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SESSION 1931  
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

BANKING AND COMMERCE

MINUTES OF PROCEEDINGS AND EVIDENCE

WEDNESDAY, JUNE 10, 1931  
THURSDAY, JUNE 11, 1931

Order of Preference for Loans to Agricultural Credits for Agriculture.

Mr. K. W. Benson, M.P., Assistant Secretary, Canadian Pacific Railway

Mr. E. S. Thompson, Inspector General of Banks, Canada



SESSION 1931

HOUSE OF COMMONS

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SELECT STANDING COMMITTEE

ON

# BANKING AND COMMERCE

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MINUTES OF PROCEEDINGS AND EVIDENCE

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No. 1

WEDNESDAY, JUNE 10, 1931

WEDNESDAY, JUNE 17, 1931

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Order of Reference: *Re* Intermediate Credits for Agriculture.

WITNESSES:

Mr. E. W. Beatty, K.C., President and Chairman, Canadian Pacific Railway Company.

Mr. C. S. Tompkins, Inspector General of Banks, Canada.

MEMBERS OF THE COMMITTEE

Mr. ROBERT CHARLES MATTHEWS, *Chairman*,  
and Messieurs

Baker,	MacMillan ( <i>Saskatoon</i> ),
Black ( <i>Halifax</i> ),	Matthews,
Bothwell,	McGibbon,
Casgrain,	McPhee,
Chaplin,	Mercier ( <i>St. Henri</i> ),
Donnelly,	Mullins,
Dorion,	Perley ( <i>Qu'Appelle</i> ),
Embury,	Pettit,
Ernst,	Power,
Euler,	Raymond,
Fafard,	Rinfret,
Gagnon,	Robinson,
Ganong,	Robitaille,
Geary,	Rogers,
Hackett,	Rutherford,
Hanson ( <i>York-Sunbury</i> ),	Ryckman,
Harris,	Sanderson,
Hepburn,	Smoke,
Howard,	Spencer,
Hurtubise,	Stevens,
Irvine,	Sullivan,
Jacobs,	Vallance,
Laurin,	White ( <i>Mount Royal</i> ),
Lawson,	Willis,
Loucks,	Woodsworth.

JOHN T. DUN,  
*Clerk of the Committee.*



SESSION 1931

HOUSE OF COMMONS

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SELECT STANDING COMMITTEE

ON

# BANKING AND COMMERCE

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MINUTES OF PROCEEDINGS AND EVIDENCE

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No. 2

FRIDAY, JUNE 26, 1931

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Order of Reference: *Re* Intermediate Credits for Agriculture.

WITNESSES:

- M. Eugene Poirier, N.P., Montreal, President, Peoples' Savings Bank,  
District of Montreal.
- M. Cyrille Vaillancourt, President, Federation 178 Caisse Populaire, Lévis,  
Quebec.



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, June 26, 1931.

The meeting came to order at 11 o'clock a.m.

Mr. R. C. Matthews in the Chair.

*Members present:* Messieurs Baker, Black (*Halifax*), Donnelly, Ernst, Euler, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Hurtubise, Lawson, Loucks, Matthews, Mercier (*St. Henri*), Mullins, Perley (*Qu'Appelle*), Smoke, Spencer, Sullivan, White (*Mount Royal*)—21.

The Chairman read the Orders of the Day.

Resuming consideration of a Resolution of the House referred to this Committee on May 18, viz:—

*Resolved:* That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture—*Mr. Lucas.*

Mr. Eugene Poirier, N.P., of Montreal, President, Caisse Populaire de Ste. Cecile, Montreal and President of Peoples' Savings Bank of District of Montreal addressed the Committee.

Mr. Cyrile Vaillancourt, President, Federation 178 Caisse Populaire, Levis, Quebec, also addressed the Committee.

Mr. Vaillancourt addressed the Committee in French, but was interpreted verbatim by M. Henri Vallieres, of the Debates Translation Branch, House of Commons.

The Chairman announced that a sub-committee composed of the Chairman, Hon. W. D. Euler and Mr. H. E. Spencer would take under advisement the question as to what other witnesses, if any, shall be heard in connection with the remit.

On motion of Mr. Lawson, the Committee adjourned until Tuesday, June 30, at 11 o'clock a.m.

T. L. McEVOY,

*Clerk of the Committee.*



ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, April 23, 1931.

*Resolved:* That the following Members do compose the Select Standing Committee on Banking and Commerce: Messieurs Baker, Black (*Halifax*), Bothwell, Bowman, Casgrain, Chaplin, Donnelly, Dorion, Embury, Ernst, Euler, Fafard, Gagnon, Ganong, Geary, Hackett, Hanson (*York-Sunbury*), Harris, Hepburn, Howard, Hurtubise, Irvine, Jacobs, Laurin, Lawson, Loucks, MacMillan (*Saskatoon*), Matthews, McGibbon, McPhee, Mercier (*St. Henri*), Mullins, Perley (*Qu'Appelle*), Pettit, Power, Raymond, Rinfret, Robinson, Robitaille, Rogers, Rutherford, Ryckman, Sanderson, Smoke, Spencer, Stevens, Sullivan, Vallance, White (*Mount Royal*), Woodsworth—50. (Quorum 15.)

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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*Ordered:* That the Select Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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HOUSE OF COMMONS,

MONDAY, May 18, 1931.

*Ordered:* That the following question:—

“Resolved: That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture” be referred to the Select Standing Committee on Banking and Commerce, with instructions to consider and report thereon.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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HOUSE OF COMMONS,

MONDAY, June 9, 1931.

*Ordered:* That the name of Mr. Willis be substituted for that of Mr. Bowman on the Select Standing Committee on Banking and Commerce.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

*Ordered:* That the said Committee be given leave to print 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the said Committee on May 18, ultimo, viz: "That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture"; and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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 REPORTS OF THE COMMITTEE

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Banking and Commerce begs to present the following as a Fourth Report:—

Your Committee recommends that 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the Committee on May 18, viz:—

That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture; be printed; and that Standing Order No. 64 be suspended in relation thereto.

All of which is respectfully submitted.

R. C. MATTHEWS,  
*Chairman.*

(Concurred in: June 17, 1931.)

# MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

WEDNESDAY, June 10, 1931.

The meeting came to order at 11 o'clock a.m., Mr. Matthews in the chair.

*Members present:* Messrs. Baker, Black, Casgrain, Dorion, Donnelly, Embury, Gagnon, Hackett, Harris, Howard, Irving, Lawson, Loucks, Matthews, McGibbon, Mullins, Perley, Pettit, Spencer, White.

The Committee took under consideration Bill No. 33, An Act to amend the Companies Act (Auditors), and agreed to report the same with an amendment.

The Committee then took under its consideration the subject matter of an Order of Reference, dated May 18, 1931, viz:—

Resolved,—That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture.

Mr. Lucas, M.P., was then called upon to explain the purport of the Order of Reference and addressed the Committee at length.

Mr. Speakman, M.P., by leave of the Committee, also made a statement of the conditions in Western Canada calling for the establishment of a system of intermediate credits.

Discussion then took place as to the procedure to be followed by the Committee, when the chairman was authorized to procure the attendance, if possible, of Mr. Beatty, President of the Canadian Pacific Railway Company, also some competent person to explain the rural credit bank scheme in operation in the Province of Quebec and Mr. C. S. Tompkins, Inspector General of Banks.

The Committee then adjourned at the call of the Chair.

A. A. FRASER,

*Acting Clerk of the Committee.*

# MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The meeting came to order at 11 o'clock a.m., Mr. Matthews in the chair.

*Members present:* Messrs. Baker, Black (*Halifax*), Bothwell, Gagnon, Ganong, Irvine, Laurin, Lawson, Loucks, MacMillan (*Saskatoon*), Matthews, McGibbon, Mercier (*St. Henri*), Pettit, Robinson, Ryckman, Smoke, Spencer, Willis, Woodsworth—20.

On motion of Mr. Irvine, seconded by Mr. Ganong, it was,

*Resolved*, That the Committee do report and ask leave to print 500 copies in English and 200 copies in French of the evidence to be taken before the Committee and of papers and records to be incorporated with such evidence in connection with the Resolution of the House referred to the Committee on May 18, viz:—

That, in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture.

and that Standing Order 64 in relation thereto be suspended.

(For concurrence: see Votes and Proceedings, June 17, 1931.)

The Chairman read the Orders of the Day:

Resuming consideration of a Resolution of the House referred to this Committee on May 18, ultimo. (Mr. Lucas.)

Mr. E. W. Beatty, K.C., Chairman and President of the Canadian Pacific Railway Company, then addressed the Committee.

On behalf of the Committee, Mr. Chairman thanked Mr. Beatty for his address.

Mr. C. S. Tompkins, Inspector General of Banks, was then heard.

On motion of Mr. Irvine, a vote of thanks was tendered Mr. Tompkins for the very comprehensive presentation made by him, the result, apparently, of very painstaking research.

Mr. Gagnon referred the Committee to reports, etc., dealing with the system of rural credits in Quebec.

The question of what further witnesses should be heard in connection with the remit was left in abeyance, to be considered by the Chairman and a sub-committee to be chosen by the Chairman.

On motion of Mr. Irvine, the Committee adjourned to meet at the call of the Chair.

T. L. McEVOY,  
*Acting Clerk of the Committee.*



# MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 10, 1931.

MR. SPEAKMAN: Mr. Chairman, I am not a member of this committee nor do I claim any special knowledge. I did bring forward a resolution and give this matter some study. Mr. Mullins was speaking of the commercial feeding of stock which is a comparatively short period and which is provided for now by the present banks to a certain degree. But there is more to it than that. There is the question of dairy herds. I understand that the Minister has a fairly comprehensive scheme for introducing new blood into dairy herds. There is the question of breeding stock; there is the question of going into proper mixed farming, instead of depending upon one crop. It would involve not only the purchase of the proper kind of breeding stock, with a term of at least three years before any turn-over profit could be made. There is also the question of proper fencing and providing proper buildings and all that goes with proper mixed farming. I will say only this: we have provided long term credits which differ from intermediate credits in two respects: first, the basis of security, which must be a mortgage; second, the purpose for which the mortgage is made, which is for the purchase of land or the clearing up of long term mortgages on more favourable terms, or the erection of permanent improvements. The banks provide for interest being fixed, the purchase of binder twine, and such things; but that is commercial rather than agricultural. Between lies the field referred to as intermediate credits which differs from these others in two respects: first, the nature of the security demanded—there are varied plans which must be stated and which must rest upon chattel mortgages and upon the risk involved, and in all likelihood backed up by first or second mortgages on valuable property. The purpose is to provide for breeding, and, in addition to the breeding of the proper form of stock, to provide for the necessary buildings and fencing to carry on—a basis on which I have carried on for many years at different times. It is a perfectly proper business which cannot produce a profit in less than three years after the bank has been started.

I have made no complaint about banks in that respect—the nature of it precludes them from tying money up in a farm for at least three years. I have had my own experience in the way of cattle buying, that is, in buying the stock and raising the stock over a two year period, and my own experience is that no matter what agreement you may enter into as to the renewal of a note at the expiry of the three years, it will depend entirely upon the individual—the bank manager—backed, as a rule, by the head office which knows very little of the circumstances. The branch bank manager, as a rule, has little power to make loans; he has little executive power.

Much depends on the state of the market, and the result has been most unfortunate for young stock, which is the beginning of a real herd, and has to be sacrificed at a time when it has not brought in one-half of what it should, and as a result the farmer incurred a loss to the bank which would have been unnecessary had those cattle been in condition.

The present attitude of the banks in the matter of such investments as these should be studied to find out as to whether the condition is justified; as to whether we are asking them as farmers to perform a function for which they

were never intended; or as to whether they are actually not fulfilling the function which they should. I say we should extend the terms of the reference so as to ascertain just what is the true position of the banks in relation to agriculture at the present time. My suggestion would be this; that little can be done in a practical way by the Committee as a whole, but that the Chairman might associate with himself two or three men who are interested in the subject—not necessarily all farmers, but one farmer should be on the Committee—to decide as to the practical scope of the enquiry and to decide as to the best witnesses to be called.

# MINUTES OF EVIDENCE

HOUSE OF COMMONS,

WEDNESDAY, June 17, 1931.

The Select Standing Committee on Banking and Commerce met at eleven o'clock, Mr. Robert C. Matthews presiding.

The CHAIRMAN: We are met this morning for the purpose of hearing Mr. E. W. Beatty, K.C., Chairman and President of the Canadian Pacific Railway, who will speak to us on the special reference. Mr. Beatty will tell us about the Dominion Agricultural Credit Corporation, with the affairs of which he is quite familiar.

Before proceeding, however, if the committee deems it necessary to print the address of Mr. Beatty and others, the authority of the House is necessary to do this printing, and I shall read a motion and ask someone to make it: "That the Committee do report and recommend that 500 copies in English and 200 copies in French of the evidence to be taken before the Committee in connection with the resolution of the House referred to the committee on May 18 be printed; and that Standing Order No. 64 be suspended in relation thereto."

On motion of Mr. Irvine, seconded by Mr. Ganong, the resolution was adopted unanimously.

The CHAIRMAN: The resolution that we are considering, as you know, is that of Mr. Lucas, "Resolved,—That in the opinion of this House, consideration should be given to the setting up of a system of intermediate credits for agriculture."

We shall proceed now with this discussion, and, if we have time, we shall also hear from Mr. Tompkins this morning, because he is leaving town to-morrow. If it is possible, I should like to deal with his evidence this morning, and if it is not possible this morning, we must meet to-morrow morning.

I shall now call on Mr. Beatty.

MR. BEATTY: Mr. Chairman and members of the Committee, I am not exactly the author of this agricultural credit scheme, because there is nothing particularly novel in the idea, which was suggested in London, last December, and in Winnipeg, last February.

With your permission, perhaps I might quote a paragraph or two of the address I made in Winnipeg, in which I outlined the reasons for the suggestion. I said then: "In December of last year I took occasion, when speaking in London, Ontario, to make certain suggestions as a private citizen for the amelioration of conditions on the prairies, as we then understood them to be, and I indicated, in the course of that address, the propriety of the creation of an agricultural credit corporation to assist in extending mixed farming throughout the West, where physical conditions permitted. I frankly confess that the reason for these suggestions was far removed from one of desire to infringe upon the prerogatives of any governmental or other authority, or to hold myself out as an expert on rural economics or farming operations. I felt that I could make such suggestions, though a resident of the East, and not be misunderstood or have my motives misinterpreted, because it happens that the Company with which

I am associated, and have been for the past thirty years, was the Company which made Confederation possible and linked the East with the West, and from that day its fortunes have been inextricably bound up with the prosperity of Western Canada. I felt, too, that in these times when depression provokes discouragement, and discouragement grievances both imaginary and real, a practical gesture of goodwill on the part of the East and of interest in the problems of the West, under these unusual conditions, would be accepted as proper and as neighbourly and wise. There was no desire to extend charity, but there was every desire to assist, and assist in a way that was readily open to eastern interests, namely, by the provision of the capital requirements of a corporation created to extend credit on fair terms to those in the West who were willing and able and so situated as to have reasonable prospects of success and who desired to diversify their farming operations.

