I.-- Agricultural Credit in Europe and America

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One of the radical changes effected during the war has been the diversion of capital from reproductive enterprises in new lands to purposes of mutual destruction in the old. At the same time, the necessity for the opening up of new lands for the increase of food-production remains. Apart from the changes due to war, it has long been evident that practical steps must sooner or later be taken on this continent to place better credit facilities at the disposal of farmers, in order to provide them with capital for enterprises yielding returns prospectively rich but necessarily deferred for a considerable time.

Agricultural credit is usually described as of two kinds, which must not be confounded with each other and which require different methods of treatment. There are the credit facilities required by farmers in a small way of business for operations of short duration, and there are other enterprises on a larger scale, such as drainage, the improvement of wild lands, the erection of fences and the construction of farm buildings, which require larger sums and a sufficiently long time for repayment of capital out of profits. In other words, agricultural credit is concerned with short-term loans and long-term loans.

In Europe, the question of agricultural credit has long been placed upon a fairly satisfactory footing; but it is only recently that in the United States and Canada the problem has received serious consideration and become the subject of general parliamentary legislation.

In England, agricultural operations on a large scale have usually been carried out by landowners of ample means, either with their own capital or with capital obtained from land companies on sufficiently advantageous terms. The reclamation of the great "Bedford Level," the drainage of Whittlesea Mere and the improvements in Norfolk a century ago by "Coke of Holkham" are notable instances of large agricultural enterprises successfully achieved in the face of great difficulties by men of indomitable courage and perseverance, with the result of bringing under highly profitable cultivation hundreds of thousands of acres previously sterile or waste.

The "Bedford Level" consisted originally of large tracts of fen, bog and peat, presenting features which may well have prompted Milton's descriptive line of "Rocks, caves, lakes, fens, bogs, dens and shades of death," for, to quote a more modern writer, a fen district he describes was "dreaded by the scanty population inhabiting its borders from the pestilential vapors generated and discharged from its stagnant waters." In the reign of Edward VI., the first Earl of Bedford came into possession of Thorney Abbey, in Cambridgeshire, which had been a religious house since the days of Alfred the Great. This part of the country had in very early times been productive and fruitful, and in the 12th century it was described as "very pleasant and agreeable to the eye" and as "abounding in lofty trees, fruitful vines and productive orchards." But in 1236, in consequence of a raging wind which lasted for eight or nine days, the sea rose to an unusual height, broke through its banks at Wisbech, and caused great havoc. Seventeen years later a similar irruption occurred, and the land gradually became reduced to a stagnant and pestilent morass. The desire to reclaim this land caused the fourth Earl of Bedford to be associated with the larger undertaking of draining the "Great Level," embracing fens of 60 by 40 miles. By a contract entered into on a commission issued by the Crown in the reign of James I., the Earl, who was chairman of a body of fourteen other "Adventurers," consisting principally of owners of the lands bordering on the districts to be reclaimed, was to receive 95,000 acres of the inundated land as his "return for the expense and hazard consequent upon the drainage." By 1637, the Earl had expended on the task the then immense sum of £100,000. By 1653, the great undertaking was completed. Whiffen, in his "Memoirs of the House of Russell," describes this achievement as "a triumph altogether unexampled in the history of British agriculture,' 'and the late William Wells, in a history of the enterprise, wrote that "a more striking instance of self-devotion to the wishes of the people and the real benefit of the State, appears not upon the records of history."

The writer just quoted, who was himself the owner of an estate in the fen country of 8,000 acres, became agriculturally famous for his drainage of Whittlesea Mere, formerly one of the largest sheets of inland water in England. In the 17th century, Camden, the noted antiquary, described the Mere as full of fish, six miles long and three miles broad, in a moorish country," but in 1811 it was said to be filled up with mud and grown up with aquatic matter, and of very little value as fisheries, either to proprietor or public. Mr. Wells describes his recollections of the Mere in early Victorian days. The occasions of its freezing in winter, he wrote, were always held as a jubilee by the whole country side. Stalls were erected, bands of music played and the scene presented all the appearance of a large fair. The best skaters from all parts of the fens assembled, and putting on their "pattens," as the skates were locally named, decided the claims of districts or individuals to skating superiority.

