

1940.
NEW ZEALAND.

THE SHEEP-FARMING INDUSTRY COMMISSION.

(REPORT OF.)

Laid on the Table of the House by Command of His Excellency.

To His Excellency the Right Honourable Viscount Galway, P.C., G.C.M.G., D.S.O., O.B.E., Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY, —

Your Excellency's Commission, dated the 5th day of July, 1939, directed us to inquire into and report upon the condition of the sheep-farming industry in New Zealand and upon all such matters incidental or relevant thereto as we might think proper, with a view to the formulation of such measures in relation to the industry as would best promote the interests of the persons engaged therein and the general economic welfare of New Zealand.

The Commission commenced its sittings in Wellington on 20th July, 1939, and, with the exception of the period intervening between 4th and 17th August, it was continuously engaged in hearing statements and taking evidence at that centre until 31st August, 1939. Statements and evidence were received from the New Zealand Farmers' Union, the New Zealand Sheep-owners' Federation, the New Zealand Workers' Union, the New Zealand Meat-producers Board, the Associated Trading Banks, the New Zealand Live-stock Auctioneers' and Agents' Association, the New Zealand Counties' Association, the Wairarapa branches of the New Zealand Farmers' Union, and the New Zealand Sheep-owners' Federation, and the following Government Departments and bodies: Agriculture, Lands and Survey, State Advances, Scientific and Industrial Research, Public Trust, Valuation, Land and Income Tax, Transport, State Forest Service, Government Life Insurance, Internal Affairs, Treasury, and Education. A considerable volume of valuable technical and statistical evidence was received from Government officers representing the Departments and bodies named. A number of farmers also gave evidence in Wellington.

The Commission sat at Palmerston North from 4th to 9th September, 1939, and at Wanganui from 11th to 18th September, 1939. Evidence was received at these centres from representatives of the Southern Hawke's Bay, Manawatu, Wanganui, and North Taranaki branches of the New Zealand Farmers' Union, and from individual farmers. The Commission also heard technical representatives of the Departments of Agriculture and Scientific and Industrial Research, members of the staff of Massey Agricultural College, and local officers of the State Advances Corporation and the Native and Valuation Departments. Representations and evidence were received from associations of lessees of Native lands on the subject of the tenure of the lands occupied by them. Visits of inspection were made to Massey Agricultural College, the experimental area of the Grasslands Division of the Plant

Research Bureau, and the Seed-testing Laboratory of the Department of Agriculture, where demonstrations were given. The Commission also studied different methods of mole-draining in the Colyton area, and made tours of the Rangitikei, Rangiwhia, Parapara, Whangamomona, and Tahora districts, examining types of land-deterioration and inspecting representative farms.

It was intended, when the Commission was set up, that sittings would be held and inspections made in each of the sheep-farming districts in both Islands, and that a comprehensive examination of the conditions and problems of the industry would be made on a Dominion-wide basis. Preparations were made for the collection of a mass of statistical data not heretofore available. The outbreak of war, however, made it inadvisable to continue the work of the Commission as originally planned.

Changing conditions due to war and uncertainty as to its duration have made it impossible to make recommendations in respect of a number of matters arising out of the present problems of the sheep-farming industry. It is possible, too, that as a result of the war new conditions will be created, which will render inapplicable any conclusions that the Commission might have drawn from a study of the conditions hitherto existing in respect of these matters.

It was therefore decided that the Commission should return to Wellington after the conclusion of its Wanganui sittings, and should submit a report in general terms embodying its conclusions and recommendations regarding the long-range aspects of those of the matters included in its Order of Reference in respect of which it considered it had sufficient data on which to base a report.

The Commission desires to acknowledge the assistance it received from the witnesses who gave evidence and from the persons who submitted written representations. Its thanks are due also to Government Departments and other bodies and organizations for supplying much valuable information and for compiling reports and returns required by the Commission.

The Commission wishes to place on record its appreciation of the capable and conscientious assistance and co-operation of Messrs. A. H. Cockayne, R. P. Connell, and L. Avann, who were attached to the Commission as a secretariat, and to Mr. R. D. Steel, who acted as secretary to the Commission.

Our detailed report and recommendations follow. It is proper to observe that the evidence regarding some of the more important subjects included in our Order of Reference is necessarily incomplete, and that accordingly our report is lacking in detail and, in respect of certain matters, is confined to a recommendation as to the lines along which future investigations should, in our opinion, be conducted at an appropriate time.

REPORT.

THE PLACE OF THE NEW ZEALAND SHEEP INDUSTRY IN THE NATIONAL ECONOMY.

The importance of the sheep-farming industry in the national economy of New Zealand is indicated by Table I, which shows in millions of pounds (New Zealand) the annual value of pastoral production, comprising almost wholly sheep products, but including cattle and pig products, for the ten years to the end of the producing season 1937-38.

The contribution of pastoral production to total production varied from 23 per cent. to 35 per cent. in the period stated, and amounted to 30 per cent. of the total value of production in 1937-38. It is noteworthy that the variation in the value of pastoral production was a prime cause of the fluctuation in the total value of production.

