

April, 1938

Bulletin 371

**Farm Tenure in Iowa**  
**V. Some Legal Aspects of Landlord-Tenant Relationships**

BY MARSHALL HARRIS, ALBERT H. COTTON  
AND RAINER SCHICKELE

AGRICULTURAL EXPERIMENT STATION  
IOWA STATE COLLEGE OF AGRICULTURE  
AND MECHANIC ARTS

R. E. BUCHANAN, *Director*

AGRICULTURAL ECONOMICS SUBSECTION  
RURAL SOCIAL SCIENCE SECTION

OFFICE OF THE SOLICITOR AND  
BUREAU OF AGRICULTURAL ECONOMICS  
UNITED STATES DEPARTMENT OF AGRICULTURE

Cooperating



573 2774  
41551

AMES, IOWA

X9(J) : (27375)  
98  
12412

#### FARM TENURE IN IOWA

The following publications have appeared in this series:

- I. Tenancy problems and their relation to agricultural conservation. Rainer Schickele and Charles A. Norman. Bul. 354. January, 1937.
- II. Facts on the farm tenure situation. Rainer Schickele. Bul. 356. February, 1937.
- III. The national farm institute symposium on land tenure. Bul. 357. April, 1937.
- IV. Farm tenure conditions in Palo Alto County. Rainer Schickele. Bul. 364. August, 1937.
- V. Some legal aspects of landlord-tenant relationships. Marshall Harris, Albert H. Cotton and Rainer Schickele. Bul. 371. April, 1938.

## CONTENTS

	PAGE
Foreword .....	4
Summary .....	5
Introduction .....	7
Present status of landlords and tenants.....	9
Written leases .....	9
Insecurity of tenancy.....	10
Termination of leases.....	11
Length of lease term.....	13
Waste and mismanagement.....	14
Repairs .....	16
Removal of fixtures and improvements.....	16
Compensation for repairs and improvements.....	17
Landlord's lien .....	19
Possibilities for improving landlord-tenant laws.....	22
Report of the president's committee.....	23
Requirement of written leases.....	24
Increasing security of occupancy.....	25
Compensation for disturbance.....	26
Long-term leases .....	27
Cancellable long leases.....	27
Responsibilities for repairs.....	28
Right to remove fixtures and improvements... ..	29
Principle of compensation for improvements.....	30
Compensation for deterioration.....	33
Arbitration of differences.....	34
Adjustments in the landlord's lien.....	36
Codification of landlord-tenant laws.....	38
Appendixes .....	40
Appendix A—Some experiences of foreign countries in regulating landlord-tenant relationships.....	40
Appendix B—Excerpts from the Agricultural Holdings Act of England and Wales, 1923.....	45
Appendix C—Major Iowa tenancy statutes.....	57
Appendix D—Table of cases and statutes.....	62
Bibliography .....	63

## FOREWORD

Many phases of the farm tenure problem have been discussed in recent years, and the growing interest in this question is reflected in the nationwide attention given to the President's Committee on Farm Tenancy during the winter of 1936-37, in the Bankhead-Jones Tenant Act passed by Congress in the summer of 1937, in the Landlord-Tenant Act passed by the Oklahoma legislature in 1937 and in the appointment of state committees on farm tenancy by the governors of two states, Arkansas and Iowa.

These developments indicate that people are beginning to contemplate possible ways and means to improve farm tenure conditions through some form of legislative action. The policies suggested in this field fall into two main classes: (1) Those encouraging owner-operatorship, and (2) those improving landlord-tenant relationships. It is with this latter problem that the present bulletin is concerned.

Not all tenancy problems can be solved by legislation. Mutual cooperation, education and the development of a sense of responsibility on the part of both tenant and landlord are essential. All that legislation can do is to provide a framework of certain minimum standards in landlord-tenant relationships which will facilitate a clearer understanding of the rights and responsibilities of the two parties and prevent certain practices distinctly detrimental to land and community.

We now have several laws regulating landlord-tenant relationships. Some of them are ill-adapted to farm conditions; others may need to be modified; and the adoption of several new statutes may prove desirable. In making these adjustments, it should be remembered that in the long run the interests of landlord and tenant are mutual. They are not antagonistic. The farming enterprise must be efficiently organized to assure sustained yields and profits, and rural communities must be serviceable and attractive if landlord and tenant are to prosper.

The relationship between the two parties is of vital concern to the state. The present tenants are the future owners of Iowa land. The present owners are the trustees of the land resources for future generations. Both must be willing to fulfill their responsibilities if our soil and the welfare of our rural communities are to be preserved.

If one is to evaluate the possibilities of improving landlord-tenant relationships by legislative means, a knowledge of the existing legal status of landlords and tenants is indispensable. An understanding of the economic and social implications of present laws and statutes will contribute a great deal in arriving at a sound judgment regarding the possibilities and limitations of statutory regulations. It is for this purpose that the present bulletin, the fifth in the series on Farm Tenure in Iowa, is intended. It should prove valuable to farmers, land owners, legislators and the general citizenry of the state.

## SUMMARY

The present Iowa laws pertaining to landlord-tenant relationships do not distinguish between urban and agricultural conditions, with only two exceptions: The agricultural landlord's lien and the termination of indefinite agricultural leases. This lien applies to the total crop and to all personal property of the tenant, except to the property exempted from execution. In addition, leases usually contain a provision in which the tenant waives his exemption rights. In periods of excessive price decline or crop failure, and if production credit is sought by the tenant, the landlord's lien may work serious hardship. As a possible corrective, placing of certain limitations on the landlord's lien, and declaring invalid any waivers of exemption rights might be considered.

An Iowa statute provides that any lease with a fixed date of termination shall expire without notice and that only 1 month's notice is necessary to terminate an indefinite tenancy. The old common law rule provided for a 6 months' period of notice for termination of leases without a definite expiration date. It was changed by legislation in order to accommodate urban tenants and landlords. A statute requiring a 6 months' notice for the termination of any farm lease would be better adapted to agricultural needs.

As a direct attack against excessive moving of tenants, "compensation for disturbance," that is, payment for loss or inconvenience caused by the termination or refusal of renewal of the lease without good cause, might be considered. Any disturbance of a tenancy, except for breach of contract or other specified reasons, involves loss and damage to the disturbed party and to society. If the disturbed party could claim reasonable "compensation for disturbance," much of the moving caused by haphazard decisions or petty quarrels between the parties could be avoided.

Present laws attempt to hold the tenant responsible for any waste occurring to the landlord's property, but there is no reciprocal statute reimbursing him for any improvements he may effect. If the tenant were given the right to claim compensation for unexhausted improvements, it is likely that the landlord would be more adequately protected against

damages. Under Iowa laws the landlord is entitled to collect triple damage for waste, but this provision seldom has been invoked. Several states have enacted a statute providing that the tenant should compensate the landlord for actual rather than triple damages.

The principle of compensation for unexhausted improvements is recognized by mandatory statutes in many countries. Kansas, however, is the only state in this country where compensation for improvements is claimable by tenants under definitely limited circumstances. In Iowa the Occupying Claimant's Act comes closest to recognizing this principle, although it applies only to a person occupying property under a faulty title. Some landlords and tenants, however, have clauses in their leases providing for compensation for unexhausted improvements, and their experiences with such clauses have, in general, been highly satisfactory.

The development of widely available arbitration facilities specifically devised to assist landlords and tenants in arriving at fair decisions in an amicable, expeditious and inexpensive way, might greatly contribute to the improvement of tenancy conditions, since much ill-feeling and many disputes about minor matters could thus be avoided.

# Farm Tenure in Iowa

## V. Some Legal Aspects of Landlord-Tenant Relationships<sup>1</sup>

BY MARSHALL HARRIS, ALBERT H. COTTON  
AND RAINER SCHICKELE<sup>2</sup>

Information regarding the legal relationships between landlord and tenant is not readily available to an Iowa tenant, landlord or interested citizen. He would have to "plow through" numerous statutes and court decisions and study customary practices in local communities before he could obtain a comprehensive picture of the many legal problems involved in renting or leasing a farm. Yet, the laws and statutes are "rules of the game," governing the conduct of people in many important respects, and knowledge of the legal status of landlords and tenants is essential both for the understanding of our present tenancy situation and for the evaluation of the possibilities of improving landlord-tenant relationships.

In the following pages, information on the most important laws concerning the agricultural landlord and tenant is presented for the use of farmers and other citizens of Iowa. The present legal status of landlords and tenants is described and compared with that found in other states. Some of the legal, economic and social consequences of present provisions are briefly outlined, and possible statutory adjustments are discussed.

The various proposals for improving landlord-tenant relationships discussed in the second part of this bulletin are based upon successful experiences of individual landlords and tenants. They may be considered in the light of both legislative enactment and individual lease provisions. The fact that they are being used by some highly competent landlords

---

<sup>1</sup> Project 375 of the Iowa Agricultural Experiment Station.

<sup>2</sup> Mr. Harris is connected with the Division of Land Economics, B. A. E., and Mr. Cotton with the Farm Security Division of the Office of the Solicitor, U. S. D. A. Mr. Schickele is the Land Use Planning Specialist for Iowa, Division of Land Economics, B. A. E. The authors are indebted to John O. Stigall, formerly of the Land Utilization Division of the Farm Security Administration, for assistance in bringing together much of the legal information upon which this bulletin is based.

in Iowa should commend them for consideration as possible desirable standards of leasing practices.

Although it may look as if, in some of these proposals, the landlord is to relinquish some prerogatives and legal rights, it may be found that he gains in reality substantial economic benefits by doing so. Surely as to the terms of the lease the tenant is now at the mercy of the landlord; but as to the maintenance of the farm and the income derived from it, the landlord is at the mercy of the tenant. Any concession in lease terms, therefore, which will encourage the tenant to take greater interest in maintaining the farm and to adopt more profitable farming methods will benefit the landlord.

Landlords, in the long run, cannot prosper without relying upon responsible and progressive tenants who are genuinely interested in the farm and community and are reasonably secure in their tenure. The leasing conditions generally prevailing at present are not conducive to the development of these characteristics and attitudes on the part of the tenants. Landlords, therefore, have as much to gain from the general adoption of certain adequate standards in leasing practices as have tenants.

The number of tenant farms in the state increased from 44,000 in 1880 to 110,000 in 1935. Approximately one-half of the 222,000 farms of the state, therefore, are operated by

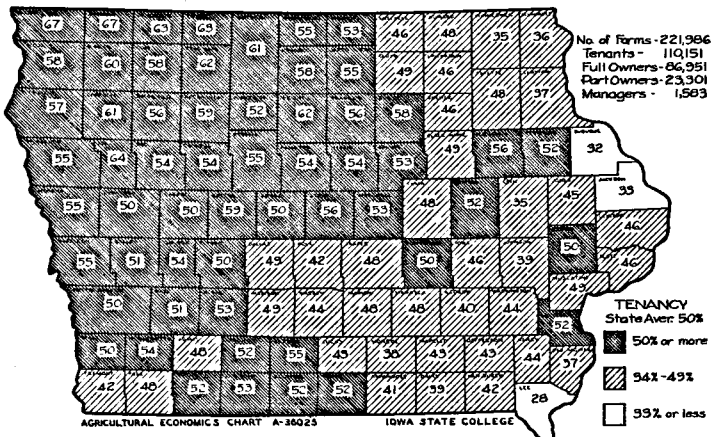


Fig. 1. Percentage of all farms operated by tenants in 1935.



farmers who rent all of their land. Another 10 percent of the farmers rent part of the land they operate. Altogether 20 million acres, or 58 percent, of the farm land of the state is operated by persons who do not own it. This represents an investment of over  $1\frac{1}{3}$  billion dollars.

As long as the proportion of tenancy was small, comprising not more than one-fourth to one-third of the farms, landlord-tenant relationships did not create serious problems of public concern; in most cases the tenant was related to the landlord, or the landlord lived close-by and actively cooperated with the tenant in managing the farm. As tenancy increased, however, the proportion of related tenants and the proportion of landlords actively contributing to the management declined. There were more and more landlords who looked at their farms merely from the viewpoint of an investor, with little knowledge of farming and little interest in the economic and social problems of farm life and rural community; there were more and more tenants who looked at their farms merely from the viewpoint of an exploiter, with little interest in preserving the landlord's property and maintaining soil fertility. It has been estimated that in Iowa, at the present time, the landlord-tenant relationships on two-thirds to three-fifths of all rented farms are strictly commercial in character, with little personal contact and little mutual human interest between the two parties. It is mainly this lack of mutual correspondence and familiarity between landlord and tenant which renders the legal aspects of their relationships important and seems to call for some standard rules in leasing practices.

## PRESENT STATUS OF LANDLORDS AND TENANTS

### WRITTEN LEASES

Many of the leases under which the rented farms are operated are nothing more than oral agreements. These oral agreements are entered into for only 1 year at a time. The statute of frauds requires that all contracts transferring any interest in land must be in writing to be enforced, except leases for a term not exceeding 1 year.<sup>3</sup> Under the oral

<sup>3</sup> Code of Iowa, Section 11285.

agreement the landlord and tenant usually discuss briefly the cropping and livestock system which should be followed and determine the amount of rent to be paid. In the course of the year it is necessary to adjust the oral agreement in reference to many particulars not previously discussed. This process gives rise to misunderstandings between the two parties. Although many of the misunderstandings pertain to minor aspects of the operation of the farm, they account for a good many failures to renew the lease at the end of the year. These misunderstandings would be less likely under a written lease.

Written leases alone will not solve this problem, for some leases are short and inadequate while others are cumbersome, printed in almost illegibly small letters and couched in highly involved legal terminology. Printed lease forms in common use frequently were drafted by an attorney representing landlords.

Some of these printed forms contain provisions that are intended to circumvent existing state laws.<sup>4</sup> For instance, the tenant is generally required to waive the privilege of property exemption from execution granted under the law.<sup>5</sup> In order to be most valuable, written leases should represent a mutual understanding between the two parties, agreed upon only after a full discussion of each provision. They must be clear, concise and cover the important matters in which both parties are vitally interested.

#### INSECURITY OF TENANCY

Iowa tenants are highly unstable in the occupancy of their farms. The Census of Agriculture for 1935 indicated that on Jan. 1 of that year over one-third of the tenants of the state had been occupying their farms for less than 2 years. Such a high rate of mobility among tenants prevents the

<sup>4</sup>The following provision is found in a printed lease form frequently used throughout the state: "The second party hereby waives and relinquishes all right from exemption from sale or seizure under distress or execution, that he now has or may hereafter have by virtue of any law of the state exempting personal property from seizure and sale; on execution or distress for rent, said first party shall have, upon the terms of this lease in addition to the lien given him by law, a lien upon all personal property owned by said second party during the term of this lease, whether said property is exempt from execution or not, and said second party hereby gives the first party full power and right to take and seize any personal property, whether exempt by law or not; and sell the same or any part thereof in satisfaction of said rent hereby agreed to be paid."

<sup>5</sup>Code of Iowa, Sections 10261-10269.

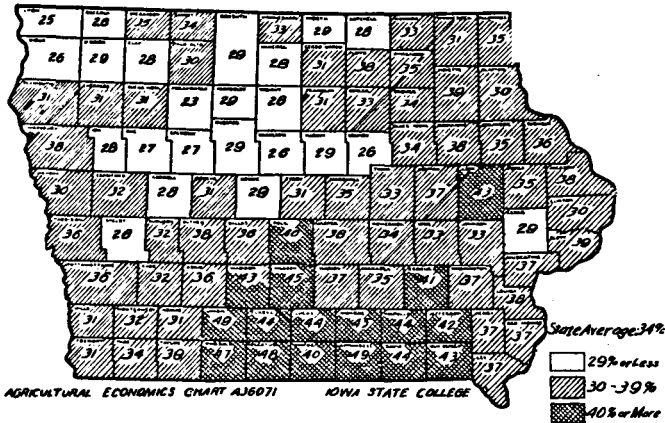


Fig. 2. Percentage of tenants on present farms for less than 2 years, by counties, as of January 1, 1935.

development of a permanently productive and conservational system of farming which requires the adoption of longtime rotations and the building up of livestock enterprises over a period of many years. It has a deterrent influence upon the tenant and his family in their participation in community activities. Many of them are slow to associate themselves with the local church, school, lodge and farm organizations because they do not know how long they will remain in the community.

Moving from farm to farm also results in a reduced rate of saving, in loss of livestock and feed, in damage to equipment and household furniture, in high cost of moving and in a considerable loss of time and money in locating a new farm. Serious retardation in the educational progress of the tenant's children is also associated with frequent moves.

#### Termination of Leases

This high degree of instability is partly due to the lease provisions and the statutory methods for terminating leases. The statute regarding the termination of agricultural tenancies provides that when an agreement is made fixing the time of the termination of the tenancy, the tenancy shall cease at

the time agreed upon without notice.<sup>6</sup> An occasional lease is made for a term of years, but most leases are drawn for only 1 year, and the tenant's interest in the property ceases when the lease expires. A few of these yearly leases are automatically renewed without notice from either party and continue for another year.

In general, therefore, tenants are highly insecure in their tenure. They have little or no assurance that they may operate their farms over a period of years. They have little opportunity to plan their operations far in advance. They cultivate the farm for all it is worth, "for next year they may be somewhere else." They often cannot afford to expand their livestock enterprises and provide for a sufficient feed supply, as it is extremely costly to move their herds and feed during the winter months. In the long run, this insecurity of the tenant is also detrimental to the landlord, because it invites erosion, fertility depletion and negligence in maintaining the improvements and combating noxious weeds.

Normally the tenant under the annual lease system desires to make his lease for the coming year as soon as possible and would make a lease during the preceding summer for the following year. If he makes such a lease he knows that he can proceed with fall plowing, planting and winter work and that he is secure in his tenancy for the ensuing year at least. If, after making the contract for a new lease, the landlord does not put him in possession for the next year, the tenant can sue the landlord for breach of contract. The reverse, of course, holds equally true.<sup>7</sup> Some landlords, however, who hold land with the hope of selling it withhold their signature to the lease until Feb. 1 or later, even though they orally agreed to renew the lease several months earlier. As a result of this practice, even the tenant who has been successful in negotiating an agreement for the ensuing year suffers from insecurity of tenure.

Other difficulties are experienced by the tenant upon the

<sup>6</sup> Code of Iowa, Section 10161.

<sup>7</sup> If the tenant fails to occupy the farm after the lease is made, the landlord, provided he gives the tenant notice of his intention to do so, may collect the rent agreed upon, less any amount he may receive from another tenant. In order to receive the full rental, the landlord must show that he was unable to secure another tenant after making reasonable attempts to do so.

sale of the farm. These are due to the provision giving the landlord the right to cancel the lease in the event of a sale. In the absence of such a provision, the lease continues for the period it was to run, with the tenant remaining in possession. The only change which affects him is that he owes his rent to a new landlord.<sup>8</sup> But the courts have upheld leases under which a definite term is given and which also contained a clause that the landlord may terminate the lease in case of sale as valid alternative provisions.<sup>9</sup> These contracts increase the tenant's uncertainty and contribute to exploitive farming.

Under the old common law rule, the courts interpreted most indefinite agricultural leases as year-to-year tenancies requiring a 6 months' notice for termination. This rule was changed by statute in order to accommodate the needs of urban tenants and landlords for whom a 6 months' notice proved too long. The Iowa statute requires that in indefinite leases a 30 days' notice must be served, and a reference to agricultural leases provides that such leases are terminable only on March 1 of any year.<sup>10</sup>

Note that the above mentioned statute, although suiting urban tenancies, puts the agricultural tenants, and in the long-run also the landlords, definitely in a less favorable position than they occupied under the common law.

### Length of Lease Term

It is conceivable that agricultural tenancies can be too long as well as too short. Under the old feudal system of land tenure familiar to the colonists, the tenure was too inflexible; the "tenant" was bound to the land and dependent upon the "landlord." A stratified society and its concomitant evils developed. The American system of land tenure, however, was designed to prevent the emergence of a similar situation. To this end many of the states enacted laws against agricultural tenancies for extremely long terms. Iowa

<sup>8</sup> *Clark v. Strohbeen*, 190 Iowa 989, 181 N. W. 430 (1921).

<sup>9</sup> *Pearson v. Howell*, 184 Iowa 990, 169 N. W. 368 (1918).

<sup>10</sup> In case of a tenant who rents land for the sole purpose of raising a crop, the notice may call for termination of the lease when the crop is harvested. See Section 10160 of the Iowa Code and *Johnson v. Shank*, 67 Iowa 115, 24 N. W. 749 (1885).

is one of the states taking this point of view, limiting the term of any lease of agricultural land to 20 years.<sup>11</sup>

This constitutional provision represents an outstanding example of the power of the state to determine the rights and duties of landlord and tenant with respect to the types of relationships that they may establish. For purely social and economic reasons, it has been recognized by the courts as a reasonable and necessary safeguard since its first adoption in New York in 1846.<sup>12</sup>

It should be noted that in prohibiting the use of excessively long lease terms, we have leaned backward to an extent which brought upon us the most unstable system of tenancy in the world. After breaking up the undesirable rigidity of old feudal tenure relationships, we have failed to develop a reasonable security of occupancy in our present tenancy system.

#### WASTE AND MISMANAGEMENT

If a tenant abuses the property to the extent that such an abuse constitutes common law waste, under the Iowa statutes, the landlord is entitled to collect three times the damages which have resulted from such waste,<sup>13</sup> and in addition a judgment of eviction may be obtained if the damages are sufficiently great. This statute is modeled after ancient English statutes.<sup>14</sup> Some states of the Union have abandoned triple damages and substituted actual damages. While the Iowa statute does not contain a definition of what constitutes waste, it must be shown that the acts of the tenant amount to waste under the common law and in the particular circumstances. The statute specifically mentions the injury of trees as constituting waste, and it also provides that any tenant who fails to use ordinary care to prevent waste shall be held to have committed it. There are many abuses of property by tenants, however, which do not amount to waste under this statute as defined by existing court decisions.

The Iowa law, similar to the law in other states, implies

<sup>11</sup> Iowa Constitution, Article 1, Section 24.

<sup>12</sup> N. Y. Constitution, Article 1, Section 14, *Stephens v. Reynolds*, 6 N. Y. 454 (1852).

<sup>13</sup> Code of Iowa, Section 12402.

<sup>14</sup> Statute of Marlbridge, 52 Hen. 3rd, Chapter 23, Section 2 (1267) and Statute of Gloucester, 6 Edw. 1st, Chapter 5 (1278).

a covenant on the part of the tenant to cultivate his farm in accordance with the rules of good husbandry. If the tenant does not do so, the landlord may sue for a violation of this implied covenant in the lease. The provision for triple damages for waste and the implied covenant against poor husbandry, however, seldom have been invoked. It appears that the interests of society and the landlord in the preservation of the property would be better protected if the landlord were given a right to recover only actual loss for all deterioration<sup>15</sup> rather than triple damages for injuries so serious that they constitute legal waste.

The removal of manure from the premises is recognized at common law as waste or bad husbandry upon the theory that it must be returned to the soil to conserve its fertility.<sup>16</sup> The early decisions establishing this rule recognized the temptation of tenants, who were to be on the land only a short time, to adopt farming practices which were temporarily profitable but ultimately ruinous. Literal "mining of the soil" through removal of sand, gravel, rock or minerals has always been regarded as waste, and figurative "mining of the soil" through sale of manure was denounced by American courts more than a century ago. Except for the rule against removal of manure, however, this attitude has been without concrete result; and a gradual deterioration of rented farms, coupled with serious soil erosion, are accomplished facts.

A specific contract to "cultivate land in a good and husbandlike manner" has been construed as an agreement to make every reasonable effort to keep the land free from noxious weeds and grasses.<sup>17</sup> Moreover, the tenant is under certain statutory duties to keep down noxious weeds and crop pests,<sup>18</sup> but these statutes were designed for the protection of the public and adjoining landowners rather than the preservation of the landlord's property.

<sup>15</sup> "Deterioration" includes waste, injuries, dilapidation and any impairment of the property not involving ordinary wear and tear or circumstances beyond the tenant's control.

<sup>16</sup> *Munier v. Zachary*, 138 Iowa 219, 114 N. W. 525 (1908).

<sup>17</sup> *Wheeler v. Schilder*, 183 Iowa 623, 167 N. W. 534 (1918).

<sup>18</sup> Code of Iowa, Sections 4819 and 4062-b17.

### REPAIRS

Except insofar as repairs may be necessary to prevent waste, in the Iowa statutes there is no obligation on the tenant to repair rented property. Neither is the landlord required to keep the property in repair in the absence of a contract to that effect. In fact, he is not required to put the property in usable condition for the purposes for which it was rented. The tenant takes the property as he finds it and repairs or improves it at his own expense. He cannot claim compensation for the repairs he makes in the absence of a contract even if they actually improve the property, because the common law assumes that he makes them for his own benefit.

There are also no obligations upon the landlord in Iowa with regard to the type of dwelling which he furnishes on a farm. There is not even the requirement which is found in many states that the dwelling be fit for human habitation. This contrasts with the situation of urban landlords in Iowa. They are required to meet specific standards by the provisions of the housing law,<sup>19</sup> which by its terms is not applicable to agricultural properties. There is little reason why adequate standards could not be adapted to rural conditions in an appropriate statute.

### REMOVAL OF FIXTURES AND IMPROVEMENTS<sup>20</sup>

The Iowa statutes are silent as to the rights of tenants with regard to improvements they make. Such rights as the tenant may have to remove agricultural fixtures and improvements he makes on a leased farm, exist because of common law rules adopted by the Iowa courts or because of a contract which the tenant has made with his landlord. Under the Iowa decisions the intention of the parties at the time the improvement was made, rather than the manner in which it is affixed, is of primary importance in determining whether an improvement that is physically removable is also legally removable, although the manner in which it is affixed may be of importance in determining the intention.<sup>21</sup> Iowa does

<sup>19</sup> Code of Iowa, Chapter 323.

<sup>20</sup> Improvements is here used to mean any valuable addition to or modification of any part of the farm, including items such as buildings, fences, fertility, growing crops, soil, erosion control devices and drainage facilities.

<sup>21</sup> *Speer v. Donald*, 201 Iowa 569, 207 N. W. 581 (1926); *Cornell College v. Crain*, 211 Iowa 1343, 235 N. W. 731 (1931).



not discriminate against tenant farmers, as some states do, since the farm tenant has the same rights to remove fixtures as have other tenants.

Examples of fixtures and improvements which have been held to be removable are of little value since the decision rests upon an intent found by the court in the individual cases; an opposite result might be reached with regard to identical fixtures under other circumstances. In any event, the removal must be made before the termination of the tenancy, a rule that may work serious hardship, since many tenancies terminate in winter when removal is difficult or impossible.

#### **COMPENSATION FOR REPAIRS AND IMPROVEMENTS**

It is pertinent at this point to inquire into the existing economic and social conditions of tenant farmers owing to their precarious position regarding repairs and improvements to the farm and farm home and to consider the condition of tenant-operated farms under the inadequate statute regarding waste. In the day-to-day operation of the farm, the tenant's position regarding each of these items is so influential on his action that they warrant detailed consideration.

Under many situations the tenant cannot repair the property without improving it. He does not have a claim on the landlord for any repairs he may make. If the repairs represent a distinct improvement to the property, the tenant still has no right to claim reimbursement for such repairs; neither can he claim compensation for any improvements which he may effect. He is, however, responsible for three times the amount of any waste that he may permit.

Fundamentally, this represents a philosophy to the effect that the tenant must maintain the property in exactly the same condition as it was when he rented it or reimburse the landlord to the extent of any diminution in its value owing to waste or lose to the extent that he has enhanced its value through repairs and improvements. As a result of the paradoxical position in which the tenant finds himself, many tenant-operated farms deteriorate year after year, and many tenants do not have adequately improved farms and farm

homes, and they are not in a position to improve them or to adopt a conservational system of farming.

This condition has been found in several recent surveys,<sup>22</sup> and it is evident from statistical material presented by the Census of Agriculture. Regarding improvements and conveniences in the farm home, the Census for 1930 indicates, for instance, that the proportion of Iowa owner-operators who have supplied themselves with electric lights is almost two and one-half times as large as the proportion of tenants (30 and 13 percent, respectively). Items of this kind are difficult if not impossible to remove when the lease is terminated. On the other hand, practically the same proportion of tenants as of owner-operators have automobiles (92 and 88 percent, respectively), and almost as large a proportion of tenants as of owners have telephones (81 and 87 percent, respectively). It is easy to remove the telephone when the lease is terminated. Thus, tenants acquire those things they can move but hesitate to acquire things they cannot move.

In some individual cases, however, landlords and tenants reach agreements with regard to improvements or fall plowing and planting. Since the tenant has no right to improvements, the landlord who desires definite improvements upon his farm is faced with the necessity for reaching an agreement with the tenant. Difficulties arise, however, where the landlord is unwilling to share the cost of improvements even though they are necessary to the proper operation of the farm or where the tenant has no assurance that he may occupy the farm for a sufficiently long period to reimburse him for the expense of making them. Consequently, many farms gradually deteriorate.

While the parties should be left free to reach their own agreement with regard to many major improvements, it is nevertheless true that many programs, especially those designed to preserve the fertility of the soil and to prevent erosion, are handicapped by the inadequate security of tenant occupancy under our present system. Any adequate program

<sup>22</sup> Schickele, Rainer, Himmel, John P. and Hurd, Russell M. Economic Phases of Erosion Control in Southern Iowa and Northern Missouri. Ia. Agr. Exp. Sta., Bul. 393. 1935.—Schickele, Rainer and Norman, Chas. A. Tenancy Problems and Their Relation to Agricultural Conservation. Ia. Agr. Exp. Sta., Bul. 854. 1937.—Schickele, Rainer. Farm Tenure Conditions in Palo Alto County. Ia. Agr. Exp. Sta., Bul. 864. 1937.—Reid, Margaret G. Status of Farm Housing in Iowa. Ia. Agr. Exp. Sta., Res. Bul. 174. 1935.

for soil conservation and for major repairs and installation of conveniences in buildings requires a more secure occupancy than for 1 year. Thus the tenant's position regarding repairs and improvements and his insecure tenure are closely interwoven. It lies distinctly in the interest of the landlord to develop leasing practices which will stimulate the tenant's long-time interest in farm land and improvements, as well as his responsibility toward his obligations to the landlord, the land and the community.

#### LANDLORD'S LIEN

By statute the Iowa agricultural landlord is given a lien for his rent upon all crops grown upon the leased premises and upon other personal property of the tenant, including livestock and farming equipment which is used or kept on the premises during the term of the lease and which is not exempt from execution.<sup>28</sup> This lien places the landlord in a strong position. Where the lease is made for cash rent, in the event of a decline in prices or of crop failure, the landlord is entitled to seize all of the tenant's crops, all of his livestock, and all of his farm equipment and household goods except the property exempted by Section 11760 of the Iowa Code. The landlord's position is further strengthened by the common lease provision in which the tenant waives these exemption rights.

The exemption statute contains many items applicable only to heads of families. The most important of the items exempted from execution are:

- Personal wearing apparel, trunks, books and musical instruments.
- Two cows and two calves.
- Fifty sheep.
- Six stands of bees.
- Five hogs and all pigs under 6 months of age.
- One bedstead and the necessary bedding for every two members of the family.
- Furniture not exceeding \$200 in value.
- One sewing machine.
- Necessary provisions and fuel for 6 months for the use of the family and feed for the farm animals (excluding feed produced on the farm) exempt from execution.
- Farming tools.
- A team consisting of not more than two horses and a vehicle with proper harness.
- Poultry to the value of \$50.

<sup>28</sup> Code of Iowa, Sections 10261-10269.

Exemptions which are no longer of actual value include two yoke of cattle, a musket, a spinning wheel and cloth not to exceed 100 yards manufactured by the tenant.<sup>24</sup>

The landlord's lien statute has the effect of giving the landlord a priority over the claims of other creditors.<sup>25</sup> It does not, however, give him the right to reach any property of the tenant which he could not reach through regular legal processes without the lien. It does enable him to avoid the possibility that other creditors may reach the property first and in proper cases follow it into the hands of third parties.<sup>26</sup>

Under the crop share lease, the landlord's lien applies to the whole crop only as long as his share has not been delivered. After the landlord has received his share, the tenant's share cannot be attached by the landlord's lien except for such additional cash rent as remains unpaid. Under the cash rent lease, the landlord's lien attaches to the whole crop and property of the tenant until the last dollar of the rent is paid. This legal situation has been a factor in the precipitous decline in the use of cash leases and in the growth in popularity of crop share renting in Iowa during the depression.

The landlord's lien presents another problem. Since it is the first lien against the crop and the property of the tenant, the tenant is in the unfavorable situation of being able to give only a second lien in order to obtain production credit. This second lien usually is unsatisfactory to creditors and results in higher interest rates to the tenant than if he could give a first lien. Both public and private lenders often require that the landlord waive his statutory lien before they will extend credit to the tenant. For instance, the tenant must

<sup>24</sup> This statute, although enacted primarily for the debtor's protection, presents some problems of interpretation. It has been held that an automobile is a vehicle, within the meaning of the statute, and is thus exempt when used by a farmer in connection with his farming operation; but it cannot be claimed as exempt in addition to the team and harness named in the same clause (*Wertz v. Hale*, 212 Iowa 294, 234 N. W. 534 /1931/), nor can a farmer claim a farm truck as a tool and an automobile as a vehicle under different clauses (*Farmers Elevator & Livestock Co. v. Satre*, 196 Iowa 1076, 195 N. W. 1011 /1923/). Just what constitutes a farming tool is a question of interpretation which often presents difficulty. It has been held that a cream separator is exempt (in *re Hemstreet*, 139 Fed. 958 /D. C. Iowa 1903/) while a threshing machine is not exempt (*Meyer v. Meyer*, 23 Iowa 359 /1867/), and it is a question for a jury to decide whether a traction engine comes within the exemption under particular circumstances (*Vandeventer v. Nelson*, 180 Iowa 705, 163 N. W. 354 /1917/). Many items in common use are not specifically covered by the statute or existing decisions, and it is sometimes difficult to determine in advance of litigation whether they are exempt.

<sup>25</sup> Except such liens as are granted to mechanics, threshermen, etc. and chattel mortgages placed on the tenant's personal property before he took possession of the farm.

<sup>26</sup> *Mau v. Rice Bros.*, 216 Iowa 864, 249 N. W. 206 (1933).

produce such a waiver before he is eligible for a corn loan under the government corn sealing program. Landlords frequently realize that it is to their advantage in the long run to reduce the tenant's cost of producing the crop and, therefore, execute waivers in order to allow their tenants to obtain more favorable credit terms. The tenant, however, cannot tell whether his landlord will execute such a waiver. The landlord is free to refuse to do so.

Many landlords are not satisfied with the statutory lien because of the exemption provisions and insist upon inserting a clause in their leases whereby the tenant waives the benefit of the exemption statute. When this practice first came before the court, it was contended by a tenant that such a waiver should be held void as against public policy just as a similar waiver of the benefits of the exemption statute in a promissory note had been held to be invalid. The Iowa Supreme Court, however, refused to adopt this view and held that such waivers should be construed as if they were chattel mortgages, and that they were valid.<sup>27</sup>

The result of this rule is that the tenant who rents all or part of the farm for cash may find in case of crop failure or disastrous decline in prices that the landlord can seize all of his property in order to collect immediately the full cash rental. The decision that the waiver clause is valid because it is to be treated as a chattel mortgage makes it necessary, however, to meet the formal requirements of chattel mortgage law. For example, such a lease must be recorded for the waiver to be valid as against third parties without notice.<sup>28</sup> The statute further provides that a chattel mortgage of exempt property must be in writing and signed by the wife to be valid, which applies to waiver clauses in leases since they are construed as chattel mortgages.<sup>29</sup>

<sup>27</sup> *Fejavy v. Broesch*, 52 Iowa 88, 2 N. W. 963 (1879).

<sup>28</sup> *Sioux Valley State Bank v. Honnold*, 85 Iowa 352, 52 N. W. 244 (1892). It has further been held that the customary use of such waivers in any locality is not sufficient to put third parties on notice and the requirement of recording is insisted upon. *Brenton v. Bream*, 202 Iowa 575, 210 N. W. 756 (1920).

<sup>29</sup> Code of Iowa, Section 10013. *Brownlee v. Masterson*, 215 Iowa 993, 247 N. W. 481 (1933).

## POSSIBILITIES FOR IMPROVING LANDLORD-TENANT LAWS

It has been shown in the preceding pages that our present laws treat urban and agricultural tenancies alike, with but two exceptions: Separate statutory provisions covering the agricultural landlord's lien and the termination of indefinite agricultural leases. Moreover, the statutes are often vague in their meaning and do not cover the subject matter adequately. In many respects important issues are completely ignored or merely mentioned. Some statutes are difficult to interpret, and the applicability of common law to particular cases is hard to evaluate, especially since many of the relevant common law decisions date back several generations. As a result of this general situation, farm landlords and tenants are often uninformed as to their legal rights and duties.

The landlord and tenant are at present free to agree to practically any terms which they may wish to substitute for the statutory or common law terms. The state has the power, however, to enact legislation which cannot be set aside by any agreement which the parties may make. The constitutional provision prohibiting leases of agricultural lands for a period of more than 20 years is of this type. The Iowa housing law, which specifically applies only to urban dwellings, is another example of legislation of the type which is enforced regardless of the agreements of the party. No matter how willing the tenant may be to accept accommodations below the standard prescribed by the legislature, either because of low rental or because of a shortage of homes, the landlord is still bound to furnish housing up to the standard specified. The reason for this is that the purpose of the statute is to protect the public health through assuring adequate housing in urban centers. Where the public interest is affected by agricultural conditions, the state has similar power to enact mandatory legislation. Many problems connected with farm tenancy appear to have reached a stage where the public welfare is involved to a point that legislation may well be considered.

Many proposals have been made for the improvement of landlord-tenant legal relationships. Their discussion here

is not intended to promote their immediate adoption but merely to indicate the subject matter with which discussion of the reform of agricultural tenancies has been concerned.

The proposals discussed in the following pages are based upon successful experiences of individual landlords and tenants. They may be considered in the light of both legislative enactment and individual lease provisions.

#### **REPORT OF THE PRESIDENT'S COMMITTEE**

The most important recommendations with regard to improving landlord-tenant relationships that have been made recently appear in the Report of the President's Committee on Farm Tenancy of February 1937. In this Report the following recommendations were made:

"Although the Federal Government can do much to improve conditions of tenant farmers, some of the most fruitful fields of endeavor are under the jurisdiction of state agencies. Much can be done to better the terms and conditions of leasing. Through regulation and education tenant-operators can be given greater security of tenure and opportunity to develop and improve their farms and participate in community activities.

"It is recommended, therefore, that the several States give consideration to legislation which might well include provisions such as the following: (a) Agricultural leases shall be written; (b) all improvements made by the tenant and capable of removal shall be removable by him at the termination of the lease; (c) the landlord shall compensate the tenant for specified unexhausted improvements, which he does not remove at the time of quitting the holding, provided that for certain types of improvements the prior consent of the landlord be obtained; (d) the tenant shall compensate the landlord for any deterioration or damage due to factors over which the tenant has control, and the landlord shall be empowered to prevent continuance of serious wastage; (e) adequate records shall be kept of outlays for which either party will claim compensation; (f) agricultural leases shall be terminable by either party only after due notice given at least 6 months in advance; (g) after the first year payment shall be made for inconvenience or loss sustained by the other party by reason of termination of the lease without due cause; (h) the landlord's lien shall be limited during emergencies such as a serious crop failure or sudden fall of prices where rental payments are not based upon a sliding scale; (i) renting a farm on which the dwelling does not meet certain minimum housing and sanitary standards shall be a misdemeanor, though such requirements should be extremely moderate and limited to things primarily connected with health and sanitation, such as sanitary outside toilets, screens, tight roofs, and other reasonable stipulations; (j) landlord and tenant differences shall be settled by local

boards of arbitration, composed of reasonable representatives of both landlords and tenants, whose decisions shall be subject to court review when considerable sums of money or problems of legal interpretation are involved."

In the following discussion, some of these proposals will be taken up in detail, and other proposals will be considered more briefly.<sup>80</sup>

### REQUIREMENT OF WRITTEN LEASES

The difficulties to which the oral lease gives rise seem self-evident, and it is not necessary to elaborate the point that many disputes will be avoided if the lease is put in writing, provided that the topics are covered in sufficient detail. If the points likely to cause disputes are not thoroughly discussed in the beginning and embodied in the lease, they may arise under a written lease just as they do under oral agreements. Some essentials of good farm management and proper care of the premises should be included, especially where the lease is a cash lease and the landlord has little influence on the manner in which the tenant operates the farm. It is particularly important that an agreement should be reached as to the improvements which the tenant may make on the farm and the manner in which he shall be compensated for those he leaves behind. The lease should also contain provisions which assure the tenant a relatively high degree of security of tenure.

It is undoubtedly within the power of the state to require that all agricultural leases be written. The Iowa statute of frauds already requires such a writing where the lease is for a period of more than 1 year.<sup>81</sup> Difficulties which have arisen in connection with this statute indicate that the requirement of written leases is not sufficient. The parties may inadvertently omit compliance with this requirement and enter into an oral lease, or the landlord may refuse to grant a written lease. Consequently, a statute requiring written leases should contain provisions concerning the positions of the parties if this requirement is ignored. Where the parties act under a

<sup>80</sup> For a more detailed discussion of some legal aspects of proposals to improve the tenancy system, see "Regulations of Farm Landlord-Tenant Relationships" by Albert H. Cotton, 4 *Law and Contemporary Problems* 508 (October, 1937).

<sup>81</sup> Code of Iowa, Section 11285.



void or voidable oral lease, the statute should determine in what respects the oral agreement should be enforced.

One solution of the problem may be the adoption of a statute containing most of the general provisions of an agricultural lease and providing that these provisions would be a part of the lease unless the parties adopted a written contract. Such provisions may cover compensation for improvements and deterioration, period of notice for termination and other desirable provisions of general applicability.

Under this statute alone, the landlord and tenant would be left entirely free to make any agreement they chose provided they did so by a written lease contradicting these statutory presumptions.

#### INCREASING SECURITY OF OCCUPANCY

Four major procedures have been suggested to establish a greater security on rented farms: (1) One-year and automatically continuing leases with a long period of notice for termination; (2) compensation for disturbance; (3) long-term leases and (4) cancellable long leases.

A statute may be enacted requiring that all agricultural leases shall continue automatically for another term unless notice is served by either party at least 6 months prior to the end of the current term. This provision would leave the parties as free as they are at present with regard to reasons for termination but would require a period sufficiently long to reduce the undesirable social and economic consequences of the uncertainty of continuation for the next year.<sup>82</sup> In a sense, this would be nothing more than the re-adoption of the old common law requirement that at least 6 months' notice must be given in order to terminate year-to-year leases, as has been pointed out.

The weakness of this approach lies in the possibility that some landlords would serve notice to their tenants at the stipulated time merely to meet the statutory requirement, yet indicating to them that they intend later in the year to renew the lease. This weakness, however, can be overcome by adopting the principle of "compensation for disturbance."

<sup>82</sup> Schickele, Rainer and Norman, Ohas A. Tenancy Problems and Their Relation to Agricultural Conservation. Ia. Agr. Exp. Sta., Bul. 354:175. 1937.—Schickele, Rainer. Farm Tenure Conditions in Palo Alto County. Ia. Agr. Exp. Sta., Bul. 364:160. 1937.

This principle has been used successfully by a number of landlords and tenants in this country<sup>88</sup> and is a mandatory requirement in several other countries.

### Compensation for Disturbance

The principle of compensation for disturbance represents a direct attack upon the problem of frequent moving by tenants. It may be defined as a payment for damage, loss or inconvenience caused by either party's termination or refusal to renew the lease without good cause. It is a recognition of the fact that security of tenure is essential to good farming and sound community life and that any disturbance of a tenancy, unless caused by breach of contract or other specified reasons, inevitably involves loss and damage to the disturbed party, either tenant or landlord, and to the community.

Any of the following reasons for terminating leases at the end of the year might well constitute "good causes" requiring no payment of compensation for disturbance:

- (1) Tenant delinquent in his rent.
- (2) Tenant permits waste or fails to farm in a good husbandlike manner.
- (3) Either landlord or tenant is bankrupt or property is foreclosed.
- (4) Breach of agreement which is not or cannot be remedied after notice.
- (5) Landlord desires to operate the farm himself.
- (6) Death of either party.

There are two principal methods which may be used in arriving at the amount of compensation for disturbance.

First, a predetermined fixed amount may be stipulated (a) in the lease or (b) by the statute. This fixed amount may be indicated in terms of a lump sum or in terms of a percentage of the annual rental.

Second, the amount may be based upon the damage or loss incurred in each individual case. This may be determined

<sup>88</sup> A printed lease form used in some parts of Iowa includes the following provision: "That in case of sale of said premises during the occupancy of said second party, and purchaser should desire possession, said second party hereby agrees to give up to the said purchaser said premises at once on payment to him of a fair and reasonable compensation therefor, and if he and purchaser cannot agree as to the amount of such compensation, it shall be left to three disinterested appraisers, of whom said second party shall choose one, the purchaser one, and these two shall choose a third one. Their decision shall be final as to the amount to be paid by purchaser to said second party."

(a) by mutual agreement; (b) by arbitration or (c) by court decision.

The adjustment that compensation for disturbance would effect in our present tenancy system is, in concise terms, that the landlord asking his tenant to quit without good cause would have to reimburse the tenant for specified losses and costs involved in the move, and the tenant leaving his landlord without good cause would have to pay the landlord's cost involved in the change of tenants.<sup>84</sup>

#### Long-Term Leases

Another procedure for increasing the security of occupancy would be the general adoption of long-term leases; for example, through a statute requiring a 3- or 5-year term for all agricultural leases. Although long-term leases seem to constitute the only means of increasing security of occupancy in the minds of some people, many landlords and tenants in this state would be opposed to such a requirement, since they realize that many things may arise making it desirable to terminate the lease before the end of a 5-year period.

#### Cancellable Long Leases

It may be possible, however, to modify a provision for long-term leases so as to avoid this rigidity. It may be required that all agricultural leases be drawn for a minimum period of 5 or 7 years, terminable at the end of any year by either party after due notice, upon payment of compensation for disturbance as outlined. Such payments, of course, would not be made if a lease is terminated with good cause or by mutual consent.

Such a provision would go a long way toward increasing the security of occupancy which is so essential for the adoption of well-planned crop rotations and conservational farming systems. At the same time, however, either party could terminate the lease at the end of any year if the advantages of termination are more valuable than the amount of compensation payable. No compensation would be payable if the lease were not renewed at the end of the term.

<sup>84</sup> For a more detailed discussion of compensation for disturbance, and also for improvements and deterioration, see Marshall Harris, "Compensation as a Means of Improving the Farm Tenancy System." Land Use Planning Publication No. 14, U. S. D. A., Washington, D. C.

### RESPONSIBILITIES FOR REPAIRS

As has been previously mentioned, Iowa statutes do not clearly place the responsibility for many important repairs upon either landlord or tenant. The fact that many of the farm properties which have been rented over a period of years are showing serious signs of deterioration may partly be explained by this lack of clearly defined responsibilities. This condition exists even though it is generally agreed that the landlord will furnish materials for repair and that the tenant will contribute the necessary unskilled labor.

Louisiana<sup>85</sup> and Georgia<sup>86</sup> have adopted the law that the entire burden of repairs is to be borne by the landlord, in the absence of contract, and that the property must be in a suitable condition for the business for which it has been leased. Many states have statutes requiring landlords to furnish habitable dwellings, and where the landlord fails in this duty, the tenant has the right to make repairs and deduct the cost from the rent. Some leases are used in Iowa, however, which require the tenant to carry the total cost of repairs.

For minor repairs, there is a distinct advantage in having the responsibility placed upon the tenant, since he can more easily attend to making small repairs currently. Major repairs, however, particularly those requiring materials and skilled labor, may be more appropriately borne by the landlord since they usually are of a permanent nature.

It may be worthwhile to consider a statute providing that the landlord shall furnish all materials and skilled labor necessary in making repairs and that the tenant shall contribute all unskilled labor. In case either landlord or tenant fails to fulfill his duty, the other party shall be entitled to carry out the necessary repairs and deduct or add the cost to the rent, as the case may be. Such a statute would give definiteness to a custom already established in present leasing practice, and the responsibilities for repairs would be divided clearly between the two parties.

The existing remedies for the tenant where the landlord has agreed to make repairs and fails to do so are inadequate

<sup>85</sup> Louisiana Civil Code (Dart, 1932) Sections 2692-2700.

<sup>86</sup> Georgia Code (Harrison, 1933) Sections 61-111. By another provision, in the tenancy for years, a usual type of farm tenancy, the obligation to repair is upon the tenant. Georgia Code (Harrison, 1933) Sections 85-805.

in Iowa. In other states, by statute or court decision, adequate remedies have been established, such as giving the tenant the right to make the repairs himself and deduct the cost from the rent. In the absence of contractual provisions, the Iowa tenant remains liable for the full rental even though the premises become untenable from cause beyond his control. These situations have been changed by statute in at least 18 states. The various types of statutory provisions which have been adopted in both instances and their application and the theories upon which they are based have been discussed by Iowa legal writers.<sup>87</sup>

#### **RIGHT TO REMOVE FIXTURES AND IMPROVEMENTS**

The present law in Iowa regarding the removal of fixtures and improvements, although more adequate than in many states, nevertheless falls short of meeting modern leasing requirements. The rule that the intent of the parties rather than the nature of the improvements governs the right to removal invites misunderstandings, since at the termination of the lease the landlord and tenant are likely to differ as to their intent.

A statute may be considered listing those fixtures and improvements which may be installed upon the farm by the tenant and which may be removed by him at the termination of the lease. It may be well to permit the tenant to remove the fixtures and improvements within a reasonable time after the expiration of the lease, in case weather or other circumstances prevented him from moving them earlier. The tenant's right of removal should not be affected in case the farm is sold or foreclosed. Under such a statute the tenant would be fairly well protected, since he would have the opportunity to sell the fixtures or improvements to the incoming tenant or to his landlord if he did not prefer to remove them.

Another provision may grant the landlord the prior right to purchase the fixtures or improvements from the tenant at a reasonable price. This may prove satisfactory for fixtures and improvements that are not easily removable and are of value to the incoming tenant.

<sup>87</sup> The statutes governing the situation in the absence of contract are discussed in 13 Iowa Law Review 328 (1928), and the methods of enforcing a covenant for repairs are discussed in "Rights and Remedies of a Tenant where the Landlord Fails to Make Repairs," S. S. Faville, 9 Iowa Law Bulletin 250 (1924).

It should, of course, be required that in the removal no damage should be done to the premises, or if slight damage is unavoidable, the tenant should repair such damage at his expense.

Among the results of a statutory right to remove fixtures and improvements would be the encouragement of livestock enterprises and conservational farming. The tenant would feel free to install temporary and removable sheds and other small buildings necessary for certain livestock enterprises, in which the landlord is unwilling to invest. He would also be encouraged to install labor-saving facilities and home conveniences. This alone would not solve the problems regarding improvements, since it is impossible or impractical to remove many of them.

#### **PRINCIPLE OF COMPENSATION FOR IMPROVEMENTS**

Under the present tenancy system the tenant must leave on the landlord's farm all improvements he makes which are not legally removable. He often does not occupy the farm long enough to repay him for their cost, and the landlord is not required to reimburse him for their unexhausted value. Any farm program to conserve and improve soil resources is thus seriously handicapped, and the tenant cannot provide his family with many of the housing facilities found on owner-operated farms. It has been suggested that this situation could be properly adjusted by requiring that at the termination of the lease the tenant be compensated for unexhausted improvements he has made.

The enactment of a statute may be considered which would embody the principle of compensation for improvements. The improvements which the tenant may make without the consent of the landlord and for which compensation shall be payable may be confined to those which are necessary for the proper operation of the farm, for the conservation of soil resources, for the development of an adequate farm garden and orchard and for the health of the farm family. The landlord should be protected from unwise or highly specialized improvements that the tenant may make, by setting definite limits and specifying the types of improvements for which the tenant may claim compensation.

A list specifying the improvements for which the tenant may claim compensation might include items such as the following:

- (1) Application of limestone, phosphate, other fertilizers or green manure resulting in a residual benefit to the land.
- (2) Seedings of alfalfa and other grasses and legumes and establishing temporary meadows or pastures.
- (3) Plowing, fall seedings of small grain and preparing the land for next year's crop in excess of what was on the farm at the beginning of the tenancy.
- (4) Manure appropriately spread which was produced from feedstuff bought by or belonging to the tenant.
- (5) Establishing perennial garden plants, small fruits and orchard trees not in excess of those adequate for home use.
- (6) Structural facilities in the farm home.

The tenant should not be permitted to claim compensation for any improvements not included in such a specified list unless he had obtained the consent of the landlord prior to making them. For these types of improvements the relationship between landlord and tenant would be exactly as it is at present, that is, they would be free to make any arrangements they desire.

It might be worthwhile to consider placing a limit on the total amount of compensation claimable by the tenant at the termination of the lease. Such a limit may be expressed in terms of a specified percentage of the total rental paid during the tenancy. This provision may constitute a very effective safeguard.

Another procedure in specifying the improvements for which tenants may claim compensation would be to limit the improvements to those not exceeding a stipulated value per year, for example, \$50 to \$100 each. For any improvements exceeding the specified value, prior consent of the landlord would be required. The disadvantage of this limitation is that it does not specify the kinds of improvements that may be made and may unduly limit the amount that can be spent for an important improvement. For instance, under a limit of \$50, a tenant could not lime more than about 8 to 12 acres during any given year.

The statute may well include the bases upon which the

amount of compensation shall be determined. It seems appropriate to determine the compensation for the improvement in question according to its value to a typical incoming tenant. That is to say, an improvement not adapted to the customary farming in a given community shall not be eligible for compensation.

In any event, the statute should require that the tenant keep an accurate account of the costs involved in making any improvements for which he intends to claim compensation. In many cases such records would prove very serviceable in determining a fair amount of compensation.

These principles regarding compensation for improvements are based upon experiences of individual landlords and tenants using corresponding provisions in their leases, and upon a long and successful experience under mandatory statutes in many countries, notably England and Wales.

In this country, North Carolina and Virginia have laws providing that the tenant shall be compensated for crops he planted but could not harvest due to an unexpected termination of his lease. In Kansas, a statute provides that under certain specific circumstances the landlord must either compensate the tenant for the unexhausted value of improvements made by the tenant or permit him to sell these improvements to the incoming tenant.<sup>88</sup>

In Iowa, a statute requires that in case a person occupies a farm under a faulty title, the rightful owner upon taking possession of the farm must pay a fair compensation for improvements made by the occupant.<sup>89</sup> The rightful owner, however, may deduct the amount of any deterioration of the property permitted by the occupier from the compensation claimable for improvements.

When the tenant is guaranteed compensation for improvements, it will be possible for him to develop a long-time interest in the farm, somewhat comparable to that of an owner-operator. Then he can afford to more adequately conserve the soil and to provide for necessary farm improvements. He also would be protected against outside tenants bidding up the

<sup>88</sup> Kansas Statutes (1935) Sections 67-501, 67-501a. The policy of the statute was approved by the Kansas Supreme Court in *Berg v. Scully*, 120 Kan. 637, 245 Pac. 119 (1926).

<sup>89</sup> Code of Iowa, Chapter 440, "Occupying Claimant's Act."



rent on account of the improvements he had made. At the same time, the landlord would benefit from the increased interest stimulated in the tenant, as well as from the increased returns resulting from the better care and improvement of the property.

A landlord once remarked to the junior author that he prefers his tenant to make certain improvements because he feels that the tenant is apt to utilize them with more care and interest if he puts his own time and money into them, than if the landlord would furnish them, particularly since in the latter case the landlord may legitimately raise the rent. He added that in many cases the tenant knows better what is needed and how to get it most cheaply than does the landlord.

#### **COMPENSATION FOR DETERIORATION**

Despite the laws protecting landlords against waste and poor husbandry, many rented farms are gradually deteriorating. One of the reasons why these laws have been ineffective lies in the paradoxical position in which they place the tenant. They attempt to hold him responsible for any waste which may occur to the property, but there is no reciprocal statute reimbursing him for any improvement he may effect.

On the other hand, if the tenant is to be compensated for improvements, it is only fair that the landlord shall be compensated for the deterioration of the property under the tenant's care. Consequently, the landlord should be given the right to set-off the claim for actual deterioration against the tenant's claim for compensation for improvements. A provision which would require that the tenant compensate the landlord for any deterioration to the property may well be considered. It would represent a reenforcement of the landlord's existing rights to damages for waste or breach of the implied agreement to operate the farm according to the rules of good husbandry.

The amount of deterioration could be arrived at in a manner similar to that in which the unexhausted value of improvements is determined. That is to say, the amount of deterioration could be based upon the decrease in the value of the property to an incoming tenant.

As long as the landlord has the right to influence the crop system used on his land, it would seem necessary that a statute providing for compensation for deterioration would exclude any damage that may arise from the use of exploitive crop systems.

To illustrate the conditions under which a landlord may claim compensation for deterioration, the following instances are mentioned:

- (1) Cutting of trees.
- (2) Infestation of land with noxious weeds and shrubs.
- (3) Burning of straw and corn stalks.
- (4) Improper care and use of manure.
- (5) Plowing up of permanent pasture.
- (6) Failure to maintain erosion control structures.
- (7) Negligent care of garden and orchard.
- (8) Improper use or negligent care of dwelling and household equipment.
- (9) Improper use or negligent care of barns, fences and farm equipment.

It is easily conceivable that the general adoption of the principle of compensation for improvements and deterioration would be highly effective in clarifying the rights and duties of landlord and tenant regarding the maintenance and progressive development of our agricultural resources. It introduces a distinct relationship of mutuality of interest between the two parties which hitherto has not been recognized. There is a feeling in some quarters that any adjustment in the rights and duties between landlord and tenant would inevitably help the tenant and harm the landlord. This attitude, however, is clearly erroneous, since it assumes that whatever the tenant gains the landlord must lose. In reality, the interests of the two parties are mutual. They are not antagonistic. The success of the joint endeavor and the development of a long-time interest in the farm on the part of the tenant are essential if both landlord and tenant are to prosper.

#### **ARBITRATION OF DIFFERENCES**

The existing court procedure appears ill-adapted to the settlement of many differences between landlord and tenant.

Generally, such differences involve only small matters which must be settled within a short time and which do not involve sufficient amounts to justify the relatively high costs of court procedure. Consequently, minor differences often become the basis of serious disputes and ill-feelings and result in the two parties failing to renew the lease.

In some individual cases landlord and tenant include a provision in the lease calling for settlement of differences by arbitration. Usually such a clause provides that each party shall select an arbitrator, and the two shall select a third, and the decision of these three shall be final. This method has been widely used and has proved highly successful in the settlement of problems arising under leasing arrangements.

The Iowa statutes contain provisions for voluntary arbitration of differences which may be adopted by landlord and tenant and under which legal process is available to enforce the decision of the arbitrators.<sup>40</sup> This statute specifically provides, however, that other methods of arbitration are valid. In the case of employer-employee relationship, a public interest in the disputes is recognized, and arbitration procedure has been established under which the state meets part of the expense of the proceeding.<sup>41</sup> It may be worth while considering the enactment of a statute to meet the special requirement for arbitration between agricultural landlord and tenant. Such a statute might provide that questions in dispute must be submitted to arbitration before they are carried to courts, and the courts' consideration could be limited to questions of statutory interpretation and constitutional rights. In other fields, such as workmen's compensation claims and insurance adjustments, such a preliminary submission of disputes to arbitration has been required with the result that the necessity for litigation has been largely eliminated.

The statute could provide for the selection and certification in each county of qualified arbitrators who are familiar with state law and customary leasing procedure. These arbitrators would soon become experts in assisting landlords and tenants in their problems. They would have at their command information regarding rates of deterioration and the value of different

---

<sup>40</sup> Code of Iowa, Chapter 548.

<sup>41</sup> Code of Iowa, Chapter 74.

types of improvements, particularly limestone, fertilizers and legumes. Through experience they would become familiar with the settlement of questions involving termination of tenancies, removal of fixtures and improvements and the making of repairs. The two parties could select their arbitrators from among those certified. They might soon find that their problem could be adjusted before a single arbitrator in whom both parties have confidence. This would further reduce costs and shorten the time involved. The arbitration process may become commonly used as an amicable way of arriving at decisions, thus preventing disputes and ill-feeling and greatly increasing the security and stability of landlord and tenant relationships.

It would also be well to consider the establishment of a Small Claims Court which would settle agricultural landlord and tenant cases involving certain types of differences and small sums. These cases might be presented to a single judge who would soon become an expert in handling agricultural problems. Such a court would be well adapted to the needs of agricultural landlords and tenants, and their differences could be settled readily and inexpensively.

#### **ADJUSTMENTS IN THE LANDLORD'S LIEN**

It has already been indicated that the landlord's lien interferes with the obtaining of production credit because of the requirement of governmental and private creditors that they be given a first lien for the capital they furnish. This problem has been met in the state of Wisconsin through a provision in the statutes which in effect abolishes the landlord's lien,<sup>42</sup> but does not deprive the landlord of his remedies for collection of rent, whether reserved in his lease or existing by law.<sup>43</sup> Under this situation, the landlord is in the same position as other creditors, and the tenant, unless he agrees specifically in his lease to the contrary, is free to give a first lien either for the rent to the landlord or to the party supplying necessary production credit, or he may give a lien on a part of the crops to the landlord for rent and another lien on the remainder for production credit. In any event, the question of who has the

<sup>42</sup> Wisconsin Statutes Sec. 234.01.

<sup>43</sup> Wisconsin Statutes Sec. 234.10.

first lien on the crop and upon the tenant's property is left to be negotiated by the parties.

Another method of securing the rights of production creditors is to provide by statute that those who furnish production credit, either generally or in special instances, should have a lien which is prior to the landlord's lien for rent. A step in this direction was recently taken in Iowa with the enactment of the statute providing for a thresherman's and cornsheller's lien which is superior to the landlord's lien.<sup>44</sup> In states where irrigation is used to increase crop production, it is generally provided that the lien for water charges shall be superior to the landlord's lien for rent, and such provisions have been approved by the courts.<sup>45</sup> This principle might be extended to protect the rights of those who furnish credit for seed, feed and fertilizers.

The manner in which the landlord has generally required the tenant to waive the benefit of the exemption statute has already been pointed out. Permitting such contracts has resulted in the defeat of the intent of the exemption statute. This intent was that no matter what happens, the tenant would be left with enough property to start over. Contracts in which the tenant waives the benefit of the statute could be outlawed, since it is merely necessary to overrule by statute the court decisions according to which these clauses have been construed as valid chattel mortgages rather than as invalid waivers. The tenant could then mortgage his exempt property only by following the procedure of the chattel mortgage statute.

It might also be well to give consideration to bringing this exemption statute up to date as to the items which are exempt, so the landlord and tenant may clearly understand their position.

A landlord's lien statute may also be used as a device whereby desirable types of leasing arrangements may be encouraged. In Texas, for example, a statute provides that the landlord's lien shall exist only where the rent charged by the landlord does not exceed a share of the crop specified by stat-

<sup>44</sup> Code of Iowa, 10269—e1 to 10269—e5.

<sup>45</sup> *Dunbar v. Texas Irrigation Company*, 195 S. W. 614 (Texas Civil Appeals 1917).

ute.<sup>46</sup> Through this device, the state has indirectly discouraged excessive rental charges and cash bonuses for agricultural lands.

Other desirable lease arrangements may be encouraged by a statute limiting the landlord's lien. For example, it might be provided that the landlord should have a lien only where he agrees that in the event of crop failure or disastrous decline in prices he would take a customary share of the crop in lieu of cash rent. In this way it might be possible to obviate some of the undesirable effects of the landlord's lien without abolishing it. Provisions of this kind have been found in leases made voluntarily, and while recognized as unusual, they have been enforced by the courts.<sup>47</sup>

#### CODIFICATION OF LANDLORD-TENANT LAWS

Our present laws pertaining to landlord-tenant relationships fail to adequately recognize the fact that two distinctly different social and economic situations cannot be treated alike without doing injustice to either or both of them. There is, first, the urban situation where leases deal primarily with residential buildings and where security of tenure and long-time planning of the use of the premises do not constitute a problem of major importance. In the agricultural situation, however, the lease deals primarily with land, and the long-time character of the agricultural enterprise and the danger of irreparable destruction of the producing power of the land, renders the security of tenure and the planning ahead of the use of the property a problem of paramount importance. The public welfare is more closely concerned with the conservation of the soil resources than with that of urban buildings, since the latter can be replaced while the former cannot.

In the light of these considerations, the development of separate and distinct statutory provisions pertaining to agricultural landlord-tenant relationships may prove valuable. This would make it possible to bring together existing statutes applicable to agricultural leases; to give legislative recognition to many of the past court decisions and individual leasing experiences establishing good landlord-tenant relationships;

<sup>46</sup> Texas Statutes (Vernon 1936) Article 5222.

<sup>47</sup> *Wetherill v. Weaver*, 185 Iowa 1201, 171 N. W. 686 (1919).

to add any new provisions which would effectively remedy existing maladjustments; and to simplify the law so that the two parties can readily understand their rights and duties.

It may prove worthwhile to give consideration to a provision making it impossible for the landlord and tenant to enter into a contract circumventing the minimum requirements established by statute.

In contemplating the establishment of such "rules of the game," considerable care should be taken that these rules will result in constructive cooperation of the "players" rather than in restricting their individual initiatives and efforts. Ultimately, the justification for these rules rests upon the fact that society, representing the "spectators," is vitally interested in the fairness of the game as it furnishes maximum satisfaction to the individuals as well as to the nation.

## APPENDIX A

## SOME EXPERIENCES OF FOREIGN COUNTRIES IN REGULATING LANDLORD-TENANT RELATIONSHIPS

England and Wales<sup>1</sup>

The English began almost a century ago to improve their farm tenancy system. All students of the tenancy problem agree that today they have the best system that has been developed. Henry Wallace and James Wilson indicated this in the conclusion of the tenancy section of a report they wrote after an extended visit in England studying agricultural conditions. They said:

"Of the wisdom of the legislation that gives the tenant the legal right to unexhausted manures and other forms of fertility, there can be no possible question. . . During these travels we have been constantly impressed with the fact that the United States is traveling in the same direction in which Great Britain has gone in times past; and if we are to retain the fertility of our soil . . . and have a rural population on which America can depend both in war and in peace, we must adopt measures similar to those which Great Britain has adopted with success."<sup>2</sup>

The first major adjustment the English made in their tenancy system was to give the agricultural tenant the right to remove fixtures and improvements erected by him and to return to the farm after his tenancy had ended to harvest any crops he had planted.<sup>3</sup> This Act was a step in the right direction, but it was a quarter of a century later, in 1875, before the first substantial effort to deal generally with the position of the tenant farmer was made.<sup>4</sup> The Act of that year provided that the outgoing tenant should be entitled to claim compensation for improvements effected by him. This act was permissive, making it possible for the landlord to force the tenant to contract out of its provisions. Therefore, in practice, it was inoperative, but it gave statutory recognition to a new principle which was of considerable importance.

In 1883 the English Parliament enacted a statute which made compensation mandatory and which prevented the tenant from contracting away the rights given him under the statutes. This Act was revised from time to time and was added to as experience pointed the way. Between 1883 and 1923 approximately 10 important tenancy laws were enacted.

The Agricultural Holdings Act of 1923, which is the basis of present landlord and tenant law in England and Wales, provides for compensation for improvements, high quality farming, deterioration and waste, disturbance, and damage by game. It also contains special compensation provisions with reference to market gardens. It contains regulations pertaining to crop rotation and disposal of produce, fixtures, rent adjust-

<sup>1</sup> Adapted from "Agricultural Landlord-Tenant Relations in England and Wales" by Marshall Harris, Land Use Planning Publication 4a, Department of Agriculture, Washington, D. C.

<sup>2</sup> Wilson, James, and Wallace, Henry. *Agricultural Conditions in Great Britain and Ireland*, p. 12.

<sup>3</sup> Landlord and Tenant Act, 1851.

<sup>4</sup> Agricultural Holdings Act, 1875.



ment, the financial responsibility of the landlord and tenant, the right of the landlord to enter the farm, notices to quit, a record of the condition of the farm and arbitration of differences between landlords and tenants.<sup>5</sup>

#### Compensation for Improvements

The improvements for which the tenant may claim statutory compensation for the unexhausted value thereof are specifically set forth under three divisions in the First Schedule of the Act. Before the tenant can make improvements and claim compensation he must meet the conditions specified for each division. He must obtain the consent of the landlord for the more permanent ones, for drainage he must give notice to the landlord, while he is free to make the less permanent improvements without giving notice or obtaining the consent of the landlord.

Before the tenant may claim compensation from his landlord for the unexhausted value of any improvement, the tenancy must have terminated and the tenant must have quit the farm. This prevents the tenant from claiming compensation for improvements at the end of a tenancy while he still remains on the farm under a new contract.

The improvements to which the landlord must consent before the tenant can make them include such items as buildings, silos, permanent pasture, roads, bridges, permanent fences, orchards, water supply, removing obstructions to cultivation and works of irrigation. The tenant cannot claim compensation for the unexhausted value of such improvements unless, prior to their execution, he has obtained the written consent of the landlord or his agent. The landlord may give his consent unconditionally or upon such terms as he and the tenant may agree. The compensation need not be cash, but may be some other tangible benefit.

Drainage is the only improvement the tenant can make after sending notice to the landlord. It has been interpreted to mean any work which has as its object the freeing of the soil from water.

The improvements which do not require the consent of or notification to the landlord deal chiefly with those works which are more readily exhaustible. These may be conveniently divided into three classes: (1) Those which improve the soil by adding fertility directly thereto, (2) the seeding of temporary pasture, and (3) the making of major repairs to buildings. The addition of fertility to the soil includes such items as lime, commercial fertilizers, manure produced from purchased feedstuff and manure produced from feedstuff grown on the farm.

The landlord is protected against an unscrupulous tenant who might, during the last year of the tenancy or after he has received or has given notice to quit, undertake improvements for the purpose of increasing his claim for compensation. In respect to all improvements excepting manure, the tenant must obtain the consent of the landlord, either through assent or failure to object, for those improvements which he

<sup>5</sup> See excerpts from the Agricultural Holdings Act, 1923 in Appendix B.

proposes to effect during the last year of the tenancy, or after he has received or given a notice to quit.

#### **Compensation for Deterioration and Waste**

In order to regulate further, in an equitable manner, the relations between the agricultural landlord and tenant, the Act provides that at the termination of a tenancy the landlord may claim compensation from the tenant for any deterioration to the value of the farm which was caused by the failure of the tenant to cultivate it according to the rules of good husbandry, or as provided in the terms of the contract.

Summarizing, the Agricultural Holdings Act of 1923 gives to the tenant the statutory right to claim compensation for the unexhausted value of a specific list of improvements which he may have effected on the farm. It, furthermore, makes it impossible for the tenant to waive this right. To claim such compensation, however, the tenant must have complied with definite rules prescribed by the Act. It also protects the landlord against an unscrupulous tenant who would deteriorate the property.

#### **Compensation for Disturbance**

In regard to length, leases in England and Wales are of two major types: the year-to-year leases, and leases for a period of 2 years or longer. The 1923 Act provides that the landlord shall not terminate the tenancy at the expiration of the term of the lease, **regardless of its provisions**, without becoming liable for compensation for disturbance unless certain conditions exist.<sup>6</sup> It does not, however, diminish the right of the landlord to terminate the tenancy at the expiration of the term subject to the compensation provision. Neither does it create in any way a system of dual ownership, nor does it secure to the tenant fixity of tenure. It was designed to make the tenant more stable in his tenure on the farm, to relieve him of the feeling of insecurity, and to provide for just compensation in case he is evicted without good cause. It apparently accomplishes these objectives to a marked degree.

#### **Rent Adjustment**

The Act also provides a method whereby the landlord and tenant may adjust the amount of rent to be paid for the farm. The adjustment of rent is closely related to the rights and privileges of each party when the lease is terminated. A tenant may claim compensation for disturbance in event the landlord refuses a request that there should be an arbitration in respect to the amount of rent payable, and in consequence the tenant quits the farm. The landlord is not liable for compensation for disturbance if the tenant refuses or fails to agree to a request of the landlord that there should be an arbitration in respect to rent, and in consequence the landlord gives the tenant notice to quit.

#### **Arbitration**

The Act provides that differences or disputes which arise between the agricultural landlord and tenant are to be settled by the arbitration

<sup>6</sup> These conditions are explained in detail in Section 12 of the Act, Appendix B.

method before a single arbitrator. Where there is no difference or dispute the two parties agree as to the amount of compensation, or they agree to accept the verdict of two valuers. In cases where the arbitration method is not compulsory according to the Act, the difference may be settled through ordinary court procedure.

In retrospect, it is now evident that throughout the long development of legislative activity, Parliament followed the policy of placing the tenant farmer in a position as similar to that of an owner-operator as is reasonably possible. This policy has been carried out by a line of action which was possible only through a growing recognition on the part of national leaders that in order to maintain an equitable economic system and a permanently productive agriculture, society must often exercise control over both landlords and tenants. The English statutory measures have been based upon experience and have been revised as new problems have arisen and as experience has pointed the way. It is significant that each succeeding statute placed enlarged rights as well as duties upon the tenant farmer, either through defining more precisely existing regulations, or by providing regulations which had not been previously the subject of statutory control.

### Scotland

The Scottish tenancy system is similar in many respects to the English system. It has been guided in its development by statutes comparable to those discussed above. The tenancies on the poorer farms where numerous social and economic problems exist are regulated in considerable detail. The statutes provided for a Land Court to assist the landlords and tenants in many of their renting problems, and to determine upon application a fair rental for the property. The number of applications for rent adjustment was large when the Court was first established but has steadily declined as the value of equitable rentals has become more generally recognized.

The Land Court is composed of five members appointed by the King. The Chairman of the Court has the same rank and tenure of office as a judge of the Court of Sessions. The other four members are chosen from expert agriculturists with wide experience as practical farmers. Most of the work is done locally, one member and an assessor being a duly constituted division of the Court. Each division makes periodic circuits through particular areas of the country, trying cases, inspecting farms and issuing decisions on cases heard.

### Netherlands<sup>7</sup>

On May 31 of 1937, the Netherlands passed the Farm Tenancy Act which regulates in considerable detail landlord and tenant relations. This Act establishes a special court to handle farm tenancy cases. It establishes in each district court a special chamber composed of the district judge as presiding officer and two non-judicial persons who are

<sup>7</sup> Adapted from an unpublished manuscript by Jan van der Vate, Farm Security Administration, Department of Agriculture, Washington, D. C.

specialists in matters pertaining to farm tenancy. These are appointed by the Crown with care so that neither the interests of the landlord nor the tenant prevail in the chamber. Cases can be appealed to a central court composed of three councilors and two non-judicial persons.

The Act provides for compensation for improvements which the tenant may have made during the last 10 years of his lease. The tenant receives compensation only when the landlord does not declare himself expressly against the making of the proposed improvements, or after such opposition has been overruled by the Court established by the Act.

The tenant must compensate the landlord for any deterioration to the property resulting through improper or negligent usage, or through doing or not doing everything which a "good tenant" under similar circumstances would do or would not do.

The Act also provides that the landlord must agree to a reduction of the rent when the income from the farm is appreciably less than that expected at the time the lease was made, provided that the lower income was due to catastrophes such as floods or drouths. The rentals to be paid in future years may also be changed upon proper application to the Court.

The outgoing tenant is obliged by law to leave the premises ready for occupancy by the incoming tenant. But the law is necessary for only a few individuals, since it is customary for the tenant to scrub and polish the house so the incoming tenant will find it spotless. Stables and other buildings are often given a fresh coat of whitewash, and the rest of the premises are put in order. To do so is good business and a matter of honor; not to do so is a shame and disgrace and a bad policy, since the culprit would find it difficult, if not impossible, to rent another farm in the same community. Thus, tenants clearly recognize a definite responsibility to the brother tenant who will occupy the farm. They are not negligent just to spite the landlord, since another tenant, and not the landlord, will bear the major burden of their negligence.

### Denmark

Comprehensive laws equitably setting forth the rights and duties of the landlord and tenant have long been the backbone of the Danish farm tenancy system. Tenancies run for exceptionally long periods in Denmark; therefore, they have not felt the necessity of providing compensation for disturbance. They have, however, provided compensation for improvements and for deterioration.

At first the statute regarding compensation for improvements was stated in vague and general terms. Later it was limited to repairs to buildings and to the erection of new buildings. Finally, it was revised to include all fixed equipment increasing the value of the farm; major soil improvements such as clearing of brush and stones, irrigation and drainage; and minor improvements such as liming and increasing the productive value of the land.

These rights granted the tenant have been balanced by duties placed upon him to prevent any diminution in the productive value of the farm. An impartial committee inspects the farm at the beginning of the lease

and makes a detailed record of its condition. This record is attached to the lease and becomes a part of it. Failure to properly maintain the property in the condition specified in the record makes the tenant liable for damage and fine, and he can be evicted if he persists in his negligence.

The long experience of Danish tenants under their well regulated tenancy system has played a considerable part in fitting many of them for the farm ownership programs which have been developed and which are proving highly successful.

### Other Countries

The principle of compensation for improvements, deterioration and disturbance has been used in Belgium and France by leading landlords and tenants for some time. The success of these practices has been so pronounced that Belgium passed a national law providing for compulsory compensation in 1929. France has been considering a similar statute on a national scale.

The Swiss Federal Code and the Civil Code of Portugal provide compensation for the outgoing tenant who has made certain improvements on the farm. Compensation provisions are written into farm leases in parts of Italy and Germany, and the compensation provisions of some methods of leasing farm land in certain districts in India approximate very closely the compensation provision laid down in English law. Also, as provided in the Mexican Civil Code of 1928, the agricultural tenant of Mexico is compensated for improvements made by him.<sup>8</sup>

## APPENDIX B

### Excerpts from the Agricultural Holdings Act of England and Wales, 1923

An Act to consolidate certain enactments relating to Agricultural Holdings in England and Wales. (7th June 1923)

Be it enacted by the King's Most Excellent Majesty by and with the advice and consent of the Lords Spiritual and Temporal, and Commons in this present Parliament assembled, and by the authority of the same, as follows:—

#### COMPENSATION FOR IMPROVEMENTS ON HOLDINGS

1.—(1) Where a tenant of a holding has made thereon any improvement comprised in the First Schedule to this Act he shall, subject as in this Act mentioned, and, in a case where the contract of tenancy was made on or after the first day of January, nineteen hundred and twenty-one, then whether the improvement was or was not an improvement which he was required to make by the terms of his tenancy, be entitled, at the termination of the tenancy, on quitting his holding to obtain from the landlord as compensation for the improvement such sum as fairly represents the value of the improvement to an incoming tenant.

<sup>8</sup> International Institute of Agriculture. "Agricultural Legislation". International Review of Agriculture, pp. 213-219.

(2) In the ascertainment of the amount of the compensation payable to a tenant under this section there shall be taken into account—

- (a) any benefit which the landlord has given or allowed to the tenant in consideration of the tenant executing the improvement, whether expressly stated in the contract of tenancy to be so given or allowed or not; and
- (b) as respects manuring as defined by this Act, the value of the manure required by the contract of tenancy or by custom to be returned to the holding in respect of any crops grown on and sold off or removed from the holding within the last two years of the tenancy or other less time for which the tenancy has endured, not exceeding the value of the manure which would have been produced by the consumption on the holding of the crops so sold off or removed.

(3) Nothing in this section shall prejudice the right of a tenant to claim any compensation to which he may be entitled under custom, agreement, or otherwise, in lieu of any compensation provided by this section.

2. Compensation under this Act shall not be payable in respect of any improvement comprised in Part I. of the First Schedule to this Act, unless the landlord of the holding has, previously to the execution of the improvement, consented in writing to the making of the improvement, and any such consent may be given by the landlord unconditionally, or upon such terms as to compensation or otherwise, as may be agreed upon between the landlord and the tenant; and, if any such agreement is made, any compensation payable under the agreement shall be substituted for compensation under this Act.

