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AGRICULTURAL CREDIT.

For some time past a certain amount of criticism has been directed against Canadian banks in connection with the extension of credit to farmers. Considering this fact, and the current discussion at Ottawa relative to the revision of the Bank Act, the provisions of recent legislation in Washington directed to the amelioration of the existing status of agricultural credit in the United States may be interesting. The problem of financing agriculture in Canada is basically the same as in the United States and it may well be asked if any of the provisions previously existing, or recently enacted, might with advantage be adopted in Canada. To understand the provisions of recent legislation we can do no better than quote from the Literary Digest of March 17th.—

"The law provides for a system of twelve "Federal Intermediate Credit Banks. *The Government* puts up $60,-000, 000 for capital. $5,000.000 for each bank. These banks will take for rediscount farmers' notes presented by banks and by farmers' cooperative associations; that is they will actually furnish the cash for farmers' borrowings for longer terms than the ordinary three month's loans and for shorter terms than the regular farm mortgage. To raise money for the loans beyond the extent of their capital they must issue *tax free bonds* up to $600,000,000. These banks will be managed by the Farm Loan Board, and members of the Board are said to believe that the new institutions will be called on for extending credit principally in the corn belt States. That is the part of the law which the Eastern newspapers pretty generally object to, as putting the Government into the banking business.

The other part of the Law -Senator Capper's plan--provides for what are called National Agricultural Credit Corporations to be managed by the controller of the Currency. The name sounds formidable, but it simply means that any group of farmers, or business men, or bankers, who can raise a minimum of $250,000 for each bank, may set up an establishment to make "intermediate loans" like those made by the other banks just described, on agricultural and live stock paper. They can raise more money by floating their debenture bonds, which are not to be tax free. In a general way these institutions will do the large scale loan business, and there is a provision for privately capitalized rediscount corporations which may stand back of the smaller ones.

The House members of the Conference Committee, realizing that the law was rather complicated, tried to explain their intention as follows:

"While the two systems will furnish relief to the agricultural interests of the country, the Federal intermediate credit banks will more particularly take care of the needs of a certain class, and might come nearer than do the national agricultural credit corporations in taking care of the entire needs of the general agricultural public, the national agricultural credit corporations will make certain the caring for, in a national way, of the live stock and cooperative marketing requirements."

The law also provides for the continuance of the War Finance Corporation until April, 1924, and for certain changes in the Federal Reserve and the Land Bank regulations to make things easier for agricultural borrowers".

It would seem that the provisions of the law aim only to provide additional facilities to cope with the possible inability of existing banks to supply the required credit. There seems to be no intention to provide credit on more extended terms than Canadian banks have always been willing to do. It is perhaps pertinent to point out again that the situation in Western Canada, where the principal demand for agricultural credit arises, is not the same as that which existed in the Western States up to the time of the inauguration of the Federal Reserve system. Except by re-borrowing it is obvious that local banks cannot loan more than a certain proportion of their deposits. The situation in Canada is quite different. It is well known that advances in agricultural communities in Western Canada have always largely exceeded total deposits in such districts. We feel safe in saying that the existing legislation in the United States will provide no better facilities than have always been available to Canadian farmers. In interpreting this statement it must be borne in mind that land values in the United States, on account of its older settlement *and larger proportionate population, are higher* and more *firmly established* than is the case in Canada, which minimizes the risk involved. To those familiar with the situation it seems apparent that *the financial difficulties of the farmer have in many cases arisen from ability and willingness to borrow too much money rather than through the limitation* placed on his credit.

The root of the farmers' present difficulties is the discrepancy between the price of farm products and of industrial and commercial commodities; in other words, the farmers, speaking generally, have not been able to sell their products at a profit. This situation contains within itself factors which will ultimately force a more equitable price relationship. In the meantime relief must be looked for in economies of operation and distribution.—*The Royal Bank of Canada, April 1st. 1923.*

Publication.

It is hereby brought to public notice that a balance of interest amounting to Frcs 320.00 will be on hand for distribution on the 26th day of May 1923, from their Majesties King Christian the Ninth and Queen Louise's Golden Wedding Memorial Fund for the benefit of worthy indigent persons in St. Croix.

Applications, containing the requisite information and duly certified, must be forwarded to the undersigned within the 18th day of May 1923.

Despatching Secretary's Office, St. Croix, Virgin Islands, 24 April 1923.

C. E. RAPPOLEE,
Despatching Secretary.