At the outset it should be made clear that the formation of an agricultural credit company is not for the purpose of attempting to meet or correct the unusual or somewhat severe conditions of the present day. It is a policy which can be made effective over a period of years and one which, in the view of many of our most outstanding agricultural experts, should go a long way towards promoting a greater degree of stability in the agriculture of the West. The idea itself is sound, but, inasmuch as it is being advanced at a time when world price conditions have caused considerable inconvenience in the economic life of the country, it would appear advisable that the real purpose of the proposal should be widely understood so that it will not be regarded as a movement to revolutionize western agriculture any more than it is a movement in the nature of a measure of emergent relief. A portion of the press has already chosen to place a rather extensive interpretation on the suggestions which I have indicated have been made, and made with a view to assisting the farmers to develop, as supplementary to their present activities, those safeguards in the business of farming which have already been achieved by some through a certain measure of livestock production having been included in their program. Let me repeat, therefore, that because consideration is being given to these proposals, during a time of depression, when various relief plans of a temporary nature are being discussed, this is not a temporary expedient for the purpose of relief, but, rather, a permanent piece of machinery introduced to the industry of agriculture with a view to developing and maintaining additional sources of sustenance and of revenue from our farms. The permanency of this development should be recognized. It is obvious that the business of farming does not lend itself to sudden changes in policy, insofar as livestock production is concerned, with any profit to the producer.

I will not bother you with this address, because copies are available, if any member of the Committee desires to read it; but I might explain that my connection with the idea is, perhaps, due, more than any other reason, to my association with C. T. Jaffray, a Canadian born at Galt, who, for many years, occupied a prominent place in banking circles in Minnesota, and is now the President of the Soo Line, one of the subsidiaries of the Canadian Pacific Railway. Mr. Jaffray is the Chairman of the Agricultural Credit Corporation of the United States, and has been very enthusiastic over the results achieved in the United States through this Corporation. They operate in Minnesota, North Dakota, South Dakota, and Montana, and I, and others, felt that a similar method might be employed with advantage in Canada, and, therefore, I made the suggestion.

Now, I must confess, when, when I did that, I had not in my mind, particularly, what is before this Committee by way of resolution, that is, the formation of an intermediate agricultural credit method or system, though, in fact, that is what the Dominion Agricultural Credits Company accomplishes.

The reports of the Americans, as the result of their operations, are, at least, consoling, and I asked Mr. Jaffray if he would give me a very brief summary, and he has done so. It is as follows:—

"The organization of the Agricultural Credit Corporation was brought about, in 1924, for the purpose of helping the banks who at that time found themselves with depleted capital and no way of getting money to change the situation. In the first four or five months the Corporation loaned about \$6,000,000, most of which was successful and brought no loss to the corporation. We have a small amount due us now, secured by lands and endorsements, which will be rather slow in working in a final settlement.

At the end of the first six months conditions changed in the country through the fact that the crop that year was good and bank loans were stopped. Then the question of furnishing the farmer funds to buy foundation herds of cows, beef cattle, and sheep was taken up. These loans were limited to \$1,000 each, payable in three years—30 per cent the first two years and 40 per cent the third year. A very satisfactory situation developed and we were able to help many thousands of farmers into a position where they now have sufficient livestock to make their farming operations reasonably sure.

The reasons for the organization of the Corporation were as stated above, but the change from banking to livestock loans was inspired by the fact that, in the older sections of Minnesota, livestock operations had been universally successful and had made the country prosperous and free from the danger of crop failures. This movement was spreading each year, but was naturally of slow growth and the operations of the Credit Corporation, going into effect then, hastened the spread of diversified farming. We now have a large part of Minnesota covered, a good deal of North Dakota, and some sections of South Dakota and Montana, where nothing had been done before.

The plan was a great success and many farmers who took advantage of the opportunity were able to repay their entire loan the first year. Of course, this was abnormal, but even now, with livestock prices materially less, farmers are meeting their payments and establishing themselves in a position of independence.

Knowing, as I do, the situation in our territory, and the ups and downs in the farming community depending upon grain, I have been very active in promoting the diversification program through livestock. I felt I was not only helping the country to become stabilized, but I was also getting the farmer into a position where he is able to meet his obligations, pay his taxes and interest, and make his land produce more grain at less cost. The success of the plan which we have been promoting the last seven years is very apparent now in all territories where livestock has been placed through the fact that while grain prices are low, and under ordinary conditions would make business very quiet and collections practically nil, this is not the case at present. In my investigations, through jobbers and others, I find collections in this territory, especially in the communities where livestock is owned, have been up to the average and it is a constant surprise to merchants doing business with this part of our territory.

The enormous increase in all kinds of livestock shipments, week by week throughout the whole year, is direct evidence of the success which the Agricultural Credit Corporation, and other activities, have brought to our territory."

Now, this corporation passed an annual report, copies of which I have here, and which are interesting, because not only do they show, in a very brief form, the amount of loans made and the results in repayments, but they contain a statement, or statements, from numerous farmers of their experiences, all of a very heartening character.

The officers and directors of this corporation, of course, are very outstanding men, both in eastern and western United States. There are no less than three railway presidents on the executive committee: Mr. Ralph Budd, President, Great

Northern Railway; Mr. Charles Donnelly, President, Northern Pacific Railway and Mr. C. T. Jaffray, President of the Soo Line. Now, in the first explanation that they made of the reasons for the corporation and the publication of the statistics relating to it, they make this statement, "The purpose of this booklet",—which is both a booklet and report—"is to acquaint those who furnished the capital for the Agricultural Credit Corporation of Minneapolis, and those interested in agriculture generally, with a record of the livestock loan activities of the corporation during its three years of operation. During that period the corporation has loaned money direct to 3,971 farmers in Wisconsin, Minnesota, North Dakota, South Dakota and Montana for the purchase of livestock, these loans totaling \$2,068,469.87. Of this amount loaned \$572,864.50 has been repaid, leaving loans amounting to \$1,495,605.82 outstanding as of December 31, 1926.

It has been the purpose of the corporation, by financing farmers up to \$1,000 each for the purchase of live stock, to assist the small farmer to increase his cash income in a dependable manner. These loans have also helped those who received them, to further diversify their farming operations, and the letters from borrowers reproduced herein are proof that the corporation has had an important part in stabilizing and improving the agricultural condition of these farmers.

"The corporation was organized to help meet an emergency." An emergency, which as you know, was due to the condition in which the banks of the western states found themselves in 1924. "Its experience indicates the wisdom of continuing its activities permanently. The usefulness of such an organization has been demonstrated, first, to help those farmers still in need of help, and to render additional aid to the many borrowers who are already looking to the time when they can again come to the corporation for additional help in expanding their operations along profitable lines."

There follows a statement of all their subscriptions. They were, in fact, somewhat different from the Dominion Agricultural Credit Corporation, in that they issued stock to the extent of \$10,000,000, and they deposited that stock as collateral to an issue of debentures, and they raised the money through the debentures. Sixty per cent was all that was called, \$6,000,000, that being the money they loaned to the individual farmers after investigation. Their plan was an extraordinarily cheap one in the manner of organization, in that they obtained a great deal of voluntary assistance from committees and others in the localities where the farmers were being assisted. He said, "Our general plan is to have a local committee of three to five representative men in each community in which we propose to lend money, one of the committee men generally acting as secretary, and all serving without compensation from the corporation. The committee generally consist of a merchant, banker, outstanding farmer, and the county agricultural agent.

The County Agricultural Agent in the Western States is a County official appointed under the State Law as an Agricultural County Agent, paid a salary, usually by the State, of from \$2,500 to \$3,000 a year; and, in the vast majority of cases, is a graduate of a State Agricultural College.

Applications for loans are taken on the Corporation's forms, and the recommendation of the Committee is provided for in the form. It shows the application of a farmer, the amount and kind of animals he owns, the amount of land he operates, the type of fences and buildings generally, and, also, the type and number and kind of animals he wishes to buy through the Corporation. The Corporation finances the purchase of the animals from nearby operators, but encourages the bringing in of stock from outside.

The terms of repayment are generally 30 per cent, payable at the end of the first year; 30 per cent at the end of the second year; and 40 per cent, payable at the end of the third year, with interest at 6 per cent per annum; and a moderate charge for general expenses of the office, purchasing and insurance

on the animals purchased for three years against loss by fire, wind and tornado. They issued a report in 1927, showing the accomplishments of that year, with the details of which I need scarcely bother you; but their operations have resulted in an almost universal demand in that section of the United States for the continuance of the Corporation as a permanent agency.

With that evidence before us of what was accomplished in the United States, it occurred to me that we perhaps might adopt a similar policy here, if we could secure necessary financial support, and that support would come, in the nature of things, largely from the East, particularly from those corporations in the East, of which there are a great many, which have a very pronounced stake in Western Canada. I, therefore, outlined the scheme, as I understood it, to the Canadian Bankers' Association and to representatives of the trust, loan, mortgage and insurance investment companies, and wrote, as well, to a great many private firms which I knew did a great deal of business in Western Canada.

We found, before we had proceeded very far, that a great many of these Corporations had not the necessary charter power to invest in the stock of a Corporation of this character, and so we secured an Act of the Ontario Legislature, applying, of course, only to those companies which were incorporated by that Province, permitting these trusts and loan companies to subscribe for stock in this Corporation. A similar Bill, as you know, was introduced into this House a few days ago, to authorize or permit Federally incorporated companies to subscribe for stock, provided they did so before July 1, 1932.

The response to the suggestion has been practically unanimous from these Corporations. They believe in the theory that they, naturally, are not going to be responsible for the organization or administration of the Corporation, once this organization is completed.

In Winnipeg, I told them that I thought there were two things that must be kept in mind, and these two factors stood out as of major importance in the development of a sound system of credit; first, the Corporation must be organized in such a way as not to impose a burden upon the farmer for charges and interest and, secondly, the policy must insure safety of the development so that the capital of the loans of the Corporation is not imperilled.

In the United States losses of the Agricultural Credit Corporation have been nominal, practically nothing in most cases. With wise administration and a great deal of voluntary effort, which I think can be brought into the organization, costs of the Dominion Agricultural Credit Corporation should also be low; and, I think, we would be quite safe in limiting its interest charge to 6%, although in the United States, in recent years, in a few cases; for special kinds of loans, the charge is 6½%.

They make a moderate, nominal charge for animals handled, and they make a small charge for insurance, which they are able to do because they cover their insurance by a blanket policy, and get a much cheaper rate than the farmer could possibly get for himself.

In order to effect these fundamental questions of policy, of course you will appreciate that two things are necessary. The organization must be such as will inspire confidence; it must be administered by men of experience in agricultural credits, assisted by those who have a great and intimate knowledge of farming in the district from which the applications for loans come.

The County Agents, used to such an extent in the United States, are perhaps not available to us, in the same way, in many parts of Western Canada, but we have agricultural agents in the employ of the provinces and of the Federal Government, to some extent, I think, whose services might be used, in an advisory capacity, without expense to the Corporation. The same would apply to agricultural experts in the employ of the Railway Companies, and if it was ever thought desirable to use their services, they might be obtained, without cost to the Corporation.

We, of course, could have the same local committee idea, which was adopted in the United States. That was really their great protection and the reason why their losses have been so negligible.

As I have already told you, the total amount of the subscriptions has not yet been received, on account of the inability of these companies to subscribe, due to the absence of the legal power to subscribe, which is now being obtained for them, but even now, half of the amount, namely five million dollars, has been subscribed.

I am afraid some people may have the rather erroneous impression that, because I have had the hardihood to make these suggestions, I was more or less suggesting something new. You know that is not the case, and there is nothing new in the way of agricultural credits which I am suggesting, nor am I, in any way, an expert in the farming branches, nor do I expect to have more to say about it than will any other individual who may be selected, as representing a subscriber on a Board of Directors.

The theory upon which we are working is one that, I think, has been proved which with proper administration can be made effective. We were not endeavouring to trench upon the prerogatives of banks or of any other institution which might exercise similar powers; but, obviously, you will appreciate, with the limitation of the banking powers, they are prevented from doing such things as advantageously as a credit corporation could do them; and, further, a credit corporation has a great advantage over any other medium of issuing loans, and that advantage lies in the fact that it is organized for one purpose only, and that purpose is to be carried out under the auspices and under the direction of men who are peculiarly expert in the questions with which they have to deal.

It is not a part of the general financial operations of a great bank at all, but it is a direct obligation on certain parts of the community, to make loans where it is thought conditions permit of them being made with a certain chance of success. That, of course, distinguishes this organization from what I think, perhaps, is in Mr. Lucas' mind, in respect of intermediate credits. It is an intermediate credit, in effect, undoubtedly, but it was not evolved for that purpose. It was evolved for the purpose of seeing whether we could, through a medium of this kind, be of some practical and real value to the farmers in the West in particular.

Now, gentlemen, those are in brief, the reasons and that is the outline. This Dominion Agricultural Credit Corporation will be organized in due course; it will elect a Board of Directors, which will be composed of men representing Eastern interests, but the majority of them, we hope will be outstanding men in Western Canada, because that is where the real work will be accomplished. And that Board of Directors will name the Officers. The Chief Executive Officer of this Corporation will be a man of great experience in rural credits, and he will be the General Manager. The Corporation will be run like any other Corporation. If it does not make a gain for its owners, they will probably not suffer a loss, and in addition they will have the satisfaction of knowing that the interests they represent are very favourably affected by any increase in the prosperity or stability of the Western farmer.

In brief, that is the outline of the situation. If there is any information which I can give you, in addition to this, of course I will be very glad to do so.

Mr. LUCAS: Just as a matter of information, would Mr. Beatty outline what the nature of the security will be?

Mr. BEATTY: The security is on the livestock purchased, Mr. Lucas.

Mr. LUCAS: As a chattel mortgage.

Mr. BEATTY: Yes, and, as I say, a similar procedure was adopted in the United States.



