

The Chronicle

Banking, Insurance and Finance

ESTABLISHED JANUARY, 1881

PUBLISHED EVERY FRIDAY



Vol. XXXVI. No. 18.

MONTREAL, MAY 5, 1916.

Single Copy 10c.
Annual Subscription \$3.00

FARMERS' CREDITS.

That the solution of a whole section of the economic problems with which Canada is at present faced lies in the drawing more closely together of the banker and the farmer is now widely recognised. The recent amendment to the Bank Act, enabling the banks to lend money to farmers on the security of their live stock constitutes a recognition of this fact. It is curious that this legislation which passed through Parliament quietly enough last session had been proposed previously at each decennial revision of the Bank Act during the past thirty years, only to be rejected in every case. One objection, as Professor O. D. Skelton points out in the current number of the Journal of the Canadian Bankers' Association, lay in the conviction that banking credit should be based on the borrower's character rather than on his chattels, while a concrete difficulty also has been the question of notice to other creditors. These difficulties have been now overcome through the growth of the conviction that in order to achieve permanence and a full measure of prosperity, there must be a good measure of production, especially in the West, of stock as well as of wheat. Canadian bankers have been foremost in urging this duty in recent years, and in various centres in the West modest experiments have been made through the formation of live stock associations, whereby in some cases a bank and the farmers of a particular community have got together; in others, farmers' credit has been supported by business men in the towns. The object in either case has been the creation of a security suitable for the bank to lend upon. As regards the usefulness of the new amendment, Professor Skelton seems to think that at first at all events, it will lie chiefly in facilitating the complete preparation of cattle for market in Canada. Last year, he says, 50,000 "feeders" and "stockers" were shipped from the Canadian North West through Winnipeg to the United States, where farmers bought and finished them for market at a very substantial profit. It is probable that the Canadian banker will now be able to help Canadian farmers to a much greater degree than formerly, to reap this hitherto lost profit by buying "feeders" and sending them to market in fully matured form.

In the last issue of the Grain Growers' Guide there is a very full account of an interesting experiment in the extension of live stock credits which has been originated at Elfros, Sask. An organisation of farmers, in the form of a joint stock company has here been formed, the bank in the case being the Canadian Bank of Commerce. The effect of this co-operative movement has been to increase the live stock holdings in the district by 100 per cent. in three years, to reduce the cost of buying the stock by fifteen per cent. and the cost of carrying it by from two to three per cent. It is stated that the Bank was the prime mover in this project and virtually carried the scheme to the farmers instead of the farmers organising and coming to the bank. The Bank has now reduced the rate of interest on loans made by it under this scheme from 8 per cent. to 7 per cent. The same reduction has been made at Lethbridge on a somewhat similar scheme, and, according to the Grain Growers' Guide, the Bank stands willing to back other like organisations, offering equally good co-operative credit. Apart altogether from the effects of the new amendment to the Bank Act, it is thought that such co-operative security as is furnished by associations of this kind will still be not only the means of securing money one or two per cent. cheaper than most individuals could secure it, but also of distributing stock to many men who have little or no livestock at present on which to give security. With an increasing number of such associations as that at Elfros, livestock mortgage companies on the same principle as land mortgage companies are a possible outgrowth, in the opinion of the Grain Growers' Guide. In any case, considerable interest is being developed in schemes of this kind all through the West and the Elfros experiment appears likely in time to be extensively imitated as a means of providing the farmer with short-term credit on the reasonable terms which an unexceptionable security can obtain. The security for the loan is very naturally the determining factor in the making of such loans and the reduction of the interest rate, and given this there seems no good reason why the idea should not be applied to money for other purposes. In any case, the Elfros and other experiments appear worth careful study as means, if only partial, of the bringing of bankers and farmers together for the good of the community and its increasing prosperity.