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## **THE FARMER AND HIS DEBT**



# The Farmer & His Debt

Being a Study of Farm Relief in Australia  
New Zealand and South Africa,  
with Suggestions for India



BY  
ANWAR IQBAL QURESHI, M.A.

WITH A FOREWORD  
BY  
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AND AN INTRODUCTION  
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**TO  
THE SILENT AND SUFFERING  
PEASANTS OF MY COUNTRY**



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## FOREWORD

I have read with great interest this treatise by Mr. Qureshi on the difficult question of agricultural debts. The subject is one which has never ceased to engage the interest of statesmen of all countries and of both hemispheres. Rural credit societies appeared at one time to afford, if not an entirely satisfactory, at any rate a partial solution of the problem. But unfortunately since the war the trouble has reappeared in new and seriously acute forms.

One method of tackling the problem is that of studying and passing in review the various remedial laws which have been passed in other countries and especially in the self-governing Dominions of the British Empire whose prosperity, like that of India, depends so largely on the farmers' success. This is a service which Mr. Qureshi has undertaken and the fruits of which he has now placed before the Indian public. It is true that much has already been done in India for the relief of the farmer by remissions of rent and revenue. But these are admittedly only palliatives designed to meet a temporary crisis. A feeling of real security can only be assured to agricultural communities prepared to act together, so that on their solidarity and collective effort the foundations of real stability and true prosperity can be laid. It is as a contribution to this end that I commend this book to the careful attention of the Indian public.

BHUPENDRA NATH MITRA.



## INTRODUCTION

MR. ANWAR IQBAL QURESHI has broken new ground with his study of Rural Credits, Marketing Organisation\* and Farm Relief in the British countries with which he deals. When he, in most enterprising fashion, set forth on his travels to the Antipodes and South Africa, the information contained in these pages existed only in a multitude of Statutes and official papers, and in the personal knowledge of the many bankers, financiers and officials whom Mr. Qureshi consulted in the above countries. That is to say, it simply did not exist so far as the ordinary student was concerned. Now, however, Mr. Qureshi has collected, collated and published it, and by doing so he has put all students of agricultural economics deeply in his debt. It is worth while mentioning that the ruling motive in the Author's studies and labours is a passionate desire to do something to improve the lot of those of his countrymen who make their living on the land—about 70 per cent. of them at least. The Indian agriculturist is the strength and foundation of Indian life, and anything which improves his position *ipso facto* redounds

\* "Rural Credit and Marketing Organisation in the British Empire" will be published as a separate volume. (Author.)

to the welfare of India and of the great Commonwealth of which she is a member. The overriding problem of India to-day and in the future is to lift, somehow or other, the crushing burden of debt which the agriculturist shoulders, and put at his disposal other sources of credit than those gifts of the Danaids, the money lender's loans. Co-operation has done much in India in this direction, and will do more in the future. But co-operation is not enough, and Mr. Qureshi is in the quest of the better way. He is shortly to proceed to the Irish Free State and to Canada and the United States of America in search of further information which shall help him in his future work in India. It is to be hoped that he will share with us the proceeds of his work in those countries, and that he will ultimately combine them with this present sketch. Meantime, the description contained in these pages of the measures of Farm Relief taken in other countries, adds to the stock of knowledge at the disposal of students and administrators all over the world, and will, it is hoped, be given the welcome to which its solid merits entitle it.

J. COATMAN.

## AUTHOR'S PREFACE

THE matter contained in the following pages is the result of information and impressions gained during my tour in Australia, New Zealand and South Africa in connection with the study of Rural Credit and Marketing Organisations of these three countries.

When I set out from London to study the problems of rural credit and marketing organisations in the above-mentioned countries I was quite aware of the inevitable difficulties attending upon such a task, and had also some idea of the special obstacles lying in the way of an Indian student. And when I reached South Africa my vague fears materialised, for I came face to face with the "colour bar" in its truest form for the first time in my life. But the inherent sense of fair play which the British have never been able to suppress, in spite of themselves, came to my aid even here. I would be, indeed, ungrateful if I were not to acknowledge the help that I received from His Excellency, the Earl of Clarendon, Governor-General of South Africa. His personal attention made an otherwise thorny way quite a "bed of roses," and I found free entrance into the best circles, and all the available records, both official and unofficial, were placed at my disposal.

