of Foreign Affairs of the Kingdom of Hungary; His Excellency M. Madgearu, Minister of Agriculture of the Kingdom of Roumania; His Excellency Dr. Dollfuss, Federal Minister of Agriculture and Forestry of the Austrian Republic; His Excellency M. Francois-Poncet, Under-Secretary of State to the President of the Council and of the National Economy of the French Republic; His Excellency M. Ahmed Abdelwahab Pasha, Under-Secretary of State to the Ministry of Finance of Egypt; Dr. Hermes, Deputy, former Minister of the German Reich; His Excellency M. LeBreton, former Minister, Ambassador of the Argentine Republic to the President of the French Republic; Mr. MacDougall, Trade Commissioner of Australia in London; M. Mullie, Senator of the Kingdom of Belgium; the Hon. George Howard Ferguson, High Commissioner of Canada in London; Sir Ronald Graham, Ambassador of His Britannic Majesty at the Court of H.M. the King of Italy; His Excellency M. Seya, Special Envoy and Minister Plenipotentiary of Latvia at the Court of H.M. the King of Italy; His Excellency M. Wagniere, Special Envoy and Minister Plenipotentiary of the Swiss Confederation at the Court of H.M. the King of Italy; Prof. Kritsman, Vice-President of the State Commission for the Economic Plans of the Union of Soviet Socialist Republics; M. Louis-Dop, delegate of France and of the French Colonies on the Permanent Committee of the International Institute of Agriculture, Vice-President of the Institute.

Professor Brizi, the Secretary-General of the International Institute of Agriculture, was elected Secretary-General of the Conference and appointed the Secretariat of the Conference, composed of members of the staff of the International Institute of Agriculture.

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The International Preparatory Conference of the second World Wheat Conference first examined the questions on the agenda, during the course of a certain number of plenary sessions.

It then formed three Commissions: the first for the International Organisation of Wheat Production and the Wheat Trade, the second for International Agricultural Credit and the third for the Preferential Tariff System.

The Presidents of these three Commissions were M. Francois-Poncet (First Commission), M. Mullie (Second Commission) and M. W. Stucki (Third Commission), who submitted the reports of their respective Commissions.

In addition the Conference judged it opportune to entrust to a special Committee, chosen from among the delegations of the exporting countries, the task of preparing a further meeting of all the exporting countries, both European and overseas. This Committee held a meeting during the Conference.

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The results of the debates during the plenary sessions and the work of the Commissions have strengthened the conviction of all the members of the Conference that the present wheat crisis can only be studied and solved effectively on the international plane.

Consequently, it is in this spirit, that the Conference, during the final session which followed the conclusion of the work of the Commissions, adopted the following resolutions:

I. INTERNATIONAL ORGANISATION OF WHEAT PRODUCTION AND OF THE WHEAT TRADE.

1. The International Preparatory Conference of the Second Wheat Conference recommends examination of the possibility, in countries where wheat is already consumed, of considering the means of developing such consumption. It also recommends a strong publicity campaign in order to popularise the consumption of wheat in countries where it is not at present largely used. It is of opinion that in order to give full effect to this publicity, it would be desirable to sell off at low prices in such countries, part of the stocks, which overburden the world market.

2. It recognises that the European countries, for manifold reasons, economic, social or political, are unable, either to give up the cultivation of wheat or to allow it to be neglected.

3. It recognises that it is impossible to secure a general reduction in the areas sown throughout the world by the direct method of obligatory restriction, whether advocated by an international body or by national bodies.

It is convinced that the reduction of sowings can only be obtained by natural methods, by the farmers themselves, influenced by the conditions of the market and a study of the figures and of the facts.

It recommends that in countries which consider it advisable, this influence should be reinforced by an educational propaganda among the producers.

4. The Conference considers that, in order to secure the solution of the wheat crisis, it is particularly necessary that there should be an improved organisation of the wheat market. Such organisation should be brought about rather by a gradual and progressive policy, based step by step on the results obtained, than by any policy that claims to cover every aspect of the problem.

In order to reach a rapid solution, it recommends the countries interested to concentrate their efforts for the present on some particular, definite and limited object, such as the disposal or the organisation of the carry-over of existing stocks.

5. The Conference is glad to note that the wheat exporting countries, overseas and European, have decided to draw up together a scheme to deal with the wheat export season 1931-32 and with existing stocks, and that they will meet for this purpose, under
the presidency of the Hon. George Howard Ferguson, High Commissioner of Canada, in
London, on May 18th.

(6) At the same time the Conference recommends the different buyers in those importing
countries where the need should make itself felt to endeavour to form organisations for the
purchase of imported wheats. Such organisation may take any form whatever which may
be suitable in view of the particular situation in each country.

(7) The Conference considers that the International Institute of Agriculture and the
Economic Organisation of the League of Nations should follow closely the efforts to be
made by the various countries in the sphere of wheat production and trade, in order to be
in a position to take in full agreement such steps as current experience may suggest.