Table I.

					Pastoral Production.	Total Value of Production.	Percentage Pastoral to Total Value of Production.
					£(m.)	£(m.)	
1928-29	..	..	..	..	.. 43	127	34
1929-30	..	..	..	..	.. 36	121	29
1930-31	..	..	..	..	.. 25	98	25
1931-32	..	..	..	..	.. 19	84	23
1932-33	..	..	..	..	.. 20	84	24
1933-34	..	..	..	..	.. 32	99	32
1934-35	..	..	..	..	.. 28	97	29
1935-36	..	..	..	..	.. 35	114	30
1936-37	..	..	..	..	.. 47	136	35
1937-38	..	..	..	..	.. 41	136	30

The actual gross receipts of the sheep-farmer are considerably less than the total value of pastoral production. The difference in 1937-38, some £14,000,000, may be accounted for mainly as follows:—

					Value of Production.	
					£(m.)	
Pigs	..	..	..	..	..	3
Opossums and rabbits	..	..	..	..	..	0 ³ ₄
Cattle	..	..	..	..	..	4
Processing, mainly freezing	..	..	..	..	..	3 ¹ ₄
Stock increase	..	..	..	..	..	1 ¹ ₂
Other	..	..	..	..	..	1 ¹ ₂
					£14	

An illuminating indication of the actual gross receipts of sheep-farmers is provided in Table II, which indicates in millions of pounds (New Zealand) the returns realized for wool, mutton, and lamb in public and private sales. Table II, however, is obviously incomplete as a guide to the total receipts of sheep-farmers in that it does not include subsidiary sources of revenue of the sheep-farmer, the principal of which probably is the production and sale of cattle.

Table II.

				Wool.	Mutton.	Lamb.	Total.
				£(m.)	£(m.)	£(m.)	£(m.)
1928-29	..	..	..	13·8	4·3	8·3	26·4
1929-30	..	..	..	7·8	4·4	7·9	20·1
1930-31	..	..	..	5·0	3·1	7·2	15·3
1931-32	..	..	..	4·8	2·5	5·9	13·2
1932-33	..	..	..	4·8	2·1	6·3	13·2
1933-34	..	..	..	10·9	2·3	7·2	20·4
1934-35	..	..	..	5·8	3·5	9·8	19·1
1935-36	..	..	..	9·7	3·0	8·7	21·4
1936-37	..	..	..	16·5	3·6	10·7	30·8
1937-38	..	..	..	10·3	4·0	11·5	25·8

There are a number of subsidiary industries concerned with the processing of sheep products, and the approximate added value and the wage payments attributable to the handling of sheep products alone in 1937-38 is given in round figures in Table III, while total figures are also given for five seasons.

Table III.					Added Value, £(m.)	Salaries and Wages, £(m.)
Freezing-works	..	..	..	..	2.30	1.40
Boiling-down works	..	..	..	..	0.11	0.05
Tanning	..	..	..	..	0.06	0.02
Scouring	..	..	..	..	0.15	0.08
Woollen-mills	..	..	..	..	0.66	0.42
Total for 1937-38					3.28	1.97
1936-37	..	..	..	..	3.90	2.00
1935-36	..	..	..	..	4.40	1.80
1934-35	..	..	..	..	3.20	1.70
1933-34	..	..	..	..	3.20	1.50

There is a substantial correlation between the welfare of many other industries and the state of the sheep industry, but it is not possible to determine this correlation exactly, since such industries are not concerned with sheep interests alone.

In brief, the sheep industry is important to New Zealand because of the following facts :—

- (i) It contributes 30 per cent. of the total value of production, valued at £136,000,000 in 1937-38.
- (ii) Processing industries concerned with sheep products alone had an added value of £3,300,000 in 1937-38, and their wages bill amounted to £2,000,000.
- (iii) Transport and other interests draw a considerable portion of their income directly from the sheep industry.
- (iv) Interests supplying sheep-farmers' requirements are affected directly by changes in the sheep industry.
- (v) Variations in the numbers employed on sheep-farms, and the wages, salary, and income derived from sheep-farms directly and indirectly, affect the volume of purchasing-power and the National income of New Zealand.

COMPARISON OF EXPORT TRADE IN AND LOCAL CONSUMPTION OF PASTORAL PRODUCTS.

An analysis of income derived from exports and from local consumption of pastoral products shows a steady relative increase in importance of the overseas trade. Figures showing the position over a period of years are given below, the average of three seasons being taken to minimize the effects of incompleteness of statistical information and the impossibility, owing to seasonal variations, of regarding year-to-year returns as comparable. The export trade is now four times as important as local consumption :—

Table IV.
(Reference to Pastoral Production only.)

