

producer must pay. The stock and station agencies have rendered, and continue to render, great assistance to the primary producers. As a matter of fact they have established a service which through long usage and custom is almost indispensable; and, considering the circumstances under which their capital is obtained and advances are made, with few exceptions their interest charges are not unreasonable. However, the business of money-lending appears to have been adopted by them not from choice, but rather as a matter of commercial expediency and necessity. To retain their customers the stock and station agents have gradually assumed the roll of bankers, and in order to obtain the capital to meet a growing demand for intermediate credit many have accepted deposits and have pledged their resources sometimes at such high rates of interest as to make successful farming for their borrowers difficult, if not impossible. The main objection to this system is that it is costly, it diminishes the farmer's power of borrowing elsewhere, restricts him in his markets and profits—in short compels him to buy in the dearest market and sell in the cheapest market. The problem is how to discount farm securities at the lowest possible rate. The solution is not to be found in the duplication of existing lending institutions, but in organizing the resources of the primary producers themselves so as to provide a basis for joint concerted local action in their own behalf in order to get the capital they must use. In almost every part of the world the organization of rural finance is based upon the development of the co-operative principle because it gives the farmer himself the experience which teaches him to use money in a business way, leading ultimately to financial independence by putting him into relationship with a self-supporting institution through which capital can be obtained. In combination small farmers can command capital, credit, technical advice, and commercial attention. Disunited they are more or less helpless, and more or less tied. The strong argument in favour of the group system of finance is that you begin at the bottom and teach these people to help themselves. An essential feature of the co-operative system is that it improves the credit status of the individual borrower. The fact that the resources and responsibility of several individuals are combined together increases the confidence of lenders, and creates an asset which is equivalent to the asset of goodwill upon which corporate industry relies. Members of a co-operative association lend their assistance to avoid the charges of needless staffs and middlemen by supervising the conduct and dealings of each other. On the other hand, individual credit is more risky, and is costly in the matter of supervision. It is true that in the United States individual advances are made, but they are made through approved agents, such as banks, trust and agency companies, and mainly in localities where there are not sufficient farmers to form associations. In such cases the agents are required to endorse the loan and accept the responsibility for it. The Bill, as originally drafted, gives power to discount farmers' securities for such institutions, and there is already in existence an individual intermediate credit system administered by the State Advances Office with a limit of £500. I understand it is proposed to increase that amount to £1,000. I am afraid that this, if done, will retard the development of co-operation, because it will place the non-co-operator on more favourable terms than the man who is willing to co-operate. The result may be that the co-operative part of the Bill will not function, and its object to free the farmer from his present credit entanglements will fail. The individual farmer is slow to move, naturally reluctant to accept anything new, and if he can obtain advances at a reasonable rate is unlikely to contribute share capital and join with others, even if it involves the purchase of his seed, fertilizer, &c., from the one firm and the sale of his produce to the same firm. The farmer will probably continue to act individually, and the system will not give that relief which it is designed to afford. It must be obvious that if the Board or Council deals directly with the individual on the partial endorsement of an agency, the personal responsibility of that institution is weakened, and the assistance and oversight of the borrower's neighbours will be lacking. If a stock and station agency is to have a monopoly of a farmer's trade, it would not be too much to ask them to endorse even the whole amount of the loan and to undertake the full responsibility of supervision. In connection with the proposed advance of £250,000, if securities were handed over to the Board forthwith they would bear interest at a reasonable rate; there would be no interest loss on the investment; it would be almost equivalent to handing over cash, as the Board could at once issue debentures against the £250,000. There is no analogy between this system of financing and the rural advances (long-term) system. In the latter case the Board is catering for a class of business under which debentures issued under this Act will not be brought into competition. The short-dated debenture really gives the intermediate system its great advantage. By organizing the credit that is at present available temporary investors will be attracted by the short-dated debentures. Large corporations on the Continent and in the United States invest very freely in such securities. They can be purchased to fit in with their finance and usually return a better rate of interest than they would get from the banks. The curriencies principally run from six months to two years. It would not be necessary to go beyond a five-years currency for the debentures.

*The Chairman.*] You ought to get money for short terms at short interest—at less than the present rates. We would want to be below 6 per cent. ?—Yes. A question put in the States—Was it necessary for an intermediate credit bank to find the whole of the cash for the associations ?—brought the answer, No; the moral effect was very great. For in addition to the service of discounting and advancing, “they are also valuable in that credit made available by them encourages private financial institutions to extend loans. Farmers' co-operative associations have often found commercial banks willing to give credit on very reasonable terms as soon as advances have been promised and approved by the intermediate credit banks. An association that has been deemed a safe risk by an intermediate credit bank has thereafter a better standing with private financiers. They were a means of restoring public confidence.”

*Right Hon. Mr. Coates.*] Do I understand you to say that in regard to the proposed addition to the Bill, and its reference to advances and certain guarantees being given, that that would be