

The bonds are usually sold at par or a slight premium. Sales of  $4\frac{1}{2}$ -per-cents. made in 1925 realized  $101\frac{3}{4}$  per cent. The fluctuations are very slight. The bonds are issued under Government supervision, and cannot be issued until the authorities have passed the securities and satisfied themselves that each dollar issue is secured by at least two dollars' worth of land. The Government does not guarantee the bonds, which, however, are held and deemed to be instrumentalities of the Government.

The State, in addition to the provision of \$9,000,000 capital to initiate the system, has also invested State funds in bonds, which, in common with State and municipal bonds issued in the United States, are free of income-tax. The rates of discount may not exceed by more than 1 per cent. the rate paid on the preceding debentures issued.

Interest on short-term bank loans is usually higher than farm-mortgage loans. The security for such loans is often less ample and costs relatively higher. Short-term loans are usually repaid from the proceeds of crops, which may be damaged by drought, frost, diseases, insect pests, or other causes. Approximately two-thirds of short-time bank loans to farmers are made on the basis of personal security; one-third are secured by some form of collateral or other. Mortgages on live-stock are the most important collateral loans. Staple products adequately warehoused also afford sound collateral.

In the past the lack of adequate supervision over stored products was an obstacle to the extensive use of warehouse receipts. In order to improve this situation the United States Warehouse Act was passed in 1916. Its purpose was to create a uniform and sound system of warehousing farm-products, and to provide a warehouse receipt which would generally be accepted as security for loans. This has been accomplished through the enforcement of provisions requiring suitable storage, through frequent inspection and careful control over the issue and cancellation of warehouse receipts. The original Act applied only to cotton, grain, wool, and tobacco. By an amendment of 1923 the Minister of Agriculture was authorized to extend the provisions of the 1916 Act to such products as he might consider suitable for storage.

### SOUTH AMERICA.

The mortgage banking systems of several of the Republics of South America which were visited by the Commission were found to be interesting and instructive—particularly the extensive and liberal provision made for agricultural credit in Chile, Argentina, and Uruguay. In these countries land-mortgaging and land-settlement systems of a satisfactory kind have been developed. They are in every case supported by Government finance and supervised and generally controlled by the Government. Interest-rates, for obvious reasons, are higher than in New Zealand, and consequently do not afford a basis of comparison. It is a custom in South America to pay interest half-yearly in advance, and heavy penalties in the form of charges on the arrears, running as high as 1 per cent. additional interest per month, are provided against default. These institutions have stood the test of time, and, notwithstanding serious political disturbances, are to-day in a strong financial position. Their securities are in demand and find ready sale.

The Republic of Uruguay has been most successful in promoting agriculture and providing credit on reasonable terms. In this the Banco del Hipotecario has been ably supported by the Banco de la Republica Oriental del Uruguay, a purely State bank which provides short-term credits for those engaged in primary industries, and liberally supports the development of co-operation and the extension of agriculture.

### PERU.

Peru has no organized farm-loan system, either State or private, which is covered by the issue of mortgage-bonds. The needs of agriculture are catered for only by private financial institutions; the rate of interest varies from 7 to 10 per cent. payable half-yearly in advance; a fee of 2 per cent. commission is charged on each loan. These loans are generally made for a period not exceeding one year. The financial institutions provide a form of table mortgage for twenty years at