Three Production Years.	Annual Average Gross Income.			Percentages of Gross Income from	
	Total Production.	Exports.	New Zealand Consumption.	Exports.	New Zealand Consumption.
	£(m.)	£(m.)	£(m.)	Per Cent.	Per Cent.
1929-31	25.1	18.6	6.5	74	26
1930-32	19.5	14.0	5.5	74	26
1931-33	16.1	11.7	4.4	73	27
1932-34	17.8	13.8	4.0	78	22
1933-35	20.1	15.9	4.2	79	21
1934-36	24.2	19.2	5.0	79	21
1935-37	28.5	22.7	5.8	80	20

The relative importance of local consumption and export in respect of the principal sheep-farming products of New Zealand is as follows :—

	Consumed in New Zealand, Per Cent.					Exported, Per Cent.
Wool	3	97
Lamb	9	91
Mutton	51	49
Beef	73	27

The approximate amount of gross sheep-farming income derived from local and export sources in the 1937-38 season is given below :—

	Local Consumption, £(m.)					Export. £(m.)	Total Gross Income, £(m.)
Wool	0.3	10.0	10.3
Lamb	1.2	10.4	11.6
Mutton	2.0	2.0	4.0
Total	3.5	22.4	25.9

When these main items are considered it is apparent that only 14 per cent. of the gross income is derived from the local market, so that the sheep-farmer relies on the export trade for 86 per cent. of his gross income.

In view of the influence upon the welfare of New Zealand of her export trade, the extent of the contribution of the sheep industry to the total value of exports is noteworthy. For the year ended June, 1938, the total value of New Zealand produce exported was £61,000,000, of which sheep products represented £27,000,000, or 44 per cent. Table V shows the importance of the industry in this respect over a five-year period, figures for dairying being given for comparative purposes to indicate the relative position of the dairy industry. The total percentage contributed by sheep and dairy products is remarkably constant, the variation in the five-year period being only between 83 per cent. and 86 per cent.

Table V.

Export Values of			Percentage Values from			
	Sheep Products.	Dairy Products.	Total Exports.	Sheep Products.	Dairy Products.	Total Exports.
	£(m.)	£(m.)	£(m.)			
1933-34 ..	25	17	49	51	34	100
1934-35 ..	20	15	42	47	36	100
1935-36 ..	25	20	53	47	39	100
1936-37 ..	33	22	64	52	34	100
1937-38 ..	27	25	61	44	40	100

Dealing with the matters to which specific reference is made in the Warrant of Appointment of the Commission, we have to report as follows :—

THE TENURE OF LAND.

(a) *Number of Persons engaged in Sheep-farming.*

It is difficult to obtain reliable figures to indicate the number of farmers who are engaged wholly or mainly in sheep-farming, but the following table indicates approximately the number of Crown tenants who are so engaged and the area involved :—

	Crown Tenants.			Area.	
				Acres.	
North Island	3,946	2,151,777
South Island	6,703	9,273,635
Totals	10,649	11,425,412

With regard to freehold land it is not possible to obtain reliable information as to the number of sheep-farmers and the area involved in the sheep-farming industry. The sheep returns for 1938 disclosed that there were 31,909 flocks depasturing on all types of land in the Dominion, and of this number 14,825 flocks were of 500 or fewer sheep.

(b) *Principal Tenures.*

Most of the first-class land utilized for sheep-farming is freehold land. Crown land is held under various tenures of which the following are the principal types of leases and licenses :—

Lease or License.	Term.		Rental and Interest Rates.	
Deferred-payment licenses ..	20 years	and 34½ years	Interest 5 per cent.	and 5½ per cent.
Leases in perpetuity	999 years	.. ..	5 per cent.	" settlement " land ; 4 per cent. Crown land.
Renewable leases	33 years	for land purchased under Land for Settlements Acts. 66 years for ordinary Crown land	5 per cent.	" settlement " land ; 4 per cent. Crown land.
Occupation-with-right-of-purchase licenses	25 years	.. ..	5 per cent.	
Small-grazing-run leases ..	21 years	.. ..	Fixed by Land Boards and on selection approved by Governor-General.	
Pastoral-run licenses	Any term up to 35 years	.. ..	Fixed by Land Boards and on selection approved by Minister.	
Education-endowment leases ..	Usually 21 years	.. ..	Fixed by Land Boards usually 5 per cent.	

New leases-in-perpetuity and occupation-with-right-of-purchase licenses are not now granted, the prevailing leasehold title for new selections of Crown land being the renewable lease.

(c) Recommendations regarding Crown Leases and Licenses.

Evidence tendered to the Commission indicated that generally the interests of Crown tenants are fully protected in that provision is made for a right of renewal at the end of the terms of leases and for the protection in favour of the tenants of improvements purchased or effected by them. Lessees also have a right to have rents on renewal fixed by arbitration.

