

II.-Agricultural Credit in Europe and America

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CAISSES POPULAIRES OF QUEBEC.

Coming now to consider more particularly the problem as it affects conditions on this side of the Atlantic, and the plans already adopted towards its solution, we may first refer to the admirable system of short-term credit for small farmers by the establishment of People's Banks (Caisse Populaires) in the province of Quebec. These banks owe their origin to, and still derive their inspiration from, the public-spirited enterprise of M. Alphonse Desjardins, of Levis, Quebec. He founded the first of his People's Banks at Levis in 1901, adopting the Raiffeisen and Schulz-Delitsch principle of lending only for approved purposes to carefully elected members in a restricted area, but also adopting the plan of limited liability, of withdrawable shares of small amount payable by instalments, and of distribution of profits. These banks are for the most part established in agricultural districts. The loans are made for the purchase of agricultural implements, at cash prices, to increase farm live stock, to improve farm buildings, to tide over a period of depression, to get out of a merchant's debt, and for various other similar purposes. The loans though comprised within the term "short credit," are for longer periods than are usual in ordinary commercial transactions, because agricultural operations necessarily extend over longer periods than those of trade. They may be for 12, 15 or even 24 months, because they must give time for the farmer to realize his products. M. Desjardins states that as his banks are entirely local in their operation there is no risk in locking up funds for a fairly long period, because everybody knows everybody in the parish, and there is no danger of the withdrawal of funds from sudden panic.

The latest statistics show that the number of the Desjardins Caisse Populaires in Canada is 152, of which 131 are in Quebec and 21 in Ontario. There are besides 35 in Massachusetts and New Hampshire. In 1916 the total loans amounted to \$5,500,000, as compared with \$3,560,000 in 1913, and the general turnover was \$22,600,000, as compared with \$8,700,000 in 1913. The total number of loans effected since the beginning of the movement has been 21,200. The original bank at Levis had, in June, 1917, a general turnover of \$4,098,792, as compared with \$2,594,568 in 1916, and \$1,830,211 in 1913. During the course of its existence the Levis bank has loaned \$2,397,225 in 9,962 loans, without the loss of a single cent. It is also a remarkable fact that none of the other banks (with a single exception) have lost anything to date.

AGRICULTURAL CREDIT COMMISSIONS OF 1913.

The Caisse Populaires of Quebec have, however, only a local application. They are suited to conditions where the population consists of small holders of stable character. In districts where the population is devoted to larger enterprises, and where it is of a more fluctuating character, different credit facilities are necessary. The problem in these cases appears to be well on its way to solution, both in the United States and in Canada, as the result of a thorough study, and the adoption of methods to suit varying conditions. In 1913, two commissions from the United States visited Europe, and studied carefully in different countries the conditions of rural credit therein. One of these commissions, called the "American Commission of Agricultural Co-operation," was assembled under the auspices of the Southern Commercial Congress, and was composed of delegates from different States, as well as of representatives of important associations, and upon this commission were also seven delegates representing four Canadian provinces, viz., Nova Scotia, Ontario, Saskatchewan, and Alberta. The purpose of this commission, as officially described, was to investigate in European countries co-operative agricultural finance, production, distribution and rural life. In addition to this commission the United States Congress appointed a commission "to co-operate with the American Commission, to investigate and study, in European countries, co-operative land mortgage banks, co-operative rural credit unions, and similar organizations and institutions devoting their attention to the promotion of agriculture and the betterment of rural conditions." The two commissions carried out this work in Europe from May to July, 1913, and after their return presented reports which formed the basis of parliamentary discussions

leading to legislation both in the United States and in Canada.

FEDERAL FARM LOAN ACT OF U.S. CONGRESS.

A large number of different bills dealing with rural credit were introduced into the United States Congress; but eventually decisive legislation took shape in the Federal Farm Loan Act of 1916 described as "an Act to provide capital for agricultural development, to create a standard form of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States and for other purposes." The Act provides for the constitution of a federal land bank system, the United States being divided into 12 land bank districts under a Federal Farm Loan Board controlled by a Bureau of the United States Treasury Department, and the Secretary of the Treasury is authorized to deposit United States funds in the federal land banks to an aggregate not exceeding \$6,000,000 at any one time. Provision is made for the formation of national farm loan associations consisting of ten farm owners desiring loans aggregating \$20,000 or more, and of Joint Stock Land Banks with a minimum capital of \$250,000, the shareholders having double liability.

RECENT CREDIT LEGISLATION IN CANADA.

In Canada, also, since the same date the question of rural credit has been thoroughly debated in certain of the Provincial Legislatures, and in some cases special Rural Credit Commissions have reported previously to legislation. The following is a brief description of recent provincial enactments for the provision of better credit facilities in rural districts.

Nova Scotia.—Under the Land Settlement Act, 1912, Government funds, in conjunction with the Eastern Canada Savings and Loan Co., are available for the granting of loans to farmers for the purpose of improvements, the repayments including gradual amortization. The applications for loans under the Act number about 30 annually, and since the Act was passed about 155 loans have been authorized.