(8) It considers that the improvement of the organisation of world wheat production and
trade largely depend on an improvement in the provision of information and of statistical
forecasts.

It expresses its confidence in the International Institute of Agriculture as a means for
coordinating the statistical data of the various countries in this respect, for checking and
interpreting the figures, for supplementing the documentation from official sources by
such professional or commercial documentation as may throw light on the problem,
for facilitating the utilisation of statistical information and for making it available without
delay by the interested parties.

The Conference recommends all the States to increase the financial resources available
for the International Institute of Agriculture, in order to enable the Institute to carry
out this work to best advantage.

II. INTERNATIONAL AGRICULTURAL CREDIT.

(1) The Preparatory Conference of the second World Wheat Conference has examined
with special attention the part which a systematic organisation of agricultural credit can
play in improving the general situation of agriculture, and in particular, in overcoming the
grain crisis.

It is of opinion that it is more than ever necessary to be able to obtain for farmers
and in particular for wheat growers at low rates of interest, the capital of which they have
need, and that, with that object, it is desirable to examine, from an international point
of view, the question of agricultural credit, which differs from commercial credit in the
forms imposed upon it by the special conditions of agricultural production.

(2) With regard to medium-term and long-term credit, which serves principally to
enable farmers to purchase equipment and stock, to acquire or to enlarge a holding,
to carry out land improvement and to effect transformations in systems of cultivation,
in order to restrict, when desirable and possible, the area sown to cereals and to develop
the cultivation of crops which can advantageously replace them, the Conference is pleased
to learn that the Financial Committee of the League of Nations, taking account of the
studies made by the International Institute of Agriculture, is at present contemplating
the formation of an international mortgage credit institution.

It expresses the wish that this organisation should as quickly as possible be in a position
to supply, at the most favourable rates, medium-term and long-term credit to the farmers
of all countries.

The Conference is of opinion that medium-term and long-term credit is as useful to
individuals as to corporative bodies and that it should also serve to facilitate the construction
of elevators, of silos and of co-operative warehouses, and the organisation of co-operative
societies for the marketing of grain and of other agricultural products.

The Conference points out that medium-term credit can also be useful to farmers
who are not the owners of their farms as, in default of mortgages, they can give other
effective security, such as agricultural warrants, liens on crops, sureties, or joint and
several guarantees.

(3) The Conference notes that in the present crisis, short-term agricultural credit
is of particular importance and that it should be encouraged as much as possible by the
Governments of the different countries.

This form of credit, in fact, can enable farmers and particularly grain growers to
avoid hasty sales immediately after the harvest, which lower and disturb the course of
prices, to the detriment of the producer and without benefit to the consumer. By facilitating
the substitution of other crops for wheat, and systematic and orderly marketing by
individual farmers as well as by co-operative societies, short-term agricultural credit can
contribute to a rationalisation of production, to a greater stabilisation of prices, and to a
better organisation of exports and of markets.

In this regard, the Conference is of opinion that the transfer of capital may
advantageously take place between countries where it is plentiful and cheap and those
where it is scarce and costly, and that it is necessary to study the means of facilitating
such transfer of capital on an international scale in order to develop short-term agricultural
credit in all countries.

(4) The Conference again expresses the opinion that it is desirable to provide
exporters with the credit necessary for speeding up the clearance of stocks and that in
particular transport agencies, bonded and general warehouses and shipping companies
might with advantage intervene here by utilising the credit which such bodies have
already at command.
Thus, as proposed by the Committee established by the Commission for the study of the question of European Union, it might become possible to consider for the purpose of discounting bills a fuller utilisation of those markets on which the rate of interest is low, the issue of warrants on merchantable products, and the possible introduction of the system of a negotiable way-bill.

(5) The Conference requests the International Institute of Agriculture to continue its studies relating to agricultural credit, and to endeavour to draw up a general scheme for the organisation of short-term agricultural credit.

III. PREFERENTIAL TARIFF SYSTEM.

The Conference has noted that the discussion on the preferential tariff system, which took place in the Commission appointed to consider this question, was based on an appendix to the report of a Commission of the Second Conference in favour of a concerted economic policy, which met at Geneva in November 1930. The discussion has been carried as far as is at present possible in the field of multilateral conversations.

The principal difficulty encountered by the Commission lay in the fact that the delegates of several important wheat exporting countries declared that they did not possess the materials necessary to enable them to estimate the possible loss which they might suffer as a result of the preferential system, nor the possible advantages that they might be able to derive therefrom.

Hence, if the interested countries, who are prepared to make trade agreements on a preferential basis, desire to continue the discussion, it will be necessary for them to have recourse to diplomatic channels.

The Commission also ascertained that all exporting countries have the same interest, in so far as they all desire to see the European market strengthened, so that they may obtain remunerative prices for their cereals.