It was apparent to us, however, that with a view to the provision of means whereby tenants may, if necessary, be compelled to devote attention to the proper utilization and maintenance of Crown land, covenants should be incorporated in Crown leases and licenses whereby the tenants bind themselves to practise regularly good husbandry methods. At present Crown leases and licenses contain little or no provision for ensuring that the lands are properly maintained, and defaulters in this connection cannot be penalized. We are of the opinion that Land Boards, with the consent of the Minister of Lands, should have power to forfeit leases and licenses if good husbandry covenants are not complied with. We recommend, therefore, that action be taken to incorporate the proposed covenants in all leases and licenses granted or renewed in the future and that special covenants be included to suit special circumstances. With regard to existing leases and licenses, the suggestion is made that if any concession or financial assistance is granted by the Crown, such concession or assistance be subject to the execution of a new lease containing appropriate covenants of the nature mentioned above. It is thought that, particularly in districts where deterioration of land is common, where noxious weeds and other pests are prevalent, or where tenants do not practise prudent farming methods, the lack of powers of Land Boards to compel tenants to rectify the position has been a factor contributing to the decline of the productive capacities of the areas concerned.

A number of witnesses complained that some leases of Education Reserves are defective in that they do not give adequate protection to the tenants because of the absence of rights of renewal and the lack of protection for improvements effected. It has been asserted that under this type of lease tenants neglect their properties towards the end of the terms of the leases. No doubt this is correct in many instances, but as section 26 of the Education Reserves Act, 1928, provides for the issue of new leases in such circumstances, rectifying the position at the end of the first term of such new leases, we would suggest that every endeavour should be made to induce lessees of education reserves who are affected to apply for new leases in terms of this enactment, thus improving their own interests as well as those of the Crown.

(d) Leases of Native Lands.

Our attention was drawn on several occasions to the unsatisfactory position which exists in respect of leases of Native lands to Europeans, where little or no provision is made for payment of compensation for improvements at the end of the terms of the leases and where there are no rights of renewal. Almost invariably the improvements on Native lands held under such tenures are neglected as the expiry dates of the leases are approached. Such areas often become a menace to adjoining lands, and the nature of the tenure does not foster the best use being made of the lands by the tenants.

We appreciate fully the difficulties confronting the authorities controlling the leasing of Native lands, but we are of opinion that the national interests and the interests of the Natives would be better served if a more satisfactory type of tenure were arranged, particularly in cases where there is no immediate prospect of the Native lands being required for the settlement of Natives. We recommend, in particular, that in cases in which tenants are entitled to a charge on the land for the value of their improvements, consideration should be given to the possibility of compounding, for a cash payment, the amount reasonably found to be payable, if renewed leases cannot be granted.

THE PRICE OF LAND.

The evidence submitted in respect of the price of land was so scanty and incomplete as to make it impossible for any conclusive statements to be based upon it except the following: The price of land so greatly affects farming economy that a full investigation into all aspects of the prices of farming land is highly desirable.

THE DETERIORATION OF SHEEP-FARMING LAND.

In the main the evidence submitted in respect of deterioration of land was of a general character. This general evidence was supplemented by some striking specific evidence of land deterioration in several districts.

The evidence considered establishes the following facts:—

- (a) Land deterioration is widespread:
- (b) It varies greatly in its intensity not only from district to district according to soil and climatic conditions, but also within the one district according to the methods of land utilization which are adopted:
- (c) It could be greatly minimized by suitable modifications in farming practice, but while in some instances such modifications would be economic, in other instances they would not be economic, and in still other instances it is not as yet known whether or not they would be economic:

(d) The deterioration mainly takes the form of—

(i) Invasion of land by harmful or worthless plants—*e.g.*, tea-tree or manuka, bracken fern, hard fern, bidibidi, ragwort, St. John's wort, and thistles of various species :

(ii) Erosion of soil, the evidence in respect of which was in conformity with the statements and findings in the report of the Committee of inquiry published as Bulletin 77 of the Department of Scientific and Industrial Research and entitled "Maintenance of Vegetative Cover in New Zealand, with special Reference to Land Erosion" :

(iii) Depletion of fertility, which is correlated with plants inferior, from the farming view-point, succeeding those previously in occupation of the land—*e.g.*, brown-top replacing rye-grass, cocksfoot, and clovers : and

(iv) Destruction of valuable grassland covering, such as chiefly occurs on parts of the high country sheep-farming lands of the South Island.

The position in respect of land-deterioration is serious, and calls urgently for the immediate institution of remedial action. A basic step in the administration of remedial action is suitable classification of land which is subject to deterioration. It is considered that an appropriate basis of such classification is :—

Type I. Land on which deterioration can be obviated by means which are directly profitable and which can be financed by the occupier of the land.

Type II. Land which calls for an initial process of reclamation or salvaging that is beyond the means of the occupier and that, having been carried out, would so increase farm production as to give returns which would allow of payment of working-expenses, including reasonable labour and management reward, as well as payment of current interest charges on money invested, including the amount spent on salvaging.

Type III. Land which is similar to Type II, except that full interest charges could not be met.

Type IV. Land the returns from which, following reclamation, would not be sufficient either to meet interest charges or to provide a reasonable labour and management reward.

In carrying out such a classification it would be advisable to consider not only the reclamation of the farms as individual units, but also the reclamation of aggregations of farms, allowing of large-scale operations which tend to be less expensive, especially when mechanization of the work is intensified.

