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Report  
on  
SYSTEMS OF AGRICULTURAL  
CREDIT AND INSURANCE

submitted by M. LOUIS TARDY,  
*Honorary Director-General of the Caisse nationale  
de Crédit agricole (Paris)*

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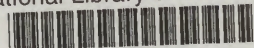
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## INTRODUCTORY NOTE

On this report, prepared by M. Tardy at the request of the Secretary-General, the Financial Committee, which will later report on certain wider aspects of the question, submitted the following observations in its report to the Council on the work of its sixty-seventh session. It is thought that it may be convenient to the reader to reprint these observations.

\* \* \*

### EXTRACT FROM THE FINANCIAL COMMITTEE'S REPORT — DECEMBER 1938

The question of agricultural credits was raised by the Assembly of 1937, which invited the Financial Organisation to take whatever steps it might deem appropriate for "the study of agricultural credit and insurance with a view to the elaboration of principles calculated to strengthen internal and external credit and suitable for adoption by countries contemplating a modification of their existing legislation on these subjects".

The discussion in the Second Committee which led to the adoption of the above resolution was specially concerned with the situation of the countries of Central and Eastern Europe.

This decision of the Assembly was submitted to the Financial Committee for comment and, at its sixty-fifth session, the Financial Committee drew up a programme of general considerations to guide the Economic and Financial Organisation in its preparatory work and investigation.

Later, the Secretary-General commissioned M. Louis Tardy, Honorary Director-General of the Caisse nationale de Crédit agricole, Paris, whose eminent services to agriculture are well known, to undertake a study of the problem of agricultural credit in various countries. M. Tardy's report constitutes one facet of the work in connection with agricultural credit with which the Economic and Financial Organisation of the League was charged by the Assembly. The Financial Committee considers that the mandate given to it by the Assembly of 1937 requires

in addition a study of agricultural credit in relationship with general economic conditions. It hopes to be able to deal in its next report, with certain wider aspects of the problem and especially with the question of agricultural credit in relationship to present world agricultural conditions.

At the present session, however, the Financial Committee was asked to comment on the report prepared by M. Tardy. After having had the advantage of hearing him, the Committee has formulated the following observations: From a perusal of the report, it would appear that M. Tardy has had mainly in mind the credit problems which present themselves when a primary object of social policy is rural re-settlement, including the adaptation of agriculture to the conditions created by more or less recent changes in land tenure, or when the object of such policy is to afford support or relief to the agricultural population. On the assumption that these aims are postulated as desirable, M. Tardy's main concern — that of dealing with the nature of such assistance — is clearly of importance. These limits however, have naturally affected the extent to which the study deals — or deals directly — with certain related problems of a general financial policy.

Any report on such problems would require full discussion of the means of preventing credit extended to agriculture from being absorbed in land speculation and from resulting in an over-supply of agricultural products or certain classes of such products; it would also require a careful consideration of the influence of subsidies to agriculture, in whatever form, on the public finances of the State and the influence of various forms of agricultural credit mechanisms on the foreign credit standing of the State.

The Committee feels that all specific proposals for agricultural credit must be considered with the wider problems of economic equilibrium in mind. In attempting to deal with the crisis in agriculture of recent years, States have been forced to subsidise farmers, to arrange artificially low interest rates on their borrowings, to grant moratoria and to relax terms of amortisation. Each country, when acting to alleviate a critical situation, should bear in mind the danger inherent in applying these devices in such a way as to aggravate the general situation.

The Committee desires to make one further observation of a more specific character with regard to the recommendation that banks of issue should grant, whenever possible, special terms as to interest and duration in connection with the rediscounting of paper submitted by agricultural credit institutions. Agriculture differs essentially from industry, as the report points out, inasmuch as the period of production is necessarily longer, being dependent on the seasons, and adaptation, contraction and expansion are necessarily slower. These are facts of which the Central Bank must indeed take cognisance, and in countries largely dependent on agriculture they may have an important influence on central banking legislation and central banking policy. But the pri-

mary function of Central Banks is and must be that of controlling the whole credit structure of the country so as to promote economic activity and to maintain the value of the money. This primary function should, in the opinion of the Committee, never be sacrificed.

But, in some countries where a special agricultural bank exists, the efficiency with which the Central Bank is able to conduct its monetary policy may be dependent on its relationship to that institution. In the course of its work, the Financial Committee has had frequent occasion to observe in actual cases that the practice of these central agricultural credit institutions, unless kept on rigorously defined lines, may lead to the development of serious problems for the national economy as a whole. Accordingly, the Committee proposes to include among its own contemplated investigations into agricultural credit a study of the fundamental principles on which the rules governing such institutions should be based.

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# REPORT

## ON SYSTEMS OF AGRICULTURAL CREDIT AND INSURANCE

*submitted by M. Louis TARDY, Honorary Director-General  
of the Caisse nationale de Crédit agricole (Paris).*

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In September 1937, the Assembly of the League of Nations asked its Economic and Financial Organisation to undertake a study of systems of agricultural credit and insurance, with a view to the elaboration of principles calculated to strengthen internal and external credit and suitable for adoption by countries contemplating a modification of their existing legislation.

Subsequently, I was appointed by the Secretary General of the League to conduct this enquiry into the organisation and working of agricultural credit and insurance in the various countries, with special reference to the position of the agricultural countries of Central and Eastern Europe.

In the discharge of this mission, I went to Belgium, the Netherlands, Czechoslovakia, Germany, Bulgaria, Austria (before the *Anschluss*), Hungary, Yugoslavia, Roumania and Greece. My assistant, M. André Cramois, Inspector-General, Head of the Inspection Department of the Caisse nationale de Crédit agricole, who accompanied me to Hungary and Yugoslavia, then went on to Poland and the Baltic States (Lithuania, Latvia, Estonia and Finland).

In each of these countries, we made contact with the Government by interviewing the Ministers concerned, or their representatives, and visiting the economic and agricultural services and the governors of the national banks of issue and agricultural or land banks.

We were thus able to enquire on the spot — somewhat briefly, no doubt — into the organisation and working of the principal credit and savings establishments which have relations

with agriculture, and the agricultural insurance and co-operative organisations.

We interviewed a large number of persons — economists, professors and experts having a theoretical or practical acquaintance with agricultural questions, especially those affecting credit. We also visited a number of co-operative and collective farms of various kinds, and associations which had had the benefit of agricultural credit.

Everywhere we were very well received, especially by the agricultural credit institutions, so that we were able to collect a wealth of material on the points under investigation.

With the aid of this material and written replies from the Governments questioned by the League Secretariat, and from a number of persons to whom we applied direct, we have been able to prepare a number of brief monographs (appended to the present report) which might usefully, perhaps, be amplified later.

The report itself summarises the general conclusions that seem to me to emerge from our enquiry, and from my own long personal experience of agricultural credit practice in France and abroad.

## I. VALUE OF CREDIT TO AGRICULTURE

During the past century, scientific discoveries, technical improvements and the development of transport have brought about far-reaching changes in every field of economic activity. This process has been particularly notable in the case of agriculture.

In former times, farmers everywhere lived in almost complete isolation. Dwelling remote from the great cities, with no knowledge of their resources or their needs, the farmer was generally content to produce enough for his domestic consumption, and only if there was any surplus did he sell it in the nearest local market.

The volume of trade was thus very limited, especially as, through individualism and a traditional spirit of economy and thrift, the farmers were inclined to use on their farms only their own products, doing without anything that they would



have had to buy. For this reason, agriculture as a profession called for only a minimum of working capital.

This ceased to be so when the towns, with their steadily growing population, found that they could not live without larger and larger quantities of products, which they could not obtain in the immediate neighbourhood, but which, with the development of transport, they could fetch from farmers in more distant areas.

In most countries which are influenced by economic circumstances, the majority of farmers have thus been led to change their methods, intensify their cultivation and specialise their production. Empirical methods and ancestral traditions are giving place to the technique recommended by experts, and the yield of the land is being substantially increased by the use of chemical fertilisers and improved machinery.

Furthermore, in recent years, a large number of Governments have introduced numerous measures designed to influence agricultural production by encouraging some crops, limiting or restricting others, and sometimes prohibiting fresh plantations, and to organise the produce markets more efficiently by storing or holding up crops, spreading sales over a period of time, and also influencing the fixing of the prices of agricultural produce. In some countries, indeed, Government monopolies have been instituted, in various forms, for the marketing of various products: such are the Grain Company in Czechoslovakia, the Office national interprofessionnel du blé in France, and the Futura in Hungary, not to mention such still more complicated organisations as the Reichsnährstand in Germany, which Italy is trying to copy.

In these circumstances, the farmer, like the manufacturer and the merchant, found himself obliged to apply for credit in order to procure the considerable funds he required not merely for buying live-stock, implements and fertilisers, improving the land and altering or enlarging his farm buildings, but also, while awaiting payment of the price of his stored crops or the sale of those crops, for meeting current working expenses, especially wages, which are becoming a bigger and bigger charge in some countries where there is a shortage of labour.

That is, in varying degrees, the position, not only in countries whose principal resources are drawn from agriculture, such as Poland, Bulgaria, Roumania, Hungary and Yugoslavia, but also in such countries as Germany, France, Italy and Czechoslovakia, where agriculture, though not the only source of wealth, still occupies a very important place in the national economic system. Even in essentially industrial countries, like England, where agriculture is relegated to the background, where there is no peasant class in the proper sense of the term and where most of the land is held by great landowners, who do not farm it themselves, or who let it to tenant farmers, agricultural production stands in need of credit, though to a lesser extent than elsewhere.

If, therefore, credit is becoming more and more necessary to farmers in normal years, it is even more needed to enable them to carry on in bad years, and to hold up the sale of their produce in good years, when abundant harvests are always apt to force prices down.

Lastly, in all countries in which agricultural production and the produce market are under regulations, agricultural credit performs the important function of making it easier for farmers to comply with those regulations.

## II. EVOLUTION OF AGRICULTURAL PROPERTY: FUNCTION OF AGRICULTURAL CREDIT IN ENCOURAGING OWNERSHIP BY AGRICULTURAL WORKERS AND PROMOTING THE DEVELOPMENT OF AGRICULTURAL MUTUAL AID AND CO-OPERATIVE ORGANISATIONS

Almost everywhere since the war, far-reaching changes have occurred in the property system, under the influence of new economic and social conditions.

In most countries, small and medium holdings are becoming more numerous. This development has taken place during the past century on account of economic conditions, without any special encouragement, in Switzerland, Belgium, the Netherlands and France.

Some Governments have also intervened by giving credit facilities to agricultural workers, on certain conditions, to enable them to buy holdings which they can cultivate themselves.

Denmark was one of the first countries to act on these lines, in order to encourage the formation of Husmaend' holdings. England herself encouraged allotments and small holdings, and helped the Irish tenants to become owners. France provided long-term loans at low interest, to increase the number of small holdings, special conditions being allowed to disabled ex-servicemen. Germany, before the war, had for various reasons created Rentengüter and promoted "internal colonisation". She has since encouraged the formation of heritable estates. It is chiefly since the war, however, that all the countries of Eastern and Southern Europe have carried out "land reforms" with the object of dividing up the big estates and facilitating the establishment of small family holdings. Steps in this direction have been taken by Greece, Roumania, Yugoslavia, Czechoslovakia, Poland, Lithuania, Latvia, Estonia and, to a certain extent, Finland. Bulgaria, which has long been a country of small-holders, has introduced further measures for their benefit.

This new legislation was prompted by a variety of considerations, not only economic, but also political, national and social.

Thus, everywhere in Europe, and indeed in the other continents as well, encouragement has been given to the development of small family holdings, varying in area from five or six to fifteen or twenty hectares according to the country, and worked by their owners. In most cases, it was forbidden to split up these holdings, and, at the same time, the enlargement of those that were too small was encouraged.

The agricultural worker's legitimate aspiration to own the plot of land that he formerly cultivated for someone else has everywhere created a social movement of such strength and scope as to engage invariably the attention of the authorities.

The small family holding gives the workers greater freedom and independence.

It is an observed fact that the small farmer who owns his land, and is thus master of all the means of production, obtains proportionately a higher gross yield than the big estates, because he works harder, with greater care and attention, knowing that he is working for himself. This is particularly noticeable in stock-breeding and dairy-farming, because milk cows require special care and gentle treatment.

The accounting offices of Denmark, Switzerland and Germany have found that, although the yield on capital and the remuneration of labour by time are lower, the gross output per hectare may be as much as three times as high on small holdings as on large estates. Consequently, with a system of small family holdings, a larger population can be fed from the same area of ground.

Furthermore, the development of small rural holdings for the benefit of the labouring classes is the surest guarantee of social peace, an encouragement to a higher birth rate, and an effective remedy for the shortage of agricultural labour.

Accordingly, the public authorities have done their utmost to increase the number of owner-farmers, and well-organised agricultural credit can in this way make it easier for labourers to become owners of small holdings.

But credit for rural small holdings involves as a logical consequence credit for agricultural co-operation. However enterprising and hard-working he may be, a small-holder cannot produce under the same conditions as a great landowner, who, with his improved machinery and large and specialised staff, can cultivate the land by the most up-to-date methods.

This leads small farmers to join together in unions and co-operative societies, so as to be able to buy the raw materials needed for cultivation at wholesale prices, to transform, store and sell communally produce harvested under good conditions, and to take advantage of improvements in machinery. Consequently, co-operation, which is an indispensable complement to the small holding, and without which it cannot subsist and prosper, has developed largely in such countries of small holdings as Switzerland, Denmark, Germany, France and Czechoslovakia.

\* \* \*

In Europe, at any rate, credit for production, which is primarily an economic matter, must therefore be accompanied by credit for a social purpose (credit for rural small holdings), and by credit for the various agricultural associations, especially the co-operative societies formed by small farmers.



### III. NEED FOR CREDIT SUITED TO THE SPECIAL CONDITIONS OF AGRICULTURAL PRODUCTION

Agriculture is a special form of activity, not comparable in any way with trade and industry, owing partly to the nature and length of the operations involved, and partly to the rate of yield on the invested capital.

Agriculture is not, as trade and industry generally are, the mere mechanical transformation of raw materials according to a regular process. It produces living organisms, vegetable or animal, under conditions of uncertainty due to the weather, against which man is for the most part powerless. Moreover, many of its products are highly perishable. Nor can farmers easily and quickly alter their systems of cultivation so as to adapt their production to new economic conditions. As M. Dzelzits, Director-General of the Latvian State Land Bank, has excellently put it: "Agriculture is in an entirely different position from industry. Once work has been started, it cannot be stopped; production cannot be diminished, nor directed into different channels — in any case, that takes time. Farmers have no organisation to regulate output or the choice of crops, and, owing to the large number of agricultural undertakings in constant activity, it is all too hard to imagine any such organisation."

These are factors that must influence in a particular way the nature of the credits that can be made available to farmers.

Furthermore, although the reconstitution of dismembered properties is unquestionably to its advantage, agriculture is not, generally speaking, capable of being concentrated, like other branches of economic activity, owing to the large number of cultivators, most of whom are isolated, poor and more or less uneducated. Rationalisation and specialisation are impossible except on a very few large estates. Moreover, except in some extensive and fertile plains, man plays a much more important part than the machine.

Agricultural operations cover a longer period than commercial or industrial operations, and hence it is essential that credits granted to farmers, even short-term or "rural" credits, should

be given for a period corresponding to the period of cultivation — *i.e.*, nine or twelve months.

Lastly, it has been noticeable, especially since the war, and even more during the last few years, that the yield on capital invested in agriculture is very low. The farmer does not fix the prices of his produce: they are imposed upon him, so that his profits are limited and he often suffers a loss; and consequently the rate of interest on loans granted to him should be lower than on credit granted to merchants.

As long-term capital brings in an even lower yield than short-term capital, it is necessary that the rate of interest on long-term loans should be lower than on short-term loans, although this is contrary to normal banking practice.

The banks whose activities have been adapted more particularly to the needs and aims of commerce and industry are not always able to take into account the special circumstances of agricultural production, and, since they are remote from the farmers, they often lack data on which to estimate the borrowers' solvency. They are generally somewhat unwilling to grant them adequate credit at a moderate rate of interest and for a long enough term.

Moreover, the activities of the private banks are rather different from the transactions that should be carried out by agricultural credit institutions, and they are generally specialised.

Deposit banks merely discount the bills presented to them and grant loans for not more than three months against funds deposited with them. Business banks generally and rightly consider that their participation in agricultural undertakings would not be sufficiently remunerative.

Land credit institutions do not particularly aim at encouraging agricultural production, and, as the guarantees they ask for are mortgages, farmers are not always in a position to provide adequate guarantees.

On the other hand, agricultural credit institutions aim not only at providing farmers with working capital and enabling them to pay their working expenses, but also, in some cases, at helping them to settle down in the first place or to set up co-operative associations. Hence they are called upon to grant short-term, medium-term or long-term loans, according to the

character of the agricultural undertakings in need of assistance. Agricultural workers are slow to understand that they must apply for different forms of credit to different establishments, sometimes far apart from one another; they prefer agricultural credit institutions that can provide short-, medium- and long-term credit at the same time.

The security that farmers can offer is to be found chiefly in their moral and occupational standing, and can seldom be accurately estimated, except by local and regional agricultural credit institutions which are in touch with them and able to obtain useful information on the spot.

Lastly, the lending company must be in a position to distinguish the various forms of credit which farmers may need — short-term loans to meet current expenses, to be paid back within a year; medium-term loans to help in the buying of live-stock and agricultural implements, to be paid back over several years; and long-term loans to acquire rural small holdings or to set up agricultural co-operative associations, repayable over a longer period.

All these reasons show the urgency of organising special credit in favour of agriculture, adapted to its special requirements.

#### IV. METHODS OF PROVIDING FARMERS WITH THE CREDITS THEY NEED:

##### OCCUPATIONAL CREDIT AND RURAL CREDIT

Farmers have always been able to obtain credit from their relations, neighbours or friends, but they have often been a very easy prey to moneylenders.

Private banks, except in some districts, have paid very little attention to providing farmers with credit, and the provincial banks which used to carry out such transactions are tending to disappear, being superseded by branches of the larger banks. For that reason, attempts have been made to organise agricultural credit.

In France, Colbert long ago recommended agricultural credit to Louis XIV to encourage the breeding of horses for the cavalry remount service.

In the eighteenth century, de Vergennes set up a committee to study agricultural credit. Napoleon I, when on a visit to Bordeaux, arranged for warrant loans for vine-growers and vintners. The question of agricultural credit was also raised during the 1848 Republic. But it was essentially in the second half of the nineteenth century that rural credit was organised and developed spontaneously at the instigation of Raiffeisen and Schulze-Delitsch in Germany, Kampelik in Bohemia, Stefcik in Poland, Cerutti, Vollemborg and Luzzatti in Italy, and Durand and afterwards Jules Meline and Albert Vigier in France.

In this way, co-operative credit societies were set up in various countries amongst farmers and countrymen who could give communal guarantees of repayment in addition to their personal security or security *in rem*.

Farmers may obtain the funds they need from these co-operative societies, which they organise themselves near their homes, and which are obviously better qualified than other institutions to estimate the requirements of their members, the security they are able to give, and the advisability of making loans for which all the members are more or less jointly responsible.

Some of them, of the Raiffeisen type, have no capital, but all the members are jointly responsible for the transactions. They work within a limited area, and are often based on moral or religious principles. They are not exclusively agricultural, and generally receive large savings deposits.

Those of the Schulze type have an authorised capital made up of shares belonging to members whose responsibility is limited to the sum of the shares or several times that sum.

They are grouped into controlling unions with powers of supervision over the affiliated societies, and into second- or third-class central funds receiving and administering the surplus deposits and able to advance money to the first-class funds.

Agricultural or rural credit is also organised by private enterprise working without Government intervention or supervision.

In several countries, these funds have experienced difficulties at various times on account of rash investments or bad management. They have then sometimes asked the Government to



come to their assistance, as in Belgium. Some of these institutions, however, are quite flourishing, such as the central funds at Eindhoven and Utrecht in the Netherlands; they are also very common outside Europe, as, for instance, in India.

The question has been put whether agricultural credit, apart from its co-operative nature, should be strictly occupational — that is to say, granted to agriculturists only, and solely for agricultural work, or whether it should include other forms of rural activity. In the countries of Central Europe, the Raiffeisen funds began by granting rural credits and then carried on simultaneously the buying and selling of goods.

In Italy, the popular banks, the savings banks, the *monti di pietà*, and the big provincial banks, such as the Banco di Napoli, grant credit to farmers at the same time as they conduct general credit business. But experience seems to show that it is better to have separate agricultural credit funds whenever possible, and, in very many countries, there is a tendency to organise agricultural credit for farmers alone. In this way, it is possible to establish closer links between men who have the same work and common interests and who, from getting to know each other better, are likely to obtain a more accurate idea of their moral and professional qualities.

Furthermore, an agricultural credit scheme for farmers only is more easily adapted to the special conditions of agricultural production. In particular, agricultural credit institutions are often induced to grant long-term loans, and should have at their disposal sufficient capital for a period of time corresponding to the length of the loans.

Agricultural credit schemes in the various countries have often some common features, but also display considerable differences, chiefly as regards the central bodies. These are not always co-operative organisations, but may be private limited companies, public establishments encouraged and supervised by the Government, or even actually State banks.

Government intervention is naturally greatest when the central body is a State agricultural bank, as in some countries of Central Europe, or an agricultural section, self-administered or otherwise, of a State bank.

In France, a central bank for agricultural credit was created by the Government in 1860, but failed, like other attempts of the same kind due to private initiative some years later, because there was no mutual comprehension between them and the farmers, and because they dealt in other transactions besides agricultural loans. It was therefore realised in France at that time that it was better, whenever possible, to set up small groups restricted to farmers, within limited areas, rather than a central organisation imperfectly known to the peasants and incapable of judging the security they could offer.

Some countries, such as Greece, Poland, Roumania, Yugoslavia, Hungary, Latvia and Lithuania, have set up agrarian banks to which the Government gives financial assistance by contributing all or part of their authorised capital, or by granting them loans or subsidies. The oldest is that of Bulgaria, which does other business besides agricultural credit.

Special institutions in the form of public utility corporations, whose capital is provided by the State, the big banks and the savings banks, have also been created — in Italy, for example — for purposes either of regional agricultural credit transactions or of special transactions, on the lines of the Italian medium- and long-term credit institution for land development.

In other countries, such as Hungary and Finland, the central organisations have been created with capital partly supplied by the State and partly subscribed in the form of shares by local co-operative societies.

In France, the scheme is based essentially on local co-operative societies and regional funds of the second class, and the central establishment is a State concern, the administration being to a large extent in the hands of the members elected by the aforesaid bodies. This national fund is fed from a special source, which constitutes its capital. Into it is paid any balance from regional fund deposits, together with repayable advances from the Government.

There thus exist practically everywhere free central organisations, which may be either governmental or mixed in character; but, in the countries where agriculture is most developed, these central institutions, even when they are State banks, endeavour to do as little direct business with farmers as possible, preferring

to conduct operations through co-operative organisations of the first or second class.

It has been thought better in some cases to entrust short-term credit transactions on the one hand, and medium- and long-term mortgage operations on the other, to separate bodies.

Thus in Poland, Yugoslavia and the Baltic countries, the people's banks or rural banks specialise in short-term credit, mortgage credit being granted by State banks established for that special purpose: typical examples may be found in the privileged Agrarian Bank in Yugoslavia, the State Agrarian Bank in Poland and the State Land Bank in Latvia.

It is very difficult to say whether a distinction between agricultural credit institutions according to the nature and length of the loans they grant is desirable or not; that depends on circumstances.

The strict enforcement of banking practice would imply such a separation, but there are, at the same time, practical objections to it.

The farmer prefers to apply to a single institution for all the forms of credit he requires. Moreover, a single organisation is better able to judge of the general position of an agricultural borrower.

#### V. RESOURCES UTILISED BY AGRICULTURAL CREDIT INSTITUTIONS FOR MAKING LOANS

Agricultural credit institutions must have adequate resources before they can grant farmers the credits they require for their work.

The funds employed for making loans may be derived from the resources at the institution's disposal — authorised capital reserves, deposits — and from financial assistance granted directly or indirectly by the State.

Such institutions may also be able to procure additional resources by having their bills rediscounted either by their central establishment, if any, or by a bank of issue or some credit establishment.

In this connection, the General Assembly of the International Commission of Agriculture, which met at Oslo in July 1936,

when stressing the importance of defining the forms of agricultural credit best suited to modern agricultural requirements, emphasised the point that the assistance of banks of issue should be secured, and undertook to present a report on this important question at the seventeenth International Agricultural Congress at the Hague in June 1937.

The rate of interest on loans must be adapted to the particular conditions of agricultural production, with due reference to the nature of the operations which the loan is designed to facilitate. But the rate varies with the fluctuations in the price of money on the money market, which is itself influenced by the discount rate of the bank of issue. It is thus essential that there should be as close a connection as possible between the agricultural credit organisation and the bank of issue, whose board of directors should include representatives of the central agricultural credit establishment, as is the case, for instance, in France and Czechoslovakia.

Indeed, with a discount policy adapted to the conditions of national economy, it is possible to follow a credit policy which will take into account the particular situation of certain branches of the country's activity, more especially agriculture.

Thus in some countries — Lithuania, Czechoslovakia, Greece, Indo-China and Yugoslavia — the bank of issue's discount rate for agricultural bills is lower than the rate for commercial bills, and is established by reference to the moderate rate of interest on loans granted to farmers and for a considerably longer period than in the case of commercial discount, that period corresponding to the duration of the agricultural operations which it is designed to facilitate. By reason of the resources at its disposal, the Caisse nationale de Crédit agricole in France was able to keep its discount rate at 3% when that of the bank of issue had been raised to 5%.

In countries such as Canada, where the State has been very closely associated with the organisation of agricultural credit, the funds required for the working of the various organisations are generally derived from initial capital subscribed by the State, reserves, and credits allocated each year by the public authorities. This sometimes applies also, to a certain extent, in the case of central banks with or without State participation



(Latvia, Finland, Hungary). These establishments may be authorised to issue bonds, with or without State guarantee, in order to obtain resources to be used for granting loans (Argentine Republic, Poland, Norway, Netherlands, France, England, United States).

When agricultural credit is practised by private banks, whether specialising in this type of business or not, the State may, as in the case of Italy, subscribe part of the capital and make itself responsible for part of the rate of interest on loans granted to farmers.

In the case of co-operative credit concerns of the Raiffeisen or Schulze-Delitsch type, the resources are derived almost entirely from the deposits they receive. That is why they generally confine their operations to short-term credit, while farmers have to go to other specialised organisations for loans extending over longer periods.

In some countries, the State has guaranteed the repayment of deposits entrusted to agricultural credit institutions. This decision has sometimes been taken with the object of arresting withdrawals, which might have exhausted the funds required for credit operations.

The creation of a joint guarantee fund for deposits between banks governed by a common statute, as in Latvia and France, is another measure calculated to afford depositors additional security.

In countries like France, where agricultural credit is organised essentially on mutual and co-operative lines and is based on the principle of the independence of the institutions concerned, the central establishment places at the banks' disposal the supplementary amounts required for loans to farmers, when the banks' own funds are inadequate or could not conveniently be used, more particularly in the case of medium- and long-term loans.

