

"Cheap Money" Commission Reports

Royal Commission appointed by Saskatchewan Government recommends Co-operation backed by Government Guarantees as Solution of Farmers' Problem

The report of the Royal Commission appointed by the Saskatchewan government to study the question of agricultural credit has been completed and is now in the hands of the government. The report is a unanimous one, being signed by the three commissioners, J. H. Haslam, Chas. A. Dunning and Dr. E. H. Oliver. Printed copies of the report will be available shortly at the Department of Agriculture, Regina. The report is of considerable length and describes the credit systems, co-operative organizations and agricultural conditions, which the commission observed in various countries of Europe last summer. An official synopsis of the report has been issued to the press, and from this the following is taken:

An introduction sets forth the fact that "cheap money" so-called forms only one phase of the whole great problem of re-ordering rural life which European countries have so successfully accomplished through the medium of agricultural co-operation. It is pointed out that there, as with us, agriculture was the last industry to become organized and that the rural re-birth of Europe, carrying with it better and cheaper agricultural credit dates from the organization of the farmers along co-operative lines. Through organization their agriculture has been profoundly affected on three sides, viz.: as an industry, as a business, and as a life. And the problem is no less broad in Saskatchewan.

After outlining the procedure followed by the commission in its enquiry, the report proceeds to a consideration of agricultural credit as it exists at the present time. Respecting mortgage credit this conclusion is reached: "There is a great need of cheaper credit, based on sound security, spread over a considerable term of years, applied to assist mixed farming and to improve the lot of the average farmer on a half section. The commission concludes from the evidence it received that four-fifths of the patented farms of the province are mortgaged and at a rate of interest on the average in excess of 8 per cent. The rate of interest, too, tends to increase rather than to decrease.

After analyzing a great deal of information relating to mortgages prepared for it in the offices of the registrars of the supreme court and of land titles throughout the province the commission summarizes the data submitted in these words:

Summary of Mortgage Information

During the period of fifteen months ended August 15, 1913, there were no less than 1,723 sale and mortgage proceedings under mortgage in this province. It should be pointed out that the returns given above are not quite complete. Probably not less than 2 per cent. of the farmers of Saskatchewan were subjected to these proceedings under the conditions that obtained in this period. Of the mortgages in connection with these proceedings 150, or 8.7 per cent., bore an interest rate less than 8 per cent. But 435, or over 25 per cent., bore an interest rate higher than 8 per cent.; 261, or over 15 per cent., a rate of 10 per cent. or higher; 35 a rate of 12 per cent. or higher, and 3 a rate of 15 per cent. And these mortgages were placed at these rates before the present upward trend in interest rates occurred.

Why Loans Are Secured

The purposes for which loans on mortgage are granted may be enumerated:

1. To consolidate past debts.
2. For machinery. In this matter there has been considerable overstocking, due, as one farmer stated, to the "science of salesmanship."
3. For stock.
4. For building and general equipment.
5. To provide working capital.
6. To buy more land.
7. To "finance trips east" or similar purposes.

RECOMMENDATIONS SUMMARIZED

The chief recommendations of the Commission are:

Co-operative legislation facilitating co-operative purchasing and marketing by farmers.

Government to guarantee bonds of Co-operative Farm Mortgage Association, which will thus raise money to be lent to farmers at low rates on long terms and repaid on amortisation plan.

Agricultural bank to be established by Co-operative Farm Mortgage Association and conducted in interests of agricultural industry.

G. G. A. on Legitimate Use of Loans

A representative of the West Eagle Hills G. G. A., placed before the commission the following statement of the legitimate uses to which long term mortgage credit might be put:

"The purchase of stock of all kinds necessary for scientific and correct farming, together with adequate stable accommodation for the same; the digging or drilling of wells to secure a sufficient water supply, together with an equipment necessary, such as small gasoline engine and pump jack for pumping water where a large supply is necessary or a well is unusually deep; fencing for pasturage or corral; the purchase of seed grains that are of an earlier or more productive variety; to redeem notes of the large machinery companies that are harassing farmers so relentlessly at the present time; or for any other addition to the foregoing that would tend to save labor and put the keeping and raising of stock and the

ers of this province owe \$5,770,000 and to another \$3,622,920.45. The amount due for pre-emptions, for horses, for store credit, lumber, bank credit, and for miscellaneous debts, together with that due for the purchase of land, is not less than \$50,000,000. The farmers of Saskatchewan are paying interest on at least \$150,000,000. If this is the case, then their agricultural credit is costing them \$12,000,000 annually. The saving of only one per cent. in interest would mean the saving to the farming industry of over \$1,500,000 per year. If farmers could secure money at a rate as much as 2 per cent. cheaper than at present, they could, by making their payments on the amortisation plan, discharge their total indebtedness in about 24 years' time, by simply continuing to pay what they are now paying for interest. And this would be abundantly worth while.

