

**MINUTES OF THE MEETINGS OF  
THE AGRICULTURAL CREDIT PLANNING BOARD  
1960—1969**



Joint Commission on Rural Reconstruction

Taipei, Taiwan  
Republic of China  
August, 1974

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# CONTENTS

## Foreword

1. Minutes of the First Meeting of Agricultural Credit Planning and Policy Board .....	1
2. Minutes of the Second Meeting of Agricultural Credit Planning Board.....	6
3. Minutes of the Third Meeting of Agricultural Credit Planning Board.....	12
4. Minutes of the 4th Meeting of Agricultural Credit Planning Board.....	17
5. Minutes of the 5th Meeting of Agricultural Credit Planning Board.....	27
6. Minutes of the 6th Meeting of Agricultural Credit Planning Board.....	42
7. Minutes of the 7th Meeting of Agricultural Credit Planning Board.....	53
8. Minutes of the 8th Meeting of Agricultural Credit Planning Board.....	62
9. Minutes of the 9th Meeting of Agricultural Credit Planning Board.....	75
10. Minutes of the 10th Meeting of Agricultural Credit Planning Board.....	78
11. Minutes of the 11th Meeting of Agricultural Credit Planning Board.....	82
12. Minutes of the 12th Meeting of Agricultural Credit Planning Board.....	84
13. Minutes of the 13th Meeting of Agricultural Credit Planning Board.....	88
14. Minutes of the 14th Meeting of Agricultural Credit Planning Board.....	91
15. Minutes of the 15th Meeting of Agricultural Credit Planning Board.....	96
16. Minutes of the 16th Meeting of Agricultural Credit Planning Board...	100
17. Minutes of the 17th Meeting of Agricultural Credit Planning Board...	103
18. Minutes of the 18th Meeting of Agricultural Credit Planning Board...	106
19. Minutes of the 19th Meeting of Agricultural Credit Planning Board...	110

## Appendix

1. Agricultural Credit Plan for Taiwan.....	113
2. Minutes of a Meeting to Discuss the Agricultural Credit Plan for Taiwan .....	127
3. Rules Governing Operation of Unified Agricultural Credit Program by Township Farmers' Associations in Taiwan .....	129

## FOREWORD

The establishment of a sound agricultural credit system through institutional improvement has been the major goal in implementing agricultural credit programs in Taiwan. In this process, private lending to farmers was gradually replaced by institutional credit. In 1967, as much as 81 per cent of the farmers' credit needs was financed by the agricultural banks, JCRR, farmers' associations credit departments, and government enterprises, with the other 19 per cent coming from private sources such as merchants, relatives, and friends. This was a substantial change from the situation in the late forties when private money lenders played a predominant role in agricultural credit and financing, supplying 82 per cent of the agricultural credit for farmers in 1949.

The change has come about through the implementation of a series of credit programs beginning with the Experimentation of Farm Operation and Improvement Loan Program of 1955. It was followed by the Farm Credit Demonstration Program in the next year and the Supervised Agricultural Credit Program of 1958. Finally, the Unified Agricultural Credit Program was launched in 1961 and is still continuing.

Since the first three credit programs have been described in a previous work by the writer, only the current program will be discussed and its recent developments reviewed here.

When the Unified Agricultural Credit Program was inaugurated, it was enthusiastically welcomed by the farmers and the farmers' associations to which they belonged. High-ranking officials of the International Cooperation Administration China Mission and the Council for United States Aid made a field trip to several township farmers' associations to interview individual farmer-borrowers and to check the project operation in June, 1961. Upon their return to Taipei, the ICA officials summarized their impressions: "The new program marks the start of a much needed credit organization capable of providing capital to meet particular needs of farmers in Taiwan and will play an important role in the accomplishment of the agricultural development program. In the long run the effect may be favorably comparable to the increase of production which resulted from the Land-to-the-Tiller Program."

William I. Myers, former dean of the College of Agriculture, Cornell University, and former governor of the U.S. Farm Credit Administration, who served as short-term consultant to ICA and JCRR in 1960, and then in 1962, had this to say about the Unified Agricultural Credit Program after his inspection of the project operation in February, 1962: "The Unified Agricultural Credit Program has made an excellent start in its first year of operation and the outlook for 1962 is favorable. The plan of organization and operation follows the outline prepared in 1960 and seems to be generally satisfactory. The establishment of the Agricultural Credit Planning Board is a desirable step since it makes possible amendments in operating rules and regulations justified by practical experience. As always, unforeseen problems have arisen in actual operations but these are relatively minor ones that can be solved satisfactorily by the staff and the Board. The regulations adopted to limit the use of funds of the Credit Divisions (i.e., the credit departments of the farmers' associations) seem reasonable and necessary to protect their financial soundness. If these plans are carried out intelligently, this unified agricultural credit system will be the best in southeastern Asia and will serve as a model for other countries. Most importantly, however, it will make a vital contribution to agricultural development and productivity in Taiwan."

T.H. Shen  
August 1974

# MINUTES OF THE FIRST MEETING OF AGRICULTURAL CREDIT PLANNING AND POLICY BOARD

TIME: September 30, 1960, Friday, 3:00 p.m.  
PLACE: Room 313, JCRR Building  
CHAIRMAN: Dr. T. H. Shen, Convenor  
PRESENT: Mr. K. H. King, member (MOF)  
Mr. L. F. Ma, member (MOEA)  
Mr. Y. P. Chang, member (CUSA)  
Mr. Y. S. Chen, member (PDF)  
Mr. T. C. Li, for Mr. J. H. Huang, (PDAF)  
Mr. C. Y. Liu, member (PFA)  
OBSERVERS: Mr. C. H. Willson, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDER: C. S. Chen

## I. REPORT BY THE CHAIRMAN:

Agricultural loans in Taiwan are being extended not only by regular credit institutions like the Land Bank, the Cooperative Bank and the FA credit departments, but also by such government agencies and enterprises as Taiwan Sugar Corporation, Provincial Food Bureau, Provincial Supply Bureau, and Provincial Tobacco and Wine Monopoly Bureau, resulting in unnecessary competition and duplication. For the purpose of strengthening the agricultural credit system in order to support the agricultural development plan, JCRR studied the experiences of the Farm Credit System of the United States, and the recommendations made to JCRR by Dr. W. I. Myers, Chairman of the Agricultural Advisory Committee to the President of the United States during his visit in February 1960, and drafted an Agricultural Credit Plan for Taiwan with a recommendation to CUSA/ICA that NT\$300 million be appropriated from the Counterpart funds to establish an Agricultural Credit Fund. The Plan was submitted for discussion to the Sino-American Joint Meeting, which made the following conclusions:

(1) An Agricultural Credit Fund is to be established for making

available to Taiwan agriculture a permanent and dependable source of credit at reasonable interest rates and on terms that conform to the farmers' requirements.

- (2) An Agricultural Credit Planning and Policy Board should be set up comprising of representatives each from MOEA, MOF, PDAF, PDF, CUSA, PFA and JCRR with the representative from JCRR appointed as Convenor and Executive Secretary. All members shall serve without remuneration.
- (3) Counterpart funds shall be allocated to the Agricultural Credit Fund as a grant up to a maximum of NT\$300 million over a period of five years. During the first year NT\$60 million will be provided, with an additional release of not exceeding NT\$40 million to be considered by ICA/CUSA if the NT\$60 million is used prior to the end of the fiscal year. Amounts of annual releases during subsequent years will depend upon the merits of the first year's operations and the requirements of the program for prompt service to all township Farmers' Associations as rapidly as they qualify for participation in the program.
- (4) The administration of the Fund shall be guided by the decisions of the Agricultural Credit Planning and Policy Board. However, policy considerations will be subject to approval by JCRR, in line with the "19-Point Economic Reform Program."

With regard to the last section of item (4), the chairman reported that original conclusion of the **Joint Meeting** read as "policy considerations will be subject to final approval by CUSA/ICA." Inasmuch as the Plan was to be carried out as a JCRR project according to a decision made by the Joint Meeting, JCRR would have to be responsible to ICA/CUSA for decisions which were made in connection with the implementation of this project. In order to facilitate the implementation and to make clear where its responsibility should rest with, the chairman thought that it would be appropriate to interpret the said section as "policy considerations will be subject to approval by JCRR."

## II. DISCUSSIONS:

1. Definition of functions of the Agricultural Credit Planning and Policy Board:

It was proposed that functions of the Agricultural Credit Planning and Policy Board include the following:

- (1) To determine how much credit is needed by agriculture, and to recommend on measures required for increasing the sources and volumes of funds that can be mobilized in strengthening agricultural credit.
- (2) To determine which aspects of agriculture and which farm products should be given special emphasis through the use of credit in order to meet the requirements of local consumption and exports.
- (3) To determine ways and means to reduce unnecessary duplication and competition in lending activities among government banks and agencies.
- (4) To decide tentatively on various interest rates to be applied to agricultural credit.
- (5) To examine budgets and financial reports pertaining to the administration of the Agricultural Credit Fund.
- (6) To decide tentatively on maximum limits on discounts which the Cooperative Bank and the Land Bank may obtain from the Agricultural Credit Fund.
- (7) To screen the qualifications of FAs for participation in the program, and to recommend withdrawal of FAs who violate the conditions stipulated in the Agricultural Credit Plan.
- (8) To decide tentatively on the rates of repayment of non-interest bearing loans by FAs to the Agricultural Credit Fund.
- (9) To examine the auditing reports of participating FAs and of the loans and discounts made by the Cooperative Bank and the Land Bank which are financed by the Agricultural Credit Fund.
- (10) To study and recommend on the establishment of Disaster Loss Reserves.
- (11) To study and recommend on any necessary modifications to the Agricultural Credit Plan in the light of actual circumstances in the future.
- (12) To deliberate on important problems presented by various agencies in connection with the policy matters of agricultural credit.



Resolutions and recommendations made by this Board may be referred by JCRR to the agencies concerned for necessary action.

The proposal was adopted.

2. Invitation of observers and advisors to the Board:

It was adopted by the Board that (1) Mr. Irvin H. Kauffman, Chief, Agricultural Credit Division, JCRR be invited to the Board as a permanent advisor, that (2) Mr. C. Y. Hsu of ACD be the Executive Secretary, and that (3) whenever necessary, agencies concerned be requested to send an observer or observers to a meeting of the Board.

3. Date and agenda of next Board Meeting:

It was resolved that the second meeting of the Board be held around November 10, 1960, to discuss problems which on the original agenda for this meeting but have not been discussed. It was further concluded that in view of the importance of the agendum "Measures to coordinate with existing rules and regulations, in carrying out the segregation of accounts and funds of FA credit departments, the investment by member-borrowers and the accumulation of earnings by the credit departments", the following specialists be invited as observers to attend the next meeting to express their views on the problem:

Director Liu Hsiu-ju, Minister of Interior

Commissioner C. H. Willson, JCRR

Commissioner T. H. Chien, JCRR

Dr. H. S. Tang, Chief, FOD, JCRR

Dr. S. C. Hsieh, Chief, RED, JCRR

Mr. Yang Chia-lin, Legislator, farm credit specialist

Mr. Chang Pao-shu, agricultural credit specialist,

KMT Central Headquarters

Mr. Shang-kuan Yeh-you, Farmers' organization specialist,

KMT Provincial Office

### III. OTHER REPORTS:

1. In reply to Mr. C. Y. Liu's suggestion that the government increase its subsidy to agricultural extension budget so as to enable the FA credit departments to accumulate their earnings as capital reserves, Mr. T. C. Li of PDAF reported that it had been approved in principle by the Provincial Government that an increase of NT\$ 5,000,000 be made in the government budget for this purpose in

the next fiscal year, and that each of the three governmental levels, provincial, prefectural and township, would finance one third of the increase. According to an estimate, the government budget for this purpose would be increased to NT\$13,600,000 in future when the Plan was expanded to cover all the province. Mr. Y. S. Chen of PDF supplemented that all funds eventually came from the Provincial Government, and should the lower levels fail to fully bear the cost, the shortage would still be covered by the Provincial Government.

2. Mr. Willson said that he would like to attach a great significance to the objective contained in the Plan of strengthening institutional agricultural credit in Taiwan. The FAs and the Banks had been making loans to the farmers predominantly from deposits, which were inadequate for financing agriculture owing to the high interest costs and the short term of most deposits.

By providing NT\$300 million to increase the lending resources, and by enabling the capitalization of FA credit departments, the Agricultural Credit Plan aimed to sufficiently finance farmers investment in agricultural production, and consequently to increase their incomes and savings, which in turn would become additional sources of capital to help increase investment. This approach would be realistic toward the objective of improving the agricultural credit system. It was considered that the lineup of the Board represented the agencies responsible for finance, economic affairs, agriculture and farm organizations, and it was therefore believed that the Board would be most competent in solving many difficult problems and making many important contributions.

The meeting adjourned at 5:00 p.m.

## MINUTES OF THE SECOND MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: November 26, 1960, 10:00 a.m.  
PLACE: Room 313, JCRR Building  
CHAIRMAN: Mr. K. H. King, MOF, Acting Convenor  
PRESENT: Mr. Y. S. Li, MOEA, for Mr. L. F. Ma  
Mr. Y. P. Chang, CUSA  
Mr. P. C. Yen, PDF, for Mr. Y. S. Chen  
Mr. J. H. Huang, PDAF  
Mr. C. Y. Liu, PFA  
Mr. C. H. Willson, JCRR, for Dr. T. H. Shen  
OBSERVERS: Mr. H. J. Liu, Ministry of Interior  
Mr. C. L. Yang, Legislator  
Mr. Y. C. Liang and ) KMT, Central Office for  
Mr. Y. C. Miao, ) Mr. P. S. Chang  
Mr. S. L. Li, KMT, Provincial Office for  
Mr. Y. Y. Shang-Kuan  
Mr. T. C. Li, PDAF  
Mr. T. H. Chien, ICRR  
Dr. S. C. Hsieh, JCRR  
Mr. W. F. Chuang, JCRR, for Dr. H. S. Tang  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDER: C. S. Chen

### I. REPORTS:

1. Minutes of the first meeting of the Board was approved.
2. The chairman said that although it had been decided to call this meeting on or about November 10, it had been delayed because of the participation by him, Messrs. C. Y. Liu and C. Y. Hsu at the Third Far East Agricultural Credit Workshop in Saigon as Chinese delegates. He added that Dr. T. H. Shen was in Thailand on official mission and had requested him to chair this meeting on behalf of the convenor.

### II. DISCUSSION:

1. Alteration of name of the Board.

It was proposed by the chairman that the name of "Agricultural Credit Planning and Policy Board" be changed to "Agricultural Credit Planning Board" to be more consistent with actual functions of the Board, considering the fact that the new program would be a JCRR project. He said he had consulted with Dr. Shen and had obtained the latter's consent for the change. The proposal was adopted.

2. Measures to coordinate with existing rules and regulations, in carrying out the segregation of accounts and funds of FA credit departments, the investment by member-borrowers and the accumulation of earnings by the credit departments, as specified under "Second phase:—Strengthen the financial condition and improve the operating procedures and practices of the credit departments of the township farmers' associations" in the Agricultural Credit Plan for Taiwan.

Mr. C. Y. Hsu explained that the Agricultural Credit Plan for Taiwan contained the following passages which were related to the credit department of an FA:

- (1) "That all funds of the credit department be completely segregated—physically and on the records—from other funds of the FA, and be not liable for debts of other departments or sections."
- (2) "That a limit be placed on the contribution of the credit department to the over-all income of the FA. The credit department will bear an appropriate portion of over-head expenses—administration, rent, light, heat, etc.—and contribute to the support of the extension section in proportion to the latter's services rendered to the credit department. All other earnings are to be used to provide reserves against losses and capital reserves."
- (3) "It shall require each borrower to have an investment in Credit Department Certificates of Investment in an amount at least equal to 5% of his outstanding loans."

According to Article 40 of "Provisional By-law Governing the Improvement of Farmers' Association of Different Levels in Taiwan", independent and separate bookkeeping and accounting records should be maintained for each section of an FA. However, the credit

department of an FA was not an independent legal person by itself. Therefore, internal segregation of accounts among various sections of an FA would not externally bear legal effects. Also, Article 41 of the By-law stipulated as follows:-

“The total profit of a farmers’ association at the end of a year shall consist of the profits of its various economic undertakings and credit and insurance services. After deduction of losses and interests for the shareholders, the balance of this profit shall be divided into one hundred equal portions and allocated as follows:

- (1) Twenty (20) portions shall be deposited in a financial institution designated by the government agency in charge as reserve fund and not to be further distributed.
- (2) Ten (10) portions shall be for the community chest.
- (3) Ten (10) portions shall be awarded to directors, supervisors and employees collectively as remuneration.
- (4) Fifty (50) portions shall be used as funds for the rendition of advice and guidance to productive enterprises for the rendition of cultural and welfare services.
- (5) Ten (10) portions shall be distributed among members and associate members of the Farmers’ Association in proportion to the value of business secured by each individual for the Farmers’ Association.”

However, in actual practice, every township FA allocated the remaining 70 portions after deducting the 30 portions for reserves and community chest, entirely to the rendition of production guidance and cultural and welfare services. By means of this practice, an FA enjoyed the privilege of tax exemption. Mr. Hsu pointed out that the recommendations contained in the plan in favor of (1) segregation of funds, (2) accumulation of earnings of credit departments, and (3) borrowers’ purchase of certificates of investment, seemed to differ from existing laws and regulations. He suggested that thorough discussions on the matter be made at this meeting.

Mr. T. C. Li of PDAF expressed his view that both the Provisional By-law and the “Rules Governing the Accounts of Farmers’ Associations in Taiwan” specified the independence of departmental

accounting of an FA, but at the end of each year, profits or losses of each department were pooled together, so the settlement of accounts was done by the FA as a whole. With regard to budget of extension programs, Mr. Li added that the Governor had agreed to allocate NT\$5 million to subsidize FAs in FY-1962, and to increase annual subsidy to NT\$13.5 million when the entire Province came under the new agricultural credit program. He said PDF and the Provincial Department of Accounts and Statistics were jointly studying the ways and means of making necessary budget allocations.

Mr. Y.P. Chang thought that the agricultural credit program might encounter with some difficulties unless two major obstacles were removed, i.e. (1) lack of legal status by FA credit department, and (2) lack of provision in the "Farmers' Association Law" to validate FA operations of taking deposits and making loans.

Legislator C.L. Yang regarded it important to have the agricultural financing in Taiwan institutionalized and to have FA credit departments integrated in the system. This would provide legal footing to the FAs to handle deposits and loans, and to accumulate surpluses of their credit departments, and assisted by the NT\$300 million Agricultural Credit Fund, would enhance their capabilities of serving the farmers. Mr. Yang considered it urgent that pending the completion of legislative modifications, administrative orders be used to facilitate the credit operations of an FA.

Director H. J. Liu of MOI agreed that administrative orders could temporarily solve the problems, but was afraid that the attempt to improve the legal status of an FA credit department would involve many technical difficulties.

Director K. H. King, the acting convenor, told the meeting that the Far East Agricultural Credit Workshop in Saigon made a resolution that farmers' organization in the Far Eastern countries adopt the pattern of Taiwan's farmers' associations to take the form of multi-purpose general service organization. Before the departure for the Workshop, Mr. King had taken a trip to inspect the credit departments of Taiwan's farmers' associations, and had discovered that the soundness of their credit operations far exceeded his expectations. In order to solidify the position of the FA credit

department, he thought it necessary to revise the "Farmers' Association Law" to legalize the handling of deposits and loans by the FAs, and also to revise "Cooperative Law" to impose restrictions on the establishment of credit cooperatives in rural areas so that wasteful duplication and unnecessary competition be avoided. He had drafted recommendations relating to the proposed changes and insertions of articles in connection with FA credit operations in the "Farmers' Association Law", and upon approval by the Minister of Finance, MOF would send the recommendations to other agencies concerned for study and comments. Before the legislative changes had become final, Mr. King said the agricultural credit program should be carried out by using contracts signed by JCRR and the participating institutions and witnessed by the notary public.

Mr. Y. C. Liang of KMT Central Office, informed the meeting that the Agricultural Credit Program had been discussed at a recent meeting of the Central Standing Committee, and the consensus of the meeting was that the rate of interest charged on farm production loans should be reduced. He considered the five percent too high for borrowers to make investment in the FA, and advocated for making all FA members, borrowers and non-borrowers alike, invest in the credit department at a rate reasonable to them.

Commissioner Willson of JCRR explained that the 5% investment was to be made to enhance the FAs' lending capacity and to increase the farmers' interest in the credit program of their own FAs, and could not be interpreted as an increase in the rate of loan interest. A proper interpretation of this proposal, he said, would be that a farmer could owe the FA at any time as much as twenty times his investment in its credit department.

Director King said that although some people favored high interest policy while other claimed for low interest, either policy would be harmful to the growth of Taiwan's economy. The rate of interest on farm loans was an integral part of the whole interest structure, and therefore should not be set too high or too low. The proposed rate of 18 percent per annum seemed adequate and applicable. The investment in a credit department would enable the FA to be less dependent on deposits, Mr. King added, and similar measures were

being adopted by other Asian countries such as Japan, Korea, Philippines and Vietnam. He thought the rate of five percent suitable in view of the fact that Taiwan farmers were by far more productive than those in other countries of South East Asia. Anticipating that the farmers would have completed the payment of land prices in two more years, Mr. King stressed that this would be the right time for us to start campaigning among the farmers to make larger savings out of the gains. Therefore, the plan to help build up lending fund through farmers' investment was considered by Mr. King as timely and constructive.

The meeting reached the following conclusions:

- (1) That for drastic remedies, this Board recommend to the responsible agencies for expediting the revisions of "Farmers' Association Law" and "Cooperative Law" in order to ascertain the legal status of FA credit departments and request the agencies concerned to furnish the Ministry of Interior with relevant comments and suggestions.
- (2) That for temporary remedies pending legislation, the stipulation recommended in the Agricultural Credit Plan be fulfilled on contract basis supplemented by necessary administrative orders.
- (3) That the Provincial Government be advised to subsidize extension budgets in order to enable the FAs to continue their agricultural extension programs when these FAs participate in the new agricultural credit program and thus the earnings of their credit departments are being set aside.
- (4) That the rate of interest on loans made to the farmers for agricultural and sideline production be set at 18 percent per annum as proposed in the Plan, subject to readjustment whenever necessary in the future.
- (5) That requests be made to the Fifth Division of KMT Central Office and to Dr. Chiang Monlin, Chairman, JCRR, to explain to the KMT Central Standing Committee the full meaning of borrowers' investment in the FA credit departments, and to ask for assistance in letting the farmers thoroughly understand the purpose when the Plan be put into practice.

The meeting adjourned at 11:45 a.m.



## MINUTES OF THE THIRD MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: January 14, 1961, Saturday, 9:30 a.m.  
PLACE: Room 313, JCRR Building  
CHAIRMAN: Dr. T.H. Shen, Convenor  
PRESENT: Mr. K.H. King, MOF  
Mr. L. F. Ma, MOEA  
Mr. Y. P. Chang, CUSA  
Mr. P. C. Yen, for Mr. Y. S. Chen, PDF  
Mr. J. H. Huang, PDAF  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. M. S. Chen, Land Bank  
Mr. S. N. Lin, Cooperative Bank  
Mr. C. C. Wang, Cooperative Bank  
Mr. C. P. Chen, Cooperative Bank  
Mr. C. L. Yang, Legislator  
Mr. C. S. Wang for Mr. P. S. Chang, KMT Central Office  
Mr. T. C. Li, PDAF  
Mr. K. H. Cheng, PFA  
Commissioner T. H. Chien, JCRR  
Mr. W. F. Chuang for Dr. H. S. Tang, JCRR  
Mr. S. M. Yeh for Dr. S. C. Hsieh, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDING: C. S. Chen

### DISCUSSIONS:

1. Screening of FAs' qualifications for participation in FY-61 agricultural credit program, and tentative approval of selected FAs.

Mr. Hsu reported that in order to make a preliminary screening of township FAs for participation in the FY-61 program, the Agricultural Credit Division of JCRR invited the officers of 115 FAs in December 1960 to discussion meetings, at which details of the Credit Plan was explained, reports on FAs' business heard, and possibilities of their meeting with conditions stipulated in the plan examined. Information used in the screening included the following:

- (1) Financial analysis of FAs' annual reports and balance sheets.
- (2) Investigation made by JCRR in connection with business operations of the FAs.
- (3) Reference materials provided by various JCRR Divisions regarding their experiences of working with the FAs.
- (4) Comments made by PDAF, Cooperative Bank, Land Bank, PFA, Hsien FAs, and Hsien Governments on the FAs' business and personnel.

Mr. Hsu proposed that the above mentioned data be processed according to the following criteria for selection of qualified FAs for the new program:

- (1) that there is good cooperation among FA officers and/or employees.
- (2) that the management should be enterprising and successful.
- (3) that there is no accumulated loss in any of the FA departments, and therefore earnings of credit department can be accumulated without delay.
- (4) that the FA has been unable to fulfill the farmers' demand for production loans owing to its lack of fund.
- (5) that the interest costs of deposits is relatively low and therefore the FA can make loans to the farmers at the rate of interest specified in the Agricultural Credit Plan.
- (6) that the businesses of credit and economic departments are equally developed, and therefore the extension budget does not totally depend upon appropriation from credit department.

Mr. Hsu asked for comments and suggestions on the above.

Mr. K. H. King thought that the criteria could be made more specific, and particularly, items (1), (2) and (6) needed more elaboration.

