

The average annual interest and principal charge per holding amounts to £49 17s., whereas the average arrears of rent and/or principal and interest per holding, assuming that all farmers concerned are in arrears, would be approximately £49 8s. Actually, of the total 11,974 farmers concerned, 5,906, or 49·3 per cent., are in arrears, the total arrears in respect of rent, instalment principal, and interest as at 31st March, 1934, amounting to £591,574, or £100 3s. per farmer. This balance of arrears is the amount carried forward subsequent to the writing-off of approximately one-seventh of the rent and interest accruing for the financial year 1933–34. The adjusted arrears as at 31st March, 1934, show an increase of 29·2 per cent. over the sum carried forward from 1933, thus indicating the progressive incapacity of mortgagors and/or tenants to meet their liabilities to the Department, even though they are under reasonably close supervision by the Department's field staff.

#### B. STATE ADVANCES DEPARTMENT.

The State Advances Office has no statutory power to write off interest in respect of loans made to farmers, but has endeavoured to meet the position where mortgagors are making reasonable endeavours to meet their commitments.

The methods of alleviation adopted are—

- (i) A postponement of principal instalments :
- (ii) An extension of the term of the loan if the existing term does not exceed  $36\frac{1}{2}$  years :
- (iii) The capitalization of arrears of interest.

The State Advances Department has 10,222 mortgagors who are essentially dairy-farmers, with an outstanding balance of principal liability aggregating £11,057,838, or approximately £1,081 per farmer, or £1,122 with arrears of interest added.

The net annual liability per farmer in respect of interest and principal on this debt is £80, whereas the average arrears of interest and principal per mortgagor would be £57 if all mortgagors were in arrear. Of the total 10,222 farmers concerned, 4,665, or 45·6 per cent., are actually in arrear with the Department, the total amount of arrears being £582,440, or £125 per farmer.

Whilst the number of mortgagors in arrears as at 31st March, 1934, had increased by only 1·5 per cent. during the year, the aggregate amount of arrears had increased by 21·9 per cent., illustrating the cumulative difficulties being faced by farmers indebted to the Department. The increase in arrears during the financial year 1933–34 amounted to 13 per cent. of the total annual amount due as interest and principal.

The State Advances Department is placed in a difficult position, for it has no power to write off interest at its discretion. Moreover, the provision enabling mortgagors to pay off mortgages tends to private refinancing by mortgagors with ample security when lower rates of interest are procurable.

#### C. PUBLIC TRUST OFFICE.

The Public Trustee holds mortgages over 1,493 properties used for dairying purposes, the greater number of which are on a long term amortized basis. In common with other lending institutions, the Public Trust Office has found it necessary to meet its mortgagors by various forms of concessions during the past four years. Where mortgages are on an instalment basis, postponements of principal have been made and postponement of interest has also been allowed in certain cases.

The Public Trust Office is not comparable with other State lending institutions. The margin of security demanded is higher. Loans from the Common Fund of the Public Trust Office are limited to 60 per cent. of valuations made by the State Valuation Department, and the Public Trust Office employs check valuers where it thinks fit. In actual practice, advances are made to approximately 50 per cent. of such valuations, and the Public Trustee in his evidence before the Commission stressed the fact that all his securities are carefully selected before being referred to his Loans Board.

Of the 1,493 dairy-farm securities held by the Public Trustee, 74 per cent. have met their mortgage interest in full, 387 farmers, or 26 per cent., being in arrear with interest to some extent. Of the 387 mortgagors, 200 are not more than one-half-year's interest in arrear, leaving 187 farmers, or 12·6 per cent., with an accumulation of unpaid interest. Waikato securities in this office are mortgaged to the extent of £13 per acre only, and are under close supervision. Nevertheless, 22·5 per cent. of these mortgagors are to some extent in arrear with interest. Of 913 mortgages held over dairy-farms in the best dairying districts in New Zealand, 23 per cent. are in arrear to some extent, and 9·8 per cent. of such loans are in arrear to the extent of more than one-half-year's interest.

The inability of 26 per cent. of farmers under mortgage to the Public Trustee to meet their liabilities on their first mortgages promptly and in full depends on such factors as farming ability, the weight of subsequent mortgages, the quality of stock, the proportion of unimproved land, the general suitability of land for dairying, and the extent to which long-standing trouble has been aggravated by present conditions. The situation thus disclosed is of great significance in view of the fact that Public Trust securities are chosen with greater discrimination than the average mortgagee normally exercises. It can fairly be deduced that, in general, first mortgages on dairy-farms generally are not less in arrear than the 1,493 held by the Public Trustee, and probably approximate more nearly to the less satisfactory position disclosed by the Department of Lands and Survey and the State Advances Department. Where second and subsequent mortgages are given over dairy-farms the ability of the mortgagor to meet interest charges becomes lessened unless the property is of a production capacity well above the average.

#### 134. Causes of Financial Embarrassment :

At any price-level, the ability of the dairy-farmer to provide for adequate maintenance costs and working capital, to pay wages or to provide a reasonable reward for his own and his family's labour, to meet interest and to provide for capital repayment on mortgages and other commitments, depends