

1935.
NEW ZEALAND.

RURAL INTERMEDIATE CREDIT BOARD

(REPORT OF THE) FOR THE YEAR ENDED 30TH JUNE, 1935.

Presented to both Houses of the General Assembly in accordance with Section 76 of the Rural Intermediate Credit Act, 1927.

SIR,—

Wellington, 1st October, 1935.

In accordance with the provisions of section 76 of the Rural Intermediate Credit Act, 1927, I have the honour, on behalf of the Rural Intermediate Credit Board, to submit a report on its operations for the year ended 30th June, 1935.

1. It is gratifying to record that the new business for the past year showed a larger increase than that disclosed for the previous year. For the year ended 30th June, 1935, loan-moneys advanced by the Board under all headings totalled £84,952, as compared with £78,417 for the year ended 30th June, 1934, and £72,154 for the year ended 30th June, 1933. A further advance in the prices of dairy-produce during the year ending 30th June, 1936, would stimulate confidence on the part of the dairy-farmer and probably lead to an expansion of the Board's business. Even with the increase recorded during the year under review, however, the volume of business transacted during the earlier years of the Board's operations has not been approached. The reasons for this have been disclosed in previous reports.

2. The total amount advanced by the Board from the inception of the scheme to the 30th June, 1935, is £1,150,131 16s. 6d., and the net investments at that date were £260,144 5s. 9d. It will be seen that over a period exceeding seven years borrowers have repaid the sum of £889,987 10s. 9d., or more than 77 per cent. of the amount advanced. The arrears of interest at the 30th June, 1935, amounted to £314 only. The members of the Board have placed on record their satisfaction with the results achieved in the collection of repayments of principal and payments of interest and their appreciation of the work of the officers of the Board and the efforts of borrowers to meet their obligations.

3. The Board has recognized that it cannot, as a rule, expect to collect repayments fixed under loans granted when the prices ruling for primary produce were higher than they are now, and has, since produce prices receded, followed the policy of treating on its merits each case where a borrower has asked that the repayments be reduced or deferred. Numerous concessions have been granted, and the ability of the Board to give satisfaction in the majority of cases is apparent from the fact that a comparatively small number of borrowers has had recourse to the Mortgagors and Tenants Relief Act, and in only isolated cases has the measure of relief obtained exceeded that which the Board would have been prepared to grant had it been approached for concessions.

4. The Board has consistently met changing conditions by appropriate modifications of policy, and although, as might be expected, the Board and associations do not completely agree as to the measure of delegation which should be authorized, it is believed that the associations have generally appreciated the changes which have been effected and are strong advocates of financing through the Rural Intermediate Credit system.

5. The rate of interest charged to borrowers when the system was first introduced was $6\frac{1}{2}$ per cent. per annum. This rate was reduced to 6 per cent. as from the 1st May, 1933, whilst in August, 1934, the Board decided that, although a substantial sacrifice would result, the rate should be further reduced to 5 per cent. per annum from the 1st September, 1934. The reduction in each case applied to existing as well as to future loans and was made in respect of all classes of the Board's business. In continuation of the Board's usual practice associations have been allowed a margin of $\frac{1}{2}$ per cent. from which to meet working-expenses and create a reserve. It is considered that the rate of 5 per cent. is a very favourable one for borrowers who obtain loans on the classes of security acceptable to the Board, especially when it is borne in mind that interest is payable on the daily balances in the accounts, and ceases automatically on amounts repaid from time to time.

6. On the 1st April, 1935, there came into force the Mortgage Corporation of New Zealand Act, 1934-35, Part VI of which provides that on a date to be fixed by the Governor-General by Order in Council the members of the Rural Intermediate Credit Board shall go out of office, and thereafter the persons who for the time being are members of the Board of Management of the Corporation shall constitute the Rural Intermediate Credit Board. From the day on which the Board of Management becomes the Rural Intermediate Credit Board the powers conferred by the Rural Intermediate Credit Act, 1927, on the Commissioner of Rural Intermediate Credit may be exercised by either or both of the Managing Directors of the Corporation, and the Rural Intermediate Credit Act, 1927, shall be deemed to be amended in certain respects. All except two of the amendments are machinery amendments which will be rendered necessary by the alteration in control when it takes effect. The two exceptions, which relate to the granting of loans direct to farmers without the intervention of associations, are—

(a) The repeal of section 63, which provides that—

“No person shall be entitled to receive under the provisions of this Part of this Act any loan or loans so that the aggregate amount for the time being outstanding in respect thereof, together with the amount of any loan or loans outstanding under Part II hereof, shall exceed two thousand pounds.”

The effect will be that there will be no limit on the amount which may be lent to a borrower who obtains a loan direct from the Board. A loan granted through an association is limited to a maximum of £2,000.

(b) The repeal of subsection 2 of section 64, which provides that—

“In addition to the security required by the last preceding subsection every loan granted under this Part of this Act shall be collaterally secured by an instrument of guarantee, signed by one or more sureties approved by the district board, whereby such sureties undertake to answer for the default of the borrower in respect of the repayment of the loan or in respect of the payment of interest thereon, to such extent as may be therein specified, being not less in any case than twenty per centum of the amount of the loan originally granted. Any company may, notwithstanding anything to the contrary in its memorandum or articles of association, guarantee the repayment of any loan granted under this Part of this Act or the payment of interest on any such loan.”

The effect will be that a loan may be granted to a farmer without the necessity of obtaining a guarantee or applying through an association.

