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Canadian Banks and Live Stock Loans

FARMERS, *Owning Live Stock or Wishing to Do So, Are Viewed With Special Appreciation by Banks, says Vere C. Brown—Analysis of Credit Conditions—Canadian Farmers Do Not Like Chattel Mortgage Security For Live Stock Loans.*

THE Canadian banks have been accused of retarding the development of the western livestock industry by their unwillingness to give credit to farmers to buy stock. How this belief ever came to have wide acceptance is beyond the understanding of Mr. Vere Brown, superintendent of the western branches of the Canadian Bank of Commerce. In a recent article in the Grain Growers' Guide, and just issued in pamphlet form, Mr. Brown says that the farmer, owning livestock, or even wishing to own stock, has always been viewed with special appreciation by banks. In 19 cases out of 20 a farmer's desire to buy stock is evidence of more than average industry, and creates a strong presumption in favor of his being a desirable credit risk. Some of the banks have for several years been systematically canvassing good grain farmer customers in stock districts in an effort to get them started in livestock; and while the conversion of grain growers to mixed farmers has been a disappointingly slow process, this has not been because of any unwillingness of the banks to furnish credit to any men at all worthy of credit.

Because prior to the 1915 amendment to the bank act, banks were not permitted to take security on livestock for loans to farmers, it is true that they were hampered a good deal in granting credits to buy stock. There were many honest and industrious farmers to whom banks could not safely extend unsecured livestock credits, because of the risk of numerous outside creditors jumping in with executions and collecting their claims out of stock purchased with bank loans. But now that banks can take security for their loans on the borrower's livestock, many intelligent and industrious farmers are able to get credit for livestock purposes notwithstanding that their financial position is a somewhat difficult one.

There are two classes of livestock credits: (1) To purchase hogs, sheep and feeder cattle—quick maturing animals which become marketable within 12 to 18 months; and (2) breeder cattle, which involve carrying loans for 2 to 3 years until the young stock mature.

The first class has always been regarded as banking business of a highly desirable kind, and there has never been any lack of credit therefor. As to the second class, while it was not formerly regarded as the proper function of a Canadian bank to grant credits for a longer period than 12 to 18 months, in view of the needs of the western livestock industry the banks have declared it to be their policy to make loans to farmers for the purchase of breeding cattle, and, subject to reasonable conditions, to grant renewals permitting young animals to be carried to maturity.

Unfortunately, the amendment to the bank act requires that security for loans made against livestock shall be in the form of a chattel mortgage, and this requirement operates to deter a good many farmers from taking livestock credits. In the western states it is the established custom for farmers to give chattel mortgage security for livestock loans, but the average Canadian farmer has a horror of a chattel mortgage. Moreover, the cost of drawing and registering a chattel mortgage is usually $7 or $8, which is an almost prohibitive charge for small loans. There is no reason why this security should not be taken in the form of a simple lien or pledge which a bank manager could fill up without charge and which could be registered at a charge of twenty-five cents, as in the case of lien notes. It is altogether probable that if the farmers asked for this change in the bank act the government would make it, and the remedy is therefore in their own hands.

Two western livestock authorities have recently reiterated the old charge that farmers are unable to borrow from the banks to buy livestock, and one of these gentlemen advocates the formation of livestock loan companies similar to those existing in the United States. But I have yet to learn of a single case of a competent and industrious farmer being refused credit by a bank for livestock purposes, in circumstances where any fair minded man would say that the applicant was entitled to the credit asked.

The United States livestock loan companies do not make long-term loans for breeding stock, but only for the purchase of feeders to be finished for market—six months' paper possibly renewable for a further six months. Large numbers of United States farmers specialize in buying from breeders animals requiring feeding over only one season to be ready for market. Our western farmers are only beginning to go into this business, which is the sole explanation for the fact that Canadian banks have not until recently made many loans for this purpose. Had there been any demand for this kind of accommodation, it is safe to say that the amendment to the bank act relating to livestock would have been passed sooner than it was.