

1941.
NEW ZEALAND.

RURAL INTERMEDIATE CREDIT BOARD

REPORT FOR THE YEAR ENDED 30TH JUNE, 1941.

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

Wellington, 18th September, 1941.

The Hon. the MINISTER OF FINANCE.

IN terms of section 76 of the Rural Intermediate Credit Act, 1927, we have pleasure in submitting a report on this Board's business for the year ended 30th June, 1941.

The Rural Intermediate Credit system, which is operated under the direction of a Central Board, the personnel of which is the same as that of the Board of Management of the State Advances Corporation, was established in 1927 for the purpose of providing loan finance for farmers on the security of farm stock and chattels on an intermediate basis, as the title implies—i.e., something between the extremes of "demand" and "long-term" loans. The close association of these two lending institutions makes possible a co-ordination of the farmer's financial arrangements affecting stock and lands, and facilitates farming operations to a greater degree than would be possible if the borrower required to negotiate with two separate lending institutions.

The Rural Intermediate Credit Act permits of credit being granted in a number of ways, and the following is a summary of the scheme as it now operates:—

- (a) In various farming districts Co-operative Rural Intermediate Credit Associations have been established and advances are made to them by the Board. The associations may then from the funds provided grant loans to their members on the security of farm stock and chattels.
- (b) The Board may grant loans direct to farmers on the same type of security as the associations.
- (c) The Board may discount bills and promissory notes drawn or made by farmers, provided that these are endorsed by guarantors approved by the Board.

On loans made to farmers, whichever method may be used, interest is chargeable at the rate of 5 per cent. on the daily balance. A distinctly favourable feature is the freedom of action given to a borrower to buy and sell stock through normal channels, and he is not tied to any one firm, as is usual with other credit agencies. Repayment of these loans is usually spread over five years, but this is extended in appropriate cases where the borrowers are engaged on development work involving further expenditure or where other contingencies arise which affect the farmer's financial position.

During the past few years the amount of business handled by the Board has remained fairly steady, and it is pleasing to note that for the year now under review there is an increase in the loans granted, total advances paid over amounting to £96,266, as compared with £71,210 for the previous year. In view of the apparent willingness of stock firms and other lending institutions to make loan-moneys available for similar purposes, the Board's improved turnover gives reason for gratification.

It has been previously pointed out that the Rural Intermediate Credit system has proved itself specially suited to those engaged in the dairy industry, and the further expansion of business now reported in the Waikato and Taranaki districts shows that this preference still operates.

Much of the new business accepted by the Board arises from the change of ownership of farm lands and from the engagement of share-milkers by landowners, who adopt this method of overcoming the labour problem, and also loans are frequently raised for herd-improvement purposes. Many of the new loans approved during the past twelve months have been for the purpose of establishing share-milkers who have desired to purchase dairy herds of their own. The war conditions have no doubt forced many farm-owners to make some such temporary arrangement to meet the difficulty created by the enlistment of their sons or single employees.

To maintain production at the normal level and to increase the volume of output of foodstuffs (particularly cheese) required in the Empire war effort have been the problems facing many farmers during the past season, and the Board and Co-operative Rural Intermediate Credit Associations have been able to contribute materially towards this special effort by granting loans and further advances to those requiring additional stock and plant, or for special expenditure on bringing new land into production for this purpose.

CO-OPERATIVE RURAL INTERMEDIATE CREDIT ASSOCIATIONS.

Since the inception of this scheme in 1927 the part of the system showing the greatest development has been the loans made by Co-operative Associations to farmer members. Each association has its own board of directors and secretary, and this provides for efficient local administration where the borrower can have ready access to those in control of the loan account. It is apparent from reports received from the Board's District Supervisors, who are ex officio chairmen of District Boards which deal with many of the loan applications, that the removal of certain restrictive provisions previously operating, the extension of the authority given to such district boards to grant loans up to £500, and the association directors' extended powers to approve of readvances to borrowers, have proved very successful. Apart from the advantage to be gained from the acceleration in administration, the district officials who have assumed these additional responsibilities appreciate the confidence imposed in them, and our experience of the service given gratuitously by these gentlemen in the past convinces us that nothing but good will come of this further delegation of authority.

A number of the associations work in collaboration with local dairy companies, thus enabling suppliers to obtain finance on favourable terms within their own district, and repayments are conveniently made by way of orders on milk cheques.

During the past financial year loans granted by associations amounted to £89,565, whereas the total for the previous twelve months was £70,016. The number of loans outstanding on the 30th June, 1941, was 712.

DIRECT LOANS FROM THE BOARD UNDER PART III OF THE ACT.

As indicated in the introduction to this report, there is power to make advances to farmers without the services of an association, and this method is utilized where no association is operating in the district where the loan application arises. The terms of lending are similar to those fixed for the loans handled by associations.

The direct loans granted during the past year amounted to £6,700, as compared with £1,193 for the previous year. There were sixty loans, amounting to £8,312, outstanding under this section at the 30th June, 1941.