Kanwar Sir Mahraj Singh, Agent to the Governor-General in South Africa, and Lady Mahraj Singh extended to me a hearty welcome, and I am very much indebted to them for their hospitality. His Excellency Lord Bledisloe, Governor-General of New Zealand, was, if possible, even more helpful, and I have to thank him for many valuable suggestions. I am especially grateful to Sir Bhupendra Nath Mitra, High Commissioner for India, who, in spite of multifarious activities and heavy pressure of official work, has kindly written a foreword.

My sincere thanks are due to all those who have helped me in my investigations. I have received great assistance from the Officers of State and Private Banks, Agricultural and Land Departments, Co-operative Societies, various Control Boards and Professors of different Universities.

But I owe the greatest debt to Professor Coatman, not only for his kindness in writing an introduction, but also for arousing in me an interest for the study of the economic problems of the Empire and the very valuable suggestions and criticism which I have always received from him, and to Dr. Anstey, who has always taken a very keen interest in my work. I have also to thank Mr. George Brown, Secretary, Farmers' Relief Board, Victoria, for his kindness in placing at my disposal valuable information regarding farm relief in Australia; Mr. B. L. Dallard, Under-Secretary, Department of

Justice, for information regarding mortgages and relief legislation in New Zealand; Dr. Campbell, Secretary to the Minister of Finance, New Zealand, without whose help and assistance it would not have been possible for me to learn as much as I have done; Miss Margaret Parry, of Sydney, Australia, for assisting me in compiling all this information from innumerable documents and various other resources; my friends Mr. C. H. Shaikh and Professor M. D. Taseer, for the correction of proofs and many useful suggestions. Last, but not the least, I have also to thank the Australian and New Zealand Passenger Conference and the Universities Bureau of the British Empire who made this valuable experience possible.

ANWAR IQBAL QURESHI.

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1/2/34.



## CHAPTER I

# THE INDIAN FARMER AND HIS DEBT

AGRICULTURE has always played a very predominant part in the rural economy of India and is destined to play a still more important part in the future. In India it is the hereditary avocation of millions. When an industry passes through a period of severe depression, the result is a general dislocation of trade and unemployment. But when millions of peasants, already underfed and half-clothed, find that there is very little demand for their products and that, too, at a very unremunerative price, the result is not merely unemployment, it becomes a national disaster. Misery and starvation of the present generation breeds unhealthy and weak generations in the future.

It is true that agriculture in all the countries of the world is passing through a period of depression unparalleled in history. But in almost all the countries of the world special measures have been taken to reduce the burden of debt at this critical period, and even then they find their sufferings intolerable.

India seems to be the one country in the world which is the most deserving in this respect

and where nothing has been done to relieve the farmer\* from the crushing burden of debt.

A perusal of the bibliography of Agricultural economics, prepared by the Bureau of Agricultural Economics, Washington, regarding the measures taken in different countries to relieve agricultural indebtedness, very much disappoints the reader when he discovers that in India alone the matter has been completely left to itself, except that here and there some private individuals have made certain proposals. At this critical period, when economic nationalism is swaying the whole world and the political horizon is very cloudy, almost every country of the world has taken special measures to help its agriculture and has extended it a preferential treatment on social, economic and political grounds. It is very sad that agriculture has been entirely neglected in India. We hear so much talk about helping the farmers, and even high-sounding promises have been made from time to time, but the net result has been very negligible. The importance of agriculture for India cannot be over-emphasised in face of the fact that 72 per cent. of its population directly depends for its livelihood on agriculture. The special emphasis and strong recommendations to improve the agricultural organisation of the country, made by almost all the Royal Commissioners and

\* The word "farmer" has been used in the sense of an agriculturist. The average holdings in India are so small that the owners can be hardly called "farmers."

Provincial Committees, have fallen as if on deaf ears.

We have embarked on a definite programme of protecting and subsidising our industries. Tariff walls have been built up even against Great Britain and, gradually, mere fences have developed into strong defences.

