

particular case. As it was evident that, in view of the reduction in the prices received by farmers for primary produce, a number of borrowers would not be able fully to repay their loans as required by section 65, it was considered advisable to confer on the Board a discretion to enable it to grant latitude to borrowers where necessary. Although the Board will not, as a general rule, depart from the principle which requires all loans to be repaid within a five-year period, it may exercise a discretion when reviewing the terms of repayment or considering the position of existing loans, and amounts owing may be allowed to run on after the end of the five-year period. Reference to the Board's policy in this respect is made earlier in this report.

### CONCLUSION.

51. It is generally recognized that the year just closed has been one of unparalleled difficulty for all lenders on rural securities, and the difficulties have been felt with special force by those companies and institutions which have been engaged in lending funds on the security of stock and chattels, a class of lending which even in normal times is fraught with special dangers. The difficulties occasioned by the severe decline in farming revenue, which upset all calculations and made it impossible for farmers to meet obligations which they had incurred in good faith and with every prospect of meeting them, were increased by the operation of the mortgagors-relief legislation, which imposed serious restrictions on the mortgagee's right to realize his securities. The Board has endeavoured to make the best of the position as it existed, and in a number of cases it has entered into equitable arrangements for the sharing of farming income with the mortgagee of the land after providing for necessary living and working expenses for the mortgagors and the payment of rates and taxes. In the case of association loans the policy to be adopted in such cases has been left primarily to the directors to determine, as the responsibility for any loss involved in carrying on mortgagors whose financial position is weak falls on the associations.

52. That in a period of such outstanding difficulty the Board and the associations have avoided serious losses and have succeeded in restricting the amount of interest outstanding to the moderate sum of £600 speaks well for the care displayed by all connected with the administration of the system, and for the desire of borrowers to meet their obligations to the fullest extent of their capacity.

53. The Board looks forward with confidence to a resumption of lending on a more extensive scale as soon as conditions in the farming industry become more stable. Proof that the system was devised and established on sound lines is afforded by the fact that it has successfully survived the severe test imposed by the unfavourable conditions which have prevailed almost since its inception, and with the return of more prosperous conditions there should be scope for a considerable expansion of its operations.

54. The Board again acknowledges with sincere thanks the capable and zealous service rendered by members of the district boards and directors and officers of rural intermediate credit associations whose work, largely unrecompensed according to commercial standards, has alone made possible the results recorded in this report.

55. The Board also places on record its satisfaction with the services rendered by those members of the Public Trust Office staff who act as officers of the Board.

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(for and on behalf of the Board),

J. W. MACDONALD, Commissioner.

The Right Hon. the Prime Minister.