

RURAL CREDIT

Address Delivered by R. McKenzie before the Canadian Credit Men's Association.

Continued from Last Week

Alex. Lucas, who investigated the Australian and New Zealand system on behalf of the British Columbia government in 1912, in his report states: "In Western Australia, which was the first to follow the example of New Zealand and where the loans were liberal and designed particularly to promote production, the increase in the area under cultivation during sixteen years has been 997 per cent." Again: "After 15 years' trial Western Australia has shown its confidence in the scheme by enlarging its scope. By recent legislation the amount which may be loaned to an individual has been increased from \$3,750 to \$10,000. The restrictions governing the uses to which the borrowed money is put are widened and the total authorized bond issue, which had already been increased from time to time, was raised from fifteen million to seventeen million dollars."

Edward Mead, of the Chair of Rural Economics in the University of California, after several years of close observation of the Australian government loans system, makes this statement: "It is the verdict of all who have investigated the rural credit system of Europe and Australia, that the Australian system is the best organized and most successful in its operation of any."

Farming Requires Capital

Every form of industry requires capital, and the farming industry is no exception to this rule. The two great causes of failure in commercial or industrial business is lack of sufficient capital and inefficiency. This in a large measure applies to farming operations. Governments, both dominion and provincial, have been for the last quarter of a century extravagantly lavish in expending money to make farming efficient in production, but made no effort whatever to supplement their expenditure on educating the farmers, as other countries have done, by providing means by which they could secure capital on terms that would enable them to acquire the necessary equipment so as to take advantage of the government teaching of the principles of agriculture. Hence the expenditure for teaching agriculture produces inadequate results. The farming industry in Canada has to pay a higher rate of interest on borrowed money than any other industry in Canada, while in countries with which the farmer has to compete in the sale of his products, farming industries secure their capital at a lower rate of interest than any other industry.

Long and Short Term Credits

Agricultural credit divides itself into two great classes, namely, long-term or land mortgage credit, which may be briefly defined as credit to meet the capital requirements of the farmer, and short-term or personal credit, which may be defined as credit to meet the current or annually recurring needs of the farmer. In the European as well as the Australian system the distinction between these two classes of credit is sharply drawn. To meet the requirements of the two classes separate institutions are provided differing fundamentally in their plan of organization and operation, and are adapted to meet the conditions in each country as they arise. The farmers' capital requirements, by which is meant the need of the farmer for large sums of money to be used in aiding to pay the purchase price of the farm, in improving the farm, such as erecting buildings, draining, irrigating, clearing or in equipping the farm so as to bring its operations to the highest state of efficiency. The means needed for these purposes must be in the shape of a permanent investment or in the shape of loans extending over such a period of time that they can be gradually reduced and paid off out of the increased revenue derived from the improvements made or the equipment added by the farmer with the proceeds of these loans. This is generally referred to as long-term or land mortgage credit.

The farmer's working capital is the temporary and annually recurring re-

quirements, by which is meant the money needed by him to finance his operations during the time that the crops are being produced; that this is for the purposes of preparing the land, cultivating the crops and harvesting the same, payment of wages and the many other incidentals to the production of the crop. Generally speaking the invested capital of the prairie farmer is secured from land mortgage companies at a high rate of interest and short-term payment, the initial payments on the mortgage being so burdensome to the borrower that he cannot develop his holding efficiently. His working capital is generally the credit that he receives from the country merchants—retail dealers—at a rate of interest that no one can accurately guess.

Canadian Banking System

Canadian banking is recommended by its friends as being the safest banking system in America. The system has the reputation of being good—to the banks. It has by its methods of loaning money built up a system of doing business in Canada that makes the distribution of commodities wasteful and enormously expensive. Bankers have of recent years religiously advised farmers to extend the manufacturing part of their business, that is, converting raw material such as oats, barley, straw, hay, etc., into beef, pork, mutton, poultry, etc. They lend money to manufacturers to pay for raw material, wages and other incidentals incident to manufacturing processes, but make an arbitrary discrimination in lending between the man who manufactures meats out of oats and barley and the man who manufactures flour out of wheat.