Such advances are made by the central organisation out of its own funds and consist of sums due by the bank of issue under an agreement concluded with the State, and of special credits, which may be placed at its disposal by the State in virtue of particular laws. The central establishment also acts as an equalisation fund in respect of deposits which it receives

from the affiliated banks and which it may use for rediscounting bills presented by the latter.

The central establishment may also be empowered, as noted, to issue bonds with a State guarantee, in order to procure such additional resources as it requires.

Sometimes, the central agricultural credit establishments, if unable to obtain on the home market all the resources they require to meet farmers' demands for credit, have had to appeal for foreign capital.

In Finland, for instance, the central establishment of the rural credit banks was obliged, in 1930, to contract on the French market a loan of 300 million francs, the repayment of which was recently completed.

Similarly, the central mutual credit association in Hungary issued in 1927, in the United States, gold dollar bonds, bearing 7% interest, to the amount of 3 million dollars, of which a considerable portion has still to be repaid.

At the same time, these loans expressed in foreign currency generally bear a fairly high rate of interest, which constitutes a heavy burden. Furthermore, they frequently involve exchange losses, which have sometimes made it necessary, as in Finland, for the State to make a large contribution.

It seems preferable, then, that agricultural credit institutions should not have recourse to foreign credits, save in exceptional circumstances.

## VI. SECURITY REQUIRED FOR THE REPAYMENT OF AGRICULTURAL CREDIT LOANS

Agricultural credit, to serve a really useful purpose, should be primarily a personal credit, but admittedly the position of lending institutions would be compromised if loans were granted without adequate security, and this would, at the same time, be rendering a poor service to farmers, who would at once be tempted to abuse their credit facilities.

It is thus essential that agricultural credit institutions should require sound security for the repayment of sums lent to agricultural borrowers.

The nature of such security will vary according to the length of the period for which the loan is granted. It is, of course, only natural that the security required should be more considerable when the operation is for a longer period and the risk is accordingly greater.

1. *Security for Short-term Loans.* — The security demanded of borrowers for the repayment of short-term loans may take the form of the deposit of paper securities, a surety, a warrant, crops about to be harvested, or an undertaking in respect of crops already harvested.

The *deposit of paper securities* is a form of guarantee that is rarely used, as agriculturists generally possess very little property of that kind. Indeed, if this were not so, it would be an easy matter for them, as often as not, to negotiate it in order to obtain the funds they require, rather than have recourse to credit.

A *surety*, or a joint undertaking to repay, backed by a third party reputed solvent, is to be recommended whenever feasible.

A further procedure which can be recommended is the formation of small groups of farmers offering joint security for one another to agricultural credit institutions. In an arrangement of this kind, the parties concerned undertake mutually to guarantee the repayment of loans granted to them, thus constituting from the point of view of the lending organisation a collective guarantee of great value and a form of security which is enhanced by reason of the reciprocal supervision exercised on the spot.

The *agricultural warrant* may be used currently by agricultural credit institutions in all countries where agricultural development is sufficiently advanced; otherwise the non-relinquishment of the security might offer too many risks for the lender.

A conclusive example, in this connection, is to be found in the agricultural credit associations in Indo-China, which are empowered by law to use the warrant, but which, in fact do

not have recourse to it, adopting almost exclusively the procedure of agricultural land mortgage as security for loans.

In addition to the agricultural warrant, the commercial warrant is always possible, but, as it necessarily implies dispossession of the security, it may be desirable to provide for the construction of general warehouses, where the products covered by a warrant can be kept.

Short-term credit operations, particularly for the financing of harvests, are also facilitated by co-operative enterprise such as grain silos, tobacco docks and co-operative cellars, which have premises where the pledged goods can be stored, since their collective warrant affords greater security to the lending company.

Agricultural warrants are not used in Belgium; but there is a form of guarantee known as an *agricultural lien*, which constitutes a sort of mortgage on movable property, giving the lender a preferential claim valid notwithstanding any change of ownership. The agricultural lien, which was instituted by a Law of April 15th, 1884, consists of a private contract validated by entry in a special register kept by the local registrar. Its cost is very small.

The *cession of standing crops* is a sort of agricultural warrant, since the pledge remains in the borrower's possession. This form of guarantee has been in use for a long time past for short-term loans granted by the banks of issue in the French colonies.

Injudicious loans on crops may, of course, involve considerable risks, but certain precautions which can be laid down by the legislator can easily be taken. The sum lent may be regarded as adequately secured provided it does not exceed a certain proportion (usually a third) of the probable value of the crop.

Moreover, loans are usually granted only within four months of the harvest, so that the lending organisation can ascertain whether, in the absence of unforeseeable contingencies, circumstances are favourable.

The statutes of the French colonial banks also provide that a farmer who proposes to borrow on standing crops must



state his intention of so doing by a declaration entered one month in advance in a register kept by the local registrar. Creditors who hold a mortgage on the property or a lien on the crop, or who have some other authentic claim, may take exception to the loan "provided their claim is enforceable, in whole or in part, or even as regards payment of interest alone, at the time the objection is raised or within a period not exceeding three months". This objection is recorded by the registrar in the margin of the declaration, and so long as it exists the loan cannot be granted.

At the end of one month, if no objection has been raised or the objection recorded in the margin is withdrawn, the loan may be granted. The lending organisation has its right to the crop entered in the register, and then has a preferential claim to it over all other creditors.

Should the debtor fail to pay his debt on maturity, the creditor may, eight days after giving formal notice, have the crop and any other pledged objects sold by auction.

The right to borrow on standing crops is not confined to landowners, and may be extended to tenant farmers, share-croppers, lessees of land and plantation contractors, subject to the landowner's sanction.

Experience has shown that loans granted on the security of standing crops do not usually give rise to an unfortunate consequence for the lenders in the countries in which they are granted. This method of guarantee might therefore be adopted more widely.

There may also be a stipulation to the effect that farmers desirous of obtaining a loan may *pledge* their crops simply by means of an entry in the special register, giving the holder of the pledge a preferential claim to those crops.

A pledge of this kind may be a simpler form of warrant. It was instituted in France on behalf of wine- and alcohol-producers by a Legislative Decree of October 23rd, 1935, which provided that the pledge should be recorded by wine-growers at the Direct Tax Office, which would then be unable to grant the receipts or permits required for the removal of the pledged wine or alcohol without the lender's consent.

This obligation affords greater security to the lender, because it is impossible for the borrower to dispose of the pledged wine or alcohol until the loan is repaid.

2. *Security for Medium- and Long-term Loans.* — The *mortgage* is the best form of security for medium- and long-term loans, but, unfortunately, it often entails somewhat heavy costs and is not always possible when the borrower's title is not absolutely sound. A stable system of land tenure is therefore essential.

In countries with an old-established civilisation as in Europe, property titles are private deeds, notarial deeds or authenticated deeds which enable the property mortgaged to be identified with certainty. But that is not always the case elsewhere, especially in countries under Moslem law, where an entirely different concept of property prevails, the land being regarded as the property not of any human being, but of God, or his representative on earth, the head of the State (Sultan, etc.).

Moreover, there are a large number of communal lands, lands which are undivided or which belong to religious foundations (*habbous* property). The oral evidence allowed in support of an owner's rights is very unreliable, and may give rise to great difficulty, as has actually been the case.

In addition, the identification of the natives themselves is so difficult that in North African territories credit institutions have in some cases been obliged to make out identity-cards for their borrowers, bearing their finger-prints, to make up for the inadequacy of their records of civil status. In some cases, again, loans are granted only to small groups of natives, and not to individuals.

In Switzerland, Germany and new countries — like Australia, Tunisia, Morocco, French West Africa and Madagascar — the system of land tenure is based on individual or general registration in land registers (system laid down by the Torrens Act).

In these countries, as in Europe, the system of land tenure allows of the granting of mortgages as the usual procedure, in spite of the frequent difficulties arising out of the relevant legislation. As a rule, the mortgage system is very complicated, and this is one of the main reasons why capital is not readily

attracted to this type of investment. Mortgages may not usually be constituted without the intervention of an officer of the court, and the cost of stamping and registration is very high. Furthermore, inadequate mortgage legislation sometimes makes it necessary for creditors to cover themselves against risks which have nothing to do with the debtors' payment capacity proper, and this increases the cost of loans still further.

In France, in spite of certain provisions favourable to borrowers from the agricultural credit banks, the cost of a mortgage represents nearly 6% of the amount of the loan.

Generally speaking, the mortgage system of most countries needs to be simplified and made more elastic and less costly to borrowers. Free mortgages might even be contemplated. Appreciable reductions in fees have sometimes been made in certain countries, especially when steps have been taken to reduce the excessive indebtedness of farmers.

In British India, where there is no mortgage legislation, all the necessary provisions are embodied in the banks' statutes. Distraint and the sale of mortgaged property are ordered by the courts after compulsory arbitration.

In Bulgaria, the identification of mortgaged property is certified by the municipal authorities, and registration is subject to the verification and approval of the Agricultural Bank.

In Switzerland, the Civil Code has provided for the establishment of a land register for immovable property and mortgages. This organisation is working satisfactorily.

In Belgium, the application of mortgage legislation is quite inexpensive, and does not exceed 3% of the amount of the loan. As I have already stated, there is also a sort of mortgage on movable property in that country — *i.e.*, an agricultural lien concluded by a private contract and entered in a special register, the fees being very small.

Similarly, in Finland, the mortgage covers both movable and immovable property, the relevant legislation being comparatively simple.

The first requirement is a system of land tenure affording absolute certainty as regards the identification of immovable property and its owners; as we have already seen, this should precede the establishment of a mortgage system, which should

be simple and inexpensive so as to facilitate credit, while, at the same time, it should afford creditors first-class security.

A *life insurance policy* also constitutes an excellent guarantee when the borrower has no immovable property.

On taking out such a policy, the borrower is usually required to pay a single premium, the amount of which is sometimes fairly high, and can be added to that of the loan proper.

When a borrower who has been asked to take out a life insurance policy is unable to do so owing to his state of health, the policy may be taken out by his spouse or a third person, if one or other of them assumes joint responsibility with the borrower for the repayment of the loan. In that case, in the event of the death of the spouse or third person, the payment of the annual instalments outstanding at that time is guaranteed.

Agricultural credit institutions may also require, in addition to a mortgage and a life insurance policy, supplementary guarantees such as sureties, warrants, deposits of securities, etc.

*Sales with option of repurchase and the pledging of agricultural land* may be said to take the place of mortgages in certain territories, such as Indo-China. They will be mentioned solely *pro memoria*.

As sales with the option of repurchase have been found to give rise to abuses, it is the practice of the courts to regard them rather as pignorative contracts than as sales. In Indo-China, in particular, they constitute a sort of pledging of land, so that, should the debtor fail to pay, the creditor may not seize the property, which must be sold by auction. The creditor is then paid off, and the surplus reverts to the borrower.

The pledging of agricultural land takes the form of a notarial deed drawn up by an officer of the court; it does not dispossess the borrower, and is entered in the *dia-bô*, a sort of land register, to make it valid.

In the event of non-payment on maturity, the pledge becomes the property of the lender without further formality.



## VII. INSURANCE AGAINST AGRICULTURAL RISKS

Agricultural insurance is not only designed to guarantee farmers against losses due to disasters to their movable or immovable property and the fruits of their labour; it may also be regarded as one of the essential conditions for the efficient working of the credit system.

While it safeguards the farmers' material interests by compensating them for their losses, agricultural insurance also increases the security of the pledges offered by borrowers for the repayment of their loans. For instance, fire insurance may be regarded as essential for the preservation of pledges, whether they consist of immovable property, live-stock or crops. This also applies to insurance policies on the lives of cattle and insurance against hail, as regards warrants covering animals or growing crops. Nevertheless, there are certain risks against which it is difficult to insure, such as those resulting from large-scale floods or even from cryptogamic diseases and parasites of all kinds. Those are disasters, and certain States endeavour to protect farmers from them, either by requiring them to join forces in fighting the damage caused by water, or by obliging them to take certain prophylactic measures against cryptogamic diseases, or by establishing funds against agricultural disasters. France has already endowed an Agricultural Disasters Fund, but that is not, strictly speaking, insurance, and I can only refer in passing to the assistance granted by the Fund to farmers whose property has suffered.

The study of agricultural insurance is of course bound up with the question of the guarantees that borrowers are usually asked to furnish, but only a general outline can be given here of insurance organisation for the provision of those guarantees. A general study of insurance would require several volumes.

The various forms of agricultural insurance are:

*Fire insurance* in respect of immovable property, furniture, plant, live-stock and crops;

*Life insurance for cattle;*

*Insurance of crops against hail;*

*Insurance of agricultural workers against industrial accidents.*

It is only in a few countries that farmers are required by law to insure against the risks inherent in their calling. The instruments of foundation or regulations of agricultural credit institutions, on the other hand, frequently provide for the compulsory insurance by borrowers of the movable or immovable property on which loans are secured — particularly against fire.

In such cases, the borrower is free to have recourse to whatever insurance organisation he may prefer, provided that he produces a receipt in proof of payment of the premium.

The credit institution may, however, require borrowers to insure with organisations whose financial position it regards as sufficiently sound.

An example of compulsory insurance is to be found in Tunisia, where the Government has organised, in conjunction with the native provident societies, a system of insurance against hail, the premiums and benefits being determined by means of a very simple coefficient — viz., the amount of the *achour*, or tax on crops, paid by Tunisian farmers. As the exact amount of the tax payable by each farmer is known, the working of the Tunisian system of insuring crops against damage from hail is simplicity itself. But, as has already been remarked, such cases are rare.

Generally speaking, the property of farmers, and particularly such property as is capable of being mortgaged or pledged, can be insured against the chief risks without difficulty. As regards deaths of live-stock, however, insurance can usually only be obtained for cattle, horses, asses and mules. Sheep, pigs and goats are only insurable in exceptional cases, or else cannot be insured at all, on account of the difficulty of accurately identifying such animals and the very high losses in which insurers might be involved in case of epidemics.

Save in a few countries — *e.g.*, Latvia, Bulgaria and Tunisia — where the activities of the Government insurance institutions are specially regulated, the payment of benefits in case of damage or loss is governed by the instruments of foundation and regulations of the insurance organisations.

The amount of the compensation is based on the damage actually sustained. As a rule, however, and particularly in mutual insurance organisations of the co-operative type, a

certain proportion, representing the part or share contributed by the individual farmer, is deducted, each member being regarded as, to that extent, his own insurer.

Should the property damaged have been accepted as security for loans (mortgaged immovables or property the subject of a credit warrant), it would always be open to the credit institution, should it think fit, to attach the sums due to the farmer as compensation, with a view to the recovery of the loan.

Agricultural insurance institutions of the mutual type — as, indeed, other State or commercial insurance organisations — usually remain entirely independent of the agricultural credit institutions; they have, however, frequent dealings with them, and the settlement of matters such as those mentioned in the foregoing paragraph is thus greatly facilitated.

Agricultural risks may be insured either by specialised private companies or societies, of either a commercial or a mutual character, or by State organisations (public departments or establishments), and these different institutions frequently exist side by side in the same country.

As a rule, the ordinary commercial insurance companies do not specialise in the insurance of agricultural risks, which represent only a small fraction of their business. As, moreover, their offices are generally situated in the towns, it is not easy for them to assess the risks for the insurance of which farmers make proposals.

Leaving on one side fire risks, which are less serious, such companies are not generally inclined to insure farmers against deaths of live-stock, damage from hail or occupational accidents. Only a few of them accept such risks, and even these charge high premiums, which are justified by the considerable capital they have to remunerate, and by their overhead expenses.

In a great many countries, therefore, mutual insurance societies, based on principles of mutuality and co-operation, have been founded in addition to the commercial companies. They are in reality co-operative insurance societies and are required to comply with the general legislation on co-operative organisations, where such exists, as well as with the insurance legislation.

Sometimes, these societies are of a closed character, only farmers and their associations being admitted to them. Such is the case in France and North Africa, where the legislation on agricultural mutual insurance societies is in reality merely an adaptation of the general syndical laws. When the risks insured are not of a specifically agricultural character, admittance is sometimes open to all, as in Latvia, where, however, as regards fire insurance, the members engaged in agriculture represent 75% of the whole.

In most cases, the organisation of co-operative agricultural insurance is of a triple character: the local associations are grouped into regional reinsurance associations, which, in their turn, are affiliated to a national or central reinsurance institution. These bodies, which may or may not have a registered nominal capital, generally specialise in insurance against one particular risk. They are not operated for profit, and their overhead charges are small, so that the premiums paid by farmers are appreciably lower than those charged by the commercial companies, particularly as, at the end of each financial period, any surplus after the constitution of reserve funds is distributed among the members in proportion to the sums for which they are insured.

A fraction of each risk insured is entirely underwritten by the local and regional associations as well as by the central institution.

For the system to work satisfactorily, it is necessary that each such fraction should be limited and commensurate with the resources of the association or institution concerned. It is because there might be a temptation on the part of the constituent associations to assume risks out of proportion to their financial resources that, in certain countries, reinsurance has been made compulsory or virtually compulsory.

The risks are thus more widely distributed and the soundness of the organisation enhanced. Sometimes, as for example in France, the central institution may make over to certain regional associations a more or less considerable share of the risks which it has reinsured for other regional associations.

Furthermore, when the various components of a mutual organisation are unable, even in combination, to cover certain



unduly heavy risks, it is found necessary to have recourse to co-insurance or reinsurance as currently practised by the ordinary commercial companies.

Such reinsurance may be effected either with home or foreign insurance companies, or with State institutions, when such exist, as is the case in Latvia.

In most of the countries where mutual insurance is highly developed, the insurance institutions have been fostered by the State, either by means of reinsurance facilities, such as those described above, or by means of initial subsidies or exemption from taxation, or by the introduction, in regard to certain categories of risk, of a system of protection based on co-operation between the State and the insurance organisations.

These various forms of State encouragement, and particularly subsidies, can only be obtained by mutual insurance societies complying with certain statutory requirements.

In France, for example, the institutions are required to comply with the Law of July 4th, 1900, to be of a mutual character and confined to the insurance of agricultural risks, and to produce evidence of proper reinsurance.

In regard more particularly to mutual insurance against hail, the State provides for minimum subscriptions or premiums — these varying according to the region — and the assumption by the insured of part of the risk (*i.e.*, he is not compensated in respect of from 10% to 30% of the damage done). These rules, however, apply only to those mutual insurance societies which desire to obtain for their members State participation in the payment of their premiums.

In the agricultural mutual insurance societies, verification of risks is in the hands of the members, who, as such, are those most interested in preventing fraud, both in the declaration of risks and in the assessment of damage, and, in the latter case, in preventing the payment of compensation in excess of the loss actually sustained.

These institutions thus give farmers a high degree of security at a minimum cost.

Among the countries in which mutual or co-operative agricultural insurance is most highly developed, special mention must be made of France, North Africa and Latvia.

It should also be pointed out that, in these countries, the ordinary commercial insurance companies operate side by side with the mutual societies.

In certain countries where private enterprise has been very backward in the provision of insurance, the State has set up public establishments or public departments specialising in such work. Such is the case in Latvia, where insurance is specially regulated, and also in Tunisia, whose system has already been described.

Although it is only very rarely that the State has itself organised a system of insurance, there is almost everywhere State control both of ordinary commercial companies and of mutual institutions.

The commercial companies generally carry on their insurance business under a special privilege granted by the State. In return, the State retains the right to satisfy itself that their operations are in compliance with the insurance laws and regulations, and, more particularly, that a proper proportion of any surplus is applied to the constitution of the reserve funds necessary to guarantee the benefits payable.

In France, for example, as in many other countries, there is at the Ministry of Labour a private insurance department, whose duty it is to maintain the necessary supervision.

Prior to the Legislative Decree of June 17th, 1938, it was only accident insurance companies that were subject to such control. Each year they were required to communicate their balance-sheets and profit and loss accounts to the Ministry, and to produce evidence of the constitution of the actuarial reserves and the earmarking of the capital value of the annuities paid in case of serious accident.

Henceforward, such control will apply to all classes of insurance companies, though the detailed regulations for the application of the Decree have still to be issued.

Mutual insurance societies of the co-operative type are required to comply with the insurance laws, and also, wherever such exists, with the general law on co-operative organisations.

State control over such institutions is justified by the subsidies they receive and the fiscal advantages they enjoy as co-operative organisations. In France, such control is in the

hands of the Ministry of Agriculture and the Ministry of Finance, while, in certain other countries, it is entrusted to State-approved audit associations.

The net result of such measures of control is increased soundness on the part of the insurance organisations and, in consequence, greater confidence on the part of farmers.

#### VIII. FARMERS' INDEBTEDNESS AND THE REMEDIES ADOPTED

Farmers' indebtedness increased strikingly after the war of 1914-1918. Its main causes were the expansion of agricultural production, the development of the use of farming machinery, and the agrarian reforms carried out in certain countries.

Especially in Western European countries, where there was a lack of man-power, it became necessary to make copious use of machinery. Young farmers settling down to make a living were compelled to pay high prices for the equipment and live-stock they required. For this purpose, they had to borrow on somewhat onerous terms, for, at that period, farmers were generally unable to obtain credit in a form specially adapted to their needs and differing from that of commercial or industrial credit. Such loans took no account of the average yield of farms, or of the farmers' capacity to pay.

Similarly, the agrarian reforms carried out in Central, Eastern and Southern Europe had the result of compelling small farmers to pay annuities in order to acquire definite ownership of the land assigned to them. They were also obliged to borrow to purchase the tools and live-stock with which to carry on farming operations, and they often fell into the hands of usurers.

As products of the soil found a ready market at that time, farmers who had contracted debts had, in the early days, no difficulty in effecting partial repayments. But the ensuing sharp fall in agricultural prices, the shrinkage of markets, and, more generally, the severe economic depression that affected agriculture, later placed many debtors in an extremely awkward position, and sometimes made it impossible for them to discharge their liabilities at the rates originally fixed.

The majority of countries thus came to experience the tragic consequences of excessive agricultural indebtedness.

Generally speaking, the amortisation of capital and the payment of interest swallowed up a far larger proportion of the debtors' incomes than had been contemplated when the loans were granted. While awaiting an improvement in economic conditions, it therefore became essential to bring about an immediate lightening of the debt burden so as to make it possible for farmers to carry on.

That process of alleviation had to be adapted to economic, social and legal circumstances which differed so greatly in their details that the facilities granted by the various Governments may, at first sight, appear extremely dissimilar. Closer study, however, enables a classification to be made of measures which, in fact, differ only in their details of application. They fall into five main categories:

*Conversion;*

*Reduction of the capital amount of the debt;*

*Consolidation;*

*Composition and moratorium;*

*Protection of debtors from measures of execution taken by their creditors.*

In those countries where the dearth of capital had led to excessively high money-rates, indebtedness was reduced through a lowering of the rate of interest payable on loans. Conversion of this type, effected in Hungary, Roumania, Poland, the Baltic States, Denmark, Brazil, the Netherlands and elsewhere, was, in most cases, applied to current transactions.

Some countries — *e.g.*, Germany, Roumania, Hungary and Bulgaria — in view of the seriousness of the situation, went so far as to reduce the capital amount of agricultural debts.

A greater number of Governments, however, did not reduce the capital amount of farmers' liabilities, but adopted so-called consolidation measures, through which short-term loans were converted into longer-term liabilities. To this end, special institutions or land banks were created — *e.g.*, in Poland, Estonia, Egypt and the United States — the Government



either financing their operations directly, or guaranteeing the repayment of the consolidated debts.

Poland, Yugoslavia, Bulgaria, Switzerland, British India and Canada gave their farmers the power, which is normally granted only to commercial undertakings, of applying for a legal winding-up and for a composition arrangement with their creditors. The fulfilment of such arrangements, however, caused much difficulty, by reason of the fact that many farmers were found not to have kept any regular accounts.

Lastly, moratoria were granted to farmers in a few countries, either with the consent of the creditors, as in the United States, or by authority, as in Germany. Some of these moratoria ran for considerable periods: repayment of agricultural debts was suspended for a period of one to five years in Roumania, five years in Greece and ten years in Brazil.

In most cases, these moratoria applied only to the repayment of matured liabilities; in some countries, however, they also applied to sinking-fund annuities.

The authorities also made every endeavour to protect agricultural debtors from measures of execution taken by their creditors. In some cases, for example, the seizure of live and dead stock or of standing crops, was forbidden; but, as a rule, the effort was confined to limiting or mitigating the effects of forced sales.

Such, briefly, summarised, were the principal measures taken to lighten the burden of agrarian indebtedness in the countries concerned.

Those measures were often imperative, especially those aiming at a reduction of interest rates in Central and Eastern European countries. Provisions of a general character, however, necessarily involve departures, to a greater or less extent, from the principle of freedom of contract and from the sanctity of formal undertakings, and may therefore bring difficulties in their train if the Government does not play a sufficiently active part.

Nevertheless, since the prosperity of agriculture is a fundamental prerequisite for the general prosperity of the country, agriculture had to be assisted. It was for that reason that many countries found themselves obliged to take action in order to

mitigate the burden of rural indebtedness and improve the position of their farmers.

If a system of agricultural credit, firmly based and fully suited to its purpose, existed in every country, one very considerable advantage would be that there would be no further need for exceptional measures, such as have been taken in almost every country, to lessen the burden of too great an accumulation of debt.

#### IX. THE ORGANISATION OF AGRICULTURAL CREDIT ON AN INTERNATIONAL BASIS

The various national establishments and central institutions for agricultural credit have not so far followed the example of the leading private banks and commercial and industrial credit establishments in creating close international links among themselves.

It is obvious, however, that a useful purpose would be served if such links were created, in view both of the reciprocal assistance which would become possible and of the fuller help that could be given to farmers.

Such relations would, for example, make it possible for agricultural workers employed in a foreign country to deposit their savings in an agricultural credit establishment in the place where they work, those savings being then credited to them, by means of a simple transfer, in an establishment in their native country. In this way, payments to credit institutions by foreign agricultural workers would be facilitated, while no movements of specie would be necessary.

Credit establishments might also investigate together the possibilities of granting loans to farmers of foreign nationality.

An international institution for agricultural credit, able to grant loans to farmers in countries the financial situation of which did not allow them to make sufficient funds available to their own agricultural credit institutions, would also certainly fulfil a useful function.

The problem has been studied by the League of Nations, and a recommendation in this sense was put forward by the

Commission of Enquiry for European Union, which met at Geneva in 1931.

In addition, the International Convention of May 31st, 1931, provided, subject to ratification by the contracting parties, for the creation of an International Agricultural Mortgage Credit Company, the main purpose of which was to be to assist agriculture in the Danubian countries. The Conference for the Economic Restoration of Central and Eastern Europe, held at Stresa in 1932, urged that the 1931 International Convention should be put into force at the earliest possible date.

The Convention, however, did not secure the ratification of all the signatory Powers, several Governments having stated that they were opposed to ratification.

The International Institute of Agriculture also investigated, in 1931, the possibility of creating an international institution for short-term agricultural credit; but this project also failed to meet with circumstances favourable to its execution.

An international agricultural credit institution, if it is to prove of real help to farmers, must, above all, allow for the basic requirements of agricultural credit; it must be in a position to grant loans at moderate rates of interest and for a period equivalent to the agricultural season — *i.e.*, fairly long, even in the case of "short-term" loans.

Such an institution must, in addition, have the support both of central agricultural credit organisations — representatives of which might share in its management as recommended by the International Commission of Agriculture at Prague in 1931 — and of the leading farmers' organisations.

