

The remarks quoted hereunder are taken from the annual report for 1929 of the Farmers' Dairy Federation, Ltd., Invercargill, which is utilizing both the guaranteeing and discounting methods for assisting its suppliers to obtain financial accommodation :—

“Under the rural credits scheme the federation has throughout the season assisted quite a number of suppliers with finance. Suppliers are recommended to study the advantages of the scheme, as, in co-operation with the federation, it presents a means of easing the financial strain which many suppliers may be subject to and generally opens a way to more independence of action in dealing with their stock and produce.”

DISCOUNTING.

51. *Method of Discounting.*—Under the provisions of paragraph 46 of the Rural Intermediate Credit Regulations of the 21st December, 1927, as amended by further regulations issued on the 17th September, 1928, the Board is authorized to discount promissory notes and bills of exchange in the following circumstances :—

- (a) The Board may determine the rate of discount chargeable :
- (b) The holder of the promissory note or bill of exchange is to be a bank, financial institution, company, firm, or person approved by the Board :
- (c) The maker of the promissory note or the acceptor of the bill of exchange is to be a farmer engaged in farming operations on his own account :
- (d) The note or bill is to be endorsed to the satisfaction of the Board :
- (e) The maximum amount of accommodation which a farmer or firm of farmers may obtain through applications under the Act and by means of discounted notes or bills is fixed at £1,000.

At the commencement of its lending business the Board did not put the discounting-powers into immediate operation, as there were no means of judging to what extent the funds at its disposal would be sufficient to meet requirements in regard to applications for loans under Parts II, III, and IV of the Act, which it considered should be given preference. Later, however, certain dairy companies expressed themselves desirous of assisting their suppliers to secure small loans by this method upon the same favourable terms on which other classes of accommodation were provided by the Board, the loans being required mainly for seasonal needs, such as manure and seeds, as well as small purchases of stock. To meet this demand the Board decided to undertake the discounting of promissory notes and bills of exchange, fixing at the time a limit of £100 as the maximum sum which would be made available to any individual farmer by this method. During the year representations were made by dairy companies which were discounting notes with the Board that the limit should be increased, as the amount of £100 was not sufficient to provide for the seasonal needs of a number of their suppliers for whom they desired to arrange loans. After due consideration the Board decided to increase the maximum sum to be made available to £200, which is the present limit. The term fixed by the Board for advances by this method is two years, but it is found that, as it is used largely for providing for seasonal requirements, discounting companies generally prefer to make the notes payable within a period of twelve months or to have them cleared by the end of the milking season following the time of discounting. The Board's discount rate has remained throughout at 6½ per cent. per annum.

The procedure for companies desirous of arranging for the acceptance of their endorsements of notes and bills for discounting is similar to that followed in regard to the acceptance of the guarantees of companies in respect of loans under Part III of the Act. Evidence of the financial position of the company is submitted, mainly in the form of copies of the balance-sheets and profit and loss accounts for the last three complete financial years of the company, with such additional information as may be called for, and the Board fixes the limit up to which notes or bills will be discounted for it. Usually the Board is asked to fix a comprehensive limit in regard to the liability of the company in respect of both guarantees of loans and endorsements of notes.