3. (1) Compensation under this Act shall not be payable in respect of any improvement comprised in Part II. of the First Schedule to this Act, unless the tenant of the holding has, not more than three nor less than two months before beginning to execute the improvement, given to the landlord notice in writing of his intention so to do, and of the manner in which he proposes to do the intended work, and, upon such notice being given, the landlord and the tenant may agree on the terms as to compensation or otherwise on which the improvement is to be executed.

(2) If any such agreement is made, any compensation payable under the agreement shall be substituted for compensation under this Act.

(3) In default of any such agreement, the landlord may, unless the notice of the tenant is previously withdrawn, execute the improvement in any reasonable and proper manner which he thinks fit, and recover from the tenant as rent a sum not exceeding five per cent. per annum on the outlay incurred, or not exceeding such annual sum payable for a period of twenty-five years as will repay that outlay in that period, with interest at the rate of three per cent. per annum:

Provided that, if the landlord fails to execute the improvement within a reasonable time, the tenant may execute the improvement, and shall, in respect thereof, be entitled to compensation under this Act.

The Minister may by regulation substitute such percentages or period

as he thinks fit for the percentages and period mentioned in this subsection, having due regard to the current rates of interest.

(4) The landlord and the tenant may, by the contract of tenancy or otherwise, agree to dispense with any notice under this section, and any such agreement may provide for anything for which an agreement after notice under this section may provide, and in such case shall be of the same validity and effect as such last-mentioned agreement.

4. Where any agreement in writing entered into before the first day of January, nineteen hundred and twenty-one, secures to the tenant of a holding for any improvement comprised in Part III. of the First Schedule to this Act fair and reasonable compensation, having regard to the circumstances existing at the time of making the agreement, the compensation so secured shall, as respects that improvement, be substituted for compensation under this Act.

5. If the tenant of a holding claims to be entitled to compensation, whether under this Act, or under custom or agreement, or otherwise, in respect of any improvement comprised in the First Schedule to this Act, and if the landlord and tenant fail to agree as to the amount and time and mode of payment of the compensation, the difference shall be settled by arbitration.

6. Where an incoming tenant of a holding has, with the consent in writing of his landlord, paid to an outgoing tenant any compensation payable under or in pursuance of this Act in respect of the whole or part of any improvement, the incoming tenant shall be entitled on quitting the holding to claim compensation in respect of the improvement or part in like manner, if at all, as the outgoing tenant would have been entitled if he had remained tenant of the holding, and quitted it at the time at which the incoming tenant quits it.

7. A tenant who has remained in his holding during two or more tenancies shall not, on quitting his holding, be deprived of his right to claim compensation under this Act in respect of improvements by reason only that the improvements were not made during the tenancy on the termination of which he quits the holding.

8. A tenant of a holding shall not be entitled to compensation under this Act in respect of any improvement, other than manuring as defined by this Act, begun by him,—

- (a) in the case of a tenant from year to year, within one year before he quits the holding, or at any time after he has given or received notice to quit which results in his quitting the holding; and
- (b) in any other case, within one year before the termination of the tenancy:

Provided that this section shall not apply in the case of any improvement—

- (i) where the tenant, previously to beginning the improvement, has served notice on his landlord of his intention to begin it. and the landlord has either assented or has failed for a

month after the receipt of the notice to object to the making of the improvement; or

- (ii) in the case of a tenant from year to year, where the tenant has begun the improvement during the last year of his tenancy, and, in pursuance of a notice to quit thereafter given by the landlord, quits his holding at the expiration of that year.

#### **COMPENSATION IN RESPECT OF INCREASED OR DIMINISHED VALUE OF HOLDING**

9.—(1) Where a tenant on quitting a holding proves to the satisfaction of an arbitrator appointed under this Act that the value of the holding to an incoming tenant has been increased during the tenancy by the continuous adoption of a standard of farming or a system of farming which has been more beneficial to the holding than the standard or system (if any) required by the contract of tenancy, the arbitrator shall award to the tenant such compensation as in his opinion represents the value to an incoming tenant of the adoption of that standard or system:

Provided that—

- (a) this section shall not apply in any case unless a record of the condition of the holding has been made under this Act or any enactment repealed by this Act, or in respect of any matter arising before the date of the record so made; and
- (b) compensation shall not be payable under this section unless the tenant has, before the termination of the tenancy, given notice in writing to the landlord of his intention to claim such compensation; and
- (c) the arbitrator in assessing the value to an incoming tenant shall make due allowance for any compensation agreed or awarded to be paid to the tenant for any improvement specified in the First Schedule to this Act which has caused or contributed to the benefit.

(2) Nothing in this section shall entitle a tenant to recover in respect of an improvement specified in the First Schedule or the Third Schedule to this Act any compensation which he would not have been entitled to recover if this section had not been passed.

(3) The continuous adoption of such a beneficial standard or system of farming as aforesaid shall be treated as an improvement for the purposes of the provisions of this Act relating to the determination of the rent properly payable in respect of a holding.

10. Where a landlord proves, to the satisfaction of an arbitrator appointed under this Act, on the termination of the tenancy of a holding, that the value of the holding has been deteriorated during the tenancy by the failure of the tenant to cultivate the holding according to the rules of good husbandry or the terms of the contract of tenancy, the arbitrator shall award to the landlord such compensation as in his opinion represents the deterioration of the holding due to such failure:

Provided that—

- (a) compensation shall not be payable under this section unless



the landlord has, before the termination of the tenancy, given notice in writing to the tenant of his intention to claim such compensation; and

- (b) nothing in this section shall prevent a landlord from claiming compensation for dilapidations or for the deterioration of the holding under the contract of tenancy.

.....

### COMPENSATION FOR DISTURBANCE

12.—(1) Where the tenancy of a holding terminates by reason of a notice to quit given by the landlord, and in consequence of such notice the tenant quits the holding, then, unless the tenant—

- (a) was not at the date of the notice cultivating the holding according to the rules of good husbandry; or
- (b) had, at the date of the notice, failed to comply within a reasonable time with any notice in writing by the landlord served on him requiring him to pay any rent due in respect of the holding or to remedy any breach being a breach which was capable of being remedied of any term or condition of the tenancy consistent with good husbandry; or
- (c) had, at the date of the notice, materially prejudiced the interests of the landlord by committing a breach which was not capable of being remedied of any term or condition of the tenancy consistent with good husbandry; or
- (d) was at the date of the notice a person who had become a bankrupt or compounded with his creditors; or
- (e) has, on or after the first day of January, nineteen hundred and twenty-one, refused, or within a reasonable time failed, to agree to a demand made to him in writing by the landlord for arbitration under this Act as to the rent to be paid for the holding as from the next ensuing date at which the tenancy could have been terminated by notice to quit given by the landlord at the date of the said demand; or
- (f) had, at the date of the notice, unreasonably refused, or within a reasonable time failed, to comply with a demand made to him in writing by the landlord requiring him to execute at the expense of the landlord an agreement setting out the existing terms of the tenancy;

and unless the notice to quit states that it is given for one or more of the reasons aforesaid, compensation for the disturbance shall be payable by the landlord to the tenant in accordance with the provisions of this section:

Provided that—

- (i) compensation shall not be payable under this section in any case where the landlord has made to the tenant an offer in writing to withdraw the notice to quit and the tenant has unreasonably refused or failed to accept the offer; and
- (ii) this section shall not apply where notice to quit was given

on or before the twentieth day of May, nineteen hundred and twenty; and

- (iii) where notice to quit was given after that date but before the first day of January, nineteen hundred and twenty-one, this section shall apply whether or not the notice stated the reason or reasons for which it was given.

(2) The landlord of a holding may at any time apply to the agricultural committee for the area in which the holding is situate for a certificate that the tenant is not cultivating the holding according to the rules of good husbandry, and on any such application being made, the committee, after giving to the landlord and the tenant or their respective representatives an opportunity of being heard, shall, as they think proper, either grant or refuse the certificate within one month after the date of the application.

The landlord or tenant may, within seven days after the notification to him of the refusal or grant by the committee of a certificate, require the question as to whether the holding is being cultivated according to the rules of good husbandry to be referred to an arbitrator who may grant a certificate for the purpose of this subsection or revoke the certificate granted by the committee, and the award of the arbitrator shall be given within twenty-eight days of the date on which the matter is referred to him.

Subject to any such appeal, a certificate granted under this subsection shall be conclusive evidence that the holding is not being cultivated according to the rules of good husbandry.

In the case of a holding situate in a county borough for which an agricultural committee has not been appointed, this subsection shall have effect with the substitution of the Minister for an agricultural committee.

(3) Where the landlord of a holding refuses, or within a reasonable time fails to agree to, a demand made to him in writing by the tenant for arbitration under this Act as to the rent to be paid for the holding as from the next ensuing date at which the tenancy could have been terminated by notice to quit given by the tenant at the date of the said demand, and by reason of the refusal or failure the tenant exercises his power of terminating the tenancy by a notice stating that it is given for that reason, the tenant shall be entitled to compensation in the same manner as if the tenancy had been terminated by notice to quit given by the landlord:

Provided that such compensation shall not be payable if the circumstances are such that a notice to quit could have been given by the landlord for any of the reasons mentioned in paragraphs (a), (b), or (c) of subsection (1) of this section.

.....

(5) (a) Where a demand in writing for an arbitration as to the rent to be paid for the holding has been made for the purposes of this section and has been agreed to, whether in writing or otherwise, the question as to the rent shall be referred to arbitration.

(b) An arbitrator, in determining for the purposes of this section

what rent is properly payable in respect of a holding, shall not take into account any increase in the rental value which is due to improvements which have been executed thereon so far as they were executed wholly or partly by and at the expense of the tenant without any equivalent allowance or benefit made or given by the landlord in consideration of their execution and have not been executed by him under an obligation imposed by the terms of his contract of tenancy, or fix the rent at a higher amount than would have been properly payable if those improvements had not been so executed, and shall not fix the rent at a lower amount by reason of any dilapidation or deterioration of land or buildings made or permitted by the tenant.

(6) The compensation payable under this section shall be a sum representing such loss or expense directly attributable to the quitting of the holding as the tenant may unavoidably incur upon or in connection with the sale or removal of his household goods, implements of husbandry, fixtures, farm produce or farm stock on or used in connection with the holding, and shall include any expenses reasonably incurred by him in the preparation of his claim for compensation (not being costs of an arbitration to determine the amount of the compensation), but for the avoidance of disputes, such sum shall, for the purposes of this Act, be computed at an amount equal to one year's rent of the holding, unless it is proved that the loss and expenses so incurred exceed an amount equal to one year's rent of the holding, in which case the sum recoverable shall be such as represents the whole loss and expenses so incurred up to a maximum amount equal to two years' rent of the holding.

(7) Compensation shall not be payable under this section—

- (a) in respect of the sale of any goods, implements, fixtures, produce or stock unless the tenant has before the sale given the landlord a reasonable opportunity of making a valuation thereof; or
- (b) unless the tenant has, not less than one month before the termination of the tenancy, given notice in writing to the landlord of his intention to make a claim for compensation under this section; or
- (c) where the tenant with whom the contract of tenancy was made has died within three months before the date of the notice to quit; or
- (d) if in a case in which the tenant under section twenty-seven of this Act accepts a notice to quit part of his holding as a notice to quit the entire holding, the part of the holding affected by the notice given by the landlord, together with any other part of the holding affected by any previous notice given under that section by the landlord to the tenant, is less than one-fourth part of the original holding, or the holding as proposed to be diminished is reasonably capable of being cultivated as a separate holding, except compensation in respect of the part of the holding to which the notice to quit related; or

- (e) where the holding was let to the tenant by a corporation carrying on a railway, dock, canal, water, or other undertaking, or by a government department or a local authority, and possession of the holding is required by the corporation, department, or authority for the purpose (not being the use of the land for agriculture) for which it was acquired by the corporation, department, or authority, or appropriated under any statutory provision; or
- (f) in the case of a permanent pasture which the landlord has been in the habit of letting annually for seasonal grazing, and which has, since the fourth day of August, nineteen hundred and fourteen, and before the first day of January, nineteen hundred and twenty-one, been let to a tenant for a definite and limited period for cultivation as arable land, on the condition that the tenant shall, along with the last or waygoing crop, sow permanent grass seeds; or
- (g) where a written contract of tenancy has been entered into (whether before or after the commencement of this Act) for the letting by the landlord to the tenant of a holding, which at the time of the creation of the tenancy had then been for a period of not less than twelve months in the occupation of the landlord, upon the express terms that if the landlord desires to resume that occupation before the expiration of a specified term not exceeding seven years the landlord should be entitled to give notice to quit without becoming liable to pay to the tenant any compensation for disturbance, and the landlord desires to resume occupation within the specified period, and such notice to quit has been given accordingly.

(8) In any case where a tenant holds two or more holdings, whether from the same landlord or different landlords, and receives notice to quit one or more but not all of the holdings, the compensation for disturbance in respect of the holding or holdings shall be reduced by such amount as is shown to the satisfaction of the arbitrator to represent the reduction (if any) of the loss attributable to the notice to quit by reason of the continuance in possession by the tenant of the other holding or holdings.

(9) The landlord shall, on an application made in writing after the thirty-first day of December, nineteen hundred and twenty, by the tenant of a holding to whom a notice to quit has been given which does not state the reasons for which it is given, furnish to the tenant within twenty-eight days after the receipt of the application a statement in writing of the reasons for the giving of the notice, and, if he fails unreasonably so to do, compensation shall be payable under this section as if the notice to quit had not been given for a reason specified in subsection (1) of this section.

.....  
 (11) Compensation payable under this section shall be in addition to any compensation to which the tenant may be entitled in respect of improvements.  
 .....

**COMPENSATION IN CASE OF TENANCY UNDER MORTGAGOR**

15. Where a person occupies a holding under a contract of tenancy with a mortgagor, which is not binding on the mortgagee, then—

- (1) the occupier shall, as against the mortgagee who takes possession, be entitled to any compensation which is, or would but for the mortgagee taking possession be, due to the occupier from the mortgagor as respects crops, improvements, tillages, or other matters connected with the holding, whether under this Act or custom or an agreement authorized by this Act;
- (2) if the contract of tenancy is for a tenancy from year to year or for a term of years, not exceeding twenty-one, at a rack-rent, the mortgagee shall, before he deprives the occupier of possession otherwise than in accordance with the contract of tenancy, give to the occupier six months' notice in writing of his intention so to do, and, if he so deprives him, compensation shall be due to the occupier for his crops, and for any expenditure upon the land which he has made in the expectation of remaining in the holding for the full term of his contract of tenancy, in so far as any improvement resulting therefrom is not exhausted at the time of his being so deprived;
- (3) any sum ascertained to be due to the occupier for compensation, or for any costs connected therewith, may be set off against any rent or other sum due from him in respect of the holding, but unless so set off shall, as against the mortgagee, be charged and recovered in accordance with the provisions of this Act relating to the recovery of compensation due from a landlord who is a trustee.

**ARBITRATION**

16.—(1) Any question or difference arising out of any claim by the tenant of a holding against the landlord for compensation payable under this Act, or for any sums claimed to be due to the tenant from the landlord for any breach of contract or otherwise in respect of the holding, or out of any claim by the landlord against the tenant for waste wrongly committed or permitted by the tenant, or for any breach of contract or otherwise in respect of the holding, and any other question or difference of any kind whatsoever between the landlord and the tenant of the holding arising out of the termination of the tenancy of the holding or arising, whether during the tenancy or on the termination thereof, as to the construction of the contract of tenancy, and any other question which under this Act is referred to arbitration shall be determined, notwithstanding any agreement under the contract of tenancy or otherwise providing for a different method of arbitration, by a single arbitrator in accordance with the provisions set out in the Second Schedule to this Act.

(2) Any such claim as is mentioned in this section shall cease to be enforceable after the expiration of two months from the termination of the tenancy unless particulars thereof have been given by the landlord

to the tenant or by the tenant to the landlord, as the case may be before the expiration of that period.

(3) Where a claim for compensation under this Act has been referred to arbitration, and the compensation payable under an agreement is by this Act to be substituted for compensation under this Act, such compensation as is to be so substituted shall be awarded in respect of any improvements provided for by the agreement.

(4) If in any arbitration under this Act the arbitrator states a case for the opinion of the county court on any question of law, the opinion of the court on any question so stated shall be final unless within the time and in accordance with the conditions prescribed by Rules of the Supreme Court either party appeals to the court of appeal, from whose decision no appeal shall lie.

19. Where any sum agreed or awarded under this Act to be paid for compensation costs or otherwise by a landlord or tenant of a holding is not paid within fourteen days after the time when the payment becomes due, it shall, subject as in this Act provided, be recoverable upon order made by the county court as money ordered by a county court under its ordinary jurisdiction to be paid is recoverable.

**FIXTURES AND BUILDINGS**

22.—(1) Any engine, machinery, fencing, or other fixture affixed to a holding by a tenant, and any building erected by him thereon for which he is not under this Act or otherwise entitled to compensation, and which is not so affixed or erected in pursuance of some obligation in that behalf or instead of some fixture or building belonging to the landlord, shall be the property of and be removable by the tenant before or within a reasonable time after the termination of the tenancy:

Provided that—

- (i) before the removal of any fixture or building the tenant shall pay all rent owing by him, and shall perform or satisfy all other of his obligations to the landlord in respect of the holding:
- (ii) in the removal of any fixture or building the tenant shall not do any avoidable damage to any other building or other part of the holding:
- (iii) immediately after the removal of any fixture or building the tenant shall make good all damage occasioned to any other building or other part of the holding by the removal:
- (iv) the tenant shall not remove any fixture or building without giving one month's previous notice in writing to the landlord of his intention to remove it:
- (v) at any time before the expiration of the notice of removal the landlord, by notice in writing given by him to the tenant, may elect to purchase any fixture or building comprised in the notice of removal, and any fixture or building thus elected

to be purchased shall be left by the tenant, and shall become the property of the landlord, who shall pay to the tenant the fair value thereof to an incoming tenant of the holding.

**EXTENSION OF TENANCIES UNDER LEASES**

23-(1) In the case of a tenancy of a holding for a term of two years or upwards, the tenancy shall not terminate on the expiration of the term for which it was granted, unless not less than one year nor more than two years before the date fixed for the expiration of the term a written notice has been given by either party to the other of his intention to terminate the tenancy, and any notice so given shall be deemed to be a notice to quit for the purposes of this Act.

(2) If no such notice is given, the tenancy shall, as from the expiration of the term for which it was granted, continue as a tenancy from year to year, but otherwise so far as applicable on the terms of the original tenancy.

(3) This section shall not apply to any tenancy granted, or agreed to be granted, before the first day of January, nineteen hundred and twenty-one.

(4) In any case to which this section shall apply, it shall apply notwithstanding any agreement to the contrary.

**MISCELLANEOUS RIGHTS OF LANDLORD AND TENANT**

25-(1) Notwithstanding any provision in a contract of tenancy to the contrary, a notice to quit a holding shall be invalid if it purports to terminate the tenancy before the expiration of twelve months from the end of the then current year of tenancy; but nothing in this section shall extend to a case where a receiving order in bankruptcy is made against the tenant.

(2) This section shall not apply to—

32. If the landlord or tenant of a holding at any time during the tenancy so requires, a record of the condition of the buildings, fences, gates, roads, drains, ditches and cultivation of the holding, and, if so required by the tenant, a record of any existing improvements executed by the tenant or for which the tenant has with the written consent of his landlord paid compensation to an outgoing tenant and of any fixtures or buildings which under section twenty-two of this Act the tenant is entitled to remove, shall be made by a person to be appointed in default of agreement by the Minister, and in default of agreement the cost of making any such record shall be borne by the landlord and tenant in equal shares.

**SCHEDULES****First Schedule****Part I****IMPROVEMENTS TO WHICH CONSENT OF LANDLORD  
IS REQUIRED**

- (1) Erection, alteration, or enlargement of buildings.
- (2) Formation of silos.
- (3) Laying down of permanent pasture.
- (4) Making and planting of osier beds.
- (5) Making of water meadows or works of irrigation.
- (6) Making of gardens.
- (7) Making or improvement of roads or bridges.
- (8) Making or improvement of watercourses, ponds, wells, or reservoirs, or of works for the application of water power or for supply of water for agricultural or domestic purposes.
- (9) Making or removal of permanent fences.
- (10) Planting of hops.
- (11) Planting of orchards or fruit bushes.
- (12) Protecting young fruit trees.
- (13) Reclaiming of waste land.
- (14) Warping or weiring of land.
- (15) Embankments and sluices against floods.
- (16) Erection of wirework in hop gardens.
- (17) Provision of permanent sheep-dipping accommodation.
- (18) In the case of arable land the removal of bracken, gorse, tree roots, boulders or other like obstructions to cultivation.

(N.B.—This part is subject as to market gardens to the provisions of the Third Schedule.)

**Part II****IMPROVEMENT IN RESPECT OF WHICH NOTICE TO LAND-  
LORD IS REQUIRED**

- (19) Drainage.

**Part III****IMPROVEMENTS IN RESPECT OF WHICH CONSENT OF OR  
NOTICE TO LANDLORD IS NOT REQUIRED**

- (20) Chalking of land.
- (21) Clay-burning.
- (22) Claying of land or spreading blaes upon land.
- (23) Liming of land.
- (24) Marling of land.
- (25) Application to land of purchased artificial or other purchased manure.
- (26) Consumption on the holding by cattle, sheep, or pigs, or by horses



other than those regularly employed on the holding, of corn, cake, or other feeding stuff not produced on the holding.

(27) Consumption on the holding by cattle, sheep, or pigs, or by horses other than those regularly employed on the holding, of corn proved by satisfactory evidence to have been produced and consumed on the holding.

(28) Laying down temporary pasture with clover, grass, lucerne, sainfoin, or other seeds, sown more than two years prior to the termination of the tenancy in so far as the value of the temporary pasture on the holding at the time of quitting exceeds the value of the temporary pasture on the holding at the commencement of the tenancy for which the tenant did not pay compensation.

(29) Repairs to buildings, being buildings necessary for the proper cultivation or working of the holding, other than repairs which the tenant is himself under an obligation to execute:

Provided that the tenant, before beginning to execute any such repairs, shall give to the landlord notice in writing of his intention, together with particulars of such repairs, and shall not execute the repairs unless the landlord fails to execute them within a reasonable time after receiving such notice.

**APPENDIX C**

**MAJOR IOWA TENANCY STATUTES**

**IOWA CONSTITUTION, ARTICLE I**

24. **Agricultural leases.** No lease or grant of agricultural lands, reserving any rent, or service of any kind, shall be valid for a longer period than twenty years.

**IOWA CODE, CHAPTER 437**

**CHATTEL MORTGAGES AND CONDITIONAL SALES OF PERSONAL PROPERTY**

10013. **Exempt property—mortgage by husband and wife—exception.** No incumbrance of personal property which may be held exempt from execution by the head of a family, if a resident of this state, shall be of any validity as to such exempt property only, unless the same be by written instrument, and unless the husband and wife, if both be living, concur in and sign the same joint instrument. Incumbrances on the property sold, given to secure the purchase price, need only be signed and acknowledged by the purchaser.

**IOWA CODE, CHAPTER 494**

11285. **Statute of frauds.** Except when otherwise specially provided, no evidence of the following enumerated contracts is competent, unless it be in writing and signed by the party charged or by his authorized agent:

.....  
3. Those for the creation or transfer of any interest in lands, except leases for a term not exceeding one year.

4. Those that are not to be performed within one year from the making thereof.

#### IOWA CODE, CHAPTER 442

##### LANDLORD AND TENANT

10157. **Double rental value—liability.** A tenant giving notice of his intention to quit leased premises at a time named, and holding over after such time, and a tenant or his assignee wilfully holding over after the term, and after notice to quit, shall pay double the rental value thereof during the time he holds over to the person entitled thereto.

10158. **Attornment to stranger.** The payment of rent, or delivery of possession of leased premises, to one not the lessor, is void, and shall not affect the rights of such lessor, unless made with his consent, or in pursuance of a judgment or decree of court or judicial sale to which the lessor was a party.

10159. **Tenant at will—notice to quit.** Any person in the possession of real estate, with the assent of the owner, is presumed to be a tenant at will until the contrary is shown, and thirty days' notice in writing must be given by either party before he can terminate such a tenancy; but when in any case, a rent is reserved payable at intervals of less than thirty days, the length of notice need not be greater than such interval.

10160. **Termination of farm tenancies.** In case of tenants occupying and cultivating farms, the notice must fix the termination of the tenancy to take place on the first day of March, except in cases of mere croppers, whose leases shall be held to expire when the crop is harvested; if the crop is corn, it shall not be later than the first day of December, unless otherwise agreed upon.

10161. **Agreement for termination.** Where an agreement is made fixing the time of the termination of the tenancy, whether in writing or not, it shall cease at the time agreed upon, without notice.

10162. **Notice—how served.** When a tenant cannot be found in the county, the notice above required may be given to any subtenant or other person in possession of the premises, or, if the premises be vacant, by affixing the notice to any outside door of the dwelling house thereon, or other building, if there be no dwelling house, or in some conspicuous position on the premises, if there be no building.

#### IOWA CODE, CHAPTER 450

##### LANDLORD'S LIEN

10261. **Nature of landlord's lien.** A landlord shall have a lien for his rent upon all crops grown upon the leased premises, and upon any other personal property of the tenant which has been used or kept thereon during the term and which is not exempt from execution.

10262. **Duration of lien.** Such lien shall continue for the period of one year after a year's rent, or the rent of a shorter period, falls due. But in no case shall such lien continue more than six months after the expiration of the term.

10263. **Limitation on lien in case of sale under judicial process.** In the event that a stock of goods or merchandise, or a part thereof subject

to a landlord's lien, shall be sold under judicial process, order of court, or by an assignee under a general assignment for benefit of creditors, the lien of the landlord shall not be enforceable against said stock or portion thereof, except for rent due for the term already expired, and for rent to be paid for the use of demised premises for a period not exceeding six months after date of sale, any agreement of the parties to the contrary notwithstanding.

**10264. Enforcement—proceeding by attachment.** The lien may be enforced by the commencement of an action, within the period above prescribed, for the rent alone, in which action the landlord shall be entitled to a writ of attachment, upon filing with the clerk or justice a verified petition, stating that the action is commenced to recover rent accrued within one year previous thereto upon premises described in the petition; and the procedure thereunder shall be the same, as nearly as may be, as in other cases of attachment, except no bond shall be required.

**10265. Lien upon additional property.** If a lien for rent is given in a written lease or other instrument upon additional property, it may be enforced in the same manner as a landlord's lien and in the same action.

**10266. Action by tenant to recover property.** An action brought by a tenant, his assignee or undertenant, to recover the possession of specific personal property taken under landlord's attachment, may be against the party who sued out the attachment; and the property claimed in such action may, under the writ therefor, be taken from the officer who seized it, when he has no other claim to hold it than derived from the writ.

**10267. Acts sufficient to constitute taking of property.** The indorsement of a levy on the property, made upon the process by the officer holding it, shall be a sufficient taking of the property to sustain an action against the party who sued out the writ.

**10268. Sale of crops held by landlord's lien.** If any tenant of farm lands, with intent to defraud, shall sell, conceal, or in any manner dispose of any of the grain, or other annual products thereof upon which there is a landlord's lien for unpaid rent, without the written consent of the landlord, he shall be guilty of larceny and punished accordingly.

**10269. Action barred by payment of rent.** The payment of the rent for the lands upon which such grain or other annual products were raised at or before the time the same falls due, shall be a bar to any prosecution under section 10268 and no prosecution shall be commenced until such rent be wholly due.

## IOWA CODE, CHAPTER 499

### EXEMPTIONS

**11760. General exemptions.** If the debtor is a resident of this state and the head of a family, he may hold exempt from execution the following property:

1. All wearing apparel of himself and family kept for actual use and suitable to their condition, and the trunks or other receptacles necessary to contain the same.

2. One musket or rifle and shotgun.

3. All private libraries, family bibles, portraits, pictures, musical instruments, and paintings not kept for the purpose of sale.

4. A seat or pew occupied by the debtor or his family in any house of public worship.

5. An interest in a public or private burying ground, not exceeding one acre for any defendant.

6. Two cows and two calves.

7. Fifty sheep and the wool therefrom and the materials manufactured from such wool.

8. Six stands of bees.
9. Five hogs, and all pigs under six months.
10. The necessary food for all animals exempt from execution for six months.
11. One bedstead and the necessary bedding for every two in the family.
12. All cloth manufactured by the defendant, not exceeding one hundred yards in quantity.
13. Household and kitchen furniture, not exceeding two hundred dollars in value.
14. All spinning wheels and looms.
15. One sewing machine and other instruments of domestic labor kept for actual use.
16. The necessary provisions and fuel for the use of the family for six months.
17. The proper tools, instruments, or books of the debtor, if a farmer, mechanic, surveyor, professional engineer, architect, clergyman, lawyer, physician, dentist, teacher, or professor.
18. If the debtor is a physician, public officer, farmer, teamster, or other laborer, a team, consisting of not more than two horses or mules, or two yoke of cattle, and the wagon or other vehicle, with the proper harness or tackle, by the use of which he habitually earns his living, otherwise one horse.
19. If a printer, a printing press and the types, furniture, and material necessary for the use of such printing press and a newspaper office connected therewith, not to exceed in all the value of twelve hundred dollars.
20. Poultry to the value of fifty dollars.
21. If the debtor is a resident of this state and is the head of a family, and does not own one or more of the foregoing items of property, his wife, if she is an actual member of the family, and owns one or more such items, and is the debtor, shall be entitled to hold such items exempt from execution.
22. If the debtor is a resident of this state and a woman other than the head of a family, she may hold exempt from execution one sewing machine, and poultry to the value of fifty dollars.

## IOWA CODE, CHAPTER 529

### WASTE AND TRESPASS

12402. **Treble damages.** If a guardian, tenant for life or years, joint tenant, or tenant in common of real property commit waste thereon, he is liable to pay three times the damages which have resulted from such waste, to the person who is entitled to sue therefor.

12403. **Forfeiture and eviction.** Judgment of forfeiture and eviction may be rendered against the defendant whenever the amount of damages so recovered is more than two-thirds the value of the interest such defendant has in the property injured, when the action is brought by the person entitled to the reversion.

12404. **Who deemed to have committed.** Any person whose duty it is to prevent waste, and who fails to use reasonable and ordinary care to avert the same, shall be held to have committed it.

12405. **Treble damages for injury to trees.** For wilfully injuring any timber, tree, or shrub on the land of another, or in the street or highway in front of another's cultivated ground, yard, or town lot, or on the public grounds of any city or town, or any land held by the state for any purpose whatever, the perpetrator shall pay treble damages at the suit of any person entitled to protect or enjoy the property.

**IOWA CODE, CHAPTER 548  
ARBITRATION**

12695. **What controversies.** All controversies which might be the subject of civil action may be submitted to the decision of one or more arbitrators, as hereafter provided.

12696. **Written agreement.** The parties themselves, or those persons who might lawfully have controlled a civil action in their behalf for the same subject matter, must sign and acknowledge a written agreement, specifying particularly what demands are to be submitted, the names of the arbitrators, and court by which the judgment on their award is to be rendered.

12697. **What submitted.** The submission may be of some particular matters or demands, or of all demands which the one party has against the other, or of all mutual demands on both sides.

12698. **Action pending.** A submission to arbitration of the subject matter of an action may also be made by an order of court, upon agreement of parties, after action is commenced.

12699. **Procedure.** All the rules prescribed by law in cases of referees are applicable to arbitrators, except as herein otherwise expressed, or except as otherwise agreed upon by the parties.

12700. **Revocation.** Neither party shall have the power to revoke the submission without the consent of the other.

12701. **Neglect to appear.** If either party neglects to appear before the arbitrators after due notice, except in case of sickness, they may nevertheless proceed to hear and determine the controversy upon the evidence which is produced before them.

12702. **Time for award.** If the time within which the award is to be made is fixed in the submission, one made after that time shall not have any legal effect, unless made upon a recommitment of the matter by the court to which it is reported.

12703. **When time not fixed.** If the time of filing the award is not fixed in the submission, it must be filed within one year from the time the agreement is signed and acknowledged, unless by mutual consent the time is prolonged.

12704. **Award—how made.** The award must be in writing, and shall be delivered by one of the arbitrators to the court designated in the agreement, or it may be inclosed and sealed by them and transmitted to the court, and not opened until the court so orders.

12705. **Hearing in court.** The award shall be entered on the docket of the court at the term to which it is returned, as an action is entered, and shall be called up and acted upon in its order, but the court may require actual notice to be given to either party, when it appears necessary and proper, before proceeding to act on the award.

12706. **Rejection—rehearing.** The award may be rejected by the court for any legal and sufficient reasons, or it may be recommitted for a rehearing to the same arbitrators, or any others agreed upon by the parties, or appointed by the court if they cannot agree.

12707. **Force and effect of award.** When the award has been adopted it shall be filed and entered on the records, and shall have the same force and effect as the verdict of a jury. Judgment may be entered and execution issued accordingly.

12708. **Appeal.** When an appeal is taken from such judgment, copies of the submission and award, together with all affidavits, shall be filed with the clerk of the supreme court.

12709. **Costs.** If there is no provision in the submission respecting costs, the arbitrators may apportion the same.

12710. **Rights saved.** Nothing herein contained shall be construed to affect in any manner the control of the court over the parties, the

arbitrators or their award; nor to impair or affect any action upon an award, or upon any bond or other engagement to abide an award.

12711. **Compensation of arbitrators.** Arbitrators shall be paid, for each day actually and necessarily engaged in their official duties, two dollars, or such greater sum as the parties to the arbitration agree upon.

12712. **Arbitration by agreement.** Awards by arbitrators who may have been chosen without complying with the provisions of this chapter shall nevertheless be valid and binding upon the parties thereto, as other contracts, and may be impeached only for fraud or mistake; but such award can only be enforced by an action.

## APPENDIX D

### TABLE OF CASES

Berg v. Scully, 120 Kan. 637, 245 Pac. 119 (1926)  
 Brenton v. Bream, 202 Iowa 575, 210 N. W. 756 (1920)  
 Brownlee v. Masterson, 215 Iowa 993, 247 N. W. 481 (1933)  
 Clark v. Strohbeen, 190 Iowa 989, 181 N. W. 430 (1921)  
 Cornell College v. Crain, 211 Iowa 1343, 235 N. W. 731 (1931)  
 Dunbar v. Texas Irrigation Company, 195 S. W. 614 (Texas Civil Appeals 1917)  
 Farmers Elevator & Livestock Co. v. Satre, 196 Iowa 1076, 195 N. W. 1011 (1923)  
 Fejavy v. Broesch, 52 Iowa 88, 2 N. W. 963 (1879)  
 In re Hemstreet, 139 Fed. 958 (D. C. Iowa 1903)  
 Johnson v. Shank, 67 Iowa 115, 24 N. W. 749 (1885)  
 Mau v. Rice Bros., 216 Iowa 864, 249 N. W. 206 (1933)  
 Meyer v. Meyer, 23 Iowa 359 (1867)  
 Munier v. Zachary, 138 Iowa 219, 114 N. W. 525 (1908)  
 Pearson v. Howell, 184 Iowa 990, 169 N. W. 368 (1918)  
 Sioux Valley State Bank v. Honnold, 85 Iowa 352, 52 N. W. 244 (1892)  
 Speer v. Donald, 201 Iowa 569, 207 N. W. 581 (1926)  
 Stephens v. Reynolds, 6 N. Y. 454 (1852)  
 Vandeventer v. Nelson, 180 Iowa 705, 163 N. W. 354 (1917)  
 Wertz v. Hale, 212 Iowa 294, 234 N. W. 534 (1931)  
 Wheeler v. Schilder, 183 Iowa 623, 167 N. W. 534 (1918)  
 Wetherill v. Weaver, 185 Iowa 1201, 171 N. W. 686 (1919)

### TABLE OF STATUTES

#### Iowa Statutes

Code of Iowa, Chapter 74  
 Chapter 323  
 Chapter 440  
 Chapter 548  
 Sections 4062-b17  
 Section 4819  
 Section 10013  
 Section 10160  
 Section 10161  
 Sections 10261-10269  
 Sections 10269-e1 to 10269-e5  
 Section 11285  
 Section 12402  
 Section 11760

Georgia Code (Harrison, 1933) Sections 61-111 and Sections 85-805  
 Kansas Statutes (1935) Sections 67-501, 67-501a  
 Louisiana Civil Code (Dart, 1932) Sections 2692-2700  
 Texas Statutes (Vernon 1936) Article 5222  
 Wisconsin Statutes Sec. 234.01 and 234.10

#### CONSTITUTIONAL PROVISIONS

Iowa Constitution, Article 1, Section 24  
 New York Constitution, Article 1, Section 14

#### ENGLISH STATUTES

Statute of Gloucester, 6 Edw. 1st, Chapter 5 (1278)  
 Statute of Marlbridge, 52 Hen. 3rd, Chapter 23, Section 2 (1267)  
 Landlord and Tenant Act, 1851, 14 and 15 Vict., Chapter 25  
 Agricultural Holdings Act, 1875, 38 and 39 Vict., Chapter 92  
 Agricultural Holdings Act, 1923, 13 and 14 Gero. 5th, Chapter 9

#### BIBLIOGRAPHY

- Agricultural Legislation. International Institute of Agriculture. International Review of Agriculture. Year XX, No. 5. Rome May, 1929.
- Cotton, Albert H. Regulations of farm landlord-tenant relationships. Duke University, Law and Contemporary Problems, IV:508. October, 1937.
- Dickerson, John H. Proposed adjustments in the farm tenancy system in Missouri. Mo. Agr. Exp. Sta., Res. Bul. 270. 1937.
- Editorial note: University of Iowa. Iowa Law Review 13:328. 1928.
- Farm Tenancy. Report of President's Committee. Washington, D. C. February, 1937.
- Faville, S. S. Rights and remedies of a tenant where the landlord fails to make repairs. University of Iowa, Iowa Law Bulletin 9:250. 1924.
- Harris, Marshall. Compensation as a means of improving the farm tenancy system. U. S. Dept. Agr., Land Use Planning Publication No. 14. 1937.
- Harris, Marshall and Schepmoes, Douglas. Scotland's activity in improving farm tenancy. Resettlement Administration, Land Use Planning Publication 4a. 1936.
- Reid, Margaret G. Some factors affecting improvement in Iowa farm family housing. Ia. Agr. Exp. Sta., Bul. 349. 1936.
- Reid, Margaret G. Status of farm housing in Iowa. Ia. Agr. Exp. Sta., Res. Bul. 174. 1934.
- Schickele, Rainer, Himmel, John P., and Hurd, Russell M. Economic phases of erosion control in southern Iowa and northern Missouri. Ia. Agr. Exp. Sta., Bul. 333. 1935.
- Tiffany, Herbert Thorndike. A treatise on the law of landlord and tenant. Callaghan & Co., Chicago. 1912.
- Wilson, James and Wallace, Henry. Agricultural Conditions in Great Britain and Ireland. (Publisher and date not indicated.)

GOVERNMENT MEASURES FOR  
THE RELIEF OF AGRICULTURE  
IN SWEDEN

SINCE 1930

2



Supplement to  
Svenska Handelsbanken's INDEX  
MARCH 1939



X9(J):746.571.N4  
G9



**I**n the emergency measures taken by the Swedish Government for overcoming the great depression at the beginning of the 1930's, the changes carried through in agricultural policy were of great importance and no less radical than in other spheres of economic policy. The maintenance and expansion of the purchasing power of those who are directly dependent for their livelihood on agriculture, i. e. about 40 % of the population, and who without the intervention of the Government would have suffered severely from the international agricultural crisis, was a matter of vital interest also as an aspect of general economic policy. As during the years 1933—37 the industrial depression gradually receded and was followed by a marked revival, it became possible by degrees to discontinue the monetary and financial measures adopted for combatting unemployment, but the system of Government control for the protection of agriculture is still in operation. The international agricultural depression has proved very persistent, and Swedish farming would soon again become involved were the Government to abandon its support. The various protective measures were instituted to give assistance during what was assumed to be a violent but, apparently, temporary crisis. As it became obvious that a return to the »free» pricing of agricultural produce is out of the question for a considerable time to come, the social no less than the economic necessity of revising the control system was recognized, substituting a well-planned permanent policy for the present provisional emergency measures. In March 1938 the Government appointed a Committee to make recommendations as to the principles on which this problem could be solved.

#### *The Agricultural Crisis.*

Practically throughout the 1920's the domestic prices of farm products were determined by conditions on the world market. During the post-



war years the exports of butter, livestock, bacon and eggs had been increasing, while the considerable imports of bread grain and feeding stuffs remained normal. Thus, during the period 1926—30 on an average about 25 % of the domestic demand for bread grain was covered by imports, whereas about 30 % of the country's production of butter and about 15 % of its bacon output were exported. As a consequence the Swedish market was profoundly affected by the worldwide fall in the prices of agricultural produce which marked the close of the 1920's and the beginning of the 1930's.

This fall in prices was essentially due to the increasing world over-production of cereals, especially wheat, and of sugar. Owing to the extension of the wheat-growing areas in different oversea countries,<sup>1</sup> which had already begun during the War and continued afterwards, there was a gradual accumulation of unsold grain, the increasing pressure of which in 1928 led to a structural crisis on the agricultural market. The attempts to avert disaster, notably the agricultural policy of the United States and Canada, failed, mainly on account of the unusually good successive harvests. In consequence, the world stocks of wheat grew from 5.2 mill. tons in 1925 to 15.6 mill. tons in 1929,<sup>2</sup> and the price of wheat fell gradually from 1925 to 1932, by which year it had been forced down to about 50 % of the 1925 level.

The prices of animal produce were, however not much affected until the industrial depression became seriously aggravated, reducing the purchasing power of other groups of the population. An inevitable consequence of this shrinking demand, combined with the abundant supply, was a steep fall in the prices of animal produce, the demand for which is very elastic.

On the Swedish market also, the first commodities to be hit by the fall in prices were, chiefly, sugar and bread grain, which began to weaken in 1923 and 1925 respectively, while the prices of feeding stuffs and animal produce did not show a downward trend until 1928. The following index numbers relating to the prices of some of the more important agricultural products in Sweden (1925 = 100) illustrate how the fall in prices gradually covered an increasingly wide field of agricultural production.

<sup>1</sup> The total area under wheat in the U. S. A., Canada, Australia and Argentina comprised in 1909/13 32 mill. hectares and in 1926/29 46 mill. hectares.

<sup>2</sup> Cf. *The World's Staples: II. Wheat*, by G. J. S. Broomhall, *INDEX*, April 1931.



	1925	1926	1927	1928	1929	1930	1931	1932
Wheat <sup>1</sup> . . . . .	100	98	95	85	75	74	77	70
Rye <sup>1</sup> . . . . .	100	83	98	96	77	66	74	70
Oats <sup>1</sup> . . . . .	100	88	87	106	81	58	66	62
Sugar <sup>1</sup> . . . . .	100	91	94	82	66	54	51	59
Milk:								
dairy price <sup>2</sup> . . . . .	100	89	87	91	87	73	66	61
retail " " . . . . .	100	92	88	92	92	88	88	83
Butter <sup>1</sup> . . . . .	100	87	88	92	90	71	61	54

<sup>1</sup> The Board of Trade. <sup>2</sup> Sweden's Official Statistics: The Dairy Industry. <sup>3</sup> The Social Board.

At first, then, it was only the vegetable produce that yielded appreciably lower profits, and even when the prices of animal produce began to weaken, this did not imply a corresponding fall in the profits from livestock, seeing that the prices of feeding stuffs also declined. This difference in the trend of profit yield greatly accelerated the transition from the cultivation of bread grain to animal production, which was a marked feature of the 1920's under the influence of a structural change in the demand for foodstuffs. The resultant increase in the production of animal foodstuffs, combined with the increasingly difficult selling conditions, at first mainly on the export markets but later also on the home market, caused during the period 1930-33 a very steep fall in the prices of animal produce.

As early as in 1930 the Swedish Government had to intervene in order to stop the fall in bread prices, in 1932 measures were adopted for stabilizing milk production, and since then measures of control have been adopted relating to livestock and feeding stuffs in 1933 and to egg production in 1934<sup>1</sup>.

## Various Control Measures.

### *Bread-grain Control.*

Upon the agricultural crisis becoming acute, the tariff protection that the Swedish grain cultivators had enjoyed for a long time proved inadequate for ensuring the sale of the Swedish wheat and rye crops on the home market. In 1930, therefore, milling quota regulations were introduced, stipulating that a specified percentage of home-grown

<sup>1</sup> Sugarbeet production had been subject to control ever since 1929, but this measure comes in a category by itself and lies therefore outside the scope of this article. The same applies to the potato control, introduced in 1934.



wheat and rye, fixed according to circumstances, must be included in the milling of imported products. These milling regulations also required the addition of a corresponding proportion of Swedish flour to imported flour. A special body, the State Grain Commission<sup>1</sup>, was created to supervise the application of these regulations.

The milling quota has varied according to the harvest conditions. It was lowest in June 1932 at 50 % for wheat and 30 % for rye, and reached its maximum in May 1934–August 1935 at 100 and 98 % respectively<sup>2</sup>. In the autumn of 1938 it was 90 % for both wheat and rye.

As a result of the milling regulations and the imposition of a special import duty, supplemented in the following year by a direct control of grain and flour imports, it is true that a certain measure of control of the domestic demand for and prices of Swedish bread grain was achieved. But previous experience showed that at times, especially in the autumn, when there was a rush of offerings, prices might nevertheless drop to a level far too low to be profitable to the farmer. With the idea of preventing this, an agreement was come to in August 1930 between the Government and the majority of the leading commercial flour mills, whereby the latter undertook at any time during the period Sept. 1930–August 1931 to purchase at certain minimum prices all the Swedish wheat and rye offered them. This agreement was not renewed, but instead a system of Government-guaranteed prices was introduced in 1931. The Swedish flour mills combined to form the Swedish Grain Association, and the Government made an agreement with the Association whereby the latter undertook, under a Government guarantee against loss, during June–August to purchase, at certain prices fixed by the Government for each year, all the millable Swedish bread cereals that were still unsold on June 1 and offered to the Association. In return for this undertaking the Association was allowed certain privileges in the matter of import and milling regulations<sup>3</sup>. The object of this system was to estab-

<sup>1</sup> Merged into the State Agricultural Commission in 1935.

<sup>2</sup> Formerly, in order to give the flour the necessary full strength for baking purposes, a certain admixture of imported wheat was required. In recent years, however, the home-grown wheat has become more suitable for baking, partly through an increased cultivation of spring wheat and partly as a result of the substantial progress made in Swedish cereal plant-breeding.

<sup>3</sup> The Grain Association was given the sole right to import bread grain and flour or to grant import licences, besides which the milling percentage was reduced by 10 points.



lish a definite relation between the market prices and the fixed purchasing prices of the Grain Association, so that the difference between the current quotation from harvest time to June 1 and the price guaranteed for the three summer months would about cover the storage and interest charges. Owing, however, to the lack of storage accommodation and the financial difficulties experienced by the farmers, the prices, especially in the autumn of each year, were considerably lower than they should have been on the basis of this calculation. These disadvantages were only partially remedied through the efforts made by both the Government and the agricultural organizations to improve the farmers' storage and credit facilities.

The guaranteed prices applied will be seen from the following table:

Guaranteed prices at inland mills<sup>1</sup> during 1931—36.

Harvest year	Purchasing period	Price in kr. per 100 kg.	
		Wheat	Rye
1930 . . . . .	June—Aug. 1931	20.00	17.00
1931 . . . . .	” 1932	18.50	16.50
1932 . . . . .	” 1933	19.00	17.50
1933 . . . . .	” 1934	19.00	18.00
1934 . . . . .	” 1935	19.00	17.00
1935 . . . . .	” 1936	16.50	15.50

<sup>1</sup> For coast mills the price in 1931 and 1933 was 50 öre higher.

With a view to counteracting the incentive that was offered by this system to increase the cultivation of wheat, and not least with a view to giving the State some revenue out of which to meet losses on the Grain Control, a wheat duty on the milling of flour was introduced in 1934, the guaranteed price being reduced by a corresponding amount. The wheat duty, which at the outset amounted to 1 kr. per 100 kg., has varied in the course of years, the maximum rate, kr. 2:50, being applied during the period Sept. 1935—Jan. 1937. For the period Oct. 1938—Aug. 1939 the rate has been fixed at kr. 2:50.

Mainly in consequence of record harvests during the years 1932—35, but also because grain, instead of being used as cattle food, was now being offered to the Grain Association on an increasing scale, the Association had to take over a far larger quantity of cereals than could be sold as flour on the home market. The combined surplus for the years 1932—35 amounted to about 680,000 tons. As there could be no question of storing the surplus except at heavy cost, it had to be disposed of, and this was done partly by denaturing the grain and selling it as cattle



food and partly by exporting it at a reduced price. Accordingly, out of the above-mentioned surplus about 315,000 tons were exported, while 215,000 tons were converted into cattle food, leaving in the hands of the controlling organization at the end of the consumption year 1935/36 a balance of 140,000 tons. The State naturally lost substantially on these sales.<sup>1</sup>

These disadvantages and the gradual improvement in market conditions led in 1936 to the abandonment of the guaranteed purchases, the milling regulations being however retained. The guaranteed purchases were replaced by a subsidy purchase plan, to be operated by the Swedish Grain Co. Ltd., a State enterprise, which succeeded the Grain Association. The home-market prices of cereals were in principle to be determined on the basis of free price-fixing, but subsidy purchases — up to 150,000 tons — would prevent<sup>2</sup> too violent price fluctuations and an excessively high or low price level. The Riksdag of 1936 expressed the opinion that kr. 15:50 for wheat and 14:50 for rye should be regarded as a minimum price level during the autumn months, after which, later on in the consumption year, there would be a gradual rise in prices to kr. 17:— and 16:— respectively in conjunction with accumulating storage charges. During the two succeeding years the prices on which the subsidy purchases were based were gradually raised to kr. 16:50 for wheat and 15:50 for rye. However, owing to the favourable trend of prices that set in about the same time on the world market, the subsidy purchase plan did not have to be put into operation until the autumn of 1938.

The Riksdag of 1936 further resolved that 100,000 tons of the Government stocks of cereals on Sept. 1, 1936, should be retained as an emergency reserve. This quantity corresponds to only about  $\frac{1}{6}$  of the annual domestic consumption. Besides these reserve stocks, a certain quantity should be kept in hand for adjustment purposes.

In order to facilitate exports from the large surplus stocks of bread cereals carried over from previous years and thereby help to keep up the price level on the home market, the system of export certificates introduced as early as in 1926 has been re-applied since 1937. The revenues from the customs duty on imported bread cereals have thus been used for meeting the additions to the price of exported grain. During the year 1937–38 these additions to the price were limited to about kr. 1:80 per 100 kg., the Government stating that this arrange-

<sup>1</sup> See below, p. 15.

<sup>2</sup> See p. 17.



ment might be resorted to as long as the price level did not exceed, for wheat (including the wheat duty), kr. 20: 50 per 100 kg. during the autumn and kr. 22:— during the summer, the corresponding figures for rye being kr. 19: 50 and kr. 21:—. Since the summer of 1938, on account of the low prices on the world market the export certificates have been paid at their full value.

### *Milk Control.*

Although the general agricultural crisis affected the production of animal produce at a far later stage than grain cultivation, it was not long before the sales of milk and dairy produce had been so curtailed and prices had fallen to such a low level that protective measures became inevitable. The steady fall in the price of butter on the English market and reduced export possibilities gave rise to a substantial increase in the quantities of butter offered for sale in Sweden. This, combined with a simultaneous increase in milk production, forced down the price of milk — at first mainly manufacturing milk, as it was the dairies' policy in 1930–31 to maintain the price of liquid consumption milk.<sup>1</sup> This gave rise to a very wide margin between these two prices. Whereas by 1932 the average retail price of milk for the whole of Sweden, which in 1925 amounted to 24 öre,<sup>2</sup> had only fallen to 20 öre, the price paid by the dairies on weighing-in had gone down from 14.5 öre in 1925 to 8.8 öre<sup>3</sup> in 1932. In that year, however, the Government intervened with a view to bringing some order into the disorganized market by setting up a Milk Control. The method employed was to pay, out of the proceeds of milk duties, export bounties for butter and a subsidy for manufacturing milk, and thereby to keep up the internal price of butter and prevent falls in the price of milk sold liquid.

At first two different milk duties were levied, one general and one local. By means of the general duty, payable by milk producers, milk retailers and dairies, it was intended to procure funds to cover the payment of an additional price to the dairies manufacturing butter for export, thus enabling them to pay a higher price for the milk received than

<sup>1</sup> Regarding the proportions between manufacturing milk and milk sold liquid see App. Table IV.

<sup>2</sup> The Social Board.

<sup>3</sup> Sveriges Officiella Statistik: Mejerihanteringen (The Dairy Industry).





they would have paid on the basis of the prices obtained for their exported butter. This would serve to restrict the dominant influence of export butter on the fixing of the domestic prices for milk and dairy produce. The local milk duty was levied in certain areas on all the milk marketed for liquid consumption with a view to adjusting the difference in price between the two categories of milk and thus offset the increasingly keen competition in the liquid-milk market.

The Association of Swedish Dairies was commissioned to collect the milk duties on behalf of the Government. On the other hand, the management and supervision of the entire Milk Control plan were entrusted to a newly created organization, the State Milk Commission, which in 1935 was incorporated in the State Agricultural Commission.

The Milk Control plan was considerably simplified in 1933. Only one duty was to be levied on all milk placed on the market by farmers. Exemption from this duty was granted to those farms in specified sparsely populated parts of the country and to certain small farmers. The object, however, was still the same, to employ part of the proceeds of the milk duty as an export bounty for butter, and the balance as a price subsidy for manufacturing milk. It was laid down that in principle the Milk Control was primarily intended to keep up the price of butter, for which was fixed a minimum level of kr. 2:30 per kg., to be maintained on the home market however low the world market price. The distribution of funds was calculated as follows: The world market price for butter being then kr. 1:30 per kg., the exporter had to receive from the Milk Control a contribution of kr. 1:— per kg. If the annual export volume was maintained at about 15 mill. kg., then 15 mill. kr. would be required. The proceeds from milk duties being estimated at about 30 mill. kr., the amount available for price adjustment between manufacturing milk and liquid consumption milk would work out at about 15 mill. kr. per annum.

The basic butter price has in subsequent years been gradually raised, the Riksdag of 1937 expressing itself in favour of a price of kr. 2:75. At the same Session the view was held that if the price of butter were to fluctuate the milk duty should be on a sliding scale on the basis of 2 öre per kg. corresponding to a butter price of kr. 2:50. With a rise in the price of butter the milk duty should be gradually reduced, so that a butter price of 2:75 would correspond to a milk duty of 1 öre per kg.

Since the unification in 1933, the milk duty has varied as follows:





c) An excise duty on margarine to prevent consumers from substituting margarine for butter, which would have the same effect as an increase in milk production, viz. to increase the quantity of butter available for export and thereby to jeopardize the Milk Control. The revenue from this excise duty has been used for subsidizing butter exports. The duty, fixed at a maximum of 50 öre per kg., has varied in the course of years as follows:

July 1933—July 1934 . . . . .	20 öre per kg
Aug. 1934—Dec. 1935 . . . . .	30 " " "
Jan. 1936—Sept. 1936 . . . . .	20 " " "
Oct. 1936—July 1937 . . . . .	30 " " "
Aug. 1937—Nov. 1937 . . . . .	40 " " "
Dec. 1937— . . . . .	45 " " "

*Livestock Control.*

It was not until fairly late that the full effects of the agricultural crisis were felt on the meat and pork market, but in 1933 the position had deteriorated so as to necessitate Government intervention. Whereas the trend on the meat market was chiefly dependent upon offerings and demand on the home market, the prices for pork were determined by conditions on the English market. Owing to the quota system for bacon imports established in England in 1932, Sweden's pork exports were gradually cut down to about 50 %, and whereas the country's entire pork surplus was formerly exported to England, a large part thereof was now dependent on the home market. This, combined with an increase in the pork production stimulated by the low price for maize, led to such a sharp fall in the price of pork that in 1933 it had dropped in Stockholm to about 50 % of the 1929 level, while the fall in the price of livestock was 38 %.

The Government's relief measures were of two kinds; curtailing of imports and promotion of exports, both with a view to maintaining prices on the home market. The Swedish imports of meat and pork were accordingly restricted by a special licensing procedure, with prohibitive fees, while export subsidies made it possible to send to foreign markets part of the surplus output, primarily of pork, but also of meat. To finance the administration of the Control there was introduced on June 1, 1933, a livestock duty, to be collected upon the slaughter of cattle and pigs. Besides this duty, the Livestock Control authorities have at their disposal for the payment of export subsidies the above-mentioned



import licence fees, certain funds derived from the export of bacon to England<sup>1</sup> and import duties on oats, maize and other cattlefoods. Thanks, however, to the high prices obtained for bacon exports to England, the Control's revenues swelled to such an extent that already in 1934 it became possible to reduce the livestock duties, and as from 1935, except for the period March–December 1936, to dispense with them altogether.

#### *Feeding-stuffs Control.*

Government control of the feeding-stuffs market followed as a necessary consequence of the other forms of agricultural control. The Bread-grain Control had rendered the prices for wheat and rye in Sweden independent of the world market prices, whereas the prices of feeding stuffs were still governed by conditions on the world market. The result was a widening margin between the prices of feeding stuffs and those of bread cereals and a consequent disequilibrium between the cultivation of cattle foods and that of bread grain. Government measures were thus called for in order to raise prices and to facilitate the marketing of home-grown foods. Besides, the raising of feeding-stuffs prices was made necessary by the Milk and Livestock Controls, which would otherwise have caused a strong expansion of livestock production based on foreign concentrates. There was also a financial motive behind the Feeding-stuffs Control — that of procuring funds to provide an export subsidy for animal products.

The regulation of the cattle-food market, which has been carried through gradually since the summer of 1933, has aimed at curtailing the use of imported foods through licensing and imposing duties on the imports. In June 1933 a tax was levied on oil-cake payable upon entry into the country or when manufactured in the country. Oil-cake is of primary importance as a milk-producing food. Since the summer of 1934 there has been an import duty on oats, maize etc. As maize is the chief pig-food on the small farms, the intention has been to reduce the profits on pig-breeding and thus bring down the supply of pork. Feeding stuffs other than oil-cake may not be imported without a special licence from the Agricultural Commission.

<sup>1</sup> After the introduction of the quota system, the bacon prices in England were higher than in Sweden. Part of this price difference had to be paid in to the Livestock Control by the Swedish exporter, who however was entitled to an addition to his price if the price level on the foreign market was lower than that quoted in Sweden.



Among other measures of control may be mentioned regulations issued in 1933 on the use of Swedish oats (at a variable percentage) in the manufacture of oatmeal, and since 1936 certain subsidies in aid of Swedish fodder exports, chiefly oats. These export subsidies are, however, payable only up to a maximum corresponding to the quantity of bran, maize or other feeding-grain imported from abroad during the same year.

#### *Other Forms of Control.*

On the same principles as those applied to the controls dealt with above there have also been introduced certain import restrictions and export subsidies (financed mainly from the import duties on fodder) in aid of egg production. The above-mentioned relief measures for sugarbeet and potato cultivation have been adopted on entirely different principles. The sugar control is effected by means of a raw-sugar import monopoly granted to the Swedish Sugarmills Co. and by the Government's fixing the price of sugar purchased from the beet-cultivators, the potato control by certain regulations governing the manufacture of potato flour and the marketing of potatoes for distilling purposes.

### Costs and Financing.

The regulation of Swedish agriculture has been so planned as to be financed principally by means of special duties and taxes on the respective agricultural products imposed for the purpose of carrying out the relief measures, without the costs of this Control having to be charged to the national Budget. The direct costs incurred by the State in the regulation of agriculture — mainly through the introduction of the grain control — amount to about 100 mill. kr. only. But the enhanced food prices have naturally entailed a heavy burden on the consumer. This form of indirect taxation for the financing of relief measures has, of course, made them easier from a political point of view, but it has the serious disadvantage of hitting chiefly the poorer classes.

The object of the various duties levied on production and imports has not been merely to procure funds; as indicated above, the idea has always been to achieve a systematic adjustment between production and consumption.

Technically, the various duties intended for financing the regulation of agriculture are passed to different funds, out of which they are then



distributed to the respective Controls. As from July 1 1934 the originally established State Milk Control fund and State Livestock Control fund have been merged into one, called the agricultural price-adjustment fund, into which are paid the margarine excise duty, the import duty on eggs, the livestock duty, the export duty on bacon, the import duty on mutton and the import duty on certain kinds of fodder, as well as the oil-cake tax. The distribution of the proceeds of the various duties is subject to special regulations: the margarine excise and the oil-cake tax are allocated to the Milk Control, and revenue derived from the collection of special duties on animal products is used in the first place to maintain the price of the commodity on which the duty is levied.

Not all the revenue from the regulation of agriculture is, however, accounted for to that fund. Incomparably the largest revenue, the milk duty, is collected by the Association of Swedish Dairies and is applied direct to the Milk Control. The duties intended for the Grain Control — the wheat duties and certain import duties on bread-grain products — are passed to the fund to cover losses on the Grain Control and are used primarily for meeting expenditure on storage, administration and the successive renewal of the emergency stocks of cereals, and also for defraying other costs incurred by the Swedish Grain Co. in subsidy purchases etc. Any balance not required for these purposes has hitherto been used to reduce losses previously incurred on the Grain Control.

The Government's direct expenditure on the regulation of agriculture arose for the most part through the Grain Association's having on hand during the period 1933-35 large surpluses of cereals, which had to be marketed at a loss, partly by exporting and partly as feeding-grain. The costs of the Grain Control for the period 1931-35 are estimated as follows:

Administration charges . . . . .	2.5	mill. kr.
Storage costs . . . . .	19.0	" "
Distribution of flour to the poor . . . . .	0.5	" "
Losses due to falls in prices:		
wheat . . . . .	41.0	" "
rye . . . . .	20.0	" "
denatured grain . . . . .	3.0	" "
	<u>86.0</u>	mill. kr.

Only a portion of this expenditure could be met out of wheat duties. These latter, combined with certain minor import duties, brought in altogether the following amounts (in millions of krónor):



1934-35 . . . . .	6.47
1935-36 . . . . .	9.49
1936-37 . . . . .	8.06
1937-38 . . . . .	4.19

The amounts paid in to the Milk Control fund and disbursed out of it will be seen from the following table:

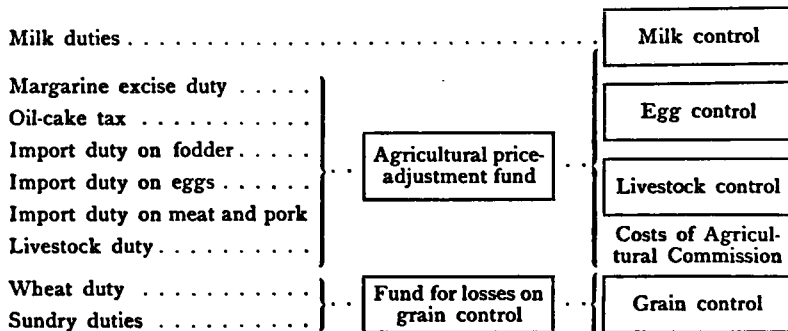
The Milk Control 1934-37. (Mill. kr.)

<i>Paid in:</i>	1934	1935	1936	1937
Milk duty . . . . .	52.8	54.0	55.7	53.7
Oil-cake tax . . . . .	4.9	8.9	8.2	10.2
Margarine excise duty . . . . .	11.2	12.9	12.7	19.1
Sundry funds . . . . .	—	—	0.5	0.1
<b>Total</b>	<b>68.9</b>	<b>75.8</b>	<b>77.1</b>	<b>83.1</b>
<i>Disbursed:</i>				
Export bounties for butter . . . . .	26.8	14.9	9.7	17.4
Price-adjustment subsidy . . . . .	38.6	56.1	74.8	61.4
Expenses etc. . . . .	0.7	0.8	1.0	1.1
<b>Total</b>	<b>66.1</b>	<b>71.8</b>	<b>85.5</b>	<b>79.9</b>

The following revenues collected for the agricultural price-adjustment fund have been accounted for up to the financial year 1937-38:

	1934-35	1935-36	1936-37	1937-38
Import duties on certain kinds of fodder . . . . .	1.09	1.37	6.11	4.49
Tax on imported bran . . . . .	0.14	0.01	—	—
Oil-cake tax . . . . .	7.44	10.36	9.15	11.80
Livestock duty . . . . .	0.72	1.10	2.19	0.02
Duties on exported and imported meat & pork . . . . .	2.24	0.01	0.50	0.39
Duties on exported and imported eggs . . . . .	0.04	0.19	0.19	0.05
<b>Total</b>	<b>11.67</b>	<b>13.04</b>	<b>18.14</b>	<b>16.75</b>

The following table illustrates how the revenues from the various duties are passed into the different funds and then distributed.





## The Co-ordination of the Controls into a uniform programme.

As explained in the preceding sections, the measures taken by the Government with a view to bringing about a more satisfactory price level for agricultural produce have comprised, on the one hand, the adoption of purely price-regulating measures and, on the other hand, measures to promote the marketing of the produce. The aim has been primarily to free the home market from dependence upon a more or less disorganized world market and to achieve a state of equilibrium between the home production and consumption of agricultural commodities. The various measures of control have been called for by situations of acute emergency that have arisen in the different spheres of agricultural production. The resultant lack of uniformity that existed in the various measures of State intervention, and which, among other things, seriously upset the balance of agricultural production, soon became manifest. In order the better to co-ordinate and balance one against the other the different steps taken to regulate agriculture, the Government authorities started in 1934 to standardize their relief policy on the basis of the price conditions prevailing before the crisis, selecting the average prices for various products during the period 1925-29 as the norm. At the outset the idea was to arrive at about 75 % of the said average prices, and subsequently, insofar as the economic revival enabled the industrial population to pay higher prices for their foodstuffs, these prices have gradually been adjusted upwards near the average level just mentioned.

It has been found, however, that fixing a price level that is independent of the world market, while certainly helping to remedy temporary marketing difficulties, nevertheless in the long run weakens the natural dependence of production on the home demand. This throws the burden of responsibility for the rational diversification of production on to the shoulders of the authorities. It has been deemed desirable, therefore, to modify the relief measures so that they may not obstruct the policy of adapting agricultural production to changed marketing conditions but may permit the price system to recover its guiding influence. It is natural that the continuous changes in regard to output conditions, purchasing





power and the habits of consumers should necessitate a continuous modification of the relations between the prices of various farm products.

In order as far as possible to avoid the disadvantages entailed in mechanically linking up the price standards of their relief policy with the price ratios prevailing during the years 1925-29, the authorities have permitted the fixing of the prices of agricultural produce on the closed domestic market (with the exception of sugarbeet) to develop freely within an upper and a lower limit. Thus, in 1936 the average prices for 1925-29 were fixed as the upper limit and 75 % of that level as the lower limit; should either of these limits be exceeded, the authorities would take further steps to regulate the movement of prices. In the following year the limits were adjusted upwards to 15 % above and downwards to 15 % below the price level in 1925-29, and these limits are still applied.

## The Effects of the Agricultural Policy.

### Prices.

The immediate effects of the Government relief measures are best illustrated by the trend of prices in Sweden for the different agricultural products.

Price index numbers for certain Swedish products (1925-29=100).<sup>1</sup>

	Wheat	Rye	Oats	Potatoes	Butter	Pigs	Cows	Eggs
1925-29 . . . . .	100	100	100	100	100	100	100	100
1930 . . . . .	81	72	64	72	77	86	91	80
1931 . . . . .	84	82	69	85	66	54	73	69
1932 . . . . .	77	77	68	76	60	54	58	63
1933 . . . . .	77	77	62	60	66	52	51	56
1934 . . . . .	75	77	77	60	76	50	72	59
1935 . . . . .	74	77	78	82	74	76	87	68
1936 . . . . .	75	78	82	85	73	81	92	76
1937 . . . . .	86	90	101	89	85	83	88	82
1938 . . . . .	83	84	88	86	89	92	92	82

The effect of the price control's being limited in 1930-33 to the grain market is clearly discernible here. While the fall in the prices of wheat and rye to the low point of the crisis, in 1932-33, amounted to only 23 %, the prices of oats fell by 38 %, butter by 40 % and pigs by 48 %. On the other hand, the subsequent price recovery was far stronger in the case of animal products and fodder than in that of bread grain.

<sup>1</sup> Index numbers of the fortnightly »Landtmannen» converted with 1925/29 as basis.



Whereas the latter were in 1938 respectively 17 and 16 % below the 1925-29 price level, oats were 12 %, butter 11 % and pigs 8 % below.

On the world market the fall in prices was, of course, far more pronounced all along the line. The quotation for Swedish butter in Manchester fell 50 % from the average level in 1925-29, the price of wheat in Chicago 61 % and the Chicago quotation for pigs by as much as 66 %. In 1938, after the sharp fall in prices in 1937-38, these quotations were respectively 46 % and 26 % below the 1925-29 level.

Certain foreign prices (1925-29 = 100).

	Wheat (Chicago)	Maize (Chicago)	Pigs (Chicago)	Swedish butter (Manchester)
1925-29 . . . . .	100	100	100	100
1930 . . . . .	71	91	86	78
1931 . . . . .	48	58	55	68
1932 . . . . .	39	34	34	66
1933 . . . . .	55	45	35	56
1934 . . . . .	68	71	45	50
1935 . . . . .	67	85	86	62
1936 . . . . .	74	90	91	66
1937 . . . . .	81	110	95	72
1938 . . . . .	54	60	74	73

But while the various agricultural products are still 10-15 % below the 1925-29 price level, farmers' requisites have practically reached, and wages have considerably exceeded, that level:

Index numbers for product prices, prices for requisites and wages  
(1925-29 = 100).<sup>1</sup>

	General index no. for products	General index no. for requisites	Wages
1925-29 . . . . .	100	100	100
1930 . . . . .	78	85	99
1931 . . . . .	72	80	96
1932 . . . . .	63	79	94
1933 . . . . .	64	76	91
1934 . . . . .	75	80	90
1935 . . . . .	81	86	91
1936 . . . . .	86	88	94
1937 . . . . .	90	96	104
1938 . . . . .	91	97	109

The exchange value of agricultural products as against requisites, according to the price ratios of 1925-29<sup>1</sup>, thus fell from 100 in 1925-29 to 80 in 1932, gradually rising again to 94 in 1938. The exchange value as against wages touched its lowest point in 1932 at 67, improved to

<sup>1</sup> Index numbers of the fortnightly "Landtmannen", converted with 1925/29 as basis.



92 in 1936, but has since then, under the influence of the steep rise in wages in 1937-38, again gone down, to 84 in 1938. This decline in exchange value as against wages does not however reflect an equally sharp fall in farmers' profits, since, thanks to technical progress and constant rationalization, the yield per labour unit has at the same time increased.

*Production.*

The most serious drawbacks of the agricultural policy pursued in recent years in the way of controlled markets and fixed prices are considered to have been its effects on the trend of agricultural production. In the first place, the fixed-price system — instituted at a time when productivity was increasing — has contributed to a strong expansion in the output of the most important farm products, although consumption would appear, on the long view, to be more or less stationary. So far, however, there has been, as an offset, an increase in consumption from the trough of the depression in 1932-33.

As far as bread cereals are concerned, the increase in production applies mainly to wheat, of which the harvest rose from an average for 1926-30 of 466,000 tons to 688,000 tons for 1935-38, i. e. by 48 %, while the average annual rye crop during the same period fell by 11 %, from 450,000 tons to 400,000 tons. This divergence of trend reflects the change-over in consumption from rye to wheat that has been going on since the beginning of the 1920's. In regard to milk production, the increase recorded during the review period has been very considerable. The quantity of milk weighed in at the dairies has risen from 2,162 thousand tons in 1930 to 2,847 thousand tons in 1937, i. e. by 32 %; the production of butter has at the same time expanded from 55.4 thousand tons to 73.2 thousand tons (32 %) and the output of cheese from 26.8 thousand to 35.4 thousand tons (32 %).<sup>1</sup> The production of meat, on the other hand, has not shown any marked increase; and pork production, to judge from the census of pigs, has rather declined.

<sup>1</sup> In regard to the total production of butter and cheese, however, the increase is no doubt far below that shown by dairy statistics. The increase in the quantity of milk weighed in is very largely explained by the fact that membership of the dairies has increased considerably in recent years, and the higher production of dairy butter is offset by a simultaneous decline in the production of butter made on the farms.



Besides this general effect of increasing production, the system of controlled prices has also had certain less desirable consequences in regard to the rational diversification of production in agriculture, since it has in some respects counteracted the natural adaptation to the changes in the habits of consumers and to the shifting of productivity in various branches of production.

As far as vegetable production is concerned, these effects became apparent at an early stage. The isolated interference with price-fixing entailed in the Grain Control in 1930-33 as a consequence of the relative pegging of grain prices resulted in a far from desirable change-over from fodder production to cereal production, in spite of the fact that the opposite would have been more natural, considering the comparatively stronger increase in productivity in livestock production and the expansion that was going on in the consumption of animal foodstuffs at the expense of cereals. Thanks to the policy of guaranteed prices for wheat and rye, the prices of these cereals in Sweden were kept considerably above the world-market level, whereas the prices of feeding stuffs followed the latter. The consequence was lower profits on home-produced cattle food and comparatively favourable profits on home-produced bread grain, which in the latter case led to a substantial extension of the area under cultivation. This, combined with singularly favourable weather conditions, resulted in a very strong increase in Sweden's production of bread cereals at the expense of the output of feeding stuffs.

Sown area, in 1000's of hectares<sup>1</sup>.

	1931	1932	1933	1934
Bread cereals . . . . .	483	490	529	526
Feeding stuffs . . . . .	3,243	3,235	3,199	3,205

<sup>1</sup> 1 hectare = 2.47 statute acres.

*Farmers' Incomes.*

The substantial rise in the selling prices of farm produce brought about by the agricultural policy is reflected in a considerable increase in the farmers' incomes from sales and an improvement in agricultural profits. True, prices have not quite reached the level aspired to, but thanks to favourable harvests, combined with a steady increase in productivity, the farmers have nevertheless been able to do far better than they did before the crisis.



Statistics relating to agricultural profits<sup>1</sup> show the following percentage of interest earned by farmers in Central and South Sweden:

	1929-34	1934-35	1935-36	1936-37	1937-38
South Sweden . . . . .	3.7	6.0	5.4	5.4	6.2
Central Sweden . . . . .	1.4	4.8	3.5	3.5	4.3

The estimates of the Swedish Institute for Business Research regarding the farmers' incomes from sales likewise give a quite favourable result, as is seen from the following index numbers, based on Table IX in the Appendix Tables (1929 = 100):

1929 . . . . .	100	1934 . . . . .	94
1930 . . . . .	96	1935 . . . . .	104
1931 . . . . .	82	1936 . . . . .	112
1932 . . . . .	80	1937 . . . . .	124
1933 . . . . .	83	1938 . . . . .	126*

\* Approximate estimate.

The gross receipts thus reached their minimum in 1932, when they had been reduced by 20 % in comparison with 1929. Since 1932 the incomes have steadily improved, being in 1937 24 % higher than in 1929 and 58 % higher than in 1932. The decline in proceeds up to the year 1932 is considerably weaker, and the improvement after 1932 stronger, than the price movements during corresponding periods, this being explained by the quantitative increase in the market surplus. The increase in proceeds between the years 1929 and 1937 varied considerably in regard to the different products. The incomes from sugarbeets, for instance, according to Table IX rose by as much as 244 % and from wheat by 50 %, while the increase for milk is 15 % and that for pigs only 2 %. It should be noted, however, that, compared with the immediately preceding years, 1929 was a somewhat adverse year for vegetable farm produce. Further, in 1937 sugarbeets and wheat accounted for only 6.4 % and 8.3 % respectively of the total income from sales, whereas the corresponding figures for the production of milk and pigs were 42.5 and 30.3 %.

## Revision of the Agricultural Policy.

Inasfar as the difficulties experienced by Swedish agriculture prove to have been due not merely to a temporary crisis but to a radical

<sup>1</sup> Nannesson, in the fortnightly »Landtmannen». These figures do not express the average profits earned by Swedish agriculture as they only relate to a limited number of farms with relatively favourable conditions of production.



structural change affecting the agricultural production of the entire world, the relief measures to which Sweden's agricultural policy has given rise, while originally adopted as emergency measures, have assumed more and more the character of permanent aid. This structural change makes our agriculture dependent for some time to come upon Government support in one form or other if the standard of living of the country's agricultural population is to be kept at anything like the level enjoyed by the rest of the population. The world market is at present, and is likely to be for a considerable time to come, so disorganized that any natural process of adaptation is hardly conceivable. The productive capacity of the world's agriculture is still increasing far more rapidly than consumption, and the tendency prevailing in most industrial countries towards a stagnation or a decline in the population is likely still further to complicate the situation. Similarly, the ever-expanding efforts at self-sufficiency for economic and political reasons are an obstacle in the way of an essential adjustment of the world production of foodstuffs to the present level of consumption. Even for Sweden it is, of course, under the unsettled political conditions prevailing in the world, of vital importance to be able, in the event of war and blockade, to meet the need for foodstuffs out of her own resources.

Inquiries into the trend of production in Swedish agriculture indicate that production has increased somewhat in recent years and will most probably continue to do so for a good many years to come. Various factors are contributing to this increase. During the last few years, for instance, there has been an unprecedented rise in productivity as a result of the rationalization and industrialization of agriculture — a process that for many reasons is not likely to be completed for a long time. Firstly, Swedish agriculture has not yet exhausted all the technical possibilities of rationalization, secondly, in some quarters there is at present a great scarcity of farm labourers, and thirdly, the costs of labour in agriculture have been rising in recent years in consequence of higher wages and shorter hours of work. A further factor tending to promote an increase in production is the demographic trend. Population forecasts for the next few years indicate that, while the total agricultural population is continuing to decline, owing to the uneven age distribution the decrease in the able-bodied male agricultural population will be checked or even converted into a slight increase, and this too may be expected to contribute towards expanding agricultural production.



It seems, then, that in all probability we must expect a continued increase in agricultural production during the next few years. As we are already more than self-supporting in this respect, and as under present world-market conditions any profitable exports of agricultural produce are out of the question, a growing surplus of production will put an increasingly heavy strain on the existing system of price-regulation. That this system has so far been able to survive has apparently been due to the fact that the increase in production has been neutralized by the cutting-down of imports and the monopolizing of the home market since the outbreak of the crisis, and by the rise in consumption that has been possible since the depression touched bottom; now however, at the present price level, the rise appears to have reached its peak and, in the event of an economic decline, would undoubtedly give place to a falling-off in consumption. We are therefore confronted with a growing surplus of production, which Sweden's agricultural policy is bound to take into consideration if it is to be able to adhere to its aim of maintaining the Swedish farmers' level of profits. Those engaged in the lively discussion on agricultural policy in recent years have therefore been faced with these alternatives: reduced production or increased sales.

A compulsory restriction of production would no doubt be regarded generally as a not very desirable policy. This applies particularly to a direct limitation of production, which, apart from the fact that it would undoubtedly meet with considerable opposition on the part of the farmers and thus be politically impracticable, would have the effect of increasing the costs of production and would require an extremely comprehensive system of control. It would be easier to effect an indirect limitation of production by artificially raising the costs of production on lines similar to those on which the Swedish Feeding-stuffs Control is operating. However, any form of restriction on production as a general policy is open to objections in principle.

If, on the other hand, the alternative of increasing sales is chosen, this can only be effected by exporting more or by an increased domestic consumption.