Observations in Europe

The observations of the commission



THE MAN WHO NEEDS CHEAPER MONEY.

production of grain upon more sound, satisfactory and scientific basis. It should be assumed that mortgages under this head should be limited to farms of one-half section in extent, which should have been resided upon and worked continuously during three years previous to the application for mortgage."

What Farmers Owe

There is no doubt that the largest factor in the indebtedness of Saskatchewan farmers is the amount which is due to mortgage companies. A conservative estimate would place this in the neighborhood of \$65,000,000. For the next largest amount the implement companies are responsible. We are certain from evidence submitted confidentially to the commission by only a limited number of branch offices, that the total indebtedness of farmers to merely six branch offices is \$15,106,726.68. It is not improbable that at present between \$35,000,000 and \$40,000,000 is outstanding for machinery. The amount owing on agreements of sale for land is very considerable. To one company the farm-

from investigations in Europe are stated as follows:

1. There is in all European countries a frank and universal recognition of the supreme importance of agriculture as an industry, as shown by:

(a) Government co-operation in: 1. Education; 2. Facilitating credit; 3. Promoting co-operative institutions for production and distribution of products; 4. Supervision of processes; 5. Application of scientific knowledge.

(b) Sympathetic attitude of urban communities toward agriculture.

(c) Active participation in agricultural affairs on the part of public spirited citizens and national leaders.

2. Co-operation in everything that affects agriculture has advanced beyond the theoretical into the practical stage.

Benefits of Co-operation

3. Co-operation has conferred enormous benefits upon the rural communities of Europe by (a) Stimulating production; (b) Increasing the area under production; (c) Improving the price of products; (d) Opening up markets; (e) Cheapening the cost of farm necessities; (f) Reducing the expenses of transpor-

tation; (g) Finishing the products of the soil on the farm; (h) Use of live stock in the utilization of roughages of the farm and the return to the soil of natural manures; (i) Putting farming on a business basis: 1. By providing credit; (2) By systematizing business organization; (j) Stimulating scientific agriculture; (k) Preventing frauds and deceptions in the purchase of raw materials; (l) Improving breeds of animals and plants: 1. By community breeding and cow testing associations, 2. Seed selection and distribution.

4. By organizing farmers have been able to provide a security which has attracted loans at favorable rates.

5. Agricultural security has been based upon (a) Mortgage upon the amortisation scheme covering a considerable period of time and at reasonable rates; (b) Personal credit associated with (1) Collateral, (2) Endorsements.

6. By attracting local deposits to co-operative credit associations the resources of local communities have been made available in the first instance for local purposes.

7. The securities based upon land credit have been in the main less susceptible to the fluctuations of the money market than other securities.

8. Though in various places the nominal rate of interest is as low as 3 per cent., 3½ per cent. and 4 per cent., yet the market value of bonds is such that the present borrower is forced to pay an actual rate considerably in excess of this.

9. A system of registration of Land Titles similar to the Torrens System is of basic importance in securing agricultural credit.

10. Every effort is made to dispose of the bonds locally.

11. The face value of the bonds outstanding in no case exceeds the net value of the mortgage held, and frequently withdrawal rights are inserted in the bonds.

Possible Methods for Saskatchewan

Following its description of rural credit institutions as seen elsewhere, the commission analyzes the possible methods by which better agricultural credit may be secured in Saskatchewan. These ways are three in number, viz., through institutions strictly co-operative, strictly governmental, or partly co-operative and partly governmental.

Whichever methods were employed, the commission lays down three principles that should govern, and then proceeds to a discussion of the pros and cons of the three plans. The principles are:

1. That loans be provided to farmers only upon unquestioned security and for approved agricultural productive or improvement purposes only.
2. That provision be made for repayment under the amortisation plan.
3. That the aim should be to render a service to the borrower and not to secure a profit to the institution.

The Solution

The province is at the beginning of a new era. We have come in and possessed a goodly land. That has required enterprise and energy. Other virtues must henceforth be more largely called into play. Individual effort has seen its reward and it has been abundant. Henceforth thrift and intelligent co-operation will play a greater role than hitherto. In view of the changing conditions of our economic life the commission believe that a solution of our problems must be sought along two lines, which after all do not greatly differ.

A New Era

1. The spread of co-operative effort, specially at present in the direction of selling and purchasing.
2. The fostering of financial institutions of our own, with sympathies for

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