

CHEAP MONEY AND THE FARMER

Some Considerations as to the Factors of Credit, Supply and Demand

Interest rates and tight money have been discussed in Canadian industrial municipal and agricultural and other circles. In the state of Montana similar discussions have been stimulated somewhat by the farm loan bill there, and its failure to attract investors on a 5 per cent. basis. Much of this discussion has centered around the security of such a loan and what people who have money to loan ought to do about investing in such securities. It is just about as futile to discuss what rate capital ought to ask for its services as it would be futile to discuss what the farmer ought to demand for his wheat, suggests the Great Falls Daily Tribune, of that state, in the following editorial: The price of the service of money is fixed by the law of supply and demand, exactly as the price of wheat is so fixed.

The farmer who last year found plenty of people willing to pay him more than a dollar a bushel for his wheat finds that this year for the same service as last year they will not pay him more than 80 cents. So the law of supply and demand fixes the price of the use of money. But as there are a good many grades in wheat, so there are even more grades in credit. The price of money, especially short time money, is cheap just now. A firm or individual with the best credit can borrow money for one, two or three months in the New York money market at 4 per cent. to-day while a merchant with good credit in Great Falls would have to pay 8 per cent. for the same accommodation. The bank in New York or Chicago which lends the Armour Packing Company large sums for a few months at 4 per cent. will not lend the Great Falls merchant small sums at the same rate for two reasons.

Costs More for Small Accounts.

It costs less to handle a note of \$500,000 loaned to one person than it does to handle 500 hundred notes of \$1,000 each if the relative ability to pay is exactly the same. This involves the wholesale principle that makes the farmer willing to sell his entire crop at a lower rate than he asks if he must peddle it out in small amounts. The second reason why the Armour Packing Company can borrow cheaper than the farmer or country merchant is that experience has made the owners of capital believe that they are more sure to get their money in on the exact date agreed on in the case of such paper than they can be if they loan it to men of smaller cash resources.

Sometimes it is very essential to the owner of capital to know that the borrower will be certain to pay without fail on the exact date when the obligation becomes due. The lender may be dependent on the use of that money for some other purpose at that date. The farmer suffers from his lack of both these elements of high credit.

May not Meet Exact Conditions.

The amount of his loans is usually small. The repayment of interest and principal on the exact date agreed on is somewhat uncertain. He may have a crop failure and so not have the money. Harvesting and thrashing may be delayed far beyond his expectations. A hundred mishaps may make it most inconvenient and sometimes impossible for him to live up to the exact terms of his contract. This element which goes to reduce the desirability of any credit applies to most small business men in the west, though perhaps not to quite so great a degree as it does to the farmer. That and the lesser amounts loaned at one transaction form in great part the basis of the higher rates charged by western bankers than is charged by eastern bankers. When it is added that capital is more abundant in the east, we have the main reason why the western banker charges 8 per cent. for the same sort of a loan that a banker in the eastern states asks 6 per cent. for. The western banker gives more goods, and he has not so large a trade. The customer of the western bank expects to be carried in his loan until it is convenient for him to pay as long as he is not insolvent. The customer of the eastern bank expects to pay according to agreement promptly and usually to put up collateral security that he will do so. The western service is worth more and the customer pays more.

There is no sentiment about capital. It will work for the best bidder for its service always, and it does not care whether he lives in Montana or Connecticut. Sometimes we

may believe that the owners of capital are ignorant and do not know what is the best wages offered, security considered. But it is useless to rail at them. They are all from the state of Missouri in the sense that they "have to be showed." And argument counts less with them than experience. Once convince the owners of capital that security and prompt payment is assured beyond a doubt and their capital will hire out its service to the highest bidder without hesitation. Laws regulating interest rates are of very dubious benefit. The laws of supply and demand and credit fix the rate in any event.

HAIL INSURANCE IN PRAIRIE PROVINCES

The following is the statement of the companies doing hail insurance business in Saskatchewan for the year 1915, as reported by Mr. A. E. Fisher, provincial insurance superintendent:—

Company.	Premiums.	Losses.
British American Assurance Company	\$ 51,999.52	\$ 11,163.75
British Crown Assurance Corporation, Limited	246,830.77	64,738.87
Canadian National Insurance Company	78,930.18	31,047.50
Canadian Weather Insurance Company	71,062.33	19,678.54
Canadian Hail Insurance Company	Not reported	19,103.75
Canadian Security Assurance Company	155,442.01	46,034.15
Canadian Indemnity Company	93,432.33	35,230.56
Canadian Underwriters, Limited	98,797.07	27,627.19
Dominion Fire Insurance Company	5,934.06	2,124.67
Excess Insurance Company	157,211.76	43,865.88
Great North Insurance Company	73,981.50	12,656.02
Hartford Fire Insurance Company	51,121.28	18,094.74
Home Insurance Company	116,719.26	41,224.69
New York Underwriters' Agency of Hartford Fire Insurance Company	2,507.89	4,826.50
North-West National Insurance Company	75,526.51	37,991.76
Nova Scotia Fire Underwriters' Agency, Home Insurance Company	9,712.09	658.85
St. Paul Fire and Marine Insurance Company	65,648.20	29,240.20
Winnipeg Fire Underwriters' Agency of Home Insurance Company	3,517.48	397.50
	\$1,359,374.24	\$427,610.36

The following is the report for Alberta of the companies underwriting hail insurance in that province, according to the figures of Mr. R. L. Nicholson, deputy superintendent of insurance:—

Company.	Premiums.	Losses.
British America	\$ 21,034	\$ 15,402
British Crown	111,105	64,260
Canadian Security	197,949	119,371
Connecticut Fire	8,641	7,881
Canadian Weather	10,810	11,777
Canada Hail
Excess Insurance Company	34,778	37,296
Farmers' Mutual of Iowa	251,482	225,000
Great North	47,906	18,127
Home Insurance Company of New York	73,571	48,974
Nova Scotia Underwriters	21,631	24,440
North-West National	53,702	46,131
St. Paul Mutual Hail	216,536	159,644
Winnipeg Underwriters	22,948	13,854
	\$1,072,099	\$792,162

The Northern Crown Bank has closed branches at Isabella, Man.; Macleod, Alta., and Tate, Sask.