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Various forms of agricultural co-operation are at present being applied throughout Canada, according to the conditions prevalent in each province. The following is a brief description, by provinces, of what is being done in this direction:

PRINCE EDWARD ISLAND. - Agricultural co-operation in the Island may be said to date from the establishment in 1827 of the Agricultural Society, the chief work of which was the importation of improved live stock and good seed. The Society lasted until 1866 when a Government Stock Farm was established and breeding stock was imported under Government auspices, little further was done in the direction of agricultural co-operation until the introduction of co-operative dairying in 1892, the first dairy factory being opened at New Perth on June 22nd, 1892. The Census of 1911 showed that in 1910 there were 44 butter and cheese factories operated upon the co-operative plan, the patrons numbering 4,175. In 1913 the number of patrons was 4,305. In 1901 the organization of Farmers Institutes was begun, and in 1913 there were 52 Institutes in active operation with a total membership of 2,790. These Institutes engage in the collective purchase for their members of farm requisites, including seeds, fertilizers, flour, cattle feeds, wire, coal, oil, twine, groceries and miscellaneous articles. Some of the Institutes sell lambs co-operatively for members, and the Institutes also own bulls, boars and rams for the use of their members. In 1912 a Banner Oat Club was formed for the co-operative production and distribution of pure Banner Oats. The co-operative marketing of eggs through egg circles began in 1913 and the same year the Bedford Farmers' Co-operative Company, Limited, was incorporated with a capital of \$10,000 divided into 400 shares of \$25 each for the purpose of buying and selling farm products of all kinds.

NOVA SCOTIA, - The oldest form of co-operation amongst farmers in Nova Scotia is that of the agricultural societies which were first organized in 1819 and re-organized in 1864. There are now about 219 agricultural societies in Nova Scotia, organized under a special Act of the Legislature, according to which a minimum of fifteen farmers subscribing a minimum of \$40 receive a grant from the Provincial Government practically equal to that subscribed, the whole amount being used for the improvement of live stock. Each of these societies owns from one to, in some cases, five or six bulls as well as rams and boars, the services of which are available for members at nominal fees. These societies also, to a limited extent, purchase for their members, seeds and other farm supplies. Co-operative creameries and cheese factories are organized under the Nova Scotia Companies' Act. The most extensive and successful form of agricultural co-operation in Nova Scotia is, however, in connection with the sale of fruit. Under Chapter 33 of the Statutes of 1908, "An act to facilitate the ~~co-~~ *incorporation* of farmers', fruit, produce and warehouse associations", any number of persons not less than five may, without fee or annual registration, become incorporated for the purpose of buying and selling fruit and farm produce and of buying, selling and leasing storehouses, warehouses, etc. The Companies are registered with the Registrar of Joint Stock Companies, are of limited liability and must have a capital stock of not less

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than \$1,000 of which one half shall be subscribed. In 1912 an act "to further facilitate the incorporation of farmers', fruit, produce and warehouses associations" was passed according to which any number of companies not less than ten may form themselves into a central association, the management of which shall have power to carry on the business of each of the units. Each individual company is required to subscribe to the central company not less than twenty per cent of its nominal capital. There are 46 local co-operative fruit companies organized under the Act of 1908, and of this number 37 are incorporated with the United Fruit Companies under the Act of 1912. In 1912-13 out of 496,000 barrels of apples shipped from Halifax to Europe 307,000, or 62 per cent, were shipped by the United Fruit Companies. Large supplies are annually procured for members at an average saving of from 10 to 25 per cent of articles such as the following: pulp wood, nails, grain, clover and vetch seed, flour, feed, fertilizers, arsenate of lead, Paris green, apple boxes and lime sulphur. An Act to encourage the incorporation of Farmers' Co-operative Societies was passed in 1914 with the object of extending the facilities for co-operation which have proved so successful in the case of fruit to the general farming sections of the province. The Act provides for the appointment of an Inspector of Co-operative Societies to take measures for the organization of such societies and to assist and advise them in their operations.

NEW BRUNSWICK: - The members of many of the ordinary agricultural societies occasionally co-operate for certain purposes. Nearly all of them buy pure bred live stock for the benefit of their members, and some of them deal extensively in fertilizers. An Act respecting the incorporation of societies for the sale and distribution of seed grain (R.S. ch. 46, 1903) provides that such societies may be formed by any number of persons not less than nine.

Rural Q U E B E C: - Agricultural co-operation is said to be making rapid progress in Quebec, especially as it applies to agricultural credit in the form of co-operative banking. The People's Banks or Caisses Populaires of M. Alphonse Desjardins are described in the report on Agricultural Credit. In addition to these banks there are about 80 agricultural co-operative societies in the province, but only a small proportion of these strictly conform to the principles which govern co-operative societies in European countries. The societies in Quebec are chiefly local organizations confined to parishes, three extend their operations to counties and five have members in all parts of the province. Of the provincial bodies the Experimental Union, the Pure Maple Sugar and Syrup Co-operative Farmers' Association and the Co-operative Cheese and Butter Makers' Society are examples. These organizations have confined their efforts chiefly to demonstration and instruction. A few of the smaller ones have both sold and bought produce, but most of them have confined their attention to co-operative purchasing. Through the cheese and butter makers' co-operative societies, butter and cheese made by the members are graded by the general inspectors before being sold. Each grade is sold separately. After the

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sale the graders tell the makers what defects were found in their cheese and butter, and how they can be remedied. If the maker does not improve, his factory is visited by an inspector who takes the necessary steps to secure an improvement. Very good results have been obtained by this system. The quality is better; the prices are high and the cheese made has a good reputation. In Rouville County, demonstration orchards are owned by co-operative societies, and in the district of Quebec a co-operative society for the sale and canning of plums has recently been organized. With a view to improving the preparation of tobacco for sale, a co-operative society with a capital of \$34,800 has been organized in Rouville County and the work is supervised by an expert at a salary of \$3,000 per annum. A number of local societies confine operations to special kinds of farming, as the raising of fruit, vegetables and poultry. Upwards of 40 societies were formed in 1913, and purchases of fertilizers and spraying materials have been made for members, at a considerable saving.

ONTARIO: - Much is being done in Ontario in the direction of agricultural co-operation, and there is a Special Co-operation and Markets' Branch of the Provincial Department of Agriculture. At the present time, there are 185 farmers' clubs, many of which purchase collectively for their members machinery, seeds, fertilizers, etc. Other clubs restrict operations to educational effort and others again engage actively in co-operative production and trading. In addition to these farmers' clubs there are 95 co-operative selling associations, including 20 egg circles, three vegetable, seven live stock, three onion growers, 52 fruit growers, two seed corn, five seed and three general marketing associations. Describing these various associations more particularly it may be stated that the egg circles have developed largely in Ontario County, where there are nine such circles with a membership of about 700. In 11 months the business of these nine circles amounted to \$34,000 with a net gain of \$2,500 to the members. These figures, however, reveal but a small part of the benefits of efficient organization. The local store price has been raised; the quality delivered has stimulated consumption, causing a greater volume of business, better returns have stimulated the farm poultry department, and attention to proper breeding and feeding is placing the industry on a more economic basis. Many of the fruit growers' associations sell fruit co-operatively on a large scale, and between 175,000 and 200,000 barrels of apples are sold annually through them. Other associations sell large quantities of grapes and small fruit. Thirteen of the fruit associations have united to form a central selling agency for members which is doing a good business.

In Ontario there is no special co-operative law. Still, many co-operative associations have been organized under the old general Stock Companies Act. This Act has been amended and consolidated in Chapter 31 of the Statutes of 1912. In the Statutes of 1910 there is a provision which has been re-enacted in the Statutes of 1912, by which "the provincial secretary may, under the seal of his office, have, use, exercise, and enjoy any power, right, or authority conferred by this Act on the lieutenant-governor, but not those conferred on the Lieutenant Governor-in-Council.

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Under this provision and the general clause which precedes it, five or more persons, who have become subscribers to a memorandum of agreement in due form, may obtain a certificate of incorporation from the provincial secretary. A great deal of latitude as to constitution and by-laws, rules and regulations, etc., is permitted.

The Department of Agriculture with the consent of the Minister has adopted certain model by-laws as a basis on which to form co-operative associations for the province. The by-laws do not form part of the letters patent granted by the provincial secretary, and can be amended at any time to suit the needs of the association, and to meet individual cases and circumstances. ✓

Notwithstanding the absence of any distinctive law, agricultural co-operation already thrives in Ontario, especially in the packing and marketing of fruit, and is gradually extending to the purchase of certain farm requirements and to branches of agriculture other than fruit growing. Attention is directed to Bulletin No. 192 of the Ontario Department of Agriculture and to Bulletin No. 38 of the Dominion Department of Agriculture, "Co-operation and Fruit Growing in Canada." These show that a great number of companies which are operating successfully have carefully safeguarded the co-operative features in their by-laws through limiting membership to producers only, granting to any one member but one vote or at least limiting the amount of stock that may be held by any one member, providing for a pro rata distribution of proceeds and profits in accordance with the quality and quantity of the product marketed. These bulletins should be consulted by intending co-operators, who will find especially in Bulletin No. 38 forms of constitution and by-laws adopted by a large number of associations including the form recommended by the Ontario Department of Agriculture. For a local association, the by-laws of "The Forest Fruit Growers' and Forwarding Association" are specially recommended.

The grouping of various associations as units into a federation for mutual purposes is also proceeding satisfactorily. In 1906, thirteen scattered societies became ~~affiliated~~ ^{federated} under the name of "The Co-operative Fruit Growers of Ontario," with head office at Toronto, an annual fee of \$5.00 for each association being established. Another typical example of federation is the St. Catharines Cold Storage and Forwarding Company, which was organized a number of years ago and is extending its business rapidly. There has been more recently incorporated under the Companies Act of the Dominion, The Ontario and Western Co-operative Fruit Company, Limited, with headquarters at St. Catharines, authorized capital \$75,000, divided by by-law of the company into 15,000 shares of the par value of \$5.00 each. The shareholders are organized into semi-independent local associations. In order to become a shareholder of the company, it is essential that the shareholder should be a member of a local association in the district where he resides. The company proposed establishing canning, jam factories, and cold storage warehouses, in addition to its marketing business and furnishing certain supplies to its members. The company proposed charging 10 per cent commission for selling out of which expenses other than carriage and freight would be paid. Carriage and freight would be deducted from the moneys received in payment for each shipment of fruit and the balance

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distributed among the shippers in proportion to the value *shipped* by each.

MANITOBA: - Initial experiments have been made in the co-operative marketing of poultry products, and the conditions are hopeful for eventual success. The farmers of the Province are ready to co-operate in this direction, and all that is required is organization, education and sufficient financial backing. Co-operative dairying is rapidly developing in the province especially for the making of butter in factories. There are 33 creameries in operation, the great majority being owned by joint stock companies, the shareholders consisting of farmers and others interested in the development of the dairying industry.

In 1905 a committee was appointed by the Grain Growers' Associations to look into the marketing question. The result was the organization, in 1906, under the Manitoba Joint Stock Companies' Act, of the Grain Growers' Grain Company, Limited, for the purpose of doing a commission business at that time in grain only. In view of the rapid development of its business the company applied for Dominion incorporation and, in May, 1911, was by Act of Parliament granted a Dominion charter. By that Act the capital was placed at two million dollars divided into shares of \$25 each, no shareholder being allowed to hold more than 40 shares. Only farmers or owners or lessees of farms or their wives may be shareholders, except by a resolution adopted by two-thirds of the shareholders of the company. Each shareholder has but one vote. Provision is made for the setting apart from the funds of a reserve fund which may be used by the directors together with the capital assets in carrying on the business of the company. At the annual meeting, if the profits justify it, 8 per cent is paid on the par value of the subscribed capital stock. Moreover, provision is made for a certain sum to be set apart by the directors as or towards a reserve fund, and, if a surplus still remains, it is distributed among the shareholders, on such basis and in such proportion as the latter may by resolution determine.

The objects of the company are "to produce, manufacture, import, export, buy, sell, deal in and deal with cereals, fruit, vegetable, animal or other products of the farm, all products or by-products thereof, and all machinery, implements, goods, wares, and merchandise which may be used in production and manufacture of products of the farm, and all articles, substances and things which may be utilized in the said production or in the maintenance, cultivation, improvement and development of farms; and without restricting the generality of the foregoing expressions, to carry on the business of a farmer in all its branches."

SASKATCHEWAN: - Co-operative creameries were established in 1896 by the Dominion Government, and in 1905 when the Province of Saskatchewan was established six creameries were in operation. At the present time there are 32 co-operative creameries in operation, with a total production of the value of \$1,338,120. But the principal co-operative enterprise in the Province is the Saskatchewan Co-operative Elevator Co., Ltd. It was brought into existence as the result of the work of the Saskatchewan Grain Growers' Association, under Provincial legislation of March 1911 and it is purely a farmers' organization, all the capital stock having been subscribed by farmers in the Province.

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Under the Hail Insurance Act, 1912, which was replaced by the Municipal Hail Insurance Act, 1915, a system of municipal cooperative hail insurance has been established for the insurance of crops against damage by hail, the cost being defrayed by a special tax not exceeding 4 cents per acre. In 1915 the number of claims received under the Act was 3,991 and the amount paid in claims was \$670,809. To encourage the further organization of

co-operative associations for the purchase or sale of farm products or supplies, the Provincial Department of Agriculture has established a Co-operative Organization Branch. The work of this Branch is to gather and disseminate information regarding co-operation and to assist in the organization of all kinds of practical co-operative associations by supplying information regarding markets, freight rates, shipping regulations etc., and by giving assistance in drawing up suitable constitutions and by-laws. The Branch has charge of the administration of the Agricultural Co-operative Associations Act, which was passed in 1913 by the Provincial Legislature and under which co-operative associations for producing and marketing farm products or purchasing farm supplies may be incorporated. There are now 261 co-operative associations registered under this Act.

ALBERTA: - Co-operative creameries exist in this Province as in the other provinces, and the Department of Agriculture, through a Dairy Commissioner, maintains a cold storage building and undertakes to market the products of any creamery in the Province. Under the Co-operative Associations Act, 1913, any seven or more persons may become an incorporated association of limited liability for the carrying on of any co-operative store or business, whether wholesale or retail by filing with the Registrar of Joint Stock Companies a properly executed memorandum together with a copy of the rules and by-laws agreed upon. The number of shares is unlimited, but no member can have more than one vote. In 1913 the Alberta Farmers Co-operative Elevator Company, Ltd., was incorporated, the Act of incorporation embodying most of the provisions contained in that of the Saskatchewan Co-operative Elevator Co. A member can hold no more than 20 shares of \$60 each and has but one vote. The Company could not start its business until 20 local elevators were organized. A local elevator may be organized by farmers owning or cultivating an annual grain crop acreage of at least 6000 acres tributary to any shipping point, and subscribing for an amount of stock at least equal to the value of the proposed elevator. Provision is made for loans at 5 per cent from the Government of the Province for the purpose of aiding in the acquisition, erection, extension or re-modelling of any elevator the loan not to exceed 85 per cent of the estimated cost. Out of the surplus profits a dividend not exceeding 8 per cent is payable to the shareholders. Out of the balance the Directors form a reserve fund. The remainder is divided among the shareholders and patrons on a pro rata basis according to the business furnished to the company by each.

BRITISH COLUMBIA: - In 1897 the Farmers Institutes Co-operation Act provided for co-operation for economic purposes. No member of an association formed under that Act could acquire more than one-tenth of the stock allotted and a member was restricted to one vote. This Act, amended in 1898, 1899, and 1902, was finally in great part repealed and re-enacted in 1909 by the Act entitled "Farmers' Institutes Co-operation Act Amendment Act". This formed the basis for more comprehensive legislation in the "Agricultural Associations Act," Revised

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Statutes for 1911, Chapter 6, Part 11, amended by Chapter 2 of the British Columbia Statutes for 1913.

Part II, deals with associations with share capital and provides that twenty-five or more persons may, on presentation of a properly signed memorandum of association to the Minister of Agriculture, unite themselves together for any or all of the purposes following:-

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- "(a) The manufacturing of cheese, butter, cider, jams, pickles, and spray mixtures, and the drying and canning of fruit and vegetables;
 - "(b) The keeping of swine, and the manufacture and sale of the various products resulting therefrom;
 - "(c) The dealing in poultry, eggs, milk, cream and all other agricultural and horticultural products and in supplies required by patrons of such association;
 - "(d) The dealing in flour, feed, fertilizers, spray materials, and their accessories, and in foods of all kinds for farm stock for the purpose of supplying the same to the patrons of the association;
 - "(e) The erection and maintenance of a cold storage plant and the sale of ice; and
 - "(f) For any purpose which may be approved by the Minister having for its object the development of agriculture."

Any association, formed under the provisions of the "Dairy Associations Act" of 1895 or the "Dairy Associations Act" of the Revised Statutes of 1897, may extend its business so as to include the purposes and operations in sub-Sections "B", "C", "D", and "E", above mentioned, provided the shareholders by a vote of at least two-thirds of the shareholders, present in person or by proxy, at a special general meeting, shall so determine.

Liability of a shareholder is limited to the amount of his share or shares subscribed for and not paid up. A shareholder may have shares to an amount mentioned in the By-Laws, but not to exceed one-fourth of the share capital. Shares are transferable subject to the consent and approval of the (Roman type) association, and each share carries a vote.

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Section 14 of the Act provides: "An association shall be deemed to be formed upon the co-operative system if provision is made by its constitution and by-laws for securing to all producers who are members of the association a share in the profits of the association in proportion to the value of the produce supplied by them, after payment of a dividend upon the capital stock not exceeding six per centum per annum. Provision shall also be made for enabling all producers in the district to become members of the association by limiting the number of shares to be held by any single member, or by other effective regulations."

The association may borrow from the Government for the purpose of erecting, or acquiring and maintaining or operating within the Province, any of the industries above enumerated, a sum not exceeding 80 per cent of its subscribed capital, the loan being subject to specific requirements, as to prospect of success, six-mile radius, site for plant and buildings, plans, etc., the loans repayable within twenty years at 4 per cent and with sinking fund.

A material saving is now annually effected by the co-operative wholesale purchase in the cheapest market of foodstuffs, grains, grass seeds, spraying materials, fruit packages and other farm requisites.

The co-operative organizations in the Province include farmers' institutes, of which there are about 100, all of which purchase supplies for members, and some of which engage in co-operative marketing. Womens' institutes, numbering about forty, also buy co-operatively for members. There are fruit growers', stock breeders', dairymen's and poultry associations, as well as a number of other co-operative associations for different purposes. With regard to fruit, considerable dissatisfaction was felt in 1912 with the prices received for produce, the reason being internal competition and a lowering of prices by individual selling in place of concerted action. In 1913 an amendment to the Agricultural Associations Act was passed whereby duly incorporated associations under Part II of the Act might, on the approval of the Provincial Government, secure a loan amounting to 80 per cent of the subscribed capital.

A plan was adopted by which in the fruit producing districts of the Okanagan Valley local associations were incorporated, who elected representatives to form a central co-operative selling agency for the whole Valley. This Association is now known as the Okanagan United Growers, Ltd. The growers, by uniting in this way, have secured better prices for their produce than they obtained under the old conditions. A considerable sum is also saved by securing supplies wholesale for the use of individual growers. In poultry-keeping, one of the greatest drawbacks to profitable work in the past has been the fact that little grain is grown in the Province, and that very high prices are payable for even the poorest grade of feed wheat.

The first co-operative poultry association was formed at Trail in 1911, and during its first year effected a saving of nearly \$1,000 on the purchase of grain alone. At the present time there are 28 associations affiliated to the central poultry association at Victoria and 17 of them purchase their feed in wholesale quantities and dispose of their products on a co-operative basis. Only a few of the associations, at present, market their eggs co-operatively.

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Rural Credit.

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4. Bibliography of Principal Works on Rural Credit

The object of the Commission in this report is to deal in as practical and direct a way as possible with the problem of agricultural credit as it affects Canada. Accordingly, little is said respecting rural credit in Europe; only one short section, descriptive of the German landchaft system, is devoted to it. On the other hand, considerable space is given to the controversies on agricultural credit in the United States, since much that affects agriculture south of the border is pertinent to conditions in Canada.

It is proposed first to discuss the general problem of agricultural credit, secondly to deal briefly with short-term loans for agricultural purposes in Canada, and thirdly to describe existing schemes for the granting to farmers of long-term loans.

1. GENERAL PROBLEM OF AGRICULTURAL CREDIT.

The demand by farmers for credit facilities is widespread and insistent, With few exceptions there is no agricultural country in the world that has not established special machinery to meet the demands of farmers for credit facilities; but the exceptions include Canada and the United States. Lately, however, both of these countries have turned their attention to the question and are demanding that a solution be found for the problem of supplying agriculture with credit facilities at low rates of interest. Amongst the legitimate needs for which farmers are justified in seeking loans are the following:

- (1) Purchase of a farm or home by a tenant of proved capability;
- (2) Purchase of sufficient equipment, fertilizers and live stock for the purposes of a farm;
- (3) Provision of buildings and improvement of land.

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as for instance by draining, in order permanently to raise the value of the property by increasing its output;

- (4) Liquidation of indebtedness incurred by an owner for one or more of the above purposes at a date prior to the establishment of any scheme of agricultural loans and at a higher rate of interest.

The problem of credit to farmers includes provision for both short-term and long-term requirements. In Canada at present these needs are supplied from two sources: the chartered banks for short credit, the loan and mortgage companies for long-term requirements. The question is, Are these agencies sufficient to do all that is required for the farmer? The answer is that they are insufficient, because they are not able, by the fact of their being commercial institutions managed for profit, to lend to the farmer at a sufficiently low rate of interest. What is wanted is some means that will grant loans to the farmer at low rates, looking to the benefit of the community as reward, and not seeking to make profits.

In considering any plan for meeting the credit requirements of agriculturists, it must be remembered that the farmer has only the lands he tills to offer as security for capital borrowed. This capital must take the form of a permanent investment, and, therefore, any loan on land for the purpose of supplying capital to the farmer should be in the shape of a long-term loan, repayable on the amortization principle by small annual instalments out of the profits derived by reason of the purchase made, or the improvements effected by the loan. A loan, which must be repaid in two or three years, or even in five years, will not furnish capital to the farmer in the best manner possible, because it is quite beyond his power to repay it from profits in that time.

CHARTERED BANKS AND RURAL CREDIT.

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 It may be asked, Why should the chartered banks ~~which~~, which have, admittedly, done great service in building up the commerce of Canada, be unable to supply all the needs of the farmer? And, also, why should a system be super-imposed upon a banking system, the excellencies of which are acknowledged? The answer is, that in no country in the world are the ordinary commercial banks able to give the farmer all the credit facilities required. The security which the small farmer is able to give, and it is the small farmer that we are considering, is not of a character which any commercial bank, where business is conducted solely in the interests of its shareholders, will or can take. In Canada the banks, in order that their funds may always be kept fluid are forbidden, by the Bank Act, to lend on mortgage. No bank can tie up its money for longer than a year and thirty, sixty, or ninety days are generally the periods for which advances are made. But the farmer, as a rule, does not turn his money over nearly so rapidly as the manufacturer or storekeeper, and in practically every case a loan for less than six months is almost useless. Agricultural credit must, in general, be long-term credit, and long-term credit the banks, through no fault of their own, cannot give. Some system, therefore, must be devised which will supplement the services which the banks already render to agriculture.

LOAN COMPANIES AND RURAL CREDIT.

The amount of money lent to the farmers of Canada by the various loaning agencies on mortgage is very great, the amount for one province alone, Saskatchewan, being in the neighbourhood

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of \$5. for every acre under cultivation. It might perhaps be argued that the needs of the farmer have been met by these loans. But in a very important consideration, namely, that in many parts of the Dominion it is not more loans, but cheaper loans that are required. Farmers need credit at six per cent. and they have to pay nine or ten percent. as a regular thing. For this the loan companies are not necessarily to blame. Their expenses are high, the machinery for carrying on their business is costly and somewhat complicated, and it has been estimated that to cover expenses and provide a reasonable profit to shareholders they must charge the farmer four per cent. above the rate at which they can borrow money themselves, in order to pass it on to the ultimate borrower, namely, the farmer. In other words, if a mortgage and loan company can sell its debentures at five per cent, it must charge nine per cent. interest on its loans to farmers in order to make a profit. This is not, under the circumstances of the case, a wholly unreasonable or extortionate charge, but the rate is too high and other means must be found to supply the farmer with loans at a lower cost. The agricultural credit societies of Europe conduct their business at an advance of from three-quarters of one to one per cent. beyond the figure at which they can themselves borrow funds. They can do this because they are not run for profit, but for the benefit of the community. Expenses are cut down rigorously, and the most efficient service is rendered at the least possible cost.