Although it is most desirable that contacts should be established between the national agricultural credit institutions of the various countries, it may nevertheless appear somewhat premature, in existing circumstances, to propose the creation of an international agricultural credit institution, in view of the difficulties which its working would encounter.

While, in some countries, agricultural credit is sufficiently well organised to allow of its incorporation into an international credit scheme, its development in other countries is not yet far enough advanced to permit of useful international action.

Some countries still lack a central body grouping together first- or second-class institutions, or else such central bodies have only been in existence for a very short time and are not yet prepared for the important part they would have to play.

Moreover, even as between countries where the organisation of agricultural credit can be regarded as advanced, the institutions concerned differ to such an extent, both in character and in objects, that it would be extremely difficult to link them together in an international organisation. An essential prerequisite would therefore be the firm organisation and efficient control of the various national credit institutions.

Lastly, the existing disequilibrium between currencies, the excessive disparity between monetary systems, and various embargoes on the export of capital, are all factors which render the solution of this delicate problem still more difficult.

In this sphere, the League of Nations can make useful investigations, and its financial and economic organs are in a position to offer sound advice to countries wishing to organise or to improve their systems of agricultural credit.

## CONCLUSIONS

It is clear from our investigation that a properly organised system of agricultural credit with adequate funds is necessary in every country in order to help the farmers to carry on, to prevent a drift to the towns, and to ensure agricultural prosperity.

Furthermore, a survey of the existing organisations in the different countries shows that it is institutions based on principles of mutual assistance and co-operation, whether fostered by the State or not, that are commonest and the best suited to the special needs of agricultural production in countries where farmers are sufficiently educated and realise the value of solidarity. These institutions, which generally confine their operations to agriculture, are well equipped to grant adequate loans to farmers, with whose requirements they are acquainted, and to obtain a more or less joint guarantee of repayment from borrowers.



Agricultural credit, to serve a really useful purpose, should, as has been indicated, conform to the following criteria:

(1) *It should be granted for a sufficiently long period, commensurate with the length of the operation which it is designed to facilitate;*

(2) *It should be granted at a low rate of interest;*

(3) *It should be adequately secured, in order, more particularly, to avoid any abuse of credit facilities, but the security should not necessarily be material: it should, if necessary, be in the form of a personal credit secured mainly by the borrower's moral standing and farming ability;*

(4) *It should be adapted to the average yield and capacity for repayment of the farms, particularly during periods of economic depression;*

(5) *It should be placed in the hands of institutions the directors of which have received special training and had actual banking experience.*

As regards the first point, agricultural credit institutions will require more extensive funds if loan repayments are spread over a long period.

It is desirable that every institution should be organised in such a way as to be able to grant farmers short-term as well as medium- and long-term credit, and be able to procure readily the funds required for each of these types; this is only possible if the organisation possesses the necessary unity of purpose and standing to inspire lenders with confidence.

From this point of view, co-operative agricultural credit societies, being based on mutual principles, offer the maximum security, since the associated members stand surety for one another towards third parties who may be prepared to advance the required capital (depositors; private banks; unions or federations of credit associations; central organisations, whether in receipt or not of advances from the State; public corporations; the State; Departments; Provinces; etc.).

These guarantees are even sounder when the local societies belong to an organisation which also includes two higher grades — namely, regional societies combining the local societies, and a central institution to which those regional societies are themselves affiliated.

The local societies, which constitute the lowest grade of agricultural credit organisations, cannot remain isolated, because, in the first place, their administrators, however zealous, cannot always devote their whole time to such work, and, more important still, these societies have not sufficient capital, particularly when their operations are concerned exclusively with agriculture. It thus becomes necessary for them to constitute unions of the second class, or regional societies, which can offer advice and assistance and, if necessary, act as equalisation funds and provide facilities for rediscount.

These regional unions of the second class, to which producers' and consumers' co-operative societies can also be affiliated, will find it advantageous in their turn to form themselves, in every country, into central credit organisations of the third class, with activities covering the whole territory.

The existence of a central organisation is necessary to act as a central equalisation fund and provide rediscount facilities and to co-ordinate the activities of the regional and local institutions; it is necessary, also, as a means of supervising those activities.

The central institution has an important part to play in this connection: it must see that the organisations affiliated to it comply strictly with the law, and must endeavour to standardise their administrative regulations and persuade them to introduce such changes and improvements as may be necessary in the interests of the organisation as a whole (creation of new institutions, dissolution or amalgamation of old ones, delimitation of areas, etc.).

Furthermore, the necessity for permanent supervision is at once apparent in the case of organisations such as local banks managed by the farmers for whose benefit they exist. Here, supervision by unions of the second class would be insufficient without additional supervision by a central establishment

possessing the requisite authority and able, if necessary, to penalise the institutions.

Agricultural credit institutions must be very carefully managed if they are to work satisfactorily, and this again implies permanent supervision. It is essential, for instance, that they should confine themselves to operations of benefit to agriculture, should scrutinise the use made by farmers of sums lent, and should hold entirely aloof from political and religious activities. They should make a point also, in operations extending over a fairly long period, of employing only resources on which they can rely for a period of at least equal length.

The central organisation of the third class should, if it is really to fulfil its function as a supervisory body, comprise all the agricultural credit institutions existing in the country, and its area of activity will thus be nation-wide. In order that it may be truly *central* in character, there should preferably be only one such establishment in each country.

Nevertheless, though highly desirable in principle, this unity is not always found: it exists, indeed, only in those countries where the organisation of agricultural credit is the result of direct State action.

Elsewhere, private enterprise has assumed various forms determined by nationality, creed and political views; in such cases, centralisation is necessarily limited to each separate category of institutions.

This situation obtains, for instance, in the Central and Eastern European countries, especially Czechoslovakia and Yugoslavia.

As regards the rate of interest for agricultural credit, it is essential that it should be kept low, and commensurate with the degree of remunerativeness of agriculture in each country. If the burden is too heavy in proportion to the income brought in by the farm, the credit, instead of being of benefit to the borrower, will only make his position worse.

For this point of view, mutual agricultural credit societies are the institutions best fitted to grant their members loans at favourable rates, since, by reason of their co-operative character, administrative and overhead expenses are reduced to a minimum and they do not aim at profits.

Again, many agriculturists, such as tenant farmers, who cannot always offer material security, would be unable to obtain the funds they require if such material security were always demanded. But personal credit is out of the question unless the lending organisation is situated sufficiently near to the borrowers to know them and to form an opinion as to their ability and moral standing and the productive value of their undertakings. This important condition is satisfactorily fulfilled in the case of co-operative credit. The local societies, formed and managed by the farmers themselves, are in close touch with them, and are particularly well qualified to give personal credit, since they possess all necessary information concerning the solvency, honesty and ability of their members.

As Mr. Strickland recently pointed out in a study published by the International Labour Office on the constructive value of co-operation, the credit furnished by a co-operative organisation is a *controlled credit*, and no other can safely be granted to a peasant who is not yet familiar with commercial methods and the everyday use of money. The important point about a co-operative credit society is that loans are only granted to a member whose moral standing, honesty and solvency have been scrutinised by the other members of the group before his admission, and only for specific objects approved by the administrative board as being of service to the borrower and in keeping with his means and the security he can offer; lastly, as a rule, a guarantee by one or more members is required. A close watch is kept on the use made of the sums lent, and the society has to be satisfied that they are being applied to the purpose intended and are really improving the farmer's position and not simply increasing his indebtedness.

A further point: the measures taken in most countries, during the last few years, to adjust agricultural debts make it clear that agricultural credit has constantly to be adapted to the average yield and repayment capacity of the farms. In particular, during periods of economic depression, when the farmers' income is considerably reduced owing to the drop in produce prices, it has been found indispensable — as has been seen in a large number of countries — to alleviate the burden of loans contracted in normal times, by reducing the rate of



interest, extending the period for amortisation, or granting extensions or suspensions in regard to measures of distraint.

These measures, which have saved many a farmer from ruin, have proved readily feasible only where there are institutions specialising in agricultural credit and having large sums at their disposal for sufficiently long periods, so that there is no danger of their being seriously endangered if repayments are delayed. In most countries, agricultural credit associations have been obliged to obtain the additional funds they require either through direct financial assistance from the State (repayable advances, taking-over by the State of part of the interest due by debtors, etc.), or through borrowing, by the issue of bonds with or without a State guarantee.

In the newer countries, and in countries where, for various reasons, agriculture is not yet sufficiently advanced for capital reserves to be built up, it is difficult for co-operative credit societies to be formed, and State aid has to be called in more often.

Accordingly, when the question arose, in those countries, of organising a system of credit for farmers — more particularly as a result of agrarian reform, to enable them to cultivate the land allotted to them — Governments found themselves compelled to take action amounting, in some cases, to the creation *in toto* of strongly centralised systems of agricultural credit, for which they provided the greater part, if not the whole, of the funds.

In Poland, for example, economic backwardness due to past political subjection, war damage and the disasters caused by inflation — to mention only the chief factors in the situation — led to a keen demand for agricultural credit, coinciding with the completion of economic and monetary stabilisation in 1924. Private credit being unavailable, the Government was compelled to step in. To that end, it provided the State Agrarian Bank with considerable funds, at the same time placing it in charge of the financial aspects of agrarian reform.

Similar steps were taken in the Baltic States and Yugoslavia.

Many economists, however, consider that there are drawbacks to excessive Government participation in the provision of credit, and therefore that, in those cases where Government

action is really imperative, definite limits should be imposed upon it.

One undesirable consequence of direct intervention by Government in the operations of agricultural credit institutions may be that Government responsibility is substituted for that of the managers of the institutions.

For that reason, a modified form of intervention came into existence, in which the principle of the autonomy of mutual credit institutions remained untouched, while, at the same time, the Government retained its interest in a system which is of paramount importance to the economic existence of the country.

One useful form of collaboration by Government is that in which it provides agricultural credit institutions with part of the capital they require for the purpose of making those long-term loans which they would be unable to grant out of their own resources, and particularly out of their deposit accounts. Government collaboration may likewise take the form of granting various advantages, privileges, tax exemptions, interest bonuses, etc., to eligible credit institutions.

Governments can also greatly stimulate the agricultural credit system by creating, where it is still lacking, a regime of land-ownership allowing the possession of indisputable titles to land, either by establishing land registers on the analogy of the Torrens Act, or by another form of land registration.

Again, the Government can institute an elastic mortgage system under which costs and procedures are reduced to a minimum.

It can further take suitable steps to facilitate the establishment of an agricultural lien on movable property, or the creation of agricultural warrants (with or without transfer of property in the pledge), to allow farmers to offer their live-stock or crops as security without incurring heavy costs.

Lastly, Governments can reduce stamp-duties and notarial and registration fees, together with costs and charges of all kinds, connected with agricultural credit or agricultural mutual insurance operations.

There are, in fact, very few cases in which the public authorities have shown no interest in the creation of central agricultural credit institutions, and in which they have not at any

rate encouraged or facilitated their creation through special measures such as tax exemptions, subsidies and advances, or again in which they have not made regulations for the supervision of such institutions in the public interest.

In most cases, collaboration between the Government and the central organisations for agricultural credit enables the latter to obtain the capital they require more readily. Although Governments do not invariably take a share of the nominal capital of such undertakings, they have, in most cases, advanced funds or guaranteed the loans which those institutions were allowed to issue, especially on foreign markets.

The bank of issue should be able to grant, subject to the guarantee of the central agricultural credit institution, special terms as regards interest and duration for the rediscounting of agricultural paper offered to it by local agricultural credit institutions.

Lastly, the central credit organisations, provided they are in sufficiently close contact with Government departments, are better placed to secure the solution by legislative means of a number of problems relating to agricultural credit operations, and to press for such amendments in the existing legislation as appear to be called for.

There are numerous intermediate types between a central agricultural credit institution in the form of a State bank, and a system of complete independence: examples of such intermediate types are found in several countries — *e.g.*, France and Italy, where the central institution, though created by the Government in a public or private form, retains a certain degree of autonomy.

Thus in France, as has already been shown, the Caisse nationale de Crédit agricole is a public institution controlled jointly by representatives appointed by Government and by the elected representatives of co-operative credit institutions eligible to receive advances.

The possibility and desirability of giving the central organisation still more autonomy and freedom, as has been done in Finland and Hungary, has more than once been discussed.

In this connection, one possibility would be to found an institution of which the capital would be provided by farmers

and agricultural associations, who would also be responsible for its management under the supervision of, and subject to the stipulations laid down by, the Government. The latter would appoint a State supervisor for the purpose.

The Government could also underwrite part of the capital of the institution, or collaborate financially, with the object, in particular, of allowing it to carry out such operations as long-term loans for the purchase of small holdings or, again, to encourage the creation of co-operative societies, which, in view of their social importance, are generally accorded low rates of interest.

It is, however, essential that the institution, although placed under Government supervision, should retain sufficient freedom to perform its economic functions under the responsibility of its shareholders and administrators.

Constituted in this manner, a private credit institution possesses powers of initiative and action which no public establishment, even if it retains some measure of autonomy, can claim to exercise. For that reason, it may prove advantageous, in all the countries in which agricultural credit is sufficiently developed, to give the leading central institutions an elastic, practical and up-to-date form of organisation, as fully released as possible from all administrative impediments, and possessing means of action not resting solely upon Government advances or subsidies, but also upon the financial participation, trust and mutual co-operative spirit of the farmers.

It should also be observed that the principle of autonomy in no way inhibits the supervision which the Government is bound to exercise over all institutions directly or indirectly receiving funds from it and enjoying certain advantages provided by law. Moreover, such supervision, the value of which is beyond dispute, cannot but strengthen the confidence of farmers in the institutions to which they entrust their savings.

The rapid growth of agricultural credit institutions and the variety of transactions in which they engage have made it more than ever essential to secure a specialised personnel of proved ability. Accordingly, each country should provide for a suitable form of training capable of providing competent experts able to direct and administer such institutions efficiently



Those experts can also assist in educating farmers and conduct propoganda in favour of the creation of mutual co-operative societies and credit institutions.

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Finally, it is highly desirable that congresses similar to that on *Rural Life*, which the League of Nations is to hold in 1939, should take place, in order to secure the continued and efficient study of problems relating to agricultural credit and insurance.

For that reason, and as a conclusion to this memorandum, I consider it appropriate to submit the recommendations which follow. If put into practice, they will result in stimulating agricultural credit institutions, where they exist, and in giving the countries concerned means of improving the material and moral position of their peasant population and, by extending agricultural production, contributing to their general prosperity.

## RECOMMENDATIONS REGARDING AGRICULTURAL CREDIT AND AGRICULTURAL INSURANCE SYSTEMS

1. A well-organised agricultural credit system, provided with adequate funds, is a necessity in every country if farmers are to remain on the land and agriculture is to prosper.

2. Agricultural credit institutions should preferably cater for the agricultural community exclusively, and, in their simplest form, should be constituted according to co-operative and mutualist principles, in order that the loans granted may correspond to the real needs of farmers and be guaranteed, to a greater or less extent, by the borrowers as a whole.

3. Agricultural credit institutions should be so organised as to offer farmers each of the various forms of credit they may require. These are:

(a) Short-term or "seasonal" credit, providing farmers with the working capital they require to run their farms

efficiently, to obtain crops in the best possible circumstances, and to carry on until the harvest can be sold;

(b) Medium-term credit, affording farmers the means required to purchase live-stock and farm machinery, as also to carry out improvements of an average duration — *e.g.*, the conversion of systems of cultivation;

(c) Long-term credits, affording farmers the means required to purchase small or medium holdings or to effect lasting improvements — *e.g.*, drainage, irrigation and the erection of live-stock quarters, silos, storehouses and similar farm buildings.

4. Agricultural credit institutions should, as far as possible, be of three classes:

(1) Local associations of farmers, in close contact with other farmers' organisations;

(2) Regional associations, grouping the local associations together;

(3) One central organisation in each country, created with the participation of the Government, under its supervision, constituting a federation of the regional and local associations, co-ordinating and supervising their activities, and empowered to receive their surplus deposits and grant them suitable credit facilities.

5. Agricultural credit institutions should be in a position to assist, not only individual agriculturists, but also the cooperative or mutual aid societies which enable agricultural producers to obtain the materials or products they require, to sell their crops, if necessary after they have been converted and effectively to safeguard themselves against the various risks to which they are exposed.

6. Agricultural credit institutions should be prudently administered, should undertake only transactions useful to agriculture, should supervise the use made by agriculturists of the credits granted to them, and should refrain from any political or religious activities.

Only in exceptional circumstances should Governments themselves grant agricultural credits.

7. They should be careful to employ, for relatively long-term transactions, only such funds as they can rely upon holding for a period at least as long.

8. While not refusing personal loans secured on the moral standing and ability of borrowers, they should seek, wherever possible, to obtain adequate material security.

9. National legislation should accordingly contain, wherever such provisions are not already to be found in an explicit form:

(a) A clear definition of the land-ownership regime, allowing of indisputable titles to land; land registers, based on the Torrens or other recognised system, should be established wherever possible;

(b) Provision for an elastic mortgage system, allowing for a minimum of costs and formalities;

(c) Measures to facilitate the establishment of an agricultural lien on movable property, or the creation of agricultural warrants (with or without transfer of property in the pledge), to allow farmers to offer their live-stock or crops as security without incurring heavy costs;

(d) Provisions for reducing to a minimum all stamp duties, notarial and registration fees, costs and charges of all kinds, connected with agricultural credit operations.

10. Agricultural credit institutions should, as a general rule, grant loans of sufficient duration in relation to the agricultural activity to further which they are contracted, and at a relatively moderate rate of interest, appropriate to the remunerativeness of agriculture in the country concerned.

11. For this purpose, it is desirable that Governments should stimulate the organisation and growth of agricultural credit by giving the institutions concerned suitable facilities, both for their constitution and working; by acting, where appropriate, as their advisers or supervisors; and, where necessary, by supplying them with the funds required for their operations at a reasonable rate.

12. Banks of issue should also, in each country, pay heed to the agricultural situation and grant whenever possible (as has been done in a number of cases) special terms as to interest and duration in connection with the rediscounting of paper submitted by agricultural credit institutions.

13. It is desirable that Governments should provide, where such arrangements do not already exist, for the training of experts to educate farming opinion and carry out propaganda in favour of the creation of mutual co-operative societies and agricultural credit institutions, and of technicians able to direct and administer such institutions efficiently.

14. A satisfactory system of agricultural insurance is particularly necessary to the smooth working of agricultural credit; its creation and encouragement is therefore much to be desired. Should such systems be generally in existence, they would provide a wide measure of security for farmers, a high proportion (up to 70%) of whose capital assets are often at the mercy of a number of risks.

Insurance against foreseeable risks is effected by private undertakings, which seldom specialise in agricultural insurance, by mutualist or co-operative associations of farmers or by Governments.

All those forms have disadvantages as well as advantages. The mutualist or co-operative form, in which the insurer is also the insured, generally reduces the risk to a minimum and enables the participants to save money. It should therefore be encouraged; but it is essential that the institutions concerned should insist on adequate premiums and should effect simple, or better still double, reinsurance. Government supervision is also to be recommended.

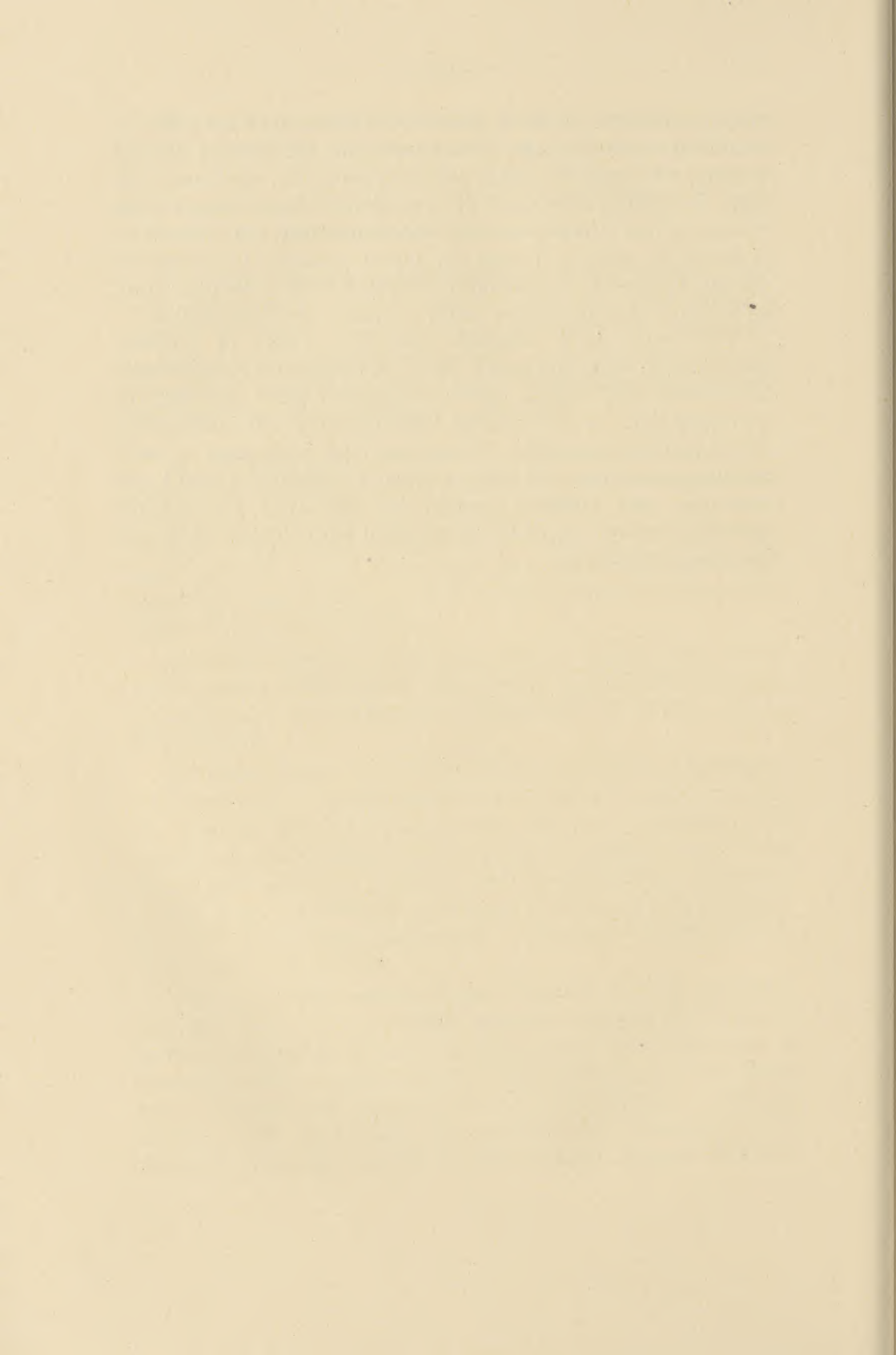
There are certain risks against which it is not easy to insure: drought, flood, various animal diseases, cryptogamic diseases, insect or animal pests, etc. In those cases, the State alone is generally able to create insurance or relief funds; such funds must, however, be independent of the Government, although subject to its supervision, and possess legal personality and financial autonomy. Funds for relief against natural disasters



must in addition, as far as possible, be based upon a system of mutualist or co-operative associations, for the sake of ease of working and control. They should, generally, speaking, not grant individual relief against exceptional losses: loans to the victims at low interest, or even without interest, are often to be preferred to grants, if only for moral reasons. Governments should, moreover, endeavour to forestall such calamities and, by research and preventive work, to render them impossible.

15. Lastly, it is desirable that the League of Nations, co-operating, when necessary, with the competent international institutions and bodies, should organise regular meetings of representatives of the central agricultural credit institutions of the various countries. Views could be exchanged at such meetings concerning the best systems of agricultural credit and insurance, and facilities created for the study of practical questions arising out of the working of agricultural credit and insurance institutions.

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## ANNEX

In the main report, I have shown what are the principles on which agricultural credit institutions in the various countries are based. It would appear useful, as already stated, to complete the study with a brief survey of each of the countries which have sent us information regarding their institutions in reply to the questionnaire circulated to them.

Those surveys can be classified in four groups, according to the extent to which State action is taken in the field of agricultural credit.

The first group covers countries in which agricultural credit is organised by the State itself.

The second group consists of countries possessing both institutions due to private initiative and State organs, such as agricultural or agrarian banks.

The third group consists of countries in which agricultural credit is, in essence, provided by private co-operative institutions, but in which the latter are assisted, more or less directly and to a greater or less extent, by the State, which has set up for the purpose, at the head, either a State institution or a central company to which it has subscribed a large part of the capital.

Lastly, the fourth group includes countries in which agricultural credit institutions are private bodies, generally of a co-operative character, in the establishment and working of which the State has practically no part.

Although this form of classification appears to be logical, it is somewhat difficult to apply to countries possessing no homogeneous organisation, including those in which short-term credit is provided by private institutions such as credit co-operatives, while medium-term and long-term credit is granted almost exclusively by public establishments or limited liability companies created by the State, the latter taking up all or part of the authorised capital and exercising varying degrees of control over them.

Nevertheless, the following classification of countries has been attempted on the basis of these principles:

1. *Highly Centralised Organisation, with Direct State Intervention :*

Union of South Africa,	Morocco,
Argentine Republic,	Union of Soviet Socialist
Australia (New South	Republics,
Wales): New Zealand,	United States of America.
Canada,	

2. *Mixed Organisation, with Co-existent State Organs and Co-operative Institutions :*

Austria,	Lithuania,
Bulgaria,	Luxemburg,
China,	Poland,
Egypt,	Roumania,
Estonia,	Switzerland,
Germany,	Turkey,
Greece,	Yugoslavia.
Latvia,	

3. *Organisation based on Co-operatives receiving State Encouragement :*

Algeria,	Hungary,
Belgium,	Indo-China,
Colombia,	Ireland,
Czechoslovakia,	Italy,
England,	Japan,
Finland,	Netherlands Indies,
France,	Tunis.

4. *Independent Organisation, mostly Co-operative, not receiving State Encouragement :*

Denmark,	Netherlands,
British India,	Norway.

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**Group 1: COUNTRIES POSSESSING A HIGHLY CENTRALISED AGRICULTURAL CREDIT SYSTEM IN WHICH THE GOVERNMENT PARTICIPATES DIRECTLY**

**(a) Union of South Africa.**

Agricultural credit in the Union of South Africa is provided by the commercial banks and insurance companies, but chiefly by the Land and Agricultural Bank, which has branches in each province. So far, very few co-operative institutions have been set up in virtue of the Agricultural Credit Act 1936.

The loans granted by the Land and Agricultural Bank, in connection with which the moral standing of the borrowers is taken into account, are:

(a) Short-term loans, repayable within the year, to cover current agricultural outlay and cost of live-stock;

(b) Medium-term loans, repayable within ten years, for land improvement, erection of fences, building of cisterns, water-pipes;

(c) Long-term loans, repayable in thirty-eight years, for the purchase of land; loans in kind are also sometimes granted in exceptional circumstances.

Security for these loans consists of movable or immovable pledges.

At the end of 1936, the total amount of loans granted since 1918 was £34 million for short-term loans, £2½ million for medium-term loans, and £39 million for long-term loans.

The funds out of which the Land and Agricultural Bank grants loans consist of Government advances and the Bank's own capital and reserves.

The amount advanced by the Government between 1923 and 1936 was £21 million sterling.

At the end of 1936, the Bank's capital and reserves amounted to over £15 million and £1 million respectively. Deposits represent no more than 2.5% of the registered capital.

