Once the limit has been fixed in respect of a company, the procedure is simple, as all that is necessary is for the company to obtain the signatures of suppliers whom it desires to provide accommodation for to promissory notes, which are then handed over to the Board, with the endorsement of the company, for discounting. In comparison with the procedure under Parts II and III of the Act, the discounting procedure is extremely simple and inexpensive, as no valuations of stock or chattels are required, and the expense of legal documents is avoided.

52. *Utilization of Monthly Deductions from Cream Cheques.*—Dairy companies which endorse promissory notes of suppliers and present them to the Board for discounting usually arrange for an appropriate deduction from the suppliers' milk cheques in order that they may be in possession of sufficient funds to meet the notes on maturity, and during the period under review the question was raised as to how the monthly payments might be employed during the currency of the notes, so as to enable the suppliers affected to receive a rebate of interest in respect of the amounts held on their behalf. Where a discounting company is working on a bank overdraft it can, of course, apply the monthly payments in reduction of its account and pass on to the suppliers concerned the saving of interest thereby effected. To meet cases where this course is not practicable, however, the Board has approved of the following arrangement :—

Where the discounting system is adopted by a dairy company to any great extent the deductions received from the whole of the borrowing suppliers in each month will be considerable, and the Board is prepared to receive each month the total of the deductions made, allow promissory notes discounted by the company to an equivalent value to be retired, and grant a rebate of interest in regard to these notes upon condition that this saving of interest is passed on to all the suppliers affected, so that as a result they will be paying 6½ per cent. only on the amount outstanding on account of their loans from month to month. This arrangement ensures that the discounting business of the Board is conducted on the most favourable terms to borrowers. The discounting method is simple in practice and most economical to borrowers, for, as mentioned above, no valuations are required and there are no legal documents to be prepared. It is not surprising, therefore, that dairy and other companies are becoming more alive to the advantages it presents to them for securing for their suppliers finance for minor farm requirements upon the most favourable terms. From the Board's point of view the discounting business is of a satisfactory character, as it is sound from an investing standpoint, in view of the fact that the discounting companies, the financial position of which has been ascertained in advance to be satisfactory, are fully responsible for payment of the notes on maturity ; that consequently they are unlikely to endorse the notes of any farmers whose financial position is not favourably known to them ; and, finally, that they will, in the majority of cases, provide for the payment of the notes on maturity by appropriate deductions from the milk cheques of the suppliers who have given the notes.

53. *Companies adopting System.*—The number of companies which had entered into discounting arrangements with the Board up to the 30th June, 1929, was twenty-six, and seven further companies have since concluded arrangements. It is unfortunate that in a number of cases the memoranda of association of companies desirous of entering into discounting transactions with the Board have not conferred upon them the requisite legal power to do so. In some cases applications have been made by the companies to the Supreme Court for authority to amend their memoranda of association so as to confer the requisite power, but in other cases the amount of discounting business in immediate view has not been thought sufficient to justify the expenditure involved.

54. *Volume of Business transacted.*—As at the 30th June, 1929, the face value of bills discounted by the Board and outstanding was £4,232. No discounts had been effected as at the 30th June, 1928 ; and the figures for the 31st August, 1928 and 1929 respectively, were £1,265 and £7,265, showing a substantial increase. Actually the business transacted under this heading was larger than the impression these figures convey, as, while bills may, by arrangement with the Board, be discounted for periods up to a maximum of two years, generally the periods are for twelve months or under, including terms expiring towards the close of the milking season