success reflected in the number of associations formed to date is attributable in no small measure to the interest displayed by the Dominion executive and the branches of the Farmers' Union, which, as previously stated, arranged a considerable number of meetings throughout the Dominion to receive from representatives of the Board explanations of the principles of the rural intermediate credit system and the association method of obtaining loans. A satisfactory feature of the associations formed to date is the action of many prominent farmers in joining up as members of associations formed in their districts, to ensure that the associations will be successfully launched, despite the fact that they are not likely to apply for loans. Many such farmers have given further evidence of their support of the association idea by agreeing to act as directors of the associations.

The first association formed was the South Taranaki Association, with headquarters at Hawera. The Board's consent to registration was given on the 9th March last, and it commenced active operations shortly afterwards.

The movement in the South Taranaki district was followed by the setting-up of associations at Te Awamutu, Feilding (Oroua Association), Hamilton, Otorohanga, Te Kuiti, Waiuku, Paeroa (Hauraki Association), North Taranaki, Morrinsville, Raetihi (Waimarino Association), Dargaville (Northern Wairoa Association), and Taumarunui. In all these cases the Board's consent to the registration of the associations has been given; a number of the associations are in working-order and have submitted applications for consideration by the Board. In addition to the above, associations have also been formed at Helensville, Kaimata, and Tapanui, and they will shortly be approaching the Board for consent to registration, as a preliminary to commencing active operations. Movements are on foot in other parts of the Dominion for the formation of additional associations.

The process of considering the loan applications which have been submitted up to the present discloses that generally the associations formed are composed of a very satisfactory class of borrower, and that careful consideration is given to the applications by the directors before they are submitted for the Board's approval.

It will be observed that at present progress is being made with the formation of associations mainly in the North Island, and particularly in those districts where dairy-farming predominates. It would appear that the adoption of the association idea will proceed somewhat more slowly in sheep-farming districts, and it may be anticipated that as the scheme advances Parliament will be approached by the agricultural community with a request that the sum of £1,000 at present fixed as the maximum of an advance under the Act shall be increased. In the meantime, however, the existing maximum is sufficient to enable the possibilities of the scheme to be thoroughly tested.

LOANS TO FARMERS WITHOUT THE INTERVENTION OF ASSOCIATIONS.

19. The recommendations of the Royal Commission did not contain any provision for direct advances to farmers who were not members of rural intermediate credit associations, the only other method provided in their recommendations by which advances might be made for the benefit of farmers, as apart from farmers' co-operative organizations, being through the discounting of their promissory notes or bills of exchange. The provisions which now appear in Part III of the Act (sections 60–67) were introduced into the measure when it was before Parliament mainly in response to representations made that there were many farmers who by reason of the isolated situation of their properties were not likely to have the opportunity of forming or joining associations. It was also submitted that a farmer should not be debarred from receiving the benefits of the rural intermediate credit system simply because an association had not at the time when he required accommodation been formed in his district.

Where loans are made to associations the Board has the protection afforded by the liability of the association to repay the loan, supported by its share capital, investments, and reserves, in addition to the securities taken by the association from the borrowers which have been approved in advance by the Board. In the case of loans to direct applicants security in addition to the stock and chattels upon which the loan is secured is required in terms of section 64 of the Act, which provides that each loan must be guaranteed by one or more persons approved by the Board, to such amount as may be required by it, being not less in any case than 20 per cent.