Mr. IRVINE: Someone said in the House a while ago, I think, that you were meeting with difficulty in securing the finances, on the ground that the credit risks of Western Canadian farmers was not good. Was there any truth in that?

Mr. BEATTY: No sir, there has been no suggestion from any Corporation that I have interviewed or written to that they are not entirely in favour of this scheme. Of course there were limitations, in some cases, by reason of the fact that some of the companies had already extended, in their own business, credits in the West beyond which they felt they could not go. But the principal objection was the lack of charter authority to invest, which has now been obtained.

Mr. IRVINE: Have you any idea, or is there any means of getting the correct knowledge, of the amount of credit that could be properly let out in Western Canada in this way?

Mr. BEATTY: It will develop very slowly. Supposing we adopted the principle which has been adopted in Minnesota, of a minimum loan of \$200 and a maximum loan of \$1,000; there, as you know, loans are confined to cattle and sheep, and did not, until quite recently, cover hogs; the reason being that the advances were so small, in the individual case, that the cost of looking after the loans would not justify it; but recently they have, in certain special cases, advanced \$400 or \$500 to a farmer of approved repute and experience, and they may extend that if the circumstances require it. But in Canada, in view of the great stretch of territory over which this Corporation will have to operate, I imagine it will, of necessity, proceed very slowly, and that the loans will be limited, for the first year or so, while the Corporation is feeling its way. The capital will be ample, because, as you will understand, on the repayment of the loan the same capital becomes available for other loans, and it is really a revolving company.

In the United States, notwithstanding the seriousness of conditions there, and the fact that they had subscriptions for \$10,000,000, they only found it necessary to call in 60 per cent of their capital.

Mr. WILLIS: Mr. Beatty, have you any idea when you will be able to commence to operate?

Mr. BEATTY: The Dominion Act has not been passed yet. The Ontario Act has been passed. The Trust and Loan Companies have formed their Committees. They want to make a blanket subscription. I asked them for a very considerable amount of money, and they will divide it amongst the companies according to their capital or assets, on some plan which they propose to use. It should not be long, once the legislation is effective, after which the Board can be appointed. The boards of the companies at present feel that they cannot do anything until their authority is complete.

Mr. MACMILLAN: Have you any idea how many farmers in the United States have taken advantage of this?

Mr. BEATTY: They issue a report, Mr. MacMillan, of their loans, and in the summary, from 1924 to 1930, they show that for sheep, the number of farmers applying for loans was 37,052; animals supplied, 355,000. For cattle, 6,877 applicants; the number of cattle supplied, 36,188. Net amount of live stock loans made to 13,960 farmers, amounts to \$6,780,000, of which \$4,474,000 have been repaid. That is a very creditable record.

Mr. SPENCER: Can you give the Committee any idea of the interest to be charged?

Mr. BEATTY: Of course I have suggested a rate of interest not exceeding 6 per cent; but the Board of Directors will itself determine that. In the United States a charge of 50 cents per head was made for handling the live stock, and a very small charge for insurance. They were only able to do that and get

such a return on the capital of the Corporation by reason of the voluntary effort which was put into it by so many men in their districts, which, I think, we can duplicate.

Mr. WILLIS: Is the machinery of your company so set up that when you get the legislation you can act?

Mr. BEATTY: All that is necessary is that the machinery be set up, which can be very readily done by passing the necessary bylaws and so on.

The CHAIRMAN: Gentlemen, on your behalf I express to Mr. Beatty the very great thanks of the Committee for his coming here to-day and giving us this address. (Applause).

I am going to call on Mr. C. S. Tompkins, Inspector General of Banks, to give us his evidence now, because he is going away to-morrow and we had better have it to-day and save calling another meeting for to-morrow.

Mr. C. S. TOMPKINS: Mr. Chairman: The members who attended last year a discussion of this subject will recall that certain information was to be obtained, with particular reference to the schemes in operation in several of the Provinces, with respect to short term or intermediate credits.

A great deal of the information was collected, but owing, as you know, to the rather sudden changes in the sessional program, there was not an opportunity to present them to the Committee last year. Occasion has been taken to bring them up to date in order that you might have the most recent figures possible.

I do not pretend, of course, to be thoroughly familiar with the intermediate credit question in any worldwide sense, but since I was charged particularly with obtaining this information of which I speak, I shall confine myself almost entirely to that phase of the question.

First of all, I should perhaps make some brief reference to what the chartered banks are doing, or are authorized to do, under *The Bank Act*, with reference in a general way, of course, to farmers throughout Canada.

In the first place, I would refer to their general powers under Section 75 of *The Bank Act*, with respect to loans, from which, perhaps, I might quote and then follow on with the specific parts which have application.

Under Section 75, Clause (c), a bank is authorized to deal in, discount and lend money and make advances upon the security of, and take as collateral security for any loan made by it, bills of exchange, promissory notes and other negotiable securities, or the stock, bonds, debentures and obligations of Municipal and other Corporations, whether secured by mortgage or otherwise, or Dominion, Provincial, British, foreign and other public securities.

Then, under Section 86, which of course would apply on occasions to loans to persons engaged in farming, banks are authorized to acquire and hold any warehouse receipt or bill of lading as collateral security for the payment of any debt incurred in its favour, or as security for any liability incurred by it for any person, in the course of its banking business.

Then, under Section 88, they are particularly authorized, first, to lend money upon the security of threshed grain; secondly, to lend money to the owner, tenant or occupier of land for the purchase of seed grain, and acquire a preferential claim for the sum loaned upon the crop resulting therefrom; and, thirdly, to lend money to a farmer or any person engaged in stock-raising upon the security of his live stock.

Banks are not empowered to lend against the security of real estate or chattel mortgages, although these may be taken subsequently as security for an existing debt.

Complaints have previously been voiced that the practice of the banks in loaning to a farmer upon notes at maximum terms of three or four months, although at times they are drawn for longer periods, creates an inconvenience.

inasmuch as it is often known, when loans are originally granted, that they cannot be paid off for at least six months or one year. Of course the argument generally advanced in answer to that is that the banks feel it desirable to be in touch with the farmer at reasonable intervals to ascertain the progress he is making, not only in his crop operations but also whether any change has taken place in his general financial position. And, in that way, the procedure does not differ from the practice followed in granting loans for industrial and other purposes; and, therefore, it is, perhaps, not wholly unreasonable.

Evidence was given regarding agricultural credits before the Special Committee on Agricultural Conditions in 1923, and, also, to some extent, before the Banking and Commerce Committee, in 1923 and 1924, although practically all of this evidence was available for the purpose of the Tory Reports of 1924 and his supplemental report of 1925, this evidence had to do mainly with long term mortgage credits, the situation in respect of which was met by the passing of the Canadian Farm Loan Act of 1927. I just mention that by way of prefacing what I have to say in regard to the Provincial schemes, with which I shall now proceed to deal. The Committee, of course, will understand that this is information collected from Provincial sources largely, and tabulated in what I thought was the most convenient way. I am hardly in a position to be cross-examined upon it without a limit, so to speak; and I shall proceed to give it to you, and if you think it is in any sense lengthy, Mr. Chairman, I wish you would tell me so at any given moment.

*Alberta.*—The Alberta Coöperative Credit Act, passed in 1917, but which did not become operative until 1921, provides for the organization of co-operative credit societies, which can be organized on the presentation of a petition to the Lieutenant Governor in Council of not less than fifteen persons engaged, or agreeing to engage within one year, in farming operations and subscribing for stock in the society of par value not less than \$1,500, on which at least 20 per cent must be paid in cash and the balance secured by the subscribers' promissory notes.

A society cannot commence business until it has received subscriptions for stock from not less than twenty-five persons to an amount of not less than \$3,000, upon which at least 20 per cent has been paid. Additional instalments of 20 per cent are payable annually.

The management of a society is vested in a Board of Directors, four of whom must be elected at the first meeting and annually thereafter by the subscribers only, three of whom are named by the Provincial Treasurer and one by any municipality giving a guarantee to the society.

The Act provides for the guaranteeing of the securities, obligations and financial undertakings of any society by the Lieutenant Governor in Council. Further, the Council of any municipality in the Province may also guarantee, in like manner on account of any society, an amount equal to one-half the total amount of stock subscribed by the shareholders resident within such municipality. On assuming such guarantee, the municipality is authorized to advance the money out of its general funds without taking a vote of the rate-payers, unless otherwise provided by the Lieutenant Governor in Council.

The objects of the societies, as laid down in Section 25 of the Act, are (1) to procure short-term loans for its members for the purposes expressly described; (2) to act as agent for its members in purchasing certain goods, supplies, etc., in selling what is produced by its subscribers and in placing fire and hail insurance; (3) to promote cooperation among its members for the improvement of conditions of farm life.

Advances, if approved by the directors of a society and confirmed by an inspector appointed under the Act, are made upon the borrower's note endorsed by the society, which is negotiated with one of the branches of the chartered

banks. The Act provides that, in the event of the borrower being unable to pay the amount at maturity, the directors of the society may grant a renewal for such further time as may be agreed upon, but not later than the 31st day of December next after the maturity of the previous loan or renewal. Any goods, live stock, etc., purchased with the proceeds of the loan are subject to a lien or charge securing repayment. The Act also provides for the taking of other security, including a charge upon growing crops.

Loans are made only to members of the society and at a rate of interest not exceeding  $7\frac{1}{2}$  per cent of which one-half of 1 per cent is returned to the society to be applied as provided by Section 62 of the Act. By Section 32 (a) enacted in 1924, every lender, in taking a note from a borrower, is required to add to the rate of interest one-quarter of 1 per cent or such other percentage not exceeding one-half of 1 per cent as the Lieutenant Governor in Council may direct, which portion of interest must be accounted for to the Provincial Treasurer and is used to provide a common sinking fund for the purpose of defraying losses made by any society.

(Extent of facilities granted).

As Mr. Matthews has arranged to put these detailed figures into the record, I hardly think it worth while to read them.

Mr. IRVINE: I think it would be better.

Mr. TOMPKINS: I might state, at the end of 1930 there were outstanding in loans under this Act \$1,748,455.17, and that that amount had progressively increased in almost every year since the Act first came into operation in 1921. My record shows the amount borrowed each year, the amount repaid, and the balance, etc., and that can all go into the record.

Mr. SPENCER: Give me the total again.

Mr. TOMPKINS: \$1,748,455.17.

Mr. IRVINE: What rate of interest did they charge?

Mr. TOMPKINS: Having regard to the rate of interest,  $7\frac{1}{2}$  per cent plus an addition of one-quarter to one-half per cent, which is used to provide a common sinking fund to take care of losses.

Mr. IRVINE: Does the government guarantee these loans?

Mr. TOMPKINS: Yes.

Mr. IRVINE: Why is the rate so high,  $7\frac{1}{2}$  per cent, on a government guaranteed loan?

Mr. TOMPKINS: I can scarcely explain, the reasons why. That rate is determined from the start. The fact is that the loans outstanding are all guaranteed loans, the lender in these cases being the branch banks in the country districts and no portion is advanced direct out of general funds of the provinces.

The following table supplied by the Deputy Provincial Treasurer shows the total amounts borrowed and repaid in each calendar year and the balances outstanding at the end of each such year:—

Year	Amount brought forward		Amount borrowed		Amount repaid		Balance as at December 31st	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.
1921.....			44,039	21			44,039	21
1922.....	44,039	21	585,920	00	339,499	61	290,459	60
1923.....	290,459	60	540,103	27	449,033	03	381,479	79
1924.....	381,479	79	563,101	82	587,972	60	356,609	01
1925.....	356,609	01	705,600	53	635,359	25	426,850	34
1926.....	426,850	34	1,016,962	47	989,525	19	454,287	62
1927.....	454,287	62	832,642	07	639,910	69	647,019	00
1928.....	647,019	00	1,043,234	59	855,442	41	834,811	18
1929.....	834,811	18	973,175	62	729,993	86	1,022,992	94
1930.....	1,022,993	09	1,051,420	19	385,958	11	1,748,455	17
			7,361,199	32	5,612,744	80		

Mr. IRVINE: Does the bank get  $7\frac{1}{2}$  per cent?

Mr. TOMPKINS: The bank gets  $7\frac{1}{2}$  per cent less one-half which is remitted to the society in order to take care of certain of their expenses..

Mr. SPENCER: They charge  $7\frac{1}{2}$  percent on gilt-edge securities.

Mr. TOMPKINS: The banks render monthly returns under the Act, showing the amount outstanding, the amounts loaned, etc. I was also supplied with information as to the number of societies and members and borrowers and so on, and I think these figures might well go in the record.

Mr. SPENCER: I just asked a question—I think you said  $7\frac{1}{2}$  per cent plus a half of one per cent.

Mr. TOMPKINS: What I said was this, if I may repeat it, "loans are made only to members of the society and at a rate of interest not exceeding  $7\frac{1}{2}$  per cent of which one-half of one per cent is returned to the society to be applied as provided by section 62 of the Act." Then, further on, I refer to the addition of one-half or one-quarter of one per cent, which portion of interest is used to provide a common sinking fund for the purpose of defraying losses made by any society.

Mr. GANONG: The farmer has to pay 8 per cent in some cases?

Mr. TOMPKINS: I presume he does, in some cases.

Data supplied by Deputy Provincial Treasurer:

December 31, 1930:—

Number of Societies.....	43
Number of Members.....	1,667
Number of borrowers.....	1,203
Average Loan per borrower.....	\$ 1,453 40
Average Loan per Member.....	1,048 86
Share Capital Subscribed.....	219,600 00
Capital paid up.....	130,928 32
Common Sinking Fund.....	28,599 96

Mr. TOMPKINS: Now, I was particularly interested in trying to ascertain the experience with regard to losses, and under date of March 14, 1930, the Deputy Provincial Treasurer supplied a memorandum as follows:

Up to date, the province has not been called upon to implement its guarantee in respect of losses.

The amount of ascertained losses is \$6,287.83, which has been paid out of the Share Capital of the societies incurring the losses.

There is some difficulty in estimating losses that may have to be met in the near future. A good crop in 1930 would avert several probable losses, whereas a bad crop would increase the losses.

A recent survey by the Supervisor indicated a probable loss of between thirty and forty thousand dollars.

There are however, sufficient funds in the Sinking Fund, in the Societies' Share Capital Account, and the Societies' Reserve Account to meet these losses in full.

Mr. IRVINE: What is the date?

Mr. TOMPKINS: March 14, 1930. I do not believe they have reached the stage where they can arrive more correctly at what the situation has been in this respect. As to the cost of administration of the Act in Alberta, I obtained certain figures, which I think also might be put on the record.