The possibilities of procuring bigger sales by exporting are very limited. An increase in exports is hardly possible except by an extension of the export subsidy, which is already very expensive<sup>1</sup>; moreover, there

<sup>1</sup> Close on 80 mill. kr. was paid in bounties in 1933-38 for Sweden's butter exports, aggregating 132,000 tons.



are serious economic objections to such a step. Considering the course of development on the foreign markets and the growing demand for agrarian protectionism in the world, it will probably meet with increasing difficulties in future to pursue an agricultural policy based on export subsidies. Still less will it be possible to extend their scope beyond the present limit. Our exports of butter, pork and eggs, which in normal cases together comprise practically the whole of our agricultural exports, go almost exclusively to England and Germany, and on neither of these two markets is there any prospect of increasing the sales of Swedish farm produce. Nor is there any likelihood of being able to open up other markets of any consequence. As far as England is concerned, the efforts of the authorities there have been directed towards increasing the country's own agricultural production, while at the same time giving preference as far as possible to the farm produce of the Dominions and Colonies. In Germany the State is endeavouring as rapidly as possible to make the supply of foodstuffs independent of foreign countries. The result is the same, to place obstacles in the way of any expansion of Sweden's exports; indeed, it seems hardly possible even to maintain them at their present level. Quite apart, then, from the objections that may be raised in principle to the subsidizing of exports as a method of agricultural policy, it does not seem to be a practicable means of getting rid of our surplus production.

The opinion is fairly generally held in Sweden that the only possible way of utilizing the surplus production is to increase the home consumption.

One obvious possibility, which has been much discussed, is that of ousting from the market a foreign article of food, viz. margarine. In spite of the prevailing duty on margarine, the annual consumption of that commodity amounts at present to close on 60,000 tons, i. e. 40-50 % of our supply of fats and more than double as much as our annual export surplus of butter<sup>1</sup>. It is primarily social reasons that have been

<sup>1</sup> The internal consumption of fats has in recent years been distributed as follows (in 1000's of tons):

	Butter	Margarine	Other fats
1934 . . . . .	59.4	52.8	2.4
1935 . . . . .	62.8	55.2	3.2
1936 . . . . .	64.5	56.2	4.2
1937 . . . . .	61.8	58.8	5.2
1938 . . . . .	61.3	58.4	6.8





adduced against the adoption of such a step, since it would first of all hit the poorer classes.

An increase in the total consumption of foodstuffs in the country has been recommended as being, from the social-welfare point of view, a more expedient alternative. Investigations into the alimantal standard of the Swedish people go to show that amongst broad strata of the population the consumption of foodstuffs, particularly of the more expensive »protective foods» — certain animal products, fruit and vegetables — is from the point of view of nutrition unsatisfactory. The »under-consumption» indicated by these investigations may be regarded from the agricultural standpoint as a latent »consumption reserve», the realization of which is a vital interest as an aspect not only of nutrition but also of agricultural policy, which seems likely in future to be based on the idea that an improvement in the alimantal standard implies also an increase in the demand for foodstuffs and consequently a rise in farmers' incomes.<sup>1</sup> This is, of course, all the more true if at the same time efforts are made on an increasing scale to induce the people to consume the more expensive protective foods, which from the farmers' point of view are more profitable.

The increase in the internal consumption of foodstuffs which is thus desirable also from the point of view of agricultural policy postulates reduced prices of farm produce, in the first place of the dearer foods, the demand for which is more elastic. For this purpose the idea has been either an all-round lowering of the price level for farm produce as a whole, or else a differentiation of the price level, prices being reduced only for the benefit of the poor. Without lowering farmers' profits it is obviously impossible, while leaving the cost-of-production level unaltered, to effect an all-round reduction in the price level of agricultural products; it can only be done by simultaneously forcing down the costs of production. The simplest and most attractive method would be to enhance still further the productivity of agriculture by a continued rationalization and mechanization of farming. Moreover, it should be possible — notwithstanding the great progress made in that direction in recent years — to cheapen still further the distribution of farm produce, and this would have the same effect as an increase in productivity, since the costs of distribution must be forced in between the consumers' expenditure on foodstuffs and the producers' incomes. However, the increase in produc-

---

<sup>1</sup> Cf. League of Nations, Final Report on Nutrition.



tivity, apart from its obvious natural limitations, cannot proceed rapidly enough to enable prices to be appreciably reduced within a short time. With a view to achieving this object more quickly it has been proposed, among other things, to make it possible artificially to lower the level of farmers' costs of production by granting cost-of-production subsidies to be financed out of the national Budget. The present system of keeping up the level of farm-produce prices would thus be replaced by one of keeping down costs of production. This method would imply a substantial economic gain seeing that subsidizing could be proportionately reduced as the productivity of agriculture improved through rising output.

A method that might be less radical in its effects but more difficult to carry out in practice than an all-round lowering of the price level of farm produce would be a ›two-price system› with reduced prices for the poor only. Such a measure would only be to the advantage of certain groups of people who are less well off in regard to food, especially poor families with many children. From the point of view of State finance a policy on these lines would naturally be far cheaper than, for instance, the direct subsidizing of costs of production.



## Tables.

### I. Sweden's agricultural population.

Year	Entire population	Agricultural population	
	1000's	1000's	%
1870 . . . . .	4,169	3,017	72.4
1880 . . . . .	4,566	3,102	67.9
1890 . . . . .	4,785	2,973	62.1
1900 . . . . .	5,136	2,828	55.1
1910 . . . . .	5,522	2,697	48.8
1920 . . . . .	5,904	2,596	44.0
1930 . . . . .	6,142	2,417	39.4

### II. Production of certain kinds of vegetable produce.

Year	Cultivated area (1000's hectares)	T hereof for:			Bread-cereals crop			Feeding-grain crop (1000's tons)	Hay crop
		Bread cereals	Feeding-grain	Hay	wheat	rye	total		
1926/30 . . .	3,738	498	1,079	1,312	466	450	916	1,906	4,921
1930 . . .	3,723	503	1,060	1,339	567	436	1,003	1,890	5,056
1931 . . .	3,726	483	1,038	1,345	464	283	747	1,711	5,135
1932 . . .	3,725	490	1,018	1,388	655	433	1,088	1,992	5,326
1933 . . .	3,728	529	991	1,385	717	463	1,180	1,773	4,427
1934 . . .	3,731	526	999	1,383	757	517	1,274	1,985	4,527
1935 . . .	3,735	501	1,027	1,376	643	429	1,072	2,026	4,962
1936 . . .	3,735	496	1,030	1,372	589	352	941	1,929	4,905
1937 . . .	3,739	509	1,020	1,381	700	413	1,113	2,026	5,491
1938 <sup>1</sup> . . .	3,742	509	1,032	1,374	821	405	1,226	2,312	5,339

<sup>1</sup> Preliminary figures.

### III. Livestock (in 1000's).

Date	Horses	Cattle	Pigs	Sheep	Goats
<sup>15</sup> / <sub>6</sub> 1927 . . . . .	620	2,899	1,387	708	66
<sup>15</sup> / <sub>6</sub> 1932 . . . . .	612	2,920	1,495	468	50
<sup>15</sup> / <sub>7</sub> 1936 . . . . .	616	2,951	1,322	429	.



#### IV. Dairy production (1000's tons).

Year	Milk production			
	Milk weighed in at the dairies <sup>1</sup>	Taxed milk for liquid consumption	Butter production	Cheese production
1930	2,162	.	55.4	26.8
1931	2,165	.	54.6	29.9
1932	2,157	.	52.0	32.1
1933	2,293	.	55.7	28.3
1934	2,498	782	62.5	31.1
1935	2,551	800	63.5	31.7
1936	2,720	829	67.2	37.8
1937	2,847	843	73.2	35.4

<sup>1</sup> According to an estimate (Ytterborn, Svensk Tidskrift 1938: 3), the milk weighed in at the dairies amounted in 1930 to about 48 %, and in 1935 to 50 %, of the total milk production, which in those years was divided up as follows (in 1000's tons):

	Total production	Home consumption	Marketable surplus
1930	4,500	1,733	2,767
1935	4,650	1,730	2,920

#### V. Swedish wholesale price quotations for certain farm products. Kr. per 100 kg.

Year	Wheat	Rye	Oats	Butter	Pigs	Sugar
1925	25.00	22.52	16.15	320	139	62.64
1926	24.44	18.77	14.18	277	126	57.26
1927	23.86	22.07	13.97	281	92	59.02
1928	21.14	21.51	17.10	294	106	51.24
1929	18.80	17.30	13.06	287	121	41.33
1930	18.46	14.85	9.36	227	103	34.00
1931	19.09	16.72	10.64	196	66	31.98
1932	17.38	15.72	9.99	172	68	36.63
1933	17.18	15.67	9.28	200	61	36.91
1934	16.91	15.64	11.57	230	60	36.12
1935	16.78	15.59	11.43	223	87	36.00
1936	16.95	15.95	12.01	221	94	36.72
1937	19.60	18.35	15.28	257	96	37.86
1938	18.82	17.33	13.08	269	107	38.00

#### VI. Milk prices (öre per litre).

Year	Price paid by the dairies on weighing-in	Retail price
1925	14.5	24
1926	12.9	22
1927	12.6	21
1928	13.2	22
1929	12.6	22
1930	10.5	21
1931	9.6	21
1932	8.8	20
1933	8.8	20
1934	9.9	21
1935	10.5	21
1936	11.4	22



### VII. Sweden's exports of certain kinds of farm produce.

Year	Butter (tons)			Pork (tons)		Eggs (in 1000's)		
	Total	to Eng-land	to Ger-many	Total	to Eng-land	Total	to Eng-land	to Ger-many
1929	24,940	12,988	10,729	19,665	19,315	89,248	66,257	22,332
1930	26,697	14,004	11,235	27,851	27,769	78,429	52,129	26,100
1931	19,578	11,657	6,545	29,192	29,132	51,466	34,147	17,252
1932	13,551	9,045	3,946	21,408	21,342	77,784	40,645	36,856
1933	17,127	11,810	4,768	20,552	20,405	52,408	24,483	27,860
1934	23,202	16,340	5,878	19,097	15,655	53,453	32,531	20,123
1935	20,257	10,557	9,528	13,211	12,947	52,730	34,098	19,686
1936	19,108	8,600	10,435	12,693	12,666	44,885	23,738	23,345
1937	23,535	11,570	11,025	13,609	13,190	71,078	39,224	31,634
1938	28,367	15,575	12,788	13,276	12,966	93,950	60,221	33,729

### VIII. Foreign trade in bread grain (1000's tons).

Year	Imports	Exports	Balance
1926/30	299.4	56.3	- 243.1
1930	248.8	11.3	- 237.5
1931	152.0	0.5	- 151.5
1932	219.3	1.9	- 217.4
1933	55.2	1.0	- 54.2
1934	46.8	99.5	+ 52.7
1935	43.8	153.3	+ 109.5
1936	54.1	118.9	+ 64.8
1937	53.2	29.4	- 23.8
1938	61.9	39.1	- 22.8

### IX. Income from the sales of farm produce (mill. kr.).

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938 <sup>1</sup>
Wheat	54.1	59.5	57.3	57.1	76.2	92.8	84.6	74.8	81.5	83.5
Rye	22.7	19.9	21.5	19.0	29.3	35.8	30.6	24.4	27.1	24.6
Oats	19.4	13.7	14.9	17.3	15.8	21.4	24.2	23.1	27.5	22.8
Sugarbeets	18.2	32.1	21.0	39.4	49.2	45.2	49.1	50.4	62.5	54.0
Potatoes	44.7	37.6	40.4	40.5	31.1	30.9	39.7	42.2	47.1	43.3
Milk for liquid consumption	161.9	148.2	145.2	141.1	126.3	130.8	136.8	148.0	156.8	175.7
Manufacturing milk	201.6	184.9	162.2	143.5	164.6	206.4	221.4	249.6	260.9	259.3
Cattle	56.2	55.5	40.7	33.3	31.9	44.8	59.3	66.4	74.5	85.9
Calves	51.7	49.2	38.6	36.2	32.4	37.6	47.0	57.3	73.4	77.4
Pigs	125.2	120.7	82.4	78.8	73.4	74.6	97.6	109.9	128.1	135.8
Eggs	34.8	39.2	25.3	23.0	22.9	25.7	31.4	36.6	41.6	42.4
<b>Total</b>	<b>790.5</b>	<b>760.5</b>	<b>649.5</b>	<b>630.2</b>	<b>653.1</b>	<b>746.0</b>	<b>822.7</b>	<b>882.7</b>	<b>981.2</b>	<b>1,004.7</b>

<sup>1</sup>) Approximate estimate.



#### REFERENCES:

- Statens offentliga utredningar (Government Committee Reports):  
Jordbruksutredningens betänkanden (Reports of the Agricultural Committee) 1930—1933.  
1934: 43 — Avsättningen av smör och andra fettämnen av inhemskt ursprung (The marketing of butter and other fats of domestic origin).  
1935: 1 — Åtgärder för spannmålsodlingens stödjande (Measures in support of grain cultivation).  
1935: 16 — Konjunkturuppsvingets förlopp och orsaker (The course and causes of the revival) 1932—1934 (Karin Kock).  
1938: 6 — Betänkande i näringsfrågan (Report on Nutrition).  
K. M:s propositioner ang. prisregleringar på jordbrukets område (Government Bills on price control in agriculture) 1930—1938.
- Anstrin, Jordbruksstödet debet och kredit (The debit and credit side of agricultural relief), *Industria* 1937, Nos. 16—17; Nya riktlinjer för jordbruksstödet (New principles for agricultural relief), *Industria* 1938, No. 11.  
Bjurling, Den svenska jordbrukshjälpen (The relief of Swedish agriculture), *Industria* 1935, Nos. 10—11.  
Bonow, Staten och jordbrukskrisen (The State and the agricultural crisis), Stockholm 1935.  
Broomhall, Wheat. (INDEX April 1931.)  
Domö, Kring jordbruksregleringen (On the control of agriculture), *Svensk Tidskrift* 1937: 4.  
Ekengren & Hagander, Jordbrukets prisregleringar (Agricultural price control), Stockholm 1938.  
Johansson & Hävermark, Tabeller till beräkningar rörande det framtida bostadsbehovet på landsbygden (Tables for calculating future rural housing requirements), App. 3 to Govt. Comm. Rep. 1937: 43.  
Lange, Den svenska jordbruksproduktionens omfattning och utvecklingsmöjligheter (The scope and possibilities of expansion of Swedish agricultural production), App. 3 to Govt. Comm. Rep. 1938: 6.  
Lindahl & Lundberg, Konsumtionsprisernas utveckling i Sverige (The development of consumers' prices in Sweden) 1931—1937, *Ekonomisk Tidskrift* 1938: 6.  
Myrdal, Jordbrukspolitiken under omläggning (Agricultural policy under revision), Stockholm 1938.  
League of Nations, Final Report of the Mixed Committee of the L. of N. on the relation of nutrition to health, agriculture and economic policy.  
Ohlin, The course and phases of the world economic depression (League of Nations), Geneva 1931.  
Svensson, Riktlinjer för svensk jordbrukspolitik (Principles of Swedish agricultural policy), Uddevalla 1935.  
Taylor, Wheat outlook of the world. (INDEX February 1936.)



- Ytterborn, Jordbruksproduktionens utveckling (The development of agricultural production), Svensk Tidskrift 1938: 3.
- Ytterborn, Vår jordbruksfråga (Our agricultural problem), Svenska Bankföreningens skriftserie (The Association of Swedish Banks' series of publications) No. 67 (1938)
- Åkerman, Mjölkegleringens teori och huvudtyper (The theory and main types of milk control), Ekonomisk Tidskrift 1934: 5—6.
- Åkerman, Mjölkegleringen (The Milk Control), Stockholm 1937.
- Kooperatören (fortnightly), 1936—38.
- Landtmannen Svenskt Land (fortnightly), 1930—39.
- Lantbruksakademiens Handlingar och Tidskrift (Proceedings & Journal of the Academy of Agriculture).
- Meddelanden från Konjunkturinstitutet (Reports of the Swedish Institute for Business Research).
- Nationalekonomiska föreningens förhandlingar (Proceedings of the Economic Society) 1930—31, 1934—35, 1938.
- Svenska Mejeriernas Riksförenings u. p. a. styrelseberättelser (Annual Reports of the Association of Swedish Dairies) 1934—1937.

**REPORT**

**OF THE**

**CANADIAN FARM LOAN BOARD**

**FOR THE YEAR ENDED MARCH 31,**  
**1936**

**OTTAWA**  
**J. O. PATENAUDE, I.S.O.**  
**PRINTER TO THE KING'S MOST EXCELLENT MAJESTY**  
**1937**



## CANADIAN FARM LOAN BOARD

---

HEAD OFFICE—OTTAWA, CANADA

### *Members of the Board*

J. D. MACLEAN, Chairman and Farm Loan Commissioner, Ottawa.

ROBERT MCKENZIE, Ottawa.

CHARLES DUQUETTE, Montreal.

W. C. CLARK, Ottawa.

### *Branch Offices*

New Westminster, British Columbia .. W. S. Palmer, Manager.  
Edmonton, Alberta.. . . . . G. Murchison, Manager.  
Regina, Saskatchewan.. . . . . R. S. Rideout, Manager.  
Winnipeg, Manitoba.. . . . . J. H. Martinson, Manager.  
Toronto, Ontario.. . . . . W. G. Whiteside, Manager.  
Quebec City, Quebec.. . . . . P. A. Angers, Manager.  
Saint John, New Brunswick.. . . . F. W. Hoar, Manager.  
Halifax, Nova Scotia.. . . . . N. H. Parsons, Manager.  
Charlottetown, Prince Edward Island .. C. M. Williams, Supervisor.

# REPORT OF THE CANADIAN FARM LOAN BOARD

FOR THE YEAR ENDED MARCH 31, 1936

Hon. C. A. DUNNING,  
Minister of Finance,  
Ottawa, Ontario.

SIR,—I have the honour to submit the report of the Canadian Farm Loan Board for the fiscal year ended March 31, 1936.

Schedule "A" hereto contains a statement by provinces of the total loans approved during the year with particulars of the appraised values and acreages of the farm lands accepted as security for such loans. Included in the schedule is a statement of loan moneys disbursed during the year.

Schedule "B" hereto contains a statement by years of the number and amount of applications for loan received, number and amount of loans approved and amount of loan moneys disbursed from the date of the organization of the board to March 31, 1936, inclusive.

Schedule "C" hereto contains a statement by provinces of the total number of loans and amount of loan moneys disbursed down to March 31, 1936, with particulars of the original appraised values of the farm lands and acreages mortgaged to the board as security for such loans.

Schedule "D" hereto contains a statement by provinces of the mortgage loans outstanding as at March 31, 1936.

Schedule "E" hereto contains a statement by provinces of the amounts outstanding as at March 31, 1936, on agreements for sale of farm properties acquired by the board and resold.

Schedule "F" hereto contains a statement by provinces of the real estate held by the board as at March 31, 1936, with particulars of the cost thereof to the board and the values at which carried on the books of the board.

Schedule "G" hereto contains a statement by provinces of the real estate disposed of by the board during the fiscal year with particulars of the amount of the board's investment therein, and amounts realized on disposition, together with a statement of sales of real estate cancelled during the year.

Schedule "H" hereto contains the Profit and Loss Account of the board for the year ended March 31, 1936.

Schedule "I" hereto contains the Balance Sheet of the board for the year ended March 31, 1936.

The accounts of the board for the fiscal year have been duly audited by the board's auditors, Messrs. Peat, Marwick, Mitchell & Company, chartered accountants, Montreal, P.Q., and their report thereon has gone forward to you.

## I. AMENDMENTS TO THE CANADIAN FARM LOAN ACT

By amendments to the Canadian Farm Loan Act contained in Chapter 16, Statutes of Canada, 1935, and effective April 17, 1935, important changes were made in the method prescribed for administration of loaning operations under the board in the provinces and also in the financial structure of the board.

Under the original Act the board was empowered to initiate loaning operations only in such provinces as had by the enactment of provincial enabling legislation signified their intention of participating in the farm loan scheme administered by the board. In each province in which the prescribed provincial

enabling legislation was passed the board conducted its operations through the agency of a provincial board of three persons appointed by the board from nominees submitted by the provincial government, and one of the three persons so selected was appointed by the board as the Executive Officer of the board in that province.

Each such province was, moreover, financially interested in the board's operations to the extent that the province was required and undertook to subscribe to the share capital of the board to the extent of 5 per cent of the principal amount of all loans from time to time made by the board in the province and outstanding. Each borrower was required to subscribe to share capital to the extent of 5 per cent of the amount of the loan granted to him, and continued as a shareholder for so long as his loan was outstanding at which time the face amount of his share subscription plus such accumulated dividends as had been declared were credited as a final payment on his loan. The Dominion Government subscribed to share capital to the extent of 5 per cent of all loans made in all provinces. As shareholders the province, the borrower and the Dominion were entitled to participate in such dividends as the Board was in a position from time to time to declare out of earnings.

By the amendments of 1935 the board was authorized to initiate loaning operations in all provinces without the authority of provincial enabling legislation.

The administration of the board's operations in each province is now carried out by a Chief Executive Officer nominated by the board, and whose appointment by the board is approved by the Governor in Council upon the recommendation of the Minister of Finance. Provision has been made also for the appointment by the board in each province in its discretion of a local loan advisory board of which the Chief Executive Officer, or Branch Manager as he is ordinarily designated, is ex-officio a member and the chairman thereof.

The provinces were relieved of the necessity for further subscription to share capital in the board and provision was made for the purchase by the Dominion Government of shares previously subscribed and held by those provinces in which the board had been operating. Borrowers were likewise relieved from further subscription to share capital in the board, and provision was made for the retirement of outstanding shares held by borrowers by crediting the amount of each borrower's share subscription in reduction of the amount of his loan. The provision requiring subscription to capital stock by the Dominion Government has been continued unchanged. In the result the Dominion Government is now the sole shareholder in the board and the status of the board itself is now clearly defined as the Agent of the Crown in the Right of the Dominion.

Changes in the constitution of the board itself were also provided in the amending legislation of 1935.

The provision of the original Act which named the Minister of Finance as chairman of the board was repealed, but provision was made for the continued representation of the Department of Finance on the board by providing that either the Deputy Minister of Finance or the Comptroller, Government Guarantee Branch of the Department of Finance shall be a member of the board.

The membership of the board was fixed at not less than three nor more than five members, of whom one, the Farm Loan Commissioner, is chairman.

Other amendments to the Act reduced the maximum loan to any individual borrower from \$7,500 to a maximum of \$5,000 on first mortgage and to a maximum of \$6,000 on both first and second mortgage.

In respect to the security taken for the loans made the position of the board has been strengthened by virtue of the 1935 amendments which define and declare securities so taken to be securities of the Crown in the Right of the Dominion, and declare such securities to have priority over all liens, charges and privileges subsequently arising by virtue of provincial legislation and attaching to the real or personal property upon which the board's security for loan is taken.

In summary, the chief functions and powers of the board, as now constituted under the Canadian Farm Loan Act, are as follows:—

The board consists of not less than three nor more than five members appointed by Order in Council for a term of years. One member of the board designated the Canadian Farm Loan Commissioner is chairman of the board. Another member of the board is either the Deputy Minister of Finance or the Comptroller, Government Guarantee Branch, Department of Finance. The board is empowered to appoint upon its own nomination, but subject to the approval of the Governor in Council, a chief executive officer for any province or group of provinces.

The board is empowered to loan money in all provinces of Canada to persons whose principal occupation is farming for the purpose of paying debts, making improvements to farm property, for operating expenses, purchasing live stock or equipment or any other purpose considered as improving the value of land for agricultural purposes. Loans may be made only to farmers actually engaged in or shortly to become engaged in the cultivation of the farm accepted as security for loan and whose experience, ability and character warrant the belief that the farm accepted as security for loan will be successfully cultivated.

Loans may be made for such terms, not exceeding 25 years, as are fixed by the board and on the security of a first mortgage on the lands accepted as security for loan and up to an amount of not more than fifty per cent of the actual value of the farm as determined by the board by appraisal, but, in any event, not more than \$5,000.

The rate of interest charged on loans is fixed by the Act as "such a rate in excess of the interest rate yielded at the time of issue by the last series of Farm Loan bonds issued by the board as shall be sufficient in the judgment of the board to provide for the expenses of operation and for the necessary reserves for losses."

An initial capital allowance of \$5,000,000 from the Government of Canada to the Board is provided for which is free of interest for three years from date of advance and on which interest is thereafter payable at a rate fixed by the Governor in Council. The capital of the advance is repayable out of earnings. In addition the Government of Canada subscribes to capital stock in the board to the extent of five per cent of the principal amount of all loans outstanding. To obtain funds for loaning purposes the board is empowered to issue and sell Farm Loan bonds in amounts not exceeding the principal amount of mortgages held by the board as security for loans. The Minister of Finance is empowered to purchase and hold Farm Loan bonds to an amount not exceeding \$50,000,000 at any time and the Governor in Council may authorize the guarantee of principal and interest of Farm Loan bonds to the amount of \$40,000,000. Administration costs and reserve for losses are to be provided for out of earnings derived from the board's operations obtained from the spread between the interest rate charged on loans by the board and the rate which the board itself pays on moneys borrowed by it.

In addition to loaning money to farmers on the security of first mortgages on farm lands, the board is also empowered, under the terms of Part II of the Act, to make an additional advance to any farmer obtaining, or who has obtained such first mortgage loan. Such additional advance may be made for a term not in excess of six years and is secured by a second mortgage on the farm lands mortgaged as security for the first mortgage loan and on the additional security of a mortgage upon the borrower's personal property. The aggregate amount of the first and second mortgage loans may not exceed two-thirds of the appraised value of the farm lands mortgaged to secure the loan, nor in any event in excess of a total aggregate amount of \$6,000, nor may any second mortgage loan be in excess of one-half of the amount of the first mortgage loan. The interest rate on second mortgage loans is fixed at not more than one per cent in excess of the first mortgage rate. Separate accounts are kept in

respect of second mortgage loan operations under Part II of the Act and in event of losses being sustained on such operations under Part II of the Act the loss is payable to the board out of the Consolidated Revenue Fund of Canada.

## II. INTEREST RATES

As a result of arrangements concluded with the Minister of Finance for the purchase by him on behalf of the Government of Canada of the bonds of the board at a cost to the board of  $3\frac{1}{2}$  per cent as compared with a previous cost of 4 per cent, the board was enabled during the year to reduce its current interest rate charged on first mortgage loans from  $5\frac{1}{2}$  per cent to 5 per cent, and to reduce the rate of interest on second mortgage loans from  $6\frac{1}{2}$  to 6 per cent.

## III. LOANING OPERATIONS

In virtue of the terms of the 1935 amendments to the Act all provincial boards appointed under the terms of the original Act in those provinces in which the board was then loaning went out of existence on April 17, 1935, the date the amendments became operative.

Appointments of provincial Chief Executive Officers in accordance with the terms of the amending legislation were made about the middle of May in all provinces except Alberta.

The Farm Loan Board was also reorganized and on May 15, 1935, the following persons were appointed members of the Canadian Farm Loan Board: John Barnett, Farm Loan Commissioner; J. D. MacLean, Associate Commissioner; Charles Duquette, Montreal; B. J. Roberts, Comptroller, Government Guarantee Branch, Department of Finance. Mr. Barnett resigned from the Board as at December 31, 1935, and was succeeded by J. D. MacLean as Farm Loan Commissioner and Chairman of the board. Mr. Robert McKenzie of Stoughton, Saskatchewan, was appointed to the board in December, 1935.

Following the appointment of provincial Chief Executive Officers loaning operations in 1935 were initiated by the board in all provinces during the course of the month of June. The volume of applications for loan received in the course of the year's operations was much larger than in any previous year of the board's existence. This was attributable to the increased loan facilities made possible as a result of the 1934 and 1935 amendments to the Act which made provision for supplementary short term advances secured by second mortgage and mortgages on personal property, to the reduction in the board's current loaning rate on first mortgage loan to 5 per cent per annum, to the initiation of the board's operations in the three additional provinces of Ontario, Saskatchewan and Prince Edward Island, and to the increased publicity given to the board's operations following the 1934 and 1935 amendments to the Act. There was, moreover, a greater disposition than previously shown on the part of creditors to consider compromises in their claims, and such compromises enabled the board in many cases to make loans to consolidate a farmer applicant's indebtedness in instances in which except for such compromises the board would not have found it otherwise possible to grant loans in sufficient amounts to meet the applicant's requirements.

Applications for loan received during the year totalled \$50,000,000, but a large percentage of these did not come within the terms of the Act and, consequently, were rejected without an appraisal. A total of 5,109 applications for loan were granted during the year, to the amount of \$10,958,405. Loans disbursed during the year totalled \$7,423,779. The balance of loans granted were in solicitors' hands in process of disbursement at the close of the year.

3,771 applications for loan were pending at the close of the year, of which a considerable number consisted of applications which were received too late for appraisal in 1935 and which were held pending the initiation of 1936 appraisal operations.

One of the major difficulties experienced by the board in handling the large volume of applications received was in securing the services of and of training competent appraisers to undertake the appraisal of the farm properties offered as security for loan. The appraisal staff which the board had previously utilized in provinces in which it had been operating had to be largely increased in numbers and in the provinces in which the board was initiating loaning operations for the first time the appraisal staff was entirely new. As a consequence a large amount of check-appraisal work has been found necessary to determine the merits of applications for loan, and a close scrutiny by head office of loans recommended by branch office loan committees was required in order to ensure a reasonable degree of uniformity in the treatment of loan applications received from the different provinces.

The board recognizes that a competent appraisal staff constitutes the essential basis of satisfactory loaning operations and emphasis is laid on the fact that such a staff can be built up only by a careful selection of men, by closely checking their work and by the prompt elimination of those that are unsuitable, or incompetent. Appraisal work requires of an appraiser the exercise of the qualities of thoroughness, integrity and sound judgment not only in deciding on the value and the productive capacity of the security offered for loan but also the ability to determine the efficiency of the farmer and his attitude towards the repayment of his obligations.

A total of 14,437 appraisals, reinspections and collection calls were carried out during the course of the year by the board's appraisal staff. An additional 1,096 appraisals were undertaken at the request of the board by members of the Soldier Settlement field staff and the board wishes to take this opportunity to express its appreciation of the services so rendered by the Soldier Settlement organization and for the further assistance extended by the Soldier Settlement superintendents in a number of provinces in the scrutiny of loan applications as members of local loan committees.

Approximately 80 per cent of the loans made during the year were approved for the purpose of refinancing the outstanding liabilities of borrowers. In a large number of instances the loan from the board not only enabled the borrower to refinance his existing obligations at a more favourable rate of interest and upon easier terms of repayment but also permitted the farmer to effect a substantial reduction in the amount of his capital indebtedness as a result of voluntary concessions offered by creditors in return for cash settlements of their claims.

In considering each application for loan the board has followed the policy of obtaining complete particulars of the applicant's financial position and his past record in handling his obligations. In approving loans complete consolidation of the borrower's existing liabilities with the amount of loan granted in instances where both first and second mortgage loans are granted has been required. In many cases this policy has served to facilitate compromises of indebtedness at amounts commensurate with the farmer's capacity to repay. In instances where a first mortgage loan only is granted the board while not insisting on complete consolidation of liabilities has endeavoured to satisfy itself that liabilities left outstanding are in amounts and payable on such terms as will be within the borrower's capacity to meet. The policy thus outlined and followed by the board has proven effective in placing farmers to whom loans have been granted in a satisfactory financial position. Considerable emphasis has been laid by the board on the examination of the productive capacity of the farm property offered as security for loan and on the earning capacity of the applicant, and in reaching decisions on applications for loan it has been the endeavour of the board to distinguish between the applicant to whom the granting of a loan should prove of material and permanent benefit

as an efficient farm operator, and an applicant to whom, on the other hand, the granting of a loan represents nothing more than a matter of temporary relief.

In some quarters, to judge from criticisms reaching the board concerning the disposition of certain applications for loan, the view is apparently held that as a Government agency the board should be prepared to grant loans on compassionate grounds or as a relief measure even though a loan is admittedly not warranted on the basis of the applicant's past record and farming ability nor on the basis of a reasonable expectation of repayment. This view is based on a misapprehension of the board's powers and function which as set out in the Canadian Farm Loan Act are to provide mortgage credit to those who are able to utilize it to advantage and make provision for repayment thereof out of their farming operations. The Canadian Farm Loan Act provides that "loans under this Act shall be made only to farmers.....whose experience, ability and character are such as to warrant the belief that the farm to be mortgaged will be successfully cultivated."

The board holds the view that in adhering to sound loaning principles and policies while at the same time generously interpreting the provisions of the Act it is best serving the interests of the farming community and is at the same time taking the best means to assure not only that credit from this source will continue to be available to Canadian farmers but to also lend encouragement to the advance of additional credit from other sources.

Some confusion in thought as to the proper functions of the board is also apparent in criticisms made that the board is not loaning freely enough in areas where due to continued unfavourable climatic conditions large amounts of financial assistance for seed, feed, operating and living expenses have been and are being advanced by provincial and Dominion relief agencies. It is clear that the very conditions which have necessitated large relief advances in these areas have also had the effect of depreciating the value of farm lands in these areas. While the board has been and is prepared to give consideration to the merits of individual applications for loan from within such districts existing conditions in the district in which the security offered for loan is situate cannot be ignored and must be given due weight in placing values for loaning purposes on the security offered.

#### IV. COLLECTIONS

Direct responsibility for collections in each province is placed by the board upon the provincial Chief Executive Officer and his staff. The dislocation attendant on the change in the form of provincial administration in the spring and early summer of 1935 coupled with the large volume of loan applications dealt with during the year resulted generally in poorer relative collection results than would ordinarily have been the case.

Cash repayments by borrowers for the fiscal year under review were, principal \$239,131.58 and interest \$388,258.26, a total of \$627,389.84, as compared with \$204,456.61 of principal and \$513,351.51 of interest, or a total of \$717,808.12 during the previous year.

A factor affecting the actual cash collections was the retirement of capital stock held by borrowers provided under the 1935 amendments to the Canadian Farm Loan Act by crediting the amount of the par value of the stock subscribed by the borrower as a payment upon the borrower's indebtedness under his loan from the board. Credits applied on borrowers' accounts in respect of capital stock retirement were, principal \$267,653, and interest \$184,425, which credits, together with the cash payments, made a total reduction of borrowers' indebtedness for the year of \$1,079,467.84.

Sale or foreclosure proceedings were instituted during the year in the case of 39 loans, of which 18 were in process at the close of the year.

## V. REAL ESTATE

During the year the board acquired by sale, foreclosure and transfer a total of 41 farm properties, disposed of 29 farm properties and part of two others and held at the close of the year a total of 94 farm properties for sale.

The dislocation in provincial administration arising out of the change in the form of such administration and the appointment of new provincial executive officers made it difficult to carry out as active a real estate sale canvass in the spring of 1935 as the board would have liked, and this also militated against the completion of satisfactory rental arrangements for the year in the case of a number of properties not sold.

## VI. SALE OF BONDS

The board sold to the Minister of Finance during the course of the year \$150,000 of 4 per cent bonds and \$7,400,000 of 3½ per cent bonds, the proceeds of which were used to finance the year's loaning operations. Interest paid by the board on bonds and on initial capital advances amounted to \$441,586.62. Capital stock in the board to the extent of \$341,804 was subscribed for during the year by the Government of Canada.

## VII. FINANCIAL RESULTS OF THE YEAR'S OPERATIONS

At the close of the fiscal year assets under the administration of the board were, Mortgage Loans, \$16,958,894.01; Agreements for Sale, \$212,243.55; and Real Estate, \$232,551.55, making a total of \$17,403,689.11.

In valuing real estate the board reviewed each parcel held and fixed its carrying value at the close of the year at the estimated resale value of the property.

The board wrote off during the year a total of \$72,096.20, made up of losses on real estate sold, of write-downs of real estate held, and of adjustments in active loan accounts.

Total cost of administration for the year amounted to \$348,582.89, as compared with \$138,731.58 in the previous fiscal year. This large increase in administration costs over costs of the previous year's operations is accounted for by the initiation of loaning operations in three new provinces and by the largely increased staff and increased amount of field work which was required to handle the large volume of applications for loan received by the board during the course of the year. Of this amount \$334,310.60 represented the costs of administration under Part I of the Act and \$14,272.29 the cost of administration under Part II of the Act.

The board showed a loss on operations for the year of \$126,138.69, as compared with a profit on operations for the previous fiscal year of \$59,392.14. The loss thus shown is due to the largely increased costs of administration referred to above and to the fact that while the writing of new business resulted in heavy expense the loans approved during the course of the year were largely disbursed in the last few months of the year's operations or were in process of disbursement at the close of the fiscal year and in consequence interest earned thereon during the year was correspondingly limited. Of the total loss thus sustained \$119,329.93 represented the loss on operations under Part I of the Act and \$6,808.76 represented the loss on operations under Part II of the Act.

The board transferred from its Contingent Reserve Account the sum of \$75,000 to maintain its Reserve for Possible Losses on Outstanding Loan Account and a further \$115,148.69 to meet the deficit arising from the loss on operations under Part I of the Act for the fiscal year ending March 31, 1936.

Reserves of the board under Part I of the Act at the close of the year totalled \$526,063.46, made up of \$223,903.55 in the Statutory Reserve Account,



\$147,308.60 in the Reserve for Possible Losses Account, and \$154,851.31 in the Contingent Reserve Account. The losses of \$6,808.76 resulting from operations under Part II of the Act are payable out of unappropriated funds in the Consolidated Revenue Fund of Canada as an advance recoverable from future profits.

The amendments to the Canadian Farm Loan Act passed in 1935 materially weakened the board's financial structure by cutting down the ratio of share capital subscribed to the principal of outstanding loans from \$15 of share capital to every \$100 of loan to \$5 of share capital to every \$100 of loan. While the board anticipates that as the volume of assets under administration increases there will be a resulting reduction in the percentage of administration costs to assets under administration so as to presently bring administration costs within the percentage provided for that purpose this position has not, as is evident, as yet been attained.

The board wishes to extend its thanks to its officers and staff for their assistance and co-operation in the discharge of their duties.

Respectfully submitted,

J. D. MacLean,  
*Farm Loan Commissioner.*

Dated at Ottawa, January 13, 1937.

•

SCHEDULE "A"

STATEMENT BY PROVINCES OF LOANS APPROVED WITH DETAILS OF APPRAISED VALUES OF FARM LANDS AND BUILDINGS AND ACREAGES ACCEPTED AS SECURITY THEREFOR AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1936

Province	First Mortgage		Second Mortgage		Total Amount approved	Appraised Value of Security at Time of Loan			Total Acreage	Loans paid out, including Loans approved prior to April 1, 1935		Total
	Number of Loans	Amount approved	Number Loans	Amount approved		Land	Buildings	Total Appraised Value		1st Mortgage	2nd Mortgage	
British Columbia...	114	170,850	55	36,700	207,550	403,285	252,870	656,155	18,278	147,294 48	31,864 59	179,159 07
Alberta.....	871	1,472,740	451	335,500	1,808,240	3,803,837	1,425,985	5,229,822	285,808	1,190,404 23	244,506 81	1,434,911 04
Saskatchewan.....	1,149	2,457,400	597	450,050	2,907,450	6,547,335	1,487,432	8,034,767	458,878	1,626,957 38	245,107 94	1,872,065 32
Manitoba.....	617	1,144,390	457	326,350	1,470,740	3,036,916	1,844,641	4,881,557	203,580	920,423 39	222,180 20	1,142,603 59
Ontario.....	700	1,146,150	438	234,050	1,380,200	2,067,604	2,292,469	4,360,073	90,459	849,739 94	164,243 78	1,013,983 72
Quebec.....	1,273	2,023,750	1,025	552,375	2,576,125	4,134,623	2,587,285	6,701,908	194,243	1,057,847 95	234,371 00	1,292,218 95
New Brunswick....	113	125,800	69	29,400	155,200	202,614	299,005	501,619	18,965	110,010 76	23,603 71	133,614 47
Nova Scotia.....	144	188,650	61	36,950	225,600	397,509	243,521	641,030	22,971	163,364 38	32,141 70	195,506 08
Prince Edward Is...	128	176,950	83	50,350	227,300	349,381	201,550	550,931	15,439	125,566 51	34,150 00	159,716 51
Total.....	5,109	8,906,680	3,236	2,051,725	10,958,405	20,943,104	10,614,758	31,557,862	1,306,621	6,191,609 02	1,232,169 73	7,423,778 75

SCHEDULE "B"

SUMMARY OF APPLICATIONS RECEIVED, LOANS APPROVED, AND LOANS DISTRIBUTED FROM INCEPTION OF OPERATIONS TO MARCH 31, 1936

Year	Applications Received		Loans Approved				Loans paid out			
	Number	Amount	First Mortgage		Second Mortgage		Total Amount	First Mortgage	Second Mortgage	Total
			Number	Amount	Number	Amount				
		\$ cts.		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	
1929-30.....	6,827	18,016,083 00	1,787	3,981,050 00			3,981,050 00	2,630,376 97		2,630,376 97
1930-31.....	3,372	8,650,182 00	1,458	3,212,400 00			3,212,400 00	3,517,488 57		3,517,488 57
1931-32.....	4,803	12,370,398 60	1,049	2,025,400 00			2,025,400 00	1,996,344 40		1,996,344 40
1932-33.....	1,776	3,939,392 50	536	982,600 00			982,600 00	1,276,114 24		1,276,114 24
1933-34.....	1,207	2,306,934 00	287	490,800 00			490,800 00	558,630 34		558,630 34
1934-35.....	2,456	5,496,816 65	532	880,900 00	72	44,600 00	925,500 00	537,973 67	9,233 37	547,207 04
1935-36.....	21,698	50,152,821 20	5,109	8,906,680 00	3,236	2,051,725 00	10,958,405 00	6,191,609 02	1,232,169 73	7,423,778 75
Total.....	42,139	100,932,627 95	10,758	20,479,830 00	3,308	2,096,325 00	22,576,155 00	16,708,537 21	1,241,403 10	17,949,940 31

SCHEDULE "C"

STATEMENT BY PROVINCES OF TOTAL LOANS DISBURSED WITH DETAILS OF APPRAISED VALUES AT TIME OF LOAN, OF FARM LANDS AND BUILDINGS, AND ACREAGES ACCEPTED AS SECURITY THEREFOR, TO MARCH 31, 1936

Province	First Mortgage		Second Mortgage		Total Mortgage Loans Disbursed	Appraised Value of Security			Total Acreage
	Number	Amount Disbursed	Number	Amount Disbursed		Land	Buildings	Total	
		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	613	1,579,022 05	49	32,264 59	1,611,286 64	4,316,706 00	1,864,666 00	6,181,372 00	137,249
Alberta.....	2,575	4,877,399 22	332	244,506 81	5,121,906 03	14,733,499 00	4,749,215 00	19,482,714 00	847,000
Saskatchewan.....	783	1,626,957 38	342	245,107 94	1,872,065 32	4,628,186 00	1,049,097 00	5,677,283 00	316,758
Manitoba.....	1,011	1,978,450 45	336	228,213 57	2,206,664 02	5,357,622 00	2,691,179 00	8,048,801 00	337,619
Ontario.....	517	849,739 94	313	164,243 78	1,013,983 72	1,554,109 00	992,060 00	2,546,169 00	65,679
Quebec.....	2,254	4,383,096 52	452	234,371 00	4,617,467 52	9,478,982 00	6,199,310 00	15,678,292 00	338,947
New Brunswick.....	562	793,660 76	61	25,803 71	819,464 47	1,654,087 00	1,648,929 00	3,303,016 00	94,210
Nova Scotia.....	340	494,644 38	55	32,741 70	527,386 08	1,173,415 00	906,598 00	2,080,013 00	58,406
Prince Edward Island.....	92	125,566 51	53	34,150 00	159,716 51	262,044 00	147,390 00	409,434 00	11,210
Total.....	8,747	16,708,537 21	1,993	1,241,403 10	17,949,940 31	43,158,650 00	20,248,444 00	63,407,094 00	2,207,078

SCHEDULE "D"

SECTION I.—SUMMARY OF MORTGAGE LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1936

	First Mortgage								Second Mortgage			Total Mortgage Loans \$ cts.
	Principal Outstanding			Charges outstanding \$ cts.	Amount of Interest due and unpaid		Amount of Interest accrued \$ cts.	Total 1st Mortgages \$ cts.	Principal outstanding current \$ cts.	Interest earned and accrued and charges \$ cts.	Total 2nd Mortgages \$ cts.	
	Current \$ cts.	Arrears			Under 6 months \$ cts.	Over 6 months \$ cts.						
		Under 6 months \$ cts.	Over 6 months \$ cts.									
British Columbia.....	1,179,692 28	24,676 04	50,202 29	846 73	54,518 01	34,043 82	7,592 87	1,351,572 04	32,084 34	508 48	32,592 82	1,384,164 86
Alberta.....	4,222,590 54	61,672 36	91,290 16	11,860 44	117,567 97	77,089 23	84,153 53	4,668,244 22	243,286 45	3,898 10	246,984 55	4,913,228 77
Saskatchewan.....	1,626,445 94				20 05		18,500 38	1,644,966 37	245,105 88	2,665 31	247,771 19	1,892,737 56
Manitoba.....	1,796,139 51	21,792 65	16,419 77	3,002 56	46,463 09	18,558 28	33,490 66	1,935,866 52	226,401 16	3,774 31	230,175 47	2,166,041 99
Ontario.....	849,338 99				13 89		11,533 93	860,866 81	164,143 70	2,509 57	166,653 27	1,027,540 08
Quebec.....	3,663,860 55	30,043 62	44,798 64	2,655 63	54,648 05	39,526 93	58,839 36	3,894,402 78	234,271 10	2,211 88	236,482 98	4,130,885 76
New Brunswick.....	624,368 55	9,971 78	29,136 20	1,837 44	27,483 42	22,972 26	4,099 64	719,869 29	24,736 93	565 04	25,301 97	745,171 26
Nova Scotia.....	413,277 93	5,331 01	5,951 17	901 51	8,863 13	3,119 12	5,261 67	442,705 54	32,661 75	460 03	33,121 78	475,827 32
Prince Edward Island.....	126,552 01						1,384 78	126,936 79	33,750 20	467 90	34,218 10	161,154 89
Total.....	14,501,296 30	163,487 46	237,798 23	21,104 31	309,597 61	195,309 63	224,856 82	15,643,450 36	1,236,441 51	16,860 62	1,253,302 13	16,896,752 49

SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1936

British Columbia.....												
Alberta.....	13,107 98	427 21	1,638 86	608 29	887 87	3,578 92	408 04	20,652 17				20,652 17
Saskatchewan.....												
Manitoba.....												
Ontario.....												
Quebec.....	25,248 66	397 16	1,717 73	813 28	721 42	2,908 42	735 83	32,542 49				32,542 49
New Brunswick.....	4,293 61	101 36	579 58	52 00	213 14	1,166 87	148 75	6,556 31				6,556 31
Nova Scotia.....	1,886 16	25 72	68 12		124 93	243 96	42 66	2,391 55				2,391 55
Prince Edward Island.....												
Total.....	44,536 41	951 44	4,004 29	1,468 57	1,947 36	7,898 17	1,335 28	62,141 62				62,141 52

RECAPITULATION (SCHEDULE "D")

SECTION I.....	14,501,296 30	163,487 46	237,798 23	21,104 31	309,597 61	195,309 63	224,856 82	15,643,450 36	1,236,441 51	16,860 62	1,253,302 13	16,896,752 49
SECTION II.....	44,536 41	951 44	4,004 29	1,468 57	1,947 36	7,898 17	1,335 28	62,141 62				62,141 52
Total.....	14,545,832 71	164,438 90	241,802 52	22,572 88	311,544 97	203,207 80	226,192 10	15,705,591 98	1,236,441 51	16,860 62	1,253,302 13	16,958,894 01

## SCHEDULE "E"

SUMMARY OF AGREEMENTS FOR SALE CLASSIFIED BY PROVINCES AS AT MARCH 31st, 1936

Province	Principal outstanding			Charges out-standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	20,441 93	237 46	77 11	.....	127 60	.....	200 16	21,084 26
Alberta.....	4,850 00	.....	14	17 40	.....	.....	156 63	5,024 17
Saskatchewan.....	.....	.....	.....	.....	.....	.....	.....	.....
Manitoba.....	2,396 02	75 00	.....	.....	40 63	.....	61 42	2,573 07
Ontario.....	.....	.....	.....	.....	.....	.....	.....	.....
Quebec.....	144,521 97	1,093 87	646 54	285 22	2,330 72	674 38	3,802 30	153,355 00
New Brunswick...	21,532 98	272 12	454 05	75 70	313 05	352 49	529 07	23,529 46
Nova Scotia.....	6,204 32	84 71	.....	.....	248 63	.....	139 93	6,677 59
Prince Edward Is..	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	199,947 22	1,763 16	1,177 84	378 32	3,060 63	1,026 87	4,889 51	212,243 55

## SCHEDULE "F"

REAL ESTATE HELD FOR SALE AT MARCH 31, 1936

Province	Number of Properties	Investment <sup>1</sup>	Book Value <sup>2</sup>
British Columbia.....	26	110,993 55	86,204 81
Alberta.....	14	37,695 33	31,485 26
Saskatchewan.....	.....	.....	.....
Manitoba.....	5	13,036 16	10,117 27
Ontario.....	.....	.....	.....
Quebec.....	32	112,661 08	74,693 33
New Brunswick.....	13	34,175 18	24,125 88
Nova Scotia.....	4	9,602 76	5,925 00
Prince Edward Island.....	.....	.....	.....
Total.....	94	318,164 06	232,551 55

<sup>1</sup> Actual cost includes the amount of unpaid principal on the loans involved, together with accrued interest and cash outlays to date of acquisition by the Board.

<sup>2</sup> Under the regulations of the Board, no parcel of real estate may be carried at a book value in excess of the actual cost thereof to the Board.

## SCHEDULE "G"

MORTGAGED PROPERTIES REALIZED ON UNDER JUDGMENT, EXECUTION, OR POWER OF SALE, AND REAL ESTATE DISPOSED OF DURING THE YEAR ENDED MARCH 31, 1936

Province	Complete Farm Units Disposed of				Parts of Farms disposed of		Sales cancelled	
	No.	Investment	Book value at Date of Sale	Consideration	No.	Consideration	No.	Consideration
		\$ cts.	\$ cts.	\$ cts.		\$ cts.		\$ cts.
British Columbia...	2	3,855 71	3,674 10	3,700 00				
Alberta.....	2	5,088 80	5,088 80	5,500 00				
Saskatchewan.....								
Manitoba.....					1	1,971 02		
Ontario.....								
Quebec.....	22	74,239 16	57,630 06	49,738 73	1	1,200 00	6	12,987 69
New Brunswick.....	2	5,832 21	5,504 77	5,300 00				
Nova Scotia.....	1	2,571 64	2,571 64	1,900 00			1	1,905 87
Prince Edward Is.....								
Total...	29	91,587 52	74,469 37	66,138 73	2	3,171 02	7	14,893 56

## SCHEDULE "H"

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1936

Interest earned on First Mortgage Loans.. . . . .	\$ 670,864	31
Interest earned on Second Mortgage Loans.. . . . .	17,912	48
Interest earned on Agreements for sale.. . . . .	10,948	65
Interest earned on Bank Balances.. . . . .	2,640	17
		<hr/>
	702,365	61
<b>Less:</b>		
Interest at 5 per cent on Initial Capital Advances.. . . . .	\$ 250,000	00
Interest on Bonds.. . . . .	229,921	41
		<hr/>
	479,921	41
		<hr/>
	222,444	20
<b>Administrative and General Expenses:</b>		
Commissioners' Salaries.. . . . .	17,529	02
Branch Managers' Salaries.. . . . .	33,264	64
Board Members' Remuneration.. . . . .	1,039	88
Board Members' Travelling Expenses.. . . . .	231	24
Salaries of Office Staffs.. . . . .	177,155	38
Travelling Expenses—Other than Appraisers and Board Members.. . . . .	10,556	51
Auditing.. . . . .	2,761	37
Printing, Stationery and Office Supplies.. . . . .	28,983	57
Legal Expenses.. . . . .	897	17
Postage and Excise Stamps.. . . . .	9,121	90
Office Rentals, Cleaning, etc.. . . . .	20,855	72
Telephones.. . . . .	2,009	25
Telegrams.. . . . .	1,584	69
Depreciation of Office Furniture and Equipment.. . . . .	2,723	35
Freight and Express.. . . . .	1,434	09
Staff Bonding.. . . . .	421	78
Subscriptions.. . . . .	2,193	51
Advertising.. . . . .	219	80
Insurance.. . . . .	60	50
Light.. . . . .	403	09
<b>Appraisal Expense:</b>		
Appraisers' Salaries.. . . . .	\$ 11,844	51
Appraisers' Automobile Expenses.. . . . .	7,670	47
Appraisers' Travelling Expenses.. . . . .	8,552	01
		<hr/>
	28,066	99
Less Appraisers' Expenses Recovered.. . . . .	94	83
		<hr/>
	27,972	16
Part Time Appraisers' Fees and Expenses—Net.. . . . .	127,686	31
		<hr/>
	155,658	47
Less Appraisal Fees Earned.. . . . .	131,305	76
		<hr/>
	24,352	71
Properties Operating Expenses—Net.. . . . .	10,982	52
Registration of Address Fees Earned—Net.. . . . .	198	80
		<hr/>
	348,582	89
		<hr/>
Net loss for year.. . . . .	\$ 126,138	69



## CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1936

Segregated as to Parts I and II of the Canadian Farm Loan Act, in accordance with Terms of Order in Council P.C. 3279, dated December 29, 1936.

## PART I

Interest Earned on First Mortgage Loans.. . . . .	\$ 670,864 31	
Interest Earned on Agreements for Sale.. . . . .	10,948 65	
Interest Earned on Bank Balances.. . . . .	2,640 17	
		<u>684,453 13</u>
Less Interest at 5 per cent on Initial Capital Advances.. . . . .	\$ 250,000 00	
Less Interest on Bonds.. . . . .	219,472 46	
		<u>469,472 46</u>
		214,980 67
Administrative and General Expenses.. . . . .	323,328 08	
Properties Operating Expenses—Net.. . . . .	10,982 52	
		<u>334,310 60</u>
Loss pertaining to Operations under Part I.. . . . .	\$ 119,329 93	

## PART II

Interest Earned on Second Mortgage Loans.. . . . .	\$ 17,912 48	
Less Interest on Bonds.. . . . .	10,448 95	
		<u>7,463 53</u>
Administrative and General Expenses.. . . . .	14,272 29	
Loss pertaining to Operating under Part II.. . . . .	\$ 6,808 76	
Total loss for the year.. . . . .	\$ 126,138 69	

## STATEMENT OF RESERVE FOR POSSIBLE LOSSES ACCOUNT FOR YEAR ENDED MARCH 31, 1936

Balance as at March 31, 1935.. . . . .	\$ 144,404 80	
Deduct:		
Loss on Properties Sold—Net.. . . . .	\$ 8,330 64	
Amount written off Book Value of Properties and Loans.. . . . .	63,765 56	
		<u>72,096 20</u>
		\$ 72,308 60
Add:		
Amount transferred from Contingent Reserve as at March 31, 1936.. . . . .	75,000 00	
Balance as at March 31, 1936.. . . . .	\$ 147,308 60	



CANADIAN FARM LOAN BOARD  
SUMMARY OF LOAN CONDITIONS

FIRST MORTGAGE LOANS

**Who May Qualify For Loan:**

Any person who is the owner of farm lands and whose principal occupation is farming, and who is actually engaged in or shortly to become engaged in the cultivation of the farm he offers security for loan.

The applicant must have the necessary experience, ability and character to satisfy the Board that he will successfully cultivate the farm offered as security for a loan, and will provide for the repayment of the Loan made to him.

**Purpose of Loan:**

To pay debts, purchase live stock or farm equipment, to make farm improvements, provide for expenses of farm operation, or to assist in the purchase of farm lands. (Note: In applying for a loan to assist in the purchase of farm lands, the applicant should be in a position to pay the balance of the purchase price in excess of the loan granted which is required to complete the purchase and obtain title. It should be noted that the maximum loan to assist in land purchase cannot exceed one-half of the appraised value placed on the lands offered to secure such loan.)

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the farm (land and buildings) offered as security for loan nor in any event in excess of \$5,000.

**Security:**

A first mortgage on farm lands under cultivation and owned and operated by the applicant. Farm lands under lease cannot be accepted as security for a loan.

**Rate of Interest:**

5 per cent per year and 5½ per cent on arrears.

**Repayment:**

Amortized plan of repayment in equal consecutive annual or semi-annual instalments over a period not in excess of 25 years.

**Appraisal:**

Every farm offered as security for loan must be appraised by one of the Board's appraisers before loan is granted.

**Appraisal Fee:**

A fee of \$10 is required with each application for loan to apply on the costs of appraisal and handling of applications but the fee will be refunded if appraisal is not made. If, however, an appraisal of the farm is made, the fee will be retained by the Board irrespective of whether or not the applicant is successful in obtaining a loan.

**Costs:**

The applicant will be responsible for costs involved in search and perfection of titles, completion and registration of the mortgage.

**Where to Apply:**

Apply to the provincial office of the Board for the province in which the farm lands offered as security are situated, as shown hereunder.

SECOND MORTGAGE LOANS

Anyone applying for a first mortgage loan may at the same time apply for a second mortgage loan. The applicant may make his application for the amount of loan he requires. The Board will decide after appraisal the amount that will be advanced on first mortgage loan and the amount to be advanced on second mortgage loan.

To pay debts, purchase stock, machinery, equipment to operate the farm offered as security for loan, to make permanent improvements thereon.

Not to exceed one-half of the amount of first mortgage loan, the total amount of the first mortgage loan and the second mortgage loan not to exceed two-thirds of the appraised value of the land and buildings thereon, nor in any event \$6,000.

A second mortgage on the farm lands accepted as security for a first mortgage loan and a bill of sale by way of mortgage on the applicant's live stock, farm machinery and equipment.

6 per cent per year.

Repayable within period of 6 years. See plan below.

The farm offered as security for loan and applicant's live stock, machinery and equipment must be appraised by the Board's appraisers before a loan is granted.

In event of a second mortgage loan being granted, an additional charge may be made by the Board to apply against appraisal costs and the costs of handling the application and the amount thereof retained out of the proceeds of loan. No charge will be made if second mortgage loan is not granted

Applicant will be responsible for costs involved in search of title, drawing and completion of mortgage, registration thereof.

Apply to the provincial office of the Board for the province in which the farm lands offered as security are situated.

**PROVINCIAL OFFICES**

British Columbia.. . . .	Canadian Farm Loan Board, New Westminster, B.C.
Alberta.. . . .	Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.. . . .	Canadian Farm Loan Board, Regina, Sask.
Manitoba.. . . .	Canadian Farm Loan Board, Winnipeg, Man.
Ontario.. . . .	Canadian Farm Loan Board, Toronto, Ont.
Quebec.. . . .	Canadian Farm Loan Board, Quebec, P.Q.
New Brunswick.. . . .	Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.. . . .	Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.. . . .	Canadian Farm Loan Board, Charlottetown, P.E.I.

**REPAYMENT "FIRST" MORTGAGE LOANS**

The following terms of repayment are open to the borrower:

25 Annual Instalments of	\$ 7.10	per \$100.00 of loan
15 Annual Instalments of	\$ 9 64	per \$100.00 of loan
10 Annual Instalments of	\$12.96	per \$100.00 of loan

The payments set out above will serve to provide for the payment of interest and to retire the principal of the loan.

The Board reserves the right in appropriate cases to fix a shorter term of loan than that applied for. Payments may be provided for half-yearly instead of yearly at the option of the applicant, or may be so fixed by the Board.

The Board may fix, or an applicant may obtain, a 5 year term of loan, requiring payment of interest yearly, plus a payment on account of principal yearly, with the major portion of the principal falling due at the end of the 5th year.

**REPAYMENT "SECOND" MORTGAGE LOANS**

Plan No. 1—Interest only to next instalment date and FIVE equal annual instalments of Principal with Interest at 6 per cent.

**INSTALMENTS ARE ARRANGED TO BE PAYABLE IN THE SPRING AND FALL**

British Columbia, Ontario, New Brunswick, Nova Scotia and Prince Edward Island:—	Alberta, Saskatchewan, Manitoba and Quebec:—
Annually on 1st June or 1st December	Annually on 1st May or 1st November
Semi-Annually on 1st June and 1st December	Semi-Annually on 1st May and 1st November

The whole or any part of a Loan, may, subject to such regulations as the Board may issue, be repaid on any instalment date.

**REPORT**

**OF THE**

**CANADIAN FARM LOAN BOARD**

4

**FOR THE YEAR ENDED MARCH 31,**  
**1937**

**OTTAWA**  
**J. O. PATENAUDE, I.S.O.**  
**PRINTER TO THE KING'S MOST EXCELLENT MAJESTY**  
**1937**

## CANADIAN FARM LOAN BOARD

HEAD OFFICE—OTTAWA, CANADA

### *Members of the Board*

J. D. MACLEAN, Chairman, Ottawa

ROBERT MCKENZIE, Ottawa

CHARLES DUQUETTE, Montreal

W. C. CLARK, Ottawa

### *Branch Offices*

New Westminster, British Columbia.. . . .	W. S. Palmer, Manager
Edmonton, Alberta.. . . .	G. Murchison, Manager
Regina, Saskatchewan.. . . .	R. S. Rideout, Manager
Winnipeg, Manitoba.. . . .	J. H. Martinson, Manager
Toronto, Ontario.. . . .	W. G. Whiteside, Manager
Quebec City, Quebec.. . . .	P. A. Angers, Manager
Saint John, New Brunswick.. . . .	F. W. Hoar, Manager
Halifax, Nova Scotia.. . . .	N. H. Parsons, Manager
Charlottetown, Prince Edward Island.. . . .	C. M. Williams, Supervisor

# REPORT OF THE CANADIAN FARM LOAN BOARD

FOR THE YEAR ENDED MARCH 31, 1937

Honourable C. A. DUNNING,  
Minister of Finance,  
Ottawa, Ontario.

SIR,—I have the honour to submit the report of the Canadian Farm Loan Board on operations under the Canadian Farm Loan Act and The Canadian Fisherman's Loan Act for the fiscal year ended March 31, 1937.

Schedule "A" hereto contains a statement by provinces of the total farm loans approved during the year with particulars of the appraised values and acreages of the farm lands accepted as security for such loans. Included in the schedule is a statement of moneys disbursed by way of loan during the year.

Schedule "B" hereto contains a statement by years of the number and amount of applications for farm loans received from farmers, number and amount of farm loans approved and amount of loan moneys disbursed from the date of the organization of the Board to March 31, 1937, inclusive.

Schedule "C" hereto contains a statement by provinces of the total number of farm loans and amount of loan moneys disbursed down to March 31, 1937 (with particulars of the original appraised values of the farm lands and acreages mortgaged to the Board as security for such loans).

Schedule "D," Part I, hereto contains a statement by provinces of farm loans secured by first mortgage outstanding as at March 31, 1937.

Schedule "D," Part II, hereto contains a statement by provinces of farm loans secured by second mortgage outstanding as at March 31, 1937.

Schedule "E" hereto contains a statement by provinces of the amounts outstanding as at March 31, 1937, on agreements for sale of farm properties acquired by the Board and resold.

Schedule "F" hereto contains a statement by provinces of the farm real estate held by the Board as at March 31, 1937, with particulars of the investment of the Board therein and the values at which carried on the books of the Board.

Schedule "G" hereto contains a statement by provinces of all farm real estate disposed of by the Board during the fiscal year with particulars of the amount of the Board's investment therein, and amounts realized on disposition, together with a statement of sales of real estate cancelled during the year.

Schedule "H" hereto contains a statement by provinces of fishermen's loan applications received and loans approved under The Canadian Fisherman's Loan Act with particulars of appraised values of the real property accepted as security therefor, and loans paid out from inception of operations thereunder to March 31, 1937.

Schedule "I" hereto contains a statement by provinces of loans made to fishermen under The Canadian Fisherman's Loan Act and outstanding as at March 31, 1937.

Schedule "J" hereto contains the Profit and Loss Account of the Board for the year ended March 31, 1937.

Schedule "K" hereto contains the condensed Profit and Loss Account in respect to operations under the Canadian Farm Loan Act, segregated as to Parts I and II of the Canadian Farm Loan Act.

Schedule "L" hereto contains the Profit and Loss Account of the Board in respect of operations under The Canadian Fisherman's Loan Act for the year ended March 31, 1937.

Schedule "M" hereto contains the Balance Sheet of the Board for the year ended March 31, 1937.

## LOANING OPERATIONS

At the close of the last fiscal year, the Board had in hand 3,771 applications for farm loans that had not been fully dealt with and these were carried over into the new year. In addition, 9,821 applications were received during the course of the year so that a total of 13,592 applications for farm loans were dealt with in the year under review. The larger volume of applications in 1935-36 was due chiefly to the publicity attendant on the enactment of the 1935 Amendments to the Farm Loan Act.

While the number of applications considered was less than in the previous year, a larger percentage of the applications received came within the provisions of the Act and on the whole the farms offered as security were of a better class.

In the fiscal year, farm loans to a total of 5,099 first mortgage loans and 2,835 second mortgage loans were granted aggregating \$10,509,000 as compared with 5,109 first mortgage loans and 3,236 second mortgage loans aggregating \$10,958,405 granted during 1935-36. The disbursement of loans totalled \$11,074,155 in 1936-37 as compared with \$7,423,779 during the previous year.

A total of 8,030 appraisals of securities offered for loan and 6,104 inspections of securities and collection calls on borrowers were made by the field staff of the Board in the course of the year. At the request of the Board, an additional 298 appraisals and inspections were made by the staff of the Soldier Settlement Board.

The policy of the Board is to grant loans in instances where the loan will prove of permanent benefit to the farmer applicant in his farm enterprise and where, as laid down in the Farm Loan Act, the experience, ability and character of the applicant are such as to warrant the belief that the farm to be mortgaged will be successfully cultivated. Due consideration also is given to the ability of the prospective borrower to provide for repayment of the amount of loan granted.

In addition to making a valuation of the farm offered as security for loan the appraisal staff of the Board is required to report fully on the farming ability of the applicant and on his capacity to handle his financial affairs successfully, and for this reason the Board, as far as possible, utilizes the services of experienced appraisers and employs them on a seasonal or yearly basis.

At least 80 per cent of the amount of loans made was granted to refinance existing obligations of the borrower. In many instances, the borrower effected substantial reductions in his capital indebtedness through voluntary compromise with his creditors and, in the majority of cases, loans by the Board resulted in the farmer refinancing his liabilities at a lower rate of interest.

In the disbursement of loans, the Board has taken such steps as have been reasonably possible to ensure that the funds disbursed by way of loan have been actually used for the purpose for which granted. Accounts ear-marked for payment out of loan proceeds are paid directly to creditors and funds ear-marked for improvements and for current financing are disbursed as and when actually required by the borrower.

## COLLECTIONS

Cash repayments received in the fiscal year from borrowers under the Canadian Farm Loan Act were as follows: principal repayments \$653,109.23, interest \$812,665.77, making a total of \$1,465,775 collected as compared with a total of \$627,389.84 consisting of \$239,131.58 principal repayments and \$388,258.26 interest collected in the previous fiscal year. The increased volume of collections is accounted for by an increased volume of loans under administration, to improvement in farm prices in the latter part of 1936 and the first quarter of 1937 and to the emphasis placed by the Board on this phase of the Board's work.



While the policy of the Board is to collect the amounts falling due and in arrears on loans to the extent of the borrowers' ability to provide for the payment thereof, extensions of time for payment are given to those borrowers whose failure or inability to pay is not attributable to indifference towards the loan account but rather to factors beyond their control. Delinquent borrowers requesting extensions of time for payment of loan instalment arrears are requested to co-operate with the Board by furnishing statements of their year's farming operations and of their present financial position as well as outlining arrangements for subsequent payment. In instances where information in the Board's records is not complete and arrears are sufficiently serious, collection or inspection calls are made by the Board's field staff. During the period of low prices and of light crops, a number of borrowers became discouraged and were unable or failed to repay their mortgage obligations but, in the current year, borrowers from the Board resident in areas where crops have been good have resumed payment of their mortgage debts. With a view to enabling such borrowers to take advantage of improving conditions and to rearrange their financial affairs, the Board undertook, in the early part of 1936, a careful survey and classification of all loans in arrears, attention being directed to the financial position of the borrower and to his farming ability and attitude towards payment of his obligations as apparent from the information in the Board's files. Following this survey, the Board completed extension and reamortization agreements with a number of borrowers whose loans were so substantially in arrears as to make it difficult for them to overtake such arrears but who are in a position, nevertheless, under extended terms of loan repayment, to make provision for the orderly repayment of the loan account. Borrowers in this group were those whose failure to meet payments maturing had been due largely to conditions beyond their control. In other instances, the borrower was found to have become heavily involved financially although the amount of the Board's loan appeared to be reasonably well secured by the value of the real property mortgaged to the Board. In a considerable number of such cases, recourse to the machinery provided by the Farmers' Creditors Arrangement Act has proven of advantage to the borrower in working out a scheme of orderly repayment of his indebtedness.

In instances where the review has shown that the accumulation of arrears has been largely due to the borrower's indifference or poor management, active steps to enforce collection have been taken.

In the instances where foreclosure or sale proceedings have been instituted, these steps have been undertaken only after a careful investigation of the borrower's affairs and only when other less drastic collection methods have failed.

During the year, the Board found it necessary to institute sale or foreclosure proceedings against 132 borrowers and of these 33 were in process at the close of the year.

#### REAL ESTATE

The Board acquired 55 farm properties in the course of the year by foreclosure, sale and transfer and during the same period disposed of 57 farm properties and part of one other farm property. At the close of the year, the Board held 92 farm properties valued for sale purposes and carried on the books of the Board at \$209,113.16. It has been the experience of the Board that the policy of holding acquired properties pending subsequent increase in the selling price is not profitable, as a farm generally decreases rapidly in value when operated by a tenant and the carrying charges more than counterbalance any increase in the selling price at a later date. In consequence, every reasonable effort is made to effect early sales of properties acquired and, where an offer is obtained which appears to be a fair one in the light of existing conditions, the property is disposed of. The Board does not, however, sanction sales at sacrifice figures in order to dispose of properties.

### INTEREST RATES ON LOANS

The current rate of interest payable on loans made to farmers by the Board is fixed by the terms of the Canadian Farm Loan Act "at such rate in excess of the interest rate yielded by the last series of Farm Loan bonds issued by the Board as shall be sufficient, in the judgment of the Board, to provide for the expenses of operation and for the necessary reserves for losses." The current rate of interest charged on loans is 5 per cent on first mortgage loans and 6 per cent on second mortgage loans. By virtue of the arrangement made with the Minister of Finance for refinancing of earlier 5 per cent and 4 per cent issues of Farm Loan bonds with bonds of a 3½ per cent issue, the Board was enabled to pass on the saving in interest thus effected to borrowers who had obtained loans at earlier dates and, as at July 1, 1936, the Board reduced the rate of interest charged on all outstanding loans to the current loaning rate of 5 per cent on first mortgage loans and 6 per cent on second mortgage loans.

### TERMS OF LOANS

The terms and conditions under which the Board is authorized to grant loans are set out in the Summary of Loan Conditions attached as an appendix to this report.

### SALE OF BONDS AND SUBSCRIPTIONS TO SHARE CAPITAL

The Board sold to the Minister of Finance for Canada \$10,150,000 of 3½ per cent Farm Loan bonds at par in the course of the year. The proceeds of these bonds were used to finance the Board's loaning operations. The Board also sold to the Minister of Finance \$3,500,000 of 3½ per cent bonds to effect the retirement of outstanding bonds of 5 per cent and 4 per cent issues disposed of at earlier dates. The Minister of Finance further subscribed, on behalf of the Government of Canada, to the share capital of the Board to the extent of \$516,389. This subscription to share capital was made in accordance with section 5, subsection 2, of the Act, which provides that the Government of Canada shall subscribe to capital stock in the Board to the extent of 5 per cent of the principal of all loans made by the Board and outstanding. Interest paid during the year by the Board on bonds and on outstanding capital advances amounted to \$676,451.02.

### FINANCIAL RESULTS OF YEAR'S OPERATIONS

The Board's assets under administration, under the Canadian Farm Loan Act, increased from an amount of \$17,403,689.11 at the close of the previous fiscal year to the amount of \$28,041,518.58 at the close of the fiscal year ended March 31, 1937, and were made up of: farm mortgage loans \$27,518,383.88, agreements for sale on farm properties \$314,021.54, farm real estate held for sale \$209,113.16.

Costs of administration for the year were \$427,931.89 as compared with \$348,582.89 in the previous fiscal year. Staff increases necessitated by the increased volume of business handled and increased costs of field work occasioned by an increased volume of check appraisal, inspection and field collection work undertaken during the year accounted for the increase in administration costs.

The Board wrote off for the year a total of \$69,794.90 on account of losses sustained upon the sale of farm properties, amounts written off the book value of real estate acquired by the Board and amounts written off current loan accounts. This compares with a write off of \$72,096.20 in the previous fiscal year.

The Board showed a loss on operations under the Canadian Farm Loan Act for the year of \$41,161.15 as compared with the loss on operations for the previous fiscal year of \$126,138.69. Of the total loss shown, an amount of

\$35,049.92 represents loss on operations under Part I of the said Act and \$6,111.23 represents the loss on operations under Part II of the said Act.

The Board transferred from its Contingent Reserve account the sum of \$117,850, to maintain its Reserve for Possible Losses on Outstanding Loans account and a further \$35,049.92 to meet the deficit for the year arising from operations under Part I of the Act. The loss of \$6,111.23 resulting from operations under Part II of the Act is payable out of unappropriated funds in the Consolidated Revenue Fund of Canada as an advance recoverable from future profits shown on operations under Part II of the Act. Capital stock cancelled under subsection 3 of section 9 of the Act in respect of loans written down and loan securities acquired by the Board amounted to \$23,800. This amount was transferred to the Reserve for Possible Losses account.

At the close of the year, the Board's reserves totalled \$445,018.64 made up of: \$223,903.55 in the Statutory Reserve account, \$219,163.70 in the Reserve for Possible Losses account and \$1,951.39 in the Contingent Reserve account.

#### THE CANADIAN FISHERMAN'S LOAN ACT

The Canadian Farm Loan Board is charged with the administration of operations under The Canadian Fisherman's Loan Act. This Act authorizes the making of long term loans to fishermen on the security of real estate and to assist in the purchase of boats, fishing equipment and supplies, and to pay liabilities. The loan may not exceed 50 per cent of the fair market value of the real estate mortgaged as security for loan and may not exceed, in any event, \$1,000. The general principles underlying this legislation are similar in many respects to those of the Canadian Farm Loan Act. The rate of interest payable by borrowers under this Act has been fixed at 5 per cent per annum and 5½ per cent on arrears. A summary of the conditions of loan is set out in an appendix to this report.

The Act was passed in July, 1935, and operations under the Act were initiated in the late fall of that year. Very few loan applications, however, were received and no loans were made under the Act in the fiscal year 1935-36. In the past fiscal year, 83 loan applications were accepted by the Board for appraisal; 27 loans were granted for amounts totalling \$12,650; loans disbursed amounted to \$6,601.61 and loans in the hands of solicitors in process of disbursement at the close of the year amounted to approximately \$6,000. Operating expenses under the Act for the year were \$1,259.56. A loss of \$1,225.65 was sustained on operations under the Act in the fiscal year, which has been carried forward as a deficit on operations thereunder.

While possibly the Act has not been in operation for a sufficient length of time to warrant drawing final conclusions with reference thereto, the Board's experience to date would indicate that the provisions of the Act are not well designed to meet fishermen's requirements or fishing conditions. The scheme does appear, however, to serve the requirements of farmer fishermen who own and operate small farm properties in conjunction with their fishing activities and who require loans for the purchase of larger items of fishing equipment such as boats and engines or for the refinancing of outstanding indebtedness. The number of applications for loan received have been few and little interest has been evinced by fishermen in the loan scheme. The officers of the Dominion Department of Fisheries have co-operated very closely with the Board since the initiation of operations under the Act and the Members of the Board take this opportunity of expressing their appreciation of the valuable services and assistance so freely given by that department.

In conclusion, the Board wishes to acknowledge the loyalty to the Board displayed and the interest in the Board's operations shown by its officers and staff at branch offices and at head office.

Respectfully submitted,

J. D. MACLEAN, *Chairman.*

OTTAWA, October 31, 1937.

