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PROBLEMS OF INCREASED PRODUCTION IN THE MEAT INDUSTRY

By S. McGUINNESS, GISBORNE.

Introduction:

IN 1947 when our present meat contract was negotiated with Britain, we undertook to make every endeavour to increase our meat production by 50,000 tons. This represents an approximate increase in our export meat of 20% based on our average export of 255,000 tons over the past 5 years.

There is no need for me to stress the importance of New Zealand production to the British people's meat ration. Mr. Strachey, Minister of Food in the British Government, in a statement made in London on May 17th last, stated that it was remarkable that New Zealand with a population of less than two million sold Britain more meat than the whole of the Argentine. He was hopeful that the British weekly ration costing 1/1 would be maintained.

A ration of 1/1 worth of meat at United Kingdom retail prices makes a very grim picture indeed, and our own difficulties on a ration which was on a very much higher scale are still too fresh in our minds for us to be complacent about our present contribution. WHAT HAVE WE DONE TO IMPLEMENT OUR UNDERTAKING.

Let us look at some of the problems which are very real to the meat producer to-day.

Fertilisers:

Our present production of phosphatic fertiliser is in the vicinity of 550,000 tons. We did in 1940-41 apply 600,000 tons (our peak year). We are at present under a rationing scheme. I have been assured by competent authorities that there is no shortage of phosphatic rock. It therefore appears that we are rationed because of our inability to provide labour and facilities for processing, and transport for delivery.

The following figures supplied from our own district indicate a very disquietening position indeed, if we can accept them as typical of other parts of New Zealand.

We see that of a total tonnage of 4,897 tons ordered this year, 29.5% are still undelivered and deliveries averaged ten weeks late on 44%. Only approx. 26% was delivered up to time.

Most of you will readily realise that fertiliser undelivered now is of no use to the hill-country farmer who has many difficulties to contend with in the spreading of it, such as bad roads, rivers at winter levels and bad weather conditions. 29.5% means a total of 1,407 tons of fertiliser which will not be spread this year, and must have considerable effect on our production for the coming year.

We have not been able to ascertain whether this position has arisen because the works cannot supply the product, or whether the railways cannot supply transport for it. May be both reasons apply.

Mr. Levy in his recent address stated that New Zealand should be applying two million tons of fertiliser per annum. Surely we will need to take a very serious look at our manufacturing and transport system before we can ever hope to increase very greatly on our present 550,000 tons.

While on the subject of fertilisers, one should deal with the distribution of it on hill-country. Recent trials of air distribution offer promising results, but anyone will admit that there are many

problems to be overcome before work on a national scale can be carried out. This being the case every encouragement should be given to improving our present methods. On steep-hill-country hand-sowing still appears to be the only practical method, and good men will sow an average of 25 to 30 cwt. per day. The difficulty in the past has been to keep up the supply of manure to the sowers. When using pack-horses an allowance of four pack-horses per man sowing is considered necessary, on a pack up to one mile.

The present practice is to build tracks with bulldozers and cart the manure as far as possible by motor truck and then lay it by tractor and trailer in readiness for sowing. This practically eliminates completely (except on very steep hills) the use of pack-horses. As an example of how the work may be speeded up under the present system, I will quote our own experience of sowing 150 acres with 15 tons of Super. A team of five sowers with three men operating a truck and a tractor and trailer completed the work in under two days, whereas with the old method it would have taken three men and 10 pack-horses to keep two men sowing for six days. Fine weather is essential for this work, and once the work is started the sooner it is completed the better for all concerned. A break in the weather can mean much loss of time and loss too of manure where it has to be laid ahead of the sowers.

The building of approximately 1½ miles of tracks for this work cost approximately £200, and under present tax laws is supposed to be treated as capital expenditure—that is paid for out of what is left after taxation is paid. I doubt if any one with a full realisation of what it means nationally if our hill-country is not maintained, will deny that these tracks play just as big a part in helping with that maintenance as anything else. If production is to be increased they are essential. Why can't we face up to the position and put the payment for their construction on a proper basis.

