

Rural Credit

This paper was read before the Joint Committee of Commerce and Agriculture in Winnipeg in March by R. McKenzie, Secretary Manitoba Grain Growers' Association.

Every business man in Canada is interested in increasing farm production. There is no difference of opinion between farmers and business men as to that important fact. There may, however, be a wide difference of opinion as to how this very much desired result can be brought about. All countries, in which farming is a basic industry, have given much attention to this matter.

During the latter half of the last century the farmers of Europe who found themselves unable to successfully compete in the production of farm crops against cheap and rapid transportation and the product of the virgin and fertile soils of America, were leaving their farms for the cities. The governments recognizing the result to the nation that would follow unprofitable farming and depletion of farm population in rural districts, introduced in almost every country a system of educating the farmers how to produce along scientific lines and in addition supplemented their educational efforts with capital on long terms of payment and an economic system of marketing farm produce. These efforts on the part of governments resulted in making farming profitable and putting a stop to the men on the land forsaking the farms and going to the cities.

The government of Canada, as well as the government of all the provinces of Canada, during the last twenty-five years, devoted a great deal of attention and spent large amounts in teaching the farmers how to farm—in this they have the undivided support and approval of all business men. Unlike other countries, however, they failed absolutely to supplement their educational efforts by providing cheap capital, open markets, and a rational system of distribution of farm products—thus rendering abortive the lavish expenditure of money on agricultural education.

Useless Education

There is no use in teaching the farmers how to farm scientifically unless they are placed in position to acquire the necessary facilities to produce scientifically.

There is no use trying to induce farmers to increase their production of food stuffs unless there is a margin of profit left between the cost of production and the selling price. No business man will continue to produce a commodity without a margin of profit.

Nine out of every ten farmers in Western Canada do not farm as well as they know how, and the reason is that in eight cases out of ten they lack capital. Like every industry, the farming industry cannot prosper without capital. The capital requirements of agriculture divides itself into two great classes: the invested capital and the working capital. The invested capital of the farming industry in the three prairie provinces is largely obtained by mortgage loans on high interest and short terms of payments. Generally speaking, the working capital of the prairie farmer is the credit given by country merchants and other retail dealers at a rate of interest that no one can guess.

Amortization System

In countries with which Canadian farmers have to compete in the sale of their product, the farming industry secures their invested capital on long terms of payment on the "Amortization" system varying in interest rates of four per cent. in the countries of Europe with periods of payment extended from thirty to sixty years to five per cent. in New Zealand and six per cent. in the States of Australia. These rates extinguish the debt in New Zealand in 34½ years and Australia in 25 years. In Western Canada, farmers on the other hand have to pay around eight per cent. interest together with an annual payment on principal until the loan is retired.

The credit methods of doing business in Western Canada fostered by the methods of banks loaning money to manufacturers and wholesalers for working capital instead of to the farming industry, is absolutely wrong and adds enormously to the cost of distribution of farm supplies. Banks give a line of credit to manufacturers to purchase raw material, pay labor and other incidentals of manufacturing; the manufacturer sells



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