Apart from loans granted by the Land and Agricultural Bank and other credit institutions, the Government assists farmers financially through the Irrigation Service which provides them with credits for the construction of dikes and canals. The total loans made for this purpose amount to approximately £730,000.

Similarly, the Soil Erosion Service grants loans for the construction of small dikes.

Settlers also receive assistance from the Land Ministry in the form of loans, repayable in forty years, for the purchase of land, and loans for land improvement and the purchase of equipment, live-stock and seed. Between 1927 and 1936, the Land Department granted loans amounting to roughly £5 million.

The Government also plays an important part in the organisation of agricultural credit. Apart from direct credits to agriculturists, it grants considerable loans to the Land and Agricultural Bank for the purposes of the latter's own operations.

In addition, the Government has taken a number of steps to enable farmers to cope with the economic depression — *e.g.*, reduction of the interest rate on loans, grants to agricultural credit institutions to compensate them for the reduction, and so on. It has also granted exceptional advances to the Land and Agricultural Bank to allow it to make special loans to farmers who have had difficulty in disposing of their produce.

The Government has also created a special Ministerial Department to administer and allocate funds intended for the above purposes.

Agricultural co-operatives for the processing, production and sale of agricultural products can apply to the Land and Agricultural Bank, and, within certain limits, to other credit establishments, for loans to cover expenditure on plant or current operation.

Between 1925 and the end of 1936 the Land and Agricultural Bank granted loans amounting to £34 million. During the year 1936 alone, £9 million were granted to agricultural co-operatives, of which over £3 million came from the Land and Agricultural Bank.

During the post-war period, the amount of credit put at the disposal of agriculture increased very considerably in the Union of South Africa.

Farm indebtedness has not reached alarming proportions. The country is a young one, and its production stands in need of equipment and development.

Nevertheless, the Government deemed it necessary to limit the amount of the loans farmers may obtain from the Land and Agricultural Bank to 60% of the value of their farms.

The Government is credited with the intention of organising agricultural credit on mutual co-operative bases. The result should be to bring back to agriculture capital which the farmers are at present investing in various branches of industry.

#### (b) Argentine Republic.

A National Mortgage Bank has been in existence in the Argentine since 1919 with powers to make advances to agriculturists for building, settlement or stock-raising purposes.

The funds of the Bank are derived from the issue of mortgage bonds. It has branch offices in the chief towns of provinces and national territories, and agencies in other parts of the Argentine.

Credits *in rem* from private banks and individuals are also available for agriculturists.

Credits *in personam* for agriculturists did not exist until 1933, when Law No. II.684 established an Agricultural Credit Department of the Argentine National Bank pending the creation of a National Agricultural Credit Bank. Credits of this kind are essentially business credits.

Agriculturists and agricultural co-operatives can obtain from the Agricultural Credit Department of the Argentine National Bank:

(1) Loans for a period not exceeding one year, with or without security *in rem*, for use as working capital, to a maximum amount of 10,000 pesos;

(2) Loans for a period not exceeding eight months, with or without security *in rem*, to cover costs of harvesting and grain harvesting in particular, to a maximum of 10,000 pesos;

(3) Loans for periods of less than six months, with security *in rem* (warrants), to facilitate the marketing of produce;

(4) Loans for a period not exceeding two years, with security *in rem*, for the purchase of live-stock and equipment, to a maximum of 10,000 pesos;

(5) Loans for a period not exceeding two years, with or without security *in rem*, for the creation of plantations under the supervision of the Ministry of Agriculture, to a maximum of 20,000 pesos;

(6) Loans on mortgage or pledge for a period not exceeding five years, for purchase of farms, improvements to land, erection of buildings and the like, to a maximum of 30,000 pesos.

Within the limits stipulated in the Law, the Agricultural Credit Department of the Argentine National Bank has a free hand in respect of the period, amount, method of repayment, guarantees and rates of interest of loans; but the last-named may not exceed 6%.

The Agricultural Credit Department may also make loans for periods of less than one year to credit co-operatives on the same lines as to production, consumption or selling co-operatives, up to an amount not exceeding the paid-up capital of the credit co-operatives in question.

The loans may be made by the Department to the agriculturists direct, or they may be made through the intermediary of co-operatives, the latter undertaking to guarantee the transactions. In the latter case, the rate of interest fixed by the Department is somewhat lower.

It is the duty of the Department to enquire into the applications of the agriculturists, to supervise the use made of the sums advanced, to control the operation of the co-operatives,<sup>1</sup> and further to arrange for the establishment of a special branch to organise mutual agricultural insurance against hail, frost, etc., risks.

The funds made available by the Argentine National Bank for the purposes of the Agricultural Credit Department are taken from its registered capital and reserves, from deposits of individuals and savings banks, and from the general resources of the Bank.

The Argentine National Bank assists the National Mortgage Bank in the matter of mortgage loans to agriculturists, and undertakes the necessary enquiries into applications for loans in places where the National Mortgage Bank has no branches.

The Argentine National Bank further undertakes the splitting-up of estates passing into its possession (*e.g.*, by foreclosure on mortgages), and the settlement of families of agriculturists on the same against payments spread over ten years or mortgage loans granted in conjunction with the National Mortgage Bank.

By December 31st, 1936, the Agricultural Credit Department had granted some 50,000 loans to agriculturists to a total as at that date of 106,771,000 pesos, of which one half was credit *in rem*, and the other half credit *in personam*.

#### (c) Australia (New South Wales) : New Zealand.

In Australia (New South Wales), agricultural credits are granted by a few agricultural co-operatives which are given Government loans for the purpose, but chiefly by the land banks, by the local branches of the Rural Bank, and by private banks, the latter specialising in short-term credits.

Farmers may also obtain loans direct from the banks of issue under the same conditions as ordinary borrowers. Long-term credits secured on mortgage are generally granted by the State agricultural banks, whose rates of interest are lower than those of the private banks.

Institutions in receipt of financial aid from Governments are subject to Government supervision. In the course of the economic depression, Governments further took action to assist indebted farmers by making suspension orders against foreclosures, and by facilitating in various ways the repayment of overdue loans.

Except in special cases, co-operatives do not grant loans out of their own resources to assist farmers stricken by natural calamities.

Government guarantees for the refund of loans granted by co-operatives and other institutions are commonly available.

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<sup>1</sup> In October 1934, the Argentine National Bank set up a General Inspectorate of Co-operatives to control the borrowing activities of agricultural co-operatives.



Agricultural credit has played a large part in improving standards of production in these countries and stimulating exports.

The cautious credit policy pursued has saved the farmer from excessive indebtedness while, at the same time, affording agriculture a large measure of useful assistance.

In New Zealand, there is an Advances to Settlers Branch, to which farmers can apply as well as settlers. There is also a Rural Advances Board of a more specialised character.

The private banks finance agricultural transactions by loans to the extent of 60% of the total amounts involved. The proportion of long-term credits in these transactions is about 10%.

Milk production is financed by small credit institutions charging interest at rates varying from 7% to 9%.

The Bank of New Zealand has a special long-term mortgage branch.

In addition, a Rural Intermediate Credit Board has been in existence since 1927 for the purpose of providing local credit co-operative institutions with the funds they require.

#### (d) Canada.

In Canada, agricultural credit is a Government institution, organised in a central body, the Canadian Farm Loan Board, which grants loans to farmers through the agency of nine provincial offices.

In Quebec, there are also credit co-operatives of the Raiffeisen type with limited liability, which give (a) short-term loans for periods not exceeding two years to finance current agricultural outlay, and (b) long-term loans for purchase of land, erection of buildings or land improvement.

Federal agricultural credits are credits *in rem* secured on mortgages. Credits of this kind are exclusively agricultural.

The operations of the Farm Loan Board are financed out of public monies voted for the purpose by Parliament.

Federal agricultural credits do not take the form of advances to agricultural co-operative institutions. The latter are required to apply to private banks to make up the funds needed for their operations; but loans by private banks for the purposes of wheat pools carry a Government guarantee.

In Saskatchewan and Alberta, the Government has power to give wheat co-operatives loans up to 85% of the registered capital, repayable over twenty years. In Saskatchewan, the Government is further empowered (since 1920) to give loans up to 50% of the registered capital for the extension of existing grain elevators.

#### (e) Morocco.

By a Dahir dated August 20th, 1935, the Sherifian Government introduced a series of far-reaching changes in the existing legislation on mutual agricultural credit.

The seven regional agricultural credit funds, the functions of which were more or less similar to those of the corresponding organisations in France, were all dissolved, and their assets and liabilities were taken over by the central organisation known as the Federal Fund for Agricultural Mutual Help and Co-operation. The regional funds were replaced by organisations under the direct authority of the Protectorate Government.

The Federal Fund, which was set up in 1930 to co-ordinate the activities of agricultural co-operative funds and societies and, in certain cases, to grant them loans, has been given new powers and a wider field of action. It is now, under the close supervision of the Government, a central organisation for agricultural credit with powers appreciably greater than those of the French National Agricultural Credit Fund (Caisse nationale de Crédit agricole).

Subject to the conditions laid down by the Protectorate authorities, it is in charge of the liquidation of agricultural debt-conversion operations, of the management and finance of mutual credit and agricultural co-operation, as also of the Joint Provident Fund of the Agricultural Credit Funds set up under the new Dahir to permit of grants to the latter funds where their annual resources are insufficient.

The constitution of the new Agricultural Credit Funds requires Government permission. Two-thirds of the managers are appointed by Government. Their personal responsibility is involved only in cases of grave misconduct. Two-thirds of the directors and secretaries are also appointed by Government.

The funds have no power to receive deposits. Their short- and medium-term credit activities can only take the form of loans from the Federal Fund, to which all applications for credits must be submitted in advance for its approval. The greater part of all profits earned has to go to the creation of reserves. The interest on the share capital may not exceed 4%.

The powers of the new funds, whose activities will in practice be controlled by Government through managers appointed by itself, will in short be strictly limited. The functions of the funds will virtually be confined to the distribution of such sums as the Government may decide to make available for agricultural credit purposes. The boards of directors of the funds will in fact be mere local discount committees for the purpose of implementing the decisions of the central organisation.

The development of agricultural co-operation in Morocco is the fruit of the financial assistance made available by the Protectorate, particularly in connection with the establishment of co-operative elevators and cellars.

#### **(f) Union of Soviet Socialist Republics.**

Co-operative credit had been developed to some extent in Russia before the war; but it has been fundamentally transformed since the revolution.

Ineffective attempts at reorganisation were made in 1922; but it was not until the introduction of the N.E.P. regime that agricultural credit was re-established on definite lines.

Mutual agricultural credit banks were not under Government supervision: they were indeed almost the only exception at that time to the general process of socialisation of banks and financial establishments,

At the same time, credits for agriculture were provided out of the Soviet budget, or were made available by Government institutions and co-operative banks. The individual Republics were also free to grant loans to agricultural credit banks out of their own resources.

Agricultural credits were also forthcoming from various public establishments, including the State Bank, to which the larger co-operatives could apply for the funds they required, and a number of agricultural offices concentrating on particular crops and incidentally providing credits for their production. There were also agricultural credit institutions working under the supervision of the Agricultural Bank of the Union of Soviet Socialist Republics, whose object it was to grant short or long-term loans to farmers, agricultural associations, mutual agricultural credit banks, and other institutions dealing with agriculture.

Generally speaking, the rôle played by co-operative credit was unimportant, on account of the limited resources at its disposal.

For this reason, all co-operative credit institutions were amalgamated in 1932, at the time of the general collectivisation of agriculture, in company with other Government banking establishments.

At the present time, there is a State Agricultural Bank, the function of which is to grant long-term credits, while the State provides the collective farms with loans in kind in the form of seed, fertilisers and the machinery required for agricultural production.

During the first stage of general collectivisation, the Government also supplied the collective farms with agricultural machines on credit. At present, the collective farms receive only the simplest type of equipment.

More elaborate machinery and draft animals are concentrated by the Government in State depots, which undertake the main agricultural operations on behalf both of the collective farms and of independent farmers. In return for these services in kind, the depots receive part of the crop of the collective farms at the time of the annual distribution.

The Soviet Government has made considerable efforts to develop agricultural credit. In 1937, it fixed the total credit to be made available to the collective farms at 1,104 million roubles, this sum representing a 150% increase on that provided in the previous year.

These credits are mainly intended to bring about an improvement in the national live-stock; over 475 million roubles out of the total are earmarked for the purchase of thoroughbred animals, for the building of stables and for the improvement of pastures.

A credit of 240 million roubles has also been provided for the purchase of commercial fertilisers and selected seed.



(g) United States of America.

The agricultural credit system of the United States was remodelled by President Roosevelt by a Decree dated May 27th, 1933.

Under this Decree, the country is now divided into twelve districts, each of which is equipped with four separate institutions, in the establishment of which the State participated — viz., a Federal Farm Mortgage Corporation, a Bank for Co-operatives, a Federal Intermediate Credit Bank, and a Production Credit Corporation.

The Federal Farm Mortgage Corporations group together all local agricultural associations lending money on mortgage to farmers.

The Banks for Co-operatives provide the necessary funds for collective purchasing or selling co-operatives. The co-operatives can also apply for credits to a Central Bank which has been set up in Washington.

The Production Credit Corporations and the Federal Intermediate Credit Banks both give short- and medium-term loans to local production credit associations.

These four central institutions are in all cases located in the same town and housed in the same building, though they have separate staffs. They constitute in effect a central agricultural credit organisation under the control of a board of directors to which is attached an advisory committee. The board of directors is linked up with the central organisation — *i.e.*, the Farm Credit Administration — whose function it is to regulate the flow of credit to agriculture, to adapt it to the special circumstances of producers and to co-ordinate the activities of the different institutions.

Long-term loans are granted by the Federal Banks and the National Farm Loan Associations on first mortgages only. They are limited to 50% of the value of the land and 20% of the value of the buildings of the borrower. On January 1st, 1938, the total of current loans was \$2,035 million.

Since March 26th, 1934, and until February 1st, 1940, farmers may obtain special loans from the Federal Banks acting as representatives of the Central Bank (Land Bank Commissioner). These loans are financed by the Federal Farm Mortgage Corporations and are secured on first or second mortgage. It is not uncommon for a farmer to obtain a loan from a Federal Bank and a special loan at the same time. In such cases, the Federal Bank grants its loan on the security of a first mortgage, while the special loan is secured on second mortgage. As the special loan may amount to as much as 75% of the total value of the property offered as security, farmers may not obtain from the Central Bank more than they have been granted by the Federal Bank. On December 31st, 1937, the total of current special loans was approximately \$813 million.

Short- and medium-term loans to assist agricultural production by the Federal Intermediate Credit Banks, the Production Credit



Corporations and associated organisations amounted on the same date, to \$194 million.

To these amounts must be added \$172 million of loans granted in consideration of poor harvests and damage due to drought. These loans are granted by a special department of the Farm Credit Administration.

The Banks for Co-operatives can grant either (a) short-term loans to facilitate the current operation of credit institutions or (b) longer-term loans for buildings and equipment or plant improvements of such institutions. On January 1st, 1938, the total of both classes of loans was \$88 million.

Loans are also made to co-operatives by the Federal Intermediate Credit Banks out of funds provided under the Agricultural Markets Act. On December 31st, 1937, the current total of such loans by the Federal Intermediate Credit Banks was \$32 million. The current total of loans by agricultural credit organisations to co-operatives as at December 31st, 1937, was thus \$120 million.

The funds of the Federal Intermediate Credit Banks and production credit associations are drawn from their registered capital. The whole of the latter was originally subscribed by Government; but parts of it have been successively redeemed by the institutions concerned as their membership increased.

In 1932, the Federal Intermediate Credit Banks again appealed to the Government for a loan of \$125 million, against which they issued bonds in favour of the Government.

Production credit associations obtain financial assistance from the corporations. The latter utilise their reserves for the purpose, and are entitled to discount paper with the Federal Intermediate Credit Banks to a corresponding amount. The Federal Intermediate Credit Banks, for their part, issue corresponding bonds.

The registered capital of the Banks for Co-operatives was originally subscribed by Government, like that of the Federal Farm Mortgage Corporations, but has been redeemed in the same way as the latter.

**Group 2 : COUNTRIES WITH A MIXED AGRICULTURAL CREDIT SYSTEM SIDE BY SIDE WITH STATE ORGANS AND CO-OPERATIVE INSTITUTIONS**

**(a) Austria<sup>1</sup>.**

Agricultural credit as practised by the Raiffeisen banks comprises three degrees; there are, first, the local credit co-operatives grouped in regional associations, which are themselves affiliated to a central body — the Girozentrale der österreichischen Genossenschaften — constituted in the form of a joint-stock company.

The local banks grant their members short-term loans for current overhead charges. In some cases, they also grant consumption credits.

Their funds are derived almost entirely from the deposits entrusted to them, totalling at present 360 million schillings.

In addition to the Raiffeisen banks, there are mortgage credit institutes — public corporations under the control of a central organ, the Landeskreditinstitute Verband — which grant long-term loans for the purchase of properties and the carrying-out of land improvements. About 60% of the business transacted by these institutions is connected with agriculture.

The savings banks are also empowered to carry on agricultural credit operations; by means of the deposits entrusted to them, they grant agriculturists short-term and long-term loans, which represent about 40% of their total transactions.

The joint purchase and sales co-operatives and co-operatives for the production and transformation of goods can also obtain long-term loans from the regional associations of the Raiffeisen banks to facilitate their constitution and enable them to defray their working costs. In addition to their company capital, their resources include deposits entrusted to them by their members.

Agricultural indebtedness in Austria rose very appreciably during the economic depression. It is estimated now at 1,500 million schillings.

Various measures have been adopted to remedy the situation of agricultural debtors — *e.g.*, the reduction of the rate of interest on debts, the suspension of measures of distraint against debtors and the conversion of short-term debts into debts for a longer term.

**b) Bulgaria.**

In Bulgaria, the loans made by the co-operative institutions are of the rural credit type. The institutions themselves, which number 1,560,

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<sup>1</sup> This note was prepared before the attachment of Austria to the Third Reich.

are founded on the same principles as the Raiffeisen banks and have combined into regional and central unions which formerly were affiliated to a Central Co-operative Bank.

These co-operative unions — like the agricultural co-operatives — are attached to a central body, the Agricultural and Co-operative Bank of Bulgaria, a public institution, created in 1929 through the merger of the Agricultural Bank and the former Central Co-operative Bank. The Agricultural and Co-operative Bank, which is a State bank, has itself founded a mortgage bank specialising in long-term operations.

The regional and central unions also group co-operative societies for collective buying, processing and marketing which they assist through the bulk purchase of supplies.

In various parts of the country, there are also 305 people's banks, which are co-operatives of the Schulze-Delitsch type and are affiliated to two Central Unions. The liability of the members of these societies is limited.

Agriculturists can obtain loans either through the co-operative societies or, in the case of long-term loans for which the individual co-operatives themselves have not always the necessary funds, direct from the Agricultural and Co-operative Bank or the Mortgage Bank.

The State's share in the agricultural credit system is highly important, as it makes advances to the agricultural co-operative societies through the Agricultural and Co-operative Bank and supervises the operations of all agricultural credit institutions.

The State has also taken various steps to enable agricultural debtors to free themselves from debts, the total amount of which was 12,000 million leva.

Measures for the conversion of agricultural debts were more particularly provided for by the Law of August 7th, 1934. Individual debts up to 500,000 leva could thus be reduced by as much as 40%, the State undertaking to indemnify creditors and granting, if required, a fifteen-year moratorium in respect of the balance. As regards debts of from 500,000 to 1,000,000 leva or exceeding 1,000,000 leva, provision was made for the reduction of the rate of interest and the suspension of capital repayments during two years, together with, where necessary, a moratorium for a period not exceeding six years.

At the same time, an Amortisation Fund was created to deal with the operations provided for by the law. The Fund issued 3% bonds, repayable in twenty years, to finance the settlement of the amounts due to creditors.

By 1936, the Fund had received 280,000 applications in respect of debts totalling almost 10,000 million leva and had been instrumental in reducing agricultural debts by 3,000 million leva.

The credit co-operatives advance short- and medium-term loans against bills with warrants or securities as collateral. The short-term loans are repayable in six months, subject to extension, and the medium-term loans in eighteen months at the outside. The purpose of these

loans is to promote such transactions as the purchase of live-stock, machinery, seed or fertilisers, land improvements, the erection or purchase of buildings and the repayment of debts. The rate charged is from 7.5% to 8%.

The co-operatives also make long-term loans at 7%, secured by mortgages and repayable in fifteen years, for the purchase of land or the repayment of debts contracted with private establishments. The identity of the mortgaged property is certified by the municipal authorities, the owner's title being recorded through judicial registration.

The co-operatives also assist farmers by loans in kind, for example, of seed or fertilisers. Some of them own agricultural machinery for the joint use of their members.

Property assigned as security for the repayment of loans must be insured against various risks. Agricultural insurance business (hail, live-stock, fire, accidents) is carried on by the mutual societies whose central organisation is the Insurance Department of the Agricultural and Co-operative Bank.

Apart from loans to finance production, the agricultural credit institutions, and, in particular, the Agricultural and Co-operative Bank, are prepared, in certain cases, to make loans for current requirements.

From the creation of the Agricultural and Co-operative Bank to December 31st, 1936, the total amount of the short- and medium-term loans granted by that institution was more than 16 million leva, while the long-term loans granted by the Mortgage Bank totalled more than 3 million leva.

At December 31st, 1936, the funds controlled by the agricultural co-operatives consisted of their share capital amounting to 345,000 leva, their reserves (196,000 leva), deposits (530,000 leva) and, above all, of the advances received from the Agricultural and Co-operative Bank, totalling 732,000 leva.

At the same date, the funds at the disposal of the regional and central unions of co-operatives consisted of their share capital and reserves and advances from the Agricultural and Co-operative Bank, totalling 265,000 leva.

The funds controlled by the Agricultural and Co-operative Bank at the end of 1936 were made up as follows: Share capital, 895,000 leva; reserves, 230,000 leva; deposits, 7,605 million leva, and sundry claims, 475,000 leva.

The co-operatives for the production, processing and marketing of agricultural produce and the collective buying and marketing co-operatives do not rely upon the agricultural credit institutions for funds to finance their initial establishment. The Agricultural and Co-operative Bank can, however, grant them credit direct.

As regards operating expenses, the Agricultural Bank can make loans for the duration of the transactions which it is desired to finance. In 1935 and 1936, the Bank made such loans to a total of 1,200,000 leva and 1,515,000 leva respectively.



In Bulgaria, the agricultural credit system has been very highly developed, particularly since the foundation of the Agricultural and Co-operative Bank, which has done much to improve the position of farmers, especially by helping them to free themselves from the heavy burden of debts contracted with private lenders.

(c) **China.**

Agricultural credit is practised in China according to an ingenious co-operative system which has been in existence for close upon ten centuries.

This system is based entirely on friendship and confidence. If an agriculturist wants credit, he applies to a few people whom he knows and finds what is known as a "Ts'ing houei" association. In the first year, the founder of the association receives the sum he requires from his associates, who have agreed to club together, and this sum he repays by annual instalments within a given time — that is to say, he, in his turn, becomes a contributor the second year. The second year, the second associate pays nothing himself, but receives a sum representing the total contributions of the other members of the association. This continues each year, the associates continuing to pay their contributions long enough for each of them to receive the same sum and repay it in turn.

Agricultural credit based on this system has rendered valuable service to Chinese agriculturists. In 1923, however, the International Famine Relief Commission reorganised agricultural credit in China by instituting credit co-operatives; these were founded in accordance with its directions and approved by it, and the Commission granted them advances. Subsequently, in 1927, the Nanking Government adopted a number of texts containing provisional regulations for these institutions, and provincial laws on similar lines were promulgated throughout China.

It was not until the promulgation of the Law of September 1st, 1935, that agricultural co-operation received its first legal statute. In application of this text, a co-operative service was set up at the Ministry of Industry in November 1935.

Agricultural credit operations are now transacted by agricultural co-operative societies, which obtain the funds they require from a farmers' bank with a capital of 10 million Chinese dollars and from an agricultural credit bureau with a capital of 12 million dollars.

In a number of provinces, special bodies have been established to co-ordinate the activities of the agricultural co-operatives, which number upwards of 22,000, with a membership of over a million.

(d) **Egypt.**

Until the past few years, the Egyptian cultivator could obtain the credit he required more particularly for financing his crops only by borrowing from moneylenders.

To remedy this state of affairs, the Egyptian Government, in 1931, set up an agricultural credit establishment to enable agriculturists and their associations to obtain such funds as they require under more favourable conditions.

This establishment grants short-term loans to facilitate payment of expenditure incurred in the cultivation of certain products, such as cotton, sugar-cane, rice or ground-nuts, which require special care. These loans also enable agriculturists and co-operatives to finance their harvests. In 1936, the short-term loans granted totalled close upon £E3 million.

Loans repayable within a maximum period of ten years are also granted for the purchase of agricultural material and live-stock and for land improvement works. Loans of this nature granted in 1936 totalled £E22,000 for individual agriculturists and £E223,000 for co-operatives.

The agricultural credit establishment also granted loans in kind in the form of seed and fertilisers, representing close on £E1,200,000, and of tractors and rice-hulling machines to the amount of £E45,000 in 1936.

The funds employed by the agricultural credit establishment for these operations consist of the establishment's own company's capital, subscribed half by the State and half by the banks and amounting to £E1 million, and by advances from the State representing upwards of £E3 million.

Agricultural credit assistance is particularly valuable for agricultural produce market. The loans it grants for the financing of such enterprises are secured on the crops themselves, these crops being sold as occasion arises through the agency of the establishment. The producer can thus count on a remunerative price, and the products are marketed regularly on the most advantageous terms. In certain circumstances, the agricultural credit establishment may even encourage export by granting bonuses, and may take steps to keep prices at an adequate level.

The agricultural co-operative societies can apply to the agricultural credit establishment for the funds necessary for their constitution and development. Of the 740 agricultural co-operatives in existence, 540 obtained loans from the agricultural credit establishment, totalling £E837,000 in 1936.

It seems desirable that co-operative societies, which are steadily increasing in number, should tend more and more to act as intermediaries between the agricultural credit establishment and agriculturists, whom they would help to educate from an economic point of view.

There are also a number of institutions in Egypt which grant mortgage credits — *e.g.*, the Egyptian Agricultural Mortgage Credit Institution (Crédit hypothécaire agricole d'Égypte), the Crédit foncier égyptien and the Land Bank of Egypt.

The Crédit hypothécaire agricole d'Égypte was founded by the Egyptian Government in 1932. It is to this institution that small landowners apply for long-term loans. The Crédit hypothécaire agricole has redeemed the agricultural claims of the Agricultural Bank of Egypt

and of the Mortgage Company of Egypt and also part of the arrears of the Crédit foncier égyptien and the Land Bank of Egypt, while leaving the two last-named establishments to cover its claims. During the years 1935-1936, the Egyptian Government had invested upwards of £E7,300,000 in mortgage holdings.

The Crédit foncier égyptien, whose foundation dates back to 1881, was constituted mainly with the assistance of French capital. At December 31st, 1936, long-term loans granted to agriculturists by this Bank totalled over £E15 million, while its obligations at that date represented close on £E12½ million.

Various measures have been taken to reduce the charges for persons borrowing from the Crédit foncier. Last year, for example, the Egyptian Government concluded an agreement with the Crédit foncier, whereby the mean rate for rural credits was reduced from 6.25% to 5.06%, and the term for loans was extended to thirty years.

