

The farmer's business does not usually give him a quick return. His period of investment is at least nine months or a year as he has to await the processes of nature to give him his dividends. He is subject to losses by accident, disease and fluctuations in prices, causes over which he has no control and which make special financial arrangements necessary often covering a period considerably longer than that required to produce his yearly crop. Short Term Credit of three months even with the right of renewal is to him both inconvenient and embarrassing, as although renewal may be promised the difficulty in obtaining it is much greater if crop difficulties in the meantime have arisen. Further, the ordinary commercial banks, organized especially to suit commercial and industrial conditions, to a large extent fail to appreciate the position of the farmer, who because of his inability to meet specific banking practices finds himself, particularly if he is a small farmer, regarded as an undesirable customer, not because of any fault of his own, but because he is unable to marshal his assets in a manner to satisfy the bank. Hence the claim that a special financial organization with a different purpose from that of the ordinary bank is required.

With regard to the second aim mentioned above, the difficulty to be overcome arises naturally out of the conditions just stated. If the ordinary commercial bank is incapable of meeting legitimately the farmer's needs, then he must either do without working capital or resort to some other means of obtaining it. To do without renders him helpless, unless he has already acquired a surplus of his own. The only other sources open to him are the private money lender or the local merchant through whom he may buy his supplies. In either case, while the credit may be obtained for the length of time required, the cost is very great, often too great in proportion to his productive capacity. The private money lender is often more hard-hearted than the banker, while the local dealer's credit is generally the most expensive of all. The latter usually considers it necessary to protect himself against loss by increasing the price of his goods, if sold on credit or by charging a higher rate of interest, if he advances money.

The Short Term Credit Banks of Europe, the Intermediate Credit Banks of the United States and a great variety of state supported financial organizations in other civilized countries have sought to overcome the difficulties stated above by organizing the security of the farmer on a co-operative or semi-co-operative basis in such a way as to make possible credit at reasonable rates of interest and for a length of time suited to his needs.

The foregoing is not to be interpreted as an argument but as an effort to state in the briefest possible way the point of view and purpose of the Rural Credit movement. The extent to which these organizations have succeeded will be apparent later on in this report.