No one will grudge a reasonable protection to deserving industries, but at the same time one cannot be absolutely blind to the serious effects of high tariffs on the consumers, especially the agriculturists who, forming the bulk of India's population, have to bear the whole brunt. The general trend in the increase of import duties and its consequent effect on the consumers can be realised from the fact that, while the general rate of import duties was 5 p.c. in 1915-16; in 1916 it was increased from 5 to  $7\frac{1}{2}$  p.c.; in 1917 the duty on cotton piece goods was raised from  $3\frac{1}{2}$  to  $7\frac{1}{2}$  p.c.; in 1921 the general rate was increased to 11 p.c.; in 1922 it was further increased to 15 p.c. In 1931 a series of surcharges were made on different schedules:—

$2\frac{1}{2}$ % on 10% schedules.

5% „ 15% „

10% „ 30% „

The Emergency Budget of 1931 temporarily levied a surcharge of 25% on existing duties.

This enormous burden of indirect taxation is crushing the farmer, who already finds his Land Revenue payments sufficiently onerous. And what has agriculture received in return?

By the nature of the country and the peculiar position which agriculture occupies in India, this industry should be given the most important place in the economy of the country. All other interests should be made subservient to it. But, unfortunately, we find that the opposite is true in India. The vital interests of India's teeming millions have been made subservient to a few industrialists and politicians who can make themselves heard.

When we have recognised the principle of protecting and subsidising our industries (whatever be the advantages or disadvantages of such a policy) why should we not subsidise and protect the most important of them—Agriculture? This is in no way a plea for such subsidies for agriculture as would encourage inefficiency and result in waste. The claim becomes more reasonable when we find the farmer suffering through no fault of his own, when his difficulties arise either by the vagaries of nature or through an unfair competition from the products of countries which are heavily subsidised, and even from the handicaps placed by the State. The railway companies, even those which are State-owned, have always been stepmotherly towards agriculture, and have placed very high railway freight on the requirements of the agriculturists, on fuel and fertilizers, etc.

The Indian farmer has always been condemned for his folly in turning cow dung into fuel and wasting such a valuable fertilizer, and

thereby starving his land. But it is not very often realised that he has only Hobson's choice before him, to turn useful manure into fuel or go without it—to suffer directly or to starve his land and suffer indirectly. Naturally, he strives to ward off the wolf at the door. Enough for the day is the evil thereof!

In most Indian villages there is no other fuel but cow dung within the reach of the farmer. In New Zealand heavy subsidies are paid to the manufacturers for fertilizers and to the railways for transport. In 1932-33 the Department of Agriculture paid £141,456 to the manufacturers of super-phosphates and £113,008 to the railways.

And in India, as the Central Banking Enquiry Committee reports: "The freight per maund of wheat from Australia to Calcutta is 6 As., while the railway freight from Lyallpore to Calcutta is R.1-3-3."

The year 1931 was a very critical one for the agricultural industry. The apathy of the railway authorities aggravated the situation. Wheat was rotting in the Punjab and could not be sent to Calcutta owing to the railway freight policy. Requests and protests were made to the authorities of the North Western Railway and the Punjab Government respectively, but no immediate action was taken. While we were unable to distribute our own wheat in our own country, organised efforts were made by the various countries of the world to subsidise the

shipment of wheat to foreign markets. In America alone millions of dollars were spent by the Wheat Stabilising Corporation to buy wheat from the farmers at much higher prices than what could be possibly obtained in the markets of the world. What a contrast!

In the following pages an attempt has been made to describe the temporary measures adopted in other countries of the world to help the farmers at a period of grave crisis. The fact that an Indian farmer has not been hit less than any other in the world and needs immediate assistance can hardly be denied. The question of permanent organisation and the future policy towards agriculture would need a special volume, an undertaking which the present writer designs to fulfil later on. Here he confines himself only to a few suggestions which he thinks should be considered immediately to save the farmers from the bottomless pit of utter destitution. If no immediate action is taken they might fall to such a depth that no amount of help would bring them back to normal conditions again.

The most important problem is the farmer's indebtedness. It is not necessary here to enter into a detailed discussion about the amount of debt and its various causes. Suffice it is to say that he is burdened with a very heavy debt, most of which is uneconomic. The purchasing power of an Indian farmer has decreased tremendously in the last few years. Agricultural prices have fallen in almost all the countries of the world,

thus reducing the income of the agriculturists. But the Indian agriculturist's case is the worst because he mostly produces cereal crops, and the prices of cereal crops have fallen much more than the prices of other agricultural products. On the other hand, he has to pay a higher price for all manufactured goods because of high revenue and protective duties. The course of prices in India clearly reveals the great gap between the prices of raw materials and manufactured goods. Owing to this big gap between the manufactured goods for which the farmer pays and the low prices for the cereal crops which he receives, the problem of agricultural indebtedness becomes much more serious.