**SCHEDULE "A"**

**STATEMENT BY PROVINCES OF FARM LOANS APPROVED WITH DETAILS OF APPRAISED VALUES OF FARM LANDS AND BUILDINGS AND ACREAGES ACCEPTED AS SECURITY THEREFOR AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1937**

Province	First Mortgage		Second Mortgage		Total Amount approved	Appraised Value of Security at Time of Loan			Total Acreage	Loans paid out, including Loans approved prior to April 1, 1936		Total
	Number of Loans	Amount approved	Number of Loans	Amount approved		Land	Value of Buildings to Land	Total Appraised Value		1st Mortgage	2nd Mortgage	
British Columbia..	71	127,350	12	6,550	133,900	317,374	158,892	476,066	10,562	124,452 09	8,835 41	133,287 50
Alberta.....	477	872,850	197	113,750	986,600	2,198,663	570,239	2,768,902	164,933	993,782 44	156,863 06	1,150,645 50
Saskatchewan.....	1,207	2,156,450	774	389,150	2,545,600	5,783,261	1,648,889	7,432,250	456,030	2,310,709 73	429,875 17	2,740,584 90
Manitoba.....	500	933,550	281	180,350	1,113,900	2,182,049	740,644	2,902,693	170,665	1,172,340 79	263,704 90	1,436,045 69
Ontario.....	501	963,150	159	81,450	1,044,600	1,628,290	1,004,591	2,630,881	63,011	920,502 78	112,633 07	1,033,135 85
Quebec.....	1,969	3,431,250	1,232	643,500	4,074,750	6,280,297	8,440,327	9,720,624	283,360	3,193,068 85	729,437 10	3,922,505 95
New Brunswick.....	77	90,850	49	21,100	111,950	136,320	104,156	240,476	12,689	92,307 64	22,624 29	114,931 93
Nova Scotia.....	172	243,850	59	33,050	276,900	433,521	266,912	700,433	26,683	252,353 69	35,353 29	287,706 98
Prince Edward Is..	125	185,550	72	35,250	220,800	333,949	163,548	497,497	15,709	209,669 50	45,642 08	255,311 58
Totals.....	5,099	9,004,850	2,835	1,504,150	10,509,000	19,271,724	8,098,098	27,369,822	1,203,642	9,269,187 51	1,804,968 37	11,074,155 88

SCHEDULE "B"

SUMMARY OF APPLICATIONS RECEIVED FROM FARMERS, LOANS APPROVED, AND LOANS DISBURSED EACH YEAR FROM INCEPTION OF OPERATIONS TO MARCH 31, 1937

Year	Applications Received		Loans Approved				Loans paid out			
	Number	Amount	First Mortgage		Second Mortgage		Total Amount	First Mortgage	Second Mortgage	Total
			Number	Amount	Number	Amount				
		\$ cts.		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	
1929-30.....	6,827	18,016,083 00	1,787	3,981,050 00			3,981,050 00	2,630,376 97		2,630,376 97
1930-31.....	3,372	8,650,182 00	1,458	3,212,400 00			3,212,400 00	3,517,488 57		3,517,488 57
1931-32.....	4,803	12,370,398 60	1,049	2,025,400 00			2,025,400 00	1,996,344 40		1,996,344 40
1932-33.....	1,776	3,939,392 50	536	982,600 00			982,600 00	1,276,114 24		1,276,114 24
1933-34.....	1,207	2,306,934 00	287	490,800 00			490,800 00	558,630 34		558,630 34
1934-35.....	2,456	5,496,816 65	532	880,900 00	72	44,600 00	925,500 00	537,973 67	9,233 37	547,207 04
1935-36.....	21,698	50,152,821 20	5,109	8,906,680 00	3,236	2,051,725 00	10,958,405 00	6,191,609 02	1,232,169 73	7,423,778 75
1936-37.....	9,821	21,872,723 43	5,099	9,004,850 00	2,835	1,504,150 00	10,509,000 00	9,269,187 51	1,804,968 37	11,074,155 88

**SCHEDULE "C"**

**STATEMENT BY PROVINCES OF TOTAL FARM LOANS DISBURSED WITH DETAILS OF APPRAISED VALUES AT TIME OF LOAN, OF FARM LANDS AND BUILDINGS, AND  
ACREAGES ACCEPTED AS SECURITY THEREFOR, TO MARCH 31, 1937**

Province	First Mortgage		Second Mortgage		Total Mortgage Loans Disbursed	Appraised Value of Security			Total Acreage
	Number	Amount Disbursed	Number	Amount Disbursed		Land	Buildings	Total	
		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	685	1,703,474 14	82	41,100 00	1,744,574 14	4,651,748 00	2,023,579 00	6,675,327 00	145,816
Alberta.....	3,115	5,871,181 66	581	401,369 87	6,272,551 53	17,292,592 00	5,358,206 00	22,650,798 00	1,028,133
Saskatchewan.....	2,058	3,937,667 11	1,151	674,983 11	4,612,650 22	10,894,576 00	2,812,583 00	13,707,159 00	801,086
Manitoba.....	1,626	3,150,791 24	727	491,918 47	3,642,709 71	8,145,005 00	3,680,254 00	11,825,259 00	546,196
Ontario.....	1,032	1,770,242 72	527	276,876 85	2,047,119 57	3,166,313 00	2,011,533 00	5,177,846 00	131,892
Quebec.....	4,208	7,576,165 37	1,813	963,808 10	8,539,973 47	15,766,211 00	9,757,828 00	25,524,039 00	620,173
New Brunswick.....	647	885,968 40	112	48,428 00	934,396 40	1,798,468 00	1,769,288 00	3,567,756 00	107,586
Nova Scotia.....	525	746,998 07	117	68,094 99	815,093 06	1,634,728 00	1,182,815 00	2,817,543 00	84,891
Prince Edward Island.....	236	335,236 01	143	79,792 08	415,028 09	640,986 00	343,742 00	984,728 00	29,133
Total.....	14,132	25,977,724 72	5,233	3,046,371 47	29,024,096 19	63,990,627 00	28,939,828 00	92,930,455 00	3,494,906

SCHEDULE "D"—PART 1

SECTION I.—SUMMARY OF FIRST MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1937

	Principal Outstanding			Charges outstanding	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under 6 months	Over 6 months		
		Under 6 months	Over 6 months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	1,226,330 91	19,897 91	51,863 46	402 81	27,189 99	81,375 68	601 04	1,357,661 70
Alberta.....	4,987,115 54	62,385 22	131,641 86	11,275 65	96,005 50	134,523 19	82,207 88	5,505,154 84
Saskatchewan.....	3,875,726 05	15,715 60	440 74	16 38	18,626 60	106 84	78,401 94	3,989,034 15
Manitoba.....	2,860,787 48	26,014 38	22,743 98	3,464 75	38,640 99	28,716 64	47,018 73	3,027,386 93
Ontario.....	1,738,012 35	8,111 61	268 26	5 30	2,966 47	247 62	34,938 48	1,779,550 09
Quebec.....	6,685,382 87	30,245 91	52,145 09	3,385 51	30,126 32	51,840 67	94,492 52	6,947,618 79
New Brunswick.....	674,646 99	13,511 97	25,972 54	1,004 17	14,584 56	22,283 99	.....	752,004 22
Nova Scotia.....	642,517 74	5,492 62	8,313 01	900 36	6,202 09	6,714 39	8,734 97	678,875 18
Prince Edward Island.....	327,879 76	366 47	.....	.....	300 44	.....	5,910 12	334,456 79
Total.....	23,018,399 67	176,741 69	293,388 94	20,454 93	234,642 96	275,808 82	352,305 68	24,371,742 69

SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1937

British Columbia.....	9,511 38	257 32	1,653 42	160 50	378 49	3,329 65	292 81	15,583 57
Alberta.....	17,986 56	303 65	2,321 00	717 52	466 47	3,851 33	757 72	26,404 25
Saskatchewan.....	.....	.....	.....	.....	.....	.....	.....	.....
Manitoba.....	11,553 70	450 43	1,617 23	176 42	719 16	8,082 39	279 91	17,859 29
Ontario.....	.....	.....	.....	.....	.....	.....	.....	.....
Quebec.....	22,423 93	571 58	1,946 50	662 92	724 13	4,261 23	512 50	31,102 84
New Brunswick.....	9,220 41	214 33	1,495 38	178 67	310 19	2,497 66	.....	13,916 84
Nova Scotia.....	.....	.....	.....	.....	.....	.....	.....	.....
Prince Edward Island.....	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	70,696 03	1,797 31	9,033 58	1,896 03	2,598 44	17,002 46	1,842 94	104,866 79

RECAPITULATION (SCHEDULE "D"—PART 1)

Section I.....	23,018,399 67	176,741 69	293,388 94	20,454 93	234,642 96	275,808 82	352,305 68	24,371,742 69
Section II.....	70,696 03	1,797 31	9,033 58	1,896 03	2,598 44	17,002 46	1,842 94	104,866 79
Total.....	23,089,095 70	178,539 00	302,422 52	22,350 96	237,241 40	292,811 28	354,148 62	24,476,609 48

## SCHEDULE "D"—PART II

SUMMARY OF SECOND MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1937

	Principal Outstanding			Charges out- standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	34,182 64	1,114 13	.....	2 00	320 11	.....	953 83	36,572 71
Alberta.....	374,603 55	7,283 13	.....	142 17	3,446 31	.....	12,273 05	397,948 21
Saskatchewan.....	636,867 61	8,968 54	.....	12 00	4,432 88	.....	15,522 24	665,803 27
Manitoba.....	441,989 59	20,214 58	.....	288 52	6,189 01	.....	10,221 79	478,903 49
Ontario.....	260,312 88	3,346 33	.....	17 90	698 71	.....	9,347 29	273,723 11
Quebec.....	959,889 09	0 26	.....	7 91	16 86	.....	34,727 07	994,641 19
New Brunswick.....	45,548 42	792 65	.....	5 55	232 42	.....	1,730 86	48,309 90
Nova Scotia.....	64,897 50	125 64	.....	2 00	18 47	.....	2,315 88	67,359 49
Prince Edward Island.....	75,347 81	566 72	.....	20 07	0 33	.....	2,578 10	78,513 03
Total.....	2,893,839 09	42,411 98	.....	498 12	15,355 10	.....	89,670 11	3,041,774 40

## RECAPITULATION (SCHEDULE "D"—PARTS I AND II)

Part I.....	23,089,095 70	178,539 00	302,422 52	22,350 96	237,241 40	292,811 28	354,148 52	24,476,809 49
Part II.....	2,893,839 09	42,411 98	.....	498 12	15,355 10	.....	89,670 11	3,041,774 40
Total.....	25,982,934 79	220,950 98	302,422 52	22,849 08	252,596 50	292,811 28	443,818 73	27,518,363 88

## SCHEDULE "E"

SUMMARY OF AGREEMENTS FOR SALE OF FARM PROPERTIES ACQUIRED BY THE BOARD AND RESOLD CLASSIFIED BY PROVINCES AS AT MARCH 31, 1937

Province	Principal outstanding			Charges out- standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	54,431 55	454 00	74 72	20 00	117 11	35 75	591 38	55,724 51
Alberta.....	5,152 93	.....	.....	.....	.....	.....	44 24	5,197 17
Saskatchewan.....	.....	.....	.....	.....	.....	.....	.....	.....
Manitoba.....	4,796 02	150 00	.....	26 10	108 62	.....	171 98	5,252 72
Ontario.....	.....	.....	.....	.....	.....	.....	.....	.....
Québec.....	183,043 07	1,152 18	931 38	126 34	2,181 35	1,822 54	4,649 58	193,906 44
New Brunswick...	38,471 88	450 00	595 86	66 28	697 26	652 60	879 05	41,812 63
Nova Scotia.....	11,107 04	93 10	84 61	75 62	255 45	275 29	236 96	12,128 07
Prince Edward Is.	.....	.....	.....	.....	.....	.....	.....	.....
Totals.....	297,002 19	2,299 28	1,686 57	314 34	3,359 79	2,786 18	6,573 19	314,021 54



## SCHEDULE "F"

FARM REAL ESTATE HELD FOR SALE AT MARCH 31, 1937

Province	Number of Properties	Investment	Book Value
		\$ cts.	\$ cts.
British Columbia.....	20	93,604 77	70,044 77
Alberta.....	31	80,910 05	66,802 92
Saskatchewan.....			
Manitoba.....	7	15,800 65	12,795 86
Ontario.....			
Quebec.....	16	58,034 06	32,600 00
New Brunswick.....	14	29,216 14	22,169 61
Nova Scotia.....	4	7,630 40	4,700 00
Prince Edward Island.....			
Total.....	92	285,196 07	209,113 16

<sup>1</sup> Actual cost includes the amount of unpaid principal on the loans involved, together with accrued interest and cash outlays to date of acquisition by the Board.

<sup>2</sup> Book value means the estimated resale value of the property, but under the regulations of the Board, no parcel of real estate may be carried in any event at a book value in excess of the Board's investment therein.

## SCHEDULE "G"

FARM MORTGAGED PROPERTIES REALIZED ON UNDER JUDGMENT, EXECUTION, OR POWER OF SALE, AND REAL ESTATE DISPOSED OF DURING THE YEAR ENDED MARCH 31, 1937

Province	Complete Farms Units Disposed of				Parts of Farms disposed of		Sales cancelled	
	No.	Investment	Book value at Date of Sale	Consideration	No.	Consideration	No.	Consideration
		\$ cts.	\$ cts.	\$ cts.		\$ cts.		\$ cts.
British Columbia.....	10	40,645 87	32,571 96	38,204 24				
Alberta.....	1	3,759 06	3,759 06	4,000 00			1	2,850 14
Saskatchewan.....								
Manitoba.....	2	3,909 23	3,410 79	4,625 00				
Ontario.....								
Quebec.....	28	98,814 96	69,663 52	65,532 48	1	1,000 00	2	2,073 91
New Brunswick.....	12	32,367 98	24,716 36	23,250 00				
Nova Scotia.....	4	11,052 23	8,519 94	6,253 85				
Prince Edward Isl.....								
Total.....	57	185,549 33	142,641 63	141,865 57	1	1,000 00	3	4,924 05

## SCHEDULE "H"

STATEMENT BY PROVINCES OF FISHERMAN'S LOANS APPLICATIONS RECEIVED AND LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS PAID OUT FROM INCEPTION OF OPERATIONS TO MARCH 31st, 1937

Province	Applications Received		Loans Approved		Fair Market Value of Security at Time of Loan	Loans Paid Out
	Number	Amount	Number	Amount	Amount	
		\$		\$	\$	\$ cts.
British Columbia.....	14	8,300	2	1,100	3,000	300 00
Ontario.....	3	1,900	2	1,200	3,700	1,200 00
Quebec.....	2	1,500	1	500	1,100	.....
New Brunswick.....	7	4,200	1	350	850	300 00
Nova Scotia.....	50	29,005	20	9,100	23,150	4,801 61
Prince Edward Island.....	7	4,150	1	400	800	.....
Total.....	83	49,055	27	12,650	32,600	6,601 61

## SCHEDULE "I"

SUMMARY OF FISHERMAN'S MORTGAGE LOANS, CLASSIFIED BY PROVINCES AS AT MARCH 31, 1937

Province	Principal Outstanding		Charges outstanding	Amount of Interest Due and Unpaid	Amount of Interest Accrued	Total
	Current	Arrears				
	\$ cts.	\$	\$	\$	\$ cts.	\$ cts.
British Columbia.....	300 00	.....	.....	.....	1 42	301 42
Ontario.....	1,200 00	.....	.....	.....	30 50	1,230 50
Quebec.....	.....	.....	.....	.....	.....	.....
New Brunswick.....	300 00	.....	.....	.....	0 90	300 90
Nova Scotia.....	4,801 61	.....	.....	.....	30 60	4,832 21
Prince Edward Island.....	.....	.....	.....	.....	.....	.....
Total.....	6,601 61	.....	.....	.....	63 42	6,665 03

## SCHEDULE "J"

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1937

Interest earned on First Mortgage Loans.....	\$ 983,202 44	
Interest earned on Second Mortgage Loans.....	128,175 02	
Interest earned on Agreements for Sale.....	15,109 76	
Interest earned on Bank Balances.....	6,311 56	
		<u>\$1,132,798 78</u>
<b>Less:</b>		
Interest on Initial Capital Advances.....	\$ 193,698 63	
Interest on Bonds.....	552,329 41	746,028 04
		<u>386,770 74</u>
<b>Administrative and General Expenses:</b>		
Commissioners' Salaries .....	13,300 00	
Branch Managers' Salaries .....	38,679 10	
Board Members' Remuneration .....	1,000 00	
Board Members' Travelling Expenses .....	244 20	
Salaries of Office Staffs .....	225,206 89	
Travelling Expenses—Other than Appraisers and Board Members	9,725 03	
Auditing .....	4,624 60	
Printing, Stationery and Office Supplies.....	19,719 89	
Legal Expenses .....	2,788 84	
Postage and Excise Stamps.....	10,251 10	
Office Rentals, Cleaning, etc.....	24,594 65	
Telephones .....	2,016 05	
Telegrams .....	507 74	
Depreciation on Office Furniture and Equipment.....	3,288 24	
Freight and Express.....	1,381 06	
Staff Bonding .....	364 45	
Subscriptions .....	1,838 53	
Insurance .....	78 28	
Light .....	635 30	
<b>Appraisal Expense:</b>		
Appraisers' Salaries .....	\$ 39,875 12	
Appraisers' Automobile Expenses.....	12,907 42	
Appraisers' Travelling Expenses.....	20,124 75	
Part Time Appraisers Fees and Expenses—Net	74,820 96	
	147,728 25	
Less Appraisal Fees Earned.....	82,558 59	65,169 66
Properties Operating Expenses—Net.....		<u>3,862 43</u>
		429,276 14
<b>Less:</b>		
Registration of Address Fees Earned—Net.....	773 48	
Proportion of Expenses Charged to Operations under the Canadian Fisherman's Loan Act....	570 77	1,344 25
		<u>427,931 89</u>
Net Loss on Operations under the Canadian Farm Loan Act.....		41,161 15
Net Loss on Operations under the Canadian Fisherman's Loan Act.....		1,225 65
Net Loss for Year.....		<u>\$ 42,386 80</u>

## SCHEDULE "K"

## CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1937

Segregated as to Parts I and II of the Canadian Farm Loan Act, in accordance with terms of Order in Council P.C. 3279, dated December 29, 1936.

## PART I

Interest earned on First Mortgage Loans.....	\$ 983,202 44	
Interest earned on Agreements for Sale.....	15,109 76	
Interest earned on Bank Balances.....	6,311 56	
		<u>1,004,623 76</u>
Less Interest on Initial Capital Advances.....	\$ 193,699 63	
Less Interest on Bonds.....	477,560 65	
		<u>671,259 28</u>
		333,364 48
Administrative and General Expenses.....	364,551 97	
Properties Operating Expenses—Net.....	3,862 43	
		<u>368,414 40</u>
Loss Pertaining to Operations under Part I.....	\$ 35,049 92	

## PART II

Interest earned on Second Mortgage Loans.....	\$ 128,175 02	
Less Interest on Bonds.....	74,768 76	
		<u>53,406 26</u>
Administrative and General Expenses.....	59,517 49	
Loss Pertaining to Operations under Part II.....	\$ 6,111 23	
Total Loss for the Year.....	\$ 41,161 15	

## SCHEDULE "L"

PROFIT AND LOSS ACCOUNT IN RESPECT TO OPERATIONS UNDER THE CANADIAN FISHERMAN'S LOAN  
ACT FOR THE YEAR ENDED MARCH 31, 1937

Interest earned on First Mortgage Loans.....		\$ 63 42
<i>Less:</i>		
Interest on Initial Capital Advances.....	\$ 4 80	
Interest on Canadian Farm Loan Board Funds.....	29 51	34 31
		<u>29 11</u>
<b>Administrative and General Expenses:</b>		
Printing, Stationery and Office Supplies.....		43 50
Legal Expenses.....		2 50
Proportion of Branch Office Expenses.....		570 77
Appraisal Expense:		
Appraisers' Salaries.....	326 67	
Appraisers' Travelling Expenses.....	520 94	
Part Time Appraisers' Fees and Expenses.....	135 13	
	982 74	
Less Appraisal Fees Earned.....	339 95	642 79
Total Expenses.....		<u>\$1,259 56</u>
Loss after providing for Interest on Initial Capital Advances.....		1,230 45
Deduct Credit in respect of Exemption of Interest on Initial Capital Advances.....		4 80
Loss for Year.....		<u>\$1,225 65</u>

**SCHEDULE "M"**

**BALANCE SHEET AS AT MARCH 31, 1937**

<b>ASSETS</b>		<b>LIABILITIES</b>	
Cash in Banks.....	\$ 333,298 16	Accounts Payable.....	\$ 19,624 13
Capital Stock Subscriptions payable by Dominion Government:		Accrued Bond Interest.....	167,211 41
Under Canadian Farm Loan Act.....	\$ 132,616 00	Fire Insurance Recoveries and Other Deposits by Borrowers..	81,601 59
Under Canadian Fisherman's Loan Act....	330 00	Appraisal and Registration Fees received in respect of Applica-	
Accounts Receivable.....	132,946 00	tions not yet disposed of.....	6,718 41
	94 78	Deferred Liability re Mortgage Sale Proceedings.....	114 93
	<u>466,338 94</u>		<u>225,270 47</u>
Loans to Farmers, Secured by First Mortgages:		Advances by Dominion Government:	
Principal.....	23,570,057 22	Under Supplementary Estimates 1928/29....	\$ 50,000 00
Interest Due and Unpaid.....	530,052 68	Under Canadian Farm Loan Act Sec. 5, Sub-	
Interest Accrued.....	354,148 62	sec. 1.....	5,000,000 00
Other Charges.....	22,350 98	Under Canadian Fisherman's Loan Act, Sec.	
		4, Sub-sec. 1.....	10,000 00
	<u>24,470,609 48</u>	Under Canadian Farm Loan Act, Sec. 21,	
Loans to Farmers, Secured by Second Mortgages:		Sub-sec. 1.....	6,808 76
Principal.....	\$ 2,936,251 07	Twenty-five Year Bonds, Series "C", 3½%, due 2nd Jan. 1960.	5,066,808 76
Interest Due and Unpaid.....	15,355 10	Capital Stock (in shares of \$1.00 each):	21,050,000 00
Interest Accrued.....	89,670 11	Under Canadian Farm Loan Act:	
Other Charges.....	498 12	Issued and Outstanding.....	1,640,155 00
	<u>3,041,774 40</u>	Subscribed but not Issued.....	132,616 00
Real Estate held for Sale.....	209,113 16		<u>1,772,771 00</u>
Agreements for Sale:		Under Canadian Fisherman's Loan Act:	
Principal.....	300,988 04	Subscribed but not Issued.....	330 00
Interest Due and Unpaid.....	6,145 97		<u>1,773,101 00</u>
Interest Accrued.....	6,573 19	Statutory Reserve.....	223,903 55
Other Charges.....	314 84	Contingent Reserve.....	1,951 89
	<u>314,021 54</u>		
	<u>28,041,518 58</u>		
Less Provision for Possible Losses.....	219,163 70		
	<u>27,822,354 88</u>		
Loans to Fishermen, under the Canadian Fisherman's Loan Act, Secured by First Mortgages:—Principal.....	6,601 61		
Interest Accrued.....	63 42		
	<u>6,665 03</u>		
Prepaid Expenses—Seed Grain, 1937 Crop Season.....	631 15		
Fixed Assets:			
Automobiles.....	15,641 73		
Office Furniture and Equipment.....	32,883 11		
	<u>48,524 84</u>		
Less Reserve for Depreciation.....	17,625 31		
	<u>30,899 53</u>		
	<u>28,326,889 53</u>		

<b>Deficit:</b>	
Resulting from Operations under Part II of the Canadian Farm Loan Act.....	12,919 99
Resulting from Operations under the Cana- dian Fisherman's Loan Act.....	<u>1,225 65</u>
	14,145 64
<b>Total.....</b>	<b><u>\$ 28,341,035 17</u></b>

<b>Total.....</b>	<b><u>\$ 28,341,035 17</u></b>
-------------------	--------------------------------

STATEMENT OF RESERVE FOR POSSIBLE LOSSES ACCOUNT FOR YEAR ENDED MARCH 31, 1937

Balance as at March 31, 1936.....\$ 147,308 60

*Deduct:*

Loss on Properties Sold—Net.....	\$ 776 08	
Amounts written off Book Value of Properties and Loans.....	<u>69,018 84</u>	69,794 90
		<u>77,513 70</u>

*Add:*

Capital Stock Cancelled under Sec. 9, Sub-Sec. 3 of the Cana- dian Farm Loan Act.....	23,800 00	
Amount Transferred from Contingent Reserve as at March 31, 1937.....	<u>117,850 00</u>	141,650 00
Balance as at March 31, 1937.....		<u>\$ 219,163 70</u>

**CANADIAN FARM LOAN BOARD**  
**SUMMARY OF LOAN CONDITIONS**

**FIRST MORTGAGE LOANS**

**Who May Qualify for Loan:**

Any person who is the owner of farm lands and whose principal occupation is farming, and who is actually engaged in or shortly to become engaged in the cultivation of the farm he offers as security for loan.

The applicant must have the necessary experience, ability and character to satisfy the Board that he will successfully cultivate the farm offered as security for a loan, and will provide for the repayment of the Loan made to him.

**Purpose of Loan:**

To pay debts, purchase live stock or farm equipment, to make farm improvements, provide for expenses of farm operation, or to assist in the purchase of farm lands. (Note: In applying for a loan to assist in the purchase of farm lands, the applicant should be in a position to pay the balance of the purchase price in excess of the loan granted which is required to complete the purchase and obtain title. It should be noted that the maximum loan to assist in land purchase cannot exceed one-half of the appraised value placed on the lands offered to secure such loan.)

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the farm (land and buildings) offered as security for loan nor in any event in excess of \$5,000.

**Security:**

A first mortgage on farm lands under cultivation and owned and operated by the applicant. Farm lands under lease cannot be accepted as security for a loan.

**Rate of Interest:**

5 per cent per year and 5½ per cent on arrears.

**Repayment:**

Amortized plan of repayment in equal consecutive annual or semi-annual instalments over a period not in excess of 25 years.

**Appraisal:**

Every farm offered as security for loan must be appraised by one of the Board's appraisers before loan is granted. Appraisals are not made under winter conditions. The season for appraisal work extends from about May 1 to December 1.

**Appraisal Fee:**

A fee of \$10 is required with each application for loan to apply on the costs of appraisal and handling of applications but the fee will be refunded if appraisal is not made. If, however, an appraisal of the farm is made, the fee will be retained by the Board irrespective of whether or not the applicant is successful in obtaining a loan.

**Costs:**

The applicant will be responsible for costs involved in search and perfection of titles, completion and registration of the mortgage.

**Where to Apply:**

Apply to the provincial office of the Board for the province in which the farm lands offered as security are situated, as shown hereunder.

**SECOND MORTGAGE LOANS**

Anyone applying for a first mortgage loan may at the same time apply for a second mortgage loan. The applicant may make his application for the amount of loan he requires. The Board will decide after appraisal the amount that will be advanced on first mortgage loan and the amount to be advanced on second mortgage loan.

To pay debts, purchase stock, machinery, equipment to operate the farm offered as security for loan, to make permanent improvements thereon. (Note: Second mortgage loan cannot be approved for the purchase of farm lands.)

Not to exceed one-half of the amount of first mortgage loan, the total amount of the first mortgage loan and the second mortgage loan not to exceed two-thirds of the appraised value of the land and buildings thereon, nor in any event \$6,000.

A second mortgage on the farm lands accepted as security for a first mortgage loan and a bill of sale by way of mortgage on the applicant's live stock, farm machinery and equipment.

6 per cent per year.

Repayable within period of 6 years. See plan below.

The farm offered as security for loan and applicant's live stock, machinery and equipment must be appraised by the Board's appraisers before a loan is granted.

In event of a second mortgage loan being granted, an additional charge may be made by the Board to apply against appraisal costs and the costs of handling the application and the amount thereof retained out of the proceeds of loan. No charge will be made if second mortgage loan is not granted.

Applicant will be responsible for costs involved in search of title, drawing and completion of mortgage, registration thereof.

Apply to the provincial office of the Board for the province in which the farm lands offered as security are situated.



### PROVINCIAL OFFICES

British Columbia. . . . .	Canadian Farm Loan Board, New Westminster, B.C.
Alberta. . . . .	Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan. . . . .	Canadian Farm Loan Board, Regina, Sask.
Manitoba. . . . .	Canadian Farm Loan Board, Winnipeg, Man.
Ontario. . . . .	Canadian Farm Loan Board, Toronto, Ont.
Quebec. . . . .	Canadian Farm Loan Board, Quebec, P.Q.
New Brunswick. . . . .	Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia. . . . .	Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island. . . . .	Canadian Farm Loan Board, Charlottetown, P.E.I.

### REPAYMENT "FIRST" MORTGAGE LOANS

The following terms of repayment are open to the borrower:

25 Annual Instalments of	\$ 7.10	per \$100 of loan
15 Annual Instalments of	\$ 9.64	per \$100 of loan
10 Annual Instalments of	\$12.96	per \$100 of loan

The payments set out above will serve to provide for the payment of interest and to retire the principal of the loan.

The Board reserves the right in appropriate cases to fix a shorter term of loan than that applied for. Payments may be provided for half-yearly instead of yearly at the option of the applicant, or may be so fixed by the Board.

The Board may fix, or an applicant may obtain, a 5 year term of loan, requiring payment of interest yearly, plus a payment on account of principal yearly, with the major portion of the principal falling due at the end of the 5th year.

### REPAYMENT "SECOND" MORTGAGE LOANS

Plan No. 1.—Interest only to next instalment date and FIVE equal annual instalments of Principal with Interest at 6 per cent.

#### INSTALMENTS ARE ARRANGED TO BE PAYABLE IN THE SPRING AND FALL

British Columbia, Ontario, New Brunswick, Nova Scotia and Prince Edward Island:—	Alberta, Saskatchewan, Manitoba and Quebec:—
Annually on 1st June or 1st December.	Annually on 1st May or 1st November.
Semi-Annually on 1st June and 1st December.	Semi-Annually on 1st May and 1st November.

The whole or any part of a Loan may, subject to such regulations as the Board may issue, be repaid on any instalment date.

## THE CANADIAN FISHERMAN'S LOAN ACT

### SUMMARY OF LOAN CONDITIONS

ISSUED BY THE CANADIAN FARM LOAN BOARD

#### Who May Apply:

A person whose principal occupation is fishing, and who is actually engaged as a business in the taking of fish, with his own boat, nets, traps, and equipment, or who owns a definite and legal share or part interest in the boat or boats and equipment so used or who proposes with the proceeds of loan applied for, to acquire such boat and fishing equipment or interest therein for the purpose of engaging in fishing.

The applicant must own land with title in such shape that any loan granted to him may be secured by a legal first mortgage thereon to the Board.

The applicant must have the necessary experience, ability and character to satisfy the Board that he can carry on his fishing operations efficiently and make provision for the repayment of loan granted.

#### Purpose of Loan:

- (1) To purchase boats or vessels, or shares or part interests in boats or vessels for use in the fisheries.
- (2) To purchase equipment for such fishing boats or vessels including therein the purchase of gasoline, crude-oil or other engines.
- (3) To purchase lines, hooks, trawls, nets, anchors, bait, traps, and any other equipment or apparatus for use in fishing.
- (4) Payment of liabilities incurred in providing equipment as set out above.
- (5) Other purposes definitely connected with fishing enterprises.

**Property Security:**

The applicant must give the Board a first mortgage on his real property for the amount of loan obtained. The land which is offered as security for loan must be owned by the applicant. In event of loan being granted the Board will require the applicant to furnish adequate fire insurance on the buildings on the property accepted as security for the loan.

**Valuation:**

The property of the applicant will be appraised at the fair market value of the land and buildings thereon; that is to say, at the price which might reasonably be expected to be realized therefrom if the property were offered for sale in the open market; this will not necessarily be the replacement or cost value of the property and buildings.

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the land and buildings and in no case to exceed a total of \$1,000.

Where two or more applicants have a joint or several ownership in the land and buildings, the aggregate loans for such applicants shall not exceed \$1,000.

No loan will be granted for an amount of less than \$200.

**Interest Rate:**

5 per cent per year and  $5\frac{1}{2}$  per cent on arrears.

**Appraisal Fee:**

On all applications for loans aggregating \$600 or less a fee of \$5; and on applications for loans aggregating over \$600 a fee of \$10 will be payable by the applicant to the Board at such time as the application has been accepted for appraisal, and prior to such appraisal being undertaken by the Board. The amount of such fee will be retained by the Board where appraisal is undertaken and applied by the Board against the cost of appraisal.

**Legal Costs:**

The applicant will be responsible for the costs involved in the search and perfection of titles, completion and registration of mortgage.

**Title Difficulties:**

In order to avoid unnecessary legal costs, every applicant, either before making formal application for loan, or before loan is approved for disbursement, should satisfy himself preferably upon the advice of his solicitor that he is able to perfect title to the property he offers as security for loan and to give the Board a First Mortgage thereon at a reasonable cost to himself.

**Where to Obtain Application Forms:**

Application forms can be obtained in all cases where it is desired to apply for loan from the Provincial Office of the Canadian Farm Loan Board for the province in which the property offered as security for loan is situated. The addresses of these offices are as follows:—

British Columbia. . . . .	Canadian Farm Loan Board, New Westminster, B.C.
Alberta. . . . .	Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan. . . . .	Canadian Farm Loan Board, Regina, Sask.
Manitoba. . . . .	Canadian Farm Loan Board, Winnipeg, Man.
Ontario. . . . .	Canadian Farm Loan Board, Toronto, Ont.
Quebec. . . . .	Canadian Farm Loan Board, Quebec, P.Q.
New Brunswick. . . . .	Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia. . . . .	Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island. . . . .	Canadian Farm Loan Board, Charlottetown, P.E.I.

**Repayment of Loan:**

All loans will be repayable in equal annual or semi-annual instalments of combined principal and interest over a term not exceeding ten (10) years. The Board reserves the right to fix a shorter term of loan than that applied for. Where the term of loan is fixed at 10 years the amount of the annual instalment over such term will be \$12.96 for each \$100 of loan; or where payable semi-annually the amount of the semi-annual instalment over such term will be \$6.42 for each \$100 of loan. Instalment payment dates will be June 1 and December 1 yearly.

The whole or any part of a loan may, subject to such Regulations as the Board may issue, be prepaid on any instalment date.

# REPORT

OF THE

# CANADIAN FARM LOAN BOARD

FOR THE YEAR ENDED MARCH 31,

1938

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1938

## CANADIAN FARM LOAN BOARD

HEAD OFFICE—OTTAWA, CANADA

### *Members of the Board*

J. D. MACLEAN, Farm Loan Commissioner, Ottawa

ROBERT MCKENZIE, Ottawa

W. C. CLARK, Ottawa

AIMÉ BOUCHER, Pierreville, P.Q.

### *Branch Offices*

New Westminster, British Columbia.. . . . W. S. Palmer, Manager  
Edmonton, Alberta.. . . . J. A. Case, Manager  
Regina, Saskatchewan.. . . . R. S. Rideout, Manager  
Winnipeg, Manitoba.. . . . J. H. Martinson, Manager  
Toronto, Ontario.. . . . W. G. Whiteside, Manager  
Quebec City, Quebec.. . . . P. A. Angers, Manager  
Saint John, New Brunswick.. . . . F. W. Hoar, Manager  
Halifax, Nova Scotia.. . . . N. H. Parsons, Manager  
Charlottetown, Prince Edward Island.. . . . C. M. Williams, Supervisor

## REPORT OF THE CANADIAN FARM LOAN BOARD

For the Year Ended March 31, 1938

Honourable C. A. DUNNING,  
Minister of Finance,  
Ottawa, Canada.

SIR,—I have the honour to submit the report of the Canadian Farm Loan Board on operations under the Canadian Farm Loan Act and The Canadian Fisherman's Loan Act for the fiscal year ended March 31, 1938.

Operations under Part I of the Farm Loan Act consist of operations in respect of first mortgage loans. Operations under Part II of the Farm Loan Act consist of operations in respect of second mortgage loans.

### METHOD OF FINANCING THE OPERATIONS OF THE FARM LOAN BOARD

In order to finance the operations of the Board in the early years of its existence provision was made by the terms of the Canadian Farm Loan Act by which the Government of Canada was authorized to make the Board a capital advance of \$5,000,000 free of interest for three years from the date of the advance and subsequently to bear interest at a rate fixed by the Governor-in-Council. Following the organization of the Board, advantage was taken of these provisions. The rate of interest payable on the capital advance of \$5,000,000 was fixed originally at 5 per cent, but was later reduced to 3½ per cent, which is the present rate payable.

In so far as the operations under Part I of the Act are concerned the Board is operating on a self-sustaining basis except for the non-payment of interest for the three year term referred to above.

The capital of the advance is repayable out of profits earned on operation after provision has been made for establishing the necessary reserves.

The Government of Canada is the sole shareholder in the Board and subscribes to share capital in the Board to the extent of five per cent of all loans made, but in any event not in excess of five per cent of the principal outstanding on current loans.

The share capital thus subscribed in respect of each loan is dealt with as collateral security to the loan and in event of the acquisition of the property by the Board or disposition after sale proceedings at an amount less than the Board's investment, the amount of the share capital subscribed in respect of the loan is carried into the Board's Reserve for Losses.

Additional funds required for loaning purposes are obtained from the sale of bonds issued by the Board on the security of farm mortgages held by the Board.

The Minister of Finance is empowered to purchase bonds of the Board, but may not hold at any time such bonds to an amount in excess of \$50,000,000. The Government of Canada may, however, guarantee bonds of the Board for issue and public sale up to an additional \$40,000,000.

The rate of interest charged on loans made by the Board under Part I of the Act is based on the rate of interest payable by the Board on its bonds increased by an amount sufficient, in the judgment of the Board, to provide for costs of operation and reserves for losses. At present the Board borrows money at the rate of 3½ per cent and reloans it on mortgage security at 5 per cent.

Similar provisions apply also to operations under Part II of the Act, except that an additional interest rate of 1 per cent is charged on second mortgage loans, but in recognition of the risks involved in making additional advances to farmers secured by second mortgage and chattel security, Parliament has provided that yearly losses sustained on operations under Part II of the Act shall be payable out of Consolidated Revenue Fund. All amounts thus advanced to cover losses sustained constitute a lien on and are repayable out of future profits earned on operations under Part II.

The accounts of the Board are accordingly segregated as to operations under Part I and operations under Part II of the Act.

### POWERS AND DUTIES OF THE BOARD

The powers and duties of the Board are laid down in the Farm Loan Act, but in general terms they may be stated as follows: namely, to make loans to farmers on the security of mortgages on farm lands, while loans to fishermen are made under the authority of The Fisherman's Loan Act on the security of mortgages on real property owned by them.

### POLICY OF THE BOARD IN RESPECT TO THE GRANTING OF LOANS

As stated in the report on the previous year's operations, the policy of the Board is to grant loans to farmers in instances where, in the judgment of the Board, the loan will prove of permanent benefit to the applicant in his farm enterprise and where, as laid down in the Canadian Farm Loan Act, the experience, ability and character of the applicant are such as to warrant the belief that the farm to be mortgaged will be successfully cultivated.

Private investors loaning money on farm mortgages are primarily interested in the investment yield and in the safety of such investment as determined by the realizable value of the mortgaged property, whereas the Board in conducting its loaning business is primarily interested in assisting the farmer borrower to improve his financial position and to carry out his farming operations successfully.

In consequence, in granting loans, the Board considers the ability of the applicant to repay his mortgage obligations and the merits of the purposes for which the same is required. No good purpose is served in making loans in amounts in excess of the applicant's ability to repay notwithstanding the fact that the margin afforded by the selling price of the security offered may warrant a loan in a larger amount.

### ADMINISTRATION

The Farm Loan Act is administered by the Farm Loan Board. The executive work of the Board is directed by the Farm Loan Commissioner and the work delegated by the Board to the Branch Offices is supervised by the Managers of the local Branches. The Branch Offices are held responsible for receiving applications for loan, arranging for the appraisal of securities, for the collection of instalments in arrears, etc.

The Board also appoints its own employees both at Head Office and at the Branch Offices including the Managers of the Branch Offices, but in the case of this latter class of officials their appointment is subject to the approval of the Governor-in-Council.

The Board provides for all administrative expenses both at Head Office and at the Branch Offices such as the payment of salaries, travelling expenses, rentals, supplies, printing, etc. The accounting work of the Board is centralized at the Head Office of the Board at Ottawa.

## LOANING OPERATIONS

The Board carried over into the fiscal year under review 1,071 applications for farm loans, which had not been finally disposed of in the previous year. During the fiscal year a further 3,924 applications were received. The total of applications for farm loans dealt with for the year, therefore, numbered 4,995 of which 636 applications had not been finally disposed of at the close of the year.

Loans granted to farmers during the fiscal year totalled 1,913 first mortgage loans and 776 second mortgage loans for amounts aggregating \$3,841,575, while loans disbursed during the year amounted to \$5,264,307. Particulars relating to these loans will be found in Schedule "A" hereto.

At the close of the fiscal year the Board had on its books 15,829 first mortgage accounts for amounts totalling \$28,184,642.01 and 6,160 second mortgage accounts for amounts totalling \$3,347,416.22, 178 sale contracts for amounts totalling \$372,345.56, or a total of 22,167 farm loan accounts aggregating \$31,904,403.79, and in addition 102 parcels of real estate were held for sale carried at a book value of \$242,538.66 or a total investment under administration amounting to \$32,146,942.45.

A comparison of the number of applications received in the fiscal year 1937-38 with the applications received in the previous year shows a marked decrease for the current year. There are several factors that contribute to this condition, among which are the following:—

- (a) The reduced yields from government and industrial bonds and similar types of investment rendering farm mortgages by comparison an attractive investment;
- (b) The renewal of existing mortgage contracts by loaning institutions and private lenders at a lower interest rate than that specified in the original mortgage contract;
- (c) The entrance of the province of Quebec into the farm mortgage field with attractive interest rates and easy terms of repayment;
- (d) The scaling down of the liabilities of farmers and the rewriting of existing mortgage contracts on more favourable terms through the agency of the Farmers' Creditors Arrangement Act and by voluntary action.

## COLLECTIONS

During the year the improvement in prices of an important group of farm products has been reflected in an increase in the volume and percentage of repayments on the Board's loan accounts. On the other hand, due to crop shortage and failures in some parts of Canada, many borrowers resident in such areas were unable to meet payments falling due on their loans. In the rest of the Dominion collections were fairly satisfactory and on this point I may say the experience of the Board has been that, notwithstanding the many influences at present prevailing which tend to discourage the payment of obligations incurred, the farmers of Canada as a general rule will repay their obligations when they have the means to do so.

Cash payments by farmer borrowers during the fiscal year were as follows: Repayment of loan principal, \$1,338,594.60, interest payments \$1,184,561.91, or a total of payments received during the year of \$2,523,156.51 as compared with a total of \$1,465,775 received on account of similar items in the previous fiscal year.

Interest arrears outstanding at the close of the fiscal year on first mortgage loans represented 2.084 per cent of principal outstanding and on second mortgages represented 1.532 per cent of principal outstanding. Total interest arrears outstanding on both first and second mortgage loans represented 2.027 per cent

of the total principal outstanding on both first and second mortgage loans. Particulars of amounts outstanding on loans will be found in Schedule "D" hereto.

During the year the Board actively followed up overdue accounts and endeavoured to enlist the co-operation of borrowers to place their accounts in good standing where farm returns made this possible.

By means of obtaining statements from borrowers on the year's crop and on farm returns together with particulars of their financial position, either through collection calls or by correspondence, the Board secured reliable information from which to determine in the case of each loan in arrears whether collection was possible or extensions of time for payment should be given. In many instances the appraisal staff of the Board made the necessary contacts in order to determine the possibilities of collection.

Some borrowers felt that a reduction in the amount of their total indebtedness was warranted and for this purpose had recourse to the facilities of the Farmers' Creditors Arrangement Act, while in other instances the Board in proper cases gave extensions of time for payment to borrowers in arrears.

### FORECLOSURE PROCEEDINGS

During the year the Board instituted sale or foreclosure proceedings against 39 borrowers and of these 18 cases were in process at the close of the year. In every instance, however, prior to instituting legal action of this nature the policy of the Board is to make a careful preliminary investigation of the affairs of the farmer to determine definitely that such action is necessary and warranted.

### PREPAYMENT OF MORTGAGE INSTALMENTS

In those parts of Canada in which there is a wide variation in crop production from year to year, the Board is impressed with the importance of lending encouragement to reduction of mortgage indebtedness by prepayment in years when surplus funds are available for this purpose.

In providing farm credit facilities, particularly through the establishment of state-aided loaning institutions, it is doubtful whether sufficient emphasis has been placed on devising ways and means of encouraging and inducing prepayment of farm obligations in the years when farm returns made this possible.

During the year substantial reductions were made by a considerable number of borrowers in the amount of their mortgage accounts by way of prepayment and a considerable number of such accounts, particularly in respect to second mortgages, were retired in full in this manner. The policy of the Board is to lend every encouragement to farmers to reduce the amount of their mortgage indebtedness to the Board.

### REAL ESTATE

In the course of the year the Board acquired 65 farm properties by foreclosure, by sale or by transfer and during the same period 55 properties were sold.

At the close of the year the Board carried on its books 102 farm properties valued for sale purposes at \$242,538.66. Particulars of real estate on hand will be found in Schedule "F" hereto. While the Board acquires farm properties at irregular intervals during the course of the year on account of non-payment of instalments, etc., sale agreements and rental arrangements, on the other hand, are usually made in the spring and in the early summer so that while 102 parcels were on hand as at March 31, 1938, a number of these were disposed of in the ensuing months. As at September 30, 1938, out of 102 parcels above referred to 76 were either sold, leased with option to purchase or rented and sale negotiations were in process in 9 additional cases.



Every effort is made to guard against an accumulation of real estate acquired by the Board and early and vigorous steps are taken to dispose of properties thus acquired. The Board disposes of real estate on easy terms of repayment and, while as a rule, as large a cash payment as possible is obtained at the time of sale, a number of our farms have to be sold on the basis of a 10 per cent cash payment and the balance payable over a period of 15 or 20 years with interest at 5 per cent per annum.

#### FINANCING DURING THE YEAR 1937-38

For the purpose of financing the Board's loaning operations for the year the Board disposed of \$3,550,000 of 3½ per cent farm loan bonds at par to the Minister of Finance for Canada. The Government of Canada subscribed to capital stock in the Board to the extent of \$191,523 during the year in accordance with the provisions of Section 5, subsection (2) of the Canadian Farm Loan Act.

The interest due and payable by the Board on all its financial obligations for the fiscal year amounted to \$943,317.14 and this amount has been paid in full on the due date.

#### FINANCIAL RESULTS OF THE YEAR'S OPERATIONS

At the close of the year the value of the assets of the Board under administration under the Canadian Farm Loan Act amounted to \$32,146,942.45 as compared with an amount of \$28,041,518.58 under administration at the close of the previous year. These assets are made up as follows:—

Farm mortgage loans.. . . . .	\$ 31,532,058 23
Agreements for Sale of farm properties.. . . . .	372,345 56
Farm real estate held for sale.. . . . .	242,538 66

#### COSTS OF ADMINISTRATION

The costs of administration for the year amounted to \$371,436.54 equal to 1.15 per cent of the value of assets under administration as compared with \$427,931.89 in the previous fiscal year.

The staff of the Board fluctuates in accordance with the volume of business and the season, a number of field and office staff being engaged on a seasonal basis. At the 31st of March, 1938, the total staff numbered 173, of which 37 were at Head Office and 136 at the Branch Offices.

While the volume of assets under administration showed an increase over the previous year the reduced volume of new business handled enabled the Board to effect reductions in staff and in the costs of appraisal work, which more than offset the increased volume of field collection work carried on during the year.

#### PROFIT AND LOSS

For the fiscal year under review the Board showed a profit on operations under the Canadian Farm Loan Act, Part I, of \$117,319.92 and of \$22,831.81 under Part II of the Act or a total profit of \$140,151.73 as compared with a loss of \$41,161.15 in the previous fiscal year.

Profits accruing from the operations of the Board are used to strengthen the Reserve Accounts of the Board to provide for losses on operation and to provide for a fund to repay the capital of \$5,000,000 provided by the Government at the time at which the Board was organized.

At the close of the fiscal year the sum of \$147,325 was transferred into the Board's Reserve for Possible Losses on outstanding loan accounts. This amount was made up as follows: The value of capital stock cancelled under subsection

(3) of Section 9 of the Act \$11,525, appropriated from profit \$87,989.94, transferred from Statutory Reserve \$45,858.67, transferred from Contingent Reserve \$1,951.39.

### RESERVES

During the year the Board wrote off against its Reserve for Possible Losses on outstanding loans a total of \$87,385.34 on account of losses sustained on the sale of farm properties, on amounts written off the book value of real estate acquired by the Board and on amounts written off current loan accounts as the result of compromises arranged under the Farmer's Creditors Arrangement Act or outside of the said Act.

In the previous year an amount of \$69,794.90 was written off on account of similar items.

The loss on operations under Part II in the previous fiscal years amounted to \$12,919.99 and this amount has been taken care of out of profits amounting to \$22,831.81 under Part II of the Act for the fiscal year under review.

At the close of the fiscal year the Board's reserves were as follows:—

Statutory Reserve Account.. . . . .	\$ 207,374 86
Reserve for Possible Losses under Part I of the Act.. . . .	279,103 36
Reserve for Possible Losses under Part II of the Act.. . . .	9,911 82

or a total of \$496,390.04 as compared with a total reserve of \$445,018.64 for the previous year.

### CANADIAN FISHERMAN'S LOAN ACT

The Canadian Farm Loan Board is charged also with the administration of a scheme of loans to fishermen under The Canadian Fisherman's Loan Act. The operations under this Act are financed and administered on the same general principles as the Canadian Farm Loan Act.

Operations under this Act were initiated in the latter part of the year 1935, but to date there have been relatively few demands for loans under this scheme.

In the past fiscal year 46 fisherman's loan applications were accepted by the Board for appraisal and 18 loans were granted for amounts totalling \$10,150. Loans disbursed amounted to \$12,655 and loans in the hands of the solicitors in process of disbursement at the close of the fiscal year amounted to approximately \$3,500. The amount outstanding at the close of the fiscal year on loans made to fishermen under the Act totalled \$18,869.84, particulars of which are set out in Schedule "I" hereto.

### AUDIT

An audit of the accounts of the Board is made each year by a firm of chartered accountants appointed by the Government of Canada.

### SCHEDULES

Appended to this report will be found schedules dealing with the Board's operations for the fiscal year under review as follows:—

Schedule "A" hereto contains a statement by provinces of the total farm loans approved during the year with particulars of the appraised values and acreages of the farm lands accepted as security for such loans. Included in the schedule is a statement of moneys disbursed by way of loan during the year.

Schedule "B" hereto contains a statement by years of the number and amount of applications for farm loans received from farmers, number and amount of farm loans approved and amount of loan moneys disbursed from the date of the organization of the Board to March 31, 1938, inclusive.

Schedule "C" hereto contains a statement by provinces of the total number of farm loans and amount of loan moneys disbursed down to March 31, 1938, with particulars of the original appraised values of the farm lands and acreages mortgaged to the Board as security for such loans.

Schedule "D," Part I, hereto contains a statement by provinces of farm loans secured by first mortgage outstanding as at March 31, 1938.

Schedule "D," Part II, hereto contains a statement by provinces of farm loans secured by second mortgage outstanding as at March 31, 1938.

Schedule "E" hereto contains a statement by provinces of the amount outstanding as at March 31, 1938, on agreements for sale of farm properties acquired by the Board and resold.

Schedule "F" hereto contains a statement by provinces of the farm real estate held by the Board as at March 31, 1938, with particulars of the investment of the Board therein and the values at which carried on the books of the Board.

Schedule "G" hereto contains a statement by provinces of all farm real estate disposed of by the Board during the fiscal year with particulars of the amount of the Board's investment therein, and amounts realized on disposition, together with a statement of sales of real estate cancelled during the year.

Schedule "H" hereto contains a statement by provinces of fisherman's loan applications received and loans approved under The Canadian Fisherman's Loan Act with particulars of appraised values of the real property accepted as security therefor, and loans paid out during the fiscal year and from inception of operations thereunder to March 31, 1938.

Schedule "I" hereto contains a statement by provinces of loans made to fishermen under The Canadian Fisherman's Loan Act and outstanding as at March 31, 1938.

Schedule "J" hereto contains the Profit and Loss Account of the Board for the year ended March 31, 1938.

Schedule "K" hereto contains the condensed Profit and Loss Account in respect to operations under the Canadian Farm Loan Act, segregated as to Parts I and II of the Canadian Farm Loan Act.

Schedule "L" hereto contains the Profit and Loss Account of the Board in respect of operations under The Canadian Fisherman's Loan Act for the year ended March 31, 1938.

Schedule "M" hereto contains the Balance Sheet of the Board for the year ended March 31, 1938.

Before concluding this report I regret to record the loss sustained by the Board during the year in the death of Mr. Charles Duquette, of Montreal, who had served as a member of the Board from January, 1932. The Board desires to take this opportunity to bear testimony to the value of Mr. Duquette's services during his term of office. The Board benefited greatly by his wide business experience and sound judgment and the conscientious manner in which he discharged his duties.

The vacancy caused by the death of Mr. Duquette has been filled by the appointment of Mr. Aimé Boucher, of Pierreville, P.Q., an outstanding notary of that province.

The work in which the Board is engaged calls for the exercise of good judgment, fairness and conscientiousness on the part of its employees and cannot be carried out successfully unless officers and staff are imbued with a full sense of their responsibilities, and in concluding this report, the members of the Board take the opportunity of expressing their appreciation of the conscientious manner in which the officers and staff of the Board throughout Canada have discharged their duties.

Respectfully submitted,

J. D. MacLEAN,  
*Commissioner.*

Dated October 15, 1938.

SCHEDULE "A"

STATEMENT BY PROVINCES OF FARM LOANS APPROVED WITH DETAILS OF APPRAISED VALUES OF FARM LANDS AND BUILDINGS AND ACREAGES ACCEPTED AS SECURITY THEREFOR AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1938

Province	First Mortgage		Second Mortgage		Total Amount approved	Appraised Value of Security at Time of Loan			Total Acreage	Loans paid out, including Loans approved prior to April 1, 1937		Total
	Number of Loans	Amount approved	Number of Loans	Amount approved		Land	Value of Buildings to Land	Total Appraised Value		1st Mortgage	2nd Mortgage	
British Columbia...	65	134,250	10	7,400	141,650	282,081	130,345	412,426	8,894	137,535 97	7,179 10	144,715 07
Alberta.....	312	538,100	76	37,600	575,700	1,232,858	310,224	1,543,082	94,574	570,562 38	47,198 67	617,761 05
Saskatchewan.....	448	742,650	303	132,175	874,825	1,986,881	621,161	2,608,042	164,621	1,048,645 86	208,245 80	1,256,891 66
Manitoba.....	210	395,900	108	56,400	452,300	875,718	286,015	1,161,733	66,415	425,377 18	64,704 05	490,081 23
Ontario.....	418	831,000	107	54,800	885,800	1,346,610	707,750	2,054,360	54,993	854,267 46	61,628 61	915,896 07
Quebec.....	202	440,700	97	47,300	488,000	758,232	419,189	1,177,421	28,888	1,212,475 73	179,164 61	1,391,640 34
New Brunswick.....	33	87,400	18	5,800	43,200	56,808	40,046	96,854	5,161	63,212 76	13,400 00	76,612 76
Nova Scotia.....	126	200,950	23	12,600	213,550	359,370	196,261	555,631	17,942	192,751 55	13,860 00	206,611 55
Prince Edward Is...	99	152,050	34	14,500	166,550	253,726	114,261	367,987	11,873	147,568 35	16,729 42	164,297 77
Totals.....	1,913	3,473,000	776	368,575	3,841,575	7,152,084	2,825,252	9,977,336	453,361	4,652,397 24	611,910 26	5,264,307 50

SCHEDULE "B"

SUMMARY OF APPLICATIONS RECEIVED FROM FARMERS, LOANS APPROVED, AND LOANS DISBURSED EACH YEAR FROM INCEPTION OF OPERATIONS TO MARCH 31, 1938.

Year	Applications Received		Loans Approved				Loans Paid Out			
	Number	Amount	First Mortgage		Second Mortgage		Total Amount	First Mortgage	Second Mortgage	Total
			Number	Amount	Number	Amount				
		\$ cts.		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1929-30.....	6,827	18,016,083 00	1,787	3,981,050 00			3,981,050 00	2,630,376 97		2,630,376 97
1930-31.....	3,372	8,650,182 00	1,458	3,212,400 00			3,212,400 00	3,517,488 57		3,517,488 57
1931-32.....	4,803	12,370,398 60	1,049	2,025,400 00			2,025,400 00	1,996,344 40		1,996,344 40
1932-33.....	1,776	3,939,392 50	536	982,600 00			982,600 00	1,276,114 24		1,276,114 24
1933-34.....	1,207	2,306,934 00	287	490,800 00			490,800 00	558,630 34		558,630 34
1934-35.....	2,456	5,496,816 65	532	880,900 00	72	44,600 00	925,500 00	537,973 67	9,233 37	547,207 04
1935-36.....	21,698	50,152,821 20	5,109	8,906,680 00	3,236	2,051,725 00	10,958,405 00	6,191,609 02	1,232,169 73	7,423,778 75
1936-37.....	9,821	21,872,723 43	5,089	9,004,850 00	2,835	1,504,150 00	10,509,000 00	9,269,187 51	1,804,968 37	11,074,155 88
1937-38.....	3,924	8,254,401 00	1,913	3,473,000 00	776	368,575 00	3,841,575 00	4,652,397 24	611,910 26	5,264,307 50

SCHEDULE "C"

STATEMENT BY PROVINCES OF TOTAL FARM LOANS DISBURSED, WITH DETAILS OF APPRAISED VALUES AT TIME OF LOAN, OF FARM LANDS AND BUILDINGS, AND ACREAGES ACCEPTED AS SECURITY THEREFOR, TO MARCH 31, 1938

Province	First Mortgage		Second Mortgage		Total Mortgage Loans Disbursed	Appraised Value of Security			Total Acreage
	Number	Amount Disbursed	Number	Amount Disbursed		Land	Buildings	Total	
		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	755	1,841,010 11	73	48,279 10	1,889,289 21	4,942,388 00	2,184,774 00	7,127,162 00	153,878
Alberta.....	3,443	6,441,744 04	673	448,568 54	6,890,312 58	18,617,721 00	5,684,243 00	24,301,964 00	1,132,441
Saskatchewan.....	2,622	4,986,312 97	1,546	883,228 91	5,869,541 88	13,512,220 00	3,600,536 00	17,112,756 00	1,019,938
Manitoba.....	1,851	3,576,168 42	846	556,622 52	4,132,790 94	9,082,271 00	3,982,330 00	13,064,601 00	620,530
Ontario.....	1,468	2,624,510 18	649	338,505 46	2,963,015 64	4,557,586 00	2,775,834 00	7,333,420 00	189,384
Quebec.....	4,833	8,788,641 10	2,170	1,142,972 71	9,931,613 81	17,848,849 00	10,891,834 00	28,740,683 00	712,729
New Brunswick.....	698	949,181 16	147	61,628 00	1,011,009 16	1,889,871 00	1,834,063 00	3,723,934 00	116,882
Nova Scotia.....	650	939,749 62	142	81,754 99	1,021,504 61	1,985,215 00	1,372,840 00	3,358,055 00	102,688
Prince Edward Island.....	335	482,804 33	180	96,521 50	579,325 86	895,503 00	456,953 00	1,352,456 00	40,954
Total.....	16,655	30,630,121 96	6,426	3,658,281 73	34,288,403 69	73,331,624 00	32,783,407 00	106,115,031 00	4,089,424

SCHEDULE "D"—PART 1

SECTION I.—SUMMARY OF FIRST MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1938

Province	Principal Outstanding			Charges Outstanding	(1) Amount of Interest due and Unpaid		(2) Amount of Interest Accrued	Total
	Current	Arrears			Under 6 months	Over 6 months		
		Under 6 months	Over 6 months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	1,310,134 42	18,956 76	42,382 94	207 12	15,257 02	19,966 97	437 98	1,405,343 21
Alberta.....	5,297,665 54	62,691 53	149,853 04	10,575 46	84,188 12	157,894 65	85,219 32	5,848,080 66
Saskatchewan.....	4,802,889 82	63,762 42	15,222 37	377 23	105,457 83	16,931 32	102,424 35	5,107,065 34
Manitoba.....	3,139,315 80	15,099 92	22,342 80	2,023 91	22,276 14	21,392 39	52,104 07	3,274,555 03
Ontario.....	2,524,924 96	7,076 69	3,523 55	68 40	9,059 81	2,805 22	58,571 98	2,606,030 61
Quebec.....	7,547,928 17	27,421 61	49,307 64	2,854 64	26,577 25	33,433 42	121,386 04	7,808,996 77
New Brunswick.....	693,836 80	11,609 45	29,396 72	788 11	11,455 77	18,018 00	.....	765,104 85
Nova Scotia.....	804,274 38	5,576 22	9,485 65	269 11	4,890 09	5,802 42	11,390 18	841,688 05
Prince Edward Island.....	460,656 37	2,795 76	279 79	59 28	3,559 47	45 04	8,990 02	476,385 73
Total.....	26,581,624 26	212,990 36	321,884 50	17,223 26	282,721 50	276,289 43	440,516 94	28,133,250 25

SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1938

British Columbia.....	2,661 45	65 85	10 25	.....	132 15	.....	45 00	2,914 70
Alberta.....	14,471 14	319 52	2,626 89	463 28	557 24	4,692 89	555 53	23,686 49
Manitoba.....	1,080 35	42 41	148 84	126 77	60 70	160 60	26 14	1,645 81
Quebec.....	16,428 09	337 33	728 41	214 25	449 63	590 51	359 43	19,107 65
New Brunswick.....	3,015 93	115 08	370 03	14 53	185 26	336 28	.....	4,037 11
Total.....	37,656 96	880 19	3,884 42	818 83	1,384 98	5,780 28	986 10	51,391 76

RECAPITULATION (SCHEDULE "D"—PART 1)

Section I.....	26,581,624 26	212,990 36	321,884 50	17,223 26	282,721 50	276,289 43	440,516 94	28,133,250 25
Section II.....	37,656 96	880 19	3,884 42	818 83	1,384 98	5,780 28	986 10	51,391 76
Total.....	26,619,281 22	213,870 55	325,768 92	18,042 09	284,106 48	282,069 71	441,503 04	28,184,642 01

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1st, 1937, to March 31st, 1938. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding, no additional accrued interest is shown in Revenue Account or on this statement.

## SCHEDULE "D"—PART II

SUMMARY OF SECOND MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1938

Province	Principal Outstanding			Charges out-standing	(1) Amount of Interest due and unpaid		(2)	Total
	Current	Arrears			Under six months	Over six months	Amount of Interest accrued	
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	31,380 12	1,336 13	215 70	9 00	284 32	80 34	850 64	34,156 25
Alberta.....	335,339 46	19,556 33	5,866 21	627 03	4,050 51	2,329 75	12,513 64	390,232 93
Saskatchewan.....	711,255 54	90,229 14	9,117 70	1,496 98	26,430 82	4,379 18	19,984 50	862,893 86
Manitoba.....	389,505 23	21,081 88	4,738 28	647 11	5,062 31	1,106 93	9,488 13	428,629 87
Ontario.....	267,959 29	7,587 07	14,114 23	151 91	1,230 47	1,600 90	10,509 64	303,153 51
Quebec.....	1,039,498 67	.....	22,512 87	89 63	.....	307 13	55,665 99	1,118,074 29
New Brunswick.....	51,438 47	1,090 85	2,086 38	9 85	196 79	263 16	2,304 50	57,388 00
Nova Scotia.....	68,406 50	240 40	1,262 01	37 00	59 34	200 38	3,041 25	73,246 88
Prince Edward Island.....	77,801 59	1,402 85	5,807 20	90 34	305 03	822 24	3,361 38	89,590 63
Total.....	2,969,582 87	142,524 65	65,729 58	3,158 85	37,619 59	11,090 01	117,719 67	3,347,416 22

## RECAPITULATION (SCHEDULE "D"—PARTS 1 AND 2)

Part I.....	26,619,281 22	213,870 55	325,768 92	18,042 09	284,106 48	282,069 71	441,503 64	28,184,642 01
Part II.....	2,969,582 87	142,524 65	65,729 58	3,158 85	37,619 59	11,090 01	117,719 67	3,347,416 22
Total.....	29,588,864 09	356,395 20	391,498 50	21,200 94	321,726 07	293,159 72	559,222 71	31,532,058 23

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1st 1937, to March 31st, 1938. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding no additional accrued interest is shown in Revenue Account or on this statement.

## SCHEDULE "E"

SUMMARY OF AGREEMENTS FOR SALE OF FARM PROPERTIES ACQUIRED BY THE BOARD AND RESOLD CLASSIFIED BY PROVINCES AS AT MARCH 31, 1938

Province	Principal outstanding			Charges out-standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	69,693 92	414 84	522 99	.....	139 34	36 23	1,307 71	72,115 03
Alberta.....	9,764 84	.....	.....	.....	107 65	.....	219 47	10,091 96
Saskatchewan.....	.....	.....	.....	.....	.....	.....	.....	.....
Manitoba.....	8,442 17	.....	.....	.....	.....	.....	189 80	8,631 97
Ontario.....	.....	.....	.....	.....	.....	.....	.....	.....
Quebec.....	185,397 04	1,409 92	1,519 39	213 01	2,204 01	1,894 01	4,518 61	197,155 99
New Brunswick...	61,822 13	527 80	1,065 25	76 13	992 12	1,154 69	1,165 18	66,803 29
Nova Scotia.....	16,901 17	95 73	3 11	15 34	72 76	42 13	417 08	17,547 32
Prince Edward Is.....	.....	.....	.....	.....	.....	.....	.....	.....
Totals....	352,021 26	2,448 29	3,110 74	304 48	3,515 83	3,127 06	7,817 85	372,345 56



## SCHEDULE "F"

## FARM REAL ESTATE HELD FOR SALE AT MARCH 31, 1938

Province	Number of Properties	Investment <sup>1</sup>	Book Value <sup>2</sup>
		\$ cts.	\$ cts.
British Columbia.....	19	78,744 66	58,357 21
Alberta.....	46	139,093 50	112,865 92
Saskatchewan.....			
Manitoba.....	11	35,578 50	30,065 53
Ontario.....			
Quebec.....	11	42,096 69	25,050 00
New Brunswick.....	13	21,474 92	14,300 00
Nova Scotia.....	2	7,060 45	1,900 00
Prince Edward Island.....			
Total.....	102	324,048 72	242,538 66

<sup>1</sup> Investment includes the amount of unpaid principal on the loans involved, together with accrued interest and cash outlays to date of acquisition by the Board.

<sup>2</sup> Book value means the estimated resale value of the property except in instances where the estimated resale value is in excess of the amount of the Board's investment. Under the regulations of the Board no parcel of real estate may be carried in any event at a book value in excess of the Board's investment therein.

## SCHEDULE "G"

## MORTGAGED FARM PROPERTIES REALIZED ON UNDER JUDGMENT, EXECUTION, OR POWER OF SALE, AND REAL ESTATE DISPOSED OF DURING THE YEAR ENDED MARCH 31, 1938

Province	Complete Farm Units Disposed of				Parts of Farms disposed of		Sales cancelled	
	No.	Investment	Book value at Date of Sale	Consideration	No.	Consideration	No.	Consideration
		\$ cts.	\$ cts.	\$ cts.		\$ cts.		\$ cts.
British Columbia...	4	23,832 53	16,355 58	19,003 48				
Alberta.....	5	7,934 61	6,946 58	8,033 73				
Saskatchewan.....								
Manitoba.....	4	6,510 72	5,718 54	5,803 16				
Ontario.....								
Quebec.....	16	59,036 15	36,536 08	32,831 37	1	400 00	1	1,710 39
New Brunswick.....	20	48,269 82	43,456 79	33,625 00			2	3,578 61
Nova Scotia.....	6	10,397 57	8,343 66	7,516 62				
Prince Edward Is.....								
Totals..	55	155,981 40	117,357 23	106,813 36	1	400 00	3	5,289 00

## SCHEDULE "H"

STATEMENT BY PROVINCES OF FISHERMAN'S LOAN APPLICATIONS RECEIVED AND LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1938

Province	Applications Received		Loans Approved		Fair Market Value of Security at Time of Loan	Loans Paid Out	
	Number	Amount	Number	Amount		Number	Amount
		\$ cts.		\$ cts.			\$ cts.
British Columbia.....	6	4,250 00	5	2,400 00	8,100 00	5	2,149 16
Ontario.....							
Quebec.....						1	500 00
New Brunswick.....	9	4,800 00	1	1,000 00	2,200 00	1	650 00
Nova Scotia.....	25	14,550 00	9	4,900 00	12,410 00	13	8,115 58
Prince Edward Island.....	6	3,800 00	3	1,850 00	4,000 00	3	1,240 25
Total.....	46	27,400 00	18	10,150 00	26,710 00	23	12,654 99

SUMMARY OF APPLICATIONS RECEIVED FROM FISHERMEN, LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS DISBURSED EACH YEAR TO MARCH 31, 1938

YEAR—	Number	Amount	Number	Amount	Number	Amount
1936-37.....	83	49,055 00	27	12,650 00	18	6,601 61
1937-38.....	46	27,400 00	18	10,150 00	23	12,654 99
Total.....	129	76,455 00	45	22,800 00	41	19,256 60

## SCHEDULE "I"

SUMMARY OF FISHERMAN'S MORTGAGE LOANS, CLASSIFIED BY PROVINCES AS AT MARCH 31, 1938

Province	Principal outstanding			Charges out-standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	2,285 67	51 68			13 90		34 46	2,385 71
Ontario.....	991 79		0 14				41 17	1,033 10
Quebec.....	500 00						8 22	508 22
New Brunswick.....	922 17	27 83			12 55		15 61	978 16
Nova Scotia.....	12,295 08	125 35	25 50	18 46	50 33	4 96	179 20	12,698 88
Prince Edward Island.....	1,240 25						25 52	1,265 77
Total.....	18,234 96	204 86	25 64	18 46	76 78	4 96	304 18	18,869 84

## SCHEDULE "J"

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1938

Interest earned on First Mortgage Loans.....		\$1,279,341 01	
Interest earned on Second Mortgage Loans.....		185,070 41	
Interest earned on Agreements for Sale.....		17,977 71	
Interest earned on Bank Balances .....		2,344 03	
			<u>\$1,484,733 16</u>
<b>Less:</b>			
Interest on Initial Capital Advances.....	\$ 175,000 00		
Interest on Bonds .....	798,144 89		973,144 89
			<u>511,588 27</u>
<b>Administrative and General Expenses:</b>			
Commissioners' Salaries .....	14,000 00		
Branch Managers' Salaries.....	37,583 26		
Board Members' Remuneration.....	759 93		
Board Members' Travelling Expenses.....	101 75		
Salaries of Office Staffs.....	194,615 60		
Travelling Expenses, other than Appraisers and Board Members.....	8,661 97		
Auditing .....	5,310 05		
Printing, Stationery and Office Supplies.....	10,375 94		
Legal Expenses .....	5,989 10		
Postage and Excise Stamps.....	7,841 80		
Office Rentals, Cleaning, etc.....	25,986 32		
Telephones .....	1,636 34		
Telegrams .....	296 33		
Depreciation on Office Furniture and Equipment.....	3,439 91		
Freight and Express.....	858 73		
Staff Bonding.....	353 27		
Subscriptions.....	983 14		
Insurance .....	29 64		
Light .....	681 74		
Appraisal, Inspection and Collection Expense:			
(Field Operations)			
Appraisers' Salaries.....	\$ 37,169 82		
Appraisers' Automobile Expenses.....	10,679 52		
Appraisers' Travelling Expenses.....	12,934 96		
Part Time Appraisers' Fees and Expenses—Net.....	16,333 15		
	77,117 45		
Less Appraisal Fees Earned.....	31,237 71	45,879 74	
Properties Operating Expenses—Net.....		7,286 68	
		<u>372,671 24</u>	
<b>Less:</b>			
Registration of Address Fees Earned—Net.....	354 21		
Proportion of Expenses Charged to Operations under the Canadian Fisherman's Loan Act....	880 49	1,234 70	
			<u>371,436 54</u>
Net Profit on Operations under the Canadian Farm Loan Act.....		140,151 73	
Net Loss on Operations under the Canadian Fisherman's Loan Act....		511 50	
Net Profit for Year.....		<u>\$ 139,640 23</u>	

## SCHEDULE "K"

## CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1938

Segregated as to Parts I and II of the Canadian Farm Loan Act, in accordance with Terms of Order in Council P.C. 3279, dated December 29, 1936.

## PART I

Interest earned on First Mortgage Loans.....		\$1,279,341 01
Interest earned on Agreements for Sale.....		17,977 71
Interest earned on Bank Balances. . . . .		<u>2,344 03</u>
		1,299,662 75
Less Interest on Initial Capital Advances.....	\$ 175,000 00	
Less Interest on Bonds.....	<u>690,187 15</u>	
		<u>865,187 15</u>
		434,475 60
Administrative and General Expenses.....	309,869 00	
Properties Operating Expenses—Net.....	<u>7,286 68</u>	
		<u>317,155 68</u>
Profit pertaining to Operations under Part I.....		<u>\$ 117,319 92</u>

## PART II

Interest earned on Second Mortgage Loans.....		\$ 185,070 41
Less Interest on Bonds.....		<u>107,957 74</u>
		77,112 67
Administrative and General Expenses.....		<u>54,280 86</u>
Profit pertaining to Operations under Part II.....		<u>\$ 22,831 81</u>
Total Profit for the Year.....		<u>\$ 140,151 73</u>

## SCHEDULE "L"

PROFIT AND LOSS ACCOUNT IN RESPECT TO OPERATIONS UNDER THE CANADIAN FISHERMAN'S LOAN  
ACT FOR THE YEAR ENDED MARCH 31, 1938

Interest earned on First Mortgage Loans.....		\$ 657 26
Less Interest on Initial Capital Advances.....		348 28
		<u>\$ 308 98</u>
<b>Administrative and General Expenses:</b>		
Travelling Expenses, other than Appraisers.....	\$ 39 70	
Legal Expenses. . . . .	118 62	
Printing, Stationery and Office Supplies.....	31 32	
Proportion of Branch Office Expenses.....	880 49	
	<u>1,070 13</u>	
Less Registration of Address Fees Earned—Net.....	0 10	1,070 03
<b>Appraisal Expense:</b>		
Appraisers' Automobile Expenses. . . . .	3 58	
Appraisers' Travelling Expenses. . . . .	9 60	
Part Time Appraisers' Fees and Expenses.....	260 45	
	<u>273 63</u>	
Less Appraisal Fees Earned.....	174 90	98 73
		<u>\$1,168 76</u>
<b>Total Expenses. . . . .</b>		
Loss after providing for Interest on Initial Capital Advances.....		\$ 859 78
Deduct credit in respect to Exemption of Interest on Initial Capital Advances....		348 28
<b>Loss for Year. . . . .</b>		<u>\$ 511 50</u>

SCHEDULE "M"

BALANCE SHEET AS AT MARCH 31, 1938

ASSETS		LIABILITIES	
Cash in Banks.....	\$ 148,935 55	Accounts Payable.....	\$ 15,559 44
Capital Stock Subscriptions payable by Dominion Government:		Accrued Bond Interest.....	205,636 97
Under Canadian Farm Loan Act.....	\$ 43,010 00	Fire Insurance Recoveries and Other Deposits by Borrowers.....	32,357 86
Under Canadian Fisherman's Loan Act.....	151 00	Appraisal and Registration Fees received in respect of Applications not yet disposed of.....	4,661 02
Accounts Receivable.....	43,161 00 758 94	Deferred Liability <i>re</i> Mortgage Sale Proceedings.....	114 93
	<u>\$ 192,855 49</u>		<u>\$ 258,330 22</u>
Loans to Farmers, Secured by First Mortgages:		Advances by Dominion Government:	
Principal.....	\$27,158,920 69	Under Supplementary Estimates 1928/29.....	\$ 50,000 00
Interest Due and Unpaid.....	566,176 19	Under Canadian Farm Loan Act, Sec. 5, Sub- Sec. 1.....	5,000,000 00
Interest Accrued.....	441,503 04	Under Canadian Fisherman's Loan Act, Sec. 4, Sub-Sec. 1.....	20,000 00
Other Charges.....	18,042 09	Under Canadian Farm Loan Act, Sec. 21, Sub- Sec. 1.....	12,919 99
	<u>\$28,184,642 01</u>	Twenty-five Year Bonds, Series "C", 3½%, due 2nd Jan., 1960....	5,082,919 99
Loans to Farmers, Secured by Second Mortgages:		Capital Stock (in shares of \$1.00 each):	24,600,000 00
Principal.....	\$ 3,177,828 10	Under Canadian Farm Loan Act:	
Interest Due and Unpaid.....	48,709 60	Issued and Outstanding.....	\$ 1,909,759 00
Interest Accrued.....	117,719 67	Subscribed but not Issued.....	43,010 00
Other Charges.....	3,158 85		<u>\$ 1,952,769 00</u>
	<u>3,347,416 22</u>	Under Canadian Fisherman's Loan Act:	
Real Estate Held for Sale.....	242,538 66	Issued and Outstanding.....	\$ 772 00
Agreements for Sale:		Subscribed but not Issued.....	151 00
Principal.....	\$ 357,580 29		<u>923 00</u>
Interest Due and Unpaid.....	6,642 94	Statutory Reserve.....	1,953,692 00
Interest Accrued.....	7,817 85	Reserve for Losses under Part 11 of Canadian Farm Loan Act....	207,374 86
Other Charges.....	304 48		9,911 82
	<u>372,345 56</u>		
Less Provision for Possible Losses.....	\$32,146,942 45 279,103 36		
	<u>31,807,839 09</u>		
Loans to Fishermen, under the Canadian Fisherman's Loan Act, secured by First Mortgages:			
Principal.....	\$ 18,465 46		
Interest Due and Unpaid.....	81 74		
Interest Accrued.....	304 18		
Other Charges.....	18 46		
	<u>18,869 84</u>		
Prepaid Expenses—Seed Grain, 1938 Crop Season.....	479 75		

<b>Fixed Assets:</b>			
Automobiles.....	16,870 11		
Office Furniture and Equipment.....	34,528 86		
	<u>\$ 50,898 97</u>		
Less Reserve for Depreciation.....	20,461 40	30,447 57	
		<u>\$32,110,491 74</u>	
Deficit resulting from Operations under the Canadian Fisherman's Loan Act.....	1,737 15		
Total.....	<u>\$32,112,228 89</u>	Total.....	<u>\$32,112,228 89</u>

STATEMENT OF RESERVE FOR POSSIBLE LOSSES ACCOUNT FOR YEAR ENDED  
MARCH 31, 1938

Balance as at March 31, 1937.....	\$ 219,163 70	
<i>Deduct:</i>		
Loss on Properties Sold—Net.....	\$ 10,543 87	
Amount written off Book Value of Properties and Loans.....	<u>76,841 47</u>	
	87,385 34	
	\$ 131,778 36	
<i>Add:</i>		
Capital Stock Cancelled under Sec. 9 Sub-sec. 3 of the Canadian Farm Loan Act.....	11,525 00	
Amount appropriated from Profits.....	87,989 94	
Amount transferred from Statutory Reserve.....	45,858 67	
Amount transferred from Contingent Reserve.....	<u>1,951 39</u>	
	147,325 00	
Balance as at March 31, 1938.....	<u>\$ 279,103 36</u>	

## CANADIAN FARM LOAN BOARD

## SUMMARY OF LOAN CONDITIONS

## FIRST MORTGAGE LOANS

**Who May Qualify for Loan:**

Any person who is the owner of farm lands and whose principal occupation is farming, and who is actually engaged in or shortly to become engaged in the cultivation of the farm he offers as security for loan.

The applicant must have the necessary experience, ability and character to satisfy the Board that he will cultivate successfully the farm offered as security for a loan, and will be able to repay the Loan made to him.

**Purpose of Loan:**

To pay debts, purchase live stock or farm equipment, to make farm improvements, provide for expenses of farm operation, or to assist in the purchase of farm lands. \*See Note below on Farm Purchase.

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the farm (land and buildings) offered as security for loan nor in any event in excess of \$5,000.

**Security for Loan:**

The Board requires and the applicant should be prepared to give a first mortgage on farm lands under cultivation and owned and operated by the applicant. Farm lands offered as security must be provided with the necessary farm buildings. Farm lands under lease cannot be accepted as security for a loan.

**Rate of Interest:**

5 per cent per year and  $5\frac{1}{2}$  per cent on arrears.

**Appraisal:**

Every farm offered as security for loan must be appraised by one of the Board's appraisers before loan is granted. Appraisals are not made under winter conditions. The season for appraisal work extends from about May 1 to December 1.

**Appraisal Fee:**

A fee of \$10 is required with each application for loan to apply on the costs of appraisal and handling of applications but the fee will be refunded if appraisal be not made. If, however, an appraisal of the farm be made, the fee will be retained by the Board irrespective of whether or not the applicant is successful in obtaining a loan.

**Legal Costs:**

The applicant will be responsible for costs involved in search and perfection of titles, completion and registration of the mortgage.

**Where to Apply for Loan**

All correspondence with respect to applications for loans should be carried on with the manager of the provincial branch office of the Board. All applications for loan must be made on forms provided by the Board and these forms can be obtained from the provincial branch manager whose name and address is shown below.

British Columbia.....	W. S. Palmer, Canadian Farm Loan Board, New Westminster, B.C.
Alberta.....	J. A. Case, Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.....	R. S. Rideout, Canadian Farm Loan Board, Regina, Sask.
Manitoba.....	J. H. Martinson, Canadian Farm Loan Board, Winnipeg, Man.
Ontario.....	W. G. Whiteside, Canadian Farm Loan Board, Toronto, Ont.
Quebec.....	P. A. Angers, Canadian Farm Loan Board, Quebec City, Que.
New Brunswick.....	F. W. Hoar, Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.....	N. H. Parsons, Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island..	C. M. Williams, Canadian Farm Loan Board, Charlottetown, P.E.I.

## SECOND MORTGAGE LOANS

Anyone applying for a first mortgage loan may at the same time apply for a second mortgage loan. The applicant may make his application for the amount of loan he requires. The Board will decide after appraisal the amount that will be advanced on first mortgage loan and the amount to be advanced on second mortgage loan.

To pay debts, purchase stock, machinery, equipment to operate the farm offered as security for loan, to make permanent improvements thereon.

(NOTE.—Second mortgage loan cannot be approved for the purchase of farm lands).

Not to exceed one-half of the amount of first mortgage loan, the total amount of the first mortgage loan and the second mortgage loan not to exceed two-thirds of the appraised value of the land and buildings thereon, nor in any event \$6,000.

A second mortgage on the farm lands accepted as security for a first mortgage loan and a bill of sale by way of mortgage on the applicant's live stock, farm machinery and equipment.

6 per cent per year.

The farm offered as security for loan and applicant's live stock, machinery and equipment must be appraised by the Board's appraisers before a loan is granted.

In event of a second mortgage loan being granted, an additional charge may be made by the Board to apply against appraisal costs and the costs of handling the application and the amount thereof retained out of the proceeds of loan. No charge will be made if second mortgage loan is not granted.

Applicant will be responsible for costs involved in search of title, drawing and completion of mortgage, registration thereof.



### REPAYMENT "FIRST" MORTGAGE LOANS

The term of repayment of the loan is fixed by the Board but cannot exceed a term of 25 years. The applicant may select a shorter term of payment however.

The following repayment plans are used most generally:

Plan 1—24 annual instalments of \$7.25 for each \$100 of loan or 49 semi-annual instalments of \$3.57 for each \$100 of loan.

Plan 2—15 annual instalments of \$9.64 for each \$100 of loan or 30 semi-annual instalments of \$4.78 for each \$100 of loan.

