

- (c.) It is also proposed to take advantage of existing banking facilities for at least the first six months of the period for which intermediate credit is given, by arrangement with the commercial banks and other financial institutions to discount bills drawn by the local associations and endorsed by the Farm Loan Boards' accredited representatives in the respective districts.

Full provision should be made for complete control by the Farm Loan Board. Under the suggested legislation the Board will have a supervisor in each district, and this official will be *ex officio* a member of the directorate of each association; on which, in addition, the Farm Loan Board should have direct representation.

A close relationship can be established without prejudice between the Farm Loan Board and the banking organizations, thus securing their co-operation and co-ordination without in any way relieving local associations of their responsibilities or in any way making the lending institutions responsible for their operations.

ORDERLY MARKETING.

The importance of orderly marketing cannot be ignored in the consideration of rural finance. In both Europe and America experience has shown that the two are indissolubly bound up together.

Credit as a means to orderly marketing is as important as the provision of capital required in the purchase and operation of the farm. The realization of agricultural products is intermittent and irregular, through price-fluctuations attributable to seasonal conditions, oversupply, trade depression, interrupted communication, and other unforeseen causes.

The need is created not only for intermediate credit, but also for intermediate storage, regulated in such a manner as to render the produce stored an acceptable security. This problem confronts the farmer all over the world. The United States has contributed towards its solution by the passage of merchandizing legislation which is having beneficial results. In Great Britain the question is being carefully investigated, and in a recent report (1926), prepared, at the instigation of the British Government, by one of the experts of the Department of Agriculture, the following appears: "Elsewhere farmers have had to deal with this problem [*i.e.*, orderly marketing], and at present it confronts the British farmer just as it has done his foreign competitor."

In the economic report of the Committee on the Stabilization of Agricultural Prices in Great Britain, similarly prepared, stress is also laid on the need for "further credit facilities to finance an orderly marketing system." The length of the period of turnover, and the fact that marketing is largely a seasonal operation, also affect the situation. The farmer's return for his produce is often affected by the pressure of financial circumstances, which force him on the market at a moment when it is prejudiced by the conditions already referred to.

Short-term or intermediate credit can often be judiciously employed to prevent undue hardship, but orderly marketing must not be confused with speculative holding. The farmer may be assisted to avoid exaggerating the conditions of a depressed market by overloading it, but, on the other hand, precautions must be taken to prevent the misuse of credit by speculators, or those who wish to avail themselves of it in the hope of realizing unwarrantable expectations as to price.

CHATTEL SECURITIES.

It is not proposed that intermediate credit should be based on land security, although there should be no obstacle in the way of a borrower who desires to offer such security. The intention is rather to take the equivalent to a chattel mortgage upon stock, produce, equipment, and personal notes, at the discretion of the Board, in order to overcome the inherent weakness in the chattel-mortgage system.

In periods of depression the chattel-mortgagor is sometimes compelled to realize to satisfy his creditor. Circumstance frequently compels the mortgagee to exercise his rights at the most unfortunate time for the mortgagor. The effect is to cripple the latter and destroy or retard his chance of recovery, and also, in some