

In the initial stages the members of the associations gradually increased in number and there appeared good reason to expect that the associations would perform a useful service in the farming community. The progress made by the more successful associations has fully justified this expectation, and a normal development and expansion may be expected in the future. The extension of the system has, we feel, been retarded to a certain extent by the fact that there has been, during recent years, a reasonable elasticity in the lending arrangements of banks and other institutions whose business includes the making of advances on stock securities.

Some adjustment in the organization of the business of the Board has resulted from the fact that the Rural Intermediate Credit Associations, through which the bulk of the lending business is transacted, have in a number of the districts found that the amount of business offering has been insufficient to justify their continuing to operate as separate institutions.

It has been apparent for some years that unless the volume of business handled by these associations was increased fairly substantially it would not be economical for them to continue in existence, and during the past year ten associations have decided to go into liquidation. The loan accounts which were still active have been either transferred to the Central Board as direct loans under Part III of the Act or taken over by other associations in neighbouring territory.

The most active associations are located in districts in which dairying is the principal farming industry, and experience has proved that the Rural Intermediate Credit method of finance is most suitable for this class of farmer. In North Auckland, Waikato, Taranaki, and Manawatu a number of associations have shown an increase of business during the past year.

Although the returns derived from dairying during the past twelve months were, in some districts, adversely affected by the dry summer, the borrowers in this class have, on the average, promptly met the instalments due on their loans. Borrowers engaged in sheep-farming have not, however, been so favourably situated, particularly those who rely mainly on the sale of store sheep for their annual revenue, and in such cases the period of repayment has been extended. This is in line with the Board's policy, which has always been directed towards assisting borrowers over difficult periods and encouraging them to progressively reduce their loans when conditions are favourable.

Since this Board assumed control of the business in 1937 the working of the system has been closely observed with a view to introducing amendments which might prove of advantage to borrowers or the Board, and as a further step in this direction it is intended in the near future to convene meetings of representatives of associations and district boards to afford them an opportunity of conferring and submitting suggestions.

FUNDS.

The Rural Intermediate Credit Act, 1927, under which this scheme was established, made provision for the granting of an advance of £400,000 from the Consolidated Fund, one-third of which was required to be specially invested by the Board as a Redemption Fund. The balance of the loan was available for the general purposes of the Board. The Act also provided that the Redemption Fund should be augmented by adding thereto the income produced by the investments of the fund and half the annual profits of the Board. After taking into account these accretions the Redemption Fund had accumulated a total sum of £229,031 12s. as at the 30th June, 1939.

The Board has power to raise loan-moneys by the issue of debentures, but of recent years the balance of the Government grant referred to above has been sufficient for its lending requirements. The advance of £400,000 was free of interest for the first ten years and the Board first became liable for payment of interest on the amount as from 1st July, 1938. In the event of the ordinary revenue of the Board being insufficient to meet the interest there is authority in the Act to appropriate an amount equal to the deficiency from the Redemption Fund Income Account.