In reply to an enquiry directed to the Deputy Provincial Treasurer a year ago, as a result of newspaper comment upon proceedings of the Public Accounts Committee, I was advised under date of March 28th as follows:—

It is true the Co-operative Credit Societies have been under investigation in the Public Accounts Committee, but the investigation was the result of one of our Supervisors having loaned money on land contrary to the provisions of our Act. This transaction did not involve any loss up to the present, and if there is any loss it will be trifling. The facts I have given you are correct.

The losses you mention in connection with Seed Grain and Relief were made under the Seed Grain and Relief Act, and have nothing to do with the Co-operative Credit Act. The Seed Grain and Relief Act, which was in operation over ten years ago has nothing to do with Farm Loans or or any other kind of loan credit.

Briefly, from the beginning until the end of 1929, the total expenses run into \$82,820.08.

Year	Total Expenses
1920.. . . . .	\$ 4,139 43
1921.. . . . .	8,695 11
1922.. . . . .	11,170 58
1923.. . . . .	9,094 65
1924.. . . . .	11,269 32
1925.. . . . .	9,833 49
1926.. . . . .	9,459 12
1927-8.. . . . .	10,651 77
1928-9.. . . . .	8,506 61
Total.. . . . .	\$82,820 08

Mr. SPENCER: To what percentage does that work out?

Mr. TOMPKINS: I have not worked out the percentage: that could easily be worked out by taking the table. It gives the amount each year.

Mr. LAWSON: Eighty thousand is the amount.

Mr. GAGNON: Two thousand dollars a year.

Mr. LAWSON: The average would be higher than that. Pardon me, before Mr. Tompkins leaves Alberta, do I understand that one can only get the company's guarantee provided one is a member, and one must, in order to be a

member of a co-operative society, subscribe to a minimum of \$1,500? You must be a subscriber in advance?

Mr. TOMPKINS: The subscription is a nominal amount of—

Mr. GAGNON: What is the amount they have to subscribe?

Mr. LAWSON: A minimum of \$1,500.

Mr. TOMPKINS: I said the society can only be organized on condition that not less than 15 persons subscribe for stock in the society at a par value of not less than \$1,500 each.

Mr. LAWSON: One hundred dollars each.

Mr. TOMPKINS: Of which one-quarter must be paid in cash and the balance in subscribers' notes.

Now we come to the Manitoba Act, and, for the sake of brevity, I may say it deals along lines very similar to the Alberta Act. There are differences, here and there. For example, in the first place, these advances are granted under the Rural Credit Act.

Mr. IRVINE: May I suggest here, Mr. Tompkins, that you put the whole thing on record and give us comments on the differences?

Mr. TOMPKINS: I think, probably, the simplest plan would be, if the Committee desires it, to put on record the whole information I have with regard to Manitoba, and let it stand itself as a comparison. It is all there. It is readily seen what the differences are, on examination of the whole.

Mr. LAWSON: Put it all in.

Mr. LUCAS: Give us the rate of interest in Manitoba.

Mr. TOMPKINS: I was just about to deal with that.

## MANITOBA

### ORGANIZATION AND OPERATION

#### *The Rural Credits Act*

This Act, which dates from 1917, authorizes the organization of Rural Credit Societies upon petition to the Lieutenant Governor in Council of not less than fifteen persons engaged in or proposing to engage in agriculture. A society is not permitted to commence business until it has received subscriptions from at least 35 persons to an amount of not less than \$100 each, upon which not less than 25 per cent has been paid. The Provincial Government is authorized to subscribe an amount equal to one-half of the total amount subscribed by individual shareholders and any municipal corporation or combination of two or more municipalities may also subscribe an amount equal to that subscribed by the Provincial Government.

The management of each society is vested in a board of directors composed of nine members, three of which are elected annually by the individual subscribers, three appointed by the municipalities subscribing to the capital stock and three named by the Lieutenant Governor in Council, such directors serving for the terms stipulated in Section 15 of the Act.

The objects of the societies, as laid down by Section 22 of the Act are: (1) to procure short term loans for members for the purposes expressly described; (2) to act as agents for the members in purchasing certain goods, supplies, etc., in selling the products of members and in placing fire, hail and life insurance, and (3) to promote co-operation for the improvement of conditions of farm life throughout the district.

interest rate under Section 33 is not to exceed 7 per cent, of which one-seventh goes to the local society for the purpose of its business.

Funds were secured through the chartered banks, for the first few years that the Act was in operation. Eventually, however, the banks stated that they were unwilling to continue to loan to Rural Credit Societies at the rate of 6 per cent provided by the Act. Negotiations looking to a compromise on some satisfactory basis were unsuccessful and the Government finally undertook to furnish the different societies with funds direct from the Consolidated Revenue Fund. The Act was accordingly amended, authorizing such advances up to a total of \$3,000,000.

An act was also passed authorizing the establishment of Provincial Savings Offices to receive savings deposits direct from the public.

The Act provides that loans which are duly approved shall be made to members upon notes signed by the borrower and endorsed on behalf of the society. All such loans terminate on 31st December of the year in which the loan is made, but application for renewal for a further period of one year is admissible under certain circumstances. Any goods, live stock, machinery, etc., purchased with the proceeds of a loan, or any products produced as a result thereof, are subject to lien or charge securing repayment. There is also provision whereby additional security can be taken.

The Act originally did not place a limit on borrowings to any one person, the result being that some received unduly large loans. By an amendment which became applicable to loans granted after 20th April, 1923, individual borrowings were limited to \$2,000.

Mr. SPENCER: Can you tell me, Mr. Tompkins, if the banks lost any money on the 6% loans?

Mr. TOMPKINS: I hardly think they did, because the loans were guaranteed loans.

Mr. SPENCER: I have here a letter from a Mr. McWilliam and he says "as long as the banks and the societies and the government were working together from 1916 to 1920, everything went beautifully," and as far as he knew, "there were no losses, everything was successful, and then the banks complained and wanted more interest, and they did not get it, and then they withdrew." He says in this letter he does not think that "the banks lost any money at all."

Mr. TOMPKINS: I am not fully familiar with the conditions existing at that time or the point of discussion between the banks and the government. It will be something you will have to get from somebody who knew more about it.

Mr. GANONG: I think the banks worked it out, how much it cost them, and I think the record is complete. Probably the banks could not make it pay.

Mr. TOMPKINS: I fancy also—I do not cite this as an actual fact—but I fancy there was some question as to the management of these societies themselves in Manitoba. In getting information from the Deputy Provincial Treasurer in Manitoba, he forwarded me a report dated February 8th, 1923, upon an investigation of the work of the Rural Credit Societies, which report was made by Professor W. T. Jackman of the University of Toronto and Mr. Francis J. Collyer, a member of the Board of Trustees of the Province of Manitoba Savings Office. I think several members may recall this report. It was very critical of the general administration of the business of the societies and indicated the possibility of a large loss, which is reflected in the following figures quoted by the Deputy Provincial Treasurer, the result of a report which was not made public.



Under date of March 20th, 1930, the Deputy Provincial Treasurer advised:

1. 74 Rural Credit Societies were formed in Manitoba.
2. These 74 societies are still in operation but 56 of them are under administration, which is to say that the affairs of these 56 societies are managed from central office by the "Supervisor" and are no longer managed by local directors.
3. Some 9,500 loans, totalling some \$10,000,000 (round figures) were made, but no record has been kept of the loans declined. These figures covered the loans actually made but, in many cases, there was simply a new loan to replace the old, and at no time did the total principal of loans outstanding exceed \$3,000,000.
4. There are now 1,695 loans outstanding, for principal \$1,112,501.05 and for interest \$156,674.45.
5. An investigation was made of all these loans and the report was brought down in December 1928. As a result of the recommendations there was written off as loss for principal \$759,276.49 and for interest \$349,707.29. This report was not published as it covered the detail of each loan but the total figures are shown in the Public Accounts for the year ended April 30th, 1929.

About a year ago I asked the Deputy Provincial Treasurer of Manitoba to furnish me with the total approximate cost to the province of administration of the Rural Credits Act from its inception to date. His reply was: "Administrative cost from inception to date \$299,000."

Mr. GANONG: The cost to the province?

Mr. TOMPKINS: To the province.

Mr. GANONG: They did not get that back from the association?

Mr. TOMPKINS: No, no.

Under date of March 10, 1931, the Deputy Provincial Treasurer referred me to a speech delivered by Premier Bracken on his last budget in the Manitoba Legislature. It is very brief, and, perhaps, I may read it, or I can put it into the record.

Mr. SPENCER: If it is brief, read it.

Mr. TOMPKINS:

#### *Rural Credits*

There has been no marked change with respect to Rural Credits during the year. As was to be expected, collections were not so good as a year ago, but quite as satisfactory as the circumstances permitted. The amalgamation, for collection purposes, of this and other collection departments with the Farm Loans Organization, which took place during the year, will result in a more efficient service for each.

The total amount outstanding for principal at April 30th, 1929, was \$1,152,143.60. The total amount outstanding at April 30th, 1930, was \$1,114,738.48. The total of all collections made during the fiscal year was \$98,768.12, which compares with a total of \$158,295.40 collected in the previous 12 months. Of these collections \$55,166.25 was for principal. The total principal amount of loans made during the fiscal year ended April 30th, 1930, was \$17,761.63, of which there has been repaid \$6,151.50.

In the period in question there has been no change in the number of societies, which remains at 74. In that period three more societies requested that they be placed under administration, that is to say, under management from head office, and this was done, so that at April

30th there were 56 societies under administration and 18 were continuing under their own management.

Since May 1st, 1930, 16 of these societies requested that they be placed under administration, and this has been brought about, so that at this date there are 72 societies being managed from head office and only two continue under their own management. These remaining two societies are Elkhorn and Waskada.

That ends the quotation from Premier Bracken's address.

Short term loans are made in Ontario under the Ontario Farm Loans Act, which was assented to on May 3rd, 1921. I think by reason of its similarity with these other acts I may put in the gist of the information with regard to its formation, etc, without reading it.

## ONTARIO

### ORGANIZATION AND OPERATION

#### *The Ontario Farm Loans Act*

This Act was assented to on May 3rd, 1921, and came into operation in the latter part of that year. The system is administered under the Agricultural Development Board, which is also charged with the administration of the Long Term Loans scheme.

Provision is made for the formation of Farm Loan Associations by thirty or more farmers resident within a certain territory. These farmers must each purchase one share of stock in the association of a par value of \$100, of which 10 per cent must be paid up, the balance remaining on call. One or more local municipalities may then subscribe for stock to the extent of one-half of that subscribed for by individual farmers. The Ontario Government is then called upon to subscribe for an amount equal to the subscription of the municipality or municipalities. This means that there would be a minimum total of \$6,000 subscribed capital, of which \$600 would be paid up.

The association is controlled by a board of seven directors, the President, Vice-President and one director being elected by the farmers, and the municipal council or councils and the Provincial Government appointing two each.

The objects of the associations are to procure short term loans for the specific purposes mentioned in Section 25 of the Act. No loan to any member shall exceed \$2,000. The loans are guaranteed by the respective associations but the responsibility under such guarantee is restricted to the amount of subscribed capital. No loan shall be granted to mature later than December 31 in any year, but may be renewed for justifiable reasons for a further period not later than one year after the maturity of the previous loan. Any good, live stock, machinery, etc., purchased with the proceeds of a loan are subject to a lien for the amount thereof to secure repayment. There are also provisions whereby additional security can be taken.

The maximum rate of interest payable under the Act is 7 per cent, one-seventh of which goes to the association for expenses and other purposes, as set out in Section 45 of the Act. It is understood that the rate actually charged at present is  $6\frac{1}{2}$  per cent. The Act provides that funds may be supplied through the Province guaranteeing loans with the chartered banks or other corporations, or that the government may loan money to such associations direct. In actual practice the latter method is understood to have been followed.

Ontario, as is well known, operates Provincial Savings Offices, from which source funds are largely supplied for both their long and short term agricultural credits.

In connection with this question generally, attention is directed to the evidence given before the special committee on agricultural conditions on May 3, 1923, by Mr. A. G. Farrow, then chairman of the Agricultural Development Board of Ontario. At that time, however, the scheme had been in operation for less than two years.

Coming down to the extent of facilities granted, I have also been furnished with the names of the associations, the number of borrowers in each, and the loans outstanding, and that can go into the record. The loans outstanding, as at October 31, 1929, were \$133,999.68, and, without being given any exact figures, I was told there had not been any material change at the end of October, 1930, that is, the end of the fiscal year 1930.

Mr. LUCAS: The total amount?

Mr. TOMPKINS: The total amount outstanding. Fourteen Farm Loan Associations were in operation and had loans outstanding, at that date, as follows:

Name of association	No. of borrowers	Loans outstanding
Balfour-Rayside.....	11	\$ 2,662 26
Cosby-Martland.....	2	295 00
Ekfird.....	17	9,971 00
Glanford.....	3	962 33
Howard.....	12	5,247 66
Mosa.....	19	11,553 86
Nassagaweya.....	21	8,780 95
Nelson.....	18	13,925 00
North-Grimsby.....	28	20,469 33
Roxborough.....	6	3,692 95
Sault Ste. Marie.....	13	3,850 00
Seneca.....	7	2,400 00
Toronto.....	23	17,190 00
Trafalgar.....	43	32,999 34
	223	\$133,999 68

In submitting the foregoing statement the chairman of the Board remarked that a few associations had been wound up by reason of lack of activity, and that the tendency of loans had been downward, the maximum having been in the neighbourhood of \$300/350,000. He further remarked that "it is evident. . . that these associations have never been a very important part of the credit machinery of the farmers of the Province."

Mr. LUCAS: What was the rate of interest?

Mr. TOMPKINS: Five and a half per cent in Ontario—one moment,—no, I am wrong, the rate charged at present is six and a half per cent, to the farmers.

Mr. GANONG: Direct to the government or to the bank?

Mr. TOMPKINS: Direct from the government, I believe, because they have taken the provincial savings in Ontario as well as in Manitoba, I suppose.

The CHAIRMAN: What was the cost—

Mr. TOMPKINS: The cost of administration? The chairman of the agricultural credit board, under whom administration of this act is carried out, told

me it would not be possible to separate the cost of administering the short term loan scheme from the long term scheme, but obviously the cost of the short term scheme would be very much smaller on account of the fact that the volume is so small.

Mr. SPENCER: They use money from the savings bank for both schemes?

Mr. TOMPKINS: Yes.

Now, in Quebec—

Mr. SPENCER: Before you come to that, you are giving us the rate they charge for the short term, can you give us the rate for a long term?