The manufacturer sells to the wholesaler on credit, adding to the selling price of his commodity a certain percentage to cover interest and probable losses. The wholesaler sells to the retailer on the same terms, also adding a percentage to cover interest and probable losses. The retailer sells to the farmer the commodities he needs in the production of his crop, also adding interest and a percentage to cover losses. In this way the farmer pays interest and for losses on every article he buys on credit thru three successive businesses. The retail merchant thus performs a function to the farmer that should properly be performed by banks, in other words the country merchant becomes the banker for the farmers, and the terms of payment on a loan are invariably when he "threshes." If he has but "little" to thresh, due to climatic conditions, the unfortunate dealer who furnishes him his working capital for the production of his crop gets "little," and lives in hopes that his customer may have a better crop next year.

If our banks would lend the farmer his working capital, as they do the manufacturer, he would pay cash for the commodities he gets from the country merchant, who in turn would be in a position to pay cash to the wholesaler and the wholesaler to the manufacturer. The country merchant is the victim of the present system as much as the farmer, and it places him in such a position that he cannot successfully compete in prices with mail order houses who do an exclusively cash business. As all business men, including farmers, who are purchasers have the right to buy where they can get the best value for their money, the system compels the cash farmers to do business with the mail order houses.

Grain Growers' Solution

The solution of the problem suggested by the Grain Growers' Association of Manitoba is that our provincial government follow the methods adopted by the state government of Australia and the government of New Zealand in procuring investment capital for the farming industry. The government of West Australia in 1894 incorporated an investment bank called the Agricul-

tural Bank of West Australia by a special act of the legislature. The act of incorporation empowered the bank to issue bonds guaranteed by the state and authorizes the provincial treasurer to sell these bonds on account of the Agricultural Bank. The bank loans these funds to farmers on the amortization system at 6 per cent. per annum, which extinguishes the debt in 25 years.

As an illustration of how it works out, assume a concrete case. A farmer in Manitoba gets a loan of \$4,000 on his farm under our present system of mortgage loans, payable in five years with interest at 8 per cent. per annum, and an annual payment of principal of \$300. His first payment would be \$620. In five years, if he met his payments at due date, he would have paid \$2,800. Under the West Australia system he would have to pay the first year \$240 and in five years \$1,200, a difference of \$1,600 at the end of the five years that he would have saved in the payment on his fixed capital and leaving him that amount out of the proceeds of his crop to be used for working capital and increasing the productive powers of his farm. A farmer having his fixed capital secured on such easy terms of payment would undoubtedly be regarded by our Canadian banks as a safer risk for a short loan for productive purposes than under our present system of short-term mortgages.

B.C. Commission Report

The leaders of agricultural thought in Manitoba are of the opinion that if our farmers could secure their invested capital on the amortization system of payment that prevails in every agricultural country, that arrangements could be effected with commercial banks to furnish the necessary working capital on fairly satisfactory terms. Let me quote the report of Royal Commission of Agriculture of British Columbia in 1914: "The adoption of the New Zealand loaning system has not only resulted in largely increasing the output of the farms, and giving a great impetus to the agricultural industry, but it has reacted in related and other industries in a further stimulation of trade in general. Failures have decreased 50 per cent. in the last fifteen years. Commissioner Lucas, who visited New Zealand, reports as follows upon the effect on the rural life of the country:

"With money available on terms suitable to the industry, the farmers have built better houses, or remodelled their old ones; have bought and kept better livestock; have bought and used more labor-saving machinery on the farm and in the houses; have erected elevated tanks and windmills; have laid on water in their dwellings and in their outbuildings; have irrigation for their vegetable and flower gardens around their houses. They keep more sheep and pigs and have so largely increased their revenue from their farms that they are able to meet the payments on the mortgages and to adopt a higher standard of living and a better one. Thruout the country a higher and better civilization is gradually being evolved; the young men and women who are growing up are happy and contented to remain at home on the farm, and find ample time and opportunity for recreation and entertainment of a kind more wholesome and elevating than can be obtained in cities."

