

GOVERNMENT AID FOR IRRIGATION DISTRICTS

By O. LAURGAARD.
(Oregon Voter.)

It is common knowledge that irrigation securities on unconstructed projects have no market value in financial circles. A few of the most important reasons I have found personally to be as follows:

First. The farmers were unable to pay the heavy principal installments and interest charges when due after the project was completed because—

(a) The annual charges were too large and the time too short;
(b) Government lands sometimes constituted too large a proportion of the lands assessed, or
(c) The large land holdings in private ownership were not disposed of to actual settlers in the time required.

Second. The company was unable to complete the projects on account of financial difficulties usually caused by—

(a) Insufficient estimated first cost;
(b) Extravagant management or excessive construction cost, or
(c) Unforeseen financial difficulties.

Third. Sometimes the constructed projects are inadequate to supply water for the lands contemplated, which condition was caused by—

(a) Insufficiency of water supply;
(b) Failure of reservoir to hold water for various reasons;
(c) Insufficient capacity of canals;
(d) Extensive seepage losses, or
(e) Protruded or unfavorable litigation.

Lack of authentic investigation before construction stands out clearly as one of the principal causes of failure. The eastern bond brokers and trust companies who now hold these securities of bankrupt projects have no inclination for further investment, having learned their lesson. In many instances a blue-print showing the location of the land and a sketch showing the proposed location of the canal were all that was necessary to induce the writing of securities to the amount of millions.

When one now considers the burden that was placed on some of these projects by promotion, expense, discounts on bonds, etc., before adequate investigations had been made, it is no wonder that the president of the largest banking institution in the Northwest doubted the advisability, in speaking of trust funds, "of investing them in half-baked schemes that are problematical in their outcome."

When one takes into consideration the loose manner in which many of these large undertakings were conducted, it is not surprising that so many failed, and that their securities have no value on the financial market.

The success of an irrigation project depends principally upon the success of each and every individual farmer, more even than the economical construction and the successful execution of the general plans. We have seen numerous instances where structures built with considerable care, and with considerable success, went nothing towards the general success of the project when the farmer was not available to pay interest on the securities and operation charges for the lands.

The man who makes a successful farmer on irrigation land usually is one of small means, but with a large capacity for work. The man who has sufficient capital to improve a farm on these new projects is not usually the kind of a man that would do so, but would rather buy an improved farm. It therefore becomes necessary to provide some method to finance this farmer, and make his burden less heavy during the early period on these irrigated lands.

On the work which has been carried on by the Federal Government no interest charges have been levied on the construction cost, but even on many of these projects it has been impossible for the settler to pay even the relatively small proportion of the construction charges demanded annually. It is, therefore, not surprising that the matter of interest, in addition to principal payments, becomes a serious question with the settler on the private project.

There are now many worthy projects which offer splendid securities that find no sale on account of past performances. Capital, which is timid, cannot or seems not willing to differentiate between the worthless irrigation land of the west and some of these worthy securities. Of course it is realized that there appears to be no uniformity at the present time between the various forms of security offered on irrigation projects in the west. There are first mortgage bonds, collateral trust bonds, Crook act bonds, district bonds, etc., which all vary in form and value as security in all the western states.

Therefore, where irrigation bonds are tendered for sale, if an audience can be obtained, a long tedious campaign of education necessarily follows in order to elucidate the particular advantages and form of the security offered. To place irrigation securities on a firm substantial basis, it will be necessary to provide some uniform bond throughout the entire west that can apply to all meritorious projects.

The irrigation district which has been gaining in favor for the past few years, and which in reality is a municipal incorporation, under the State laws, seems to fill many of the requirements of the practical irrigation project. The district furnishes the necessary time and terms for the payment of principal installments, but no relief is offered by our present laws in the matter of interest charges during the construction or development period. Some of the western states have had some sad experiences even with the irrigation district, due to insufficient investigation, unsatisfactory state of affairs, and a percentage

of government land within the boundaries of the district. Some Federal legislation is necessary to insure the payment of assessments on Government land, either by the present settler on unpatented land or by the prospective settler.

It is expected that with Federal or State legislation to guarantee the interest on district bonds, certain approval must be necessary as an initial requisite, and supervision and inspection during the construction. The failure of the approval of a project after same had been examined by Federal or State experts would probably justify the elimination of further assessments or promotion expense.

Under our present laws, in case the directors of the district do not make the necessary assessments to cover interest and other obligations, it becomes incumbent upon our county officials not only to levy these assessments, but also to collect them in the same manner as delinquent taxes.

The investor or bond purchaser also is not required to deal with the directors of the district in order to receive his interest payments, but merely sends the interest coupons to the county treasurer, who makes payment of the interest and subsequently is reimbursed by the collection of the assessments in the same manner as county and city taxes.