INTEREST RATES IN WESTERN CANADA.

That the rate of interest charged on loans to farmers in Western Canada is substantially higher than that charged in the East is well known, and the reasons are not far to seek. In the first place, the demand for capital to develop agricultural resources in the West is greater and more insistent than in the East. Secondly, the risk in a one-crop country is greater than in one of mixed farming. In an exclusively grain-raising area, if the crop is a failure, the farmer is in a far worse position than if he were engaged in mixed farming and could fall back on his returns from livestock. When his grain crop is lost, all is lost, and the lender runs a good chance of losing as well. Indeed, so important is this consideration that it may be well asked whether it is not impossible for substantial reductions in interest rates to be effected until a more diversified system of farming be introduced. In fact, it may be taken as an axiom that the better and more diversified the farming in any district, the lower the rate of interest. Lastly may be mentioned the long recognized fact that capital has a somewhat curious immobility, in that it is very hard to be moved from the centres of financial activity to the outlying districts, and then only through the inducement of high rates of remuneration. In other words, capital is centripetal, and flows to the centre where it may be most quickly set to work, and shuns more distant places. There is the universal feeling of distrust of schemes far removed from the inventor, and to overcome this distrust high rates have to be offered.

EARLY RURAL CREDIT IN CANADA.

The agitation in Canada for a system of rural credits is no new one, although the movement has not been continuous, and the present demand dates only from 1913. It made its first appearance in Canada concurrently with the founding in France of the Crédit Foncier by Louis Napoleon, and in 1869, the Canada Land-Ed Credit Company was founded which had as its motto "Liberation par amortissement." The prospectus issued in that year contained the following statement:

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"The agricultural interest has long raised its just complaints on the scarcity and consequent dearness of money which is lent to it, upon the enormous charges which borrowers are occasionally put to, and upon the great difficulty which is found to exist in repaying, at a short date, capital which is employed in the cultivation of the soil, only brought to perfection by a successive augmentation of its products at the end of a great number of years. Thus, while money had on mortgage increases every day, property, far from being able to free itself from incumbrance, and at the same time to permit of proper cultivation, has at length in numberless cases, succumbed under the weight of burdens too great for it to bear."

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The company proposed to introduce the amortization system of repayment of loans over a period of 23 years, and for a certain time did make these loans. It was found, however, that the system was misunderstood and was unpopular among borrowers, and it was therefore dropped. Subsequently the company amalgamated with another, and it now is doing business in Toronto under the title of the "Canada Landed and National Investment Company."

In Quebec, in the year 1863, a vigorous agitation was started for the founding of a credit foncier bank, which should lend on the amortization system, and be started by a large government grant. A special committee of the Legislative Assembly was appointed to consider the subject, and M. G. B. de Boucherville presented an elaborate report, warmly advocating the adoption of the system. In the same year an act was passed permitting the founding of a landed credit bank, but government aid was withheld.

The result was the founding of the Cr dit Foncier du Bas Canada, and of several little building and loan societies, one of them in Montreal. The first named survived until 1881, when the difficulty of raising sufficient capital in Canada induced it to sell out to the Cr dit Foncier Franco-Canadien, which brought in capital from France, and which has been conducting business ever since.

The demand for special facilities for farmers to obtain loans has always been regional, and incidental to the development of the country. That is to say, each province as it reaches a certain stage of development finds that its farmers are having a hard struggle to gain a footing, and maintain themselves when settled. What Quebec was saying fifty years ago, Western Canada is saying to-day. It is interesting to read the pamphlets of half a century ago. The complaints made by the farmers in the East in those days are couched in almost precisely similar terms to those used in the West now. But the insistent demand for a rural credit system is heard no more in the east, and in a few decades the same way be said in the west. That, however, does not dispose of the fact that the present necessity is a grave one.

II. - SHORT-TERM CREDIT IN CANADA.

COOPERATIVE CREDIT.

One requirement of the farmer is for short-term credit, that is to say, for small loans at a low rate for short periods. This subject must be kept distinct from that of long-term credit requirements, and should in no way be confused with it. With regard to this part of the Commission's inquiry, the task is an easy one. There is no doubt that co-operative societies or

"banks" are the only possible solution of the problem. The chartered banks cannot, and do not make very small loans to the smallest type of farmer or artisan; other means must therefore be devised to help him.

The Strength of the Co-operative Credit Society

The greatest single factor in the regeneration of European agriculture during the last forty years, has been the co-operative credit society, whether it be on the model of the Raiffeisen, the Schultze-Delitsch, the Luzzatti, or of any other that has followed the main outlines of the German systems. The strength of the co-operative system lies in the fact that the small agriculturist, while he is in the greatest need of credit, suffers from the disadvantage of having no adequate security of the type usually required by lenders. The small farmer, and more especially the tenant farmer, has often very little material security to offer, and the peace of such material security can only be taken by personal security, that is to say, by a system which will allow the borrower to borrow on the security of his own character, backed by his friends who will vouch for his honesty and ability and confirm their opinion of him (guarantee his repayment of the loan).

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In order that they may do this with safety they must, of necessity, watch closely to see that he expends the money borrowed to the best possible advantage. They will also see that the unworthy do not benefit by the advantages of the system, and therefore, membership and indebtedness to the society become the badge of good citizenship. The inexpensiveness of the management, where all the officers of the little society serve gratuitously, is also a fact greatly in favour of the co-operative bank.

The second important asset of the cooperative bank is one which it shares with cooperative supply and sale societies, viz., with the power of making available for individual members the facilities obtained by collective action.

Caisses Populaires of Quebec

In Quebec there is a striking example of the success which attends a determined and well-planned attempt, carried out by a man of education and vision, to set up a system of short-term credits for farmers and artisans.

M. Alphonse Desjardins, founded in December, 1900, a co-operative bank at Levis, P.Q. which began operations on January 23rd, 1901. At that time there was no law providing for such an institution, and until the passing in 1906 of the Quebec Syndicates Act, the Levis Bank remained simply a voluntary association, managed by its founder. During those six early years only two similar banks were founded. The Quebec Syndicates Act (R.S.Q. 1909 articles 6762 to 6811) was designed to regularize the formation of co-operative associations, the territory within each such association was empowered to operate being the limits of a provincial electoral district. The Act was amended in 1912 and again in 1915. (5 Geo. V. ch 68) (6 Geo. V. ch 43.)

(2 Geo. V ch 43)

The responsibility of members within the electoral area can become members.

The system has certainly flourished, and at the end of 1916 no less than 152 banks have been established in Canada, of which 131 are in the province of Quebec and 21 in Ontario. The movement has also spread into the United States, and in 1916 there were 35 cooperative banks in Massachusetts and New Hampshire.

is limited to the amount of their respective shares, and only persons

Ten other States of the American Republic have passed laws authorizing the establishment of cooperative banks, and in the State of New York several are already in working order. The State of North Carolina has now 14 fully developed cooperative banks which are proving of great benefit in their respective localities. These Caisses Populaires are each comparatively small affairs, but the volume of total business is by no means inconsiderable. The aggregate value of loans made yearly exceeds \$5,500,000; the general turn-over has reached \$22,600,000, and 21,200 loans have been made since the inception of the scheme. The original bank at Levis, after 16 years' existence, had made by November 30th, 1916, a general turn-over of \$3,594,568, and its total assets amounted to \$549,100. In June, 1917, the general turn-over had increased to \$4,098,792. Up to November 30th, 1916, the bank had loaned a total sum of \$2,207,139 in 9,962 loans. Up to June 30th, 1917, the total loans amounted to \$2,397,223, without one single cent of loss. Nor, with one exception, have any of the other banks lost anything to date, a very remarkable fact. Three-fourths of the loans made by the Levis bank were for amounts of \$100. and less, showing the real character of these institutions as organized specially for the benefit of the poorer classes.

The system on which the Desjardins banks are worked marks a further evolution of the type created in the first instance by Schulze in the town of Delitsch. Schulze's system was founded, like Raiffeisen's, on unlimited liability of all members. Luzzatti, who founded the wonderfully successful People's Banks in Italy, limited the liability; while M. Desjardins has gone another step forward in practically abolishing any form of liability at all, and adopting what is known in France as the "capital variable", which is withdrawable almost at will, with 30 days' notice. This is practically the counterpart of the system in vogue in the uncapitalized savings banks of the New England States, where it has been eminently successful for three-quarters of a century. M. Desjardins states that he was forced to adopt that system, as the people in Quebec would never have accepted unlimited nor even the limited liability of Luzzatti. He described his system in 1907, when giving evidence before a Committee of the House of Commons. Put briefly; his banks aim at lending small sums to members on personal security, and the honesty of the borrower is considered, not his holding in the bank. The banks work within a very small area where everyone is known to all the shareholders and where every shareholder is interested in the repayment of the loans. The average rate of interest works out at about 6 5/8 per cent.

The banks are never connected with any other Co-operative Society, as in M. Desjardins' view there is a great danger of the banks getting under the control of a few individuals, while control of the whole body through their nominees, of the very essence of the system. Each association is carried on by three committees: the Council of Administration with from five to nine members; the Credit Committee of three members; and the Supervisory Committee of three members. All these committees are appointed by the vote of the shareholders and hold office for two years. The Council of Administration controls the admission of new members, the transference or withdrawal of stock, and the general running of the business. By them is chosen the manager - the only salaried official of the concern. The Credit Committee determine the credit to be allowed to each member and pass on all applications for loans, although the right of appeal to the Council of Administration is granted to the applicant.

The Board of Credit must be unanimous in granting any loan, and the members of it, are themselves precluded from borrowing.

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The Committee of Supervision form a permanent board of supervision and audit, and if necessary, they have the right of suspending the operations of the association until the situation is revised by a general meeting of shareholders.

The capital of each association varies in amount, and is raised by selling shares and by receiving deposits. The shares of \$5. each may be paid for by small instalments. Every applicant for membership must come before the Council of Administration, and in the words of the association's by-laws, every applicant "must be honest, punctual in his payments, sober, of good habits, industrious and laborious." Bankruptcy or abuse of the privileges of the society renders a member liable to expulsion. Savings are received, and the general rate of savings bank interest is given. Twenty per cent. of the net profits of each year, as well as ten cents on each share paid as an entrance fee, is put in the reserve fund, and each association has a Provident Fund raised by means of a ten per cent. assessment on the yearly profits, until the fund attains a maximum of one-half the yearly profits distributed on the paid-up stock. This fund is formed as an outer bulwark to the reserve, and is designed to meet the first onslaught of any disaster which might threaten the stability of the institution.

There are several interesting and significant points to be noticed about the working of the Caisses Populaires.

First: the success of the whole project has been brought about solely through the devotion and public spirit of the founder. It is not too much to say that without him they would never have existed at all. Just as Raiffeisen and Schulze carried through their schemes almost unaided, and in the face of opposition, M. Desjardins by his enthusiasm, faith, administrative ability and faculty for inspiring confidence, ~~was~~ carried it through on his own shoulders. And it would seem that this must always be so. Where the great state-aided credit institutions went to ruin, the tiny spark lit by one man's faith in Germany has never been extinguished and has indeed revolutionized rural life in that country. It seems to be a natural law that such projects flourish under private guidance, and languish and die under state patronage.

Secondly, the banks work within a purposely restricted area, and among a very humble clientele, eighty per cent. farmers and twenty per cent. wage earners, the average loan being between \$40. and \$100, although, of course, larger loans are made.

Thirdly, the Banks are doing missionary work in teaching the people the very rudiments of banking. Distrusting banks and banking, the French-Canadian has kept his money in his stocking. The Caisses are rapidly changing that, and the people are beginning to deposit their little boards in the bank. Instances are known where old people have brought in a thousand dollars in notes, the savings of a life-time, to deposit in the bank, this experience being closely similar to that found in Germany. The comparison between such conditions and the widespread banking facilities and activities of the western provinces is striking one. It is interesting to note that M. Desjardins has never met any opposition from any of the chartered banks, but on the contrary help and sympathetic regard. Nor have the chartered banks lost ground, but instead have benefited through the educative influence of the Caisses in breaking down prejudice against banking in general.

Fourthly, Banks of the Caisses Populaires type have been of the greatest assistance to the farming community. In the Levis district several long standing mortgages have been paid off by loans from the Caisse, which loans bear a lower rate of interest than was formerly paid by the mortgagors.

Fifthly, it must not be forgotten that the stability of the population is very great. Families live in the same villages, often in the same house for generations, a very different state of affairs from the fluid, shifting population of the Provinces farther west.

A significant point to notice is M. Desjardins' declaration that state assistance in any shape or form other than the protection the law provides is utterly repugnant to his organization. To quote his own words:

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"I do not believe in State spoon-feeding; there is nothing to be gained from such a weakening regime, except that it tends to kill that all-powerful stimulus of self-help, so strong an educator in a young democracy such as ours. The movement has never and never will receive, while I am living and enjoy any influence, one solitary cent of either direct or indirect help from any Government or public authority."

And lastly may be mentioned a point which M. Desjardins regards as a very satisfactory achievement, namely, that the Caisses Populaires have almost entirely broken up the easy payment system of buying goods, and introduced an era of "spot cash" dealing with the stores.

WINNIPEG CONFERENCES. →

A movement, originated some time before in the West for the better mutual understanding by capitalists and farmers of their different standpoints, culminated in July, 1916, in the meeting at Winnipeg of representatives of the Grain Growers' Associations and the chartered banks, and also of the farmers and the loan and mortgage Companies.

A discussion of the problems affecting both led to the passing of the following ~~most~~ resolutions by the joint committee of farmers and banks:

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"Resolved: that in the opinion of this Joint Committee it is desirable in the general interest that an understanding be reached between the banks and the farmers with regard to the further development of rural banking credits; and that a conference should be arranged between the bankers and the farmers to discuss the following points:

1. The extension of the time usually granted for short term credits so as to permit of the more effective and profitable production and marketing of grain and other farm products.
2. The provision of credits of sufficient duration for the feeding and raising of live stock.
3. The facilities that the banks would be prepared to give to co-operative circles of farmers who might pool their credits.
4. The extent to which banks would be prepared to recognize the additional safety thus provided by granting reduced rates

of interest to such co-operative circles.

It is the earnest desire of the banks to assist to the utmost in the development of the resources of Western Canada and to extend to the individual farmer every facility possible consistent with sound banking principles.

Usance of promissory notes.

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In granting credits to farms it has always been recognized by the banks that payment of the advances could not be expected until the proceeds of the season's crop would be available. Notwithstanding that credits are usually established for the season, there is an implied understanding that their continuance for that period is conditional on a maintenance of good faith on the part of the customer, and the object of limiting the term of discount is to enable a bank to protect itself at reasonable intervals in the event of any development seriously detrimental to customer's standing. The same custom applies to all commercial credits. In practice this limitation is never taken advantage of unfairly to the injury of a customer, and its reasonableness has seldom been questioned.

It is the feeling of the Western representatives of the banks that it would be unwise for them to give any general undertaking to discount farmers' notes drawn at a longer usance than the usual three and four months. They appreciate, however, the point raised by the farmers' representatives, and it will be their aim to arrange the maturities of notes representing farmers' borrowings so as to meet the convenience of their customers as far as possible, having regard to the merits of each individual case.

Extensions of Credit to Carry Grain.

The practice of requiring an annual clean-up of farmers' borrowings for one season before entering upon advances for the following season originated in the older settled provinces of the East. There it worked no hardship to the farmer, since no one crop was ever raised in sufficient quantity to render its marketing a strong factor in depressing prices, and the experience of many years demonstrates conclusively that in the long run the farmers who sold their grain when it was ready for market got a better result than those who frequently held in the hope of higher prices.

Until quite recent years the aim of almost all farmers in the west was to market their grain at the earliest possible date after harvest, and to get the year's indebtedness settled up. In these circumstances little or no objection was ever raised to the principle of a clean-up of bank borrowings by the end of the year, or shortly thereafter. Now, however, that Canada has attained the position of the world's fourth largest wheat producer, and the marketing of its surplus has become an important factor in the world's markets, it is obvious that Western farmers - and incidentally Canada as a whole - would profit largely if farmers' deliveries could be regulated so as to be spread more evenly over the period between harvest and harvest. Recognition of this fact has already found reflection in the policy of many banks having country branches and the members of the sub-section are prepared as far as possible to finance their farmer customers so as to facilitate a gradual marketing of the grain.

In this matter also, however, it must be clearly understood that every case would require to be dealt with on its merits. A farmer whose financial position was a difficult one, and who was in danger of being harassed by outside creditors, could scarcely expect that his banker would permit him to delay selling his grain merely in the hope of obtaining a higher price, unless the grain were independently warehoused and security thereon given to the bank.

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Loans to buy Livestock for feeding.

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An advance to a farmer to purchase cattle at one season of the year to be fed and sold at a later season, has always been recognized as constituting a desirable banking transaction, and the banks are more than ever disposed to encourage the cattle-feeding industry and to carry loans for the period necessary to mature the live stock.

Loans for Stock Raising.

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In view of the fact that the deposits of the banks are subject to withdrawal on demand or at short notice, it would be contrary to sound banking principles for a bank to bind itself to carry loans for a period of two or three years. Nevertheless the bankers are thoroughly alive to all the necessities of the Western live stock industry, and would approve of the practice of lending money to capable and industrious farmers for stock raising operations and affording them every reasonable assistance to bring their young stock to maturity by renewing their notes from time to time on the merits of each case, and as conditions may permit.

Co-operative Credit Associations.

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The disposition of the banks would be to lend their support to the development of the farmers' co-operative movement, so long as it proceeds on sound lines. If it should be found feasible to organize effectively farmers' co-operative credit associations, and provided it was clear that the collective obligation of such an association afforded added safety, the banks would undoubtedly be prepared to recognize this fact by according a reduced rate of interest.

In 1917 the Manitoba Legislature passed the Rural Credits Act (Ch.73). This Act provides for the organization by Manitoba farmers ~~the Rural Credits Act provides for the organization of Manitoba farmers~~ of rural credit societies, through which the individual shareholders of such societies may be enabled to secure short term loans for carrying on or extending their farming operations. Such loans will be secured on the security of the crop for the production of which the loan is secured, or the live stock or the machinery bought with the money thus borrowed. The money will be secured from the bank at 6 per cent. and the borrower will be charged 7 per cent, the difference going to pay expenses of the society and augment the guarantee fund. The plan under which these rural credit societies can be organized is briefly as follows: Each member of the Society takes stock to the amount of \$100. The Provincial Government takes stock to an amount equal to half that subscribed by the members of the Society, and the municipality within the boundaries of which the members of the Society live and carry on their farming operations takes stock to the same amount as the Government. The proceeds of this stock forming a guarantee fund as the basis for credit, the Society will be enabled to secure credits for its individual members to a total of many times the amount of the subscribed stock. For example, if a society is organized with a membership of fifty farmers, taking \$100 of stock each it would start with a capital of

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\$10,000, as follows: Fifty farmers at \$100 each, \$5,000; the Municipality half of this sum, \$2,500 the Government of Manitoba, also half. Total \$10,000. It is provided that the municipal subscription need not be in actual cash but may be in bonds of the municipality. With such a capital, and the society becoming responsible for each loan made to its members, after duly passing upon same, it is anticipated that loans to a total of at least \$100,000, could be secured from the bank or banks with which the society arranged to do business.

The Act provides that when at least fifteen farmers in any district have decided to organize a rural credit society they shall make application by petition to the Provincial Secretary and if the application is in order the Government will then issue letters patent, incorporating the society. The Government is then required to appoint an officer to act as secretary and treasurer of the society until the organization of the society has been completed and a permanent secretary and treasurer appointed.

No society may commence business until it has received subscriptions to its capital stock from not less than fifty persons actually engaged in farming, or who have agreed to engage within one year in farming operations, and these must subscribe for stock to the amount of not less than \$5,000, upon which not less than 10 per cent. must have been paid.

When organization of the society is complete, the management of the business is vested in a board of nine directors, three elected by the members of the society, three named by the municipality, and three appointed by the Government of Manitoba.

The directors appointed by the Government must include a graduate in agriculture, who becomes Government Supervisor of Agriculture in the district. One of the directors acts as secretary of the society and must be a capable accountant. The secretary will be the only officer paid by the society.

The Act, provides specifically that short term loans secured for members for paying the cost of farming operations of all kinds and increasing the production of farm products shall be for any of the following purposes:

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- (1) The purchase of seed, feed or other supplies;
- (2) The purchase of implements and machinery;
- (3) The purchase of cows, horses, sheep, pigs and other animals;
- (4) The payment of the cost of carrying on any farming, ranching, dairying, or other like operations;
- (5) The payment of the cost of preparing land for cultivation.

It is also provided that the rural credit Society may act as agent for the members in purchasing supplies and selling products, and may also take steps to promote co-operation for the improvement of conditions of farm life, and to extend the application of the society's activities to all residents of the district.

All notes covering loans will mature not later than the 31st day of December of the year in which the loan is made. Where the loan is for machinery or live stock, or for any other purpose from which returns cannot reasonably be realized by due date, the loan may be renewed from year to year on approval by the directors of the society.

The security given by the borrower to the society will be the animals, machinery, goods or personal property of any kind purchased, or partly purchased, with the proceeds of the loan obtained.

through the society, together with the offspring of such animals and the crops or other products grown upon any lands for the working of which such loan has been secured.

WESTERN LIVE STOCK ASSOCIATIONS IN CANADA.

An interesting experiment, which has met with some measure of success, has been carried on for a few years in Western Canada in the shape of associations for the supply of live stock to farmers at cheap rates and easy terms of payment.

The system briefly is for a certain number of men to agree to become liable for a certain sum each, usually \$150, to a bank, which in turn agrees to advance to selected farmers sums sufficient to enable them to buy livestock. If the farmer fails in his payments to the bank, the guarantors then are assessed for their share of the debt, and the bank recoups itself out of the sum of \$150. If that sum is exhausted, the guarantors then cease to bear any liability whatever. Security is obtained by a lien note on the stock bought, and its natural increase. The time given for the repayment of the stock varies with the kind of stock bought. With cows, six, twelve or eighteen months are ordinarily allowed, but if substantial reductions are made, and all is satisfactory, these terms may be extended as the circumstances require. Hogs should be paid for in less time.

These associations are interesting as an object lesson in what may be done by co-operative borrowing, or rather by assuming co-operative liability in its simplest form. It is by such means as these that the idea of co-operative credit societies may spread in Canada. It is to be noted, however, that the action of the moratorium passed on the outbreak of the European war has very severely hampered the societies' work, ~~in~~ in that it has stopped them from taking lien notes on the cattle bought, since it is impossible to collect quickly on these notes under the provisions of the act.

The following is a copy of the form of the Lethbridge Live Stock Guarantors' Agreement:

1. Parties to this Agreement (a) the signatories, hereinafter called the guarantors, and such other persons as may be appointed at a General meeting of the Guarantors, or any two of them, hereinafter call the trustees.
2. The undersigned guarantors desire to provide assistance to farmers in Lethbridge District to enable them to enter into, and to extend their operations in livestock, so as to further mixed farming and livestock operations for the mutual benefit of the city of Lethbridge and the district adjacent.
3. The guarantors also desire to assist in the ~~purchase~~ purchase of livestock for distribution to the farmers.
4. The guarantors appoint and authorize any two of, or all of the trustees to enter on behalf of the guarantors, into such engagements as may be in the judgment of the trustees necessary and advisable to these ends; and in particular to assist in the purchase of livestock for sale to farmers approved by the trustees; to accept lien notes or chattel mortgages in favour of the trustees from such farmers covering such livestock, on such terms of payment as may be named by the trustees, and to assign such lien notes or chattel mortgages to the bankers.
5. Each of the undersigned guarantors, without regard to the number of guarantors or to any representations that may have been made, and may hereafter be made as to the number of names of the guarantors to this agreement or otherwise howsoever, hereby agree with the bankers to pay to them upon demand the sum of one Hundred and fifty dollars on account of, or in liquidation of, any

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- and all defaults that may be made in the due payment on the said lien notes or chattel mortgages.
6. Whenever the bankers desire repayment of any sum which they have failed to collect at due date upon any lien note or chattel mortgage assigned to them by the trustees under the provisions of this agreement, the trustees shall prepare a statement in writing of these deficits with details. Such statement shall show the number of guarantors hereto, and the amount required to meet the deficit shall be assessed equally upon each of the guarantors and the statement shall show the amount of each assessment.
 7. Thereafter, the bankers shall mail a copy of the said statement of assessment to each guarantor, at the address set opposite to his name and thereupon each guarantor agrees to pay the amount of such assessment to the Bankers.
 8. Subsequent assessments may be made from time to time until each guarantor has paid the total amount of One Hundred and Fifty Dollars, quaranted by him as aforesaid.
 9. The trustees or any three guarantors hereto, may at any time by three days' notice in writing mailed to each of the guarantors call a general meeting of the guarantors hereto, and a majority of the guarantors at any such meeting may appoint trustees and may give directions to the trustees respecting the performance of their duties hereunder and may direct the trustees to stop giving further assistance to farmers.
 10. The trustees hereunder appointed and any additional trustees hereafter appointed, or any successor to such trustees, shall endorse this agreement as trustees and agree faithfully to perform the duties set forth herein.
 11. It is expressly declared and agreed that no personal liability shall attach to the trustees other, that incurred by them as guarantors.
 12. It is expressly declared and agreed that no one guarantor is to be called upon in any event whatever to pay more than the sum of One Hundred and Fifty Dollars, that being the extent of the liability assumed by each guarantor.

