

Mr. H. E. Holland.] You say, Mr Abraham, that there is sufficient money in the country at present for this purpose?—For immediate purposes, yes.

If there is sufficient credit in the country, what was at the back of the increase in the rate of interest by the banks?—The banks were in the position, I think, of having their deposits going away, and to stop that they were compelled either to reduce their deposits or to increase the rates.

But that means that there is sufficient credit in the country?—I do not think so. It means that more is being spent; it is not being saved. I have not come across a case where, if the securities were available, a man would be turned down either by the banks or the existing financial concerns.

As a rule, prices do not go up if there is an abundance of a particular commodity?—No; I agree with that. Still, the position of concerns right throughout the country is better than it has been for some time. In the case of my own concern, we have been surprised at the amount of money which has come in and which is now available to go out on satisfactory security. You can understand that a concern like ours, that is dependent on money in the country, has to pay a higher rate than concerns which can borrow at Home in a larger way. But we have to cut our coat according to our means.

Then, if credit is plentiful, there is not much reason why the rate of interest should be so high?—It is because the securities are not sufficient. The money is there, but the security is not. The average farmer right throughout the North Island, at all events, we must admit, has given a great deal more for his land than it is worth. That is where the trouble is.

In the central principle of this Bill the idea is to form groups consisting of not less than twenty-five, with a minimum share liability of £25 and a 10-per-cent. share liability of the amount which it is desired to borrow. The security will be the chattels of the individual borrower, plus the share capital. Do you think that that security will make money more easily available?—I take it that the idea of this rural assistance is that the stronger man should help the weaker.

No; there is no joint-and-several?—Well, all I say is that the individual farmer after forming these associations will be in no better position than he is now, except that he may get the advantage of a cheaper rate. He can get what money he wants now. Take a man who has given too much for his land: he has a certain amount of chattels; if he has very heavy mortgages on his land it is reasonable to suppose that he could not get 80 per cent. on his chattels. Another man, who has given a reasonable price for his land, can get the 80 per cent. on his chattels, because he is in a better position. In the old days we never thought of securities, because the land was rising in value, and we always felt the security was there, provided the farmer was a decent man. It is only of late years that the price of land has grown so, and we are compelled to take securities, and we have to look on them with caution where the mortgages on the land are heavy, and so must the Board. The Board will be in no better position than we are; they must use discretion in making advances unless they are prepared to lose money. We are really in a better position than the Board would be, because we have men who have been with us for years who know the value of land and stock, and when we make advances they look at the place and at the stock and say, "The land is worth so-much and the stock so-much, and he has a margin of so-much over his liabilities."

Will this legislation, do you think, give the borrower any greater freedom in the way of handling his own affairs than he has now? For instance, we all know that a stockowner over whose stock there is a bill of sale has no freedom as to where he will sell; he is told he has to sell to a certain firm. Sometimes the mercantile house will demand a commission from the firm to which the stuff is being sold. Would not this legislation place the stockowner in a better position than he is under the existing system?—I do not think so. He can go to any firm. After all, any man in a good position can go to another firm.

Under existing conditions?—Yes, under present conditions.

Suppose a mercantile house held a bill of sale over the stock of a farmer, and that mercantile house directed the farmer that he must not sell his stock to certain freezing-works because that freezing-works would not give the mercantile house a commission on the sale of the stock—he has not much freedom under those conditions?—No.

Will he have a greater degree of freedom under this scheme?—I do not think so, because the competition is so keen that it keeps all unfair methods down. It is always the object of a firm like my own to treat the farmer fairly and squarely. I do not think the farmer will be any better off, except that he will be in a position to get money cheaper.

You will agree that a saving of $\frac{1}{2}$ per cent. or 1 per cent. would mean an enormous thing to the farmer if it became a general thing?—Supposing you are a farmer and you want to exceed the margin which a certain firm has given you by several hundred pounds: is the Board going to give the farmer the same facilities that we do? We recognize that at certain times he must have more money, and we often make heavy advances until his produce—his wool, and so on—starts to come in; and in many cases they go over the amount they should get, because we depend on them reducing those amounts when the produce is sold. Is there going to be that same free spirit of dealing between the Board and the farmer as there is at present between the sound client and the reasonable merchant?—I question very much whether the saving in interest is going to pay in the long-run. The farmer will find himself tied up and not so free as he is to-day, although at present he may be bound to sell his stock through one particular firm.

You say that 1 per cent. does not meet taxation and expenses?—No.

How do firms carry on in that case?—On the profits they make on trading. The trouble at present is that the stock business is not returning any profit. I used to declare a dividend of 8 per cent. to my shareholders; we are reduced to 5 per cent. now, because we get no profits from the stock business. The introduction of freezing has made all the difference. All the lambs go to the freezing-works now, and, with the increasing costs, naturally we cannot look for the profits we used to make.