Taxation:

One hears many farmers blame high taxation for stagnation in production. Let me say at the outset I am not a taxation expert, but will endeavour to put the position as it appears to the average farmer.

Prior to 1929 Income Tax did not affect many farmers. In that year Income Tax became payable in respect of farm lands having an unimproved value of more than £14,000. In 1930 the unimproved value at which tax took effect was reduced to £7,500, and in 1932 it was again reduced to £3,000. In 1939 all farmers became liable for the payment of tax.

Since 1929 the rate in the £ has increased progressively. Capital improvements are generally carried with a view to increasing production and must be paid for from the balance left after the payment of tax. Judging by our export figures it may well be that we are past the rate at which taxation is economically sound.

Five yearly running averages of meat exported since 1920 are as follows:—

1920-1924	287,192 tons	1935	234,875 tons
1925	219,647 tons	1936	243,950 tons
1926	158,407 tons	1937	251,108 tons
1927	155,936 tons	1938	252,387 tons
1928	163,663 tons	1939	261,301 tons
1929	165,019 tons	1940	278,047 tons
1930	170,479 tons	1941	279,156 tons
1931	181,567 tons	1942	282,081 tons
1932	194,730 tons	1943	271,346 tons
1933	207,961 tons	1944	244,455 tons
1934	223,173 tons	1945	232,844 tons
		1946	246,498 tons

If we take the average export for the first two years of the ten year period, 1927-1936 and compare it with the final two years of that period we find an improvement of 76,000 tons. When we look at the next decade, 1937-1946, however, on the same basis we find an improvement of only 39,000 tons.

Average export of meat for the past five years is 255,000 tons. A 50,000 ton increase means an approximate lift of 20%. I think it is safe to assume if a farmer's meat production is lifted 20%, his net income which is taxable will be lifted by at least a like amount. I have taken four properties of varying sizes, which I think can be regarded as typical of many others, and the following is the effect of taxation of their income assuming that they are all married men with three children, and that they are all contributing their 20% of the required increase of meat products.

Acreage	Capital Value	Carrying Sheep	Cap. Cattle	Av. Net Profit for 2yrs.	Total Tax Payable	20% profit payable in Profit taxation	% of increased
A. 1,095	£6,325	1,629	534	£1,183	£138 17 6	£236	26%
B. 2,605	£9,525	3,158	360	£2,430	£552 5 9	£486	37%
C. 3,747	£26,220	5,092	755	£2,953	£792 2 9	£590	46%
D. 9,764	£45,940	8,656	1121	£3,392	£1025 0 10	£678	52%

Any of you who are closely connected with farming know the responsibility, work and risk involved when an all out effort is directed towards increasing production from a property, the returns from which may already be reasonably high. The nett return in the case of these examples will range from 74% down to 48%. Many farmers would require to borrow money to effect any substantial increase, and one can hardly blame them if they feel aggrieved when they see money which should be largely going to reduce their indebtedness being diverted to other avenues from which they appear to derive little benefit.

With less balance left of his earned £, we find the farmer faced with enormous increases in the cost of improvements.

One station with which I am associated, obtained a price of £2,500 for the laying of an electric power line in 1936. The work was not proceeded with, and recent estimates are for £5,500.

Fencing, too, if it is not renewals, is considered a capital improvement, and has risen from 33/- per chain in 1930 to £6/4/4 to-day. Admittedly a big part of this increase is brought about by the fact that whereas in 1930 posts, battens and strainers were split on the job, while to-day they have to be bought. Comparative costs for these items per chain are 1930, 6/4; 1949, £3/0/5. There is no need for me to stress at a meeting of this sort, the essentiality of subdivisional fencing, both for maintenance of production in some classes of country and increases on others.

Increased production in many cases would mean increased accommodation. An indication as to how the cost of this has increased is illustrated by the following figures:—

Area of house	....	....	....	1,150 sq. ft.
1936	....	....	....	17/- per sq. ft.
1946	....	....	....	32/6 per sq. ft.
1948	....	....	....	£2 per sq. ft.