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In the session of 1917 the Alberta Legislature passed the Alberta Co-operative Credit Act which provides for the formation of Co-operative Credit Societies by authority of the Lieutenant Governor in Council in localities on petition signed by not less than 30, nor more than 100 farmers who undertake to subscribe stock in the Society to the amount of not less than \$3,000 (\$100 each) payable 20 per cent. in cash and the balance received by promissory note payable December 31st of the current year with interest at 6 per cent. Provision is made for government and municipal co-operation by guarantee in each case of an amount equal to a moiety of the total amount of stock subscribed by the shareholders of the society. The objects of the societies organized under the Act are enacted as follows:

- (a) To procure short term loans for the members for paying the cost of farming operations of all kinds and increasing the production of farm products and particularly for the following purposes:
 1. The purchase of seed, feed and other farm supplies;
 2. The purchase of implements and machinery;
 3. The purchase of cows, horses, sheep, and other live stock.
 4. Payment of the cost of carrying on any farming, ranching, stock-raising, dairying and other like operations.
 5. Payment of the cost of preparing for cultivation.
- (b) To act as agent for the members in purchasing goods, chattels, effects, stock, grain, coal, wood, lumber, merchandise and any other article or commodity required by subscribers and in selling any products produced by subscribers.

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(g) To promote co-operation among its members for the improvement of the conditions of farm life, the rate of interest payable by a borrower on loans guaranteed by the Society is to be that which is agreed upon between the Society and the lender and out of the interest an amount not exceeding one per cent. is payable to the Society. The capital of the Society may be invested in such manner as the directors may determine subject to the approval of the Lieutenant Governor in Council, and the profits shall be applied to the payment of expenses, the payment of dividend on paid up stock of not more than 6 per cent. per annum and to the accumulation of a reserve fund. Power is given by the Act for the appointment of a Supervisor of Co-operative Credit Societies and such inspectors assistant and clerical assistance as may be necessary.

(Ch. 9)

Under the Alberta Live Stock Encouragement Act passed in 1917, any association can apply to the Provincial Live Stock Commissioner or Acting Commissioner or any Assistant Commissioner for a loan wherewith to purchase cows and heifers, but the amount loaned to any single purchaser must not exceed \$500. On consent of the Commissioner not more than ten per cent. of the amount can be used towards purchasing a pure-bred bull. Notes of members of the Association are to be given for the loans bearing interest at 6 per cent per annum and a fee of \$1 for each \$100. is to be paid to meet expenses. All transactions must be conducted with the consent of the Commissioner. Loans must not cover a period of more than five years. Default in payment, or neglect of the stock, justifies seizure and resale of any of the stock of the purchaser. No execution, distraint, attachment or garnishee can stand against the live stock purchased under the terms of the Act until the loan is settled.

(Ch. 8)

The Seed Grain Act 1917 (authorizes the Provincial Treasurer to guarantee advancements for the purchase of seed grain to the extent of \$75,000. Applications for advancements must be made in set form to the Minister of Agriculture. The loans can be covered either by notes or chattel mortgage. There is also to be a lien or charge upon all grain grown upon the land for which any seed grain or money has been advanced under the Act. If any grain grown upon the land is sold it is recoverable. The Provincial Treasurer can at any time declare any security given under the Act immediately due and payable, other than a promissory note. Both owner and occupant are required to sign the note and lien. The Act came into force on February 1st, 1917.

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LONG TERM CREDIT. →

There are two basic systems, other than the system of the purely commercial loan and mortgage companies, by which farmers may obtain loans. These are: first, that system whereby a number of farmers in the same neighbourhood, having formed themselves into an association, by pooling their individual credit, thus making themselves jointly and severally liable for the debts of their fellows, may obtain loans by means of selling bonds or debentures in the name of the association, the proceeds of which are passed on to the members applying for loans, on the security of their lands, which are hypothecated to the association. This system may be called generally the "Landschaft type", after its prototype the Prussian Landschaften, an outline of which is given below. The second type is that of direct government loans as in Australia and New Zealand, and as recently adopted in British Columbia. All other systems are modifications of these two, and any detailed description of the many different variations from the basic types would go beyond the scope of this report.

The Commission, therefore limit themselves to the examination of proposals for the introduction of systems of rural credit into Canada and the United States, at the same time giving brief outlines of the Landschaften and the Australian systems.

GERMAN LANDSCHAFTEN → New Zealand

The story of the work of the German Land Mortgage Credit Associations, commonly called Landschaften, since their founding by Frederick the Great in 1770, is an oft-told tale. Designed to help the landowners of Prussia in the financial crisis which followed the Seven Years' War, these Associations at first were compulsorily imposed on all the landowners of the districts in which they were formed, although this compulsory character was modified somewhat later. These institutions are not, in the ordinary sense, co-operative credit associations at all, that is to say, in the sense that the Raiffeisen and Schulze-Delitsch systems are co-operative, seeing that they are non-profit-seeking, have no share capital, and the accumulated assets are utilized, not in lending but in covering any deficit. These associations may therefore be regarded as highly organized associations of borrowers, with collective guarantee for obtaining capital from third persons. By issuing bonds secured by mortgages on the properties of all the members they create a security realisable at any time, and on that is superior to a mere individual mortgage.

As originally instituted, bonds were issued secured by mortgage upon specific property with the guarantee of the Associations, but of late years this system has been changed and the bonds now represent legal claims upon the Associations which are founded upon mortgage claims for similar amounts.

The system of working is a simple one. The individual borrower goes to the Landschaft officials, who, after his land has been appraised, give a bond in exchange for his mortgage; the borrower then sells the bond in the open market. The Landschaft pays the interest on its bonds itself, and looks to the borrower to pay a slightly higher rate of interest and amortization to the Association direct. If the borrower fails to keep up his payments the Landschaft forecloses (having statutory powers to do so without recourse to a lawsuit), has the land sold to the highest bidder, and returns to the borrower any balance left over after costs have been paid. All the Associations are supervised by the State, and rank as public corporations, their officers ranking as semi-state officials. In order to obtain a wider market for the bonds

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of the Prussian provincial associations, eight of these in 1873 combined to form the Central Association, retaining however the right to issue their own provincial bonds as well. It was thought that by obtaining a wider market outside of Germany, if possible, the bonds would be less liable to fluctuations, as bad harvest and other possible evils are usually only local, and their occurrence, while it might affect seriously bonds of Provincial Associations, would not affect those resting upon a broader basis. But this Central Association has not met with any striking success, and the value of the Central Association bonds does not stand higher than those of the Provincial Associations.

The business of an association is carried out under the supervision of (a) the Royal Commissioner, (b) a Board of Directors, (c) the Council of Administration, (d) the General Assembly. The Royal Commissioner, usually the Governor of the Province, is a state official nominated by the Government and is president of the whole Association.

The Board of Directors consists of a Director General, other members chosen to represent different districts, and non-voting legal members called Syndics. The latter are permanent paid civil servants who conduct the whole business, arranging the legal formalities, adjusting claims, cancelling mortgages, etc. The other members are property owners within the district, and are unpaid. Besides the central Board of Directors, local directors are elected for the various divisions of the area of the Association. They are members of the valuation revision committee, and are charged with the duty of keeping a watch on the conduct of the mortgagors in their vicinity which might in any way impair the value of the property mortgaged.

The Council of Administration is a body designed to stand between the Directorate and the General Assembly. As the latter does not meet regularly, the Council of Administration is intended to represent the general body of members and to exercise supervision over the Directorate. The Council meets once a year, and before it is laid a general report of the year's work by the Directorate, the valuations and loans made, the bonds issued, what properties have been compulsorily administered, and the general state of the funds; it also determines the rates at which bonds shall be issued within certain periods. Members are all mortgage debtors to the Association of a stipulated minimum amount.

The General Assembly is a body composed, not of the entire body of members, but of the different directors of the various districts, the officers of the association, and certain deputies chosen by all the members; but the personnel of the Assembly varies in different Associations. In the majority of cases the General Assembly does not meet annually but is called into session by the State Commissioner, the Council of Administration, or the Directorate. Membership of the Landschaft is obtained when any individual becomes a mortgagor of the association and ceases when he has redeemed his mortgage. Some associations charge a small entrance fee, but this is not generally done.

A small charge (varying from $\frac{1}{2}$ to $\frac{1}{4}$ per cent. of 1 per cent. of the loan) is usually charged for general administrative purposes. The Landschaften have no power to refuse loans to landowners who fulfil all the necessary requirements and whose properties are good for the money, unless they show good cause for refusal. Amortisation of loans is not general, and various regulations exist in different

Associations. In most cases the contributions towards redemption of the mortgage are not applied to the immediate reduction of the debt but are accumulated in a special sinking fund. In some associations, however, borrowers are allowed to withdraw their accumulated contributions or take out fresh mortgages.

The Bonds have held a very strong position in the money market, and the majority are quoted at from under one to about two per cent. lower than Government stock bearing the same rates of interest. Indeed it is interesting to note that in 1808, in Prussia's darkest hour, when the land lay crushed by Napoleon after the disaster of Auerstädt and Jena, while Prussian stock was quoted at 20, the bonds of the Silesian Association never fell below 50.

Mr. J.R. Cahill in his Report to the English Board of Agriculture (see Bibliography at end of this Report) sums up the special merits of the Landschaften as follows: (1) Mobilization of Credit. (2) Non-liability to recall of loans. (3) Low rate of interest. (4) No possibility of the rate of interest being raised, since the bonds are irredeemable by the holder. (5) Right to reduce the debt at borrower's convenience. (6) Low valuation charges. (7) Administration inexpensive, and high qualifications for their work of the office holders.

Many of the Landschaften have instituted loan banks to carry on a general banking business, to grant advances to borrowers on the security of the bonds of their associations, and to grant short term non-mortgage loans to members, on more favourable terms than they can obtain elsewhere. These banks have realized very considerable profits, and, after appropriations to reserve, have turned over to their respective associations substantial sums which are applied to the reduction of the mortgage indebtedness of members.

Besides their principal activities most of the Landschaften have established fire and life assurance societies, and one interesting movement in the East Prussia Association may be noted. Here an independent association has been set up to carry on all kinds of life insurance. Instead of paying to the sinking fund, the payments were made into premiums on life insurance policies, the values of which are to be devoted to paying off the mortgage at the death of the mortgagor, any profits of the subsidiary association being devoted to the benefit of the parent Landschaft for the liquidation of indebtedness of members.

GOVERNMENT LOANS to Settlers in New Zealand.

The system of making direct government loans to settlers has been in operation in New Zealand since 1894, and has attained marked success. The reasons leading the New Zealand government to institute the system may best be related by quoting from Mr. Guy H. Scholefield's "New Zealand in Evolution."

"The long period of depression [i.e. prior to 1894] which had banished all hope from the hearts of the agrarian population fell with particular severity on those who had purchased their farms on mortgage during the boom at high rates of interest. Relief seemed impossible and the price of produce fell lower and lower. In some of the best agricultural districts the bulk of the farmers were not free agents to sell their own grain. The evil gathered strength, and many were forced into relinquishing their holdings, while those who hung on had a millstone round their necks. The Government determined to remove it and chose as its weapon the establishment of a species of farmers' bank. Power was taken to commence by borrowing not more than £3,000,000 at not more than 4 per cent. interest. Half this sum

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was raised at 3 per cent., and the government forthwith made advances to farmers at 5 per cent. on approved securities. The effect was instant, hundreds of struggling men transferring their mortgages to the easier conditions of the state office."

Under the Act of 1894 a government department was established called the Advances to Settlers Office, and was placed in charge of an administrative officer known as the Superintendent, with an advisory board, without whose consent no advances could be made. By this act the capital fund was limited to £3,000,000 (\$14,600,000) which was to be raised within two years from the passing of the Act, at an interest not exceeding 4 per cent. per annum. A sum of £1,500,000 (\$7,300,000) was raised, and the minimum advance was fixed at £25 (\$122) and the maximum at £2,500 (\$12,166) repayable on the amortization system in 36½ years, by half-yearly instalments of 3 per cent. on the amount borrowed.

Foot Note.

Throughout this Section the English currency of the New Zealand Reports has been converted into Canadian currency at the usual exchange rate of \$4.86 2/3 to the £ Sterling.

An amending act was passed in 1895, and another in 1896, extending the time for raising the balance of the capital, and by the latter act the maximum loan was fixed at £3,000 (\$14,600) and the granting of fixed loans on freehold security for any term not exceeding ten years was authorized, interest to be at the rate of five per cent. annually. In 1898 the time for raising the balance of the capital fund was extended for a further period of three years, and in 1899 the sum of £500,000 (\$2,433,333) was raised on satisfactory terms.

The rate of interest 5 6/4

In 1899 an amending act reduced from 6 per cent. for payments made within the time prescribed. Provision was also made for the readjustment of loans as described below. The margin of security on fixed loans, originally one-half the value of the security, was narrowed to two-fifths, and in the case of loans on the instalment plan the margin was reduced to one-third on freehold security of first-class agricultural land. On other rural freeholds advances are authorized up to three-fifths of the value of the security, and in the case of leasehold lands up to one-half of the value of the lessee's interest in the lease. Power was given to the Board to grant loans under the instalment system on the security of urban or suburban lands, with limitation of amount to a maximum of £2,000 (\$9,733) and a minimum of \$122. On urban lands on which there are buildings, the amount of loan is not to exceed three-fifths of the value of the land apart from the buildings, plus one-half the value of the buildings apart from the land. On suburban lands on which there are buildings the loan is not to exceed one-half the value of the land apart from the buildings, plus one-half the value of the buildings separately. On urban or suburban lands having no buildings the loan must not exceed one-half the value of the land, and the loan must only be for the erection of buildings.

In 1901 the whole of the authorized capital fund had been raised and exhausted, while applications for advances were increasing; so that an Act was passed to empower the borrowing of an additional £1,000,000 (\$4,866,666) without restriction as to the time within which the money should be raised.

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In 1905 the margin of security on leasehold lands was reduced from one-half to two-fifths, which had the effect of placing the leaseholder on the same footing as the freeholder in respect to obtaining advances.

The principal Act, and the various amendments, were consolidated in 1906, and the amount of the total capital fund was fixed at £5,000,000 (\$24,333,333). This Act provided for the establishment of a reserve fund of not less than £500,000 (\$2,433,333) and of a sinking fund, the annual contribution to the latter to be 10 per cent. of the gross interest receipts.

Amendments were made in 1907 in the direction of keeping a separate banking account, and to enable advances to be made on additional leasehold lands.

The Act of 1906 and its amendments were consolidated in 1908 as part of a general scheme of consolidation. The total capital fund was increased to £6,000,000 (\$29,200,000), and, by the removal of certain restrictions, lessees of lands purchased by the State under the Land for Settlements Acts were enabled more readily to obtain advances on the security of their interests.

In 1909 an office was established embracing the whole of what may be termed the Government investment departments. The advances to settlers system remains practically unaltered, but power was given to raise such sum or sums, not exceeding in the whole the sum of £1,500,000 (\$7,300,000) in any one financial year, as the Governor in Council from time to time might authorize. If the total amount authorized was not raised within the year the balance might be raised at any subsequent period. The annual contribution to the sinking fund was altered to 1 per cent. of the total capital liability at the time of payment, and the fund was to be held by the Public Trustee and invested by him.

An amending Act of 1910 provided for the classification of securities into three grades for the purpose of fixing the term for which an instalment loan might be granted. Previously all of these loans ran for the same period, thirty-six years and a half, but for the future a distinction was drawn and the term of the loan depends on the character of the security.

Loans can be granted only on the instalment system (a) On all freeholds up to three-fifths of the value of the security: provided that in the case of first-class agricultural freeholds loans may be made up to two-thirds of the value: (b) on leaseholds up to three-fifths of the value of the lessee's interest in the lease.

The granting of advances and the determining of what shall be considered first-class agricultural land rest solely with the General Board of the office.

Where an advance is required for the purpose of erecting a building, the amount of the loan granted by the Board may either be paid over in one sum when the building or other improvements are completed, or, if the applicant desires it, be advanced in progress payments from time to time as the building or other improvements proceed. An inspection and report must be made by an officer of the Valuation Department prior to payment of any progress payment on account of the loan, and for each such inspection a fee of 10s (\$2.50) shall be paid by the applicant.

No loan of less than £25 (\$122) or more than £3,000 (\$14,600) can be granted. Applications for loans not exceeding £500 (\$2433) have priority over applications for larger sums. If the applicant has already obtained any advance under this Act and is desirous of obtaining a further advance, either on the same security or on a separate security, the amount of the application, added to the amount of the advances already obtained, must not exceed £3,000 (\$14,600).

The security which the applicant offers for the loan must consist of one or more holdings of the several classes of tenure above mentioned, and must, of course, be of the necessary value; and if the security is leasehold all the covenants and conditions of the lease, including the payment of rent, must have been regularly complied with.

All applications must be accompanied by a valuation fee according to the following scale:-

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On an application for a loan not exceeding £100 (\$486).....	£10.6	(2.50)
Exceeding £100 (\$486) but not exceeding £250 (\$1216).....	£11.0	(3.00)
Exceeding £250 (\$1216) but not exceeding £500 (\$2433).....	£11.5	(3.50)
Exceeding £500 (\$2433) but not exceeding £3,000 (\$14,600)....	£22.0	(7.00)

Mortgages are repayable by half-yearly payments of principal and interest combined. They may also be repaid in whole or in part at any time. Interest is charged at the rate of 5 per cent., reducible to 4½ per cent, provided payment is made not later than fourteen days after due date, and no arrears in respect of instalments or other payments under the mortgage remain outstanding.

Land eligible as security under the Act is classified into three grades, according to the regulations, and the period for which a loan may be granted is 36½ years on first-class security, thirty years on second-class security and twenty years on third-class security. The class to which any particular security belongs is decided by the Board.

On the due date of any instalment, after at least one-tenth of the loan has been repaid, by means of the half-yearly instalments or of moneys repaid in advance, or both, the mortgagor (provided he is not in arrear with any instalment or other payment due under the mortgage) may, with the consent of the Superintendent, readjust the loan by treating the balance of principal then unpaid as a fresh loan duly granted on that date for a fresh term. But no readjustment is allowed unless the balance of unpaid principal amounts to at least £100 (\$486). Under this arrangement, the mortgagor is relieved of paying interest on the original amount of the loan, and pays only on the balance of principal not repaid.

By arrangements made with the Post Office, mortgagors are enabled to pay their instalments and interest to the credit of the Superintendent at any money-order office, and free of all costs for committing the money to Wellington. This is an arrangement at once convenient and economical for the large number of persons scattered all over New Zealand who have financial dealings with the Advances to Settlers Office. Loans may also be repaid in part or in full through the Post Office, and advances also made through the Post Office.

In 1913 all the various Acts were consolidated in the State Advances Act (4. George V Ch. 34). The maximum amount which can be raised in any one year by the Minister of Finance for the purpose of making advances under the Act is £1,500,000 (\$7,300,000).

All loans raised from the working of the Act are deemed to be portions of the public debt of New Zealand, and the sinking fund is part of the consolidated fund of the Dominion.

The latest statistics on the working of the Act are contained in the Annual Report for the year ended March 31, 1916 of the Superintendent of the State Advances Office. The advances actually made to settlers during the year numbered 1,567, and the amount advanced was \$3,144,913. The total advances outstanding on March 31, 1916, are classified as follows:

	Number	\$ Amount
Not exceeding £500 (\$2,473).....	16,126	16,800,096
Exceeding £500 (\$2,473 but not exceeding £1,000 (\$4,866)...	3,221	11,237,994
Exceeding £1,000 (\$4,866) but not exceeding £2,000 (\$9,733)...	1,346	9,221,996
Exceeding £2,000 (\$9,733) but not exceeding £3,000 (\$14,600)...	198	2,392,915
Totals	19,890	38,653,000

The average amount of the current advances was \$2,939.

From the inception of the scheme of advances to settlers in 1894 applications up to March 31, 1916, have been received to the number of 59,478 for loans totalling \$118,028,921. The Advances Board authorized loans of \$81,971,992 to 45,542 applicants, the total actual payments to March 31, 1916, being \$79,603,847 of which the sum of \$40,225,165 has been repaid in respect of principal. The total sum raised by the Government for investment on mortgage since 1894 was on March 31, 1916, \$45,529,200. The number of mortgagors at the same date was 19,890 and their indebtedness in respect of principal moneys was \$38,653,000, an increase during the year of 268 mortgagors, but a decrease of \$232,300 in the amount of principal outstanding. The gross profits for the year were \$354,128, and the cost of management was \$47,339, being 0.10 per cent. ~~at~~ 2s 1d (50 cents) per £1 (\$4.86) on the capital employed. The net profits amounted to \$303,938.

The lesson to be derived from the working of the system of direct government loans to farmers in Australia and New Zealand is plain. In these countries the governments have gone into the mortgage business in a way exactly similar to any private company. Owing to the fact that in the past they have been able to borrow at a very low rate of interest, lower than a mortgage company could, they have been able to grant loans more cheaply than the ordinary companies, and yet make a small profit on the working of the system. Good management, and the fact that they have been able to make use of some of the other machinery of the state, as for instance, the post office, has enabled them to make a success, and the extraordinarily small number of foreclosures shows that the inspection of the properties offered for mortgage has been done conscientiously, and that only good risks have been accepted.

RURAL CREDIT IN THE UNITED STATES.

The movement in the United States which led to the Federal Congress passing the legislation which is described below also induced many of the States to inaugurate systems of their own, or to pass legislation permitting such systems to be put in practice.

In Massachusetts there have been "Credit Unions" for several years, these being small credit associations for the purpose of advancing loans to poor persons on the system of the Desjardins Caisses Populaires on which they are modelled. These little Unions are both interesting and successful, but a consideration of their working is not necessary, since, before 1915, they followed very closely the Desjardins system. In that year, however, the credit unions were turned into mortgage

designed
to provide

associations by authorizing them to grant forty year loans and issue bonds. Other States that have passed legislation on similar lines are Wisconsin, New York, Missouri, Utah, Oklahoma, North Carolina, North Dakota, Oregon, Texas, Indiana and Kansas. These have all passed laws ~~which provide~~ borrowing facilities for farmers through the agency of "land banks", which are not actually banks in the commercial sense, but institutions for the floating of debentures based on the credit of associations of farmers who pool their credit in order to obtain loans.

LAND BANK OF THE STATE OF NEW YORK.

The Land Bank of the State of New York was instituted by law in 1914, and was designed to act as a central bond issuing agency for the numerous little credit associations already in existence throughout the state, under the name of Building and Loan Associations. In the State of New York alone there have been between seven and eight hundred of these little building and loan associations, working with great success and benefit to their respective communities, for a number of years, some of them having been founded as long ago as 1866. Their business is to lend money upon the security of land mortgages, each within a limited zone. Their record has been an exceptionally good one, and there is no question that they have been of great benefit to their members. The only drawback from which they suffered was the lack of means to make advances in sufficient quantities to their members, and it was in order to provide them with a means of getting larger supplies of money that the Land Bank was founded, and the constitution of the associations radically changed.

Before the revision of the Bank Act of the State of New York in 1913, these associations could not operate on credit, could not contract liabilities with outside parties, nor incur any expense in excess of a small percentage of annual income. They may, under the new law, contract debts to double the amount of their resources, they may pledge the bulk of their mortgages as a security for bonds, and make their entire assets security for their subscriptions to the Land Bank.

