

and paramount duty the protection of the funds which have been entrusted to it by the Government and by its debenture-holders. During the year the policy of the Board in this regard has been criticized and the opinion expressed that the Board should reduce its standard of security and charge a higher rate of interest, on the ground that borrowers whose security is not of a high order have the greatest difficulty in raising money at any price.

Under the method of obtaining funds which the Rural Intermediate Credit Act provides, the ability of the Board to borrow money to carry on its operations will at no distant date be dependent entirely on the good repute of the securities held for loans already granted, and consequently, if it were to depart from the high standard which must be maintained in regard to trustee investments, not only would it fail in its duty to the Government and its present debenture-holders, but it would also lose the confidence of the investing public and thus destroy all prospect of selling future issues of debentures.

7. Reference has already been made to the effect which the exceptionally good farming season just past has had upon the lending business of the Board. Another factor which must be taken into account is that the majority of farmers are conservative and slow to change. Reports from branch officers go to show, however, that those farmers who have already done business with the Board are very well satisfied, particularly as regards the immediate cessation of interest on amounts paid to credit of their accounts. The Board fully recognizes that the testimony of satisfied borrowers is the best publicity it can have, and loses no opportunity of ensuring that any suggestions made by borrowers are met wherever to do so is consistent with the safety of its funds.

It may not be thought out of place to mention here that the lending operations of the Board involve difficulties which are possibly not generally realized. In the first place, almost the whole of the Board's loans are made upon the security of live and dead stock, and thus require skilled and careful handling at every stage. Another factor which must be taken into consideration is that the average amount of loan granted by the Board is about £300. It is thus evident that the expense of administration of the scheme, especially in its early stages, must be heavier than the expense of administering loans of a similar volume on the security of land, as in the latter case the average loan will be considerably higher and the work involved in respect of each application will be less.

8. That the operation of the Act is being watched with close interest in places outside the Dominion is shown by the following editorial comment on an article on the rural intermediate credit scheme, which was contributed by the Commissioner to the *Trust Companies Magazine*, New York :—

“Inasmuch as ‘farm relief’ was the keynote issue in the last Presidential campaign and is the prime subject of the present special session of Congress, the following article is of timely interest. While this problem suggests aspects which are peculiar to economic conditions in the United States, there are valuable lessons to be obtained in studying the experiences of other countries as regards governmental agencies to provide rural credits and encourage either voluntary or Government agencies for co-operative financing as well as marketing. New Zealand has been foremost in developing a Government system of rural credits and in the formation of co-operative associations.”

In communicating with the Commissioner subsequently, the editor of the magazine stated :—

“I have had quite a number of requests for copies of the April issue of *Trust Companies Magazine*, containing your article on ‘Rural Intermediate Credits in New Zealand,’ and also have had occasion to send several copies to members of our Congress who have been active in formulating the Agricultural Relief Bill which has recently become a law.”