* * *

The above resolutions were adopted by the Conference unanimously, except for the abstention of the delegation of the Union of Soviet Socialist Republics as regards Chapter I — in accordance with the reserves expressed as regards Nos. 1 and 7 of this chapter, as to the remainder of which the delegation is favourable — and the contrary vote of the same delegation regarding Chapters II and III.

* * *

The intention of the Preparatory Conference, in adopting the resolutions set out on the previous pages, has been, on the one hand, to indicate to persons interested throughout the world the paths that may be followed and the means that may be adopted to bring about better conditions on the wheat market and, on the other, to provide the International Institute of Agriculture with a proper orientation of its work of preparation for the second World Wheat Conference, which the authorities of the Institute have arranged to call in 1932 as the various Governments have already been duly informed.

The Preparatory Conference considers that it is a particularly happy circumstance that the means should have been found for the consideration and discussion of questions of great importance and of extreme delicacy in a meeting attended by a large number of authorised representatives of the exporting and of the importing countries of five continents, all of whom were fully persuaded of the urgent necessity of finding a remedy for the present situation.

Executed at Rome, the second day of April, one thousand nine hundred and thirty-one.

A copy of the present Act will be sent to the different Governments by the International Institute of Agriculture.

(Signed) for

Dr. A. HERMES
Germany

FERNANDO PEREZ
Argentina

STRAUBINGER
Austria

G. MULLIE
Belgium

ALBERT HENRY
Belgian Congo

LUIS SEGARINI
Bolivia

IAN S. MOLLOFF
Bulgaria

J. C. W. KRUSE
Denmark

A. ELDEWAHAB
Egypt

LUIS R. DE VIGURI
Spain

A. SCHMIDT
Estonia

PONTUS ARTTI
Finland

ANDRÉ FRANÇOIS-PONCET
France

LOUIS-DOP
Algeria

G. MALET
Morocco (French Zone)

LOUIS-DOP
Tunis

RONALD GRAHAM
Great Britain and Northern Ireland
MEMORANDUM OF THE INTERNATIONAL INSTITUTE OF AGRICULTURE
ON THE CREATION OF AN INTERNATIONAL BANKING INSTITUTION
FOR THE PURPOSES OF SHORT-TERM AGRICULTURAL CREDIT.

CONTRIBUTION TO NO. III (c) OF THE AGENDA OF THE MAY MEETING
OF THE COMMISSION FOR THE STUDY OF THE QUESTION OF EUROPEAN UNION.

SUMMARY:

I. The Need of Short-Term Agricultural Credit.
II. International Organisation of Short-Term Agricultural Credit.
III. Appendix — Regulation of short-term Agricultural Credit in the Countries of Central and
Eastern Europe.

I. The Need of Short-Term Agricultural Credit.

The International Institute of Agriculture has always recognised the great importance
for agriculture of short-term credit and has followed its development in different
countries from both the legislative and the economic point of view. However, since 1926 it has
devoted more attention in the course of its studies to the question of land credit, as the
need of such credit was keenly felt, especially in the countries in which an agrarian reform
had taken place. But when the League of Nations took the initiative in the practical realisation
of the idea of medium-term and long-term credit, the International Institute of Agriculture
turned its attention to the question of short-term credit. At the Preparatory Conference
of the second World Wheat Conference, convened by the International Institute of
Agriculture and held in Rome on March 26th of the present year, the Institute presented
the results of its work, on the basis of which a meeting of representatives of the various
States was to be held in Rome, during the first six months of this year.
The question roused considerable interest and an exchange of views on the subject took place during the meeting of the Second Committee of the Conference. A strong current of opinion in favour of short-term credit manifested itself. Prominent representatives of the different countries both of Eastern and of Western Europe (Poland, Roumania, Bulgaria, Yugoslavia, Hungary, France, Spain, Italy, etc.) urged the necessity, in present circumstances, of considering short-term credit as well as medium-term and long-term credit. They maintained that in view of the crisis in cereal-growing and of the agricultural crisis in general, short-term credit must play an essential part in restoring the economic and commercial equilibrium of the farms and in facilitating their working. The lack of sufficient working capital, of which complaint is made, forced the farmers, in order to meet their engagements, to sell their produce at inopportune times, and made it impossible for them to introduce the transformations and adaptations of the systems of cultivation followed which are rendered necessary by the present trend of prices. Moreover, this lack of adequate capital deprived them even of the simplest means for holding, storing and conserving their produce, and compelled them to pay rates of interest that are too high — often, indeed, exorbitant — and completely absorb the profits of the farm. Another general impression left by the Preparatory Wheat Conference was that a system of agricultural credit the essential object of which is to support agriculture during the distributive period — that is to say, during the complicated phase of the passage of produce from the place of production to the market — would help to attenuate the consequences of the crisis in cereal-growing and agricultural production generally, the causes of which are to be sought, in the opinion of many persons, rather in the defective organisation of trade and of the markets than in over-production and for which, consequently, an effective remedy can be found in the rational organisation of short-term credit at low rates of interest.