Mr. TOMPKINS: I was not talking of long term; I would not like to say off-hand.

Mr. GAGNON: Five and a half per cent.

Mr. TOMPKINS: In Quebec they have what is called "Caisses Populaires," that is, "People's Banks." Several members both last year and this year expressed a desire to have some information with regard to these, and I have obtained all that seems possible.

Mr. IRVINE: Is that the same institution that was mentioned at the last meeting?

Can we obtain anyone to give evidence directly on that point?

The CHAIRMAN: If the committee wishes.

Mr. TOMPKINS: I will be very glad to put in the information I have. I may say the information I have has been obtained partly from reference to the Quebec Statistical Year Book, and by further reference to the statistical officials in Quebec.

## QUEBEC

### HISTORY, ORGANIZATION AND OPERATION

#### *Caisses Populaires (Co-operative People's Banks)*

These are dealt with in Dr. Tory's "Report on Agricultural Credit" of 1924, from which the following passages are quoted:—

The first successful effort to introduce the principle of the small bank for rural purposes in Canada was made in the Province of Quebec. The late M. Alphonse Desjardins, a resident of the town of Levis, after a careful study of the systems of small banks in operation in Europe, decided to introduce into Quebec a system of "People's Banks", the "Caisses Populaires" after the model of the "People's Banks" in Italy.

The first bank was organized under the scheme on December 6th, 1900, in the town of Levis.

The conditions making possible the success of such a scheme were present in the Province of Quebec as in no other province in Canada. The social, racial and religious unity that exists there made it easy for groups of people to co-operate on a common idea.

These banks are not strictly rural institutions, that is to say, they admit to membership persons who are other than farmers, but, in reality, they work out to be more largely in the interest of farmers than any other class, because of the high percentage of farmers composing the membership. While they do not specially aim to do mortgage business, loans are made on first mortgage on immovable property. In addition, they make loans to their members on personal security.

It is a matter of record that between the years 1907 and 1914 attempts were made on no less than six occasions to bring these or similar co-operative institutions under an Act of the Parliament of Canada. For

one reason or another all bills introduced failed of enactment. It is interesting to quote from the debates of 1910 and 1911, vol. 1, pp. 1303 and 1314, the following passages from remarks of the late Mr. F. D. Monk:—

There is this limitation, that the only depositors in the funds of the society are the members themselves. That is the rule that obtains in co-operative societies all over the world. The Bankers' Association declared, when this proviso was inserted in the Bill, that they had no objection whatever to the incorporation, if the taking of deposits and the making of loans were restricted to the members themselves.

The Minister of Finance (Mr. Fielding) submitted this Bill to the Bankers' Association, with the result that he was satisfied when it came before the Banking Committee".

The following information from the Statistical Year Book of Quebec, 1930, p. 434, explains the status, objects and operation of these institutions:—

The Co-operative People's Banks are organized and operate under the Quebec Syndicates' Act, 1906 (now Co-operative Syndicates' Act of Quebec, R.S.P.Q. 1925, Vol. 3, ch. 254).

The transactions of these banks are those of a mutual company, owing to the fact they generally loan only to their shareholders; these have the right of making deposits over and above the amount of their shares. This dual privilege makes them a savings and credit institution. They are a popular credit available to agricultural and industrial classes. The shares are generally fixed at \$5, which may be paid in instalments. Both shares and deposits may be withdrawn on demand. The liability of each shareholder is limited to suscription which generally does not exceed \$2,000 per shareholder.

Shareholders and borrowers must reside within the area of the bank's field of operations; the by-laws may, nevertheless, allow shareholders who move their residence elsewhere to continue their holdings in the bank without, however, allowing them to hold any office. The larger loans are made upon first mortgage and the smaller ones upon notes. A portion of the loan, capital and interest, must be repaid at fixed periods in such a way as to extinguish the debt within a determinate time.

These banks are managed by three committees: the Board of Management, composed of at least five members, but more often nine, has charge of the general direction of the Bank; the Commission of Credit is composed of at least three members, ordinarily of four, its duty consists in examining, approving or rejecting loans asked by shareholders; the Board of Supervision composed of three members examines and audits the accounts, verifies the value of loans and securities required, etc. These services are gratuitous but the manager may be indemnified. Under the present law, the Board of Supervision must have the operations of the banks audited by an accountant, member of an organized federation. This audit is made at the expense of the syndicate if it is not already affiliated to a federation. If requested by a federation, a Board of management or supervision, by 25 members or by two thirds of the members if there are less than 25, the Treasurer of the Province may order such audit to be made".

## EXTENT OF OPERATIONS

The following comparative figures showing the progress of the Caisses Populaires as at December 31st in each year indicated are of interest:—

	1915	1920	1925	1929
No. of Banks which sent reports.....	91	100	122	178
No. of Members.....	23,614	31,029	33,279	44,835
No. of Depositors.....	13,696	26,238	33,527	44,685
No. of Borrowers.....	6,728	9,213	9,384	13,553
No. of Loans granted.....	9,095	15,297	13,794	17,994
	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Amount of Loans granted.....	*1,549,759 82	4,272,584 99	3,919,960 84	4,249,650 00
Gross Profits realized.....	99,393 80	311,322 99	449,530 96	645,616 00
Loans Outstanding.....	†1,684,651 01	5,181,391 69	7,087,211 83	10,314,622 03
Deposits.....	1,141,528 34	4,558,053 24	5,790,951 77	8,090,614 45
Capital Stock.....	715,335 59	1,199,170 40	1,534,051 25	1,850,541 54
Reserve and Provident Funds.....	68,337 06	252,627 35	604,381 97	960,667 09
Profits and Initiation tax.....	91,433 51	249,258 24	241,897 71	294,993 08

\*Would appear to include renewals.

†This total evidently includes loans of every character; for example it is noted from statistics that during the year 1929 loans were granted on notes to the extent of \$2,517,750, on mortgages \$1,133,660 and on debentures \$598,231.

From the foregoing and figures previously observed it would appear that a substantial portion of loans are granted against mortgages and debentures or long term securities. It would accordingly seem that the institutions are fulfilling only to a limited extent the role of intermediate credit banks as that expression has come to be used in connection with farming operations.

## INTEREST RATES

The statistics show that the rates of interest paid on deposits vary from a minimum of 3% to a maximum of 5%, although 3 and 4% appear to be the more common rates. There is no statistical indication of the rates charged on loans, but a communication from the Bureau of Statistics, Department of Municipal Affairs, Quebec, gives me the following information:

As far as I can ascertain, the interest rate charged borrowers from the People's Banks varies from 5 per cent to 8 per cent—ordinarily 6 per cent or 7 per cent,—according to the duration and amount of the loan and the borrower's solvability. The larger notes are made upon mortgages and the smaller ones upon notes. The borrowers are allowed to reimburse their loan by weekly or monthly payments, and after a payment has been made, interest is charged on the amount outstanding only.

In endeavouring some time ago to obtain statistical data with reference to the number of institutions which had been liquidated, resultant losses, etc. I obtained the following report from the Provincial Statistician:—

It was in 1915 that the returns from these banks were collected for the first time and from that year to 1928 fifty of these institutions have liquidated. In some instances, liquidation was due to the insufficient number of members or the fact that they were making no transactions. As to the amount of losses met with, we have absolutely no information owing, as you are aware, to the absence of Government inspection.

During the 1930 session of the Provincial legislature, an attempt was made to enact legislation providing for inspection by the Government. A debate upon the measure indicated that a considerable number of the institutions were opposed to government inspection, while others desired it. The law, as passed, did not make inspection compulsory. It will simply be made effective when desired by any particular institutions themselves.

Mr. IRVINE: That does not appear to me to be a very satisfactory system.

Mr. TOMPKINS: These institutions are operated under Quebec statute; they do not come under our Dominion statutes at all; they are operated under what is called the Co-operative Syndicates Act of Quebec.

Mr. GAGNON: Does it show the nature of the operations?

Mr. TOMPKINS: I have figures here from the Quebec year book showing considerable figures for the years 1915, 1920, 1925 and 1929, that is practically every five year period, showing the number of institutions, the institution members, the numbers of depositors, borrowers, the amount of deposits, the amount of loans, etc. I may say this, the figures I have here, and which I have shown, in regard to the record as to the amount of loans, I think include loans of every character, and I am reliably informed that these institutions grant loans against mortgages or debentures to a large extent; that is to say they are long term loans and they are not essentially short term credit institutions. In fact, they fulfill the function of a short term or intermediate institution only to a very limited extent for that reason. For example, during the year 1929, loans were granted on notes, to the extent of \$2,517,750; on mortgages, to the extent of \$1,133,669 and, on debentures, \$598,231, and I think these figures include renewals during the year as well. I do not think they are all new loans. I say these statistics that are obtainable, such as they are, are not entirely complete and they are obtained from the returns which the institutions make to the Quebec statistical department; and, as the statistician has told me, owing to the absence of inspection, they had no data whatever with regard to the experience of losses on loans made.

Mr. GAGNON: These are rural credits?

Mr. TOMPKINS: These are very largely rural credits, I believe; Mr. Gagnon, correct me if I am wrong. I believe these institutions are preponderantly throughout the country districts.

Mr. GAGNON: In the districts, and there are a large number in the city of Montreal, too. There are three in Ottawa, also.

Mr. TOMPKINS: I think it is correct to say, is it not, that the largest percentage is in the country?

Mr. GAGNON: Yes.

Mr. TOMPKINS: There is no statistical information as to the rate of interest charged, but I am informed that it runs from six to eight per cent.

Mr. GAGNON: Usually six.

Mr. TOMPKINS: Maybe, but I was told that the general portion runs from six to eight. It may be six, or six and a half, or seven, that is my information. That practically completes what I have to say.

With regard to British Columbia, I sent a message, last year, to the Provincial Minister of Agriculture which I might read: "Would you kindly have proper official outline by letter present operation Agricultural Act and Land Settlement Development Act with respect shorter term loans only and past experience of province in administration of these particular loans. Have there been any notable changes in acts or regulations or general policy since Tory report of 1924 to Federal Minister of Finance on agricultural credit?"

This is the reply I received: "Is your inquiry of thirteenth instant relative to short dated farm loans three to ten years under section 30 Land Settlement and Development Act? This province has discontinued agricultural loans. Never had any short term credit scheme on security crops or chattels."

Subsequently I obtained a rough idea of the extent to which three to ten year loans were made under the Land Settlement Act and it appeared that a total of 542 loans had been made, aggregating approximately \$600,000, of which about one-half represented by 257 individual transactions had been repaid in full. Of course, that scheme is in no way comparable to the short term or intermediate credit scheme, and it has had a very limited application, in any event. The other provinces, New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan—

Mr. SPENCER: What was their rate of interest?

Mr. TOMPKINS: I think their interest ran from six to seven per cent. I was not particularly interested in going into the details when I found out the term of the loan was from three to ten years; they had no similarity to the other provinces in that way.

So far as I know New Brunswick, Nova Scotia, Prince Edward Island and Saskatchewan have nothing in the way of a short term or intermediate credit scheme in operation. That concludes the story, so far as the provinces are concerned.

The CHAIRMAN: Thank you, Mr. Tompkins.

Mr. IRVINE: I think Mr. Tompkins has gone to a good deal of trouble in doing this research work and presenting it to the members of the committee. I wish to move a very hearty vote of thanks to Mr. Tompkins.

Mr. TOMPKINS: Thank you very much, Mr. Chairman.

The CHAIRMAN: Now, gentlemen, that is all the discussion and evidence I provided for this morning. If there is any other person whom you would like to hear, I am sure we will be only too glad to get him for you. Mr. Beatty suggested Mr. Jaffray would come, if you wanted him, and outline what Mr. Beatty himself outlined in connection with the intermediate credits—

Mr. IRVINE: I think Mr. Beatty gave us a very comprehensive view of what is intended.

Mr. GAGNON: In regard to the operation of the Credit Associations in the Province of Quebec, I would refer you to some documents, which may be obtained from the Library under the title "Canadian Pamphlets." There is a very interesting study by Mr. Hector MacPherson under the title Co-operative Credit Associations in the Province of Quebec, and there is another one, "Rural Credits in Canada" by W. T. Jackman, and there is another one by Alphonse Desjardins, entitled "The Co-operative People's Bank" (La Caisse Populaire). These pamphlets give one a good deal of information about the nature of the institutions in Quebec.

Now, besides that, there was a bill presented on that system in the House and I have some information which I would like to give. This bill, introduced by Mr. Meighen, dealt with the industrial and co-operative societies. After being introduced by Mr. Meighen, it was afterwards taken up by Mr. Lemieux, and was thoroughly discussed in Committee, and a great number of people gave evidence before that Committee, Lord Grey who was at the time Governor General, Sir George Perley, and a great number of prominent men gave evidence before the committee.

Mr. IRVINE: You refer to legislation in regard to the Quebec system?

Mr. GAGNON: Yes. It was not exactly the same bill, but another bill along the same line. I would refer you to the debates and to the report of the com-



mittee, from which you can get the necessary information. Afterwards this bill of Mr. Lemieux's was defeated in the Senate by one vote at the end of the session. It was taken up a few years afterwards in 1912, by Mr. Monk, who was the Solicitor General. The bill was read a second time on December 14th, and you will find it referred to in Hansard in 1910-1911, volume one, page 1302. You can get the information in the statute books of 1906, 1908, 1910, 1913 and 1914.

Mr. TOMPKINS: I may say, Mr. Gagnon, I was particularly interested in reading those debates myself; I turned them up and I ran through the whole thing for my own information. It is not included here. I have it separately in my records. (See Appendix to Minutes of Evidence.)

Mr. GANONG: If it is in shape to be put in the record, I should like it included.

Mr. SPENCER: I made a statement the other day outlining the necessity of some intermediate system of credits to farmers. I said that the farmers were getting credit from two to six months and the Chairman asked me if I could prove that and I said I would be very glad to do it.

The CHAIRMAN: I do not think I asked for proof; I asked you to repeat it.

Mr. SPENCER: Whatever you said, sir. I have in my hand a statement from Saskatchewan. Several questionnaires were sent over throughout province from the organization to the farmers and these figures are all interesting. From one point they say they get loans for six months; from one, four months, three, three to four months; eight, three to four months, one, two to four months; one, one to three months; three, one to three months, and 52, two to four months. The figures for Alberta are very similar.

Mr. GANONG: This is entirely new to me, the subject of intermediate or part time credits. Can you explain to me what is meant by "intermediate credits?"

The CHAIRMAN: I think I will ask Mr. Lucas to explain just what he has in mind.