The application in practice of the suggested classification of deteriorating and deteriorated land becomes primarily a matter of Government policy. Type III is in some ways a critical type, warranting particular mention. Just what should be done in respect of it should be governed largely by such considerations as the funds and the labour available for land development, whether these could be used more advantageously in other ways, whether increased farm production is a prime objective, and whether the keeping of such land in production would result in increasing or decreasing the average costs of farm production.

The preceding remarks relative to Type III apply also to Type IV, except that there is a much stronger case for using land of Type IV for recreational, forestry, or protective purposes. The extent to which such land can be suitably used for commercial afforestation is considered to be rigidly restricted, partly because much land of this type is unsuitable for such a purpose and partly because the scope for profitable expansion of commercial afforestation is very limited.

It is considered that the following system of handling deteriorated land should be inaugurated :

A Land Utilization Council should be appointed.

This Council should consist of one representative of each of the following bodies :

The Department of Lands and Survey :

The Department of Agriculture :

The State Advances Corporation of New Zealand :

The Treasury.

This Council should be a central body responsible for formulating a Dominion policy in respect of deteriorated land and for making recommendations to the Government relative to the utilization of such land.

The implementing of such recommendations as are adopted should be the function of the State Departments concerned.

The Land Utilization Council should set up in each land district a Land Utilization Committee consisting of three members, these being one from each of the three bodies—Department of Lands and Survey, Department of Agriculture and State Advances Corporation of New Zealand.

Both the Council and the Committees should have the power to co-opt the services of any or all technical or scientific officers of the State and of other persons with special knowledge of particular localities or problems.

It is proposed that the functions of the Council, with the assistance of the committees, should be—

- (1) To classify deteriorating and deteriorated lands in the manner already specified ;
- (2) To advise the Government as to the way in which the lands so classified should be used and as to the financial provisions which should be made for the use or the administration of the land ;
- (3) To advise the Government in respect of any other matter directly or indirectly connected with such land.

The operation of the organization as outlined is designed to mobilize and utilize the best available knowledge relative to the problems of land deterioration.

THE EFFICIENCY OF MANAGEMENT OF LAND AND STOCK.

Conclusive evidence as to the standard of efficiency of management of land and stock was not submitted. However, certain evidence indicated that instances of inefficiency in this respect are not infrequent, and that such inefficiency often is due to one or more of the following factors, which may or may not be listed in the order of their importance :—

- (1) Lack of sufficient or of suitable labour :
- (2) Financial stringency arising from lack of business judgment or from changes in the relationship between farm costs and farm returns, for which adequate allowance has not been made :
- (3) Occupation of farms which are unsatisfactory economic units because they are either too small or too large :
- (4) Personal factors.

The inefficiency arising from the personal attributes of the occupier of farm land warrants more than mere mention, because there is a tendency to overlook its importance. It may be said safely that, under current New Zealand conditions, a major factor in the success of a sheep-farmer is the sheep-farmer himself.

A necessary complementary statement to this is that in the presence of certain restricted conditions in New Zealand, under the present relation between farm costs and farm returns, it is virtually impossible to make sheep-farming a satisfactory economic undertaking. This, however, does not destroy the validity of the statement that in general the farmer's personal factors—character, ability, training, and background—contribute greatly to his success, and we are in accord with a policy of land settlement that lays special stress on these factors.

The evidence submitted showed that among the means to improved sheep-farming efficiency which are not being fully exploited are :—

- (1) Better feeding of stock as a means to increased yield per unit of production and as a means of decreasing the losses due to stock disorders and parasites :
- (2) The more general use of seed of good germination and purity and of a high-class strain suited to the purpose in view :
- (3) Wider application of the results of the fleece-testing work which is in progress :
- (4) More general application of suitable fertilizers as top-dressing on pastures which are of a suitable type :
- (5) More effective use of suitable cattle as means to pasture improvement and pasture maintenance.

Because of the markedly incomplete nature of the evidence submitted, the above-mentioned five means to improved efficiency are not to be taken as a complete list of the means whereby improvement in sheep-farming may be effected. Further, it is desired to make it quite clear that application of each or all of the five means mentioned would not in all cases necessarily prove advantageous.

THE LABOUR-SUPPLY IN SHEEP-FARMING.

The evidence submitted in regard to the labour supply available in sheep-farming was incomplete in certain important respects. It was, however, sufficient and of such a nature as to lead to the following conclusions :—

- (1) Under present conditions sheep-farming suffers to some extent on account of a labour supply inadequate in respect to numbers and in some instances lacking in efficiency :
- (2) The main and essential cause of the present labour position is that the reward of labour in sheep-farming compares unfavourably with that of labour in other industries which compete with sheep-farming in the labour market :
- (3) If the present conditions are maintained the current labour position, instead of improving will become worse :
- (4) The principal permanent and effective means of remedying the present unsatisfactory position are to provide wages for labour engaged in sheep-farming bearing a due relation to those obtaining in other industries which compete with sheep-farming for the labour which is available ; and, as far as possible, to provide permanent work for employees. It may be noted that this position was accepted by witnesses on behalf of the sheep-farming industry who made representations to the Commission :
- (5) A very important means of improving the position is the provision of suitable houses for married workers on sheep-farms.

