

the obligations he has entered into, whereas in the case of an article pledged to a pawnbroker possession passes to the pawnbroker, subject to a right of redemption. The essential part of a mortgage is the personal covenant to pay interest and repay the principal; and the charge given over the land is for the purpose of better enabling the mortgagee to enforce his rights under the covenant. Not infrequently the reputation of a borrower weighs with a lender as greatly as does the value of the land offered as security. A mortgage debt is not essentially different from any other contract debt, and the fact that a particular security has been charged with its repayment does not make the debt any the less a liability of the mortgagor. Mortgage finance would be difficult and costly to borrowers if a mortgagee had to make allowance for the possibility of a deteriorated farm being thrust upon him at any time, with an intimation that the mortgage debt was thereby cancelled. Cases in which a mortgagor has been required to honour his personal covenant, after he has parted with the mortgaged land to a purchaser who has defaulted and has allowed the land to become deteriorated, are very often cases in which the original mortgagor has been so anxious to make a sale at a high price that he has overlooked the fact that the purchaser is inefficient and has insufficient capital to carry him through a period of low produce prices. We do not recommend the abolition of the personal covenant contained in mortgages.

#### **174. Reference in Budget to Mortgage Corporation :**

We had arrived at our conclusions in respect of rural-mortgage finance before the Budget was brought down by the Right Hon. the Minister of Finance. In his Budget speech reference was made to a somewhat similar scheme, covering urban as well as rural mortgages, and providing for a merging of all existing Government lending bodies. The scheme that we have outlined is not intended in any way to be regarded as being put forward in opposition to the Budget scheme. We realized that it would in any event have been regarded as an instalment of a wider scheme, but we felt that, though we could not separate dairy-farm mortgage finance from rural-mortgage finance generally, we could not, consistently with the terms of our Order of Reference, go beyond rural finance and embark on the consideration of a scheme embracing urban-mortgage finance.

#### **175. Urgency of Case for Financial Relief of Dairy-farmers :**

The time at our disposal was insufficient to enable us to make a full investigation of rural-mortgage finance, or to work out in detail the machinery that would be necessary to put a new system into operation. We are impressed with the necessity of having rural-mortgage finance readjusted and rationalized with a minimum of delay, and we have therefore preferred to put forward our suggestions in broad outline rather than delay them until they had been elaborated in greater detail and discussed more fully with experts. We recognize that the working-out of details, the setting-up of the necessary organization, and the consequent rearrangement of the Government lending Departments will require time, and may possibly necessitate a modification of some of our recommendations. Nevertheless, we feel it necessary once again to emphasize that the need for financial relief and readjustment is a matter of great urgency; and that if it is not provided by some such means as we suggest it will in all probability have to be provided in such less desirable ways as by grant of subsidy or some form of "guaranteed price."

#### **FINANCE REQUIRED FOR IMPROVING QUALITY OF PRODUCTS.**

We have in other parts of this report stressed the necessity for putting the dairy industry on a better footing as regards quality of production, and we have expressed the opinion that an improvement in quality will be reflected in improved prices. We now collate and summarize the proposals regarding finance that are involved in the measures necessary to raise the standard of quality of our dairy-products. Our proposals regarding rural-mortgage finance and the measure of assistance to be given to the Herd-testing Federation are dealt with separately.

#### **176. Dairy-factory Equipment :**

We have said that a large number of cheese-factories are obsolete, and require rebuilding or substantial renovation. Better starter-room and curing-room accommodation and facilities are needed in many cases, and the manufacturing equipment requires modernizing. To a smaller degree, butter-factories require modernizing, but on the whole the equipment of butter-factories is relatively satisfactory. It is estimated that about £500,000 will be required under this head.

#### **177. Dairy-farm Equipment :**

The most essential requirements on the dairy-farms are—(a) The provision of water for cooling purposes; (b) improvement of milking-sheds (mainly concreting work); (c) the overhaul of milking and separating plants; (d) adequate sterilizing apparatus; and (e) provision for boiling water. It is estimated that about £1,500,000 will be required for improvements that are imperatively necessary under this head.

#### **178. Dairy Research :**

The provision for the Dairy Research Institute of additional buildings and plant for work at present being undertaken and for additional laboratories for dairy engineering investigations and research work in applied animal nutrition, and for the provision of four district service laboratories, with plant and equipment, will, as stated elsewhere, require an expenditure of £25,000. Additional facilities can be made available by making arrangements for branches of the Dominion Laboratory to assist in making routine tests.