

14. *Insurance on Wool and Crops.*—In a number of cases the Board holds security over wool and growing crops, and has now adopted the policy that if this security is relied on to a substantial extent borrowers will be required to effect insurance—

(a) On wool from sheep's back until it reaches the woolbrokers' stores when for sale in New Zealand, or from sheep's back to London when it is shipped for sale there.

(b) On crops for a definite and sufficient period to cover them from the ripening stage until delivery to the buyer.

15. *Lessor's Right of Distress.*—Where stock offered to the Board as security is depasturing on leasehold land, it is essential that the Board should protect itself against loss through the right of the lessor to distrain on the stock for arrears of rent to a certain extent and to ensure that the Board's right to realization of the security in case of default under the loan is not defeated by prior action on the part of the lessor. The Board has decided that it will, in all except special cases, require the lessor either to waive the right of distress or to guarantee the loan granted. If one or other of these conditions cannot be complied with, the loan will not be granted. Where stock is depasturing on Native leasehold property the position is rendered more difficult through the inability to obtain waivers of the right of distress or guarantees of the loan by the lessors. Each such case is considered by the Board on its merits, and if adequate protection against distress can be obtained in some other way, the loan is allowed to proceed. It was previously the Board's practice to endeavour to obtain protection by collecting the rental under orders on the cream cheques and paying it to the lessors, but this method proved unsatisfactory in practice, as it was found that in some cases the requisite protection was not assured. This practice will therefore be followed only in special cases in future.

16. *Implements and Machinery.*—It has been found necessary to discount largely the value of implements and machinery for security purposes, as it has been the Board's experience that prices realized for implements and machinery at sales did not approach the values placed upon the implements and machinery by the Board's valuers when the loans were granted. The Board has directed that implements and machinery shall be valued for loan purposes at "clearing sale" values in future.

17. *Repayment of Loans.*—It has been explained in previous reports that the Board's loans are made repayable upon demand, but that subject to this paramount requirement arrangements are made for periodical reductions and that the usual practice is to require one-fifth of the loan to be repaid in each year, provision thus being made for full liquidation of the amount within the maximum period of five years allowed by the Rural Intermediate Credit Act. It is realized, however, that this rule cannot be rigidly enforced without exception, and that it must be modified in certain cases to meet the ability of the farmers concerned to make the principal repayments. In some cases it is possible to agree to smaller repayments being accepted during the earlier years on the understanding that the repayments will be proportionately increased during the later period of the loan. This provision has proved of value where loans have been granted for developmental purposes and it has been necessary for the borrower to expend considerable amounts in improvements to his property the full benefit of which in the form of increased production is not felt until the later years of the period covered by the loan.

18. *Readvances.*—The Board has delegated to associations, district boards, and District Supervisors the power, subject to certain conditions, of granting to borrowers readvances of the proceeds of stock and produce sold. The delegation was originally limited to readvances not exceeding £50, but during the year the amount was increased to £100, and readvances of that amount may now be granted without the Board's prior approval, so long as the conditions imposed by the Board are complied with.

19. *Sales of Stock.*—Where the Board holds an instrument by way of security over the stock it is entitled to receive the proceeds of all sales, and it insists on this requirement being fully observed. In the few cases which occurred during the year where stock under security was sold and the proceeds were not accounted for to the Board, appropriate action was taken to protect the Board's interests and to warn the borrowers and stock companies concerned against any repetition of such failure to account.