Mr. M. S. Chen of the Land Bank suggested that item (4) be changed to read "that the FA is in short of lending funds or unable to make agricultural production loans of longer terms."

Mr. Y. P. Chang said, although the second meeting of this Board made a resolution that "for temporary remedies pending legislation, the stipulation recommended in the Agricultural Credit Plan be fulfilled on contract basis supplemented by necessary administrative orders," it seemed to him rather dubious that such contract and administrative orders could bring forth the effect that "funds of the credit department

within the FA are to be completely segregated from those of other departments and sections and shall not be liable for any of their obligations.”

Mr. T. C. Li of PDAF did not see much technical difficulty in the temporary remedies. An FA could not be dissolved without a resolution made by the general meeting of its members’ representatives. Under the present policy of protecting and strengthening farmers’ organizations, the government had a commitment, not to let an FA close down. In fact, Mr. Li opined, an FA was an organization of unlimited liabilities. To exemplify the use of administrative orders, Mr. Li pointed out the present practice of appropriating 70% of the earnings of FA credit and economic departments to the extension budget. He therefore believed that administrative orders could also be used to meet actual requirements of the Agricultural Credit Plan, such as no more appropriation of the earnings of credit departments to extension budget, and as the purchase of investment certificate by member-borrowers.

Mr. K. H. King thought pending legislative changes, a contract certified by the notary public would be enough to solve current problems. Referring to the Agricultural Credit Plan, Attachment I, Qualifications for Farmers’ Associations participating in the program, “1. The Funds of the credit department within the FA are to be completely segregated from those of other departments and sections and shall not be liable for any of their obligations,” Mr. King proposed temporary measures, whereby the directors, the supervisors and the general manager of a participating FA be required to submit in supplement to the loan contract a letter of agreement stating that they assume joint and unlimited liabilities toward repaying the principal of and the interest accrued on loans made under this program.

Resolutions were made as follows:

- (1) An FA applying for the new credit program must meet the following criteria, which shall become article 4 of Attachment I in the Agricultural Credit Plan; original articles 4 through 9 being changed respectively to articles 5 through 10:
  - (i) that the FA has no accumulated losses.
  - (ii) that the FA is in short of lending funds or unable to make agricultural loans of longer terms.

- (iii) that the interest cost of deposits is relatively low and the FA can extend agricultural credit at interest rate specified in the Agricultural Credit Plan.
  - (iv) that the FA has no difficulty in accumulating earnings of its credit department owing to the soundness of its economic department.
  - (v) that there is good cooperation among FA officers and/or employees.
- (2) Using the above mentioned criteria, 64 FAs be selected for participation in the FY-61 program. Names of and amounts of direct loans to the FAs will be seen in the attached list.
- (3) Insertion of second paragraph be made in article 1, Attachment I "Qualifications for Farmers' Associations participating in the program", of the Agricultural Credit Plan, to read "Pending revisions of the Farmers' Association Law, temporary measures may be taken to implement the stipulation of the second half of the preceding paragraph, whereby the directors, the supervisors, and the general manager of a participating FA be required to submit in supplement to the loan contracts, a letter of agreement stating that they assume joint and unlimited liabilities toward repayment of the principal of and the interest accrued on loans made under this program."
2. Under the "Third phase:—Improve the financial resources and services of the Cooperative Bank and the Land Bank" in the Agricultural Credit Plan for Taiwan:
- (a) To decide maximum limits on discounts which the two Banks may obtain from the Agricultural Credit Fund, and
  - (b) to tentatively have the two Banks jointly finance production loans for special crops, cotton, tobacco and jute in the same manner as presently exists.

Mr. M. S. Chen agreed that twelve months be the uniform mark to delineate the areas of responsibilities of the Land Bank and the Cooperative Bank in financing agriculture, as proposed in the Agricultural Credit Plan, and that the exceptional clause in the Plan that sugarcane and pineapple production loans be handled by the Cooperative Bank, be

eliminated. As to the production loans of cotton, tobacco, and jute, Mr. Chen thought it proper that they be handled by the banks according to established procedures for the time being.

Mr. C. C. Wang of the Cooperative Bank expressed agreement with Mr. Chen, adding that besides cotton, tobacco and jute, financing of sugarcane for brown sugar should be made by the Cooperative Bank according to established procedures.

Mr. K. H. King suggested that the percent of rediscount be set at 80, with banks contributing the remaining 20.

Resolutions were made as follows:

- (1) As specified in the Agricultural Credit Plan, the areas of responsibilities of the Land Bank and the Cooperative Bank should be uniformly delineated by the criterion of 12 months. Exceptional clause in the Plan that production loans for sugarcane and pineapple be financed by the Cooperative Bank should be deleted.
- (2) Before the new agricultural credit program has popularly covered Taiwan, existing special crop production loans should be continued by the banks according to established procedures. This Board will in the future decide on when the financing of these special crop loans be subject to the above-mentioned delineation of responsibilities between the two banks.
- (3) The maximum extent of rediscount which each of the two banks may obtain from the Agricultural Credit Fund will be 80 percent, with the remaining portion contributed by the bank.

Meeting adjourned at 11:30 a.m.

## MINUTES OF THE 4TH MEETING OF AGRICULTURAL PLANNING BOARD

TIME: June 6, 1961, Tuesday, 3:00 p.m.  
PLACE: Room 313, JCRR Building  
CHAIRMAN: Dr. T. H. Shen, Convenor  
PRESENT: Mr. K. H. King, MOF  
Mr. L. F. Ma, MOEA  
Mr. Y. P. Chang, CUSA  
Mr. T. C. Li for Mr. J. H. Huang, PDAF  
Mr. C. Y. Liu, PFA  
Mr. Y. S. Chen, PDF (on leave)  
OBSERVERS: Mr. C. L. Yang, Legislator  
Mr. C. S. Wang for Mr. P. S. Chang, KMT Central  
Office  
Mr. C. Y. Lo for Mr. M. S. Chen, Land Bank  
Mr. C. C. Liu, Land Bank  
Mr. T. S. Kuo, Land Bank  
Mr. C. P. Chen for Mr. S. N. Lin, Cooperative Bank  
Mr. C. T. Chuang, Cooperative Bank  
Mr. W. J. Green, JCRR  
Dr. H. S. Tang, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDING: C. S. Chen

### I. REPORTS:

#### 1. The Chairman's report

- (a) Dr. Shen informed the members that Mr. Irvin H. Kauffman returned to the United States, and would not come back to the post. The U. S. Government once considered sending here Mr. Ralph Miller, agricultural credit advisor, USOM in Vietnam, but this did not materialize. JCRR has asked for a visit to Taiwan by Dr. W. I. Myers, former chairman of the Agricultural Advisory Committee to the President of the U.S., but pressure of his other business has so far prevented him from taking the trip. Mr. Clifford H. Willson, JCRR American Commissioner,

also left for home and is not coming back to Taiwan. We have requested the presence at this meeting of Mr. William J. Green.

- (b) The Chairman also reported on his recent trip with Dr. H. S. Tang, chief, Farmers' Organization Division, JCRR, and Mr. C. Y. Hsu, acting chief, Agricultural Credit Division, JCRR, to central and southern Taiwan to observe business activities of township farmers' associations including credit, economic, extension and other activities. As far as credit business is concerned, the Tsaotun FA in Nantou Hsien is most impressive. The FA's credit department keeps office open every day of the week, and its business volume surpassed those of local branches of commercial banks. Thanks to continuous efforts by the concerned agencies in giving guidance and training to the FA personnel, the farmers' associations in Taiwan have made remarkable progresses. As for the operations under the new credit program, not much conclusions can be drawn from the observation on account of the very short period since the inauguration of the program. Some FAs hoped that the five percent investment by a borrower be returned to him when he repaid his loan. Generally speaking, response from FAs and farmers is good. Each participating FA keeps detailed and orderly records of investigation on farming and economic conditions and repayment capabilities of farmers, of follow-up supervision of loan uses and advices on farm management, and of bookkeeping procedures. Compared with the commercial banks, the FAs' book-keeping is just as good, and they excelled in farm visits and the record-taking of these visits because the banks can hardly afford to make their services to borrowers so thorough. JCRR is organizing a trip for officers from MSM/C, American Embassy, Ministry of Finance and CUSA to see actual operation of this new credit program, and it is hoped that those present at this meeting have chances to observe field situations and to give us suggestions.

## 2. Report by the Executive Secretary

- (a) Mr. Hsu reported on the promulgation of "Rules Governing Operation of Unified Agricultural Credit Program by Township

Farmers' Associations in Taiwan" by PDAF. Based on resolutions and recommendations made at the second and the third meetings of the Board, JCRR approved on February 1961 a project entitled Unified Agricultural Credit Program, in which the Land Bank, the Cooperative Bank and 63 township FAs participate. Attached to this minutes is a copy of Recommendation for Approval of Unified Agricultural Credit Program, another copy of which has previously been sent out to each member for reference.

This Board and JCRR approved the amount of Agricultural Credit Fund of FY-1961 to be NT\$80 million, of which NT\$39.2 million was to be directly lent to the FAs and the remaining NT\$40.8 million indirectly to the FAs through the two banks who were to contribute additional 20% of the lending funds. However, CUSA and MSM/C have decided that NT\$60 million will be paid from counterpart fund, and NT\$20 million more may be made available before June 30, 1961 depending upon actual requirements. Therefore, direct loans to the FAs will be paid according to original schedule, but there will be reduction in the amount of indirect loans that are going through the banks, which will be increased later if the additional NT\$20 million is made available.

After the signing of agreement between JCRR and each of the participating FAs, loans in installments have been made out to the FAs since May 1, and have amounted to NT\$31 million by June 5. Farmers have shown much enthusiasm about the program, and their investment in FA credit departments has accumulated to NT\$1,420,000 by May 25. Lending operations have been satisfactory.

Agreement has been signed with the Cooperative Bank, but the signing by the Land Bank is being delayed due to certain technicalities. After when this meeting rules on the first agenda today, the signing will be expected to complete. Up to this date, no payment has yet been made to either bank.

Meanwhile, meetings have been held by PDAF, PDF, PFA, JCRR and the two banks to work out a draft of Rules Governing Operation of Unified Agricultural Credit Program, which was



approved and promulgated by PDAF and PDF. (See attachment 2). Forms of records and books have been designed for use under the program. (See attachment 3). The rules are made to strengthen the financial conditions of township FAs and to improve their lending procedures, with an anticipated result of larger agricultural production by FA members. In addition to making rules, the agencies concerned held training classes for the participating FAs in each district, in order to familiarize them with the objectives and procedures of the new program. JCRR has also discussed with the two banks and made preliminary agreement on the procedures of rediscounting the banks' discounts to FAs.

- (b) Mr. Hsu stated that after the Board has approved the list of 64 participating FAs at the last meeting, the Shuili FA in Nantou Hsien requested for postponement of its participation in the program, owing to its inability to fulfill some of the conditions. Consequently, JCRR approved the participation of 63 FAs, but later the Neimen FA in Kaohsiung Hsien also asked to be dropped from the list on the grounds that the FA could not adhere to the limitation imposed on loans for purposes other than agricultural production. There is sufficient amount of budget available to accommodate one FA to replace the Neimen FA, and it is proposed that the Board make a decision whether such FA be selected from those who have been found qualified. Director King favored the selection of an FA who meets with the conditions dictated by the Board, to replace the Neimen FA, so that the budget will be fully utilized. Mr. Hsu said that so far there are two FAs best qualified, namely Changchih FA in Pingtung Hsien and Yungkang FA in Tainan Hsien. He proposed that JCRR be requested to select one from these two.

Mr. Y. P. Chang said that if NT\$60 million of Counterpart fund is sufficient to take care of the need until June 30, then the requested increase of NT\$20 million could be budgeted in the budget of FY-1962 which starts on July 1.

## II. DISCUSSIONS:

1. *Authorizing the Land Bank of Taiwan to temporarily make direct*

*loans to farmers for power tillers, for land improvement and for dairy cattle.*

Mr. C. Y. Hsu explained that according to the rules of the new credit program, all agricultural and sideline production loans are to be handled by the farmers' associations, and the rate of interest is to be uniformly 1.5 percent per month. The Land Bank is charging only 1.2 percent on loans for power tillers and for land improvement, and 1.5 percent for dairy cattle, all without requiring the borrowers to make the 5 per cent investment. The Land Bank asked JCRR for special consideration to let it handle these loans. JCRR has studied the request and made the following findings:

- (1) The 1.5 per cent monthly rate of interest as approved by the Board is reasonable and need not be lowered at present.
- (2) One of the reasons the farmers have shown enthusiasm about JCRR supported credit programs was that the rate of interest is set at 1.5 per cent per month which is lower than the 1.74 per cent charged on other loans. The Land Bank charges only 1.2 percent on loans for power tillers and land improvement, which is even lower than the 1.5 per cent rate. If we insist that farmers borrow for these purposes at 1.5 per cent from FAs, it may give rise to unnecessary misunderstandings from them.
- (3) The Land Bank started testing on dairy cattle loans in the fall of 1960, to set up workable lending procedures with consorted technical assistance from those concerned. The experiment is not yet completed, and therefore, should not be terminated.
- (4) Loans for these three purposes usually run up to larger amounts and take 3 to 5 years to repay. There will be technical difficulties to have all the participating FAs immediately take over the handling of all these loans.

Therefore, Mr. Hsu said, it is proposed that the Land Bank be authorized to tentatively continue to make loans for these purposes directly to the farmers, but will not be able to ask for rediscount from the Agricultural Credit Fund. However, individually if there are FAs who are capable of handling these loans, and if the farmers

are willing to pay 1.5 per cent monthly interest and make 5 per cent investment, there is no reason to stop them from making such loans to the farmers. As to the dairy cattle loans, the Animal Industry Division of JCRR is working on a plan to finance them, and in order to avoid duplication, it is proposed that the FAs will be notified not to make dairy cattle loans.

Mr. C. Y. Lo of the Land Bank supplemented Mr. Hsu by saying that the Land Bank proposed to JCRR to reduce the monthly interest on loans for power tillers and land improvement from 1.5 per cent to 1.2 per cent or to agree to let the Land Bank lend them through FAs and rediscount them from the Agricultural Credit Fund. He was told by Mr. Hsu that the rate of interest was set by the Board and cannot be revised at the convenience of anyone. Now that Mr. Hsu studied the matter with Commissioner Shen, and they have arrived at the conclusion that the low interest loans by the Land Bank are good for the farmers, it is hoped that both the Land Bank and the FAs will be authorized to make these loans to the farmers. The Bank does not intend to contradict the ruling of the Board that all loans should be made through the FAs, but if the Board decides to let the Bank make direct loans, the Bank will duly comply with the decision. Further improvement can be made in the future when difficulties are found.

Commissioner Shen said that 1.5 per cent monthly rate of interest is reasonable in relation to the entire interest structure, and cannot be lowered lest it should interfere with the government's interest policy. However, if the farmers need loans of lower interest rates, which the Land Bank can provide, then it is altogether good for the farmers. Dr. Shen pointed out that there are more power tillers used for transportation than those for tilling on the farm, and this deserves some deliberations.

Director King said that there are different views as to the level of interest rates, but the Ministry of Finance holds that interest on farm loans constitute a link in the overall interest structure, and therefore, should not be too low to be unrealistic. The rates of interest in general are still too high, but the 1.5 per cent per month rate set by the Board for farm loans is reasonable. However, if

the Land Bank is in the position to provide loans at lower interest rates, it seems quite all right to do so. As to the use of power tillers in transportation, Mr. King thought, it is a waste of physical resources, because the objective of encouraging farmers to use the machines lies in the increased depth of plowing. Mr. King hoped that the Land Bank will pay attention to the use of power tillers and give guidance to the borrowers so that the machines will be properly used for tilling the farm. Mr. T. C. Li of PDAF was afraid it might not be practical to ban all uses of power tillers in transportation. When making loans to the farmers, care should be taken not to let the farmers use the machine for commercial transportation, but transporting his own produce should not be banned.

Resolutions:

1. The Land Bank will continue, for the time being, to make loans direct to farmers for power tillers, land improvement and dairy cattle, but will not be entitled to obtain discounts on such loans from the Agricultural Credit Fund.
  2. When making power tiller loans, the Land Bank must pay attention to supervise the use of the machines and give guidance and training to the farmers, so that the tillers will be actually used in farming.
2. *Township FAs have recently been granted to take special time deposits. How should these deposits be handled by the FAs under the new credit program?*

Mr. Hsu said that it is specified in the rules of Unified Agricultural Credit Program that a participating FA should use all deposits from the farmers in making production loans. Previously, FAs were not authorized to take time deposits of more than one year. It is also specified in the new credit program that a participating FA take such long term deposits only as an agent for the banks. Recently, however, the Ministry of Finance has granted FAs to accept special time deposits of 2 year and 3 year terms according to the handling procedures of savings deposits, bearing interest of 1.46 and 1.5 per cent per month respectively. It is feared that deposits received at such high interest costs cannot be economically used for making production loans to the farmers.

Director King thought the FAs' taking special time deposits still involve technical problems. Since the savings deposits were introduced, the urban credit cooperatives who took note of the difference between income tax on interest from time deposits and that from saving deposits which are 3 per cent and 1 per cent respectively, argued that only allowing banks to handle savings deposits would seriously damage their own business, and petitioned to the Ministry to permit them to take savings deposits. At that time, the Statute for Encouragement of Investment was promulgated, and the Ministry decided to let the credit cooperatives accept special time deposits according to the handling procedures of savings deposits. These deposits were to be separately kept book of, and income tax from their interests were to be taxed at one per cent. Later the Ministry was asked by the Provincial Department of Finance whether an FA credit department should be allowed to accept savings deposits, and replied that it could take special time deposits according to the handling procedures of savings deposits. This again involved the legal status of an FA credit department, and the Ministry recommended to the Executive Yuan for revising the Farmers' Association Law to give legal status to its credit department to facilitate its handling of deposits. The Yuan decided not to take action at present. In view of the greatly increased confidence in the FA credit department by all parties concerned, and of the still pending problem of its legal status, Director King suggested that Commissioner Shen will ask Dr. Chiang Monlin to explain the importance of this problem to Vice President Chen Cheng. Regarding the ways of using special time deposits, a joint study may be made by the PDAF and the PDF if an FA can take deposits of more than one year as an agent of the Cooperative Bank and the Land Bank.

Mr. C. S. Wang of Central KMT said that Ministry of Interior wishes to revise the Provisional By-law Governing the Improvement of Farmers' Associations in Taiwan, and regards it unnecessary to revise the Farmers' Association Law. In any event, revision of related laws and regulations will help the implementation of the Unified Agricultural Credit Program and, therefore, it is hoped that JCRR will keep in touch with the Executive Yuan.

Mr. T. C. Li of PDAF opined that the reason why the Executive

Yuan decided not to take action now could be attributed to the complication expected from revision of the Farmers' Association Law. But it is difficult to make regulations to control the FA credit department by merely quoting from the Provisional By-law Governing the Improvement of Farmers' Associations. Actually it does not need to change every article of the Farmers' Association Law, but will suffice by only changing its Article 4 Item 7 to give a legal status to the FA credit department.

Legislator C. L. Yang commented that the Executive Yuan might not have thorough understanding of the matter. Commissioner Shen informed the members that JCRR already wrote to Ministry of Interior in favor of revising the Farmers' Association Law and strengthening legal status of the FA credit department. Mr. C. Y. Hsu supplemented that based on resolutions made by the second meeting of this Board, JCRR wrote a letter, Neng 50 Hsia Tze No. 1082 dated January 5, 1961, to Ministry of Interior requesting for earlier revision of the Farmers' Association Law to give legal status to the FA credit department in handling deposit and loan businesses. Copies of the letter have been distributed to agencies concerned.

Dr. H. S. Tang said that the Executive Yuan took careful attitude in view of the complication possibly involved in the revision of Farmers' Association Law. Further requests should be made to the government, and explanations be made to the Vice President, Ministry of Interior and the Legislative Yuan.

Legislator Yang said if an FA takes deposits of more than one year on its own account, the money will be used in rural area. If it cannot take such deposits, then the money will flow into urban area, causing an adverse flow of capital. Therefore, studies should be made in relation to rates of interest and ways of retaining capital in rural area.

Mr. T. C. Li said that most deposits of over one year came from farmers rather than merchants, and if an FA takes long term deposits only as an agent of the banks, it will result in the flow of rural capital to urban industries, severely hampering rural investment.

Director King said when the farmers' savings are invested in urban industries, the prosperity of urban industries in turn will favorably

influence rural areas. It is unlikely that it should give rise to an unfavorable situation of dislocating the rural capital.

The chairman proposed that studies and discussions will be made in the future as to the influence on demand and supply of capital in rural areas when deposits of more than one year are taken by FA only as agent of the banks.

Resolutions:

- (1) Provincial Department of Agriculture and Forestry and Provincial Department of Finance are requested to study and work out rules to be followed by FA credit departments to accept deposits of more than one year as agent of the banks.
- (2) In order to strengthen legal status of the FA credit departments, it is requested that JCRR make another recommendation to the government for an earlier revision of the Farmers' Association Law by explaining in detail to Ministry of Interior and the Legislative Yuan. Dr. Shen will request Dr. Chiang Monlin, Chairman of JCRR, to explain to Vice President Chen Cheng the importance of revising Farmers' Association Law.

III. OTHER RESOLUTIONS:

1. In order to replace the farmers' associations who were among those selected by this Board but later voluntarily relinquished, appropriate FAs will be selected within the availability of FY-1961 Agricultural Credit Fund, from those whose qualifications meet with the Board's specifications, and be permitted to take part in the Unified Agricultural Credit Program. Name list of the FAs will be decided by JCRR in consultation with the sponsoring agency of the project.
2. For the purpose of avoiding duplication with dairy cattle loans which are to be made by JCRR, those farmers' associations participating in the Unified Agricultural Credit Program will for the time being not make dairy cattle loans under this Program.

The meeting adjourned at 5:00 p.m.

## MINUTES OF THE FIFTH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: November 1, 1961, Wednesday, 2:30 p.m.  
PLACE: Room 313, JCRR Building  
CHAIRMAN: Dr. T. H. Shen, Convenor  
PRESENT: Mr. K. H. King, MOF  
Mr. L. F. Ma, MOEA  
Mr. Y. P. Chang, CUSA  
Mr. P. C. Yen for Mr. Y. S. Chen, PDF  
Mr. T. C. Li for Mr. J. H. Huang, PDAF  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. C. S. Wang for Mr. P. S. Chang  
Mr. C. Y. Lo for Mr. M. S. Chen, Land Bank  
Mr. K. C. Hsieh for Mr. S. N. Lin, Cooperative Bank  
Mr. W. Y. Yu, Land Bank  
Mr. T. K. Wu, Cooperative Bank  
Mr. C. T. Chuang, Cooperative Bank  
Mr. H. H. Lin, Cooperative Bank  
Dr. H. S. Tang, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang JCRR  
RECORDING: C. S. Chen

### I. REPORTS:

Chairman:

- (1) This meeting could have been called earlier. But because it would cover subjects relating to the jurisdiction of the Ministry of Finance and the Central Bank, I thought it would be more appropriate to have it held after Director King has returned from the International Monetary Fund Meeting in Geneva. It also came into consideration that this meeting would benefit from waiting for the Provincial Government's decision on the amount of subsidy to be given to extension budget of FAs.
- (2) It is now definite that Dr. W. I. Myers, former Chairman of Agricultural Advisory Committee to the U. S. President will come



here on January 23, 1962 for a 3-week inspection trip. I believe that his advices will be a good guide to our building up a sound agricultural credit system and carrying out agricultural credit projects.

Mr. C. Y. Hsu:

Since FY61 Unified Agricultural Credit Program was started last May, the project operation by 63 participating FAs has been in general satisfactory. Credit services of those FAs to their members have steadfastly been improved, and reaction from the farmers increasingly favorable. All of the NT\$39.2 million direct loans and more than one half of the NT\$20.8 million indirect loans were paid to the participating FAs by JCRR from the Agricultural Credit Fund by the end of September. Having thus strengthened their lending capabilities with JCRR loans, the FAs are now in a better position to provide the farmers with more production loans at reasonable interest rates and on terms that conform to the farmers' requirements. The agricultural production loans made by the FAs amounted to NT\$106 million in September. More than 28,000 farmers borrowed from the FAs to fulfill the financial need of their farming plans during the period from May to September.

Noteworthy is the enthusiasm with which the participating FAs have strived to mobilize their own resources to join with JCRR funds for the project operation. As a result, agricultural production loans rose from NT\$3 million in April before the project implementation to NT\$106 million in September, while non-agricultural loans dropped from NT\$154 million to NT\$125 million during the period. In the meantime deposits received by those FAs showed an increase by 30 percent, and were also put into use for agricultural financing. Furthermore, internal transfers of funds from the credit departments to other sections of the FAs were checked and once reduced from NT\$13 million to NT\$7 million. Although the transfers of credit departments' funds were forced to increase again to NT\$13 million in September, they have been kept within the limit of five percent of deposits as ruled in the regulations governing the project operation. The pressures came from (1) increased need for financing agricultural marketing during July through September, and (2) the large amount of commissions in arrears which PFB owes to the FAs,

It exceeded NT\$ 7 million for the 63 FAs in September.

All investments made by the borrowers exceeded five million NT dollars at the end of September. Of the NT\$106 million loans, more than 70% were loans in terms exceeding one year. For details, please see attached tables I and II. I would like to leave to your later discussions the matters which have been found to require improvement during the past half year.

