

## RURAL FINANCE IN NEW ZEALAND.

### THE INTERMEDIATE CREDIT SYSTEM AND LONG-TERM ADVANCES.

Paper presented by J. J. Esson, C.M.G., Chairman, Rural Intermediate Credit Board, to the Empire Farmers' Conference, held at Wellington, 24th March, 1930.

THERE is probably no country in the world where better provision exists in the credit system for primary producers than in New Zealand, both as regards short-term and long-term loans, or where greater opportunities are afforded the industrious farmer with small capital. I say "small capital" advisedly, for whilst personal ability, character, and experience are essential, it is imperative that the farmer himself should contribute a certain amount of the capital required in his business. It is the only buffer between his creditors and loss, and he should constantly endeavour to maintain his equity unimpaired, for when "sailing too close to the wind" he is in serious trouble directly prices fall.

In recent years there has been a large increase in the number of lending institutions, which has not been an unmixed blessing. Credit has its disadvantages as well as its advantages, for when it is too easily obtained it becomes a temptation to overspend and to borrow injudiciously. Indeed, our experience has shown that in the past credit was often too easily obtained, and money was borrowed without due regard to its profitable employment. Values were much inflated during an abnormal period of high prices. Land was bought at impossible prices, stocked and cultivated on credit by farmers, many of whom added to an overwhelming liability by the purchase of costly machines, motor-cars, and suchlike on the instalment plan.

New Zealand is still recovering from that stage; and although a liberal lending policy is observed, that liberality is checked when the applicant, although he may be a good moral risk, is burdened with liabilities and charges which cannot possibly be met out of the income of his farm, or when it is sought to be taken advantage of to cover personal extravagance, negligence, or speculation in land and stock instead of practical occupational farming.

There is less room to-day in the rural credit system for the speculator, who regards farming as an opportunity, not as an occupation, and it is becoming understood that the true value of land is not found in its selling-price but in its productivity, its lasting-qualities, and average annual return, or that its earning-power determines its loan value.

Here as elsewhere there is the same urgent demand for credit in periods of adversity, when it is sought as a desperate remedy; but no institution, whether State or co-operative, can afford to make loans which prudent investors would reject as hazardous and excessive. Every effort is, and should be, made to foster our primary industries and to improve the conditions and prospects of those upon the land, but it has to be recognized that unlimited credit will not help farmers when unprofitable prices prevail, for it would only be adding to their burden