From these considerations, the Preparatory Wheat Conference drew the following, amongst other, conclusions:

"... that it is more than ever necessary to be able to obtain for farmers and in particular for wheat growers at low rates of interest, the capital of which they have need, and that, with that object, it is desirable to examine, from an international point of view, the question of agricultural credit, which differs from commercial credit in the forms imposed upon it by the special conditions of agricultural production.

"... that in the present crisis, short-term agricultural credit is of particular importance and that it should be encouraged as much as possible by the Governments of the different countries.

"This form of credit, in fact, can enable farmers and particularly grain growers to avoid hasty sales immediately after the harvest, which lower and disturb the course of prices, to the detriment of the producer and without benefit to the consumer. By facilitating the substitution of other crops for wheat and systematic and orderly marketing by individual farmers as well as by co-operative societies, short term agricultural credit can contribute to a rationalisation of production, to a greater stabilisation of prices, and to a better organisation of exports and of markets.

"... that the transfer of capital may advantageously take place between countries where it is plentiful and cheap and those where it is scarce and costly, and that it is necessary to study the means of facilitating such transfer of capital on an international scale in order to develop short-term agricultural credit in all countries.

"... that it is desirable to provide exporters with the credit necessary for speeding up the clearance of stocks and that in particular transport agencies, bonded and general warehouses and shipping companies might with advantage intervene here by utilising the credit which such bodies have already at command.

"Thus, as proposed by the Committee established by the Commission for the Study of the Question of European Union, it might become possible to consider for the purpose of discounting bills a fuller utilisation of those markets on which the rate of interest is low, the issue of warrants on merchantable products, and the possible introduction of the system of a negotiable way-bill."

Finally, the Conference requested the International Institute of Agriculture to continue its study of the question of agricultural credit, and to endeavour to promote the widespread organisation of short-term agricultural credit.

II. International Organisation of Short-Term Agricultural Credit.

From the data contained in the Annex, as well as from all the available documentation, it is evident that in general short-term agricultural credit has been organised with special reference to the requirements of production, and that sufficient account has not been taken of the series of credit needs connected with the various operations to which agricultural products are subjected when they leave the farm — holding, grading, storing, conserving, packing, transport, shipment, loading, unloading, etc. In other words, what may be described as the commercial disposal of agricultural produce remains excluded from the benefit of credit, and the importance of the disposal of produce, in the present state of the markets and of consumption, is only too obvious.
Agricultural credit in connection with the sale and exportation of produce has not yet attained the development required. The gaps and the disorder to be met with in this field are, on the other hand, undoubtedly one of the principal reasons why markets are glutted, prices have declined, and, in many countries the farmers are in distress. Cases are frequent in which important products, such as wine and oil, are sold to disadvantage because of the absence of receptacles in which they can be conserved, or cereals and fruit are sold to disadvantage on account of the want of storage accommodation or of means to pay the cost of transport to centres where they could be sold to advantage.

Another fact which is clear from the data given in the Annex and was also insisted upon at the Preparatory Wheat Conference is the high rate of interest charges for short-term agricultural credit, a rate that is quite out of proportion to the returns at present derived from farming. In consequence, the farms become more and more overwhelmed by burdensome debts, which paralyse their working. This gives rise to another necessity, which has a moral as well as an economic aspect — that of supplying the means of converting debts contracted at excessive rates of interest and of gradually paying off the debts which result from the working of the farms. A wise measure of this kind would enable the agricultural classes more readily to overcome the difficulties resulting from the decline of prices and to restore to their farms that freedom of action which is indispensable to their normal working.

Realising the necessity, which results also from the resolutions of the Preparatory Wheat Conference, of promoting the more wide-spread development of short-term agricultural credit, particularly for the classes of operation above referred to, the International Institute of Agriculture has conceived the idea of creating an International Bank for the purposes of short-term agricultural credit. Such a Bank, formed as the result of a public Convention, would be able to establish fruitful relations with the International Agricultural Mortgage Credit Bank which is going to be created under the auspices of the League of Nations. The Bank of which the creation is proposed would work through the national or regional agricultural credit institutions, which would act as its representatives and confidential agents. The new bank, which will work with an international capital, will act as a great rediscounting institution. Loans to farmers will be made, as a general rule, in the form of bills, bearing the signature of the producer (individual or co-operative society) or of the intermediary and of the local bank. The operations in question will, moreover, have collateral security in the form of goods deposited in public or private warehouses. The sums advanced, which must be applied to specific purposes, will bring about an effective improvement in the conditions of agriculture and of the rural classes. The proposed bank will, in fact, be a public institution, acting in the general interest and not seeking to make profits, and will charge the lowest possible rates of interest.

