

basis, and in such a way a man owning ten acres would purchase twice as much capital stock as a man owning five acres, if the acreage basis were used. Capital contributions for the erection of a co-operative creamery could be made on the basis of the number of cows owned or the number of gallons of milk produced by each member.

There is a considerable interest shown at present in the question of erecting co-operative orange packing houses, and an outline of a plan for the erection of such a house will be useful.

Suppose a certain local association of the Fruitgrowers' Exchange desires to construct such a house, same to cost £5,000. The membership in the association in the area to be served by the house, owns and operates 1,000 acres of bearing orange trees, so that the purchase of capital stock by the members at the rate of £5 an acre would give to the association the required £5,000. A man owning ten acres would purchase stock to the value of £50. Obviously the members could not all pay cash for the stock but it is cash that the association requires. Members who could not pay in full could give, in lieu of cash, promissory notes to the value of the balance due and these the association could use as security for a cash loan, to be obtained either from individuals or from a financial institution. At present the Land Bank is financing such associations, and will finance no fruit growers' association which does not affiliate with the Fruitgrowers' Exchange of South Africa. Payment of unpaid stock balances can best be made through the deduction of a small sum per box, say 6d., on each box handled by the association. Thus the payment is made gradually and no heavy, out-of-pocket outlay is required on the part of the grower.

The financing of a local association of the unlimited liability type presents no unsurmountable difficulties. In such a case no capital stock is issued, and members are jointly and severally liable for all debts incurred by the

association. In such a case the money would be raised by loan, as much as possible from the members themselves and the balance from a banking institution. The security for the loan would be promissory notes of the members, same being given on an acreage, tree or box basis. With the limited liability company each member would be liable only for the payment of the stock issued to him. With the unlimited liability society each member would be liable for his own indebtedness and also for that of any member who is unable to pay. Because of various failures of the unlimited liability type in recent years, farmers have a distinct prejudice against it, but there is no question that this unlimited liability form has much greater borrowing power than the limited liability form.

The contributions of capital on the acreage or volume basis insures a contribution in direct proportion to the use of the association facilities by the members. The volume of produce handled for individual members changes from time to time and in order always to have the capital held by each, directly proportional to his uses of the association it is necessary to redistribute the capital from time to time, the exact periods of course depending on the amount of changes occurring. There are several possible methods of stock equalization, a discussion of which will not be taken up in this article.

CASH RESERVES.

A mistake that has been made in the past by numerous organizations has been the failure to build up sufficient cash reserve to enable them to weather any periods of financial depression. In the life of any association, organization or company there may come certain times when a definite amount of cash is urgently required. If such a demand occurs during a period of financial stringency, the organization may have difficulty in borrowing the money needed. An organization that is continually borrowing for current needs does not enjoy an enviable reputation; not only