The Land Bank of Egypt, founded in 1905, for the most part also by means of French capital, is engaged in mortgage group transactions for the benefit of agriculturists. At December 31st, 1936, mortgage loans granted by the Land Bank for the purchase or reconstitution of rural enterprises amounted to £E4,600,000, and its bonds in circulation at that date to close upon £E3,300,000.

Owing to the economic depression, a number of borrowers were unable to meet their obligations. The Egyptian Government accordingly stepped in and, by an Agreement of 1933, applicable exclusively to rural loans, it repaid to the Land Bank two-thirds of the arrears subsequent to 1928, the remaining one-third being payable in thirty-five years at a rate of interest not exceeding 6%. In April 1936, a new Agreement was concluded, by which interest outstanding since December 31st, 1934, on loans not covered by the Convention of 1933, was reduced to 6%. The Government, for its part, undertook for the years 1935 to 1941 to take the place of the defaulting debtors.

The total rural mortgage loans granted by the Crédit hypothécaire agricole of Egypt, the Crédit foncier égyptien and the Land Bank of Egypt amount to over £E27 million. To this total should be added the loans granted by private individuals, land companies and ordinary banks. The total mortgage debt amounts to approximately £E33 million.

This mortgage indebtedness appears to be quite normal. Cultivated properties represent an area of 2,100,000 hectares, which means that the indebtedness amounts to only about £E15½ per hectare.

(e) Estonia.

Estonian agriculturists can obtain short-term loans from rural co-operative banks of the Raiffeisen type, and from private banks. Short-term credit is in the nature of a rural credit, agricultural operations representing 70% of the business transacted by co-operative banks and



30% to 40% of that of private banks. It is organised chiefly in the form of credit *in personam*.

Long-term credit is granted by two agricultural mortgage banks: the Land Bank of Estonia, which is a State bank, and the Mortgage Bank, which is a private establishment. This form of credit is *in rem*.

All private credit institutions are subject to supervision by the Ministry of National Economy. In addition, rural co-operative banks are placed under the supervision of the audit unions. The Land Bank is under the supervision of the State.

The guarantees required for short-term loans generally take the form of security, and sometimes, when the term is as long as a year, in the form of a mortgage. Long-term loans always form the subject of a mortgage registration.

Insurance against agricultural risks is not compulsory for borrowers, but the Land Bank requires that immovable property offered as security for the repayment of long-term loans must be insured against fire.

Agricultural insurance, which is compulsory only in the case of premises offered as security, is in the hands of commercial companies, insurance co-operatives, and mutual societies. Commercial companies are subject to supervision by the Ministry of National Economy, the other two categories being subjected to that of the audit unions.

Short-term loans to the amount of 19 million crowns were granted by rural co-operative banks and private banks at 8% interest. These loans are for terms ranging from three months to one year.

Long-term loans, the use of which is supervised when they are granted by the Land Bank, are repayable within a maximum period of sixty years, the average term being thirty years. The rate of interest is 4.5% for long-term loans granted by the Land Bank, and 5% for loans granted by the private Mortgage Bank.

These loans may be used for the purchase of land, the erection of buildings, land improvements, the payment of balances, the repayment of short-term loans, etc.

The agricultural co-operative societies (dairies, potato-growing, joint utilisation of material, etc.) can contract loans for their constitution and ordinary activities. The co-operative dairies, for instance, can obtain long-term loans on favourable terms by applying to the State funds for rural development.

Agrarian indebtedness has increased appreciably since the war, and now amounts to about 110 million crowns. In virtue of compulsory conversion, short-term loans totalling over 12 million crowns have been converted into long-term loans at 4%, repayable in thirty years through the Land Bank. Debts not exceeding the value of the property are adjusted with a view to facilitating repayment. Debts exceeding the value of the property are converted into non-interest-bearing loans for a term of thirty years.

Lastly, the Land Bank is responsible for the financial liquidation of transactions arising out of the agrarian reform.



(f) Germany.

In considering the organisation of agricultural credit in Germany, a distinction must be made between institutions which specialise mainly in short-term credit *in personam* and institutions granting credit *in rem*, generally in the form of long-term commitments.

The various forms employed in the organisation of agricultural credit are adapted to the particular requirements of agriculturists and peasants, especially since the Government instituted a programme to ensure the rational planning of agricultural credit in general, which was to be utilised in such a way as to encourage agricultural production. The factor of State intervention is being increasingly emphasised in Germany.

As regards short-term credits *in personam*, the rural banks of the Raiffeisen type, numbering 18,000, play a very important part. They are grouped in unions of the second degree, under a central corporate institute (Deutsche Zentralgenossenschaftskasse), whose range extends over the whole territory.

This central corporate institute is representative of the private organisation created without State assistance, and groups together rural banks (Genossenschaften) of the Raiffeisen type (with joint unlimited liability), or of the Haas type (with mixed liability) grouped in regional unions.

The Government intervened in 1935 in the national organisation of agricultural credit, the aim being to supply agriculture with all the credits it required, particularly long-term, in the form of credits *in personam* or mortgage credits. The Rentenbank was established accordingly, with a capital of RM500 million. This central agricultural credit establishment may be regarded as a central bank, which simply advances funds to the regional or local institutions to enable them to grant loans to agriculturists.

Agriculturists can also obtain funds within limits, from the Reichsbank direct.

Since 1935, the rural banks and their unions have been able to obtain funds readily from the central corporate institute, and have not found it so necessary to apply to the Rentenbank for financial assistance.

Short-term credits are granted in each province by a provincial bank (Landesbank) and a State bank (Staatsbank), which both come under the same central national institute.

Again, regional banks (Landeschaften), grouped in a central bank (Zentrallandeschaftsbank), grant agriculturists short-term loans and loans repayable at longer intervals. These institutions, whose origins date back to the eighteenth century, are in the form of land credit co-operatives.

Agriculturists can also obtain short-term credits *in personam* from private banks and special agricultural banks (banks for cereals, sugar, agricultural machinery, etc.).

Medium-term credit, which is comparatively rare in Germany, is practised mainly by the credit establishment of the Rentenbank. It is of interest to note that certain rural banks (rural banks for hereditary property) also grant medium-term loans.

As regards credit *in rem*, the proportion of mortgage credits granted by private individuals, usually to facilitate transfers and the settlement of estates, is estimated to be 43%.

The Rentenbank and public establishments such as the provincial and State banks also play a very important part in credit *in rem*. Their operations represent 30% of the total transactions concerning this form of credit.

In addition to the foregoing organisations, mention should be made of the regional banks (Landeschaften) and savings banks, which were responsible for 15% of the credit *in rem* granted in 1935, the first coming to the assistance of large properties, while the second transact business rather with small and medium sized properties.

Lastly, the private mortgage banks and insurance companies grant agriculturists credits *in rem* to the amount of about 12% of the transactions of this nature.

A special credit organisation has been set up to facilitate land improvements by owners; these facilities take the form of long-term credits *in rem* applicable mainly to large-scale development. The credit establishment of the Rentenbank places the funds required for such work at the disposal of the owners, the property constituting the security for the loans.

#### (g) Greece.

In Greece, agricultural credit is in the nature of professional credit, which is, at the same time, *in personam* and *in rem*. It is organised on the basis of mutual and co-operative principles and comprises three degrees. The agricultural credit co-operatives, numbering some 6,000, constitute the lowest degree, followed by the unions grouping these co-operatives and, lastly, the State-founded Agricultural Bank, which controls the working of the various institutions and is responsible for administering the funds entrusted to it by the State.

The loans granted to agriculturists and their co-operatives are of three kinds: short-term loans, on the basis of security or warrants, for defraying current expenditure and financing crops (maximum term, one year; rate, 5½% to 7%); medium-term loans, on the basis of warrants or mortgages, for the purchase of material and live-stock (maximum term, three years; rate, 6½% to 8%); and long-term loans, on the basis of mortgages, for land improvements (term, five to twenty years; rate, 6½% to 8½%). Loans in kind (machinery, seed, fertilisers) and consumption credits may also be granted by credit co-operatives and their unions. The rate of interest for loans to agricultural co-operatives is 1% lower than for individual loans.

At December 31st, 1936, the short-term loans outstanding totalled 1,089 million drachmæ and the medium and long-term loans 270 million drachmæ.

At that date, the outstanding loans granted to agricultural co-operative societies — numbering close on 2,700 — totalled 180 million drachmæ.

The Agricultural Bank of Greece insures agriculturists and their co-operatives against fire, and the Agricultural Insurance Bank administered by the Agricultural Bank insures against hail, frost, deaths among live-stock and accidents.

The insurance of objects employed as security is not compulsory, though certain products, such as tobacco and cotton, are insured when offered as security to the Agricultural Bank.

Certain commercial companies also insure against agricultural risks, though the volume of such business is very small.

All insurance institutions are subject to State supervision.

The funds employed by the credit co-operatives for loans consist mainly of advances — totalling close on 2,000 million drachmæ — from the Agricultural Bank out of the capital at its disposal, to a very small extent of company capital and, lastly, of the deposits placed with them.

The credit co-operatives can also have their bills rediscounted by the National Bank of Greece, which grants them special terms from the point of view of the time-limit and the rate of interest.

The State has established a monopoly for the purchase of cereals and certain products such as carob-beans and has organised the financing of such products at a rate which is favourable to agriculturists.

In view of the necessity of making larger credits available for agriculturists and of financing the agrarian reform, the State decided, in 1929, to place such transactions in the hands of the Agricultural Bank instead of the National Bank. The Agricultural Bank, which has more extensive means at its disposal and possesses specialised services, is endeavouring to form a monopoly of agricultural credit, with the special object of preventing unduly heavy indebtedness.

A law was passed in May 1937 for the adjustment of agricultural debts. It contains provisions for the cancellation of interest due up to the end of 1936 and the reduction of the rate of interest to 3%. In addition, borrowers who completely liquidate their obligations before September 30th, 1938, will be granted a reduction on the capital of their debts up to the amount of 30%. But this law does not concern claims of the Agricultural Bank.

#### (h) Latvia.

In Latvia, there are various institutions from which credit can be obtained for agricultural purposes.

The savings and credit societies and mutual credit societies, all of which are based on mutual and co-operative principles, make short-

term and medium-term loans to the rural population, as do the banking establishments, the Bank of Latvia, which is the bank of issue, and the Latvian Peasant Credit Bank, Limited, which is under State control. Such credits are both *in personam* and *in rem*.

The long-term credit granted by the State Mortgage Bank is available only to agriculturists.

Hitherto there has been no central body grouping savings and credit societies and mutual credit societies, but the creation of such a body is under consideration. The societies can, however, combine into unions, though for somewhat limited purposes. They are under the supervision of a Co-operative Societies' Board of Control. In the case of the Mortgage Bank and the Bank of Latvia, their administrative authorities, more particularly the Board of Control, are appointed by the Government.

The liability of members of co-operative organisations is not confined to the share capital subscribed; the extent of such liability at law is, in each case, determined by the organisation's instruments of association, and may amount to from ten to twenty times the amount of the capital actually subscribed.

The State Mortgage Bank confines itself mainly to granting long-term mortgage loans at 2%, repayable within a period not exceeding forty-one years for specific transactions — *e.g.*, the purchase of land, the payment of the balances required to equalise the shares of the respective heirs to a partitioned estate, building or improvements.

On December 31st, 1936, the total amount of such loans exceeded 300 million lats. In addition, the Bank's medium-term loans totalled, on the same date, approximately 12 million lats.

The other institutions grant short-term and medium-term loans repayable in three years at from 5% to 8%, without requiring any specific undertaking as to the use to which the funds are put. These loans, which are secured in various ways, may facilitate such operations as the purchase of holdings, the erection and repair of buildings, purchase of stock, seed, fertilisers and miscellaneous supplies, and may sometimes even be used for consumption purposes. On December 31st, 1936, the short-term loans of the savings and credit societies amounted to 47 million lats, and those of the Bank of Latvia and other credit institutions to nearly 15 million lats.

The funds of the Mortgage Bank are provided by the Treasury out of the Economic Reconstruction Fund. The Bank's resources consist, more particularly, of a capital of 7 million lats assigned by the State, reserves (7 millions) and a certain proportion of the annual profits.

In addition, at the end of 1936, the savings and credit societies had at their disposal 12 million lats, representing share capital and reserves, 19 million lats deposits and 31 million lats representing loan funds, the latter sum including loans by the Bank of Latvia. These societies do not receive advances from the State.



The funds required by co-operative societies for the production, processing and sale of agricultural produce are obtained by the subscription of share capital.

Producers' co-operatives and, more particularly, those concerned with dairy products and distilling, resort to the Mortgage Bank for the loans necessary to cover their initial expenditure on foundation. To date, they have received more than 15 million lats in this way.

For loans to cover operating expenses the societies may apply to the various short-term credit institutions.

Collective purchasing and marketing co-operatives obtain goods on credit from the central associations to which they are affiliated and have, in addition, raised loans totalling more than 1 million lats.

The development of agricultural credit in Latvia was particularly necessary to facilitate the reconditioning of agricultural holdings after the war and the introduction of agrarian reform.

The State Mortgage Bank has played a highly important part in such reform, as it has undertaken liability for the payments due in respect of the repurchase of land assigned by the "Public Lands Authority". These payments, amounting in all to 80 million lats, have been converted into long-term loans. They concern 123,000 holdings.

The Mortgage Bank has also lent 92 million lats for the erection of essential buildings on 105,000 new holdings.

The Mortgage Bank has further acquired some 40,000 hectares of landed property belonging to private persons for distribution to landless peasants without the means to purchase land themselves. Hitherto 1,988 agricultural holdings, representing a total area of 38,000 hectares and a total sale-price of more than 8 million lats, have been created in this way.

The indebtedness of agriculture which, before the war, amounted to 230 million roubles (the equivalent of 585 million gold francs), has been considerably reduced, the present estimated figure being 309 million lats.

To deal with this indebtedness, certain measures have been taken. Following the fall in the price of agricultural produce, for example, the Mortgage Bank decided to limit the rate of interest on its loans and to convert a total of 25 million lats of short-term debts into longer term debts. By these measures, 32,000 agricultural holdings (or a quarter of the total) have benefited.

In Latvia, insurance against agricultural risks is effected through a special Fund created at the Ministry of Agriculture by ordinary commercial companies and mutual societies. Insurance is compulsory when property, either movable or immovable, is assigned as security for loans.

#### (i) Lithuania.

In Lithuania, credits for agriculture are provided through a rural credit organisation, based, at least in so far as short-term loans are concerned, on mutual and co-operative principles.

The organisation comprises 220 peoples' banks — one in each of the more important towns and villages — which are, in fact, credit co-operatives.

Before the war, there were rather more than 200 such co-operatives, mainly of the Schulze-Delitsch type.

After the war, they almost all went out of existence.

From 1922 to 1928, the new independent Lithuania authorised the foundation of 600 credit co-operatives, but, at present, there are only 219 of these in operation in the villages and 103 in the towns.

These societies have a total membership of 111,000. 85,000 members, mainly agriculturists, as against a total of 300,000 agriculturists throughout the country, belong to the 219 village co-operatives.

The peoples' credit banks are affiliated to a central body known as the Co-operative Bank (Kooperacijos Bankas), which, though originally founded as a co-operative organisation, has, since 1933, become a limited liability company with a capital of 3,000,000 litas, of which 2,500,000 litas were subscribed by the State.

The Co-operative Bank's chief function is to provide the peoples' banks with funds for short-term loans. They are also able to make loans direct to agricultural co-operative societies.

In addition, there are, in the Klaipeda district, forty Raiffeisen banks from which agriculturists can obtain short-term loans.

The total membership of the rural peoples' banks and the Raiffeisen banks thus exceeds 90,000.

An Agricultural Bank (Zemes Bankas) has also been created by the Government for the purpose of making medium- and long-term loans direct to agriculturists and their co-operative organisations. The Zemes Bankas is a mortgage bank. The mortgaged property (buildings) must be insured against fire. All these institutions are subject to the control of the Ministry of Finance.

At present, the short-term loans made by the credit co-operatives (peoples' banks and Raiffeisen banks) total 55 million litas. The loans made to individual borrowers may not exceed a total of 5,000 litas. The longer term loans made by the Zemes Bankas amount to nearly 144 million litas, of which 115 millions represent agricultural mortgage loans, and 14 millions loans to agricultural co-operative societies.

The loans made by the Kooperacijos Bankas total 18 million litas, made up as follows: 14 million litas lent to credit co-operative societies, 1 million to agricultural co-operative societies, and 3 millions to individuals.

The funds of these institutions (credit co-operative societies, Kooperacijos Bankas and Zemes Bankas) consist mainly of their share capital (56 million litas), deposits (80 million), and, in the case of the Zemes Bankas, of bond issues.

The State's advances to the Agricultural Bank total approximately 42 million litas.

The bank of issue rediscounts agriculturists' bills for a period of six months. Two three-month extensions may be allowed, subject to the payment of part of the original amount of such bills.

The agricultural collective buying and marketing co-operatives and the co-operative societies of dairymen, which — apart from the credit co-operatives — are the most important co-operative organisations in the country, obtain the funds for their creation and operation out of their own resources, and also in the form of advances from the Agricultural Bank, the credit co-operatives and the Lietuvos Bankas.

The agricultural credit institutions founded after the war have been of great assistance to agriculturists, particularly in regard to stock-breeding.

The indebtedness of agriculture — taking into account the debts due to credit establishments only — may be estimated at 250 million litas, or 50 litas for each hectare in cultivation. Facilities have been granted by the Government to enable borrowers to repay their debts.

Dairymen's co-operatives are particularly highly developed in Lithuania. Though very few in number before the war, the registered co-operatives now number 600, though only a little over 200 of these, it is true, are in effective operation.

In 1937, 188 of the co-operatives sold dairy produce, to a value of 64 million litas, mainly for export.

Export operations are conducted through the Prenocentras Co-operative Union, which also centralises the marketing of eggs.

Agriculturists' co-operatives for the collective purchase of necessary supplies have also been organised in Lithuania, and at present number 142.

The problem of agricultural insurance and its organisation is at present under consideration by the public authorities. Hitherto, agriculturists have usually insured against fire; insurance against other risks, though not unknown, has been infrequent.

Most insurance policies are taken out with commercial insurance companies, one of which was granted a State monopoly in the early days of the country's independence. In due course, however, the monopoly was discontinued, and a National Insurance Institute was set up by the State. Mutual fire-insurance societies have been founded by agriculturists, though they are few in number.

Such mutual societies are reinsured by the State Institute.

#### (j) **Luxemburg.**

In Luxemburg, agricultural credit operations are carried out by various very differently constituted bodies, all created since the war. The Agricultural Improvements Fund only makes loans to agriculturists; the Raiffeisen banks grant rural credit and do not therefore confine their business to agriculturists; while the Land Credit Bank and other banks accommodate borrowers of all categories.



The Agricultural Improvements Fund is under the direct control of the Department of Agriculture and extends its activities to the whole country. Its purpose is the granting of long-term loans to agriculturists and agricultural co-operative societies. The security required of individuals is a duly registered mortgage together with, in some cases, a life-insurance policy, while that required of associations is an unlimited joint and several guarantee subscribed by the members. The loans granted by the Agricultural Improvements Fund, whose resources are now exhausted, total 20 million Luxemburg francs, 15 million of which has been lent to agricultural co-operative societies to enable them to cover building and reconditioning costs.

The Raiffeisen banks are grouped in a central Federation which is also a co-operative institution and supervises the operations of the individual offices.

The Raiffeisen banks only conduct short-term operations with their members. They are the only institutions authorised to grant agriculturists and their associations loans on warrants. They are, for example, of great assistance to the co-operative wine-growers' associations, to which they make loans at a reduced rate of interest to finance wine production, the State paying the difference between the reduced rate and the current rate of interest.

The Land Credit Bank is a public institution with a State guarantee and under State control, from which farmers and their co-operatives can obtain long-term mortgage loans. Agricultural improvement associations are, however, exempt from the rule that loans must be secured by duly registered mortgages.

It is interesting to note that another public institution, the Savings Bank, is also authorised to make loans to agricultural co-operative societies — though not to individuals — on condition that their instruments of association provide for the unlimited joint and several liability of their members.

Taken altogether, the loans granted by the various organisations to agricultural co-operative societies may be estimated at 20 million Luxemburg francs. As the result of this financial support, the co-operative movement in the Grand Duchy of Luxemburg has developed satisfactorily (syndical agricultural improvement associations, syndicates for purchasing supplies, marketing produce and the joint use of agricultural equipment, co-operative associations for production, processing, stocking and marketing, agricultural mutual insurance organisations etc.).

The security required for short-term loans usually takes the form of produce warrants. The provisions governing agricultural warrants (Law of May 3rd, 1934) are comparable to those of the French Law, and, in particular, do not allow of the disposal of the security by the borrower. A duly registered mortgage is required for long-term loans.

Agricultural insurance is largely in the hands of commercial companies, though the risk of loss of live-stock through death is covered by



mutual associations affiliated to a Federation of Associations for the Insurance of Live-stock, which, at the same time, is a reinsurance organisation.

Insurance business cannot be carried on without a Government authorisation given on the advice of the Council of State. Insurance institutions are further required to deposit security, and, more particularly in the case of mutual societies, are under State supervision.

Agricultural indebtedness having appreciably increased since the war, the Agricultural Improvements Fund was provided, by the law of May 27th, 1937, with the sum of 10 million Luxemburg francs to assist agriculturists in adjusting their debts.

#### (k) Poland.

In Poland, mutual and co-operative methods play only a very limited part in the agricultural credit system. Though agriculturists can, indeed, obtain loans from co-operative organisations, they rely chiefly upon State institutions (State banks, public institutions) and also upon private companies, mortgage establishments, banks, etc.

The short-term credit institutions are grouped in central credit institutions by which they are financially supported and supervised. The central institutions can, in their turn, obtain re-discount facilities from the Bank of Poland.

The State's contribution to the system was the creation of the State Agricultural Bank in 1919. The Bank provides credit facilities for the subdivision of estates, the repayment of debts in connection with the purchase of buildings and live-stock, the consolidation of holdings and land improvements. It is also responsible for the administration of the agricultural reform working capital fund, from which loans are made to new owners to facilitate the working of their holdings.

The agricultural credit institutions grant short- and long-term loans but not medium-term loans. The short-term loans are designed to facilitate agricultural production and the marketing of produce. They are of particular importance in the financing of crops, for which purpose 120 million zloty have been advanced since 1934.

The long-term loans are designed to facilitate the purchase of land, the repayment of debts contracted on onerous terms, the payment of balances to equalise the respective shares of the heirs on the partitioning of an estate, building and agricultural improvements.

On January 1st, 1937, the State Agricultural Bank controlled a capital of 100 million zloty, 240 million zloty derived from bond issues, deposits to the value of 125 million zloty, together with sundry other funds.

In 1935, the credit co-operative societies, membership of which is confined to agriculturists, controlled share capital to the value of 16 million zloty, 105 million zloty derived from bond issues, and deposits to a total of 34 million zloty.

In addition to the exclusively agricultural co-operatives there are so-called general co-operatives, 60% of whose members are agriculturists. In 1935, their funds were made up of share capital to the value of 36 million zloty, 205 million zloty derived from bond issues, and deposits totalling 113 million zloty.

The communal savings banks, finally, had a capital of 15 million zloty and 160 million zloty in deposits.

Deposits play a more or less important part in the operation of all three categories of institution. The rate of interest paid varies from 1% to 6½%, according to the period of deposit.

To January 1st, 1937, the State Agricultural Bank had granted short- and long-term loans to a total of 318 million zloty. In addition, the loans made by the private long-term credit institutions total 450 million zloty, the communal savings banks 58 millions, and the credit co-operatives 88 millions.

The funds required by agricultural co-operative societies for their foundation and operation are derived from their share capital, subscriptions and such loans as they can obtain from the Central Fund of the co-operative societies on the one hand, and the Bank of the Federation of Co-operative Societies on the other. At December 31st, 1935, such loans totalled approximately 100 million zloty, of which 55 millions had been advanced by the Central Fund and 45 millions by the Bank of the Federation.

As regards the financing of crops, advances on collateral security are made each year by the Bank of Poland (37 million zloty in 1937/38). This form of credit may also be obtained from the State Agricultural Bank, the National Economy Bank and certain private banks.

Since the war, agricultural credit has been instrumental in increasing agricultural production; it was particularly necessary as usury was widespread in agricultural affairs.

Though credit has not been made available on an excessive scale, the indebtedness of agriculture amounted, on October 1st, 1932, to 4,800 million zloty. Steps have been taken to improve the position of borrowers, the most important measure in this respect being the Law of October 24th, 1934, as amplified by the Decree of March 22nd, 1935, and the Law of November 14th, 1935, which provide, amongst other things, for a moratorium in respect of the repayment of the principal of debts, the extension of the periods of payment from thirty-one to fifty-three years, a reduction of the rate of interest and the conversion of the annual payments outstanding into new long-term loans.

These various measures were the outcome of the introduction of a policy of deflation and were designed to adapt the agriculturist's charges to his materially reduced income.

The security usually required by agricultural credit institutions for short-term loans are crop warrants and sureties, and for long-term loans duly registered mortgages and the pledging of movable property.

Agricultural insurance is in the hands of private institutions (joint-stock companies and mutual societies) which are under State supervision, and by public establishments. Insurance against loss of stock by death is now in process of organisation. Insurance is not compulsory, except against fire.

(1) **Roumania.**

In Roumania, the agricultural credit system at present comprises the following institutions:

The people's banks (credit co-operatives) and the agriculturists' credit banks, which conduct short-term, medium-term and long-term credit operations;

The Agricultural Mortgage Bank of Roumania, the Mortgage Loans Institute, the Rural Land Credit Bank and the Rural Bank, which confine themselves entirely to long-term credit operations;

The National Agricultural Credits Institute, which was recently created with a view to granting short-term, medium-term and long-term loans through the above-mentioned institutions and other credit institutions specified by the law;

The commercial banks, whose loans to farmers represent 50% in value of all their operations, and, lastly,

Private persons.

The co-operative credit institutions, of which there are 4,048, are affiliated to fifty-three regional federal banks, attached, since the Law of June 23rd, 1938, to the Central Co-operative Bank, which is the banking department of the new organisation known as the National Co-operative Institute.

In addition, there are 554 minority credit co-operatives affiliated to four regional federations.

The Agricultural Mortgage Bank of Roumania was founded under a special Law of March 18th, 1931. It is a joint-stock company with a capital of 330 million lei, half of which was subscribed by the State and the other half by the banks. The State has placed at its disposal a sum of 1,310 million lei to be used for long-term loans at 5%, to facilitate the settlement of agricultural debts and to enable agriculturists to purchase land and improve their equipment.

The Mortgage Loans Institute was founded in 1930 by the chief Roumanian credit establishments, with a capital of 100 million lei, for the adjustment of agricultural debts.

The Rural Land Credit Bank, which, like the Agricultural Mortgage Loans Bank of Roumania, was established under the special Law of March 18th, 1931, grants long-term loans against which bonds are issued, secured by mortgages on the borrowers' property. These bonds bear interest at 5% and are quoted on the Bourse. They are redeemable in

fifty years. The Rural Bank was founded in 1908 for the purpose of making long-term loans for the purchase of land.