Two methods by which this result might be achieved are recommended for consideration—

- (i) The making available by the State to farmers, at attractive rates of interest, of funds for building on the farms houses for married farm-workers :
- (ii) The building and renting by the State to farm-workers of homes constructed in groups in suitably located villages, and/or the easy financing of similar homes to be owned by the workers :
- (6) It has been urged that provision be made for the purpose of fixing from time to time minimum rates of wages for employees in the sheep-farming industry, in cases in which an agreement cannot be reached by the organizations concerned. The Commission, while unable to make a specific and detailed recommendation, recommends that the Government give consideration to this matter :
- (7) In view of the fact that the evidence disclosed that an increasing shortage of skilled shearers exists, the Commission recommends that adequate provision be made for ensuring the employment, wherever available, of a sufficient number of learners :
- (8) In view of the prime importance of an adequate supply of farm labour and the prospective difficulties relative to its provision, the Government is recommended to give consideration to the organization, transfer, and training of the necessary labour.

THE WEIGHT AND INCIDENCE OF GENERAL TAXES AND LOCAL RATES IN THEIR BEARING ON THE INDUSTRY.

Evidence submitted in connection with this subject directed the attention of the Commission to increases of taxes and rates during the last few years, and to the fact that in some instances they now represent substantial items in farming costs. A comparison of aggregate local rates with those prevailing during the period of the last depression certainly indicates a considerable increase, but, on the other hand, a comparison with the period 1927 to 1929 does not disclose any great variation. There has, however, been a substantial rise over a period of years in hospital rates, and in some localities the incidence of rating following upon abandonment of areas of deteriorated lands throws a heavy further burden upon ratepayers who remain in occupation. In those counties where there are considerable areas of Native lands from which practically no rates can be collected the local bodies are forced to levy increased rates on European occupiers to enable commitments to be met.

We have the following recommendations to make :—

- (a) *Hospital Rates.*—The extent of the progressive increase of hospital rate levies demanded by the Hospital Boards is well known, and there is no doubt that these rates have become burdensome, particularly in some rural districts. No doubt, following upon the implementing of the Social Security Act, some relief may be expected, but until such relief is forthcoming we recommend that hospital rates levied by local bodies be stabilized at figures approximately equal to the levies for the year 1938–39. This, of course, would necessitate an increase in the contribution made by the State.
- (b) *Rates in Special-rating Areas where Lands have been abandoned.*—In several localities local bodies are experiencing serious financial difficulties following upon the abandonment of deteriorated lands by ratepayers, thus throwing the burden of rates upon remaining settlers. Earlier in this report reference has been made to the appointment of a Land Utilization Council to advise the Government regarding problems relating to deteriorated lands. We are of the opinion that, in some instances, this Council, if appointed, could give consideration to the question of wholly or partially derating certain areas of deteriorating and deteriorated land. We are of the opinion that in such circumstances relief to the local bodies is essential.
- (c) *Rates on Native Lands.*—Local bodies have very restricted powers for the enforcement of the collection of rates levied on Native lands that are not occupied by Europeans. The evidence available to the Commission shows that the majority of Native owners of land pay no rates or only a small amount of rates, and as the area of Native land in some counties is large it is apparent that the situation is embarrassing to the finances of the local bodies concerned and results in increased rating levies being made on the European ratepayers. The position is fraught with many difficulties, and, while we hesitate to make any definite recommendation at the present juncture, we are of opinion that it should be given serious consideration by the Government.

METHODS OF AND FACILITIES FOR ACQUIRING LIVE-STOCK AND PLANT AND MATERIALS.

The evidence submitted regarding the methods of and facilities for acquiring live-stock, plant, and materials was incomplete, and in some respects contradictory. A reference to the financing of purchases of live-stock, plant, and materials appears in a subsequent section of this report.

THE FINANCIAL ASSISTANCE AVAILABLE TO THE INDUSTRY FOR THE ACQUISITION AND IMPROVEMENT OF LAND, FOR THE ACQUISITION OF LIVE-STOCK, PLANT, AND MATERIALS, AND FOR THE GENERAL CARRYING-OUT OF THE INDUSTRY, AND THE ADMINISTRATION AND ORGANIZATION OF LENDING INSTITUTIONS.

(a) *General Comments.*

Our investigations have not been sufficiently extensive to enable us to survey in a comprehensive way the various matters embraced under this heading.

So far as finance for sheep-farmers themselves is concerned, little difficulty arises where a reasonable margin of security is offering, accommodation being available from the State and private lenders, and from banking and other institutions, at reasonable rates of interest. Nevertheless, the comparative insecurity of rural investments during recent years, together with the statutory adjustments of loans in terms of relief legislation, has had a restrictive influence, which is likely to continue in the absence of some form of stabilization of farming returns and costs.

This feature of our economy is the cause of difficulties, particularly for farmers with limited capital or with small equities, but the Commission is not prepared to recommend that any variation be made in the policy of the State Advances Corporation and other institutions which now foster prudent finance by requiring a reasonable margin of security for loans. It is thought that the remedy lies rather in the stabilization of farming revenues in relation to farming costs than in the provision of more liberal financial accommodation.