Savings and loan associations may now be formed anywhere in the State of New York by fifteen persons, but can operate only in the territory embraced in a radius of 50 miles. Shares which may be purchased by instalments, called "dues", weekly, monthly or annually, are issued so that they mature in about 10 or 12 years. On this plan a member subscribes for one share, which will be worth \$100 when it matures, and on this he pays 50 cents monthly, or \$6. a year, and in slightly under 12 years by his own subscriptions and the profit earned by the association which accrue to the holders of the share at compound interest, he will be able to draw, if he wishes a share worth \$100, on which he himself will have paid \$70. If he is also a borrower from the association he must take one share for every \$100 borrowed, and besides paying his regular instalments, he must also pay the annual interest on the loan.

In dealing with farmers, payments are made quarterly or half-yearly, and the shares and mortgages mature in about 40 years. To do this the payments will be only one per cent. annually of the principal in addition to the interest. If the interest rate charged by the central bank to the savings and loan association is 4 1/2 per cent., then a yearly payment of 5 1/2 per cent. of the loan will leave the farm free in less than 40 years.

Members are divided into three distinct classes. First, those holding instalment shares, upon which a regular payment of dues is

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made at stated intervals, and which pay dividends. Secondly these members who save enough in the association to accumulate a sum sufficient to make the first payment on a house or farm, and to whom the association will grant the balance of the purchase money as a loan or mortgage. Thirdly those members who have sufficient money to make a first payment on a property, and want to get a mortgage on favourable terms, with the privilege of repayment by the amortization system.

In addition to these, an association may also issue "saving shares" upon which payments are made from time to time, or it may also issue "accumulative prepaid shares" on which a payment of \$50. or more is made at the time of subscription, and to which the earnings are added, until the share matures, and is worth \$100.

The accumulations of payments on shares, interest and amortization payments on mortgages constitute the capital of the savings and loan association, and heretofore the money paid in by the members was all the funds available for loaning to members on mortgages, and so if the money was short, and a member wanted to borrow, he had to wait. In towns where savers were many and borrowers few, this did not make a very serious drawback, but in the rural districts this was entirely reversed, and it was evident that the building and loan associations could not adequately meet the needs of the farmer. A town association could admit farmers as members and loan to them, but the farmers could not form an association among themselves, as it took far too long to accumulate funds and the calls upon them were too great. It was in order to supply this need that the Land Bank of the State of New York was instituted.

It is situated in New York City, and is owned exclusively by the Savings and Loan Associations, each taking shares in the Land Bank in the denomination of \$1,000 each. The business of the Land Bank is to loan to the local associations on the security of the mortgages presented to the Bank by the associations which have received them from their members who desire to borrow. In order to do this the Land Bank must float its own bonds. An issue of such bonds, to the amount of \$50,000, was made in 1916, the Guaranty Trust Company of New York being the purchaser, and this sum was distributed among six associations, which pledged mortgages against these loans to the extent of \$17,000 worth of rural and \$33,000 worth of urban property. There are about forty-one savings and loan associations affiliated to the Land Bank, their aggregate resources amounting to \$21,000,000.

This new system did not come into operation without a good deal of opposition and criticism, its most trenchant opponent being the Hon. Lyron T. Herriek, who attacked it with considerable vigour.

The principal points at which offence is taken are mainly: first, because the Land Bank, together with its bonds, capital stock accumulations and funds, is entirely exempt from taxation. The act also makes it a preferred creditor of any insolvent financial institution in which it might have money or property on deposit, and also requires the State Comptroller to serve as trustee for the mortgages which may place in his hands as security for its bonds. The Land Bank, therefore, occupies a most privileged position in the State.

Secondly, the old building and loan associations, which had done excellent work in the past and were on a firm and sound financial basis, are by the new law changed to something entirely different, a case where it is urged that a good system should be left alone, and allowed to flourish in the future as in the past. The New York

building and loan associations had \$65,000,000 worth of mortgage loans in their possession. These mortgages represented the invested savings of the members and under the old law the members had a first lien on the mortgages and received all the profits from them.

Mr.

On this subject H.R. Ingalls writes:

"But now it is possible under the amended law for members to be divested of this first lien, and left without adequate security for their savings, while the profits, all of which were formerly distributed in dividends, may be turned over in part to outside parties as interest on bonds. Moreover, this placing, through bond issues, of outside money in competition with savings of members must necessarily tend to reduce the rate of dividends. The effect of this would be to drive out investor members and fill the associations with borrowing members, thus destroying the thrift feature of the associations, and subjecting the members who remain in them to whatever rigorous proceeding might be necessary to enforce the collection of the interest and principal of bonds held by outsiders. Driven to this extremity the associations would also lose the spirit of fraternity and the friendly accord which now reign in them."

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p. 6

It is not the intention of this report to comment on the arguments for or against this system, but it must be said that this criticism is very pessimistic in tone and that it may reasonably be doubted whether such effects may follow. At the same time it may be pointed out that it is the direct intention of the law to make the associations predominantly ones made up of borrowers, and the effect of the law is to make it easier for the borrowers to obtain loans from them. So far the Act has not made very much headway, only a few of the larger associations having come voluntarily under its working.

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Wisconsin System. The rural credits law of the State of Wisconsin was passed in the spring of 1913. This law permitted the incorporation of land mortgage associations by not less than fifteen freeholders, the capital stock of each being not less than \$10,000. These associations were authorized to make loans secured by first mortgages on Wisconsin real estate. The mortgages thus obtained may be deposited with the State treasurer, and the association may then issue bonds up to the amount of the mortgage so deposited. The bonds so issued are the direct obligation of the association and shall at no time exceed the amount of securities on deposit with the State Treasurer. Loans are to be made for long periods, and may be repaid on the amortisation plan. The associates may lend up to 65 per cent. of the appraised value of improved land, and up to 40 per cent. of the value of unimproved land. Each mortgage contains conditions under which soil conservation is compulsory.

The granting of loans is safeguarded, first, by a provision imposing a double liability upon the stockholders, and the obligation of the association which issued the bonds; secondly by a requirement that the assessor of incomes shall certify that the value placed upon any property for the purpose of a loan shall not exceed its market value; thirdly by a provision that no loan shall be made unless the committee on loans shall first be satisfied that a loan for the purpose specified by the applicant promises to benefit him, and by other provisions as that for soil conservation, already mentioned, the payment of taxes, insurance, special assessments, etc. The results of this legislation have been undoubtedly somewhat disappointing, since during the three years which have passed since it provided the means for instituting such associations, only two have been founded, the first Wisconsin Land Mortgage Association

Foot note

Effect of the New York Land Bank Act on the State Savings and Loan Law. By R. Ingalls, Journal of American Bankers' Association, February, 1916.

a) Eau Claire, and the State Land Mortgage Association at Marinette.

The Eau Claire association has loaned approximately \$100,000 and reports perfect success in its operations. Mr. B.F. Faust, the president, writing on April 25, 1916, says:

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"We have made it a point to loan money at a lower rate than the present current rates in the communities where we are operating. We find that the most need for the benefits of this association is in the newer sections, where naturally the rates are higher. In some of the newer developing sections, the current rate is seven per cent, with a bonus and expense charge to the borrowers, and in the older sections it is six per cent, also with a bonus and expense charge. So far we have loaned in territories of this kind at the current rate of six or seven per cent, but have made no charge for bonus or expense. This has been a big advantage for the borrower. Another very valuable point to the borrower is that our mortgages may all be paid off on or before the date of maturity at the option of the mortgagor. The average borrower, if he pays up his loan before the five or ten year period, must either pay interest in advance, or some interest to the lender. This is eliminated in our association, and a man can pay on or before maturity at any time and in any amount."

In conclusion, speaking of the nature of the Association, Mr. Faust says;

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"We have no members, and are not purely co-operative. We are a joint stock company having many of the desirable qualities of purely co-operative associations, without the evils so often attending such purely co-operative associations."

The Hon. Albert E. Zuolt, Wisconsin Commissioner of Banking, in speaking of the two associations already at work says:

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"They have placed issues of bonds on the market. These bonds came out during last summer (i.e. 1914), at a time when industrial conditions and the bond market were nearly at a standstill. The bonds, in the face of this financial stringency, sold readily at a low rate of interest, and the banks which handled them state that the demand for them actually exceeded the supply. We feel that this plan is of great significance in the development of an agricultural community, and look for the land mortgage associations of Wisconsin to solve the question of rural credits."

It must be carefully noted that these associations are not in anyway co-operative. They are companies for the granting of loans to farmers on real estate at moderate rates of interest, on long term and on the amortization system; all of which are admirable features.

Co-operative Credit Associations in Wisconsin.

There was also passed in the spring of 1913 an Act providing for the formation of co-operative credit associations, "for the purpose of promoting thrift among their members." The powers of such an association are defined as follows: "A co-operative credit association may receive the savings of its members in payment for shares or a deposit; may lend to its members at reasonable rates or invest the funds so accumulated."

The form designed for these little associations follows closely that of others of the familiar Desjardins type, and it is unnecessary to go into it in any particularity.

RURAL CREDIT CONTROVERSY IN THE UNITED STATES.

The investigations made, and controversies carried on during the last three years in the United States have been so important to the farming interests of that country, and are so significant for Canada, that it will be proper to consider the course of those investigations very carefully, and follow the controversy with some particularity.

In April, 1912, the Southern Commercial Congress, a large and influential body, whose interests are devoted to the commercial and agricultural interests of the Southern States, decided to form a commission of inquiry into those systems of agricultural credit existing in Europe, as well as a study of agricultural co-operation in all its forms. This Commission, called the American Commission, was further reinforced by the appointment by Congress of a Federal Commission, known as the United States Commission, which was "to co-operate with the American Commission assembled under the auspices of the Southern Commercial Congress to investigate and study in European countries co-operative land mortgage banks, co-operative rural credit unions and similar organizations and institutions devoting their attention to the promotion of agriculture and the betterment of rural conditions."

With these ~~two~~ Commissions, there proceeded to Europe in the summer of 1913 delegates from the Provinces of Saskatchewan, Alberta, Ontario and Nova Scotia. Practically all the leading countries of Europe were visited and the features of the various systems at work carefully noted, statements received from leading exponents, and evidence heard.

REPORT OF THE UNITED STATES COMMISSION.

That section of the combined Commissions which was appointed by Congress limited its investigations entirely to land and agricultural credit, and in January, 1914, presented its report to Congress together with a draft bill for the establishment of a system of land mortgage banks.

Land mortgage credit is defined by the Commission as "credit to meet the capital requirements of the farmer, that is to say, his need for large sums of money to be used in aiding to pay the purchase price of his farm, in improving the farm, or in equipping it so as to bring his operations to the highest stage of efficiency." These needs should be carefully distinguished from the annually recurring needs of the farmer, the money that is needed by him to finance his operations during the time the crops are being produced. The commission is of the opinion that the establishment of short-term or personal credit banks must of necessity be preceded by the development of a system of mortgage banks for the provision of long-term loans. "In this country", says the report, "it is urgently necessary to create a land mortgage security which will be entirely liquid by reason of having a ready market, which will run for a long time, and which will enable the land-owning farmer to use most advantageously his best banking asset, land, as the basis of credit."

The report points out that the lessons from Europe must be appreciated aright, and that the assumption that a system must necessarily succeed in one country because it has been successful in another, is entirely erroneous, and proceeds to draw a sharp contrast between conditions in Germany and conditions in the United States. It points out the dissimilarity in size and population, the attention paid to intensive farming in Germany and its neglect in America; the homogeneous and static nature of the German people, the fluid and mixed character of the American population; the small size of German farms, the large area of the American. "In Germany the credit and

resources of the individual in a community are known to practically every other individual in that community; in this country no such accurate information is obtainable. In Germany the small farmer, his wife and children all do manual work on the farm; in this country such a condition is rare. In Germany the people have been trained to a supervision and control of their operations by strict government regulations which would not be favoured in this country."

The recommendations for legislation which were put forward by the United States Commission were, in brief, to permit any ten persons to organize a land mortgage bank, under a Federal Charter, and subject to Federal supervision, but limited in its sphere of action to the territory of a single State. The minimum capital necessary was fixed at \$10,000, in shares of \$100. each (except in the case of co-operative banks, whose shares may be as low as \$25.) and each bank would be empowered to issue bonds, guaranteed by first mortgages on farm land within the State, to an amount not exceeding fifteen times its capital and accumulated surplus. Under certain conditions the mortgage bonds issued by such banks could be used; (1) as security for the deposit of postal savings funds; (2) as a legal investment for funds accumulated as time deposits in national banking associations; (3) as a legal investment for trust funds under the charge of United States courts. The capital of the banks, as well as the mortgage bonds themselves, would be exempt from taxation. For the supervision and control of the banks, and in general for the carrying out of the provisions of the bill, it was proposed to create in the Treasury Department a special bureau under the direction of a Commissioner of Farm Land Banks".

The plan of a single central mortgage bank was rejected in favour of a system of independent banks, each operating within the limits of a State, the plan recommended being more in accord with public sentiment in America, which is strongly in favour of free competition and opposed to any suggestion of monopoly or privilege.

In order to make the bonds of the banks easily negotiable in a wide market it was proposed to recognize them as a medium for the investment of postal savings deposits, trust funds and national bank deposits.

The recommendations were to the effect that (1) loans should not be made for more than 35 years; (2) all farm mortgages should be on farm mortgage only; (3) loans should not exceed 50 per cent. of the value of improved farm lands, or 40 per cent. of other land; (4) every farm mortgage loan should contain a mandatory provision for the repayment of such loan by amortization; (5) the borrower might repay the loan at any interest period after five years.

The conditions under which Banks would be permitted to issue bonds were as follows:- (1) the difference between the rate of interest charged for loans and the rate paid by the banks on the bonds issued shall not exceed 1 per cent.; (2) all bonds shall be payable on a date specified; (3) bonds shall be protected by the deposit of first mortgage of equal nominal value maturing not less than five years from date; (4) the amortization payments as made must be credited on the mortgages and the bonds issued against such mortgages must be retired to that extent; (5) the mortgages held as security for bonds shall be in the joint possession of the Bank and of the special official known as the Federal Fiduciary Agent; (6) No bond shall be issued against any mortgage running for less than five years.

The banks would also be allowed to accept deposits to the extent of 50 per cent. of their capital and surplus, and to do any ordinary banking business, in order that they might be furnished with the necessary fluid working capital.

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Each bank would have the power to buy and sell its own bonds as well as those of any other national mortgage bank, provided that at any time not more than 50 per cent. of its capital and surplus was invested in such bonds or in short term mortgages. This provision was regarded by the Commissioners as of the utmost importance, as it enables the bank to maintain a steady market for its bonds and at the same time earn a legitimate profit by opportune dealings in them.

The provision that deposits should be accepted only up to a sum equal to 50 per cent. of each bank's capital and reserve, was framed in order that the banks may not compete with the ordinary commercial banks, and that the holding of deposits for which there may be a sudden demand is likely to endanger the safety of an institution which is engaged principally in making loans for long periods. This however does not apply to postal savings funds or government deposits.

The bill would also authorize land mortgage banks on a co-operative basis, and grant such banks the privilege of transacting a general banking business with their own members only, in addition to the land mortgage business defined in the bill. The special provisions affecting co-operative mortgage banks are:- (1) the holding of shares by any member shall be limited to 10 per cent. of the total share capital; (2) each member shall have one vote only, irrespective of the number of shares held; (3) the shares may be of the nominal value of \$25; (4) the net savings of a co-operative bank shall, after paying a dividend to the shareholders at the current rate of interest, be distributed among the patrons of the bank pro rata to their borrowings, provided, however, that if so agreed upon by the members, the distribution to patrons who are shareholders may be made at twice the rate at which distributions are made to non-shareholders. This provision was framed to induce patrons to become shareholders.

REPORT OF THE AMERICAN COMMISSION.

On returning to America, the American Commission continued its labours by seeking evidence with regard to the situation in the United States. In pursuance of this object, reports were received from a large number of states, outlining the needs of the various localities with respect to rural credit. All these reports bear witness to the necessity for devising some organized system of rural credit, more especially for a long-term land mortgage credit, whereby the farmer would be enabled to convert his land into a sound liquid security on which loans could be raised, these loans to run for at least twenty years or even longer, at a rate not to exceed 5½ per cent. and with the amortization system included, a system hitherto but little used and even almost unknown in the United States. The reports show that in very considerable areas, more especially in the States to the South and West, farmers have found great difficulty in obtaining long-term mortgage loans at all, and it is also shown that, taking the average for thirty states, the direct interest on first mortgage loans, amounts to 7 1/15 per cent., the average length of the mortgage being 5 years.

Naturally the interest rates vary very considerably in different states, in east and west, the average rate for Pennsylvania being 5.3, while in Arizona and North Carolina the rates run to 10 per cent and even over. In addition to such high rates, there must be added heavy charges for commission and expenses incidental to the mortgage, which often are so considerable as to more than double the rate of interest charged.

It is to be noted that the highest rates are to be found in the extreme west and south, and in the same districts the need for credit is insisted upon far more than in those localities where better or more successful or more diversified agriculture is carried on. For instance, in North Carolina the average farmer "either has no credit at all, or is compelled to use such form of high priced credit as he can obtain from the merchant," and in New Mexico "the average

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rate of interest paid by the farmer on short time loans exceeds 12 per cent., and he has great difficulty in getting money sufficient for his needs." But we find the following significant statement with regard to the older rural districts of Wisconsin:- "Money for development purposes is cheaper than it is in the cities. The farmer on his mortgage loans for land purchase is often able to secure long-term paper at 5 per cent, and in some cases for 4 or 4½ per cent, while 6 per cent. is the prevailing city rate for security of equal character."

Several of the States have systems by which loans are made to farmers out of the public school funds. Oklahoma loans \$4,000,000 at five per cent. for amounts up to half the value of the land mortgaged. Oregon loans \$8,000,000 at five per cent. but is more careful of the security demanded, lending only up to one-third of the value of the land. South Dakota makes similar loans at 5 per cent, and Indiana at 6 per cent., while Idaho loans \$1,600,000 at the high rate of 7 per cent. on the security of one-third of the value of the land. The losses sustained on such loans are very small, but it cannot be said that the money available is sufficient to meet the real needs of the various communities.

From the evidence given it is perfectly plain that the present sources of mortgage credit are quite inadequate to meet the needs of the farming community. The rates of interest are high, and are greatly increased by commission fees, expenses incurred in proving title, and by renewal fees. There would seem to be a very wide demand for the creation of co-operative farm mortgage associations, with power to issue bonds against mortgages held, and subject to government inspection and control. With regard to interest to be paid on such loans, the Department of Agriculture on inquiry found that the average rate suggested for interest and amortization was 6½ per cent.

The majority report, which was signed by 68 members, after examining the evidence obtained in Europe turns to a consideration of the systems studied in relation to conditions in the United States. The farmer needs more capital, it affirms, because he is forced to borrow on account of the increase in land values, farm equipment and stock, and the pressing necessity for the development of intensive farming. As to the kind of machinery that may be set up for supplying such capital needs, the report says:

"If we can use tried financial institutions, or modifications of them at the outset it is far better than to experiment with a new kind of institution. It would be unwise for our own farmers to throw aside the practical assistance and counsel of the bankers, at least until the farmers find that they are being exploited and that they can run their own banking business better than they can utilize the bankers' bank."

The report goes on to say that although reliance on existing institutions is desirable, yet rural credit is not the same as urban credit, and the banker is not really in the position to know the individual farmers in the same way that he knows the individual business man who has a recognized rating. The farmer is a "small man", and only if he is well organized can he become a power. The farmer also has seasonal needs, and is generally unable to make frequent payments. "This seems to be a good argument for a local or community bank, that serves the farmer, that understands him better than anybody else, and that makes a link between his need

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for credit and the people who have money to lend. This may be simply the existing bank adapting itself to the farmers' need; or it may be a separate institution managed by the farmers themselves.

Government assistance to farmers, says the report, is given in nearly all European countries:

"Nevertheless, it is the opinion of the Commission that our American problem of rural credit should be worked out without government aid. Under a wise system of credit the land itself is the very best security for borrowed money, and the safest system is the one that stands on its own feet. The government should help bring about a better system of rural credit by legislation, but not by subsidy. The very best system of credit is built up only among landowners who manage their own farms. The rapid increase of transient tenantry in the United States is becoming an alarming condition. It makes for poor farm practice, poor farm business, and a poor farm community."

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The report then goes into the details of what are the essential features of long-term rural credit, length of duration and the amortization system being the two most important. But besides these features, essential as they are, the Commission points out that:-

"European farmers have found that if they pool their securities they can get much better terms from capital as regards the rate of interest, the lengths of loan and the terms of payment. But in order to make collective security workable, there must be some piece of paper which represents this collective security. This paper in Europe is the land mortgage bond - bought and sold in the market just like government bonds or railroad bonds. In order that these bonds may have not merely a local sale, but a standing in the general market, it is very desirable at least that all the states should enact uniform and proper laws concerning the registering or guarantee of titles at minimum cost; a simple and uniform method of foreclosure; if possible, uniformity in exemptions from debt."

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p. 13

The first task, says the Commission, before a new system of land mortgage banks is to get the present farm mortgages, estimated at two billion dollars, relet under better terms to the borrower, and perhaps even fuller security to the lender.

The Commission continues:

"A system of land mortgage banks would seem to be the best way for the farmers of America to gain greater facilities for long term credit. Whether these should be state institutions or should be chartered under a national law may be open to question. The Commission is inclined to coincide with the views of the United States Commission favouring a national law and charter and supervision, with operation of the land mortgage banks in any state restricted to that state."

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p. 14

In conclusion the majority report, among other recommendations, lays down the following as being axiomatic of the present needs of the American farmer:-

"The experience of thirty years by a dozen European countries has demonstrated beyond all question the decided advantages to the farmers, and to consumers as well, of the co-operative or collective method of doing the business incident to agriculture, whether in obtaining credit in buying, in selling or in manufacture of food products such as butter and cheese, over the older but much less effective method of purely individual business activity."

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"One of the most pressing economic needs of American agriculture is the opportunity to secure, on better terms than at present prevail,

the necessary credit demanded by modern conditions of farming. In order that there may be a uniform and nation-wide system of long-term credit, it would seem wise to secure the enactment of a federal law permitting the organization of farm land-banks, either on the joint stock or on the co-operative plan, authorized to issue long-time bonds secured by farm mortgages, required to do business on a narrow margin of profit, to allow payment of principal on the amortization plan, and carefully and fully supervised by the Federal Government. There is no objection whatever to the enactment of proper legislation by the different states for this same purpose."

"In case the existing system of banks - national, state, savings and private - is not able or not disposed to grant farmers increased and more liberal facilities for procuring short-time loans, there should be enacted State laws permitting the organization of co-operative credit associations by means of which the farmers of a given community may be enabled to meet their own needs for short-term or personal credit."

Minority Report. The Minority Report signed by six out of 68 members maintains that farmers' co-operative banks, or credit unions, are not required for short-term personal credit. These needs are already met by the existing banks, of which there are in the United States one for every four thousand inhabitants. These existing banks should be made the nucleus for a system of long-term mortgage credit, such as is recommended as follows:

Farmers should co-operate with the stock holders of banks in rural communities in organizing in their respective localities small unit land mortgage associations with a minimum capital of \$10,000; each association to be organized upon the share-capital plan, co-operative or non-co-operative as might be desired. The association is to become affiliated to, and have close interrelationship with the rural bank, which may be owned by some of the same shareholders, in that it may have its office with the affiliated bank and be officered, managed, and directed by some of the same men. Since, however, no small local unit could have sufficient financial strength to place its securities on the market with any hope of selling them to advantage, it is proposed to federate a considerable number of such locals in any State by organizing a central body, each local investing a percentage of its own capital in the capital of the central, keeping the balance of its own capital for the purpose of making loans, to be sent to the central with the indorsement of the local when funds are needed for the purpose of meeting new applications. The locals should not be permitted to issue bonds running for a long-time. There should be a limit as to the maximum amount of any one loan to be made by any local, to an extent not exceeding 25 per cent. of its own capital and surplus. All loans should have the amortization feature giving the option of time limit not exceeding thirty years. Such land mortgage associations should be prohibited from receiving deposits, except savings, and the total amount of such savings deposits that may be held at any one time should not exceed 50 per cent. of the capital and surplus of each association.