The present system is completed by the National Agricultural Credits Institute, founded in 1937. Its initial share capital of 1,000 million lei was subscribed half by the State and half by the National Bank, the co-operative institutions and the other agricultural credit establishments.

The National Institute is to receive a sum of 100 million lei from the State annually for twenty years, together with the funds advanced by the State to the secured loans offices now being wound up.

The National Agricultural Credits Institute is to make loans to agriculturists owning holdings of less than fifty hectares in area, either direct or through the local credit co-operatives and the agriculturists' credit banks.

The National Institute has hitherto decided to open fifty-five departmental branches, of which twenty-five are already in operation. This organisation will be able to obtain valuable support from the co-operative movement, the direction of which has, since the Law of June 23rd, 1938, been centralised in a single body, the National Co-operative Institute, more than half of whose capital — viz., 512 million lei — has been subscribed by the State, on the understanding that the balance of the total of 1,000 million lei is to be supplied by the co-operative societies and their federal banks.

The commercial banks lend chiefly to small landowners. Their loans total more than 17,000 million lei, or a third of the total agricultural indebtedness.

Loans made by private individuals amount to more than 22,000 million lei, or 42% of the total agricultural indebtedness.

The funds used by the various institutions for loans to agriculturists are derived from their share capital and reserves, re-discount by the National Bank and the big commercial banks, bond issues and deposits.

By its instruments of incorporation, the National Bank is authorised to re-discount agricultural bills for a maximum period of nine months up to a value representing 40% of all its bill holdings. In fact, the proportion has sometimes been as high as 60%.

In addition, the bank of issue can make advances on warrants, and has done so to a total of 554 million lei.

The National Bank has further contributed 424,500,000 lei to the capital of the National Agricultural Credits Institute.

The State's share in the agricultural credit system has taken the form of large contributions to the capital of the various institutions (National Co-operative Institute, National Agricultural Credits Institute, Agricultural Mortgage Loans Bank, Rural Bank), loans to such institutions, the underwriting of certain of their commitments and the indemnification of the institutions for a part of the losses sustained by them in consequence of the measures for the assistance of agricultural debtors.

The rate of interest charged by the private institutions on short-term loans is  $9\frac{1}{2}\%$ , or 5% higher than the discount rate of the National



Bank, which is the maximum fixed by law. The long-term credit establishments, supported by the State, charge rates varying from 5% to 6½%.

The security required of borrowers varies according to the length and amount of the loan. Three- to six-month loans are secured by bills with sureties. Six- to nine-month loans are secured on crops, equipment and live-stock. In the event of default, the security attaches automatically to the crops of the succeeding years for a period of five years.

Long-term loans repayable in from ten to thirty years are secured by mortgages, whatever their amount.

The mortgage system differs from province to province. In the Old Kingdom, the mortgage deed is authenticated and registered by a court of law. In the provinces formerly governed by the Hungarian and Austrian codes, mortgages are entered in the land registers, in which separate records are kept of all transactions in regard to each plot of land.

The agricultural credit institutions are governed by a special law, under which they enjoy special facilities in the matter of proceedings and foreclosure; the procedure provided for in such cases is both simple and expeditious, so that, in the event of default, the institutions are able to enter immediately into the possession or enjoyment of the mortgaged property.

Agricultural insurance is still largely undeveloped in Roumania, where insurance business is carried on by only a small number of commercial companies dealing largely with urban risks.

Certain companies, however, are prepared to insure agriculturists against hail and the death of stock as well as against fire.

According to the records of the office for the supervision of insurance companies, only 4,000 head of stock were insured against death in 1937, the benefits paid out representing 57% of the premiums.

As regards hail, five big insurance companies came to an agreement in 1922, with a view to affording the greatest possible insurance facilities to agriculturists, through the adoption of a common scale of premiums. In 1937, however, only 150,000 hectares were insured against hail, in consequence of the high rates.

The best way of dealing with agricultural insurance in Roumania would seem to be through mutual and co-operative organisations adequately subsidised by the State.

#### (m) Switzerland.

In Switzerland, farmers can obtain the credits they need from various bodies which do not, as a rule, specialise in agricultural credit operations. With the exception of the Raiffeisen banks, which transact rural credit rather than professional credit business, the institutions which may make loans to farmers or farmers' associations are the cantonal

banks (State banks created, *inter alia*, to relieve indebtedness), mortgage banks, regional banks and savings banks.

The 650 Raiffeisen banks which are local savings and credit co-operative societies, form a national federation, the Swiss Union of Mutual Credit Banks (Raiffeisen system), which is also constituted on co-operative lines but has limited liability, whereas the liability of local banks is unlimited.

This national federation has set up a Central Bank, the purpose of which is to accept the cash balances of local banks and supply the latter, if necessary, with the funds needed for their operations. It has also created an Audit Department, which supervises the affiliated institutions and is also responsible for the official audit provided for under the Federal Law on Banks.

Raiffeisen banks grant farmers short- and medium-term loans against bonds or collateral security (warrants are not allowed by law) and long-term mortgage loans. On December 31st, 1937, the total amount of loans granted was 330 million Swiss francs, 40 millions of these being short-, 55 millions medium- and more than 235 millions long-term loans.

The assets of these institutions consist of their share capital (5 million Swiss francs), their reserve funds (14 millions), deposits (363 millions) and advances from the Central Bank (5 millions). The Central Bank has similar assets amounting to 63 millions, consisting chiefly of deposits (59 millions).

These institutions receive no financial support from the State.

The State cantonal banks and the mortgage banks make long-term loans to farmers on mortgage security and short- and medium-term loans for current working requirements.

Agricultural co-operative societies have made great progress in Switzerland, where they number nearly 6,000. Dairy and stock-breeding co-operatives are the most numerous. They are able to obtain the funds they need from Raiffeisen and ordinary banks.

Since the war, farmers have sometimes found it too easy to obtain bank credits and have, therefore, become heavily indebted. Steps have had to be taken to relieve the burden of debt on agriculture, particularly by granting time for the repayment of loans.

Insurance cover against agricultural risks is granted by such public institutions as insurance societies and also by commercial companies. Movable or immovable property used as security for the repayment of agricultural credit loans must be compulsorily insured.

Private insurance companies operate under State supervision on the basis of concessions authorising them to effect their transactions.

Some forms of insurance, organised with the financial help of the State, are of an obligatory character. In the Canton of Vaud, for instance, there is a compulsory fire-insurance fund formed in 1811 for immovable and in 1849 for movable property. Since 1926, this fund insures movable and immovable property compulsorily against the risk of damage done by natural causes (floods, landslides, avalanches). Since 1821, there

has been a cantonal compulsory insurance fund for losses caused by animal diseases, and another fund of the same kind was formed in the canton in 1886 to cover damage due to phylloxera. In 1928, the Canton of Vaud also instituted an official and compulsory system of insurance against hail damage, at any rate as regards cost of labour, in the case of vines and cereals.

(n) **Turkey.**

Agricultural credit in Turkey dates back to 1863, when Midhat Pasha created the National Funds (*Caisses du pays*).

These funds were financed by a charge (*emece*) on the income from land held under a State concession and worked collectively by agriculturists, and later by a tax payable by the parties concerned.

When these funds fell into the hands of moneylenders, they were later merged in the so-called Agricultural Bank and placed under Government supervision.

In spite of the spread of its organisation, the increase in its capital and the various functions which it had to discharge in the field of public finance, the Agricultural Bank was unable to give any real help to agriculturists as long as the Empire held sway. Under the Republic, however, and after thorough studies and experiments had been made between 1923 and 1936, the Bank was reorganised under the direction and control of the State.

Agricultural credit is now regulated by the Agricultural Bank Law, the Agricultural Credit Co-operative Society Law and the Co-operative Sales Society Law and operates as a public service. It accounts for a great part of the activity of the Agricultural Bank, which is a business concern with the whole of its capital owned by the State.

Private banks and individuals nevertheless still make loans to farmers, but their transactions are limited and are strictly supervised.

The agricultural credit institutions controlled as above are the Agricultural Bank, the agricultural credit co-operative societies and the co-operative sales societies.

Under the Organic Law of June 1936, the Agricultural Bank has acquired the character of an autonomous State institution, possessing a legal personality and responsible for distributing, administering and regulating credits to agriculturists.

Under the regulations governing agricultural loans, a primary essential is the merging of agricultural concerns in co-operative societies. At the end of 1937, there were 591 agricultural credit co-operative societies, with a membership of 102,000, and two co-operative sales unions.

The private institutions engaged in agricultural credit operations are the Manissa Wine-growers' Bank, the Akhisar Tobacco-growers' Bank and the Bergama Tobacco-growers' Co-operative Society, to which should be added the larger Roumanian commercial banks.



The Central Bank of Issue has extended its activities in recent years in the field of agricultural credit, particularly in financing agricultural produce for export purpose. It is authorised (1) to re-discount agricultural bills not exceeding a date of nine months presented to it by the Agricultural Bank and the larger commercial banks, and (2) to secure, under State guarantee, the necessary funds for making medium- and long-term loans to any bank with a capital of more than £T4 million.

The loans made to agriculturists are of several kinds: "working" loans, intended partly to furnish working capital and partly to facilitate purchases of live-stock, improvement or development loans, land loans and financing loans.

The term of a loan depends on its purpose. It varies from one to five years in the case of working loans, and goes up to twenty years in the case of improvement loans.

The interest rate on loans made to farmers by the Agricultural Bank and the credit co-operative societies is 8½%. Private banks and individuals grant loans at the same rate.

The security for loans may, according to circumstances, be a joint and several undertaking given by the farmers, a mortgage on immovable property, a pledge on live-stock, implements or supplies or growing crops, a guarantee by the State or the local authorities.

In the case of all loans, it is customary for the next crop to be pledged as an additional security.

Loans to co-operative societies are secured by a joint undertaking of the members to repay.

The mortgage system works excellently. There are special provisions operating in favour of the Agricultural Bank. The document recording the debt is sent to the Registry and Land Survey Office, together with a letter on which the Department automatically enters a mortgage in the Bank's favour. In addition, tax-exemptions are granted on all transactions effected by agricultural credit institutions.

There are special regulations governing the measures of distraint which agricultural credit institutions can take against debtors. In the case of mortgages and collateral security, the Agricultural Bank can realise the security direct. In the case of loans granted on the joint security of agriculturists, the Bank takes the place of the tax-collector and acts under the provisions of the law for the collection of public taxation.

Agricultural indebtedness does not seem to be excessive in Turkey. Agriculturists owe about £T37 million to agricultural credit institutions and the banks, and a slightly larger amount to private individuals.

Under a Law of June 24th, 1935, however, agricultural debts contracted with the Agricultural Bank up to the end of 1932 will be charged interest at 3% per annum and extended for fifteen years, repayments to be made in equal annual instalments.



(o) Yugoslavia.

In Yugoslavia, agricultural loans are granted by three types of institutions: agricultural credit co-operative societies, the Privileged Agrarian Bank and bodies of a somewhat special character — the district relief associations. In addition, certain private banks and the autonomous savings banks make loans to agriculturists.

The credit granted by most agricultural co-operative societies is of a “professional” character and is usually *in personam*. The Agrarian Bank also grants “professional” credit, both *in personam* and *in rem*. The other institutions, including the private banks, mostly grant “rural” credit.

The agricultural credit co-operative associations, similar to Raiffeisen banks, are the oldest institutions. Two-thirds of them — 3,131 in number — were founded under legislation enacted before the war of 1914. They are grouped in regional associations, which, in turn, have formed a Central Federation of Co-operative Unions. The unions and the Federation comprise, however, not only credit co-operative societies, but also all the other forms of co-operative society.

There are, in addition, about 1,500 “banovina” credit co-operative societies, so called because their sphere of operations coincides with the administrative area known as the banovina; these have formed five provincial co-operative associations, grouped in a National Union of Credit Co-operative Societies. In 1933, this National Union took the place of the Central Co-operative Society for Agricultural Credit, a central organisation of “banovina” co-operative societies formed in 1929, when the Agricultural Credit Department at the Ministry of Agriculture was abolished in favour of the Agrarian Bank, which took over the capital at that Department’s disposal.

The “banovina” co-operative societies founded under the Organic Law of June 12th, 1925, have been operating since 1928, and have a membership of more than 100,000. The National Union places the requisite funds at their disposal through the provincial associations, and controls their operations.

The Agrarian Bank created by the Law of April 16th, 1929, was founded with a share capital of 700 million dinars, 200 million of which were subscribed by the State to grant loans on favourable terms to agriculturists. In this respect it enjoys certain privileges granted by the State, which enable it to reduce the interest rate on loans.

The Agrarian Bank is not a State bank; but the State controls it very closely and appoints some of the members of its Board of Directors. The Bank can make short- and long-term loans direct to agriculturists who are not members of a credit co-operative society, and to agricultural associations. The Chairman of the Board of Directors of the Agrarian Bank is appointed by the Government and by a special Commissioner.

The district relief associations exist only in Bosnia and Herzegovina, where they were set up under the Turkish regime. The original object

was to constitute reserves of grain, which were kept in communal barns as a safeguard against famine. Under Austro-Hungarian rule, these grain reserves were sold, and the proceeds had then to be used in each district to grant loans to agriculturists, sometimes in cash but more especially in kind. These institutions are therefore fully comparable with the provident societies found, for instance, in North Africa which have the same derivation (reserve silos).

The district relief associations are controlled by a committee of some thirty agriculturists, with the assistant-prefect as chairman. They are mutual associations, all the agriculturists in the district being jointly responsible if a loan made to any one of them is not repaid.

A recent Law of September 11th, 1937, for the unification of co-operative regulations enacted that co-operative societies and their unions could form a Co-operative Bank with national jurisdiction. Negotiations are at present proceeding for the constitution of this Central Bank.

Under the same Law, credit co-operative societies are under the control of the regional unions and of a single General Confederation, of which all the regional unions must be members.

All the credit co-operative societies and their unions, if they comprise less than 300 societies, must, in future, also belong to a regional audit union. If a union has a membership of at least 300 co-operative societies, it may make audits itself.

Agricultural credit institutions may grant agriculturists short-term, medium-term and long-term loans.

Short-term loans for current expenses are granted for a maximum period of one year at a rate ranging from 5% to 10%. Medium-term loans at similar rates of interest are repayable within three to five years and are intended to facilitate purchases of live-stock, supplies, etc. Long-term loans, repayable within not more than thirty years, bear interest at 6% to 8%. They are used for the purchase of land, erection of buildings or the consolidation of existing debts.

Credit co-operative societies sometimes grant credit in kind and consumption credit.

Agricultural co-operative societies engaged in production, processing and selling can obtain long-term loans from the Privileged Agrarian Bank to meet their costs of incorporation, which are also defrayed out of funds derived from their share capital. For their operations, agricultural credit co-operative societies obtain short- and long-term loans from their associations or from the Agrarian Bank, or through the latter from the National Bank of Issue.

Almost all the loans made by credit co-operative societies are short-term loans.

On December 31st, 1935, the credit co-operative societies constituted prior to the Law of 1925 had made loans amounting to 1,836 million dinars, while the credit co-operative societies constituted since that date had lent 268 million dinars.

The funds from which these institutions make loans to agriculturists are constituted by their share capital (83 million dinars), reserve funds (160 million dinars), and, above all, by their deposits (2,500 million dinars). Credit co-operative societies, however, may also obtain from the Privileged Agrarian Bank the necessary funds for making medium- and long-term loans.

In addition, the Bank of Issue agrees to discount, at nine months date, the agricultural bills carrying three signatures, presented to it by credit co-operative societies. There is no special discount rate for these bills.

The loans granted by the Privileged Agrarian Bank amounted, on December 31st, 1937, to 742 million dinars, including 425 millions of long-term mortgage loans, 296 million dinars of loans to agricultural co-operative societies and 8 million dinars lent to individual farmers. The Bank has a share capital of 700 millions, a reserve fund of 38 millions and deposits amounting to 35 millions.

Between July 1st, 1936, and June 30th, 1937, the district relief associations lent nearly 4 million dinars, 3.5 millions of these being in kind and 400,000 dinars only in cash. Their share capital amounts to 15 million dinars and their reserve fund to nearly 1 million dinars.

District relief associations receive advances from the Agrarian Bank.

The security demanded by agricultural credit institutions consists, in the case of short-term loans, of a guarantee given by two or three persons and a pledge on personal property (the credit warrant is not much used and involves also dispossession of the pledge, except in the case of co-operative societies which can rank as public warehouses); in the case of medium-term loans, a pledge on movable property, a bond and particularly a mortgage, and, in the case of long-term loans, mortgage registration.

Insurance against agricultural risks is compulsory only when the pledge is given on immovable property. In practice, however, it is also required in the case of movable property.

Fire-insurance business is done almost entirely by commercial companies. The same applies to insurance of live-stock against death, except in the Sava banovina, where 139 mutual insurance companies are grouped in a central company, which, in 1937, insured property of a value of more than 26 million dinars.

Under a Decree-law of 1931, crops must be compulsorily insured against damage from hail. Each banovina has to set up for this purpose a public institution or co-operative society to carry out such transactions. A number of these institutions have already been formed, particularly for the insurance of tobacco.

The law of September 11th, 1937, also provided for the creation of insurance co-operative societies under conditions which will be defined later.

The insurance co-operative societies now in existence are subject to supervision by the Ministry of Agriculture.

The privileged Agrarian Bank has been entrusted with the financial liquidation of agrarian reform. It has been empowered to issue 4% bonds with a State guarantee, repayable in thirty years, in order to be able to pay compensation on behalf of agriculturists to expropriated land-owners. Such agriculturists must in turn repay the Agrarian Bank within a period of thirty years, the rate of interest charged being 5%.

Agricultural indebtedness has risen from 3 milliard dinars in 1926 to 7 milliard dinars in 1932, which represents 2,550 dinars per hectare of land under cultivation. In the same period, agricultural income has fallen from 31 to 15 million dinars. The Government has therefore had to take steps to relieve debtors (suspension of distraint, postponement of payments, etc.), pending a final solution of the problem of indebtedness. On September 25th, 1936, a Decree-law was finally passed for the liquidation of debts contracted by agriculturists before April 20th, 1932.

Interest calculated at a maximum rate of 12% is added to the capital amount outstanding for the purpose of calculating the various reductions made. Debts ranging between 250,000 and 500,000 dinars are reduced by 50% up to 25,000 dinars. Debts exceeding 25,000 dinars are reduced by 50% if the debt exceeds half the debtor's capital, and by 30% if the debt does not exceed half his capital.

Half of the debt thus reduced must be paid by the debtor, while the balance is borne equally by the creditor and by the State in the form of 3% bonds repayable in twenty years.

Agriculturists are obliged to pay their reduced debts to the Agrarian Bank in equal annual instalments within twelve years, with interest at 4½%.

In application of the Decree-law, claims on agriculturists were lodged with the Agrarian Bank before June 1st, 1937. More than 4,000 creditors lodged claims in this way against 650,000 agriculturists, for a total amount of 2,750 million dinars.

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**Group 3: COUNTRIES WITH AN AGRICULTURAL CREDIT ORGANISATION ON A CO-OPERATIVE BASIS WITH A PUBLIC INSTITUTION AT THE HEAD OR A CENTRAL COMPANY WITH CAPITAL LARGELY SUBSCRIBED BY THE STATE**

**(a) Algeria.**

The organisation of agricultural credit in Algeria is based on the same principles as in France — *i.e.*, on the principles of mutual insurance and co-operation.

The three stages in the organisation are the local banks, the regional banks (which are co-operative societies) and the Caisse algérienne de crédit agricole mutuel, which is a public institution entrusted with the management and finance of the agricultural credit funds and with the supervision of the local and regional banks.

Agricultural credit in Algeria is governed by a Decree-Law of October 4th, 1935, embodying amendments and additions to the provisions of the Decree of November 26th, 1925.

Loans by agricultural credit banks in Algeria are of three classes — *viz.*, (a) short-term loans to cover current agricultural outlay, (b) medium term loans more particularly for the purchase of agricultural implements and live-stock, and (c) long-term loans to finance the acquisition of agricultural small holdings.

The sum total of loans advanced amounted on December 31st, 1937, to some 882 million francs, of which 718 millions were short-term loans, 31 millions medium-term loans, 47 millions long-term loans to individuals and 86 millions long-term loans to agricultural co-operatives.

Loans from the agricultural credit banks are available to agricultural co-operatives as well as to individual agriculturists, especially in the form of long-term loans to enable the co-operatives to acquire buildings or plant. Loans for such purposes may amount to as much as 70% of the total expenditure for the purpose.

The majority of Algerian co-operatives, of which there are now 358, were formed with the aid of agricultural credits. On December 31st, 1937, they had received loans to a total of 146 million francs, of which 93 millions had still to be repaid.

The operations of the agricultural credit banks are financed both from their own funds and from advances by the Caisse algérienne. They are entitled to rediscount paper with the bank of issue.

The funds of the agricultural credit banks include their registered capital, which amounted on December 31st, 1937, to 62 million francs, their reserves, which amounted to 70 millions, and the deposits made with them by agriculturists, which amounted to 400 millions.

The regional banks also receive advances from the Caisse algérienne. On December 31st, 1937, these advances totalled nearly 122 million francs.

The Banque d'Algérie rediscounts three-month agricultural bills with the option of two renewals. A reduction of 1% in the rate of discount may be made where the bills are presented for rediscount by a third party bank or by the Caisse algérienne itself.

The agricultural credit banks have furnished Algerian agriculturists with assistance which has been of marked value to them in recent years when they have been forced by the economic depression to have relatively extensive recourse to credit.

The decline in sales and the fall in the prices of agricultural products led the authorities to take steps to lighten the burden of indebtedness and to facilitate the repayment of debt.

Two institutions were set up, a Conversion Loan Fund (Caisse de prêts de consolidation) in 1932 and an Agricultural Loan Fund (Caisse de prêts agricoles) in 1935, for the funding and redemption of agriculturists' debts, which were estimated to amount to 3,640 million francs with no adequate cover in the shape of debtors' assets in the case of 600 millions of the total.

The operations of the Conversion Loan Fund, which is now closed, amounted to 40 million francs. The operations of the Agricultural Loan Fund, the capital of which is 800 millions, are proceeding actively: they amount to more than 500 millions. The loans for the redemption of debt have had as their corollary the sequestration of the property of a number of borrowers pending the regularisation of their position.

Thanks to the intervention of the two funds in question, the agricultural credit banks have been able to continue their normal transactions with the agriculturists. The Caisse algérienne has, moreover, instructions to prevent excessive indebtedness of agriculturists in the future.

#### (b) Belgium.

Agricultural credit in Belgium is in the hands partly of co-operatives organised generally on the lines of Raiffeisen banks but with limited (though joint) liability of members, and partly of agricultural banks (*comptoirs agricoles*) organised on quite different lines.

The co-operative organisation consists of 1,100 local banks, of which the central organisation is the Central Rural Credit Bank of the Belgian Boerenbond, itself in the form of a co-operative.

The local banks may not make advances without the permission of the central organisation. The latter places funds at the disposal of banks whose own resources are inadequate for the purpose of their credit operations, fixes interest rates on loans and deposits, and generally supervises the activities of the local banks.

The local banks grant loans for such various purposes as the purchase of products required for farming, machinery or live-stock, the acquisition of land or construction of buildings, repairs to buildings, repayment of debts, payment of adjustments in case of successions or exchanges (*soulte*), establishment and operation of co-operative dairies and the like.

The *comptoirs agricoles*, twenty-two in number, are mutual guarantee societies working in close co-operation with the Central Savings Bank and Pensions Fund (Caisse générale d'épargne et de retraite), a public institution guaranteed by the State and working under Government supervision. This form of organisation renders it possible, under favourable conditions, to make the savings of the population in general available for the benefit of the agriculturist.

On December 31st, 1936, the total amount of current loans to agriculturists was 547 million Belgian francs, 160 millions of which had been advanced to the local (Raiffeisen) banks and 387 millions to the *comptoirs agricoles*.

The Central Credit Bank of the Boerenbond was compelled by the depression to close its doors; and a new organisation, the Central Rural Credit Bank of the Belgian Boerenbond (Caisse centrale de Crédit rural du Boerenbond belge) was set up by Royal Decree on March 8th, 1935. The former bank is still in existence for liquidation purposes.

The resources of the local banks affiliated to the new Central Bank amounted at the close of 1937 to nearly 128 million francs, represented by their registered capital, reserves and deposits. The resources of the Central Bank created in 1935 amounted at the same date to some 108 millions.

The bank of issue may rediscount agricultural bills for the local banks at not more than three or four months and at the legal rate of discount.

The agricultural co-operatives are usually able to finance their initial expenditure from their registered capital. For operating expenditure they can obtain loans from the local banks or, in the case of co-operative dairies, from the Central Bank.

With the exception of the dairies, which are true co-operative societies, and the agricultural insurance funds, which are mutual insurance societies, the majority of the other agricultural groups (guilds, joint purchase associations, stock-raising syndicates and the like) have no legally defined status.

A Royal Decree of September 30th, 1937, approved the establishment of a National Institute of Agricultural Credit (Institut national de crédit agricole) for the purpose of "fostering or engaging in loans and credit transactions of any kind, directly or indirectly, for the benefit of agriculturists. The Institute is empowered for the purpose to extend its activity to agricultural enterprises, agricultural credit co-operative societies, and the like." The activities of the Institute are especially valuable in districts where the Boerenbond plays only a limited part, such as the southern part of the country.

The funds of the Institute consist of a registered capital of 30 million francs, half of which is placed at its disposal by the State and the other half by the Central Savings Bank and Pensions Fund. The Institute is also authorised to issue cash vouchers and bonds, the sum total of which is not in practice allowed to exceed 100 millions, to which amount the State guarantee is limited.

The National Institute of Agricultural Credit began work at the end of April 1938. The initial terms for loans were fixed as follows:

For loans secured on a charge on landed property (*privilège agricole*) and a personal surety (*caution personnelle*), repayable in ten years, interest at 4% where the loan does not exceed 20,000 francs, and 4¼% where it exceeds 20,000 francs.

For mortgage loans repayable in fourteen years, interest at 4% where the loan does not exceed 20,000 francs, 4¼% where the loan exceeds 20,000 francs but does not exceed 100,000 francs, and 4½% where the loan exceeds 100,000 francs but does not exceed 150,000 francs.

There is no provision in Belgian law for the system of warrants in connection with security for loans by agricultural credit institutions. The charge on landed property (*privilège agricole*) is a form of special security under a Law of April 15th, 1884, covering the whole of the farm equipment and everything connected with the working of the farm. It gives the creditor prior and successional rights (*droit de préférence* and *droit de suite*). Long-term loans are secured on registered mortgages.

The agricultural credit institutions insist on the insurance of all property pledged as security to its full value and for the entire period of the loan.

Some 80% of the insurance against agricultural risks (fire, mortality of live-stock, hail and the like) is effected with insurance companies, and the remainder with co-operatives or mutual insurance societies.

### (c) Colombia.

The agricultural credit organisation in Colombia consists of limited companies fulfilling (it would appear) the functions of local branches of a central institution, the Agrarian Credit Fund, which is also of the limited company type. The Managers of the central institution are appointed by the Government, and 85% of its capital is subscribed by the State.

All these institutions are under State control. The loans granted by the agricultural credit societies are almost exclusively for relatively short terms. The societies draw for the purpose on their own resources; and they can in addition discount bills either with the Agrarian Credit Fund or with the bank of issue, which allows them a special rate in such case.