A slight variation of this contention so far as margin of security is concerned, however, is contained in our recommendation regarding the refinancing of expiring loans under certain circumstances, but in this connection it will be noted that it is considered that finance for this purpose should be supplied from a special fund to be administered by the State Advances Corporation.

One matter which is worthy of mention is the tendency of most farmers in periods of good returns to neglect the creation of reserves to tide them over less favourable periods. It is considered that farmers should give more attention to the building-up of reserves as opportunity offers, and it is considered, further, that if stock and station agencies and other financing bodies more generally encouraged farmers in this direction the results would be most beneficial.

(b) Refinancing of Mortgages.

A number of witnesses expressed concern regarding difficulties which are likely to arise when existing mortgages, including mortgages which were extended under the provisions of the Mortgagors and Lessees Rehabilitation Act, 1936, become due for repayment. Where there is a reasonable margin of security, or where the land is reasonably saleable, little difficulty in refinancing is likely to be experienced, but where land is mortgaged to its full value there is no doubt that some mortgagors will be unable to induce mortgagees to agree to satisfactory terms of renewal of the mortgages, particularly if the land is marginal or submarginal in character.

We are of the opinion that in such circumstances many private mortgagees would welcome an opportunity to discount their mortgages for cash considerations. For the purpose of meeting this position, and in order that the State may have some measure of control over the handling of this marginal land in the future, it is suggested that a special fund be provided by the State Advances Corporation to enable that body to provide loans to repay private mortgages subject (a) to the advance not exceeding 80 per cent. of the value of the security, (b) to the advance being accepted in full settlement of the liability, (c) to the security being a suitable one for rehabilitation, and (d) to the mortgagor being capable of farming the land in a satisfactory manner. From the same fund, finance could be provided if necessary to rehabilitate the land over which security is taken.

(c) Adjustments of Capital Liabilities on Farm Lands.

Although as a result of action taken in terms of the Mortgagors and Lessees Rehabilitation Act, 1936, numerous farmers have had their liabilities adjusted, we are of opinion that there are still cases where a reduction of liabilities is warranted in the light of prevailing average farming returns and costs and of special circumstances. This applies not only to those who did not apply for relief under the above-mentioned Act, but also in some instances to those who did so apply. We would not, however, recommend that lessors and mortgagees be compelled to grant relief. No doubt the situation will be rectified in some cases by means of voluntary arrangements between the parties concerned, but in those instances where liabilities are excessive and the parties cannot agree as to the manner in which they should be adjusted it is considered that there is a need for a competent tribunal which could be approached by the parties on a voluntary basis and which could endeavour to promote agreement between the parties. In order that persons or bodies acting as trustees might be protected in the granting of concessions to lessees or mortgagors, voluntary adjustments entered into on the basis of the findings of the tribunal or approved by the tribunal after due investigation could be given statutory recognition.

CONTROL OF THE RABBIT PEST.

In the evidence before the Commission reference was frequently made to the extent and the menace of the rabbit pest, particularly in the South Island.

The problem is one of first importance, and the setting-up of Rabbit Boards in terms of the Rabbit Nuisance Act, 1928, and amendments has been a very important factor in the controlling of the pest. We recommend, however, that the system of Board control be extended with the object of bringing under it all districts where rabbits are or are likely to be a menace.

At the present time there are sixty-nine subsidized Rabbit Boards, of which forty-eight are in the North Island and twenty-one in the South Island. Of this number, forty-three boards are working under what is known as the "killer" policy, which means that out of rates collected, plus the pound-for-pound subsidy from the State, the Boards actually carry out the rabbiting operations within their areas.

Having in mind the necessity for eliminating the undesirable features of the commercialization of the sale of rabbit-skins, we are of opinion that all Rabbit Boards should operate under the "killer" policy. In the control of rabbits it is essential that continuous action be taken throughout the year, particularly in the spring and summer months, and this objective can be attained only if the eradication is fully controlled by "killer" Rabbit Boards. Unfortunately, there are land-owners who, in spite of the efforts of Inspectors, deliberately neglect rabbiting operations during the summer with the object of securing high prices for the skins in the winter months. The need for the elimination of this practice is apparent.

From the preceding considerations it will be clear that the objective in rabbit-control work should be solely rabbit-eradication, without consideration of any monetary returns obtainable in the process of eradication. To attain this objective an extension of State control is advisable. The sale of rabbit-skins should be a monopoly of the State or the Rabbit Boards.

No doubt administrative advantages would accrue if some of the existing Rabbit Boards were amalgamated and the areas of others extended. It is recommended that this aspect be further investigated. The Commission is satisfied that, where Rabbit Boards do not or cannot function efficiently, the work of rabbit-eradication should be directly administered by the State. It is, however, of the opinion that the Board system is desirable where the Boards are prepared to carry out the work adequately, and it is recognized that details of administration must be adapted to the needs of the different districts.

GENERAL RESEARCH AND ADVISORY WORK.

