

unsettled conditions, although it should be made clear that the Board did not decline any account where it appeared that the applicant would have a reasonable prospect of meeting his commitments if the loan were granted. A further factor has been the reluctance of many farmers to undertake fresh development or improvement of their properties even where such action would have resulted in a greatly increased output from the farms, in view of the uncertainty which has existed as to the prices likely to be obtained for the principal classes of primary produce. It is to be feared that much of the fertilizing which is necessary to the maintenance of the productivity of farms, particularly dairy-farms, at a high level has been neglected during the past season from motives of false economy, although the Board has encouraged its borrowers wherever possible to continue the top-dressing of their lands, and has done its utmost to provide the necessary financial facilities for this purpose. The third cause of the decline in the amount of business transacted has been the decision arrived at by the Board in the previous year to give preference to those applications in which the granting of the loans would lead directly to increased production, and as a general rule and in the absence of any special circumstances, to decline to grant loans solely for the purpose of discharging existing liabilities to stock firms, banks, and other financial institutions. It is obvious that with the serious decline in stock values many farmers who in normal times would have been able to raise from the Board loans of sufficient amounts to discharge their existing liabilities and leave a surplus available for the development and improvement of their properties, have been unable to secure the requisite financial accommodation from the Board, as the loans which would have become available on the reduced valuations of the stock would have been not more than sufficient to discharge their existing indebtedness.

4. The Board commences its new financial year with a very adequate supply of available funds which will not only enable it to meet all legitimate requirements by way of new loans or by further advances to existing borrowers for productive purposes, but will also permit it to relax to a certain extent the restrictions hitherto imposed, and to accept a limited number of good accounts having as their object the discharge of existing liabilities to other financial institutions.

5. So far as is consistent with its duty to debenture-holders the Board has given the best possible treatment to its borrowers in all cases where it has been demonstrated that concessions are required to enable them to remain in occupation of their farms and that the concessions are justified. The fact that a large number of borrowers have been able to meet their commitments is evidence of the care which was exercised in the granting of the loans and the close supervision which has been maintained over the accounts of borrowers. From the commencement of the Board's operations all applications have been scrutinized carefully by the central Board or the district boards, and in the case of association loans by the directors of associations, and the policy of not granting a loan unless the applicant is able to offer security showing the usual margin of value, and is able to satisfy the Board that with the assistance of the loan he will be able to meet his commitments, has been amply justified. At the inception of the scheme much criticism was levelled at the conservative valuations obtained by the Board and the lending margin required by it, but it can now be safely said that if the Board had yielded to pressure and modified its attitude in this connection, the results of its operations would have been much less favourable than they fortunately are to-day. The results achieved should convince debenture-holders and intending investors that their interests are receiving and will continue to receive careful protection. From the outset of its operations the Board has borne in mind that if the system is to be made a success a satisfactory flow of money for investment in its debentures must be secured by such careful administration as will justify the confidence of the investing public. That the principles on which the Board has worked are sound is proved by the satisfactory results attained under conditions of unprecedented difficulty, and with a return to normal conditions the Board's debentures should appeal to the investors as a sound and satisfactory form of investment.

6. As is indicated at a later page of this report, the business of the Board has shown an increase under all headings, although the principal expansion has taken