The above are urban costs, and an addition of 15% should be made in the latter figure for rural housing.

It might be said that increased prices for produce compensate for the increase in cost of the above capital improvements, and has been said that "It is what is left after the payment of taxation that matters." The following is the position of one property with which I am acquainted:—

The percentage of net revenue left to the owners after payment of tax in 1928 was 54.96%, in 1946 it was 17.07%.

A further disturbing feature is that in many cases owing to the shortage of labour and materials, full maintenance is not being kept up. This has the effect of showing a false profit and means that tax is actually being paid on capital. I know that the Tax Department has provided for these cases by the provision of a Deferred Maintenance account, but this money is paid into Public Account, and no interest is paid upon it. It is not very helpful to the farmer who has to pay interest on overdraft while the State gets the use of his for nothing.

High taxation engenders a careless habit of mind towards maintenance costs, and it is not infrequent to hear a farmer say when quoted a price for some maintenance item, "It doesn't matter very much anyway, the Taxation Department will help me pay for it." This careless habit cannot be good for the future sound farming of the country. One also strikes the farmer who has a high taxation rate, who says when it comes to the sale of his stock, "Why should I worry to get the last shilling out of them when I get such a small proportion of it myself."

With high prices ruling to-day for farming commodities the industry appears very prosperous. Nevertheless one cannot help sounding a note of warning. Already we have seen the demand for certain commodities slackening. One cannot help but feel that with costs as high as they are and still climbing, trouble will come very rapidly to the farming community (and that will reflect on the country as a whole) in the event of any serious recession of farming commodity prices. The position will be much more serious than was seen in 1931 when costs were not so high. Costs are not likely to recede in proportion to prices, and during that settling process many farmers are likely to be very seriously hurt financially.

Labour:

The latest Official Year Book shows that the numbers of persons engaged in farming have dropped from 138,121 in 1930 to 124,386 in 1947. This represents a drop of approximately 10% in 17 years. It is obvious that with fewer people engaged, it is essential that modern mechanisation methods should receive every encouragement. The New Zealand farmer is noted for his progressive outlook towards mechanisation and import control should not be allowed to prevent him from obtaining the best that is available for his particular work.

The demand on all sides is for a shorter working week with more money for less work. In farming, recent awards and competition from other industries, have shortened hours and increased holidays. It is no use asking the farmer to increase his efforts to raise production if his efforts are to be frustrated by lack of the essential supplies.

Conclusion:

If we are to attain our objective it is obvious that we must concentrate on certain essentials:

(a) Labour—

This means houses which must compete with the standard set in the towns. With the present high costs of construction, it is essential that taxation concessions should be made in these cases to encourage as much as possible the employment of married men.

(b) Fertilisers—

When we speak of fertilisers we must also consider their transport. It is no use producing fertilisers if they are to be held at their source of manufacture by lack of transport facilities. The provision of distribution points in strategic positions would assist to overcome the peak rush which occurs during the autumn.

(c) Hill-Country Tracks—

These are essential under to-day's farming conditions and assist to cut the cost of distribution of fertilisers and fencing materials. Their importance to the maintenance of hill-country is undoubted and deductions of the cost should be allowed as maintenance.

(d) Fencing (New Subdivisions)—

Both in the interests of maintenance of production on certain classes of country and increases of production on other classes, fencing plays a very big part. I have shown how costs of this item have mounted and some tax concession should be made to encourage more subdivisions to be erected.

(e) Amenities.

The provision of electric power, schools, metal roads and bridges on back country areas should receive every possible encouragement. These properties must be able to compete for labour with those more favourably placed. The whole prosperity of New Zealand is bound up with the maintenance of our hill-country and this class of country can play a big part in the attainment of our objective.

Finally, I believe that if we are all honest in our desire to provide more meat to feed a hungry Britain, and approach the job determined that we are all going to play our part, none of the problems which I have outlined would be allowed to stand in the way and the result would not be 50,000 tons, but 100,000 tons or more.

