    | <hr/>    |
|  | £443,989 | £543,210 |
|  | <hr/>    | <hr/>    |
| The investments referred to above were made up as follows :—             | £        | £        |
| Advances to associations for preliminary expenses .. .. .                | 599      | 776      |
| Advances to associations under Part II of the Act .. .. .                | 156,833  | 314,949  |
| Advances to Farmers under Part III of the Act .. .. .                    | 154,209  | 159,475  |
| Bills and notes discounted (face value) .. .. .                          | 11,963   | 15,282   |
|  | <hr/>    | <hr/>    |
|  | £323,604 | £490,482 |
|  | <hr/>    | <hr/>    |

The business dealt with by the Board up to the 30th June, 1931, or under consideration at that date reached the total of £840,301, made up as follows :—

|   | £        |
|---|----------|
| Applications under consideration .. .. .                                    | 17,310   |
| Loans granted but not completed .. .. .                                     | 35,418   |
| Loans paid and bills and notes discounted since the inception of the scheme | 787,573  |
|   | <hr/>    |
|   | £840,301 |
|   | <hr/>    |

## 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: Arthur Leslie Williams, Dargaville (Chairman); George Druitt, Mamaranui; John Irwin, Ruawai; Frank Joseph Johanson, Parore; Henry Polden Walton, Tokatoka.  
 Secretary-Treasurer: William Rogers Worsley, Dargaville.
- Otamatea Association* (Headquarters: Paparoa. Registered 3rd March, 1931)—  
 Directors: Edward Thomas Rodney Coates, Matakoko (Chairman); William Betts, Ararua, Matakoko; Walter James Littin, Kaiwaka; Leonard Ramsbottom, Whakapirau.  
 Secretary-Treasurer: Thomas Casement Aickin, Paparoa.
- 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: Douglas Leith Ross, Whangarei.

## AUCKLAND DISTRICT.

- Helensville Association* (Headquarters: Helensville. Registered 11th October, 1928)—  
 Directors: Albert Hanson, Helensville; Herbert Chaplin Henley, Kaukapakapa; James Mackie, Helensville; Harold Phillip McLeod, Helensville.  
 Secretary-Treasurer: Frank Taylor, Kaukapakapa.
- Papakura Association* (Headquarters: Papakura. Registered 7th October, 1930)—  
 Directors: Alexander David Bell, Clevedon (Chairman); John Luke, Clevedon; John Muir, Brookby; William Harold Walters, Karaka.  
 Secretary-Treasurer: Gordon Fawsitt McDonald, Papakura.
- Waiuku Association* (Headquarters: Waiuku. Registered 12th June, 1928)—  
 Directors: Colonel Maxwell Aldred, Whiriwhiri (Chairman); Arthur Lansear Hull, Waiuku; David Sands, Pukeoware; Archibald White, Blenbrook.  
 Secretary-Treasurer: John Murray Heise, Waiuku.