There appears to be no likelihood of an early transfer of control of the Rural Intermediate Credit system to the Corporation, and the ultimate date of the transfer cannot be indicated. In the meantime the administration is being continued on the usual lines.

ADMINISTRATION.

7. *The Commissioner*.—Following the death of Mr. John William Macdonald, C.M.G., who had been Commissioner of Rural Intermediate Credit since the introduction of the system, the powers and duties of Commissioner devolved upon Mr. W. M. Barr in virtue of his appointment as deputy of the Public Trustee on 26th June, 1934. Mr. Everett Olive Hales on his appointment as Public Trustee on the 1st October, 1934, assumed the position of Commissioner.

8. *The Board*.—Mr. T. E. Corkill, who had been a member of the Board since its establishment, died on the 12th December, 1934. The Board desires to record its appreciation of the keen interest he displayed in the Board's work, the personal esteem in which he was held by all members, and its sincere sympathy with his wife and family.

Leave of absence for six months was granted to Mr. William Waddel, C.B.E., in March, 1935, to enable him to visit England.

Mr. A. D. Park, C.M.G., relinquished his seat on the Board on the 30th June, 1935, on his appointment as a Managing Director of the Mortgage Corporation of New Zealand. The Board has recorded its appreciation of the assistance afforded to the Board while he was a member, and extended to him its congratulations on his appointment. He has been succeeded on the Board by Mr. G. C. Rodda, M.B.E., now Financial Adviser to the Government.

9. *Meetings of Board and Local Committee*.—Eleven meetings of the Board and twenty-four meetings of its Local Committee were held during the year.

10. *District Boards*.—The following changes in the personnel of the district boards are reported:—

North Canterbury: Mr. William Stewart, formerly Commissioner of Crown Lands for the Canterbury Land District, and now Valuer-General, has been succeeded by Mr. James Francis Quinn.

Waikato: The Board records with deep regret the death of Mr. William Newell in October, 1934. The vacancy thus occasioned has been filled by the appointment of Mr. John Dennerly Johns, of Te Aroha, a director of the Te Aroha Co-operative Rural Intermediate Credit Association since its formation.

Meetings of district boards are held only as frequently as the volume of business warrants, so that the numbers of meetings held in the various districts differ from year to year. Seventeen meetings of district boards were held in the year under review.

The Board has again pleasure in acknowledging the excellent work done by members of district boards, to whom the farming industry owes a debt of gratitude for services which are largely gratuitous.

11. *District Intermediate Credit Supervisors*.—The following appointments were rendered necessary by staff changes in the Public Trust Office:—

Mr. A. H. Ihle, Assistant District Public Trustee, Auckland, as District Intermediate Credit Supervisor, Greymouth, in succession to Mr. D. Scannell, transferred to Auckland.

Mr. F. M. Whyte, Deputy District Intermediate Credit Supervisor, Auckland, as District Intermediate Credit Supervisor, Masterton, in succession to Mr. K. J. Caverhill, appointed Deputy Superintendent, State Advances Office.

12. *Executive Work*.—The Board has continued to utilize the organization of the Public Trust Office for the conduct of the administrative work, and the senior officers at Head Office have acted as executive officers, and District Public Trustees and District Managers have acted as District Supervisors and District Officers respectively. The arrangement has continued to give mutual satisfaction to the Public Trustee and the Board, which has on numerous occasions recorded its satisfaction with the attention given to the work by the officers of the Public Trust Office. Members of the Board have expressed the opinion that without the services of the Public Trust Office the administration could not be so efficiently conducted without a substantial increase in the cost.

PUBLICITY.

13. *Newspapers and Farming Journals.*—Valuable assistance has again been rendered to the Board by newspapers and leading farming journals throughout the Dominion in publishing reports of the proceedings of the Board, district boards, and associations, and conveying to the farming community matters of interest regarding the Rural Intermediate Credit system.

14. *New Zealand Farmers' Union Incorporated.*—The practice of supplying the Union with periodical statements showing the progress and development of the system for circulation to its branches has been continued, with the result that up-to-date information has always been available to the branches and their members. The Union and its branches have also supported the Board in its efforts to secure wider publicity for the system amongst farmers, and has arranged meetings which have been addressed by officers of the Board.

15. *Publicity Campaign.*—During the year the Board continued the campaign commenced during the preceding year. A poster drawing attention to the operations of the Board and co-operative rural intermediate credit associations was exhibited at all post-offices and at other points throughout the Dominion, a pamphlet giving a brief summary of the system and drawing special attention to the reduced rate of interest payable from the 1st September, 1934, was issued and distributed with ready assistance from dairy companies and co-operative rural intermediate credit associations, and addresses were given to meetings arranged for the purpose. Seven addresses of this nature were delivered by the Deputy Commissioner and District Intermediate Credit Supervisors. Some measure of publicity has also been obtained from footnotes drawing attention to the operations of the Board appearing on the agricultural bulletins referred to later.

GENERAL POLICY AND DELEGATIONS TO DISTRICT ORGANIZATIONS.

16. *Delegations.*—Reference was made in the last report to the fact that the Board, recognizing the necessity for decentralization, had carried out a policy of gradual delegation of its powers to its district representatives, district boards, and co-operative rural intermediate credit associations. Further extensions of delegations have been effected during the past year.

17. *Granting of Further Advances.*—The power given to directors of associations to grant further advances not exceeding £50 has been subject to the observance of certain conditions which have now been relaxed to some extent in the light of the Board's experience of the exercise of the power by associations, which are allowed a wider discretion than they formerly had.