Uneconomic debt, coupled with the inability to pay, has a very demoralising influence. As the Royal Commission on Indian Agriculture remarked: "The worst policy towards debt is to ignore it and to do nothing." No doubt the half-hearted agricultural policy of the Government of India is deplorable, but this by no means puts the whole blame on their shoulders. What has been done by the native States? The fault, on the whole, does not entirely lie with the Government, but the Indian political leaders and the Indian Press equally share the burden. The attitude of most of the Indian leaders has been most apathetic, if not actually anti-pathetic, towards Indian agriculture. Most of them are town-born and town-bred and consequently neither know nor, in many cases, care to know, the

problems that are facing the farmers. One can even venture to say that there are quite a number of prominent leaders in India who, even if they have actually seen a village, have no personal experience of village life. Some of them have not only neglected the interests of agriculture but have actually opposed them. Most of them are industrialists, and have vested interests which come in direct conflict with the interests of agriculture. Even the policy of India's great "national" body—the Indian National Congress—has been that of entire neglect towards agriculture; and the Congress Press, or the so-called "National" Press of India, which is in the hands of either business men or money-lending classes, has been always opposed to the interests of agriculture. Any measures suggested either to help the agriculturists or to reform agriculture generally take a communal turning. As simple a measure as the Money Lenders' Accounts Regulating Bill introduced in the Punjab Legislative Council received very strong opposition from the "National" Press and leaders. Ordinarily, when the present writer thinks of the future of India, he is optimistically inclined. In his travels, on being asked by people of several nationalities: "Is India fit to rule itself?" his answer has always been an emphatic "Yes," and he honestly thinks that an average Indian compares favourably with an average individual of any nationality in the world, and to-day if Indians be given the reins

of self-government they would be fit to hold them properly. But, unfortunately, when one looks realistically into the communal differences and, in spite of the assurances of optimists to the effect that there will be no communal question in India after self-government, as the present troubles are due to the "divide and rule" policy of the Government, one cannot deceive oneself for long. Unfortunately, at the most critical time of the Second Round Table Conference, even our distinguished patriotic leaders failed to raise themselves above communal differences. Unless there occurs a definite change of heart in the Indian leaders the future of India is very dark indeed. As long as the communal differences are not dissolved, and political instead of communal parties are not formed on economic interests, India can never become a really progressive country.

The communal question has not been introduced in a paper on Farm Relief merely to adorn it. The measures which the following pages purport to suggest are likely to be strongly opposed, not on economic but on communal grounds. The first measure that is immediately needed is the compulsory re-adjustment of present debt to a reasonable level. Several Provincial Banking Enquiry Committees have felt that the situation was very serious, and strong recommendations have been made for conciliation between debtors and creditors. Several attempts have been made from time to time to bring about reduction in debt by amicable means, but

all have failed miserably. The old argument of sanctity of contracts does not hold good in such a serious case. The money-lenders have been taking a gambler's risk and it is proper that they should suffer the gambler's fate. They are one of the chief causes of India's agricultural indebtedness, which is increasing owing to the unhealthy practices of private money-lending. Agriculturists as a class are growing weaker and weaker, and money-lenders as a class are growing prosperous. Honest money-lenders are really praiseworthy, for it is to their credit that they have helped the farmers in times of difficulties, but the bulk of them are not ordinary petty money-lenders but are veritable Shylocks who live by sucking the poor peasants' blood, and their insatiable greed ends in killing the goose that lays for them the golden eggs—the peasantry. When any measure in India is considered to check money-lending it is, unfortunately, opposed by the Hindu Press and leaders, as most money-lenders belong to the Hindu community. It is certainly creditable on the part of the few Hindu members of various Provincial and Central Banking Enquiry Committees who have condemned such money-lenders without any reservation, and the name of Mr. V. Ramdas Pantulu, of Madras, stands out as a prominent example. It was he who had the courage to admit openly that "It must be admitted that if money-lending can really be controlled and the frauds and vagaries of

money-lenders can be effectively checked by Acts, there will be tangible relief to rural debtors and rural debt will get reduced."