The central alone should have the power to issue bonds or debentures, to be secured by the collective mortgage ~~farm property~~, made on the amortization principle, on productive farm property, received through and having the indorsement of the different locals. When the Central receives loans aggregating a given amount, say one-half of its own capital stock, it would be empowered to issue a series of bonds or debentures against such mortgage loans. The advantages that would be gained by this system, states the minority report, would be to build up an aggregate of diversified, well secured and indorsed

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mortgage securities, not dependent upon conditions of any single locality, against which the bonds would be issued, and which should find a ready market, and command the cheapest possible rate of interest, for this bond would have behind it: (1) the signer of the original loan; (2) the combined judgment of the local banker and his former associates as to the desirability of the signer as a borrower, and as to the value of his security; (3) the land itself, upon which not exceeding 50 per cent. of its value would be loaned; (4) the indorsement of the local and the moral obligation of the bank with which such local is affiliated; (5) the double liability of the holders of the capital of the locals protecting all loans indorsed to the Central by the locals; (6) the judgment of the officials and executive committee of the Central, and its rechecking of the securities; (7) the capital of the Central.

The Minority Report does not think it necessary to found a new division of state banking and states:

"Should national legislation be deemed advisable at this time, it would probably be necessary to create a new division of banking, putting the Secretary of Agriculture on the Federal Board of Control. While some preference is expressed for State Charters, the subscribers hereto would not oppose an effort to create a national law granting charters under Federal government, somewhat along the lines of tentative suggestions herein aimed *contained*."

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The controversy in Congress and throughout the country has been very keen, no fewer than 110 Bills having been introduced into Congress during the sixty-third session, bearing on the subject. An effort to tack on farm credit legislation to the Federal Reserve Bill was abandoned in favour of special and separate legislation dealing with the problem. Sub-committees of the Committees on Banking and Currency were appointed to investigate rural credits, and held a long series of sessions for the purpose of hearing evidence.

The first point of great importance to emerge from the controversy was that long-term mortgage credit and short-time personal credit cannot be provided for under the same measure, as had been attempted in the first bill introduced by Senator Fletcher. The evidence collected showed clearly that the more pressing need of the American farmer is for long-term land mortgage credit which would allow of the purchase and improvement of farms, and the legislation now enacted by Congress only deals with long-term credit.

Three main tendencies are clearly discernible in the evidence given before the committees, these being (1) in favour of joint stock land-mortgage banks; (2) in favour of the government making direct loans to farmers and (3) in favour of co-operative land-mortgage associations, subject to government regulation and safeguard, but without government guarantee or subsidy.

Those who advocate the first of these three rival theories have introduced bills providing for land mortgage banks, issuing bonds against long-term mortgage loans, made at a competitive rate of interest, and with the amortisation system. The bonds would be secured by the banks, which would be federated in State groups, and the banks would hold the mortgages as security. Government guarantees of the bonds is not favoured, only government inspection and safeguard, and the granting of charters to these banks would be subject to federal law. Several bills on these lines were drafted, notably the Fletcher-Moss "National Land Bank Bill," to which reference has already been made.

This has, however, met with very great opposition on the part of farmers' organisations such as the Grange, and the Farmers' Educational and Co-operative Union, both of which advocate the second tendency, namely that of direct government loans. The national

Grange, in furtherance of its views on this subject, passed the following resolution in November, 1913:-

"Resolved, that it is the opinion of of the National Grange that any legislation for the purpose of bettering farm credits is a part of the national policy of conservation of food supply, and as such the government of the nation should itself carry out that policy, and it cannot properly be delegated to private capital for general exploitation and profit."

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"Resolved, that any farm credit association which receives any privileges by or under State or Federal law should be composed of farmers, and not of capitalists of high finance, who have heretofore dominated agricultural credit, and created conditions which now demand relief."

"Resolved, that any farm plan which does not include a direct reduction of the prevailing rates of interest, as well as a long-term of small annual payment upon farm mortgages will not meet agricultural requirements."

"Resolved, that the government of the United States should borrow money at a rate of interest not to exceed $3\frac{1}{2}$ per cent, and lend the money at a rate not to exceed $4\frac{1}{2}$ per cent, to the farmers upon long time farm land mortgages, with such restrictions as may be necessary to make the government perfectly secure and the profit to the government to be expended in road improvement, or for some other object that will benefit the whole people."

A variety of bills have been introduced to give effect to the foregoing, several of them of so radical a nature as to be wholly impracticable. Bill H.R. 8935 called for "the insurance of legal-tender Treasury notes of the United States, redeemable in gold coin or its equivalent, to be secured by the deposit in the Treasury of outstanding bonds of the United States or first mortgages on agricultural lands, not exceeding sixty per cent. of such lands, exclusive of improvements, and for the loaning of the Treasury notes so secured to the owners of the security at two per cent. interest, payable semi-annually, and for other purposes." Bill H.R. 11755 was designed to provide for direct loans by the Government to persons who desire to engage in agriculture, to be made by issuing Treasury certificates, recognized as legal tender, against the security of mortgage loans.

These bills were discarded, such proposals to create "cheap money" being rather too crude for general acceptance, and the bill representing the party in favour of direct government loans to farmers which has received most attention is that known as the Harris-Bathrick Bill (S. 4061.) This bill had the support of the National Grange and the Farmers' Union. It provided for the establishment in the Department of Agriculture at Washington of a Bureau of Farm Lands to loan money on agricultural property secured by mortgage, at a rate of 4 per cent., per annum, no loan to be made on less than 10 acres of land, or for more than \$2,000. The entire mortgage would mature in 10 years, one fifth being repayable after the first five years, and the remainder in yearly instalments. Only persons actually engaged in farming could obtain such loans, which could not exceed one-half of the value of the land mortgaged. Should the borrower use the money in any other way than to pay off existing mortgages or to improve the land or purchase live stock, or should fail to pay his taxes, the Government Farm Loan Bureau could foreclose the mortgage. To secure funds for the carrying out of this scheme the Farm Loan Bureau would issue United States bonds payable in ten years, and drawing $3\frac{1}{2}$ per cent. interest.

The theory of direct loans to farmers had, however, very strong opponents in President Wilson, the Secretary of Agriculture, and a large section of public opinion. Such a system it is claimed would be "class" legislation and would be neither good finance nor sound policy. If rural credit is required, the investing public, not the government, should supply the money needed, and the security of the bond should be the land itself on which the mortgage is given.

FEDERAL FARM LOAN ACT, 1916.

The long drawn out controversy culminated in the presentation to Congress in January 1916 of the Report of the Joint Committee of the Senate and House of Representatives, into the details of which it will be unnecessary to go. Rural Credit Bills were soon afterwards introduced into both houses, and both bills were passed with very large majorities, in fact practically unanimously. The two bills were to a very large extent exactly similar, the only difference being in the amount of assistance to be given to the scheme by the Government, considerably more being accorded in the Senate bill than in that of the lower house. These differences were adjusted in a joint conference of the two houses, the result being "The Federal Farm Loan Act of 1916, being an Act to provide capital for agricultural development, to create a standard form of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create government depositaries and financial agents for the United States, and for other purposes." This act was passed by both houses, and was approved by President Wilson on July 17, 1916, on which day the act became operative.

Senator Hollis, the chief sponsor for the measure, thus explained its provisions:

"To have local units, called Farm Loan Associations, whose sole function will be to issue loans on first mortgages on farm lands for certain specified purposes. These local units will be somewhat like building and loan associations in their scope. They will not take deposits; they will not do a chequing business, they will not have regular banking rooms. Their sole function will be to make only good loans, and then to rediscount these loans, so to speak, with a Federal Land Bank. The plan is to have a Federal Land Bank in each Federal Reserve City, so there will be dozens of them. These land banks will obtain their capital by having 10 per cent. of the capital of the farm loan associations. They are to take farm loans from the local associations and then make those farm loans the basis for an issue of farm loan bonds. The local association and the land bank are to divide between them one per cent. annually on the outstanding loans, so that we know that the expenses are limited to one per cent."

The Act, although hailed with enthusiasm by the majority of those who have been prominent in the controversy on rural credits in the United States, has not been without some very sharp criticisms.

These may be divided into three main categories, namely: - First, that the whole bill was "manufactured in Wall Street" and is designed to benefit the capitalist and not the farmer. Secondly the oft repeated cry that the American farmer will never co-operative. Thirdly the danger of rivalry between the farm loan associations and the joint stock land banks.

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RURAL CREDIT IN CANADA.

The following observations deal more particularly by provinces with the demand for rural credit in Canada.

NEW BRUNSWICK.

For New Brunswick, Mr. J.B. Daggett, Deputy Minister of Agriculture, has contributed the following observations:

The New Brunswick farmer in the past has been seriously handicapped in his farming operations because of lack of ready money and his inability to obtain satisfactory credit.

The great lumber interests have absorbed the capital of the province to such a degree that but a small portion has been left for the farmer. A lumber operator of fair reputation for successful operations, has always been able to obtain an abundance of credit and a sufficient length of time, with reasonable renewals, when necessary, to meet his obligations. Banks and wholesale supply houses have been ready to carry him to the limit.

The farmer has not an altogether different proposition. He has had great difficulty in obtaining an open credit at the banks. Three or four months has been the limit of his accommodation, and he has been rarely able to obtain this without first class endorsements. Renewals, when market conditions have not been good, have been grudgingly granted. For a loan of any amount the farmer has been asked to give either a mortgage upon his real estate, or a bill of sale of stock or other personal property, the documents being promptly placed on the records of the municipality in which he resides, and, these being open records, the tendency has been otherwise to injure his credit. The lumberman and manufacturer have been able to borrow money at from five to six per cent. per annum, while only on rare occasions has the farmer been able to borrow money for less than seven per cent. per annum. There has been no system or plan by which money could be obtained to carry the farmer along over a period of market depression, with the result that he has frequently had to sell at the most inopportune time to meet maturing obligations.

In the purchase of farm machinery the farmer has been compelled to buy at what is known as the credit price, and to this has been invariably added an interest charge of seven per cent. per annum. It is true that the fore-handed farmer has been able to take advantage of market conditions and to purchase farm machinery and other necessary supplies at a very much lower figure than his neighbour who is not in as good circumstances; but we are concerned especially in assisting, not the man of ready means, but the man who is endeavouring to get upon his feet. In my observations (and they have been quite extensive and minute), I have found the man who undertakes to operate a farm in this province, without the necessary financial backing, has a hard time, not because his farm is not productive or that he is unwilling to work, but simply because of the financial pressure under which he constantly finds himself.

It is impossible to carry on such permanent work as under-drainage, the building up of good herds and flocks, the building of proper fences and other works which in any other business would be charged to capital account, upon a four months' credit. The farmer should have not less than two years, and five would be better, in which to permit of his capital expenditure reaching the place of development when, without pressure or worry, he could reasonably take from the income of his farm for payment upon capital account. I fully realize that, with a long system of credit

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there is an open door for the improvident man, when he may be very likely to forget that the day of payment is ahead and to rush into unnecessary expenditures and not observe the rules of economy demanded of him; but, knowing the New Brunswick farmer as I do, I am satisfied that this man would be the exception and not the rule. Despite the handicaps under which our farmers have had to labour, a large majority of them have made a success and are in comfortable circumstances; but the young man is not attracted to the farm with the difficulties which he knows he must face. I have interviewed scores of young men, who have said to me, "If I had the capital I would be delighted to go upon the land, but I can only see years of hard work and rigid economy ahead of me," and he goes to the factory or to the shop.

NOVA SCOTIA.

Since 1912 there has been in Nova Scotia a system at work whereby loans, repayable on the amortization plan, are made to selected settlers. From a report issued in 1913 by the Department of Industries and Immigration, the following extract may be cited:

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"The main object of co-operative credit, so far as this country is concerned, will be to secure settlement for the land, and to aid in its development. Our conditions do not so readily lend themselves to the introduction of a system of credit for current accounts. Such a system is not easily worked in a community, where farming is of such a mixed and varied character. It may be, and probably is, very necessary in countries where the staple agricultural yield is one product, say wheat, and it becomes necessary to secure money before the crop is harvested, transported to its destination and marketed. With us the difficulty is not to secure money on current account; with this phase of the subject our banking system deals in a very large measure. What is important in Nova Scotia is the placing within reach of our farmers some workable system for obtaining money on mortgage account. Through the operation of the Farm Settlement Act in Nova Scotia there is available a method whereby farmers may obtain the benefit of easy and somewhat cheaper money than is otherwise possible for them. The experience of the past year demonstrates the advisability of continuing the present system."

GOVERNMENT LOANS TO FARMERS IN NOVA SCOTIA.

"An act for the Encouragement of Settlement on Farm Lands" was passed by the Legislation of Nova Scotia in May 1912, and arrangements made with an established loan company (the Eastern Canada Savings and Loan Company); so that an honest and deserving farmer already resident in the province, or a new comer who appears to be likely to turn out a desirable settler on the land, who can furnish proper security, may obtain an advance upon the most favourable market terms. The procedure in granting the loan is as follows: When the Loan Company will agree to advance to an applicant at least forty per cent. of the appraised value of the property he wishes to purchase or improve, the Government will, if it considers the applicant worthy of the privilege, guarantee if necessary an advance of 40 per cent. additional, making eighty per cent. in all, which will then be advanced to the applicant on mortgage by the Company. The applicant must possess cash to the value of at least 20 per cent. of the appraised or purchase value of the farm, in addition to what he would require for house furnishings, stock, implements, and for the maintenance of himself and his family. The application for a loan is made to the Department of Industries and Immigration, which has the property

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in question inspected and valued by its own inspector, and the farm is also inspected by the land valuer of the loan company.

In addition to the initial inspection by the Department, farms on which loans are granted are inspected from time to time by the same official, who may issue instructions for the farmer's guidance. The mortgagor must farm, cultivate, manure and manage the farm in a workmanlike manner and follow such methods of husbandry as will keep the land in good shape. He must repair and keep in repair all buildings, fences, hedges and walls in the place, and must not allow any noxious weeds to run to seed. He must keep his farm well and properly stocked, and, so far as is practicable, must consume with stock on the farm all the hay, grain and root crops grown thereon. In the event of his selling any of these products off the place, he must return to the land barnyard manure or commercial fertilizer of a value equal to two-thirds of the manurial value of the products sold.

Repayments are made on the amortization system, but the experience of the few years in which the act has been in force, coupled with the fact that a farmer requires ready capital to stock and improve his farm during the first few years, has led the Government of the Province to the conclusion that the amortization plan should not be brought into effect as soon as the loan is made. This period of grace should not exceed five years from the time the loan is granted, but may be arranged according to the necessities of the case. New settlers or farmers have not, as a rule, a surplus of ready available cash, and have necessarily little to meet their first instalments, after having expended the original capital they had in paying the first instalments on the purchase of the property, together with stock and implements.

The rate of interest charged was, prior to 1915, in practically every case, $6 \frac{7}{8}$ per cent. Under an agreement with the Eastern Canada Savings and Loan Company, the advances to farmers were to be made at 6 per cent. provided their bonds, with a government guarantee, could be placed to net $4 \frac{1}{2}$ per cent. When, however, the bonds were negotiated it was found impossible, owing to the high rates of money ruling in 1913, to obtain the desired loan at 6 per cent. This money was required at a time when securities issued upon the direct credit of Government or Provinces had been disposed of at a rate exceeding 6 per cent. The result of this fluctuation was, therefore, not at all unsatisfactory. Ten thousand pounds of $4 \frac{1}{2}$ per cent. guaranteed bonds were placed in London, costing 0.93 of one per cent. The company agreed to loan money at 6 per cent. if and when par will be secured for $4 \frac{1}{2}$ per cent. bonds. Under ordinary market conditions there should be no difficulty in this, but in the present state of the world's money markets it is altogether unlikely that such can be secured, at least for the present. The number of loans which have been granted since the beginning of the scheme are as follows:

In 1913 there were forty-five applications for loans, of which 36 were granted to the amount of \$26,045, of which \$15,165 was guaranteed by the Provincial Government. The largest loan granted was for \$5,000, and the smallest \$500. The longest period for repayment was 15 years, and the shortest ten years. During the fiscal year ended September 30, 1914, there were 49 applications for loans, of which 19 were granted, the others being declined or not completed for various reasons, among which were defective title, insufficient security, and unfitness of the applicant. Of the applicants to whom loans were granted nine were natives of the province, and ten were new comers. The total amount granted was \$47,710, of which \$21,010 was guaranteed by the Government. For the loans granted, mortgages had been taken by the Eastern Canada Savings and Loan Company on buildings valued at \$40,450, and on 3,236 acres of land valued at \$47,735.

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According to the latest report of the Department of Industries and Immigration, viz that for the fiscal year ended September 30, 1916, 32 applications for loans were received, an increase of 3 compared with the previous year. The total number of applications since the passage of the Act authorizing the loans is 155.

Twenty-one of the applicants in 1915-16 were farmers, seven were craftsmen and ~~twenty-six~~ the remainder were engaged in miscellaneous occupations. ~~Twenty-six~~ were born in Nova Scotia; the remaining applicants had been resident within the province for periods ranging from 2 to 38 years. Of the 32 applications for loans ten were granted by the loan company. The remaining loans were declined or not completed for various reasons, among which may be mentioned defective title, insufficient security, and unfitness of the applicant. The properties offered as security had a total acreage of 4,810. The value placed on the farms was \$69,115 made up as follows: Buildings, \$26,150; land, \$42,965. The amount of loans applied for totalled \$54,410, of which amount \$16,500 was granted. The Government guaranteeing \$7,064. As security for the loans granted the Company has taken mortgages on buildings valued at \$9,050 and on 1208 acres of land valued at \$13,210.

QUEBEC.

In Quebec, at the present time, there is not a very strong demand for a system of rural credit. The reasons for this are several. First, to mention but one agency at work, the country is already well served with facilities; the Credit Foncier Franco-Canadian is doing a large business in loaning to farmers with the amortization system of repayment. Secondly, the Caisses Populaires of M. Alphonse Desjardins are giving admirable service to the rural communities; and thirdly, and this is undoubtedly the most cogent reason of all,

the Province has outgrown, to a large extent, the need for a new system.

ONTARIO.

In 1913, under circumstances described in the Report for that year of the Ontario Minister of Agriculture, information on the subject of rural finance was collected through the district representatives of the Department of Agriculture, with special reference to the following points:

- (1) The Percentage of farms mortgaged, and per centage of mortgage on value of farms, and whether increasing or decreasing;
- (2) Extent of deposits by farmers in savings banks;
- (3) Extent of the demand on the part of farmers for loans;
- (4) Rate of interest paid both on long and short time loans;
- (5) Whether the loans are for the purchase of land only, or for the financing of farm operations.

The replies to these questions showed (1) that about 45 per cent. of the farms of the province were mortgaged to some extent, and that one-third would be a fair estimate of the proportion borne by the mortgage to the total value of the property; (2) that farmers' deposits had increased materially within recent years and that the total amount of farmers' deposits in rural Ontario might be safely estimated at \$100,000,000; (3) that the demand on the part of farmers for loans was not very heavy and represented only a small portion of the total deposits; (4) that the rates of interest charged varied from 5½ per cent on long-term loans to 7 per cent on short term loans with, occasionally, rates of 8 and 10 per cent, in some of the newer districts; (5) that while the Banks did not lend money for the purchase of land the opinion was general that no farmer who enjoyed a good reputation and could give reasonable security had any difficulty in securing money needed to finance his farm operations, which was the chief purpose for which loans were sought.

In the session of 1917 the Ontario Legislative Assembly passed the Farm Loans Act 1917, section 3 of which reads as follows:

(1) The treasurer may loan money from time to time to the municipal corporation of any township upon the debentures of the township issued as hereinafter provided for the purpose of enabling the corporation of a township to advance money repayable by a special rate upon land held and used for farming purposes in the township.

(2) Every such loan shall be for the erection of buildings and machinery, fencing, draining, clearing and other permanent improvements approved by the regulations or for such other purposes in aid of the farming industry as may be approved by the regulations, but not more than one-half of any such loan shall be for any other purposes than permanent improvements.

The municipal council desiring to avail itself of the provisions of the Act can pass a by-law or by-laws in the prescribed form for borrowing the money from the provincial Treasurer and for issuing debentures to meet the liability thus incurred. Four weeks' notice in a local newspaper must be given of the meeting to be held for the passing of such by-law or by-laws. Inspectors are to be appointed as required. Any owner of lands in fee simple, used for farming purposes in the township, can apply for a loan. A statutory declaration must accompany the application. Applications must be considered in the order received. The inspectors are required to report on the applications and, subsequently, to certify that the loans have been used for the purpose for which they were granted. Interest on debentures to meet the loans must be fixed by the Lieutenant-Governor in Council. The by-law must provide for the levying of an annual special rate upon the lands therein described during the currency of the debentures to provide for the amount annually payable thereon, and such rate is to be levied and collected and may be recovered in the same manner as other taxes due to the municipality.

The Council can make temporary advances to applicants out of the municipal funds. The loan is repayable as provided in the regulations and is not to exceed 60 per cent of the assessed value of the land upon which it is issued. ~~The corporation is to have~~

An owner of land in respect of which money has been borrowed under the Act may at any time obtain the discharge of the indebtedness by paying to the ~~Treasurer~~ of the Municipality the amount borrowed with interest at the rate of 2 per cent.

The Corporation is to have an insurable interest in the property or land involved. In addition

to any other remedy which the corporation of a township may have for the recovery of moneys loaned under this Act, where default in payment of any sum due in respect of a special rate imposed under this Act continues for a period of three months, the whole amount borrowed, with interest thereon at the rate of 7 per cent. per annum, becomes due and payable, and the corporation can take such proceedings for the sale of the lands described in the by-law imposing the rate, to satisfy the lien of the corporation, and can apply the proceeds of such sale in such manner as is prescribed by the regulations.

BRITISH COLUMBIA.

In 1898 there was passed (ch.2) "An Act for the encouragement of Trades and Agriculture by the Establishment of Mutual Credit Societies." This act aimed at setting up little credit societies which should lend to their members for certain specified objects calculated to improve their farms and farming methods. Funds for these loans were to be raised by the deposits of the members, and by the issue of debentures, which debentures might, at the discretion of the Lieutenant-Governor in Council, be guaranteed by the Government of the Province. Section 42 of the act is as follows:

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"The Lieutenant-Governor in Council may, in lieu of approving several issues on behalf of one or more Associations, by Order in Council, provide for a consolidation of such issues, and the payment to each association interested of its proper share of the proceeds of such consolidated issue, upon such terms and conditions and in such manner as he may think fit."

It was also provided that pending the sale of the debentures the Government might advance to the association a part of the price that would be realised therefrom. Section 43 provided that:

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"All the property, real and personal of every member of the Association, to the amount of the nominal value of his shares, therein, and all the property of the Association, real and personal, shall be liable for the payment of the general liabilities of the Association, and for the payment of the debentures thereof."

By section 45 it was enacted that no dividend shall be paid upon the shares of any association under this act, but all the profits shall be turned into the Reserve Fund; a very curious provision, since every borrower had to be a share-holder and would receive no return whatever upon his shares, thus offering no inducement whatever to subscribe to them, and so keeping the share capital at the lowest possible figure.

This act was from the very start a dead letter, no associations having been formed under it, and it was repealed by the Agricultural Act of 1916. It may be regarded somewhat in the light of a curiosity, as having been the first act passed in Canada to try to provide some means of raising loans for farmers. It was, of course designed to allow farmers to get loans from the government, in the form of guaranteed debentures, and the unwillingness of the government to guarantee any loans effectually stopped any working of the Act.

For fifteen years nothing more was done in British Columbia until, in 1913, there was appointed a Royal Commission to inquire into the condition of agriculture in the province, and particularly into the question of rural credit. The report of the Commission

was very strongly in favour of a system of direct government loans to farmers. The Commissioners say:-

"The evidence from farmers as to the great need of a system of long term loans at a low interest; of the effect that might be expected in healthfully stimulating agriculture; as to the soundness of the security which could be given; and as to the protection of the lenders, has been moderate and sane, and almost unanimously affirmative. The evidence from Boards of Trade and individual business men has been strong as to the wisdom of providing such a system with the assistance of bonds guaranteed by the government. Provincial managers of loan companies and bankers corroborated the evidence of farmers as to the inadequacy of any present source of credit, both as to amount and terms, and from them we learned that such increased financial assistance for farmers, soundly administered, would be welcomed by them, and in their opinion would be likely greatly to increase the prosperity of all classes of the community. It is not to be wondered at, in a country requiring generally either land-clearing, dyking, drainage or irrigation, and settled by so large a proportion of pioneers with little or no capital, that this need should be acute, when we consider what has happened elsewhere. In many old countries, with the land in cultivation for centuries, it has been found necessary to have some special means of providing such credit. In the Australian Dominions, with many conditions resembling our own, the same conclusion was forced upon the people.... While this need was being conclusively brought home to us, we paid especial attention to the question of the security that could be furnished by borrowers for such loans. Our conclusion is that for loans of a reasonable percentage of the value of improved land, the valuation being based on the demonstrated earning-power of similar land in the same locality, and with a satisfactory moral risk, the losses should be as low as they had been shown to be in other countries under somewhat similar systems.