Mr. Y. P. Chang:

I am impressed by the speed of project progress from a loan total of NT\$3 million to NT\$106 million. But are you sure all FAs are carrying out the project according to regulations? I hope that explanations be given as to how many items are included under the category of "non-agricultural loans" in the table.

Mr. C. Y. Hsu

So far, the FAs have been found to be extremely careful in following the regulations. JCRR has four inspectors scattered on various places, and they are constantly travelling from one FA to another giving supervision and guidance.

The so-called "loans not for agricultural production" are for purposes such as food, clothing, housing, education and medicinal expenses, and also as operating capital for village industries and trades which are run by some associate members of the FA. As the principal concern of Unified Agricultural Credit Program dwells with agricultural production itself, detailed classifications of its purposes are in order. But no similar breakdown was attempted in the non-agricultural loans, which is strictly regulated to be financed only with the associate members' deposits.

Mr. K. H. King:

For providing better references of the project, I suggest that a general classification of the purposes of "loans not for agricultural production" be worked out.

Discussions:

1. *Problems which the Sino-American Joint Meeting has requested this Board to study and make recommendations upon:*
  - a. *Strengthening of supervision of FA credit departments*

Chairman:

CUSA called a meeting which was attended by MOF, ICA, JCRR and China Development Corporation, etc., to discuss the recommendations made by Mr. E. A. Tenenbaum. I am presenting to you the three problems which concerned the functions of this Board and which were referred to us for study and making recommendations on.

Mr. C. Y. Hsu:

JCRR called a meeting of PDAF, PDF, Land Bank and Co-operative Bank to study the problems, and has summarized their preliminary comments as may be seen in the distributed materials.

Mr. K. H. King:

Since its reactivation, the Central Bank is taking up the responsibility of banking examination. I hope the preliminary draft concerning the examination of FA credit department be modified accordingly.

Mr. Y. P. Chang:

I have noticed that there is a recommendation that subsidy from counterpart fund be given to pay for travel expenses in connection with such examination, but I wonder if it is necessary because this type of work belongs to administrative routine of the agencies concerned, who ought to have their regular budget to carry it out.

Mr. K. H. King:

As far as the Central Bank is concerned, it does not need subsidy, but I wonder if local governments have enough funds to fulfill the responsibility. It is for them that the subsidy is needed.

Chairman:

It was resolved at a Sino-American Joint Meeting in support of Mr. Haraldson's suggestion that expenses incurred from examination of FA credit departments be subsidized with counterpart fund. If a local government lacks the fund to carry out effective examination work, I am in favor of the subsidy.

Mr. C. Y. Hsu:

I would like to call your attention to the related part in the Agricultural Credit Plan for Taiwan, which states that "the income of the Agricultural Credit Fund is to be drawn on to cover the expenses of administration and supervision." If there is technical difficulty in appropriating counterpart fund, a subsidy may be made from interest earnings of the Taiwan Agricultural Credit Fund."

Dr. H. S. Tang:

The Provincial FA has a field staff of some 12 supervisors, who are well acquainted with conditions of most townships and well experienced in supervision and auditing of FAs. I suggest that by entrusting the work of examination to PFA, we can recruit valuable service of these supervisors. In making examination of credit business, we may have to make our work simple and effective by means of group action, so that we can avoid duplication of work by different agencies, and to enable the FAs to concentrate their efforts in carrying on business.

Mr. K. H. King:

We should aim to improve the qualification of examiners, who should have good basic knowledge in accounting, banking, agricultural economics, and agriculture in general. We may put two of them together at work, and may ask for assistance from PFA supervisors.

*Resolution concerning the strengthening of supervision of FA credit departments:*

- (1) Recommend to the government an earlier revision of related articles of the Farmers' Association Law on FA's credit business, so that the FA will acquire legal status in undertaking banking business.
- (2) For the object of improving financial management of FA credit department, request the Central Bank to strengthen supervision and audit of banking business which is undertaken by FA credit department, and urge the Executive Yuan to promulgate as early as possible Regulations Governing the Operation of Credit Department of Farmers' Associations to

facilitate the controls which are to be enforced by responsible agencies.

(3) With regard to supervision and audit of FA credit department, request the Central Bank to adopt the following measures:

(a) to send a representative, in company with local government officers if necessary, to make unscheduled examination,

(b) to examine all FA credit departments at least once a year,

(c) if necessary, negotiations may be made with this Board to subsidize expenses needed in examination from earnings made by the Agricultural Credit Fund. Detailed procedures may be worked out later.

(4) The Central Bank, upon discovering violation of laws and orders when examining an FA credit department, may order it to take immediate corrective action. In the case of serious violation, the local government should be requested to punish the general manager, the credit chief and other persons involved.

b. *Strengthening of agricultural credit operation of the Land Bank and the Cooperative Bank:*

Mr. K. H. King:

Regarding the delineation of business operation of the Land Bank and the Cooperative Bank, MOF asked the Provincial Government for recommendations, and the latter followed JCRR's plan to draw the line at the one-year mark. In my opinion, this method is not as practical as a delineation by the type of loan. As to the recommendation in the draft "to request the Central Bank to allocate funds from deposits guaranty reserves, to help reduce the cost of agricultural credit," it must be noted that the statutory reserves at the Central Bank cannot be used to finance loans. Issuance of agricultural bonds is worth studying. However, there are many difficulties under the current interest situations. If their interest rates are too low, there will not be

many buyers. If too high, the proceeds cannot be used to finance agriculture. Therefore, it is necessary that after the two banks have absorbed long term funds, there ought to be a source of low interest funds to blend with and help reduce cost. The Central Bank may be able to help, but not in a huge amount. Asking the U. S. aid authorities for more agricultural credit fund may be a better approach to the matter. In any case, the two banks must work out exact cost accounting of their deposits to justify their request for aid. All in all, this part of the draft could, if properly modified, be used to represent this Board's thinking. But prudence should be exercised before a formal presentation is to be considered.

Chairman:

In view of its close relationship with the jurisdiction of the Central Bank, it is suggested that this matter be left to the Central Bank for study and action.

*Resolution regarding the strengthening of agricultural credit operations of the Land Bank and the Cooperative Bank:*

Recommend to the Sino-American Joint Meeting to request the Central Bank to study and take appropriate action.

c. *Contribution to be made by FA credit department to extension section:*

Mr. C. Y. Hsu:

There seems to be some difference in the meaning between the CUSA letter to this Board written in Chinese language, and the Joint Meeting conclusions recorded in English language. I would like to quote the latter as follows:

"To reorganize the credit departments of Farmers' Associations:

Conclusion:

The reorganization of the credit departments of farmers' associations would seem unnecessary if the following improvements of credit activities of the farmers' associations can be carried out effectively:

(a) The funds of the credit department within a farmers' association shall be completely segregated from those of

other departments and sections, and shall not be liable for any of their obligations.

- (b) The contribution of the credit department to the overall income of farmers' association shall be limited to 7 per cent of its annual net earnings realized from its loans including aid fund. All other earnings shall be used to provide reserves against losses and capital reserves.
- (c) The credit department shall not transfer funds to any other department or section except for short term purposes. Such transfers shall at no time exceed five per cent of deposits, and shall be limited to a period of 30 days.

Regarding (a) above, the Farmers' Association Law should be amended to legalize the segregation of the funds of the credit department from those of other departments and sections. As to (b) above, the Agricultural Credit Planning Board should be requested to study whether the contribution of 7 per cent of credit department's net earnings to the overall income of farmers' association would be sufficient for use. The Board should see to it that all the above three improvements are to be carried out effectively."

I suggest that we use the English version. It is recommended that an FA credit department in the Unified Agricultural Credit program be allowed to make financial contribution to the extension section up to the limit of 10 per cent of its earnings. The 10 per cent contribution is determined based on the past 3 years' average of contributions, the expected earning power of the 63 participating FAs in FY61 operation and the Provincial Government subsidy of NT\$1,008,717 to be given to those FAs for extension activities in FY62.

Dr. H. S. Tang:

According to the calculations, the FY 1962 extension budget of the 63 FAs will still leave a deficit of NT\$2.2 million after taking into account of the government subsidy and the contributions from earnings of economic sections. If credit departments are to contribute only 10 per cent of their earnings, that will

be only NT\$800,000, leaving NT\$1.4 million still in deficit. Since there will not be any more source of income to think of for the FAs, I advocate that the rate of credit department's contribution be proportionately raised.

Mr. T. C. Li:

The subsidy of NT\$1,008,717 as decided by the Provincial Government for extension budget of the 63 FAs may appear small, but considering the stringency of government budget, it has not been easy to appropriate this amount. PDAF first presented to the Provincial Government all the necessary data of past and present work status and budget of the extension work of the 63 FAs. It was after many tedious negotiations, discussions and modifications that we finally convinced the commissioners and financial authorities to agree to the subsidy of this final figure.

Dr. H. S. Tang:

All over the world, agricultural extension is carried out and financed by the government. In Taiwan, however, not only the work is carried out by the FAs but predominant part of the budget funds is financed with FAs' earnings. The earnings vary from year to year, the extension work has been put on a precarious basis, and we would like to see the government step into the picture with stronger financial aid to make it a sound setup.

Mr. C. Y. Liu:

After the credit department's contribution to extension budget has been reduced and restricted, there ought to be a proportionate increase in the government subsidy, or the extension work will be adversely affected. FAs have been collecting from farmers extension guidance fees, mostly taking advantage of the time when farmers come to FAs to receive fertilizer allocation. In the recent years, however, the Food Bureau has been chronically behind the farming seasons in distributing fertilizers, and it is estimated that one half of the Bureau's fertilizers have been channeled into the hand of merchants. This results in a huge decrease in the extension guidance fees which the FAs



collect from the members. On the other hand, the profit of FA's economic section also suffers a contraction due to the increase in its interest burden, because it has to borrow from the banks and cannot borrow from the credit department owing to the limitation on internal transfers of funds. All these handicaps point to less budget for extension.

Mr. C. Y. Hsu:

According to PDAF surveys, contribution made by the credit departments of the 63 FAs during the past 3 years occupy only 26 per cent of their total extension budgets. Its weight is smaller than expected. When we allow the FAs to contribute as much as 10 per cent of the credit departments' earnings, then together with the one million dollar subsidy from the government, it will be able to meet the need to run good extension work without particular difficulties, even if a new source of income can not be found.

Mr. K. H. King:

To cover the shortage of fund in the extension budget, the government ought to grant more subsidy, and not to rely on raising the percentage of FA credit department's contribution in order not to retard the accumulation of capital at the credit department. This is a basic principle of the Unified Agricultural Credit Program, and we should protect the entity of the program.

*Resolution regarding the contribution to be made by FA credit department to extension section:*

- (1) In view of the assistance provided by the extension section of an FA to the agricultural credit work of its credit department, the latter may contribute to the former for expenses needed in providing such assistance, not exceeding a maximum amount equivalent to ten (10) per cent of annual earnings of the credit department. This maximum amount is subject to revision, dependent on the experience of its first year and on the provision of government subsidy to extension budget. In order to comply with the objective expressed in the establishment of U. S. aid Agricultural Credit Fund, it is imperative that each FA credit department make accumulation of all net earnings from the

lending of the combined non-interest bearing capital consisting of direct loans from U. S. aid Agricultural Credit Fund and accumulated earnings, deducting reasonable cost incurred from lending operation.

- (2) The Provincial Government should be requested to provide adequate budget funds to finance FA extension work.
- (3) FA extension section should do its utmost to collect annual extension guidance fees from the farmers in order to intensify the services.
- (4) PDAF should be requested to strengthen its supervision over the receipts and expenditures of FA extension sections.

2. *Readjustment of rates of interest on loans under Unified Agricultural Credit Program:*

Mr. C. Y. Hsu:

A uniform rate of interest of 1.5 per cent per month (18 per cent per annum) has been used under this program regardless of loans being secured or not. Since June 21, this year, the general banking interest rates have been lowered to 1.56 per cent per month for unsecured loans, and 1.35 per cent per month secured, and many voices have been heard from FA managers that interest rate under the Unified Agricultural Credit Program should be lowered. Judging from the FAs' cost of deposits and the need of the borrowers, it seems adequate to differentiate Unified Agricultural Credit interest rate on secured loans from unsecured loans, at 1.35 per cent per month for the former and 1.5 per cent per month for the latter.

Many FAs have also aired their desire to see that a borrower's 5 per cent investment in the credit department be returned him as soon as he has repaid the loan, instead of 2 years later as originally specified.

Mr. K. H. King:

It is logical that Unified Agricultural Credit rate be lowered when general banking rates are lowered. But if FAs return the borrowers' investment promptly after repayment of loans, the original objective of encouraging savings will be lost sight of.

I am not in favor of the proposed revision.

RESOLUTION:

There should be two rates of interest on loans under the Unified Agricultural Credit Program, one for secured loans and the other for unsecured loans. The rate shall be 16.2 per cent per annum (1.35 per cent per month) for the former and 18 per cent per annum (1.5 per cent per month) for the latter.

3. *Screening of qualifications of township farmers' associations for participation in FY 62 Unified Agricultural Credit Program and allocation of loans thereto:*

Chairman:

It is planned that NT\$60 million will be appropriated from counterpart fund in FY62 to implement the second year operation of the Unified Agricultural Credit Program. I suggest we start discussions on the screening of FA qualifications and the allocation of budget.

Mr. C. Y. Hsu:

One hundred and twenty-six FAs applied for FY62 Unified Agricultural Credit Program, and JCRR in cooperation with PDAF, PDF, PFA, Land Bank, and Cooperative Bank has preliminarily selected, in accordance with criteria set forth by the Board, 59 FAs of which three are substitutive candidates. Among the selected, the Pinglin FA of Taipei Hsien and the Huhsi FA of Penghu Hsien still have small amount of accumulated losses which were caused by economic business. These two townships are preponderantly agricultural, and the farmers are acutely in need of sizable source of low interest production loans, owing to the inactiveness of the credit department of these FAs.

It was proposed in the Agricultural Credit Plan for Taiwan, that one half of the credit fund is to be lent to FAs as direct loans, while the other half as indirect loans through the banks not only to finance FAs' credit operations but also marketing and supply businesses. This calculation of direct loans was based on number of FA voting members in 1958, but the number

has considerably increased since, and readjustment is needed. Furthermore, in extending credit to finance FAs' marketing and supply businesses, regardless of using the credit fund or their own resources, the banks are required to charge interest at the set rate of 15 per cent per annum uniformly, which is considered too low. As a result of fact, the banks became less enthusiastic to provide the FAs with such types of loans. Therefore, it is proposed that a revision be made to the effect that two-thirds of credit fund be allocated as direct loans to FAs and one-third as indirect loans to them through the banks, and that the financing of FA economic sections be excluded from the program and, entirely left to the banks' own capital at their interest rates. This proposed revision also corresponds with the recommendation made by Mr. E. A. Tenenbaum, Industrial Investment Advisor to CUSA, in his report "Taiwan's Turning point" which says that the Cooperative Bank and the Land Bank should lend seasonal surpluses of funds for short term use by industries which handle marketing, processing and warehousing of farm produce.

If the proposed revision is approved by this Board, NT\$40 million out of the FY62 budget of NT\$60 million will be given to the FAs as direct loans, and the remaining NT\$20 million as indirect loans. Similar readjustment will also be done with FY61 program.

Tables 3 through 5 are presented to you for considerations on these matters.

Dr. H. S. Tang:

The limits of 5 per cent of deposits for internal transfer and of 30 days for its duration are both rather on strict side. Although FAs may get loans from the banks to finance their marketing and supply businesses, the procedures are usually very cumbersome, and cause unnecessary increase in their interest burden. The Provincial Food Bureau perpetually owes the FAs huge amounts of commissions in arrear, thus forcing the latter to paralyze a big portion of their own operating capital. In view of these difficulties, I seek for your consideration that the 5

per cent limit on internal transfer be raised, and individual percentages be applied to each different FA depending on the need of its economic section but not exceeding 10 per cent of deposits.

Mr. K. H. King:

An FA ought to have a precise concept of cost accounting and a spirit of self support in running its economic section, and not to be too dependent on the credit department funds to go into uneconomical undertaking. As to the settlement of commissions in arrear, the Food Bureau should be approached for possibility of using bill of exchange accepted by the Bureau, discounted by the Cooperative Bank, and if necessary, rediscounted by the Central Bank.

#### RESOLUTION:

- (1) Two-thirds of Agricultural Credit Fund shall be used as direct loans to FAs, and one-third as indirect loans. All loans, direct or indirect, are to be lent by the FAs to the farmers for agricultural and side-line production purposes.
- (2) A budget of NT\$60 million is required for implementing FY62 Unified Agricultural Credit Program, with NT\$40 million as direct loans and NT\$20 million as indirect loans. The proposed list of 56 selected FAs, allocation of loans, and three alternate FAs are approved as recommended.
- (3) Based on resolution (1) in the above, there shall be readjustment of direct and indirect loans to the 63 FAs participating in FY61 project. The revised allocation of direct and indirect loans as well as breakdown by FAs are approved as proposed.
- (4) There will not be a revision in the percentage allowed to internal transfer of funds from FA credit department to other sections. The Land Bank and the Cooperative Bank are asked to handle the financing of FA economic businesses according to their own banking procedures.
- (5) The Provincial Food Bureau should be asked to pay promptly to the FAs the commissions it owes to the FA economic

sections for handling businesses entrusted by the Bureau. If necessary, the financing may be made by bills of exchange accepted by the Bureau and discounted by the Cooperative Bank. The Central Bank may be requested to give rediscount if there be such necessities.

The meeting adjourned at 5:00 p.m.

## MINUTES OF THE SIXTH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: April 27, 1962, Friday, 3:00 p.m.  
PLACE: Room 313, JCRR Building  
CHAIRMAN: Dr. T. H. Shen, Convenor  
PRESENT: Mr. K. H. King, MOF  
Mr. L. F. Ma, MOEA (Represented by Mr. H. H. Ching)  
Mr. Y. P. Chang, CUSA  
Mr. J. H. Huang, PDAF  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. P. S. Chang, KMT Central (Represented by Mr. C. S. Wang)  
Mr. M. S. Chen, Land Bank (Represented by Mr. C. Y. Lo)  
Mr. Y. S. Chen, Cooperative Bank  
Mr. T. C. Li, PDAF  
Mr. Y. T. Hsu, Cooperative Bank  
Mr. R. M. Paige, AID/C  
Mr. W. J. Green, JCRR  
Mr. K. E. Boyden, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. E. H. Chang, JCRR  
RECORDING: C. S. Chen, JCRR

### REPORTS:

#### 1. *Project progress of Unified Agricultural Credit Program:*

Mr. C. Y. Hsu:

- (1) The Unified Agricultural Credit Program was started in May, 1961. The total amount of NT\$39.2 million of direct loans was disbursed to the 63 FAs from the Agricultural Credit Fund by August 1961. The indirect loans of NT\$20.8 million were used as revolving funds for re-discount through the Land Bank and the Cooperative Bank. The highest demand time was March 1962, amounting to NT\$14.5 million or 70 per cent of the total.
- (2) The total deposits received by the 63 FAs showed an increase by 39 per cent from April 1961 to March 1962, mainly due to the increase

of deposits from their associate members. Farmer member deposits were up only 12 per cent.

- (3) The FAs have mobilized their funds to join with JCRR funds for making production loans.

The agricultural production loans increased from NT\$3.2 million in April 1961 to NT\$131.8 million in March 1962. During the eleven months from May 1961 to March 1962, more than 37,000 farmers borrowed from the FAs to fulfill the financial need of their farming plans covering a range of 22 categories from hog raising to farm mechanization. More than 70 per cent of those agricultural loans was for a term exceeding 12 months. Previous to the Unified Credit Program loans were made on a monthly basis.

- (4) The internal transfer of funds was markedly reduced from NT\$13.3 million or 6.5 per cent of deposits in April 1961 to NT\$8.2 million or 2.9 per cent of deposits in March 1962.
- (5) The deposits made by the 63 FAs with the Cooperative Bank and the Land Bank vary in amount from month to month, due to variation in deposits made by the members. These deposits include reserve deposits required by banking regulations. The percentage of deposits with banks to deposits received by the 63 FAs in March 1962 was 24.2 compared to 26.6 in April 1961, the peak being 29.2 in October 1961. The change indicates seasonal demand of funds by farmers.

Disbursement of funds from the Agricultural Credit Fund was made after the FAs had utilized their own resources to the extent permissible. JCRR fieldmen continue to watch this and all financial operations of FAs enrolled in the project.

In March 1962, the FAs used 63 per cent of deposits from farmer-members to extend agricultural loans. In April 1961 this was only 3.4 per cent. They made non-agricultural loans three per cent more than the regulation permitted this year. In April 1961 this figure was 67.5 per cent.

- (6) Investments by farmer-borrowers amounted to NT\$9 million in March 1962. Earnings accumulated by the 63 FAs at the end of 1961 was a net of NT\$3.8 million.
- (7) The 55 FAs participating in FY62 program started operation in



January, 1962. Thanks to experiences obtained in FY61 program, progress has been satisfactory. Detailed report will be made at next meeting.

- (8) The Executive Yuan has directed that agencies concerned shall make quarterly reports to CUSA on measures which are taken in connection with the recommendations made by Mr. Edward A. Tenenbaum, industrial investment consultant. The Unified Agricultural Credit Program is included in his recommendations. With your comments and consent, we would like to present the above as a quarterly report to CUSA.

Chairman:

I would appreciate it if Mr. Y. P. Chang would be kind to go through the proposed report and give us comments.

2. *Measures taken to implement a resolution on the fifth Board meeting:*

Mr. C. Y. Hsu:

At the fifth meeting, it was resolved that the Provincial Food Bureau be asked to pay promptly to the FAs the commissions it owed to the FA economic sections for handling businesses entrusted by the Bureau, that if necessary, the financing may be made by bills of exchange accepted by the Bureau and discounted by the Cooperative Bank, and that the Central Bank may be requested to give rediscount if there be such necessities. Accordingly, JCRR wrote a letter dated December 30, 1961 to PFB informing about the resolution and requesting the latter's cooperation. Subsequent reports indicate that most of the commissions in arrears were paid by the Bureau to the farmers' associations before the Chinese New Year. It seems that the Bureau paid due regard to the resolution.

Mr. K. H. King:

It is hoped that reports be submitted at future meetings of the Board on PFB's payments of commission to the FAs.

DISCUSSIONS:

1. *To invite Mr. Kenneth E. Boyden, Chief, Agricultural Credit Division, JCRR as advisor to the Board:*

RESOLUTION; Proposal approved.

2. *Recommendations made by Dean W. I. Myers on Taiwan's agricultural credit programs:*

Mr. C. Y. Hsu:

Dean Myers arrived in Taiwan in late January this year, inspected Taiwan's agriculture for 3 weeks, and made a report to JCRR. He said the Unified Agricultural Credit Program had made an excellent start in its first year of operation and the plan of organization and operation seemed satisfactory. He believed that, if these plans were carried out intelligently, the Unified Agricultural Credit system would be the best in South-east Asia, and would make a vital contribution to agricultural development and productivity in Taiwan.

He made the following recommendations for further improvements:

A. Unified Agricultural Credit Fund and its allocation:

- (1) Consideration be given to increasing the amount allocated from the Credit Fund to FAs in regions where credit needs are especially large for vegetables, citrus and other crops not financed by the PFB or government corporations.
- (2) Although the NT\$300,000,000 Credit Fund is adequate at present, it may prove to be too small if credit needs exceed available resources of FAs including deposits and funds borrowed from the Land Bank and the Cooperative Bank. In that event, consideration should be given to plans to enable the FAs to rediscount or borrow from the Bank of Taiwan or the Central Bank for seasonal credit needs.
- (3) Under present regulations, FAs are expected to begin payments of their temporary capital grant to the Agricultural Credit Fund at the end of five years. The Agricultural Credit Planning Board should study the financial condition and the repayment schedules of each FA so as to provide greater flexibility.

B. Basic farm credit organization:

- (1) Studies be made to insure maximum segregation of the credit department by means of incorporation of separate corporations but with the same directors as the FAs, or within FAs along lines developed by commercial banks for the segregation

of savings departments.

- (2) Examinations and audits of the accounts and records be given to FA credit departments. Number of well trained examiners be increased. Adequate funds must be provided for this purpose using income from the Credit Fund if necessary. After they are firmly established the cost of these examinations could well be charged to the individual credit department.
- (3) Short courses for inservice training of managers and employees of credit department are essential.
- (4) A substantial number of FAs operated at a loss. It is important to take vigorous steps to help such organizations to get on sound operations, so that they may be able to participate in Unified Agricultural Credit Program.
- (5) It is important to arrange an annual meeting of the members of every credit department for educational purposes.

C. Other related matters:

- (1) The Land Bank should concentrate its lending efforts on longer term loans, and the Cooperative Bank on loans for working capital and facility loans.
- (2) There is need for a small but efficient provincial agency to supervise credit departments of FAs, and to conduct thorough audit examinations, the training of credit department employees and the educational program for farmer members.

Chairman:

Dean Myers' recommendations cover a wide range of agricultural development, of which ten items concern rural credit. Some of the 10 recommendations are being carried out, and steps of implementing others are being studied. However, items A (2) and C (2) in the above have to be jointly studied by agencies concerned before being put into practice. Your comments are requested.