This institution, to which all States will be able to have recourse, is intended to fill up the financial or technical gaps in the existing systems of agricultural credit and will improve the conditions of the farmers, especially in relation to the new requirements and the difficulties resulting from the agricultural crisis.

It may be described as a wider application to agriculture of the principles of "acceptance" credit, which is much in vogue in Great Britain. It is well known that stocks of produce, in order to furnish a basis for credit, must be deposited in warehouses or be in transit — whether sold or not — or must be already sold for future delivery or against deferred payment. Against the value of agricultural produce stored, in transit, or sold, documents are issued, such as warrants, way-bills, bills of lading, sale agreements. What is required is to ensure the negotiation and discounting of these documents. The discounting of endorsed documents facilitates the clearing of stocks of agricultural produce — that is to say, the sale of such stocks and in the case with which we are here concerned, their transference from one country to another, thus helping to adjust the supplies in the markets.

The International Short-Term Credit Bank will quickly be formed if, as we hope certain number of Governments reply favourably to the request which will be made to them by the International Institute of Agriculture to examine the Rules and to approve the lines laid down for its working. The meeting to form the Bank, which the International Institute of Agriculture decided to convene as far back as last December, will shortly be held in Rome.

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In conclusion, the International Institute of Agriculture will be grateful to the Commission for the Study of the Question of European Union if it will be good enough to give its moral support to this new initiative and to decide, as it did for the question of international medium-term and short-term agricultural credit, to nominate a Sub-Committee to enter into relations with the International Institute of Agriculture and to report to the Commission for the Study of the Question of European Union on the subsequent phases of the creation of the new International Short-Term Agricultural Credit-Bank.
III. APPENDIX

Regulation of Short-term Agricultural Credit in the Countries of Central and Eastern Europe.

In order to obtain a concrete idea of the question, it is desirable to examine the essential methods of organising short-term credits in countries where agrarian reform and the economic depression have accentuated the requirements in ready money, which, to a great extent, it has been impossible to meet.

Bulgaria. — The short-term credit granted by the Agricultural Bank, directly or through agricultural co-operative societies, may take the form of personal credit or warrant credit, the one granted against promissory notes and the other against security, with or without sureties, for periods of from one to twelve months. Loans on promissory notes are intended to meet temporary requirements — the payment of small debts, the temporary maintenance of the family, funds required for harvesting, the purchase of seeds, implements, etc. The Bank grants credits up to 5,000 leva without surety and up to 20,000 leva with surety. Warrant credits are repayable within one, two or three years, and are granted for larger purchases of agricultural machinery and implements, draught animals and live-stock for breeding purposes, for the purchase of seed and fodder in larger quantities, etc. Loans of this kind are granted up to 20,000 leva, with or without surety. According to the purpose for which the loan is required, the position of the debtor, and the value of the goods and live-stock pledged, this limit may be raised to 50,000, 100,000, 200,000, 300,000 leva or more. Warrant credits are ordinarily granted against a lien on all the agricultural movable property and stocks, the amount of the advance representing not more than 80 per cent of the value of the property pledged. Farmers have to pay interest of 10 per cent per annum to the Agricultural Bank of Bulgaria; 15 to 16 per cent to private banks; 16 to 20 per cent to private persons, and, in many cases, over 20 per cent.

Estonia. — Short-term credit, from the point of view of guarantees, may be classified under the following headings. (1) personal credit; (2) credit with a co-operative guarantee; (3) credit against the security of movable property. The rate of interest is from 2 to 12 per cent for credits granted by the State and not more than 13 per cent for private credit.

Hungary. — Short-term loans are granted against bills of exchange, generally falling due at three months, or, in exceptional cases, at six months. As a rule, these bear the signatures of two or three securities. If a bill is presented by a credit co-operative society to the central mutual credit society for re-discount, it has to be guaranteed also by the branch which has availed itself of the re-discounting. For short-term loans, therefore, creditors generally require surety in the form of a mortgage. A recent law allows even short-term credits to be granted on a suitable mortgage guarantee without being entered in the land register. In Hungary, only wheat, rye, meslin and barley may be mortgaged. For this purpose, they must be stored in the producers' granary or in the silos of storage companies. A mortgage on wheat can only be legalised by a notarial or private deed, and must be entered in a special register kept by the mayor. The annual rate of interest on short-term loans is from 7 to 12 per cent.

Latvia. — The short-term loan has a duration of from three to nine months. Personal debts are often covered by a mortgage or by a lien on movable property. This form of credit is employed for seasonal and current requirements. The State Agricultural Bank also grants short-term credits for milking animals and for fertilisers, not direct, but through co-operative societies, against a joint caution by the contractors of the loan or a mortgage on the farmers' property. Rural credit institutions which have the right to re-discount with the Bank of Latvia demand 5 per cent per annum. The credits granted by these institutions with their own capital earn interest of from 10 to 12 per cent per annum; commercial firms and private persons charge the same rates.