## 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.
- Hauraki Association* (Headquarters: Paeroa. Registered 21st July, 1928)—  
Directors: Murdo Archibald Carter, Awaiti (Chairman); John Kenneth Dean, Paeroa; Edwin John Charles Townshend, Paeroa; Vivian Young, Hikutaia.  
Secretary-Treasurer: Arthur Thomas Jones, Paeroa.
- Huntly Association* (Headquarters: Huntly. Registered 21st January, 1931)—  
Directors: William David Thompson, Wakapuaka (Chairman); John Hoyle Furniss, Ruawaro; Harry Simpson Hall, Te Kauwhata; Sydney Spencer, Waiterimu.  
Secretary-Treasurer: William Gaitt Clavis, Huntly.
- Katikati Association* (Headquarters: Tauranga. Registered 18th September, 1929)—  
Directors: John Dugald Morrison, Katikati (Chairman); Samuel Charles Baron, Aongatete; David Charles Douglas Thomas, Katikati, Marcus Nicholson Trotter, Katikati.  
Secretary-Treasurer: James Frederick Russell Wallace, Tauranga.
- Matamata Association* (Headquarters: Matamata. Registered 12th September, 1930)—  
Directors: Henry Rollett, Matamata (Chairman); Daniel Robert Gunn, Matamata; Hector Sutherland, Okauia, Matamata; Edmund David Whyte, Putaruru.  
Secretary-Treasurer: Thomas James Underwood, Matamata.
- Morrinsville Association* (Headquarters: Morrinsville. Registered 22nd September, 1928)—  
Directors: George Henry Pirrit, Morrinsville (Chairman); John Henry Gaddes, Morrinsville; Frederick Chafe Kennedy, Morrinsville; Frederick William Scifert, Morrinsville.  
Secretary-Treasurer: Joseph Lewis Faulkner, Morrinsville.
- Otorohanga Association* (Headquarters: Otorohanga. Registered 21st June, 1928)—  
Directors: Herbert Arthur Lurman, Otorohanga (Chairman); John Byrnes, Otorohanga; George Dixon Hall, Otorohanga; Jens Christen Petersen, Otorohanga.  
Secretary-Treasurer: John Francis Trapski, Otorohanga.
- 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: Clement Arthur Suckling, 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.
- Taumarunui Association* (Headquarters: Taumarunui. Registered 18th October, 1928)—  
Directors: Arthur Wesley King, Taumarunui (Chairman); Joseph Fry, Owhangō; Geoffrey John Hammond, Owhangō; George Peterson, Taumarunui.  
Secretary-Treasurer: William Alexander Nisbet Campbell, Taumarunui.
- Te Aroha Association* (Headquarters: Te Aroha. Registered 23rd November, 1928)—  
Directors: John David MacKay, Waihou (Chairman); Frederick Ernest Hughes, Waharoa; John Dennerly Johns, Te Aroha; Peter Alexander Swney, Waihou.  
Secretary-Treasurer: Horace Rowbotham, Te Aroha.
- Te Awamutu Association* (Headquarters: Te Awamutu. Registered 12th June, 1928)—  
Directors: Charles Monrath Alexander, Te Awamutu (Chairman); James George Sutherland, Kihikihi; Walter Frederick Woodward, Te Awamutu; James Gladwin Wynyard, Te Awamutu.  
Secretary-Treasurer: James Gladwin Wynyard, Te Awamutu.
- Te Kuiti Association* (Headquarters: Te Kuiti. Registered 11th July, 1928)—  
Directors: James Nicol Boddie, Te Kuiti (Chairman); Robert Bell Cole, Te Kuiti; John Christopher Rolleston, Te Kuiti; Alexander John Sutherland, Te Kuiti.  
Secretary-Treasurer: Albert William Whyte, Te Kuiti.
- Te Puke Association* (Headquarters: Te Puke. Registered 8th October, 1929)—  
Directors: Henry Joclyn Gill, Te Puke (Chairman); Charles Bailey, Te Puke; Walter John Griffin, Te Puke; Charles Lewis Luke, Te Puke.  
Secretary-Treasurer: Henry Thomas Cashmore, Te Puke.

## HAWKE'S BAY DISTRICT.

- Northern Hawke's Bay Association* (Headquarters: Hastings. Registered 21st October, 1930)—  
Directors: John Henry Joll, Havelock North (Chairman); John Livingston, Maraekakaho; John Anderson Miller, Hastings; Richard Edward Talbot, Ngatarawa.  
Secretary-Treasurer: Walter Edwin Bate, Hastings.
- 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.

## TARANAKI DISTRICT.

- Kaimata Association* (Headquarters: Inglewood. Registered 1st October, 1928)—  
Directors: Henry Jones, Kaimata (Chairman); Alfred Maurice Allen, Inglewood; Alfred Corkill, Tarata; John Klenner, Kaimata.  
Secretary-Treasurer: Ian Percy Grant, Inglewood.

- North Taranaki Association* (Headquarters: New Plymouth. Registered 19th July, 1928)—  
 Directors: Samuel Vickers, Omata (Chairman); Arthur Robert Alpe, Uruti; Roderick David Spence, Omata; William Henry Whittaker, Okoke.  
 Secretary-Treasurer: Dann Le Cren Morgan, New Plymouth.
- South Taranaki Association* (Headquarters: Hawera. Registered 21st March, 1928)—  
 Directors: John Cocker, Eltham (Chairman); Louis Frank Bell, Mokoia; Ernest Samson Bennett, Manaia; Robert Joseph McCormack, Mangatoki.  
 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.

## WANGANUI DISTRICT.

- 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.

## MANAWATU-WELLINGTON DISTRICT.

- Horowhenua Association* (Headquarters: Levin. Registered 29th October, 1928)—  
 Directors: Robert Gillies Wall, Kuku, Ohau (Chairman); Raymond Vickers Brown, Weraroa; Harold James Lancaster, Levin; Ronald Joseph Law, Shannon.  
 Secretary-Treasurer: George Dacre Hamilton, Levin.
- 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.

## WAIRARAPA DISTRICT.

- Pahiatua Association* (Headquarters: Pahiatua. Registered 1st October, 1930)—  
 Directors: James Henderson Bremner, Ballance (Chairman); Edward Leighton Lloyd, Hamua; Joseph Edward Murphy, Pahiatua; Edward Russ Winkler, Makairo.  
 Secretary-Treasurer: Stanley Keith Siddells, Pahiatua.
- 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.

