

of the amount originally granted. The Act contains a provision specifically authorizing companies incorporated in New Zealand to guarantee loans under Part III of the Act, notwithstanding any provisions to the contrary contained in their memoranda and articles of association.

Loans to direct applicants are, in terms of the Act, repayable on demand, but in other respects—namely, in regard to the rate of interest payable, the maximum amount of the loans, and the purposes for which loans may be obtained—the conditions are the same as in the case of loans through associations. Although the Act does not in such cases permit the Board to grant a loan for a fixed term the best possible treatment will be given to those borrowers who meet their obligations and maintain their securities in a satisfactory condition, and they need not have any apprehension that their loans will be called up arbitrarily. Subject to the statutory condition that such loans are repayable on demand it is the Board's policy to require such loans to be reduced by instalments, in amounts and at times arranged as far as possible to suit the borrowers' convenience.

The value of the provisions appearing in Part III of the Act has been evidenced by the number of cases in which dairy companies have approached the Board to accept their guarantees of loans to their suppliers. Many of the companies had already been engaged in financing their suppliers, often borrowing the requisite funds upon the security of their assets. The guarantee method of obtaining financial accommodation therefore offers to these companies the means of reducing their definite financial commitments, while the suppliers' requirements are provided at more favourable rates than those which the companies found it necessary to charge them. The guarantor companies are able to protect their interests by requiring a fixed proportion of the applicants' milk cheques to be applied in payment of the interest on the advances and in reduction of the loan accounts, and their knowledge of the borrowers' farming operations and the supervision which, in their own interests, they exercise over the borrowers are an added protection for the Board.

The usual procedure is for a company desirous of securing financial accommodation for its suppliers to submit to the nearest District Intermediate Credit Supervisor evidence as to its financial position. The financial position of the company is investigated, and the Board decides, after considering the condition of the company's affairs disclosed by the investigation and the report of the District Intermediate Credit Supervisor upon the company, to what extent it will accept the guarantee of the company, the limit, of course, being subject to review from time to time according to changes in its financial position. The company then proceeds to submit applications from approved suppliers whose loans it is prepared to guarantee, and these are considered by the Board or the district boards upon their merits.

The benefits to be derived by dairy companies through utilizing the provisions of Part III of the Act were first realized in the Waikato district, and as early as January last proposals with the object of financing its suppliers by this method were submitted by the New Zealand Co-operative Dairy Co., Ltd., Hamilton, which, as is well known, is the largest co-operative dairy company operating in the Dominion. Satisfactory arrangements were concluded, and a substantial volume of business has since been transacted along the lines of the arrangement reached. Since then applications by dairy companies for the acceptance of their guarantees have come forward steadily, and up to the present arrangements have been concluded with twenty dairy companies, while other applications are in course of examination. It is known also that a number of other companies are contemplating the guaranteeing of their suppliers' loans.

The bulk of the business under Part III of the Act which has come before the Board up to the present has resulted from arrangements concluded with dairy companies. To a lesser extent loans have been granted where the guarantor is a private individual or a stock and station concern. Shortly after the Board commenced operations an inquiry was received from the New Zealand Stock Auctioneers and Agents' Association for information as to the position which stock and station companies would occupy when guaranteeing loans granted by the Board, and setting out the considerations which were essential from their point of view. The matter was given the fullest consideration by the Board, and its policy was defined upon the various points raised by the association. Advice of