Plan 3—10 annual instalments of \$12.96 for each \$100 of loan or 20 semi-annual instalments of \$6.42 for each \$100 of loan.

For example, the yearly payment on a loan of \$1,000 on a 24-year annual payment Plan 1 will be  $10 \times \$7.25 = \$72.50$  yearly for the next 24 years at the end of which time the loan will be fully repaid.

While the Board's loans are repayable on a long term basis, these loans may, in accordance with the terms of the Farm Loan Act, be retired before the due date subject to the Board's regulations.

The policy of the Board is to encourage borrowers to prepay their loans and to accept prepayment in order that the farmer may be relieved of his mortgage obligations as soon as possible.

### REPAYMENT "SECOND" MORTGAGE LOANS

Plan No. 1—Interest only to next instalment date and FIVE equal annual instalments of Principal with interest at 6 per cent.

#### Payment Dates

British Columbia, Ontario, New Brunswick,  
Nova Scotia and Prince Edward Island:—  
Annually on 1st June or 1st December.  
Semi-Annually on 1st June and 1st December.

Alberta, Saskatchewan, Manitoba and  
Quebec:—  
Annually on 1st May or 1st November.  
Semi-Annually on 1st May and 1st November.

### NOTE ON FARM PURCHASE

\* (In applying for a loan to assist in the purchase of farm lands the applicant must be able, with the amount of loan granted him by the Board together with the amount of his own funds, to obtain title to the farm in his own name and to give the Board a first mortgage thereon. The applicant must also satisfy the Board that he is in a position to operate the farm successfully, that he will be a permanent occupant and that he will be able to carry through the financial obligations he undertakes in the purchase of the farm. It should be noted that the largest amount that can be loaned to assist in the purchase of a farm must not be greater than one-half of the value placed on the farm by the Board's appraiser.)

## THE CANADIAN FISHERMAN'S LOAN ACT

### SUMMARY OF LOAN CONDITIONS

ISSUED BY THE CANADIAN FARM LOAN BOARD

#### Who May Apply:

A person whose principal occupation is fishing, and who is actually engaged as a business in the taking of fish, with his own boat, nets, traps, and equipment, or who owns a definite and legal share or part interest in the boat or boats and equipment so used or who proposes with the proceeds of loan applied for, to acquire such boat and fishing equipment or interest therein for the purpose of engaging in fishing.

The applicant must own land with title in such shape that any loan granted to him may be secured by a legal first mortgage thereon to the Board.

The applicant must have the necessary experience, ability and character to satisfy the Board that he can carry on his fishing operations efficiently and make provision for the repayment of loan granted.

#### Purpose of Loan:

- (1) To purchase boats or vessels, or shares or part interests in boats or vessels for use in the fisheries.
- (2) To purchase equipment for such fishing boats or vessels including therein the purchase of gasoline, crude-oil or other engines.
- (3) To purchase lines, hooks, trawls, nets, anchors, bait, traps, and any other equipment or apparatus for use in fishing.
- (4) Payment of liabilities incurred in providing equipment as set out above.
- (5) Other purposes definitely connected with fishing enterprises.

**Property Security:**

The applicant must give the Board a first mortgage on his real property for the amount of loan obtained. The land which is offered as security for loan must be owned by the applicant. In event of loan being granted the Board will require the applicant to furnish adequate fire insurance on the buildings on the property accepted as security for the loan.

**Valuation:**

The property of the applicant will be appraised at the fair market value of the land and buildings thereon; that is to say, at the price which might reasonably be expected to be realized therefrom if the property were offered for sale in the open market; this will not necessarily be the replacement or cost value of the property and buildings.

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the land and buildings and in no case to exceed a total of \$1,000.

Where two or more applicants have a joint or several ownership in the land and buildings, the aggregate loans for such applicants shall not exceed \$1,000.

No loan will be granted for an amount of less than \$200.

**Interest Rate:**

5 per cent per year and 5½ per cent on arrears.

**Appraisal Fee:**

On all applications for loans aggregating \$600 or less a fee of \$5; and on applications for loans aggregating over \$600 a fee of \$10 will be payable by the applicant to the Board at such time as the application has been accepted for appraisal, and prior to such appraisal being undertaken by the Board. The amount of such fee will be retained by the Board where appraisal is undertaken and applied by the Board against the cost of appraisal.

**Legal Costs:**

The applicant will be responsible for the costs involved in the search and perfection of titles, completion and registration of mortgage.

**Title Difficulties:**

In order to avoid unnecessary legal costs, every applicant, either before making formal application for loan, or before loan is approved for disbursement, should satisfy himself preferably upon the advice of his solicitor that he is able to perfect title to the property he offers as security for loan and to give the Board a First Mortgage thereon at a reasonable cost to himself.

**Where to Obtain Application Forms:**

Application forms can be obtained in all cases where it is desired to apply for loan from the Provincial Office of the Canadian Farm Loan Board for the province in which the property offered as security for loan is situated. The addresses of these offices are as follows:—

British Columbia.. . . .	.. Canadian Farm Loan Board, New Westminster, B.C.
Alberta.. . . .	.. Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.. . . .	.. Canadian Farm Loan Board, Regina, Sask.
Manitoba.. . . .	.. Canadian Farm Loan Board, Winnipeg, Man.
Ontario.. . . .	.. Canadian Farm Loan Board, Toronto, Ont.
Quebec.. . . .	.. Canadian Farm Loan Board, Quebec, P.Q.
New Brunswick.. . . .	.. Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.. . . .	.. Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.. . .	.. Canadian Farm Loan Board, Charlottetown, P.E.I.

**Repayment of Loan:**

All loans will be repayable in equal annual or semi-annual instalments of combined principal and interest over a term not exceeding ten (10) years. The Board reserves the right to fix a shorter term of loan than that applied for. Where the term of loan is fixed at 10 years the amount of the annual instalment over such term will be \$12.96 for each \$100 of loan; or where payable semi-annually the amount of the semi-annual instalment over such term will be \$6.42 for each \$100 of loan. Instalment payment dates will be June 1 and December 1 yearly.

The whole or any part of a loan may, subject to such Regulations as the Board may issue, be prepaid on any instalment date.

**REPORT**

**OF THE**

**CANADIAN FARM LOAN BOARD**

6

**FOR THE YEAR ENDED MARCH 31,**

**1939**

**OTTAWA**  
**J. O. PATENAUDE, I.S.O.**  
**PRINTER TO THE KING'S MOST EXCELLENT MAJESTY,**  
**1939**

## CANADIAN FARM LOAN BOARD

HEAD OFFICE—OTTAWA, CANADA

### *Members of the Board*

J. D. MACLEAN, Farm Loan Commissioner, Ottawa

ROBERT MCKENZIE, Ottawa

W. C. CLARK, Ottawa

AIME BOUCHER, Pierreville, P.Q.

### *Branch Offices*

New Westminster, British Columbia.....	W. S. Palmer, Manager
Edmonton, Alberta.....	J. A. Case, Manager
Regina, Saskatchewan.....	R. S. Rideout, Manager
Winnipeg, Manitoba.....	J. H. Martinson, Manager
Toronto, Ontario.....	W. G. Whiteside, Manager
Quebec City, Quebec.....	P. A. Angers, Manager
Saint John, New Brunswick.....	P. W. Caldwell, Manager
Halifax, Nova Scotia.....	N. H. Parsons, Manager
Charlottetown, Prince Edward Island.....	C. M. Williams, Supervisor

## REPORT OF THE CANADIAN FARM LOAN BOARD

For the Year Ended March 31, 1939

Honourable J. L. RALSTON,  
Minister of Finance,  
Ottawa, Canada.

SIR,—I have the honour to submit the report of the Canadian Farm Loan Board on operations under the Canadian Farm Loan Act and on operations under the Canadian Fisherman's Loan Act for the fiscal year ended March 31, 1939. The word "operations" under Part I of the Canadian Farm Loan Act has reference to first mortgage loans and, under Part II of the said Act, has reference to second mortgage loans.

### REVIEW OF TEN YEARS' OPERATIONS

As the end of the fiscal year March 31, 1939, marks the close of the tenth year of the Board's operations, it is not inappropriate that a brief summary should be given of the principal provisions of the original Farm Loan Act and of the subsequent Amendments made thereto as well as to make some observations on the results of the Board's operations during that period.

The Canadian Farm Loan Act was enacted in 1927 but it was not until 1929 that appointments were made and the organization of the Board proceeded with. This delay was due to the necessity for the enactment by the provinces of enabling legislation as a condition precedent to the initiation of loaning in any province.

The first Board appointed consisted of the then Minister of Finance, the late Honourable J. A. Robb, as Chairman ex officio, the present Chairman, J. D. MacLean, as Farm Loan Commissioner and Chief Executive Officer, together with Beaudry Leman, Montreal, Quebec, and E. C. Drury, Barrie, Ontario, as additional Members of the Board.

The purpose of the Canadian Farm Loan Act was to create an independent national loaning organization with authority to make long term loans to farmers on the security of their farms. With this in view, the Members of the Farm Loan Board were appointed for a term of years.

At the same time, provision was made for the appointment by the Farm Loan Board of Provincial Boards that would act as agents of the Board in each province. The members of Provincial Boards were selected from persons nominated by the Provincial Governments of such provinces.

### SCHEME OF FINANCING

The scheme of financing the Board's operations provided for an initial cash advance to the Board by the Government of Canada of \$5,000,000 to be drawn on from time to time as required. In order to enable the Board to establish the organization, the Farm Loan Act provided that the Board should have the use of the \$5,000,000 advance above referred to free of interest for three years but thereafter the Board was required to pay interest on the advance at a rate fixed by the Governor in Council. The original interest rate charged to the Board was fixed at 5 per cent but this rate has since been reduced to 3½ per cent per annum. Provision also was made for the repayment of this cash advance out of the profits made by the organization from its loaning operations.

The basic financial structure of the Board was provided for as follows: the Government of Canada was required to subscribe to capital stock in the Board to the extent of 5 per cent of the principal of all loans made and outstanding; each province was required to subscribe to such capital stock to the extent of 5 per cent of the capital of all loans made and outstanding in the province; and each borrower was required to subscribe to capital stock in the Board to the extent of 5 per cent of the amount of his loan.

Provision was made for the declaration of dividends to shareholders out of earnings after due provision had been made for reserves. Borrowers were classed as preferred shareholders and were entitled to dividends declared in excess of a dividend rate of 5 per cent per annum.

The Board was authorized to issue and to sell bonds within the limit of the loan securities held by it and the Minister of Finance was empowered to purchase and to hold such bonds up to an amount of \$15,000,000. The Board was empowered to loan money to *bona fide* farmers on the security of a first mortgage on farm lands owned, occupied and cultivated by the farmer applicant; the maximum of loan was not to exceed 50 per cent of the appraised value of such lands together with 20 per cent of the value of the buildings situate thereon nor, in any event, an amount by way of loan to an individual farmer in excess of \$10,000.

The rate of interest to be charged on loans was to be fixed by the Board at such rate in excess of the rate of interest paid by the Board on its bonds as would, in the judgment of the Board, be sufficient to provide for the costs of administration and reserves for losses. In initiating operations, the Board fixed the interest rate on its loans at 6½ per cent based on the then cost of its own funds, namely, 5 per cent per annum plus an additional 1½ per cent estimated to cover administration costs and provide reserves for losses on operation.

Following the enactment of provincial enabling legislation, the Board initiated loaning operations in the Provinces of British Columbia, Alberta, New Brunswick and Nova Scotia in the spring of 1929 and in the Provinces of Quebec and Manitoba in the fall of that year. Loaning operations were not initiated in Ontario, Saskatchewan and Prince Edward Island until the summer of 1935.

## LOANING OPERATIONS

The yearly volume of loan applications and loans granted by the Board is shown in Schedule B hereto.

It will be observed that the volume of loaning operations declined to small proportions in the years 1932 to 1934, inclusive. This situation was attributable largely to the following factors, namely: the increased protection afforded by provincial legislation to farmer debtors as against their creditors in a number of provinces in which such legislation was deemed necessary as a result of the severe drop in the prices of farm products and consequent decreased farm income during this period; secondly, the inability of the Board to refinance the indebtedness of a considerable percentage of farmers at amounts within the applicant's capacity to repay; thirdly, the limitations of the amount of loan imposed by the Act in relation to the appraised value of farm lands as affected by the drop in farm land values; fourthly, the failure of some creditors to realize that a certain proportion of farmer debtors were unable to repay their liabilities in accordance with the terms of the original contract and the reluctance of such creditors to make any compromises in the amount of their claims.

Although the Board's loaning policy at the time was criticized as being too conservative, subsequent events have demonstrated the wisdom of the decision of the Board to loan cautiously under the conditions existing at that time.

The Board has adhered consistently to the principle that the amount of mortgage credit granted to an individual farmer should be measured by his ability to repay such obligations from the products of his farm after he had made provision for payment of taxes and for living and operating expenses.

If the Board at that time had been prepared to make loans on predepression land values and performances, the volume of business of the Board in the period in question could have been largely increased but such a policy would have operated to the detriment of the farmer by the consolidation of his debts at an amount beyond his ability to repay.

### AMENDMENTS TO FARM LOAN ACT

In 1934-35 the Canadian Farm Loan Act was amended as follows:—

The Board was authorized to proceed with loaning operations in all provinces without the necessity of obtaining prior provincial enabling legislation; the complete control of the administration of the Farm Loan Act in all the provinces was vested in the Dominion Government; the scope of the Board's loaning operations was extended by the provision made for additional loan advances secured by second mortgage on both the land and the chattels of the farmer; the Chairmanship of the Board was vested in the Farm Loan Commissioner and provision was made for the appointment of a representative of the Department of Finance as a Member of the Board; the administration of the Board's operations in each province was vested in a Chief Executive Officer appointed by the Governor in Council upon the nomination of the Board and the recommendation of the Minister of Finance; the Minister of Finance was authorized to purchase and to hold bonds of the Board to an amount not exceeding \$50,000,000 and the Governor in Council was empowered to approve of a guarantee of the payment of principal and interest on bonds issued and sold by the Board to the general public up to an additional amount of \$40,000,000.

The conditions of loan were varied by fixing the maximum amount which the Board may loan to an individual farmer on the security of first mortgage on farm lands at a maximum of 50 per cent of the actual value of land and buildings as determined by appraisal, and the value of the buildings was limited to the amount by which such buildings add to the value of the lands. The maximum of first mortgage loan was reduced from \$10,000 to \$5,000.

The term of loan was fixed at a maximum of twenty-five years repayable on an amortized plan of repayment.

Part II of the Farm Loan Act deals with second mortgage loans and advances of this type are made only to farmers who have a first mortgage loan from the Board and these mortgages are a charge on both the land and the chattels of the farmer excepting in provinces in which chattel mortgages are not legal. The maximum amount of loan that may be granted on both a first and second mortgage shall not exceed two-thirds of the appraised value of the farm nor in any event \$6,000, and the second mortgage must not exceed one-half of the amount of the first mortgage. While the term of the second mortgage is for six years, the Board may grant extensions of time for repayment of second mortgages if the circumstances of the farmer so warrant.

### REDUCTION IN INTEREST RATE

Subsequent to the enactment of the amending legislation, the Government undertook to purchase the 3½ per cent bonds of the Board at par in amounts sufficient to provide the Board with funds to meet the demands for loans. The Board was enabled, in consequence, to reduce its rate of interest to borrowers to 5 per cent on first mortgage loans and to 6 per cent on second mortgage loans. In 1936, the rates of interest on outstanding loans previously made were reduced also to similar rates.

## CAPITAL STOCK SUBSCRIPTION

The original provision for subscription to capital stock in the Board by borrowers and by provinces was repealed and, under the provisions of the amending legislation, the Dominion Government became the sole shareholder in the Board; this change was effected by continuing the provision for subscription by the Dominion Government to the capital stock of the Board to the extent of 5 per cent of all loans made and outstanding, and through a provision for the purchase by the Dominion Government of outstanding capital stock previously subscribed by provinces. Outstanding capital stock held by borrowers was retired by crediting the par value of the same on the borrower's loan account.

## INCREASE IN LOANING

Following the enactment of the Amendments of 1935 and the reduction in the interest rate to borrowers, there has been a large increase in the business of the Board. Other factors entering into this increase were as follows:—

- (a) The increased publicity resulting from the discussion of the Amendments in Parliament.
- (b) The decision of creditors to accept compromises in the amount of their indebtedness.
- (c) The more generous terms of loaning resulting from the second mortgage feature of the Act.

Loans disbursed by the Board in the period April 1, 1935, to March 31, 1939, totalled \$28,101,085.35 as compared with loans of \$10,526,161.56 disbursed in the period from inception of operations to March 31, 1935. In this connection it should be noted that the Board did not begin to loan in Ontario, Saskatchewan and Prince Edward Island until the summer of 1935, and, since that time, upwards of \$11,000,000 has been invested in these three provinces. The loaning operations of the Board in recent years have enabled many farmers to refinance their existing obligations and to effect considerable reductions in their capital indebtedness and carrying charges.

## LOAN DISBURSEMENT

The policy of the Board has been to obtain from each applicant, when making his application for loan, a complete statement of his financial obligations and when disbursing loans to require, as a general rule, consolidation of debts with the amount of loan granted and to arrange for the direct payment of the outstanding liabilities of the borrower from loan proceeds.

## REAL PROPERTY

It has been the policy of the Board to avoid, as far as possible, foreclosure proceedings or any other action that might result in the dispossession of borrowers. In order to make this policy effective, the Board has pursued a systematic plan of collecting instalments each year as and when payments become due. If the borrower fails to make his payment on the due date, he is communicated with and a statement of his crop returns and his cash receipts required. If he fails to reply, he is visited by one of the Board's field staff and, should it appear that he is not in a position to make a payment, he is given an extension of time to do so. On the other hand, if he has the ability to pay but refuses to do so, legal steps are taken to place the account in good standing.



In the past ten years of operation the Board has taken over by sale, foreclosure or quit claim a total of 374 properties and has disposed of 256 properties under sale contract. In this connection it should be noted that the acquisition of a considerable number of properties was the result of the abandonment thereof by the borrower or through the institution of legal action by third parties. As at March 31, 1939, the Board had on hand 115 properties of which 37 had been disposed of under lease with purchase option agreement while three properties have been written off.

### LOSSES ON INVESTMENT

The losses sustained by the Board in the sale of farm properties acquired on account of non-payment of mortgage obligations and in compromises effected in respect of delinquent loans have been due chiefly to the optimism prevailing at the time the Board was organized in respect to the value of farms and the repayment ability of the farmer, to the continued unfavourable climatic conditions affecting production in certain sections of Canada and to the substantial fall in land values subsequent to the date when the loan was made.

The efforts of the Board have been directed towards building up its volume of business by means of careful attention to and through careful enquiry into the qualifications of the individual applicant for loan and through the development of a proper basis for and system of appraisal. In the past ten years the Board has accumulated an intimate knowledge of agricultural conditions in all sections of Canada and has obtained a background of experience which will serve as a solid foundation for further expansion in the field of rural credit.

The Board has noted with pleasure a provision contained in the recently enacted Central Mortgage Bank Act authorizing that institution to carry on research in the mortgage credit field. There is a need for further study and research in Canada with a view to the development of improved appraisal methods in the valuation of farm lands based on the productive capacity of the soil and on the ability of the farm operator.

From year to year the Board has endeavoured to improve its appraisal methods and to instruct its appraisal staff in the fundamentals of sound loaning practices.

### ADMINISTRATION

As provided under the terms of the Canadian Farm Loan Act, the executive work of the Board is directed by the Farm Loan Commissioner and the work delegated by the Board to each Branch is supervised by the Manager of such local branch.

Each provincial Branch Office is held responsible for the initial consideration of applications for loan, for arranging for the appraisal of farms, for the placing of insurance, for loan disbursement and for the collection of current and overdue instalments on outstanding loans.

The Board appoints its own employees, both at Head Office and at the Branch Offices, including the Manager of each provincial Branch, but, in the case of the latter class of officials, such appointment is subject to the approval of the Governor in Council. Branch Managers, subject to the approval of the Commissioner, however, are authorized by the Board to engage temporary staff as required.

The Board provides for all administrative expenses, both at Head Office, and at the Branch Offices, including rentals, supplies, salaries, travelling expenses, etc.

The accounting work of the Board is centralized at the Head Office of the Board at Ottawa.

Following the general review of the Board's policies and operations as given above, I beg to report on operations for the fiscal year ended March 31, 1939.

#### APPLICATIONS

The Board carried over into the fiscal year under review 636 loans applications which had not been finally disposed of in the preceding year. In the fiscal year, a further 4,723 applications were received. The total applications for loans dealt with in the year, therefore, numbered 5,359 of which 949 applications had not been finally disposed of at the close of the year largely owing to the inability of the applicant to comply with the conditions of loan approval before the end of the fiscal year.

#### APPRAISALS

The Board carried out in the fiscal year 4,135 appraisals and check appraisals of securities offered for loan. The Board employs in its appraisal work two classes of appraisers; firstly, a group of permanent appraisers attached to the Branch Offices and working out either from the Branch Office centre or stationed at an outside point within the territory assigned to such appraiser. In addition, the Board employs local appraisers on a per diem basis to undertake appraisal work for the Board as from time to time required. Each permanent appraiser is assigned both appraisal and collection work in a fairly well defined territory and also supervises and checks on the work of local appraisers within his district.

#### LOANING OPERATIONS

Loans granted to farmers during the fiscal year totalled 2,267 first mortgage loans and 560 second mortgage loans for amounts aggregating \$4,346,050 while loans disbursed during the year amounted to \$4,338,843. Particulars relating to these loans will be found in Schedule A annexed hereto.

At the close of the fiscal year, the Board had on its books 17,747 first mortgage loan accounts for amounts totalling \$31,162,576.60 and 6,564 second mortgage loan accounts for amounts totalling \$3,221,016.44 and also 199 sale contracts for amounts totalling \$394,495.55, comprising a total of 24,510 farm loan accounts aggregating \$34,778,088.59. In addition, 115 parcels of real estate were held for sale carried at a book value of \$264,026.94. The above items amounted to a total investment under administration of \$35,042,115.53.

From the beginning of operations in 1929 down to March 31, 1939, the Board has disbursed first mortgage loans amounting to a total of \$34,671,517 as well as an amount of \$3,955,730 by way of second mortgage loans or a total of \$38,627,247.

#### COMMENTS ON ASSETS AND LIABILITIES OF THE BOARD

The assets of the Board consist chiefly of outstanding loans to Farmers, of loans to Fishermen, of Agreements for Sale and of Real Estate. These are shown in the balance sheet and set out in Schedules hereto. As regards the items of Real Estate held for sale, the figure shown as assets represents the estimated sale value of the parcels held but in no instance is a parcel of land valued at a figure in excess of the Board's investment therein.

Under the item of Fixed Assets, such as automobiles, furniture and equipment, the carrying value of automobiles is arrived at by writing off, as depreciation, 30 per cent of the purchase price in the first year, 20 per cent in the

second year and 10 per cent each year thereafter. Under the same item the carrying value of furniture and equipment is arrived at after writing off yearly, as depreciation, 10 per cent of the purchase price.

#### LIABILITIES

The item of the outstanding 3½ per cent Bond Series C, \$27,300,000, shown as a liability, represents outstanding bonds purchased and held by the Government of Canada. The item of capital stock subscribed for under the Canadian Farm Loan Act, \$2,088,058, and shown as a liability, represents capital stock purchased by and held by the Government of Canada. The item of capital stock, \$1,326, issued under the Fisherman's Loan Act, is similarly held by the Government of Canada.

#### COLLECTIONS

Cash payments by farmer borrowers during the fiscal year were as follows: repayment of loan principal \$1,554,644.32, interest payments \$1,416,043.00, or a total of payments received during the year of \$2,970,687.32, as compared with a total of \$2,523,156.51 received on account of similar items in the previous fiscal year.

Interest arrears owing at the close of the fiscal year on first mortgage loans represented 2.038 per cent of principal outstanding and on second mortgage loans represented 3.101 per cent of principal outstanding. A comparative statement of arrears outstanding at the close of each of the last four fiscal years is set out hereunder:—

Year Ended March 31	Per Cent Interest Arrears First Mortgage Loans to Outstanding Principal	Per Cent Interest Arrears Second Mortgage Loans to Outstanding Principal	Per Cent Total Interest Arrears on both First and Second Mortgage Loans to Outstanding Principal
1936.....	3.445	0.042	3.185
1937.....	2.249	0.523	2.058
1938.....	2.084	1.532	2.027
1939.....	2.038	3.101	2.135

#### PREPAYMENT OF LOAN PRINCIPAL

The policy of the Board is to offer encouragement to borrowers to reduce their outstanding obligations in affording them opportunities of prepayment on their loan accounts. Prepayment of loan principal in whole or in part will be accepted by the Board without bonus at any time after the elapse of two years from the date of loan disbursement.

As at the end of the fiscal year 1938-39, of a total of 17,747 first mortgage borrowers from the Board 72.3 per cent of this number had met their due payments in full, while of a total of 6,564 second mortgage borrowers 57.1 per cent had met their due payments in full as at the same date.

#### POLICY OF THE BOARD IN RESPECT TO FORECLOSURE PROCEEDINGS

The Board's policy in respect of foreclosure has been outlined earlier in this report. As stated, the Board seeks to avoid foreclosure and resorts to this procedure only when convinced that the borrower either will not co-operate

in respect to his account or that he is not making a reasonable effort to meet his obligations to the Board. During the year the Board instituted sale or foreclosure proceedings against 35 borrowers and, of these, 23 cases were in process at the close of the fiscal year. Each of these cases was carefully investigated prior to institution of legal proceedings.

#### REAL ESTATE HELD FOR SALE AT THE CLOSE OF THE FISCAL YEAR

The Board endeavours to guard against the accumulation of real estate by taking active steps to dispose of the same immediately following acquisition thereof and follows the policy of selling the property at current prices. In selling properties, as large a cash payment is obtained as is reasonably possible but a number of farms are sold on as low as a 10 per cent cash basis with the balance payable over a term up to twenty-five years with interest at 5 per cent per annum.

In the course of the year the Board acquired 52 farm properties by foreclosure, sale or quit claim and during the year 36 properties were sold.

In addition, a number of properties have been leased for terms of from two to five years with a purchase option to the lessee exercisable upon reduction of the purchase price to an agreed amount, the lessee being allowed a credit in the exercise of the purchase option for amounts paid in as rental in the period prior to the exercise of the option.

The Board had 115 farm properties on its books at the close of the fiscal year at an estimated resale value of \$264,026.94. Particulars of such real estate are shown in Schedule F hereto. Of this number 37 properties valued at \$96,350.88 were under lease with purchase option at the close of the fiscal year, and 10 properties valued at \$27,754.48 were in process of sale at that date.

#### FINANCING DURING THE YEAR 1938-39

For the purpose of financing the Board's loaning operations for the year, the Board disposed of \$2,700,000 of 3½ per cent Farm Loan bonds. Additional funds required for loaning purposes were obtained from loan repayments received during that period.

During the year, the Government of Canada subscribed to capital stock in the Board to the extent of \$144,764 in accordance with the provisions of subsection (2) of Section 5 of the Canadian Farm Loan Act.

The interest due and payable by the Board on all its financial obligations for the fiscal year amounted to \$1,053,562.32 and this amount was paid in full on due date.

The Board's financial position at the close of the fiscal year is shown in the balance sheet annexed as Schedule M hereto.

At the close of the fiscal year the assets under administration under the Canadian Farm Loan Act were as follows:—

Farm mortgage loans.....	\$34,383,593 04
Agreements for sale of farm properties.....	394,495 55
Farm real estate held for sale.....	264,026 94
	<u>\$35,042,115 53</u>

As a matter of comparison, the following is a statement of assets under administration at the close of each of the last four fiscal years:—

1935-36.....	\$17,403,807 43
1936-37.....	28,041,518 58
1937-38.....	32,146,942 45
1938-39.....	35,042,115 53

## COSTS OF ADMINISTRATION

As stated above, the Board at present borrows its funds at  $3\frac{1}{2}$  per cent and lends these funds to farmers at 5 per cent. The difference, or  $1\frac{1}{2}$  per cent, provides for operating expenses, reserves, etc. It should be noted that, notwithstanding the difficult conditions of the past ten years, the Board has been able to operate within this margin and to provide for all its administrative costs and build up reserves for losses. This has been accomplished without any financial assistance from any source other than the use of the initial capital advance of \$5,000,000 free of interest for three years following the date of advance and the subscription to capital stock previously mentioned.

The costs of administration for the fiscal year amounted to \$360,859.97 or 1.03 per cent of the value of assets under administration as compared with \$371,436.54 in the previous fiscal year. Since the peak year of new business in 1936-37, the costs of administration have decreased notwithstanding the increase of assets under administration.

As at March 31, 1939, the salaried staff of the Board numbered 175 of whom 37 were at Head Office and the remainder were attached to the Branch Offices.

## PROFIT AND LOSS

For the fiscal year under review the Board showed a profit on operations under the Canad an Farm Loan Act, Part I, of \$167,879.30 and of \$27,483.23 under Part II of the Act or a total profit of \$195,362.53 as compared with a total profit of \$140,151.73 in the previous fiscal year.

Profits accruing from the operations of the Board have been set aside to strengthen the Reserve Accounts of the Board, to provide for losses on operation and to set up a fund to repay the capital of \$5,000,000 advanced to the Board by the Government of Canada at the time the Board was organized.

At the close of the fiscal year the sum of \$159,541 was transferred into the Board's Reserve for Possible Losses on outstanding loan accounts under Part I. This amount was made up as follows:—The value of capital stock cancelled under subsection (3) of Section 9 of the Act \$9,270, appropriated from profit \$125,909.30, transferred from Statutory Reserve \$24,361.70. Profits accruing from operations under Part II of the Act amounting to \$27,483.23 were transferred to the Reserve Account Part II to provide for Losses under this Part. In addition, the value of capital stock cancelled under subsection (3) of Section 9 of the Act amounting to \$205 was transferred during the year to the Reserve Account under Part II of the Act.

## RESERVES

During the year there was written off against Reserve for Possible Losses a total of \$64,585.34 on account of losses on (a) sales of properties, (b) revaluation of real estate held by the Board and (c) compromises under the Farmers' Creditors Arrangement Act, as compared with a total of \$87,385.34 written off on account of the above during the preceding year, while under Part II of the Act there was written off a total of \$716.91 during the same period.

At the close of the fiscal year the reserves of the Board totalled \$635,925.32 as compared with reserves of \$496,390.04 at the close of the previous year. Judging by the experience of the last ten years, the reserve provisions of the Farm Loan Act are adequate to maintain permanently the solvency of the Board provided its affairs are carefully administered.

## CANADIAN FISHERMAN'S LOAN ACT

The Canadian Farm Loan Board is charged also with the administration of a scheme of loans to fishermen under The Canadian Fisherman's Loan Act. The operations under this Act are financed and administered on the same general principles as the Canadian Farm Loan Act.

Operations under this Act were initiated in the latter part of the year 1935 but to date there have been relatively few demands for loans under this scheme.

In the past fiscal year 60 fishermen's loans applications were accepted by the Board for appraisal and 19 loans were granted for amounts totalling \$8,875. Loans disbursed amounted to \$9,318 and loans in the hands of the solicitors in process of disbursement at the close of the fiscal year amounted to approximately \$1,500. The amount outstanding at the close of the fiscal year on loans made to fishermen under the Act totalled \$27,353.59, particulars of which are set out in the Schedule I hereto.

The Board incurred a loss during the year of \$167.52 in its operations under The Fisherman's Loan Act after crediting the amount of \$585.54 in respect of exemption of interest on Initial Capital advanced to the Board by the Government of Canada by way of loan under the said Act.

### AUDIT

An audit of the accounts of the Board is made each year by a firm of chartered accountants appointed by the Government of Canada.

### SCHEDULES

Appended to this report will be found schedules dealing with the Board's operations for the fiscal year under review as follows:—

Schedule "A" hereto contains a statement by provinces of the total farm loans approved during the year with particulars of the appraised values and acreages of the farm lands accepted as security for such loans. Included in the schedule is a statement of moneys disbursed by way of loan during the year.

Schedule "B" hereto contains a statement by years of the number and amount of applications for farm loans received from farmers, number and amount of farm loans approved and amount of loan moneys disbursed from the date of the organization of the Board to March 31, 1939, inclusive.

Schedule "C" hereto contains a statement by provinces of the total number of farm loans and amount of loan moneys disbursed down to March 31, 1939, with particulars of the original appraised values of the farm lands and acreages mortgaged to the Board as security for such loan.

Schedule "D", Part I, hereto contains a statement by provinces of farm loans secured by first mortgage outstanding as at March 31, 1939.

Schedule "D", Part II, hereto contains a statement by provinces of farm loans secured by second mortgage outstanding as at March 31, 1939.

Schedule "E" hereto contains a statement by provinces of the amount outstanding as at March 31, 1939, on agreements for sale of farm properties acquired by the Board and resold.

Schedule "F" hereto contains a statement by provinces of the farm real estate held by the Board as at March 31, 1939, with particulars of the investment of the Board therein and the values at which carried on the books of the Board.

Schedule "G" hereto contains a statement by provinces of all farm real estate disposed of by the Board during the fiscal year with particulars of the amount of the Board's investment therein, and amounts realized on disposition, together with a statement of sales of real estate cancelled during the year.

Schedule "H" hereto contains a statement by provinces of fisherman's loan applications received and loans approved under The Canadian Fisherman's Loan Act with particulars of appraised values of the real property accepted as security therefor, and loans paid out during the fiscal year and from inception of operations thereunder to March 31, 1939.

Schedule "I" hereto contains a statement by provinces of loans made to fishermen under The Canadian Fisherman's Loan Act and outstanding as at March 31, 1939.

Schedule "J" hereto contains the Profit and Loss Account of the Board for the year ended March 31, 1939.

Schedule "K" hereto contains the condensed Profit and Loss Account in respect to operations under the Canadian Farm Loan Act, segregated as to Parts I and II of the Canadian Farm Loan Act.

Schedule "L" hereto contains the Profit and Loss Account of the Board in respect of operations under The Canadian Fisherman's Loan Act for the year ended March 31, 1939.

Schedule "M" hereto contains the Balance Sheet of the Board for the year ended March 31, 1939.

At the time of writing this report Canada is engaged, along with other members of the British Commonwealth and the Allied Nations, in a war against the Nazi rulers of Germany and the nation's resources are being mobilized in the interest of the allied cause. The Canadian Farm Loan Board stands prepared to co-ordinate its efforts and utilize its organization in whatever manner is deemed best designed by the Government to assist in meeting the exigencies of war.

In concluding this report, the members of the Board take the opportunity of expressing their appreciation of the conscientious manner in which on the whole the officers and staff of the Board throughout Canada have discharged their duties.

Respectfully submitted,

J. D. MACLEAN,

*Commissioner.*

Dated October 21, 1939.

SCHEDULE "A"

STATEMENT BY PROVINCES OF FARM LOANS APPROVED WITH DETAILS OF APPRAISED VALUES OF FARM LANDS AND BUILDINGS AND ACREAGES ACCEPTED AS SECURITY THEREFOR AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1939

Province	First Mortgage		Second Mortgage		Total Amount approved	Appraised Value of Security at Time of Loan			Total Acreage	Loans paid out, including Loans Approved prior to April 1, 1938		Total
	Number of Loans	Amount approved	Number of Loans	Amount approved		Land	Value of Buildings to Land	Total Appraised Value		1st Mortgage	2nd Mortgage	
British Columbia	125	245,650	16	11,100	256,750	495,658	238,975	734,633	20,412	236,458 38	11,820 90	248,279 28
Alberta	363	615,800	89	41,200	657,000	1,423,681	323,835	1,747,516	106,895	610,933 73	41,946 58	652,880 31
Saskatchewan	381	626,500	146	64,050	690,550	1,583,766	468,021	2,051,787	130,397	660,683 57	78,425 70	739,109 27
Manitoba	276	504,450	117	64,950	569,400	1,110,513	348,785	1,459,298	77,877	496,922 05	64,676 53	561,598 58
Ontario	413	806,100	97	46,500	852,600	1,261,886	665,233	1,927,119	50,449	829,246 95	48,122 60	877,369 55
Quebec	398	840,350	61	26,300	866,650	1,286,533	755,684	2,042,217	51,513	774,516 34	36,106 10	810,622 44
New Brunswick	33	38,400	12	4,150	42,550	59,501	38,285	97,786	5,473	38,053 76	3,872 00	41,925 76
Nova Scotia	150	217,600	7	3,600	221,200	398,222	202,964	601,186	24,559	215,386 76	3,549 08	218,935 84
Prince Edward Is.	128	181,950	15	7,400	189,350	315,455	142,656	458,111	14,009	179,193 69	8,928 50	188,122 19
Totals	2,267	4,076,800	560	269,250	4,346,050	7,935,215	3,184,438	11,119,653	481,584	4,041,395 23	297,447 99	4,338,843 22



SCHEDULE "B"

SUMMARY OF APPLICATIONS RECEIVED FROM FARMERS, LOANS APPROVED, AND LOANS DISBURSED EACH YEAR FROM INCEPTION OF OPERATIONS TO MARCH 31, 1939

Year	Applications Received		Loans Approved				Loans Paid Out			
	Number	Amount	First Mortgage		Second Mortgage		Total Amount	First Mortgage	Second Mortgage	Total
			Number	Amount	Number	Amount				
		\$ cts.		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1929-30.....	6,827	18,016,083 00	1,787	3,981,050 00			3,981,050 00	2,630,376 97		2,630,376 97
1930-31.....	3,372	8,650,182 00	1,458	3,212,400 00			3,212,400 00	3,517,488 57		3,517,488 57
1931-32.....	4,803	12,370,398 60	1,049	2,025,400 00			2,025,400 00	1,996,344 40		1,996,344 40
1932-33.....	1,776	3,939,392 50	536	982,800 00			982,800 00	1,276,114 24		1,276,114 24
1933-34.....	1,207	2,306,934 00	287	490,800 00			490,800 00	558,630 34		558,630 34
1934-35.....	2,456	5,496,816 65	532	880,900 00	72	44,600 00	925,500 00	537,973 67	9,233 37	547,207 04
1935-36.....	21,698	50,152,821 20	5,109	8,906,680 00	3,236	2,051,725 00	10,958,405 00	6,191,609 02	1,232,169 73	7,423,778 75
1936-37.....	9,821	21,872,723 43	5,099	9,004,850 00	2,835	1,504,150 00	10,509,000 00	9,269,187 51	1,804,968 37	11,074,155 88
1937-38.....	3,924	8,254,401 00	1,913	3,473,000 00	776	368,575 00	3,841,575 00	4,652,397 24	611,910 26	5,264,307 50
1938-39.....	4,723	9,688,427 00	2,267	4,076,800 00	560	269,250 00	4,346,050 00	4,041,395 23	297,447 99	4,338,843 22

SCHEDULE "C"

STATEMENT BY PROVINCES OF TOTAL FARM LOANS DISBURSED WITH DETAILS OF APPRAISED VALUES AT TIME OF LOAN, OF FARM LANDS AND BUILDINGS, AND ACREAGES ACCEPTED AS SECURITY THEREFOR, TO MARCH 31, 1939

Province	First Mortgage		Second Mortgage		Total Mortgage Loans Disbursed	Appraised Value of Security			Total Acreage
	Number	Amount Disbursed	Number	Amount Disbursed		Land	Buildings	Total	
		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	874	2,077,468 49	90	60,100 00	2,137,568 49	5,435,294 00	2,416,203 00	7,851,497 00	175,373
Alberta.....	3,803	7,052,677 77	760	490,515 12	7,543,192 89	20,032,065 00	6,012,418 00	26,044,483 00	1,238,747
Saskatchewan.....	3,018	5,646,998 54	1,711	961,654 61	6,608,651 15	15,160,957 00	4,093,760 00	19,254,717 00	1,154,559
Manitoba.....	2,120	4,073,090 47	964	621,299 05	4,694,389 52	10,177,885 00	4,327,917 00	14,505,802 00	697,296
Ontario.....	1,887	3,453,757 13	745	386,628 06	3,840,385 19	5,860,516 00	3,462,956 00	9,323,472 00	240,494
Quebec.....	5,197	9,563,157 44	2,251	1,179,078 81	10,742,236 25	19,052,971 00	11,596,042 00	30,649,013 00	760,420
New Brunswick.....	730	987,234 92	158	65,700 00	1,052,934 92	1,946,367 00	1,869,424 00	3,815,791 00	122,239
Nova Scotia.....	799	1,155,136 38	149	85,304 07	1,240,440 45	2,377,279 00	1,576,738 00	3,954,017 00	127,264
Prince Edward Island.....	459	661,998 05	198	105,450 00	767,448 05	1,207,001 00	596,464 00	1,803,465 00	54,737
Total.....	18,887	34,671,517 19	7,026	3,955,729 72	38,627,246 91	81,250,335 00	35,951,922 00	117,202,257 00	4,571,129

SCHEDULE "D"—PART I

SECTION I.—SUMMARY OF FIRST MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1939

Province	Principal Outstanding			Charges Outstanding	(1) Amount of Interest due and Unpaid		(2) Amount of Interest Accrued	Total
	Current	Arrears			Under 6 months	Over 6 months		
		\$ cts.	\$ cts.				\$ cts.	
British Columbia.....	1,479,128 88	16,323 77	35,915 35	307 53	13,311 14	14,961 78	2,772 20	1,562,720 65
Alberta.....	5,806,464 43	66,277 15	174,492 90	7,291 25	77,153 18	155,096 79	80,957 96	6,167,733 66
Saskatchewan.....	5,308,215 67	86,146 63	53,864 93	1,939 78	137,499 66	67,575 94	106,637 50	5,759,880 11
Manitoba.....	3,498,795 13	23,909 05	18,195 35	2,800 05	29,018 38	11,335 60	57,167 41	3,641,220 97
Ontario.....	3,249,636 91	10,842 15	8,938 67	167 75	12,630 85	5,835 33	79,074 40	3,367,125 56
Quebec.....	7,921,787 47	29,964 13	40,673 92	1,301 82	22,633 21	18,646 09	124,601 73	8,159,608 37
New Brunswick.....	708,524 07	11,475 61	22,629 98	361 76	9,560 73	9,287 41	.....	756,839 56
Nova Scotia.....	983,511 49	6,005 61	7,915 69	242 91	4,503 54	4,322 22	14,399 59	1,020,901 05
Prince Edward Island.....	621,956 43	4,316 36	2,587 88	125 80	5,595 28	1,669 39	12,462 49	648,713 63
Total.....	29,371,020 48	255,260 46	365,214 67	14,538 65	311,905 47	288,730 55	478,073 28	31,084,743 56

SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1939

British Columbia.....	4,918 79	122 63	222 77	484 70	230 11	463 98	86 54	6,529 52
Alberta.....	21,975 37	796 70	3,488 86	926 40	1,516 76	6,683 85	551 42	35,939 36
Saskatchewan.....	933 92	23 11	22 01	3 50	51 98	49 02	20 11	1,103 65
Manitoba.....	1,016 10	37 43	96 91	6 40	54 08	153 68	23 63	1,388 23
Ontario.....	3,159 09	84 27	133 06	.....	150 12	17 08	55 60	3,599 12
Quebec.....	23,889 72	508 84	1,282 75	585 94	763 80	1,714 41	527 70	29,273 16
Total.....	55,892 99	1,572 98	5,246 36	2,006 94	2,766 85	9,082 02	1,264 90	77,833 04

RECAPITULATION (SCHEDULE "D"—PART I)

Section I.....	29,371,020 48	255,260 46	365,214 67	14,538 65	311,905 47	288,730 55	478,073 28	31,084,743 56
Section II.....	55,892 99	1,572 98	5,246 36	2,006 94	2,766 85	9,082 02	1,264 90	77,833 04
Total.....	29,426,913 47	256,833 44	370,461 03	16,545 59	314,672 32	297,812 57	479,338 18	31,162,576 60

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1, 1938 to March 31, 1939. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding, no additional accrued interest is shown in Revenue Account or on this statement.

## SCHEDULE "D"—PART II

## SECTION I.—SUMMARY OF SECOND MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1939

Province	Principal Outstanding			Charges out-standing	(1) Amount of Interest due and unpaid		(2) Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		\$ cts.	\$ cts.				\$ cts.	
British Columbia.....	33,885 55	2,702 96	1,222 63	57 25	566 70	256 33	883 36	39,574 78
Alberta.....	283,760 31	23,507 49	25,245 61	681 56	4,810 21	5,149 27	10,576 85	353,731 30
Saskatchewan.....	620,184 53	126,477 41	88,571 96	6,885 68	35,607 30	24,962 99	18,773 57	921,463 42
Manitoba.....	339,485 01	40,319 27	9,723 71	990 56	7,619 36	1,334 72	8,356 66	407,829 29
Ontario.....	248,628 37	10,140 37	31,794 15	655 60	1,724 88	4,308 97	10,278 49	307,530 83
Quebec.....	840,996 49		85,134 22	213 82		1,891 70	49,012 68	977,248 91
New Brunswick.....	42,859 82	1,178 96	5,257 98	128 69	299 18	645 97	2,112 62	52,483 22
Nova Scotia.....	57,520 13	323 19	3,529 38	83 50	50 67	412 72	2,759 66	64,679 25
Prince Edward Island.....	68,794 95	2,140 75	16,303 47	178 71	573 39	2,957 94	3,513 70	94,462 91
Total.....	2,536,115 16	206,790 40	266,783 11	9,875 35	51,251 69	41,920 61	106,267 59	3,219,003 91

## SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1939

Alberta.....	160 00	80 00	160 00	93 75	26 52	48 59	9 86	578 73
Saskatchewan.....	300 00	100 00	100 00	86 73	31 80	31 85	12 33	662 71
Ontario.....	420 00		253 87			63 66	33 57	771 10
Total.....	880 00	180 00	513 87	180 48	58 32	144 10	55 76	2,012 53

## RECAPITULATION (SCHEDULE "D"—PART II)

Section I.....	2,536,115 16	206,790 40	266,783 11	9,875 35	51,251 69	41,920 61	106,267 59	3,219,003 91
Section II.....	880 00	180 00	513 87	180 48	58 32	144 10	55 76	2,012 53
Total.....	2,536,995 16	206,970 40	267,296 98	10,055 83	51,310 01	42,064 71	106,323 35	3,221,016 44

## RECAPITULATION (SCHEDULE "D"—PARTS I AND 2)

Part I.....	29,426,913 47	256,833 44	370,461 03	16,545 59	314,672 32	297,812 57	479,338 18	31,162,576 80
Part II.....	2,536,995 16	206,970 40	267,296 98	10,055 83	51,310 01	42,064 71	106,323 35	3,221,016 44
Total.....	31,963,908 63	463,803 84	637,758 01	26,601 42	365,982 33	339,877 28	585,661 53	34,383,593 04

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1, 1938 to March 31, 1939. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding no additional accrued interest is shown in Revenue Account or on this statement.

## SCHEDULE "E"

## SECTION I.—SUMMARY OF AGREEMENTS FOR SALE OF FARM PROPERTIES ACQUIRED BY THE BOARD AND RESOLD. CLASSIFIED BY PROVINCES AS AT MARCH 31, 1939

Province	Principal Outstanding			Charges out-standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	76,229 75	744 83	885 86	10 65	393 87	66 38	1,470 80	79,802 14
Alberta.....	14,720 64	478 76	.....	.....	160 25	88 05	226 17	15,673 87
Saskatchewan.....	.....	.....	.....	.....	.....	.....	.....	.....
Manitoba.....	16,542 20	724 00	.....	.....	244 45	.....	364 35	17,875 00
Ontario.....	2,900 00	.....	.....	0 10	1 97	.....	16 77	2,918 84
Quebec.....	182,664 80	1,507 18	1,209 03	125 98	2,256 87	1,519 20	4,359 32	193,642 38
New Brunswick...	64,416 09	952 23	640 32	167 47	1,064 52	662 95	1,544 07	69,447 65
Nova Scotia.....	13,172 90	253 46	31 31	.....	173 05	74 79	332 06	14,037 57
Prince Edward Is. ....	.....	.....	.....	.....	.....	.....	.....	.....
Totals.....	370,646 38	4,660 46	2,766 52	304 20	4,294 98	2,411 37	8,313 54	393,397 45

## SECTION II.—AGREEMENTS FOR SALE UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1939

Quebec.....	669 91	115 42	178 87	73 32	40 17	.....	20 41	1,098 10
-------------	--------	--------	--------	-------	-------	-------	-------	----------

## RECAPITULATION SCHEDULE "E"

Section I.....	370,646 38	4,660 46	2,766 52	304 20	4,294 98	2,411 37	8,313 54	393,397 45
Section II.....	669 91	115 42	178 87	73 32	40 17	.....	20 41	1,098 10
Total.....	371,316 29	4,775 88	2,945 39	377 52	4,335 15	2,411 37	8,333 95	394,495 55

## SCHEDULE "F"

## FARM REAL ESTATE HELD FOR SALE AT MARCH 31, 1939

Province	Number of Properties	Investment <sup>1</sup>	Book Value <sup>2</sup>
		\$ cts.	\$ cts.
British Columbia.....	14	61,712 42	42,549 47
Alberta.....	56	171,106 85	138,321 94
Saskatchewan.....			
Manitoba.....	14	40,393 44	34,386 93
Ontario.....	1	1,587 62	1,587 62
Quebec.....	10	33,131 13	19,430 98
New Brunswick.....	16	28,776 76	20,000 00
Nova Scotia.....	4	13,948 78	7,750 00
Prince Edward Island.....			
<b>Total.....</b>	<b>115</b>	<b>350,657 00</b>	<b>264,026 94</b>

<sup>1</sup> Investment includes the amount of unpaid principal on the loans involved, together with accrued interest and cash outlays to date of acquisition by the Board.

<sup>2</sup> Book value means the estimated resale value of the property except in instances where the estimated resale value is in excess of the amount of the Board's investment. Under the regulations of the Board no parcel of real estate may be carried in any event at a book value in excess of the Board's investment therein.

## SCHEDULE "G"

## MORTGAGED FARM PROPERTIES REALIZED ON UNDER JUDGMENT, EXECUTION, OR POWER OF SALE, AND REAL ESTATE DISPOSED OF DURING THE YEAR ENDED MARCH 31, 1939

Province	Complete Farm Units Disposed of				Parts of Farms disposed of		Sales cancelled	
	No.	Investment	Book value at Date of Sale	Consideration	No.	Consideration	No.	Consideration
		\$ cts.	\$ cts.	\$ cts.		\$ cts.		\$ cts.
British Columbia....	5	17,146 87	12,773 37	10,768 47				
Alberta.....	4	7,253 32	7,224 29	7,400 00	1	1,300 00		
Saskatchewan.....								
Manitoba.....	3	10,875 33	9,780 42	10,800 00				
Ontario.....	2	3,761 61	3,761 61	3,700 00				
Quebec.....	13	34,877 07	27,489 67	24,550 00			4	7,958 59
New Brunswick.....	9	18,744 99	13,000 30	13,025 00			2	5,202 65
Nova Scotia.....	3	2,406 55	2,406 55	2,471 94			1	3,147 08
Prince Edward Is. ....								
<b>Totals.....</b>	<b>39</b>	<b>95,065 74</b>	<b>76,436 21</b>	<b>72,715 41</b>	<b>1</b>	<b>1,300 00</b>	<b>7</b>	<b>16,308 32</b>

## SCHEDULE "H"

STATEMENT BY PROVINCES OF FISHERMAN'S LOAN APPLICATIONS RECEIVED AND LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1939

Province	Applications Received		Loans Approved		Fair Market Value of Security at Time of Loan	Loans Paid Out	
	Number	Amount	Number	Amount	Amount	Number	Amount
		\$ cts.		\$ cts.	\$ cts.		\$ cts.
British Columbia.....	10	6,250 00	5	2,625 00	8,950 00	5	2,775 84
Ontario.....							
Quebec.....	6	655 00					
New Brunswick.....	4	2,600 00	1	500 00	3,000 00	1	900 00
Nova Scotia.....	28	15,100 00	10	4,550 00	12,092 00	10	3,882 41
Prince Edward Island.....	12	6,400 00	3	1,200 00	2,600 00	3	1,759 75
Total.....	60	31,005 00	19	8,875 00	26,642 00	19	9,318 00

SUMMARY OF APPLICATIONS RECEIVED FROM FISHERMEN, LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS DISBURSED EACH YEAR TO MARCH 31, 1939

YEAR—	Number	Amount	Number	Amount	Amount	Number	Amount
1936-37.....	83	49,055 00	27	12,650 00	32,600 00	18	6,601 61
1937-38.....	46	27,400 00	18	10,150 00	26,710 00	23	12,654 99
1938-39.....	60	31,005 00	19	8,875 00	26,642 00	19	9,318 00
Total.....	189	107,460 00	64	31,675 00	85,952 00	60	28,574 60

## SCHEDULE "I"

SUMMARY OF FISHERMAN'S MORTGAGE LOANS, CLASSIFIED BY PROVINCES AS AT MARCH 31, 1939

Province	Principal Outstanding			Charges out-standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	4,728 44	54 28		24 89		69 19	4,876 80	
Ontario.....	779 18					32 33	811 51	
Quebec.....	460 24					7 56	467 80	
New Brunswick.....	1,713 43	108 74	1 17	25 55	56 18	29 98	1,935 05	
Nova Scotia.....	14,951 60	586 43	156 00	24 00	180 27	10 45	16,161 97	
Prince Edward Island.....	2,995 00					23 99	3,100 46	
Total.....	25,627 89	749 45	157 17	49 55	261 34	34 44	27,353 59	

## SCHEDULE "J"

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1939

Interest earned on First Mortgage Loans.....			\$ 1,419,471 95
Interest earned on Second Mortgage Loans.....			181,879 05
Interest earned on Agreements for Sale.....			20,251 96
Interest earned on Bank Balances.....			1,452 88
			<u>\$ 1,623,055 84</u>
<i>Less;</i>			
Interest on Initial Capital Advances.....	\$ 175,000 00		
Interest on Bonds.....	891,833 34		
			<u>1,066,833 34</u>
Administrative and General Expenses:			556,222 50
Commissioners' Salaries.....	14,000 00		
Branch Managers' Salaries.....	37,980 71		
Board Members' Remuneration.....	1,000 00		
Board Members' Travelling Expenses.....	220 50		
Salaries of Office Staffs.....	185,745 81		
Travelling Expenses, other than Appraisers and Board Members.....	6,029 11		
Auditing.....	5,579 20		
Printing, Stationery and Office Supplies.....	10,063 86		
Legal Expenses.....	3,597 42		
Postage and Excise Stamps.....	8,675 96		
Office Rentals, Cleaning, etc.....	25,935 17		
Telephones.....	1,733 28		
Telegrams.....	230 74		
Depreciation on Office Furniture and Equipment.....	3,517 90		
Freight and Express.....	811 39		
Staff Bonding.....	388 85		
Subscriptions.....	951 59		
Insurance.....	33 22		
Light.....	688 16		
Appraisal, Inspection and Collection Expense: (Field Operations)			
Appraisers' Salaries.....	\$ 34,256 27		
Appraisers' Automobile Expenses.....	12,048 16		
Appraisers' Travelling Expenses.....	12,018 96		
Part Time Appraisers' Fees and Expenses—Net.....	26,276 73		
	84,600 12		
Less Appraisal Fees Earned.....	35,395 53		
		49,204 59	
Properties Operating Expenses—Net.....		5,782 83	
		<u>362,170 29</u>	
<i>Less;</i>			
Registration of Address Fees Earned—Net.....	174 65		
Proportion of Expenses Charged to Operations under the Canadian Fisherman's Loan Act.....	1,135 67	1,310 32	
		<u>360,859 97</u>	
Net Profit on Operations under the Canadian Farm Loan Act.....			195,362 53
Net Loss on Operations under the Canadian Fisherman's Loan Act.....			167 52
Net Profit for Year.....			<u>\$ 195,195 01</u>



## SCHEDULE "K"

## CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1939

Segregated as to Parts I and II of the Canadian Farm Loan Act, in accordance with Terms of Orders in Council P.C. 3279, dated December 29, 1936, and P.C. 1016, dated May 2, 1939.

## PART I

Interest earned on First Mortgage Loans.....		\$ 1,419,471 95
Interest earned on Agreements for Sale.....		20,251 96
Interest earned on Bank Balances.....		1,452 88
		<u>1,441,176 79</u>
Less Interest on Initial Capital Advances.....	\$ 175,000 00	
Less Interest on Bonds.....	785,737 23	
		<u>960,737 23</u>
Administrative and General Expenses.....	306,855 14	480,439 56
Properties Operating Expenses—Net.....	5,705 12	
		<u>312,560 26</u>
Profit pertaining to Operations under Part I.....		<u>\$ 167,879 30</u>

## PART II

Interest earned on Second Mortgage Loans.....	\$ 181,879 05	
Less Interest on Bonds.....	106,096 11	
		<u>75,782 94</u>
Administrative and General Expenses.....	\$ 48,222 00	
Properties Operating Expenses—Net.....	77 71	
		<u>48,299 71</u>
Profit pertaining to Operations under Part II.....		<u>\$ 27,483 23</u>
Total Profit for the Year.....		<u>\$ 195,362 53</u>

## SCHEDULE "L"

## PROFIT AND LOSS ACCOUNT IN RESPECT TO OPERATIONS UNDER THE CANADIAN FISHERMAN'S LOAN ACT FOR THE YEAR ENDED MARCH 31, 1939

Interest earned on First Mortgage Loans.....	\$ 1,158 83	
Less Interest on Initial Capital Advances.....	585 54	
		<u>\$ 573 29</u>
Administrative and General Expenses:		
Travelling Expenses, other than Appraisers.....	\$ 9 64	
Legal Expenses.....	40 00	
Printing, Stationery and Office Supplies.....	5 94	
Proportion of Branch Office Expenses.....	1,135 67	
		<u>1,191 25</u>
Appraisal Expenses:		
Appraisers' Travelling Expenses.....	13 00	
Part Time Appraisers' Fees and Expenses.....	301 95	
		<u>314 95</u>
Less Appraisal Fees Earned.....	179 85	
		<u>135 10</u>
Total Expenses.....		<u>\$ 1,326 35</u>
Loss after providing for Interest on Initial Capital Advances.....	\$ 753 06	
Deduct credit in respect to Exemption of Interest on Initial Capital Advances.....	585 54	
Loss for the Year.....		<u>\$ 167,52</u>

**SCHEDULE "M"**  
**BALANCE SHEET AS AT MARCH 31, 1939**

<b>Assets</b>	<b>LIABILITIES</b>
Cash in Banks.....\$ 225,067 29	Accounts Payable.....\$ 1,998 72
Capital Stock Subscriptions payable by Dominion Government:	Accrued Bond Interest..... 227,821 23
Under Canadian Farm Loan Act.....\$ 48,029 00	Fire Insurance Recoveries and Other Deposits by Borrowers..... 35,152 31
Under Canadian Fisherman's Loan Act..... 64 00	Appraisal and Registration Fees received in respect of Applications not yet disposed of..... 7,467 88
Accounts Receivable..... 48,093 00	<b>\$ 272,440 14</b>
<b>\$ 273,510 39</b>	Advances by Dominion Government:
Loans to Farmers, Secured by First Mortgages:	Under Supplementary Estimates 1928/29.....\$ 50,000 00
Principal.....\$30,054,207 94	Under Canadian Farm Loan Act, Sec. 5, Sub- Sec. 1..... 5,000,000 00
Interest Due and Unpaid..... 612,484 89	Under Canadian Fisherman's Loan Act, Sec. 4, Sub-Sec. 1..... 27,000 00
Interest Accrued..... 479,338 18	<b>5,077,000 00</b>
Other Charges..... 18,545 59	Twenty-five Year Bonds, Series "C", 3½%, due Jan. 2, 1960... 27,300,000 00
<b>\$31,182,576 60</b>	Capital Stock (in shares of \$1.00 each):
Loans to Farmers, Secured by Second Mortgages:	Under Canadian Farm Loan Act:
Principal.....\$ 3,011,262 54	Issued and Outstanding.....\$ 2,040,029 00
Interest Due and Unpaid..... 93,374 72	Subscribed but not Issued..... 48,029 00
Interest Accrued..... 106,323 35	<b>2,088,058 00</b>
Other Charges..... 10,055 83	Under Canadian Fisherman's Loan Act:
<b>3,221,016 44</b>	Issued and Outstanding.....\$ 1,262 00
Real Estate Held for Sale..... 264,026 94	Subscribed but not Issued... 64 00
Agreements for Sale:	<b>1,326 00</b>
Principal..... 379,037 56	Statutory Reserve..... 2,089,384 00
Interest Due and Unpaid..... 6,746 52	Reserve for Losses under Part II of Canadian Farm Loan Act... 36,883 14
Interest Accrued..... 8,333 95	
Other Charges..... 377 52	
<b>394,495 55</b>	
<b>\$35,042,115 53</b>	
Less Provision for Possible Losses..... 374,059 02	
<b>34,668,056 51</b>	
Loans to Fishermen, under the Canadian Fisherman's Loan Act, Secured by First Mortgages:	
Principal.....\$ 26,534 51	
Interest Due and Unpaid..... 295 78	
Interest Accrued..... 473 75	
Other Charges..... 49 55	
<b>27,353 59</b>	
Prepaid Expenses—Seed Grain, 1939 Crop Season..... 40 00	

Fixed Assets:			
Automobiles.....	\$	19,107 61	
Office Furniture and Equipment.....		35,169 30	
	\$	54,276 91	
Less Reserve for Depreciation.....		24,451 63	
		<u>29,825 28</u>	
		\$34,998,785 77	
Deficit resulting from Operations under the Canadian Fisher- man's Loan Act.....		1,904 67	
Total.....		<u>\$35,000,690 44</u>	Total..... <u>\$35,000,690 44</u>

AUDITORS' REPORT TO THE CANADIAN FARM LOAN BOARD

We have examined the accounts of the Canadian Farm Loan Board for the year ended March 31, 1939. We have to report that we have obtained all the information and explanations we have required and, in our opinion the above Balance Sheet and relative Profit and Loss Account are properly drawn up so as to exhibit a true and correct view of the state of the Board's affairs as at March 31, 1939, and of its operations for the year ended at that date, according to the best of our information and the explanations given to us, and as shown by the books of the Board.

Montreal, July 10, 1939.

PEAT, MARWICK, MITCHELL & CO.,  
Auditors.

25

STATEMENT OF RESERVE FOR POSSIBLE LOSSES ACCOUNT FOR YEAR ENDED  
MARCH 31, 1939

Balance as at March 31, 1938.....	\$	279,103 36
<i>Deduct:</i>		
Loss on Properties Sold—Net.....	\$	3,574 19
Amount written off Book Value of Properties and Loans.....		61,011 15
		<u>64,585 34</u>
	\$	214,518 02
<i>Add:</i>		
Capital Stock Cancelled under Sec. 9 Sub-sec. 3 of the Canadian Farm Loan Act.....		9,270 00
Amount appropriated from Profits.....		125,909 30
Amount transferred from Statutory Reserve.....		24,361 70
		<u>159,541 00</u>
Balance as at March 31, 1939.....	\$	<u>374,059 02</u>

## CANADIAN FARM LOAN BOARD

### SUMMARY OF LOAN CONDITIONS

#### FIRST MORTGAGE LOANS

##### Who May Qualify for Loan:

Any person who is the owner of farm lands and whose principal occupation is farming, and who is actually engaged in or shortly to become engaged in the cultivation of the farm he offers as security for loan.

The applicant must have the necessary experience, ability and character to satisfy the Board that he will cultivate successfully the farm offered as security for a loan, and will be able to repay the Loan made to him.

##### Purpose of Loan:

To pay debts, purchase live stock or farm equipment, to make farm improvements, provide for expenses of farm operation, or to assist in the purchase of farm lands. \*See Note below on Farm Purchase.

##### Amount of Loan:

Not in excess of 50 per cent of the appraised value of the farm (land and buildings) offered as security for loan nor in any event in excess of \$5,000.

##### Security for Loan:

The Board requires and the applicant should be prepared to give a first mortgage on farm lands under cultivation and owned and operated by the applicant. Farm lands offered as security must be provided with the necessary farm buildings. Farm lands under lease cannot be accepted as security for a loan.

##### Rate of Interest:

5 per cent per year and 5½ per cent on arrears.

##### Appraisal:

Every farm offered as security for loan must be appraised by one of the Board's appraisers before loan is granted. Appraisals are not made under winter conditions. The season for appraisal work extends from about May 1 to December 1.

##### Appraisal Fee:

A fee of \$10 is required with each application for loan to apply on the costs of appraisal and handling of applications but the fee will be refunded if appraisal be not made. If, however, an appraisal of the farm be made, the fee will be retained by the Board irrespective of whether or not the applicant is successful in obtaining a loan.

##### Legal Costs:

The applicant will be responsible for costs involved in search and perfection of titles, completion and registration of the mortgage.

##### Where to Apply for Loan

All correspondence with respect to applications for loans should be carried on with the manager of the provincial branch office of the Board. All applications for loan must be made on forms provided by the Board and these forms can be obtained from the provincial branch manager whose name and address is shown below.

British Columbia.....	W. S. Palmer, Canadian Farm Loan Board, New Westminster, B.C.
Alberta.....	J. A. Case, Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.....	R. S. Rideout, Canadian Farm Loan Board, Regina, Sask.
Manitoba.....	J. H. Martinson, Canadian Farm Loan Board, Winnipeg, Man.
Ontario.....	W. G. Whiteside, Canadian Farm Loan Board, Toronto, Ont.
Quebec.....	P. A. Angers, Canadian Farm Loan Board, Quebec City, Que.
New Brunswick.....	Paul W. Caldwell, Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.....	N. H. Parsons, Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.....	C. M. Williams, Canadian Farm Loan Board, Charlottetown, P.E.I.

#### SECOND MORTGAGE LOANS

Anyone applying for a first mortgage loan may at the same time apply for a second mortgage loan. The applicant may make his application for the amount of loan he requires. The Board will decide after appraisal the amount that will be advanced on first mortgage loan and the amount to be advanced on second mortgage loan.

To pay debts, purchase stock, machinery, equipment to operate the farm offered as security for loan; to make permanent improvements thereon.

(NOTE.—A second mortgage loan cannot be approved for the purchase of farm lands.)

Not to exceed one-half of the amount of first mortgage loan, the total amount of the first mortgage loan and the second mortgage loan not to exceed two-thirds of the appraised value of the land and buildings thereon, nor in any event \$6,000.

A second mortgage on the farm lands accepted as security for a first mortgage loan and a bill of sale by way of mortgage on the applicant's live stock, farm machinery and equipment.

6 per cent per year.

The farm offered as security for loan and applicant's live stock, machinery and equipment must be appraised by the Board's appraisers before a loan is granted.

In event of a second mortgage loan being granted, an additional charge may be made by the Board to apply against appraisal costs and the costs of handling the application and the amount thereof retained out of the proceeds of loan. No charge will be made if second mortgage loan is not granted.

Applicant will be responsible for costs involved in search of title, drawing and completion of mortgage, registration thereof.

### REPAYMENT "FIRST" MORTGAGE LOANS

The term of repayment of the loan is fixed by the Board but cannot exceed a term of 25 years. The applicant may select a shorter term of payment however.

The following repayment plans are used most generally:

Plan 1—24 annual instalments of \$7.25 for each \$100 of loan or 49 semi-annual instalments of \$3.57 for each \$100 of loan.

Plan 2—15 annual instalments of \$9.64 for each \$100 of loan or 30 semi-annual instalments of \$4.78 for each \$100 of loan.

Plan 3—10 annual instalments of \$12.96 for each \$100 of loan or 20 semi-annual instalments of \$6.42 for each \$100 of loan.

For example, the yearly payment on a loan of \$1,000 on a 24-year annual payment Plan 1 will be  $10 \times \$7.25 = \$72.50$  yearly for the next 24 years at the end of which time the loan will be fully repaid.

While the Board's loans are repayable on a long term basis, these loans may, in accordance with the terms of the Farm Loan Act, be retired before the due date subject to the Board's regulations.

The policy of the Board is to encourage borrowers to prepay their loans and to accept prepayment in order that the farmer may be relieved of his mortgage obligations as soon as possible.

### REPAYMENT "SECOND" MORTGAGE LOANS

Plan No. 1—Interest only to next instalment date and FIVE equal annual instalments of Principal with interest at 6 per cent.

#### Payment Dates

British Columbia, Ontario, New Brunswick, Nova Scotia and Prince Edward Island:—  
Annually on 1st June or 1st December.  
Semi-Annually on 1st June and 1st December.

Alberta, Saskatchewan, Manitoba and Quebec:—  
Annually on 1st May or 1st November.  
Semi-Annually on 1st May and 1st November.

### NOTE ON FARM PURCHASE

\* (In applying for a loan to assist in the purchase of farm lands the applicant must be able, with the amount of loan granted him by the Board together with the amount of his own funds, to obtain title to the farm in his own name and to give the Board a first mortgage thereon. The applicant must also satisfy the Board that he is in a position to operate the farm successfully, that he will be a permanent occupant and that he will be able to carry through the financial obligations he undertakes in the purchase of the farm. It should be noted that the largest amount that can be loaned to assist in the purchase of a farm must not be greater than one-half of the value placed on the farm by the Board's appraiser.)

## THE CANADIAN FISHERMAN'S LOAN ACT

### SUMMARY OF LOAN CONDITIONS

#### ISSUED BY THE CANADIAN FARM LOAN BOARD

#### Who May Apply:

A person whose principal occupation is fishing, and who is actually engaged as a business in the taking of fish, with his own boat, nets, traps, and equipment, or who owns a definite and legal share or part interest in the boat or boats and equipment so used or who proposes with the proceeds of loan applied for, to acquire such boat and fishing equipment or interest therein for the purpose of engaging in fishing.

The applicant must own land with title in such shape that any loan granted to him may be secured by a legal first mortgage thereon to the Board.

The applicant must have the necessary experience, ability and character to satisfy the Board that he can carry on his fishing operations efficiently and make provision for the repayment of loan granted.

#### Purpose of Loan:

- (1) To purchase boats or vessels, or shares or part interests in boats or vessels for use in the fisheries.
- (2) To purchase equipment for such fishing boats or vessels including therein the purchase of gasoline, crude-oil or other engines.
- (3) To purchase lines, hooks, trawls, nets, anchors, bait, traps, and any other equipment or apparatus for use in fishing.
- (4) Payment of liabilities incurred in providing equipment as set out above.
- (5) Other purposes definitely connected with fishing enterprises.

#### Property Security:

The applicant must give the Board a first mortgage on his real property for the amount of loan obtained. The land which is offered as security for loan must be owned by the applicant. In event of loan being granted the Board will require the applicant to furnish adequate fire insurance on the buildings on the property accepted as security for the loan.

**Valuation:**

The property of the applicant will be appraised at the fair market value of the land and buildings thereon; that is to say, at the price which might reasonably be expected to be realized therefrom if the property were offered for sale in the open market; this will not necessarily be the replacement or cost value of the property and buildings.

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the land and buildings and in no case to exceed a total of \$1,000.

Where two or more applicants have a joint or several ownership in the land and buildings, the aggregate loans for such applicants shall not exceed \$1,000.

No loan will be granted for an amount of less than \$200.

**Interest Rate:**

5 per cent per year and 5½ per cent on arrears.

**Appraisal Fee:**

On all applications for loans aggregating \$600 or less a fee of \$5; and on applications for loans aggregating over \$600 a fee of \$10 will be payable by the applicant to the Board at such time as the application has been accepted for appraisal, and prior to such appraisal being undertaken by the Board. The amount of such fee will be retained by the Board where appraisal is undertaken and applied by the Board against the cost of appraisal.

**Legal Costs:**

The applicant will be responsible for the costs involved in the search and perfection of titles, completion and registration of mortgage.

**Title Difficulties:**

In order to avoid unnecessary legal costs, every applicant, either before making formal application for loan, or before loan is approved for disbursement, should satisfy himself preferably upon the advice of his solicitor that he is able to perfect title to the property he offers as security for loan and to give the Board a First Mortgage thereon at a reasonable cost to himself.

**Where to Obtain Application Forms:**

Application forms can be obtained in all cases where it is desired to apply for loan from the Provincial Office of the Canadian Farm Loan Board for the province in which the property offered as security for loan is situated. The addresses of these offices are as follows:—

British Columbia.....	Canadian Farm Loan Board, New Westminster, B.C.
Alberta.....	Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.....	Canadian Farm Loan Board, Regina, Sask.
Manitoba.....	Canadian Farm Loan Board, Winnipeg, Man.
Ontario.....	Canadian Farm Loan Board, Toronto, Ont.
Quebec.....	Canadian Farm Loan Board, Quebec, P.Q.
New Brunswick.....	Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.....	Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.....	Canadian Farm Loan Board, Charlottetown, P.E.I.

**Repayment of Loan:**

All loans will be repayable in equal annual or semi-annual instalments of combined principal and interest over a term not exceeding ten (10) years. The Board reserves the right to fix a shorter term of loan than that applied for. Where the term of loan is fixed at 10 years the amount of the annual instalment over such term will be \$12.96 for each \$100 of loan; or where payable semi-annually the amount of the semi-annual instalment over such term will be \$6.42 for each \$100 of loan. Instalment payment dates will be June 1 and December 1 yearly.

The whole or any part of a loan may, subject to such Regulations as the Board may issue, be prepaid on any instalment date.

**REPORT**

**OF THE**

**CANADIAN FARM LOAN BOARD**

**FOR THE YEAR ENDED MARCH 31,**

**1940**



**OTTAWA**  
**EDMOND CLOUTIER**  
**PRINTER TO THE KING'S MOST EXCELLENT MAJESTY**  
**1940**

## CANADIAN FARM LOAN BOARD

HEAD OFFICE—OTTAWA, CANADA

### *Members of the Board*

J. D. MACLEAN, Farm Loan Commissioner, Ottawa

ROBERT MCKENZIE, Ottawa

W. C. CLARK, Ottawa

AIME BOUCHER, Pierreville, P.Q.

### *Branch Offices*

New Westminster, British Columbia.....	W. S. Palmer, Manager
Edmonton, Alberta.....	J. A. Case, Manager
Regina, Saskatchewan.....	R. S. Rideout, Manager
Winnipeg, Manitoba.....	J. H. Martinson, Manager
Toronto, Ontario.....	W. G. Whiteside, Manager
Quebec City, Quebec.....	P. A. Angers, Manager
Saint John, New Brunswick.....	P. W. Caldwell, Manager
Halifax, Nova Scotia.....	N. H. Parsons, Manager
Charlottetown, Prince Edward Island.....	J. A. Lawson, Supervisor



# REPORT OF THE CANADIAN FARM LOAN BOARD

For the Year Ended March 31, 1940

---

Honourable J. L. ILSLEY,  
Minister of Finance,  
Ottawa, Canada.

SIR,—I have the honour to submit the report of the Canadian Farm Loan Board on operations under the Canadian Farm Loan Act and on operations under The Canadian Fisherman's Loan Act for the fiscal year ended March 31, 1940. The word "operations" under Part I of the Canadian Farm Loan Act has reference to first mortgage loans and, under Part II of the said Act, has reference to second mortgage loans.

## POWERS AND DUTIES OF THE BOARD

Under the provisions of the Canadian Farm Loan Act the Board is constituted as a public corporation and an agency of the Dominion Government. Its powers and duties may be stated generally to be the making of long term loans to farmers on the security of mortgages on farm lands.

In addition to making loans to farmers, the Board is also empowered under the authority of The Canadian Fisherman's Loan Act to make loans to fishermen on the security of mortgages on real property owned by them.

## ADMINISTRATION

The Board carries on loaning operations throughout Canada and has established a Branch Organization and a Branch Office in each province in order to handle business arising in such province.

As provided under the terms of the Canadian Farm Loan Act, the executive work of the Board is directed by the Farm Loan Commissioner and the work delegated by the Board to each Branch is supervised by the Manager of such local branch.

Each provincial Branch Office is held responsible for the initial consideration of applications for loan, for arranging for the appraisal of farms, for the placing of insurance, for loan disbursement and for the collection of current and overdue instalments on outstanding loans.

The Board appoints its own employees, both at Head Office and at the Branch Offices, and the Manager of each provincial Branch, but, in the case of the latter class of officials, such appointment is subject to the approval of the Governor-in-Council. Branch Managers, subject to the approval of the Commissioner, however, are authorized by the Board to engage temporary staff as required.

The Board provides for all administrative expenses, both at Head Office and at the Branch Offices, including rentals, supplies, salaries, travelling expenses, etc.

The accounting work of the Board is centralized at the Head Office of the Board at Ottawa.

## TERMS OF LOAN AND LOANING POLICIES OF THE BOARD

Full particulars of the terms and conditions upon which loans may be made by the Board are shown in a Summary of Loan Conditions appended to this report. First mortgage loans may be granted for any term not in excess of 25 years with privileges of prepayment. The rate of interest is 5% per annum with a rate of 5½% on arrears. Loans made for a term in excess of 5 years are repayable in equal annual or semi-annual instalments of combined principal and interest on an amortized plan of repayment.

Loans are restricted to *bona fide* farmers who are actually occupying and operating in person or with hired labor the lands accepted as security for loan. The Farm Loan Act does not authorize loans on lands under lease. Security for loan is taken by way of a first mortgage or hypothec. First mortgage loans are limited to a maximum of 50% of the appraised value of the security and to an amount not in excess of \$5,000.

The productive value or earning power of the farm is used as the basis of farm valuation for loaning purposes but at the same time due weight is given to other factors such as the nature of the surrounding district, location in relation to markets, rate of taxation, the state of repair of buildings and the value of such buildings to the farm. Consideration is given also to the factor of personal risk in determining the amount of loan which should be granted. This involves a study of the applicant's management of the farm, including the history of his existing liabilities, as well as the amount and nature of his yearly receipts and expenditures. The Board recognizes that in the final analysis the amount of mortgage credit granted to an individual applicant for loan should be measured by his ability to repay such obligations from the products of his farm after he has made provision for the payment of living and operating expenses and prior obligations such as taxes. No good purpose is served in making loans in excess of the applicant's ability to repay notwithstanding that the margin afforded by the selling price of the security offered may warrant a loan in a larger amount. The factor of personal risk is of particular importance if the farm offered as security for loan is situated in a district where the saleability of farms is uncertain and where the disparity between forced sale values and productive farm values is substantial. Careful attention is also given to the total amount of the applicant's liabilities whether secured or unsecured as, unless this total is within the applicant's capacity to handle, the granting of a loan will operate merely for the benefit of the creditor whose claim is retired with loan proceeds and will not be of actual benefit to the applicant. Excessive indebtedness of applicants has been one of the major factors in recent years in limiting the volume of the Board's loaning operations.

In addition to granting first mortgage loans on the terms outlined above, the Board is authorized to make additional advances to applicants who have obtained or are obtaining first mortgage loans. Such additional advances are made for a term not in excess of six years and are secured by a second mortgage on the lands already mortgaged to secure the initial first mortgage loan and by a mortgage on the borrower's livestock and equipment. The rate of interest on second mortgage loans is 6% per annum.

The purposes for which loans may be granted are for farm improvements, the purchase of livestock and equipment, farm operating expenses, purchase of farm lands and the refinancing of existing farm indebtedness.

## METHOD OF FINANCING THE OPERATIONS OF THE FARM LOAN BOARD

In order to finance the operations of the Board in the early years of its existence provision was made by the terms of the Canadian Farm Loan Act by which the Government of Canada was authorized to make the Board a capital advance of \$5,000,000 free of interest for three years from the date of the advance and subsequently to bear interest at a rate fixed by the Governor-in-Council. Following the organization of the Board, advantage was taken of these provisions. The rate of interest payable on the capital advance of \$5,000,000 was fixed originally at 5 per cent, but was later reduced to 3½ per cent, which is the present rate payable thereon.

The capital of the initial advance is repayable out of profits earned on operation after provision has been made for establishing the necessary reserves.

In so far as the operations under Part I of the Act are concerned the Board has continued to operate on a self-sustaining basis except for the non-payment of interest for the three year term referred to above. Its costs of administration and reserves for losses are provided for by the spread between the cost of funds borrowed by it for loaning purposes and the rate of interest charged on loans.