- 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.
- Mid-Canterbury Association* (Headquarters: Ashburton. Registered 24th July, 1929)—  
 Directors: Henry Charles Bayly Withell, Ealing (Chairman); James Carr, Methven; Alfred Gregory, Seafield; William Thomas Lill, Willowby.  
 Secretary-Treasurer: Edward James O'Brien, Ashburton.

## OTAGO DISTRICT.

- South Otago Association* (Headquarters: Balclutha. Registered 20th May, 1930)—  
 Directors: Henry Cecil Holgate, Balclutha (Chairman); John Christie, Wairepa; Andrew Alexander Jensen, Inchclutha; Thomas McCulloch, Pukekoma.  
 Secretary-Treasurer: John Thomas Walter, Balclutha.
- 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.

## 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.
- 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.

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

Directors: Henry Cockburn, Mataura (Chairman); Francis Wilson Hamill, Ferndale; Angus MacKay Robertson, Mataura; Donald Wight, Tuturau.

Secretary-Treasurer: Charles Harold Hargest, Mataura.

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

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

Secretary-Treasurer: Robert Stewart Green, Gore.

### APPENDIX III.

The following favourable references to the working of the system have been extracted from the annual reports of the associations named:—

*Bay of Islands.*—When the work that the association is doing becomes better known greater advantage will be taken of the exceptional advantages it offers of providing cheap money on easy terms.

*Waikuku.*—By means of this assistance and guidance the working of the association is now becoming much easier, and we have no hesitation in saying that now the benefits of the scheme have become more widely known its operations will steadily expand and become a very real factor in developing the farming industry of these districts.

*Hawraiki.*—That this meeting place on record its appreciation of the value of the rural intermediate credit scheme to the farming community and of the good work it is doing.

*Morrinsville.*—I would also record the valuable assistance lent us by the District Supervisor and his staff, and the Commissioner and Deputy Commissioner. Each and all have done their very utmost to assist the smooth working between the various Departments. The officers of the Board spare neither time nor effort to effect improvements where they may be necessary, or to assist individual members of associations.

*Hamilton.*—The scheme has been well received by the farmers in the district, and, although the amount advanced has not been large, we feel sure, that as the opportunity for obtaining cheap finance becomes better known among the rural community, the applications to take advantage of the undoubted benefits obtainable through the association will greatly increase. We desire to express our appreciation of the harmonious relations which have existed between the District Supervisor and his staff and your Board.

*Otorohanga.*—The foregoing figures go to show that the scheme has after twelve months' experience proved to be popular and of considerable assistance to the farmers of the district.

*Rangitaiki.*—The operations of the association have filled a decided want in this district in providing a means of financing for farmers at a low rate of interest, and it is perhaps surprising that more farmers have not availed themselves of it.

*Oroua.*—A notable feature is the enormous increase in the volume of business transacted by the association. During the past year the advances to members have more than doubled the amount advanced to the date of the last annual report. The work of the association is becoming more widely known, and the fact that its operations are increasing so rapidly is conclusive proof that the association is fulfilling a long-felt want to the farming community.

Your directors thank the District Supervisor and the Public Trust officials at Palmerston North for their considerable practical help and assistance so generously given. Your directors also wish to state that the most cordial relations exist between the association and the Board, which has given all the association's recommendations careful consideration. Only in two instances has the Board been unable to see eye to eye with your directors. In both these instances subsequent investigation has shown that the decision of the central Board was the wiser one. In every case it can be said that the central Board has done everything possible to facilitate consideration of the association's recommendations.

*Horowhenua.*—We desire to express to the Rural Intermediate Credit Commissioner, through this report, our deepest sense of appreciation for the willing services, co-operation, and courteous treatment extended to the individual members of this board at all times by the District Supervisor and his staff; also to the Deputy Commissioner (Mr. J. Snell), who has given a considerable amount of time to members of this association when they have called on him in Wellington *re* the business of the association.

*South Otago.*—Your directors anticipate that as the activities of the association become better known the business of the association will increase accordingly, and the farming community will be able to benefit by the cheap finance placed at their disposal. Your directors would like to record their appreciation of the treatment given by the central Board to all recommendations sent forward and the uniform courtesy extended by the Public Trust Office in all its dealings with the association.

*Eastern Southland.*—The prospects of the association appear to be bright, and there is no doubt that it is functioning usefully in supplying finance for farming operations.

*Approximate Cost of Paper.*—Preparation, not given; printing (5,460 copies), £28.