At the present time the district laws of Oregon and Washington are satisfactory to the Secretary of the Interior, who, it is known, favors the district idea. In the Yakima valley, in fact, the Government accepts district bonds in lieu of charges for water stored or construction work done under the supervision of the Department of the Interior. The guarantee by the Government of the interest on district bonds should create uniform district laws throughout the west, and probably thus create only one form of irrigation security.

Irrigation bonds and undeveloped projects securities are classed as "construction bonds." This particular form of bond does not find a ready sale even for other projects, such as railroads, power plants, etc., for the reason that the successful development is dependent upon so many conditions over which the investor has no definite or immediate control.

Therefore, there have arisen numerous theories concerning the marketing of these irrigation bonds, which appear safe and sound from all legal and engineering standpoints. It is well recognized that before the development takes place, the bonds of the district are not simply secured by the assets of the district itself. Therefore, in order to provide for the sale of the bonds at a price near par, and with a low interest rate, it will be necessary to supplement the assets of the district itself by either the guarantee of the state or the nation or the interest and principal of the bonds.

Realizing that in case the Jones bill, designed to enhance the stability of irrigation district bonds, did not pass at the present session of Congress, the Oregon Irrigation Congress at its fifth annual session last month, passed strong resolutions urging the state also to further the irrigation development of the commonwealth by the passage of an act whereby it will be possible for the state to guarantee the interest and principal on these bonds to the extent of two per cent of its assessed valuation. The enactment of this class of legislation is a step in the right direction.

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TO ANNOUNCE DATES

Time For Farmers' Meetings to be Set Soon.

(By A. E. LOVETT, County Agriculturist.)

Requests for institute meetings are for some reason coming in to the office of the County Agriculturist slowly. Three dates are still open. The extension staff from the Agricultural College comes to Crook county February 12 to 19, as a result of a request for their assistance by the County Agriculturist. Any one interested in having a meeting in their community should write or see me at an early date. Definite schedule of meetings will be postponed until next Saturday. If interested please write at once.

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MARCH 9 IS DATE SET FOR IRRIGATION CONFERENCE

Meeting to be Held in Salem According to Decision of Committee Announced Last Week.

(Oregon Journal.)
March 9 is the date of the Oregon Irrigation, drainage and rural credits conference.

Salem is the place of the conference and the legislative hall of the lower house at the capitol will probably be used.

These decisions were reached by the committee of the Oregon Irrigation Congress, appointed to call the conference, at a meeting this afternoon.

J. W. Brewer, Asa B. Thompson and R. G. Calvert attended as committee members and O. C. Leiter and C. C. Chapman as guests.

It was believed that the state capitol building will be a better place of meeting than Portland because of the access furnished to the state law library which will be used in reference as bills providing state backing of irrigation and drainage securities are drafted.

March 9 was chosen as the conference date in order to reach all organizations that should be represented.

The governor and secretary of state will be asked to grant use of the lower house legislative hall as the conference room.

MARKET REPORT.

A good run of 1100 head of cattle came forward to a steady market. Demand was good and the stuff moved rapidly. (A total gain of 60 cars including all classes of stock was made this month.) Best steers are quoted at \$7.50; cows at \$6.25 and calves \$8. A very light run of 3475 swine caused the market to advance 15 cents. Prime light hogs are quoted at \$7.55. One load of hogs of excellent quality was sold at \$7.65. This month shows an increase of 5000 hogs over January, 1915, the largest month in hog receipts excepting November and December, 1915. A handful of sheep found ready buyers today, 2 cars of well finished lambs brought a 20 cent advance over last week's top and sold at \$8.55. Yearlings and weathers remain steady. There was an increase of almost 1500 sheep for January, 1916, over same month last year.

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MEETING WELL ATTENDED

Success of Potato Growers Association is Assured.

(By A. E. LOVETT, Secretary.)
The regular meeting of the Deschutes Valley Potato Growers' Association on January 31st was attended by a large number of enthusiastic potato growers and much business of importance to the growers was transacted. Fourteen names were added to the list of members and officers for the ensuing year were elected as follows: President, G. E. Stadig, vice president, S. D. Mustard, secretary, A. E. Lovett, treasurer, J. O. Skirving.

An institute and business meeting of the Potato Growers' Association will be held at Redmond on February 14. The meeting will be called at 9:30 a. m. for the purpose of lecture and discussion on growing potatoes and potato diseases, by Prof. J. E. Larsen of the Agricultural College. Business meeting and conference with Prof. Larsen at 2 p. m. A discussion of best varieties for markets will also be taken up at the forenoon meeting.

All parties wishing to secure seed potatoes should get in touch with the secretary of this association as early as possible. Seed grown at home are practically disease free. Those obtained from outside should be carefully inspected before planting. Every one is cordially invited to attend the meeting on February 14.

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