

jeopardise the interests of your partner on the land with his loan company. Your active partner on the land is still struggling with the handicap of the "lean years." Your duty and interest as partner demands reasonable and considerate treatment this fall.

A FEW WORDS WITH DEBTORS.

There is a "best" way for debtors to conduct their business so as to reduce or avoid friction between themselves and their creditors and between one creditor and another. Last year's unpaid obligations, as well as those maturing this year, will have to be considered and, as far as possible, paid this fall. Fortunately most people are in a position to make satisfactory arrangements with their creditors and those whose revenue is sufficient to meet all maturing obligations will not be interested in this topic. But it is possible that a few suggestions herein for the guidance of both debtors and creditors will help to solve the problems facing the man whose bills will amount to more than his ready cash.

PREFERRED CLAIMS AND ORDINARY CLAIMS.

Debtors and even creditors themselves will agree that a certain class of debts, such as operating expenses, should be given a preference over another class, such as indebtedness for equipment. The former, in the case of farmers, will include such items as wages, threshing, taxes, groceries, twine, rent, blacksmith and repairs. As a general rule the bank loan will for obvious reasons be regarded as belonging to the preferred class, but should not properly be so classified where the money had been loaned to buy equipment. Interest on the mortgage loan should always be considered in the "preferred" class, not because of the loan company, but because it is to the advantage of the borrower that the loan company's interest should not be in arrears. In the "ordinary" class of claims may be included such debts as land, lumber, machinery, live stock and all other items of equipment. Mortgage loan principal also belongs here.

If a farmer has not enough money to pay all claims he should pay all items classed as "preferred" as well as interest on all other debts. If he cannot accomplish this he might pay a part of all his "preferred" claims and interest on all "ordinary" claims. And it is highly desirable that the machinery, live stock and other "ordinary" claims should be paid off as soon as it is possible to do so, as dealers in such commodities need the money for their business. It is very important to make a distribution which will not only show a desire to be fair, but that is fair.

THE EFFECT OF "SECURITY."

The fact of "security" will enter into the question and influence the farmer in his payments. "Security" on a farmer's chattels, as has been stated, should be considered by creditors as "security" only and be used only as collateral, and in the event of an assignment, or if unsecured creditors should "close in" on the debtor. *But it should not be used as a club to coerce the debtor into making larger payments than his cash warrants.* Banks have been permitted to lend money on the security of growing crops; and security on growing crops may be taken to cover advances for seed grain, but for no other purpose can a growing crop be directly mortgaged.

LOAN COMPANIES' LEASES.

As a general rule creditors should not be given security on cut or threshed grain, although there are conditions under which a lease in favour of the loan company would appear to be warranted on the ground that to the extent to which it insures payment of the loan company's interest it protects the farmer from foreclosure action. But interest on mortgage loans should never be allowed to fall in arrears. It may be necessary to point out that this emphatic advice to keep interest and taxes paid up is not given in the interest of the loan company alone, but quite as much in the interest of the farmer and of unsecured creditors. Land is a farmer's wealth and the source of his revenue and if taxes and interest are paid when due there is little danger of the mortgage being foreclosed.