## DEBT ADJUSTMENT

Voluntary attempts at debt adjustments have failed in the past, and there is little possibility of their success in the near future. The present situation demands that the Provincial Governments should establish impartial tribunals in each Province to effect compulsory debt adjustments. It is necessary that members of such tribunals should be those who belong to agricultural classes and derive a major portion of their income from land; or they should be officers of either co-operative or agricultural departments. Such members will be better able to understand the difficulties of the farmers, and would view the whole matter with much wider considerations than the members of the Judicial Civil Service, who are brought up in legal environments and look more to the legal than the real side of the problem. It has been a long-standing complaint against the judiciary that their awards have not been favourable either to the working classes or the farmers. In cases like these the Judicial Officers interpret the law in its strict sense, and do not go beyond the mere documentary evidence. The Royal Commission on Labour in India recommending the adoption of summary liquidation proceedings for the workers, remarked:—  
“ The proceedings should be rapid and as free

as possible from the intricacies and technicalities of ordinary civil court procedure.”

Such a Tribunal should consist of three members, one from either the co-operative or agricultural departments, one from the legal profession out of landowning stock and the third should be a leading man of the locality. If the decision of the Tribunal is unanimous, there should be no right of appeal. In order to save the farmers from the claims of mortgagees or money-lenders, a right should be given to every needy farmer to apply to the nearest Tribunal for protection. A Protection Certificate should be issued for a period of three years to prohibit either mortgagees or money-lenders from recovering either interest or principal. The Tribunal, before issuing such a Certificate, should estimate the probable income and the liabilities of the farmer on a conservative basis, and if the Tribunal be satisfied that, with that amount of income, with due regard to his requirements, it is not possible for him to pay the interest or principal, it should issue a Protection Certificate without delay. But if the Tribunal decides that it is possible to pay a part of the interest or principal, the mortgaged debts should receive preferential claims over unsecured debts. Before the issue of a Certificate an opportunity should be given to the lenders to place their views before the Tribunal. This procedure can be suitable only to those farmers whose financial position is not hopeless, but have been temporarily hit by

depression, and after a reasonable period of protection would be able to stand on their own legs, and meet legal claims. But, unfortunately, the condition of most of the farmers is absolutely hopeless, and indebtedness is having a very demoralising effect on them. The tyranny of debt is degrading the farmers in every way, and is making them inefficient farmers and undesirable citizens. They are born in debt, are brought up in debt, and die in debt. Indebtedness decreases the incentive and the will to work. When a farmer has to work not for himself but for the money-lenders, he cannot be expected to be an efficient farmer. The situation is so serious that it demands action without any further delay.

Authority should also be given to the said Tribunals to investigate the claims of those farmers who apply for Clearing Certificates. The Clearing Certificate should be issued to those farmers who are heavily indebted and have no reasonable chance to meet their obligations in the near future. The Tribunal should go into the financial position of such farmers very carefully and, paying due regard to their requirements and the quality of the soil, should fix a minimum acreage of land for their holdings and other belongings necessary for them; and the rest of their property should be sold out to pay off their debts, and they should be allowed to start with a clean slate. The money realised from the proceeds of the sale should be distributed to various creditors, the mortgagees having a preference.

There should be a definite policy to discourage unsecured debt, and the debtor should be given facilities to obtain his discharge as soon as possible.

The inadequacy of the present insolvency law for meeting the rural requirements, for the first time emphasised by the Civil Justice Committee, makes the passing of a simple Rural Insolvency Law an inevitable necessity. The Government should embark on a definite programme of colonisation, financial help and expert advice should be given to the new settlers, and credit for the development of land and marketing of farm produce should be provided on an extensive scale at reasonable rates of interest.

