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HOW THE FARMERS OF EUROPE SECURE MONEY AT A LOW RATE OF INTEREST

Can Their Methods be Adopted by the Farmers of America? This Question Discussed at the Great Conference at Chicago, at which Farm and Dairy was the Only Farm Paper in Eastern Canada Represented.

WE in America have started at the wrong end of farm improvements. We have been telling ourselves that practical agricultural education must always take first place. Many speakers at this Conference have taken such a stand. They have told us that good farming methods are the basis of all progress, and that if we farm well we will not need to worry about interest rates. As I study the history of agriculture in Europe I find that cheaper money came first and improvements in agriculture followed as a consequence." In these words did Prof. McPherson, of the Oregon Agricultural College, emphasize the fact that the question of farm credits, which came up for consideration on the last day of the National Conference on Marketing and Farm Credits, held at Chicago recently, was not a small issue in American agriculture, but a great one.

Farming is becoming more and more a capitalistic business. When our forefathers cleared away the forests they lived much unto themselves. The most of their farm implements even were made at home, or at the neighboring blacksmith shop. Their need for credit was small. Today, however, the average farm represents an investment of thousands of dollars where the home of the pioneer represented hundreds, and the farmer's credit requirements have increased in even greater proportion. There is hardly a farmer anywhere who has not at some time or other found it expedient to borrow money. But what is the use of borrowing money for improvements of one kind or another when the interest rate is so high as to absorb the greater part of the financial benefit derived from the improvements made?

HIGH INTEREST KILLS PROGRESS
How, for instance, can the farmers of the Canadian West hope to get along very fast when they must pay 12 per cent. interest on the money that they must borrow? Of course the rate is not always so high as this, but it is seldom less than eight per cent. How much faster would the farmer get along if he could borrow money on such terms that at the end of 30 years of annual payments of six to seven per cent. of the principal sum he would have paid off both principal and interest. These are the terms on which European farmers, through their cooperative credit unions, borrow money. To find some method of applying this system to American conditions was the object of a full day's discussion by the 45 delegates who were present at the Conference.

Herbert Myrick, of New York, a publisher of several farm papers and the author of several prominent pictures of what cooperative credit might be through the American farmer. He stated his belief that through a cooperative system similar to the German land banks, which will be described later, a debt could be paid off in twenty years on

annual payments not greater than the annual average interest. For the accommodation of the farmer desiring short time loans, Mr. Myrick recommended the formation of local banks in which each farmer is interested, in which he would deposit his money, and it in turn would be loaned out to the farmers of the locality according to their trustworthiness and their need. These local banks might in turn affiliate in order that the surplus cash of one community might find a market in another community where demand was greater than supply.

EUROPEAN SYSTEM DESCRIBED
Much light on European systems of supplying farm credit was given by Mr. George Woodruff,

Cheap Money For The Farmer

The Banking Committee of the House of Commons at Ottawa has been taking out-ence recently on the operation of the Canadian Banking system as it affects the various classes of the community. One fact seems to have been clearly established—that Canadian banks do not wish to loan money in small sums to farmers. In the West Canadian Banks have charged as high as 10 to 12 per cent. interest on short loans, and the average rate is over eight per cent. Such high rates are a stumbling block in the way of the best agricultural development. The same conditions exist in the United States as in Canada. How can the farmers of the two countries secure cheaper money?

This was one of the questions up for discussion at the "First National Conference on Markets and Farm Credits" held at Chicago recently. Among the 45 delegates to the Conference were those who had spent years studying the agricultural credit problem. In the adjoining article an editor of Farm and Dairy, the only farm paper in Eastern Canada represented at the Conference, tells of the discussions that took place and of the plans advocated by the several speakers, whereby the farmer, through cooperation, may secure money at rates considerably lower than those now ruling in Canada and the United States.

President of the First National Bank of Joliet, Ill. He divided the various credit systems of the old countries into two classes, the long time, or mortgage loan associations, and the short time societies doing business on personal credit. Of the first class he cited the Credit Foncier, of France, as an example. The Credit Foncier is owned, by private individuals as a joint stock company, but is supervised by the government and the highest official in the bank is a government appointee. This association loans money only on real estate security and only on the amortization plan. To illustrate:

A farmer comes to the local branch of the Credit Foncier and wants 1000 francs, the payments to extend over 30 years. At the present

time the interest on money borrowed from this association is 4.3 per cent. Instead, however, of paying 4.3 per cent. each year the borrower agrees to pay 3,964 per cent. At the end of 30 years the difference between 4.3 and 3,964 has paid off the principal and the farmer is free of debt. That is, by paying an annuity not greater than the annual interest in this country the farmer pays off both principal and interest.

LONG TIME LOANS THE BEST

Long time loans are the rule in older countries, and a loan is more apt to be taken out for 75 years than for 30 years. One advantage of these long time loans is that it relieves the farmer and his family all worry. The ordinary loan soon expires and the farmer may look forward with dread to that date. He is ever in fear of foreclosure. The French farmer, however, knows that so long as he makes his small annual payment his home is safe and his debt getting less and less.

The Credit Foncier loans money on first mortgages only, and up to 50 per cent. of the value of the property. The property must be income producing, soil conservation clauses are inserted in the mortgage and mines, quarries, etc., are excluded. As each little branch of the Credit Foncier does business only in a limited neighborhood, practically every loan is a safe one. The mortgages are not cashed, bonds are gotten out and sold, and the mortgages held as collateral to the bonds. And, as we all know, bonds can be sold at a lower rate of interest than any other form of security.

LAND BANKS OF GERMANY

The second type of mortgage credit associations mentioned by Mr. Woodruff, which has personally investigated in Europe the systems of which he spoke, was the Landschaften, of Germany. This bank differs from the Credit Foncier in that it is cooperatively owned. The land owners of a small section get together and farm themselves into a cooperative banking association. In many cases they work on the unlimited liability plan; that is, every member of the association makes all of his real estate responsible for the debts of the society. In some cases all of the land of the province may be stuck to back the credit of the Landschaften banks. These local banks have affiliated with each other and as they are considered absolutely safe they secure even lower rates of interest than does the Credit Foncier of France. Here, too, loans are given on the amortization plan, that is, paid off in small annual installments.

SHORT TIME ACCOMMODATION

But the farmer occasionally needs money for short time loans for which he does not wish to take out a mortgage. This problem, too, the European farmer has overcome through cooperation. Mr. Woodruff makes mention of the Reiffeisen and Schulze-Delitzsch Banks of Germany, and the Credit Agricole of France.

The Reiffeisen banks are strictly cooperative. All of the shareholders therein make themselves liable to an unlimited extent for the debt of the concern. These banks have very little capital stock. They accept deposits, as do the ordinary
(Continued on page 10)