

The work performed by the members of district boards and the advice tendered by them on the various matters on which they have been consulted have been fully appreciated by the Board, which has on several occasions placed on record its sense of the public spirited assistance afforded, often at considerable sacrifice and for very small remuneration.

5. *Co-operative Rural Intermediate Credit Associations.*—The Act made provision for the formation of small limited-liability companies called “co-operative rural intermediate credit associations,” whose principal object is the borrowing of money from the Board and the relending of it to their farmer members. The minimum number of members required is twenty, and each of them must subscribe for at least twenty-five £1 shares. A borrower from an association must hold one £1 share for every £10 of his loan, with a minimum of twenty-five shares. A borrower member who repays his loan may surrender his shares and receive from the association such sum as is agreed upon by way of consideration for the surrender. Similarly, an original member may surrender his shares if he does not wish to obtain a loan, or if an application made by him for a loan is declined. The membership of an association must not, however, fall below twenty. Each association has a directorate consisting of the District Supervisor and four members appointed by the shareholders, while the Board may appoint an additional director if it so desires.

In compliance with the Board’s policy only 1s. per share has been paid on the taking-up of shares by a farmer, and additional amounts have been called up only as they have been required to meet losses incurred by the associations. The capital has been looked upon as a reserve fund only and has formed security for the Board in addition to that provided by the mortgages and other instruments taken by the associations as security for loans made by them and assigned to the Board.

The Board has already in its annual reports recorded its appreciation of the action of many prominent farmers who agreed to take up shares in associations and serve without monetary reward on the directorates with the sole object of assisting their less fortunate fellow-farmers, and not with any intention of obtaining loans for themselves. The boards of directors have usually exercised good discretion in the selection of loans, and have also given careful attention to the supervision of the securities after the granting of the loans, so that the Board has been able to place considerable reliance upon them.

6. *Direct Loans and Discounting System.*—Under these headings machinery was provided to enable farmers to obtain loans direct from the Board, instead of through co-operative associations, on their providing guarantees or endorsements acceptable to the Board. These guarantees and endorsements were intended to provide for the Board additional security corresponding to that afforded by the share capital of the associations.

7. *Co-operative Societies.*—No business has been transacted with co-operative societies.

8. *Funds.*—Altogether £400,000 was advanced by the Government, and, of this, £266,666 has been used for the Board’s lending business, the balance being placed to the credit of a Redemption Fund, which must be used only for the redemption of debentures. The balance required by the Board was raised on debentures from investors at a reasonable rate of interest. All of the debentures, which had a currency of five years, have now been redeemed.

DEVELOPMENT OF THE SYSTEM.

9. *Co-operative Principle.*—When the system was inaugurated the prediction was made in some quarters that by reason of the inclusion of the direct lending provisions of the Act little, if any, association business would be transacted, and most of the loans would be made direct to farmers. This has not proved to be the case, and more than twice as much money has been advanced through associations as has been lent direct. Even in the case of loans granted direct or made under the discounting system the co-operative principle has still been operative to some extent since the majority of the direct loans have been guaranteed and the greater number of promissory notes endorsed by co-operative dairy companies. Most of the Board’s business has, however, been transacted through associations.