

*Colonel Esson* : A co-operative society should be a voluntary society of farmers who are actually engaged in producing and marketing their produce. I do not think the definition is wide enough to include trading companies, which are wrongly called co-operative, because they are not wholly composed of farmers. Their shares are held by private investors, and sometimes by speculators. In this case the members of a co-operative society must be persons who are actually engaged in the industry.

*Mr. H. E. Holland* : Does that apply to all the farmers' co-operative associations ?

*Colonel Esson* : Well, certain of them would not come within that definition.

*Right Hon. Sir Joseph Ward* : There are a number of people who are shareholders in farmers' co-operative associations who are not on the land at all.

*Colonel Esson* : Yes ; that is what I am trying to make clear.

*Mr. A. Hamilton* : Well, how would that affect dairy companies ? There are a number of dairy companies where the shares are held by non-suppliers to the factory ?

*Colonel Esson* : The Board would have to discriminate between purely co-operative and proprietary concerns.

*The Chairman* (to witness).] The feeling right round the table is that trading should be excluded ?—That is mainly our feeling on the matter. You must admit that farmers are not the best men of business in the world, and we feel that it would be a very dangerous thing.

It is not the intention of the Bill to grant money for trading ?—Oh, well, that is quite satisfactory.

Then there is another point you mentioned, Mr. Abraham. You are satisfied that there is sufficient money in New Zealand for all legitimate trading purposes ?—Yes, all legitimate trading purposes. Of course, all concerns necessarily have been compelled to assume a stricter system of making advances than was in practice at the time of the boom. That resulted in very heavy losses for every one of us. Only this morning I received some returns which rather made my hair stand on end at the amount of the losses made ; and I think I may say that every concern, either co-operative or mercantile, is in the same position, and has made very heavy losses. But still, notwithstanding that, the money for legitimate trading is there.

What is your experience as to the rates the farmer is paying for his money in the North Island ?—Well, take my own firm's rates : If he is an ordinary dairy-farmer we charge him 8 per cent. He is looked upon as rather a heavier risk than a sheep-farmer. A sheep-farmer is charged from 7 to 8 per cent., according to the state of the bank rate. We generally charge 1 per cent. over the bank rate. If a man has undoubted security he can come in and make special arrangements.

By this Bill we are trying to help the man who is borrowing, say, £1,000 : would there be any of those paying under 8 per cent. to-day ?—Oh, well, there may be, where a man has undoubted security. You see, the bank rate is 7 per cent. to firms like ourselves, and we like to get 1 per cent. over the bank rate. That is practically all we have had to live on lately. There has been no money in trading at all.

What does the 1 per cent. actually cover : does it cover taxation and bad debts ?—No, nor anything near it. It will not cover taxation at the present rate of taxation—4s. 6d. in the pound.

Do you consider that 1 per cent. pays ?—We do not look at it in that light. One per cent. can be taken as the general average. That 1 per cent. is set aside to cover certain expenses.

I just wanted to get your opinion as to what that 1 per cent. would cover ?—It does not cover anything in particular ; it simply goes towards a portion of our general working-expenses.

You do not keep that separate ?—No. We get out profits from commissions and from trading profits ; but the result of the trading has not been very satisfactory for a few years past.

You say in your statement, " Is it worth while, for the sake of finding £250,000 of cheap money, to run the risk of estranging those on whom the farmers are so absolutely dependent ? " and so on. I may say that the £250,000 is there in the Bill as a Government loan, but far beyond that there will be bonds issued ?—Of course. That remark was made under the impression that the Board would create a large number of new institutions for trading, which would come into competition with firms such as ours.

Oh, I see. I do not think that is the intention of the Bill ?—No. I am very much reassured.

Has your organization considered the question of the groups of farmers as set out in the Bill ?—No, we did not go into that very much, because we doubt very much whether you are going to get groups of farmers who will be prepared to pledge all their securities for the benefit of several of them or any one of them. That would be very difficult, I think. Take any district you like in New Zealand ; you will get a proportion, say, of about five farmers out of twenty who are fairly financial ; but the rest are not financial, and are not in a position to do anything. But they are carrying on. We, for instance, have been carrying on many farmers who we know should walk off their farms. Those men are not going to carry through unless produce takes a big jump, and we do not anticipate that. We look rather for a drop, if anything. So that I think you will find that part of the Bill very difficult indeed to work.

There is nothing that the stock and station agents could take exception to in that part of the Bill ? No, as long as they are not given any facilities for trading. That, we think, would be very dangerous, in their own interests and the interests of the State, quite apart from our own interests.

In connection with your opening remarks, you will see that, so far as the Prime Minister is concerned, you were not consulted because there is no intention of including trading in the Bill at all ?—Yes, I quite see that now ; and no doubt he is a very busy man. I mentioned it because I think it is a very important point that Ministers should consider and take into their confidence people who are interested in the particular matter which is being dealt with, especially under the present condition of affairs. I am sure it would be found helpful rather than the reverse.

We recognize that. We have called witnesses from the South Island, and we also have your evidence ?—But I may say that coming before a Committee like this and giving evidence may be looked upon as somewhat *ex parte*, whereas at a round-table conference beforehand we can argue matters out.