Mr. K. H. King:

I don't think there will be much problem in item A (2). However, in applying for loans or rediscounts from the Bank of Taiwan or the

Central Bank, the FAs ought to go through the Land Bank or the Cooperative Bank. As to item B (5), I'm inclined to think that he may not understand the nature of FA members' meeting. FAs hold annual meeting of members' representatives under present regulations, but there is no way of their holding members' meeting.

Mr. J. H. Huang:

A members' meeting is too huge to handle. If there is need, a small meeting may be tried out. For instance, small agricultural unit meeting on village level.

Chairman:

With JCRR assistance, thirty-one FAs are carrying out a program of strengthening small agricultural unit activities. They frequently hold small agricultural unit meetings to coordinate various activities and to bring closer the relation between FA and its members. FA credit department ought to make good use of these village meetings. Townships are loaded with fast increasing population, and it would be impractical to have a township level meeting. I would hesitate to believe that Dean Myers meant this type of large meeting.

Mr. K. E. Boyden:

The four JCRR fieldmen have made arrangements with four FAs to try out a village meeting in each FA. At such a meeting, explanations about the credit program will be made to the members, and answers will be made to questions raised by them.

Mr. C. S. Wang:

Regarding the segregation of FA credit department as suggested in item B (1), it seems urgent that the government be asked to find a solution. The revision of Farmers' Association Law has been delayed for quite some time due to the difficulty of getting various agencies agree.

Mr. T. C. Li:

Dean Myers' recommendation seems to contain two different principles: (1) to let FA credit department become independent, and form agricultural credit cooperative, and (2) to give legal and independent status to FA credit department within present framework. Since the Executive Yuan has decided not to take up the first approach for the time being, it is necessary that the government start taking

action for the revision of Farmers' Association Law.

Mr. Y. P. Chang:

CUSA is calling a meeting pretty soon to iron out different views of various agencies on this matter.

RESOLUTION:

Recommendations made by Dean W. I. Myers on Taiwan's rural credit are highly valuable. This Board, however, makes the following comments on three of these recommendations:

- (1) that if FAs are to apply to the Bank of Taiwan or to the Central Bank for loans or rediscount, they should be handled through the Cooperative Bank and the Land Bank:
- (2) that with regard to the segregation of FA credit department assets and liabilities, and to the audit and examination of its accounts, the government be requested to revise Farmers' Association Law in order to provide credit department with legal status.
- (3) that if there are to be meeting of FA members, such meetings should not be held in excessively large scales, and should be called mostly in the form of village and small agricultural unit meetings.

3. *Expansion of loan purposes of Unified Agricultural Credit to include farm living expenses:*

Mr. C. Y. Hsu:

There are 22 loan purposes under Unified Agricultural Credit, each dealing with agricultural and sideline production. In Taiwan, it is hard to draw a line between farm production and family living. Lack of fund to pay for daily necessities often adversely affects the farmer's production. At present, farm living expenses are regarded as non-farm credit purpose. Financing of these expenses has to be made by an FA from the portion equivalent to 70% of associate members' deposits. The more rural is a township, the less will there be deposits of associate members in the farmers' association. Those FAs who keep small deposits from associate members are, therefore, unable to meet the credit need for farmers' living expenses. They have asked this Board to consider the inclusion of farmers' living

expenses under farm credit.

Mr. Y. P. Chang:

From the statistics provided, I see that there were NT\$10 million more non-farm loans than the farm loans made by the 63 FAs at the end of March, 1962. It looks sufficient with that much of non-farm loans to take care of the farmers' living expenses.

Mr. C. Y. Hsu:

Mr. Chang's interpretation is valid for overall situation of the 63 FAs. When it comes to individual FAs who have little deposits from associate members, difficulties arise in financing farmers' living expenses under non-farm category.

Mr. K. H. King:

Considerations should be given to each individual FA depending upon its actual need. I would like to see such materials presented at next meeting of the Board.

Mr. W. J. Green:

In Taiwan, farm management and farm living are almost inseparable. Farming plan and home plan together make up a farmer's economic plan. Lacking either one will affect the entire planning. Living expenses, therefore, should be regarded as production item, and be sufficiently financed.

#### RESOLUTION:

With regard to whether farmers' living expenses be included in farm credit items, information be collected as to actual situation of individual FAs, and be presented to next meeting for further discussion.

4. *Automatic adjustment of loan interest under Unified Agricultural Credit following revision of loan interest rates of the banks:*

Mr. K. H. King:

It is proper to have loan interest rates under Unified Agricultural Credit linked to the loan interest rates of the banks, and let them be automatically revised when the latter are revised.

Mr. T. C. Li:

In compliance with government policy, the FAs are doing their best receiving long term special time deposits, which are equivalent to the banks' saving deposits. These are high-cost deposits and are

not suitable for extending farm credit. But according to the regulations, 70% of these deposits have to be used in such purpose if the deposits come from farmer members.

Mr. K. H. King:

Since the cost is too high to be used in farm credit, the FAs may be allowed to exclude these deposits when they calculate the required amount of lending funds for farm credit.

Mr. C. Y. Hsu:

Statistics of the 63 FAs show that current deposits take up only 34% of all deposits. If special time deposits are not included in the lending funds of farm credit, there will be shortage of such funds in general.

Chairman:

It is true that some of the special time deposits are costing FA too much to be effectively used in farm credit. It seems practical that if such difficulties are observed in the course of auditing and supervision, lenient understanding of the situation be exercised.

#### RESOLUTIONS:

- (1) Loan interest rates of Unified Agricultural Credit shall be revised automatically when loan interest rates of the banks are revised.
  - (2) In view of the high cost of special time deposits which makes it difficult to use such deposits in making farm loans, lenient understanding will be made by those who make audit and supervision of FAs when checking the latter's calculation of lending funds for farm credit.
5. *Delegation of authority to Executive Secretary to disqualify participating farmers' associations who have made poor accomplishment, and to report to the Board:*

Mr. C. Y. Hsu:

Project progress for the 63 FAs has generally been satisfactory, except for a few FAs. One of them is Pateh FA in Taoyuan Hsien, who as of the end of March, 1962, had not contributed a dollar of its own funds in making farm loans under the program. It has failed to curb the internal transfer within the limit, and did not accumulate any earnings of credit department last year. A group

of officers representing JCRR, Provincial Department of Agricultural and Forestry, Provincial Department of Finance, Provincial Farmers' Association, Cooperative Bank and the Land Bank, inspected this FA early this year, and requested the FA to take prompt action to improve. Months have passed, but no sign of improvement has been noticed. It is proposed that Executive Secretary be authorized to disqualify this kind of derelict FAs from carrying on a project, and to report it to the Board.

Mr. K. H. King:

They should be told to improve themselves by certain deadline, beyond which they will be disqualified by the Executive Secretary who acts with authority from the Board and report it to the Board.

RESOLUTION:

Farmers' Associations who have made poor accomplishment shall be instructed to improve themselves by certain deadline. The Executive Secretary shall be authorized to disqualify those FAs who have not made significant improvement, and to make report to the Board.

6. *Suggestions made by the Provincial Farmers' Association and the participating farmers' associations with regard to the implementation of Unified Agricultural Credit Program:*

Mr. C. Y. Hsu:

PFA and the participating FAs have made many suggestions regarding the program implementation. They can be summarized into the following seven items:

- (1) Raise the 5% limit on internal transfer to 10%.
- (2) Raise the credit department's contribution to extension budget from the present 10% of its earnings to 20%.
- (3) Allow borrowers to retire their 5% investment as soon as they repay loans.
- (4) All farm loans from the Land Bank and the Cooperative Bank be channeled through FAs.
- (5) The Land Bank and the Cooperative Bank be asked to give FAs credit facilities to operate the latter's marketing and supplying business, so that they can comply with the limitation on internal transfer.



(6) Allocate subsidies from interest income of the Agricultural Credit Fund to the Provincial Farmers' Association for strengthening supervision of farm credit.

(7) FAs who have accumulated losses but have good cooperation among officers and staff should be given special consideration when applying for participation in the program.

Mr. Y. P. Chang:

I wonder there is enough time for us to go over all these suggestions, and would like to move that we discuss them at the next meeting.

RESOLUTION:

Discussions will be made at next meeting.

7. *Resolution on other matter:*

Information be collected regarding the payment of FAs' commissions due from the Provincial Food Bureau, and be reported to the Board meetings.

Meeting adjourned at 5:00 p.m.

## MINUTES OF THE SEVENTH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: January 16, 1963, Wednesday, 3:00 p.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr. T. H. Shen, JCRR  
PRESENT: Mr. K. H. King, MOF  
Mr. L. F. Ma, MOEA  
Mr. Y. P. Chang, CUSA  
Mr. J. H. Huang, PDAF (represented by Mr. T. C. Li)  
Mr. S. W. Ying, PDF (represented by Mr. M. Y. Soong)  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. M. S. Chen, Land Bank  
Mr. Y. S. Chen, Cooperative Bank (represented by Mr. Y.  
T. Hsu)  
Mr. C. L. Yang, Legislator  
Mr. P. S. Chang, (represented by Mr. C. S. Wang)  
Mr. Ronald H. C. Ho, Central Bank  
Mr. Albert L. Boucher, AID/China  
Mr. Oswald E. de Urrutia, AID/China  
Mr. Kenneth E. Boyden, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDING: C. S. Chen, JCRR

### I. REPORT:

1. Mr. C. Y. Hsu, the executive secretary, made the following report on the recent progress of Unified Agricultural Credit Program:
  - (1) The Unified Agricultural Credit Program was started by the first group of 63 FAs in May 1961, and was later expanded to admit the second group of 54 FAs in January 1962. Total participants in the project are now 117 FAs or about 40 percent of the 290 FAs which offer credit service to their members in Taiwan. Since their participation in the program, the financial condition of those 117 FAs has gradually been strengthened and credit services steadfastly improved.

- (2) For the implementation of the project, the Counterpart fund appropriated a total of NT\$140 million of Agricultural Credit Fund in FY1961 and FY1962, out of which the Planning Board approved NT\$92 million as non-interest bearing direct loans to the 117 participating FAs and NT\$48 million as indirect loans to them through the Land Bank and Cooperative Bank. As of December 1962, the 117 FAs have drawn from the Fund NT\$ 91,850,000 of direct loans, and NT\$29,009,500 of indirect loans through the Banks in the form of re-discount. The Fund charges interest on the indirect loans at 12 percent per annum to the Banks who in turn collect 14 percent of annual interest from the FAs. The interest received by the Fund from the Banks totalled NT\$1,286,978.55 as of December 1962.
- (3) As of November 1962, those 117 FAs were extending unified credit to 65,000 farmers in the total amount of NT\$283 million to finance diversified production purposes. It is noteworthy that the agricultural loans made by those 117 participating FAs showed an increase of 116 percent in 11 months from January to November 1962, while their non-agricultural loans increased slightly more than 14 percent in the same period. The major items of these agricultural loans include farm machinery and equipment (12%), purchase of land (16%), land improvement (12%), farm installations (13%), draft animals (16%), and hog raising (17%). About three-fourths of the total amount of loans were for a term exceeding 12 months, with the maximum of five years. The record of collection as of November 1962 was 94 percent.
- (4) There are 234,600 members in those 117 participating FAs. Among them, 109,980 farmers or 47 percent of the total applied for agricultural loans under the Unified Agricultural Credit Program in the period from May 1961 through December 1962. Three out of every four farmers who applied for loans got the money they needed. Average size of a loan is NT\$4,300. Records of the FAs indicate that 24 percent of the disapproval was due to the poor record of an applicant in repaying loans, 34 percent to the inadequateness of his plan to use the loan, 33 percent to the insufficiency for lending funds of the FAs, and 9 percent

to other reasons.

- (5) In analyzing components of the lending funds of those participating FAs to make the agricultural loans of NT\$283 million, it is noted that about two-thirds of the lending capital came from the members' deposits, capital subscribed by borrowers and the FAs' reserves. This proves that the farmers and their associations are directing their efforts toward the establishment of a self-sustaining credit program, while the heavy dependence on deposits for lending capital makes the FAs difficult in formulating progressive loan policy. Of the total deposits received by 117 FAs as of November 1962, 29 percent was demand deposits and 71 percent time deposits, resulting in high cost of money used by the FAs as the lending funds. Studies made by JCRR field men revealed that the average money cost of the 117 FAs in 1962 was 0.81 percent a month. The prevailing monthly rate charged by the FAs to farmers under the Unified Agricultural Credit Program is 1.5 percent on unsecured loans and 1.32 percent on secured loans.
- (6) The internal transfer of funds from the credit department to other sections has been in general kept within the limit of five percent of total deposits as ruled in the regulations governing the project operation. Average rate of the internal transfer for the 117 FAs in 1962 was three to four percent. However, situation varies with individual FAs according to the size of actual businesses respectively carried out by the credit department and economic section. About two out of ten FAs exceeded the five percent limit, although the excess was small in amount. The total of internal transfer in the 117 FAs was NT\$19 million at the end of November 1962. It was caused mainly from (1) increased need for financing agricultural marketing following the harvest of second rice crop, (2) maintenance of processing facilities and payment of overhead in spite of decreased processing business entrusted by PFB due to the setback of export of rice to Japan in the year, and (3) large amount of commission in arrears which PFB owes to the FAs for the entrusted business of fertilizer distribution and rice collection. The commissions in arrears exceeding three months amounted NT\$7.8 million at

the end of 1962.

- (7) Investments in the FA credit department by farmer-borrowers reached over NT\$20 million in November 1962. Most farmers have realized the importance of the requirement of investment, but some were still not able to understand and took it as a kind of additional interest charge. In view of comments made by the farmers on the one hand, and for the convenience of book-keeping of FAs on the other, the FAs suggested that the five percent investment be returned to the subscribers immediately after the full repayment of loans, instead of two years later.
  - (8) The capital reserves retained from earnings by the 117 FAs amounted to a total of NT\$17 million as of the end of 1962. Ten percent of earnings realized by the credit department of the participating FAs was contributed to support extension services of the associations. The Provincial Government provided additional financial support of NT\$1 million in FY 1961 and NT\$2 million in FY 1962 to the participating FAs for extension education work.
  - (9) The satisfactory operation of the credit project was largely dependent on the efficient supervisory work conducted by the JCRR task-force of fieldmen who are strategically stationed around the Western Taiwan. These four fieldmen spent a total of 816 man-days in the field in 1962. Each of the participating FAs was visited and inspected by the fieldmen 21 times on the average during the year. Five meetings of the fieldmen were held at Taipei in 1962, at which project progress was reviewed, experience exchanged, and problem discussed. In cooperation with PDF, PFA, Land Bank and Cooperative Bank, JCRR and PDAF jointly sponsored two training courses for the general managers, credit chiefs and credit men of the 117 participating FAs in 1962. These training courses were conducted in 12 different areas for the convenience of attendants. Time spent by the FAs' officers and staff in the training amounted to 351 man-days.
2. Mr. T. C. Li reported about the change in criteria used by the Provincial Government in allocating subsidies to FA extension budget. In 1961, subsidies to FAs' past expenditures. Some FAs

got as much as NT\$40,000 and others as little as NT\$8,000. In 1962, it was changed so that no FA would receive more than NT\$24,000 or less than NT\$12,000.

- II. 1. *Name list of farmers' associations proposed for participation in FY63 Unified Agricultural Credit Program and allocation of Agricultural Credit Fund to these FAs.*

Mr. C. Y. Hsu:

Fifty-four FAs have been preliminarily selected from 93 applicant FAs at a meeting attended by JCRR, PDAF, PDF, PFA, the Land Bank and the Cooperative Bank according to the conditions laid down by the Board. Ten of the selected FAs still have some accumulated losses, which were incurred by and attributed to their economic section. The credit department of these FAs is weak and badly in need of low interest funds to help finance the farmers' production. Last year, we chose two such FAs (Pinglin FA of Taipei Hsien and Huhsi FA of Penghu Hsien), and the result has been very satisfactory. Therefore, the Board's approval of these 10 FAs along with other 44 is recommended. FY63 Agricultural Credit Fund has a budget of NT\$60 million. It is proposed that NT\$38.8 million be used as direct loans allocated among the 54 FAs, and NT\$21.2 million as indirect loans. Please examine the list of FAs and allocation of direct loans.

Resolution: The FY63 budget of Agricultural Credit Fund is to be NT\$60 million, of which NT\$38,800,000 is direct loans and NT\$21,200,000 indirect loans. Name list of FAs and allocation of direct loans to each FA from the Agricultural Credit Fund are approved as recommended. (See attachment).

2. *Measures to encourage farmer-borrowers to buy stock in the FA credit department.*

Mr. C. Y. Hsu:

It is specified in the Unified Agricultural Credit Program that a borrower must buy stock in the FA credit department at least equivalent to five percent of his loan. This investment will be returned to him two years after he repays his loan, or upon his death. However, the FA cannot pay dividend on this investment

until it has repaid the non-interest bearing direct loans from JCRR. The purpose of this rule is to help the FA accumulate its own capital as additional lending fund. However, the banking rates of interest are 1.56 percent and 1.32 percent respectively for unsecured and secured loans, while Unified Agricultural Credit rates are 1.5 percent and 1.32 percent. The latter rates are not significantly lower than the banking rates, and are higher when the five percent investment is taken into consideration. The farmers are aware and appreciative of all the benefits which UAC program have brought to their production, but they hope that their interest burden be lessened through some changes in the investment rules.

Mr. K. H. King:

The purpose of investment is to help the FA build up its own lending capital. If the investment is returned as soon as the loan is repaid, the requirement for investment will look more like a disguise of additional interest burden. I would suggest that we look for some other approach to this problem, say paying dividend on investment.

Mr. Ronald Ho:

Incentives for investment are safety, profitability and liquidity. But now with the legal status of FA credit department yet to be determined, there is little liquidity in the stock. To increase the farmers' interest in investment under these circumstances, it seems necessary that either the rate of loan interest is lowered, or dividend is paid on the stock.

Mr. O. E. de Urrutia:

The farmers will lose interest if the FAs want them to invest and do not pay any interest or dividend. You have to give them something for which they will think the investment worthwhile.

Mr. Edward Chang:

A farmers' association is not paying dividend on its regular stock. If it starts paying dividend on the stock which is invested in its credit department, it faces a problem of fairness to all members.

Mr. M. S. Chen:

Since the rule says the investment has to be retained for two years after repayment of loan, we should not change it for the time being lest it should give the farmers an impression that we are quite whimsical. There must be some other approach to this problem.

Mr. T. C. Li:

The requirement of investment in UAC program is based on a sound principle. The farmers misunderstand it as a disguise of higher interest because UAC loan interests are not noticeably lower than the banking rates. One reasonable approach seems to be the lowering of interest rates on UAC loans.

Mr. Y. T. Hsu:

When a farmer borrows an unsecured loan at 1.5 percent per month and takes out a 5 percent stock, his interest cost is equivalent to 1.58 percent without buying stock, and therefore is higher than the banking rate. The same is true with his borrowing of a secured loan at 1.32 percent per month with 5 percent stock, which equals to 1.42 percent without stock. We could either lower the interest rates or pay interest on the stock. Paying dividend on the stock may involve taxation of the FAs, and may not suit present situation.

Mr. C. Y. Hsu:

More than 70 percent of the FAs' deposits are time deposits, contributing to the high money cost. If we compel them to charge lower rates on UAC loans, some of them may slow down on making farm loans and show more interest in non-agricultural loans on which they can charge higher interest to cover the cost.

Mr. A. L. Boucher:

Let us not panic because we are criticized on this stock and interest problem. Perhaps we should hold the line for a while. If changes are made it will be necessary to contact the Mission first regarding the original agreement.

Mr. K. E. Boyden:

The question of the 5 percent stock is always a problem. In



the U. S. farmers still do not like it after 45 years. But it's one way to assist in building reserves, along with the interest free Counterpart Fund, and we do have more farmers who want to borrow than we have money. However, it would seem interest rate should be competitive I would suggest a committee be appointed.

Dr. T. H. Shen:

The problem of interest rates of agricultural loans is important and complicated. It is proper to organize a study group to undertake a thorough study of the problem.

Resolutions:

- (1) Existing rules regarding the investment by a farmer-borrower in the farmers' association credit department shall remain unchanged.
  - (2) In order to encourage the farmers' investment and to meet with present conditions, a study group shall be organized to make a thorough study with regard to the readjustment of interest rates, and present its findings to the next meeting of the Board. Members of the study group will be Messrs. K. H. King, M. S. Chen, Y. S. Chen, Ronald H. C. Ho, C. Y. Hsu and Edward Chang. Mr. King will be the convenor, and Mr. Kenneth E. Boyden will be invited as an advisor.
3. *How to coordinate with Unified Agricultural Credit Program those loans which are extended by FAs as agent of Land Bank or the Cooperative Bank.*

Resolution:

Discussion on this matter shall be deferred to the next Board meeting at which the findings of the said study group will be discussed.

4. *Strengthening the audit of FA credit department:*

Resolutions:

- (1) As the agency which provides the Agricultural Credit Fund, JCRR will continue to supervise those FAs in the Unified Agricultural Credit Program through its existing field inspection system.

- (2) The Central Bank of China will be formally requested to expedite a plan in the nearest future in order to strengthen audit and examination of the credit operation of all farmers' associations.

Meeting was adjourned at 5:30 p.m.

## MINUTES OF THE EIGHTH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: July 6, 1963, Saturday, 9:00 a.m.  
PLACE: Room 313, JCRR Building  
PRESENT: Dr. T. H. Shen, JCRR Convenor  
Mr. K. H. King, MOF  
Mr. L. F. Ma, MOEA (Represented by Mr. H. H. Ching)  
Mr. Y. P. Chang, CUSA  
Mr. Ronald H. C. Ho, CBC  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. P. S. Chang (Represented by Mr. C. S. Wang)  
Mr. M. S. Chen, TLB (Represented by Mr. C. C. Liu)  
Mr. Y. S. Chen, TCB (Represented by Mr. C. C. Wang)  
Mr. Y. K. King, JCRR  
Mr. K. E. Boyden, JCRR  
Mr. T. C. Li, PDAF  
Mr. Y. T. Hsu, TCB  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDER: C. S. Chen, JCRR

### I. REPORTS

#### 1. Report by the Convenor:

At the request of Mr. Albert Boucher, AID/C, Messrs. K.H. King, M. S. Chen, Y. S. Chen, K. E. Boyden, C. Y. Hsu and I attended a meeting on June 24, 1963 to discuss the FA cost of loaning operation, the movement of rural capital, the impact of revising deposit and loan interest rates, the reserve accumulation of Unified Agricultural Credit Program FAs and the ratio of credit contribution to extension budget. Today, we will discuss the revision of Unified Agricultural Credit Program loan interest rates and the credit department's contribution to extension budget. Inasmuch as the two subjects have bearing upon a number of important problems, I hope

this meeting will give them thorough discussion and will be able to arrive at appropriate conclusions.

2. Report on Progress of Unified Agricultural Credit Program by Mr. C. Y. Hsu, Executive Secretary:

(1) This Board approved the participation of 54 FAs in the FY 1963 Unified Agricultural Credit Program, which raised the total number of FAs to 171. At present, five of these new FAs namely Neihu, Tucheng, Taan, Matou and Hengchun, are not ready yet to sign the agreement with JCRR and to start the work, owing to internal strife.

(2) By the end of May, 1963, NT\$148,300,000 was disbursed from the Agricultural Credit Fund, NT\$100,300,000 as non-interest bearing direct loans to FAs and NT\$48,000,000 as indirect loans through the two banks. Outstanding balance of Unified Agricultural Credit Program loans made by the FAs to the farmers on May 31 was NT\$343 million which was financed by the following sources of funds:

JCRR direct loans	NT\$ 100,300,000
Indirect loans through banks	24,000,000
Borrowers' investment	27,000,000
Accumulated reserves	17,000,000
Deposits from farmer-members	175,000,000

(3) According to the statistics of 123 FAs, total Unified Agricultural Credit Program loans amounted to NT\$302 million on March 31, 1963, and to its major components by loan purposes were as follows:

Hog raising	NT\$ 73 million (21%)
Purchase of land	NT\$ 63 million (20%)
Land improvement	NT\$ 42 million (14%)
Draft animal	NT\$ 41 million (14%)

There were delinquent loans of NT\$13 million occupying 4% of all loans, more than 42% of delinquent loans were hog raising loans (NT\$5.5 million). This was due to the acute shortage of feed caused by severe frost damage on sweet potato crop, and hence retardation in hog fattening.

- (4) Generally speaking, the majority of Unified Agricultural Credit Program FAs are doing an excellent job. Close supervision has been made to guide a few participating FAs to improve their poor record. Of these FAs, the situation of the Patch FA is quite serious. In view of its poor accomplishment since its participation in FY 1961 program, I reported the matter to the sixth meeting of this Board, which resolved as follows:

“Farmers’ Associations who have made poor accomplishment shall be instructed to improve themselves by certain deadline. The Executive Secretary shall be authorized to disqualify those FAs who have not made significant improvement, and to make report to the Board.”