Mr. LUCAS: Mr. Chairman, I gave an outline at the beginning of this discussion. My idea of intermediate credits is, first we have our bank loans. The usual bank loan is three months, which is sometimes extended or can be extended. Then we have the long term mortgage loan, which runs over a period of five to 34 years. Now, in between that there is a gap and we are trying to get just what Mr. Beatty outlined this morning for the development of live stock. A three months loan is not of any particular benefit to a farmer who produces live stock. By the time this three months loan is due, his live stock may not be developed to the extent to go on the market, and if the bank decided to call the loan, he is forced to throw his live stock on the market to repay his loan. My idea of intermediate credits is to get something to fill in the gap between our bank system and the long term loan. The period of an intermediate credit is supposed to be from six months to three years.

After discussion on the calling of further witnesses and the formation of a subcommittee, the committee adjourned to meet again at the call of the chair.

## APPENDIX TO MINUTES OF EVIDENCE

## CAISSES POPULAIRES

In connection with the attempt some years ago to have the Parliament of Canada pass an Act governing the operation of these institutions, I have gone back to the House of Commons Debates of 1907-08 and find that during that session and subsequently, Bills were introduced on no less than six occasions, but for one reason or another failed of enactment. These Bills were as follows:

Bill No. 2 (1906-07)—“An Act respecting Industrial and Co-operative Societies”;

Bill No. 5 (1907-08)—An Act respecting Co-operation, (Mr. F. D. Monk). Subsequently transferred to Government Orders.

Bill No. 26 (1909-10)—“An Act respecting Co-operative Credit Societies” (Mr. F. D. Monk).

Bill No. 11 (1910-11)—“An Act respecting Co-operative Credit Societies” (Mr. F. D. Monk).

Bill No. 189 (1912-13)—“An Act respecting Co-operative Credit Societies” (Mr. Arthur Meighen);

Bill No. 194 (1914)—“An Act respecting Co-operative Credit Societies” (Mr. Arthur Meighen).

Extracts from Debates of House of Commons:

Session 1907-08. Mr. F. D. Monk. Vol. I, pp. 92-93.

Session 1907-08. Hon. Rodolphe Lemieux. Vol. III, pp. 4547-4555.

Session 1907-08. Mr. F. D. Monk. Vol. III, pp. 4560-4561.

The Bill subsequently was read the third time and passed, but was rejected by the Senate, on July 15, 1908, on a vote of 18 for, 19 against.

Session 1909. Mr. F. D. Monk. Vol. II, pp. 2328-2329;

Session 1909. Hon. Rodolphe Lemieux. Vol. II, p. 2332;

Session 1909-10. Mr. F. D. Monk. Vol. I, p. 340;

Session 1910-11. Mr. F. D. Monk. Vol. I, p. 195;

Session 1910-11. Mr. F. D. Monk. Vol. I, p. 1303;

Session 1910-11. Mr. F. D. Monk. Vol. I, p. 1314.

None of the Bills introduced after No. 5 in the session of 1907-08 appear to have reached their final stages in the House of Commons.

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 429.

FRIDAY, JUNE 26, 1931.

The Select Standing Committee on Banking and Commerce met at 11 o'clock a.m., the Chairman, Mr. Robert C. Matthews in the Chair.

Order of Reference: Re Intermediate Credits for Agriculture.

The CHAIRMAN: We are pleased to have with us to-day as one of our witnesses Mr. Eugene Poirier, N.P., of Baron & Poirier, Notaries, Montreal. Mr. Poirier is President of Caisse Populaires, Ste. Cecile of Montreal, and President of Montreal District, Peoples Savings Bank. I have much pleasure in calling on Mr. Poirier who will address us in English.

Mr. POIRIER: Mr. Chairman, and gentlemen, I will try to give you an explanation of the operation of the Peoples' Savings Bank of the Province of Quebec. In the Province of Quebec there are 178 Peoples' Savings Banks which, since 1915 to 1930 have received as deposits \$132,054,537, and have paid out in the same period, \$124,751,639 and have now deposits of approximately \$9,000,000. The Peoples' Savings Banks are operating in virtue of the Co-operative Syndicates Act which was adopted by the Legislature of Quebec, in 1905. The first Peoples' Savings Bank commenced its operation in 1900, thirty years ago. If you want to follow me as I proceed, I will refer you to our pamphlet at page 25, where it says, "the Co-operative Syndicates are instituted for credit," and the nature of those associations is dealt with in the third clause. "Such Syndicate, or association shall be of the nature of a joint stock company, the responsibility of its members or the shareholders being limited to the amount of their respective shares."

But I will call your attention to two facts: "whatever may be the number of his shares," each shareholder may have only one vote—to protect the control of the association. A member who has subscribed shares in the capital stock of the company and who wants to withdraw from the association has the right to withdraw by sending a letter to the association, and the corporation is obliged to give him back the money subscribed, less the membership fee.

Mr. LAWSON: And without any accumulation of profit?

Mr. POIRIER: No, because the profit has been distributed every year.

Mr. LAWSON: In proportion to the number of shares held?

Mr. POIRIER: Yes, I now refer you to page 26, clause 6: "the object of the association shall be to study, protect and defend the economic interest" of its associates—I am reading from the sixth line—"open up credits for them and make loans to them." Now I am speaking of the Peoples' Savings Bank operating in the City of Montreal. Clause 8: "at least twelve members shall be required to constitute a co-operative association under this Act."

Mr. SPENCER: What constitutes an association?

Mr. LAWSON: That is a French interpretation for persons; it means twelve persons.

Mr. POIRIER: Yes, twelve persons. I now refer you to clause 9: "The amount of each share in the association shall be fixed by the by-laws, but shall not be less than \$1." Usually, in the Province of Quebec, the amount of a share is fixed at \$5.

Clause 12: "The association shall be constituted by a memorandum, in accordance with form 1, signed in duplicate . . . ." One is sent to the secretary or clerk's office in the city. There is no formality about it, and there are no legal fees. Then the corporation is constituted, but the association is managed by three different committees. Clause 15: "Board of Management: the association shall be managed by a Board known as 'the Board of Management' composed of at least five members." The directors have the responsibility for the management of the affairs of the association, but they have no control of the money of the association; the directors have no right or authority and no power to grant a loan. There is a second committee composed of three members. This committee has authority to supervise all the matters and the affairs of the corporation. There is a third committee, which is the most important committee of the association, the committee on loans and credits. This committee is composed of three members elected at a joint meeting of the shareholders, and those three members have the authority to examine the applications filed for loans. If one of the three does not give his consent it is impossible for the committee to grant a loan; there should be unanimous consent. Suppose a member has filed an application in this committee to get a loan, and it is not satisfactory, he may appeal to the Board of Management, but the Board of Management has not the authority to grant a loan. This Board may examine the applications and then discuss them with the committee on loans, but members constituting the committee of audit or the committee of loans are in no way responsible for anything due to the association. It means that it is impossible for them to borrow money or to endorse for other people.

Mr. LAWSON: May a man be a member of more than one committee?

Mr. POIRIER: Usually one committee.

Mr. GAGNON: You said, as I understood you, that the members of the committee had no right to borrow money?

Mr. POIRIER: Except the members composing the Board of Management.

Mr. GAGNON: And the members of the Committee on Credit. All the other members have the right to borrow for themselves?

Mr. POIRIER: Right.

Mr. GAGNON: Or to obligate themselves?

Mr. POIRIER: Yes. Article 21: "No member of the Board of Supervisors may directly or indirectly borrow from the association, or become security for any borrower." I draw your attention to the same clause in article 22, page 31, the last line of the paragraph: "the members of such committee shall neither directly nor indirectly borrow from the association nor become security for any borrower."

Now, at the end of the year, the Board of Management examines the affairs of the committee, and then the Board of Management recommends to the shareholders to determine the amount of profits to be paid to the shareholders, after constituting a reserve fund, at least 10 per cent reserved profits. Usually we have two reserve funds, one which we call a reserve fund, and a second which we call a provident fund, and usually, in the Province of Quebec, we put 20 per cent of reserve profits in the reserve fund, and 10 per cent in the provident fund—30 per cent of the net profits, and the balance we distribute as a bonus to the shareholders.

Mr. GAGNON: Every year?

Mr. POIRIER: Every year. Now, this association is mutual; all the profits are paid to its members. The different officers give their services free of charge, excepting the manager who has the right to receive a salary.

Mr. GAGNON: What is the usual salary paid to the manager?

Mr. POIRIER: We have total assets of \$354,000, and we pay our manager \$25 a week. We keep these two funds against eventualities.

Mr. SPENCER: I take it for granted that the manager may run some other business such as his own business, or that he may do other work besides looking after this association?

Mr. LAWSON: Does the work take up his whole time?

Mr. POIRIER: Yes; but in the case of the Caisse Populaires, Ste. Cecile of Montreal, we give the manager the right to issue the insurance policy on the property on which we have any mortgage loans. That gives him something more.

Mr. LAWSON: Perhaps 20 per cent of the premium.

Mr. POIRIER: Last year we loaned \$56,000.

Mr. GAGNON: You spoke of the one savings bank.

Mr. POIRIER: The Caisse Populaires Ste. Cecile of Montreal. We have loaned \$56,000 to 116 different members. We have loaned \$35,000 on mortgage loans for 16 different loans. We have loaned \$12,200 to 57 members on notes with endorsements (see Appendix A). We do not lend \$5 without having the endorsement of another member.

Mr. LAURIN: On three month notes?

Mr. POIRIER: Three month notes with a monthly instalment, and naturally we renew the note, providing the member has paid the monthly instalment.

Mr. SPENCER: You have a guarantee of renewal?

Mr. POIRIER: Yes, the People's Savings Banks belong to the members. It is a mutual affair, and there is no reason to refuse to renew a note.

Mr. LAURIN: You used to have endorsements from other members?

Mr. POIRIER: Just to give a guarantee to the bank.

Mr. LAWSON: Anybody whose credit is accepted by the management?

Mr. POIRIER: We are insisting upon endorsements of notes for this reason: because the People's Savings Bank is operating in a parish, and in the same district where all the people know each other. Suppose Mr. John asked for a loan of \$100, and he is not responsible, we will ask him to get somebody to endorse for him, and suppose that five minutes afterwards Mr. Paul comes in and asks for a loan of \$50, we may not ask for any endorsement. Just to avoid any cause of trouble, everybody is on the same footing. We ask them to get somebody to endorse for them. After having operated for thirteen years—I am speaking now of the Caisse Populaires Ste. Cecile of Montreal—and having done business amounting to \$6,700,000, and last year to \$944,000, we haven't lost one cent.

Mr. LAWSON: What rate of interest do you charge?

Mr. POIRIER: Six per cent.

Mr. GAGNON: The other day Mr. Tompkins stated before this Committee that the interest was between 6 and 8 per cent. Will you state whether it is true that you charge 8 per cent?

Mr. POIRIER: Six per cent.

Mr. LOUCKS: Do you compound that interest every three months?

Mr. POIRIER: Every three months.

Mr. HACKETT: There is no difficulty, because you exact the payment of interest monthly?

Mr. POIRIER: Yes, monthly; and if the member does not pay the monthly instalment, we refuse to renew the note. He will give us \$1 in good faith and we will renew it.

Mr. HACKETT: Let us clear up this question. Take a note of \$100, and a promissory note is evidence of the indebtedness to-day, now when does he pay the interest? Does he pay it on \$100 for three months at 6 per cent? That is \$1.50?

Mr. POIRIER: The interest is calculated so much per day.

Mr. HACKETT: Does he pay that in advance?

Mr. POIRIER: In advance; but if he pays back the money loaned before maturity, we will give back the amount of interest paid.

Now, just to show you the manner in which we are operating, we have made 57 loans on notes with endorsements. I will give you some particulars: one loan of \$20, two loans of \$25, two loans of \$30, one loan of \$40, two loans of \$50, one loan of \$75, thirteen loans of \$100, one loan of \$110, five loans of \$125, three loans of \$150, five loans of \$200, six loans of \$300, two loans of \$350, four loans of \$400, one loan of \$475, and seven of \$500. We cannot make a loan exceeding \$500 by note. This is decided by the shareholders at a general meeting.

Mr. GAGNON: Supposing the shareholders would determine that the limit of loans would be \$1,000 would that be legal?

Mr. POIRIER: Yes.

Mr. GAGNON: It is up to them?

Mr. POIRIER: Yes, it is up to them.

Mr. GAGNON: You are speaking of loans on notes?

Mr. POIRIER: Yes, on notes.

Mr. GAGNON: Have you the same by-laws for loans on mortgages?

Mr. POIRIER: Oh, no.

Mr. LUCAS: What is the limit on mortgage loans?

Mr. POIRIER: 50 to 55 per cent of the value of the property.

Mr. GAGNON: Supposing a farmer has a farm valued at \$5,000, municipal valuation, do I understand that you can loan him \$2,500?

Mr. POIRIER: In some cases we may go up to \$3,000. We have adopted this system; we make a loan for five years with monthly instalments.

Mr. GAGNON: The man who borrows the money can reimburse you every month?

Mr. POIRIER: Yes, every month. He is obliged to pay an instalment every month. After five years, we renew. We have never called a loan.

Mr. LUCAS: That is at 6 per cent interest also?

Mr. POIRIER: Yes.

Mr. LAURIN: Is he obliged to give monthly instalments or pay an instalment twice a year?

Mr. POIRIER: No, we insist upon the payment of monthly instalments, because we want the member to come monthly to the bank.

The CHAIRMAN: That is why you are not making any losses?

Mr. LUCAS: What is the limit of your loan on notes?

Mr. POIRIER: \$500.

Mr. HACKETT: Upon what do you base your appreciation of a man's capacity to pay? You have already said that these are parochial concerns and that all of the members know more about the business of the individual lender than he knows himself, and that he cannot borrow more than he is capable of paying, and he must have an endorser of whose solvency you are certain.

Mr. POIRIER: Yes, all live in the same district. We know all the members very well. As directors we have usually the doctor, the dealer, the notary and such different people; thus we know absolutely the personal history of each member, and that is why we haven't lost a cent. We know our people, and many times we refuse to make any loans, because we know if we are making a loss of \$1 all the parish will know about it.

Mr. DONNELLY: In the case of the man to whom you loan money, do you carry him on?

Mr. POIRIER: I am speaking of the Caisse Populaire of Montreal, because each People's Savings Bank is independent; it is autonomous. We want the borrower to reimburse one-fifth of the loan during the period of five years.

Mr. DONNELLY: One-fifth? Do you mean each year, or in the five years?

Mr. POIRIER: In the five years. We are lending him \$5,000 and we insist upon the borrower reimbursing during that period \$1,000.

