Another pleasing feature is the progress made by borrowers in repaying the instalments due on their loans. The majority of the loans granted are repayable over a period of five years, and the borrower is required to meet his interest and instalments of principal from the proceeds of his produce sold during the season. In most cases where borrowers are already established on their holdings this programme of repayment is satisfactorily covered, but in other cases where a borrower is developing his farm or otherwise undertaking improvements or increasing his stock, concessions are granted by way of either reducing or postponing principal repayments until the borrower can recommence his repayments.

Although there has been some increase in the business transacted by the Board it is apparent that the amount of business offering is to a certain extent affected by the fact that other lending institutions from which farmers' finance is obtainable have been in a position to offer advances on favourable terms. However, there are features of the Rural Credit system of lending which prove attractive to farmers, and these are principally that the rate of interest charged is usually somewhat lower than that payable to other lenders, and, secondly, that there is no obligation on a borrower from the Rural Credit Board to make his stock sales through any particular agency. There is no doubt that the requirement that borrowers' accounts should be progressively reduced has proved to be sound policy and of benefit to borrowers from the Board. This scheme necessitates the preparation of an annual budget, and the farmer is thus able to gauge the extent of his expenditure over each season, while during the periods that the returns from his farm are on a favourable basis he is gradually liquidating his liabilities and thus consolidating his position against the contingency of his returns being reduced or the period when he may have need of incurring further liability in developing his land or providing some additional plant or amenities for the comfort of his family or his employees.

Arising out of the Government's request for increased production with a view to assisting the British Government in carrying on the war effort, in which New Zealand is so vitally interested, this Board, with the assistance of Rural Credit Associations throughout the country, has offered additional finance to its borrowers and other farmers who have required temporary assistance in order to engage in additional cropping or in other ways extend their farming operations.

CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

At the close of the year there were twenty-one associations transacting business. In addition to these, there were several small associations in the process of liquidation. Shortly after the inauguration of the scheme a number of associations were promoted which carried on with a very small volume of business over a period of years, but finally it became evident that owing to the small amount of loan business offering it was uneconomic for these units to continue in being, and it was accordingly decided by the members that it would be preferable to merge their business with some adjoining association or, alternatively, to transfer the existing loans to the Central Board.

As mentioned in the introduction of this report, there has been an increase in the aggregate amount of business transacted through associations, and the following comparison is now submitted :—

During the year ended 30th June, 1939, loans granted by associations amounted to £67,594, as against £70,016 for the current year, the number of loans outstanding at the end of this year being 667, compared with 549 at the end of the previous year.

DIRECT LOANS UNDER PART III OF THE ACT.

Provision is made in the Act for the granting of loans to farmers direct from the Board, and this method is adopted in districts where no association is carrying on active business. Inquiry for direct loans has been on a reduced scale during the past year, the amount paid over aggregating £1,193, as against £2,997 for the year ending 30th June, 1939. There are, however, a number of loan applications arising from the drive for increased production, and it is anticipated that this branch of the business will show an increase in the forthcoming season.