A considerable amount of evidence was submitted which indicated that much valuable research work applicable to sheep-farming has been, or is being, carried out. It is recommended that the investigational work in progress should be continued and in some directions extended.

It is recommended further that provision be made as early as possible for research work, which is not now being carried out, relative to the problems of sheep-farming in—

- (i) The high-country pastoral lands of the South Island; and
- (ii) The hill-country sheep-farming land of the North Island, and particularly that portion of it which is subject to considerable deterioration.

In respect of both these classes of sheep-farming country knowledge is available as to how improvement could be carried out, but there is a general lack of knowledge of the economics, under specific conditions, of various measures which would effect improvement. Further, it is possible that research would disclose other, and maybe more effective and more economic, means of improvement. To-day we depend of necessity largely upon mere opinion as to the best ways of utilizing the land under consideration, and only as the result of suitable research will this opinion be displaced by the knowledge which is so much more desirable.

The problems of the two types of country under consideration are of such gravity, urgency, and extent that the required investigational work should be initiated with the minimum of delay. It is a matter for regret that the recommendations of the Southern Pastoral Lands Commission of 1920 were not more fully implemented.

It is considered that wider application should be made of the fleece-testing work which is now being carried out, and that the most effective way of bringing about this desirable result is the attaching to the Department of Agriculture of a suitably staffed service to foster wool-production-improvement work, including not only the fleece-testing to which reference has been already made, but also wool-classing and matters relating to wool marketing, including binning. In this connection the Commission recommends the inauguration of a suitable system of registration of wool-classers, to be based eventually upon appropriate training and examination.

It is considered that as full use as is desirable is not made by sheep-farmers of the official advisory service which is provided. In this connection it is deemed worth while to mention the free-seed-testing service which is made available to farmers by the Department of Agriculture, and also the information which is similarly obtainable in respect of stock remedies, stock-licks, and stock feeds.

It is desirable that the Commission should draw attention to the information made available by the Meteorological Service to farmers generally and also to individual farmers.

RESEARCH REGARDING ECONOMICS OF SHEEP INDUSTRY.

A noteworthy fact in respect of the sheep-farming industry which has emerged as a result of the investigations of this Commission is the considerable and regrettable lack of authoritative information relative to the statistical position of the industry and to its general economics. It is, for instance, impossible to obtain from official sources data relative to such an important matter as the labour employed in the industry. Likewise, it is impossible to obtain sufficient data relative to farms on which sheep are kept to determine how many of these farms are satisfactory economic units. Further, when the Commission sought assuredly impartial and authoritative information about the economic position of sheep-farmers it found it necessary to take what may be termed emergency measures, which involved co-opting the services of four State institutions to carry out a hurried investigation designed to provide an amount of information barely sufficient for the purpose in hand. The sparsity of information of the type specified is due not to any failure to appreciate the value of the information, but to failure to provide the facilities for obtaining it. Enough has been said to indicate that New Zealand is sadly lacking in exact authoritative information concerning such important matters as the economics of land utilization and the methods and costs of producing, selling, and distributing in sheep-farming. It is clear also that only systematic, suitably designed, and comprehensive investigation carried out regularly will supply the information that should be available. Just how thorough and extensive such investigation should be remains to be considered. At one end of the scale there is the position which to-day obtains in New Zealand; at the other end there is the position attained by Central Europe, in which a register is kept of every farm, this register being comprehensive enough to provide an indication of the production from season to season during the year of each farm and of the efficiency of its operation. It is considered that the needs of New Zealand could be met adequately by adopting a course intermediate between the two extremes—a course which would ensure all required information becoming available regarding a truly representative cross-section of the sheep-farming industry.

From experience obtained in respect to cognate work in regard to the dairy industry it may be deduced that an adequate knowledge of costs of production and their trends in sheep-farming would call for the annual examination of the economy of about two thousand sheep-farms. This is mentioned specifically to indicate the magnitude of the task involved, having due regard to the fact that costs-of-production studies are only one phase of the investigational work which should be carried out.

It becomes clear from the foregoing considerations that the inauguration of a suitable investigational service is required. Such a service would fill a gap which still remains after the creation of the research bureaux already in existence in that it would concern itself with farm-management studies and farm economics studies which are not within the spheres of activity of the present bureaux.

The work of the Commission has provided a striking demonstration of the need of such an organization, and war developments have intensified that need. An illustration of this lies in the fact that costs-of-production data and knowledge about trends in such costs would be of undoubted value in negotiations with the Imperial Government regarding the sale of wool, meat, &c.

We return herewith the Warrant of Appointment with which Your Excellency was pleased to favour us.

In witness whereof we have hereunto set our hands and affixed our seals this 27th day of September, 1939.

F. V. FRAZER, Chairman.	
H. M. CHRISTIE	} Members.
ARTHUR COOK	
DICKSON JARDINE	
R. A. RODGER	

Approximate Cost of Paper.—Preparation, not given ; printing (865 copies), £15.

By Authority: E. V. PAUL, Government Printer, Wellington.—1940.

Price 6d.]