Poland. — There are two principal types of short-term credit: (a) credit in cash, granted by public and private banks, agricultural credit co-operative societies, and the local finance offices of districts and communes; (b) credit in kind, principally in the form of chemical fertilisers, agricultural machinery, selected seeds, etc., granted by agricultural co-operative societies, by the State Agricultural Bank, and by producers and private traders. Three forms of short-term credit are in use: (1) discount credit, (2) fixed-term credit, and (3) credit without cover. The securities given for personal credit consist of bills at a fixed date, warrants, and promissory notes. Credit based on a collective guarantee is also employed, being granted by the State Agricultural Bank, for the purchase of chemical fertilisers and agricultural machinery, to large groups of farmers formed into societies, on the joint surety of their members. A law of March 22nd, 1928, instituted a mortgage without the handing-over to the creditor of the mortgage objects. The State Agricultural Bank charges the following rates of interest on short-term credits: for loans to farmers direct, 10 1/2 per cent; to co-operative societies and local loan banks, 8 1/2 per cent (discount rate) and 9 per cent (rate for credit without cover). The rate of interest charged on private loans varies considerably, and in certain localities it is extortionate.
Yugoslavia. — True short-term credit is still rare in practice: loans contracted by farmers on bills of exchange at three months are, in reality, never liquidated when due, but are extended by the partial repayment of the capital borrowed; they thus lose their original character and are transformed into medium-term credits. In certain economically advanced provinces, such loans really bear the character of productive loans for the purposes of stock-breeding and crop-raising, and are repaid to the creditors when the work is completed. Short-term credit in other parts of the country is chiefly in the hands of private persons, persons with fixed incomes and traders. There are two forms of personal credit: credit granted on bills and credit based on bonds. Both public and private banks employ almost exclusively bills signed by two sureties and by the debtors. Undertakings in the form of bills are strictly guaranteed by the Code of Civil Procedure. Transactions of this kind are regarded as one of the most convenient means of obtaining personal credit. The rates of interest vary greatly from one district to another. Where the co-operative movement is organised, they run from 9 to 12 per cent, and where it is still undeveloped, up to from 14 to 20 per cent.

PRINCIPAL RESULTS OF AN ENQUIRY AMONG BANKS BY THE INTERNATIONAL INSTITUTE OF AGRICULTURE REGARDING INTERNATIONAL AGRICULTURAL CREDIT.

As long ago as 1926, at the invitation of the International Parliamentary Conference on Commerce, the International Institute of Agriculture, which, in accordance with the Convention of 1905, has always kept itself informed of the development of agricultural credit in different countries, undertook an enquiry into the question of international agricultural credit, in view of the considerable advantages which this new form of international financial co-operation might afford to farmers in many countries. In order to carry out this new work more satisfactorily, and, in particular, to secure the opinions of the highest authorities on the subject, the International Institute of Agriculture began by appointing an Agricultural Credit Committee consisting of members of its International Scientific Council, and to this Committee it referred a number of questions relating to the proposed form of international co-operation. The Institute devoted special attention to the question of medium- and long-term credit, which was at that time the most urgent problem, and deferred consideration of the question of short-term credit until later. This Credit Committee, which met on September 29th and 30th and October 1st, 1926, under the chairmanship of M. Louis Tardy, Director-General of the French Caisse Nationale de Crédit Agricole, and was attended by experts from Czechoslovakia, Germany, Great Britain and Northern Ireland, Italy, the Netherlands, Poland and Switzerland, proposed _inter alia_ — after an exhaustive discussion in the course of which the technical lines on which the problem was to be investigated were laid down — that the Institute should send a special questionnaire to the principal rural and agricultural credit institutions to obtain their views as to the possibility and expediency of organising an international agricultural credit service, and as to the main features of its organisation and operation.

In accordance with this proposal, the International Institute of Agriculture, having prepared the questionnaire with the help of the experts referred to above, sent it out at the end of 1927 to a large number of credit institutions, not only in European countries
(though these are primarily interested in the question), but also in other countries, the object being to obtain as much information and as many different opinions as possible.\(^1\)

From the replies to the questionnaire, which relate to the position at the beginning of 1928, it is possible to draw certain conclusions which may be of help in settling some of the points of the problem. In the first place, it was recognised as expedient that an international organisation should be formed to encourage the transfer of capital from countries which possess it to those which do not, thus distributing the existing financial resources more evenly to the advantage of all parties, and it was laid down as a preliminary condition that the new institute should be based upon the central or regional agricultural credit institutions of the various countries. Consequently, where such institutions do not exist, or exist only in embryonic form, there will be a most valuable movement for their creation or reorganisation. This reform and consolidation of the existing agricultural credit organisations will be the first, and a very important, result of the action which it is proposed to undertake on international lines.