Since then, JCRR field inspectors have doubled their efforts in giving Patch FA supervision and guidance in close cooperation with local government and federation. I also went to the FA accompanying Messrs. S. C. Li of PDAF, P. C. Yen of PDF and K. H. Cheng of PFA, to give pressure to the FA, but it has shown little progress toward improvement. Recently several cases of unlawful acts by the FA staff have been uncovered; the general manager misused NT\$221,045, the chief accountant embezzled NT\$339,863, and the economic section is short of 29,148 kg. of PFB fertilizer and 31,112 kg. of PFB paddy worth NT\$284,762. Upon discovering of the wrong-doings, the magistrate of Taoyuan Hsien ordered to suspend the general manager and the chief accountant, and the matter is in the hand of law officers. A committee has been organized by the Hsien Government and other agencies to tidy up the FA situation. The magistrate of Taoyuan Hsien who was deeply disturbed by this unfortunate incident, appointed an acting general manager and promised that he will do his utmost to reform the FA. He requested that the FA be not disqualified for the time being so that it will have a chance to get back on its feet after a reshuffle of personnel. As to the safeguarding of the non-interest bearing loans to this FA, instructions have been given to the FA to open special account at the Taoyuan Branch of the Cooperative Bank.

3. Report on payment in arrear of various commissions owed by the Provincial Food Bureau to the farmers' associations:

Mr. C. Y. Hsu:

According to data collected from the 171 Unified Agricultural Credit Program FAs, payment of commissions to the FAs in the amount of NT\$10,559,000 was in arrear for more than three months. This includes:

Rice collection and processing	NT\$ 3,744,000
Fertilizer distribution	5,309,000
Others	1,506,000

Of the 171 FAs, 128 have such cases of payment in arrear. This severely hampers the turnover of fund of the FA economic sections, and compels them to borrow from the banks or from the credit department, whereby the earning of economic section is reduced and the credit operation of credit department handicapped.

Mr. C. Y. Liu:

We estimate that PFB owes more than NT\$50 million to all FAs in Taiwan with payment in arrear, the longest being three years. The Bureau often uses the excuse that an FA is not collecting PFB loans from the farmers on schedule and therefore the Bureau withhold the payment of commissions. However, the FA is helping the PFB to make loans to the farmers as an agent, and is not the borrower of the loans. It is not fair to hold the FA solely responsible for the farmers' inability to repay the loans. Moreover, the Food Bureau has not increased the rates of commissions since 1953 in spite of continuing rise in the handling costs such as salaries, electricity, depreciation of warehouses, machinery, etc. This has constituted the main reason for the decline in FA economic section earnings.

Mr. K. H. King:

Mr. R. C. Li, PFB Director, has repeatedly denied the delay in paying FA commissions. If the amount involved is not too large, it will not be difficult to solve the matter. I suggest that PDAF and PFA work together to give it a thorough study, and if necessary, assistance from Governor P. Y. Hsu of the Central

Bank be solicited.

Mr. Y. K. King:

To solve this problem, we must make clear (1) how much PFB owes the FAs in commissions which are overdue, (2) how the farmers own PFB in loans which are handled by the FAs as agents, and (3) how much the FAs owe the PFB in these loans. I hope PDAF and PFA will be able to provide us with data which will shed light on these points.

## II. DISCUSSIONS:

1. After studying the interest rates of Unified Agricultural Credit Program, the Study Group of this Board recommends that they should not be determined independently but as an integral part of the whole interest structure. The recommendations are submitted to the Board for discussion.

Mr. C. Y. Hsu:

The motive of this study had a close relation with the consideration of a farmer's burden of making investment and paying loan interest. The rules of this Program specify that a borrower has to make 5% investment in the FA credit department which will not be returned to him until 2 years after his full repayment of the loan, or upon his death. Payment of dividend on the investment will be considered only after the FA repays all JCRR non-interest bearing loans. Many farmers thought the investment requirement increased their interest burden, and petitioned through their FAs for revision of the investment clause. At the last meeting of the Board, it was decided as follows:

- (1) Existing rules regarding the investment by a farmer-borrower in the farmers' association credit department shall remain unchanged.
- (2) In order to encourage the farmers' investment and to meet with present conditions, a study group shall be organized to make a thorough study with regard to the readjustment of interest rates, and present its findings to the next meeting of the Board. Members of the study group will be Messrs. K. H. King, M. S. Chen, Y. S. Chen, Ronald H. C. Ho,

C. Y. Hsu and Edward Chang. Mr. King will be the Convenor, and Mr. Kenneth E. Boyden will be invited as an advisor.

Under the guidance of Mr. K. H. King, collection of data was made from 113 FAs of FY 1961 and FY 1962 projects with help from JCRR field inspectors. Four FAs in Penghu Hsien were excluded in order to avoid bias. Findings on deposit and loan costs were tabulated and analyzed by the Study Group. Highlights of findings are as follows:

Interest cost of deposits	0.79% p.m.
Overhead cost of deposits	0.23% p.m.
Total cost of deposits	1.02% p.m.
<hr/>	
Overhead cost of loans	0.19% p.m.
Total cost of loans	1.21% p.m.

In view of the high cost, there seems to be little room for reducing the Unified Agricultural Credit Program loan interest rates to a level lower than ordinary banking rates. It was an unanimous opinion of the Study Group that Unified Agricultural Credit Program loan interests are an integral part of the entire interest structure, and therefore should not be determined independent of the latter. The recommendation has been submitted to Dr. Shen, convenor of this Board, by Mr. K. H. King, convenor of the Study Group.

Mr. K. H. King:

When Governor Robert B. Tootell of U.S. Farm Credit Administration visited here last year, he agreed that farm credit interests should not be determined independent of general interest level. Now that the Central Bank has lowered the banking interest rates, it is time for the lowering of Unified Agricultural Credit Program loan rates. The Central Bank's recent revision of interest rates has three characteristics:

- (1) Reduction of loan interest rates is larger in proportion to that of deposit rates.
- (2) Interest on savings deposits is uniformly set at 1% p.m. regardless of one, two or three years in term.
- (3) The loan interest rates are set to indicate the maximum,



below which each banking institution is free to use discretion in setting its rates.

Owing to the smaller interest spread, it is imperative that banking institutions endeavor to cut their overhead costs and make larger turnover to offset the expected reduction in earnings.

Mr. Y. P. Chang:

I agree that Unified Agricultural Credit Program loan interest be lowered along with banking rates. In fact, it ought to be set a little lower than the latter in view of the extra burden the farmer bears in making the 5% investment.

Mr. Ronald H. C. Ho:

In principle, I support Mr. Chang's proposal. But the FA's cost is high, and if the Unified Agricultural Credit Program loan interest is further lowered, it will be hard on the FAs. They ought to make all efforts to cut down on overhead expenses, but even that will not be enough. It seems proper to consider an increase of allocation of non-interest bearing loan to these FAs.

Mr. K. E. Boyden:

I agree that Unified Agricultural Credit Program loan interest should be lowered. But we cannot neglect the fact that FA money cost is high. We ought to give a close check-up to the overhead cost which takes up 0.42% in the total cost of 1.2% p.m. It may be worthwhile to consider the merger of those FAs whose credit business is too small to economically operate as individual units. In the U.S. before leaving the Cooperative Farm Credit Bank, we consolidated two States Rhode Island and Connecticut into one association with branch offices. This branch office system might work here.

Mr. T. C. Li:

PDAF has already instructed the FAs to endeavor to expand business and cut expenses in the face of decreasing interest income. The recent revision of interest rates will be advantageous to the farmers. As to the merger of FAs, it is not a simple problem to solve, in the light of existing rules concerning the FA organization.

Mr. C. C. Liu:

In line with the recent revision of interest rates, the Land Bank has been studying to lower the rates of interest on loans to farmers' organizations including FAs and irrigation associations. I think agricultural credit rates of interest ought to be lower than general banking rates. It is quite logical to let small FAs to merge and consolidate, and there have been cases of such merger in the United States. In Taiwan, however, the organization of township FAs seems to be aligned with the principle of "one township, one FA", and merger may be difficult technically as well as politically. A more practical approach may be to suspend the credit business of a poorly managed FA, let adjacent FA handle it, and then let the former FA restore the credit business when it proves improvement.

Dr. T. H. Shen:

There seems to be no objection to the proposal of setting Unified Agricultural Credit Program loan interest lower than general banking rates. The question is how much lower, and I would like to hear from you on this point. As for the merger of small FAs, Governor Tootell advocated for such merger when he was here last fall. Careful studies must be made on a number of problems that are involved. It also concerns with the problem of abolishing unnecessary or uneconomical branch offices of a farmers' association.

Mr. C. S. Wang:

The Central Committee of KMT is in favor of merging small and inefficient FAs. But, according to Farmers' Association Law, more than 50 farmers in a township can organize a farmers' association. So, there are technical difficulties obstructing merger. With all the efforts to carry out the merger of district FAs in big cities, we succeed only in one case in Taiwan. The other district FAs are clinging to their credit business which is hard to distinguish from that of urban credit cooperative. These FAs should be merged.

Mr. K. E. Boyden:

In my opinion we should go slow in reducing the interest

rate below the suggested new rate because this in effect will nullify the 5% stock which is an important part of our program to assist in building of reserves which is one of our main targets. We should remember in 10 years, each FA must pay back its interest-free loan to JCRR. This can only be done by setting aside sufficient reserves. Cutting into these reserves are effective January 1st of this year a suggested 30% administrative charge—Extension has applied for an increase of up to 30%. Thus it is important to watch interest charges as well as operating costs.

Dr. T. H. Shen:

I think it is logical that the FA credit department shares a part of joint administrative expenses, because it is one of the FA business components. Since the original plan for repaying JCRR loans in 10 years was worked out on the basis of FAs' earning power under the high level of interest rates existing a few years ago, and since the rates have been lowered a few times thereafter, it may be necessary to consider the extension of repayment of JCRR loans to allow the FAs sufficient time to make the needed accumulation of reserves.

Mr. K. H. King:

In determining new rates of interest for Unified Agricultural Credit Program loans, we ought to take into account of the Central Bank's new interest level and of the 5% stock which the farmers pay. It is suggested that its rate for unsecured loan be set at 1.32% p.m. and secured loan at 1.11% p.m. After the reduction, assistance should be given to the FAs to reduce their cost, and allocation of non-interest bearing loans be increased.

#### RESOLUTIONS:

1. In line with the readjustment of banking rates of interest, the rate of interest on loans under Unified Agricultural Credit Program be revised to 1.32% p.m. on unsecured loans and 1.11% p.m. on secured loans, effective from July 1, 1963.
2. Lest the earnings of FA credit section should decrease to affect the accumulation of reserves in consequence of the interest readjustment, supervision be intensified to guide the FAs to cut down on their cost of operation, to fully and effectively use

the lending funds, and to expand credit business. Furthermore, for the purpose of lowering their cost and increasing earnings, consideration should be given to increasing the allocation of non-interest bearing loans to these FAs. JCRR is requested to work out, in cooperation with other agencies concerned, a plan for the increased reallocation of funds, and submit it to the next meeting of this Board for discussion.

3. PDAF and PFA are requested to study and work out a practical plan for merger of small farmers' associations.
2. The ratio of contribution from the earnings of FA credit department to extension budget.

Mr. C. Y. Hsu:

Since 1957, the FAs have been assuming main responsibilities of agricultural extension education, and are allocating 70% of the earnings from credit department and economic section to pay for the extension work. After the implementation of Unified Agricultural Credit Program, the contribution from earnings of the credit department of a participating FA is lowered to 10% in accordance with the rules approved by this Board. This decrease in contribution inevitably affected the extension work, and thus caused the FAs to make petitions time and again to this Board for consideration of raising the rate of contribution. The 1963 Taiwan Agricultural Extension Education Conference has made a recommendation that the rate of contribution be readjusted to 30 percent. In this connection, I would like to report on the credit department's share of FA joint administrative expenses. It was stated in the "Agricultural Credit Plan for Taiwan" which was approved by the Sino-American Joint Meeting as:

"The credit department will bear an appropriate portion of overhead expenses-administration, rent, light, heat, etc..."

In early 1963, PDAF called a meeting, which was attended by PDF, PFA, JCRR, Land Bank and Cooperative Bank, to discuss the matter, and a resolution was made that the credit department bear 30% of FA joint administrative expense including the salaries of general manager, assistant general manager, and accounting

and general affairs staff and supervision expense. This ruling was put into practice in January 1963. At this meeting, it was also decided that before making settlement of accounts at each year-end, an FA is required to set aside as reserve an amount equivalent to 12% of interest free funds including JCRR non-interest bearing loans and FA credit department reserves. The latter decision is based on the resolution of this Board which was made at the fifth meeting as follows:

"It is imperative that each FA credit department make accumulation of all net earnings from the lending of the combined non-interest bearing capital consisting of direct loans from U.S. aid Agricultural Credit Fund and accumulated earnings, deducting reasonable cost incurred from lending operation."

PDAF has transmitted to JCRR the recommendation of the 1963 Taiwan Agricultural Extension Education Conference, and has requested JCRR to submit it to this Board for consideration.

Mr. Y. P. Chang:

The 10% contribution was decided at the Sino-American Joint Meeting, and the purpose was to segregate the FA credit department funds from other sections, to accumulate its own reserves, to strengthen the financial footings, and to concentrate its efforts in supplying credit to the farmers. I hope that careful deliberation is exercised in making change to the rate of contribution. In fact, I believe that the responsibility of financing agricultural extension education should rightly belong to the government.

Mr. Y. K. King:

Farm credit and extension education are the two different approaches toward the same goal of helping the farmers to increase production and improve livelihood. The two should complement each other to attain high efficiency. In order to maintain an efficient crew of extension staff to be of good use to the credit department, it is imperative that more liberal rate be set to allow a greater contribution of earnings to extension budget. In my opinion, even 30% is not enough, and it must be raised

to 50%. As to the FA joint expense, there is no question that the credit department ought to share its cost since it is also one section of the FA. The existing practice of forcing the economic section to shoulder the entire burden is not fair.

Mr. J. H. Huang:

I agree that credit department shares 30% of joint expense. This matter, however, should not be confused with the contribution of earnings to the extension budget, which is an entirely different thing. The government lacks the financial resource to bear the entire cost of extension education, and yet the work cannot be disrupted. It is necessary that economic section and credit department make contribution to the budget. When the credit department is extremely handicapped in making such contribution, the heavy burden falls on economic section, whose earning power has been rapidly diminishing. The introduction of a new rule that the FAs set aside 12% of interest free funds as reserves before the year-end settlement of accounts, will serve to ensure that the FAs can accumulate reserve without delay. Therefore, a little increase in the ratio of contribution from the small portion which is left, will not affect the progress of the Program. For these reasons, I advocate that the contribution from credit department to extension budget be raised to 30 percent.

#### RESOLUTIONS:

1. In order to facilitate the extension work of the farmers' associations, the Government be requested to provide a budget as soon as possible to pay for the needed expenditure.
2. The FAs under Unified Agricultural Credit Program may allocate 30 percent of the earnings of credit department to extension budget at the end of each year, effective from 1963. They should, however, accumulate reserves equivalent to at least 12 percent of all interest free funds before the settlement of accounts at the end of each year.

#### OTHER RESOLUTIONS:

1. Be it put on record that the rate of sharing FA joint administrative expenses by the credit department is set at 30 percent.

2. The Provincial Department of Agriculture and Forestry and the Provincial Farmers' Association are requested to take action, in cooperation with the Provincial Food Bureau, to study and analyze the situation relating to (1) the payment of commissions in arrear which the Food Bureau owes to the farmers' associations and (2) the amount of Food Bureau loans to the farmers which have been collected by the Farmers' Associations from the farmers but are not paid to the Bureau, and to make recommendations on the ways and means of improving the payment procedures of commissions from the Food Bureau to the farmers' associations.

Motion picture "The Fourth Far East Agricultural Credit Workshop" is shown.

Meeting adjourned at 12:00 a.m.

## MINUTES OF THE NINTH MEETIG OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: August 10, 1963 at 9:30 a.m.  
PLACE: Room 313, JCRR Building  
PARTICIPANTS: T. H. Shen (presiding), K. H. King, H. C. Chin,  
Y. P. Chang, J. H. Huang, S. W. Yin, C. Y. Liu,  
C. L. Yang, C. S. Wang, C. Y. Lo, Y. S. Chen,  
H. T. Chang, T. C. Li, Y. T. Hsu, Stephen Tsai,  
Y. C. Tsui, K. E. Boyden, A. L. Boucher,  
C. Y. Hsu, Edward Chang, C. S. Chen

### REPORTS

1. The new monthly interest rates of 1.32% and 1.11% on unsecured and secured loans respectively under the unified agricultural credit program, which were adopted by decision of the last meeting of the board in order to have them conform to the recent adjustment of bank interest rates went into effect on July 1, 1963. Reactions from farmers have been favorable.
2. It was determined at the last meeting that, in order to provide more funds for agricultural extension education, the percentage to be taken out for extension purposes from the profits of credit sections of FA's participating in the unified agricultural credit program should be raised to 30%. The Government agrees to this proposal in principle, and will put it into execution on trial basis for a year starting from the end of 1963. However, it was generally agreed that for permanently settling the problem of financing for agricultural extension, other measures should be worked out by the Government.
3. A meeting called by the Provincial Government previously to discuss the problem of improving agricultural credit operations in Taiwan yielded five conclusions which are now being studied by the Central Government. Briefly, they are as follows:
  - a. A "Farm Credit Committee" will be set up in the Central Bank of China to be responsible for all matters pertaining to the operation of agricultural credit in the province. With the establishment of that committee, the Agricultural Credit Planning Board will be abolished and merged into the new body.



- b. The existing credit operations of public enterprises may be continued, but they should be turned over gradually to the proper banking institutions in the future.
- c. The Government will be requested to revise the law governing farmers' associations to the effect that there will be an explicit legal basis for the handling of rural credit by the credit sections of FA's.
- d. The Government will be requested to contribute to the Agricultural Credit Fund by making special appropriations to it.
- e. The problem about the specialization of rural banking institutions will be studied by the proposed "Farm Credit Committee".

#### DISCUSSIONS

1. Additional interest-free loans from the Agricultural Credit Fund to FA's handling unified credit.
2. Adjustment of interest rates on indirect loans from the Agricultural Credit Fund to FA's through the Land Bank and Cooperative Bank.

#### DECISIONS

1. FA's which have joined the Unified Agricultural Credit Program may be supplied with additional interest-free loans, provided that: (1) they have fully utilized farmer-members' deposits but still lack sufficient lending capital to meet members' need for funds; (2) their members' deposits are mostly time deposits, so the cost of lending is rather high; (3) they have carried out the Unified Agricultural Credit Program in conformity to the procedures required and the results are excellent. The executive secretary of this Board is authorized to call a meeting of JCRR, PDAF, PDF, PFA, Land Bank and Cooperative Bank, select those FAs under the FY61 and FY62 projects who meet the prescribed conditions, determine the amount of interest-free loan to be increased for each FA, and report to the next board meeting.
2. The amount of NT\$21,200,000 originally set aside for making indirect loans in FY1963 but not yet allocated to the Land Bank and Cooperative Bank will be used for making interest-free loans.
3. The indirect loans to the Land Bank and Cooperative Bank from the Agricultural Credit Fund will carry an interest of 9% per annum,

while those to FA's from the two banks will carry an interest of 11% per annum. The new rates will go into effect after they are approved by AID/C and CUSA.

#### OTHER DECISIONS

In regard to the question of financing for agricultural extension, the following decisions were reached:

1. The Government will be requested to provide funds from its own budget for agricultural extension.
2. Before governmental financing is available in full, U. S. aid sources will be requested to make an additional subsidy to fill up the gap in the fund requirement. Such a subsidy will be reduced in amount from the second year and, if conditions permit, stopped at the end of the third year. Meanwhile, the Government will begin making budgetary provisions from the second year on a yearly increasing basis.
3. Before U. S. aid sources agree to provide the additional subsidy mentioned above, the percentage to be taken out from the profits of FA credit sections after their final statements for FY1963 are accepted may be raised to 30%. The percentage for the following year will be determined separately. However, before making settlement of accounts, each FA must set aside capital reserve according to the rules in an amount no less than 12% of interest-free funds.

## MINUTES OF THE TENTH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: November 23, 1963, Saturday, 9:30-11:30 a.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr. T. H. Shen, JCRR  
PRESENT: Mr. K. H. King, MOF  
Mr. L. F. Ma, MOEA (represented by Mr. Y. S. Li)  
Mr. Y. P. Chang, CIECD  
Mr. Ronald H. C. Ho, Central Bank  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. C. L. Yang, Legislator  
Mr. P. S. Chang, KMT Central Office (represented by  
Mr. C. S. Wang)  
Mr. M. S. Chen, Land Bank (represented by Mr. C.C. Liu)  
Mr. Y. S. Chen, Cooperative Bank (represented by  
Mr. C. C. Wang)  
Mr. T. C. Li, PDAF  
Mr. Y. T. Hsu, Cooperative Bank  
Dr. S. C. Hsieh, JCRR  
Mr. K. E. Boyden, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDING: C. S. Chen, JCRR

### I. REPORTS:

1. About the resolutions adopted at the last board meeting on (1) readjustment of interest rates on indirect loans from the agricultural credit fund, and (2) transfer of part of ACF funds for indirect loans to the use of making direct non-interest bearing loans.

Mr. C. Y. Hsu, Executive Secretary of the Board:

JCRR has studied the recommendation that "the interest rate on indirect loans to the Land Bank and Cooperative Bank from the ACF be lowered from 12% to 9% per annum and that on indirect loans to FAs from the two banks be lowered from 14%

to 11% per annum." JCRR considers such a readjustment necessary, and discussions are being held with AID/C to reach an agreement on the matter.

Dr. S. C. Hsieh, JCRR Secretary-General:

The problem of interest rates on ACF indirect loans is part of the overall problem relating to the interest rates on all U. S. aid financed loans. A decision on the former cannot be reached until the big problem is settled.

Mr. K. H. King, Board member:

Minister Yen of the Ministry of Finance has been requested to approve the readjustment plan.

Mr. C. C. Wang, Deputy General Manager of the Cooperative Bank:

It is not for profit that the two banks have joined the Unified Agricultural Credit Program, but in order to meet expenses in making re-discounts to FAs, a reasonable interest balance should be maintained. It might be possible, however, to cut down this balance to less than 2% as determined by the last board meeting.

Dr. T. H. Shen, Board Convenor:

The participation of the two banks in the Unified Agricultural Credit Program is important to the formation of a healthy agricultural credit system in Taiwan. Their re-discount operation is of a regulatory nature. If all the funds of ACF are loaned to FAs directly without interest, the fund principal will never be expected to grow although the FAs will have more interest-free capital. It is hoped that the two banks will study the feasibility of reducing the interest spread as much as possible. In the meantime, before the new rates on indirect loans are determined and announced, the existing rates will prevail.

## 2. Improvement of poorly managed participating FAs.

Mr. C. Y. Hsu:

Of the 167 FAs participating in the Unified Agricultural Program, about 17 do not measure up to the standards required of Unified Agricultural Credit operations. Steps will be taken by JCRR to improve their service in cooperation with the agencies concerned.

Mr. Boyden, Chief of JCRR Agricultural Credit Division, thinks that they should be deprived of the right to handle Unified Agricultural Credit immediately with JCRR loan funds recovered, but it seems that they should first be given a chance for reform before this drastic action is taken.

Mr. K. E. Boyden:

Some of the FAs have been failing in handling Unified Agricultural Credit for a long time. Unless they are resolved to improve themselves, the crux of the problem will remain. It is hoped that assistance and guidance will be given actively to these associations in their reform by the agencies concerned.

## II. DISCUSSIONS:

1. Screening of applications from township FAs for participation in the Unified Agricultural Credit Program for FY1964 and the amounts of loans to be made to them from the ACF.

Resolution:

From the ACF budget of NT\$60 million for FY1964, NT\$21 million will be allocated for making direct loans, and NT\$9 million for indirect loans to the 32 FAs selected for the year. The amount of direct loan to each of them will be the same as proposed.

2. Percentage of interest-free capital of participating FAs to be set aside as accumulated capital reserve.

Resolution:

The participating FAs should, before preparing final statement for the year, take out from their gross profit an amount equal to 12% of their interest-free capital for capital reserve accumulation.

3. Future readjustment of Unified Agricultural Credit interest rates.

Resolution:

The readjustment of Unified Agricultural Credit interest rates in the future will be decided by the Board each time on the basis of the bank interest rates newly regulated by the government.

4. Other resolutions:

- a. Guidance will be provided individually to the defaulting FAs in their reform by JCRR and other agencies concerned. If they are not improved within a specific period of time, action should be taken by these agencies to disqualify them from handling Unified Agricultural Credit.
- b. The Land Bank and Cooperative Bank are requested to try to reduce the spread of interests on indirect loans to the extent permissible and inform JCRR of their decision. Before the interest rates on indirect loans from ACF are readjusted, the two banks should handle their re-discount operation according to the existing rates. The new rates, when announced, will be put into effect retroactively.

# SUMMARY OF THE MINUTES OF THE ELEVENTH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: March 7, 1964, Saturday 3: 00 p.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr T. H. Shen, JCRR.  
PRESENT: Mr. K. H. King, MOF (on leave)  
Mr. Y. P. Chang, CIECD  
Mr. Ronald H. C. Ho. CBC (Represented by Mr. T. W. Kao)  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF  
Mr. C. Y. Liu, PFA (Represented by H. C. Liao)  
OBSERVERS: Mr. C. L. Yang, Legislator  
Mr. P. S. Chang, KMT Central (Represented by Mr. C. S. Wang)  
Mr. Y. S. Chen, TCB  
Mr. M. S. Chen, TLB  
Mr. T. C. Lee, PDAF  
Mr. S. T. Shih, TLB  
Mr. Y. T. Hsu, TCB  
Mr. Y. K. King, JCRR  
Mr. K. E. Boyden, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. Edward Chang, JCRR  
RECORDING: H. P. Tsai, JCRR

The main decisions made by the board at this meeting are as follows:

I. *In view of the recent interest reduction - at what rate should the Unified Agricultural Credit Program interest be set?*

In line with the reduction of banking rates of interest, effective from march 1, 1964, the interest rate of unsecured loan to farmers under the Unified Agricultural Credit Program be revised from 1.32 percent to 1.26 percent per month and that of secured loan remained at the same rate of 1.11 percent per month.