Even more pressing than the above is the need for adequate legislation to discourage private money-lending. Most of the difficulties of the farmers arise out of the ease with which they can borrow. The remarks made by the Royal Commission on Labour in India about the easy means of borrowing by the workers are even more true of the farmers. The Commission remarked: "The fatal weakness in the present system is the comparative ease with which the worker can borrow sums which he has little prospects of being able to repay. His lack of education tends to prevent him from taking long views, and the offer of cash to the extent of a hundred or two hundred rupees for the thumb-print is almost irresistible." A law should be immediately passed in India to regulate money-

lending, and the farmers of the "poorest country in the world" should receive at least as much protection as do those in the richest countries in the world. All private money-lending should be prohibited except under a regular licence from the District Magistrate, and one of the conditions of issuing a licence should be an obligation to keep regular accounts. No healthy agricultural community in India can exist unless the increasing number of money-lenders is drastically reduced, and the illiterate farmers are saved from the temptations and intrigues of clever money-lenders. This heavy rural indebtedness in India is due largely to the fact that money-lenders find it a profitable investment and are not only prepared but eager to lend money with all possible persuasions and temptations which the simple farmer cannot resist. It is necessary to protect him against his own foolishness. One of the chief reasons why co-operative societies in India have mostly failed to reduce rural indebtedness is that they cannot cater for uneconomic borrowings by the farmers, and the money-lender has got a free field to entrap the farmer and, once a farmer falls into his clutches, it is not easy to get out of them. No scheme to finance agriculture on economic lines can succeed unless unproductive borrowings (which is mostly due to our *social customs*) is checked.

The condition of European peasantry was the same in the middle of the last century, when private money-lending was so prevalent.

Uneconomic debts were incurred very frequently, but with the spread of co-operation and proper control of money-lending the situation has improved very considerably.

Once the channels of private money-lending are tightened and the flow of credit properly controlled, the result will be a healthier peasantry, more prosperous agriculture and a happier India.

# FARM RELIEF IN AUSTRALIA



## CHAPTER II

# **THE AUSTRALIAN FARMER AND HIS DEBT**

The problem of farm indebtedness has become very serious in Australia owing to the tremendous fall in the prices of farm products. In order to help the farmers in such a critical period and to enable them to carry on the farming operation, different legislation has been passed in all the States of Australia. But the main purpose of all the Acts is to reduce the burden of debts. The following pages will give the reader an idea as to the scope of the legislation operating in each State.

## SECTION I

# VICTORIA

## FARM RELIEF IN VICTORIA

THE Government of Victoria has passed the following legislation to help farmers during the period of depression :—

### (a) SUMMARY OF LEGISLATION

The Victorian Enactments consist of the Unemployed Occupiers and Farmers' Relief Act (No. 3962 Part II) of 1931, and Amending Act No. 4060 of 1932.

Part I of Act No. 3962 relates only to the issue of Protection *Orders* by a Court in respect of applications by a tenant or a mortgagor, the effect of such Protection Order being to protect a tenant against distraint, or to protect a purchaser from action by a mortgagee relating to the payment of principal money, interest or rent. This part is not administered by the Farmers' Relief Board.

It is provided in Part II that a Farmers' Relief Board, consisting of a Chairman, a representative nominated by the Chamber of Commerce and a representative nominated by the Chamber of Agriculture, shall be constituted to deal with applications from farmers for Protection *Certificates*.

If creditors representing not less than 25 per cent. in monetary value of the total debts object to the board dealing with the application, then it is referred to the Court of Petty Sessions nearest to the farm, where it is heard by a Police Magistrate sitting alone and in camera. Creditors may attend and object to the certificate being granted.

When issued, the certificate protects the farmer against any adverse action by his creditors, mortgagees, etc. The protection exists as from the day on which the application is lodged and includes that particular day.

The farmer's income must be paid to the Farmers' Relief Board, which distributes it in accordance with the following summarised schedule of preferences, viz. :—

1. Living allowance to farmer; also repayment of sustenance advances made by the Crown, and payment of medical fees in approved cases.
2. Repayment to Crown or any person of cost of requisites for carrying on the farming operations (such as seed, corn sacks, etc.), and also "a reasonable amount for the use on the farm of farm implements and machinery not owned by the farmer"; also amounts for wages and marketing of produce.
3. (a) Rent due during currency of certificate.  
(b) Repayment by a Crown Lessee of advances made with consent of Board

- for carrying on farming, plus interest at 5 per cent.
- (c) Repayment by any other farmer of advances made with consent of Board for carrying on farming, plus interest at 5 per cent.
  - (d) Payment to First Mortgagee, or Vendor under a Contract of Sale, of one year's interest, not exceeding 5 per cent.
4. Payment to Crown of 5 per cent. interest on outstanding principal amount due.
5. (a) One year's interest, not exceeding 5 per cent., to holder of stock mortgage.
- (b) One year's interest, not exceeding 5 per cent., to holder of second mortgage on the land.
- (c) An amount in reduction of arrears to storekeeper plus interest where payable at 5 per cent.
- (d) Water rates for current year to State Rivers and Water Supply Commission.
- (e) Rates, taxes and annual charges due to Crown or any local or public authority.
6. Remaining creditors.

