

REPORT OF DIRECTOR-GENERAL.

Wellington, 18th October, 1937.

THE HON. THE MINISTER OF AGRICULTURE,—

Herewith is appended the annual report of the Department describing in detail the various activities carried out during the financial year ended the 31st March, 1937. In the past it has been customary for the Director-General in his annual statement to review certain of these activities, but, as they are all covered in the main report, it is proposed here to outline certain generalizations with regard to New Zealand agriculture and to focus attention on the functions of the Department in relationship to the general agricultural structure.

The farmer's objective is a permanent, comfortable livelihood brought about by his own efforts. When this objective is attained our national economy is buoyant, as the wealth of New Zealand is more closely linked with primary production than is the case in any other country of importance.

Whether the farmer secures a reasonable livelihood or not depends entirely on whether there is a sufficient margin between his outgoings and incomings. Up to the present this margin has been determined by the price he receives for his goods. When prices are high his standard of living can be high, and when prices are low his standard of living must be low. In the past violent movements in prices have been conspicuous, and the farmer's standard of living has had no stability; in fact, he has felt the full impact of these fluctuations perhaps more seriously and more immediately than has any other member of the community.

The philosophy of the present Administration is that the peaks of prosperity and the valleys of adversity should be eliminated by the maintenance of a reasonable price-level which, translated into farmer's terms, means a payable price for his goods, and he would be perfectly prepared to produce permanently at an anchored price-level, provided costs were also anchored.

Where the agriculture of any country is fully developed there are few effective counters to rises in costs whereby equilibrium in farmers' returns may be regained. In such countries rising costs, unless accompanied by rising prices, must depress the farmer's standard of living.

In a country where farming development both nationally and individually is far from complete, where serious leakages often in themselves brought about by development are apparent, the position is very different. New Zealand agriculture is in that position. It is far from full development and has many of the consequent inherent weaknesses. On the other hand, it has the overwhelming advantage of possibilities of greatly increased farm and unit-labour efficiency. These possibilities are easily attainable and tend to offset rises in unit-costs, provided such costs do not take place too rapidly. If rising costs are absorbed in this way the farmer's standard of living is not affected. In New Zealand, therefore, the anchoring of costs is not the only essential whereby the stability of the farmer may be safeguarded. As stressed above, improvement in efficiency of the farm, be it along the line of either quantity or quality, is a factor of equal importance. Such endeavour is likely to be more effective, both nationally and individually, than any anchoring or lowering of the actual costs of goods and services that the farmer has to buy.

The primary function of the Department of Agriculture, by regulation, investigation, and extension, is to guide New Zealand farming along those trends that will bring about an increase in efficiency. It has done much in the past. The field for its future activities is wide, and the possibility of its influence is as incompletely developed as farming itself.

LABOUR-COSTS.

Labour-costs are frequently mentioned as those which must be reduced in order to bridge any gap between costs and returns. Reducing the actual price paid for labour is, however, no solution either individually or nationally. Particularly must this be true in New Zealand with its preponderance of farm-owner labour. The same labour-price, be it to employee or employer, may be cheap or dear, depending on its efficiency. This efficiency is not alone connected with the individual: it is equally connected with the farm, depending on a variety of factors, but particularly on the stage of development that the farm has reached. Labour at the same price may be many times dearer on one farm than on another. This only emphasizes the wide variation in efficiency, or perhaps better development, in all phases of primary production. The gap to be bridged is not so much brought about by the cost of labour, the cost of materials, and the cost of land, but the relative wide variation in the efficiency with which production instruments are used.