

employees of stock and station companies, and private valuers, and in one district (Westland) arrangements have also been made for the Field Inspectors of the Lands Department to make valuations at a suitable remuneration when their departmental duties permit of it.

For the present it has not been found practicable to set up a general scale of fees to apply to valuations made in connection with the Board's work. It has been possible to arrange with the valuers for the valuations to be made at very reasonable figures, so that the expense to borrowers may be kept at a minimum. The matter is being carefully watched by the Board, and should it appear that a suitable scale can be prescribed which would be satisfactory both to the valuers and the borrowers, steps will be taken to set up such a scale.

SUPERVISION OF SECURITIES.

27. It is essential in the conduct of any business dealing with advances upon stock and other chattels to maintain supervision over the securities for loans, and to keep closely in touch with the general trend of the borrowers' farming operations. To a certain extent a useful guide is provided by the payments received in the case of charges over dairy stock from the borrower's milk cheques, giving an indication as to the success of his operations, and in the case of charges over other stock from the payments from stock realized, produce, and the like, which in terms of the chattels security must necessarily be made in the first instance to the lender. Nevertheless, it is desirable in the interests of safeguarding the funds lent out to keep in close touch from time to time with the individual securities.

The methods by which the Board is authorized to make loans were designed to secure some degree of independent supervision. Associations, in the first place, were not intended to be simply organizations for securing advances for their members, but it was contemplated that one result of the mutual responsibility of the members, to the extent of their contributed share capital, for the loans obtained by other members would be the careful administration of advance accounts, including the maintenance of an adequate watch over the individual securities. The areas covered by most associations will be comparatively small, and the associations composed of farmers living relatively close together. Consequently any conduct upon a borrower's part tending to endanger the association's security for an advance should in practically every case be brought promptly to the notice of the directors, so that proper steps could be taken to avert the risk of loss. In an association well administered, with members properly cognizant of the ultimate benefit to themselves of keeping a reasonable watch over the operations of other members indebted to the association, adequate supervision should be possible at a minimum of expense.

Again, when provision was made for direct applications for loans, the requirement that such loans should be guaranteed to the satisfaction of the Board up to 20 per cent. or more, as required in individual cases, was inserted not only for the purpose of obtaining for the Board the benefit of an independent security comparable with that provided by the corporate responsibility of associations, but also for the reason that the liability of the guarantor to meet the whole or part of the advance would influence him to keep in close touch with the farming operations of the borrower, to the benefit indirectly of the Board. It is anticipated that particularly valuable services will be rendered where the guarantors are dairy companies or stock and station companies and similar concerns, the existing organizations of which will enable them to exercise a proper degree of supervision. In the case of private guarantors it will not, of course, be possible to rely to an equal degree upon the supervision exercised by them.

While the factors mentioned above will contribute to the protection of the Board in regard to securities for advances, it is not intended to rely wholly upon them for safeguarding the Board from loss. The sufficiency of the supervision so obtained will be tested by independent inspections carried out at the direction of the Board, and probably for this purpose advantage will be taken of the services of the farm-inspecting staff of the Public Trust Office to conduct inspections at as frequent intervals as the experience of the Board demonstrates to be necessary.