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### *Translated from Spanish*

Agricultural progress is fundamental and cannot take place without capital. Credit is the main instrument by which it can be channelled towards agriculture. Poorly supervised credit has adverse effects on development. Because the methods and resources of private banking are insufficient to satisfy the agricultural credit needs of almost all countries, governments have intervened by establishing state agricultural banks. These complement private banks and help to obtain funds, and have protective and regulatory functions. They become valuable instruments of agricultural policy. As they grow larger, they decentralize, and as the volume of credit expands, they strengthen local institutions. These may be associations of those using credit, or local banks with both state and/or private capital.

Functions of the state agricultural banks are often merged with those of the central bank. This strengthens the private banks but gives the farmers less control. This inconvenience is neutralized by the creation of a special type of credit which insures the supervised use of capital. Supervised credit is an extension-type of technical help with credit. It provides for integrated individual plans for improving farms and homes. The administration of this credit should be entrusted to some other than a banking agency, although the loans can be obtained from banks. This credit should not restrain individual initiative, but rather should encourage it. Channelling private bank

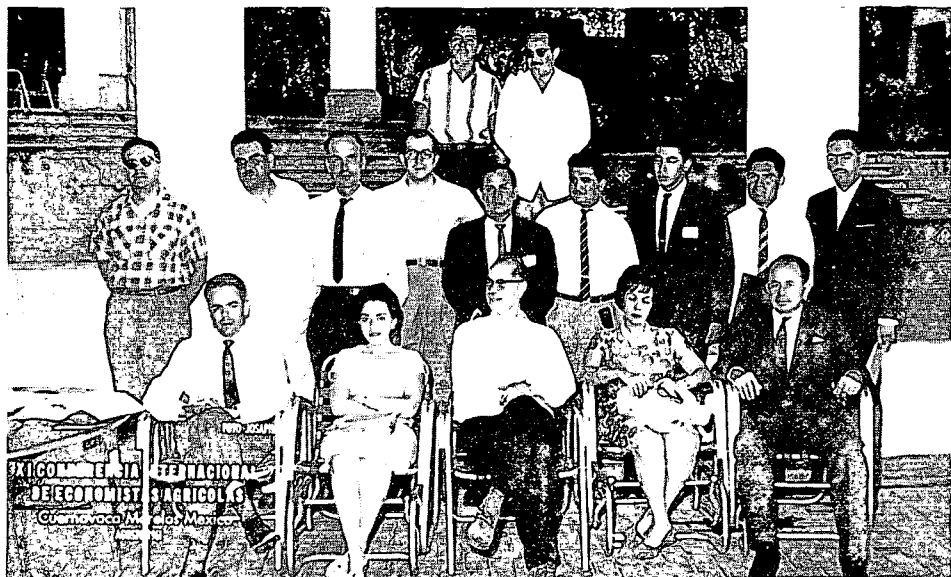
credit towards agriculture is possible by resorting to a bonding arrangement for underwriting an insured amount, the functions of which are to guarantee the collection of loans and give financial help to plans of variable payments. Also, in order to obtain the same results, the central bank can apply the known methods of credit regulation.

Frequently, government agricultural banks have great difficulty in acquiring resources, and for this reason they are resorting to international sources. The channelling of credit to private firms through government banks may put outside agencies in an undesirable situation. In Latin America there has been almost no experience of credit associations. Some that were formed by well-to-do farmers have been successful, as have other associations of a co-operative nature with multiple purposes, credit being one.

Centralization of credit policy is desirable so that goals of agricultural policy can be served, and finance distributed more efficiently. If it were possible to organize a united system of agricultural credit by combining public and private institutions, the best results would be obtained. Centralized policy should be accompanied by administrative decentralization to simplify the means of acquiring loans. The existence of local banks, autonomous or almost autonomous, is the best way to do this.

Agricultural credit should be directed towards the conservation of natural resources, and if possible should be complemented by subsidies. True agricultural credit should always be accompanied by technical assistance, in order to guarantee the collection of loans and contribute to the progress of agriculture. It is best that the technical assistance should be among the services rendered by the state, but generally it is helpful if the banks co-operate.

Agricultural insurance is an efficient complement of credit. Generalization of such service is complicated and costly; and to make it compulsory in connexion with loans would present inconveniences. Sometimes the extension of loans, accompanied by new loans, can be used in lieu of agricultural insurance from the standpoint of the borrower; but the lending institution would require some type of bond as insurance for the credit extended. Insurance should not be an instrument for subsidizing agriculture.



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