Discussion on Mr. McGuinness's Paper

Dr. FILMER: I have nothing to contribute, just a question to ask. Mr. McGuinness has painted a very gloomy picture and I am not in a position to quarrel with any of his data. From association with land adjacent to that in which Mr. McGuinness is interested, I would suggest that he knows, that in spite of those difficulties improvements can be effected. I would like to ask him if that is not a fact and if in his experience he has not been able to increase production during the past few years even in spite of those difficulties.

Mr. McGUINNESS: I will admit candidly, that as far as we have been concerned ourselves, we have increased production very considerably over the past few years, in spite of the difficulties I have presented. We were on the maximum taxation at the beginning and that does alter the position somewhat. I think that when we quote our own case we are not quoting the case of the majority of people. These I quoted here apply to very many more farmers than would apply in my case.

Dr. McMEEKAN: I would like to congratulate Mr McGuinness on his contribution. I think that he has touched on an angle which, for some time, has worried the research worker who has felt, that to a very large degree, his efforts are hardly worthwhile since there is so little chance of their being used by the farmer. I know we are not allowed to discuss the presidential address. However, the president did mention that the results of research were not put into practice and that the research worker was to blame. We were also told that we had to bridge a gap that existed somewhere on the broad highway, between research work and farm practice. Am I not right, Mr McGuinness, in suggesting that as a livestock farmer, your own opinion of the problem is that there is really no gap in this highway but really a highwayman who has to be removed? I think the question is fair because if we are to take up the president's challenge and Mr McGuinness's answer is in the affirmative, in effect the scientific workers are being asked to enter the realm of politics. That is not very feasible, speaking for the departmental members, without certain difficulties.

Mr. McGUINNESS: I don't think that "highwayman" is solely responsible for the position we have to-day. I think that each and everyone of the population of New Zealand, as a whole, has the wrong outlook towards increased production. The general outlook towards greater leisure and more pay for less work, applies very widely throughout the land. Whether that has been brought about by taxation or not I am not prepared to say. I do feel that until everybody realises that it is his job as well as the farmer's to contribute towards increased production we won't reach our objective.

Mr. CLARE: I would like to get Mr. McGuinness's answer to Dr. Filmer's question in a slightly different way. In other words, were he manager of these four farms he has quoted, would he effect an improvement in production which he says is possible. If, as I hope his answer will be "Yes," what will be his incentive for doing so?

Mr. McGUINNESS: I feel myself that anybody who farms land has a responsibility to get the best possible out of the land. I think it is his duty to give of his best for the pay received. As far as the land is concerned, the owner of the land has a responsibility to do his best regardless of whether incentive exists or not. I think I can say, that assuming I had control of the properties quoted, I would make every endeavour to do my best for them. On the other hand, there are limiting factors. Lack of capital or lack of reserves of capital can hinder the best of intentions.

Mr. FORDE: One of the matters exercising the mind of a fat-lamb producer in the Auckland province at present is insecurity of tenure. With the attempt to settle something like 20,000 returned soldiers, there has been a tendency for the Lands Department, rather than to seek fresh areas for development, to cut up existing high producing farms—the better his farm the greater the danger of the occupant losing part of it. Not only is he badly penalised in losing part of his farm, but he is paid for his land on the basis of the average efficient farmer in the district—not paid on his productive capacity. If he is running five ewes to the acre and his neighbour (who is an average farmer) is running three, his farm is sold on a basis of the three-ewes-to-the-acre farm. Another problem which needs attention is that of reverting leases. In the next two or three years these are going to assume enormous proportions. Leases which have no provision for compensation for improvements are a menace to production.

Mr. BULL: I think Mr. Forde's remarks apply more in the case of the fattening lands. In my district where there is much hill-country, I think the value of the poor country is almost sustained by the Land Sales Valuation.

Mr. McGUINNESS: I can understand this feeling of insecurity, that farmers have in the Auckland and Waikato districts. It is only natural that if a farmer does not know when his land might be taken for settlement, together with the fact that it will be taken at a figure below its actual sale's value, he must be discouraged from making plans for increasing his productive efficiency. As far as the hill-country is concerned: On that class of hill-country on which labour costs are fairly high there has been no indication that the Crown is very interested in it. That is probably the only class of country that is available in any great amount for the person who wishes to invest in land. That is causing the land to be sold at a figure above what it should be.