A similar power to grant further advances not exceeding £50 in respect of loans granted direct to farmers under Part III of the Rural Intermediate Credit Act was during the year conferred on committees of district boards, consisting in each case of the District Intermediate Credit Supervisor and another member, the conditions which must be observed being similar to those which apply to association loans.

18. *Financial Statements.*—It has been decided during the year to dispense with the furnishing of a financial statement where a further advance or concession is applied for if an inspection of the security is made by a director and a certificate submitted by the inspecting director and the secretary of the association to the effect that after investigating the position they are satisfied that the recommendation of the association is justified. A similar provision relates to loans granted direct to farmers without the intervention of associations. In conveying its decision to District Intermediate Credit Supervisors, district boards, and associations, the Board emphasized the importance both to borrowers and lenders of conducting farming operations on the basis of annual budgets, and expressed the opinion that in their own interests farmers should keep reliable records of their financial position and operations, and so be in a position to furnish financial statements at least once each year. Full financial statements are still required in the case of applications for new loans.

19. *Orders on Milk Cheques.*—Up to last year the Board would relax its requirement that a first order on milk cheques must be given to ensure payment of principal and interest only in individual cases where prior orders were allowed for payment of rent and/or mortgage interest only and not exceeding 25 per cent. of the total cheques. The Board has now agreed that in suitable cases prior orders will be admitted where they exist for the purpose of providing for payment of essential farming-expenses, such as rent, mortgage interest, manure accounts, payments for separators, milking-machines, and other farming requirements, and where it is established that on a reasonable estimate of receipts and payments the existing and proposed orders will not exceed in total 50 per cent. of the estimated individual milk cheque for any month.

20. *Lessor's Right of Distress.*—Certain rights to distrain upon stock for rent in arrear are possessed by lessors in priority to the rights of the mortgagees of the stock under instruments by way of security. The Board has therefore adopted the view that in the absence of special circumstances protection should on the granting of loans be obtained against this right of distress. In many cases lessors are prepared to waive their rights in this respect in order to assist their lessees to obtain financial accommodation for farming operations, but where this is impossible the position is met by collecting the rent under a supplementary order on the milk cheques and paying it to the lessors. Both in the case of Crown leases and private lessors each case is considered on its merits, and such protection as appears necessary in the circumstances is provided.

21. *Supplementary Lines of Farming.*—Continued assistance has been given to the development of supplementary lines of farming, such as pig-raising. The Board has co-operated in the lecture and demonstration tour of the North Auckland, Auckland, Waikato, King-country, and Taranaki districts arranged by the Waikato Pig Recording Club, in conjunction with the Department of Agriculture and the New Zealand Meat Producers Board, and undertaken by Mr. E. E. Hale, Chairman of the Waikato Pig Recording Club. As the Board had an ample supply of funds available to assist farmers who desired to undertake or increase pig-raising activities, and who could comply with the reasonable requirements of the Board, Mr. Hale was supplied with up-to-date information regarding the system, and a number of the Board's pamphlets was provided for distribution to inquirers.

22. *Agricultural Bulletins.*—The Board has undertaken the responsibility of issuing and distributing quarterly agricultural bulletins prepared by the staff of the Massey Agricultural College, Palmerston North, for the benefit of farmers. Four bulletins have been issued, their subjects being—

- (1) September, 1934 .. "The Feeding and Management of Dairy Calves."
- (2) December, 1934 .. "Tuberculosis."
- (3) March, 1935 .. "Establishment and Maintenance of Pastures."
- (4) June, 1935 .. "Management of Grazing in Relation to Production from Pastures."

Fifteen thousand copies of Bulletin No. 1 and twenty thousand copies of each of the other three bulletins were printed, and a distribution was made to farmers with the ready assistance of dairy companies and co-operative rural intermediate credit associations. Favourable comments which have been received and the willing co-operation of dairy companies and associations in effecting distribution are evidence that the bulletins are appreciated.

CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

23. *Number of Associations in Operation.*—Of the forty-two associations in existence at the close of the year, forty-one were transacting lending business. One has so far been unable to commence operations. A list of the associations as at the 30th June, 1935, and the directors and secretary-treasurers thereof appears as Appendix II to this report.

The liquidation of the association which was referred to in the previous report as being wound up under an order of the Court has not yet been completed, but a dividend of 15s. in the pound has been received by the Board, and the receipt of a final dividend sufficient to meet the balance owing is practically assured.

24. *Losses.*—The amounts owing to the Board in respect of the losses suffered on loans granted by the Central Southland and Mid-Canterbury Associations have been met from calls which have been paid by shareholders. The associations are continuing to collect calls, in one case to meet a small deficiency in its appropriation account, and in the other to adjust amounts as between shareholder and shareholder.

An association which made a loss during the past year was able to meet the deficiency from its paid-up capital and reserves. Two substantial losses sustained by another association whose paid-up capital and reserves are exhausted have rendered it incapable of continuing its lending operations, and the association will probably have to be wound up.

25. *Delegated Powers.*—The Board's experience is that directors of associations have acted with care and prudence and with due regard to the safety of the funds advanced in the exercise of the powers delegated to them. In comparatively few cases have there been departures from the Board's requirements.

As stated elsewhere in this report, the powers of directors have been enlarged during the year, and the Board is always prepared to welcome from directors any suggestions for further modifications which they consider will be of benefit to the system.

26. *Value of Association Method.*—The Board has from time to time emphasized the value to farmers of the association method of obtaining loans, and the advantages to be obtained from having available the advice and experience of the farmer-directors and the secretaries. The excellence of the work performed by the great majority of directors and secretaries is now well recognized, and it is almost superfluous for the Board to place on record its appreciation of it. It is evident that there are many farmers who are in a much stronger position to-day than they would have been had they not had the benefit of the sympathetic counsel and guidance of the directors and secretaries of associations.

