

Department. In other cases the Field Inspector is held responsible for the passing of accounts relating to purchases, and to see that the securities are maintained. As stated elsewhere, it would be possible to sell all the ewe lambs instead of culled ewes, purchase full-mouth ewes, and the balance of the account erroneously regarded by the office as revenue available for distribution as such. With sheep-farming, it is a condition precedent to meeting the year's requirements to appraise stock ex shears according to age as cover for capital. In the case of dairy stock, a milk order is taken for various percentages on the cream cheques. Where advances are against cows, only a percentage is arranged sufficient to pay interest and gradually reduce the debt. This varies from an eighth to a quarter of the milk cheques. Where the Department is interested as mortgagee on land as well as stock, the rate may be $33\frac{1}{2}$ per cent. to 40 per cent. This provides practically no margin towards reduction of the stock debt; but as the mortgage covers land, and as the payments of sinking fund create an equity in the land, this becomes available as a set-off to deficiency in stock-values. In practice it has been found that a settler cannot very well afford more than one-third to be taken from his cream cheques; anything in excess tends to hamper him in the maintenance of his farm and stock. It has been necessary in the case of a few settlers to take increased orders on returns, and in numbers of cases orders reach the whole of the factory returns. Monthly payments are made to settlers, and other amounts are set aside to meet top-dressing, renewal of herds, &c. This arrangement has been the means of saving the farms to men who, however good workers they may be, cannot control finance as well as might be desired. That has been rather unfortunate in some cases. We have had instances in dairying and other classes of farming where men have not been able to control their own finances, and so we have had to step in and take the whole lot and regulate their outgoings. In the past some settlers have defeated the object of the order on milk cheques by selling to another factory than that mentioned in the order. This is now almost a thing of the past. A legal assignment, on any factory whatsoever, may be preferable to an order which may be revoked, or its effect defeated by supplying another factory than that mentioned in the order. At the inception of the business the Department was confronted with high prices for farm products ruling at the time. These factors, combined with the big demand that set in for stock for soldier farms, caused an inflation in prices beyond the value that would have been appropriate to reasonable prices for farm products. The decline in the beef market, with the drop in wool and butter, following the immediate post-war period considerably depreciated stock securities. Collateral securities over the land likewise depreciated. On the winding-up of accounts losses averaged approximately 60 per cent. of capital invested in stock. In a few cases these assets depreciated by as much as 80 per cent. Depreciation was considerable in store cattle, particularly in Taranaki, north Wellington, and south Auckland. Cows realized low prices on forced sales, owing primarily to reduction in butterfat prices, depreciation of herds through inattention, and the surplus created by transfer from dairy-farming to sheep-farming on a revival in the prices of wool and meat. The change-over to sheep-farming caused a glut in the cow-market, which the Department felt when forced to close accounts at the time. Shortage in stock is frequently explained as being attributable to deaths or wandering into the bush; but in a number of cases investigations disclosed that stock had found their way on to the holdings of settlers in the vicinity, while scrub cows were left on the farms. In such cases steps were taken to recover the stock. With dairy-farming under the earlier conditions, when butterfat fetched high prices, a number of settlers who had had little or no previous experience in farming and the handling of so much money as represented by the monthly cheques did not lay out their revenues to the best advantage. The pastures were neglected, the culling of unprofitable cows was not attended to, the result being that on a drop in prices of butterfat the revenues from the depreciated herds and lands were insufficient to provide a margin to top-dress the land and renew the herds. In consequence of this, some land securities declined below the values that would have been fair realizable value had the properties been maintained when returns were high. In some cases neglect to provide winter feed and green crops depreciated the value of the stock. With sheep-farms the lambing suffered, as well as the weight of the clips. With dairy cows the condition at calving was such that the returns were poor, the cows not receiving proper attention during the winter. Unfortunately, the Department has been handicapped with an alleged mixed ownership of stock. Upon mustering for checking securities or realization, ownership to some of the stock may be claimed by the father or wife of the settler, accounts produced indicating he or she had paid for them. If it could be possible to have all stock on a property, whosoever the owner, as being subject to the bill of sale, there would be less risk of questionable practices. Previous to the Chattels Transfer Act, 1924-25, it was commonly held that all stock, of whatever description, that was acquired by the grantor became subject to the bill of sale. Now, however, a bill of sale secures only the class of stock described therein, natural increase, and after-acquired stock of the same class. It would therefore be competent for a settler to dispose of the whole or portion of a dairy herd, invest the proceeds in sheep, and pledge the sheep as security for further advances obtained elsewhere. The grantee of the bill of sale would no doubt have a remedy against the grantor as one of fraud. Non-revenue advances (covering horses and dead stock) require careful consideration, and unless finances are arranged to control the whole of the crops for which horses and implements are required the lender may find himself left with a depreciated security and be out of his interest. Forced sales by mortgagees and abandonment of farms may result in losses, particularly in dairy stock, when it is impossible for the Office to give an assurance to intending purchasers as to whether the cows are likely to come into profit. In such cases the loss may reach 40 to 50 per cent. As loans on current account were made principally for improvements and stock under conditions laid down in the Discharged Soldiers Settlement Act, one account was kept for each mortgagor, and it is difficult to size up accurately losses exclusively for stock. As realization becomes necessary, all assets are marshalled, the liquid assets disposed of, and the balance transferred to a Realization Account. Upon the disposal of the real-estate assets, the deficiency, if any, is written off, with the consent of the Auditor-General. With the elimination of those who have been or are unsuited to farming, and the settlement of the lands with more suitable