

the loans are free of interest, and the Board in turn is not required to pay any interest to the Consolidated Fund on advances made to it in terms of the above provisions.

Considerable advantage has been taken of this provision by the associations which have already been formed, and applications have been received for payments to cover the legal costs and disbursements incurred in the formation of associations, the purchase of the necessary accounting-books and records, and preliminary expenses incurred in setting up the associations. To enable applications for such payments to be dealt with promptly, the Board has authorized the District Intermediate Credit Supervisors to deal with this class of application.

16. *Payment of Expenses of Management.*—The capital assets of associations will not, as a general rule, be very large, as the share capital subscribed by the members is comparatively small, ranging from a minimum of £25 to a maximum of £100, and is not likely, in the earlier stages at least, to be large. Consequently it was realized that, particularly at the commencement of their operations, the revenue at the disposal of the associations might not be sufficient, apart from any profit which the association might make on the readvancing of funds borrowed from the Board, to enable the expenses of administration to be met. The Board also recognized that if the association method was to progress it would be necessary to put the associations in a position to make advances to their members at the same rate of interest as that charged by the Board to borrowers applying direct to the Board without the intervention of associations.

The Board, therefore, decided to fix the rate of interest payable by associations at 6 per cent., being $\frac{1}{2}$ per cent. less than its general lending rate of interest, and to require this margin of $\frac{1}{2}$ per cent. to be applied by associations as follows: Not more than $\frac{1}{4}$ per cent. towards meeting the expenses of management; the balance in setting up a reserve fund.

There has been comment upon the part of some of the associations already formed that this margin of interest is not sufficient to cover the expenses of administration and to enable a reasonable remuneration to be provided for the secretary-treasurers. None of the associations have been working for any length of time, and it is perhaps inevitable that the expenses of management will be exceptionally heavy in the earlier stages of an association's existence, when its capital investments are not very extensive and its revenue accordingly small. The Board feels that when the associations are properly under way it will be found possible for them to operate successfully on the margin of interest made available to them by the Board, but in view of the representations made it has decided in the meantime to permit associations to make a small charge to applicants to cover the cost of the work involved in the consideration of applications. By this means associations are placed in the position, if they so desire, to provide funds for the payment of management expenses without imposing any great burden upon the members of the associations; and, furthermore, the charging of such fees will ensure that unsuccessful applicants, whose membership of the association may cease upon the rejection of their applications, will contribute towards the cost of the work involved in the consideration of their applications.

No opportunity has been lost of impressing upon the directors of associations the necessity for keeping the administrative costs as low as possible, for in other countries high costs of administration have proved a serious obstacle to the development of co-operative enterprise among farmers.

17. *Accounts of Associations.*—In order to ensure the adoption of a proper and uniform system of accounting by all associations, the regulations provide for the accounts to be in the form required by the Board. A system of accounts suitable for associations has been designed by the Board's accountants, together with carefully drawn instructions for the guidance of the secretaries and treasurers of the associations. A copy of the instructions is made available to the secretary of each association formed.

The necessary books of account, statistical books, and forms for the use of associations have been designed and printed in quantities, and the Board is thus able to furnish all supplies of this nature to associations at a much lower cost than that at which the individual associations could provide them.

18. *Formation of Associations.*—The response of the farming community to the association method of securing advances from the Board is most encouraging. The