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We think that the experience of other countries warrants the belief that the guaranteeing of bonds provide funds for such loans would not have the effect of impairing the credit of the province. Any tendency in that direction from the additional responsibility incurred would be offset, (a) by the increased assets in the form of improved farms created by the loans. (b) by the increased amount of money retained in the province through the production within its boundaries of much of the food products which now have to be imported. (c) by the increased amount of money brought into the province from the export of such products. (d) by the increase of traffic for railways, the bonds of which are guaranteed by the province."

The system advocated by the British Columbian Commissioners is modelled closely on the New Zealand plan of direct government advances to farmers. The reasons that led them to this conclusion are as follows:-

"We decided that the employment of some intermediate agency such as a loan company to manage the loaning and collecting operations would increase the cost to the borrower without increasing the security against losses. In New Zealand and Australia the work of the Commission has been absolutely divorced from political influence and the general public is satisfied with the impartiality of the administration of the loans. We found no ground for fear that with an independent Commission in charge of the fund there would be any danger of political influence interfering with the management of its business. We find that conditions in British Columbia are such that it requires considerable capital to bring the land into a proper state of cultivation for profitable production, and that in

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 A large proportion of cases the making of farms rather than farming alone is the task that is being undertaken. That most of these who are taking up land with the intention of making a living from it are men with small capital. That for large industrial, transportation, and municipal undertakings, which call for investment of a permanent nature, it has been found necessary to obtain capital from abroad by the sale of long-term debentures. That the permanency of the investment is a feature to an exceptional degree in the case of the development of farm lands. That there is no monetary institution in British Columbia from which the farmer can borrow money on the security of his land, on terms that would enable him to meet the payments out of the products of his farm. That modern transportation and cold storage systems have brought the farm products of every nation in the world into competition on practically equal terms in the markets of the world, and that farmers with less capital available, and higher interest charges than their competitors, are severely handicapped. That, in competing for settlers, a country with an efficient system of long-term credit will have a great advantage, and agricultural countries which do not adopt some such system are likely to lose many of their own farmers by their emigration to countries furnishing such facilities. That the greater freedom with which credit is granted for industrial and business purposes than for farming tends to attract people to those pursuits."

To carry out these recommendations there was passed on March 6, 1915, Chapter 2, of the Statutes of 1915, "An Act respecting Agriculture and providing for the Incorporation and Regulation of Agricultural Associations and making provision for Agricultural Credit."

The Act established an Agricultural credit Commission with power to purchase, let and deal in real and personal property and to grant loans on the security of mortgages for the following purposes: (1) the acquisition of land for agricultural purposes; (2) adaptation of agricultural land, or (3) any purpose calculated to increase the productiveness of agricultural land.

The loans may be made only against first mortgages on surveyed agricultural land in the province, on the basis of valuations carried out by a Department of Appraisal and Valuation to be established by the Agricultural Credit Commission. In granting the loans the Commission must take into consideration: (1) the ascertained value of the property, (2) the ability of the borrower to make a living for himself and his family after the expenditure of the loan; (3) whether the loan will be of economic benefit to the borrower. No loan may exceed 60 per cent., of the appraised value of the security nor may any loan be made for more than \$10,000 in the case of individuals, though this amount may be exceeded in certain instances in the case of associations. Loans may be paid in instalments as the productive work for which the loans is required proceeds.

With regard to repayment, loans may be: (1) long-dated (repayable in 20, 30 or 36½ years); (2) short-dated (from 3 to 10 years); (3) for a single season (repayable within 12 months). The rate of interest is to be fixed from time to time on the basis of not more than one per cent. above the rate actually paid by the Commission on funds raised by them for their own purposes.

If the loan or interest remain unpaid, or if the loan is not applied for the specified purpose, or not expended carefully and economically within a reasonable time, or if agreements are not observed, the Commission may refuse further instalments and may

recover advances made by entering upon and taking possession of the security.

The opportunity for putting this machinery into operation was postponed through the unsettled state of the money markets owing to the war, but in the spring of 1916 a loan was floated by the Provincial government of one million dollars at a rate of 5.65 per cent. which is to be applied to this scheme.

FARMERS AND MORTGAGE COMPANIES.

In connection with the Winnipeg Conference of July 1916, to which reference has already been made in the Section devoted to short-term credit, a Conference was held between representatives of the farmers and of the loan and mortgage companies as a result of which were passed the following resolutions:

"Resolved that in the opinion of this conference it is desirable in the interests of both farmers and loan companies in the three prairie provinces:

(a) That all legislation affecting mortgages and titles should as far as possible be made uniform.

(b) That sale and foreclosure procedure be simplified in order that the present excessive costs and delays may be reduced to a minimum.

(c) That the tariff costs in sale and foreclosure actions under mortgage be removed from the rules of court and made statutory.

(d) That the present tariff of fees charged for registration in sale and foreclosure proceedings is needlessly high and should be reduced.

(e) That all existing legislation giving priority over first mortgages to claims other than legitimate taxes should be repealed, and that no future legislation of that nature should be enacted.

(f) That in order to give effect to the preceding resolutions a committee composed of representatives of both farmers' and loan companies be formed in each province to study the details of the matters referred to and made recommendations to the conference.

(g) And further, we would recommend that these local committees should inquire into and discuss all causes of friction between farmers and loan companies with the object of removing all unnecessary causes of friction."

RECENT LEGISLATION IN THE PRAIRIE PROVINCES.

MANITOBA.

In Western Canada there has been unmistakable evidence of a widespread desire for better credit facilities. In Manitoba a commission was appointed by the Provincial Legislature to inquire into the New Zealand system of direct loans, and at the annual convention of the Manitoba Grain Growers Associations, held in

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January, 1916, a detailed resolution was passed urging the Provincial Government of Manitoba to introduce legislation providing for a system of direct agricultural credit based upon that which is in force in Australia and New Zealand. This resolution advocated the creation by Act of the Legislature of a Board of three members to administer long-term mortgage loans to farmers granted out of funds annually borrowed by the Provincial Treasurer up to a specified amount by the issue of bonds or debentures, the loans to be made to farmers for the following purposes: (1) discharge of existing mortgages; (2) improvements for increased production; (3) purchase of stock and implements; (4) purchase of land for productive purposes.

It was further contemplated that the loans should be repayable by amortization over such period as the Board might decide, provided that the borrower should have the option of paying off the whole or any portion of the loan in advance of the contract period by payments of not less than \$25, that the loan should bear interest at the rate of one per cent. per annum greater than the rate paid by the Government upon the actual amount realized from the sale of the stock or debentures. That the maximum loan ~~be~~ made on any land should not exceed 60 per cent. of the value calculated on a productive basis. That no loan should be made excepting to land owners resident on their land, and only for land held for productive purposes. That no loan should be made on land held by resident owners for increase in price and that applicants for loans must state the purpose for which loans are required.

Practical effect was given to these recommendations in the session of 1917, when the Manitoba Legislative Assembly passed the Manitoba Farm Loans Act which came into force on March 9, 1917. The measure is described as an Act to foster and encourage agricultural development by providing for loans upon farm mortgages at reduced rates of interest. It provides for the establishment of the Manitoba Farm Loans Association to be managed by the Manitoba Farm Loans Board consisting of five members appointed by the Lieutenant-Governor in Council one of ~~the~~ ^{sub-}members to be known as Commissioner of Manitoba Farm Loans. The capital stock of the association is a million dollars, divided into two hundred thousand shares of five dollars each. The shareholders are to be the borrowers. The province is authorized to subscribe for 50 per cent. of the capital stock and to advance to the association a sum equal to the remainder of the paid-up capital. For these purposes the whole total of one million dollars has been appropriated by the legislature. The rate of interest is to be sufficient to pay the interest on the securities issued to provide the funds required plus one per cent. to meet running expenses. No loan is to exceed fifty per cent. of the value of the property mortgaged or to be for more than \$10,000. No loans may be made under the provisions of the Act except for the following purposes: (a) the acquiring of land for agricultural purposes and the satisfaction of encumbrances on land used for such purposes; (b) the clearing and draining of land; (c) the erection of farm buildings; (d) the purchase of live stock and implements; discharging liabilities incurred for the improvement and development of land used for agricultural purposes, and any purpose calculated to increase land productiveness. In the same session was passed a Rural Credits Act to facilitate short-term loans. This act has already been described in the section (I) of this report which is devoted to short-term credit.

SASKATCHEWAN.

On January 28, 1913, the provincial Governor of Saskatchewan appointed a Royal Commission, consisting of three members under the Chairmanship of Mr. J.H. Haslam, to inquire into the ways and means for establishing agricultural credit, and in the same year the members of this Commission, together with the Deputy Minister of Agriculture for Saskatchewan, Major A.F. Mantle (since ^{ment} ~~united~~ ^{Killed} on active service in the war) became associated as delegates from Saskatchewan with the American Joint Commission on Co-operation and Agricultural Credit in their visit to Europe for the purpose of investigating the rural credit systems of European countries. On their return to Saskatchewan the Commissioners proceeded with their examination into the conditions affecting rural credit within the province; and on October 13, 1913, the Commission presented their report, a document of exhaustive character dealing with conditions in the province of Saskatchewan and also describing the conditions existing elsewhere for facilitating agricultural credit. The Royal Commission held public sittings in various centres during August, and their inquiries followed two main lines: (1) mortgages and (2) personal loans. They arrived at the following general conclusion as expressed in their Report: "There is a great need of cheaper credit, based on sound security spread over a considerable term of years applied to assist mixed farming and to improve the lot of the average farmer on a half-section." They showed that the rate of interest on mortgage loans has been 8 per cent. but that latterly there had been an upward movement in the rates of interest, 9 and 10 per cent being charged for mortgage loans. Dealing with the general indebtedness of Saskatchewan farmers the Commission reported as follows:

It is well nigh impossible to estimate with any degree of accuracy the amount of the indebtedness of the farmers of this province. The Commission gave every facility to implement companies, loan companies and banks doing business within the province to make an analysis of the credit extended to the farmers, and of their loans and deposits. The attitude of these institutions to the requests of the Commission varied widely. The implement companies on the whole treated the Commission's request with every courtesy and went to considerable trouble to place before the Commission the information desired. Several of the loan companies were ready to assist with estimates of their business operations, but others were less eager to co-operate. On the other hand the banks, with the exception of individual officers at certain local centres, and several general managers, simply neglected to secure the data for the Commission. When an effort was made through the Saskatchewan members of the House of Commons to have returns made province by province objections were at once raised.

There is no doubt that the largest factor in the indebtedness of Saskatchewan farmers is the amount which is due to mortgage companies. A conservative estimate would place this in the neighbourhood of \$65,000,000. For the next largest amount implement companies are responsible. We are certain from evidence submitted confidentially to the Commission by only a limited number of branch offices that the total indebtedness of farmers to merely six branch offices is \$18,106,726.00. It is not improbable that at present between \$35,000,000 and \$40,000,000 is outstanding for machinery. The amount owing on agreements of sale for land is very considerable. To one company the farmers of this province owe \$5,770,000 and to another \$3,622,920.45. The amount due for preemptions, for horses, for store credit, lumber, bank credit and for miscellaneous debts, together with that due for the purchase of land is not less than \$50,000,000. The farmers of Saskatchewan are paying interest on at least

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\$150,000,000. If this is the case then their agricultural credit is costing them \$12,000,000 annually. The saving of only 1 per cent in interest would mean the saving to the farming industry of over \$1,500,000 per year. If farmers could secure money at a rate as much as 2 per cent. cheaper than at present, they could by making their payments on the amortization plan, discharge their total indebtedness in about twenty-four years' time by simply continuing to pay what they are now paying for interest. And this would be abundantly worth while.

J. Miller
Interest

From the above estimate it can be clearly perceived that the average indebtedness of our farmers is, perhaps \$1,500. The average farm of the province consists of about 295 acres. Thus the indebtedness of the farmers is slightly in excess of five dollars per acre of land under occupation at the present time. The average farm has gathered about it assets in the shape of buildings, stock, implements and grain. When we remember that the province is in its infancy that many of our people came here with no other resources than resourcefulness, strong determinations and the willingness to work, and that they have met with energy and courage the problem of planting a home in a new land, we can have no doubt that our farmers are solvent, that their assets compare favourably with their liabilities. But the thoughtful citizen will, nevertheless, regard the present situation as calling for serious attention.

on mortgage bonds and the granting of loans

The Commission presented a series of 20 definite recommendations for the enactment of legislation providing for the establishment of the Co-operative Mortgage Association for the raising of funds for farmers on mortgage security for approved agricultural productive or improvement purposes only. It was proposed that the association should consist of a central commission, and advisory board, local associations, individual members and an annual general meeting, that all mortgage loans be issued on an amortization basis to cover a period of not less than 15 and not more than 35 years, that the mortgage bonds of the association be fully guaranteed by the provincial government, that the association advance its funds to the borrower at a rate of interest not more than is necessary to cover expenses and provide for the creation of the reserve fund and that loans be limited to 40 per cent. of the central commission's valuation of the property to be mortgaged.

In the session of 1917 the Saskatchewan Legislative Assembly passed the Saskatchewan Farm Loans Act, which although not adopting the concrete recommendations of the Royal Commission on Agricultural Credit gave practical effect to the general principles which the Commission advocated as the basis of legislation. The Act, which came into force on May 1, 1917 establishes a Board,

The Saskatchewan Farm Loans Act.

~~The principal measure passed affecting the agricultural interests of the province was the Saskatchewan Farm Loans Act. This Act establishes a board consisting of a Commissioner and two other members, with headquarters at Regina and to lend money to agriculturists on the security of first mortgage on farm lands and to do all things necessary or incidental to the business of lending money on farm property. Unless removed for cause, the commissioner is to hold office for ten years. The other members receive no salary, but a per diem allowance when on duty. Loans, which can only be made on a first mortgage, must be expended on improvement or development of the property, or to meet liabilities previously incurred for those purposes, or, with the approval of the board, for the acquisition of land. No loan must exceed 50 per cent. of the board's~~

valuation of the property offered as security. Loans are to be for a period of 30 years and are repayable in equal annual instalments of principal and interest. The rate of interest to be charged by the Board on its loans shall be such as is estimated to be sufficient to pay the interest on and the cost of raising the money to be advanced to the Board by the Provincial Treasurer, the expense of conducting the business of the Board and other necessary incidental purposes. In order to provide the funds for the working of the Act, the Provincial Treasurer is authorized to raise a loan on the credit of the province not in excess of \$5,000,000. The total amount of securities issued by the province for the purpose of the Act must not exceed the aggregate amount of the mortgages held by the Board. Mortgages are to be hypothecated to the Provincial Treasurer as security for the advances to the Board. Reports must be prepared annually and be ready for consideration by the legislature within fifteen days from the commencement of the session.

ALBERTA.

Two commissioners were appointed by the provincial government to represent the province of Alberta upon the American Commission for the Study of Agricultural Credit, and these Commissioners (Mr. H.M. Pory and Mr. A. Bramley Moore) presented a report in 1914 to the Alberta Minister of Agriculture giving a succinct account of the labours of the Commission and presenting for the consideration of their Government four alternative plans as possible solutions of the problem of rural credit as existing in the province.

All four plans are based upon the German Landschaften principle of Mortgage Bonds, Plan ~~A~~ follows the principle closely and involves the establishment of a Land Mortgage Credit Association of strictly co-operative character. Plan ~~B~~ is similar, but includes a government guarantee sufficient to start the Association and place it upon a permanent basis. Plan ~~C~~ is for a joint stock company, which for certain privileges conferred would accept limitations as to interest charges; this is modelled after the Credit Foncier of France. Plan ~~D~~ is for a Government Land Mortgage Bank similar to those existing in Australia and New Zealand.

Finally the Commissioners reported as follows:-

Your commissioners beg to express the hope that a means of securing the relief sought by the farmers of the Province may be found in one of the foregoing suggestions. We are aware that difficulties may present themselves under any scheme, particularly if banking facilities are to be associated with its organization. Such being the case, it may necessitate joint action on the part of the Provincial and Dominion Governments, due to the fact that our banking laws are subject to Dominion Legislation. In our judgment no plan would be complete that did not carry with it at least the right of securing deposits in local centres from persons who felt disposed to have their money utilized for the purposes of agricultural credit. The essence of the European methods studied is found in the decentralization of banking privileges in the interests of the local community. In our judgment the centralizing of financial interests in great banking institutions in this country is, from an agricultural point of view, a movement in the wrong direction. We see a further difficulty in the fact that in the newly-settled portions of the country, persons who perhaps will need help most, that is, the homesteaders, will not possess title to their property sufficient to give the necessary security. To give any relief to such it would be absolutely necessary that some arrangement should be entered into by which money borrowed for improvements would become a first charge against the land, although the land were to continue in the possession of the Dominion Government.

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Lender*

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In the session of 1917 the Alberta Legislature passed the Alberta Farm Loan Act which in principle is similar to the Saskatchewan Farm Loans Act of the same Session. The Act was assented to on April 8, 1917. It is described as an Act to foster and encourage agricultural development by means of standard forms of investment upon farm mortgages and the equalization of rates of interest. The act creates a Board to consist of not less than three nor more than five directors and to be known as the Alberta Farm Loans Board. Provision is made for the appointment by the Lieutenant Governor in Council of the Commission of Farm Loans to be paid by the Board. Loans can only be made on first mortgages on farm lands in the province free from all prior liens and encumbrances. Each mortgage is to be for a period of thirty years and the loans are repayable by a fixed number of equal annual instalments to include the interest, which must be sufficient to meet all expenses incurred in connection with the loan. Loans may not be granted for an amount exceeding 40 per cent. of the appraised value of the land offered as security for the loan and must not exceed \$5,000 to any one person. The loans may be made for the following purposes: (a) acquiring land for agricultural purposes, including stock raising and dairying; (b) purchasing live stock, machinery or equipment for the proper and reasonable occupation of the land; (c) erecting buildings and making improvements on farm land; (d) discharging liabilities; (e) any purpose which in the opinion of the Board will increase the productiveness and usefulness of the land in respect of which the loan is proposed.

Loan

A mortgagor can pay off his mortgage in full after the expiration of one year from the date of same upon the payment of six month interest by way of bonus, or after five years without bonus, or he can after that time pay an additional \$25 or any multiple of \$25. The working capital of the board is such moneys as may be raised by the issue of bonds under the Act and such moneys as may be provided by the legislature. The sum of \$10,000 was forthwith provided by the Act for expenses of the board, and the Lieutenant-Governor in Council was authorized to advance any other sums necessary for giving effect to the Act. Power is given to raise money on bonds to be known as "Alberta Farm Loan Bonds". Such bonds must not be issued for a term exceeding fifty years and the rate of interest must be fixed by the Lieutenant-Governor in Council. The net amount of securities outstanding at any one time must not be in excess of \$10,000,000. Two other Acts of the Alberta Legislature passed during the same session provide facilities for loans in connection with agriculture; they are described more particularly in the section devoted to short-term credit. (see page)

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Copy to Immigration & Colonization 12 Nov 1918.

VII. ABSTRACTS FROM COMMUNICATIONS
RECEIVED BY THE ECONOMIC AND
DEVELOPMENT COMMISSION.

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- (1) Development of the Natural Resources of Canada.
By Lord Shaughnessy, K.C.V.O., President of the
Canadian Pacific Railway Company, Montreal.

The potential wealth of Canada lies in her immense natural resources, but these must remain merely potential till they have been developed with the aid of human labour, which in turn, must be paid its wages. Some day when her population is sufficiently large, and her people have put aside more savings, Canada may herself provide the capital to develop her own resources, but for many years to come a large proportion of this capital must come from outside, and be paid for in interest duly earned. Our credit, therefore, is our chief concern, and it is the first duty of every citizen to exact careful and economical expenditure in Government, municipal and public company expenditure, to be merciless on graft, to insist on a lynx-like and perpetual audit even in the days of record earnings, bumper increases, and untaxed war profits. The spendthrift nation gets short shrift from the foreign banker, who, in his turn is putting out to interest the savings entrusted to him by his own thrifty customers. Our credit now is of the most urgent importance, since the enormous cost of the war has made it difficult, if not impossible, for Great Britain and other European countries to continue that investment in Canadian securities on which the development of Canada depended so much in the ten years preceding hostilities. The sentimental interest taken by the Mother Country in Canada accounted to some extent for the readiness with which the British investor bought our securities. If, as is likely, we have to turn now for our loans to New York, we can no longer count on sentimental sympathy, but must be able to guarantee that the money we desire to borrow will be carefully and economically spent on enterprises which are immediately productive.

The business man of the United States is essentially an individualist, and never has shown much belief in state socialism or any form of commercial enterprise operated by Government officials, however upright or well-intentioned. Where on the other hand, there is scope for a well-arranged private business or industry, with the prospect of good dividends, no one is more ready than the American to stake large sums of money without hesitation. Mortgages on farm lands are also a favourite form of more conservative investment south of the border, and such mortgages often provide the farmer with funds useful for increasing his live stock or better cultivation of his land. Our lands, particularly in Western Canada, are still assessed on a comparatively low valuation, so that the security we have to offer in this field is good. The migration of farmers from the United States to Western Canada shows no sign of falling off, and there is no doubt that considerable capital for the development of our agricultural land will follow in their footsteps.

If then we see to it that our security and our credit are good, I see no reason to fear that the progress of Canada will be hampered by lack of capital, even though the European investor may be cut off by the present war. The uncertain element is the supply of labour, and till the issue of the war is decided, one can only hope for the best.

It is, however, a historic fact that European ward during the past century have been followed by emigration to the North American continent. An important factor in these migrations has been the heavy taxation which resulted from war. Although there is reason for believing that the rates of wages in European countries may soon approximate to those now current in the United States and Canada, the taxation required to pay for the war will tempt many to transfer their homes across the Atlantic. Much of this movement from Central Europe will be directed no doubt to the United States, but any further immigration through the ports of Boston and New York will only increase the westward pressure of population which is already resulting in an overflow from the middle western states into our prairie provinces.

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The future of Canada, therefore, depends largely on the ability with which we handle the incoming population, the preparations we make for absorbing the heterogeneous elements whom we may be called upon to assimilate after this terrible racial eruption in Europe. During the past thirty years Canada has more or less successfully absorbed a very large immigrating population, but much energy has been dissipated through lack of co-operation shown between the Dominion Government, the Provincial Governments, and the transportation companies. We should be busy now thinking out and formulating an organization which should place upon the land, or in the industries for which they are fitted, with the least possible friction or loss of time, those individuals or families which come to make a new home in Canada. In the past we have been apt to let the immigrant shift for himself and find his place by himself. As a result, many a good farm labourer has been lost to the land, and has helped, in times of economic stress, to overcrowd our cities. We have said to the mechanic; "Take the first job that is offered to you," instead of having a carefully organized bureau which would tell him of the place where his skill was needed. This war has accelerated many manufacturing activities in Canada, and there is a possibility of a greater demand for highly skilled labour than was the case when Canada depended more completely on her agriculture. Even in the case of the immigrant farmer from Europe, we have not always been ready with the expert advice which would enable him to adapt himself without loss of time to his new conditions. We have let men with invaluable knowledge of intensive farming go to waste on homesteads remote from the markets, and have not sufficiently posted our settlers on climatic and soil conditions, the knowledge of which is essential to their success as Canadian farmers. We have, as it were, brought seeds and bulbs and plants from Europe by the ton, and planted them indiscriminately in a garden which has not been prepared for them - a method of culture which could only result in a heavy percentage of waste. There is so much to be done to develop this Canada of ours, that any waste of energy should be avoided. We must conserve that energy just as much as we must conserve our credit, if our future is to be as great as all true Canadians hope to see.

(2) CANADIAN HIGHWAYS.

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By W. A. MOLEHAN, Deputy Minister of Highways,
Government of Ontario, Toronto.

The public highways comprise a country's oldest, most universal, and most essential system of transportation.

Rural roads are the primary channel of traffic. Along them, production, industry and commerce have their origin. Railways, canals, and ocean carriers are spectacular, and appeal to the imagination. But let the common roads be closed, and railways will decay in idleness; ocean liners will rust at their moorings.

Nations have prospered without railways; but common roads, "Good Roads", have always been vital to national progress and development.