27. *The Companies Act.*—The Rural Intermediate Credit Act, 1927, authorized the making of regulations for, *inter alia*, the exclusion of any provisions of the Companies Act, 1908, or amendments thereof, from operation in relation to any co-operative rural intermediate credit association, and the regulations made under the Rural Intermediate Credit Act on the 21st December, 1927, provided that several sections of the Companies Act should not apply to any association. Consequent on the passing of the Companies Act, 1933, which consolidated and amended the Act of 1908 and its amendments and introduced provisions new to New Zealand, the relative paragraph of the regulations under the Rural Intermediate Credit Act was, by Order in Council of the 29th October, 1934, deleted, and a new paragraph substituted under which several sections of the Companies Act, 1933, are excluded from operation in respect of associations.

28. *Business transacted through Associations.*—The total moneys advanced by the Board under association loans during the year was £66,311, as compared with £40,379 for the year ended 30th June, 1934, an increase of approximately 64 per cent. These amounts were advanced by the Board to associations or their solicitors for disbursement to borrower-members, and do not include amounts advanced to borrowers by associations from funds in hand representing repayments received from other borrowers, so that the total amount made available to farmers through associations is considerably in excess of the amount shown above. New loans (as distinct from further advances under existing loans) numbering 165 were taken up by association borrowers during the year ended 30th June, 1935, and there were 984 loans current at the end of the year.

As at the 30th June, 1935, the amount owing to the Board by associations was £195,513, as compared with £195,552 at the 30th June, 1934. These figures refer to the net investments after crediting the repayments received from borrowers.

It will be seen that, although the amount lent during the year shows a considerable advance on that lent during the previous year, the net investments contracted slightly—evidencing the excellent manner in which periodical repayments under loans have been met.

29. *Financial Position of Associations.*—In June, 1935, a return of the financial position of all associations at the dates of their last accounts showed that 42 associations had 2,141 members, of whom 1,008 had received advances which were still current at the dates of the respective accounts. The membership of the individual associations varied from 21 to 209. The subscribed capital totalled £76,934, as compared with £75,005 shown by the return compiled in the previous year. The paid-up capital amounted to £4,137. Reserves stood at £962 12s. 9d., as compared with £1,014 for the previous year.

The amounts owing to the Board by associations in respect of loans to their members totalled £204,748, while the amounts owing to associations by their members stood at £203,925. Repayments received from borrowers after the close of the various financial years had reduced the total amount owing by associations to the Board to £195,513, as shown above. These figures represent a decrease on the previous year, when the figures were £259,975 and £259,747 respectively. The average total of current advances for each association was £4,855, while the average per individual member was £202. The investments of individual associations varied from £440 to £26,649. These figures represent the balances owing under current advances and not the total business which has been transacted by associations.

DIRECT LOANS.

30. Only a little more than one-half of the amount advanced under this method during the year ended 30th June, 1934, was advanced during the year under review. The system has continued to receive the support of dairy companies, a large number of which have made their guarantees available to suppliers. During the year the Board, for adequate reasons, reduced the limit fixed in respect of the guarantee of one company and cancelled the limits in respect of six other companies. The number of guarantees of companies accepted and in force at the 30th June, 1935, was 63, while guarantees from a few individuals were also held.

31. *Position of Direct Loans.*—The position of the loans generally is sound, and any losses which can reasonably be anticipated are amply covered by the reserves created by the Board. Two losses sustained during the past year have been written off against the Board's reserves.

32. *Business transacted under Part III of the Act.*—The loan-moneys advanced during the year ended 30th June, 1935, totalled £16,924, as compared with £33,199 for the year ended 30th June, 1934. Thirty-one new loans (as distinct from further advances under existing loans) were taken up by borrowers direct from the Board during the year ended 30th June, 1935, and there were 391 loans current at the end of the year.

The amount owing to the Board under this heading at the 30th June, 1935, was £62,339, as compared with £76,266 at the 30th June, 1934. These figures show only the net investments after crediting repayments received from borrowers.

DISCOUNTING.

33. During the year the Board, for adequate reasons, reduced the limit fixed for the acceptance of the endorsement of one company and cancelled the limits in respect of seven others. At the 30th June, 1935, the number of companies the endorsements of which had been accepted and were still in force was 47, while endorsements had been accepted from individuals in some cases.

34. *Business transacted.*—The discounts effected during the year totalled £1,717, as compared with £4,839 for the year ended 30th June, 1934. The total value of bills and notes outstanding at the 30th June, 1935, was £1,457, as compared with £2,310 at the 30th June, 1934. Twenty-nine new bills and notes were discounted during the year ended 30th June, 1935, and there were 29 bills and notes current at the end of the year.

LOANS FOR PURCHASE OF FERTILIZER—SPECIAL FUND.

35. Under a special arrangement the Board advanced for the financial years ended on the 31st March, 1931 and 1932, £11,891 from a special fertilizer fund made available by the Government. Of this amount only £75 13s. 5d. was owing at the 30th June, 1935, representing a reduction of £36 10s. 5d. on the amount shown at the 30th June, 1934. So far the sum of £91 12s. 5d. only has been written off as irrecoverable, and as the loans were made on personal security only the result achieved must be regarded as very satisfactory.

SCHEMES IN OTHER COUNTRIES AND INQUIRIES FROM ABROAD.