II. *Filling vacancies of farmers' association which have dropped out of the program for various reasons.*

ACD would try to fill these vacancies using the same criteria as formerly used in choosing farmers' association.



## MINUTES OF THE 12TH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: February 20, 1965, 3:00-5:00 p.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr. H. C. Hsieh  
GUEST: Dr. T. H. Shen  
PRESENT: Mr. K. H. King, MOF  
Mr. L. F. Ma, MOEA (Represented by Mr. H. H. Ching)  
Mr. H. C. Ho, CBC (Represented by Mr. T. W. Kao)  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF  
Mr. C. Y. Liu, PFA (Represented by Mr. C. Liu)  
OBSERVERS: Mr. Y. S. Chen, TLB  
Mr. C. C. Wang, TCB  
Mr. C. C. Chan, (Represented by Mr. C. S. Wang)  
Mr. T. C. Lee, PDAF  
Mr. C. C. Liu, TLB  
Mr. C. Y. Hsu, JCRR  
Mr. H. P. Tsai, JCRR  
Mr. R. Y. Yeh, JCRR  
Mr. T. L. Lee, JCRR  
Mr. T. T. Lee, JCRR  
RECORDER: C. S. Chen, JCRR

### REPORTS:

#### 1. *Recent Progress of Unified Agricultural Credit Program*

- A. The appropriation of Agricultural Credit Fund from Counterpart funds will be closed by the end of FY-1965, since it was decided by the Sino-American Joint Meeting on July 12, 1960 that "Counterpart funds shall be allocated to the Agricultural Credit Fund as a grant up to a maximum of NT\$300 million over a period of five years". A total of NT\$206, 050,000 was actually disbursed in FY-1961 through FY-1964, and another NT\$20,000,000 was approved for FY1965 program.
- B. The credit project operation has been satisfactory. The number of FAs participating in the project is 230, of which 198 FAs have

experiences in carrying out the project for more than one year and the remaining 32 have just finished the preparation to start the work. The outstanding Unified Credit Program loans as of Dec. 31, 1964 was NT\$626.8 million, of which one-fourth was financed with the Agricultural Credit Fund and three-fourths with the FAs' own resources. Farmer-borrowers' investment reached NT\$56.8 million on Dec. 31, 1964, and accumulated capital reserves NT\$73.3 million. Internal transfer of funds on Dec. 31, 1964 was on the average within the limit of five per cent of the total deposits received by those FAs. Delay in payment of commissions to the FA economic sections by PFB still constituted one of the important factors requiring the amount of internal transfer.

C. Out of every dollar of Unified Credit Program loan, 75 cents were used for capital investment. Purchase of farm land, land improvement and purchase of draft cattle were the most important items. The record of collection was approximately 96 percent by Dec. 31, 1964.

D. Of 295 local FAs providing farmers with credit service, 230 have been enrolled in the credit project, and majority of the remainder have expressed their willingness to participate in it. To enroll those remaining FAs in the credit project, instalment re-payments of interest-free loans to be made by the first group of FAs to the Agricultural Credit Fund beginning the end of 1965 will be used as the source of financial support to those additional participants. As a guideline of making and servicing loans to farmers under the project, the FAs which have improved the financial condition to a great extent and have had sufficient experiences in supervised credit practices, will be advised to place emphasis on promoting the productivity of farm land and labor more purposefully, in line with the national agricultural development programs. Plans derived from these ideas will be later presented for discussion and decision.

## 2. *Money Cost Paid and Capital Reserves Accumulated by 189 Participating FAs in 1964*

A. The average total money cost including deposit interest and overhead expenses in 1964 was 0.96 percent per month, showing a decrease by 17 percent from the 1963 cost. This decrease was attributed to the

bank rates reduction effective on March 1, 1964, the increase in volume of deposit and loan businesses, and the management improvement resulting from JCRR fieldmen's regular supervision, auditing and examination, the Central Bank's spot check, and the PDAF and PFA's inspection. Reflecting the improved management in general, the cost dispersion of individual FAs is closer to the average than ever before. The average rate of interest on loans to members in 1964 was 1.28 percent per month, one-tenth lower than that in 1963.

- B. The capital reserves accumulated by 198 FAs in 1964 was NT\$34.2 million, making the total NT\$73.3 million on Dec. 31, 1964. Ten FAs have accumulated the capital reserves in an amount exceeding the interest-free loans provided by JCRR to them.

#### DECISIONS:

##### 1. *Contribution of credit earnings to extension budget*

- A. Similar to the amendment made at the 9th meeting on Aug. 10, 1963, each of the participating FAs is allowed to distribute up to 30 percent of net credit earnings to extension budget *after* account settlement at year end, provided that *before* making settlement of accounts, each FA set aside a part of its gross earnings as capital reserves in an amount equivalent to 12 percent of the amount of interest-free funds.
- B. The balance of *net* earnings after deducting 30 percent for legal reserves and 30 percent for contribution to the extension section, shall also be retained and added to the capital reserves account.

##### 2. *Encouragement of borrowers' investment in FA credit sections:*

- A. Dividends may be paid on Credit Section Certificates of Investment, in order to encourage borrowers' investment in the credit sections to help build up capital reserves. As the payment of dividends involves likely the problem of depriving the FAs of the privilege of business income tax exemption, action be taken to approach the Ministry of Finance for continuous exemption of business income tax even in case that the dividends are paid.
- B. If the proposal is disagreed by the Ministry, the alternative will be as follows: If the amount of capital reserves accumulated by an FA has reached its interest-free loans from JCRR, the Certificate

of Investment in the FA credit section may be redeemed to the borrower immediately after he has repaid his loans to the FA.

3. *Disbursement of funds from Agricultural Credit Fund to FY-65 project FAs having accumulated losses*

- A. Of 12 FAs having accumulated losses which have been approved together with other 20 FAs for participating in the FY-65 program, four FAs in Tali, Chichi, Ershui and Houpi townships have made good their respective losses after the account settlement at the end of 1964 and are qualified for the disbursement of funds from the Agricultural Credit Fund.
- B. As the accumulated losses incurred by two FAs in Houlung and Hualien townships were caused by damages due to natural disasters of flood, drought and earthquake, fund disbursement from the Agricultural Credit Fund will be exceptionally made to these FAs.
- C. The case of the other six FAs still having accumulated losses at the end of 1964 will be studied and decided after they have settled their accounts of the first half year of 1965.

# SUMMARY OF THE MINUTES OF THE 13TH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: July 10, 1965, Saturday, 3:00 p.m.  
PLACE: Room 313, JCRR, Building  
PRESENT: Dr. H. C. Hsieh, JCRR Covenor  
Mr. C. Y. Yu, MOF  
Mr. L. F. Ma, MOEA  
Mr. Y. P. Chang, CIECD  
Mr. Ronald H. C. Ho, CBC (Represented by Mr. T. W. Kao)  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF  
Mr. C. Y. Liu, PFA (Represented by Mr. C. H. Yeh)  
OBSERVERS: Mr. S. C. Tsan, KMT Central (Represented by Mr. C. S. Wang)  
Mr. Y. S. Chen, TLB (Represented by Mr. C. Y. Lo)  
Mr. C. C. Wang, TCB  
Mr. T. C. Lee, PDAF  
Mr. C. J. Liu, TLB  
Mr. Y. K. Yang, JCRR  
Mr. C. Y. Hsu, JCRR  
RECORDER: C. S. Chen, JCRR

The decisions made by the board at this meeting are as follows:

## I. *Rates of annual instalment repayment of interest-free loans by FAs to Agricultural Credit Fund*

The rates of annual instalment repayment of interest-free loans by the FAs participating in the Unified Agricultural Credit Program, to the Agricultural Credit Fund be as follows, provided that the rates for the second through the fifth year be tentative and subject to changes as circumstances may require.

1st year	10%
2nd year	15%
3rd year	20%
4th year	25%
5th year	30%

## II. *Disbursement of funds from Agricultural Credit Fund to FY-65 program FAs having accumulated losses*

Of six FAs which were approved for participating in the FY-65 program but were not qualified for disbursement of interest-free loan funds because of their failure in filling up accumulated losses until the end of 1964, four FAs in Yu-li, Ta-shu, Lin-nei and Yu-chi townships be qualified for the disbursement of funds from the Agricultural Credit Fund, and two FAs in Mi-to and Niao-sung townships be not qualified, based on the following facts.

- (1) Ta-shu and Yu-li township FAs have made good their respective losses in the first half year of 1965.
- (2) Lin-nei township FA has improved its financial condition in the first half year of 1965 and is evidently able to make good its losses by the end of 1965.
- (3) Yu-chi township FA will be able sufficiently to cover its accumulated losses with sales proceeds of its cryptomeria which was planted on its own forest land 12 years ago and which Yu-chi township office agreed to buy in 1966.
- (4) Mi-to and Niao-sung township FAs have superficially made good their respective accumulated losses through book-keeping process of property-reevaluation which is inconsistent with government regulations.

## III. *Unified credit indirect loan interest rates charged to Banks and FAs in relation to new loan rate announced by Sino-American Economic and Social Development Fund*

- (1) The rate of interest on indirect loans charged by JCRR to the Land Bank and the Cooperative Bank be reduced from 10.5 percent to 10.08 percent per annum, and that charged by the two Banks to FAs be reduced from 12 percent to 11.58 percent per annum.
- (2) The rates of interest on unified credit loans charged by FAs to farmers remain unchanged until re-adjustment of bank rates is announced by the Central Bank of China. However, the increased interest margin given to the FAs be retained as capital reserves.

### REMARKS:

- A. The project agreement entered into between JCRR and 63 FAs in

the FY-61 program prescribes (1) that the FAs repay the interest-free loans to the Agricultural Credit Fund in five annual instalments beginning at the end of 1965, and (2) that annual rates of the repayment be decided and notified by JCRR.

- B. The total of interest-free loans to those 63 FAs in the FY-61 program is NT\$53,150 thousand.
- C. The capital reserves accumulated by those 63 FAs as of May 30, 1965 are NT\$41,519 thousand, equivalent to 78 percent of the total interest-free loans received by them. It is estimated that the total capital reserves of those FAs will amount to NT\$57,844 thousand by the end of 1965.

**SUMMARY OF THE MINUTES OF THE 14TH  
MEETING OF AGRICULTURAL CREDIT  
PLANNING BOARD**

TIME: January 29, 1966, Saturday, 9:30 a.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr. T. H. Shen, JCRR  
PRESENT: Mr. C. Y. Yu, MOF (on leave)  
Mr. L. F. Ma, MOEA (Represented by Mr. H. H. Ching)  
Mr. Y. P. Chang, CIECD (on leave)  
Mr. Ronald H. C. Ho, CBC (Represented by Mr. T. W. Kao)  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. S. C. Tsan, KMT Central (Represented by Mr. C. S. Wang)  
Mr. Y. S. Chen, TLB  
Mr. C. C. Wang, TCB (Represented by Mr. Y. T. Hsu)  
Mr. T. C. Lee, PDAF  
Mr. C. H. Yeh, PFA  
Mr. C. J. Liu, TLB  
Mr. W. C. Lin, TCB  
Mr. Y. K. Yang, JCRR  
Mr. C. Y. Hsu, JCRR  
RECORDER: C. S. Chen, JCRR

I. *Highlights of Report and Discussion at the Planning Board Meeting:*

(1) *Progress of Project Operation:*

(A) *Expansion of the credit program*

The FAs participating in the Unified Agricultural Credit Program are 225, representing 77 percent of the township farmers' associations that have each a credit section. As a result of the expansion, about 650,000 farm households or eight out of every 10 farm households in Taiwan became accessible to the supervised credit service provided by their



associations.

(B) *Fund disbursement from Agricultural Credit Fund*

Actual disbursement from the Agricultural Credit Fund from FY-61 through FY-65 as specified by the Sino-American Joint Meeting is NT\$223.45 million including NT\$166.45 million of direct loans and NT\$57 million of indirect loans. Besides, NT\$10 million has been appropriated from the Fund to establish the Revolving Fund for Fishermen's Associations.

(C) *Loans to farmers*

During the five year period since the start of the project operation in May 1961, more than 237,000 farmers have benefited from the service under the credit program. The outstanding loans as of December 31, 1965 amount to NT\$848 million. Three-fourths of the total loans are used for capital investment and the remaining one-fourth as revolving capital. The average size of loans is NT\$9,000.

(D) *Repayment of loans by farmers*

The record of loan collection on due time is maintained at more than 95 percent. The amount of loans in delinquency as of December 31, 1965 is NT\$35 million or 4.1 percent of the total outstanding loans.

(E) *Farmers' investment in FA credit sections*

As of December 31, 1965, farmer-borrowers' investment in the credit sections of the participating FAs amounts to NT\$74 million.

(F) *Accumulated capital reserves*

The capital reserves accumulated in the credit sections of the participating FAs grew to NT\$121 million on December 31, 1965, or 73 percent of the interest-free loans that they have received from the Agricultural Credit Fund. Together with the farmers' investment, those capital reserves were added to the lending capital accounts of the participating FAs for the operation of the credit program.

(G) *Source of loan fund*

The improvement of financial condition of the participating FAs enables them to contribute more funds from their own resources for the project operation. As of December 31, 1965, three-fourths of the total unified credit loans to farmers are financed with the participating FAs' own resources including farmers' deposits, accumulated capital reserves and borrowers' investment, and the remaining one-fourth with the appropriation from the Agricultural Credit Fund in the form of direct loan and indirect loan.

(2) *Factors Contributing to the Success:*

Numerous factors have contributed to the success of the project operation. Careful and adequate planning and direction of the Planning Board, close cooperation of agencies concerned in implementing the credit program, continuous and intensive field supervision over the FAs' project operation, and linking of the credit service with extension education are most important. JCRR has maintained this Division as an independent technical division in order to implement the credit program precisely in conformity with the decisions made by the Planning Board and approved by the Joint Commission. However, without technical advice and assistance provided by other JCRR divisions concerned with agricultural economics, institutions and technologies, as pointed out by the Planning Board Convenor Dr. T. H. Shen, this Division could not have achieved the present success in the project implementation.

(3) *New Test of the Credit Program in Poor Area:*

One of the criteria established by the Planning Board to determine the qualification of FAs to participate in the credit program is that the applicant has no accumulated losses. Among those 15 FAs selected for participation in the FY-66 program, six fail to meet this criterion and were conditionally approved by the Planning Board for the participation. Except for Putai Chen FA, the other five have respectively losses in small amounts that can be made good in a short period of time.

The case of Putai Chen FA is much more serious: it has NT\$1.9

million of losses due to business failure of its economic section long ago. Farmers there, many of whom are at the same time engaged in fisheries and/or salt production, have no other access to institutional credit than the FA's for their farm production. To meet the challenge, the Planning Board reached the conclusion that a responsibility be added to the credit program by enrolling weak FAs through which loan fund will be made available from the Agricultural Credit Fund to such poor farmers to help them break through their difficulties, and that the Putai Chen FA be selected on experimental basis. For protection of the loan fund to be provided from the Agricultural Credit Fund, the Planning Board also decided that the fund be handled through a special account until circumstances permit otherwise, and that the FA be given more technical guidance and closer supervision as regards its project operation.

II. *Name list of FAs proposed for participation in FY-66 Unified Agricultural Credit program and allocation of Agricultural Credit Fund to these FAs.*

It is resolved that the following be approved:

- (1) The list of 15 selected FAs—nine unconditionally and six conditionally—as enumerated below to participate in the FY-66 Unified Agricultural Credit Program.
- (2) A budget of NT\$10 million as interest-free direct loan fund for the FY-66 program, which will be met with appropriation of NT\$5,915,000 from the collection of direct loans under FY-61 program and NT\$4,085,000 from the accrued interest income from the indirect loans that have been made in the previous fiscal years.
- (3) The individual amounts of direct loans to those 15 FAs as shown in the list.

Names of FAs Selected for Participation in  
FY-66 Unified Agricultural Credit Program

Name of FAs	Proposed Amount of Direct Loans (NT\$)	Remarks
Yilan Hsien		
Touchen Chen	600,000	
Wuchieh Hsiang	650,000	
Taipei Hsien		
Shihmen Hsiang	500,000	
Taichung Hsien		
Shalu Hsiang	600,000	
Shenkang Hsiang	800,000	On condition that its accumulated losses be made good with anticipated sales proceeds of land.
Nantou Hsiang		
Tsaotun Chen	1,000,000	
Chushan Chen	1,000,000	
Changhua Hsien		
Fenyuan Hsiang	800,000	
Chiayi Hsien		
Putai Chen	650,000	On condition that the loan fund be handled through bank special account.
Kaohsiung Hsien		
Tashu Hsiang	800,000	
Mito Hsiang	500,000	On condition that the loan fund be handled through bank special account.
Yungan Hsiang	500,000	-do-
Pingtung Hsien		
Tungkang Chen	600,000	
Taitung Hsien		
Tungho Hsiang	500,000	On condition that fund disbursement be made after PDF has approved reactivation of its credit department.
Kaohsiung City		
Lingya District	500,000	On condition that the loan fund be handled through bank special account.
Total: 15 FAs		
Total Direct Loans: NT\$10,000,000		

# SUMMARY OF THE MINUTES OF THE 15TH MEETING OF AGRICULTURAL CREDIT PLANNING BOARD

TIME: December 9, 1966, Friday 3:00 p.m.  
PLACE: JCRR Auditorium  
CONVENOR: Dr. T. H. Shen, JCRR  
PRESENT: Mr. L. F. Ma, MOEA (Represented by Mr. H. H. Ching)  
Mr. C. Y. Yu, MOF (Represented by Mr. C. T. Hsiao)  
Mr. Y. P. Chang, CIECD  
Mr. Ronald H. C. Ho, CBC (Represented by Mr. K. Chang)  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF (on leave)  
Mr. C. Y. Liu, PFA  
OBSERVERS: Mr. Y. S. Chen, TLB (Represented by Mr. T. H. Chang)  
Mr. C. C. Wang, TCB (Represented by Mr. Y. T. Hsu)  
Mr. T. C. Lee, PDAF (Represented by Mr. L. T. Sun)  
Mr. C. H. Yeh, PFA  
Mr. Y. K. Yang, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. C. S. Chen, JCRR  
RECORDER: C. S. Chen, JCRR

## *I. Report by Mr. C. Y. Hsu, Executive Secretary of the Board.*

### *1. Progress of Project Operation:*

- (1) The total FAs that have been enrolled in FY1961-66 are 237, which represent a little more than 80 percent of the total township FAs that provide credit facilities in the province.
- (2) About 720 thousand farm households, or 85 percent of the total farm households of the province are accessible to supervised credit services under the credit project.
- (3) As of Oct. 31, 1966, 270 thousand farm households have benefited from the credit project. The cumulative amount of the unified credit loans is NT\$2.9 billion, and the outstanding amount is more than NT\$1 billion. Seventy-five percent of the loans was

used by farmers for capital investment on farm, and 25 percent as operating fund. Record of collection from farmers shows as high as 98 percent, with the remaining 2 percent as a delinquency.

- (4) Capital reserves accumulated by participating FAs under the credit project amount to NT\$150 million and will grow to about NT\$193 million by the end of this current year according to estimate. Seventy-five participating FAs have already accumulated respectively the capital reserves in an amount exceeding their interest-free loans received from JCRR.
- (5) Share capital subscribed by the farmers under the credit project has reached NT\$85 million. Thus the credit departments of those participating FAs could have equity capital in the total amount of NT\$236 million showing a great improvement in their financial conditions.
- (6) Out of every dollar in unified credit loans, 77 cents are financed by the FAs own resources, and 23 cents by JCRR fund, indicating that the Agricultural Credit Fund established in JCRR has been functioning as pump priming to induce more fund and interest from the FAs for the expansion of improved credit services to farmers.

## 2. *Agricultural Credit Fund*

For establishment of Agricultural Credit Fund, the Sino-American Joint Meeting held on July 12, 1960 made a resolution that "counterpart fund shall be allocated to the Agricultural Credit Fund as a Grant up to a maximum of NT\$300 million over a period of five years." During the 5-year period From FY1961 to FY1965, the total appropriation from counterpart fund to the Fund was NT\$223.4 million, and the total disbursement from the Fund to the Banks and FAs on loan basis was the same amount.

When the appropriation from the counterpart fund discontinued, the instalment repayment of direct loans by the FAs to the Fund started. This collection together with accrued interest income from indirect loans was used for the disbursement to FY1966 project FAs.

With collection of principal from the FAs and interest from the Banks in 1966, the cash balance of the Fund in the special account

on December 31, 1966 will amount to NT\$19.4 million, not including about NT\$0.3 million of interest receivable for December 1966. Since the indirect loan fund of NT\$57 million disbursed in the past fiscal years has been fully utilized, the Land Bank and the Cooperative Bank request additional fund to meet the increased demand of indirect loans by the FAs. It is therefore, planned that besides NT\$7 million of direct loans, NT\$12 million of indirect loans will be appropriated from the Fund in FY1967.

*II. Name list of FAs proposed for participation in FY-67 Unified Agricultural Credit Program and allocation of Agricultural Credit Fund to these FAs*

*It is resolved that the following be approved:*

- (1) The list of 12 selected FAs as enumerated below, to participate in FY1967 Unified Agricultural Credit Program.
- (2) A budget of NT\$19 million, consisting of NT\$7 million as direct loans to those 12 FAs and NT\$12 million as indirect loans to participating FAs through the Land Bank and Cooperative Bank, to be appropriated from the "Unified Agricultural Credit Loan Fund".
- (3) The individual amounts of direct loans to those 12 FAs as shown in the list:-

List of FAs Selected for Participation in FY1967  
Unified Agricultural Credit Program

Name of FA	Proposed Amount of Direct Loans (NT\$)
Yilan Hsien	
Suao Chen	500,000
Yilan City	500,000
Taipei Hsien	
Chinshan Hsiang	500,000
Taoyuan Hsien	
Tachi Chen	750,000
Taichung Hsien	
Shenkang Hsiang	800,000
Yunlin Hsien	
Kouhu Hsiang	750,000

Kaohsiung Hsien	
Chiating Hsiang	500,000
Pingtung Hsien	
Tungkang Chen	600,000
Hengtsun Chen	600,000
Keelung City	
Chitu Dist.	500,000
Taichung City	
West Dist.	500,000
North Dist.	500,000
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Total of 12 FAs	7,000,000
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SUMMARY OF THE MINUTES OF THE 16TH  
MEETING OF AGRICULTURAL CREDIT  
PLANNING BOARD

TIME: May 27, 1967, Saturday, 9:30 a.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr. T. H. Shen, JCRR  
PRESENT: Mr. C. Y. Yu, MOF  
Mr. L. F. Ma, MOEA (Represented by Mr. H. H. Ching)  
Mr. Y. P. Chang, CIECD  
Mr. Ronald H. C. Ho, CBC (Represented by Mr. K. Chang)  
Mr. J. H. Huang, PDAF  
Mr. S. W. Ying, PDF (Represented by Mr. H. M. Li)  
Mr. C. Y. Liu, PFA (Represented by Mr. C. H. Yeh)  
OBSERVERS: Mr. S. C. Tsan, KMT Central (Represented by Mr. C. S.  
Wang)  
Mr. F. M. Hsu, FBC  
Mr. Y. S. Chen, TLB  
Mr. C. C. Wang, TCB  
Mr. T. C. Wang, FBC  
Mr. T. H. Chang, TLB  
Mr. T. C. Lee, PDAF  
Mr. Y. T. Chen, PDAF  
Mr. Y. K. Yang, JCRR (Represented by Dr. H. Y. Chen)  
Mr. C. Y. Hsu, JCRR  
Mr. C. S. Chen, JCRR  
RECORDER: C. S. Chen, JCRR

*I. The main decisions made by the board at this meeting are as follows:*

*1. Unified credit loan rates charged to farmers*

Interest rate of unsecured loan to farmers under the Unified Agricultural Credit Program be revised from 1.2 percent per month to 1.11 percent and that of secured loan from 1.11 percent to 1.05 percent, effective from May 6, 1967.

*2. Indirect loan rate charged to FAs*

With regard to indirect loan rate under the Program, project FAs be charged as end-user the prevailing annual rate of 10.08 percent, from which 1.5 percent be given to the Land Bank and the Cooperative Bank as handling charge. Matching funds from the banks be also applied the same interest rate.

3. *Recommendation of lowering interest rate of loans from Sino-American Development Fund*

JCRR be requested to approach the Managing Committee of the Sino-American Fund for Social and Economic Development for necessary action relative to the matter of lowering the prevailing rate of interest on loans from the Fund.

*II. Background of the decisions*

The Central Bank of China has recently announced that the interest rate of unsecured loans made by the banking institutions be revised from 1.23 percent per month to 1.17 percent, and that of secured loans from 1.17 percent to 1.11 percent, effective from May 6, 1967. The announced rates are ceilings, and the rates of loans under the Unified Agricultural Credit Program have to be revised accordingly. In determining the revision, the Agricultural Credit Planning Board gave consideration to the matter relative to compensation of interest borne by farmer-borrowers for the required 5-percent investment in FA credit departments which is not paid dividend. Thus, the revised interest rates of unified credit loans are determined lower than the regular bank rates by about 5-hundredths.

