

following the time of discounting ; so allowance has to be made for a greater proportion of completed transactions than in the case of the larger loans under Parts II and III of the Act.

55. *Appreciations of Discounting System.*—The following extracts from a letter written to the Commissioner by the secretary of the Te Awamutu Co-operative Dairy Co., Ltd., which has discounted notes extensively with the Board, are interesting, as an expression of appreciation of the system by a company with extensive experience of its working :—

“ We take this opportunity of extending to your Board our appreciation of this cheap and expeditious method of finance. From a recent press report we were surprised to find that so few co-operative dairy companies had availed themselves of the discounting provisions. It is an ideal system from a dairy-company point of view : it provides finance during the lean months of winter, and a graduated system of monthly deductions from suppliers' milk cheques, commencing from September, enables repayment to be made without difficulty.”

This company was also instrumental in the formation of a co-operative rural intermediate credit association among its suppliers, and, in acknowledging a copy of the circular letter which, as mentioned elsewhere in this report, was sent out during the year to all dairy companies, it expresses views as to the benefits of the intermediate credit system generally in the following words :—

“ Our company has benefited very considerably by the Rural Intermediate Credit Act. You may remember that we took the lead in this district in the formation of a local rural intermediate credit association. Quite a number of our suppliers have had their finances placed on a most satisfactory basis through assistance received from that source. In addition we have availed ourselves of the discounting provisions of the Act, and the limit granted us by your Board has proved invaluable in letting out small sums to suppliers during the winter months for the payment of interest, purchase of manures, and additions to their herds. The rapid growth of our company during the past two years has made heavy demands upon our own financial resources for additions to buildings and plant, and if we had been unable to avail ourselves of the limit granted by your Board for the discounting of promissory notes we could not possibly have given adequate service and satisfaction to our suppliers in connection with advances of a temporary nature against the new season's supply. In our opinion, the Rural Intermediate Credit Act embodies a most practical method of promoting increased production in the dairying industry ; and we should like to add that the expeditious manner in which your district office has handled the discounting arrangements leaves nothing to be desired.”

#### LOANS TO CO-OPERATIVE SOCIETIES.

56. Under the provisions of Part IV of the Act the Board is authorized to make advances to farmers' co-operative societies, to cover co-operative companies (not being associations established primarily for the purpose of the Act) incorporated under the Companies Act, 1908, and having for their principal object the production or sale of staple agricultural or pastoral products, including live-stock and including goods manufactured from any such products. To be competent to receive a loan from the Board a co-operative society answering to this description must have a subscribed capital of not less than £2,500 and be composed of not fewer than thirty members. To a society fulfilling these requirements the Board may grant advances, on the security of any live-stock or produce belonging to the society, of an amount not exceeding 80 per cent. of the fair market value of such live-stock or produce. Loans so granted are to be for terms of from six months to three years, and the rate of interest is not in any case to exceed 7 per cent. per annum. The rate of interest on loans of this class has been fixed by the Board at 6½ per cent. per annum.