The Government of Canada is the sole shareholder in the Board and subscribes to its share capital to the extent of five per cent of the principal outstanding on current loans.

The share capital thus subscribed in respect of each loan is held as collateral security to the loan and in event of the acquisition of the property by the Board or its disposition after sale proceedings at an amount less than the Board's investment, the amount of the share capital subscribed in respect of the loan is carried into the Board's Reserve for Losses.

Additional funds required for loaning purposes are obtained from the sale of bonds issued by the Board on the security of farm mortgages held by the Board.

The Minister of Finance is empowered to purchase bonds of the Board, but may not hold at any time such bonds to an amount in excess of \$50,000,000. The Government of Canada, may, however, guarantee bonds of the Board for issue and public sale up to an additional \$40,000,000.

The rate of interest charged on loans made by the Board under Part I of the Act is based on the rate of interest payable by the Board on its bonds increased by an amount sufficient, in the judgment of the Board, to provide for costs of operation and reserves for losses. At present the Board borrows money at the rate of 3½ per cent and re-loans it on mortgage security at 5 per cent.

Similar provisions apply also to operations under Part II of the Act, except that an additional interest rate of 1 per cent is charged on second mortgage loans, but in recognition of the risks involved in making additional advances to farmers secured by second mortgage and chattel security, Parliament has provided that yearly losses sustained on operations under Part II of the Act shall be payable out of the Consolidated Revenue Fund. All amounts thus advanced to cover losses sustained constitute a lien on and are repayable out of future profits earned on operations under Part II. There were no advances of this nature outstanding as at the end of the fiscal year as operating profits have been sufficient to provide for losses sustained to date.

The accounts of the Board are accordingly segregated as to operations under Part I and operations under Part II of the Act.

## APPLICATIONS

The Board carried over into the fiscal year under review 949 loan applications which had not been finally disposed of in the preceding year. In the fiscal year a further 4,666 applications were received. The total applications for loans dealt with in the year, therefore, numbered 5,615 of which 588 applications had not been finally disposed of at the close of the year chiefly owing to the inability of the applicant to comply with the conditions of loan approval before the end of the fiscal year.

## APPRAISALS

The Board carried out in the fiscal year 4,587 appraisals and check appraisals of securities offered for loan.

The Board employs in its appraisal work two classes of appraisers; firstly, a group of permanent appraisers attached to the Branch Offices and working out either from the Branch Office centre or stationed at an outside point within the territory assigned to such appraiser. In addition, the Board employs local appraisers on a per diem basis to undertake appraisal work for the Board as from time to time required. Each permanent appraiser is assigned both appraisal and collection work in a fairly well defined territory and also supervises and checks on the work of local appraisers within his district.

## LOANING OPERATIONS

Loans granted to farmers during the fiscal year totalled 2,380 first mortgage loans and 464 second mortgage loans for amounts aggregating \$4,348,950 while loans disbursed during the year amounted to \$4,342,662. Particulars relating to these loans will be found in Schedule A annexed hereto.

At the close of the fiscal year, the Board had on its books 19,747 first mortgage loan accounts for amounts totalling \$33,842,624.14 and 6,685 second mortgage loan accounts for amounts totalling \$2,809,724.89 and also 227 sale contracts for amounts totalling \$432,347.42, comprising a total of 26,659 farm loan accounts aggregating \$37,084,696.45. The status of these accounts is shown in Schedules D and E hereto. In addition, 122 parcels of real estate were held for sale and carried at a book value of \$262,184.21. Particulars of such real estate are shown in Schedule F hereto. The above items amounted to a total investment under administration of \$37,346,880.66.

From the beginning of operations in 1929 down to March 31, 1940, the Board disbursed first mortgage loans amounting to a total of \$38,802,282 as well as an amount of \$4,167,626 by way of second mortgage loans or a total of \$42,969,908. Particulars of loans so disbursed are shown in Schedule B hereto. In the same period of time repayments of loan principal have amounted to \$6,726,195.32.

## ASSETS

The assets of the Board consist chiefly of outstanding loans to Farmers, of loans to Fishermen, of Agreements for Sale and of Real Estate. These are shown in the balance sheet and set out in Schedule M hereto. In respect to the items of Real Estate held for sale, the figure shown as assets represents the estimated present day sale value of the parcels held but in no instance is a parcel of land valued at a figure in excess of the Board's investment therein.

## LIABILITIES

The items of \$5,000,000 advanced by the Dominion Government under Section 5 of the Canadian Farm Loan Act and of \$29,000 advanced by the Dominion Government under Section 4 of The Canadian Fisherman's Loan Act represents a capital advance which is repayable out of profits of operation after provision for reserves has been made. The item of the outstanding 3½ per cent Bonds Series C, \$29,400,000 shown as a liability, represents outstanding bonds purchased and held by the Government of Canada. The item of capital stock subscribed for under the Canadian Farm Loan Act, \$2,214,458 and shown as a liability, represents capital stock purchased by and held by the Government of Canada. The item of capital stock, \$1,519, issued under The Canadian Fisherman's Loan Act, is similarly held by the Government of Canada.

## COLLECTIONS

Cash payments by farmer borrowers during the fiscal year were as follows: repayment of loan principal \$1,908,406.64, interest payments \$1,733,903.14 or a total of payments received during the year of \$3,642,309.78, as compared with a total of \$2,970,687.32 received on account of similar items in the previous fiscal year.

Interest arrears owing at the close of the fiscal year on first mortgage loans equalled 1.572 per cent of principal outstanding. Interest arrears owing on second mortgage loans equalled 4.014 per cent of principal outstanding.

The interest in arrears for more than 6 months on first mortgages amounted to \$247,513.10 equalling .755 per cent of principal outstanding. The interest in arrears for more than 6 months on second mortgages amounted to \$61,987.77 equalling 2.373 per cent of principal outstanding.

A comparative statement of interest arrears outstanding at the close of each of the last five fiscal years is set out hereunder:—

Year ended March 31	Per Cent Interest Arrears First Mortgage Loans to Outstanding Principal	Per Cent Interest Arrears Second Mortgage Loans to Outstanding Principal	Per Cent Total Interest Arrears on both First and Second Mortgage Loans to Outstanding Principal	Per Cent Total Interest Arrears on Agreements for Sale to Outstanding Principal
1936.....	3.445	0.042	3.185	2.015
1937.....	2.249	0.523	2.053	2.042
1938.....	2.084	1.532	2.027	1.858
1939.....	2.038	3.101	2.135	1.780
1940.....	1.572	4.014	1.752	1.311

The increased arrears on second mortgage accounts is accounted for in part by the fact that substantial prepayment of principal has been made on the better of such accounts and for amounts in excess of the re-investment made in second mortgage loans in the same period of time.

The making of second mortgage loans was initiated under amendments made to the Farm Loan Act in 1934. The intent of the amendment was to widen the scope of the Board's operations by enabling the Board to refinance by means of combined first and second mortgage loans, the indebtedness of farmers whose liabilities the Board could not otherwise underwrite by way of a first mortgage loan only. It was recognized in granting such additional loans that the element of risk was increased and that in the natural course of events a larger percentage

of such borrowers would encounter difficulty in meeting their second mortgage payments than would be the case where a first mortgage loan only was made. On the other hand, many borrowers have benefited from this type of loan as the additional advance has enabled them to reduce substantially their capital indebtedness and carrying charges and to make subsequent progress in reducing their total indebtedness.

All repayments received by the Board are applied firstly on the first mortgage instalment payments falling due or in arrears before applying the balance on the second mortgage account so that in a considerable number of instances the total indebtedness of the borrower to the Board has been reduced although interest is in arrears on the second mortgage account.

As at the end of the fiscal year 1939-40, of a total of 19,747 first mortgage borrowers from the Board 76.6 per cent of this number had met their due payments in full. Of a total of 6,685 second mortgage borrowers 58.5 per cent had met their principal payments in full and 74.2 per cent had paid all interest falling due up to the same date.

#### PREPAYMENT OF LOAN PRINCIPAL

The policy of the Board is to offer encouragement to borrowers to reduce their outstanding obligations in affording them opportunities of prepayment on their loan accounts. Prepayment of loan principal in whole or in part will be accepted by the Board without bonus at any time after the elapse of two years from the date of loan disbursement.

#### POLICY OF THE BOARD IN RESPECT TO FORECLOSURE PROCEEDINGS

It has been the policy of the Board to limit as far as possible foreclosure proceedings or any other action that might result in the dispossession of borrowers. In order to make this policy effective the Board has pursued a systematic plan of following up collection of instalments each year as these fall due. In the case of accounts in arrears, prospective returns from the borrower's operations for the year are ascertained and definite and reasonable arrangements for payment from such returns worked out with the borrower either by correspondence or by interview. Borrowers are expected and encouraged to co-operate with the officials of the Board and are given every reasonable opportunity to do so. On the other hand, if borrowers have the means to make payment but refuse to do so, appropriate legal action is taken to collect.

During the year the Board instituted sale or foreclosure proceedings against 32 borrowers and of this number 17 cases were in process at the close of the year. Each of these cases was carefully investigated prior to the institution of legal proceedings.

#### REAL ESTATE HELD FOR SALE AT THE CLOSE OF THE FISCAL YEAR

The total number of properties acquired by the Board from mortgagors in the period from inception of operations in 1929 to March 31, 1940, by foreclosure, by sale and by quit claim amounted to 389 properties. In the course of the year the Board acquired 53 farm properties by the above means and 46 properties were sold in that period.

In addition, a number of properties have been leased for terms of from two to five years with a purchase option to the lessee exercisable upon reduction of the purchase price to an agreed amount, the lessee being allowed a credit in the exercise of the purchase option for amounts paid as rental.

The Board endeavours to guard against the accumulation of real estate by taking active steps to dispose of the same immediately following acquisition thereof and follows the policy of public advertisement of the security and of selling the property at current prices. In selling properties, as large a cash payment as possible is obtained but a number of farms are sold on as small as a 10 per cent cash basis with the balance payable over a term up to twenty-five years with interest at 5 per cent per annum. If reasonable offers of purchase are not received, the security is rented for one or more years as the circumstances warrant.

The Board had 122 farm properties on its books at the close of the fiscal year at an estimated resale value of \$262,184.21. Particulars of such real estate are shown in Schedule F hereto. Of this number 54 properties valued at \$132,908.90 were under lease with purchase option at the close of the fiscal year, and 8 properties valued at \$4,470.73 were in process of sale at that date.

The major portion of the Board's real estate is situate in the Province of Alberta. A large percentage of the real estate held in that province reverted to the Board due to continued crop failure resulting from drought in the areas in which such properties were situate. In this connection it may be stated that prior to the placing of these loans, the districts in question had had a fairly good and steady record of crop production. The conditions which led to the acquisition of such properties have likewise made it difficult for the Board to dispose of them; and in disposing of them the Board has had to accept small initial cash payments. With few exceptions the Board has been able, however, to keep its properties in Alberta under cultivation with very little cash outlay either by renting or by renting the same with option of purchase.

#### FINANCING DURING THE YEAR 1939-40

For the purpose of financing the Board's loaning operations for the year, the Board disposed of \$2,100,000 of 3½ per cent Farm Loan bonds. Additional funds required for loaning purposes were obtained from loan repayments.

During the year, the Government of Canada subscribed to capital stock in the Board to the extent of \$137,249 in accordance with the provisions of subsection (2) of Section 5 of the Canadian Farm Loan Act.

The interest due and payable by the Board on all its financial obligations for the fiscal year amounted to \$1,147,992.84 and this amount was paid in full on due date.

The Board's financial position at the close of the fiscal year is shown in the balance sheet annexed as Schedule M hereto.

At the close of the fiscal year the assets under administration under the Canadian Farm Loan Act were as follows:—

Farm mortgage loans.....	\$36,652,349 03
Agreements for sale of farm properties.....	432,347 42
Farm real estate held for sale.....	262,184 21
	<u>\$37,346,880 66</u>

As a matter of comparison, the following is a statement of assets under administration at the close of each of the last five fiscal years:

1935-36.....	\$17,403,807 43
1936-37.....	28,041,518 58
1937-38.....	32,146,942 45
1938-39.....	35,042,115 53
1939-40.....	37,346,880 66

### COSTS OF ADMINISTRATION

The costs of administration for the fiscal year amounted to \$382,310.17 or 1.02 per cent of the value of assets under administration as compared with \$360,859.97 or 1.03 per cent in the previous fiscal year. The increase in gross costs over the preceding year was due to a considerable extent to the employment of additional field staff required for inspection and collection work.

In addition to personnel employed on a full time basis the staff of the Board includes a number of field and office staff engaged on a seasonal basis in the appraisal and field collection season. At the 31st March, 1940, staff numbered 178 of which 37 were at Head Office and 141 at the Branch Offices.

### PROFIT AND LOSS

For the fiscal year under review the Board showed a profit on operations under the Canadian Farm Loan Act, Part I, of \$182,359.84 and of \$24,857.88 under Part II of the Act or a total profit of \$207,217.72 as compared with a total profit of \$195,362.53 in the previous fiscal year.

Profits accruing from the operations of the Board have been set aside to strengthen the Reserve Accounts of the Board, to provide for losses on operation and to set up a fund to repay the capital of \$5,000,000 advanced to the Board by the Government of Canada at the time the Board was organized.

At the close of the fiscal year the sum of \$174,473 was transferred into the Board's Reserve for Possible Losses on outstanding loan accounts under Part I. This amount was made up as follows:—the value of capital stock cancelled under subsection (3) of Section 9 of the Act \$10,477, appropriated from profit \$136,769.88, transferred from Statutory Reserve \$27,226.12. Profits accruing from operations under Part II of the Act amounting to \$24,857.88 were transferred to the Reserve Account Part II to provide for Losses under this Part. In addition, the value of capital stock cancelled under subsection (3) of Section 9 of the Act amounting to \$372 was transferred during the year to the Reserve Account under Part II of the Act.

### RESERVES

During the year there was written off against Reserve for Possible Losses a total of \$75,006.18 on account of losses on (a) sales of properties, (b) revaluation of real estate held by the Board and (c) compromises under the Farmers' Creditors Arrangement Act, as compared with a total of \$64,585.34 written off on account of the above during the preceding year, while under Part II of the Act there was written off a total of \$1,606.96 during the same period.

At the close of the fiscal year the reserves of the Board totalled \$777,378.90 as compared with reserves of \$635,925.32 at the close of the previous year.

### CANADIAN FISHERMAN'S LOAN ACT

The Canadian Farm Loan Board is charged also with the administration of a scheme of loans to fishermen under The Canadian Fisherman's Loan Act. The operations under this Act are financed and administered on the same general principles as the Canadian Farm Loan Act.



In the past fiscal year 17 fishermen's loans applications were accepted by the Board for appraisal and 10 loans were granted for amounts totalling \$5,375. Loans disbursed amounted to \$5,686 and loans in the hands of the solicitors in process of disbursement at the close of the fiscal year amounted to approximately \$600. The amount outstanding at the close of the fiscal year on loans made to fishermen under the Act totalled \$31,541.89 particulars of which are set out in the Schedule I hereto.

The Board showed a profit during the year of \$153.05 in its operations under The Canadian Fisherman's Loan Act.

## AUDIT

An audit of the accounts of the Board is made each year by a firm of chartered accountants appointed by the Government of Canada.

## SCHEDULES

Appended to this report will be found schedules dealing with the Board's operations for the fiscal year under review as follows:

Schedule "A" hereto contains a statement by provinces of the total farm loans approved during the year with particulars of the appraised values and acreages of the farm lands accepted as security for such loans. Included in the schedule is a statement of moneys disbursed by way of loan during the year.

Schedule "B" hereto contains a statement by years of the number and amount of applications for farm loans received from farmers, number and amount of farm loans approved and amount of loan moneys disbursed from the date of the organization of the Board to March 31, 1940, inclusive.

Schedule "C" hereto contains a statement by provinces of the total number of farm loans and amount of loan moneys disbursed down to March 31, 1940, with particulars of the original appraised values of the farm lands and acreages mortgaged to the Board as security for such loan.

Schedule "D", Part I, hereto contains a statement by provinces of farm loans secured by first mortgage outstanding as at March 31, 1940.

Schedule "D", Part II, hereto contains a statement by provinces of farm loans secured by second mortgage outstanding as at March 31, 1940.

Schedule "E" hereto contains a statement by provinces of the amount outstanding as at March 31, 1940, on agreements for sale of farm properties acquired by the Board and resold.

Schedule "F" hereto contains a statement by provinces of the farm real estate held by the Board as at March 31, 1940, with particulars of the investment of the Board therein and the values at which carried on the books of the Board.

Schedule "G" hereto contains a statement by provinces of all farm real estate disposed of by the Board during the fiscal year with particulars of the amount of the Board's investment therein, and amounts realized on disposition, together with a statement of sales of real estate cancelled during the year.

Schedule "H" hereto contains a statement by provinces of fisherman's loan applications received and loans approved under The Canadian Fisherman's Loan Act with particulars of appraised values of the real property accepted as security therefor, and loans paid out during the fiscal year and from inception of operations thereunder to March 31, 1940.

Schedule "I" hereto contains a statement by provinces of loans made to fishermen under The Canadian Fisherman's Loan Act and outstanding as at March 31, 1940.

Schedule "J" hereto contains the Profit and Loss Account of the Board for the year ended March 31, 1940.

Schedule "K" hereto contains the condensed Profit and Loss Account in respect to operations under the Canadian Farm Loan Act, segregated as to Parts I and II of the Canadian Farm Loan Act.

Schedule "L" hereto contains the Profit and Loss Account of the Board in respect of operations under The Canadian Fisherman's Loan Act for the year ended March 31, 1940.

Schedule "M" hereto contains the Balance Sheet of the Board for the year ended March 31, 1940.

In concluding this report, the members of the Board take the opportunity of expressing their appreciation of the conscientious manner in which the officers and staff of the Board throughout Canada have discharged their duties.

Respectfully submitted,

J. D. MACLEAN,

*Commissioner.*

October 15, 1940.

**SCHEDULE "A"**

**STATEMENT BY PROVINCES OF FARM LOANS APPROVED WITH DETAILS OF APPRAISED VALUES OF FARM LANDS AND BUILDINGS AND ACREAGES ACCEPTED AS SECURITY THEREFOR AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1940**

Province	First Mortgage		Second Mortgage		Total Amount approved	Appraised Value of Security at Time of Loan			Total Acreage	Loans paid out, including Loans Approved prior to April 1, 1939		Total
	Number of Loans	Amount approved	Number of Loans	Amount approved		Land	Value of Buildings to Land	Total Appraised Value		1st Mortgage	2nd Mortgage	
British Columbia.	108	192,900	.....	.....	192,900	451,763	189,052	640,815	13,523	202,190 98	400 00	202,590 98
Alberta.....	493	807,800	97	49,150	856,950	2,037,390	453,686	2,491,076	162,437	806,681 17	50,611 68	857,292 85
Saskatchewan.....	391	624,500	171	63,550	688,050	1,522,463	429,274	1,951,737	133,402	603,485 65	64,314 59	667,800 24
Manitoba.....	249	440,750	65	30,000	470,750	992,026	326,088	1,318,114	67,999	425,943 73	32,940 20	458,883 93
Ontario.....	437	889,150	99	45,250	934,400	1,369,469	763,141	2,132,610	54,267	860,552 13	45,439 28	905,991 41
Quebec.....	401	790,650	22	7,750	798,400	1,238,406	708,203	1,946,609	54,820	835,026 24	13,994 98	849,021 22
New Brunswick...	54	55,900	5	1,850	57,750	82,312	54,909	137,221	8,930	49,410 00	2,350 00	51,760 00
Nova Scotia.....	131	192,600	1	300	192,900	343,840	167,226	511,066	20,577	184,618 85	445 93	185,064 78
Prince Edward Is.	116	155,150	4	1,700	156,850	266,915	124,520	391,435	13,277	162,856 29	1,400 00	164,256 29
<b>Total.....</b>	<b>2,380</b>	<b>4,149 400</b>	<b>464</b>	<b>199,550</b>	<b>4,348,950</b>	<b>8,304,584</b>	<b>3,216,099</b>	<b>11,520,683</b>	<b>529,232</b>	<b>4,130,765 04</b>	<b>211,896 66</b>	<b>4,342,661 70</b>

**SCHEDULE "B"**

**SUMMARY OF APPLICATIONS RECEIVED FROM FARMERS, LOANS APPROVED, AND LOANS DISBURSED EACH YEAR FROM INCEPTION OF OPERATIONS TO MARCH 31, 1940**

Year	Applications Received		Loans Approved					Loans Paid Out		
	Number	Amount	First Mortgage		Second Mortgage		Total Amount	First Mortgage	Second Mortgage	Total
			Number	Amount	Number	Amount				
		\$ cts.	Number	\$ cts.	Number	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1929-30.....	6,827	18,016,083 00	1,787	3,981,050 00			3,981,050 00	2,630,376 97		2,630,376 97
1930-31.....	3,372	8,650,182 00	1,458	3,212,400 00			3,212,400 00	3,517,488 57		3,517,488 57
1931-32.....	4,803	12,370,398 60	1,049	2,025,400 00			2,025,400 00	1,996,344 40		1,996,344 40
1932-33.....	1,776	3,939,392 50	536	982,600 00			982,600 00	1,276,114 24		1,276,114 24
1933-34.....	1,207	2,306,934 00	287	490,800 00			490,800 00	558,630 34		558,630 34
1934-35.....	2,456	5,496,816 65	532	880,900 00	72	44,600 00	925,500 00	537,973 67	9,233 37	547,207 04
1935-36.....	21,698	50,152,821 20	5,109	8,906,680 00	3,236	2,051,725 00	10,958,405 00	6,191,609 02	1,232,169 73	7,423,778 75
1936-37.....	9,821	21,872,723 43	5,099	9,004,850 00	2,835	1,504,150 00	10,509,000 00	9,269,187 51	1,804,968 37	11,074,155 88
1937-38.....	3,924	8,254,401 00	1,913	3,473,000 00	776	368,575 00	3,841,575 00	4,652,397 24	611,910 26	5,264,307 50
1938-39.....	4,723	9,688,427 00	2,267	4,076,800 00	560	269,250 00	4,346,050 00	4,041,395 23	297,447 99	4,338,843 22
1939-40.....	4,666	8,941,899 00	2,380	4,149,400 00	464	199,550 00	4,348,950 00	4,130,765 04	211,896 66	4,342,661 70

SCHEDULE "C"

STATEMENT BY PROVINCES OF TOTAL FARM LOANS DISBURSED WITH DETAILS OF APPRAISED VALUES AT TIME OF LOAN, OF FARM LANDS AND BUILDINGS, AND ACREAGES ACCEPTED AS SECURITY THEREFOR, TO MARCH 31, 1940

Province	First Mortgage		Second Mortgage		Total Mortgage Loans Disbursed	Appraised Value of Security			Total Acreage
	Number	Amount Disbursed	Number	Amount Disbursed		Land	Buildings	Total	
		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	984	2,279,659 47	91	60,500 00	2,340,159 47	5,901,193 00	2,607,273 00	8,508,466 00	188,880
Alberta.....	4,298	7,859,358 94	862	541,126 80	8,400,485 74	22,062,615 00	6,462,037 00	28,524,652 00	1,401,327
Saskatchewan.....	3,391	6,250,482 19	1,878	1,025,969 20	7,276,451 39	16,591,461 00	4,492,706 00	21,084,167 00	1,279,800
Manitoba.....	2,360	4,499,034 20	1,032	654,239 25	5,153,273 45	11,136,577 00	4,633,148 00	15,769,725 00	762,480
Ontario.....	2,312	4,314,309 26	844	432,067 34	4,746,376 60	7,202,993 00	4,205,614 00	11,408,607 00	293,571
Quebec.....	5,620	10,398,183 68	2,282	1,193,073 79	11,591,257 47	20,361,360 00	12,349,304 00	32,710,664 00	818,073
New Brunswick.....	780	1,036,644 92	165	68,050 00	1,104,694 92	2,022,366 00	1,919,582 00	3,941,948 00	130,299
Nova Scotia.....	928	1,339,755 23	150	85,750 00	1,425,505 23	2,717,310 00	1,744,476 00	4,461,786 00	147,463
Prince Edward Island.....	575	824,854 34	201	106,850 00	931,704 34	1,482,903 00	722,864 00	2,205,767 00	68,430
Total.....	21,248	38,802,282 23	7,505	4,167,626 38	42,969,908 61	89,478,778 00	39,137,004 00	128,615,782 00	5,090,303

11  
Ct

**SCHEDULE "D"—PART I**

**SECTION I.—SUMMARY OF FIRST MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1940**

Province	Principal Outstanding			Charges Outstanding	(1) Amount of Interest due and Unpaid		(2) Amount of Interest Accrued	Total
	Current	Arrears			Under 6 months	Over 6 months		
		Under 6 months	Over 6 months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	1,573,819 84	16,351 18	34,174 65	129 52	12,952 14	13,070 99	4,811 18	1,655,309 50
Alberta.....	6,127,057 29	66,888 16	200,885 32	6,593 25	66,647 42	148,181 30	83,199 23	6,699,451 97
Saskatchewan.....	5,712,588 52	64,871 01	61,453 60	1,067 34	91,325 57	44,773 37	103,382 77	6,079,462 18
Manitoba.....	3,739,419 45	26,806 72	19,859 38	2,704 98	30,895 90	9,373 01	60,864 37	3,889,923 81
Ontario.....	3,966,217 63	13,242 88	14,398 34	410 51	14,600 16	7,190 42	95,779 80	4,111,839 74
Quebec.....	8,381,591 89	30,778 14	34,511 79	1,574 14	21,503 72	9,811 09	131,555 93	8,611,326 70
New Brunswick.....	716,788 08	10,530 61	21,316 44	759 08	6,054 03	5,948 43	.....	763,396 67
Nova Scotia.....	1,121,491 88	11,828 30	8,237 07	201 22	11,612 77	2,292 35	17,283 12	1,172,949 71
Prince Edward Island.....	763,889 26	6,893 02	6,245 50	107 20	8,851 66	3,325 08	14,336 63	802,648 35
<b>Total.....</b>	<b>32,102,863 84</b>	<b>248,190 02</b>	<b>400,082 09</b>	<b>13,547 24</b>	<b>266,443 37</b>	<b>243,966 04</b>	<b>511,213 03</b>	<b>33,786,305 63</b>

**SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1940**

British Columbia.....	11,059 21	1,023 11	43 05	379 91	214 90	345 89	181 80	13,247 87
Alberta.....	14,123 59	523 14	2,122 97	1,416 04	681 40	2,659 31	362 11	21,883 56
Saskatchewan.....	593 22	43 57	.....	.....	19 72	.....	12 18	668 69
Ontario.....	4,062 13	203 91	.....	.....	215 50	40 00	66 77	4,588 31
Quebec.....	12,911 44	376 99	959 52	508 50	401 48	501 86	265 29	15,925 08
<b>Total.....</b>	<b>42,749 59</b>	<b>2,170 72</b>	<b>3,125 54</b>	<b>2,304 45</b>	<b>1,533 00</b>	<b>3,547 06</b>	<b>888 15</b>	<b>56,318 51</b>

**RECAPITULATION (SCHEDULE "D"—PART 1)**

Section I.....	32,102,863 84	248,190 02	400,082 09	13,547 24	266,443 37	243,966 04	511,213 03	33,786,305 63
Section II.....	42,749 59	2,170 72	3,125 54	2,304 45	1,533 00	3,547 06	888 15	56,318 51
<b>Total.....</b>	<b>32,145,613 43</b>	<b>250,360 74</b>	<b>403,207 63</b>	<b>15,851 69</b>	<b>267,976 37</b>	<b>247,513 10</b>	<b>512,101 18</b>	<b>33,842,624 14</b>

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1, 1939 to March 31, 1940. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding, no additional accrued interest is shown in Revenue Account or on this statement.

## SCHEDULE "D"—PART II

## SECTION I.—SUMMARY OF SECOND MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1940

Province	Principal Outstanding			Charges out- standing	(1) Amount of Interest due and unpaid		(2) Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	24,016 84	2,990 59	3,460 45	65 25	513 51	677 61	669 99	32,394 24
Alberta.....	242,885 51	25,557 62	42,694 74	851 87	5,205 18	6,218 90	8,940 47	332,354 29
Saskatchewan.....	487,511 03	115,325 85	146,580 52	2,127 86	26,932 65	34,053 92	12,398 78	824,930 61
Manitoba.....	261,342 52	43,502 10	23,114 24	1,960 97	6,884 44	2,841 61	6,621 58	346,067 46
Ontario.....	220,548 38	11,298 96	52,843 70	772 18	1,955 02	6,543 43	2,595 54	303,557 21
Quebec.....	615,135 13	.....	115,346 52	395 84	.....	4,306 00	39,680 14	774,863 63
New Brunswick.....	32,203 31	1,032 76	7,908 26	241 93	164 60	772 45	1,630 10	43,953 41
Nova Scotia.....	42,053 57	803 04	8,281 28	190 35	152 17	1,042 96	2,257 88	54,781 25
Prince Edward Island.....	51,805 12	2,918 67	28,784 22	403 98	917 20	5,592 07	3,065 50	93,486 76
Total.....	1,977,501 41	203,429 59	429,013 93	7,010 23	42,724 77	61,848 95	84,859 98	2,806,388 86

## SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1940

Alberta.....	80 00	80 00	240 00	188 35	30 86	75 11	1 97	696 29
Saskatchewan.....	300 00	100 00	1 80	152 00	24 00	.....	7 40	585 20
Ontario.....	1,120 00	280 00	.....	66 75	87 81	41 10	23 09	1,617 75
Quebec.....	240 00	.....	160 00	1 00	.....	22 61	13 18	436 79
Total.....	1,740 00	460 00	401 80	408 10	142 67	138 82	44 64	3,336 03

## RECAPITULATION (SCHEDULE "D"—PART II)

Section I.....	1,977,501 41	203,429 59	429,013 93	7,010 23	42,724 77	61,848 95	84,859 98	2,806,388 86
Section II.....	1,740 00	460 00	401 80	408 10	142 67	138 82	44 64	3,336 03
Total.....	1,979,241 41	203,889 59	429,415 73	7,418 33	42,867 44	61,987 77	84,904 62	2,809,724 89

## RECAPITULATION (SCHEDULE "D"—PARTS I AND II)

Part I.....	32,145,613 43	250,360 74	403,207 63	15,851 69	267,976 37	247,513 10	512,101 18	33,342,624 14
Part II.....	1,979,241 41	203,889 59	429,415 73	7,418 33	42,867 44	61,987 77	84,904 62	2,809,724 89
Total.....	34,124,854 84	454,250 33	832,623 36	23,270 02	310,843 81	309,500 87	597,005 80	36,652,349 03

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1, 1939 to March 31, 1940. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding, no additional accrued interest is shown in Revenue Account or on this statement.

## SCHEDULE "E"

SUMMARY OF AGREEMENTS FOR SALE OF FARM PROPERTIES ACQUIRED BY THE BOARD AND  
RESOLD. CLASSIFIED BY PROVINCES AS AT MARCH 31, 1940

Province	Principal Outstanding			Charges out- standing	Amount of Interest Due and Unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	87,190 07	607 47	366 92	3 00	362 35	380 61	1,613 15	90,523 57
Alberta.....	17,414 84	301 34	.....	5 19	41 91	.....	260 37	18,023 65
Saskatchewan.....	.....	.....	.....	.....	.....	.....	.....	.....
Manitoba.....	20,664 07	424 00	172 57	226 95	406 83	.....	360 89	22,255 41
Ontario.....	6,278 78	79 51	.....	.....	45 79	.....	24 92	6,429 00
Quebec.....	192,784 70	1,243 22	1,001 26	145 95	1,529 36	1,177 60	2,882 92	200,765 01
New Brunswick...	73,036 68	919 69	917 02	211 81	1,012 14	266 40	1,281 03	77,644 77
Nova Scotia.....	15,670 49	269 36	115 47	5 00	195 24	78 93	381 52	16,706 01
Prince Edward Is.	.....	.....	.....	.....	.....	.....	.....	.....
Total.....	413,039 63	3,834 59	2,573 24	597 90	3,593 62	1,903 54	6,804 90	432,347 42

## SCHEDULE "F"

FARM REAL ESTATE HELD FOR SALE AT MARCH 31, 1940

Province	Number of Properties	Invest- ment <sup>1</sup>	Book Value <sup>2</sup>
		\$ cts.	\$ cts.
British Columbia.....	9	46,867 54	32,295 54
Alberta.....	65	204,099 46	156,318 03
Saskatchewan.....	1	3,875 81	2,400 00
Manitoba.....	18	52,321 35	44,384 38
Ontario.....	.....	.....	.....
Quebec.....	10	22,406 94	9,684 84
New Brunswick.....	13	19,687 80	11,504 48
Nova Scotia.....	6	7,261 48	5,596 94
Prince Edward Island.....	.....	.....	.....
Total.....	122	356,520 38	262,184 21

<sup>1</sup> Investment includes the amount of unpaid principal on the loans involved, together with accrued interest and cash outlays to date of acquisition by the Board.

<sup>2</sup> Book value means the estimated resale value of the property except in instances where the estimated resale value is in excess of the amount of the Board's investment. Under the regulations of the Board no parcel of real estate may be carried in any event at a book value in excess of the Board's investment therein.



## SCHEDULE "G"

MORTGAGED FARM PROPERTIES REALIZED ON UNDER JUDGMENT, EXECUTION, OR POWER OF SALE, AND REAL ESTATE DISPOSED OF DURING THE YEAR ENDED MARCH 31, 1940

Province	Complete Farm Units Disposed of				Parts of Farms disposed of		Sales Cancelled	
	No.	Investment	Book value at Date of Sale	Consideration	No.	Consideration	No.	Consideration
		\$ cts.	\$ cts.	\$ cts.		\$ cts.		\$ cts.
British Columbia...	7	27,956 15	20,310 26	19,541 00				
Alberta.....	4	5,267 07	5,267 07	6,025 00	1	3,100 00		
Saskatchewan.....								
Manitoba.....	3	8,327 11	8,327 11	9,184 04				
Ontario.....	4	8,493 85	8,493 85	7,300 00				
Quebec.....	14	58,295 59	51,571 50	42,050 00	2	3,000 00	5	8,947 43
New Brunswick.....	11	25,082 15	21,690 60	20,100 00			3	5,630 89
Nova Scotia.....	3	12,708 29	6,600 00	5,800 00				
Prince Edward Is....								
Total.....	46	146,130 21	122,260 39	110,000 04	3	6,100 00	8	14,578 32

## SCHEDULE "H"

STATEMENT BY PROVINCES OF FISHERMAN'S LOAN APPLICATIONS RECEIVED AND LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1940

Province	Applications Received		Loans Approved		Fair Market Value of Security at Time of Loan	Loans Paid Out	
	Number	Amount	Number	Amount	Amount	Number	Amount
		\$ cts.		\$ cts.	\$ cts.		\$ cts.
British Columbia.....	5	2,550 00	4	2,350 00	8,350 00	3	1,810 57
Ontario.....							
Quebec.....							
New Brunswick.....	2	1,300 00	2	1,300 00	2,900 00	2	1,300 00
Nova Scotia.....	8	4,225 00	3	1,225 00	3,700 00	3	1,704 65
Prince Edward Island.....	2	1,050 00	1	500 00	1,375 00	2	871 25
Total.....	17	9,125 00	10	5,375 00	16,325 00	10	5,686 47

SUMMARY OF APPLICATIONS RECEIVED FROM FISHERMEN, LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS DISBURSED EACH YEAR TO MARCH 31, 1940

YEAR—							
1936-37.....	83	49,055 00	27	12,650 00	32,600 00	18	6,601 61
1937-38.....	46	27,400 00	18	10,150 00	26,710 00	23	12,654 99
1938-39.....	60	31,005 00	19	8,875 00	26,642 00	19	9,318 00
1939-40.....	17	9,125 00	10	5,375 00	16,325 00	10	5,686 47
Total.....	206	116,585 00	74	37,050 00	102,277 00	70	34,261 07

## SCHEDULE "I"

SUMMARY OF FISHERMAN'S MORTGAGE LOANS, CLASSIFIED BY PROVINCES AS AT MARCH 31, 1940

Province	Principal Outstanding			Charges out-standing	Amount of Interest due and unpaid		Amount of Interest accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	5,951 91	93 40					112 95	6,158 26
Ontario.....	561 92		75 64				24 25	661 81
Quebec.....	418 48						6 93	425 41
New Brunswick.....	2,825 73	187 70	80 96	37 42	93 42	40 08	47 36	3,312 67
Nova Scotia.....	15,055 65	806 55	540 16	34 50	240 40	41 11	260 43	16,978 80
Prince Edward Island.....	3,627 45	155 21					100 91	4,004 94
Total.....	28,441 14	1,242 86	696 76	71 92	455 19	81 19	552 83	31,541 89

## SCHEDULE "J"

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1940

Interest earned on First Mortgage Loans.....	\$ 1,561,682 35
Interest earned on Second Mortgage Loans.....	166,595 83
Interest earned on Agreements for Sale.....	19,636 89
Interest earned on Bank Balances.....	1,874 38
	<u>\$ 1,749,789 45</u>
<i>Less</i>	
Interest on Initial Capital Advances.....	\$ 175,000 00
Interest on Bonds.....	985,261 56
	<u>1,160,261 56</u>
	589,527 89
<b>Administrative and General Expenses:</b>	
Commissioners' Salaries.....	14,000 00
Branch Managers' Salaries.....	36,806 08
Board Members' Remuneration.....	1,000 00
Board Members' Travelling Expenses.....	183 75
Salaries of Office Staffs.....	195,992 03
Travelling Expenses, other than Appraisers and Board Members.....	4,036 92
Auditing.....	5,550 55
Printing, Stationery and Office Supplies.....	11,447 35
Legal Expenses.....	3,203 26
Postage.....	8,938 83
Office Rentals, Cleaning, etc.....	25,879 41
Telephones.....	1,750 24
Telegrams.....	155 11
Depreciation of Office Furniture and Equipment.....	3,460 62
Freight and Express.....	823 10
Staff Bonding.....	397 80
Subscriptions.....	962 92
Insurance.....	72 11
Light.....	682 22
<b>Appraisal, Inspection and Collection Expenses:</b>	
(Field Operations)	
Appraisers' Salaries.....	\$ 37,419 24
Appraisers' Automobile Expenses.....	12,770 71
Appraisers' Travelling Expenses.....	14,541 11
Part Time Appraisers' Fees and Expenses—Net.....	38,000 55
	<u>102,731 61</u>
Less Appraisal Fees Earned.....	39,502 75
	63,228 86
Properties Operating Expenses—Net.....	5,165 33
	<u>383,736 49</u>
<i>Less:</i>	
Registration of Address Fees Earned—Net.....	182 92
Proportion of Expenses charged to Operations under the Canadian Fisherman's Loan Act.....	1,243 40
	<u>1,426 32</u>
	382,310 17
Net Profit on Operations under the Canadian Farm Loan Act.....	207,217 73
Net Profit on Operations under the Canadian Fisherman's Loan Act.....	153 05
Net Profit for Year.....	<u>\$ 207,370 77</u>

## SCHEDULE "K"

## CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1940

Segregated as to Parts I and II of the Canadian Farm Loan Act, in accordance with Terms of Orders in Council P.C. 3279, dated December 29, 1936, and P.C. 1016, dated May 2, 1939.

## PART I

Interest Earned on First Mortgage Loans.....		\$ 1,561,682 35
Interest Earned on Agreements for Sale.....		19,636 89
Interest Earned on Bank Balances.....		1,874 38
		<u>1,583,193 62</u>
Less Interest on Initial Capital Advances.....	\$ 175,000 00	
Less Interest on Bonds.....	888,080 66	
		<u>1,063,080 66</u>
		520,112 96
Administrative and General Expenses.....	333,041 69	
Properties Operating Expenses—Net.....	4,711 43	
		<u>337,753 12</u>
Profit pertaining to Operations under Part I.....		\$ <u>182,359 84</u>

## PART II

Interest Earned on Second Mortgage Loans.....		\$ 166,595 83
Less Interest on Bonds.....		97,180 90
		<u>69,414 93</u>
Administrative and General Expenses.....	\$ 44,103 15	
Properties Operating Expenses—Net.....	453 90	
		<u>44,557 05</u>
Profit pertaining to Operations under Part II.....		\$ <u>24,857 88</u>
Total Profit for the Year.....		\$ <u>207,217 72</u>

## SCHEDULE "L"

## PROFIT AND LOSS ACCOUNT IN RESPECT TO OPERATIONS UNDER THE CANADIAN FISHERMAN'S LOAN ACT FOR THE YEAR ENDED MARCH 31, 1940

Interest earned on First Mortgage Loans.....		\$ 1,437 07
Less Interest on Initial Capital Advances.....		685 20
		<u>\$ 751 87</u>
Administrative and General Expenses:		
Legal Expenses.....	\$ 25 00	
Proportion of Branch Office Expenses.....	1,243 40	
		<u>1,268 40</u>
Appraisal Expenses:		
Part Time Appraisers' Fees and Expenses.....	105 72	
Less Appraisal Fees Earned.....	94 90	
		<u>10 82</u>
Total Expenses.....		\$ <u>1,279 22</u>
Loss after providing for Interest on Initial Capital Advances.....		\$ 527 35
Deduct credit in respect to Exemption of Interest on Initial Capital Advances.....		680 40
Profit for the Year.....		\$ <u>153 05</u>

**SCHEDULE "M"**

**BALANCE SHEET AS AT MARCH 31, 1940**

<b>ASSETS</b>	<b>LIABILITIES</b>
Cash in Banks.....	Accounts Payable.....
Capital Stock Subscriptions payable by Dominion Government:	Accrued Paid Interest.....
Under Canadian Farm Loan Act.....	Fire Insurance Recoveries and Other Deposits by Borrowers.....
Under Canadian Fisherman's Loan Act.....	Appraisal and Registration Fees received in respect of Applications not yet disposed of.....
Accounts Receivable.....	Advances by Dominion Government:
Loans to Farmers, Secured by First Mortgages:	Under Supplementary Estimates 1928/29.....
Principal.....	Under Canadian Farm Loan Act, Sec. 5, sub-sec. 1.....
Interest Due and Unpaid.....	Under Canadian Fisherman's Loan Act, Sec. 4, sub-sec. 1.....
Interest Accrued.....	Twenty-five Year Bonds, Series "C", 3½%, due 2nd Jan., 1960....
Other Charges.....	Capital Stock (in shares of \$1.00 each):
Loans to Farmers, Secured by Second Mortgages:	Under Canadian Farm Loan Act:
Principal.....	Issued and Outstanding.....
Interest Due and Unpaid.....	Subscribed but not Issued.....
Interest Accrued.....	Under Canadian Fisherman's Loan Act:
Other Charges.....	Issued and Outstanding.....
Real Estate held for Sale.....	Subscribed but not Issued....
Agreements for Sale:	Statutory Reserve.....
Principal.....	Reserve for Losses under Part II of Canadian Farm Loan Act....
Interest Due and Unpaid.....	
Interest Accrued.....	
Other Charges.....	
Less Provision for Possible Losses.....	
Loans to Fishermen, under the Canadian Fisherman's Loan Act, secured by First Mortgages:	
Principal.....	
Interest Due and Unpaid.....	
Interest Accrued.....	
Other Charges.....	

<b>Fixed Assets:</b>			
Automobiles.....	18,566 06		
Office Furniture and Equipment.....	36,643 18		
	55,209 24		
Less Reserve for Depreciation.....	24,506 88		
		30,702 36	
			37,278,966 40
Deficit Resulting from Operations under the Canadian Fisherman's Loan Act.....	1,751 62		
Total.....		<u>\$37,280,718 02</u>	Total..... <u>\$37,280,718 02</u>

AUDITORS' REPORT TO THE CANADIAN FARM LOAN BOARD

We have examined the accounts of the Canadian Farm Loan Board for the year ended 31st March, 1940.

We have to report that we have obtained all the information and explanations we have required and, in our opinion, the above Balance Sheet and relative Profit and Loss Account are properly drawn up so as to exhibit a true and correct view of the state of the Board's affairs as at 31st March, 1940, and of its operations for the year ended at that date, according to the best of our information and the explanations given to us, and as shown by the books of the Board.

Montreal, 5th August 1940.

PEAT, MARWICK, MITCHELL & CO.  
Auditors.

23

STATEMENT OF RESERVE FOR POSSIBLE LOSSES ACCOUNT FOR YEAR ENDED  
MARCH 31, 1940

Balance as at March 31, 1939.....		\$ 374,059 02
<i>Deduct:</i>		
Loss on Properties Sold—Net.....	\$ 12,371 52	
Amount written off Book Value of Properties and Loans.....	62,634 66	
		75,006 18
		\$ 299,052 84
<i>Add:</i>		
Capital Stock Cancelled under Sec. 9, sub-sec. 3 of the Canadian Farm Loan Act.....	10,477 00	
Amount appropriated from Profits.....	136,769 88	
Amount transferred from Statutory Reserve.....	27,226 12	
		174,473 00
Balance as at March 31, 1940.....		<u>\$ 473,525 84</u>

## CANADIAN FARM LOAN BOARD

### SUMMARY OF LOAN CONDITIONS

#### FIRST MORTGAGE LOANS

##### Who May Qualify for Loan:

Any person who is the owner of farm lands and whose principal occupation is farming and who is actually engaged in or shortly to become engaged in the cultivation of the farm he offers as security for loan.

The applicant must have the necessary experience, ability and character to satisfy the Board that he will cultivate successfully the farm offered as security for a loan, and will be able to repay the loan made to him.

##### Purpose of Loan:

To pay debts, purchase live stock or farm equipment, to make farm improvements, provide for expenses of farm operation, or to assist in the purchase of farm lands. \*See Note below on Farm Purchase.

##### Amount of Loan:

Not in excess of 50 per cent of the appraised value of the farm (land and buildings) offered as security for loan nor in any event in excess of \$5,000.

##### Security for Loan:

The Board requires and the applicant should be prepared to give a first mortgage on farm lands under cultivation and owned and operated by the applicant. Farm lands offered as security must be provided with the necessary farm buildings. Farm lands under lease cannot be accepted as security for a loan.

##### Rate of Interest:

5 per cent per year and 5½ per cent on arrears.

##### Appraisal:

Every farm offered as security for loan must be appraised by one of the Board's appraisers before loan is granted. Appraisals are not made under winter conditions. The season for appraisal work extends from about May 1 to December 1.

##### Appraisal Fee:

A fee of \$10 is required with each application for loan to apply on the costs of appraisal and handling of applications but the fee will be refunded if appraisal be not made. If, however, an appraisal of the farm be made, the fee will be retained by the Board irrespective of whether or not the applicant is successful in obtaining a loan.

##### Legal Costs:

The applicant will be responsible for costs involved in search and perfection of titles, completion and registration of the mortgage.

##### Where to Apply for Loan:

All correspondence with respect to applications for loans should be carried on with the manager of the provincial branch office of the Board. All applications for loan must be made on forms provided by the Board and these forms can be obtained from the provincial branch manager whose name and address is shown below.

British Columbia.....	W. S. Palmer, Canadian Farm Loan Board, New Westminster, B.C.
Alberta.....	J. A. Case, Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.....	R. S. Rideout, Canadian Farm Loan Board, Regina, Sask.
Manitoba.....	J. H. Martinson, Canadian Farm Loan Board, Winnipeg, Man.
Ontario.....	W. G. Whiteside, Canadian Farm Loan Board, Toronto, Ont.
Quebec.....	P. A. Angers, Canadian Farm Loan Board, Quebec City, Que.
New Brunswick.....	Paul W. Caldwell, Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.....	N. H. Parsons, Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.....	J. A. Lawson, Canadian Farm Loan Board, Charlottetown, P.E.I.

#### SECOND MORTGAGE LOANS

Anyone applying for a first mortgage loan may at the same time apply for a second mortgage loan. The applicant may make his application for the amount of loan he requires. The Board will decide after appraisal the amount that will be advanced on first mortgage loan and the amount to be advanced on second mortgage loan.

To pay debts, purchase stock, machinery, equipment to operate the farm offered as security for loan, to make permanent improvements thereon.

(NOTE.—A second mortgage loan cannot be approved for the purchase of farm lands.)

Not to exceed one-half of the amount of first mortgage loan, the total amount of the first mortgage loan and the second mortgage loan not to exceed two-thirds of the appraised value of the land and buildings thereon, nor in any event \$8,000.

A second mortgage on the farm lands accepted as security for a first mortgage loan and a bill of sale by way of mortgage on the applicant's live stock, farm machinery and equipment.

6 per cent per year.

The farm offered as security for loan and applicant's live stock, machinery and equipment must be appraised by the Board's appraisers before a loan is granted.

In event of second mortgage loan being granted, an additional charge may be made by the Board to apply against appraisal costs and the costs of handling the application and the amount thereof retained out of the proceeds of loan. No charge will be made if second mortgage loan is not granted.

Applicant will be responsible for costs involved in search of title, drawing and completion of mortgage, registration thereof.

**REPAYMENT "FIRST" MORTGAGE LOANS**

The term of repayment of the loan is fixed by the Board but cannot exceed a term of 25 years. The applicant may select a shorter term of payment however.

The following repayment plans are used most generally:

Plan 1—24 annual instalments of \$7.25 for each \$100 of loan or 49 semi-annual instalments of \$3.57 for each \$100 of loan.

Plan 2—15 annual instalments of \$9.64 for each \$100 of loan or 30 semi-annual instalments of \$4.78 for each \$100 of loan.

Plan 3—10 annual instalments of \$12.96 for each \$100 of loan or 20 semi-annual instalments of \$6.42 for each \$100 of loan.

\* For example, the yearly payment on a loan of \$1,000 on a 24-year annual payment Plan 1 will be  $10 \times \$7.25 = \$72.50$  yearly for the next 24 years at the end of which time the loan will be fully repaid.

While the Board's loans are repayable on a long term basis, these loans may, in accordance with the terms of the Farm Loan Act, be retired before the due date subject to the Board's regulations.

The policy of the Board is to encourage borrowers to prepay their loans and to accept prepayment in order that the farmer may be relieved of his mortgage obligations as soon as possible.

**REPAYMENT "SECOND" MORTGAGE LOANS**

Plan No. 1—Interest only to next instalment date and FIVE equal annual instalments of Principal with interest at 6 per cent.

**Payment Dates**

British Columbia, Ontario, New Brunswick, Nova

Scotia and Prince Edward Island:—

Annually on 1st June or 1st December.

Semi-Annually on 1st June and 1st December.

Alberta, Saskatchewan, Manitoba and Quebec:—

Annually on 1st May or 1st November.

Semi-Annually on 1st May and 1st November.

**NOTE ON FARM PURCHASE**

\* (In applying for a loan to assist in the purchase of farm lands the applicant must be able, with the amount of loan granted him by the Board together with the amount of his own funds, to obtain title to the farm in his own name and to give the Board a first mortgage thereon. The applicant must also satisfy the Board that he is in a position to operate the farm successfully, that he will be a permanent occupant and that he will be able to carry through the financial obligations he undertakes in the purchase of the farm. It should be noted that the largest amount that can be loaned to assist in the purchase of a farm must not be greater than one-half of the value placed on the farm by the Board's appraiser.)

**THE CANADIAN FISHERMAN'S LOAN ACT****SUMMARY OF LOAN CONDITIONS**

ISSUED BY THE CANADIAN FARM LOAN BOARD

**Who May Apply:**

A person whose principal occupation is fishing, and who is actually engaged as a business in the taking of fish, with his own boat, nets, traps, and equipment, or who owns a definite and legal share or part interest in the boat or boats and equipment so used or who proposes with the proceeds of loan applied for, to acquire such boat and fishing equipment or interest therein for the purpose of engaging in fishing.

The applicant must own land with title in such shape that any loan granted to him may be secured by a legal first mortgage thereon to the Board.

The applicant must have the necessary experience, ability and character to satisfy the Board that he can carry on his fishing operations efficiently and make provision for the repayment of loan granted.

**Purpose of Loan:**

- (1) To purchase boats or vessels, or shares or part interests in boats or vessels for use in the fisheries.
- (2) To purchase equipment for such fishing boats or vessels including therein the purchase of gasoline, crude-oil or other engines.
- (3) To purchase lines, hooks, trawls, nets, anchors, bait, traps, and any other equipment or apparatus for use in fishing.
- (4) Payment of liabilities incurred in providing equipment as set out above.
- (5) Other purposes definitely connected with fishing enterprises.

**Property Security:**

The applicant must give the Board a first mortgage on his real property for the amount of loan obtained. The land which is offered as security for loan must be owned by the applicant. In event of loan being granted the Board will require the applicant to furnish adequate fire insurance on the buildings on the property accepted as security for the loan.

**Valuation:**

The property of the applicant will be appraised at the fair market value of the land and buildings thereon; that is to say, at the price which might reasonably be expected to be realized therefrom if the property were offered for sale in the open market; this will not necessarily be the replacement or cost value of the property and buildings.

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the land and buildings and in no case to exceed a total of \$1,000.

Where two or more applicants have a joint or several ownership in the land and buildings, the aggregate loans for such applicants shall not exceed \$1,000.

No loan will be granted for an amount of less than \$200.

**Interest Rate:**

5 per cent per year and 5½ per cent on arrears.

**Appraisal Fee:**

On all applications for loans aggregating \$600 or less a fee of \$5; and on application for loans aggregating over \$600 a fee of \$10 will be payable by the applicant to the Board at such time as the application has been accepted for appraisal, and prior to such appraisal being undertaken by the Board. The amount of such fee will be retained by the Board where appraisal is undertaken and applied by the Board against the cost of appraisal.

**Legal Costs:**

The applicant will be responsible for the costs involved in the search and perfection of titles, completion and registration of mortgage.

**Title Difficulties:**

In order to avoid unnecessary legal costs, every applicant, either before making formal application for loan, or before loan is approved for disbursement, should satisfy himself preferably upon the advice of his solicitor that he is able to perfect title to the property he offers as security for loan and to give the Board a First Mortgage thereon at a reasonable cost to himself.

**Where to Obtain Application Forms:**

Application forms can be obtained in all cases where it is desired to apply for loan from the Provincial Office of the Canadian Farm Loan Board for the province in which the property offered as security for loan is situated. The addresses of these offices are as follows:—

British Columbia.....	Canadian Farm Loan Board, New Westminster, B.C.
Alberta.....	Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.....	Canadian Farm Loan Board, Regina, Sask.
Manitoba.....	Canadian Farm Loan Board, Winnipeg, Man.
Ontario.....	Canadian Farm Loan Board, Toronto, Ont.
Quebec.....	Canadian Farm Loan Board, Quebec, P.Q.
New Brunswick.....	Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.....	Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.....	Canadian Farm Loan Board, Charlottetown, P.E.I.

**Repayment of Loan:**

All loans will be repayable in equal annual or semi-annual instalments of combined principal and interest over a term not exceeding ten (10) years. The Board reserves the right to fix a shorter term of loan than that applied for. Where the term of loan is fixed at 10 years the amount of the annual instalment over such term will be \$12.96 for each \$100 of loan; or where payable semi-annually the amount of the semi-annual instalment over such term will be \$6.42 for each \$100 of loan. Instalment payment dates will be June 1 and December 1 yearly.

The whole or any part of a loan may, subject to such Regulations as the Board may issue, be prepaid on any instalment date.



**REPORT**

**OF THE**

**CANADIAN FARM LOAN BOARD**

8

**FOR THE YEAR ENDED MARCH 31,**

**1941**



**OTTAWA**  
**EDMOND CLOUTIER**  
**PRINTER TO THE KING'S MOST EXCELLENT MAJESTY**  
**1941**

## CANADIAN FARM LOAN BOARD

HEAD OFFICE—OTTAWA, CANADA

### *Members of the Board*

J. D. MACLEAN, Farm Loan Commissioner, Ottawa

ROBERT MCKENZIE, Ottawa

W. C. CLARK, Ottawa

AIME BOUCHER, Pierreville, P.Q.

### *Branch Offices*

New Westminster, British Columbia.....	W. S. Palmer, Manager
Edmonton, Alberta.....	A. H. Bunnin, Manager
Regina, Saskatchewan.....	R. S. Rideout, Manager
Winnipeg, Manitoba.....	J. H. Martinson, Manager
Toronto, Ontario.....	W. G. Whiteside, Manager
Quebec City, Quebec.....	P. A. Angers, Manager
Saint John, New Brunswick.....	P. W. Caldwell, Manager
Halifax, Nova Scotia.....	N. H. Parsons, Manager
Charlottetown, Prince Edward Island.....	J. A. Lawson, Supervisor

# REPORT OF THE CANADIAN FARM LOAN BOARD

For the Year Ended March 31, 1941

---

Honourable J. L. ILSLEY,  
Minister of Finance,  
Ottawa, Canada.

SIR,—I have the honour to submit the report of the Canadian Farm Loan Board on operations under the Canadian Farm Loan Act and on operations under The Canadian Fisherman's Loan Act for the fiscal year ended March 31, 1941. The word "operations" under Part I of the Canadian Farm Loan Act has reference to first mortgage loans and, under Part II of the said Act, has reference to second mortgage loans.

## POWERS AND DUTIES OF THE BOARD

Under the provisions of the Canadian Farm Loan Act the Board is constituted as a public corporation and an agency of the Dominion Government. Its powers and duties may be stated generally to be the making of long term loans to farmers on the security of mortgages on farm lands.

In addition to making loans to farmers, the Board is also empowered under the authority of The Canadian Fisherman's Loan Act to make loans to fishermen on the security of mortgages on real property owned by them.

## ADMINISTRATION

The Board carries on loaning operations throughout Canada and has established a Branch Organization and a Branch Office in each province in order to handle business arising in such province.

As provided under the terms of the Canadian Farm Loan Act, the executive work of the Board is directed by the Farm Loan Commissioner and the work delegated by the Board to each Branch is supervised by the Manager of such local branch.

Each Provincial Branch Office is held responsible for the initial consideration of applications for loan, for arranging for the appraisal of farms, for the placing of insurance, for loan disbursement and for the collection of current and overdue instalments on outstanding loans.

The Board appoints its own employees both at Head Office and at the Branch Offices but the appointment of Branch Managers for each provincial branch is subject to the approval of the Governor in Council. Branch Managers are given authority to engage temporary staff as required subject to the approval of the Commissioner.

The Board provides for all administrative expenses, both at Head Office and at the Branch Offices, including rentals, supplies, salaries, travelling expenses, etc.

The accounting work of the Board is centralized at the Head Office of the Board at Ottawa.

## TERMS OF LOAN AND LOANING POLICIES OF THE BOARD

Full particulars of the terms and conditions upon which loans may be made by the Board are shown in a Summary of Loan Conditions appended to this report. First mortgage loans may be granted for any term not in excess of 25 years with privileges of prepayment. The rate of interest is 5 per cent per annum with a rate of  $5\frac{1}{2}$  per cent on arrears. Loans made for a term in excess of 5 years are repayable in equal annual or semi-annual instalments of combined principal and interest on an amortized plan of repayment.

Loans are restricted to *bona fide* farmers who are actually occupying and operating in person or with hired labour the lands accepted as security for loan. The Farm Loan Act does not authorize loans on lands under lease. Security for loan is taken by way of a first mortgage or hypothec. First mortgage loans are limited to a maximum of 50 per cent of the appraised value of the security and to an amount not in excess of \$5,000.

In addition to granting first mortgage loans on the terms outlined above, the Board is authorized to make additional advances to applicants who have obtained or are obtaining first mortgage loans. Such additional advances are made for a term not in excess of six years and are secured by a second mortgage on the lands already mortgaged to secure the initial first mortgage loan and by a mortgage on the borrower's livestock and equipment. The rate of interest on second mortgage loans is 6 per cent per annum.

The purpose for which loans may be granted are for farm improvements, the purchase of live stock and equipment, farm operating expenses, purchase of farm lands and the refinancing of existing farm indebtedness. It should be noted, however, that a second mortgage loan can not be made for the purpose of purchasing farm lands.

## METHOD OF FINANCING THE OPERATIONS OF THE FARM LOAN BOARD

In order to finance the operations of the Board in the early years of its existence provision was made by the terms of the Canadian Farm Loan Act by which the Government of Canada was authorized to make the Board a capital advance of \$5,000,000 free of interest for three years from the date of the advance and subsequently to bear interest at a rate fixed by the Governor in Council. Following the organization of the Board, advantage was taken of these provisions. The rate of interest payable on the capital advance of \$5,000,000 was fixed originally at 5 per cent, but was later reduced to  $3\frac{1}{2}$  per cent, which is the present rate payable thereon.

The capital of the initial advance is repayable out of profits earned on operation after provision has been made for establishing the necessary reserves.

In so far as the operations under Part I of the Act are concerned the Board has continued to operate on a self-sustaining basis except for the non-payment of interest for the three year term referred to above. Its costs of administration and reserves for losses are provided for by the spread between the cost of funds borrowed by it for loaning purposes and the rate of interest charged on loans.

The Government of Canada is the sole shareholder in the Board and subscribes to its share capital to the extent of five per cent of the principal outstanding on current loans.

The share capital thus subscribed in respect of each loan is held as collateral security to the loan and in event of the acquisition of the property by the Board

or its disposition after sale proceedings at an amount less than the Board's investment, the amount of the share capital subscribed in respect of the loan is carried into the Board's Reserve for Losses.

Additional funds required for loaning purposes are obtained from the sale of bonds issued by the Board on the security of farm mortgages held by the Board.

The Minister of Finance is empowered to purchase bonds of the Board, but may not hold at any time such bonds to an amount in excess of \$50,000,000. The Government of Canada, may, however, guarantee bonds of the Board for issue and public sale up to an additional \$40,000,000.

The rate of interest charged on loans made by the Board under Part I of the Act is based on the rate of interest payable by the Board on its bonds increased by an amount sufficient, in the judgment of the Board, to provide for costs of operation and reserves for losses. At present the Board borrows money at the rate of  $3\frac{1}{2}$  per cent and loans it on mortgage security at 5 per cent.

Similar provisions apply also to operations under Part II of the Act, except that an additional interest rate of 1 per cent is charged on second mortgage loans. In recognition of the risks involved in making additional advances to farmers secured by second mortgage and chattel security, Parliament has provided that yearly losses sustained on operations under Part II of the Act shall be payable out of the Consolidated Revenue Fund. All amounts thus advanced to cover losses sustained constitute a lien upon and are repayable out of future profits earned on operations under Part II. There were no advances of this nature outstanding as at the end of the fiscal year as operating profits have been sufficient to provide for losses sustained to date.

The accounts of the Board are accordingly segregated as to operations under Part I and operations under Part II of the Act.

#### APPLICATIONS

The Board carried over into the fiscal year under review 588 loan applications which had not been finally disposed of in the preceding year. In the fiscal year a further 2,806 applications were received. The total applications for loans dealt with in the year, therefore, numbered 3,394 of which 448 applications had not been finally disposed of at the close of the year chiefly owing to the inability of the applicant to comply with the conditions of loan approval before the end of the fiscal year.

There was a substantial reduction in the number of loan applications received in the fiscal year as compared with the number received in the previous fiscal year. This reduction may be attributable to a reluctance on the part of farmers to take on new financial commitments in the face of war uncertainties. It also appears that in many areas farmers are unaware of the fact that mortgage credit may be obtained through the Board. Additional publicity to acquaint the farming community with the credit facilities available from the Board may be necessary in order that the Board may continue to fulfill the function for which it was created.

#### APPRAISALS

The Board carried out in the fiscal year 2,864 appraisals and check appraisals of securities offered for loan.

#### LOANING OPERATIONS

Loans granted to farmers during the fiscal year totalled 1,459 first mortgage loans and 228 second mortgage loans for amounts aggregating \$2,759,400 while loans disbursed during the year amounted to \$2,727,507. Particulars relating to these loans will be found in Schedule A annexed hereto.

At the close of the fiscal year, the Board had on its books 20,782 first mortgage loan accounts for amounts totalling \$34,799,364.59 and 6,301 second mortgage loan accounts for amounts totalling \$2,343,373.29 and also 247 sale contracts for amounts totalling \$455,362.84, comprising a total of 27,330 farm loan accounts aggregating \$37,598,100.72. The status of these accounts is shown in Schedules D and E hereto. In addition, 147 parcels of real estate were held for sale and carried at a book value of \$326,567.98. Particulars of such real estate are shown in Schedule F hereto. The above items amounted to a total investment under administration of \$37,924,668.70.

From the beginning of operations in 1929 down to March 31, 1941, the Board disbursed first mortgage loans amounting to a total of \$41,421,391 as well as an amount of \$4,276,025 by way of second mortgage loans or a total of \$45,697,416. Particulars of loans so disbursed are shown in Schedule B hereto. In the same period of time repayments of loan principal have amounted to \$3,783,169.48.

#### ASSETS

The assets of the Board consist chiefly of loans to Farmers, of loans to Fishermen, of Agreements for Sale and of Real Estate. These are shown in the balance sheet and set out in Schedule M hereto. In respect to the items of Real Estate held for sale, the figure shown as assets represents the estimated present day sale value of the parcels held but in no instance is a parcel of land valued at an amount in excess of the Board's investment therein.

#### LIABILITIES

The items of \$5,000,000 advanced by the Dominion Government under Section 5 of the Canadian Farm Loan Act and of \$29,000 advanced by the Dominion Government under Section 4 of The Canadian Fisherman's Loan Act represent a capital advance which is repayable out of profits of operation after provision for reserves has been made. The item of the outstanding 3½ per cent Bonds Series C, \$30,200,000 shown as a liability, represents outstanding bonds purchased and held by the Government of Canada. The item of capital stock subscribed for under the Canadian Farm Loan Act, \$2,253,013 and shown as a liability, represents capital stock purchased by and held by the Government of Canada. The item of capital stock, \$1,519, issued under The Canadian Fisherman's Loan Act, is similarly held by the Government of Canada.

#### COLLECTIONS

Cash payments by farmer borrowers during the fiscal year were as follows: repayment of loan principal \$2,056,974.16, interest payments \$1,783,976.64 or a total of payments received during the year of \$3,848,950.80, as compared with a total of \$3,642,309.78 received on account of similar items in the previous fiscal year.

Interest arrears owing at the close of the fiscal year on first mortgage loans equalled 1.380 per cent of principal outstanding. Interest arrears owing on second mortgage loans equalled 6.348 per cent of principal outstanding.

The interest in arrears for more than 6 months on first mortgages amounted to \$217,797.56 equalling .644 per cent of principal outstanding. The interest in arrears for more than 6 months on second mortgages amounted to \$91,833.21 equalling 4.296 per cent of principal outstanding.

A comparative statement of interest arrears outstanding at the close of each of the last five fiscal years is set out hereunder:—

Year ended March 31	Per Cent Interest Arrears First Mortgage Loans to Outstanding Principal	Per Cent Interest Arrears Second Mortgage Loans to Outstanding Principal	Per Cent Total Interest Arrears on both First and Second Mortgage Loans to Outstanding Principal	Per Cent Total Interest Arrears on Agreements for Sale to Outstanding Principal
1937.....	2.249	0.523	2.058	2.042
1938.....	2.084	1.532	2.027	1.858
1939.....	2.038	3.101	2.135	1.780
1940.....	1.572	4.014	1.752	1.311
1941.....	1.380	6.348	1.675	1.220

The increase in interest arrears on second mortgage loans may be accounted for as follows: (a) borrowers who were given second mortgage loans have had a larger comparative indebtedness to meet than those obtaining a first mortgage loan; (b) repayments received by the Board are applied firstly on first mortgage instalment payments falling due or in arrears before applying the balance on the second mortgage account with the result that, while in a considerable number of instances the total indebtedness of the borrower to the Board has been reduced, the amount of interest arrears on the second mortgage account has increased; (c) prepayment by the more successful farmer of the whole or a portion of the second mortgage loan.

From 1935 to the end of the last fiscal year the Board has disbursed \$4,276,024.68 in second mortgage loans and which has now been reduced to \$2,137,697.52.

The authority for the making of second mortgage loans was provided by the amendments made to the Farm Loan Act in 1934. The effect of the amendment is to widen the scope of the Board's operations by enabling the Board to refinance by means of combined first and second mortgage loans, the indebtedness of farmers whose liabilities the Board could not underwrite by way of a first mortgage loan only. In granting such additional loans it was recognized that the element of risk was increased and that in the natural course of events a larger percentage of such borrowers would encounter difficulty in meeting their second mortgage payments than would be the case where a first mortgage loan only was made. On the other hand, many borrowers have benefited from this type of loan as the additional advance has enabled them to reduce substantially their capital indebtedness and carrying charges and to make subsequent progress in reducing their total indebtedness in an orderly manner.

As at the end of the fiscal year 1940-41, of a total of 20,782 first mortgage borrowers from the Board 76 per cent of this number had met their due payments in full. Of a total of 6,301 second mortgage borrowers 53.9 per cent had met their principal payments in full and 69.5 per cent had paid all interest falling due up to the same date.

#### PREPAYMENT OF LOAN PRINCIPAL

The policy of the Board is to offer encouragement to borrowers to reduce their outstanding obligations by affording them opportunities of prepayment

on their loan accounts. Prepayment of loan principal in whole or in part will be accepted by the Board without bonus at any time after the lapse of two years from the date of loan disbursement.

### FORECLOSURE

During the year the Board instituted sale or foreclosure proceedings against 55 borrowers and of this number 20 cases were in process at the close of the year. In each of these cases, legal action was undertaken only after a thorough investigation had been made of the borrower's farming operations, his attitude towards payment and his ability to repay. In a number of instances legal action was necessary following the abandonment of the mortgaged premises by the borrower.

### REAL ESTATE HELD FOR SALE AT THE CLOSE OF THE FISCAL YEAR

In the course of the year the Board acquired 67 farm properties by foreclosure, sale or quit claim.

In the same period 42 properties were sold, and 6 properties were in process of sale at the end of the year. In addition, 79 properties, valued at \$196,663.61, were under lease for terms of from 2 to 5 years with a purchase option to the lessee exercisable upon reduction of the purchase price to an agreed amount, the lessee being allowed a credit in the exercise of the purchase option for amounts paid as rental.

The Board had 147 farm properties on its books at the close of the fiscal year at an estimated resale value of \$326,567.98. Particulars of such real estate are shown in Schedule F hereto.

The Board makes every effort to dispose of farms immediately following the acquisition thereof.

### FINANCING DURING THE YEAR 1940-41

For the purpose of financing the Board's loaning operations for the year, the Board disposed of \$800,000 of 3½ per cent Farm Loan bonds. Additional funds required for loaning purposes were obtained from loan repayments.

During the year, the Government of Canada subscribed to capital stock in the Board to the extent of \$50,550 in accordance with the provisions of subsection (2) of Section 5 of the Canadian Farm Loan Act.

The interest due and payable by the Board on all its financial obligations for the fiscal year amounted to \$1,213,169.52 and this amount was paid in full on due date.

The Board's financial position at the close of the fiscal year is shown in the balance sheet annexed as Schedule M hereto.

At the close of the fiscal year the assets under administration under the Canadian Farm Loan Act were as follows:—

Farm mortgage loans.....	\$37,142,737 88
Agreements for sale of farm properties.....	455,362 84
Farm real estate held for sale.....	326,567 98
	<hr/>
	\$37,924,668 70



As a matter of comparison, the following is a statement of assets under administration at the close of each of the last five fiscal years:—

1936-37.....	\$28,041,518 58
1937-38.....	32,146,942 45
1938-39.....	35,042,115 53
1939-40.....	37,346,880 66
1940-41.....	37,924,668 70

### COSTS OF ADMINISTRATION

The costs of administration for the fiscal year amounted to \$377,829.13 or .996 per cent of the value of assets under administration as compared with \$382,310.17 or 1.02 per cent in the previous fiscal year.

In addition to personnel employed on a full time basis the staff of the Board includes a number of field and office staff engaged on a seasonal basis in the appraisal and field collection season. At March 31, 1941, staff numbered 172 of which 36 were at Head Office and 136 at the Branch Offices.

### PROFIT AND LOSS

For the fiscal year under review the Board showed a profit on operations under the Canadian Farm Loan Act, Part I, of \$224,511.40 and of \$22,385.84 under Part II of the Act or a total profit of \$246,897.24 as compared with a total profit of \$207,217.72 in the previous fiscal year. Profits accruing from the operations of the Board have been set aside to strengthen the Reserve Accounts of the Board, to provide for losses on operation and to set up a fund to repay the capital of \$5,000,000 advanced to the Board by the Government of Canada at the time the Board was organized.

At the close of the fiscal year the sum of \$180,660.00 was transferred into the Board's Reserve for Possible Losses on outstanding loan accounts under Part I. This amount was made up as follows:—the value of capital stock cancelled under subsection (3) of Section 9 of the Act \$11,609.00, appropriated from profit \$168,383.40, transferred from Statutory Reserve \$667.60. Profits accruing from operations under Part II of the Act amounting to \$22,385.84 were transferred to the Reserve Account Part II to provide for Losses under this Part. In addition the value of capital stock cancelled under subsection (3) of Section 9 of the Act amounting to \$386 was transferred during the year to the Reserve Account under Part II of the Act.

### RESERVES

During the year there was written off against Reserve for Possible Losses a total of \$80,802.31 on account of losses on (a) sale of properties, (b) revaluation of real estate held by the Board and (c) compromises under the Farmers' Creditors Arrangement Act, as compared with a total of \$75,006.18 written off on account of the above during the preceding year, while under Part II of the Act there was written off a total of \$2,440.21 during the same period.

At the close of the fiscal year the reserves of the Board totalled \$953,312.09 as compared with reserves of \$777,378.90 at the close of the previous year.

## CANADIAN FISHERMAN'S LOAN ACT

The Canadian Farm Loan Board is charged also with the administration of a scheme of loans to fishermen under The Canadian Fisherman's Loan Act. The operations under this Act are financed and administered on the same general principles as the Canadian Farm Loan Act.

In the past fiscal year 5 fisherman's loan applications were accepted by the Board for appraisal and 2 loans were granted for amounts totalling \$900. Loans disbursed amounted to \$1,539.11. The amount outstanding at the close of the fiscal year on loans made to fishermen under the Act totalled \$29,183.89 particulars of which are set out in Schedule I hereto.

The Board showed a loss during the year of \$53.27 in its operations under The Canadian Fisherman's Loan Act.

### AUDIT

An audit of the accounts of the Board is made each year by a firm of chartered accountants appointed by the Government of Canada.

### SCHEDULES

Appended to this report will be found schedules dealing with the Board's operations for the fiscal year under review as follows:—

Schedule "A" hereto contains a statement by provinces of the total farm loans approved during the year with particulars of the appraised values and acreages of the farm lands accepted as security for such loans. Included in the schedule is a statement of moneys disbursed by way of loan during the year.

Schedule "B" hereto contains a statement by years of the number and amount of applications for farm loans received from farmers, number and amount of farm loans approved and amount of loan moneys disbursed from the date of the organization of the Board to March 31, 1941, inclusive.

Schedule "C" hereto contains a statement by provinces of the total number of farm loans and amount of loan moneys disbursed down to March 31, 1941, with particulars of the original appraised values of the farm lands and acreages mortgaged to the Board as security for such loans.

Schedule "D", Part I, hereto contains a statement by provinces of farm loans secured by first mortgage outstanding as at March 31, 1941.

Schedule "D", Part II, hereto contains a statement by provinces of farm loans secured by second mortgage outstanding as at March 31, 1941.

Schedule "E" hereto contains a statement by provinces of the amount outstanding as at March 31, 1941, on agreements for sale of farm properties acquired by the Board and resold.

Schedule "F" hereto contains a statement by provinces of the farm real estate held by the Board as at March 31, 1941, with particulars of the investment of the Board therein and the values at which carried on the books of the Board.

Schedule "G" hereto contains a statement by provinces of all farm real estate disposed of by the Board during the fiscal year with particulars of the amount of the Board's investment therein, and amounts realized on disposition, together with a statement of sales of real estate cancelled during the year.

Schedule "H" hereto contains a statement by provinces of fisherman's loan applications received and loans approved under The Canadian Fisherman's Loan Act with particulars of appraised values of the real property accepted as security therefor, and loans paid out during the fiscal year and from inception of operations thereunder to March 31, 1941.

Schedule "I" hereto contains a statement by provinces of loans made to fishermen under The Canadian Fisherman's Loan Act and outstanding as at March 31, 1941.

Schedule "J" hereto contains the Profit and Loss Account of the Board for the year ended March 31, 1941.

Schedule "K" hereto contains the condensed Profit and Loss Account in respect to operations under the Canadian Farm Loan Act, segregated as to Parts I and II of the Canadian Farm Loan Act.

Schedule "L" hereto contains the Profit and Loss Account of the Board in respect of operations under The Canadian Fisherman's Loan Act for the year ended March 31, 1941.

Schedule "M" hereto contains the Balance Sheet of the Board for the year ended March 31, 1941.

In concluding this report, the members of the Board take the opportunity of expressing their appreciation of the conscientious manner in which the officers and staff of the Board throughout Canada have discharged their duties.

Respectfully submitted,

J. D. MACLEAN,  
*Commissioner.*

October 15, 1941.