Ontario.—In 1917, the Ontario Legislative Assembly passed the Farm Loans Act, which empowers the Provincial Treasurer to lend money to a township corporation against debentures of the township, to enable the corporation to make loans to farmers. The loans are to be for the erection of buildings and machinery, fencing, draining, clearing and other permanent improvements. No loan may exceed 60 per cent. of the assessed value of the land upon which it is issued, and the rate of interest is fixed at 5 per cent.

Manitoba.—The Farm Loans Act of 1917 is intended to encourage agricultural development by loans on farm mortgages at reduced rates of interest. It provides for the establishment of the Manitoba Farm Loans' Association to be managed by a board of five members. The capital stock of the Association is \$1,000,000, divided into 200,000 shares of \$5 each. The rate of interest is to be sufficient to pay the interest on the securities issued to provide funds, plus 1 per cent. for running expenses. No loan may exceed 50 per cent. of the value of the property mortgaged, nor may be for more than \$10,000. The loans made must be for one or other of the following purposes: (a) Acquisition of land for agriculture and the satisfaction of encumbrances on such land; (b) clearing and draining; (c) erection of farm buildings; (d) purchase of live stock and implements; (e) the discharge of liabilities incurred for the improvement and development of agricultural land, and any purpose calculated to increase productiveness.

Saskatchewan.—The Saskatchewan Farm Loans Act, 1917, established a board composed of a commissioner and two other members to lend money to agriculturists on the security of first mortgage on farm lands for the improvement or development of the property, to meet liabilities previously incurred or for the acquisition of land. No loan may exceed 50 per cent. of the Board's valuation of the property. The loans are for a period of 30 years, and are repayable in equal annual instalments, of principal and interest. The rate of interest is to be sufficient to pay the interest and the cost of raising the money and other expenses.

Alberta.—The Alberta Farm Loan Act, 1917, also

created a board and provided for the appointment of a Commissioner of Farm Loans. The loans may only be made on first mortgages, and each mortgage is to be for a period of 30 years, the loans being repayable by a fixed number of equal annual instalments to include the interest, which must be sufficient to cover all the expenses incurred. Loans may not be granted for an amount exceeding 40 per cent. of the appraised value of the land offered as security, and must not exceed \$5,000 to any one person. The loans may be made for the following purposes: (1) Acquiring land for agricultural purposes, including stock-raising and dairying; (2) purchase of live stock, machinery or equipment; (3) erection of buildings and making of improvements; (4) discharge of liabilities and (5) any other purpose which in the opinion of the Board will increase the productiveness and usefulness of the land. The working capital of the Board is obtainable by the issue of "Alberta Farm Loan Bonds." These must not be issued for a term exceeding 50 years, and the net securities outstanding at any one time must not exceed \$10,000,000.

British Columbia.—Attempts in this province to solve the problem of rural credit are of longer standing. They date from 1898, when an Act was passed for the encouragement of trade and agriculture by the establishment of mutual credit societies. In June, 1913, a Royal Commission reported in favor of direct Government loans to farmers, and in 1915 an Agricultural Credit Commission was established. Under the Land Settlement and Development Act, 1917, this Commission was replaced by a Land Settlement Board of five members, and the Act provided for the making of loans to farmers and to farmers' co-operative associations for settlement and land development purposes. These loans may either be long-dated ones for 25, 20 or 15 years, or short-dated for periods of not less than three nor more than ten years. Power is given to the Board to acquire, improve and develop lands for settlement purposes, including co-operative land settlement. Special concessions are available for returned soldiers.

SHORT-TERM CREDIT FACILITIES IN THE WEST.

In Manitoba, the Rural Credits Act, 1917, provides for the organization by farmers of rural credit societies through which individual shareholders are enabled to secure short-term loans on the security of crops, live stock or machinery. The money is borrowed from the banks at 6 per cent. interest, and the borrower pays 7 per cent., the difference being for expenses and for augmenting the guarantee fund. Each member of a society takes stock to the amount of \$100, and the Provincial Government and the local municipality each takes stock equal to half of that subscribed by the members. The Act lays down the procedure in detail, and provides that the loans shall be for the purchase of seed, feed, or other supplies, implements and machinery, live stock, payment of the cost of carrying on any farming, ranching, dairying or other like operations, and for payment of the cost of preparing land for cultivation. Notes covering loans mature not later than December 31, of the year in which they are made, but when the loan is required for machinery, live stock or other purposes for which returns cannot be realized by the due date the loan may be renewed from year to year on approval of the directors of the society. Other credit facilities are provided in Manitoba by an Act of 1917 (Chapter 80) which permits municipalities to borrow limited amounts for the purchase of seed grain, and in Alberta by an Act of 1917 (Chapter 8), which regulates the making of loans for seed grain purposes, and authorizes the Provincial Treasurer to guarantee payments for seed grain to bankers and others making such loans. For encouragement of the raising of live stock in Manitoba an Act of 1916 (Chapter 3), authorizes the Government to buy and raise animals and to sell them conditionally to settlers, reserving the right to inspect such animals and resume possession of them in certain cases, the milk cream not used by the owners being sent to a Government Co-operative dairy. The Live Stock Commissioner of Alberta is empowered by an Act of 1917 (Chapter 9), to make loans for the purchase of animals.

Progress has already been made in putting these various Acts of the Provincial Legislatures into operation; but it is as yet too soon to judge of the extent to which they will apply. Hitherto, the efforts

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