Another instance of the successful application of intelligence and capital to improvement of the land in England is that of the Norfolk estate of the Earl of Leicester. Records are extant showing that from 1776 to 1883, the amount spent on their Norfolk estate by two successive Earls of Leicester (the first Earl being the famous "Coke of Halkham,") exceeded $5,000,000, and that the estate when improved yielded a net annual income of £25,000, representing not more than 2½ per cent on the capital employed.

These are typical instances of successful efforts on a large scale to convert waste and useless lands to profitable agriculture. Others have been described by the late Albert Pell in his "Making the Land in England," and who, in his own inimitable style, referred thus to the natural difficulties in the way of land improvement: "The owner and cultivator of the soil has a fickle partner, from whom he can never divorce himself in the person of Nature. Her whims and ways are beyond calculation. Mistress of such mighty agents as droughts, floods, frost and heat, she too often makes a disastrous end of the best devised schemes of improvement. You can impose no restraint on her. You cannot command the temperature of a country as you would that of a cucumber-frame or a factory; you cannot carry the sun in one hand and a waterpot in the other."

AGRICULTURAL CREDIT ON THE EUROPEAN CONTINENT.

For the purpose of obtaining capital on credit for larger agricultural enterprises on the European continent, there is a considerable variety of institutions. In Germany, where all kinds of credit systems have been highly developed, there are mortgage and agricultural banks, credit unions, co-operative agricultural societies, etc. In Prussia, there are the well-known "landschaften" which are controlled by the Prussian Government. In these institutions, funds are obtained on the security of estates up to 66 per cent of their appraised value. The landscheffen and their banking departments lend money by the issue of bonds secured by mortgage on the estate. These bonds are sold in the open market, and may be bought by lenders for the investment of trust funds. Bondholders receive interest from the landscheften at 3½ per cent, but the interest paid to the landschefter by the borrower is 4 per cent, the ½ per cent going to pay expenses and to provide sinking funds for amortization of the debt in from 45 to 54 years.

The problem of short-term loans for farmers and peasants in a small way of business first found solution on the continent of Europe; and the cradle of rural credit was rocked in Germany, when that unhappy country enjoyed a peaceful sanity unknown to the present generation. The German rural credit system for small loans, which has spread over other continental countries, is essentially one of co-operation, and owes its origin to the economic genius of two men, Raiffeisen and Shulz-Delissch-Friedrich Wilhelm Raiffeisen (born 1818, died 1888), popularly known as "Father Raiffeisen," in recognition of his services to the poorer classes, was burgomaster of his native town, Flammersfeld on the Rhine. He started his first small co-operative bank in 1849; the second followed in 1854, and the third in 1864; but it was not until 1880 that these institutions really began to spread throughout Europe. Herman Shulze-Lelitsch (born 1808, died 1883), was a parlementarian and local magistrate, whose birthplace "Delitsch" was added to his surname in 1848 to distinguish him from other Shulzes in the National Assembly. He established his first credit bank at Delitsch in 1850, and by 1858 there were 25 similar institutions in Germany. Though independent and to some extent rival organizations, both systems possessed two main original principles, viz., limitation of district and non-limitation of the liability of members; that is to say, the operations of each bank were strictly limited to a small area wherein all the members are known to each other and all the members are severally and jointly liable for all the debts of the bank. The systems differ in that the Raiffeisen banks are adapted more to the needs of rural communities, whilst the Shulze-Delitsch banks supply dividends. The shulze-Delitsch banks on the other hand lend for short periods at higher rates of interest, varying from 8 to 12 per cent, pay salaries, distribute profits and generally conduct operations on a larger scale. Another distinction between the two ply the needs of artisans and industrial workers in urban districts The Raiffeisen banks lend small sums at low rates of interest for fairly long periods, pay no salaries, except a small remuneration to the manger or secretary and distribute no profits or systems is that the Shulze-Delitsch banks require security for loans in the form of mortgages, bills of exchange, etc., whilst the Raiffeisen banks lend on the personal security of the borrower, with the guarantee or endorsation of two other members. The main principles governing the conduct of a typical Raiffeisen credit bank are that only members of good character may be admitted; that the money lent is applied only to such purposes as may be approved by the committee; that no part of the funds is distributed in profits, bonuses or dividends; that all the members are jointly and severally liable or all debts and for any loan which a member or his sureties may fail to repay. Any surplus, after payment of costs of administration, is carried to a reserve fund.

