

## SECTION I

## GENERAL CONSIDERATIONS

The terms Rural Credit, Short Term Credit, Long Term Credit, and Intermediate Credit, require definition as they are used ambiguously in much of the current literature in which the terms occur.

The term "*Rural Credit*" is used in both Europe and America in a general sense to include all forms of credit which have to do with the production and distribution of farm crops. It will be used always with that meaning in this report.

The term "*Short Term Credit*" has a different meaning in Europe from that which it has in the United States. In Europe it means all forms of credit in relation to agriculture other than mortgage credit and in which the security is personal or easily negotiable collateral. In the United States the term is used generally in reference to ordinary banking transactions of from three to six months. In Canada it is used in the same sense, except in legal documents referring to Rural Credits where its meaning is the European one. When discussing European methods, therefore, it will be necessary to use the word with the European meaning as comprehensive of the two American terms. "Short Term Credit" and "Intermediate Credit." In discussing Canadian documents it will be necessary, in order to avoid confusion, to define the term when used.

The term "*Long Term Credit*" is everywhere used to mean mortgage credit and in relation to agriculture, farm mortgage credit for terms of five years or over. The only exception is in France where a special meaning is given by the use of the terms "Long Term Collective Credit" and "Long Term Personal Credit." The context, however, will be found to give sufficient explanation in these cases.

The term "*Intermediate Credit*" is always used to mean credit for a period longer than the ordinary banking transaction of from three to six months, and yet shorter than the ordinary mortgage term. The period may vary from six months to five years. The security is non-perishable farm commodities or stock security but is not based on land mortgage. As worked out in the United States where the term is now official, it is a banking operation but done through a bank specially regulated to cover the longer term stated above. In this sense only will the word be used.

The problem which the Rural Credit organizations seek to solve is how to safeguard and promote the economic interest of those engaged in agricultural pursuits, especially by providing them with such facilities for obtaining credit that they may be able to acquire the means of production and to dispose of their produce on such favourable terms as to make farming a profitable enterprise.

One great reason why all countries have found it necessary to solve in some measure this problem is that agriculture is everywhere regarded as the fundamental industry, which if not prosperous reflects its lack of prosperity on every other national activity. This is especially true of all those countries which seek to become even approximately self-supporting.

In order to make possible the instruments of production to those whose only capital is the land the Long Term or Mortgage Credit systems arose. To make possible the seasonal operations by means of which production and disposal could be profitably undertaken the Short Term and Intermediate Credit systems came into being.