The members of the Manitoba Grain Growers' Association believe that a similar rural credit system will do for the people of Manitoba what it has done for the people of New Zealand and Australia, as there is a great similarity in their methods of farming, mode of living and the character of the people.

ORGANIZING WOMEN'S BRANCHES

Would each local branch of the Grain Growers' Association in the district of Neepawa that is desirous of forming a Woman's Section in connection with their branch kindly correspond with

Mrs. Albert McGregor, Arden, Man., so that the necessary arrangements could be made to visit the points wishing to be organized.

SPRINGHILL GRAIN GROWERS

At the last meeting of the Springhill Grain Growers, the president, Mr. Harper, and Geo. Baker gave an interesting talk on Land Tenure Taxation. It was proposed that the association this fall purchase a car load of wheat to be shipped to the nearest mill to be ground into flour. The following resolution was carried unanimously: "Whereas, the duty on apples has been raised 50 cents per barrel, therefore, be it resolved that should the fruit growers add the extra duty to the selling price of apples, that we pay these taxes into the federal treasury by purchasing imported apples, rather than pay the same duty, together with profit thereon, to land speculators and middlemen.

The June meeting which comes on the 9th of that month will be a special meeting, the subject for discussion being "Suggested lines of effort for community betterment." What would you suggest? Think it over and every one come to this special meeting. We want every home in the community represented.

A. J. M. POOLE,
Sec. Treas.

MOORE PARK DISTRICT

Central office has this week received the sum of \$11 contributed by the ladies of St. Saviour's W.A., of Odonah, sent in by Miss Gertrude Sherris, the treasurer of that organization, as a contribution to the Patriotic Fund.

LARGE PATRIOTIC GIFT

The municipality of Pembina have contributed the sum of \$308.50 to the Patriotic Acre Fund of the Grain Growers thru the Kaleida branch. The above amount will be distributed among the following funds: Red Cross, Patriotic, Belgian and Serbian.

The Central Association thanks those who have contributed to this generous sum. It was remitted by W. W. Moloney, of Kaleida.

CAMERON ASSOCIATION

The secretary of the Cameron G.G. Association sent in an additional subscription to our Patriotic Acre fund, \$20 received from S. N. Jackson, of their district, also membership dues and payment for convention reports mailed them recently.

SHORTAGE OF CARS

The secretary of Benito Association in remitting their membership dues states that owing to the shortage of cars not over half of their grain has yet been shipped out, which also accounts for not having yet collected all the dues from their members for the present year.

ASSOCIATION'S WORK TELLS

The secretary of the Berion Association has canvassed all the members of his branch and succeeded in getting a full number of paid-up members. As he may be absent for a few months he got his work well in hand early in the season. He states that many are beginning to see that the association are doing "something," indeed, a good deal, and that it pays to keep up a goodly membership.

PATRIOTIC ACRE RECEIPTS

Previously acknowledged	\$20,498.80
Per P. L. Bouteiller, Minnedosa P.O.	20.00
Per Moore Park, ladies of St. Saviour's Parish	22.25
Per Kaleida Grain Growers' Association	313.50
Per ladies St. Saviour's, Odonah	11.00
Per S. N. Jackson, Cameron G.G. Association	20.00
Total	\$20,836.64

SPECIAL SEED CORN RATE

A special seed corn rate to apply to seed corn becomes effective on May 10 on all railways. Seed corn was not included in the special tariff rate for seed grain that was made effective January 15. The rate on corn was granted on application made by the executive of the Grain Growers' Association.