Provision is made in connection with the supply of stock, that, in respect to any purchase made since 1/1/1931, the whole of the income from the stock (wool, lambs and hides) is paid preferentially, less an assignment charge, to the person

supplying the stock. The Board may waive the assignment charge.

A deduction of  $2\frac{1}{2}$  per cent. commission is made in respect of all debts which had been incurred at the time of the issue of the Protection Certificate, but not in respect of later debts.

A provision of the Act also relates to an endeavour being made by the Farmers' Relief Board to bring about an amicable arrangement between the farmer and his creditors, the creditor being asked voluntarily to reduce the farmer's debt "to such an extent as will afford him a reasonable prospect of discharging the remainder of his obligations and of carrying on the farm."

There are no provisions respecting compulsion in this matter.

All Protection Certificates which were in operation on 1/1/1933 have been automatically extended to 1/3/1934, when the present Act expires.

## (b) WORKING OF THE FARMERS' RELIEF BOARD

There are at present about 195 holders of Protection Certificates with debts aggregating approximately £900,000.

Some interesting information on the matter of payments made to mortgagees and others was disclosed in the answers to a series of questions asked in the Legislative Council on the 29th August, 1933, by the Hon. R. Kilpatrick, M.L.C. The questions related wholly to the farmers who have received Protection Certificates under the

Farmers' Relief Acts, and to that extent may be held to reflect the position of only those farmers whose financial position was so bad as to oblige them to seek the relief afforded by this legislation.

The returns show that 195 farmers at present hold Protection Certificates. Of this number 125 were under the Farmers' Relief Board for the full period of twelve months ending 30th June, 1933. The gross income of these 125 farmers for the financial year just concluded was £28,710, and the aggregate amount of their debts was £563,080. Of these farmers, 25 were lessees only, with no liability under a mortgage or contract of sale. The total income of these 25 farmers was £4,382, and the aggregate indebtedness £78,365. Deducting these figures shows the gross income of 100 farmers purchasing under mortgage or contract of sale to be £24,328; the gross indebtedness £484,715; the total annual interest liability to first mortgagees or vendors £12,347; the total payments made £3,039; and the total amount owing £9,308.

Converted into average figures per farmer under the Farmers' Relief Board, it will be seen that the average income for last year was £243; the average debt was £4,847, of which the average mortgage (principal) was approximately half, or £2,460. The average amount of interest due at five per cent. on the mortgage debt was £123; the average amount paid was £30, and the average amount owing for the year was £93.

The debts of individual farmers cover a wide

range, varying from approximately £30 to £33,000; the incomes have varied from nothing to £2,220. The largest payment made by any one farmer to his mortgagees during the financial year was £489, though in July last an interest payment of £1,000 was made by a farmer purchasing under a contract of sale.

Of the average income of £243, the payment of £30 to a mortgagee as shown, leaves £213 to be accounted for. This was dealt with in accordance with the provisions of the Farmers' Relief Acts relating to the payment of creditors in preferential groups. The first group comprises the payment of a living allowance (varying from £3 to £7 monthly) to the farmer, and also payment of medical fees; in the second group payments are made in respect of seed, wheat, manure, farming wages and expenditure, and also a sum for the use of hire purchase agricultural machinery. The claim of a mortgagee for interest is included in the third group of creditors, and the total payment made of £3,039 on a liability of five per cent. interest on £12,347 shows the effective interest rate to have been approximately  $1\frac{1}{4}$  per cent.

In addition to the foregoing provisions as to payments, the Farmers' Relief Board has found in practice that it is very difficult to obtain goods on credit for holders of Protection Certificates, and a certain sum is placed aside and held as a reserve to cover such farming expenditure as may be necessary until the next harvest proceeds are

received. The Board has no funds whatever of its own to advance, and the only payments made to farmers, or on their behalf, are from funds previously supplied by or on behalf of the farmers concerned.