## SCHEDULE "A"

STATEMENT BY PROVINCES OF FARM LOANS APPROVED WITH DETAILS OF APPRAISED VALUES OF FARM LANDS AND BUILDINGS AND ACREAGES ACCEPTED AS SECURITY THEREFOR AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1941

Province	First Mortgage		Second Mortgage		Total Amount Approved	Appraised Value of Security at Time of Loan			Total Acreage	Loans paid out, including Loans Approved prior to April 1, 1940		
	Number of Loans	Amount Approved	Number of Loans	Amount Approved		Land	Value of Buildings to Land	Total Appraised Value		1st Mortgage	2nd Mortgage	Total
		\$		\$	\$	\$	\$	\$		\$ cts.	\$ cts.	\$ cts.
British Columbia.	67	130,100	5	3,350	133,450	326,523	132,690	459,213	12,710	130,802 82	3,350 00	134,152 82
Alberta.....	197	278,350	16	6,800	285,150	632,765	164,785	797,550	55,407	285,267 29	9,400 00	294,667 29
Saskatchewan....	152	242,950	55	20,650	263,600	564,149	156,256	720,405	50,085	288,719 75	24,844 37	313,564 12
Manitoba.....	133	267,100	30	14,600	281,700	595,630	164,137	759,767	40,727	310,217 90	18,235 68	328,453 58
Ontario.....	288	584,000	77	37,450	621,450	882,117	508,971	1,391,088	34,678	604,472 38	36,700 00	641,172 38
Quebec.....	449	908,350	36	17,750	926,100	1,365,465	759,982	2,125,447	59,458	764,716 17	13,604 25	778,320 42
New Brunswick...	36	40,100	7	2,800	42,900	54,750	38,560	93,310	5,413	35,164 82	1,800 00	36,964 82
Nova Scotia.....	50	69,650	2	950	70,600	128,974	70,967	199,941	7,145	75,435 42	164 00	75,599 42
Prince Edward Id.	87	134,450	.....	.....	134,450	223,408	105,078	328,486	10,723	124,312 30	300 00	124,612 30
Total.....	1,459	2,855,050	228	104,350	2,759,400	4,773,781	2,101,426	6,875,207	276,346	2,619,108 85	108,398 30	2,727,507 15

## SCHEDULE "B"

SUMMARY OF APPLICATIONS RECEIVED FROM FARMERS, LOANS APPROVED, AND LOANS DISBURSED EACH YEAR FROM INCEPTION OF OPERATIONS TO MARCH 31, 1941

Year	Applications Received		Loans Approved					Loans Paid Out		
	Number	Amount	First Mortgage		Second Mortgage		Total Amount	First Mortgage	Second Mortgage	Total
			Number	Amount	Number	Amount				
		\$ cts.		\$ cts.		\$ cts.		\$ cts.		\$ cts.
1929-30.....	6,827	18,016,083 00	1,787	3,981,050 00			3,981,050 00	2,630,376 97		2,630,376 97
1930-31.....	3,372	8,650,182 00	1,458	3,212,400 00			3,212,400 00	3,517,488 57		3,517,488 57
1931-32.....	4,803	12,370,398 60	1,049	2,025,400 00			2,025,400 00	1,996,344 40		1,996,344 40
1932-33.....	1,776	3,039,392 50	536	982,600 00			982,600 00	1,276,114 24		1,276,114 24
1933-34.....	1,207	2,306,934 00	287	490,800 00			490,800 00	558,630 34		558,630 34
1934-35.....	2,456	5,496,816 65	532	880,900 00	72	44,600 00	925,500 00	537,973 67	9,233 37	547,207 04
1935-36.....	21,698	50,152,821 20	5,109	8,906,680 00	3,236	2,051,725 00	10,958,405 00	6,191,609 02	1,232,169 73	7,423,778 75
1936-37.....	9,821	21,872,723 43	5,099	9,004,850 00	2,835	1,504,150 00	10,509,000 00	9,269,187 51	1,804,968 37	11,074,155 88
1937-38.....	3,924	8,254,401 00	1,913	3,473,000 00	776	368,575 00	3,841,575 00	4,652,397 24	611,910 26	5,264,307 50
1938-39.....	4,723	9,688,427 00	2,267	4,076,800 00	560	269,250 00	4,346,050 00	4,041,395 23	297,447 99	4,338,843 22
1939-40.....	4,666	8,941,899 00	2,380	4,149,400 00	464	199,550 00	4,348,950 00	4,130,765 04	211,896 66	4,342,661 70
1940-41.....	2,806	5,769,950 00	1,459	2,655,050 00	228	104,350 00	2,759,400 00	2,619,108 85	108,398 30	2,727,507 15

## SCHEDULE "C"

STATEMENT BY PROVINCES OF TOTAL FARM LOANS DISBURSED WITH DETAILS OF APPRAISED VALUES AT TIME OF LOAN, OF FARM LANDS AND BUILDINGS AND ACREAGES ACCEPTED AS SECURITY THEREFOR, TO MARCH 31, 1941

Province	First Mortgage		Second Mortgage		Total Mortgage Loans Disbursed	Appraised Value of Security			Total Acreage
	Number	Amount Disbursed	Number	Amount Disbursed		Land	Buildings	Total	
		\$ cts.		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.....	1,052	2,410,462 29	96	63,850 00	2,474,312 29	6,234,124 00	2,745,693 00	8,979,817 00	202,088
Alberta.....	4,498	8,144,626 23	882	550,526 80	8,695,153 03	22,727,161 00	6,631,405 00	29,358,566 00	1,458,433
Saskatchewan.....	3,563	6,539,201 94	1,943	1,050,813 57	7,590,015 51	17,238,825 00	4,673,157 00	21,911,982 00	1,338,356
Manitoba.....	2,512	4,809,252 10	1,071	672,474 93	5,481,727 03	11,811,721 00	4,827,329 00	16,639,050 00	809,610
Ontario.....	2,608	4,918,781 64	920	468,767 34	5,387,548 98	8,108,934 00	4,728,760 00	12,837,694 00	329,449
Quebec.....	5,989	11,162,899 85	2,310	1,206,678 04	12,369,577 89	21,520,084 00	12,992,817 00	34,512,901 00	867,218
New Brunswick.....	812	1,071,809 74	170	69,850 00	1,141,659 74	2,069,653 00	1,951,462 00	4,021,115 00	135,131
Nova Scotia.....	979	1,415,190 65	151	85,914 00	1,501,104 65	2,853,922 00	1,817,131 00	4,671,053 00	154,226
Prince Edward Island.....	660	949,166 64	202	107,150 00	1,056,316 64	1,692,184 00	822,211 00	2,514,395 00	78,428
Total.....	22,673	41,421,391 08	7,745	4,276,024 68	45,697,415 76	94,256,608 00	41,189,965 00	135,446,573 00	5,372,939

## SCHEDULE "D"—PART I

### SECTION I.—SUMMARY OF FIRST MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1941

Province	Principal Outstanding			Charges Outstanding	(1) Amount of Interest due and Unpaid		(2) Amount of Interest Accrued	Total
	Current	Arrears			Under 6 months	Over 6 months		
		Under 6 months	Over 6 months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	1,576,386 84	17,321 54	32,242 27	1,129 70	10,796 47	8,421 59	3,159 88	1,649,458 29
Alberta.....	6,069,018 : 2	70,118 69	205,520 49	2,807 87	58,804 85	110,938 25	71,983 19	6,589,191 66
Saskatchewan.....	5,744,718 48	72,952 53	90,664 69	628 39	78,343 05	55,340 27	96,449 09	6,139,096 50
Manitoba.....	3,839,441 98	33,399 52	26,779 46	3,000 93	29,909 11	9,414 76	60,237 81	4,002,183 57
Ontario.....	4,344,495 49	18,593 04	20,217 18	317 86	19,171 70	8,195 35	109,001 17	4,519,991 79
Quebec.....	8,762,808 51	24,404 70	29,661 88	1,749 85	13,170 16	5,018 96	135,485 73	8,972,299 79
New Brunswick.....	709,256 39	11,941 91	18,733 79	272 98	10,088 98	3,862 05	754,156 10	
Nova Scotia.....	1,129,260 60	15,398 80	12,906 29	160 98	14,870 73	3,860 02	17,152 32	1,193,609 74
Prince Edward Island.....	853,944 60	9,454 72	10,391 64	63 00	12,201 82	5,782 82	15,449 28	907,287 88
<b>Total.....</b>	<b>33,029,331 21</b>	<b>273,585 45</b>	<b>447,117 69</b>	<b>10,131 56</b>	<b>247,356 87</b>	<b>210,834 07</b>	<b>508,918 47</b>	<b>34,727,275 32</b>

### SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1941

British Columbia.....	20,374 91	274 26	1,565 37	1,035 39	368 19	1,716 49	618 07	25,952 88
Alberta.....	9,363 49	199 97	2,674 82	614 49	239 81	3,786 28	423 87	17,302 73
Ontario.....	4,427 01	24 58	406 95	.....	43 52	783 11	178 98	5,864 15
Quebec.....	9,330 48	217 30	626 31	462 98	166 97	192 44	204 90	11,201 88
New Brunswick.....	1,413 23	118 99	402 90	6 40	106 13	134 29	.....	2,181 94
Nova Scotia.....	8,353 12	109 24	268 37	25 73	335 53	350 88	143 52	9,586 99
<b>Total.....</b>	<b>53,262 24</b>	<b>944 34</b>	<b>5,944 72</b>	<b>2,144 99</b>	<b>1,260 15</b>	<b>6,963 49</b>	<b>1,569 34</b>	<b>72,089 27</b>

### RECAPITULATION (SCHEDULE "D"—PART I)

Section I.....	33,029,331 21	273,585 45	447,117 69	10,131 56	247,356 87	210,834 07	508,918 47	34,727,275 32
Section II.....	53,262 24	944 34	5,944 72	2,144 99	1,260 15	6,963 49	1,569 34	72,089 27
<b>Total.....</b>	<b>33,082,593 45</b>	<b>274,529 79</b>	<b>453,062 41</b>	<b>12,276 55</b>	<b>248,617 02</b>	<b>217,797 56</b>	<b>510,487 81</b>	<b>34,799,364 59</b>

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1, 1940 to March 31, 1941. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding, no additional accrued interest is shown in Revenue Account or on this statement.

## SCHEDULE "D"—PART II

## SECTION I.—SUMMARY OF SECOND MORTGAGE FARM LOANS CLASSIFIED BY PROVINCES AS AT MARCH 31, 1941

Province	Principal Outstanding			Charges Out-standing	(1) Amount of Interest due and Unpaid		(2)	Total
	Current	Arrears			Under 6 months	Over 6 months	Amount of Interest Accrued	
		Under 6 months	Over 6 months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	15,587 43	2,772 31	5,341 14	47 25	400 74	909 03	402 28	25,460 23
Alberta.....	159,789 28	28,530 03	56,988 05	1,626 57	4,573 09	7,966 98	5,629 74	265,103 74
Saskatchewan.....	314,085 43	118,954 60	231,410 26	1,610 00	27,603 27	50,918 08	6,375 88	750,957 52
Manitoba.....	169,408 90	54,932 32	50,207 37	3,174 14	8,172 23	6,262 74	4,745 80	296,903 50
Ontario.....	175,482 12	11,526 34	70,568 15	1,464 99	1,840 55	8,688 23	8,130 92	277,701 30
Quebec.....	419,994 37	.....	96,714 16	336 60	.....	5,086 94	29,157 24	551,289 31
New Brunswick.....	21,282 38	900 75	12,193 65	225 39	186 13	1,197 07	1,244 43	37,229 80
Nova Scotia.....	26,473 93	820 70	15,523 49	150 34	106 82	2,178 94	1,716 48	46,970 70
Prince Edward Island.....	31,810 43	3,597 17	41,158 33	501 78	896 43	8,517 83	2,636 66	89,118 63
Total.....	1,333,914 27	222,034 22	580,104 60	9,137 06	43,779 26	91,725 89	60,039 43	2,340,734 73

## SECTION II.—MORTGAGE LOANS UNDER WHICH PROCEEDINGS HAVE BEEN TAKEN WHICH ARE STILL UNSETTLED AS AT MARCH 31, 1941

Ontario.....	320 00	260 00	464 43	692 69	55 06	71 32	26 01	1,889 51
Nova Scotia.....	200 00	200 00	200 00	45 00	38 16	36 00	29 89	749 05
Total.....	520 00	460 00	664 43	737 69	93 22	107 32	55 90	2,638 56

## RECAPITULATION (SCHEDULE "D"—PART II)

Section I.....	1,333,914 27	222,034 22	580,104 60	9,137 06	43,779 26	91,725 89	60,039 43	2,340,734 73
Section II.....	520 00	460 00	664 43	737 69	93 22	107 32	55 90	2,638 56
Total.....	1,334,434 27	222,494 22	580,769 03	9,874 75	43,872 48	91,833 21	60,095 33	2,343,373 29

## RECAPITULATION (SCHEDULE "D"—PARTS I AND II)

Part I.....	33,082,593 45	274,529 79	453,062 41	12,276 55	248,617 02	217,797 56	510,487 81	34,799,364 59
Part II.....	1,334,434 27	222,494 22	580,769 03	9,874 75	43,872 48	91,833 21	60,095 33	2,343,373 29
Total.....	34,417,027 72	497,024 01	1,033,831 44	22,151 30	292,489 50	309,630 77	570,583 14	37,142,737 88

(1) Amount of interest shown as due and unpaid includes interest actually set up on borrowers' accounts on current principal and arrears to last instalment date and also on arrears where payment has been received subsequent to instalment date.

(2) Amount of interest accrued as shown in this schedule represents the additional amount required in Revenue Account to equal interest at the current rate on the average monthly balance of principal outstanding for the fiscal year April 1, 1940 to March 31, 1941. In event that the amount already set up and charged to borrowers' accounts during the fiscal year is in excess of interest computed for the year at the current rate on the average monthly balance of principal outstanding, no additional accrued interest is shown in Revenue Account or on this statement.



## SCHEDULE "E"

SUMMARY OF AGREEMENTS FOR SALE OF FARM PROPERTIES ACQUIRED BY THE BOARD AND RESOLD.  
CLASSIFIED BY PROVINCES AS AT MARCH 31, 1941

Province	Principal Outstanding			Charges out- standing	Amount of Interest due and unpaid		Amount of Interest Accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	
British Columbia.	91,348 96	412 97	972 99	3 00	192 98	440 71	1,364 27	94,735 88
Alberta.....	22,913 54	279 31	70 00	2 50	115 95	19 47	415 02	23,815 79
Saskatchewan.....	1,100 00						2 29	1,102 29
Manitoba.....	22,260 97	820 25	128 13	8 25	280 44	40 94	353 98	23,892 96
Ontario.....	12,573 81	80 69		22 38	53 13	45 69	210 34	12,986 04
Quebec.....	193,145 34	1,068 59	866 89	14 34	1,352 90	988 11	2,403 44	199,839 61
New Brunswick.....	73,484 76	1,163 63	1,393 80	ca 15 13	1,138 36	280 37	1,190 70	78,636 49
Nova Scotia.....	19,014 67	216 41	250 53	8 00	328 53	134 48	401 16	20,353 78
Prince Edward Id.								
Total.....	435,842 05	4,041 85	3,682 34	43 34	3,462 29	1,949 77	6,341 20	455,362 84

## SCHEDULE "F"

FARM REAL ESTATE HELD FOR SALE AT MARCH 31, 1941

Province	Number of Properties	Invest- ment <sup>1</sup>	Book Value <sup>2</sup>
		\$ cts.	\$ cts.
British Columbia.....	6	29,290 94	19,133 62
Alberta.....	80	254,188 98	190,115 79
Saskatchewan.....	5	11,745 40	9,553 15
Manitoba.....	24	80,213 12	65,071 08
Ontario.....	4	7,164 29	6,773 57
Quebec.....	5	11,960 50	10,791 66
New Brunswick.....	14	20,975 68	13,601 32
Nova Scotia.....	8	12,325 14	9,346 80
Prince Edward Island.....	1	2,180 99	2,180 99
Total.....	147	430,045 04	326,567 98

<sup>1</sup> Investment includes the amount of unpaid principal on the loans involved, together with accrued interest and cash outlays to date of acquisition by the Board.

<sup>2</sup> Book value means the estimated resale value of the property except in instances where the estimated resale value is in excess of the amount of the Board's investment. Under the regulations of the Board no parcel of real estate may be carried in any event at a book value in excess of the Board's investment therein.

## SCHEDULE "G"

MORTGAGED FARM PROPERTIES REALIZED ON UNDER JUDGMENT, EXECUTION, OR POWER OF SALE, AND REAL ESTATE DISPOSED OF DURING THE YEAR ENDED MARCH 31, 1941

Province	Complete Farm Units Disposed of				Parts of Farms disposed of		Sales Cancelled	
	No.	Investment	Book Value at Date of Sale	Consideration	No.	Consideration	No.	Consideration
		\$ cts.	\$ cts.	\$ cts.		\$ cts.		\$ cts.
British Columbia	4	20,260 90	16,610 68	14,337 93	1	1,175 00		
Alberta	5	8,121 60	8,121 60	9,000 00	1	1,520 00		
Saskatchewan	1	1,300 00	1,300 00	1,300 00				
Manitoba	4	14,353 82	12,389 28	13,600 00			2	10,261 42
Ontario	3	12,850 97	12,850 97	12,570 96				
Quebec	15	42,579 20	29,728 18	27,396 02			2	6,652 57
New Brunswick	8	11,158 29	8,625 38	8,405 00			4	4,657 98
Nova Scotia	2	2,898 66	2,853 17	4,250 00	1	1,300 00		
Prince Edward Id.								
Total	42	113,514 44	92,479 26	90,859 91	3	3,995 00	8	21,571 97

## SCHEDULE "H"

STATEMENT BY PROVINCES OF FISHERMAN'S LOAN APPLICATIONS RECEIVED AND LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS PAID OUT FOR THE FISCAL YEAR ENDED MARCH 31, 1941

Province	Applications Received		Loans Approved		Fair Market Value of Security at Time of Loan	Loans Paid Out	
	Number	Amount	Number	Amount	Amount	Number	Amount
		\$ cts.		\$ cts.	\$ cts.		\$ cts.
British Columbia						1	739 43
Ontario							
Quebec							
New Brunswick							
Nova Scotia	2	900 00	2	900 00	2,700 00	2	770 93
Prince Edward Island	3	1,880 00					28 75
Total	5	2,780 00	2	900 00	2,700 00	3	1,539 11

SUMMARY OF APPLICATIONS RECEIVED FROM FISHERMEN, LOANS APPROVED, WITH FAIR MARKET VALUES OF LANDS AND BUILDINGS ACCEPTED AS SECURITY THEREFOR, AND LOANS DISBURSED EACH YEAR TO MARCH 31, 1941

Year—							
1936-37	83	49,055 00	27	12,650 00	32,600 00	18	6,601 61
1937-38	46	27,400 00	18	10,150 00	26,710 00	23	12,654 99
1938-39	60	31,005 00	19	8,875 00	26,642 00	19	9,318 00
1939-40	17	9,125 00	10	5,375 00	16,325 00	10	5,686 47
1940-41	5	2,780 00	2	900 00	2,700 00	3	1,539 11
Total	211	119,365 00	76	37,950 00	104,977 00	73	35,800 18

## SCHEDULE "I"

SUMMARY OF FISHERMAN'S MORTGAGE LOANS, CLASSIFIED BY PROVINCES AS AT MARCH 31, 1941

Province	Principal Outstanding			Charges out-standing	Amount of Interest due and unpaid		Amount of Interest Accrued	Total
	Current	Arrears			Under six months	Over six months		
		Under six months	Over six months					
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
British Columbia.....	4,791 87	187 93			34 50		114 92	5,129 22
Ontario.....	339 81		137 97				15 81	493 59
Quebec.....	374 62	30 45					6 27	411 34
New Brunswick.....	2,468 63	277 10	268 66		126 83	69 85	45 30	3,256 37
Nova Scotia.....	14,041 53	948 17	852 32	16 00	182 29	107 76	256 97	16,405 04
Prince Edward Island.....	3,210 38	93 73	47 76	6 23	28 35	13 20	88 68	3,488 33
Total.....	25,226 84	1,537 38	1,306 71	22 23	371 97	190 81	527 95	29,183 89

## SCHEDULE "J"

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1941

Interest earned on First Mortgage Loans.....	\$ 1,669,239 36
Interest earned on Second Mortgage Loans.....	141,579 04
Interest earned on Agreements for Sale.....	22,170 80
Interest earned on Bank Balances.....	2,057 68
<b>Less.</b>	<b>\$ 1,835,046 88</b>
Interest on Initial Capital Advances.....	\$ 175,000 00
Interest on Bonds.....	1,035,320 51
	<u>1,210,320 51</u>
	624,726 37
<b>Administrative and General Expenses:</b>	
Commissioners' Salaries.....	14,000 00
Branch Managers' Salaries.....	37,645 00
Board Members' Remuneration.....	1,000 00
Board Members' Travelling Expenses.....	183 75
Salaries of Office Staffs.....	194,598 23
Travelling Expenses, other than Appraisers and Board Members.....	4,062 18
Auditing.....	5,593 30
Printing, Stationery and Office Supplies.....	9,513 45
Legal Expenses.....	3,013 75
Postage.....	8,528 45
Office Rentals, Cleaning, etc.....	25,419 72
Telephones.....	1,638 19
Telegrams.....	115 86
Depreciation of Office Furniture and Equipment.....	3,619 04
Freight and Express.....	726 73
Staff Bonding.....	396 12
Subscriptions.....	622 72
Insurance.....	29 25
Light.....	710 60
Appraisal, Inspection and Collection Expenses:	
(Field Operations)	
Appraisers' Salaries.....	\$ 42,354 76
Appraisers' Automobile Expenses.....	12,925 78
Appraisers' Travelling Expenses.....	17,579 54
Part Time Appraisers' Fees and Expenses—Net.....	15,170 46
	<u>88,030 54</u>
Less Appraisal Fees Earned.....	22,950 08
	<u>65,080 46</u>
Properties Operating Expenses—Net.....	2,678 66
	<u>379,175 46</u>
<b>Less.</b>	
Registration of Address Fees Earned—Net.....	153 83
Proportion of Expenses charged to Operations under the Canadian Fisherman's Loan Act.....	1,192 50
	<u>1,346 33</u>
	377,829 13
Net Profit on Operations under the Canadian Farm Loan Act.....	246,897 24
Net Loss on Operations under the Canadian Fisherman's Loan Act.....	53 27
Net Profit for Year.....	<u>\$ 246,843 97</u>

## SCHEDULE "K"

CONDENSED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 1941

SEGREGATED AS TO PARTS I AND II OF THE CANADIAN FARM LOAN ACT, IN ACCORDANCE WITH TERMS OF ORDERS IN COUNCIL P.C. 3279, DATED DECEMBER 29, 1936, AND P.C. 1016, DATED May 2, 1939

## PART I

Interest Earned on First Mortgage Loans.....	\$ 1,669,239 36	
Interest Earned on Agreements for Sale.....	22,170 80	
Interest Earned on Bank Balances.....	2,057 68	
		<u>1,693,467 84</u>
Less Interest on Initial Capital Advances.....	\$ 175,000 00	
Less Interest on Bonds.....	952,732 74	
		<u>1,127,732 74</u>
		565,735 10
Administrative and General Expenses.....	338,825 47	
Properties Operating Expenses—Net.....	2,398 23	
		<u>341,223 70</u>
Profit pertaining to Operations under Part I.....	\$ 224,511 40	

## PART II

Interest Earned on Second Mortgage Loans.....	\$ 141,579 04	
Less Interest on Bonds.....	82,587 77	
		<u>58,991 27</u>
Administrative and General Expenses.....	\$ 36,325 00	
Properties Operating Expenses—Net.....	280 43	
		<u>36,605 43</u>
Profit pertaining to Operations under Part II.....	\$ 22,385 84	
Total Profit for the Year.....	\$ 246,897 24	

## SCHEDULE "L"

PROFIT AND LOSS ACCOUNT IN RESPECT TO OPERATIONS UNDER THE CANADIAN FISHERMAN'S LOAN ACT  
FOR THE YEAR ENDED MARCH 31, 1941

Interest earned on First Mortgage Loans.....	\$	1,499 26	
Less Interest on Initial Capital Advances.....		725 00	
			<u>774 26</u>
Administrative and General Expenses:			
Legal Expenses.....	\$	10 00	
Proportion of Branch Office Expenses.....		1,192 50	
			<u>1,202 50</u>
Appraisal Expenses:			
Part Time Appraisers' Fees and Expenses.....		21 75	
Less Appraisal Fees Earned.....		20 00	
			<u>1 75</u>
Total Expenses.....	\$	1,204 25	
Loss after providing for Interest on Initial Capital Advances.....	\$	429 99	
Deduct credit in respect to Exemption of Interest on Initial Capital Advances.....		376 72	
Loss for the Year.....	\$	53 27	

## SCHEDULE "M"

BALANCE SHEET AS AT MARCH 31, 1941

ASSETS		LIABILITIES	
Cash in Banks.....	\$ 781,237 48	Accounts Payable.....	\$ 1,628 47
Capital Stock Subscription payable by Dominion Government....	12,064 00	Accrued Bond Interest.....	257,734 24
Accounts Receivable.....	183 59	Fire Insurance Recoveries and Other Deposits by Borrowers.....	29,081 08
	793,485 07	Appraisal and Registration Fees received in respect of Applications not yet disposed of.....	2,499 78
Loans to Farmers, Secured by First Mortgages:			290,943 57
Principal.....	\$33,810,185 65	Advances by Dominion Government:	
Interest Due and Unpaid.....	466,414 58	Under Supplementary Estimates 1928/29.....	50,000 00
Interest Accrued.....	510,487 81	Under Canadian Farm Loan Act, Sec. 5, Sub-sec. 1.....	5,000,000 00
Other Charges.....	12,276 55	Under Canadian Fisherman's Loan Act, Sec. 4, Sub-sec. 1.....	29,000 00
	34,799,364 59		5,079,000 00
Loans to Farmers, Secured by Second Mortgages:		Twenty-five Year Bonds, Series "C", 3½% due 2nd Jan., 1960....	30,200,000 00
Principal.....	\$ 2,137,697 52	Capital Stock (in shares of \$1.00 each):	
Interest Due and Unpaid.....	135,705 69	Under Canadian Farm Loan Act:	
Interest Accrued.....	60,095 33	Issued and Outstanding.....	\$ 2,240,949 00
Other Charges.....	9,874 75	Subscribed but not Issued.....	12,064 00
	2,343,373 29		2,253,013 00
Real Estate held for Sale.....	326,567 98	Under Canadian Fisherman's Loan Act:	
Agreements for Sale:		Issued and Outstanding.....	1,519 00
Principal.....	443,566 24		2,254,532 00
Interest Due and Unpaid.....	5,412 06	Statutory Reserve.....	298,807 40
Interest Accrued.....	6,341 20	Reserve for Losses under Part II of Canadian Farm Loan Act.....	81,121 16
Other Charges.....	43 34		
	455,362 84		
	37,924,668 70		
Less Provision for Possible Losses.....	573,383 53		
	37,351,285 17		
Loans to Fishermen, under the Canadian Fisherman's Loan Act, Secured by First Mortgages:			
Principal.....	28,070 93		
Interest Due and Unpaid.....	562 78		
Interest Accrued.....	527 95		
Other Charges.....	22 23		
	29,183 89		

<b>Fixed Assets:</b>			
Automobiles.....	20,701 14		
Office Furniture and Equipment.....	38,425 92		
	<u>59,127 06</u>		
<i>Less</i> Reserve for Depreciation.....	30,481 95	28,645 11	
		<u>38,202,599 24</u>	
<b>Deficit resulting from Operations under the Canadian Fisherman's</b>			
Loan Act.....	1,804 89		
<b>Total.....</b>	<u><u>\$38,204,404 13</u></u>	<b>Total.....</b>	<u><u>38,204,404 13</u></u>

AUDITORS' REPORT TO THE CANADIAN FARM LOAN BOARD

We have examined the accounts of the Canadian Farm Loan Board for the year ended 31st March, 1941.

We have to report that we have obtained all the information and explanations we have required and, in our opinion, the above Balance Sheet and relative Profit and Loss Account are properly drawn up so as to exhibit a true and correct view of the state of the Board's affairs as at 31st March, 1941, and of its operations for the year ended at that date, according to the best of our information and the explanations given to us, and as shown by the books of the Board.

PEAT, MARWICK, MITCHELL & CO.  
Auditors.

Montreal, July 6, 1941.

23

STATEMENT OF RESERVE FOR POSSIBLE LOSSES ACCOUNT FOR YEAR ENDED  
MARCH 31, 1941

Balance as at March 31, 1940.....		\$ 473,525 84
<i>Deduct:</i>		
Loss on Properties Sold—Net.....	\$ 1,902 82	
Amount written off Book Value of Properties and Loans.....	<u>78,899 49</u>	
		80,802 31
		<u>\$ 392,723 53</u>
<i>Add:</i>		
Capital Stock cancelled under Section 9, Subsection 3 of the Canadian Farm Loan Act.....	11,609 00	
Amount appropriated from Profits.....	168,383 40	
Amount transferred from Statutory Reserve.....	<u>667 60</u>	
		180,660 00
Balance as at March 31, 1941.....		<u><u>\$ 573,383 53</u></u>

## CANADIAN FARM LOAN BOARD

## SUMMARY OF LOAN CONDITIONS

## FIRST MORTGAGE LOANS

**Who May Qualify for Loan:**

Any person who is the owner of farm lands and whose principal occupation is farming and who is actually engaged in or shortly to become engaged in the cultivation of the farm he offers as security for loan.

The applicant must have the necessary experience, ability and character to satisfy the Board that he will cultivate successfully the farm offered as security for a loan, and will be able to repay the loan made to him.

**Purpose of Loan:**

To pay debts, purchase live stock or farm equipment, to make farm improvements, provide for expenses of farm operation, or to assist in the purchase of farm lands. \*See Note below on Farm Purchase.

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the farm (land and buildings) offered as security for loan nor in any event in excess of \$5,000.

**Security for Loan:**

The Board requires and the applicant should be prepared to give a first mortgage on farm lands under cultivation and owned and operated by the applicant. Farm lands offered as security must be provided with the necessary farm buildings. Farm lands under lease cannot be accepted as security for a loan.

**Rate of Interest:**

5 per cent per year and 5½ per cent on arrears.

**Appraisal:**

Every farm offered as security for loan must be appraised by one of the Board's appraisers before loan is granted. Appraisals are not made under winter conditions. The season for appraisal work extends from about May 1 to December 1.

**Appraisal Fee:**

A fee of \$10 is required with each application for loan to apply on the costs of appraisal and handling of applications but the fee will be refunded if appraisal be not made. If, however, an appraisal of the farm be made, the fee will be retained by the Board irrespective of whether or not the applicant is successful in obtaining a loan.

**Legal Costs:**

The applicant will be responsible for costs involved in search and perfection of titles, completion and registration of the mortgage.

**Where to Apply for Loan:**

All correspondence with respect to applications for loans should be carried on with the manager of the provincial branch office of the Board. All applications for loan must be made on forms provided by the Board and these forms can be obtained from the provincial branch manager whose name and address is shown below.

British Columbia.....	W. S. Palmer, Canadian Farm Loan Board, New Westminster, B.C.
Alberta.....	A. H. Bunnin, Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.....	R. S. Rideout, Canadian Farm Loan Board, Regina, Sask.
Manitoba.....	J. H. Martinson, Canadian Farm Loan Board, Winnipeg, Man.
Ontario.....	W. G. Whiteside, Canadian Farm Loan Board, Toronto, Ont.
Quebec.....	P. A. Angers, Canadian Farm Loan Board, Quebec City, Que.
New Brunswick.....	Paul W. Caldwell, Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.....	N. H. Parsons, Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.....	J. A. Lawson, Canadian Farm Loan Board, Charlottetown, P.E.I.

## SECOND MORTGAGE LOANS

Anyone applying for a first mortgage loan may at the same time apply for a second mortgage loan. The applicant may make his application for the amount of loan he requires. The Board will decide after appraisal the amount that will be advanced on first mortgage loan and the amount to be advanced on second mortgage loan.

To pay debts, purchase stock, machinery, equipment to operate the farm offered as security for loan, to make permanent improvements thereon.

(Note.—A second mortgage loan cannot be approved for the purchase of farm lands.)

Not to exceed one-half of the amount of first mortgage loan, the total amount of the first mortgage loan and the second mortgage loan not to exceed two-thirds of the appraised value of the lands and buildings thereon, nor in any event \$6,000.

A second mortgage on the farm lands accepted as security for a first mortgage loan and a bill of sale by way of mortgage on the applicant's live stock, farm machinery and equipment.

6 per cent per year.

The farm offered as security for loan and applicant's live stock, machinery and equipment must be appraised by the Board's appraisers before a loan is granted.

In event of second mortgage loan being granted, an additional charge may be made by the Board to apply against appraisal costs and the costs of handling the application and the amount thereof retained out of the proceeds of loan. No charge will be made if second mortgage loan is not granted.

Applicant will be responsible for costs involved in search of title, drawing and completion of mortgage, registration thereof.



**REPAYMENT "FIRST" MORTGAGE LOANS**

The term of repayment of the loan is fixed by the Board but cannot exceed a term of 25 years. The applicant may select a shorter term of payment however.

The following repayment plans are used most generally:

Plan 1—24 annual instalments of \$7.25 for each \$100 of loan or 49 semi-annual instalments of \$3.57 for each \$100 of loan.

Plan 2—15 annual instalments of \$9.64 for each \$100 of loan or 30 semi-annual instalments of \$4.78 for each \$100 of loan.

Plan 3—10 annual instalments of \$12.96 for each \$100 of loan or 20 semi-annual instalments of \$6.42 for each \$100 of loan.

For example, the yearly payment on a loan of \$1,000 on a 24-year annual payment Plan 1 will be  $10 \times \$7.25 = \$72.50$  yearly for the next 24 years at the end of which time the loan will be fully repaid.

While the Board's loans are repayable on a long term basis, these loans may, in accordance with the terms of the Farm Loan Act, be retired before the due date subject to the Board's regulations.

The policy of the Board is to encourage borrowers to prepay their loans and to accept prepayment in order that the farmer may be relieved of his mortgage obligations as soon as possible.

**REPAYMENT "SECOND" MORTGAGE LOANS**

Plan No. 1—Interest only to next instalment date and FIVE equal annual instalments of Principal with interest at 6 per cent.

**Payment Dates**

British Columbia, Ontario, New Brunswick, Nova Scotia and Prince Edward Island:—  
Annually on 1st June or 1st December.  
Semi-Annually on 1st June and 1st December.

Alberta, Saskatchewan, Manitoba and Quebec:—  
Annually on 1st May or 1st November.  
Semi-Annually on 1st May and 1st November.

**NOTE ON FARM PURCHASE**

\* (In applying for a loan to assist in the purchase of farm lands the applicant must be able, with the amount of loan granted him by the Board together with the amount of his own funds, to obtain title to the farm in his own name and to give the Board a first mortgage thereon. The applicant must also satisfy the Board that he is in a position to operate the farm successfully, that he will be a permanent occupant and that he will be able to carry through the financial obligations he undertakes in the purchase of the farm. It should be noted that the largest amount that can be loaned to assist in the purchase of a farm must not be greater than one-half of the value placed on the farm by the Board's appraiser.)

**THE CANADIAN FISHERMAN'S LOAN ACT**  
**SUMMARY OF LOAN CONDITIONS**

ISSUED BY THE CANADIAN FARM LOAN BOARD

**Who May Apply:**

A person whose principal occupation is fishing, and who is actually engaged as a business in the taking of fish, with his own boat, nets, traps, and equipment, or who owns a definite and legal share or part interest in the boat or boats and equipment so used or who proposes with the proceeds of loan applied for, to acquire such boat and fishing equipment or interest therein for the purpose of engaging in fishing.

The applicant must own land with title in such shape that any loan granted to him may be secured by a legal first mortgage thereon to the Board.

The applicant must have the necessary experience, ability and character to satisfy the Board that he can carry on his fishing operations efficiently and make provision for the repayment of loan granted.

**Purpose of Loan:**

- (1) To purchase boats or vessels, or shares or part interests in boats or vessels for use in the fisheries.
- (2) To purchase equipment for such fishing boats or vessels including therein the purchase of gasoline, crude-oil or other engines.
- (3) To purchase lines, hooks, trawls, nets, anchors, bait, traps, and any other equipment or apparatus for use in fishing.
- (4) Payment of liabilities incurred in providing equipment as set out above.
- (5) Other purposes definitely connected with fishing enterprises.

**Property Security:**

The applicant must give the Board a first mortgage on his real property for the amount of loan obtained. The land which is offered as security for loan must be owned by the applicant. In event of loan being granted the Board will require the applicant to furnish adequate fire insurance on the buildings on the property accepted as security for the loan.

**Valuation:**

The property of the applicant will be appraised at the fair market value of the land and buildings thereon; that is to say, at the price which might reasonably be expected to be realized therefrom if the property were offered for sale in the open market; this will not necessarily be the replacement or cost value of the property and buildings.

**Amount of Loan:**

Not in excess of 50 per cent of the appraised value of the land and buildings and in no case to exceed a total of \$1,000.

Where two or more applicants have a joint or several ownership in the land and buildings, the aggregate loans for such applicants shall not exceed \$1,000.

No loan will be granted for an amount of less than \$200.

**Interest Rate:**

5 per cent per year and 5½ per cent on arrears.

**Appraisal Fee:**

On all applications for loans aggregating \$600 or less a fee of \$5; and on application for loans aggregating over \$600 a fee of \$10 will be payable by the applicant to the Board at such time as the application has been accepted for appraisal, and prior to such appraisal being undertaken by the Board. The amount of such fee will be retained by the Board where appraisal is undertaken and applied by the Board against the cost of appraisal.

**Legal Costs:**

The applicant will be responsible for the costs involved in the search and perfection of titles, completion and registration of mortgage.

**Title Difficulties:**

In order to avoid unnecessary legal costs, every applicant, either before making formal application for loan, or before loan is approved for disbursement, should satisfy himself preferably upon the advice of his solicitor that he is able to perfect title to the property he offers as security for loan and to give the Board a First Mortgage thereon at a reasonable cost to himself.

**Where to Obtain Application Forms:**

Application forms can be obtained in all cases where it is desired to apply for loan from the Provincial Office of the Canadian Farm Loan Board for the province in which the property offered as security for loan is situated. The addresses of these offices are as follows:—

British Columbia.....	Canadian Farm Loan Board, New Westminster, B.C.
Alberta.....	Canadian Farm Loan Board, Edmonton, Alta.
Saskatchewan.....	Canadian Farm Loan Board, Regina, Sask.
Manitoba.....	Canadian Farm Loan Board, Winnipeg, Man.
Ontario.....	Canadian Farm Loan Board, Toronto, Ont.
Quebec.....	Canadian Farm Loan Board, Quebec, P.Q.
New Brunswick.....	Canadian Farm Loan Board, Saint John, N.B.
Nova Scotia.....	Canadian Farm Loan Board, Halifax, N.S.
Prince Edward Island.....	Canadian Farm Loan Board, Charlottetown, P.E.I.

**Repayment of Loan:**

All loans will be repayable in equal annual or semi-annual instalments of combined principal and interest over a term not exceeding ten (10) years. The Board reserves the right to fix a shorter term of loan than that applied for. Where the term of loan is fixed at 10 years the amount of the annual instalment over such term will be \$12.96 for each \$100 of loan; or where payable semi-annually the amount of the semi-annual instalment over such term will be \$6.42 for each \$100 of loan. Instalment payment dates will be June 1 and December 1 yearly.

The whole or any part of a loan may, subject to such Regulations as the Board may issue, be prepaid on any instalment date.

OFFICE CONSOLIDATION

THE FARMERS' CREDITORS ARRANGEMENT

ACT

CHAPTER 53, 1934

As amended by Chapter 20, 1935

WHEREAS in view of the depressed state of agriculture the present indebtedness of many farmers is beyond their capacity to pay; and whereas it is essential in the interest of the Dominion to retain the farmers on the land as efficient producers and for such purpose it is necessary to provide means whereby compromises or rearrangements may be effected of debts of farmers who are unable to pay: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. This Act may be cited as *The Farmers' Creditors Arrangement Act, 1934*. Short title

BANKRUPTCY AND INSOLVENCY PROVISIONS.

2. (1) In this Act unless the context otherwise requires or implies, the expression
- (a) "assignment" means an assignment made under the *Bankruptcy Act* by a farmer; Interpretation. "Assignment," "Petition," "Composition."
  - (b) "Board" means a board of review established under this Act; "Board."
  - (c) "court" means the court having jurisdiction under this Act; "Court."
  - (d) "creditor" includes a secured creditor; "Creditor."
  - (e) "district" means a judicial district of a province to which this Act applies; "District."
  - (f) "farmer" means a person whose principal occupation consists in farming or the tillage of the soil; "Farmer."
  - (g) "mortgage" includes a hypothec and also a deed of sale with a right of redemption; "Mortgage."
  - (h) "Official Receiver" means an Official Receiver appointed under this Act; "Official Receiver."
  - (i) "petition" means a petition in bankruptcy against a farmer; "Petition."
  - (j) "proposal" means a proposal for a composition, extension of time or scheme of arrangement made by a farmer hereunder. "Proposal."

Application  
of *Bank-*  
*ruptcy Act.*  
R.S., c. 11.

(2) Unless it is otherwise provided or the context otherwise requires, expressions contained in this Act shall have the same meaning as in the *Bankruptcy Act*, and this Act shall be read and construed as one with the *Bankruptcy Act*, but shall have full force and effect notwithstanding anything contained in the *Bankruptcy Act*, and the provisions of the *Bankruptcy Act* and Bankruptcy Rules shall, except as in this Act otherwise provided, apply *mutatis mutandis* in the case of proceedings hereunder including meetings of creditors.

When  
proposal  
has been  
approved.

(3) In any case where the affairs of a farmer have been arranged by a proposal approved by the court or confirmed by the Board as hereinafter provided, Part I of the *Bankruptcy Act* shall notwithstanding section seven thereof thereafter apply to such farmer but only failure on the part of such farmer to carry out any of the terms of the proposal shall be deemed to be an act of bankruptcy. Provided that such failure shall not be deemed an act of bankruptcy if, in the opinion of the Court, such act was due to causes beyond the control of such farmer.

Official  
Receivers.

3. (1) The Governor in Council may appoint an Official Receiver or Receivers in each county or district or for any number of counties or districts of any province to which this Act applies as he may deem necessary or expedient.

In county,  
etc., where  
farmer  
resides.

(2) In the case of an assignment or petition an Official Receiver in the county or district where the farmer resides shall be the Official Receiver for the purposes of this Act and of the *Bankruptcy Act*.

Appointment

(3) The Governor in Council may appoint any person to be an Official Receiver under this Act including the holder of any other office, whether Dominion or provincial, and the holder of any such office shall, notwithstanding anything contained in any other statute or law, be bound to perform the functions and duties of the Official Receiver.

Duties of  
Official  
Receiver.

(4) The Official Receiver shall, in the case of an assignment or petition by a farmer, perform the functions and duties of the Official Receiver, custodian and trustee under the *Bankruptcy Act* and the meetings of creditors shall be held at his office.

Provisions  
relating to  
gazetting  
not to apply.

4. The provisions of the *Bankruptcy Act* relating to gazetting shall not apply in the case of an assignment or petition, and the provisions of the said Act requiring Official Receivers to keep the *Canada Gazette* on file shall not apply in the case of Official Receivers appointed under this Act.

Jurisdiction.

5. (1) In the case of an assignment, petition or proposal, in the province of Quebec, the Superior Court of the judicial district where the farmer resides, and in other provinces, the county or district court, shall have exclusive jurisdiction in bankruptcy subject to appeal as provided in section one hundred and seventy-four of the *Bankruptcy Act*.

(2) The Superior, county or district court judge shall exercise the powers vested in the registrar by section one hundred and fifty-nine of the *Bankruptcy Act*. Powers of judge.

(3) The prothonotary of the Superior Court and the clerk of the county or district court shall perform all the duties of the registrar, except his judicial duties. Duties of clerk

5A. No proposal under this Act nor the approval or confirmation thereof shall release any person who, under the *Bankruptcy Act*, would not be released by an Order of Discharge if the debtor had been adjudged bankrupt, nor shall the approval or confirmation of a proposal release any security given by any third person. 1935, Ch. 20, Am. Restriction as to release.

COMPOSITIONS.

6. (1) A farmer who is unable to meet his liabilities as they become due may make a proposal for a composition, extension of time or scheme of arrangement either before or after an assignment has been made. If farmer unable to meet his liabilities.

(2) Such proposal shall be filed with the Official Receiver who shall forthwith convene a meeting of the creditors and perform the duties and functions required by the *Bankruptcy Act* to be performed by a trustee in the case of a proposal for a composition, extension of time or scheme of arrangement. Duties of Official Receiver.

7. A proposal may provide for a compromise or an extension of time or a scheme of arrangement in relation to a debt owing to a secured creditor, or in relation to a debt owing to a person who has acquired movable or immovable property subject to a right of redemption, but in that event the concurrence of the secured creditor or such person, shall be required, except in the case of a proposal formulated and confirmed by the Board of Review as hereinafter provided. In case of a debt owing to a secured creditor.

8. Whenever a proposal relates to the rights of a secured creditor or of a person who has acquired movable or immovable property subject to a right of redemption, such creditor or person may value his security and shall be entitled to vote only in respect of the balance of his claim after deducting the amount of his valuation; provided, however, that no proposal shall be approved by the court which provides for the payment to such secured creditor or person on account of such security of any amount in excess of his valuation, or for granting to him any new security for an amount in excess of his valuation. Valuation of security of secured creditor.

9. Subsections three and five of section sixteen of the *Bankruptcy Act* shall not apply in the case of a proposal for a composition, extension of time or scheme of arrangement made by any farmer. Certain provisions of the Bankruptcy Act not to apply.

Farmer to execute necessary instruments.

**10.** Whenever a proposal has been approved by the court or whenever a proposal has been formulated and confirmed by the Board, as hereinafter provided, the court may order the farmer to execute any mortgage, conveyance or other instrument necessary to give effect to the proposal.

Stay of proceedings.

R.S. c. 11.

**11.** (1) On the filing with the Official Receiver of a proposal, no creditor whether secured or unsecured, shall have any remedy against the property or person of the debtor, or shall commence or continue any proceedings under the *Bankruptcy Act*, or any action, execution or other proceedings for the recovery of a debt provable in bankruptcy, or the realization of any security unless with leave of the court and on such terms as the court may impose: Provided, however, that the stay of proceedings herein provided shall not be effective for more than ninety days from the date of filing of the proposal with the Official Receiver, unless the court makes one or more orders extending the time for the purpose of any proceedings in connection with the proposal. 1935, Ch. 20, Am.

Preservation of property.

(2) On a proposal being filed the property of the debtor shall be deemed to be under the authority of the court pending the final disposition of any proceedings in connection with the proposal and the court may make such order as it deems necessary for the preservation of such property.

#### PROVINCIAL BOARDS OF REVIEW.

Board of Review.

**12.** (1) The Governor in Council may, whenever he considers it expedient, establish in any province a Board of Review which shall exercise in such province the jurisdiction hereinafter provided.

Appointment of Commissioners.

(2) A Board shall consist of a Chief Commissioner and two Commissioners who shall be appointed by the Governor in Council and shall hold office during pleasure and shall receive such remuneration as the Governor in Council may provide.

Chief Commissioner to be a judge.

(3) The Chief Commissioner shall be a judge of the court of the province invested with original or appellate jurisdiction in bankruptcy by the *Bankruptcy Act*, and one Commissioner shall be appointed as a representative of creditors and one Commissioner shall be appointed as a representative of debtors. In the event of any Commissioner other than the Chief Commissioner being unable to hear and deal with any case for any reason considered sufficient by the remaining Commissioners, then the remaining Commissioners shall name an *ad hoc* Commissioner to hear and deal with such case with all the powers of the Commissioner whose place he takes. In the event of the Chief Commissioner being unable to hear and deal with any case on the request of the other Commissioners the Minister shall name an *ad hoc* Chief Commissioner with all the powers of the Chief Commissioner. 1935, Ch. 20, Am.

(4) In any case where the Official Receiver reports that a farmer has made a proposal but that no proposal has been approved by the creditors, the Board shall, on the written request of a creditor or of the debtor, endeavour to formulate an acceptable proposal to be submitted to the creditors and the debtor, and the Board shall consider representations on the part of those interested. Proposal.

(5) If any such proposal formulated by the Board is approved by the creditors and the debtor, it shall be filed in the court and shall be binding on the debtor and all the creditors. If proposal approved.

(6) If the creditors or the debtor decline to approve the proposal so formulated, the Board may nevertheless confirm such proposal, either as formulated or as amended by the Board, in which case it shall be filed in the Court and shall be binding upon all the creditors and the debtor as in the case of a proposal duly accepted by the creditors and approved by the Court. 1935, Ch. 20, Am. Board may confirm proposal.

(7) Every request to formulate a proposal shall be dealt with by the full Board, but a determination of the majority shall be deemed to be the determination of the Board: Provided that the Board may direct any one or more of its members on its behalf to inspect and investigate any or all circumstances of any request for review and report to the Board. 1935, Ch. 20, Am. Requests dealt with by the full board. Proviso.

(8) The Board shall base its proposal upon the present and prospective capability of the debtor to perform the obligations prescribed and the productive value of the farm. How Board to base its proposal.

(9) The Board may decline to formulate a proposal in any case where it does not consider that it can do so in fairness and justice to the debtor or the creditors. Board may decline to formulate a proposal.

(10) For the purposes of the performance of its duties and functions hereunder a Board shall have the powers of a Commissioner appointed under the *Inquiries Act*. Powers under Inquiries Act.

(11) Notwithstanding anything contained in the *Bankruptcy Act*, an insolvent debtor resident in the Province of Quebec, engaged solely in farming or the tilling of the soil, whose liabilities to creditors provable as debts under the *Bankruptcy Act* exceed five hundred dollars, may make an assignment for the general benefit of his creditors in any case where the Board declines to formulate a proposal and certifies that in its opinion the debtors' affairs can best be administered under the *Bankruptcy Act*. 1935, Ch. 20, Am. Assignments by insolvent farmers in Quebec.

13. The Governor in Council may also appoint a registrar and any other necessary officers to assist the Board and such officers shall hold office during pleasure and receive such remuneration as the Governor in Council may provide. Appointment and remuneration of Registrar and other officers.

Official Receiver, etc., may appear in person.

**14.** The Official Receiver, custodian or trustee may appear in person and be heard by the court or the Board in any proceedings hereunder.

#### RULES AND REGULATIONS.

Governor in Council may make rules and regulations.

**15.** (1) The Governor in Council may make rules and regulations governing the procedure in the case of an assignment, petition or proposal including the advertising to be done in each case and the procedure in relation to the exercise of jurisdiction of the Board and to give effect to the provisions of this Act, and may establish a tariff of fees to be paid in any such case including the remuneration of the trustee.

Supervision of trustees.

(2) Every trustee acting as such under this Act shall be subject to such supervision by the Superintendent of Bankruptcy as the Governor in Council may determine.

Administration and expenses.

**16.** (1) The Minister of Finance shall be charged with the administration of this Act, and the expenses necessary for such administration shall be payable out of any unappropriated moneys of the Consolidated Revenue Fund.

Annual report.

(2) The Minister shall at the end of the fiscal year prepare a report of expenditure incurred and of proceedings taken under this Act and shall lay the same before Parliament forthwith, or if Parliament be not then sitting, within fifteen days after the commencement of the next ensuing session.

#### INTEREST ON FARM LOANS.

Rate of interest.

**17.** (1) Notwithstanding the provisions of any other statute or law, whenever any rate of interest exceeding seven per centum is stipulated for in any mortgage of farm real estate, if any person liable to pay the mortgage tenders or pays to the person entitled to receive the money, the amount owing on such mortgage and interest to the time of payment, together with three months' further interest in lieu of notice, no interest shall after the expiry of three months period aforesaid be chargeable, payable or recoverable in respect of the said mortgage at any rate in excess of five per centum per annum.

Application of this section.

(2) The provisions of this section shall apply in the case of any mortgage heretofore or hereafter made and whether or not the principal sum is due and owing at the time such tender or payment is made.

Act to come into force upon proclamation.

**18.** This Act except section seventeen shall not come into force in any province until proclaimed by the Governor in Council to be in force in such province, but section seventeen shall come into force when this Act is assented to.

When Act shall not apply.

**19.** The said Act shall not, without the concurrence of the creditor, apply in the case of any debt incurred after the first day of May, 1935. 1935, Ch. 20, Am.



**RULES AND REGULATIONS AND FORMS UNDER THE  
FARMERS' CREDITORS ARRANGEMENT ACT AS  
AMENDED AND CONSOLIDATED**

*Effective June 1, 1935*

1. In these Rules and Regulations, unless the context otherwise requires,
- (a) Words and expressions shall have the same meaning as in the Farmers' Creditors Arrangement Act, and the expression "Official Receiver" refers to the Official Receiver in his capacity as trustee and custodian as well as Official Receiver;
  - (b) "Board" means the Board of Review;
  - (c) "Registrar" means the Registrar of the Board of Review;
  - (d) "Secured creditor" has the meaning enacted by the Bankruptcy Act.

2. The forms in the appendix to these Rules and Regulations where applicable, or forms to the like effect with such variations as circumstances may require, shall be used, and where no special form is therein prescribed the forms prescribed under the Bankruptcy Act may be used with such variations as circumstances may require.

3. The provisions contained in the forms and tariff prescribed in the schedule shall be deemed to be authorized by these Rules.

4. Provisions of the general rules made under the Bankruptcy Act shall apply unless inconsistent with these Rules and Regulations in which case they shall not apply to proceedings under the Farmers' Creditors Arrangement Act.

**COMPOSITIONS, EXTENSIONS AND ARRANGEMENTS**

5. Where a farmer, who is unable to meet his liabilities as they become due, intends to make a proposal for,

- (a) a composition in satisfaction of his debts; or
- (b) an extension of time for payment thereof; or
- (c) a scheme of arrangement of his affairs; he may require the Official Receiver having jurisdiction in the county or district in which the farmer resides to convene at the office of such Official Receiver a meeting of creditors for the consideration of such proposal.

6. The farmer shall, at the time when he asks for the convening of such meeting, lodge with the Official Receiver,

- (a) a true statement of his affairs in the prescribed form A, verified by the farmer by statutory declaration, including a list of his creditors, which shall show the post office address of and the amount payable to each creditor and for what purpose the debt was incurred, and a list of the assets and an estimate of their productive value and of the present and prospective capability of the farmer to meet his obligations, and any corroborative evidence of the value which the farmer may furnish;
- (b) the proposal in writing signed by the farmer or his duly authorized agent.

7. Where required so to do by the farmer, the Official Receiver shall assist the farmer in preparing his statement of affairs (in form A), and the proposal, on information furnished the Official Receiver by the farmer.

8. The Official Receiver shall forthwith, when he has fixed a date for such meeting, send by registered mail to every known creditor,

- (a) at least ten days' notice of the time and place of the meeting, the day of mailing to count as the first day of notice;
- (b) the statement of affairs of the farmer in form A;
- (c) a copy of his proposal; and
- (d) a voting letter.

9. Where the Official Receiver deems it advisable personal service may be effected of any form required to be served under these rules or of a form necessary to establish knowledge of the proceedings on the part of a creditor.

10. The Official Receiver shall preside at every meeting of creditors and shall keep minutes in the prescribed form B and record therein the names of creditors, present in person or by proxy and how each creditor votes on any business of the meeting, and in the case of voting by letter he shall attach the voting letter to the minutes. The farmer shall attend every meeting of creditors unless his failure to attend is excused by resolution passed at any meeting he fails to attend.

- 11. (a) If at the meeting so convened to consider such proposal or at any adjourned meeting of the creditors, a majority of all the unsecured creditors and holding three-quarters in amount of all unsecured debts, present in person or by proxy at such meeting, or voting by letter, resolve to accept the proposal, either as made or as altered or modified with the concurrence of the farmer, it shall be deemed to be duly accepted by the unsecured creditors. If the proposal relates to a debt owing to a secured creditor or to a debt owing to a person who has acquired movable or immovable property subject to a right of redemption, the concurrence of such secured creditor or such person, shall be required, which may be given in writing prior to or at the meeting of creditors or at any adjournment thereof.
- (b) A meeting may be adjourned for the purpose of securing concurrence of a creditor to a proposal made at or subsequent to the meeting and if the creditor by letter to the Official Receiver approves the proposal and the other provisions of these Rules have been complied with the Official Receiver may proceed to apply to the court for approval of the proposal. In the event of the creditor or creditors dissenting the farmer shall have fifteen days from the mailing to him by the Official Receiver of notice of the last dissent within which to file his request to the Board of Review.
- (c) Where at any meeting of creditors or on an adjournment thereof called to consider a proposal, sufficient creditors are not present, either in person or by voting letter, to hold a duly constituted meeting, the Receiver may, if the farmer after ten days' notice does not forward a request to the Board of Review to formulate a proposal, cancel the proposal.

12. A secured creditor, or a person who has acquired movable or immovable property subject to a right of redemption, may value his security prior to or at a meeting of creditors.

13. The Official Receiver shall in every case make up and keep a record of proceedings, including the statement of affairs of the farmer in form A, his proposal and any counter proposal or amendment proposed at the meeting or otherwise, a list of the creditors present at the meeting and minutes of the proceedings in prescribed form and of his report, if any, to the court and of any order made by the court.

14. If a proposal, either as made or as altered or modified with the concurrence of the farmer, is accepted by the creditors, the Official Receiver shall so report and shall file his report in the prescribed form C in the court and apply forthwith to the court to approve the proposal, or the Official Receiver may obtain the approval of the court and then file the report and order of the court in the court.

15. If the proposal is unanimously accepted by the creditors present in person or by proxy or voting by letter, and if the required concurrence of any secured creditor, or a person who has acquired movable or immovable property subject to a right of redemption, is obtained, no notice of application to the court for approval shall be given to the creditors; otherwise, creditors present at the meeting in person, or by proxy or voting letter and the debtor shall be given at least four days' notice of the application in form D.

16. The filing of form C by the Official Receiver shall be accepted by the court as sufficient proof, unless the contrary is proved that all creditors have been advised of the proceedings under the Act as prescribed by the Act and these Rules and Regulations.

17. If the proposal as made or as altered or modified is not accepted by the creditors, the Official Receiver shall on application to him by the farmer or any creditor, within the fifteen days from the date of the meeting or final adjournment thereof, deliver by registered post the record to the Registrar of the Board of Review. The application to the Official Receiver shall be accompanied by a request in writing in form F addressed to the Board of Review that it endeavour to formulate an acceptable proposal, which request shall be transmitted by the Official Receiver to the Registrar along with the record and the record shall include a confidential report to the Board of Review in form E.

18. The registrar in prescribed form G shall immediately notify the debtor and every creditor that a written request to formulate an acceptable proposal has been received, and that the Board will proceed to deal with such request at as early a date as it can reasonably fix after the date of posting of such notice.

19. When the Board has fixed a date for hearing the said request it shall by registered post notify the farmer and the creditors, the date of hearing to be not less than ten days from the posting of notice to the creditors and the farmer; provided, however, that the Registrar may fix a date for hearing and include such date in form G in notifying the farmer and creditors that it will proceed to deal with the request.

20. Representations may be made in writing or orally, and the Board may fix a date for hearing and notify the creditors and the farmer.

21. If the Board of Review after consideration of the record and of any other evidence or material obtained by the Board upon inquiry, formulates a proposal for a composition, extension or scheme of arrangement the Registrar of the Board shall submit the same to the creditors by registered post and the assent or dissent of each creditor shall be given in writing.

22. If the proposal so formulated is not accepted by the debtor and by the creditors within fifteen days from the posting of the same or is rejected by the creditors, the Board may nevertheless confirm the proposal in prescribed form H, either as formulated or as later amended by the Board.

23. The proposal so formulated and confirmed shall be transmitted to the Official Receiver to be filed by him in the Court.

24. If the Board satisfies itself that the proposal is accepted by a majority of the unsecured creditors holding three-quarters in value of all the unsecured claims and further that the secured creditors concur in the proposal as made or amended then it shall not be necessary that the Registrar submit the said proposal again to the creditors or to receive their assent or dissent all as provided in Rule 21 but the Board may forthwith order that the aforesaid approval of the creditors be recorded and that the proposal as formulated be deemed to be confirmed and the Registrar shall transmit the same to the Official Receiver to be filed by him in the Court.

25. If the Board declines to formulate a proposal, it shall notify the Official Receiver to that effect, and such notice shall be deemed to be a final disposition of the proceedings, and no order extending the time of any stay of proceedings shall thereafter be made.

26. Every order of the Board shall be signed by the Registrar of the Board.

#### ASSIGNMENTS AND RECEIVING ORDERS

27. When an assignment is offered to the Official Receiver, he shall satisfy himself that the assignor is a farmer residing within the county or district in respect of which the Official Receiver has authority, and shall require the assignor to complete a preliminary short statement of his affairs in prescribed form I, whereupon the Official Receiver shall accept the assignment and complete the same by inserting therein as grantee his own name as trustee.

28. In the event of a receiving order being made against a farmer under subsection 3 of section 2 of the Act, the court shall appoint as custodian and trustee an Official Receiver having authority as such under the Farmers' Creditors Arrangement Act in the county or district in which the farmer resides.

29. When the trustee has realized upon all the assets and settled all matters or claims in dispute he shall prepare forthwith a final statement of receipts and disbursements and a dividend sheet, in duplicate, and forward the same to the Superintendent of Bankruptcy for approval and, on the return thereof by the Superintendent duly approved, the trustee shall forthwith send to the creditors by registered mail a copy of the statement of receipts and disbursements and of the dividend sheet, and a notice in the prescribed Form M that on a date stated therein, not less than fifteen days from the mailing thereof, he will distribute the dividends, if no objection is received before the date fixed therefor, and further that on a further date stated therein not less than 20 days thereafter he will apply to the Superintendent of Bankruptcy for his release.

30. Before the date fixed in the notice of intention to apply for his release, the trustee shall forward to the Superintendent a copy of the notice, Form M, together with an affidavit verifying his administration in the prescribed Form N and such further proof as the Superintendent may require that the dividends have been paid and that the estate has been fully and properly administered.

31. Any creditor objecting to the final statement or dividend sheet, or to the conduct of the trustee in the administration of the estate may forward objections in writing to reach the Superintendent and the trustee at least two days prior to the date fixed for consideration of the application of the trustee for his release. On consideration of such evidence as may be submitted in regard thereto by the creditor and the trustee and the evidence submitted in regard to the administration of the estate, the Superintendent shall either grant or withhold the release accordingly, subject nevertheless to an appeal to the Court, by the trustee or any objecting creditor within six days after receiving notice of the decision of the Superintendent.

32. A release shall relieve the trustee from all further duties and obligations in regard to the estate, but shall not preclude the trustee from taking possession of and administering any other assets that may not have been administered or that the farmer may acquire before he shall have obtained his discharge.

33. If the complete realization of the assets is likely to be unavoidably and unduly delayed, the Superintendent may require the trustee to prepare an interim statement of receipts and disbursements and to pay an interim dividend to the creditors.

34. In the case of an assignment or receiving order being made, if a sufficient number of creditors are not present in person or by voting letter or proxy at the first meeting of creditors or at an adjournment thereof to hold a duly constituted meeting, or if an inspector or inspectors are not appointed thereat, the trustee, after fifteen days' notice in writing to the farmer of his intention to sell or dispose of the assets, may sell or dispose of the assets as he may deem expedient by tender, private or public sale.

35. In the case of an assignment or receiving order being made by or against a farmer, the administration of an estate by a trustee under this Act shall be subject to the same supervision by the Superintendent of Bankruptcy as estates being administered under the Bankruptcy Act.

36. Where assets are held as security by any creditor and it is necessary for the trustee to provide for the care and maintenance of live stock or to protect other assets, the trustee shall notify the secured creditor by any means to bring the fact thereof to the knowledge of the secured creditor and if the secured creditor does not forthwith make provision or agree to reimburse the trustee for any expense incurred therefor, the trustee may do so, whereupon any costs or expenses incurred thereby shall be a first charge against such live stock or assets in preference and priority to the claims of such secured creditors.

37. Specifically, Rule 109 of the Bankruptcy rules shall not apply to any proceedings under this Act.

#### ADVERTISING AND REGISTRATION

38. (a) Whenever an assignment or receiving order has been made the Official Receiver shall advertise for creditors once in a local newspaper in the prescribed form J, and once in the provincial Gazette if publication therein is provided free of charge.

(b) In the case of a proposal the Official Receiver shall advertise once in the provincial Gazette if publication therein is provided free of charge.

39. The Official Receiver shall where he deems it advisable forward by registered post to the registrar, clerk or other officer of any court or to the registrar of any Land Titles or Registry office in the province in which the farmer resides, a certificate in prescribed form K that the farmer has made a proposal, and such certificate shall be accepted as evidence in any court.

40. In any case where a proposal made or formulated has become binding a copy certified by the Official Receiver as a true copy thereof may be registered or filed by or on behalf of the Official Receiver in the proper office in every district, county or territory in which the whole or any part of any real or immovable property which the farmer owns, or in which he has any interest or estate, is situate. The proper office in this paragraph referred to shall be the land registration office, registry office or other office wherein, according to the law of the province, deeds or other documents of title to real or immovable property may or ought to be deposited, registered or filed.

## GENERAL

41. An Official Receiver may appear in person and be heard by the Court either in his own right or as agent for any farmer who has filed a proposal under the Act and may make any application to the Court that may be necessary for extending stay of proceedings whether before or after the period of ninety days specified in the Act has expired.

42. The Official Receiver may in the case either of a proposal, assignment or receiving order apply to the court for directions.

43. The Official Receiver may in the case of a proposal require a creditor to furnish additional proof or to apply to the court summarily.

44. No bond or other security shall be required to be given by any Official Receiver in his capacity as custodian or trustee unless the Minister in any case or class of cases decides otherwise, and in such an event the Minister, for the benefit of the creditors, may require a bond to be given to him on behalf of one or all Official Receivers, and may fix the amount of any such bond.

45. No fees or disbursements other than those provided shall be payable to or by the Official Receiver either in his capacity as such or as trustee or custodian.

46. The office of the Official Receiver shall be at such place as the Official Receiver fixes by the notice calling the meeting of creditors.

47. The Official Receiver shall in the case of every proposal forward to the Superintendent of Bankruptcy a copy of each of the forms A, B, C, D, E and F, if and when the same is completed, and shall furnish to the Superintendent any information required by him in connection with any or all proposals, assignments or receiving orders.

48. The Official Receiver or any creditor may, after giving such notice to the debtor as the court may in the circumstances require, apply to the court for an order setting aside a proposal because the debtor has,

- (a) made a fraudulent or preferential conveyance, gift, delivery or transfer of any of his property;
- (b) with intent to defeat or delay his creditors, departed or remained out of Canada;
- (c) assigned, removed, secreted or disposed of any of his property with intent to defraud, defeat or delay his creditors;
- (d) conducted himself to the satisfaction of the Official Receiver in such manner as indicates bad faith towards his creditors.

49. In the case of any application made under the next preceding paragraph, the court may order that the proposal be annulled, and such an order shall be deemed to be a final disposition of the proceedings.

50. Any affidavit or statutory declaration required to be sworn or taken under the Act may be sworn or taken by an Official Receiver appointed pursuant to the provisions of the Act.

51. A proposal as filed with an Official Receiver and a request for Review filed subsequent to a meeting called in consequence thereof shall not be refused consideration by a Board of Review only on the grounds that the proposal was not filed with nor the meeting of creditors convened by an Official Receiver of the district or county in which the farmer resided.

52. If the name of a creditor is not disclosed at the time an order is made by the court or a proposal confirmed by a Board then such creditor shall be entitled to be paid by the farmer on the same terms as other creditors of the same class as provided in the settlement approved by the court or in the proposal formulated by the Board provided that if the creditor is not satisfied therewith he may make application to the court and the farmer will be bound by the order of the court, but no order of the Court shall treat any creditor to terms more favourable than a Board of Review in a proposal formulated in the case has treated creditors of the same class. In the event of such application the farmer and the Official Receiver and the other creditors shall be given at least five days' notice of the date and time of the hearing of the said application.

53. Any application to the Court for an extension of stay of proceedings may be made ex parte unless an action is pending as against the farmer and some of his assets in danger of being seized or sold, in which case the creditor, the plaintiff in such action, shall be served with notice and given two days' notice of the application to the Court for the said extension.

54. A certificate of an Official Receiver shall be prima facie evidence for all purposes of any fact or facts certified to therein as correct.

## APPENDIX

## PART I—FORMS

## FORM A

## THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934

## STATEMENT OF AFFAIRS

## GENERAL TITLE (FORM L)

1. Is your principal occupation farming?
2. Are you unable to meet your liabilities as they become due?
3. Give names, addresses and amounts of claims of creditors.

Name	Secured Amount	Nature of Claim
Name	Unsecured Amount	Nature of Claim

4. Give description and location of farm. Value \$
5. Give list of live stock.
6. Give list of implements, machinery and other personal property.
7. What is the gross productive value of these assets?
8. What is the cost of production?
  - (a) Hired labour?
  - (b) Fertilizer?
  - (c) Fuel oil?
  - (d) Twine or baskets?
  - (e)
9. How much crop of each kind was raised on the land
  - in the year 1932?
  - in the year 1933?
  - in the year 1934?
10. What is your present or prospective capability of meeting existing obligations?
11. Are you married or single? If married, number of children, sex and ages.
12. What other property have you?
13. How long have you farmed?
14. Where have you farmed?
15. How long have you operated your present farm?
16. How much of your farm is tillable?
17. How much is under cultivation?
18. In what state of cultivation is the land?
19. In what condition are your buildings?
20. What is the cause of your financial difficulties?

I, ..... of .....  
 in the county or district of ..... in the Province of .....  
 do solemnly declare that the above statement gives to the best of my knowledge  
 and belief a full, true and complete statement of my affairs on this.....  
 day of ..... 19... and fully discloses all my property, and I make this  
 declaration knowing it to be of the same force and effect as if made under oath and  
 by virtue of the Canada Evidence Act.

Solemnly declared before me at ..... of the county or  
 district of ..... in the Province of ..... this  
 ..... day of ..... 19...

A Commissioner, etc.



**FORM B**  
**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**  
**MINUTES OF A MEETING OF CREDITORS**  
**GENERAL TITLE (FORM L)**

.....Chairman.

Creditors present in person or by proxy

	Secured		
Name	Represented by	Nature of Claim	Amount proved
	Unsecured		
Name	Represented by	Nature of Claim	Amount proved

Voting letters received.

Resolution respecting proposal.

Creditors assenting      Names.      Creditors dissenting      Names.

Was any counter proposal or amendment proposed, and if so what?

Other business.

Dated at .....in the county or district of .....  
in the Province of..... this ..... day of .....  
19...

.....  
*Official Receiver.*

Approved at .....in the  
Province of .....  
this .....day of .....  
19...

.....  
Judge of the ..... Court  
for the ..... of .....

**FORM C**  
**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**  
**REPORT OF OFFICIAL RECEIVER**  
**GENERAL TITLE (FORM L)**

I, ..... of .....  
in the county or district of ..... in the Province of .....  
Official Receiver, respectfully report to the court as follows:

1. That the above named farmer did on the ..... day of .....  
..... lodge with me a proposal, a true copy whereof is  
attached to this report.

2. That on the ..... day of ..... notice  
was given by registered post to every known creditor of calling of the meeting of  
creditors to be held on the ..... day of .....  
19... to consider the said proposal. A true copy of the farmer's statement of  
affairs was sent with each notice and a copy of the statement of affairs is attached  
hereto.

3. That the said meeting of creditors was duly held on the .....  
day of ..... 19...

4. That a true copy of the minutes of said meeting is attached hereto.

FORM C (continued)

- 5. That in my opinion the cause of the financial difficulties of the farmer is:
- 6. That in my opinion the dissenting creditors (if any) opposed the proposal for the following reasons:

Dated at.....this.....day of  
.....19.....

.....  
*Official Receiver*

FORM D

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**

**NOTICE OF APPLICATION TO APPROVE PROPOSAL**

GENERAL TITLE (FORM L)

Take notice that application be made to.....  
in chambers at.....on the.....day of  
.....19.....at.....o'clock in the.....  
noon to approve the composition (or extension or scheme of arrangement) duly  
accepted by the statutory majority of creditors.

Dated this.....day of.....19.....

.....  
*Official Receiver*

FORM E

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**

**REPORT OF OFFICIAL RECEIVER TO BOARD OF REVIEW**

GENERAL TITLE (FORM L)

I, ..... of ..... in the  
Province of ..... Official Receiver for the  
..... of ..... respectfully report to the  
Board of Review as follows:—

- 1. That meeting of creditors was duly held herein on the.....  
day of.....19.....at.....
- 2. That in the discussion of his affairs at the said meeting the following  
conclusions were arrived at by me as to the said farmer being an efficient  
producer:
- 3. That the following conclusions were arrived at by me as to the cause of  
his financial difficulties:
- 4. That the following conclusions were arrived at by me as to the form of  
proposal, if formulated, which the farmer could reasonably be expected  
to meet:
- 5. That in my opinion the attitude of *the farmer* or all the creditors or  
..... a creditor was unreasonable at the meeting  
for the following reasons:

Dated at.....this.....day of  
.....19.....

.....  
*Official Receiver*

FORM F

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**  
**REQUEST FOR REVIEW**  
GENERAL TITLE (FORM L)

I, ..... the above namèd farmer, or  
..... a creditor of the above mentioned  
farmer, request that the Board of Review endeavour to formulate an acceptable  
proposal for a composition, extension of time or scheme of arrangement herein.  
Dated at..... this..... day of  
..... 19.....

FORM G

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**  
**NOTICE OF REQUEST FOR REVIEW**  
GENERAL TITLE (FORM L)

Take notice that a written request has been received from.....  
the above mentioned farmer (or a creditor of the said farmer) that the Board of  
Review endeavour to formulate an acceptable proposal for a composition, exten-  
sion of time or scheme of arrangement of the affairs of.....  
farmer, and the Board will proceed to deal with this request after fifteen days  
from the date hereof.

You may make representations in writing or you may apply to be heard  
orally, if you so desire.

Dated at..... this..... day of  
..... 19.....

.....  
*Registrar of the Board of Review of  
the Province of.....*

FORM H

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**  
**CONFIRMATION ORDER**

Province of.....

In the Board of Review.

GENERAL TITLE (FORM L)

A request having been made by the above mentioned farmer (or a creditor  
of the above mentioned farmer) to the Board to endeavour to formulate an  
acceptable proposal to be submitted to the creditors and the debtor, and the  
Board having formulated such a proposal and the creditors (or the debtor)  
having declined to approve the proposal (and the Board having amended the  
proposal so formulated by it).

The Board now confirms the proposal for a composition (extension of time  
or scheme of arrangement), a copy of which is attached hereto, and declares the  
same to be binding upon all the creditors and the debtor.

Dated at..... this..... day of  
..... 19.....

By the Board.....  
*Registrar.*

FORM I

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**

**PRELIMINARY SHORT STATEMENT OF AFFAIRS**

In the matter of the assignment of..... farmer, for the general benefit of his creditors (otherwise same as Form A only add as additional questions the following:

- 21. What are the causes of your insolvency?
- 22. What assets have been disposed of within the past year which are not enumerated above?
- 23. Have you made any payments or given any security to any of your creditors during the past year other than in the ordinary course of business?)

FORM J

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**

**NOTICE TO CREDITORS**

**GENERAL TITLE (Form L)**

Take notice that....., residing in the county or district of.....in the Province of..... has submitted to me for the consideration of his creditors a proposal for a composition (or extension of time or scheme of arrangement). A general meeting of creditors will be held at..... on the..... day of..... at the hour of..... o'clock in the..... noon.

Dated at..... this..... day of..... 19....

.....  
*Official Receiver*

FORM K

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**

**OFFICIAL RECEIVER'S CERTIFICATE**

**GENERAL TITLE (Form L)**

I, ..... Official Receiver for and in the county (or district) of..... in the Province of..... certify that..... farmer resident in the said county (or district) did on the..... day of..... 19.... submit to me a proposal for a composition (or extension of time or scheme of arrangement).

Dated at..... this..... day of..... 19....

.....  
*Official Receiver*

FORM L

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**  
**GENERAL TITLE IN CASE OF A PROPOSAL**

In the matter of a proposal for a composition, extension or scheme of arrangement of.....farmer.

FORM M

**THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934**  
**NOTICE OF FINAL DIVIDEND AND APPLICATION OF TRUSTEE FOR HIS RELEASE**

In the matter of the Assignment of.....Farmer.

1. Enclosed herewith is a copy of the final statement of receipts and disbursements and dividend sheet duly approved by the Superintendent of Bankruptcy.

2. Take notice that on the .....day of ..... 19...., dividends on all claims of creditors not objected to before the time for payment will be paid.

3. Take further notice that the undersigned trustee will apply to the Superintendent of Bankruptcy on the .....day of .....19...., at the hour of 10 o'clock in the forenoon to be released from any further duties and obligations with respect to the above estate.

4. And take further notice that any objection you may have to make to the release of the trustee herein must be forwarded in writing to the Superintendent of Bankruptcy at Ottawa, to be received by him at least two days prior to the date fixed for consideration of the application of the trustee for his release, and a copy thereof served on the undersigned within the time aforesaid.

5. Take further notice that, if no objection is made, you are required to cash the dividend cheque of the undersigned trustee promptly so that the trustee may include in his affidavit verifying the administration of the estate to the Superintendent proof that all of the dividend cheques have been duly honoured, otherwise the amount of your dividend will be forwarded to the Superintendent of Bankruptcy to be deposited with the Receiver General of Canada and that you will thereafter be required to make application to the Receiver General of Canada for payment of the same.

Dated at .....this.....day  
of.....19....

.....  
*Trustee*  
(Address)

FORM N

THE FARMERS' CREDITORS ARRANGEMENT ACT, 1934

AFFIDAVIT VERIFYING APPLICATION OF TRUSTEE FOR HIS  
RELEASE

In the.....Court of.....

In the matter of the Assignment of.....Farmer.

I, .....the Trustee named in the application hereto annexed make oath and say:

That the several statements in the said application are within my own knowledge true.

That the statement of receipts and disbursements attached to the said application and marked "Exhibit A" hereto is an accurate and correct statement of the administration of the above mentioned estate.

That all the assets which came into my hands have been realized with the exception of the following:

(Here give full particulars, description and value of all property not sold or realized upon and reasons why not sold.)

and have not otherwise been improperly disposed of to the best of my knowledge and belief.

That all claims filed were properly examined and that to the best of my knowledge and belief, except where disputed claims were compromised or otherwise allowed by the inspectors, the dividend sheet hereto attached and marked "Exhibit B" contains a true and correct list of the claims of creditors entitled to share in the estate.

That every disbursement in the said statement was a proper and correct one to be made.

That I have not received, nor do I hope nor expect to receive, nor have I been promised any other consideration or remuneration than as appears in the said statement.

That I have not been a party to nor have I any knowledge of any undisclosed arrangement with the farmer or with any other person, wherein any creditor received any consideration or payment in excess of that to which he was properly entitled out of the assets or proceeds of the estate.

That all dividend cheques have been forwarded to the creditors in accordance with the dividend sheet "Exhibit B" and that such cheques have been duly cashed and honoured and that no funds remain in my hands to the credit of the estate.

Sworn before me at the }  
..... }  
of ..... }  
this .....day of }  
..... 19.. }

A Commissioner, Notary Public, etc.

TARIFF OF FEES FOR OFFICIAL RECEIVERS UNDER THE FARMERS'  
CREDITORS ARRANGEMENT ACT.

1. Fees

An arrangement may be made with the Official Receiver whereby he shall receive as remuneration a monthly allowance while he is acting as Official Receiver. Failing such an arrangement the following fees shall be allowed:

- (a) Composition completed without appeal to Board of Review.. \$10.00
- (b) Composition determined by Board of Review..... 15.00
- (c) Assignment ..... 20.00

Provided, further, that where the composition as approved provides that the creditors, secured or unsecured, are to be paid in cash the fees and disbursements of the Official Receiver or Trustee shall first be paid out of the cash available for all the creditors whose claims are to be paid in cash.

TARIFF OF FEES FOR SOLICITORS UNDER THE FARMERS'  
CREDITORS ARRANGEMENT ACT.

Fees.

The Tariff of costs in force in the Court of the County or District where the farmer resides or in force with respect to other matters in the said county or district shall apply in all matters or proceedings for services rendered by a solicitor.

**OFFICE CONSOLIDATION**

**1935**

---

**CANADIAN FARM LOAN ACT**

**As amended by 24-25 George V, Chapter 46 (1934) and by  
The Canada Farm Loan Act Amendment Act, 1935.**

**OTTAWA**  
**J. O. PATENAUDE**  
**PRINTER TO THE KING'S MOST EXCELLENT MAJESTY**  
**1935**



X9(J)6:(272)

35

## CANADIAN FARM LOAN ACT

R.S.C. 1927, Chapter 66, as amended by 24-25 George V, Chapter 46 (1934) and by The Canadian Farm Loan Act Amendment Act, 1935.

NOTE.—All persons making use of this consolidation are reminded that it has not Parliamentary sanction, that the amendments have been embodied only for convenience of reference and that the original Act should be consulted for all purposes of interpreting and applying the Act.

### SHORT TITLE

1. This Act may be cited as the Canadian Farm Loan Act. Short title. 1927, c. 43, s. 1.

### INTERPRETATION

2. In this Act, unless the context otherwise requires, Definitions.
- (a) "Board" means the Canadian Farm Loan Board established by this Act; "Board."
  - (b) "Borrower" means a farmer who has obtained a loan under the provisions of this Act; "Borrower."
  - (c) "Commissioner" means the Canadian Farm Loan Commissioner appointed under the provisions of this Act; "Commissioner."
  - (d) "Farmer" means a person whose principal occupation consists in farming; "Farmer."
  - (e) "Farming" includes stock raising, dairying and the tillage of the soil. "Farming."
  - (f) "Farm Land" or "Farm" means land under occupation and cultivation by a farmer or land purchased by a farmer for immediate occupation and cultivation by him; "Farm Land."
  - (g) "Farm Loan" or "Loan" means a loan made to a farmer under the provisions of this Act; "Farm Loan" or "Loan."
  - (h) "Farm Loan bond" means a bond issued under the authority of this Act; "Farm Loan bond."
  - (i) "Minister" means the Minister of Finance for the time being; "Minister."
  - (j) "Mortgage" and "First Mortgage" include, with relation to loans made in the province of Quebec under this Act, hypothecs and vente à réméré, whether, with relation to the latter, the Board has or has not expressly accorded to the borrower, at the time of making the loan, an additional right to redeem notwithstanding elapse of the time for repayment, and "mortgagor" and "mortgagee" shall be construed accordingly. 1927, c. 43, s. 2. 1935, c. 16 Am. "Mortgage."

### PART I

3. (1) There shall be a board, known as the Canadian Farm Loan Board, which shall consist of not less than three nor more than five members who shall be appointed by the Governor in Council, on such terms and conditions as the

"Canadian Farm Loan Board."

