

47. *Business transacted with Dairy Companies.*—The provisions regarding direct loans have continued to make a very substantial appeal to dairy companies, both co-operative and proprietary, and the larger proportion of direct-loan business transacted during the past year was put through upon the guarantees of such companies. The procedure is for a company desirous of assisting suppliers to secure loans from the Board to submit evidence of its financial position, mainly in the form of copies of the company's audited balance-sheets and profit and loss accounts for the last three complete financial years of the company. The information submitted is investigated by the Board, which decides to what extent it will accept the guarantees of the company, this limit being subject to review from time to time in sympathy with any alterations in the company's financial position. The information is treated as strictly confidential, and, if the companies prefer it, they may submit the information direct to the Board's Accountant at the Head Office. Once the limit is fixed for a particular company, it is free within the scope of this limit to submit applications from approved suppliers, which are then considered by the central Board or the district board upon their merits.

At the close of the year under review forty-six companies had concluded arrangements with the Board for the acceptance of their guarantees of loans. During the year a number of companies which had previously arranged for limits with the Board applied for increases of these limits to enable them to make still further use of the method for the purpose of providing financial assistance for their suppliers, and in practically every case it was possible to accede to these requests, in view of the improved financial positions of the companies concerned.

48. *Co-operative Principles apply.*—The provisions which appear in Part III of the Act have at different times been criticized upon the grounds that their existence is likely to prove an obstacle to the development of the co-operative method of financing provided by Part II of the Act, and that this is undesirable, as the best interests of the farming community in respect of their financial requirements regarding stock, as well as otherwise, would be served by the development of the principles of co-operation. It will be observed from this report that the existence of the direct method of application has not by any means prevented the formation of associations, as no fewer than twenty-seven of these concerns are in operation throughout the Dominion, and are serving the financial requirements of a considerable number of farmers. Apart altogether from this aspect, it is to be borne in mind that the major portion of the loans granted under the direct provisions of the legislation have been submitted through co-operative dairy companies with the guarantees of such companies, and their employment of the provisions of Part III of the Act has the same practical effect as the establishment by them of associations among their suppliers.

49. *Business transacted.*—The total of the loans granted under the provisions of Part III of the Act and outstanding at the close of the Board's financial year on the 30th June, 1929, was £92,334, which figure allows for substantial repayments received during the year, and compares with the sum of £2,034, representing loans of this description outstanding on the 30th June, 1928, up to which time the repayments received had, in view of the recent commencement of the Board's operations, been negligible in total. The figures as at the 31st August, 1928, and 31st August, 1929, respectively were £15,979 and £117,987, showing a satisfactory increase in the business recorded under this heading.

50. *Appreciations.*—As an expression of appreciation of the intermediate credit system having particular reference to the provisions of Part III of the Act, the following extract from an address delivered by the chairman of the New Zealand Co-operative Dairy Co., Ltd., at the annual general meeting of the company is of particular interest, as the company has transacted extensive business under these provisions of the Act with the Board :—

“The rural intermediate credit scheme has proved a valuable measure, having been placed on the statute-book over a year ago, and is, in our opinion, the best financial arrangement yet made to assist the producers, and we congratulate the Rural Intermediate Credit Board for their prompt attention and successful working.”