Mr. FORDE: The theme of Mr. McGuinness's paper is 'increased production.' I am not a Crown tenant but may I quote from a circular to Crown tenants. It is dated Lands Department, Wellington, 15th March. "Another section of the Act requires farm land or pastoral land to be farmed diligently and in a husbandman-like manner." What constitutes "a husbandman-like manner," will of course, vary from district to district and also will depend on the class of farming. I am a farmer's representative in my own district and we are faced with that problem. What should be done with the individual whose standard of animal husbandry is nowhere up to the average for that district? Has the Gisborne farming representative thought of the system which was tackled in England under wartime conditions?

Mr. McGUINNESS: The question of defining "a husbandman-like manner" was raised last year when the various Lands Acts were revised and consolidated. I think that the practice of dispossession is still proceeding at home and one would expect that it would only be a matter of time before public opinion, possibly backed by many of the farming community, will see a like enforcement brought into being here.

Dr. HAMILTON: I think that we are overlooking, up to a point, the fact that farming is a business; that the average farmer is in it to make a living. I think, in quoting the figures that he did for the number of people engaged in farming, Mr. McGuinness didn't tell us quite the whole story. His figures were only for 1930 and 1947. Figures which are rather more startling, as indicating the trend away from farming, are provided by the census in 1936 when the farming population was at its peak and the census of 1945, when probably at its lowest ebb. Between those two censuses 25 per cent. of the males engaged in farming left the farming industry and about 35 per cent. of those engaged in dairying left the dairy industry. In other words, the draw-off was heaviest in the dairy industry. In the periods during which

we have had major expansion in the farming industry in New Zealand, the real costs of labour in terms of the units of production required to pay farm wages, have been very much lower than they are at the present time. During periods of maximum expansion, labour has been paid 30 to 40 per cent. of the value of the output of the average unit of labour. At the present time in the guaranteed price you can correct me on this, Mr Chairman—I think labour rewards rate about 52 or 53 per cent. of the gross value of the unit of labour. Therefore, under present conditions there is a tendency for the farmer to use as little labour as possible. It is one of the dearest commodities. While we hear a lot about labour in the industry to-day, and the need for it to increase production, on economic grounds, I very much doubt, whether there would be any considerable absorption of labour into the farming industry while labour takes as big a share as it does to-day of the value of the product produced. I think that the absorption is necessary if we are to get any increase in production.

Mr. WOODYEAR-SMITH: I don't altogether agree with Dr. Hamilton because I have been associated with trying to get efficient labour for farms and the supplies are probably poorer to-day than they have ever been. I think that can be borne out by the National Service Department. The majority of labour offering through that department at present, consists of people who are not so much interested in farming as in getting a house. The standard of farm labour offering at present is not high.

Mr. WARD: I think Mr. Woodyear-Smith must be under some misapprehension as to Dr. Hamilton's remarks. I think Dr. Hamilton was stressing the fact that the draw-off has been greatest in the dairy industry. I would like perhaps to mention one point, partly in reply to Dr. Hamilton. There are two general classes of farmers in both the sheep and the dairy industry. There is the one who knows how to improve production but is not prepared to do it—we have had a very good idea this morning of the reasons for that. Then, there is the very important section of the farmers who would like to improve production, but do not at the moment know how. Mr. McGuinness mentioned both classes and was frank enough to admit in answer to a question that he considered he would still go ahead and improve production. Again, commenting on Dr. Hamilton's remarks, there are also farmers who regard farming as a way of life in spite of the fact that it is a business. It is as well that this Society has an opportunity of discussing both points of view.

Mr. McGUINNESS: Commenting on Mr. Woodyear-Smith's remarks that the standard of farm labour is not high: I would rather he said "the standard of farm labour which is looking for jobs is not high." I would like to stress that in my opinion the standard of farm labour we have permanently on our farms is as high as ever it was. (General agreement.)