Natural Resources and Roads

Canada is a country of rich and varied resources. But natural resources are of value only as they are developed. A considerable part of the cost of such development is in transportation --- in transferring goods from one place to another. The lessening of the cost of transportation is a measure of economy, of national thrift, which will produce a large return on the expenditure. On this continent, the cost of team haulage is rarely less than 25 cents per ton-mile and is sometimes twice that amount. Under the favorable conditions of good roads in Europe, the cost is reduced to between 8 and 12 cents a ton-mile.

The tonnage carried over the country roads of Canada is not readily estimated; but railway statistics show that the total amount of freight carried by the railways and originating in Canada, is about 50,000,000 tons. This for the most part, at one or both ends of the railway journey, must pass over the wagon road. And a considerable additional amount, consumed locally, passes over the wagon road without railway transportation. The average wagon haul for farm and natural produce is estimated at between seven and eight miles. It is probably a moderate assumption for Canada that a total of not less than 100,000,000 tons passes over the roads of the country with an average haul of five miles.

Compared with European costs, good roads would effect a saving of not less than ten cents per ton-mile. But if we assume only half of that amount (five cents per ton-mile, or 25 cents per ton for the average haul of five miles) an adequate system of improved roads would create a profit of \$25,000,000

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annually on the produce and merchandise now passing over the roads of Canada.

The time lost in travelling over bad roads is very great. It has been estimated that bad roads occasion a loss of a man and team for two weeks (12 working days) annually to the average farm. With over 700,000 occupied farms in Canada, this wasted time and effort, if put into road construction, would substantially macadamize the leading market roads in ten years.

Agricultural Development

It is a self-evident fact that good roads are necessary to the development of the farming country. Canada has over 400,000,000 acres of available farm land of which only one-quarter is as yet occupied. Roads of a "colonization" type will be necessary to make this unoccupied territory even accessible for productive purposes.

But roads of a better type, "Good Roads", are necessary to the further development of the land already under cultivation. Good roads are the basis of intensive farming. Bad roads limit the output of farms to the kind and quality of produce which can be drawn to market. Good roads permit the farmer to take advantage to the utmost of the location and fertility of his land. They increase the profits of the farm; they remove the isolation and increase the amenities of farm life, placing it among the most pleasant and attractive of occupations. In this, the increased use of automobiles by the farmer is ground for the belief that, coupled with good roads, they will become one of the best servants, which the cause of agriculture has yet found. Good Roads facilitate the transaction of farm business. The farmer can keep in touch with and take advantage of the markets. Buyers can cover a wider territory, and bring the advantages of competition to the farmer --- particularly so through the introduction of the motor vehicle. These are among the reasons why "Good Roads" are a necessary part of the agricultural machinery in developing the potential agricultural resources of Canada.

By means of good roads, making intensive farming practicable, there is abundant opportunity to "colonize" the older and settled portions of Canada. For no part of rural Canada is yet so fully occupied that it could not support several times the population at present residing on the land.

Social Importance

Nothing is being left undone by cities and towns to attract population --- parks, street railways, fine streets, theatres and places of amusement. If the nation and the city are to reap the advantage of increased farm population and production, rural conditions must be made to compete with the city, by making them profitable and agreeable.

Moreover, it is from the country that the city draws new blood to replenish the drain caused by the enervating conditions of office and factory life. The purely urban stock, scientists tell us, dies out in three generations. When Rome neglected agriculture, she fell into decay. From the country the city must constantly recruit its brain and brawn. From a sociological standpoint, an intelligent, prosperous farming community is a necessary part of the national fabric. From this cause we cannot afford to neglect a work so important as road construction.

Strength of character is produced in the individual by effort, endurance and achievement. A nation is but the grouping of individuals, and the strength of national character is likewise induced by effort, endurance and achievement. Canada is potentially rich not merely to the extent of her natural resources but also to the extent to which the development of those resources will tend to the development of sturdy and strong citizenship.

With the individual, lack of thrift, improvidence, stagnation are well-known steps to poverty, failure and distress. So it is with the nation. The efficient management of national resources is as necessary to the happiness and prosperity of the people collectively, as are thrift and industry in the case of the individual citizen. Were it not so, Canada might be content to stand still, to cease development, to disregard the benefits of immigration, advanced agriculture, and the creation of new industries. But financial conditions created by the War preclude any such course of idleness and lethargy, even if it were desirable. On this basis, increased production, particularly increased farm production, is essential to the future of Canada.

Magnitude of Work

In the Dominion of Canada there are about 250,000 miles of graded roads. Road-building is a slow process, and in most countries it has taken half a century at least to provide adequate surface construction. The immediate objective in Canada should be to substantially improve about 10% of the total, or 40,000 miles, which would carry the more concentrated market or

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farm traffic; while about ~~24~~ additional, or 5000 miles should be treated on a trunk road basis. The total cost might be approximately estimated at \$250,000,000, of which about \$50,000,000 has been spent.

Road-building is a slow process in part, because it is expensive. And because the work is expensive, it must be distributed over a term of years and among various administrative organizations. But so distributed, and looked at from the standpoint of annual ability, the undertaking becomes less difficult. The total twenty-year cost of maintaining a household does not worry the average man --- if his annual income is sufficient for the annual outlay. Road-building is a continuous work; if properly carried on, is cumulative in its growth, and is a question of annual expenditure available to meet direct outlay, plus sinking fund, interest and cost of maintenance.

Road-building is clearly one of the most important public works remaining for Canada to undertake. When the War is ended and our armies return, with a large additional influx of immigration, it will be well if we are so organized that roads can be built on an adequate scale, not only to aid in the development of Canada; but, temporarily, to assist in giving employment during what will probably be a trying period of industrial readjustment.

Many Canadians have journeyed in Northern Canada, along trails which, in the fur trade, have been used by the Indians for centuries. A little work in removing fallen trees, in levelling knolls, filling low places, or improving the canoe landing, would have made the portages infinitely less laborious. But year after year the Indian has travelled these routes in shiftless abandonment to the obstacles imposed by Nature. As we regard the improvidence of the Indian with respect to his trails, so those who are accustomed to the splendid highways of Great Britain and France look upon the neglected and unimproved roads of this continent. They consider that only a very wealthy country, improvident of its resources, can progress under the handicap of bad roads. Those who have bad roads consider good roads an expensive luxury. But those who have the advantages of good roads, know that good roads are a necessity.

Road Administration in Canada

The following brief outlines of road administration in the various provinces of the Dominion, contain only sufficient of the essential facts in each case to indicate the general situation.

From these it will be observed that no two provinces have the same organization. The same is true of the various American States

and of all countries in the world. This great variety of organization is due to the variety of local circumstances, which have influenced the general trend of public feeling, action and administration on which road organization is based.

Thus the mountainous character of British Columbia has prevented uniform municipal organization such as is possible in the prairie provinces. The French code and French characteristics of Quebec have made a striking difference as compared with Ontario; in the former, a more paternal system is acceptable, while in the latter case, local self-government is more congenial to the spirit of the people.

Prince Edward Island

(Road mileage - 3,800.)

The Province is not divided into municipalities, and all the roads are maintained directly by the Provincial Department of Public Works.)

(The Province is divided into thirty-eight Road Divisions, with an average of about 100 miles of road in each.)

(Each Division is supplied with a road machine and a man to run it; the Division being presided over by a Road Inspector, who has charge of all work in his Division. The soil of the Province is of a soft, loamy nature, and about ninety per cent of the roads are merely earth roads, maintained by road machinery.)

There is practically no macadamising or permanent work.)

The total amount expended on roads in this Province is about \$30,000 per annum, equal to about \$8.00 per mile.

Nova Scotia

(Road mileage - 16,000)

Counties

The rural part of the Province has county organization -- 16 in all. In 1880 the municipalities had full control of the roads and bridges but neglected them, and the Provincial Government enacted various laws; first taking over the construction of the larger bridges; then the maintenance of larger bridges; then the construction and repair of smaller bridges; and finally the maintenance of highways to a great extent.)

(In 1906, a Provincial Commissioner of Highways was appointed, an office under the Commissioner of Public Works.

Expenditure under the Provincial Highway Commission in 1915

was approximately as follows:-

For highway structures of permanent material out of Capital (not included with larger bridges)	\$216,668
For construction and maintenance of highways including smaller bridges, out of Capital	52,717
For construction larger bridges out of Capital	82,587
Total, out of Capital	\$351,972
For construction and maintenance of highways including smaller structures and repairs to larger bridges, out of Revenue	\$252,129
Total expenditure	\$604,101

The total amount of revenue for the last fiscal year from automobile licenses was \$21,270, and is set apart specifically for road purposes

An amount of about \$250,000 is assessed annually by the municipalities under the Statute Labour Law, and the expenditure is under the control of the county authorities.

In carrying on the work of the Provincial Department, counties are separated into districts for Provincial Highway expenditure and over each district is placed a Provincial Inspector, there being 39 inspectors in all.

It is the duty of each Inspector to send in to the Provincial Highway Commissioner, yearly, a report of road improvement required, with an estimate of the cost. When such report and estimate has been approved by the Provincial Department, it is the duty of the Inspector to organize and carry on the work and to return pay rolls to the Provincial Department.

The Province to the present has very little but earth roads

New Brunswick.

(Road mileage - 14,000)

The Province is divided into 15 counties, these being subdivided into 144 parishes. Under an Act of 1908, the performance of statute labour in each parish is governed by a Highway Board, consisting of two elected county councillors, and a secretary-treasurer appointed by the Provincial Government.

Provincial Government expenditure, under the Minister of Public Works and a Highways Engineer, in 1915, amounted to \$179,919. In allocating this appropriation, a certain amount is granted to each county.

the Members of the Legislature representing the counties, sub-divide them into Districts, and in each District a Road Supervisor is appointed. The Road Supervisor is again allotted a certain proportion of the amount granted to the County. The expenditures are made under this supervisor, and sworn returns in detail are furnished the Public Works Department, when individual cheques issue to cover.

Quebec
(Road mileage - 45,000)

Municipal expenditure on roads in the open country in Quebec is comparatively small; but, the Provincial Government has recently inaugurated an extensive plan of road improvement under a Provincial Department of Roads.

Quebec is unique among the Provinces in having a method of road management, the share system, founded on the French code, whereby each farmer is responsible for the road in front of his own property. This was applied in the early history of the Province, when the majority of farms had a narrow frontage on a river, and along which the main road was located. The "Eastern Townships", however, adopted the more usual Municipal Code, vesting the roads in the township council, and maintaining them by statute labour.

Under recent legislation the Province is seeking to improve the roads under three well-defined plans.

First, an Act, consolidated in 1911, which has as a chief object, the abolishing of the share system and statute labour (la corvée). To this end a small annual grant is given to townships, from \$200 to \$400, on condition that they comply with certain conditions. About 400 municipalities, out of 1,150 have become entitled to this grant.

Second, Provincial grants are made to townships as aid in gravelling or macadamizing roads; not to exceed \$1000 a year for macadam, nor \$500 for gravel, and based on 50 per cent of the expenditure.

Third, under an Act of 1912, the Province of Quebec appropriated \$10,000,000 (supplemented in 1915 by an additional \$5,000,000) for more substantial construction under two methods:

- (1) Main roads built by the Province.
- (2) Roads built by the municipality.

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Under the former of these two methods, the trunk of this main road system under the control of the Province will consist of a route from the American boundary near Plattsburgh in New York State, thence northerly to Montreal, 39 miles; a road on the north shore of the St. Lawrence easterly to Quebec city, 151 miles (in addition to 27 miles of existing toll roads); and from Quebec city south to the American border near Jackman in Maine, 92 miles. Another "regional" road reaches from Sherbrooke to Derby Line on the American border, a distance of about 33 miles. On this system of trunk roads nearly \$4,000,000 has been spent by the Province. In the case of roads built by the municipality a feature of the Quebec aid to municipal construction is that, for substantial improvement, the Government will provide the necessary capital, charging the municipality ^{1%} for a term of 41 years, the Government meeting the balance of interest and sinking fund. About \$3,000,000 has been thus appropriated to the present time.

Ontario

(Road mileage - 55,000.)

The Province of Ontario has a Department of Public Highways in charge of a Deputy Minister, Chief Engineer and staff; with a considerable range of duties both educational and constructional. It has been announced that the collection of Motor Vehicle Licenses will be made a Branch of the Highways Department, and a revenue of \$500,000 is anticipated for 1916.

Of the total road mileage (55,000 miles) about 20,000 miles are merely well graded earth roads; about 22,000 miles have been more or less satisfactorily surfaced with gravel or stone; while the remainder, 13,000 miles, are little used and unimproved.

Southern Ontario is probably the most densely occupied portion of Canada where, in an area of about 40,000 square miles, there is a population of about 2,500,000, one-half of which is urban and the other half rural. In the southern and populous portion, which is chiefly agricultural, there is an annual municipal expenditure on roads in the open country of about 1,100,000 days statute labour and \$1,400,000 in cash, annually; while the Province spends about \$1,500,000 annually through ^{three} channels vis:-

- (1) Subsidies to leading market and main roads in Southern Ontario.
- (2) A special appropriation of \$5,000,000 on trunk colonization roads in Southern Ontario.

(3) Minor colonization roads in Northern Ontario.

Owing to the strong claims of agricultural communities, the assistance given by the Provincial Government to the better class of construction in Southern Ontario has been largely confined to the subsidizing of leading market roads in each county.

Ontario has both township and county organization. Township councils are elected annually, and the reeve of each township (town and village) is, ex-officio, a member of the county council. Township councils primarily have control of all the roads, but a county council is authorized to take over from the townships the leading roads of the county for construction and maintenance. To this system of county roads, the Provincial Government has heretofore paid one-third of construction cost only, but under legislation of 1915, will hereafter contribute 40% of the cost of construction, and 20% of the cost of maintenance. More than half of the counties are operating under this plan with good results, and to the present time, a total of over \$6,000,000 has been spent on the work. It is anticipated that, under the increased subsidy, the remainder of the Province will adopt county systems in a very short time.

Under new legislation for main roads, more attention will be given to the development of certain trunk lines, for which there is a growing demand.

A main road is interpreted as one running directly between two important terminal points or cities, and therefore passing through a series of municipalities. Such series of municipalities may petition the Highways Department for construction as a Main Road; and if the petition is endorsed by three-quarters of the municipalities affected, the Department will make surveys, prepare specifications and appoint a special board of Commissioners to take charge of the construction and maintenance of the road. The cost in the engineer's report is apportioned among the municipalities benefited, (the Government contributing 40%); and the Commissioners then act as a Court of Revision to hear the appeal of any parties affected as to the engineer's apportionment of the cost. The Commission may confirm or revise the engineer's report, and unless a majority of the municipalities then petition against the work, the Commission is authorized to proceed with construction.

It will thus be seen that, in the Province of Ontario, a three-fold classification, very desirable in road organization, is being evolved in the following manner:

- (1) Main or trunk roads to be constructed and maintained by special Commissioners under the guidance of the Provincial Highway Department; the cost to be met by Provincial subsidy, and direct assessment on cities and rural municipalities benefited.
- (2) Leading market roads, to be under the control of county councils, subject to regulations and inspection of the Provincial authorities; the cost to be met by Provincial subsidy, and county levy on all assessable property within the county, including cities.
- (3) Local feeders, to be under the control of township councils, and at the expense of the township.

Manitoba

(Road mileage - 31,800)

The Provincial Government maintains a road department under a Provincial Highway Commissioner, while municipal organization is active. The Province is divided into one hundred rural municipalities with population varying from 600 to 5000 in each. The municipal council (controlling local expenditure) consists of a reeve and four or six councillors, half of whom are elected for one year, and the remainder for two years. Municipal organization is very similar to that of Ontario.

The expenditure in the Province in 1915 was as follows:-

Municipal expenditure along about	\$700,000
Under Good Roads Act	374,790
Total	\$1,074,790

The former expenditure has been made solely under the direction of the Municipal Councils. It would be difficult to approximate the real value of this work or to give an idea of what it stood for in constructed road mileage. In very few instances is there a well defined policy or system being followed. The work performed is more in the way of repairs, constructing small structures, and relieving the more emergent and pressing conditions in the different municipalities.

The expenditure under the "Good Roads Act" is made under the direction of Engineers of the Provincial Department and in conformity with well defined systems within the municipalities operating under the Act. Towards the expenditure of \$374,790 for season, 1915, the Provincial Government comp

tributed \$141,700.

The general features of the Manitoba Good Roads Act are as follows:-

- (1) The Council must initiate the scheme of improvement.
- (2) Council must then submit the system to the Good Roads Board of the Province, by resolution of the Council.
- (3) The scheme is then examined and reported on to the Board by one of the Engineers of the Department.
- (4) If the Board approves, the scheme is recommended to the Lieutenant Governor by the Minister of Public Works.
- (5) If it is finally approved there, ^{the} secretary-treasurer of ^{the} municipality is notified.
- (6) The council submit to the ratepayers a by-law to which their assent must be obtained. The vote of the people is required in each and every case. They vote that these roads will be the main roads of the Province.
- (7) After assent of rate-payers is received, the scheme may go-ahead and receive the prescribed assistance under the Act. For an earth road this is one-third of cost; for a gravel road or any more permanent form of road than earth, one half the cost.

Saskatchewan

Road improvement is largely carried on by the Province under a Board of Highway Commissioners, but with increasing settlement, rural municipalities and local improvement districts have been formed. Whereas roads were formerly maintained entirely by the Provincial Government, municipal organization is steadily adding its force to the betterment of roads.

The duties of the Provincial Commissioner are as follows:-

- (1) To lay out, plan and determine upon a system of public highways for the province which may from time to time be altered or modified as the Board may determine.
- (2) To determine upon the most feasible and economical methods for constructing, improving and maintaining public highways.
- (3) To furnish the officers of the municipalities with information respecting the construction, improvement and maintenance of public highways.
- (4) To appoint such engineers, inspectors and officers as are necessary for the proper carrying out of the duties of the Board and the provisions of this Act. All such appointees shall receive such remuneration as shall be determined by the Lieutenant Governor in Council.

The Board endeavours to devote the most of its expenditure to Main Roads, but also assists or constructs minor roads, and bridges not on Main Roads which, for special reasons, are beyond the ability of the local municipality to build. The Board also assists local municipalities to the extent of 50 per cent of the cost of improvements, when these improvements have been carried out in accordance with the regulations of the Board.

The use of the Road Drag is encouraged with good results; ferries are operated; while all bridges of over 20 feet span are built by the Commission. In 1914, about 2300 miles of road were kept in repair by use of the drag.

For the year 1915, the Provincial appropriations were as follows:-

Roads and Bridges (from Revenue)	\$500,000
Steel bridges on concrete foundations (Bond issue)	300,000
Highway construction (Bond issue)	1,200,000
Total	2,000,000

Owing to conditions created by the War, the amounts actually expended were approximately as follows:-

Roads and Bridges (Revenue)	\$170,000
Steel bridges (Bond issue)	163,000
Highway construction (Bond issue)	328,000
Total	661,000

~~As with Alberta,~~ ^{As with Alberta,} ~~metalled roads do not exist outside the cities and towns.~~ At the present stage of development, little can be attempted other than to attend to the worst places, so that, though the Province may undertake in any year to complete a certain mileage of roads, the actual work consists in grading such parts of the road as are impassable, because crossed by coulees, sloughs, or other obstacles. Thus in a given stretch of prairie road, possibly only ten per cent of the distance actually receives attention.

Alberta

Little attempt is made in the Province to construct surfaced roads, owing to the absence of suitable road making material. The roads are therefore, merely earth-graded roads with not always continuity of grading. It is possible and customary on these prairie roads to pass over those portions where the soil in its natural state will carry traffic, and (to first) make passable those portions on which grading, drainage or other improvement is most urgent.

Expenditure is made on roads by the Rural Municipalities and Local Improvement Districts; also by the Provincial Department of Public Works, under the Engineer of Highways.

Municipal Expenditure in 1913 was \$681,000; in 1914, \$865,190; and in 1915, about \$900,000.

Provincial expenditure is devoted largely to Trunk Road Improvement; while the municipalities seek to improve the outlying branches.

The provincial Government in 1915 spent approximately as follows:

1. Trunk Roads and Bridges	\$500,000
2. Maintenance of Trunk Roads (also for improvement of minor roads not in Trunk Road Districts)	200,000
3. Bridge construction not on the Trunk Road System	230,000
4. Ferry services (66 in the Province)	70,000
Total.....	\$1,000,000

The province recognizes in general two classes of trunk roads;

First, those paralleling railway lines which are dealt with by the Province, both as regards construction and maintenance; and

Second, those leading out from shipping or business centres, at right angles to railway lines; and toward which an endeavour is made to obtain the co-operation of Rural Municipalities and Local Improvement Districts. Local organizations, however, use their funds chiefly on roads leading traffic to the Provincial Trunk Road System.

British Columbia

(Road mileage - 12,500)

Road-building in British Columbia has been almost entirely a Provincial work, due largely to the mountainous and heavily timbered character of the country.

Under the Department of Public Works, the general system has been to have a competent engineer as Deputy Minister, and under him, experienced road superintendents for each of the (29) electoral districts. The Superintendents employ foremen and labourers; and details in each district are largely left to the judgment of the road superintendent.

Provincial estimates for roads and bridges in 1901 amounted to \$544,000; in 1915 estimates amounted to \$2,455,000. A special programme was provided about 1910, with an estimated outlay of about \$20,000,000, the greater part of which has been spent in the construction of main roads.

Climatic conditions in British Columbia in some respects resemble the ordinary conditions of Canada, but on the Coast, there are roads which can be used the year around, which have no rest by snow protection, and which suffer in the winter by heavy rains.

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Copy to S. L. ...
in Nov 1918

(3) SUGGESTIONS BY G. C. CREELMAN,
B.S.A., ILL, PRESIDENT OF THE
ONTARIO AGRICULTURAL COLLEGE,
GUELPH.

Improved Methods of Production. The Experimental Farms of this country have done a good deal along these lines. The Ontario Experimental Union has 5,000 men in this province trying out things on their own farms each year and reporting to us at the end of the season. The district representatives in the several counties are supposed to be introducing improved methods of production in farm work. The Dairymens Association, by offering prizes for the largest production from dairy herds, are helping the milk business. The Cow Testing Associations are doing the same thing. The agricultural colleges are teaching improved methods all the time, and though I speak for this province only, my observation is that conditions are much better than they were a few years ago.

My opinion is that more money should be spent along the lines already started, both by the Federal and Local Governments, that the work be extended until every farmer shall receive direct instruction, at the time when he needs it most.

Instruction and Demonstration. It is pretty generally understood now that no improved methods can be introduced without both instruction and demonstration. By this I do not mean Government Demonstration Farms. They are expensive, and, as a rule, have little effect on the immediate neighbourhood. I do not know any Experimental Farm, including the one on which the college is situated at Guelph, that has any material effect on the farmers living close by. In the regular seasons, when demonstrations could be given, the farmers are all busy with similar work at home, and they have no time to watch our methods. When they are not busy, there is little that could be demonstrated, except by laboratory work, and this is only practicable for students taking the regular course.

My opinion is that one well-informed agriculturist can do more good by going from farm to farm; by meeting the farmers in session; by working through the schools and county organizations; by distributing bulletins and reports at the right time; and by giving word-of-mouth information in season. Such men would do more good in a community than would an Experimental Farm costing many times the amount. One man to a township would not be too many, and our agricultural colleges are now prepared to meet such a demand.

Land Settlement. I do not know how far the Dominion Government would care to undertake the responsibility, or how much should be allotted to the Provinces, but I am convinced that our land settlement policy could be greatly improved. It is lonely enough in the well settled farm districts of Ontario. What it must be on an odd quarter section, here and there, it is hard to conceive. It is not the most exciting kind of life to live in an old settled portion of the country on a farm when you understand the business. We can hardly conceive therefore, what it must be for a man, without farm experience, to live by himself on a quarter section. It would seem, then, that

men who really want to be farmers, as well as men who are farmers in the old land, and who want to immigrate, should be given an opportunity to learn the business before they tackle it, or of having near neighbours if they already know their business.

The Government might therefore take a tract of good land in each province, (or many tracts if needed), see that railroad facilities are available, that the town site is located in the proper place, and that wells are dug and roads constructed. Then let the land be opened for settlement, at a definite price per acre, for every lot, and take care that every parcel is sold before any of the block is occupied. By this closer settlement, neighbours are close by, co-operation is made possible, schools and churches are immediately accessible, and no one is at too great distance from the railway and local market.