To facilitate the lowering of interest rates of unified credit loans to farmers, the Planning Board decided that the project FAs be charged as end-user of indirect loans the interest at the annual rate of 10.08 percent, from which 1.5 percent be given to the banks as handling charge. Before the revision, the banks have been charged interest as the end-user and approved to add 1.5 percent of handling charge to the rate of 10.08 percent. The changed procedure is not new. When loans from U.S. aid counterpart funds bore 12 percent per annum, it was the practice that the project FAs were charged as end-user of the indirect loans.

Many members of the Planning Board are of the opinion that interest on loans from SAFED should be lowered since the bank rates have been

revised. While it was noted that the prevailing interest rate of 10.08 percent per annum of SAFED loans is still lower than the revised bank rates of 13.32 percent and 14.04 percent per annum for secured and unsecured loans respectively, the important function of the Fund in the social and economic development of the Republic of China was emphasized to justify the proposal for lowering the interest rate. Thus, the Board adopted a resolution to request JCRR to approach the Managing Committee of the Fund on this matter.

**SUMMARY OF THE MINUTES OF THE 17TH  
MEETING OF AGRICULTURAL CREDIT  
PLANNING BOARD**

TIME: December 2, 1967, Saturday, 9:30 a.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr. T. H. Shen JCRR  
PRESENT: Mr. C. Y. Yu, MOF  
Mr. L. F. Ma. MOEA (Represented by Mr. H. H. Ching)  
Mr. S. Z. Liu MOI (Represented by Mr. C. T. Tang)  
Mr. Y. P. Chang, CIECD  
Mr. Ronald H. C. Ho, CBC (Represented by Mr. C.P. Yen)  
Mr. J. H. Huang, PDAF (Represented by Mr. L. T. Sun)  
Mr. S. W. Ying, PDF (Represented by Mr. H. M. Lin)  
Mr. C. Y. Liu, PFA (Represented by Mr. C. H. Yeh)  
OBSERVERS: Mr. S. C. Tsan, KMT Central (Represented by Mr. T. L. Lu)  
Mr. F. M. Hsu, FBC  
Mr. Y. S. Chen, TLB  
Mr. C. C. Wang, TCB  
Mr. T. C. Wang, FBC  
Mr. C. H. Chang, TLB  
Mr. K. C. Chao, FBC  
Mr. Y. K. Yang, JCRR  
Mr. C. Y. Hsu, JCRR  
Mr. C. S. Chen, JCRR  
RECORDER: C. S. Chen

I. Report by Mr. C. Y. Hsu, Executive Secretary of the Board.

1. *Progress of Project Operation:*

- (1) The FAs that have been enrolled in FY1961-67 total 249. At present, 295 township FAs provide credit facilities in the province.
- (2) Nearly nine out of every ten farm households in Taiwan are accessible to supervised credit service under the program.
- (3) As of October 31, 1967, 290 thousand farm households have

benefited from the program. The cumulative amount of the unified credit loans is NT\$3.8 billion, and the outstanding amount NT\$1.1 billion. Seventy-five percent of the loans was used by farmers for capital investment on farm, and 25 percent as operating fund. Record of collection from farmers shows as high as 96 percent, with the remaining 4 percent as a delinquency.

- (4) Capital reserves accumulated by participating FAs under the program amount to NT\$221 million and is estimated to reach about NT\$300 million by the end of 1967. Share capital of the FA credit departments subscribed by the farmers under the program has reached NT\$96 million. Thus the credit departments of those participating FAs will have an equity capital of about NT\$400 million by the end of 1967, showing a great improvement in their financial conditions.
- (5) Out of every dollar in the unified credit loans, 80 cents are financed by the FAs' own resources, and 20 cents by JCRR fund, indicating that the Agricultural Credit Fund has been functioning as pump priming to induce more fund and interest from the FAs for the expansion of improved credit services to farmers.

## 2. *Agricultural Credit Fund*

- (1) During the 5-year period from FY1961 to FY1965, the total appropriation from the U. S. aid counterpart fund to the Agricultural Credit Fund was NT\$223.4 million, and the total disbursement from the Fund to the FAs and Banks on loan basis was the same amount.
- (2) When the appropriation from the counterpart fund discontinued in 1965, instalment repayment of the direct loans by the participating FAs started. A total of loan principal of NT\$18.2 million was repaid to the Agricultural Credit Fund in the period 1965-66, and about NT\$20 million will be repaid in 1967.
- (3) A total of NT\$11 million of interest on the indirect loans has been paid by the Banks to the Agricultural Credit Fund. The interest income in 1967 will amount to NT\$3.3 million.
- (4) The instalment repayment of the direct loans and the interest income from the indirect loans in 1965-66 were used as revolving

fund to finance the new FAs participating in FY1966 and FY1967 program. Thus, the aggregate of loans made from the Agricultural Credit Fund directly and indirectly to the participating FAs from FY1961 through FY1967 amounts to NT\$251 million.

II. It is decided that the following be approved:

- (1) The list of 10 selected FAs as enumerated below to participate in FY1968 Unified Agricultural Credit Program.
- (2) A budget of NT\$23 million, consisting of NT\$7 million as direct loans to those 10 FAs and NT\$16 million as indirect loans to participating FAs through the Land Bank and Cooperative Bank to be appropriated from the "Unified Agricultural Credit Loan Fund".
- (3) The individual amount of direct loans to those 10 FAs as shown in the list:

List of FAs Selected for Participation in  
FY1968 Unified Agricultural Credit Program

Name of FA	Proposed Amount of Direct Loans (NT\$)
Yilan Hsien Lotung Chen	600,000
Taipei Hsien Sulin Chen	600,000
Taoyuan Hsien Taoyuan Chen	700,000
Taichung Hsien Wufeng Hsiang	800,000
Changhua Hsien Erlin Chen	1,000,000
Nantou Hsien Luku Hsiang	700,000
Kaohsiung Hsien Meinung Chen	1,000,000
Niaosung Hsiang	500,000
Jenwu Hsiang	500,000
Hualien Hsien Zuisui Hsiang	600,000
	7,000,000

**SUMMARY OF THE MINUTES OF THE 18TH  
MEETING OF AGRICULTURAL CREDIT  
PLANNING BOARD**

TIME: November 30, 1968, Saturday, 9:30 a.m.

PLACE: Room 313, JCRR Building

CONVENOR: Dr. T. H. Shen JCRR

PRESENT: Mr. C. Y. Yu, MOF (on leave)

Mr. L. F. Ma, MOEA (Represented by Mr. Y. S. Lee)

Mr. S. Z. Liu, MOI (Represented by Mr. C. T. Tang)

Mr. Y. P. Chang, CIECD (on leave)

Mr. Ronald H. C. Ho, CBC

Mr. J. H. Huang, PDAF

Mr. S. W. Ying, PDF, (Represented by Mr. T. F. Sun)

Mr. C. Y. Liu, PFA (Represented by Mr. C. H. Yeh)

OBSERVERS: Mr. S. C. Tsan, KMT Central (Represented by Mr. H. C. Cheng)

Mr. F. M. Hsu, FBC

Mr. Y. S. Chen, TLB (Represented by Mr. T. H. Chang)

Mr. C. C. Wang, TCB (Represented by Mr. Y. T. Hsu)

Mr. T. C. Wang, FBC

Mr. C. K. Tsai, TLB

Mr. C. C. Cheng, PDAF

Mr. Y. K. Yang, JCRR

Mr. C. Y. Hsu, JCRR

Mr. C. S. Chen, JCRR

RECORDER: C. S. Chen

I. Report by Mr. C. Y. Hsu, Executive Secretary of the Board.

1. *Progress of Project Operation:*

(1) The FAs that have been enrolled in FY1961-68 total 259, representing 88% of 296 township FAs which provide credit facilities in the province.

(2) Nearly nine out of every ten farm households in Taiwan are accessible to supervised credit service under the program.

- (3) As of October 31, 1968, 316 thousand farm households have benefited from the program. The cumulative amount of the unified credit loans is NT\$4.8 billion, and the outstanding amount NT\$1.2 billion. Seventy-five percent of the loans was used by farmers for capital investment on farm, and 25 percent as operating fund. Record of collection from farmers shows as high as 96 percent, with the remaining 4 percent as a delinquency.
- (4) Capital reserves accumulated by participating FAs under the program amount to NT\$286 million and is estimated to reach about NT\$330 million by the end of 1968. Share capital of the FA credit departments subscribed by the farmers under the program has reached NT\$106 million. This increase of equity capital in the credit departments of those participating FAs has made a great contribution to the strengthening of their lending capacity and improvement of their financial conditions.
- (5) Out of every dollar in the unified credit loans, 82 cents are financed by the FAs' own resources, and 18 cents by JCRR fund, indicating that the Agricultural Credit Fund has been functioning as pump priming to induce more fund and interest from the FAs for the expansion of improved credit services to farmers.

## 2. *Agricultural Credit Fund*

- (1) During the 5-year period from FY1961 to FY1965, the total appropriation from the U. S. aid counterpart fund to the Agricultural Credit Fund was NT\$223.4 million, and the total disbursement from the Fund to the FAs and Banks on loan basis was the same amount.
- (2) Installment repayment of the direct loans by the participating FAs started in 1965. A total of loan principal of NT\$38.1 million was repaid to the Agricultural Credit Fund in the period 1965-67, and about NT\$28.4 million will be repaid in 1968.
- (3) A total of NT\$13.6 million of interest on the indirect loans has been paid by the Banks to the Agricultural Credit Fund. The interest income in 1968 will amount to NT\$5 million.
- (4) Since FY 1966, the installment repayment of the direct loans



and interest income from the indirect loans have been used as revolving fund to finance the new FAs participating in the program. Thus, the aggregate of loans made from the Agricultural Credit Fund directly and indirectly to the participating FAs from FY1961 through FY1968 amounts to NT\$273 million.

II. It is resolved that the following be approved:

1. *New FAs to participate in FY 1969 Program:*

- (1) The list of 8 selected FAs as enumerated below, to participate in FY1969 Unified Agricultural Credit Program.
- (2) A budget of N\$31.6 million, consisting of NT\$5.6 million as direct loans to those 8 FAs and NT\$26 million as indirect loans to participating FAs through the Land Bank and Cooperative Bank, to be appropriated from the "Unified Agricultural Credit Loan Fund"
- (3) The individual amount of direct loans to those eight FAs as shown in the list:

List of FAs Selected for Participation in  
FY1969 Unified Agricultural Credit Program

Name of FA	Proposed Amount of Direct Loans (NT\$)
Taipei Hsien	
Taishan Hsiang FA	500,000
Changhua Hsien	
Erlin Chen FA	1,000,000
Chutang Hsiang FA	800,000
Kaohsiung Hsien	
Chishan Chen FA	1,000,000
Linyuan Hsiang FA	600,000
Taitung Hsien	
Taimali Hsiang FA	500,000
Hualien Hsien	
Kwangfu Hsiang FA	700,000
Hsincheng Hsiang FA	500,000
	5,600,000

2. *Amendment to Regulations Governing Project Operation:*

- (1) That the rate at which the credit department shares the FA's joint administrative expenses including the salaries of general manager, assistant general manager, and accounting and administrative staff and supervision expense, be revised from 30 percent to 50 percent.
- (2) That the maximum term of unified credit loans from project FAs to individual farmers be revised from five years to seven years.

**SUMMARY OF THE MINUTES OF THE 19TH  
MEETING OF AGRICULTURAL CREDIT  
PLANNING BOARD**

TIME: November 21, 1969, Friday, 2:30. p.m.  
PLACE: Room 313, JCRR Building  
CONVENOR: Dr. T. H. Shen, JCRR  
PRESENT: Mr. L. Y. Kong, MOF (Represented by Mr. Y. A. Cherng)  
Mr. L. F. Ma, MOEA (on leave)  
Mr. S. Z. Liu, MOI (on leave)  
Mr. Y. P. Chang, CIECD (on leave)  
Mr. Ronald H. C. Ho, CBC  
Mr. J. H. Huang, PDAF  
Mr. W. W. Chow, PDF (on leave)  
Mr. C. Y. Liu, PFA (Represented by Mr. C. H. Yeh)  
OBSERVERS: Mr. Y. C. Liang, KMT Central (Represented by Mr. C. S.  
Wang)  
Mr. Y. S. Chen, TLB (Represented by Mr. C. K. Tsai)  
Mr. C. C. Wang, TCB  
Mr. M. Y. Song, PDF  
Mr. C. C. Cheng, PDAF  
Mr. Y. K. Yang, JCRR (Represented by Dr. H. Y. Chen)  
Mr. C. Y. Hsu, JCRR  
Mr. C. S. Chen JCRR  
RECORDER: C. S. Chen

I. Report by Mr. C. Y. Hsu, Executive Secretary of the Board.

1. *Progress of Project Operation:*

- (1) The FAs that have been enrolled in FY1961-69 total 266, representing 89% of the 298 township FAs which provide credit facilities in the province.
- (2) More than 90% of farm households in Taiwan are accessible to supervised credit service under the program.
- (3) As of September 30, 1969, 336 thousand farm households have benefited from the program. The cumulative amount of the

unified credit loans is NT\$5,770 million, and the outstanding amount NT\$1,329 million. Seventy-five percent of the loans was used by farmers for capital investment on farm, and 25 percent as operating fund. Record of collection from farmers shows as high as 96 percent, with the remaining 4 percent as a delinquency.

- (4) Capital reserves accumulated by participating FAs under the program amount to NT\$362 million and is estimated to reach about NT\$400 million by the end of 1969. Share capital of the FA credit departments subscribed by the farmers under the program has reached NT\$112 million. This increase of equity capital in the credit departments of those participating FAs has made a great contribution to the strengthening of their lending capacity and the improvement of their financial conditions.
- (5) Out of every dollar in the unified credit loans, 83 cents are financed by the FAs' own resources, and 17 cents by JCRR fund, indicating that the Agricultural Credit Fund has been functioning as pump priming to induce more fund and interest from the FAs for the expansion of improved credit services to farmers.
- (6) The group of 63 FAs that participating in the program in 1961 will have respectively completed their last installment repayment of the direct loans by the end of this year. During the 8-year period from 1961 to 1969, those FAs made a total of NT\$2,154 million of the unified credit loans to 121,997 farmers. As of September 30, 1969, the capital reserves accumulated by them amounted to NT\$151 million and share capital subscribed by their farmer borrowers reached NT\$34 million, thus having a total of additional equity capital of NT\$185 million in their credit departments. Those FAs also decided to continue the supervised credit services in accordance with the program regulations, even after their full repayment of the direct loans.

## 2. *Agricultural Credit Fund*

- (1) During the 5-year period from FY1961 to FY1965, the total appropriation from the U. S. aid counterpart fund to the Agricultural Credit Fund was NT\$223.4 million, and the total disbursement from the Fund to the FAs and Banks on loan basis

was the same amount.

- (2) Installment repayment of the direct loans by the participating FAs started in 1965. A total of loan principal of NT\$66.5 million was repaid to the Agricultural Credit Fund in the period of 1965-68, and about NT\$37.5 million will be repaid in 1969. The first installment repayment of the indirect loans, in an amount of NT\$20.8 million, will also be made by the Banks this year.
- (3) A total of NT\$18.8 million of interest on the indirect loans has been paid by the Banks to the Agricultural Credit Fund. The interest income in 1969 will amount to NT\$6 million.
- (4) Since FY1966, the installment repayment of the direct loans and interest income from the indirect loans have been used as revolving fund to finance the new FAs participating in the program. Thus, the aggregate of loans made from the Agricultural Credit Fund directly and indirectly to the participating FAs from FY1961 through FY1969 amounts to NT\$305 million.
- (5) In summary, the balance of direct and indirect loans from the Agricultural Credit Fund as of the end of this year will be NT\$179.8 million, and the fund available for use at the year-end NT\$66.1 million, from which NT\$64 million is proposed to be appropriated as indirect loans to the participating FAs.

II. It is resolved that the following be approved:

1. A budget of NT\$64 million as indirect loans to FAs participating in the Unified Agricultural Credit Program, through the Land Bank and the Cooperative Bank. The needed fund will be appropriated from the "Unified Agricultural Credit Loan Fund".
2. That both the credit department and economic section of the project FAs be eligible to borrow the indirect loans. Provision of loans to the economic section shall be made with emphasis on financing of such undertakings as agri-business operation, farm mechanization, transportation and other service facility installation and improvement.

## APPENDIX I

### Agricultural Credit Plan for Taiwan

March 5, 1960

TO: The Joint Commission  
FROM: Agricultural Credit Division  
SUBJECT: An Agricultural Credit Plan for Taiwan

The following is an excerpt from the minutes of the meeting with CUSA held on June 22, 1959 on JCRR Agricultural Credit Program:

"4. Long Range Agricultural Credit Fund

JCRR shall work out details on the proposed fund and a meeting shall be convened by CUSA when the detailed plans are ready for discussion."

In developing a five-year agricultural credit program as requested by JCRR we find that it coincides with our proposals for a long range plan although some features of the latter may not be realized within five years. Consequently, the plan outlined herein complies with the requests from both CUSA and JCRR.

The request from CUSA is appropriate and timely, as the relatively small agricultural credit projects conducted by JCRR since 1955 have prepared farmers and their lending institutions for a permanent agricultural credit system and have provided experience on which to base it.

During the period since 1955 JCRR has had six projects in agricultural credit, and another is contemplated for FY-60. Under the projects, funds have been provided to Farmers' Associations, the Cooperative Bank and the Land Bank on a loan basis. They have been in the nature of tests and demonstrations and have been effective in supplying limited amounts of lending funds that are more dependable than deposits (on which these institutions are largely dependant), in improving lending techniques and practices, and in making loans to farmers who here-to-fore were not using institutional credit. Over half of the FAs in Taiwan have actively participated in these programs, others have observed them and some have adopted their features on their own initiative.

The following is a schedule of the projects referred to, indicating the amounts loaned under them by JCRR, and their repayment dates:

## Repayment Schedule of JCRR Loans by Organizations Concerned

Name of Project and Code No.	JCRR Loan (NT\$1,000)	First Repayment	Final Repayment
1. Experimentation of Farm Operation and Improvement Loan Program:			
a. 402-M-1 (FY1955)-Land Bank	3,000	May 13, 1959	Jan. 5, 1960
b. 402-M-5 (FY1957)-Land Bank	2,000	Feb. 4, 1959	Nov. 5, 1959
2. Farm Credit Demonstration Program:			
a. 402-M-3 (FY1956)-20 FAs	4,750	Mar. 9, 1956	Nov. 27, 1961
b. 402-M-7 (FY1957)-20 FAs	4,550	Dec. 18, 1959	June 8, 1962
c. 58 (L)-M-10-8 FAs	1,750	Dec. 31, 1960	Dec. 31, 1962
3. Kinmen Agricultural Credit Program:			
58F (M)-145-Land Bank	500	—	Dec. 31, 1963
-Hsien FA	1,500	Dec. 31, 1959	Dec. 31, 1963
4. Supervised Agricultural Credit Program:			
a. 58 (L)-M-8-12 FAs	5,600	Dec. 31, 1960	Dec. 31, 1962
b. 59 (L)-T-3-58 FAs	26,700	Dec. 31, 1964	Dec. 31, 1966
5. Agricultural Credit Program in Taitung & Hualien:			
59 (L)-T-2-Land Bank	5,000	—	Dec. 31, 1963
-Coop. Bank	5,000	—	Dec. 31, 1963
6. Disaster Loan Program:			
60 (L)-T-4-117 FAs	33,140	—	June 30, 1963
7. Additional planned for FY-60			
Kinmen	500	—	Dec. 31, 1965
20 FAs (North Taiwan)	4,500	June 30, 1963	June 30, 1965
Total	98,490*		
Repaid to date	8,271		

\*Includes the additional amounts planned for FY-60

It will be noted that the first of these projects has been concluded and that the loans under it are repaid. The others are continuing, but some repayments are already being made. These are to be permitted to continue as agreed upon but the time and conditions are right for starting an Island-wide program to replace the expiring projects and whereby Taiwan agriculture will have a permanent and dependable source of lending funds at reasonable rates and on terms that conform to the farmers' requirements.

Aside from these immediate benefits, the ultimate objective of the plan is to eliminate the uncertainty of, and negotiations for, annual or periodic financial aid from Government, and to enable the agricultural credit institutions to achieve a self-sustaining status, operating with a minimum of duplication.



## THE PLAN

There are five major steps or phases to the plan but they need not be taken consecutively, in fact phases two and three should be initiated simultaneously, with phases four and five following as circumstances indicate.

### First phase:

Set up an Agricultural Credit Planning and Policy Board comprised of two representatives from each of the following:—Ministry of Economic Affairs, Ministry of Finance, Provincial Department of Finance, Provincial Department of Agriculture and Forestry, PFA, JCRR and CUSA. Other interested agencies may attend meetings of the Board as observers and consultants, at the invitation of the Board. This is not an operating group, and the Provincial Department of Finance is to be designated as the Administrative Agency, handling the Agricultural Credit Fund according to the plans and policies established by the Board. The Administrative Agency (PDF) is to have sole operating responsibility, including the regulation and supervision of all agricultural credit institutions—the Cooperative Bank, the Land Bank and the Credit Departments of the Farmers' Associations—and over the lending activities of such government enterprises as may borrow from the Fund.

It is recommended that an Agricultural Credit Fund of NT\$300,000,000 be established by a non-interest bearing loan from counterpart to be used as outlined below. The Agricultural Credit Fund is to be deposited in the Bank of Taiwan and will grow from income on loans, investments and deposits. The loan is to be repaid whenever in the opinion of the Board the accumulated earnings are adequate to meet all agricultural credit requirements but not before such earnings are equal to the principal. The income of the Agricultural Credit Fund is to be drawn on to cover the expenses of administration and supervision.

### Second phase:

Strengthen the financial condition and improve the operating procedures and practices of the Credit departments of the Township Farmers' Associations.

Taiwan is fortunate in that there are substantial deposits in its agricultural credit institutions. On the other hand, these institutions are handi-

capped by the fact that all the FAs, the Cooperative Bank, and to a lesser extent the Land Bank, must rely largely on deposits for their lending funds. The impermanence of deposits make them unsuitable for agricultural loans except as a supplement to permanent capital. The credit departments of the FAs have no capital of their own. At the end of each year their earnings or losses are pooled with those of the economic section and all but 20% is required to be distributed. The 20% that is retained becomes tied up in facilities and in operations of the economic sections. Consequently, the credit departments have no opportunity for accumulating capital and must rely on deposits and borrowings for their lending funds. At times borrowings are not available; always they are at rates that make them unattractive for relending for agricultural purposes.

Recommendations:

1. That all funds of the credit department be completely segregated—physically and on the records—from other funds of the FA, and be not liable for debts of other departments or sections.
2. That a limit be placed on the contribution of the credit department to the over-all income of the FA. The credit department will bear an appropriate portion of overhead expenses—administration, rent, light, heat, etc.—and contribute to the support of the extension section in proportion to the latter's services rendered to the credit department. All other earnings are to be used to provide reserves against losses and capital reserves.
3. That each township FA, after it meets the requirements listed in Attachment I, be given a non-interest-bearing loan from the Agricultural Credit Fund in an amount equal to NT\$300 per farmer-member. It is suggested that this loan be repaid in five equal installments beginning at the end of the fourth year. However, the Agricultural Credit Planning and Policy Board is to be authorized to revise the rates of repayment if in its opinion circumstances make a revision necessary. Furthermore, in the event an FA ceases to conform to requirements and thereby loses its eligibility to participate in the program it shall repay its loan immediately upon demand from the Administrative Agency. There are about 500,000 farmer-members in the 317 township FAs, therefore about NT\$ 150,000,000 will be required for this purpose. The township FAs

that do not now have active credit departments are to be strengthened so that they can qualify for participation in the program.

4. Provide fidelity bond insurance to cover the directors and responsible employees of FAs in place of personal guarantees. The requirements that directors personally guarantee the repayment of loans made to FAs restrain some prudent and well qualified men from serving in this capacity. Likewise, the practice of requiring personal guarantees from employees inhibits the selection of some competent men who will not ask friends or relatives to accept this responsibility. Furthermore, experience has demonstrated that there usually is long delay in fixing liability and collecting guarantees, resulting in serious operating loss to FAs.

Third phase:

Improve the financial resources and services of the Cooperative Bank and Land Bank.

As mentioned previously, both banks depend heavily on deposits for their lending funds. Interest rates on deposits and loans are as follows:

Deposits	Per Month	Per Year
Current A	0	0
Current B	.24	2.88
Call	.3	3.6
1 month	.6	7.2
3 month	.75	9.0
6 month	1.05	12.6
12 month		17.0
24 month		19.0
36 month		21.0
<b>Loans</b>		
Secured	1.50	18.0
Unsecured	1.74	20.88

Current and short-time deposits are suitable for agricultural production loans from the standpoint of cost, but FAs have found it unwise to lend over 70% of total deposits in order to preserve liquidity. The greater stability of longer-time deposits is negated by their high cost, forcing the

banks to seek borrowers other than agricultural at higher rates.

In order that the Cooperative Bank and Land Bank can at all times meet the credit needs of agriculture, they shall have access to loans and discounts from the Agricultural Credit Fund to supplement their other resources. It is recommended that loans from the Agricultural Credit Fund to the banks be at the rate of 12% per annum and that rates on loans and discounts from the banks to FA credit departments be at 14% per annum and those on loans to the economic sections at 15% per annum. The Board is to be authorized to revise these rates as circumstances require. While the banks are to scrutinize the loans of a borrowing FA credit department, the risks to the banks are reduced by virtue of the financing under phase two. Loans to the economic section will require more thorough analysis to determine its need for credit and its repayment ability; there must be constant vigilance over its operation, insurance protection, etc; therefore a wider interest spread is needed.