In Germany, at the end of the year 1914, there were in the General Raiffeisen Federation 4,558 rural banks (Sparund Darlehnskassenvereine). In 1915, 4,421 banks reported a membership of 485,416 with a turnover of 1,435,215,859 marks, equal at the par rate of exchange to $341,868,417. In France, where the conditions are different, there were in 1913, 98 regional agricultural credit banks (caisses regionales de credit agricole mutuel), with a paid-up capital of $4,481,519. These made loans during the year amounting to $18,244,967, the repayments being $16,789,317, and the amount at risk on December 31, 1913, was $13,898,586. There were also in the same year 4,533 local agricultural credit banks (caisses locales de credit agricole mutuel), with 236,860 members and a paid-up capital of $2,882,407. New loans during the year amounted to $18,630,691, the amount repaid was $16,932,059 and the amount at risk on December 31, 1913, was $14,391,457.

In Italy, people's banks have been founded by Signor Luzzatti, somewhat after the model of the Shulze-Delitsch banks, but upon the system of share capital and limited liability. The first Raiffeisen bank in Italy was established in 1883. Both the Luzzatti and Raiffeisen banks in Italy have proved highly successful. The last decennial period for which statistics are available in 1899 to 1908, and in 1908 there were 690 of these banks with a membership of 501,022 or an average of 726 members to each bank. In 1908, these banks had paid-up capital and reserves amounting to $31,132,000,000, total deposits of $187,435,355, and their mortgage loans and loans on simple note of hand amounted to $5,204,244. These popular or people's banks serve the needs of the urban centres and market towns. There are, in addition, rural banks for the needs of small farmers and villagers. These on June 30, 1910 numbered 868; their deposits on June 30, 1912, amounted to $19,153,170. The rural banks provide funds for loans ranging from 50 to 100 francs ($9.65 to $19.30). On December 31, 1912, the rural banks and co-operative credit societies throughout Italy numbered 2,033.

In the British Isles rival credit for small farmers has made the greatest progress in Ireland. Here credit banks on the Raiffeisen principle have formed part of the system of agricultural co-operation founded by Sir Horace Plunkett. According to the latest report of the Irish Agricultural Organization Society, there were in 1915, 235 credit societies with a membership of 20,211, a loan capital of $129,266, and deposits amounting to $139,409, making a total capital of $268,675. The loans granted were $269,691. In Great Britain, agricultural credit banks on co-operative principles have hitherto made comparatively little headway. In England and in Scotland the more substantial class of farmers can usually obtain credit from their ordinary local bankers whilst the principles of the Raiffeisen banks are more adapted to the needs of small peasant occupiers, all of similar status and not differing greatly in wealth. Considerable progress has, however, been made in recent years amongst those to whom small agricultural credit societies supply needed funds, and the latest report of the Agricultural Organization Society shows that 48 societies (the number was only 20 ten years ago) have a membership of 941 and granted loans during the year amounting to $5,273.

(A second article, in continuation of this subject will appear in another issue.)