Mr. DONNELLY: And all interest?

Mr. POIRIER: And all interest.

Mr. SMOKE: Will you renew the note for more than \$4,000?

Mr. POIRIER: It depends on the circumstances.

Mr. MULLINS: If I borrow \$100 do you give me the hundred dollars, or do you take the interest?

Mr. POIRIER: We take the interest in three months.

Mr. MULLINS: You take the interest out of the \$100?

Mr. POIRIER: Yes.

Mr. MULLINS: You give me \$100 less the interest?

Mr. POIRIER: Yes, at three months, at 6 per cent.

Mr. GAGNON: Will you explain that in the majority of the People's Savings Banks, if you borrow \$100 you will receive a full \$100. In Mr. Poirier's branch in Montreal, they pay the interest first, but as you stated before, if a man reimburses the money borrowed before the expiration of the term, you reimburse to him the interest which has been paid?

Mr. HACKETT: It is not quite accurate to speak of them as branches.

Mr. POIRIER: The Caisse Populaire.

Mr. HACKETT: They are autonomous and separate and distinct from one another.

Mr. POIRIER: Yes.

The CHAIRMAN: Is there any control over the different Caisse Populaires?

Mr. HACKETT: None, except as given by the statutes. They are absolutely separate, just as companies organized under The Companies Act.

Mr. POIRIER: Oh, these Peoples Savings Banks are inspected, because each district has an inspector who makes the inspection of each People's Savings Bank in the district. Last year, 1930, the government of the Province of Quebec adopted a special law to inspect the Peoples' Savings Banks, upon request made by individual Peoples' Savings Banks, and our bank was inspected in May.

Mr. GAGNON: This inspection is free to their shareholders, it is paid for by the government?

Mr. POIRIER: Yes.

Mr. LUCAS: What rate of interest do you pay on your deposits?

Mr. POIRIER: We pay 3 per cent, and on any inactive amounts of at least \$500, we pay 4 per cent.

Mr. LUCAS: A re-loan is given at 6 per cent.

Mr. POIRIER: The loan is at 6 per cent. We pay a dividend of 5½ per cent to the shareholders.

Mr. GAGNON: At the end of the year, you take the profits and divided the balance?

Mr. POIRIER: Yes.

Mr. MULLINS: You must have a low cost of management.

Mr. POIRIER: We have now, I will give you figures in three statements which show the operation. In the 15 years the Peoples' Savings Bank has loaned \$52,000,000 in 17,900 different loans. On this amount of \$52,000,000, \$43,582,000 has been reimbursed leaving a balance unpaid of \$10,000,000.

Mr. GAGNON: Which is fully secured?

Mr. POIRIER: Yes. The second statement: \$2,600,000 has been subscribed through the capital of the different Peoples' Savings Banks, \$1,350,000 has been reimbursed. Remember, I told you that any member has any right to withdraw from the association. That leaves the capital paid at \$1,850,000.

Mr. GAGNON: In one parish a certain number of people applied to become shareholders. When they withdrew other people applied and took their places?

Mr. POIRIER: Yes. And many times they change their residence in which case, naturally, they withdraw their money. We have now 44,000 members.

Mr. LAURIN: Do you mean that a member from another district cannot be a member in your district?

Mr. POIRIER: No.

Mr. SMOKE: You do not lend outside of your own district on securities?

Mr. POIRIER: Usually we do not do that—just in the district where the Caisse Populaire is operating.

Mr. LUCAS: Are these loans all made for agriculture?

Mr. POIRIER: I am speaking for Montreal; Mr. Vaillancourt will speak about agriculture. But it is the same thing. We give credit to the labouring classes. I will give you a sample. We have a member who every year, for ten years, has borrowed during the month of June, between \$40 and \$50 to pay for his coal, and he reimburses one dollar a week until the loan is paid.

Mr. GAGNON: Is it not a fact that the labouring classes in the city have been able to buy houses with the help of the association?

Mr. POIRIER: Yes. On a capital of \$354,000, we loaned \$343,000 on first mortgage loans—on buildings in the parish. The most of them are to labourers. The applications are six months in advance, and the government will advance to our Caisse Populaire \$1,000,000, and that money will be loaned by us. Everybody want to get loans, and we take applications in order of filing.

Mr. GAGNON: You mean to say that you have not got enough money to meet demands for loans?

Mr. POIRIER: Yes. I thank you very much, gentlemen. You will excuse me, I trust, if my explanation was not very clear, but I will ask my friend, Mr. Vaillancourt to complete the matter.

Mr. SPENCER: There are two questions I would like to ask Mr. Poirier. What security do you take for these small loans, outside of the notes assigned by the borrower and his backer?

Mr. POIRIER: The endorsement.

Mr. SPENCER: Just the endorsement?

Mr. POIRIER: Yes. We have first the moral guarantee of this man. Take the case of the man who borrows \$40 to pay his coal bill; we know him, he is a



tailor. We know the place where he works; we know his family, and from a moral point of view he is perfect. We have the endorsement of his father-in-law, who is foreman in a large Montreal concern. We know the family very well. There is absolutely no risk.

Mr. SPENCER: The other question I wanted to ask had regard to inspection. Is the inspector a man employed by the Government, and does he inspect all of these units?

Mr. POIRIER: Just now, there is an inspector appointed by each district of the People's Saving Bank. We have one for the district of Montreal. There is one for the district of Three Rivers, and one for Quebec district. More than that, we are fighting to get compulsory inspection by the Government.

Mr. HACKETT: You have not got that yet?

Mr. GAGNON: The law was passed last year, but it is not compulsory yet.

Mr. POIRIER: It can be done now at our request. Last year, at the general meeting of all the People's Savings Banks, we asked for compulsory inspection by the Government.

Mr. SPENCER: I think you said that you have your own inspector?

Mr. POIRIER: Yes.

Mr. HACKETT: And a Government inspector on request?

Mr. GAGNON: If you will look at the last page of this little book you will find the law passed in 1930. (C. 92—An Act to amend the Quebec Co-operative Syndicates Act, respecting inspection of certain syndicates.)

Mr. POIRIER: The first inspection is made by the members of the committee—those three members who supervise all the business done by the association. The second inspection is made by the inspector of the People's Savings Bank. More than that, we have, on request, inspection free of charge by the Government.

The CHAIRMAN: There are two statements which were referred to by Mr. Poirier in his evidence, one on credits and dated April 30th, 1931; and the other a summary of the operations of the Caisses Populaires, Desjardins. These will be included as appendices to the report. I want to thank you, Mr. Poirier, on behalf of the committee for your very interesting evidence. It was very nice of you to come here and give us this information. I wish to announce to the committee that at the request of the committee last meeting I have appointed a committee to confer with me on further evidence and the scope of the inquiry. I have asked the Hon. Mr. Euler and Mr. Spencer to confer with me on these matters, and they have both consented. Now, we are to hear the evidence of Mr. Vaillancourt.

M. CYRILLE VAILLANCOURT, président de la Fédération des Caisses populaires, de Québec, comparait.

M. VAILLANCOURT: Dans le district de Québec, nous avons une organisation centrale, avec une Caisse centrale, et nous contrôlons 112 caisses. Dans toute la province de Québec il y a 178 caisses, et dans le district de Québec nous contrôlons 112 caisses, c'est-à-dire au delà de 60 p. cent. Nous avons une caisse centrale. Les caisses locales envoient le surplus de leurs fonds à la Caisse centrale qui peut disposer de ces fonds en les transportant aux autres caisses qui en auraient besoin.

Dans le district de Québec, nous prêtons surtout aux cultivateurs. Quarante-vingt-dix pour cent des prêts sont faits aux cultivateurs. C'est donc dire que nous prêtons très peu sur billet. Nous prêtons sur hypothèque. Lorsqu'un cultivateur vient pour emprunter de l'argent d'une caisse, comme M. Poirier l'a expliqué tout à l'heure, nous faisons une enquête pour connaître sa valeur. La première chose que nous considérons, c'est la valeur morale de l'emprunteur; la valeur de la terre passe après.

Si l'emprunteur désire emprunter pour acheter, par exemple, une automobile—je ne parle pas d'un camion dont il pourrait se servir sur sa terre, mais une automobile de promenade—alors nous refusons de lui faire un prêt.

Nous ne chargeons pas d'intérêt à ce moment-là. Si quelqu'un emprunte mille dollars sur hypothèque nous signons un contrat et nous lui donnons mille dollars.

M. HACKETT: Il faut payer le notaire?

M. VAILLANCOURT: Le notaire est payé par l'emprunteur, c'est entendu.

Mr. SPENCER: What are the fees?

M. VAILLANCOURT: Cela dépend des titres. Tout dépend du travail qu'il faut consacrer à l'examen des titres. L'intérêt se paie tous les trois mois.

Maintenant, je vais vous donner un cas concret, le mien. Un jour, j'achète une propriété pour \$4,500. Je demande à la Caisse Populaire de me prêter \$2,500. On me prête \$2,500 remboursables \$40 par mois.

M. LAURIN: Sur une propriété, non pas sur une terre?

M. VAILLANCOURT: C'est la même chose. C'était sur une terre avec une maison dessus. Le \$40 comprenaient le capital et l'intérêt. Je donnais \$40 par mois. Tous les trois mois l'intérêt était compté; mais je ne payais jamais plus que \$40 par mois. Les premiers mois je me trouvais à donner quelques piastres seulement sur mon capital et on prenait la balance pour payer l'intérêt. A tous les trois mois, comme je remettais de l'argent sur le capital, les intérêts diminuaient. A la fin, je remettais plus sur le capital avec mon \$40 que je ne remboursais sur les intérêts. Après six ans et demi, ma maison était payée, j'étais propriétaire chez moi, j'avais payé cela comme un loyer.

Nous faisons profiter non seulement les actionnaires mais aussi les emprunteurs. A la fin de l'année, une fois notre bilan établi, nous voyons combien nous avons fait de profits, nous plaçons 20 p. cent de ces profits au fonds de réserve, et 10 p. cent au fonds de prévoyance. Si l'année a été bonne, nous disons: "Nous allons faire aussi une remise aux emprunteurs; par exemple, nous allons remettre aux emprunteurs 10 p. cent des intérêts qu'ils ont payés." A la fin nous ne nous trouvons pas à avoir prêté à 6 p. cent mais nous avons prêté à 5 p. cent, et quelquefois même à moins que 5 p. cent.

A Lévis, nous payons aux porteurs d'obligations, de parts, 7 p. cent, et nous payons aux déposants 4 p. cent. Nous avons un fonds de réserve de \$156,000, pour une seule banque. Ce fonds de réserve de \$156,000 comprend le fonds de réserve et le fonds de prévoyance.

M. HACKETT: Depuis quand cette Caisse est-elle établie?

M. VAILLANCOURT: Depuis trente ans, à Lévis.

Nous faisons affaire avec les membres seulement, avec les actionnaires. Nous ne pouvons pas prêter à ceux qui ne sont pas actionnaires.

M. LAURIN: Tous vos actionnaires sont-ils des cultivateurs?

M. VAILLANCOURT: 90 p. cent sont des cultivateurs—je parle de tout le district de Québec.

M. HACKETT: Il faut que l'emprunteur réside dans le district?

M. VAILLANCOURT: Non seulement il faut qu'il réside dans le district, mais chaque caisse fait son enquête.

M. LAURIN: Est-ce que vous perdez de l'argent?

M. VAILLANCOURT: Pas nous, jamais. Depuis trente ans nous n'avons pas perdu d'argent.

M. LAURIN: Parmi toutes les Caisses Populaires, y en a-t-il qui ont fait faillite?

M. VAILLANCOURT: Oui.

M. LAURIN: Combien y en a-t-il qui ont fait faillite sur ces 178 caisses?

M. VAILLANCOURT: Depuis trente ans, 7 ou 8. Sur ce nombre, il y en a 4 dont les affaires ne sont pas encore réglées. Probablement que les actionnaires ne perdront pas un sou, excepté dans un cas où il y a eu un vol.

M. LAURIN: Vous dites qu'il y en a 4 qui ont fait faillite?

M. VAILLANCOURT: Oui.

M. HACKETT: Pourquoi ont-elles fait faillite?

M. VAILLANCOURT: Dans deux de ces cas, c'est parce que le gérant a volé.

M. HACKETT: C'est pour cela que vous demandez l'inspection obligatoire par le gouvernement de Québec?

M. VAILLANCOURT: Quand bien même il y aurait inspection du gouvernement, on ne peut pas prévenir les vols.

M. LAURIN: Vous dites qu'il y a 7 ou 8 caisses qui ont fait faillite depuis trente ans?

M. VAILLANCOURT: Oui.

M. LAURIN: Et, sur ces 8 caisses, il y en a 4 qui ne perdront pas un sou?

M. VAILLANCOURT: Ça n'est pas réglé encore.

M. LAURIN: Ça n'est pas encore réglé mais vous prétendez que les actionnaires ne perdront rien?

M. VAILLANCOURT: C'est bien cela. Elles ont fermé leurs portes parce que les gens voulaient retirer leur argent, et comme l'argent était placé sur hypothèque il n'y avait pas assez de fonds liquides. Les Caisses ont fermé leur portes, on a dit: "On va collecter l'argent et on vous remettra votre argent après cela."

M. VAILLANCOURT: Ordinairement, nous avons 30 p. cent d'argent liquide ou placé sur des emprunts du gouvernement, des débentures du gouvernement.

M. LAURIN: Sur la réserve?

M. VAILLANCOURT: Non, argent liquide pour pouvoir le donner immédiatement, et la balance nous la prêtons aux fermiers. Dans certains cas il arrive qu'à un moment donné il se fait une course et c'est dans ces cas que la caisse est obligée de dire: Notre 30 p. cent est épuisé; si on met tous les gens en faillite on ne sera pas plus avancé; on ferme la caisse, on va retirer l'argent, on va vous payer.

M. LAURIN: A Lévis, est-ce qu'il n'y a qu'un gérant qui est payé?

M. VAILLANCOURT: Un gérant.

M. ROBITAILLE: Quand un actionnaire peut-il retirer sa mise?

M. VAILLANCOURT: N'importe quand, à demande.

M. ROBITAILLE: Sans avis?

M. VAILLANCOURT: A Lévis—Chaque caisse fait son règlement. Un actionnaire ne peut pas prendre plus de \$3,000 de parts. S'il arrive que, dans une même famille, cinq ou six membres aient chacun \$3,000, cela pourrait faire une course; alors, celui qui veut retirer plus de \$1,000 est obligé de donner un avis d'un mois; c'est-à-dire qu'on peut exiger un mois d'avis. Vous pouvez consulter l'article 45.