The Inexperienced. For those who have had no farm experience, I think the provincial government might without much sacrifice, set aside a few well-informed men as foremen and instructors and engage in the teaching of farming. Farming is a trade and must be learned before one can expect to make it a profitable business. Many men have come from the Old Country and learned this trade with good farmers, but farming has changed, so that the farmer himself has not now the time to teach immigrants as was the custom at one time; improved and more complicated implements require more skilled labour and the raw boy who does not know his business is often kept doing the chores early and late, until he is either disgusted with the business or fails to learn the real business of farming at all. Such immigrant farms may be nearly self-sustaining, as these green men should not be paid more than \$5 a month and their board while learning the business. During the growing season, they could be kept at work every day, but during the winter, half a day's work in the bush or about the stables would be probably all that could be provided, while the other half of the day could be profitably spent in studying methods through bulletins and other literature, under the direction of the farm instructors.

I am not sure that it would not pay the Dominion Government or the Provincial Governments to maintain farms in Great Britain, with a Canadian Manager, where intending immigrants wishing to go into farming but, knowing nothing about it, might spend a few months using Canadian implements and Canadian methods, and so find out whether this is the life they want to lead. It is almost impossible for a young man to know whether he will like farming or not until he has tried it. It is expensive to have to break home ties and go from the old land several thousand miles to find out. Our towns and cities have in the past been filled with young men who came out to farm. They are needed on the land but are either not fitted for the life or "got in" wrong to start with. Most of these men are made of good material but our present system does not tend to develop them.

The Hon. Rupert Guinness of Foxing Park Farm, England, has tried this out on a small scale, and from the beginning has had more applicants than he could accept. I sent him a Manager from here and he afterwards got an Assistant from Guelph also. Many of the young men who have come from that farm to Canada, since, have shown their practical ability to

fit into our ways and they have become good Canadian citizens and farmers. Many at the same time, I am told, have been advised to stay at home, as they had neither the instincts or the adaptability necessary, to make Canadian farmers.

After the war, I expect to see a great immigration to Canada. We must expect to find many returned soldiers who will want to go upon the land. It seems to me it would be wise, therefore, to look at once into these two questions of training farms and closer settlement.

Future Immigration Policy. When we have returned to normal conditions and can get these tracts of land ready for settlement, I should like to see some of the best lecturers from our Agricultural Colleges, Departments of Agriculture, and Farmers' Institutes hold series of meetings in the best farming communities of Great Britain, to explain how ~~we~~ are farming and to explain our Immigration Laws, and to point out where the settler may get land at the mere cost of the improvements that have been put on it, where he would be assured of companionship for himself and wife, and good schools for his children; where if he has capital he may buy the land outright, build his house and stock the farm himself; but where if not, he may secure the use of the land, be advanced the money for the purchase of live stock, and the building of permanent improvements. We cannot expect provincial agents, settled in offices in the middle of London to get very close to any large number of first-class farmers. We must reach these men personally, and I believe the men to do it are the men mentioned above.

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(4) OBSERVATIONS ON CROP
PRODUCTION IN CANADA
BY
J. H. GRISDALE, DIR-
ECTOR, DOMINION EX-
PERIMENTAL FARMS
DEPARTMENT OF AGRIC-
ULTURE,
O T T A W A.

Copy to Agriculture 12 Nov 1918

Crop Rotation. That our farmers do not practice crop rotation is apparent from one end of Canada to the other. The need for the introduction and practice of proper rotation is evidenced by the increasing prevalence of weeds and the falling off in fertility of the soil on a very large proportion of our farms.

Cultural Methods. Cultural methods in many parts of Canada may be properly characterized as slovenly and inadequate, as extravagant and wasteful or as injurious and ill-judged. The universal practice of proper rotations and sane cultural methods would undoubtedly double Canada's crops of all descriptions in less than five years.

Mixed Farming. By the introduction of a properly balanced system of mixed farming, the dangers of crop failure so-called would be completely eliminated and in addition many products of the farm now wasted in certain districts, would be profitably utilized and soil fertility not only maintained but improved over even the most fertile areas in the Dominion.

(5) IMPROVEMENT OF THE DAIRYING INDUSTRY

BY

J. A. RUDDICK, Dairy and Cold Storage
Commissioner, Department of Agriculture,
OTTAWA.

Copy to C. J. in Ottawa 12 Nov 1919

Progress in the improvement of the dairying industry has been rather one-sided. In the practical work of making butter and cheese, and especially in the making of cheese in factories, Canadians stand right at the top, but in factory management and in general business features the position is not so satisfactory when compared with other countries. The economics of dairying have been somewhat neglected. Cheese factory and creamery buildings are, in too many cases, inferior, often out of repair and generally of a rather makeshift character. The same may be said of the equipment. This is due largely to the fact that the factories are operated, as a rule, on insufficient revenue, a condition which is inimical to real progress.

Canada lags behind the rest of the world in scientific research and investigation of problems relating to dairying. Our conditions have been so similar to those which have prevailed in the United States that we have been able to take advantage of the information which is so freely published and circulated by the various scientific institutions in that country. The time has come, however, when we should have facilities for original research and scientific investigation of our own. We have our own peculiar problems to be worked out.

No other important dairying country in the world has neglected this side of the industry. Denmark established a dairy laboratory many years ago which is devoted to such work. The Dairy Institute at Leibefeld, Switzerland, is world-famous through the researchs of Freudenrich, Orla-Jenson and the present director, Dr. Burri. Dr. Corini's bacteriological and chemical investigations at Milan, Italy, have been of great service to the cheese-makers in the province of Lombardy. France has the Pasteur Institute which studies dairy problems. The Dairy Institute at Reading, England, is devoted wholly to research work. There are many other institutions of a similar kind.

In the marketing of dairy products, the one great defect in my judgment is that the manufacturer who produces a superior article of butter or cheese does not, under the present system, get a sufficient reward for his enterprise and skill. The tendency in the primary markets is to pay a uniform price for goods of widely different quality. It would stimulate production and encourage improvement in quality if some plan could be worked out whereby the cheese-maker or butter-maker would be paid on a strictly quality basis. If that were done many of the other problems connected with the industry would disappear.

The cheese and butter boards throughout the country are not mediums of actual exchange to the extent that they might be. The calls on the boards serve to fix a quotation on which a large amount of "curb" business is done after the meetings are over, and many sales, throughout the country, are based on these quotations. Many of the factories are known as "regulars", some of which register their offerings on the boards and others do not. These factories sell or ship their butter and cheese regularly to the same firm and payment is based on the quotations as aforesaid. If

follows, therefore, that the buyers have an interest, apart from the probable business to be transacted at the board, in keeping the quotation as low as possible.

On the whole I think it may be said that the spread between the price paid to the manufacturer and the price paid by the consumer of dairy products is narrower than in the case of many other products, but it would be interesting to know why cheese for which the factory receives, say 12 cents a pound, should sell in Great Britain at 16 cents and in Canada at 20 cents.

The question of national standards is closely related to the matter of payment on a quality basis, but on the whole I consider the matter of securing payment according to quality is the most important and pressing reform which is possible in connection with the dairying industry.

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(6) Suggestions for Development of the
Live Stock Industry of Canada.

By: H. S. ARKELL, Assistant Live
Stock Commissioner, Department
of Agriculture, Ottawa.

Copy to Agriculture 12 Nov 1918.

Canada stands, at the present moment, at the opening of a new era in her industrial development. The present great upheaval in all the channels of commerce creates unique and remarkable opportunities for this country in connection, particularly, with the advancement of agriculture. It is desirable, therefore, that immediate and definite action be taken to provide such facilities as shall make it possible for our farmers and for the country at large to take advantage of the present situation.

The repeated and continuous fluctuations of market prices in all live stock classes, apparent not only from year to year but equally so for different periods within the year, have hitherto created an instability and insecurity of business which has not only militated against any expansion of production but has resulted, time after time, in direct loss to the producer. The leading influence upon farm operations and upon agricultural prosperity, traceable to these unsettled market conditions, is practically incalculable. The business of live stock breeding and of rearing and fitting market stock must be charged with an air of solidarity and stability before there can be any marked improvement in productive activity.

It has been responsibly predicted that there will be an unprecedented demand for live stock following, and as a direct result of, the war. The very heavy calls upon the Australian and the Argentine herds for the filling of army contracts, the wholesale destruction of the stocks of cattle in Germany, Belgium and France, together with the increasing interest which is being evidenced by Great Britain in purchasing supplies within her own Dominions and particularly in Canada, would seem to indicate that this country may expect to be called upon to furnish, for the world's market, both meats and meat products to an extent and volume never before experienced. I would refer at this point, especially, to the opportunities for the development of an egg trade, a bacon trade, and a chilled or frozen beef trade, as well as to the possibility of building up a substantial export business in such commodities as frozen pork, beef offal, corned beef and army rations of various descriptions. If Canada can secure transportation for her output, there can be little question that all meat products will sell at a premium during the current year and that, at least during the period of the war, stiff prices will generally prevail. Anything that can now be done, therefore, to place Canada in a stronger position to take advantage of this prospective trade should not only result in better returns to our farmers but, as well, in materially strengthening the financial and commercial position of the country.

To secure this end, in so far as it is possible to do so, and to obviate many of the difficulties which at present exist, the following recommendations are made:

1. ESTABLISHMENT OF A COMPREHENSIVE INSTALLATION SYSTEM.

This will involve -

(a) Acquisition of the necessary land, buildings, and equipment for the installation of a comprehensive system of live stock raising and marketing.

- (b) The Home Market. The collection of definite and reliable information regarding market demand in the several provinces of the Dominion, with particular reference to current prices at the leading market centres and to conditions governing interprovincial trade in meats and other live stock products.
- (c) The Foreign Market. The gathering of adequate statistics and data to make possible an intelligent interpretation of trade conditions in foreign countries, exporting and importing, with the view of assisting our live stock interests to develop foreign trade, to adjust their operations to the foreign requirements and to take advantage of such outlets as may from time to time appear for the profitable sale of their products.

Provision for this work should be secured through -

1. Field Officers. The appointment of a staff of men for duty within the Dominion, whose services shall be engaged at the market centres and in the country, in collecting and reporting the data and statistics referred to under (a)
2. Representative in Great Britain. The appointment of a first class business man, whose duty it shall be to promote trade with the Mother Country, to report upon changes in market requirements and to keep the office of the Intelligence Service fully posted as regards all market movements.
3. Data from European Countries. An arrangement by which, either through personal visits or by special correspondence, for which suitable remuneration must be allowed, the Canadian officer in Great Britain may keep himself posted and report to his Head Office regarding similar movements and trade developments on the Continent of Europe.
4. Special Correspondents. An arrangement by which information may be secured, either by cable or weekly, fortnightly or monthly letters, suitable remuneration being allowed therefor, regarding the live stock situation in the Argentine, Australia and the United States.
5. Census Service. A census service within the country, which may, in every particular, furnish annually, reliable and practical data respecting animal population and production.

II. Organization of a System which shall provide for the Dissemination of this Information.

The collection and distribution of Market Intelligence may properly and most effectively be carried on under one officer, but, while the collection is undertaken by a field force, the distribution must be provided for by the appointment of competent clerical assistance in the Inside Service. This

cafe

work will involve the dissemination of the information to the producers in such an effective way that they may be able intelligently to anticipate market demands, to seize opportune periods for the profitable disposal of their stock, to adjust successfully their operations to the trade situation as developed by local and foreign requirements and to equalize production in the several provinces, thus providing against the alternate gluts and shortages which have in the past invariably tended to upset trade balances and defeat the expectations of the breeders.

III. Organization of Farmers for Co-operative Action in the Sale of their Products.

A movement in this direction, unless encouraged at the expense of efficiency and permanence, must of necessity be comparatively slow. Steady advances have been made in this direction in connection with the Co-operative sale of eggs and of wool. The results achieved in the improvement of the product and in the increased price to producers have commended the undertaking to all who have become familiar with its progress. Evidence is not wanting that upon co-operation in the sale of their produce may be based a comprehensive business organization amongst farmers, first of all, through unit communities and, ultimately, through the representative union of these in collective associations, which may prove one of the most powerful factors yet realized in any country in securing adequate returns to the farmer and in building up a trade in agricultural products commensurate with the resources of the Dominion.

With the development of co-operation, attention will necessarily be directed to the solving of a number of distinct problems relating to the development of our live stock business. Amongst these may be mentioned - co-operative rural credit, the financing of warehouse and storage accommodation, improvement of transportation service from a produce and live stock standpoint and the provision of adequate abattoir accommodation. Certain of these problems are assuming importance at the present moment.

To one question, however, immediate consideration should especially be given. I refer to the relation of the activities between the provinces and the Dominion in promoting co-operative organization. Unquestionably there is opportunity and need that the service of all the Departments of Agriculture in Canada be brought to bear in developing this movement. It is, nevertheless, clear that unrelated activity in this direction will not secure the progress which is possible and may, in some degree, result in conflict of method in the effort to promote a national movement and to secure the most comprehensive results obtainable. It is recommended that means be devised whereby the policies of the several Departments may be carefully correlated and the measures undertaken by each definitely co-ordinated into a system which may be applicable to all parts of the Dominion in the nationalization of agricultural organization and trade.

IV. Price of Sale by Grade and Payment According to Quality.

It is widely recognized that the sale of produce on a flat rate basis, for example in the case of hogs, invariably inflicts a penalty on the progressive farmer and, in effect,

provides a premium for low grade goods. Evidence is not wanting that a well directed effort by the Department would favorably influence buyers and merchants toward an acceptance of standards and the rating of prices on a basis of market merit. It would also have value in definitely determining and defining market grades and classifications. It is the experience of the Live Stock Branch that a movement in this direction is fundamental to any advance which may be made in improving quality and increasing production.

In this connection and as a demonstration of the principles underlying the argument, a very careful egg trade investigation has been in progress for the past two years. Resulting from this investigation, an improved system of buying has developed and definite egg standards have been adopted. The way has been prepared, therefore, from an internal trade standpoint and in view of the increased production of poultry products in Canada, for the rapid development of an export business.

An investigation of the British market has made it clear that only by a system of national standardization, which shall provide uniformity and high quality in the grade of the product marketed, can national recognition be secured for our commodities. This truth applies to the trade in eggs, bacon, canned goods and meats. I was definitely impressed with the fact that the export produce business to Great Britain has never amounted to anything for any country nor for any product, except where the article exported has been made to conform to a practically standard grade, both as regards uniformity and quality. The distinctive national designation under which such products can be sold, when this position is reached, very rapidly becomes a commercial asset which itself definitely tends to extend business and develop trade.

It is recommended that legislation be enacted providing for the inspection, subject to trade standards, of eggs intended for export from Canada. From experience, it has become clear that indiscriminate shipments are likely to do this prospective trade much harm. As in the case of fruit, it would appear that the permanent development of an extensive and profitable export business can be safeguarded only when it is subjected to careful and adequate supervision. This can best be secured by the passing of legislation providing for such inspection. The present moment, in view of shipments already going forward to Great Britain, appears to be particularly opportune for the enactment of such a measure and the need is urgent.

It is recommended, further, that steps be taken in a manner which careful consideration shall dictate, to provide for the standardization of our bacon, canned goods and dressed meats, by the adoption of measures which shall parallel in their purpose those which have been followed and recommended in the organization of the egg trade.

*capts
centre*

V. Supervision of Stock yards. It is admitted that the live stock trade has suffered considerably through the somewhat culpable operations and questionable practices which have now and again developed in the buying and selling of stock at country points and in the market centres. Without going into detail regarding abuses which have occurred and the losses which have resulted to farmers, it may be stated that if

greater confidence can be secured to this end of the business, a much more direct and effective method of sale may be obtained. It is recommended, therefore, that a very careful investigation of methods followed in the operation of live stock markets be undertaken.

As an outcome of this investigation, it is recommended that an act be passed which shall secure the effective supervision of stock yards operations. This act should provide, amongst other things, for the bonding of commission men, for the submission of Live Stock Exchange Constitutions to the Minister of Agriculture for approval, for the weighing of live stock under Government supervision and, if deemed advisable, for the granting of financial assistance, possibly through the guarantee of bonds, in connection with the establishment of stock yards required at new centres.

Centre cap.

VI. Establishment of Adequate Abattoir and Cold Storage Facilities.

it is recommended that a system be devised whereby the

While it is not suggested that the Government should, in any capacity, enter upon the packing business, growth of the abattoir and cold storage accommodation shall, at all times, be proportionate to the development of the live stock industry. This may involve, on occasion, the granting of financial assistance and should provide for the encouragement of independent operators, private or co-operative, and for the safeguarding and protection of their interests. It will necessitate consultation with those engaged in the trade as to the best manner in which cold storage accommodation may be effectively related to trade movements. It will require the perfecting of arrangements with land and water transportation companies for the carrying of the produce. It will involve giving the needed encouragement to the creation of an effective sales organization in which the varying interests may be satisfactorily co-ordinated and represented. It means that steps must be taken to provide a comprehensive and effective trading system that shall insure to Canada business success in the development of her live stock industry.

Centre cap.

VII. Canadian Transport Service.

It would appear to be a fact that a larger number of merchant ships of varying descriptions have been torpedoed or lost through other causes than the public has been advised or is aware of. Moreover, the changing of the routes of boats and the commandeering of such a considerable number of ships for naval use of one kind or another, will make it very difficult to secure normal service to this country or to other countries, after the war. Adequate transportation facilities, it may be taken at once for granted, furnish one of the most effective weapons in competing for and establishing an export trade. As, therefore, we have represented in Canada several large firms engaged in the shipping business, it is suggested that the Canadian Government may wisely discuss this matter with these companies, with the view of building up for the Dominion a satisfactory merchant marine that will be independent of other countries. France, Italy and other nations are known to be taking up this question. It is freely stated that the United States is giving it consideration. It seems to be of such importance as to be worthy of careful discussion by the Cabinet.

VIII. Finance. *Ch*

The production of live stock has been seriously restricted owing to the inability of feeders and growers to secure financial accommodation under a sufficiently elastic system to meet their requirements. In other words, the business has been hampered through the inability of farmers to obtain loans under terms which to them appear reasonable or possible of acceptance.

The recent amendment to the Bank Act will, undoubtedly, ease the situation considerably. It is seriously urged from some quarters, however, that the necessary facilities to provide a satisfactory basis upon which loans may be secured cannot be obtained in connection with the granting of loans and in the acceptance of collateral. It is believed that as an adjunct to the operations of the banks, legal provision should be made for the formation of cattle loan companies. It is understood that the operation of such companies in the United States has been of very great aid to the feeder cattle business in that country. That such a stimulus be given to a similar development in Canada is particularly urgent at the present time. It is apparent that the whole matter requires careful consideration and immediate action.

IX. Conservation of Females and the Retention of Feeder and Stocker Cattle in Canada. ≡

The extension of rural credit facilities will, perhaps, serve a more important service than any other one factor in attaining the end desired. It is probable, however, that certain means may be devised by which, at the central markets, a distributive agency may be established which may practically act as the medium through which parties wishing to secure breeding or feeder cattle may do so by order, the agency acting in part at least as a clearing house between buyer and seller. The passing of coercive legislation is not recommended.

There is some indication that the retention of good female calves is on the increase, but, in view of the general shortage of cattle, a definite movement in this direction should be fostered in Western Canada also. A very serious situation exists, at the present time, in connection with the shipment of young she stock and stocker cattle to the United States. Unless trade can be offset, an increase of production in that part of the country will receive a serious setback for a period of years.

X) Establishing a Chilled Meat Trade. *Conf.*

If this matter is ever to be taken up, it should receive attention now. When discussing the sale of Canadian beef in Great Britain and France, the need became clear of skilful and intelligent organization if Canada is successfully to prosecute this business. The recommendation is made that a small convention be called by the Minister of Agriculture to go fully into this question. This convention should discuss the means which may best be taken to set the movement in progress and it may be made to act as a committee of reference or as a medium through which the Government may successfully secure the necessary contract

with all the interests involved. It is recommended that this convention consist of two representative cattle raisers, each from Western and Eastern Canada; two representative packers, one each from the East and from the West; two representative railway officials; one shipping expert and one cold storage expert. Through such a convention definite lines of action may be considered and a policy be decided upon.

XI. Co-operation of all Interests in the Development of
our Live Stock Trade.

It is felt that the working out of such a policy as is herein outlined will result in a more complete understanding of the various problems related to each feature of our live stock trade. As a consequence of this, it is hoped that there may begin and continue to be exercised a fuller and freer interchange of views between different elements interested in the business and that permanent co-operation may be effected by our great industrial bodies - Agriculture, the Packing Industry, Transportation and Finance - in building up Canada's trade.

(7) Need of Constructive Legislation
governing the Export Trade in Eggs.

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O T T A W A.

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Canada an Egg Exporting Country. Canada has tremendous possibilities as an egg producing country. She has all the facilities for the production of eggs of the highest quality and a quantity far in excess of her own requirements. She is logically an exporting country, and except for a period of six years between 1908 and 1913 inclusive (~~see attached statement of exports and imports~~) has consistently adhered to this course. During the past year and a half, production has increased at a remarkable rate, and had it not been for the unprecedented demand for Canadian eggs on the part of the British market, prices to producers this year would have fallen much below the average of the last five years. As it was, in some parts of Saskatchewan during the past summer, prices as low as eight and ten cents per dozen were paid while in other sections the local merchants refused to handle eggs at all.

not Hal

Great Britain, Canada's Logical Market. Great Britain is the greatest egg importing country in the world. In the year 1913 alone her imports amounted to over 215,000,000 dozens. The great war, the emergency of the hour, is giving Canada access to the British market in a way and to an extent which, under normal conditions, would have been almost impossible. In other words, the war is affording Canadian eggs an excellent opportunity, at a most opportune time, to become permanently established on the British market.

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Prices of Eggs in Canada Regulated by Export Demand. During the past few years prices of eggs in Canada have been largely governed by the price quoted on the Chicago market plus the duty. In future the prices paid will be regulated almost entirely by the demand on the export market.

Remunerative Prices Necessary for the Profitable Development of the Poultry Industry. It is not in the interests of Canadian producers however, to compete on the British or any other of the world's markets with the low-grade eggs of Russia, Austria-Hungary, Rumania, Egypt, etc.)

If the poultry industry at home is to continue to be a profitable undertaking, it is of the greatest importance that every advantage be taken of the present opportunities to place Canadian eggs on the British market in such quantities and in such condition as will serve not only to demand the highest possible prices, but also to provide an effective advertisement for future sale and delivery.

Situation Calls for National Rather Than Individual Effort. It is not in the best interest of this country generally, to leave the up-building of a few tradesmen and exporters, any one of whom either through accident or intent may, by shipping a few thousand dollars worth of inferior eggs, cause in the aggregate a million dollars worth of harm to the poultry industry of Canada.

Dom'ion wide Improvement in Quality, a Matter of First Consideration. Fifteen years ago when Canada was shipping to the British market, the quality of Canadian eggs compared favourably with that of other countries. In the interval however, marked improvement has taken place in the instance of the Danish, Irish

Such a great national asset in the hands of

Dutch and other nearby ~~countries~~. So much so in fact, that during the past year these have been consistently quoted several shillings per ten dozen higher than Canadians.

run ~ It is not in Canada's interests for impressions such as the following to get abroad.

Quotation from a letter from a British tradesman in the December issue of "The Egg Reporter."

"Some South African eggs have been offered cheaply and secured a quick sale; the same can be said of American and Canadian goods. With regard to the latter however, there is much disturbing variation in quality."

Educational Work seriously handicapped through lack of Official Standards for Eggs. Realizing this deficiency on the part of Canadian eggs, a Dominion wide campaign for improvement has been under way during the past two years. Some important results have been achieved; the trade in bad eggs has been checked, quality payment has been inaugurated in many parts, and co-operative marketing on the part of the producer encouraged. Tentative standards have been suggested and adopted by the Trade, but the work as a whole has been seriously handicapped through the lack of an official or administrated basis on which to enforce these standards, and to require that Canadian eggs as exported be graded in accordance therewith.

Need of Legislation. The expansion of the Canadian egg trade along progressive lines is a matter of the greatest economic importance to the whole country. With little or no uniformity in the quality of the produce going forward, with little or no attempt to identify the product as Canadian, with a multiplicity of brands, with every exporter a law unto himself as to what should be included in his particular brand, and with the trade in general allowed to continue to export in the way it has been during the past year, it is becoming amply evident that little or no permanent benefit will accrue to Canada from the present stimulus.

It is important and urgent therefore that immediate action be taken to provide against the indiscriminate exportation of eggs. Such action could best take the form of legislation, similar to the "Fruit Marks Act" which provides for the standardization of fruit intended for export.

~~Tentative Outline of Proposed Bill Attached Herewith. In this outline it will be noted that those matters such as grade, definitions, etc., that from time to time may require amendment are provided for in the regulations under the Act.~~