

free of interest for the first ten years, one-third to be placed to the credit of a special redemption fund for the purpose of redeeming debentures issued by the Board, and the remaining two-thirds to be available for making advances as permitted by the Act. Grants were also made to the Board up to a total of £10,000 to cover the expenses of establishment and the preliminary cost of administration. The permanent and main source of the Board's funds for investment will be the issue to the public of debentures secured upon its assets and by the provisions of the Rural Intermediate Credit Act of 1927. These debentures will, in effect, have priority over the claims of the Crown to repayment of the advance of £400,000, as repayments to the Crown are restricted so that they may not exceed in total the amounts transferred to the reserve accounts of the Board. The total of the debentures issued by the Board may not at any time exceed the sum total of the advance from the Consolidated Fund and the amount of the investments of the Board, or the sum of £5,000,000, whichever is the less.

METHODS OF LOANS BY THE BOARD.

The funds provided are made available to the farming community by four methods, providing ample scope for co-operative effort upon the part of farmers in relation to their credit requirements.

ASSOCIATIONS.

The first of these methods is by advance to farmers as members of a special form of limited-liability company known as co-operative rural intermediate credit associations. The Act enables farmers to combine for the purpose of financing themselves as individuals on their collective financial strength, as a group. The procedure briefly is for a group of farmers of not less than twenty in number to form an association, and the Board is authorized to advance funds to the association, to be loaned by the association to its members upon approved securities. Farmers who subsequently desire to apply for loans through the association may be admitted as members, and members who have repaid their loans, or do not propose to lodge applications, may be permitted by the directors to retire and may receive the agreed value of their shares, provided that their retirement will not reduce the membership of the association below the statutory minimum.

The minimum share capital which a member must contribute is twenty-five £1 shares, and a shareholding of this amount will permit a member obtaining a loan up to £250 if his security is considered sufficient. A member desirous of obtaining a larger loan must take up shares to the nominal value of one-tenth of the amount of the loan, and consequently a member's shareholding may range from £25 up to £200 in the case of the maximum loan of £2,000. Members of associations are not liable for the loans obtained by other members beyond the amount of the share capital which they have subscribed.

Associations are not intended to be trading bodies or profit-making concerns, and are subject to certain statutory restrictions imposing safeguards considered necessary by reason of the fact that they will mainly be debtors of the Board, which in turn is trustee for the debenture-holders who have invested their funds in the Board's business, and for the Crown in respect of funds advanced on loan from the Consolidated Fund. On the other hand, it has been possible to