36. Numerous communications are received from overseas inquiring for details regarding the Rural Intermediate Credit system and its development. Full information was supplied during the year in response to inquiries from South Africa and Queensland.

Close touch has been maintained with the development and working of rural-credit systems in other countries with the object of adopting any alterations which experience in other countries suggests as desirable. Reports from Canada, Kenya, New South Wales, Queensland, South Africa, Tasmania, and Victoria were perused during the year.

FINANCE AND ACCOUNTS.

37. *Accounts to 30th June, 1935.*—The accounts reveal a decrease in the gross income from £22,854 for the year ended 30th June, 1934, to £13,450. This figure, however, does not include the sum of £7,469 6s. 10d., the income earned by investments of the Rural Intermediate Credit Redemption Fund, credited direct to the Redemption Fund Account. The decrease in income is attributable to various factors, including—

- (a) The reduction of 1 per cent. in the Board's lending-rate from 1st September, 1934 :
- (b) The decrease of £14,806 to £259,274 in the investments in the course of the Board's ordinary business :
- (c) The fact that since 15th August, 1934, the Board has been unable to make any arrangements for the temporary investment of its surplus funds, and, as a result, large balances have been held uninvested.

Although the gross income was reduced by £9,404 to £13,450, the interest profit was only £7,965 lower at £7,644. This was due to the smaller amount of the Board's funds represented by still current issues of debentures carrying interest.

38. The expenditure, including interest paid on debentures, totalled £14,573, compared with £17,124 for the previous year. The reduction was due principally to the lower charge for interest on debentures and to a reduction in the cost of the services of the Public Trust Office. In addition to the expenditure referred to above, the sum of £1,200 has been charged to the Profit and Loss Account as an addition to the reserves for possible losses on advances. These reserves, which now stand at £7,757 6s. 7d., have been made after reviewing the position of all doubtful securities, and are considered adequate. They represent very slightly under 3 per cent. of the advances current at 30th June, 1935, £259,274, and, with the losses already written off, £504 13s. 5d., only 0·7 per cent. of the total advances (excluding fertilizer advances) made to 30th June, 1935, £1,138,240.

39. The result of the year's operations was a net loss of £2,323 7s. 4d., compared with a net profit of £5,729 13s. 4d. for the previous year. In accordance with section 39 (3) of the Rural Intermediate Credit Act, 1927, the net loss has been charged to the Rural Intermediate Credit Reserve, which was built up from the half-share of profits in previous years in terms of section 39 of the Rural Intermediate Credit Act, and which now stands at £12,375 4s. 6d.

40. The total investments, including accrued interest, as at 30th June, 1935, amounted to £453,809, a decrease of £158,730 on the previous year's figures. This total includes the investments of the Rural Intermediate Credit Redemption Fund, which at cost amount to £191,039 12s. 7d.

The present investments of the Rural Intermediate Credit Redemption Fund are derived from—

One-third of advance of £400,000 from the Consolidated Fund under section 16 of the Act	£	s.	d.
.. .. .	133,333	6	8
One-half share of profits up to 30th June, 1934, appropriated in accordance with section 39 of the Act	14,698	11	9
Interest received and invested and interest accrued to 30th June, 1935	43,007	14	2
	<u>£191,039</u>	<u>12</u>	<u>7</u>

The face value of the investments held and accrued interest thereon to the 30th June, 1935, is £191,539 10s. 4d., the additional amount of £499 17s. 9d. representing the difference between the premium received on conversion of Government securities held as at 31st March, 1933, £1,136 16s. 3d., and the premium paid on purchase of investments, £636 18s. 6d. In addition, the Redemption Fund includes a further sum of £982 16s. 5d. not yet invested, making a grand total of £192,022 9s.

The investments in the course of the Board's ordinary business amount to £259,273 9s. 9d., classified as follows:—

	£	s.	d.
Advances to associations under Part II	195,512	14	1
Advances to farmers under Part III	62,338	11	6
Bills discounted	1,422	4	2
	<u>£259,273</u>	<u>9</u>	<u>9</u>

In the above table the advances are shown at the amount actually owing to the Board, but in the balance-sheet the sum of £7,757 6s. 7d., representing reserves provided for possible losses, has been deducted from these figures.

41. The figures published in Appendix I to this report show that the volume of advances outstanding or under consideration is smaller than at the end of the previous year. Although difficult farming conditions were experienced during the year, in many cases borrowers were able to make repayments of their advances in accordance with the terms of their loans. These repayments, less new moneys advanced, account for the decreased investments.

42. *Accounts of Associations.*—The accounting work of the associations is still being supervised by the officers of the Board, who give the secretaries such assistance as is required.

CONCLUSION.

43. It will be seen from the foregoing report that the year just closed has in many respects been an abnormal one. Funds for investment in rural securities have been in plentiful supply, and, as a result, rates of interest have declined to an unprecedentedly low level. Moreover, the Board has been compelled to hold large sums uninvested throughout the year. This position has already been improved to a considerable extent by repayment of maturing debentures, and the Board anticipates a more favourable working result in the present year.

44. It is very gratifying to the Board to report that during a period of more than seven years, including some of the most difficult ever experienced in the Dominion, and with a total lending business of £1,138,240, only two losses have so far been experienced by the Board, the total amount involved being £504 13s. 5d. only.

45. Once again the Board desires to express its sincere appreciation of the loyal and efficient service rendered by its officers, which has contributed materially to the sound position of the Board's investments at the present time. Tribute to the valuable help afforded by directors of associations and members of district boards has been paid in earlier portions of this report.

I have, &c.