Governor in Council may prescribe. One of such members shall be the Deputy Minister of Finance or the Comptroller, Government Guarantee Branch of the Department of Finance.

Farm Loan  
Com-  
missioner.

(2) One of the members so appointed shall be designated the "Canadian Farm Loan Commissioner," and shall be the chairman of the Board.

Tenure  
of office.

(3) The Commissioner shall be appointed for such a period of years as the Governor in Council may designate.

Compen-  
sation.

(4) The Commissioner shall be paid such salary and the other members such fees as the Governor in Council may prescribe, such salary and fees to be a charge against the revenues of the Board.

Board as  
agent of  
owner.

(5) The Board shall be a body corporate and politic and be and be deemed to be for all the purposes of this Act, except contractual dealings between the Government of Canada and the Board relating to the purchase by that Government of the capital stock or bonds of the Board or the repurchase by the Board of those bonds, the agent of His Majesty the King in his right of the Dominion of Canada and to take security, receive, lend, pay, agree, acquire, hold, convey, transfer and otherwise do as this Act directs or authorizes as such agent and not otherwise. 1927, c. 42, s. 3; 1935, c. 16 Am.

Power of  
board.  
Farm Loan  
bonds.

4. The Board may

(a) issue and sell bonds to be known as Canadian Farm Loan bonds, buy the same on its own account and retire the same at or before maturity;

Long term  
loans.

(b) make long term loans to farmers on the security of first mortgages on farm lands upon and subject to the conditions hereinafter prescribed;

Real  
Estate.

(c) hold real estate which, having been mortgaged or otherwise secured to it, is acquired by it for the protection of any loan, sell, mortgage, lease or otherwise dispose thereof and, if the Board in its discretion shall decide so to do, but not as an obligation, pay yearly to local taxing authorities amounts to the extent of the taxes that would have been owing on such real estate had the same been assessed and a levy made thereon in that year: Provided, however, that any such real estate shall be disposed of within three years from the date on which it is acquired or within such additional period, not exceeding two years, as the Governor in Council may fix and determine;

Investments.

(d) invest its funds in the debentures, bonds, stocks or other securities of, or guaranteed by, the government of Canada, or of, or guaranteed by, the government of any province of Canada;

Assistance.  
Incidental  
powers.

(e) employ such assistance and exercise by itself or through its duly authorized agents all such incidental powers as shall be necessary or expedient to carry on the business authorized by this Act.

Collateral  
Security.

(f) accept and hold such additional and collateral security for loans as the Board may deem proper;

Composi-  
tion, etc.

(g) make such composition, extension of time or scheme of arrangement with any borrower on his loan as the Board deems advisable;

- (h) subsequent to the making of any loan, make advances to borrowers for seed grain, fodder, fertilizer, or harvesting expenses. 1927, c. 43, s. 4, 1934, c. 46, s. 2, 3; 1935, c. 16 Am. Advances for seed grain, etc.

5. The capital requirements of the Board shall be provided as follows:— Capital requirements

(1) The Government of Canada may subscribe to an initial capital to an amount not exceeding five million dollars and may pay the amount of any such subscription at such times and in such amounts as in the judgment of the Board are necessary for the purposes of the Board; and the amounts provided from time to time under this subsection shall be free from interest charges for a period of three years, after which time interest shall be paid at such rate as the Governor in Council shall direct, repayment of the amounts so provided shall be made from time to time out of the earnings of the Board; Provided that before any such proposed repayment is made, the reserve fund of the Board provided for by section nine of this Act, shall be at least equal to the total repayments, including the repayment then proposed to be made. Initial capital.

(2) In addition to the initial capital provided for in the next preceding subsection the Board shall issue capital stock in shares of one dollar each, which shares shall be subscribed for by the Government of Canada from time to time as loans are made under this Act to an amount equal to five per cent of the said loans, so that the total amount subscribed under this subsection shall equal at any time as nearly as may be, five per cent of the total amount of principal outstanding on loans theretofore made, the same to be called for by the Board as required. Capital stock.

(3) The Minister may purchase at a price not exceeding the par value thereof, the capital stock issued by the Board to any province and for the purpose of such purchase the Minister may make the necessary expenditure out of any unappropriated moneys in the Consolidated Revenue Fund. Purchase of capital stock.

(4) The Board may retire the outstanding capital stock subscribed by borrowers under the Act, by crediting the amount of the par value of the stock subscribed by the borrower as a payment upon the borrower's indebtedness under his loan from the Board, and when so credited, the borrower shall thereupon cease to be a stockholder of the Board. 1927, c. 43, s. 5; 1935, c. 16 Am. Retirement of outstanding capital stock.

6. (1) The outstanding Farm Loan bonds shall not exceed at any time twenty times the paid up capital stock subscribed for by the Government of Canada in the manner provided in the next preceding section. Limit of outstanding bonds.

(2) Such bonds shall be issued at such a rate of interest as in the opinion of the Board will make the market value of the bonds at the date of issue approximately par. Rate of interest.

(3) The bonds shall be issued for such period, not exceeding thirty-five years, and in such denominations as the Board may determine. Time limit. Denominations.

(4) Provision may be made for the redemption of the bonds at the option of the Board before their due date, in which case the Board may provide for the payment of such premium as it may deem reasonable. Redemption before date due.

Form and conditions.

(5) Each Farm Loan bond shall be signed by the Commissioner, or by a member specially authorized thereunto by the Board, and by the secretary or treasurer of the Board, and it shall have printed thereon a certificate by the Commissioner that it is issued under the authority of this Act and that at the time of issue the Board holds mortgages or charges on farm lands, and personalty at least equal to the total amount of bonds issued under this Act. 1927, c. 43, s. 6; 1934, c. 46, s. 4; 1935, c. 16 Am.

#### LOANS

Conditions for loans.

7. Loans made under the authority of this Act shall be subject to the following conditions:—

"First Mortgages."

(a) Loans shall be made only on the security of first mortgages on farm lands not exceeding fifty per cent of the actual value of such lands and the buildings thereon as appraised by the Board: Provided that in arriving at such actual value, the value of the buildings shall be considered only to the extent to which the same add to the actual value of the land as farm land and no one person and no two or more persons having joint or several ownership of the land to be mortgaged shall have by way of loan in the aggregate at any one time more than five thousand dollars.

Use of proceeds.

(b) The proceeds of such loan shall be used for following purposes and no other:—

- (i) To purchase farm land;
- (ii) To purchase fertilizers, seed, live-stock, tools, machinery and any implements and equipment necessary to the proper operation of the farm mortgaged;
- (iii) To erect farm buildings or to clear, drain, fence or make any other permanent improvement tending to increase the productive value of the land;
- (iv) To discharge liabilities already accumulated;
- (v) Any purpose which in the judgment of the Board may be reasonably considered as improving the value of the land for agricultural purposes.

Loans only to persons engaged in cultivation of farm mortgaged.

(c) Loans under this Act shall be made only to farmers actually engaged in or shortly to become engaged in the cultivation of the farm mortgaged and whose experience, ability and character are such as to warrant the belief that the farm to be mortgaged will be successfully cultivated: Provided that no loan shall be made on the security of unimproved land except for the purpose of making improvements on the same.

Appraisal value.

(d) The appraised value shall be based on the value of the land for agricultural purposes and as far as possible on the productive value as shown by experience; and no other basis of valuation shall be considered.

Interest.

(e) The interest rate on loans under this Act shall be such a rate in excess of the interest rate yielded at the time of issue by the last series of Farm Loan bonds issued by the Board as shall be sufficient, in the judgment of the Board, to provide for the expenses of operation and for the necessary reserves for losses, or if no such bonds have been issued, such a rate as in the judgment of the

Board will be yielded by the Farm Loan bonds when issued, increased by provision for expenses and reserves as aforesaid.

- (f) Every loan made under this section shall be repay-<sup>Repayment.</sup> able upon such terms and within such periods not in excess of twenty-five years as the Board may prescribe: Provided, however, that all loans repayable over a period in excess of five years shall be repayable in equal annual or semi-annual instalments of principal and interest.
- (g) Notwithstanding anything contained in the Interest <sup>Interest on</sup> Act every borrower shall pay simple interest on defaulted <sup>defaulted</sup> payments. payments. at a rate not exceeding eight per cent per annum and shall agree to pay when due all assessments, taxes and other charges necessary to be paid for the security of the Board in respect of the loan and to effect such insurance as the Board may require; and should such taxes, assessments and charges not be paid when due, they may be paid by the Board and charged to the borrower, and if not repaid to the Board on or before the next interest date with interest thereon at a rate not exceeding eight per cent per annum the borrower shall be considered in default under the mortgage.
- (h) Except as provided in, and subject to, such regulations, <sup>"Payments</sup> not inconsistent with the provisions of the Interest Act, <sup>by Bor-</sup> as the Board may prescribe, any borrower may at any time repay the whole or part of his loan on any date on which an instalment becomes due. When the payment is part of the loan only it shall be credited to the borrower in such manner as the Board may by regulation prescribe, but so that no such payment shall relieve the borrower from liability to pay or from continuing to pay, at the times agreed upon, the various instalments next ensuing due after such partial payment is made, and until the loan and interest is repaid in full.
- (i) If any borrower under this Act expends any part of a <sup>If loan</sup> loan for any purpose other than that approved by the <sup>expended</sup> Board, the said loan shall at the option of the Board <sup>for other</sup> become forthwith payable in full. <sup>purposes.</sup>
- (j) It shall be a term of any mortgage taken as security for <sup>In case</sup> a loan that upon the sale or lease of the farm land <sup>of sale.</sup> mortgaged the loan shall, at the option of the Board, immediately become due and payable. 1927, c. 43, s. 7; 1935, c. 16 Am.

8. (1) All monies lent under this Act after the thirtieth day of June, 1935, by the Board upon mortgage or other security, and, as well, all monies thereafter owing to the Board by reason of the terms of such mortgage or other security, and secured hereby or pursuant to the provisions of this Act, shall be deemed, for so long as any part of any of such monies remains unpaid to the Board, to be monies of His Majesty the King in his right of the Dominion of Canada, secured by a first and paramount right, privilege, lien and charge upon and against the land and or other property to which such mortgage or other security relates.

(2) When the effect at law of any mortgage or other security made or given under this Act after the thirtieth day of June, 1935, to the Board is to convey or transfer to the Board the legal title to the land or other property to which such mortgage or other security relates, such land or other property shall, for so long as any part of any monies lent upon such mortgage or other security or owing to the Board by reason of the terms of such mortgage or other security, and secured thereby or pursuant to the provisions of this Act, remains unpaid, be deemed to be the land or property of His Majesty the King in his right of the Dominion of Canada.

(3) Notwithstanding any law, whether statute or other, now in force or which hereafter may be in force in any province, no mechanic's lien law, taxation lien law or other law or privilege of any species whatever whereunder liens, charges or privileges upon or against land or other property of any species whatever are created, arise or exist shall, without the consent in writing of the Board, which consent shall be revocable, affect or apply to any land or other property of any species whatever or any part thereof or interest therein, to which any mortgage or other security, lien, charge or privilege made or given to the Board under this Act after the thirtieth day of June, 1935, shall relate, in prejudice of the Board as the holder of any such mortgage or other security, lien, charge or privilege so made or given, but every such mortgage or other security, lien, charge or privilege thereafter made or given to the Board shall, for so long as it shall remain wholly or partially unpaid, rank upon such land or other property or part thereof or interest therein, as the case may be, in priority to all other securities, liens, charges or privileges, whatsoever.

(4) Notwithstanding the provisions of the next preceding subsection, if any mortgagor or other person who shall give or make to the Board under this Act after the thirtieth day of June, 1935, any mortgage or other security, lien, charge or privilege shall fail or neglect to pay any lawful rates, taxes or assessments, which, under the law of the province concerned, are claimed to be liens or charges upon or against any land or any such other property, or part thereof or interest therein, to which any mortgage or other security, lien, charge or privilege so thereafter made or given to the Board relates, or if the mortgagor of such mortgage, or other person who has made or given such security, lien, charge or privilege, having agreed with the Board to insure the property to which such mortgage, security, lien, charge or privilege relates and to pay the premiums of insurance, shall fail or neglect to pay such premiums of insurance, as agreed with the Board, and at the times agreed, it shall be lawful, but not obligatory, for the Board to pay—

- (a) such rates, taxes or assessments, if any, as the Board by regulation approved by the Governor in Council on the recommendation of the Minister shall determine to be of a species of taxation which, in general, is of benefit to farm lands.
- (b) such premiums of insurance, if any, as such mortgagor or other person shall have so failed or neglected to pay: Provided, that in any case where the Board shall be advised in advance by the insurer that the latter has

reason to believe that the mortgagor or other person concerned will fail or neglect to pay any such premium of insurance, as and when due, the Board may, in order to prevent the lapse of such insurance, pay or contract to pay any such premium before failure or neglect as aforesaid has actually occurred.

(5) Whenever, pursuant to the two next preceding subsections, the Board shall have paid any such rates, taxes, assessments or insurance premiums all monies so expended by it, with interest thereon not exceeding eight per centum per annum, computed from the time of payment, shall be repaid by such mortgagor or such other person, as the case may be, to the Board on demand and until wholly repaid such payments shall be and be deemed to have been added to the principal sum secured by the mortgage or other security, lien or charge, as the case may be, and failure or neglect fully to repay such payments or any of them on demand shall constitute default on the part of such mortgagor or such other person, as the case may be, entitling the Board to proceed at once to realize by suit or, lawfully, otherwise, upon the mortgage, lien, charge, privilege or other security concerned. 1935, c. 16 Am.

9. The Board shall annually carry to a reserve fund <sup>Reserve fund.</sup> twenty-five per cent of the net earnings of the Board until the said reserve shall equal twenty-five per cent of the paid capital stock of the Board, and thereafter there shall be carried to the reserve fund at least ten per cent of the net earnings.

(2) A dividend may be declared annually on the capital <sup>Dividend.</sup> stock of the Board when in the judgment of the Board the net earnings of the Board warrant such payment: Provided that no dividend greater than five per cent shall be declared until the reserve fund shall have reached the amount of twenty-five per cent of the paid capital stock.

(3) Whenever, whether as the result of proceedings taken <sup>"When title transferred to Board."</sup> to realize upon a mortgage or other security or as the result of compromise or agreement, the right or interest in the land and/or other property concerned which by law remained in the mortgagor or other person after the making or giving of the mortgage or other security becomes vested in the Board so that it holds, as against such mortgagor or other person, title, ownership and right to possession, or whenever, as the result of such proceedings, an amount is realized which is not sufficient to discharge in full the amount of the loan, interest, costs and charges, the capital stock of the Board subscribed for by the Government of Canada shall be cancelled to an amount equivalent to that so subscribed for with relation to loans of the like amount and the amount paid upon capital stock in respect of such loan shall be transferred to reserve account. 1927, c. 43, s. 9; 1935, c. 16 Am.

10. (1) The Board may appoint, for any province or prov- <sup>Chief executive officer in provinces.</sup> inces in which it operates or is about to operate, such chief executive officer as, on the nomination of the Board and the recommendation of the Minister, the Governor in Council may approve.

(2) Such officer shall, in the province or provinces for which he is appointed have charge of the operations of the



Board and exercise and perform such powers and duties as it may confer and impose upon him. 1935, c. 16 Am.

Local loan  
advisory  
board.

11. The Board may appoint for any province or for any two or more provinces in which the Board is authorized to make loans, a local loan advisory board of not more than three members. The chief executive officer appointed by the Board for such province or provinces shall, *ex officio*, be a member of such local loan advisory board and the chairman thereof. The associate members of such local board shall hold office at the pleasure of the Board, and shall be paid such fees as the Board may by regulation prescribe. 1935, c. 16 Am.

Legislation  
prejudicially  
affecting  
security.

12. In the event of legislation being passed by the legislature of any province after loans have been made available in that province which, in the opinion of the Board, would prejudicially affect the security of existing or future loans, the Board, by notice to be published in the *Canada Gazette*, may cease to make further loans in that province. 1927, c. 43, s. 12.

Audit.

13. An audit of the books of the Board shall be made in accordance with regulations made under the provisions of section seventeen of this Act by a firm of chartered accountants appointed for that purpose by the Governor in Council, and a copy of the report of the said accountants on the annual statement of the Board shall be laid before Parliament by the Minister within the first fifteen days of the first session thereof following the date of the said report. 1927, c. 43, s. 14; 1935, c. 16 Am.

Report.

Action of  
Board  
conclusive.

14. Except as may be otherwise decided from time to time by the Governor in Council, all actions and decisions of the Board shall be deemed within its powers and shall be conclusive against all interested parties. 1927, c. 43, s. 16.

Investment  
by  
insurance  
companies.

15. (1) Notwithstanding anything contained in the Insurance Act any Canadian company as defined in the said Act, may invest its funds or any portion thereof, in the purchase of Farm Loan bonds, and any British company and any foreign company, as therein defined, may hold the said bonds as assets in Canada for the purposes of the said Act.

Investment  
by loan  
companies.

(2) Notwithstanding anything contained in the Loan Companies Act, any loan company subject to the provisions of the said Act, or any of them, may invest its funds, or any portion thereof, in the purchase of Farm Loan bonds.

Investment  
by trust  
companies.

(3) Notwithstanding anything contained in the Trust Companies Act, any trust company subject to the provisions of the said Act, or any of them, may invest its funds or any portion thereof in the purchase of Farm Loan bonds. 1927, c. 43, s. 17.

Purchase  
of bonds by  
Minister.

16. (1) The Minister may purchase from time to time, on behalf of the Dominion of Canada, from the Board, bonds issued by the Board, which bonds shall on the request of the Minister be repurchased by the Board at the price originally paid therefor when funds for that purpose become available through the public sale of Farm Loan bonds: Provided that the amount of such bonds held at any one time by the Minister on behalf of the Dominion of Canada shall not exceed fifty million dollars.

(2) The Governor in Council may authorize the guarantee <sup>Guarantee.</sup> of the principal and interest of Farm Loan bonds to the amount of forty million dollars.

(3) The guarantee or guarantees may be signed on behalf <sup>Signed by</sup> of His Majesty by the Minister and such signature shall be <sup>the Minister.</sup> conclusive evidence for all purposes of the validity of the guarantee and that the provisions of this Act have been complied with. 1927, c. 43, s. 18; 1934, c. 46, s. 8; 1935, c. 16 Am.

17. The Board may, subject to the approval of the Governor in Council, make regulations <sup>Regulations.</sup> not inconsistent with the provisions of this Act for the conduct of the business of the Board, and without limiting the generality of the foregoing provision the Board shall have power to provide by regulation for

- (a) the employment of officers, appraisers, inspectors attorneys, clerks and other employees, their remuneration and their duties;
- (b) the charges to be made against borrowers for the expenses of appraisal, determination of title and recording;
- (c) the bases of valuation of farm land;
- (d) the form of application for loans, farm loan bonds, mortgages, books of account and annual statements of the Board;
- (e) the manner of crediting advance payments by borrowers under the mortgages;
- (f) the auditing and inspection of the accounts and assets of the Board;
- (g) the bonding of agents, officers and employees of the Board;
- (h) the signing of cheques, transfers, assignments, discharges, deeds, bonds and other instruments of the Board;
- (i) the duties and salaries of the chief executive officers appointed under section ten;
- (j) the duties, fees and scale of expenses of the local advisory loan committees appointed under section eleven. 1927, c. 43, s. 19; 1935, c. 16 Am.

18. The amount of any payment by the Government of <sup>Payments</sup> Canada on account of capital of the Board or as payment for <sup>out of the</sup> Farm Loan bonds purchased shall be paid out of the Consolidated <sup>Consolidated</sup> Revenue Fund on the authority of the Governor in Council. <sup>Revenue</sup> <sup>Fund.</sup> 1927, c. 43, s. 20.

## PART II

19. (1) Notwithstanding anything contained in Part I of <sup>Further</sup> this Act, the Board may in any case where it lends on the <sup>loan may</sup> security of a first mortgage, make a further loan for a period of not more than six years, repayable on such terms as the Board may determine, on the security of a second mortgage on the farm lands and in those provinces of Canada where chattel security may be taken by the Board, of a charge on live stock and other personal property.

(2) The aggregate of loans made to any one borrower under <sup>Aggregate</sup> the provisions of Parts I and II of this Act shall not exceed, <sup>of loans.</sup> in those provinces of Canada where chattel security may be

taken by the Board, two-thirds of the appraised value of the land and buildings in respect of which security is taken, and in any province where chattel security may not be taken sixty per cent of the said value and shall not exceed at any one time the sum of six thousand dollars. The amount advanced under this section shall not exceed one-half the amount advanced on the security of the first mortgage.

Purposes  
for which  
loan is  
to be used.

(3) Loans made under this Part of this Act shall be used for the following and no other purposes:—

- (a) to enable the debtor to pay existing liabilities;
- (b) to purchase live stock, tools, machinery, implements and equipment necessary for the proper operation of the farm mortgaged;
- (c) to erect farm buildings or to clear, drain, fence or make any other permanent improvement tending to increase the productive value of the land;
- (d) for such other purposes relating to the development and operation of the farm as the Board approves.

Interest  
rates.

(4) The interest rate on loans made under this section shall not exceed the current rate charged in respect of first mortgage loans under this Act by more than one per centum per annum. 1934, c. 46, s. 9; 1935, c. 16 Am.

Loans to  
mortgagee.

20. (1) In addition the Board may, subject to the conditions hereinafter provided, lend to a mortgagee on the security of the assignment or hypothecation of a first mortgage on farm lands situate in any province in which the Board is empowered to make loans under this Act.

When  
composition,  
etc.  
approved,  
1934, c. 53.

(2) Whenever a proposal for a composition, extension or scheme of arrangement made under *The Farmers' Creditors Arrangement Act, 1934*, has been duly approved, the mortgagee shall be eligible for a loan which shall be disbursed to the farmer for such purposes in connection with the proper operation of the farm lands covered by the first mortgage and in such instalments as may be agreed to by the Board.

Limit  
of loan.

(3) No loan made hereunder shall be for an amount exceeding one-quarter of the principal amount owing on account of the mortgage assigned or hypothecated.

Rate of  
interest.

(4) Each loan shall bear interest at the rate charged by the Board on loans made under Part I of this Act and shall be for a period not exceeding one year, but in any event shall be repayable with interest out of the first moneys received by the mortgagee or the Board on account of the mortgage assigned or hypothecated.

Extension  
of time for  
repayment.

(5) The Board may on the application of the mortgagee extend the time for the repayment of the loan for a further period not exceeding one year.

Conditions  
as to rate  
of interest.

(6) No loan shall be made to a mortgagee unless the mortgagee agrees that the rate of interest payable by the mortgagor to the mortgagee on advances made out of the proceeds of such loan shall not be in excess of the rate of interest payable on the mortgage assigned or hypothecated, and shall in no case be more than one per cent in excess of the rate charged the mortgagee by the Board.

When loans  
become  
payable  
in full.

(7) In the event of the proceeds of any loan not being expended as provided by this section, such loan shall at the option of the Board become forthwith payable in full.

(8) The provisions of subsection two of section five of Part I of this Act shall not apply with respect to loans made under this section. Certain provisions not to apply.

(9) The Governor in Council may make advances to the Board out of any unappropriated moneys in the Consolidated Revenue Fund for the purposes of this section. Advances.

(10) In this section unless the context otherwise requires or implies, the expression, Interpretation.

(a) "first mortgage" and "mortgage" includes an agreement for sale securing the purchase price of farm lands to which the mortgagee has title; "First mortgage."

(b) "mortgagee" means any loan, trust or insurance company incorporated under Dominion or Provincial laws and such other corporations or persons or classes of corporations or persons as may be designated by the Governor in Council. 1934, c. 46, s. 10; 1935, c. 16 Am. "Mortgagee."

21. (1) The Board shall keep separate accounts in respect of the loans made under the provisions of this Part and if such accounts show that losses have been sustained, the amount of such losses shall at the close of each fiscal year be advanced to the Board out of any unappropriated moneys in the Consolidated Revenue Fund, and repayment of the amounts so advanced out of the Consolidated Revenue Fund shall be a first charge on any future profits resulting from operations under this Part. Separate accounts to be kept.

(2) For the purpose of ascertaining whether or not a loss has been sustained, the Governor in Council may make regulations to determine what expenses of the Board shall be allocated to operations under this Part. Regulations.

(3) The provisions of subsection three of section nine of this Act shall apply to loans made under section nineteen of this Act. When title transferred to the Board.

(4) Dividends on capital stock issued by the Board in respect of loans made under this Part shall be declared only out of profits from the operations of the Board under this Part and no such dividend shall be declared until all advances made under the provisions of sub-section one of this section are repaid. 1934, c. 46, s. 11; 1935, c. 16 Am. Dividends.

22. The provisions of Part I of this Act shall apply *mutatis mutandis* in the case of loans made under this Part, except in so far as the provisions of this Part are inconsistent therewith. 1934, c. 46, s. 12. Application of Part I.

1936

(SECOND SESSION)

CHAPTER 2.

An Act to Provide for the Reduction and Settlement of  
Certain Indebtedness.

(Assented to September 1, 1936.)

HIS MAJESTY, by and with the advice and consent of  
the Legislative Assembly of the Province of Alberta,  
enacts as follows:

1. This Act may be cited as "*The Reduction and Settlement of Debts Act.*" Short title

2. In this Act, unless the context otherwise requires— Definitions—

(a) "Debt" means any sum in the nature of a liquidated "Debt"

demand for the payment of which any person is  
liable by virtue of any contract, agreement, coven-  
ant or stipulation, whether in writing or oral, and  
whether express or implied, but does not include—

(i) any debt due to or by the Crown in the right  
of Canada;

(ii) any debt due to or by the Crown in the right  
of the Province;

(iii) any debt due to the Canadian Farm Loan  
Board or the Soldier Settlement Board;

(iv) any indebtedness for assessments, rates or  
taxes payable pursuant to any statute or pur-  
suant to the terms of any agreement provid-  
ing for the consolidation and payment of  
taxes, rates or assessments;

(v) any debt due to or by a city, town or village,  
municipal district, improvement district,  
school district, irrigation district, drainage  
district or municipal hospital district;

(vi) any indebtedness guaranteed by the Crown  
in the right of the Province;

(vii) any debt in respect of which a direction has  
been made or given by the Debt Adjustment  
Board under the provisions of *The Debt  
Adjustment Act, 1933*, for the payment of  
money in the year 1936;

(viii) any other kind or description of debt which  
is declared by the Lieutenant Governor in  
Council to be a debt to which this Act does  
not apply.

"Debt Adjustment Board"

(b) "Debt Adjustment Board" means the Debt Adjustment Board constituted pursuant to *The Debt Adjustment Act, 1936*; and

"Old debt"

(c) "Old debt" means any debt the whole of the consideration for which arose before the first day of July, 1932, and includes any debt of any person under any guarantee for the payment of any old debt whether the guarantee was given prior to the first day of July, 1932, or at any time thereafter.

Extent of old debt recoverable

3. Notwithstanding any covenant, agreement or stipulation, whether express or implied and howsoever created, by virtue of which any old debt is made payable, the amount which shall be recoverable on account of any old debt shall be the following amount and no more, namely: the amount of the balance of the old debt outstanding and payable as at the first day of July, 1932, including any advances made under and by virtue of the agreement or other instrument, creating or securing the debt, together with any further advances so made since that date, reduced by any payments made since that date whether on account of principal, interest or otherwise; and as and from the first day of July, 1932, no interest shall be payable on any part of the said amount.

Extent of other debts recoverable

4. Notwithstanding any covenant, agreement or stipulation, whether express or implied and howsoever created, by virtue of which any debt other than an old debt is made payable, the amount which shall be recoverable on account of such debt shall be the following amount and no more, namely, the amount of the original debt together with any subsequent advances made in respect thereof together with simple interest thereon at the rate, if any, stipulated for the payment thereof or at the rate of five per centum per annum, whichever rate is the less, less all sums paid on account of the debt whether in respect of principal or interest since the time when the debt was originally created.

Unsatisfied judgments

5. In case any judgment has been entered in any court in any action for the recovery of any old debt which has not been satisfied at the time when this Act comes into force, the amount payable under such judgment shall be the amount of the old debt to the extent that the same is recoverable pursuant to section 3 hereof together with the taxed costs of judgment and execution.

Contracts as to addition of interest to principal

6. For the purpose of computing the amount of any indebtedness recoverable under this Act, no account shall be taken of any contract, agreement, covenant or stipulation whereby any interest accruing from and after the first day of July, 1936, is to be added to and form part of any principal sum and for the purpose of such computation every such contract, agreement, covenant and stipulation shall as and from the first day of July, 1936, be null, void and of no effect.

7.—(1) Unless it is otherwise ordered pursuant to subsection (3) or subsection (4) hereof, the amount recoverable in respect of any old debt shall be payable by ten annual instalments on the fifteenth day of November in the year 1937 and in each ensuing year in the following amounts, namely: the amount of the first, second and third instalments shall be five per centum of the amount recoverable; the amount of the fourth, fifth, sixth and seventh instalments shall be ten per centum of the amount recoverable; the amount of the eighth, ninth and tenth instalments shall be fifteen per centum of the amount recoverable.

Payment by instalments of old debt

(2) Notwithstanding subsection (1) hereof the person liable for the payment of any such old debt shall be entitled to pay the same either wholly or in part at any time before the days prescribed by this Act as the days upon which the instalments thereof are to become due and payable and the person entitled to payment shall accept any such payment.

(3) Any necessitous creditor may apply to the Debt Adjustment Board for an order fixing the amount of any instalment or instalments to be paid by the debtor in respect of the recoverable indebtedness at an amount greater than the amount fixed by this section or fixing as the date or dates upon which any instalment or instalments shall be paid a date or date other than the date or dates prescribed by this section, but no such order shall be made except—

- (a) upon five days' notice of the application to the debtor unless otherwise ordered by the Board;
- (b) a full enquiry has been made by the Board into the necessitous circumstances of the creditor and the circumstances of the debtor; and
- (c) the Board is satisfied, having regard to the necessity of the creditor and the ability of the debtor to pay, that it is convenient and proper that the debt should be made payable otherwise than in the instalments and at the times hereinbefore specified.

(4) In case default is made in the payment of any instalment or the part of any instalment directed to be paid pursuant to section 9, the Board may in its discretion, after due inquiry into the circumstances, make an order declaring that any instalment or instalments not then due are due and payable forthwith and issue a permit authorizing the creditor to take such proceedings in respect thereof as may be specified in the order.

8.—(1) From and after the coming into force of this Act no action of any kind shall be maintainable and no proceeding by way of distress or seizure for the recovery of any old debt shall be taken nor shall any such action or proceeding be continued unless the person liable for the payment thereof has made default in the payment of any of the instalments prescribed by section 7, and a permit has been issued pursuant to this Act authorizing the taking of such action or proceeding.

Prohibition of proceedings in respect of old debt without a permit

(2) For the purposes of this section "proceeding" includes the exercise of any right to seize or take possession of any crop created by any crop lease given in respect of any old debt or by virtue of any attornment by a debtor to a creditor in respect of any old debt.

Proceedings  
in respect of  
old debt on  
default of  
payment of  
instalment

**9.**—(1) In case any instalment of an old debt is not paid on the day fixed by this Act for the payment thereof the person entitled to enforce payment of the old debt may apply to The Debt Adjustment Board for a permit to take such action or other proceedings as he may be entitled to take.

(2) If after due inquiry the Board is satisfied that the non-payment of the instalment was due to circumstances over which the debtor had no control such as drought, hail, frost or any other act of nature or due to the fact that the debtor was unable to make the payment because of his inability to obtain payment of debts due to him from others by reason of the existence of any similar circumstances, the Board shall not issue the permit applied for.

(3) If after such inquiry it appears to the Board that the debtor is in a position so to do, the Board may by order direct the payment of so much of the instalment as the Board deems fit and proper, and the Board may make the failure to comply with any such direction a condition of the refusal of a permit and shall distribute the balance of that instalment among the subsequent instalments and make additions thereto accordingly.

(4) Upon the refusal of any application for a permit pursuant to subsection (2), the time for payment of the instalment in respect of which the application is made shall be the fifteenth day of November following the application if the application is made before the first day of July and, if the application is made after the first day of July, on the fifteenth day of November of the following year: the time of payment for every subsequent instalment shall be postponed by the same number of years as the number of years of the postponement for the time for payment of the instalment in respect of which the application is made; and in case an application is made for a permit in respect of more than one instalment the earliest of such instalments shall, for the purposes of this subsection, be deemed to be the instalment in respect of which the application is made.

Non-  
application  
of sections  
8 and 9

**10.** The provisions of sections 8 and 9 shall not apply when the debtor is a person against whom a Writ of Attachment may be issued, pursuant to the Rules of Court relating to absconding debtors.

Computation  
of time  
under *The  
Limitation of  
Actions Act,  
1935*

**11.**—(1) The period during which proceedings by a creditor are prohibited under this Act shall not be included in the time within which an action or other proceeding is to be commenced under *The Limitation of Actions Act, 1935*, or under any other statute or law for the time being in force in the Province limiting or prescribing the time



within which actions or proceedings are to be commenced; and any party to an action or other proceeding which has been prohibited by this Act shall have the same time for continuing such action or proceeding after the expiry of the said period as he would have had if the action or proceeding had not been prohibited, and shall not be prejudiced by reason of the delay.

(2) For the purpose of this section the proceedings mentioned and described in sections 8 and 9 of this Act shall, whether or not such creditor has applied or hereafter applies to the Board for the issue of a permit pursuant to the said section, be deemed to have been prohibited so long as this Act remains in force, subject to the provisions contained in subsection (3).

(3) Upon the issue of the permit or written authority of the Board, the period subsequent to the issue thereof shall be included in the time within which the action or other proceeding affected thereby is to be commenced under *The Limitation of Actions Act, 1935*, or under any other statute or law for the time being in force in the Province limiting or prescribing the time within which actions or proceedings are to be commenced.

12. The Lieutenant Governor in Council may from time to time declare that any kind or description of debt is a debt to which this Act does not apply and every such order shall take effect upon publication in *The Alberta Gazette* either upon publication or upon any later date thereby fixed for the purpose, and upon such publication shall have the same force and effect as if it had been enacted as a part of this Act.

Declaration by Order in Council as to debts excepted from Act

13.—(1) The provisions of this Act shall not apply to any debt or old debt, which by any contract, agreement or settlement between the parties has been reduced to an amount which is less than the amount of the indebtedness which would otherwise be recoverable under this Act.

Non-application of Act to certain contracts for settlement of debts

(2) Except as provided in this section, it shall not be competent for a debtor to waive or to forego any of the benefits to which he may become entitled under this Act, and every contract, agreement or arrangement whatsoever to that end shall be absolutely void.

Contracts waiving Act void

14. The provisions of *The Debt Adjustment Act, 1936*, as to any matters of procedure in relation to the issuance of permits shall, *mutatis mutandis*, apply to the issuance of permits under this Act.

Application of *The Debt Adjustment Act, 1936*

15. This Act and *The Debt Adjustment Act, 1936*, shall be read and construed together, and in the case of any conflict between any of the provisions of this Act and any of the provisions of *The Debt Adjustment Act, 1936*, the provisions of this Act shall prevail.

Construction of Act

Restriction of Act to matters within competence of Legislature

16. The provisions of this Act shall not be so construed as to authorize the doing of any act or thing which is not within the legislative competence of the Legislative Assembly.

Coming into force of Act

17. This Act shall come into force on the day upon which it is assented to.

EDMONTON: Printed by A. Shnitka, King's Printer

I hereby certify that this Bill passed SEP 1 1936

*R. A. Anderson*

.....  
Clerk of the Legislative Assembly.

I certify that this is a true and correct copy of the Bill as passed.

*R. A. Anderson*

.....  
Clerk of the Legislative Assembly.

Price 3d.

The  
**Mortgagors and Lessees  
Rehabilitation Act, 1936.**

*13<sup>A</sup>*

---

**Explanatory Notes.**

Published by direction of Hon. H. G. R. Mason, Minister of Justice.



WELLINGTON:  
G. H. LONEY, GOVERNMENT PRINTER.

1936.

8th October, 1936.

X9(J): (Z93)  
G6

**IMPORTANT.**

If your mortgage is "running on" after the expiry of the date of repayment originally agreed upon, and you have been relying on the protection of previous legislation to prevent its being called up, note that that legislation is now repealed. Moneys owing under such mortgages may shortly be called up unless application be made under the new Act, according to the directions given in this pamphlet.

Do not delay your application to the last minute.

**CLOSING DATE for making applications  
31st January, 1937.**

## PART I.

### LIABILITIES UNDER MORTGAGES AND LEASES.

#### Liabilities which arise out of a Mortgage.

§ 1. A mortgage is a charge upon property made by way of security for the repayment of money lent or for the carrying-out of certain promises. In the normal case the borrower (mortgagor) obtains a loan upon condition that he will repay it on a particular date or by instalments and that he will pay interest in the meantime on particular dates. He also promises to carry out certain contracts which are set out in the mortgage.

To protect the lender (mortgagee) the mortgagor gives him security over certain land or other property and agrees that, if the mortgagor breaks any of his promises set out in the mortgage, the mortgagee may sell the land or other property. Out of the price he obtains on such sale the mortgagee is entitled to retain enough to repay the loan and pay the costs of the sale and other expenses. The essential part of a mortgage is the promise to pay interest and to repay the loan. The charge is given over the property for the purpose of better enabling the mortgagee (the lender) to enforce his rights.

The promise to pay is called the personal covenant which also includes all other promises set out in the mortgage. The promises comprised in the personal covenant are contracts which may be enforced through the Courts in the same manner as other contracts, apart altogether from the rights against the property.

Persons who may be or become liable under a mortgage are as follows :—

- (1) All persons who signed the mortgage or a variation of it although they may not now own the mortgaged property or may never have owned it.
- (2) All persons who guaranteed performance of the personal covenant by the mortgagor who signed the mortgage or variation—that is, persons who have undertaken to pay if the mortgagor fails to do so.
- (3) All persons who at any time become owners of property which is subject to an existing mortgage although they may no longer own the property.  
This liability arises under a promise implied by law to indemnify the person from whom they purchased against any proceedings under the personal covenant.
- (4) By law a person whom the mortgagee has sued under the personal covenant and against whom he has obtained judgment ceases to be a mortgagor and is liable only under the judgment.

This Act enables such a person to obtain relief as a mortgagor or a guarantor.

- (5) In some cases also exercise of the power of sale or entry into possession by the mortgagee causes the mortgagor to cease to be a mortgagor but still liable under the personal covenant.

Under this Act he is entitled to obtain relief as a mortgagor or guarantor.

- (6) Under this Act the person who is the present owner of the land is dealt with as a “mortgagor.” All other persons liable under the personal covenant are dealt with as “guarantors.”

### Liability arising under a Lease.

§ 2. A lease is a document whereby the owner of property allows the lessee to have possession of it subject to payment of rent and other charges and performance of various conditions. The promise to pay and perform the conditions is a contract and is called the personal covenant.

Liability arises under the personal covenant in a lease as it does under that in a mortgage. The persons liable are—

- (1) Those who signed the lease or any variation of it although they do not now occupy the property or never occupied it.
- (2) Those who have guaranteed the performance of it by the lessee.
- (3) Those to whom the lease has at any time been assigned or transferred.
- (4) A tenant or lessee under a lease remains liable under the "personal covenant" for any outstanding liability, such as arrears of rent, notwithstanding that the lease may have expired or otherwise been determined before expiry. The Act provides that such persons may apply for an adjustment of their liability as guarantors.
- (5) A sublease is dealt with under the Act as a lease.

Under this Act the person who is named in the lease as the lessee (if there has been no assignment of the lease) or the person (if there has been any assignment of the lease) who occupies under the assignment of the lessee's rights is dealt with as the lessee. Any other persons liable under the personal covenant are dealt with as guarantors.

## PART II.

### MORTGAGORS AND LESSEES REHABILITATION ACT, 1936.

#### Purpose of Act.

§ 3. The general purpose of the Act is set out in respect of three classes of applicants—that is, (1) farmer mortgagors and farmer lessees, (2) home mortgagors and home lessees, and (3) those mortgagors and lessees who are not farmers and whose application is not in respect of their homes.

#### Farmer Applicants.

The general purpose of the Act in relation to farmer applicants is—

- (1) To retain them in the use and occupation of their farms as efficient producers; and
- (2) To make such adjustments of their liabilities as will ensure—
  - (a) That the liabilities secured on any property do not exceed the value of that property;

(b) That the rent of any leasehold property does not exceed the rental value of that property; and

(c) That the total amount and terms of payment of all their liabilities (whether secured or unsecured) are such that, after allowing for all normal current expenditure and providing for the maintenance of themselves and their families in a reasonable standard of comfort, the applicants may reasonably be expected to meet their liabilities as they become due, either out of their own moneys or by borrowing on reasonable terms. (Section 2 (1).)

#### Home Applicants.

The general purpose of the Act in relation to home applicants is—

(1) To retain them in the occupation of their homes; and

(2) To make such adjustments of their liabilities as will ensure—

(a) That the liabilities secured on any property do not exceed the value of that property;

(b) That the rent of any leasehold property does not exceed the rental value of that property; and

(c) That the total amount and terms of payment of those of their liabilities that are secured by adjustable securities\* or are adjustable debts† are such that the applicants may reasonably be expected to meet them as they become due, either out of their own moneys or by borrowing on reasonable terms. (Section 2 (2).)

#### Other Applicants.

The general purpose of the Act in relation to applicants who are not farmer applicants or home applicants is—

(1) To enable them to retain possession of their mortgaged or leasehold property; and

(2) To make such adjustments of their liabilities as will ensure—

(a) That the liabilities secured on any property do not exceed the value of that property;

(b) That the rent of any leasehold property does not exceed the rental value of that property; and

(c) That the total amount and terms of payment of those of their liabilities that are secured by adjustable securities\* or are adjustable debts† are such that the applicants may reasonably be expected to meet them as they become due, either out of their own moneys or by borrowing on reasonable terms. (Section 2 (3).)

---

\* Adjustable securities: That is to say, mortgages to which the Act applies and other mortgages or charges over property that is subject to a mortgage to which the Act applies. (See § 4.)

† Adjustable debts: (See § 13.)



### PART III.

#### MORTGAGES.

##### Mortgages to which the Act applies.

§ 4. The Act applies to—

- (1) All mortgages over any kind of property that were executed before the 1st October, 1936 :
- (2) All mortgages that were in fact operative before the passing of the Act though not executed :
- (3) Any mortgages that after the passing of the Act may have been varied if the Act at any time has applied to them :
- (4) Any mortgages that, after the passing of the Act, have been executed in substantial replacement of a mortgage to which the Act applies :
- (5) Agreements for sale and purchase of land are covered under the heading of mortgages, and the purchasers under such agreements have the same right as mortgagors :
- (6) Leases containing a compulsory purchasing clause or an optional purchasing clause where the option has been exercised are also included under the heading of mortgages, and the lessee to that extent is deemed to be a mortgagor.

NOTE.—The Act applies to mortgages even though the property is worth more than the amount secured on it. In such a case the mortgagor may need and may obtain an extension of the time for repayment, a reduction in the rate of interest, or a variation of any other conditions of the mortgage. (See § 6.)

#### ADJUSTMENT OF LIABILITIES UNDER MORTGAGES.

##### Reduction of Mortgage Debt.

§ 5. In general the Act provides that where any property is subject to a mortgage to which this Act applies, the amount secured by the mortgage is to be reduced to the value of the property, or, in the case of farm lands, the basic value of the farm land. The balance of the amount due under the mortgage then becomes unsecured and an “adjustable debt.” (See § 13.)

##### Variation of Terms of Mortgage.

§ 6. Whether or not there has been any reduction of the principal secured by a mortgage the Adjustment Commissions have power to vary the rate of interest and any of the other terms of the mortgage. Such variation will be made by the Commission having regard to the general purpose of the Act, and may provide for repayment of the moneys secured by instalments on table mortgage or else on fixed dates on flat mortgage. If no order is made for repayment by instalments, then that portion of the mortgage debt that could be refinanced by the mortgagor on reasonable terms becomes payable to the mortgagee in five years and the balance on such later date as the Adjustment Commission fixes.

## **LEASES.**

### **Leases to which the Act applies.**

§ 7. The Act applies to all written leases and to all deferred-payment licenses which were executed before the 1st October, 1936, and to any renewal of such a lease.

### **Adjustment of Liabilities under Leases.**

#### *Reduction of Rent.*

§ 8. The rental payable under any lease to which the Act applies is to be reduced to the rental value of the property. The arrears of rent become unsecured debts and therefore "adjustable debts." (See § 13.)

#### *Variation of Terms of Lease.*

§ 9. The Commission may also vary the terms of the lease, whether or not the rent payable under it has been reduced in pursuance of the Act.

### **SALE OF LAND AFTER ADJUSTMENT.**

§ 10. In any case where the mortgage debt or the rent under a lease has been reduced or any arrears of rent have been remitted the mortgagor or lessee is prohibited, until 1st January, 1941, from selling the land or his interest in the lease without the leave of the Court previously obtained. The Court will give leave only in exceptional circumstances. This prohibition also applies until 1st January, 1941, to any one who buys the land or the lease from the mortgagor or lessee.

If the Court does permit a sale it may order so much of the price as it thinks fit to be paid into Court for the benefit of the creditors.

## **GUARANTORS.**

### **Guarantors to whom the Act applies.**

§ 11. The following persons are dealt with as guarantors under the Act:—

- (1) Persons who guaranteed a mortgage or lease covered by the Act by signing the mortgage or lease or a separate guarantee.
- (2) Persons who at any time signed such a mortgage or lease which is still running as mortgagor or lessee, but who do not now own the property subject to the mortgage or hold the property comprised in the lease.
- (3) Persons who at any previous time have owned or held property which was subject to a mortgage or comprised in a lease which is still running.
- (4) Persons who are registered as owners of property subject to a mortgage or as lessees of property comprised in a lease and who have abandoned the property or have been dispossessed by the mortgagee or lessor.

### **Adjustment of Liabilities of Guarantors. (See also § 41.)**

§ 12. All the liability of a guarantor under a mortgage or lease is dealt with as an "adjustable debt" (unless some security has been given otherwise for it).

## PART IV.

### UNSECURED DEBTS.

§ 13. Unsecured debts are those which are not secured under a mortgage or lease or by a statutory charge. Under this Act only some unsecured debts are dealt with, according to the type of applicant, and they are called "adjustable debts":—

Farmer applicants—All unsecured debts are treated as "adjustable debts."

Home applicants—Only unsecured debts arising out of the acquisition, extension, improvement, and maintenance of the home become "adjustable debts."

Other applicants—No unsecured debts become "adjustable debts."

#### Discharge of "Adjustable Debts."

§ 14. Adjustable debts comprise—

- (a) Amounts by which the mortgage debt is reduced (See § 5).
- (b) Arrears of rent under an adjusted lease. (See § 8.)
- (c) The liability of the applicant as a guarantor. (See § 11.)
- (d) Certain unsecured debts according to the type of applicant. (See § 13.)

All the adjustable debts of an applicant are discharged and written off unless the Court makes an order for some or all of them to be paid or secured.

If the applicant has no assets the Court cannot order payment of any adjustable debts, unless it considers they should be paid because of the income received by the applicant or the hardship that would be suffered by the creditor or for any other reason.

#### Abandoned Properties.

##### *Farm and Home Applicants.*

§ 15. Although the applicant has been dispossessed or has abandoned the property or it has been let temporarily to a tenant, the Commission may still order that he is a farm applicant or a home applicant and deal with his case accordingly. (See "adjustable debts," § 13.)

## PART V.

### PRELIMINARY ORDERS.

§ 16. Before proceeding with the adjustment the Commission will make preliminary orders so far as may be necessary on the following matters:—

- (1) Whether the applicant is a farmer applicant or a home applicant. (See § 13.)
- (2) The value of his property (other than farm lands). (See § 18.)
- (3) The basic value of his farm lands (if any). (See § 17.)
- (4) The basic rent of his leasehold property.

- (5) Whether he is entitled to retain any property which is mortgaged or which is held on lease. For this purpose the Commission must consider—
- (a) The applicant's conduct in the care and management of the property and the disbursement of his income :
  - (b) Whether any relief granted is reasonably likely to enable him to meet his liabilities in the future :
  - (c) In the case of a farmer applicant, whether the area of the farm lands is more or less than is sufficient to enable him to obtain a reasonable standard of comfort for himself and his family :
  - (d) Any other relevant considerations.
- (6) The amount he owes under any mortgage or charge. Before fixing the amount the Commission may remit any arrears of interest (whether or not they may have been capitalized) and any 10-per-cent. penalty on rates.

#### **BASIC VALUE OF FARM LANDS.**

§ 17. The figure to which the amount secured by mortgages of farm lands is reduced is the basic value of those farm lands. The Commission is directed to ascertain the basic value on the basis of the net income that can be derived from the lands by the average efficient farmer. The income is to be calculated by reference to the prices for farm products received over a period from eight to ten years immediately prior to 31st July, 1935.

#### **VALUE OF OTHER PROPERTY.**

§ 18. In the case of home property and all other property subject to mortgages, and all other unencumbered property, the Commission is directed to determine the value after having regard to the values of such property subsisting at the passing of the Act.

### **PART VI.**

#### **APPLICATIONS FOR ADJUSTMENT.**

##### **By Mortgagors, Lessees, and Guarantors.**

§ 19. Applications by mortgagors, lessees, or guarantors are to be in the prescribed form. Forms are available at any office of the Court of Review. (See list of Courts on § 23.) A postcard for the convenience of applicants in procuring the prescribed application forms is printed on the back cover, and can be detached. Applicants may complete their applications (together with the necessary lists of creditors and debtors and statement of assets and liabilities, &c.), and hand them in duplicate to the Registrar of the Court or to the nearest Postmaster. The prescribed filing fee is 5s., which should be attached in stamps to the original copy of the application.

The official concerned will give to the applicant an acknowledgment of his receipt of the application, and this acknowledgment will be conclusive proof that an application has been filed. Copies of all applications must be served by the applicants on the mortgagees and lessors concerned. This may be done by posting copies of the application by registered letter.

N.B.—It is important that intending applicants should not leave it till the last week to apply for the requisite forms.

#### **Case of Two or More Liabilities.**

§ 20. No person should make more than one application for adjustment. If an applicant has more than one property subject to mortgages or comprised in leases, or if he is liable under the provisions of more than one mortgage, lease, or guarantee, he must set out in his application the particular liability in respect of which he desires adjustment. If an applicant discovers that he has omitted to include any mortgage, lease, or guarantee in his application, he should at once file in the Court an amended list of creditors and an amended statement of assets and liabilities. The prescribed filing fee for such amended statement is 2s.

#### **Mortgagees and Lessors may also apply.**

§ 21. Mortgagees and lessors respectively may also make application for the adjustment of the liabilities of their mortgagors or lessees if the latter have made default under the mortgage or lease and have not filed applications. (As to mortgagees' claims against guarantors, see § 41.)

Within twenty-one days (or such extended time as the Court may allow in special cases) after the mortgagee's or lessor's application has been served on him the mortgagor or lessee must file in the Court a statement of his assets and liabilities and a list of his creditors and debtors and statement of his financial position. If he fails to do so the Court may direct, even before 31st January, 1937, that he shall have no further relief, and the mortgagee or lessor can then exercise his powers of sale or re-entry and other powers under his mortgage or lease.

#### **Protection of Mortgagees and other Creditors.**

§ 22. If in such a case the mortgagor or lessee fails to file his list of creditors and debtors and his statement of assets and liabilities within the time fixed, or if the mortgagor or lessee cannot be found, the Commission may nevertheless make an adjustment in the interests of any of the mortgagees or guarantors or other creditors.

#### **ASSISTANCE TO APPLICANTS.**

§ 23. Provision is also made for the appointment of Registrars of the Court who will be located in the Supreme Court or the Magistrate's Court at each of the more important towns. Their duties will be to receive applications for adjustment, to assist and advise applicants in completing their applications, and to perform other statutory duties defined in the Act. It is proposed

to appoint Registrars of the Court of Review at the undermentioned places : Kaitaia, Kaikohe, Whangarei, Dargaville, Auckland, Pukekohe, Thames, Te Aroha, Tauranga, Whakatane, Opotiki, Hamilton, Rotorua, Te Kuiti, Taumarunui, Raetihi, Gisborne, Wairoa, Napier, Hastings, Dannevirke, Waipukurau, New Plymouth, Eltham, Stratford, Hawera, Taihape, Wanganui, Marton, Feilding, Palmerston North, Levin, Pahiatua, Masterton, Lower Hutt, Wellington, Blenheim, Nelson, Westport, Grey-mouth, Hokitika, Rangiora, Christchurch, Ashburton, Timaru, Waimate, Oamaru, Cromwell, Dunedin, Balclutha, Gore, Invercargill.

Applicants will nevertheless be well advised to have their affairs handled by a solicitor, if possible, as this makes for orderliness and expedition when their cases are dealt with by the Commission or the Court.

#### **APPLICATIONS UNDER RURAL MORTGAGORS FINAL ADJUSTMENT ACT, 1934-35.**

§ 24. All applications that were pending under the Rural Mortgages Final Adjustment Act are deemed to be continued under the new Act, and a fresh application is not necessary. This, however, does not apply where the application under the 1934-35 Act has been refused, settled, or otherwise disposed of, nor to applications under the Mortgages and Tenants Relief Act, 1933, and in such cases a new application must be made. In any case of doubt the safest course is to make a new application.

#### **CROWN TENANTS.**

##### **Applications for Revaluation under Land Act, 1924.**

§ 25. All these applications *which are now pending* will be continued under the Act, and the applicants will have their cases dealt with as though they had applied under this Act.

#### **LAST DAY FOR FILING APPLICATIONS.**

§ 26. The last day for filing any application is *31st January, 1937*; an extension of time can be granted only in the most exceptional circumstances for a further month until 28th February, 1937.

#### **REVIVAL OF UNRESTRICTED RIGHTS OF MORTGAGEES AND LESSORS.**

§ 27. The last day for filing, that is, 31st January, 1937, is also the last day for the protection of mortgagees, lessees, and guarantors who have not filed an application for adjustment. If no application has been filed (see Applications, § 19 and § 21) all relief and protection that have been granted under any of the previous statutes or under this Act cease on 31st January, 1937, and all restrictions on the rights of mortgagees and lessors to exercise their full powers are entirely removed. (See Stay Orders, § 44.)

After the final adjustment has been made the mortgagees and lessors may exercise their full powers without restriction in case the mortgagor or lessee does not comply with the conditions of the mortgage or lease as modified by the order which finally adjusts it.

### STAY OF PROCEEDINGS.

#### By Mortgagees, Lessors, and other Creditors.

§ 28. Until after 31st January, 1937, in any case, and, if an application has been filed, until the application has been dealt with, all mortgagees, lessors, creditors, and other persons are prohibited, except with the leave of the Court, from taking any action or exercising any rights in respect of any property subject to a mortgage or comprised in a lease, or in respect of any debt that is an adjustable debt.

#### Reopening Transactions where Proceedings have been taken since 25th August, 1936.

§ 30. Special power is given to the Court on the application of any person who claims to have been prejudiced, to reopen any case where a mortgagee, lessor, creditor, or other person has completed any act that is prohibited between the date of the introduction of the Bill (25th August, 1936) and the date when it was passed (1st October, 1936). In such a case the Court may, if it thinks fit, set aside such Act and reinstate the parties as nearly as may be in their former positions. Applications for reopening such cases must be made within one month after the Act was passed, that is, on or before *1st November, 1936*.

### PROTECTION UNDER RELIEF ACTS CEASES.

§ 31. The Mortgagees and Tenants Relief Act, 1933, and its amendments, and the Rural Mortgagees Final Adjustment Act, 1934-35, and its amendment, are now repealed, and no further relief may be obtained under those Acts. All orders now existing made under those Acts are continued until 31st January, 1937, or (if an application is made) until final adjustment, unless the order was originally made for a shorter period.

### PENALTIES.

#### Applicant defeating Claims of Creditors.

§ 32. The Court is given power to make any appropriate order that is necessary where it is satisfied that any mortgagor, lessee, guarantor who has applied for adjustment, or any creditor, or other person is committing or about to commit acts which may defeat the claims of any of the creditors of the applicant.

Mortgagors, lessees, and guarantors who are applicants are prohibited from selling or mortgaging or otherwise disposing of any part of their property without the consent of the Adjustment Commission previously obtained.

### FARMER APPLICANTS OBTAINING CREDIT.

§ 33. Farmer applicants (because all their liabilities and debts are adjustable) are prohibited from obtaining credit for more than £20 without informing the creditor that they are applicants under this Act.

## **PART VII.**

### **VOLUNTARY ADJUSTMENTS.**

§ 34. The Court and the Adjustment Commissions are directed to endeavour to promote voluntary adjustments wherever possible, but it is provided that such adjustments will not come into effect until they have been embodied in an Order of the Court.

### **NO CONTRACTING OUT.**

§ 35. There is a provision that no covenant or condition contained in any document, executed before or after the passing of the Act, by which any mortgagor, lessee, or guarantor contracts out of the Act shall have any force or validity to deprive him of his right to apply for an adjustment under the Act.

### **VENDOR-MORTGAGEES.**

§ 36. There is a provision for the case of vendor-mortgagees whose mortgage debt has been reduced under this Act where the mortgagee considers that the property is still worth the amount at which he sold it. In such a case the vendor-mortgagee, with the leave of the Adjustment Commission, may purchase the property at the price which he received on the sale plus the present-day value of any improvements added since the sale, less a proper allowance for depreciation. If there are other mortgages they will be paid out of the price so payable by the vendor-mortgagee, so far as it will extend.

### **CURRENT SEASONAL ADVANCES.**

§ 37. In order to protect those firms and persons who have made current advances during the past season and until the adjustment for the ordinary working and living expenses of the farmer, the Adjustment Commission is given special power to make provision for those advances to be paid or secured in priority to any other secured or unsecured debts of the applicant.

### **ADVANCES FOR REHABILITATION.**

§ 39. Where it is necessary to expend moneys on the improvement of the applicant's farm lands, or for any similar purpose, in order to increase the productivity or value of the farm or the income it could produce, and the applicant has not sufficient money of his own for that purpose, the Adjustment Commission may make provision for moneys to be borrowed on the security of the farm lands or other property of the applicant (and, if necessary, in priority to any other mortgages on the farm lands) to be used for such purposes.



Please send me a set of forms to enable me to apply for an adjustment of my liabilities under the Mortgagors and Lessees Rehabilitation Act, 1936.

I intend to apply as a **Farm Mortgagor.**  
**Home, or other Mortgagor.**

Strike out which are inapplicable.

**Name :**.....

**Postal Address :**.....

.....

**POST - CARD:**

---

**REGISTRAR,**

**COURT OF REVIEW.**

75TH CONGRESS  
1ST SESSION

# H. R. 8

---

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1937

Mr. JONES introduced the following bill; which was referred to the Committee on Agriculture and ordered to be printed

---

## A BILL

To establish the Farmers' Home Corporation, to encourage and promote the ownership of farm homes and to make the possession of such homes more secure, to provide for the general welfare of the United States, to provide additional credit facilities for agricultural development, to create a fiscal agent for the United States, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 That this Act may be cited as the Farmers' Home Act.

4 SEC. 2. (a) There is hereby established a corporation  
5 to be known as the Farmers' Home Corporation (herein-  
6 after in this Act referred to as the Corporation), which is  
7 hereby declared to be an agency and instrumentality of the

1 United States. The principal office of the Corporation shall  
2 be located in the District of Columbia. The management  
3 of the Corporation shall be vested in a board of directors  
4 consisting of three officers or employees of the United States,  
5 designated by the President of the United States, one of  
6 whom shall be from the Treasury Department, one from  
7 the Department of Agriculture, and one from the Farm  
8 Credit Administration. The President shall designate, from  
9 the agency of which each director is an officer or employee,  
10 an alternate for such director. Each alternate director shall  
11 possess all of the powers and perform all of the duties of the  
12 director for which he is acting in the event that such director  
13 is absent or unable to serve for any reason. The directors  
14 and alternate directors shall receive no additional com-  
15 pensation for their services as directors of the Corporation  
16 but may be allowed actual necessary traveling and subsistence  
17 expenses when engaged in business of the Corporation out-  
18 side of the District of Columbia. The Corporation shall  
19 annually make a full report of its activities to the Speaker of  
20 the House of Representatives, who shall cause the same  
21 to be printed for the information of the Congress.

22 (b) The board of directors shall have power (1) to  
23 select from its members a chairman and a vice chairman;  
24 (2) to determine and prescribe the manner in which the  
25 obligations and expenses of the Corporation shall be incurred,

1 allowed, and paid; and (3) to adopt such bylaws, and to  
2 promulgate such rules and regulations, not inconsistent with  
3 the provisions of this Act, as may be necessary or convenient  
4 for the proper conduct of the affairs of the Corporation or  
5 to carry out the purposes of this Act.

6 (c) The capital of the Corporation shall be in the sum  
7 of \$50,000,000, subscribed by the United States of America,  
8 payment for which shall be subject to call, in whole or in  
9 part, by the board of directors of the Corporation. The  
10 Corporation shall issue to the Secretary of the Treasury  
11 receipts for payments for such stock subscriptions and such  
12 receipts shall evidence the stock ownership of the United  
13 States. There is authorized to be appropriated, out of any  
14 money in the Treasury not otherwise appropriated, a sum  
15 not in excess of \$50,000,000 for the purpose of subscription  
16 to the capital of the Corporation. In addition, there is  
17 authorized to be appropriated, out of any money in the  
18 Treasury not otherwise appropriated, for each of the ten  
19 fiscal years succeeding the first fiscal year for which an  
20 appropriation is made under the preceding sentence, a sum  
21 not in excess of \$50,000,000, and the sums appropriated  
22 in pursuance of this authorization shall be available to the  
23 Corporation for the purposes of this Act.

24 (d) The Corporation, including its property, franchise,  
25 capital, reserves, surplus, and other funds, and its loans and

1 income, shall be exempt from all taxation now or hereafter  
2 imposed by the United States, by any Territory, depend-  
3 ency, or possession thereof, or by any State, county,  
4 municipal, or other local taxing authority; except that any  
5 real property of the Corporation shall be subject to Terri-  
6 torial, State, county, municipal, and other local taxation to  
7 the same extent according to its value as other real property  
8 is taxed. Mortgages, notes, and other lien and credit instru-  
9 ments executed to, or held by, the Corporation and any  
10 obligations issued or executed by it shall be deemed and  
11 held to be instrumentalities of the United States, and as such  
12 they and the income derived therefrom shall be exempt from  
13 Federal, Territorial, State, county, municipal, and other local  
14 taxation. The Corporation, when designated for that pur-  
15 pose by the Secretary of the Treasury, shall be a depository  
16 of public money, except receipts from customs, under such  
17 regulations as may be prescribed by said Secretary; and  
18 may also be employed as a financial agent of the Govern-  
19 ment; and shall perform all such reasonable duties, as  
20 depository of public money and financial agent of the Gov-  
21 ernment, as may be required of it. The Corporation may  
22 also function as an agent of the United States with respect  
23 to lands in the public domain to the extent and in the man-  
24 ner prescribed by the Secretary of the Interior, or by the  
25 Commissioner of the General Land Office with the ap-

1 proval of the Secretary of the Interior. The Corporation,  
2 with the consent of any board, commission, independent  
3 establishment, or executive department of the Government,  
4 may avail itself of the use of information, services, facilities,  
5 officers, agents, and employees thereof in carrying out the  
6 provisions of this Act.

7 (e) The directors shall have power, without regard  
8 to the provisions of other laws applicable to the employ-  
9 ment of officers and employees of the United States, to  
10 employ and to prescribe the powers and duties of such  
11 officers, examiners, attorneys, other experts, and employees  
12 and agents as may be necessary to carry out the powers  
13 and duties conferred upon the Corporation by this Act, to  
14 require bonds of them and fix the penalties thereof, and to  
15 dismiss them at pleasure, but the rates of compensation of  
16 such officers, examiners, attorneys, other experts, and  
17 employees and agents of the Corporation shall not exceed  
18 the rates of compensation prescribed for comparable duties  
19 by the Classification Act of 1923, as amended. The Cor-  
20 poration shall be entitled to the free use of the United States  
21 mails for its official business in the same manner as the  
22 executive departments of the Government.

23 (f) The Comptroller General of the United States is  
24 hereby authorized and directed to audit at least once each  
25 governmental fiscal year, and at such other times as he

1 may prescribe, the books, records, and accounts of the Cor-  
2 poration. Such audit shall be for the sole purpose of making  
3 a report to the President of the United States and the Con-  
4 gress, together with such recommendations thereon as the  
5 Comptroller General deems advisable.

6       SEC. 3. (a) The Corporation shall have the power,  
7 and it shall be its duty, to establish, and to assist in the  
8 establishment of, farms and farm homes, for the purpose  
9 of encouraging the ownership of farm homes and improv-  
10 ing the situation of farm tenants.

11       (b) The Corporation shall have power, in order  
12 effectively to exercise its functions under subsection (a) —

13       (1) To construct, maintain, or acquire necessary build-  
14 ings, improvements, furnishings, equipment, implements and  
15 machinery, supplies, facilities, and livestock.

16       (2) To enter into contracts, to make loans, and to ac-  
17 quire, by purchase, gift, or otherwise, any real or personal  
18 property or any interest therein: *Provided*, That (A) no real  
19 property shall be purchased by the Corporation except upon  
20 an appraisal by a competent expert, reported in writing and  
21 sworn to and filed and preserved for inspection by the Con-  
22 gress, or any authorized committee thereof; (B) no real  
23 property shall be purchased by the Corporation at a price  
24 in excess of the value as determined by said appraisal;  
25 (C) in making an appraisal of farm real property the



1 normal value of the land for agricultural purposes shall be  
2 the basis of appraisal and the earning power of said land  
3 shall be a principal factor; (D) no purchases of real  
4 property by the Corporation shall be made upon credit  
5 or paid for in installments, except that nothing herein shall  
6 be construed to prevent the Corporation from acquiring,  
7 and making payments on, options to purchase such property;  
8 and (E) no real property or interest therein shall be acquired  
9 (except for administrative purposes) in any county except  
10 with the approval of the county committee of that county  
11 provided for in subsection (e).

12 (3) To improve, develop, or maintain any property  
13 or interest therein acquired in accordance with paragraph  
14 (2) of this subsection.

15 (4) To sell, lease, or otherwise dispose of any such  
16 property or interest therein.

17 (5) To borrow money: *Provided*, That no indebted-  
18 ness shall have maturities in excess of one year, and that the  
19 aggregate amount of such indebtedness shall at no time  
20 exceed one-fifth of the paid-in capital of the Corporation.

21 (6) To prescribe, consistently with the provisions  
22 of this Act, the terms, covenants and conditions of deeds,  
23 leases, and contracts of sale.

24 (7) To establish and maintain such branch and local  
25 offices as it may deem necessary.

1           (8) To buy and sell bonds of the United States or  
2 the bonds of any corporation, which are fully and uncon-  
3 ditionally guaranteed both as to interest and principal by  
4 the United States.

5           (9) To exercise all such incidental powers as may  
6 be necessary or appropriate to the carrying out of its powers  
7 and duties.

8           (c) The Corporation shall have succession in its  
9 corporate name until dissolved by Act of Congress, and  
10 shall have power—

11           (1) To sue and be sued in its corporate name in any  
12 court of competent jurisdiction, Federal or State.

13           (2) To adopt and use a corporate seal which shall  
14 be judicially noticed.

15           (3) To lease such real estate as may be necessary for  
16 the transaction of its business.

17           (4) To exercise and perform such other powers and  
18 duties as may be conferred or imposed upon it by or pur-  
19 suant to any Act of Congress.

20           (d) Only natural persons who are farmers or are  
21 about to become engaged in farming shall be eligible to  
22 receive the benefits of this Act; but no such person shall be  
23 eligible if the income from farm property owned by him is  
24 sufficient to maintain his family, pay operating expenses  
25 and taxes, maintain such property, and discharge the interest

1 and principal payments on any indebtedness secured by a  
2 lien on such property. In making available the benefits  
3 of the Act, the Corporation shall give preference to appli-  
4 cants who are married or who have dependent families, or  
5 who are farm tenants, sharecroppers, farm laborers, or who  
6 were recently farm tenants, sharecroppers, or farm laborers.

7 (e) The board of directors shall appoint in each county  
8 in which the activities of the Corporation are carried on a  
9 committee of three persons, one of whom must be a farmer,  
10 one a businessman, and one an experienced credit man, all  
11 of whom shall have been bona-fide residents of the county  
12 for at least one year immediately prior to the date of their  
13 appointment. It shall be the duty of the committee so  
14 appointed to certify to the Corporation, under such regula-  
15 tions as the Corporation shall prescribe, those persons within  
16 the county in which the committee members reside who, in  
17 the opinion of the committee, are likely to meet the obliga-  
18 tions which will be required of persons receiving the benefits  
19 of this Act; and the Corporation shall not make such benefits  
20 available to any person who has not been so certified by  
21 the committee. Members of the committee shall receive  
22 no compensation for their services, but may be allowed actual  
23 and necessary expenses when engaged in the business of the  
24 Corporation.

1        SEC. 4. (a) The power of the Corporation, conferred  
2 by section 3 (b), to sell, lease, or otherwise dispose of real  
3 property, when exercised in favor of those persons  
4 eligible to receive the benefits of this Act, shall be subject to  
5 the following limitations and conditions:

6        (1) No loan shall be made for the total or partial  
7 refinancing of any indebtedness incurred in the acquisition  
8 of real property acquired otherwise than from the Cor-  
9 poration.

10        (2) No title to farm real property shall be transferred  
11 by the Corporation to a purchaser until at least 25 per  
12 centum of the purchase price has been paid; and no farm  
13 real property shall be sold which is not limited in area to  
14 the approximate size, as determined by the preceding Fed-  
15 eral census, of an average farm in the same locality, or  
16 which exceeds in cost the price of property of similar size  
17 and value in the same locality.

18        (3) No real property or interest therein shall be leased  
19 by the Corporation for a term in excess of five years and no  
20 more than one renewal for a term of five years shall be  
21 allowed to any one such lessee, except that the Corporation  
22 may lease real property for a period not in excess of ten  
23 years, provided an option, to be exercised in accordance with  
24 the provisions of the following paragraphs of this subsection,  
25 to purchase said property is given to the lessee.

1           (4) Any lease with an option to purchase shall pro-  
2 vide (A) for annual rental payments to the Corporation,  
3 during the period of the lease, equal in the aggregate amount  
4 to at least 25 per centum of the agreed purchase price, such  
5 payments to be credited upon said purchase price in case of  
6 the exercise of the option; (B) that the lessee shall be en-  
7 titled to make prepayments of the annual rental or payments  
8 in excess of the total annual rental, which amounts may be  
9 credited upon the lessee's obligations to the Corporation as  
10 they mature and in the interim invested by the Corporation,  
11 for and on behalf of the lessee, in bonds of the United States  
12 or bonds which are fully and unconditionally guaranteed both  
13 as to principal and interest by the United States; (C) that  
14 upon the expiration or termination of the lease the lessee  
15 shall be entitled to receive from the Corporation the amount  
16 of any payments, plus the income thereon, which have not  
17 been credited upon the obligations of the lessee to the Corpo-  
18 ration; (D) that the lessee shall, at the time that said 25 per  
19 centum of said purchase price has been paid to the Cor-  
20 poration in the form of rental payments or otherwise, as  
21 aforesaid, advise the Corporation that he has determined to  
22 exercise or not to exercise the option to purchase; and (E)  
23 that such lease shall not be assigned or sold without the  
24 consent of the Corporation.

1           (5) Upon the determination by any lessee to exercise  
2 his option to purchase real property leased by him as herein  
3 provided, or in the case of a sale of real property not  
4 involving a lease with an option to purchase, title to said  
5 property shall be transferred to the purchaser in accordance  
6 with a contract of sale executed by him and the Corporation  
7 in accordance with the provisions of this section, and the  
8 unpaid balance of the purchase price shall be secured by a  
9 first lien on the property sold under said contract of sale.

10           (6) The interest rate on the unpaid balance of the pur-  
11 chase price shall be the rate of interest charged, at the time  
12 the option to purchase is exercised (or at the time of the  
13 execution of the contract of sale, in any case not involving a  
14 lease with an option to purchase), for direct loans by the  
15 Federal land bank of the land-bank district in which the  
16 property to be sold is located, and the unpaid balance of the  
17 purchase price shall be paid to the Corporation in accord-  
18 ance with amortization schedules prescribed by it, within a  
19 period not in excess of forty years from the date upon which  
20 the title has been transferred to the purchaser.

21           (7) Each contract of sale and lien instrument executed  
22 as herein provided shall contain a provision that if a volun-  
23 tary lien is created by the purchaser on any of the property  
24 sold, or if the purchaser thereof shall sell or agree to sell  
25 such property, or if an involuntary lien is established, the

1 Corporation may declare all unpaid installments of principa  
2 and interest to be immediately due and payable.

3 (8) No real property or any interest therein in any  
4 county (except property used for administrative purposes)  
5 shall be sold, leased, or otherwise disposed of except with the  
6 approval of the county committee of that county provided for  
7 in section 3 (e).

8 (9) No purchaser shall be permitted to resell without  
9 the consent of the Corporation any real property purchased  
10 from or through the Corporation until his obligations to the  
11 Corporation have been fully repaid.

12 (b) Loans made under the provisions of section 3 (a)  
13 of this Act for general agricultural purposes or for acquiring,  
14 raising, breeding, or fattening of livestock shall have maturi-  
15 ties not exceeding      years, and the interest rate on any  
16 such loan shall be the rate of interest charged, at the time  
17 the loan is made, by the production credit association,  
18 (organized under the Farm Credit Act of 1933) serving  
19 the locality in which the loan is made. Loans made to  
20 provide buildings shall be subject to the maturity and interest  
21 rate provisions of paragraph (6) of subsection (a).  
22 Except in those cases specifically provided for, loans by the  
23 Corporation shall have such maturities and shall bear such  
24 rates of interest as may be prescribed by the board of  
25 directors.

SEC. 5. The jurisdiction, both civil and criminal, over  
2 persons resident on lands acquired under this Act shall not  
3 be changed by reason of such acquisition: *Provided, however,*  
4 That this section shall not be deemed to affect the jurisdiction  
5 of the United States to punish offenses against the United  
6 States; the intent of this section being that the several States  
7 in which such lands are situated shall not, by reason of such  
8 acquisition, lose their jurisdiction, nor the inhabitants thereof  
9 their rights and privileges as citizens, or be absolved from  
10 their duties as citizens, of the respective States.

11 SEC. 6. The Federal Reserve banks are authorized,  
12 with the approval of the Secretary of the Treasury, to  
13 act as depositories, custodians, and fiscal agents for the  
14 Corporation.

15 SEC. 7. (a) Whoever makes any material representa-  
16 tion, knowing it to be false, or whoever willfully over-  
17 values any property, for the purpose of influencing in any  
18 way the action of the Corporation upon any application,  
19 advance, discount, purchase, or repurchase agreement, con-  
20 tract of sale, lease, or loan, or any change or extension of  
21 any of the same by renewal, deferment of action or otherwise,  
22 or the acceptance, release, or substitution of security there-  
23 for, shall be punished by a fine of not more than \$5,000  
24 or by imprisonment for not more than two years, or both.



1 (b) Whoever, being connected in any  
2 the Corporation, (1) embezzles, abstracts  
3 willfully misapplies any moneys, funds, securities, or  
4 things of value, whether belonging to the Corporation or  
5 pledged or otherwise entrusted to it; or (2) with intent  
6 to defraud the Corporation, or any other body politic or  
7 corporate, or any individual, or to deceive any officer, audi-  
8 tor, or examiner of the Corporation, makes any false entry  
9 in any book, report, or statement of, or to, the Corporation  
10 or draws any order, or issues, puts forth, or assigns any  
11 note or other obligation or draft, mortgage, judgment, or  
12 decree thereof; or (3) with intent to defraud the Corporation,  
13 participates or shares in or receives directly or indirectly  
14 any money, profit, property, or benefits through any transac-  
15 tion, loan, commission, contract, or any other act of the  
16 Corporation, shall be punished by a fine of not more than  
17 \$10,000 or by imprisonment for not more than five years,  
18 or both.

19 (c) Whoever willfully shall conceal, remove, dispose of,  
20 or convert to his own use or to that of another, any property  
21 mortgaged or pledged to, or held by, the Corporation, as  
22 security for any obligation, shall be punished by a fine o  
23 not more than \$5,000 or by imprisonment for not more  
24 than two years, or both.

2- d) The provisions of sections 112, 113, 114, 115,  
3 116, and 117 of the Criminal Code of the United States  
4 (U. S. C., title 18, secs. 202-207, inclusive), insofar as  
5 applicable, are extended to apply to contracts or agreements  
6 of the Corporation, which for the purposes hereof shall be  
7 held to include advances, loans, discounts, purchase and  
8 repurchase agreements, contracts of sale, and leases;  
9 extensions and renewals thereof; and acceptances, releases,  
10 and substitutions of security therefor.

11 (e) Whoever conspires with another to accomplish any  
12 of the acts made unlawful by the preceding provisions of this  
13 section shall, on conviction thereof, be subject to the same  
14 fine or imprisonment, or both, as is applicable in the case of  
15 conviction for doing such unlawful act.

16 SEC. 8. No officer, attorney, or employee of the Cor-  
17 poration shall, directly or indirectly, be the beneficiary of or  
18 receive any fee, commission, gift, or other consideration for  
19 or in connection with any transaction or business of the Cor-  
20 poration other than such salary, fee, or other compensation  
21 as he may receive from the Corporation. No person, part-  
22 nership, association, or corporation shall, directly or indi-  
23 rectly, demand or receive any fee, commission, gift, or other  
24 consideration from any person entitled to receive the bene-  
25 fits of this Act for services rendered such person in connec-  
tion with any transaction or business with the Corporation,

1 except in such amounts as may be authorized by regulation  
2 prescribed by the Corporation. Any person, partnership,  
3 association, or corporation violating the provisions of this  
4 section shall, upon conviction thereof, be punished by a fine  
5 of not more than \$1,000 or imprisonment for not more than  
6 one year, or both.

7 SEC. 9. The Corporation is hereby authorized to ex-  
8 ercise and perform all of the powers, functions, and duties  
9 conferred or imposed upon the Resettlement Administration  
10 or its Administrator by Executive Orders Numbered 7027  
11 (April 30, 1935), 7028 (April 30, 1935), 7041 (May 15,  
12 1935), 7143 (August 19, 1935), and 7200 (September  
13 26, 1935). There is hereby transferred to and vested in  
14 the Corporation, without regard to the provisions of any  
15 Act of Congress relating to the transfer or disposition of  
16 personal property of the United States, all the personal  
17 property or any interest therein (together with all funds,  
18 contracts, options, rights, interests, books, papers, memo-  
19 randa, and records) acquired by or allocated, allotted, or  
20 transferred to the Resettlement Administration or its Ad-  
21 ministrator. The President of the United States is hereby  
22 authorized to provide for the transfer, either in whole or in  
23 part, to the Corporation or to the Department of Agri-  
24 culture of the tracts or parcels of real property or any  
25 interest therein or appurtenant thereto, which are now

the jurisdiction and control of the Resettlement  
Administration or the Administrator thereof.

3       SEC. 10. (a) If any provision of this Act, or the  
4 application thereof to any person or circumstance, is held  
5 invalid, the remainder of the Act, and the application of  
6 such provision to other persons or circumstances, shall not  
7 be affected thereby.

8       (b) The right to alter, amend, or repeal this Act is  
9 hereby reserved.

75TH CONGRESS }  
1ST SESSION }

**H. R. 8**

---

---

## **A BILL**

To establish the Farmers' Home Corporation, to encourage and promote the ownership of farm homes and to make the possession of such homes more secure, to provide for the general welfare of the United States, to provide additional credit facilities for agricultural development, to create a fiscal agent for the United States, and for other purposes.

---

---

By Mr. JONES

JANUARY 5, 1937

Referred to the Committee on Agriculture and ordered  
to be printed