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## Rural Credit--its Effect on the Agricultural Industry.

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I have been asked for a short paper on rural credit and its effect on the agricultural industry, with a short description of the Agricultural Credit Act passed by the parliament of British Columbia at its last session.

The act passed last session is largely based on the Rural Credit Act in force in New Zealand, with some important changes, making it, in the opinion of the Royal Commission on Agriculture, more applicable to conditions in British Columbia. As I will have to refer at some length to the operation of the act in New Zealand, I deem it advisable for a better understanding of the subject, to give you a brief outline of the conditions found to exist in New Zealand and British Columbia.

### Conditions in British Columbia.

British Columbia is a country of enormous natural resources in timber, minerals and fisheries, and offers exceptional opportunities for the profitable investment of capital and in the employment of labor. The rapid growth of the coast cities has been phenomenal, and the result has been that men with capital coming to this province find many opportunities for investment that promise better returns than they can reasonably be expected from farming, and the higher wages paid in the mining and lumber camps attract the laboring classes. Consequently, few men with capital engage in farming, and efficient farm labor is scarce and the wages usually demanded higher than a farmer can afford to pay.

There is no monetary institution in the Dominion of Canada that will loan money to farmers to enable them to make permanent improvements of a productive nature for a sufficiently long period of time, and at a low rate of interest, with the privilege of repaying the whole or any part at any time, and the experience in other countries and in the Dominion of Canada demonstrates clearly that that is the kind of credit the agricultural industry requires.

In the older settlements, in the heavily timbered districts of the province, it is very commonly found that when a man has succeeded, perhaps after years of effort in clearing enough land to make a living from it, with perhaps some earnings from other work, he makes no further attempt to bring more land under cultivation. In the interior, we have a dry belt and prairie land requiring irrigation, and with the exception of those who were early in the field and secured favorable locations, the cost of irrigation is very heavy and more than the average individual can undertake.

Many witnesses who gave evidence before the Royal Commission of Agriculture, explained to us that the struggle to accom-

plish what they had done without capital and without credit, and make a living at the same time, was too strenuous to encourage them to continue the effort. The result was that their sons drifted into the cities, or into some mining or lumber camp to secure employment. They further represented that if they could borrow money on the terms above referred to, they would be anxious to use it towards clearing and bringing under cultivation more of their holdings, and they were confident that they could not only provide for interest and amortization payments on such loans, but could largely increase their revenues, and this confidence was based on the operations of the past and from the operations of their neighbors who were fortunate enough to have sufficient capital for their requirements.

In other cases, where better live stock, silos, buildings and similar improvements would greatly increase the scope of their operations, lack of capital or credit had deterred them.

After a thorough investigation, extending all over the province, and after a careful study of the reports of the agricultural credit systems adopted in various countries, the commission decided that one of the first and most pressing needs of those engaged in the agricultural industry was an adequate rural credit system, and that the operations of those systems should be investigated on the ground, and for that purpose one of the commissioners was sent to Europe, and I visited New Zealand and Australia.

### Conditions in New Zealand.

Natural conditions in New Zealand resemble those in British Columbia closely enough to make comparisons valuable. The country is for the most part heavily timbered along the coast with heavy rainfall, and with lighter rainfall and lighter clearing in the interior. As in British Columbia, mixed farming, dairying, stock-raising and fruit-growing are the most important branches of agriculture pursued.

The people of New Zealand, their government and their institutions are all sufficiently like our own to make the operations of the Rural Credit Act in that country an object lesson of special value to the people of British Columbia.

### History of the Rural Credit System in New Zealand.

The history of the Rural Credit system which resulted in the establishment of the New Zealand Advance-to-Settlers Office is briefly this:

For the twenty years between 1873 and 1893, the value of domestic exports, in spite of the rapid expansion in population and their large increase in their national debt, had only increased very slightly, and

in view of the financial obligations of the colony, it was felt that some decisive action on the part of the government was imperative in order to increase production. Of all the industries in New Zealand, the agricultural industry appeared to offer the greatest opportunity for expansion and the surest market for increased production. To secure this increased production they decided that the agricultural industry was in much the same position as any other industry. If the output was to be increased, the capital invested and the labor employed must also be increased, or, in other words, that the agricultural credit required credit on terms suitable to the industry, just as much as the mercantile and manufacturing industries required credit suitable to their industries.

After a thorough investigation of the various European agricultural credit systems, for which work experts were retained, they decided that none of them could be applied to New Zealand, as conditions both in regard to the farmers themselves and the supply of capital were absolutely different from the old settled communities of Europe. They realized that no private company would or could loan money to farmers for a sufficiently long period of time and at a sufficiently low rate of interest to enable them to meet their payments from the net earnings of their farms, and at the same time leave them a sufficient surplus to justify them in adopting a better standard of living on the farm, and it was fully realized that if the industry were to attract the best class of men, and retain them on the land, life on the land must be made as pleasant and as profitable as any other industry or calling in the Dominion. They claimed that every citizen in the Dominion, and every industry in the Dominion, was vitally interested in the agricultural industry and in increased production, and therefore that it was the duty of the whole people, through their representatives in parliament, to provide the machinery and furnish the capital.

Accordingly, in 1894, legislation was introduced and passed by the parliament of New Zealand and was known as the "Advance-to-Settlers Act." Money was borrowed from England on government guaranteed bonds, and loaned to the farmers and settlers through the Advance-to-Settlers Office, for the establishment of which the act made provision. The management has loaned in the last twenty years approximately \$70,000,000. The rate of interest charged is 1 per cent more than the money costs. The 1 per cent is disposed of as follows: To pay flotation charges, working expenses, and to create a reserve fund. During the first eighteen years, there has been a net balance, after the above items