

Credits to Grain Growers—(continued)

past few years. In such circumstances what should the bank do? What it must do as a matter of common sense and good business, if it is satisfied that the debtor is a type of man who will eventually succeed, is to take security for the old debt and stake him for another crop. It can legally take security for the old debt, but must lend the new money without security because the Bank Act will not permit a bank to make new loans against mortgage security.

Suppose, however, that he has a second successive crop failure; that the bank then discovers that its confidence in its customer has been misplaced, the poor results of the farm having been due partly to poor methods; that the borrower takes refuge behind the exemption laws, refuses to give security for the later loans, and transfers his land to his wife. The bank would simply have to face a sharp loss, as has happened in no end of cases.

Take another case. Thomas Jones' statement at the beginning of the season is as follows:—

Assets		Liabilities	
Good accounts	\$ 210	Implement notes due	110
Grain for sale	400	Mortgage interest	80
Quick assets	\$ 610	Floating debts	\$ 190
Seed grain	140	Implement notes not yet due...	200
Implements	800	Mortgage	1,000
Quarter section	3,000	Surplus	4,060
Work horses	900		
	<u>\$5,450</u>		<u>\$5,450</u>

This man could stand a crop failure and still be nearly able to pay his floating debts. His claims to bank credit for all his needs would be distinctly good—his position being far above the average for a quarter-section man.

Credits for Mixed Farming

Now, however, take the example of William Brown, who at the commencement of a season is in the following position:—

Assets		Liabilities	
Good accounts	\$ 210	Owing to bank	\$ 600
Grain for sale	660	Mortgage interest	80
Quick assets	\$ 870	Implement notes due	110
Cattle	840	Floating debts	\$ 790
Seed grain	140	Implement notes not yet due...	200
Implements	800	Mortgage	1,000
Quarter section	3,000	Surplus	4,560
Work horses	900		
	<u>\$6,550</u>		<u>\$6,550</u>

His position is better than John Smith's only to the extent of a few hundred dollars worth of cattle. He is building up his small herd of cattle and could not sell them without injuring his earning power, but this readily saleable asset would be available as security