On March 31st, 1937, the resources of the agricultural credit societies consisted of 3,385,000 Colombian pesos of registered capital, 23,500,000 pesos of reserves and 8,000,000 pesos of rediscounted bills.

The total of current loans as at the same date was 11,500,000 pesos. These credit facilities are open to the entire rural population: bee-keepers and their co-operatives (production and sale co-operatives) are especial beneficiaries. The agricultural credit societies sometimes make loans in kind; but they do not give credits to consumers. Agricultural credits are always in the nature of credits *in rem*.

As security for the repayment of the loans, borrowers are required to pledge their harvests and equipment. The system of warrants is recognised by law. Property pledged as security must, in every case, be insured against all agricultural risks.

The insurance is effected with insurance companies under State control.

The agricultural credit societies have been called upon to play a part in connection with the enforcement of the Agrarian Reform in Colombia.

#### (d) Czechoslovakia. <sup>1</sup>

Strictly speaking, Czechoslovakia possesses no institutions exclusively engaged in agricultural credit business. There are, however, a number of credit banks, some of the Raiffeisen and others of the Schulze-Delitsch type, which are of very great importance; but agriculturists may also obtain the capital they require from various non-specialised credit organisations, some of which are public institutions and others private companies, such as the banks. They are, however, of very slight importance for agriculture.

The banks of the Raiffeisen type are known as Kampelik Banks and are credit co-operative societies, the liability of their members being unlimited. They grant rural credit and do not confine their transactions to agriculturists. They are 4,376 in number.

These banks, as well as the other co-operative institutions, have formed provincial unions which act as central banks and supervisory bodies and which, in turn, are grouped together in a central organisation, the "Centrocooperative" which, *inter alia*, supervises their work and defends the interests of agricultural co-operation in general. The credit co-operative societies are also placed by law under the supervision of auditing unions, membership of which is compulsory.

The loans advanced by the Kampelik banks, which generally are for short terms, enable agriculturists to meet their current expenses. On December 31st, 1935, they amounted in all to 3,723 million Czech crowns, three-quarters of which had been advanced to agriculturists.

The funds of the Kampelik banks are supplied by their registered capital, their reserves and, more especially, by their deposits; in this

<sup>1</sup> This note was prepared before the new frontiers of Czechoslovakia were fixed.

respect, the provincial unions act as equalisation funds. They amounted, on December 31st, 1935, to 5,166 million crowns, of which 4,951 millions were represented by deposits. The provincial unions may, if necessary, have their bills rediscounted by the big credit institutions.

The State offers no financial assistance to these institutions; but the Bank of Issue, the Vice-Governor of which is the Director-General of the Centrocooperative, rediscounts agricultural bills at 3% for periods of more than three and not more than nine months. The part played by this institution is of particular importance in financing the wheat harvest, for which a special credit of 500 million crowns is provided annually. In this connection a very considerable call is made on the resources of the provincial unions for the rediscounting of bills, especially those from the co-operative silos.

The regional agricultural loan banks, a special type, of which there are 174, are entitled to grant membership to landed proprietors in their area and to advance them loans in the form of bills, repayable by annual instalments of not less than 5% of the capital lent. They also grant loans, which may amount to thirty times the revenue assessed in the land survey or to two-thirds of the value of the property, or in exceptional cases even more, while in addition they advance loans on agricultural products stored in public warehouses. The sum-total of loans effected amounts to 3,452 million crowns, two-thirds being granted to agriculturists.

Their funds come from their foundation capital (39 million crowns) and from deposits received (4,352 million crowns).

Amongst public institutions giving financial assistance to agriculture must be mentioned the Mortgage Bank of Bohemia, which enjoys a State guarantee and, apart from other transactions unconnected with agriculture, advances loans to agriculturists, either in cash or in the form of negotiable mortgage bonds bearing interest at 5% (now 4.5%). The sum-total of loans thus advanced is calculated on the basis of the revenue as assessed in the land survey, and may amount to twenty-four times the value of such revenue in the case of cultivated land.

The Mortgage Bank of Bohemia confines its business to Bohemia, but it has opened a branch in Slovakia. Similar establishments exist in Moravia (National Mortgage Institute of Moravia) and in Silesia (Real Estate Credit Institute of Silesia).

The National Czechoslovak Bank advances loans on securities to the co-operative societies and discounts their bills, thus playing an important part in the financing of the harvest. The National Czechoslovak Bank also advances loans to the co-operative organisations based upon wheat mortgage bonds, for which the respective co-operative unions stand surety.

The Provincial Bank of Bohemia, formerly the Provincial Bank of the Kingdom of Bohemia, advances loans chiefly to municipalities and local government councils, no mortgage guarantees being required; whereas the Mortgage Bank, which grants credits to private individuals,

always requires mortgage guarantees. Conditions as regards the rate of interest on loans are approximately the same in both institutions.

The powers of the National Bank are therefore very extensive and have very greatly contributed during the depression to facilitate the credit transactions effected by the central agricultural co-operative associations.

The Rediscounting and Secured Loans Institute, founded by the authorities in 1934, the funds of which consist of a capital of 100 million crowns subscribed by the State and the compulsory deposits effected by the banks and insurance companies, is intended to facilitate and regularise the credit transactions of the banking houses by rediscounting and by advancing loans. This institute also grants credits to the co-operative unions.

The National Czechoslovak Bank further plays an active part in placing credits at the disposal of the co-operative associations and in financing the purchase of cereals under the State monopoly.

The savings banks — 356 in number — employ a part of their deposits (21 milliard crowns) for the granting of land credits, but only to a limited extent.

The co-operative movement in Czechoslovakia has developed largely owing to the assistance given by the agricultural credit institutions. The number of agricultural co-operative societies of all kinds exceeds 11,000. The most numerous are the credit co-operative societies (Raiffeisen funds and credit banks of the Schulze-Delitsch type). Next in order come the electrical co-operative societies and those for the common use of agricultural implements, consumers' co-operatives, co-operative dairies, co-operative silos, etc. The sum-total of advances made to the agricultural co-operative societies is estimated at nearly 1,200 million crowns.

Agricultural credit transactions have greatly increased in Czechoslovakia since 1918, chiefly for the purpose of enabling agriculturists to introduce on their land the numerous improvements which had become indispensable. This has resulted in great agricultural indebtedness, still further increased by the economic depression.

Measures have had to be adopted by the authorities for the protection of agricultural debtors, such as the suspension of measures of distraint, the granting of periods of remission for repayment, the reduction of the rate of interest on debts and the writing down of capital, etc.

#### (e) **England.**

In England, agriculturists in search of credit must apply to such joint-stock banks as are willing to place funds at their disposal.

The Agricultural Credits Act of 1928 contained certain provisions which were intended to enable agriculturists to obtain short-term loans from the banks on the security of the borrowers' live-stock, implements or crops; but not much use has been made of these provisions.



The 1928 Act also instituted an Agricultural Mortgage Corporation, which was to facilitate the provision of long-term loans to agriculturists secured on mortgage. The Corporation is in the form of a limited liability company, the principal shareholders in which are the Bank of England and the joint-stock banks. It has no local branch organisation.

Loans by the Agricultural Mortgage Corporation are intended chiefly to promote the development of small properties (small holdings and allotments) by the purchase of land and buildings, and to encourage land improvements and irrigation. The loans are repayable over a maximum period of sixty years. The sum total of loans advanced is now nearly £10,000,000.

The funds at the Corporation's disposal for loans and advances are drawn from its registered capital amounting to £650,000 sterling, from bonds with a Government guarantee to a total of about £11,000,000, and from Treasury advances in proportion to the amount of the registered capital up to a total of £750,000.

Agricultural co-operative societies can obtain long-term loans from the Agricultural Mortgage Corporation for expenditure on plant or operative costs; but no co-operative has as yet availed itself of this facility. The agricultural co-operatives finance their operations out of registered capital, members' deposits and current account credits from the banks, especially the Bank of the Co-operative Wholesale Society, which also grants long-term loans on certain conditions.

Agricultural credit was beginning to develop in England during the war; but, since the war, there has been very little expansion of the system. Agriculturists have, in general, applied for credit only to a limited extent. No question of agricultural indebtedness has therefore arisen.

#### (f) Finland.

There are various types of institution in Finland from which agriculturists can obtain credit. The rural credit banks grant short-, medium- and long-term loans. The Finnish Mortgage Society and the Mortgage Loan Bank for Agricultural Undertakings, on the other hand, only give long-term credits.

Agricultural credit in Finland is generally both credit *in personam* and credit *in rem*. The credits granted by the rural banks are essentially agricultural credits; the long-term loans granted by the Mortgage Society or the Mortgage Loan Bank are purely business credits.

The rural banks, of which there are about 1,300, cover the requirements of more than one-third of the agricultural population. They are co-operative institutions of the Raiffeisen type, affiliated to a Central Bank for Agricultural Credit Co-operative Societies with a registered capital of 60 million Finnish marks, of which 35 millions were subscribed by the rural banks and the rest by the State. The Central Bank was established in 1902 at the instance of a central organisation, the Pellervo Society.



founded in 1899 by Professor Hannes Gebhard, who is regarded by agricultural Finland as the father of the country's co-operative organisation. The Pellervo Society has devoted itself from the outset to an intensive and unwearying propaganda, through its newspaper, by meetings and by a large variety of publications, in favour of agricultural co-operation in all its forms. Its policy is to group local co-operatives together in single centres for each specific branch of agriculture. The centres unite all the general services on their special subject, issue advice and instructions for the co-ordination of individual efforts, and endeavour by the close supervision of current transactions to prevent the occurrence of irregularities. The Central Bank is one of these organisations.

The Mortgage Loan Bank for Agricultural Undertakings is now a State bank, since its registered capital of 30 million marks is entirely subscribed by the State.

The Mortgage Society is organised on co-operative lines, but has no branches.

The State plays an important part in Finland in connection with agricultural credit. There are budgetary appropriations to provide agriculturists with loans at reduced rates for land improvements, drainage, clearing or settlement; and specific funds have been established in connection with the improvement of methods of production, agrarian reform, redemption of farms, land settlement and the like. The most important of these funds is the Settlement Fund, the resources of which total 495 million marks, of which 319 millions have gone to the acquisition of land and the erection of buildings on the new holdings.

Loans at reduced rates are also granted to agricultural co-operatives, dairies, mills, saw-mills, etc.

Loans by the State are usually made available through the intermediary of the communes or the rural banks.

The State further guarantees loans contracted by the Central Bank of the rural banks, the Mortgage Society and the Mortgage Loan Bank for Agricultural Undertakings, and assumes liability for a part of the interest rates on long-term loans to agriculturists.

During the economic depression, steps were taken to cope with the problem of agricultural indebtedness and, in particular, to arrange for the conversion of a portion of the short-term debts into debts at longer term. The Mortgage Loan Bank was reorganised by the State with this object in 1931, and its registered capital increased from 4 to 30 million marks.

Holdings sold by order of courts of law have been bought back by the Mortgage Loan Bank and, their indebtedness having been funded, the holders have resumed possession of their property.

All credit institutions are under State control.

The loans given by credit institutions are either short-, medium- or long-term loans.

Short-term loans are made on the security of a personal surety, warrant or mortgage for the purchase of fertilisers, seeds and the like.

They are repayable within a period not exceeding one year. They carry interest at 5% or 6%.

Medium-term loans are made on similar security for the erection of buildings, the purchase of equipment or live-stock, improvements in cultivation and so on. They are given for periods of one to ten years, and carry interest at 5% to 6%.

Long-term loans are granted solely for the acquisition of land or the consolidation of debts. They are given for periods of twenty-five to forty years, and carry interest at about 5%.

The sole control of the use made of the loans rests with the rural banks. Credits in kind are never given.

On December 31st, 1937, the rural banks had granted loans to a total of 1,730 million marks, of which 1,202 millions were short- or medium-term loans and 403 millions long-term loans.

The total amount of loans by the Central Bank to the agricultural co-operative societies as at the same date was 60 million marks, of which 23 millions were long-term loans.

The Mortgage Loan Bank at the same date had made available 213 million marks, and the Mortgage Society 230 million marks, for the same purpose.

In addition, the Communal Settlement Banks had lent over 300 million marks from the Settlement Fund.

Agricultural co-operative societies have prospered in Finland, and are now over 2,000 in number. Most of them are dairies, co-operative stores and societies for the use of agricultural machinery.

Their resources are drawn from their registered capital, mortgage loans at reduced rates granted by the State, and such credits as they may obtain from the rural banks, private banks and savings banks.

For the purpose of their loan operations, the rural banks have at their disposal their registered capital (18 million marks), reserves (72 millions), advances by the Central Bank (877 millions) and other institutions (15 millions) and deposits (1,148 millions).

The resources of the Central Bank amount to 1,257 million marks, made up of 40 millions registered capital, 45 millions reserves, 656 millions from bond issues, 123 millions from State advances, 152 millions from miscellaneous loans, and 241 millions deposits.

The Mortgage Loan Bank has resources amounting to 291 million marks, of which 260 millions are derived from loans. The resources of the Mortgage Society are 284 million marks, of which 273 millions are derived from loans.

Agricultural insurances are effected with limited companies, mutual insurance companies and the State. They cover fire, theft and mortality of live-stock risks only. Insurance is not compulsory, except against fire in the case of buildings mortgaged as security for loans.

(g) **France.**

The organisation of agricultural credit in France is based on the mutual insurance and co-operative principles. The system comprises (a) private institutions, (b) local and regional banks, and (c) a public establishment, the National Agricultural Credit Fund (*Caisse nationale de crédit agricole*), in the administration of which the representatives of the regional funds have a share.

The local banks are co-operative societies of agriculturists and agricultural associations, whose activities do not commonly extend beyond the limits of a canton. At present they number 5,800, and have over 600,000 members.

The regional banks, which are also co-operative institutions, group together the local banks. Their activities usually extend over a whole *département*. They are ninety-eight in number.

At the peak of this organisation, under the Law of August 5th, 1920, is the *Caisse nationale de crédit agricole*, which is a self-governing and self-supporting public establishment, operating on ordinary banking lines in such a way as to be able at short notice to make available the funds required by the institutions under its direction.

It also serves to co-ordinate the activities of the regional and local banks, whose transactions it controls in such a manner as to ensure the general observance of the various legislative enactments on the subject of agricultural co-operation and mutual insurance.

The agricultural mutual insurance societies may grant their members short-, medium- or long-term loans.

Short-term loans are intended to enable agriculturists to meet current working expenditure (*e.g.*, for the purchase of fertilisers, seed, tools or even live-stock), and to assist the producer to spread the sales of his produce, especially of the grain harvest, in such a way as to secure the most advantageous moments for marketing.

Short-term loans are not granted for periods of more than one year.

Medium-term loans are mainly intended to enable agriculturists to meet expenditure of such a nature or amount as to necessitate delays in payment — *e.g.*, expenditure for the purchase of live-stock or heavy equipment in connection with cultivation or stock-raising, land improvements, extensions or repairs of farm buildings and the like.

Medium-term loans may be granted for periods of anything up to fifteen years.

Long-term loans to individuals are intended to facilitate the acquisition, equipment, alteration, restoration or preservation of small rural holdings. Borrowers are required to give a written undertaking that they will cultivate their holdings themselves or with the assistance of their families. The maximum amount of such loans is 100,000 francs; and the period for repayment may not exceed thirty years.

The rate of interest is at present 3%, except for soldiers discharged with a pension or civilian victims of the war, in whose favour it is reduced to 1%.

Long-term loans to individuals have a social significance which is of the first importance. They have made it possible to settle or retain on the land nearly 120,000 small owners, of whom about 33,500 were ex-soldiers with pensions or civilian victims of the war.

Agricultural co-operatives (dairies, cellars, distilleries, wheat co-operatives, threshing co-operatives, etc.) can obtain credit on specially favourable terms for building or installation purposes involving the immobilisation of large sums over long periods.

The rate of interest on such loans is at present 3%.

Long-term loans to agricultural co-operatives are repayable by yearly instalments over periods not exceeding thirty years, or up to fifty years where the credit is for purposes of reforestation.

Long-term loans to agricultural co-operatives are granted by the Caisse nationale de crédit agricole. Special applications have to be made for the purpose through the regional bank of the *département*, which assumes responsibility for the applications it transmits.

Agricultural co-operatives can also obtain short-term loans for the provision of working capital, or medium-term loans for the acquisition of plant, in the same way as individual agriculturists.

On June 30th, 1938, roughly 4,000 agricultural co-operative societies, or almost half the number of societies at present in existence, had obtained long-term loans from the Caisse nationale de crédit agricole.

From their beginnings up to June 30th, 1938, the regional agricultural credit banks had received advances from the State controlled by the Caisse nationale de crédit agricole, and loaned the same to agriculturists, up to a maximum of 21,000 million francs, 9,000 millions of which were short-term loans to finance harvests. Of these loans, 17,000 million francs had been paid back. The total amount of current loans is consequently 3,900 million francs, of which roughly 1,500 millions represent short-term loans, 640 millions medium-term loans and 1,730 millions individual and collective long-term loans.

For the purpose of their credit operations, the regional agricultural credit banks can draw on their own resources, on the rediscount of bills and, in particular, on advances from the Caisse nationale de crédit agricole.

Their own resources are made up of their registered capital (which, on June 30th, 1938, was 222 million francs), reserves (320 millions) and deposits by agriculturists (1,515 millions).

The regional banks can also rediscount bills drawn by their members with the Caisse nationale de crédit agricole.

Advances by the Caisse nationale de crédit agricole amounted on June 30th, 1938, to 4,748 million francs, of which 2,536 millions had been paid back.



To finance the requirements of the regional banks, the Caisse nationale de crédit agricole must itself have adequate resources.

Its resources are derived in the first place from the Agricultural Credit Fund (*Dotation du crédit agricole*), which, on June 30th, 1938, amounted to 1,690 million francs, and further from special credits made available under various legislative enactments to facilitate medium-term and long-term transactions, from deposits by the regional banks, the balance of which on June 30th, 1938, was 494 millions, and from reserves of over 100 millions.

Agricultural credit is assuming a continually enhanced importance in the economic life of France. The contribution which it is making towards the material and moral improvement of agriculturists and the economic recovery of the country is increasingly effective.

#### (h) Hungary.

For a very long time, the Hungarian Government has been doing its best to prevent usury, which used to be widespread in rural areas. Numerous steps have been taken at various periods prohibiting usurious practices and providing severe penalties against those who committed that offence.

In spite of these provisions, usury continued, and, in 1880, certain prominent persons, particularly Count Alexandre Karolyi, who took an interest in the life of Hungarian agriculturists, realised that the only remedy for usury would be the establishment of co-operative agricultural credit institutions.

Thus, in 1886, the first credit co-operative society was set up in the county (*comitat*) of Pest; later, the Central Institute of Credit Co-operatives was founded in 1894 and, in 1898, the Central Mutual Credit Society. The statutes and administration of this Society, in which the State participated by subscribing capital amounting to one million gold crowns, were revised by Law XXX of 1920.

The object of the Society is to facilitate the setting-up of credit co-operatives and to assist them, especially in the allotment of long-term loans with a view to encouraging the acquisition of small rural holdings. The Law of 1920 also lays down that the credit co-operatives may not be set up except with the approval of the Central Society, and they are compulsorily placed under its control.

An important revision service was subsequently organised at the Central Society.

The mutual credit co-operatives now number 1,070. They extend over 2,734 Hungarian communes and comprise 433,000 members.

They have granted chiefly short-term loans, which, altogether, amount to 217 million pengö, and certain longer-term loans up to 2 million pengö. Their resources consist of their registered capital, 30 million pengö; the deposits they receive, 30 millions; and their reserve funds, which amount to over 8½ millions.

The Central Mutual Credit Society has played an important part in bringing about agrarian reform, especially in the execution of judgments regarding the repurchase of property and the financial settlement of the transactions made. It has divided among small agriculturists 80,221 acres of land in 264 villages, and distributed 19,936 plots of land, on which houses have already been built.

Apart from the mutual credit co-operatives and the Central Society, which practise agricultural credit proper, there existed in Hungary until 1936 several land credit institutions — the Hungarian Land Bank, which granted mortgage loans to large holdings; the Small-holders' Land Bank, whose loans were intended more particularly to assist in the acquisition of small holdings; and the Association of Hungarian Land Credit Institutes, under the direction of the Minister of Agriculture, to facilitate the dividing-up of the large estates and settlement in the interior.

These various societies were amalgamated by Law XIV in 1936, which provides for the establishment of a new body — the National Land Bank — for the purpose of facilitating the various transactions which until that time were carried out by the former institutions; the State has allotted to it an advance of 13½ million pengö.

The public authorities have intervened to improve the position on the agricultural co-operatives by restoring part of their registered capital by means of subscription and by granting them loans through the medium of the Central Society.

The Central Mutual Credit Society endeavoured, in 1936 and 1937, to develop the activity of the co-operatives in order to facilitate the marketing and financing of agricultural produce, especially cereals; thus, in the period July 1st, 1936, to June 30th, 1937, 1,700,000 quintals of cereals, equivalent to 30 million pengö, were sold through the co-operatives.

At the present time, a new institution — Futura — has been specially set up, with the participation of the Central Mutual Credit Society and the Hangya, which have subscribed part of its capital, with a view to carrying out the necessary transactions on the cereal market. Futura has been entrusted by the State with the monopoly of Hungarian cereal exports.

The State has further helped to pay off the debts of agriculturists, chiefly by reducing the rate of interest and by facilitating the conversion of part of the short-term debts into longer-term debts; it has even taken over the payment of the debts of some agriculturists whose land has been declared "protected" up to forty times the revenue assessed in the land register. Lastly, generous time-limits have been allowed for measures of distraint.

#### (i) Indo-China.

Agricultural credit institutions in Indo-China are organised on principles which vary in the different territories of which the country

is composed. In Cochin-China (a developed colony under direct administration), mutual agricultural credit is organised strictly on the basis of French legislation, whereas in the protectorates of Annam, Tonkin and Cambodia — Laos has not as yet any credit institutions — the organisation is based on the same principles as the people's agricultural credit banks in the Netherlands Indies.

In Cochin-China, the organisation of agricultural credit is based on a number of local orders, the earliest of which dates back to 1912. The system is based on native societies for mutual agricultural credit, of which each province has one.

These societies, which number twenty and have nearly 16,000 members, have made various kinds of loans to natives for an amount exceeding 20 million piastres.

By an Order of August 1932, a Central Bank for Native Agricultural Credit was created for the purpose partly of supervising native agricultural credit banks and exercising direct control over large loans, and partly of dealing with the liabilities which the native banks had accumulated.

On its foundation, the Central Bank had at its disposal 8 million francs, chiefly derived from an advance by the Native Pensions Fund.

The French Agricultural Credit Bank of Cochin-China works on similar lines to the native banks, but deals only with French settlers in the colony. It has 170 members, and a paid-up share capital of 27,700 piastres.

Two French agricultural credit banks were opened, one in Tonkin in 1934 and the other in Annam in 1935. Their chief business is the granting of short- and medium-term loans to small-holders.

In the protectorates of Indo-China, the agricultural credit system comprises people's agricultural credit banks, one in each province, which are limited companies with varying amounts of capital subscribed by native agriculturists, communes and corporate bodies with civil personality.

People's agricultural credit banks can make loans to individual agriculturists, corporate bodies and communes for the purchase of land, seed, fertilisers or implements, and for expenditure connected with farming (transport, warehousing, irrigation, drainage and the like).

There are twenty-five of these people's banks, with a total share capital of 162,000 piastres.

Under a Decree of October 1933, an Indo-Chinese Mutual Agricultural Credit Office was opened to control and distribute among agricultural credit institutions the capital and discount credits at its disposal and to co-ordinate and supervise the working of these institutions and of the societies or associations affiliated to them. It is financed by advances from the Central Government and the Bank of Indo-China, which also agrees to discount agricultural bills at cheap rates for terms exceeding three months.





Hitherto, the Indo-Chinese Mutual Agricultural Credit Office has done business only with the people's agricultural credit banks in the protectorates, as the Mutual Agricultural Credit Bank in Cochin-China is still under the control of the Agricultural Credit Inspectorate and the Central Agricultural Credit Bank of Cochin-China.

In 1935, a Long-term Loans Department was created to adjust the indebtedness of the rice-planters. A Decree of September 18th, 1936, authorised the grant of loans to small landowners out of the resources of the various budgets of Indo-China.

The loans made by the various agricultural credit institutions to agriculturists are secured by sureties or agricultural warrants (little used), but chiefly by pledges on land which are entered in the *Dia-bô*, a kind of land register, and rank as mortgages.

In Indo-China, the indebtedness of native mutual agricultural credit societies and of the French Agricultural Credit Bank of Cochin-China to the Bank of Indo-China or to the central or local authorities, the burden of which has been further swollen by arrears of interest, amounted for all the provinces of Cochin-China to more than 13 million piastres, representing 23% of the total agricultural indebtedness of Cochin-China, estimated at 60 million piastres. It was essential to reduce this amount to a figure compatible with the payment capacity of landowners, as determined by the price of paddy in 1934.

The first step taken was to reduce the interest rate on loans successively from 10% to 7½%, then to 7% and finally to 6½% in 1935.

To settle their accounts with the local authorities, the native mutual agricultural credit societies would also have had to pay about 2 million piastres for arrears of interest. The local authorities thereupon waived their claim to all arrears of interest prior to January 1st, 1924.

Lastly, steps were taken to expedite the repayment of the capital amounts owed. For this purpose, it was intended to use the funds placed at the disposal of agriculturists by the Long-term Land Loans Department, so as to convert some of the reducible short-term debts into long-term debts.

The Central Bank for Native Agricultural Credit, which was responsible for the operation, succeeded in obtaining from the central authorities the liberation of part of the indebtedness of native mutual agricultural credit societies, representing about half a million piastres.

At the same time, the local authorities arranged to use communal budget funds to buy up well-tilled land pledged by borrowers who were finally pronounced insolvent.

The adjustment of the debts of the rice-growers was due, not only to the Long-term Land Loans Department, but also to the Central Agricultural Credit Bank of Indo-China, which lent assistance chiefly to small landowners.



(j) Ireland.

Farmers can obtain the credits they need by applying either to the agricultural credit societies founded in imitation of the Raiffeisen banks or to a special body created since the war — the Agricultural Credit Corporation, a limited company with registered capital subscribed by the State and the private banks, which can make loans direct to the parties concerned.

The Agricultural Credit Corporation grants loans to farmers, chiefly medium- and long-term mortgage loans. It supplies agricultural co-operative societies direct with the credits they require to defray their installation and operating expenses.

Agricultural credit societies do short-term credit business with their members with the object of facilitating agricultural production. As an exception, they make advances to enable farmers to buy the articles needed for their personal consumption. The credits granted by these institutions are in all cases credits *in personam* rather than credits *in rem*.

The resources of agricultural credit societies consist of their registered capital, reserves, deposits and advances by the State. The Agricultural Credit Corporation makes loans out of its registered capital and reserves.

Private banks undertake to discount bills issued by farmers and to renew them several times, subject to partial repayment.

The Agricultural Credit Corporation was formed after the war to meet the need for medium- and long-term loans to farmers which the latter could not obtain from the agricultural credit societies. The credit system in Ireland, so supplemented, has rendered valuable services to Irish agriculture.

(k) Italy.

Agricultural credit was reorganised in Italy by a Royal Decree-law of July 29th, 1927, which subsequently became the Law of July 5th, 1928. This reform formed part of the programme undertaken by the Government at that time for the revival of agriculture, and was intended to set up throughout the country a far-reaching organisation based essentially upon regional institutes and a national consortium.