(for and on behalf of the Board),

E. O. HALES, Commissioner.

The Right Hon. the Prime Minister.

APPENDICES.

APPENDIX I.

COMPARATIVE STATEMENT OF BUSINESS AS AT 30TH JUNE, 1934, AND 30TH JUNE, 1935.

	1934. £	1935. £
Investments (including advances made and face value of bills discounted) ..	274,963	260,144
Loans granted, but not completed	14,434	12,869
Applications entertained and in course of consideration	6,755	2,389
	<u>£296,152</u>	<u>£275,402</u>
The investments referred to above were made up as follows :—	£	£
Advances to associations for preliminary expenses	835	835
Advances to associations under Part II of the Act	195,552	195,513
Advances to farmers under Part III of the Act	76,266	62,339
Bills and notes discounted (face value)	2,310	1,457
	<u>£274,963</u>	<u>£260,144</u>
The business dealt with by the Board up to 30th June, 1935, or under consideration at that date, reached the total of £1,165,390, made up as follows :—	£	
Applications under consideration	2,389	
Loans granted, but not yet completed	12,869	
Advances made and bills and notes discounted since the inception of the scheme	1,150,132	
	<u>£1,165,390</u>	

APPENDIX II.

DIRECTORS AND SECRETARY-TREASURERS OF CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

NORTH AUCKLAND DISTRICT.

- Bay of Islands Association* (Headquarters: Kaikohe. Registered 10th September, 1929)—
 Directors: Herbert Martin Rockell, Kaikohe (Chairman); John Henry Orr, Kaikohe; James Gray Ritchie, Kaikohe; William Henry White, Taheke.
 Secretary-Treasurer: William Campbell Wylie, Kaikohe.
- Mangonui Association* (Headquarters: Kaitaia. Registered 5th August, 1931)—
 Directors: Thomas Hislop Kenny, Kaitaia (Chairman); Ellis Robert Bird, Awanui; Thomas James Coulter, Fairburns; Alban Walter Masters, Pukepoto.
 Secretary-Treasurer: Roy Hillary Kelly, Kaitaia.
- Northern Wairoa Association* (Headquarters: Dargaville. Registered 9th October, 1928)—
 Directors: Arthur Leslie Williams, Dargaville (Chairman); George Druitt, Mamaranui; Percy William Hill, Hoanga; Frank Joseph Johanson, Parore; George Scott, Ruawai.
 Secretary-Treasurer: William Rogers Worsley, Dargaville.
- Otamatea Association* (Headquarters: Paparoa. Registered 3rd March, 1931)—
 Directors: Edward Thomas Rodney Coates, Matakohe (Chairman); William Richard Betts, Ararua, Matakohe; Walter James Littin, Kaiwaka; Leonard Ramsbottom, Whakapirau.
 Secretary-Treasurer: Thomas Casement Aickin, Paparoa.
- Whangarei Association* (Headquarters: Whangarei. Registered 9th April, 1930)—
 Directors: John Horatio Hayward, Maunu (Chairman); John Breslin, Titoki; Richard Feaver, Maunu; John Jacob Fraser, Maungatapere; Edward Snell Tremaine, Ruatangata.
 Secretary-Treasurer: Douglas Leith Ross, Whangarei.

AUCKLAND DISTRICT.

- Helensville Association* (Headquarters: Helensville. Registered 11th October, 1928)—
 Directors: James Mackie, Helensville (Chairman); Albert Hanson, Helensville; Herbert Chaplin Henley, Kaukapakapa; Harold Phillip McLeod, Helensville.
 Secretary-Treasurer: Frank Taylor, Kaukapakapa.
- Papakura Association* (Headquarters: Papakura. Registered 7th October, 1930)—
 Directors: Alexander David Bell, Clevedon (Chairman); John Luke, Clevedon; John Muir, Brookby; William Harold Walters, Karaka.
 Secretary-Treasurer: Gordon Fawsitt McDonald, Papakura.
- Waiuku Association* (Headquarters: Waiuku. Registered 12th June, 1928)—
 Directors: Archibald White, Glenbrook (Chairman); Frederick Alexander Harcombe, Kohekohe; Arthur Lansear Hull, Waiuku; David Sands, Pukeoware.
 Secretary-Treasurer: John Murray Heise, Waiuku.

WAIKATO DISTRICT.