In order to avoid duplication and competition between the two government banks, their respective areas of responsibility shall be defined. After the credit department of an FA has utilized its deposits for lending purposes to the extent permissible, it shall look to the Cooperative Bank for credit to finance additional loans for terms of 12 months or less for agricultural or side-line production purposes, and for sugar and pineapple production loans which may run for terms of 18 months. Under the same circumstances it shall offer loans that normally should run for a term longer than 12 months to the Land Bank for discount except sugar and pineapple production loans. The Cooperative Bank is to finance the operating capital requirements of the economic sections that do not normally run for longer than 12 months while the Land Bank is to finance their other requirements. Unless duplication and competition among government agencies are reduced to a minimum, consideration should be given by the Agricultural Credit Planning and Policy Board to the solution of this problem.

It is recommended that about NT\$150,000,000 be made available for the use of the two banks for these purposes.

Fourth phase:

Reduction in the number of government agencies extending cash loans to farmers.

Among the policies to be fixed by the Agricultural Credit Policy and Planning Board will be that of the degree of emphasis that is to be placed on the production of specific farm commodities through the use of credit in order to meet local consumption requirements and for export. With this determination made with the view of the welfare of the entire Island and with the strengthening of the credit departments of the FAs, operating under close supervision, it will be possible to reduce the number of government agencies by channeling all cash agricultural loans to farmers through the regular credit institutions. This will eliminate duplication of government lending agencies, improve efficiency, and will reduce the likelihood of over-borrowing. This step is to be taken after the FAs have demonstrated their capacity for these additional responsibilities. The training of their staffs needs to be intensified and the rate of personnel turnover reduced.

Fifth phase:

Protection against losses.

The economic sections of the FAs are exposed to heavy losses due to fires. Insurance against this hazard is available, but coverages are frequently inadequate or non-existent. Banks should require this protection of their loans to the extent that is appropriate.

However, farmers are constantly exposed to heavy loss from typhoons, floods, droughts, epidemics among livestock, and pest infestations. These disasters strike at the individual farmers and through them at the credit departments of the FAs and at the two banks. Steps should be taken to protect both borrowers and lenders from these extraordinary losses. Further studies should be made to estimate the probable losses from these causes with a view to establishing a Disaster Loss Reserve under the control of the Administrator of the Agricultural Credit Fund to be used to cushion such losses when a calamity occurs. This is not to be confused with crop insurance as its protection is to be confined to losses to loans due to officially declared disasters and not to isolated losses from other causes for which provision is to be made by each lender through normal reserves.

The Disaster Loss Reserve is to be supported by contributions from the participating FAs and will initially have to be underwritten from other sources. By the time the studies referred to have been made the Agricultural Credit Fund will have accumulated funds sufficient for this purpose while the Reserve is being built up through contributions.

Losses to agricultural production loans that are financed by the contributing FAs in a disaster area are to be appraised by a competent committee and repaid from the Reserve to the extent of 80%—the remaining 20% to be borne by the borrower.

Conclusion:

The business of the FAs' credit departments has expanded so rapidly, in both deposits and loans, that their supervision has not kept up with their growth. There are so many agencies checking on their affairs that responsibility is diluted to a point where supervision is superficial. This should be the sole responsibility of one agency. Proper supervision of credit departments is not arduous if their funds are completely segregated from those of other departments and sections and if they are protected against claims of creditors of others. Under these circumstances an auditor need concern himself only with the affairs of the credit department.

The interest rates recommended to be charged at the beginning of this plan are as follows:

Loans to Agricultural Credit Fund	0%
Loans from Agricultural Credit Fund to Township FA Credit Depts.	0%
Loans from Agricultural Credit Fund to Banks	12% per annum
Loans and discounts from Banks to FA Credit Depts.	14% per annum
Loans from Banks to FA Economic Sections	15% per annum
Loans from FAs for agriculture & side-line production	18% per annum
Loans by FAs from their own resources and for purposes other than agricultural & side-line production	optional

The establishment of a long-range Agricultural Credit Fund now is timely. The experience and training of the smaller projects have been invaluable as a background for an over-all system but the gains from further year-to-year projects are diminishing. This plan will provide an opportunity for the credit departments to become "self-sustaining," independent of continual financial support from government. Furthermore, with the prospects of decreasing foreign aid the funds invested in a system now will return to government after they have accomplished their purpose and when they may be needed more urgently elsewhere.

## ATTACHMENT I

### Qualifications for Farmers' Associations participating in the program

1. The funds of the credit department within the FA are to be completely segregated from those of other departments and section and shall not be liable for any of their obligations.
2. It shall require each borrower to have an investment in Credit Department Certificates of Investment in an amount at least equal to 5% of his outstanding loans. A borrower is not to be required to purchase such certificates each time he gets a loan, but he is to have an investment at all times of at least NT\$5.00 for each NT\$100.00 outstanding to him in a loan or loans from the FA. Certificates are to be issued in denominations of NT\$5.00 or multiples thereof, consequently any fraction of NT\$100.00 will require an investment of NT\$5.00.

For example, a member borrows NT\$500.00; he gets NT\$475.00 in cash and the remaining NT\$ 25.00 is kept by the FA as the borrower's investment. After his loan is repaid he can borrow any amount up to NT\$500.00 without further investment in certificates. However, if he increases his loans to NT\$1,050.00, he will be required to invest NT\$ 5.00 for each additional NT\$100 or fraction thereof, or NT\$30.00. Thereafter he can borrow up to NT\$1,100.00 without additional investment.

No dividends shall be paid or accumulated on these certificates so long as any loans from the Agricultural Credit Fund are outstanding to the FA, but after full repayment of such loans, dividends may be paid at a rate that is approved by the Agricultural Credit Planning and Policy Board. The certificates shall be redeemable two years after the repayment of the holder's loans or upon his death.

3. There shall be a Credit Department Advisory Committee of six to represent the farmer-borrowers before the board of the FA. This committee shall be elected by the farmer-members who are holders of certificates of investment from the list of such holders as of a date approximately one month prior to the election. The terms of office shall be three years, with the terms of two expiring each year. Therefore, at the first election six members of the committee shall be elected,

two for one year, two for two years and two for three years. No member shall serve for more than two full consecutive terms, and directors and supervisors of FAs shall not be eligible to serve on the committee. In event of a vacancy on the committee due to death or to ineligibility because of a member's election as director or supervisor of the FA or because of the redemption of his certificates of investment the board of directors shall appoint an eligible borrower to fill the vacancy. The appointed member shall serve until the next regular annual meeting at which time an eligible farmer-borrower shall be regularly elected to complete the unexpired term.

4. The credit department shall not transfer funds to any other department or section except for short-term purposes. Such transfers shall at no time exceed 5% of deposits, and shall be limited to a period of 30 days.
5. In order to assure that the Agricultural Credit Fund is not being used for any purpose other than agricultural and side-line production, an FA's total loans for other purposes shall at no time exceed 70% of the aggregate deposits from associate members.
6. Government revenues collected by the FA are not to be included as deposits in the FA's statements, but treated as funds in transit, except in cases of Township Government funds when the FA serves as the depository.
7. The accumulation of deposits is to be encouraged but those for periods exceeding 12 months should be accepted as agent for a bank and not for the FA's own account as they are too costly for agricultural loans. The FA is entitled to fair compensation from the bank for this service.
8. Replace personnel guarantees of officers and employees with fidelity bond coverage as soon as this protection is available.
9. It will agree to the following rules governing loans from banks. After its deposits and other resources have been utilized for loans to the extent considered prudent it will obtain lending funds from the Cooperative Bank and the Land Bank as follows:
  - a. From the Cooperative Bank
    - (1) For re-lending to members for agricultural and side-line production purposes for terms not exceeding 12 months except in cases where loans are used for sugar or pineapple production



for which the terms may run to 18 months.

- (2) For use of the economic section for purposes not requiring terms of longer than 12 months.

b. From the Land Bank

- (1) For loans to members for agricultural and side-line production purposes (including terracing, land reclamation and other land improvement), the normal terms of which run for longer than 12 months except sugar and pine-apple production loans. These funds shall be provided by the Land Bank by discounting such loans made by the FA.
- (2) For use of the economic sections for purposes normally requiring terms of longer than 12 months, such as loans for the construction of buildings, the purchase of operating machinery and equipment, etc.

## ATTACHMENT II

### Plan for Providing Permanent Capital for FA Credit Department with Farmer-membership of 1,500

Assuming a non-interest bearing loan in the amount of NT\$450,000 is made to the credit department of an FA to be re-loaned to farmers as follows:

- (a) Interest rate from farmers — 18% per annum
- (b) Estimated operating expenses— 4% per annum

The FA will have a net interest income of 14% per annum on loans outstanding to farmers. Based on the experience of the FAs in the Farm Credit Demonstration and Supervised Agricultural Credit Programs, it is assumed that on the average 90% of the funds will be on loan after the first year. It is estimated that during the first year the entire amount will be out-standing for the last six months. The un-loaned funds will draw sufficient interest from the depository during the first 6 months to cover operating expenses for that period.

Part of the 10% that will normally be unloaned will be in transit and in the process of collecting and relending but part of it will be drawing interest from the depository bank at a nominal rate. However, this income is not included in these computations and is assumed to be adequate for normal losses on loans.

Repayment of the loan by the FA to the Agricultural Credit Fund will be at the rate of NT\$90,000 per year, starting at the end of the fourth year with the final repayment at the end of eight years. At that time the FA will have a permanent fund of approximately the amount of the original loan. Thereafter it will increase rapidly until it is adequate to meet the FA's requirements for credit service, supplemented by its deposits. At that point rates to farmers can be adjusted according to circumstances.

Plan for Providing Permanent Capital for FA  
Credit Department with 1,500 Farmer-members

	1st Year	2nd Year	3rd Year	4th Year	5th Year	6th Year	7th Year	8th Year
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
Amount on hand at start of year	450,000	481,500	542,169	610,482	597,403	582,676	566,092	547,421
Unloaned fund	450,000	48,150	54,217	61,048	59,740	58,268	56,609	54,742
	for 6 months							
Amount loaned at net rate of 14% annual	450,000	433,350	487,952	549,434	537,663	524,408	509,484	492,679
	for 6 months							
Net loan interest income	31,500	60,669	68,313	76,921	75,273	73,417	71,328	68,975
Year end status, amount on hand at start of year plus net income	481,500	542,169	610,482	687,403	672,676	656,093	637,421	616,396
Repayment	---	---	---	90,000	90,000	90,000	90,000	90,000
Balance to start next year	481,500	542,169	610,482	597,403	582,676	566,093	547,421	526,396

## APPENDIX II

### Minutes of a Meeting to Discuss the Agricultural Credit Plan for Taiwan

TIME: July 12, 1960, 3:30 p.m.  
PLACE: Room 209, CUSA Building  
PRESENT: ICA- Mr. W. C. Haraldson  
          Mr. R. E. James  
          Mr. H. F. Shambarger  
          Mr. B. C. Rodes  
          JCRR-Com. C. H. Willson  
          Com. T. H. Shen  
          Mr. I. H. Kauffman  
          Dr. S. C. Hsieh  
          Mr. C. Y. Hsu  
          MOF- Mr. K. H. King  
          CUSA-Mr. K. Y. Yin (Presiding)  
          Mr. T. L. Yuan

#### CONCLUSIONS:

1. An Agricultural Credit Fund is to be established for making available to Taiwan agriculture a permanent and dependable source of credit at reasonable interest rates and on terms that conform to the farmers' requirements.
2. An Agricultural Credit Planning and Policy Board should be set up comprising of one representative each from MOEA, MOF, PDAF, PDF, JCRR, CUSA and the Provincial Farmers' Association with the representative from JCRR appointed as Convener and Executive Secretary. All members shall serve without remuneration.
3. Counterpart funds shall be allocated to the Agricultural Credit Fund as a Grant up to a maximum of NT\$300 million over a period of five years. During the first year NT\$60 million be provided, with an additional release of not exceeding NT\$40 million to be considered by ICA/CUSA if the NT\$60 million is exhausted prior to the end of fiscal year. Amounts of annual releases during subsequent years will depend upon the merits of the first year's operations and the

requirements of the program for prompt service to all township Farmers' Associations as rapidly as they qualify for participation in the program.

4. The administration of the Fund shall be guided by the decisions of the Agricultural Credit Planning and Policy Board. However, policy considerations will be subject to approval by JCRR.

## APPENDIX III

### Rules Governing Operation of Unified Agricultural Credit Program by Township Farmers' Associations in Taiwan

Promulgated June 10, 1961

#### Chapter I. General

- Article 1. These rules are made for the improvement of existing agricultural credit facilities and the strengthening of agricultural credit operations of township farmers' associations in Taiwan.
- Article 2. In handling agricultural credit, all township farmers' associations participating in Taiwan Unified Agricultural Credit Program (here-after called participating FAs or the FAs) shall observe these rules unless otherwise stipulated in existing laws and regulations.
- Article 3. In order to attain high efficiency of the program, a participating FA shall coordinate the handling of agricultural credit with conditions of the township's agricultural production, its farm extension work and the plan for encouraging side-line production.
- Article 4. A participating FA shall carry out the agricultural credit program strictly in accordance with the provisions of related regulations, and shall accept supervision, investigation, auditing and guidance by agencies concerned including the Provincial Department of Agriculture and Forestry, the Provincial Department of Finance, the Provincial Farmers' Association, the Land Bank of Taiwan and the Cooperative Bank of Taiwan.
- Article 5. The funds of the credit department within a participating FA shall be completely segregated from those of other departments and sections, and shall not be liable for any of their obligations.
- Article 6. The credit department of a participating FA shall not transfer funds to any department or section except for covering stringencies. Such transfers shall at no time exceed five

per cent of all deposits, and shall be limited to a period of 30 days.<sup>(1)</sup>

Article 7. When there be such need, a participating FA may negotiate with the Land Bank of Taiwan and the Cooperative Bank of Taiwan for obtaining loans to be relented to the farmers for agricultural and side-line production purposes, respectively for terms exceeding twelve months and for terms not exceeding twelve months. However, production loans for jute, cotton, tobacco, pineapple and brown-sugar sugarcane shall be made according to existing procedures. To facilitate these transactions, each participating FA is required to have deposit accounts with each of the two banks.

Article 8. A participating FA shall do its utmost to strengthen the operation of agricultural credit with the aggregate resources of loans borrowed from the Agricultural Credit Fund, deposits from the farmer-members, investments made by borrowers and reserves accumulated at its credit department. However, loans borrowed from Agricultural Credit Fund shall not be used to finance borrowers for the purchase of farm land.

Article 9. A participating FA may make loans for purposes other than agricultural production to a total not exceeding seventy percent of all deposits from its associate members.

Article 10. Rate of interest on loans from FA to members for agricultural and sideline production shall be set as follows:

(1) Unsecured 18 percent per annum

(2) Secured 16.2 percent per annum<sup>(2)</sup>

Article 11. Rate of interest on loans to FA credit department from Land Bank and Cooperative Bank for relending to members for production purposes shall be 14 per cent per annum.<sup>(3)</sup>

Article 12. Payment of interest on the lendings and the borrowings of a participating FA, as stipulated in Article 10 and Article 11, shall in principle be made once every six months.

Article 13. The credit department of a participating FA may provide the extension section with ten percent of its earnings each

year for the latter's services rendered to agricultural credit operation.<sup>(4)</sup>

Article 14. The earnings of the credit department of a participating FA at the end of each year, after duly allocating legal reserve and welfare fund, contributing financial support to the FA extension section as stipulated in Article 13, shall be used to provide reserves against losses and capital reserves.

Article 15. There shall be a Credit Advisory Committee at each participating FA to give advices to the FA. The committee shall be formed by members who are invited by the board of the FA.

Article 16. If a participating FA violates these or other related rules the Provincial Department of Agriculture and Forestry shall consult with other agencies concerned and take action in accordance with the seriousness of such violation. The action may include any one of the following:

- (1) Warning with order to improve.
- (2) Punishment of the FA general manager, credit chief and credit man.
- (3) Legal action on the grounds of breach of contract.

## Chapter II. Application and Processing

Article 17. In applying for a loan, an FA member is required to fill in an application form which is provided by the FA.

Article 18. The credit department of a participating FA is to investigate the credit standing, farming operation, actual need of fund and repayment capabilities of an applicant. Results investigation together with comments and recommendations are to be submitted to the general manager for decision.

Article 19. Full records shall be kept by a participating FA on the processing of each individual application, and be reported to the board of directors once every month.

Article 20. When a decision is made with regard to a loan application, a participating FA shall promptly inform the applicant of the result by writing, and request his presence at the FA



for signing a loan contract.

### Chapter III. Extension of Loan

Article 21. Farm loans are to be extended only to those who are actually engaged in farming, and for purposes of agricultural and sideline production.

Article 22. Farm loans are to include the following major items.<sup>(8)</sup>

- (1) Seed and seedling
- (2) Fertilizer (No loans shall be made for crops for which the government agencies make fertilizer loans)
- (3) Feed
- (4) Draft cattle
- (5) Dairy cattle
- (6) Boars and sows
- (7) Pigs
- (8) Other livestock
- (9) Poultry
- (10) Pumps
- (11) Power tillers
- (12) Other farm machinery and tools
- (13) Ox-carts and other vehicles
- (14) Drying grounds
- (15) Hog compost houses
- (16) Cattle barns
- (17) Other farm installations
- (18) Purchase of farm land
- (19) Land improvement
- (20) Wages for production
- (21) Materials for farm production
- (22) Materials for side-line production
- (23) Farm house

Article 23. Farm loans are to be assured by personal guaranty. However, if it is necessary, a participating FA may require a borrower to provide collateral.

Article 24. In order to facilitate the operation of Unified Agricultural Credit Program, a participating FA may raise the maximum

limit of unsecured loan to a borrower to NT\$5,000, and that of secured loan to NT\$50,000.<sup>(5)</sup>

Article 25. When signing a contract for a farm loan, a borrower is required to have an investment in the FA credit department in an amount at least equal to five percent of his outstanding loan. Each unit of investment shall be NT\$5. The investment shall not be returned to the borrower until two years after the full repayment of loan. Provisions shall separately be made with regard to distribution of earnings from the investment.<sup>(6)</sup>

Article 26. Maximum term of a loan shall be five years. In determining the term and the repayment schedule of each loan, a participating FA is required to take account of farming seasons and the borrowers' ability to repay, and will refer to the following criteria:<sup>(7)</sup>

- a. In the case of crop production including seed and seedling, fertilizer, other materials and wages, the FA determines the term and the repayment schedule according to the length of period between the date of contract and the harvest time, the frequency of harvesting and the value of produce.
- b. In the case of livestock and poultry production, including dairy cattle, boars, sows, pigs, poultry, other animals, feed, materials and wages, the FA determines the term and the repayment schedule according to the length of period between the date of contract and the start of yield, the frequency of yields and the value of produce.
- c. In the case of side-line production, including materials and wages, the FA determines the term and the repayment schedule according to the length of period between the date of contract and the start of yield, the frequency of yields and the value of product.
- d. In the case of production loans other than those covered in items a, b, c, in the above, but including power tillers, ox-carts and other vehicles, pumps, other farm machinery and tools, draft cattle, hog compost houses,

cattle barns, drying grounds, other farm installations, purchase of farm land and land improvement, the FA will use the following criteria as a guide:

- (1) For a loan up to NT\$600, the maximum term will be a half year.
- (2) For a loan from NT\$601 to NT\$1,500, maximum term will be one year.
- (3) For a loan from NT\$1,501 to NT\$3,000, maximum term will be one and a half years.
- (4) For a loan from NT\$3,001 to NT\$5,000, maximum term will be two years.
- (5) For a loan from NT\$5,001 to NT\$10,000, maximum term will be two and a half years.
- (6) For a loan from NT\$10,001 to NT\$15,000, maximum term will be three years.
- (7) For a loan from NT\$15,001 to NT\$20,000, maximum term will be three and a half years.
- (8) For a loan from NT\$20,001 to NT\$25,000, maximum term will be four years.
- (9) For a loan from NT\$25,001 to NT\$30,000, maximum term will be four and a half years.
- (10) For a loan exceeding NT\$30,000, maximum term will be five years.

For loans covered in items (2) through (10) in the above, the FA is required to provide a reasonable plan of installment repayment according to farming seasons and actual need.

Article 27. Whenever necessary, a participating FA shall give a loan by installments in order to match the borrower's need and to facilitate the supervision of use of the loan.

#### Chapter IV. Repayment of Loan

Article 28. Ten days before due date of a loan, a participating FA shall inform the borrower by writing of the amount and the

date due and request him for repayment.

Article 29. A participating FA may grant an extension of the repayment date if a borrower requested it and presents reasons that conditions beyond his control justify a postponement. The borrower must make such request not later than five days before the loan is due.

Article 30. If necessary, a participating FA may dispatch personnel to call upon a borrower for repayment of loan, and render him assistance for completing the repayment procedures.

Article 31. A participating FA shall promptly return the loan contract and collateral to a borrower when he has paid the principal and interest to the FA.

Article 32. A participating FA shall impose a penalty in addition to the regular interest, in accordance with the overdue interest rate set by the Bank of Taiwan, on the borrower who has failed to repay a loan in time. There shall be a clause in the loan contract stating this effect.

#### Chapter V. Supervision and Examination

Article 33. The credit department of a participating FA shall periodically dispatch personnel to visit borrowers to check on the use of funds, to see whether farming operations are carried on as agreed upon, and jointly with the extension section, give technical assistance in agricultural production. Reports of these visits are to be kept for reference.

Article 34. Extension men of a participating FA shall give borrowers advices on farming plans and management techniques, but their assignments shall be limited to extension education work. Extension of loans, supervision and collection of loans are to be carried out under the sole responsibility of the credit department.

Article 35. A borrower shall not refuse periodical visits by the FA staff, and shall pay due regard to advices that are given by them in connection with use of funds and farm management.

Article 36. The Provincial Department of Agriculture and Forestry, the

Provincial Department of Finance, the Provincial Farmers' Association and other cooperating agencies shall periodically dispatch personnel to examine and supervise the work done by participating FAs and to check on the use of funds by borrowers and records of their repayment.

Article 37. A participating FA is required to submit a monthly report on the progress of operation to each agency concerned.

Article 38. If discovery be made by personnel of agencies concerned that a participating FA has violated these or related rules, they shall give instruction to the FA for correction. If necessary, reports may be made to their agencies for action in accordance with Article 16.

#### Chapter VI. Supplementary

Article 39. These rules shall jointly be promulgated and enforced by the Provincial Department of Agriculture and Forestry and the Provincial Department of Finance. The same applies to their revision.

Notes: (1) The transfer of funds from credit department to any department or section has been amended not to exceed ten per cent of all deposits since Sept. 7, 1973.

(2) Readjustments of interest rates on Unified Agricultural Credit to farmers are as follows:

Date of readjustment	Unsecured loan	Secured loan
Aug. 8, 1962	18% per annum	15.84% per annum
July 1, 1963	15.84%	13.32%
Mar. 1, 1964	15.12%	13.32%
Feb. 14, 1966	14.40%	13.32%
May 6, 1967	13.32%	12.60%
Dec. 22, 1970	12.60%	11.88%
May 29, 1971	11.75%	11.25%
July 1, 1972	11.25%	10.75%
Oct. 24, 1973	12.50%	12.00%
Jan. 27, 1974	16.25%	15.25%
Sept. 19, 1974	15.00%	14.25%

- (3) Readjustments of interest rate on indirect loans to FA credit department from Land Bank and Cooperative Bank are as follows:

Date of readjustment	Rate of interest
Nov. 1, 1964	12% per annum
July 1, 1965	11.58%
May 6, 1967	10.08%

- (4) Financial contribution of the credit department to extension budget was raised to 30% and 50% of the earnings of the credit department in 1963 and in 1971 respectively.
- (5) Maximum limit of unsecured loan to a borrower has been increased to NT\$10,000 since July 9, 1966.
- (6) Redemption of borrowers investment was amended on Feb. 20, 1965 by Agricultural Credit Planning Board as follows: "If the amount of capital reserves accumulated by an FA has reached its interest-free loans from JCRR, the certificate of investment in the FA credit department may be redeemed to the borrower immediately after he has fully repaid his loan to the FA."
- (7) Maximum term of a loan under UAC program was extended from five years to seven years on Jan. 1, 1969, and Article 26, d (10) was also amended as follows:
- (10) For a loan from NT\$30,000 to NT\$35,000, maximum term will be five years.
  - (11) For a loan from NT\$35,000 to NT\$40,000, maximum term will be five and a half years.
  - (12) For a loan from NT\$40,000 to NT\$45,000, maximum term will be six years.
  - (13) For a loan from NT\$45,000 to NT\$50,000, maximum term will be six and a half years.
  - (14) For a loan exceeding NT\$50,000, maximum term will be seven years.
- (8) The loan items have been revised as the following eight categories since Jan. 1, 1972.

- (1) Crop production
- (2) Animal production
- (3) Sideline production
- (4) Farm machinery
- (5) Purchase of farm land & land improvement
- (6) Farm buildings and installations
- (7) Wages for production
- (8) Others

行政院農委會圖書室



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