Italy is at present divided into eleven areas, each of which possesses a special credit institute authorised by law to effect transactions in the sphere of working agricultural credit and, to a limited extent, that of improvement credit, besides co-ordinating the transactions effected by local organisations.

The capital of the regional institutes is subscribed by certain of the affiliated local institutions, such as savings banks and pawnshops.

The National Consortium for Agricultural Improvement Credit is a public institution like the regional institutes, and was created with a view to obtaining the necessary funds for major land improvement

and for land reclamation. It was, in fact, necessary to prevent the resources of the regional institutes which offer working credit from being immobilised in long-term credit transactions.

The registered capital of the National Consortium, amounting to 282,500,000 lire, was subscribed by the State, the savings banks, the leading insurance houses and the big credit institutions which are also concerned with the financing of agriculture.

The State shares up to 2½% in the payment of interest on loans advanced by the National Consortium, thus offering an additional guarantee for transactions, which also enjoy certain exemptions from taxation.

The National Consortium has further taken steps to consolidate burdensome debts with a view to their settlement; it has advanced loans to specially deserving agriculturists who had recently carried out major improvements with the help of borrowed capital; has granted loans to landowners' syndicates for reclamation schemes; and has given financial assistance to regional institutes, in order to facilitate their credit transactions for the promotion of minor agricultural improvements.

Grouped around the regional institutes are numerous local institutions authorised to effect agricultural credit transactions in their own areas: people's banks, rural and artisan banks, communal credit banks and agricultural consortiums.

The people's banks, of which there are some 600, are credit co-operative societies of the Schulze-Delitsch type, including amongst their members, not only agriculturists, but industrialists, tradesmen, workers, etc. Their resources are derived from deposits and the re-discounting of their bills. Some of them advance loans to co-operative societies and to the consortiums.

The rural and artisan banks, of which there are some 3,000, governed by a Decree-law of August 26th, 1937, are co-operative societies of the Raiffeisen type and carry on business almost exclusively with small agriculturists. Their resources are provided by the deposits they receive.

The communal credit banks are co-operative societies of the same type as the latter, and serve as intermediaries between regional institutes and agriculturists.

The agricultural consortiums are in reality agricultural syndicates authorised, not only to conduct the ordinary business of syndicates, but to advance loans to agriculturists.

The agricultural credit institutions work under compulsory and permanent supervision by the Inspectorate for the Protection of Savings and for the Allocation of Credit.

Credits granted by the agricultural credit institutions are of two kinds: working credits, which are intended to help agriculturists to pursue their calling, and which are generally repaid within six months, except in the case of loans for the purchase of live-stock and implements,

which are repayable within a maximum period of five years; and improvement credits, which may be granted to individuals or associations for purposes of planting, road-building, the preparation of land, the sinking of wells, rural building, irrigation and drainage, electrification, reforestation, etc., these credits being repayable by annual instalments within five years, except in the case of mortgage loans, the duration of which may extend to thirty years.

Working loans are effected by discounting agricultural bills of exchange, which must state amongst other particulars the security demanded. The issue of agricultural warrants is not allowed unless the security is relinquished.

Improvement credits are the subject of special contracts providing for a mortgage or some other guarantee accepted as adequate. If they are granted for less than five years, they may be effected by discounting a bill of exchange.

Movable or immovable property given by borrowers as security need not be insured against agricultural risks. Insurance against loss by fire, mortality amongst live-stock and hail is effected by mutual insurance or limited liability companies.

The loans granted by the regional institutes of agricultural credit amounted in 1936 to 1,744 million lire in the case of working loans and 82 million lire in that of improvement loans.

The co-operative societies obtain the necessary funds to cover their initial expenses from the payments made to them by their members, or from grants made by institutions interested in the co-operative movement.

They obtain the funds they require to meet their working expenses from payments made by their members, the rediscounting of bills of exchange, the deposit of funds or from loans.

The resources of the National Consortium for Agricultural Improvement Credit, the National Labour Bank, and the Regional Institutes of Agricultural Credit include their registered capital (690 million lire), their reserves (325 million lire), the advances made by the State (533 million lire) and deposits (47 million lire).

The bank of issue rediscounts agricultural bills only if their duration does not exceed four months.

Agricultural indebtedness has not greatly increased since the war. In 1933, it amounted to 10 milliard lire, about half of which consisted of short-term and medium-term debts. The Government has adopted measures for the repayment and consolidation of 3 milliard lire out of this total.

#### (1) Japan.

Japanese agriculturists could formerly obtain credit from certain institutions such as the pawnshops and credit co-operative societies, and from individuals, such as manure and seed merchants. In general,



however, comparatively few loans were granted, and these at a high rate of interest.

The Government therefore intervened at the close of the nineteenth century, with a view to organising agricultural credit on a basis more favourable to the interests of agriculture. In 1896, two big institutions — the Mortgage Bank of Japan and the Agricultural and Industrial Bank — were founded for the purpose of advancing long-term loans to agriculturists. A third institution of the same type — the Colonial Bank of Hokkaido — was founded in 1899. These three banks have, however, effected few transactions with agriculturists, such business amounting only to some 40% of the sum total of loans advanced by them. Agricultural loans amounted to 350 million yen in the case of the Mortgage Bank of Japan, to 220 millions in that of the Agricultural and Industrial Bank and to 80 millions in that of the Colonial Bank of Hokkaido.

The organisation of co-operative credit has rendered greater service to agriculturists, especially since the promulgation in 1900 of a law on credit co-operative societies.

At the present time, there are some 12,000 local credit co-operative societies, forming provincial federations, which in turn are grouped together in a central institution, the Central Bank of Co-operative Associations, of which the State has subscribed half the registered capital — namely, 35,700,000 yen.

The transactions effected by the credit co-operative societies amount to 1,030 million yen, of which 720 million yen represent loans advanced to agriculturists.

The resources employed by the credit co-operative societies are derived from the deposits they receive (500 million yen) and from advances by the Central Bank (150 million yen).

The State gives considerable financial assistance to the various credit institutions. It advances loans from the funds of the Deposit Bureau at the Ministry of Finance. Loans, totalling over 1,300 million yen, are made to the Central Bank of Co-operative Associations, the Mortgage Bank of Japan and the Colonial Bank of Hokkaido, at a rate of interest varying between 3.2% and 3.5% and for a period usually less than twenty years.

Another source of credit for agriculture consists of life-insurance funds, upon which 130 million yen have been lent to maintain agriculturists on the land.

The Government has also encouraged commercial and deposit banks to offer loans to agriculturists.

The Government has, moreover, taken steps to lighten the burden of debt, which, in 1932, amounted to more than 4 milliard yen. A Law of 1933 allowed agriculturists to mortgage movable property without relinquishing the security, thus enabling them to secure consolidation loans. This law, as completed by another of 1937, has so far led to the reduction of the total of indebtedness by 200 million yen.



(m) Netherlands Indies.

The People's Agricultural and Commercial Credit Bank was created by the Netherlands Indies Government in order to free the population from the domination of money-lenders and safeguard it from the activities of speculators.

Credit transactions began in 1890 in their simplest form — viz., credit in kind — by the creation of communal granaries, which could equally well be called paddy banks. These institutions were not systematically organised on regular banking lines until 1900, when the People's Credit Bank was set up.

With the introduction of cash loans by the Government in addition to the loans in kind, which had proved indeed their usefulness on occasion but were by their nature lacking in flexibility and confined to small values, the beginnings of a regular banking system were brought into being.

The system is based on an ample network of communal banks, whose function it is to make small loans. Above these there is a group of provincial banks, responsible for supplying funds to the former and granting larger loans themselves.

For thirteen years, the provincial banks continued to act in a purely administrative capacity. The Government controlled them, and placed credits at their disposal through private banks, which also discounted their bills.

As this organisation had serious drawbacks and was a heavy burden on the Netherlands Indies budget, the Government made it self-contained by creating a Central Bank to take the place of the State.

Simultaneously, the terms for the granting of loans were modified. The sureties previously required as security were replaced by pledges *in rem* in the form of established assets, as valued by communal commissions under the control of the provincial banks. Small credit was decentralised and made available for the small-holders in the villages themselves in the form of direct loans by agents or notables commissioned for the purpose.

Communal granaries were created compulsorily, with the help of communal funds, members' contributions and advances in kind by private persons (materials, paddy). Subsequently, the members were repaid, so that the granaries could give assistance to the whole population of a commune and not to founder members only.

Each communal granary is managed by a committee of three or four members, to which borrowers make their applications. Loans are made in proportion to the size of the rice harvest and cannot exceed a maximum amount.

The essential object of communal banks is to make cash loans to the small peasant or trader. It is this function which differentiates

agricultural banks from commercial banks, which are in most cases separate organisations.

Agricultural banks are controlled by a committee — often the same committee which controls the granaries. Borrowers must enter their names in a register deposited at the provincial bank, which contains the names of the solvent peasants in every commune and lists their property. The committee checks the borrowers' declarations and expresses its opinion regarding the loan application, which it forwards to the Credit Department. If the application is accepted, the provincial bank opens a credit for the communal bank to enable it to effect the operation.

The average interest rate is 12%, and the term of the loan ranges from seven to eight months, but does not exceed one year.

Commercial banks are also managed by committees of three members. They have power to lend up to 50 florins per borrower, for a term of ten to eleven weeks, at 10% interest.

The activities of provincial banks extend to entire administrative districts or entire provinces: many have branches.

They are authorised companies without shareholders. They have no capital of their own, apart from the reserves which they build up, but can draw on their deposits and on the advances made by the Central Bank.

Their chief function is to give credits to the communal banks; but they also make larger loans up to 30,000 florins to peasants and traders as well as to peasants', traders' or fishermen's co-operative societies.

The provincial banks are semi-official bodies, but with fairly wide powers of their own. Of the five or seven members of which their boards of directors are composed, three are members *ex officio* — viz., the Assistant Resident in charge of the district, the native Regent and the District Controller. The other members are officials, private persons or estate managers.

The Central Bank is an authorised company, with a capital of 5 million florins subscribed by the State. Its function is to supply the provincial banks with capital and openings for investment, advice and assistance.

The Central Bank is managed by officials, and assisted by a Board of Control, whose Chairman is the director of the bank of issue.

Regional and communal banks are controlled by a special staff of assistant district inspectors, inspectors, and a councillor residing at Batavia.

Since 1934, the people's agricultural and commercial credit banks have been financed almost exclusively by a semi-official organisation, the Algemeene Volkscredietbank, with offices in Java, Madura, and in most of the other islands.

#### (n) Tunis.

Prior to 1934, mutual agricultural credit was regulated by the Beylical Decree of May 25th, 1905, but it was reorganised by the Decree of February 13th, 1934, which constitutes the charter of mutual agri-

cultural credit in Tunis. This charter, though based on the legislative or regulative provisions in force in the metropolis, takes into account the special conditions under which Tunisian institutions carry on their work.

At present, Tunis possesses a District Mutual Agricultural Credit Bank (Caisse régionale de Crédit mutuel agricole), with sixty-four local branches in operation and 2,200 members.

After a difficult period for the District Bank, the mutual agricultural credit banks have, since 1931, recovered their full activity. The rules governing the operations of these banks are the same as in the metropolis. They may grant short-, medium- and long-term loans to their members; but only military pensioners, civilian war victims and ex-servicemen are entitled to long-term loans.

Loans are granted by the local banks. The District Bank provides them with the necessary funds and supervises their operations.

The District Mutual Agricultural Credit Bank of Tunisia has a share capital of 2,850,000 francs and reserves amounting to 1,425,000 francs. At December 31st, 1937, advances by the State amounted to 26,100,000 francs and deposits to 47,500,000 francs.

Loans on December 31st, 1937, amounted to 31,500,000 francs, including 11,800,000 short-term, 12,300,000 medium-term, 500,000 long-term and 7,400,000 special loans. To finance the wheat harvest, 95 million francs were lent to agriculturists, including nearly 50 millions by rediscounting at the Bank of Algeria.

As in the metropolis, the basis of the development of agricultural credit in Tunisia has been State financial support in the form of advances free of interest.

In 1904, the establishment in Tunisia of the Bank of Algeria made it possible to assign the advances and payments which this establishment was compelled to make in exchange for the privilege of issuing notes to a mutual assistance fund (*fonds de mutualité*) managed by a special committee set up by a Decree of February 1st, 1922.

A later Decree of February 13th, 1934, regulated the mutual assistance fund and determined the conditions in which the district banks can obtain advances from the State.

Besides the mutual agricultural credit banks, whose clients may be French, Tunisian or foreign, there are three other bodies which assist in the distribution of credit to farmers — the Tunisian provident societies (*Sociétés tunisiennes de prévoyance*), confined to Tunisians; the Tunisian Credit and Consolidation Bank (Caisse tunisienne de crédit et de consolidation), which undertakes operations of a strictly defined character; the Tunisian Land Bank (Caisse foncière de Tunisie), which grants long-term loans to French and Tunisian agriculturists.

The Tunisian provident, loan, agricultural help and mutual assistance societies established by Decree of May 20th, 1907, on a basis of one society to each Kaidate, were reorganised by Beylical Decree of February 21st, 1934.

The function of the Tunisian provident societies, to which the funds



of the Native Agricultural Credit Office (Office de crédit agricole indigène), set up by Decree of July 24th, 1925, and dissolved by Decree of February 21st, 1934, have been transferred, is now to grant short-term loans (seed loans and loans on security) and medium-term loans to their members, and to distribute insurance payments among members whose crops have been damaged by hail or fire caused by lightning.

Members of Tunisian provident societies may not contract loans from this institution simultaneously with loans from other mutual agricultural credit institutions.

In 1933, the position of Tunisian agriculture, which was already under a heavy load of debt, due mainly to the misuse of credit, was rendered much worse by a poor harvest.

A general settlement of agricultural debts is contemplated. As an outcome of the study of this question, the Tunisian Credit and Consolidation Bank (Caisse tunisienne de crédit et de consolidation) was set up by Decree of January 4th, 1934.

The purpose of this bank, which was founded as a private establishment (a limited company with a capital of 100,000 francs, constituted for a period of thirty-five years), is to grant consolidation loans on both registered and unregistered properties not exceeding 150,000 francs per borrower, or per group of borrowers, offering common security.

Such loans, which are restricted to 90% of the market value of the security, bear interest at the rate of 5% and are repayable in not more than thirty years by equal instalments.

The only persons entitled to obtain consolidation loans are French or Tunisian agriculturists, whether owners or tenants, whose main occupation is agriculture and who cultivate their own land and are no longer able to obtain ordinary credit.

Only mortgage or unsecured debts prior to January 4th, 1934, can be accepted for consolidation.

The State finances the bank. Any deficit which may ensue from the bank's operations is met by the State; while if the bank's operations yield a profit, such profit is paid over to the State.

All the bank's expenditure is supervised by a Government Commissioner.

The advantages Tunisian agriculture can derive from this institution are obvious; the low rate of interest and the consolidation limit of nine-tenths of the market value of rural undertakings are the two main features of an organisation which is of exceptional value to financially embarrassed agriculturists. That is the explanation of the large volume of business transacted by the bank since it was established.

At December 31st, 1937, loans exceeding 55 million francs had been authorised, of which 28 million francs were for 271 French accounts, and 27 million francs for 1,318 Tunisian accounts.

These figures show clearly how much has been done to retrieve the position of the mass of small and medium French and Tunisian agriculturists, for whom this institution is especially intended.



The Tunisian Credit and Consolidation Bank did not, however, cater for a whole series of French and Tunisian agriculturists whose liabilities exceeded its statutory operative limits.

To assist the legitimate needs of these agriculturists and to help to retrieve their position, the original statute of the Land Bank (*Caisse foncière*), established by Decree of February 23rd, 1932, was enlarged by a Beylical Decree of February 21st, 1934.

From now onwards, French agriculturists will be able to obtain loans from this institution, whereas originally only Tunisians could do so.

Loans are granted up to 60% of the security offered, with a maximum of 230,000 francs per borrower, or group of borrowers, offering common security.

The rate of interest on loans depends on the rate payable on the funds borrowed by the Bank.

The Land Bank is financed by grants or subsidies from the State and by authorised borrowing.

At December 31st, 1937, the total amount of authorised loans amounted to 70 million francs, of which 57 millions were for 378 French accounts and 13 millions for 806 Tunisian accounts.

Consolidation of debts and the procedure which has rendered this possible (Decree of October 2nd, 1934, providing for the suspension of judicial proceedings and the granting of periods of grace not exceeding three years for rural property) have put creditors, who had for a while been deprived of their right to take proceedings, in a position to recover what was due to them.

A subsequent Beylical Decree of November 10th, 1934, accordingly increased the powers of the Land Bank by authorising it to redeem or discount bonds held by creditors in respect of indebted rural or agricultural proprietors.

Now that the Land Bank has taken the place of individual creditors, it can arrange the settlement of rural debts as occasion offers.

The amount of such discounted or redeemed debts must be paid to creditors in the form of land bonds (like the thirty-year thousand franc 3% bonds).

Henceforth the creditor has a title which he can pledge with a financial establishment.

At December 31st, 1937, the issue limit of the Land Bank was 225 million francs.

Claims accepted for redemption or discount amount to 135 and 110 millions of francs respectively.

Agricultural credit is thus distributed by four groups of establishments, each with its own clientele and its own means of providing financial assistance.

Though they all relate to the same subject-matter, the provisions of the respective statutes of these institutions are so drafted that they work side by side without overlapping.

Agricultural co-operation, as originally regulated by the Beylical Decree of July 4th, 1907, was reorganised by the Decree of February 13th, 1934.

The new legislation is based on the regulations in force in the metropolis.

Agricultural co-operatives may receive advances free of interest from the mutual assistance fund; such advances at present exceed 20 million francs.

The constitution and operation of agricultural mutual insurance societies were originally determined by the Beylical Decree of July 12th, 1912, but are now regulated by the Decree of May 26th, 1931.

Mutual banks may be founded without Government authorisation, provided their administration is purely honorary and they are not intended for profit. Their membership must consist exclusively of agriculturists or persons whose occupation is connected with agriculture, and the risks to be guaranteed must be exclusively agricultural.

Their capital must be obtained not by share subscriptions but by special subscriptions, such as entrance fees, insurance premiums or subscriptions, subsidies, refunds from insurers, etc.

Prior to 1933, Tunisian local banks were federated in a district bank known as Tunis Assurances and affiliated to the Central Reinsurance Bank of Algiers (Caisse centrale de réassurance d'Alger), to which the district bank was linked by a reinsurance contract.

Since January 1st, 1933, mutual agricultural insurance societies have consisted of two district banks with head offices in Tunis: (1) Tunis-East Reinsurance Bank (Tunis-Est-Réassurance), comprising two local mutual agricultural insurance banks — namely, Tunis-Locale-Assurances and Zaghouan-Assurances; (2) Tunis Reinsurance (Tunis-Réassurances), combining ten local mutual agricultural insurance banks — namely: Béjà, Le Kef, Massicault, Mateur, Medjez el Bab, Siliana, Souk et Arba, Souk el Khémis, Sud and Téboursouk.

These two district banks cover risks from hail, fire, accidents under *droit commun* and accidents under statute law. They are reinsured and federated by the Central Reinsurance Bank of Algiers and attached to this body by identical agreements.

The yearly premium income of these two district banks amounts to nearly 3 million francs, and they insure sums amounting to nearly half a milliard.

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**Group 4: COUNTRIES WITH INDEPENDENT AGRICULTURAL CREDIT ORGANISATION, MOSTLY CO-OPERATIVE, NOT RECEIVING STATE ENCOURAGEMENT.**

*(a) Denmark.*

Short-term co-operative credit has made little progress in Denmark. Loans for current working expenses are generally granted by private banks, savings banks and insurance banks, and are secured by pledges. In recent years, special legislation has enabled agriculturists to obtain short-term loans for purchasing fertilisers and seed, the lender being given a lien on the crops.

There are also eight land credit co-operative societies, four of which specialise in granting long-term mortgage loans to farmers. Those societies, which date from a law passed on June 20th, 1850, are similar in many respects to the German *Landschaften*, but, unlike the latter, they assist large as well as small and medium-sized properties.

The total of the long-term mortgage loans granted by those institutions amounted in 1936 to 3,500 million crowns, of which 2,000 millions represented loans to farmers.

The land credit co-operative societies cannot grant loans exceeding three-fifths of the value of the property given as security. Such loans are secured by a mortgage guarantee of the first rank. They are repayable within a period of from forty-five to sixty years.

The societies obtain their funds from the issue of bonds, the interest on which cannot at present exceed 4%. These bonds are not guaranteed by the State. The latter does not intervene in the activities of the societies, but merely exercises over them a control which is justified by the tax exemptions from which they benefit.

The members of land credit societies are jointly responsible for their undertakings to the extent of two-thirds of the amount of the loans obtained by them. Independently of the land credit societies, certain mortgage banks can grant long-term loans to farmers to the extent of 70% of the value of their properties. Such loans are repayable within a maximum period of thirty years, and can be guaranteed by a registered mortgage of the second rank.

The State has taken steps to facilitate the acquisition of small rural properties. A law has been passed providing that loans up to 8,500 crowns may be granted for the purchase of land, and up to 8,000 crowns for the construction of buildings. Such operations have been encouraged by advances and subsidies from the State amounting in all to 160 million crowns. More than 15,000 small rural properties have thus been established.

Further, by a law passed in 1936, the State provided farmers with facilities to enable them to settle their debts more easily. Any owner of an agricultural holding whose indebtedness exceeds 10% of the mortgage value of his property can obtain a loan amounting to 25% of such value. This loan should enable the borrower to pay off his debts and the interest on them.

Finally, extensions of time have been granted to debtors to enable them to discharge their obligations, and facilities have been given them in connection with the payment of interest.

(b) **British India.**

Agricultural credit in British India takes the form of rural rather than professional credit, and is based on mutual insurance and co-operative principles.

The institutions through which it is organised fall into three categories. In each province there are local credit offices, regional credit offices and a provincial credit office, which are in the form of co-operative societies. The function of the provincial offices is to provide financial assistance to facilitate the operations of the regional and local offices, and to control those institutions. In addition, the provincial governments exercise control over the offices, whose accounts are examined by auditing unions which are themselves under State supervision.

The loans granted by agricultural credit institutions to facilitate operations connected with agricultural production may either be loans in kind (seed, fertilisers, etc.), or short-term money loans for the purchase of seed, etc., or medium-term loans for the purchase of stock, the construction of buildings and the consolidation of debts, and to facilitate payment of the land tax.

Apart from loans for purposes of production, the agricultural credit offices grant credits to farmers to enable them to purchase necessary objects and products for their own personal consumption.

Long-term credits are granted by mortgage loan offices.

The total of the loans granted by agricultural credit institutions amounted on December 31st, 1935, to 274 million rupees, of which more than 9 million rupees were for communities.

The funds with which the agricultural credit offices carry out their operations are drawn from their registered capital, from funds entrusted to them on deposit, and from current account advances granted by the Imperial Bank of India. They amounted to nearly 970 million rupees on December 31st, 1936.

Agricultural co-operation has made little progress in British India. Apart from the credit offices, which represent 90% of the co-operative societies, there are only a few groups which have been formed for the purpose of converting products, carrying out joint purchases, consolidating properties, and so on.



Agricultural credit has played an important part in improving the material and moral position of agriculturists in British India. Thanks to the steps taken by the authorities to reduce the rate of interest on loans and to spread out repayment over a longer period, the indebtedness of agriculturists, which had assumed undue proportions during the crisis, has now become practically normal again.

(c) **Netherlands.**

In the Netherlands, agricultural credit is based on the Raiffeisen principle. It is organised in two stages: local banks and central banks. The local banks, which number about 1,300, are affiliated, those transacting rural credit business, with the Central Co-operative Raiffeisen Bank, Utrecht, and the others, which transact professional credit business, with the Central Co-operative Agricultural Credit Bank, Eindhoven. These central banks place funds at the disposal of the local banks and keep them under supervision.

The local Raiffeisen banks give short-term loans at 3¾% interest, for periods not exceeding nine months, to defray current operating costs, and medium-term loans, repayable in a number of years, for purchases of agricultural supplies and live-stock. On December 31st, 1935, the total amount of these loans was 322 million florins.

The medium-term loans (maximum ten years) to help in purchasing supplies or live-stock, and the long-term loans (maximum forty years) granted for the purchase of farms, the erection of buildings, etc., are usually made to agriculturists by private persons, insurance companies, pension funds or mortgage banks. In certain cases the central banks may also grant long-term loans at 4% interest; one of them, the Central Co-operative Bank for Agricultural Credit, has also opened a mortgage bank specially for such transactions.

The resources from which local banks meet applications for loans consist almost entirely of the funds deposited with them and, subsidiarily, of their reserve funds. On December 31st, 1934, the total amount of these deposits was 458 million florins.

Funds for making long-term loans are derived from bonds issued by the Central Co-operative Raiffeisen Bank and the Agricultural Mortgage Bank, which amount to more than 16 million florins.

The funds necessary for constituting co-operative societies for the production, processing or sale of agricultural produce are obtained from their share capital. The societies can also apply to the Co-operative Bank for financing formation costs, which was founded by the Central Co-operative Raiffeisen Bank.

The reserves which most of these societies have built up enable them to repay their share capital and add to their plant if necessary.

To defray their working costs, co-operative societies for joint purchases and sales and co-operative dairy societies apply for financial assistance to the Raiffeisen banks and the central banks.

These co-operative societies are under the control of the local banks, and also of the central banks, which in most cases themselves grant the loans for larger amounts.

Insurance cover against agricultural risks is supplied by commercial companies and mutual banks. It is compulsory in the case of a borrower who pledges movable or immovable property. Some agricultural credit banks also transact insurance business.

(d) Norway.

There are two kinds of agricultural credit institutions in Norway which are organised on the principles of mutual liability and co-operation — the Agricultural Credit Association, founded in 1915, and the Central Bank of associations supplying working capital to peasants, created in 1926.

Apart from these two organisations, there are several banking institutions from which agriculturists can obtain credit: the Mortgage Bank of Norway and the Small-holdings Bank, which are State institutions, the Peasants' Bank, which is a regular commercial bank, and various savings banks.

The Agricultural Credit Association, formerly known as the Norwegian Credit Association for Agriculture and Forestry, is a co-operative credit institution formed by farmers who are mutually liable for the bank's commitments. It is organised on the basis of similar Danish institutions. Its head office is in Oslo, and it has opened branches in six large towns.

This Association makes long-term loans to farmers, secured on a mortgage and repayable in not more than fifty-four years.

The funds used by the Agricultural Credit Association for making loans are obtained from bonds which the institution has power to issue up to the limit of the loans granted.

The Central Bank of Credit Associations for Peasants is a limited liability co-operative society with variable capital and personnel, the object of which is to furnish agriculturists and forest owners with the short-term credits they need to work their properties.

The security demanded by the Agricultural Credit Association consists of registered mortgages, while that required by the Central Bank takes the form of written acknowledgments of debt.

The share capital of the Central Bank, which is now 115,000 crowns, has been subscribed partly by the member associations and partly by institutions or private individuals interested in its work.

These funds are also derived from deposits made by its members and the proceeds of rediscounting its bills with the Bank of Norway.

The Central Bank is at present engaged in organising medium-term agricultural credit in co-operation with the Bank of Norway.

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