

FARM LANDS (GENERAL OBSERVATIONS).

One preliminary observation is that the only true basis on which to value farm lands is that of production value. It is to be noted here that valuations under the Valuation of Land Act are made on the saleable value, and, although the productive value and the saleable value must tend to coincide, a system of valuing farm lands on any basis other than that of productive value is a potential cause of embarrassment and difficulty. It must be remembered, however, that the practicability of assessing productive values is dependent upon the holding being an economic one.

In practice it has been found that an uneconomic holding will in some cases sustain practically no value at all, or at the most will support a value less than the value of the same land if farmed and valued as a portion of an economic area. Many of the Commissions commented on the unduly small areas on which farmers were attempting to obtain a living (this is unrelated to what is known as the "small farm" scheme) and on the fact that many of these areas were Crown settlements. The solution to this problem is amalgamation, and where possible the Commissions attempted to arrange this. Commissions, however, could only effect amalgamation in respect of Crown lands.

The Commissions comment on the grave problem threatened by the tendency of marginal lands to go back to second growth because of the impossibility of top-dressing at the present wages-level.

They also make the point that many farmers are gravely handicapped by lack of capital, and have insufficiency of machinery, and poor housing and other facilities.

FARM LANDS (THE BASIS OF THE ADJUSTMENT).

The basis of the adjustment was actual costs ruling at the time of the adjustment and a hypothetical income assessed at the average of prices ruling for the eight-ten years ending 30th June, 1935.

It is pertinent here to observe that figures relating to the relative levels of export income and of the farm-expenditure-price level can, in respect of adjusted farm lands, be fairly used only if a comparison is made between the relative movement of both since the adjustment. In making any comparison in future it must be remembered that the gap between export prices and internal costs which existed at the time of the adjustment has been closed by that adjustment.

The export-price level in respect of (1914 = 1000) pastoral and dairy produce only was as under:—

1926	..	..	..	1407	1931	..	..	..	881
1927	..	..	..	1396	1932	..	..	..	795
1928	..	..	..	1553	1933	..	..	..	792
1929	..	..	..	1492	1934	..	..	..	995
1930	..	..	..	1168	1935	..	..	..	979

The average export-price level for the ten years was 1145.

As already mentioned, farm costs were those ruling at the time of the adjustment. The adjustments were made during the second half of 1937 and during 1938. The farm-expenditure index figure for 1937 was 1450 and for 1938 1500, and the expenditure level on which the adjustments were made was between 1450 and 1500, say, 1475.

In working any future comparison between farm income and farm expenditure, at least so far as adjusted farms are concerned, the assumption must be that there is equality at the point where the export-price level in comparison with 1914 at 1000 is 1145·8, and the expenditure level on the same basis is 1475.

FARM LANDS (THE SUCCESS OF THE ADJUSTMENT).

The continued success of the adjustment made is dependent on maintaining the same balance between income and outgo as that on which the adjustments were made. If over a period of years income stays still and costs rise, or if the rise in costs is greater in proportion than the rise in income, the adjusted farmers must fail.

The adjustments reduced mortgages to the value of the land, but they did not create an equity in favour of the farmer.

It must be remembered, therefore, that, even if over a period of good years and bad years a proper proportion between prices and income is maintained, the farmer will still be in grave difficulties if the bad years come first, for the reason that he has no equity on which to finance himself over the early bad years. The position in the first years of the adjustment might therefore easily prove critical or even fatal to the bulk of the adjusted applicants.

FARM LANDS (THE PRESENT).

It was intended in this report to make some observations on the question whether any further relief was required on account of the conditions ruling since the adjustment.

The outbreak of war has rendered it unnecessary to go deeply into this question. The general observation is, however, offered that all the evidence available to this Department leads to the belief that up to the present adjusted dairy-farmers are, or ought to be, on a sound basis. The position of sheep-farmers in the North Island producing coarser wools, while less favourable than that of the dairy-farmers, should still be reasonably sound, but the farmer producing merino or half-breds has undoubtedly passed through considerable difficulties since the adjustment.