DISCOUNTING OF PROMISSORY NOTES AND BILLS OF EXCHANGE.

The discounting of promissory notes made by farmers and endorsed by dairy companies, which is one of the functions of the Board, has of recent years been operated only in a minor degree, and there has been little activity during the past financial year. Promissory notes discounted amounted to £769, and the amount of advances under this heading at 30th June, 1941, was £650.

REVENUE ACCOUNTS AND BALANCE-SHEET.

The Profit and Loss Account for the past year and the Balance-sheet showing the Board's financial position at 30th June, 1941, are submitted hereunder :—

Dealing first with the Profit and Loss Account, there is only one item that calls for special comment, and that is the amount payable to the Treasury on account of interest —£12,000. This is an increase of £4,000 as compared with the previous year, due to the rate of interest being raised from 2 per cent. to 3 per cent. Under authority contained in section 17 of the Rural Intermediate Credit Act, 1927, the sum of £5,494 has been transferred from Redemption Fund Income Account to meet that part of the interest payable on the £400,000 advance from the Consolidated Fund which is not covered by the net revenue from the Board's other investments.

The Balance-sheet on the liabilities side discloses no great variation from the previous year's statement. Of the advance of £400,000 from the Consolidated Fund, £266,666 13s. 4d. is available for investment in the ordinary business of the Board, and the balance is held in the Redemption Fund Account and is specially invested in Government securities. Income from these investments, less any amount transferred to Profit and Loss Account in terms of section 17, is accumulated and invested as part of the Redemption Fund. Half of the Board's profits (if any) is also added to this fund, the other half being transferred to Reserve Account.

The assets show some variation during the year, the principal of which are—

- (a) An increase in the Redemption Fund investments, which now stand at £243,047.
- (b) An increase in the amount of advances—
 - (i) To associations, which total £159,547, compared with £138,209.
 - (ii) To farmers direct, totalling £8,312, as against £7,308.

Altogether we have no reason to be disappointed with the result of the year's business, which has shown some appreciable increase over recent years, and we extend our sincere thanks and appreciation to members of the district boards and association directors and secretaries for their helpful co-operation. There is no doubt that the Rural Intermediate Credit system is fulfilling an important part in the financial structure of the Dominion, and is of great benefit to farmers.

It is with regret that we record that our esteemed colleague Mr. G. A. Lewin, C.M.G., who has been a member of this Board since 1937, died on the 25th June, 1941.

A. D. PARK	} Joint Managing Directors.
T. N. SMALLWOOD	

RURAL INTERMEDIATE CREDIT BOARD.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH JUNE, 1941.

<i>Dr.</i>	£	<i>Cr.</i>	£
Management expenses	2,163	Interest on advances to associations	6,366
Advertising	13	Interest on advances to farmers	437
Printing and stationery	78	Discount on bills discounted	38
Travelling-expenses of officers	13	Interest on short-term investment	2,066
Travelling-expenses of district board members	20	Sundry fees	21
District board members' fees	17	Transfer from Redemption Fund income	5,494
General expenses	22		
Audit fees	81		
Depreciation	5		
Interest paid to Treasury	12,000		
Interest written off	10		
	<u>£14,422</u>		<u>£14,422</u>

BALANCE-SHEET AS AT 30TH JUNE, 1941.

<i>Liabilities.</i>	£	<i>Assets.</i>	£
Establishment grant from Consolidated Fund ..	10,000	Investments of the Rural Intermediate Credit Redemption Fund and premiums on conversion: Government securities at cost and interest accrued ..	243,047
Less expenditure to date ..	7,765	Advances to associations for preliminary expenses ..	176
	2,235		
Advances from Consolidated Fund for preliminary expenses of associations ..	850	Advances to associations under Part II ..	159,547
Advances from Consolidated Fund under section 16 of the Rural Intermediate Credit Act, 1927, including £133,333 6s. 8d. which under section 17 of the said Act forms part of the Rural Intermediate Credit Redemption Fund ..	400,000	Less reserve	3,092
Rural Intermediate Credit Redemption Fund: Accumulated interest on investments and share of profits ..	107,468		156,455
Rural Intermediate Credit reserve ..	18,848	Advances to farmers under Part III ..	8,312
Reserve, representing premiums on conversion of Rural Intermediate Redemption Fund Investments ..	1,137	Less reserve	1,212
Sundry creditors ..	2,363		7,100
		Bills discounted	650
		Less rebate of interest	14
			636
		Short-term investment	95,000
		Overdue interest	6
		Accrued interest on investments	1,638
		Office appliances, furniture, and fittings, &c. ..	27
		Sundry debtors	2
		Cash at bank and in transit	28,814
	<u>£532,901</u>		<u>£532,901</u>

A. D. PARK, F.I.A.N.Z., F.R.A.N.Z. } Joint Managing Directors.
T. N. SMALLWOOD
R. ROBERTSON, Chief Accountant.

I hereby certify that the Balance-sheet and accompanying accounts have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—
C. G. COLLINS, Controller and Auditor-General.

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