- Hamilton Association* (Headquarters: Hamilton. Registered 7th May, 1928)—
 Directors: Walter Cooper-Smith, Frankton Junction (Chairman); Herbert John Coxhead, Te Rore; Charles Edwards, Frankton Junction; Arthur Wallace, Taihoa, Matamata.
 Secretary-Treasurer: Thomas Gordon Reynolds, Hamilton.
- Hauraki Association* (Headquarters: Paeroa. Registered 21st July, 1928)—
 Directors: Murdo Archibald Carter, Awaitei (Chairman); John Kenneth Dean, Paeroa; Edwin John Charles Townshend, Paeroa; Vivian Young, Hikutaia.
 Secretary-Treasurer: Arthur Thomas Jones, Paeroa.
- Huntly Association* (Headquarters: Huntly. Registered 21st January, 1931)—
 Directors: William David Thompson, Wakapuaka (Chairman); Francis Robert Catley, Taupiri; John Hoyle Furniss, Ruawaro; Harry Simpson Hall, Te Kauwhata.
 Secretary-Treasurer: William Gaitt Clavis, Huntly.
- Katikati Association* (Headquarters: Tauranga. Registered 18th September, 1929)—
 Directors: Samuel Charles Baron, Aongatete (Chairman); David Charles Douglas Thomas, Aongatete; Marcus Nicholson Trotter, Aongatete; John Thomas Warman, Katikati.
 Secretary-Treasurer: Alfred John Gallagher, Tauranga.
- Matamata Association* (Headquarters: Matamata. Registered 12th September, 1930)—
 Directors: Henry Rollett, Matamata (Chairman); Daniel Robert Gunn, Matamata; Hector Sutherland, Okauia, Matamata; Edmund David White, Putaruru.
 Secretary-Treasurer: Harold Elbert Schofield, Matamata.
- Mercury Bay Association* (Headquarters: Whitianga. Registered 4th October, 1932)—
 Directors: Harry Norman Arthur Wells, Whitianga (Chairman); Ernest Mark Minifie, Coroglen; Hilton Thomas Robinson, Mercury Bay; James Watts Smith, Kaimarama.
 Secretary-Treasurer: Frank Henry Broad, Whitianga.
- Morrinsville Association* (Headquarters: Morrinsville. Registered 22nd September, 1928)—
 Directors: George Henry Pirrit, Morrinsville (Chairman); Allan Gordon Clark, Kereone; John Henry Gaddes, Morrinsville; Frederick Chafe Kennedy, Morrinsville.
 Secretary-Treasurer: Joseph Lewis Faulkner, Morrinsville.
- Otorohanga Association* (Headquarters: Otorohanga. Registered 21st June, 1928)—
 Directors: George Dixon Hall, Otorohanga (Chairman); John Brynes, Otorohanga; Herbert Arthur Lurman, Otorohanga; Jens Christen Petersen, Otorohanga.
 Secretary-Treasurer: John Francis Trapski, Otorohanga.
- Rangitaiki Association* (Headquarters: Whakatane. Registered 29th October, 1929)—
 Directors: William Alexander McCracken, Whakatane (Chairman); Reginald Crocker, Whakatane; Walter Reid, Taneatua; John William Sumner, Whakatane.
 Secretary-Treasurer: Clement Arthur Suckling, Whakatane.
- Rotorua Association* (Headquarters: Rotorua. Registered 13th January, 1930)—
 Directors: Thomas Jackson, Rotorua (Chairman); Joseph Everard Martin, Rotorua; Selwyn Douglas Russell, Rotorua; Thomas Alexander Turner, Rotorua.
 Secretary-Treasurer: Gordon Thomas McDowell, Rotorua.
- Taumarunui Association* (Headquarters: Taumarunui. Registered 18th October, 1928)—
 Directors: Arthur Wesley King, Taumarunui (Chairman); Joseph Fry, Owhango; John Jeffree Pendray, Taumarunui; George Peterson, Taumarunui.
 Secretary-Treasurer: Reginald Burgoyne Froude, Taumarunui.
- Te Aroha Association* (Headquarters: Te Aroha. Registered 23rd November, 1928)—
 Directors: John David Mackay, Waihou (Chairman); Jesse Albert Clothier, Te Aroha; Frederick Ernest Hughes, Waharoa; John Dennerly Johns, Te Aroha.
 Secretary-Treasurer: Frank Eugene Burns, Te Aroha.
- Te Awamutu Association* (Headquarters: Te Awamutu. Registered 12th June, 1928)—
 Directors: Walter Frederick Woodward, Te Awamutu (Chairman); Charles Monrath Alexander, Te Awamutu; James George Sutherland, Kihikihi; James Gladwin Wynyard, Te Awamutu.
 Secretary-Treasurer: James Gladwin Wynyard, Te Awamutu.
- Te Kuiti Association* (Headquarters: Te Kuiti. Registered 11th July, 1928)—
 Directors: James Nicol Boddie, Te Kuiti (Chairman); Harold Cleaver, Te Kuiti; Robert Bell Cole, Te Kuiti; Edward John Jones, Oparure.
 Secretary-Treasurer: John Gordon Irvine, Te Kuiti.
- Te Puke Association* (Headquarters: Te Puke. Registered 8th October, 1929)—
 Directors: Henry Jocelyn Gill, Te Puke (Chairman); Walter John Griffin, Te Puke; Charles Lewis Luke, Te Puke; Donald Stanley Ross, Te Puke.
 Secretary-Treasurer: Henry Thomas Cashmore, Te Puke.

HAWKE'S BAY DISTRICT.

- Central Hawke's Bay Association* (Headquarters: Waipukurau. Registered 31st August, 1932)—
 Directors: James Anderson Kerr, Waipawa (Chairman); Charles Chalmers, Waipukurau; William Cuthbertson, Takapau; David Eddy, Tikokino.
 Secretary-Treasurer: Dennis William Neild, Waipukurau.
- Northern Hawke's Bay Association* (Headquarters: Hastings. Registered 21st October, 1930)—
 Directors: John Henry Joll, Havelock North (Chairman); John Livingston, Maraekakaho; John Anderson Miller, Hastings; Richard Edward Talbot, Ngatarawa.
 Secretary-Treasurer: Walter Edwin Bate, Hastings.
- Southern Hawke's Bay Association* (Headquarters: Dannevirke. Registered 24th June, 1930)—
 Directors: Harold Alexander Olsen, Norsewood (Chairman); James Doyle, Maharahara; Robert Fletcher Gregg, Tiratu; Archibald William Montgomerie, Norsewood.
 Secretary-Treasurer: Marcus David Smith, Dannevirke.

TARANAKI DISTRICT.

Kaimata Association (Headquarters: Inglewood. Registered 1st October, 1928)—

Directors: Henry Jones, Kaimata (Chairman); Alfred Maurice Allen, Inglewood; Alfred Corkill, Tarata; John Klenner, Kaimata.