A point of fundamental importance, of course, is the question of security. The credit institutions and experts consulted unanimously agree that, in this case, the most suitable security is a mortgage; but there are cases in which an actual mortgage, though ordinarily regarded as the best of all securities, is impracticable, whether because under the mortgage laws of the country a foreigner cannot take a mortgage, or because the property to be mortgaged is in the nature of "family property" and therefore cannot be either alienated or sequestrated, or because the mortgage is in effect cancelled when the mortgaged property is devastated by natural catastrophes, or because the mortgage loses in value, as when land values fall. This latter case has already arisen, in consequence of the drop in grain prices, in several Eastern European countries, where the mortgages held by rural credit institutions have fallen heavily in value. It was doubtless in view of these and other considerations that most of the credit institutions expressed themselves in favour of an accessory Government guarantee. The institutions of a few countries, including Sweden, are definitely of opinion that the Government guarantee should be the main security. A Swiss bank further observes that "the credit institutions cannot contract a loan at a lower rate if the interest and amortisation are guaranteed by the State". As the Czechoslovak credit institutions point out, Government guarantees would be absolutely necessary, especially for countries where the mortgage system is not so perfect as it should be, or where loans would be contracted solely by private institutions which lacked sufficient funds.

As regards the rate of interest, opinions are divided. One group of institutions takes the view that the international organisation will have to issue all its debentures at a uniform rate of interest, and that it is therefore necessary to require the national credit institutions, which will receive the money in the first place, to charge a uniform rate: but another much larger group asserts that it is impossible to enforce a uniform rate on the ground that the rate must be adjusted to special conditions in different countries — in other words, to their economic and financial position, to the rate normally charged for similar operations, to the security offered, to the risks involved in different transactions, and to the amount and urgency of the loans applied for.

The institutions then almost unanimously pronounced in favour of the formation of a committee of experts to be attached to the Governing Body of the new institution and to be consulted when any particularly difficult question arises. In the view of certain institutions (Germany), this committee should consist of members belonging specifically to the lending countries; according to others (Argentina and Japan), it should comprise, as far as possible, one representative of each country in which important operations are carried out and where there is the keenest demand for credit; according to yet others (France), it should include the directors or managers of the principal credit establishments which have relations with the new bank, together with a small number of financial, legal and rural economy experts.

With regard to the distribution of profits, it is generally agreed that a reserve fund should be formed, and it is consequently suggested that, after overhead charges and fixed interest on shares have been paid, the balance of profit should be credited in full to the reserve fund until it reaches a specified proportion of the capital of the international bank.

Another matter to which great importance was attached was the international character of the administration of the new service. Several proposals were made. It was suggested: (a) that the articles of association or the international convention should stipulate that the Governing Body must include representatives of the principal countries in which the share and debenture capital was subscribed, in a proportion to be fixed; (b) that certain of the administrators should be nominated by the two international institutions which seem to possess the greatest authority and competence in the matter — namely, the League of Nations and the International Institute of Agriculture; (c) that the shareholders in each country should appoint one person, and that these persons should form a Supervisory Board, which should in turn appoint a Governing Body, the latter to be as international as possible, and that the Governing Body should then appoint a Board of Directors consisting of several members of different nationalities; (d) that the administrative bodies should be formed of representatives of the participating countries on a paritative basis.

\(^1\) The various phases of the International Institute of Agriculture's activities in the matter of international agricultural credit are described in the volume entitled "Documentation relative au crédit agricole international" published by the Institute in 1930.
With regard to the seat of the new institution, there are two groups of proposals. Some, taking into account the official international institutions which have dealt with the problem and represent, as it were, two great economic observatories, propose Rome or Geneva; others think it essential that the place selected should be an international money market, since the most important thing is to place the debentures issued and to keep in constant touch with the money markets, and they therefore for the most part suggest London, Zurich or Amsterdam.

The enquiry carried out by the International Institute of Agriculture also includes replies to other questions, but, for the time being, we have confined ourselves to considering the proposed solutions for certain fundamental points.

The institutions which replied to the questionnaire were the following:

**GERMANY**
- Deutsche Rentenbank-Kreditanstalt, Berlin
- Braunschweigische Staatsbank, Braunschweig
- Calenberg-Göttinger-Grubenbank-Hildesheimer Ritterschaftlicher Kreditverein, Hannover
- Zentralverband des Deutschen Bank- und Bankiergewerbes (E. V.), Berlin
- Preussische Zentral-Bodenkredit Aktiengesellschaft, Berlin
- Süddeutsche Bodenkreditbank, Munich
- Hessische Landesbank, Darmstadt
- Zentral-Landschafts-Direktion für die Preussischen Staaten, Berlin
- Bayerische Hypotheken und Wechsel-Bank, Munich
- Deutscher Sparkassen- und Giroverband, Berlin
- Landwirtschaftlicher Kreditverein Sachsen, Dresden
- Erbländischer Ritterschaftlicher Kreditverein in Sachsen, Leipzig
- Hessische Girozentrale, Darmstadt
- Würt. Kreditverein, A. G., Stuttgart
- Badische Girozentrale, Mannheim
- Thüringische Staatsbank, Weiimar
- Schlesische Boden-Kredit-Aktien-Bank, Breslau
- Landesbank der Rheinprovinz, Düsseldorf
- Schlesische Generallandschaftskreditbank, Breslau

