

DIRECT LOANS.

28. The method of advancing moneys direct to farmers under Part III of the Act by which a guarantee acceptable to the Board is required as collateral security in addition to a mortgage of the borrower's stock and chattels, has proved of benefit to numbers of farmers. This part of the Board's lending system is dependent largely upon the willingness of dairy and other companies to guarantee the loans of their suppliers and clients, and while this method is becoming less popular than the alternative method of borrowing through the medium of rural intermediate credit associations, nevertheless a satisfactory amount of business has been transacted and it is probable that this provision of the Act will continue to be availed of to a considerable extent.

During the year the Board agreed to accept the guarantees of five additional companies, while the limits fixed for the acceptance of the guarantees of five companies were reduced and for adequate reasons six limits were suspended or cancelled. The number of guarantees accepted from the inception of the system to the 30th June, 1932, was sixty-seven.

29. *Position of Part III Loans.*—The position of the loans granted under Part III of the Act is generally satisfactory, though, as might be anticipated, under the present difficult conditions the administration of some individual accounts is causing concern. In only two cases during the year were realizations of Part III securities necessary. In one case the borrower opposed the action of the Board in calling up the loan, but, after fully considering his application for relief, the Supreme Court authorized the Board to proceed with realization. The sale of the stock and implements resulted in a substantial deficiency; but it is not known whether a loss will ultimately be suffered by the Board, as it holds collateral security in the form of a guarantee. In the other case the borrower agreed that it would be impossible for him to continue his farming operations with any prospect of success and a clearing sale of the stock and chattels was arranged by the borrower in co-operation with the Board's representative, with the excellent result that the security realized more than the amount owing to the Board, leaving a substantial surplus for payment to the borrower.

30. *Business transacted under Part III of the Act.*—The loans paid by the Board under Part III for the year ended the 30th June, 1932, totalled £34,277, as compared with £73,562 for the year ended 30th June, 1931.

The amount owing to the Board under this heading at the 30th June, 1932, after crediting the repayments received under the loans since they were granted, was £123,655, as compared with £159,475 at the 30th June, 1931. These figures show only the net investments after crediting the repayments received.

31. *Dairy Companies.*—The Board feels that it should express its appreciation of the action of many dairy companies in supporting with their guarantees applications for loans made by their suppliers. Many of the companies are strongly in favour of the system, and their active support and assistance have been of great value in extending the Board's lending operations. It is felt also that the companies themselves have derived valuable advantages from the system in that the loan-moneys made available have resulted in greater production, and consequently a greater output for the companies concerned, in many cases without any appreciable increase in the fixed operating charges. At the same time the companies are exposed to little risk in granting guarantees in suitable cases as arrangements are made by the Board to collect the interest and instalments of principal payable under the loans by means of deductions from the borrowers' milk cheques.

DISCOUNTING.

32. This method of obtaining loans has continued to prove popular with farmers who require loans of small amounts for comparatively short periods. The business transacted under this heading during the year showed an increase as compared with that for the previous year. Under the discounting provisions loans granted by the Board are restricted to £200 in amount, and the promissory notes must, in ordinary circumstances, be met within a period of one year. In special cases, however, where the moneys are raised for development purposes the benefit of which is not immediately felt, the Board has agreed to discount notes with a