Secretary-Treasurer: Ian Percy Grant, Inglewood.

North Taranaki Association (Headquarters: New Plymouth. Registered 19th July, 1928)—

Directors: Charles Joseph Harris, Oakura (Chairman); William Jones, Okoke; William Kennett Morris, Oakura; Roderick David Spence, Omata.

Secretary-Treasurer: Francis Stanley Grayling, New Plymouth.

South Taranaki Association (Headquarters: Hawera. Registered 21st March, 1928)—

Directors: John Cocker, Eltham (Chairman); Louis Frank Bell, Mokoia; Ernest Samson Bennett, Manaia; Ralph Gordon Hooker, Matapu.

Secretary-Treasurer: Edward Knowles Cameron, Hawera.

Stratford Association (Headquarters: Stratford. Registered 25th July, 1929)—

Directors: Alfred David, Stratford (Chairman); Ernest Albert Adlam, Waipuku; Herbert James Shrimpton, Lowgarth; William George Thurston, Stratford.

Secretary-Treasurer: Robert Reid Tyrer, Stratford.

WANGANUI DISTRICT.

Waimarino Association (Headquarters: Ohakune. Registered 10th October, 1928)—

Directors: Louis Fetzer, Ohakune (Chairman); Arthur Benjamin Harris, Raetihi; James St. Vincent Nelson Ranger, Ohakune; George Sargeant, Ohakune.

Secretary-Treasurer: Ira Valor Allen Dobbie, Ohakune.

MANAWATU-WELLINGTON DISTRICT.

Horowhenua Association (Headquarters: Levin. Registered 29th October, 1928)—

Directors: Robert Gillies Wall, Kuku, Ohau (Chairman); Raymond Vickers Brown, Weraroa; Harold James Lancaster, Levin; Ronald Joseph Law, Shannon.

Secretary-Treasurer: George Dacre Hamilton, Levin.

Oroua Association (Headquarters: Feilding. Registered 7th June, 1928)—

Directors: Walter Lough Grice, Cunningham's (Chairman); John Bernard Bradley, Feilding; John Harold Mason, Feilding; George Watt, Kimbolton.

Secretary-Treasurer: Thomas Leonard Seddon, Feilding.

WAIRARAPA DISTRICT.

Pahiatua Association (Headquarters: Pahiatua. Registered 1st October, 1930)—

Directors: James Henderson Bremner, Ballance (Chairman); Edward Leighton Lloyd, Hamua; Joseph Edward Murphy, Pahiatua; Edward Russ Winkler, Makairo.

Secretary-Treasurer: Stanley Keith Siddells, Pahiatua.

Wairarapa Association (Headquarters: Masterton. Registered 11th December, 1928)—

Directors: Alexander Ross, Longbush (Chairman); Kenneth Groves, Longbush; Charles Shaw Hay, Langdale; Charles Churchill Jackson, Kopuaranga.

Secretary-Treasurer: James Watson, Masterton.

NORTH CANTERBURY DISTRICT.

Canterbury Association (Headquarters: Christchurch. Registered 4th July, 1930)—

Directors: William Walter Mulholland, Darfield (Chairman); John Dryden Hall, Hororata; Colin McIntosh, West Eyreton; Robert Thomas McMillan, Irwell.

Secretary-Treasurer: Llewellyn Bowden Freeman, Christchurch.

Mid-Canterbury Association (Headquarters: Ashburton. Registered 24th July, 1929)—

Directors: Henry Charles Bayly Withell, Ealing (Chairman); James Carr, Methven; Alfred Gregory, Seafield; William Thomas Lill, Willowby.

Secretary-Treasurer: Edward James O'Brien, Ashburton.

OTAGO DISTRICT.

South Otago Association (Headquarters: Balclutha. Registered 20th May, 1930)—

Directors: Henry Cecil Holgate, Balclutha (Chairman); John Christie, Warepa; Andrew Alexander Jensen, Inchclutha; John Angus Johnston, Balclutha.

Secretary-Treasurer: John Thomas Walter, Balclutha.

Tapanui Association (Headquarters: Tapanui. Registered 18th October, 1928)—

Directors: Edward Henry Murney, Tapanui (Chairman); Alfred Squires Herbert, Kelso; Mark McAuley, Tapanui; Arthur James Stuart Sim, Heriot.

Secretary-Treasurer: William Benjamin Naylor, Tapanui.

SOUTHLAND DISTRICT.

Central Southland Association (Headquarters: Invercargill. Registered 12th January, 1929)—

Directors: David Teviotdale, Isla Bank (Chairman); Robert Beggs, Wright's Bush; John James Blakie, Ryal Bush; Thomas McKenzie, Wright's Bush; James Young, Wallacetown.

Secretary-Treasurer: Eric Henry James Preston, Invercargill.

Eastern Southland Association (Headquarters: Invercargill. Registered 4th June, 1930)—

Directors: Peter Arnott, Seaward Downs (Chairman); William Barron, Morton Mains; Matthew Lawson Fallow, Fortification; James Milne, Kapuka.

Secretary-Treasurer: Adam Laurence Adamson, Invercargill.

Northern Southland Association (Headquarters: Gore. Registered 22nd July, 1930)—

Directors: Frank Walker, Waipounamu (Chairman); James Cowie, Balfour; Franklyn Gluyas, St. Patricks; Ernest Wardlaw Stevens, Balfour.

Secretary-Treasurer: Robert Stewart Green, Gore.

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