

to obtain concessions in return for cash payments for their requirements, and so they have represented a definite cash value to the borrowers. Many cases have come to the knowledge of the Board where considerable benefits have accrued to farmers in this manner.

32. *Suspension of Payments during Winter Months.*—The payments received by dairy-farmers in respect of their cream-supplies during the winter months are small, and they generally require the full cheques to meet current expenditure. It is therefore to their advantage that the interest on their loans and the annual repayments of principal should be collected over the flush months of the year, and the practice is now adopted by the Board, in the case of direct loans, of taking an order from the borrower for a percentage estimated to be sufficient to produce the total payments required during this portion of the year, and once the required payments have been met to suspend the operation of the order until the commencement of the next milking season. In the case of association loans the matter is left to the decision of the individual associations, but in several instances the practice adopted by the Board has been followed by the associations.

33. *Disbursement of Loans.*—Suitable measures are taken by the Board to ensure that loans are applied for the purposes for which they were granted. In many cases the Board in approving loans has taken into consideration the fact that it is proposed to purchase additional stock or chattels out of the loan-moneys, and where the additional stock or chattels are necessary to provide the requisite margin of security for the moneys advanced special measures are taken to ensure that the purchases are made and the stock and chattels brought within the ambit of the security taken. The discharge of encumbrances on the stock and chattels, or prior encumbrances of land where collateral security is taken over the farm property, is left in the hands of the solicitors entrusted with the preparation of the securities. In other respects, also, close oversight is exercised over the expenditure of loan-moneys. During the year a special system was adopted in regard to the application of moneys advanced through associations to ensure that the requisite margin of security is provided for the loans by the purchase of additional stock and implements, and so forth, and to place the disbursement of other loan-moneys directly under the control of the directors of the association.

34. *Proposed System for "Limits."*—It was recently announced by the Right Hon. the Prime Minister that legislation would be introduced during the present session raising the limit of advances to farmers to £2,000 in each case. As this extension would make the rural intermediate credit system more applicable to the needs of the sheep-farmer and grain-grower than has been the case under the present limit, the Board has given consideration to the best means of providing for the credit requirements of these classes of farmers. Mainly the lending business of the Board has been confined to the granting of loans for immediate requirements, such as the discharge of encumbrances on farming assets, the purchase of additional stock, fertilizer, or farming accessories, though where the loan has been required for the payment of amounts due at future dates the Board has agreed to make the loan or such portion as is required payable at the future date without requiring the payment of any interest in the meantime. This has been sufficient to meet the needs of the dairy-farmer. The position of the sheep-farmer or grain-grower is, however, materially different, as these farmers receive the whole of their income within one or two months, leaving a large portion of the year in which no income is forthcoming, and during which considerable expenditure has to be incurred for living-expenses, purchase of stock, and planting of crops for the succeeding season. The indebtedness of these farmers thus shows considerable variation through the year. After the season's produce has been disposed of their accounts may be in credit, but these soon come into debit as expenditure becomes necessary for the various purposes, and there is a steady increase in the indebtedness throughout the year until the proceeds of the new season are received.

The present practice of such farmers is to have an overdraft limit fixed by the bank or stock and station agents with which they transact their business, and this limit is drawn against as required. It has been clear to the Board that if these classes of farmers are to be encouraged to use the facilities provided by the Board it will be necessary for the Board to make provision for the fixing of limits up to