

Column 6 shows that farmers in general benefited by the delayed rise in wages during the years 1914–20, suffered 1920–23, benefited 1924–25, and suffered 1926–27. The dairy-farmer suffered in 1915, benefited 1916–24 (except in 1922), and suffered in 1926–27.

Whilst the failure of wages to fall imposed an additional burden in 1926–27, it must not be overlooked that throughout almost the whole of the previous period the movement of wages relative to all export prices benefited the farmer. In 1926 a reduction in wages of not more than 7 per cent. would have brought things to the same parity with export prices as in 1914. At the outside, this reduction would represent the sum of about £800,000 per year, or less than £10 per farmer or £15 per worker. In short, if other cost-price relationships were the same as in 1914, the present burden of wages would not have been sufficient to account for the depression. Wages may possibly press heavily in regard to the clearing of new land, in which labour is the important item in cost, but any reduction in wages the worker would be prepared to accept would not appreciably affect the situation as a whole.

(3) *Producers' Material*.—The price of farm requisites (seeds, manures, wire, implements, &c.) is compared in similar fashion in Table 4.

TABLE 4.—COMPARISON OF EXPORT PRICES OF (1) DAIRY-PRODUCE, AND (2) ALL EXPORTS, WITH THE WHOLESALE PRICES OF FARMERS' PRODUCERS' MATERIAL, 1914–26.
(Base average, 1909–13 = 100.)

Year.	Export Prices.		Producers' Material for Farming Industry.	Column 1 : Column 3.	Column 2 : Column 3.
	Dairy-produce.	All Commodities.			
	(1)	(2)	(3)	(4)	(5)
1913	100	100	107	100	100
1914	104	111	108	96	103
1915	120	132	128	94	103
1916	135	153	130	104	118
1917	156	174	147	106	112
1918	157	180	171	92	105
1919	175	185	178	98	104
1920	181	182	220	84	83
1921	223	169	180	124	94
1922	150	127	148	101	86
1923	162	155	143	113	108
1924	165	177	162	102	109
1925	152	189	156	97	121
1926	141	153	147	96	104
1927*	130	149	129	101	116

* Average monthly figures, January–June, 1927.

Export prices are from "New Zealand Official Year-book, 1927," p. 823. Materials for farming industry, *ibid.*, p. 821.

The figures for farm requisites are wholesale, and no comparable index is available for corresponding retail prices. In so far as changes in the wholesale index are a reliable guide to changes in retail prices, it will be seen that, except in 1920–22, the farming community generally benefited by the disparity in the movement of export prices and prices of farm requisites. The dairy-farmer suffered during 1918–20, which were admittedly not years of depression, and again in 1925–26. The position in 1927 is about the same as in 1909–13. Normally, retail prices tend to lag behind wholesale prices, so that the advantage accruing to the farmer in respect to the greater fall in the price of requisites than of exports is likely to be less than the figures would indicate; but as far as farmers in general are concerned it is highly improbable that the lag is so great as to completely eliminate the disparity. It seems likely, however, that the dairy-farmer, especially in remote districts, where transport costs are heavy, has actually suffered in consequence of the retail lag. My own conclusion is that farmers in general are at present benefiting somewhat, as compared with 1914, in consequence of the relative movements of the two series; but that certain groups (as, for example, dairy-farmers) are worse off by an uncertain, though probably not very considerable, amount.*

(4) *Capital Charges in respect to Land*.—Whilst the increase in taxation and the delayed fall in wages have had some influence on the position, we must look elsewhere for the most important cause of the long-continued depression in farming industries. There is no doubt in my mind that the main burden pressing on those farmers who are materially worse off than in 1914 is the increase in fixed charges in respect of land, due to the movement of land-values, especially in the years preceding 1922, accompanied by an increase in the volume of mortgages outstanding, and in the rate of interest on both mortgages and short-period or intermediate credit. This is all the more important, in that fixed charges against land represent by far the most important item of outgoings. The ratio of fixed capital to circulating capital charges is much higher in agriculture than in most other industries.† The

* Of recent months it has become popular to blame the Arbitration Court for most of the economic evils from which the country is suffering, and, in particular, to affirm that the disparity between "sheltered" and "unsheltered" prices, which presses heavily on agriculture by raising costs relative to returns, is due to the operation of Arbitration Court awards in raising the costs of production of those "sheltered" products which the farmer uses. If this allegation were true, it would reveal itself in the index number of wholesale prices of producers' goods quoted. If it is true that the farmer is suffering from the delayed fall in the retail price of requisites, this cannot be attributed to high manufacturing costs dependent on the evil influence of the Arbitration Court, but to high retail distributive charges.

† See "The Profit Cycle in Agriculture," *Economic Journal*, March, 1926.