The CHAIRMAN: I am sur that I speak for all the members of the Committee when I say how very illuminating has been the information given us this morning. On behalf of the Committee may I thank both Mr. Poirier and Mr. Vaillancourt for coming here this morning. And I am sure our thanks are due also to Mr. Vallieres for his assistance in interpreting. The sub-committee about which I spoke to you earlier will meet and consider the advisability of what other witnesses, if any, should be called in connection with this reference.

On motion of Mr. Lawson, the meeting adjourned until Tuesday, June 30 at 11 o'clock a.m.

APRIL 1930-31

## COMMISSION DE CRÉDIT—PRÊTS FAITS DURANT L'ANNÉE 1930-31

Prêts sur billets avec cautions		Prêts sur billets		Capital social	Prêts sur hypothèques	
1 de \$20 00.....	20 00	1 de 3 00.....		\$ 3 00	1 de 350 00.....	350 00
2 de 25 00.....	50 00	2 de 5 00.....		10 00	1 de 400 00.....	400 00
2 de 30 00.....	63 00	2 de 10 00.....		20 00	1 de 600 00.....	600 00
1 de 40 00.....	40 00	2 de 15 00.....		30 00	1 de 800 00.....	800 00
2 de 50 00.....	100 00	1 de 25 00.....		25 00	1 de 1,300 00.....	1,300 00
1 de 75 00.....	75 00	1 de 30 00.....		30 00	3 de 1,500 00.....	4,500 00
13 de 100 00.....	1,300 00	1 de 40 00.....		40 00	2 de 2,000 00.....	4,000 00
1 de 110 00.....	1,100 00	1 de 45 00.....		45 00	1 de 2,500 00.....	2,500 00
5 de 125 00.....	635 00	3 de 50 00.....		150 00	2 de 3,000 00.....	6,000 00
3 de 150 00.....	450 00	1 de 60 00.....		60 00	1 de 4,000 00.....	4,000 00
5 de 200 00.....	1,000 00	1 de 75 00.....		75 00	1 de 5,000 00.....	5,000 00
6 de 300 00.....	1,800 00	1 de 80 00.....		80 00	1 de 5,700 00.....	5,700 00
2 de 350 00.....	700 00	4 de 100 00.....		400 00		
1 de 360 00.....	360 00	1 de 155 00.....		155 00		
4 de 400 00.....	1,600 00	1 de 165 00.....		165 00		
1 de 475 00.....	475 00	1 de 175 00.....		175 00		
7 de 500 00.....	3,500 00	4 de 200 00.....		800 00		
		2 de 300 00.....		600 00		
		1 de 345 00.....		345 00		
		1 de 400 00.....		400 00		
		1 de 1,000 00.....		1,000 00		
		1 de 1,500 00.....		1,500 00		
57	12,268 00	35		17,608 00	16	\$35,150 00

16 prêts hypothécaires.....	\$35,150 00
57 prêts sur billets avec caution.....	12,268 00
35 prêts sur billets cap. social.....	7,608 00
8 prêts sur taxes.....	1,292 00

116

\$56,318 00

## APPENDIX "B"

## I.—TABLEAU SOMMAIRE DES OPÉRATIONS DE PRÊT DES CAISSES POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant prêté	Nombre de prêts	Montant remboursé	Moyenne de chaque prêt	Montant restant dû	Nombre d'emprunteurs	Moyenne due par emprunteur
1915.....	\$1,483,160	8,983	\$ 1,270,848	\$ 160	\$ 1,684,651	6,728	\$ 250
1916.....	1,641,258	11,201	1,423,445	140	2,039,178	6,696	300
1917.....	2,306,171	12,741	1,796,574	180	2,534,134	7,458	340
1918.....	2,623,095	14,293	2,195,190	180	2,901,517	8,056	360
1919.....	3,667,004	14,386	2,590,282	250	3,976,940	9,148	430
1920.....	4,341,543	15,390	3,071,333	280	5,181,391	9,213	560
1921.....	4,248,725	14,953	3,476,322	280	5,799,282	9,219	620
1922.....	2,891,092	13,367	3,244,932	210	5,292,322	8,999	580
1923.....	3,429,444	12,273	2,797,933	270	5,596,589	8,373	660
1924.....	3,763,852	11,017	3,032,071	340	6,327,516	8,414	750
1925.....	3,919,960	13,794	3,394,208	280	7,057,211	9,384	750
1926.....	4,496,955	15,843	3,609,813	280	7,668,292	10,418	730
1927.....	4,778,761	16,832	3,624,570	280	9,371,925	11,754	790
1928.....	5,047,769	17,403	4,201,771	290	9,592,607	11,885	800
1929.....	4,249,650	17,994	3,853,001	230	10,314,622	13,553	760
	\$52,888,439		\$43,582,298				

Certifié conforme, le 25 juin 1931.

WILFRID GUÉRIN.

## APPENDIX "C"

II.—TABLEAU SOMMAIRE DES VARIATIONS DE CAPITAL SOCIAL DES  
CAISSES POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant de parts souscrites et payées	Montant de parts remboursées	Montant restant au capital social	Nombre de sociétaires	Moyenne de parts par sociétaire	Nombre de caisses	Moyenne par caisses
1915.....	\$ 132,222	\$ 63,087	\$ 715,335	23,614	\$ 30	91	\$ 7,860
1916.....	118,195	61,733	770,943	25,028	30	94	8,200
1917.....	146,507	72,220	837,592	25,669	32	93	9,000
1918.....	132,006	66,405	907,857	27,593	33	98	9,260
1919.....	188,235	74,853	1,034,301	29,795	34	100	10,340
1920.....	230,816	75,998	1,199,170	31,029	38	113	10,610
1921.....	241,537	96,326	1,328,991	33,166	40	100	13,290
1922.....	189,182	115,982	1,355,309	32,173	42	108	12,550
1923.....	190,785	123,892	1,388,591	31,752	43	111	12,510
1924.....	165,494	98,469	1,441,373	31,250	46	119	12,110
1925.....	167,839	91,024	1,534,051	33,279	46	122	12,570
1926.....	163,201	93,964	1,507,014	36,298	41	154	9,800
1927.....	166,287	88,356	1,723,961	41,365	41	159	10,840
1928.....	213,866	117,955	1,767,090	41,374	42	168	10,520
1929.....	161,990	109,818	1,850,541	44,835	41	178	10,380
	\$ 2,608,162	\$ 1,350,082					

Certifié conforme, le 25 juin 1931.

WILFRID GUÉRIN.

## APPENDIX "D"

III.—TABLEAU SOMMAIRE DES OPÉRATIONS D'ÉPARGNE DES CAISSES  
POPULAIRES DESJARDINS

POUR LA PÉRIODE DE 15 ANNÉES, DE 1915 À 1929 INCLUSIVEMENT

Année	Montant déposé	Montant retiré	Montant restant en dépôt	Nombre de déposants	Moyenne en dépôt par déposant	Nombre de caisses	Moyenne par caisses
1915.....	\$ 2,706,304	\$ 2,496,406	\$ 1,141,525	13,696	\$ 83	91	\$ 12,540
1916.....	3,543,462	3,142,982	1,552,390	15,613	99	94	16,510
1917.....	4,751,518	4,147,159	2,116,054	18,977	111	93	22,750
1918.....	5,763,881	5,382,651	2,513,405	20,672	121	98	25,840
1919.....	8,453,536	7,297,026	3,682,050	23,451	157	100	36,820
1920.....	10,529,628	9,667,920	4,558,053	26,238	173	113	40,330
1921.....	10,304,589	10,129,424	4,602,203	30,570	150	100	46,020
1922.....	6,668,561	7,334,935	3,912,375	30,583	128	108	36,220
1923.....	7,462,071	6,862,423	5,546,339	29,771	150	111	40,950
1924.....	8,922,645	8,230,520	5,234,973	30,874	170	119	43,990
1925.....	9,421,380	8,922,721	5,799,951	33,527	173	122	47,540
1926.....	10,727,346	9,997,154	6,313,532	37,343	109	154	40,990
1927.....	13,408,563	12,311,982	7,859,954	40,753	192	159	49,430
1928.....	14,244,035	13,457,731	8,092,968	40,568	200	168	48,170
1929.....	15,147,018	15,370,605	9,090,614	44,685	202	178	51,070
	\$ 132,054,537	\$ 124,751,639					

Certifié conforme, le 25 juin 1921.

WILFRID GUÉRIN

(Translation)

## APPENDIX "E"

Mr. VAILLANCOURT: In the district of Quebec, we have a central organization, with a central savings bank and we control 112 savings banks. There are 178 savings banks in the province of Quebec, and we control 112 savings banks in the district of Quebec, that is to say, over 60 per cent. We have a central savings bank. The local savings banks forward their surplus funds to the central savings bank which can dispose of these funds by transferring them to other savings banks which might need them.

In the district of Quebec, we lend mostly to the farmers. Ninety per cent of the loans are made to farmers. This goes to show that we grant very few loans on notes. We lend on mortgages. When a farmer applies to a savings bank for a loan, as Mr. Poirier explained, a moment ago, we make an investigation into his standing. The moral worth of the borrower is the first thing we consider; the value of the farm comes next.

If the borrower wishes to secure a loan to purchase, for instance, an automobile, I am not speaking of a motor truck which he could use on his farm, but of an automobile used for outings, then we refuse to grant him a loan.

We do not charge interest at that moment. If some person borrows a thousand dollars secured by a mortgage we sign an agreement and we give him a thousand dollars.

Mr. HACKETT: Somebody must pay the notary?

Mr. VAILLANCOURT: The borrower pays the notary, that is understood.

Mr. SPENCER: What are the fees?

Mr. VAILLANCOURT: That depends on the titles. Everything depends on the amount of work which the search for the titles entails. Interest is paid every three months.

I will now give you a concrete case, my own. One day I purchased a property for \$4,500. I asked the People's Savings Bank to lend me \$2,500. I secured a loan of \$2,500 repayable at the rate of \$40 a month.

Mr. LAURIN: On a property, not on a farm?

Mr. VAILLANCOURT: It is the same thing. The money was loaned on a farm with a house. The \$40 included the principal and interest. I used to pay \$40 every month. Interest was computed every three months. However, I never paid more than \$40 a month. In the early months I applied only a few dollars on the principal and the balance was required to meet the interest charges. Every three months, according to the sum of money I applied to the principal, the amount applicable to interest decreased. Towards the end, I was applying a greater portion of the \$40 I was remitting, to principal than to interest. At the end of six and a half years, my house was paid off, I owned my property outright. I had paid it off just like one would pay rent.

We secure benefits not only for the shareholders but for the borrowers as well. At the end of the year, when our balance sheet is made up, we are in a position to see what our profits amounted to. We apply 20 per cent of these profits to the reserve fund, and 10 per cent to the provident fund. If the year has been profitable, we say: "We will also grant a remission to the borrowers. For instance, we will remit to the borrowers 10 per cent of the interest money they have paid in." In final analysis, we have not loaned money at a rate of 6 per cent, but have loaned it at 5 per cent, and sometimes at less than 5 per cent.

At Lévis, we pay 7 per cent to shareholders and 4 per cent to depositors. In one bank alone we have a reserve fund amounting to \$156,000. This reserve fund of \$156,000 includes both the reserve fund and the provident fund.

Mr. HACKETT: How long has this savings bank been established?

Mr. VAILLANCOURT: It has been established thirty years at Lévis. We do business with members only, with the shareholders. We cannot lend to those who are not shareholders.

Mr. LAURIN: Are all your shareholders farmers?

Mr. VAILLANCOURT: Ninety per cent are farmers—I am speaking of the whole Quebec district.

Mr. HACKETT: The borrower must reside in the district?

Mr. VAILLANCOURT: He must not only reside in the district, but each savings bank makes an investigation on its own account.

Mr. LAURIN: Do you lose money?

Mr. VAILLANCOURT: Not we. Never. We have not lost money in thirty years.

Mr. LAURIN: Among all these Peoples' Savings Banks, are there any that failed?

Mr. VAILLANCOURT: Yes.

Mr. LAURIN: How many of these 178 savings Banks have failed?

Mr. VAILLANCOURT: Seven or eight have failed in a period of thirty years. Among these, there are four whose affairs have not been wound up yet. The shareholders will probably not lose a cent, except in the case where a theft was committed.

Mr. LAURIN: You state that four savings banks failed?

Mr. VAILLANCOURT: Yes.

Mr. LAURIN: Why did they fail?

Mr. VAILLANCOURT: In two cases it was because the manager had stolen funds.

Mr. HACKETT: That is the reason why you are asking the Quebec government to apply a system of compulsory inspection?

Mr. VAILLANCOURT: One cannot prevent thefts even if there was an official inspection.

Mr. LAURIN: You state that 7 or 8 savings banks have failed?

Mr. VAILLANCOURT: Yes.

Mr. LAURIN: And, among these 8 savings banks, there are 4 which will not lose a cent?

Mr. VAILLANCOURT: The matter has not been settled yet.

Mr. LAURIN: The matter has not been settled yet but you claim that the shareholders will not lose anything.

Mr. VAILLANCOURT: Exactly. They closed their doors because the people wanted to withdraw their money, and as the money had been loaned out on mortgages there were not sufficient liquid assets. The savings banks closed their doors, and they said: "We will collect the money and we will return you your money after that."

Mr. VAILLANCOURT: As a rule, we have 30 per cent of liquid money or money invested in government loans or government bonds.

Mr. LAURIN: Taken from the reserve?

Mr. VAILLANCOURT: No, liquid money which we can pay out immediately, and we lend the balance to farmers. It happens in certain cases that there is a run at a certain time and it is in such cases that the savings bank is compelled to say: "Our 30 per cent is exhausted. If we reduce everybody to a state of bankruptcy we will not be any further advanced. The savings bank is closed, we will call in the money and we will pay you."

Mr. LAURIN: Is there only one salaried manager at Levis?

Mr. VAILLANCOURT: One manager.

Mr. ROBITAILLE: When can a shareholder withdraw his investment?

Mr. VAILLANCOURT: At any time, upon demand.

Mr. ROBITAILLE: Without notice?

Mr. VAILLANCOURT: At Levis—Each savings bank makes its own rules. A shareholder cannot acquire more than \$3,000 worth of shares. Should it happen that five or six members of the same family each have \$3,000 invested, this might result in a run on the bank. Consequently, the party that wants to withdraw more than \$1,000 is required to give one month's notice; that is to say, the bank can insist upon one month's notice. You can refer to article 45.













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