**ARGENTINA**: Sociedad Anonima Financiera, Comercial e Industrial Ernesto Tornquist y Cía, Buenos Ayres.

**AUSTRALIA**: The State Savings Bank, Melbourne; Government Savings Bank of New South Wales, Sydney.

**AUSTRIA**: Landes-Hypothekenanstalt für Niederösterreich, Vienna; Oberösterreichische Landes-Hypothekenanstalt, Linz; Allgemeiner Verband für das landwirtschaftliche Genossenschaftswesen in Österreich, Vienna; Wiener Bankverein, Vienna.

**BULGARIA**: Central Co-operative Bank of Bulgaria, Sofia.

**DENMARK**: Kongeriget Danmarks Hypotekbank, Copenhagen; Kreditforeningernes staende Pællesudvalg, Copenhagen, in the name of twelve associated credit institutions.

**FINLAND**: Osuuskassojen Keskuslainarahasto-Osakeyhtio, Helsingfors; Suomen Pankki Helsingfors.

**FRANCE**: Caisse Nationale de Crédit Agricole, Paris; Fédération Nationale de la Mutualité et de la Coopération Agricoles, Paris; Caisse Régionale de Crédit Agricole Mutual du Var, Draguignan; Caisse Régionale de la Beauce et du Perche, Chartres.

**ITALY**: Istituto Italiano di Credito Fondiario, Rome; Consorzio Nazionale per il Credito Agrario di Miglioramento, Rome; Banca Nazionale del Lavoro e della Cooperazione, Rome; Istituto di Credito Fondiario delle Venezie, Véronne; Cassa Risparmio di Verona, Verona.

**JAPAN**: Nippon Kwangyo Ginko, Ltd., Tokyo; The Chosen Shokusan-Ginko, Seoul.

**LITHUANIA**: Lietuvas Banko, Kaunas.

**NETHERLANDS**: Coöperatieve Centrale Raiffeisen-Bank, Utrecht; Coöperatieve Centrale Boerenleenbank, Eindhoven.

**POLAND**: Bank Polski, Warsaw; Bank Gospodarstwa Krajowego, Warsaw; Państwowy Bank Rolny, Warsaw; Związek Polskich Instytucji Ziemskiego Kredytu Długoterminowego, Warsaw; Związek Polskich Organizacji Rolniczych; Polski Związek Organizacji i Kółek Rolniczych; Towarzystwo Gospodarskie Wschodniej, Małopolski; Małopolskie Towarzystwo Rolnicze; Wielkopolska Izba, Rolnicza; Pomorska Izba, Rolnicza; Słaska Izba, Rolnicza; Unia Związków Spółdzielczych w Polsce, Warsaw; Centralna Kasa Spółek Rolniczych.
Warsaw; Związek Banków Rolniczych w Polsce; Towarzystwo Kredytowe Ziemskie w, Warszawie, Warsaw; Towarzystwo Kredytowe Ziemskie we Lwowie, Lwow; Ziemstwo Kredytowe w Poznaniu, Poznan; Wilenski Bank Zimeski, Vilna.

**ROUMANIA:** Centrala Bancilor Populare, Bucharest; Prima Societate de Credit Funciar Rural, Bucharest; Casa de Imprumut pe Caj Ministerul de Finance, Bucharest.

**SWEDEN:** Malmöhus Läns Centralkassa för Jordbrukskredit, Malmö; Södra Sveriges Centralkassa för Jordbrukskredit, Kristianstad; Målarprovinssens Centralkassa för Jordbrukskredit, Stockholm; Skaraborgs Läns Centralkassa för Jordsbrukskredit, Falköping.

**SWITZERLAND:** Société anonyme Leu et Cie, Banque hypothécaire et commerciale, Zurich; Caisse Hypothécaire du Canton de Fribourg, Fribourg; Caisse Hypothécaire du canton de Berne, Berne.

**CZECHOSLOVAKIA:** Ministry of Agriculture and Ministry of Finance, Prague; Centrokooperativ, Prague; Hypoteční a Zemědělská Banka Moravská, Brno; Zemská Banka, Prague; Svaz Československých Bank, Prague; Národní Banka Československá, Prague.

**UNION OF SOVIET SOCIALIST REPUBLICS:** Central Agricultural Bank, Moscow.