Speaking broadly, the results to date have shown that in approximately 50 per cent. of the cases, ultimate success can be anticipated; of the remainder, some are doubtful, while a few appear to be in a very difficult position.

It is intended shortly to make a survey of these cases with a view to consideration being given by the Farmers' Relief Board to the question of the cancellation of the Protection Certificates.

In a general way, the Act is functioning smoothly, and complaints against the nature of its provisions are rare.

**NEW SOUTH WALES**



## SECTION II

# FARM RELIEF IN NEW SOUTH WALES

TEMPORARY measures have been adopted by the New South Wales Government to provide relief to the farmers from the present depression and to enable them to live on their farms.

### (a) SUMMARY OF LEGISLATION

The Farmers' Relief Act, 1932 (No. 33), provides for the appointment of a Director and two members to function as Farmers' Relief Board. On application, the Director may grant a **Stay Order**, which prevents creditors from enforcing securities, or taking legal action against farmers. A local Supervisor is appointed to take control of the farmer's operations at a fee ranging from £5 5s. od. to three per cent. of the gross proceeds marketed. The Supervisor establishes a trust account and receives and distributes all the farmer's money; he also provides a bond for £2,000. If the money received on account of the farmer is insufficient to meet certain prescribed payments, the Supervisor has power, with consent of the Board, to "sell any of the property and assets of the farmer, except his farm and such of his assets as are used in connection therewith, and excepting also the property and interest of the farmer in any policy of life assurance to the extent

that such policy is declared by Section 34 of this Act to be unaffected by this Act . . .” Where a debt secured by a mortgage, etc., exceeds the assessed value of the property covered by the security, the amount of the excess is placed in a suspended liabilities account, and treated as an unsecured liability. Interest is to be charged on secured debt at the rate provided in the mortgage, etc., subject, however, to a maximum of five per cent. The unsecured debts do not carry interest.

Distribution of income is to be made by Supervisors on the following basis, viz. :—

1. Expenses of harvesting and insurance, or refund, plus four per cent. interest, of advances made for this purpose.
2. Allowance from crop proceeds to cover clothing and medical expenses up to £75 or  $7\frac{1}{2}$  per cent. of gross proceeds, whichever is the less. (A sustenance allowance is made in addition as an advance.)
3. Discharging crop liens or wool liens or stock mortgages granted with the consent of the Board.
4. Payments of any debts incurred by the Supervisor or the farmer and guaranteed by the Board; also for vermin and noxious weeds' destruction.
5. One year's rent or interest under mortgage; one year's rates and taxes; and one year's "payments due to the Crown."
6. One year's interest under second mortgage.

7. A sufficient sum retained for next season's farming; balance amongst unsecured creditors.

“ *Conditioned Liabilities* ” are ascertained in the following manner :—

Having arrived at the amounts placed to 'Suspended Liabilities Account, i.e., the amount of secured liabilities not represented by assets, this amount and the unsecured creditors are “ conditioned.” Section 27 of the Act provides that any surplus from the secured assets, together with those assets that are unencumbered, will be apportioned between the suspended liabilities and all unsecured liabilities. That portion which is represented by assets will be placed to “ Conditional Liabilities Account ”; that portion which is not represented by assets will remain as unsecured liability.

Hire-purchase implements or chattels, when used, are to be paid for on a basis of 20 per cent. of value (or 20 per cent. on amount owing, whichever is less) plus interest at five per cent.

The Board may make loans or advances to farmers to such extent as they think fit (a) for the purpose of “ maintaining ” the farmer and the members of his family ”; (b) guaranteeing to any vendor payment for fertilisers, cornsacks, seed-wheat, etc. Such advances are to be disbursed by Supervisor. The Board and the Crown are exempted from liability for the acts of Supervisors.

An important provision in the Act permits a

farmer to lodge a document disclaiming the benefits of the Farmers' Relief Act; this "disclaimer" once lodged cannot be withdrawn, thus preventing the farmer from claiming the protection of the Act at any future date.

The duration of the Act is until 1/3/1936, and 'thereafter until such time as the Governor notifies by proclamation in the *Gazette* that he is satisfied that all Stay Orders granted under this Act have been removed; provided that after the said thirty-first day of March, One thousand Nine hundred and Thirty-six, the provisions of this Act shall only apply to those farmers in respect of whom Stay Orders are at the said date still in operation and to their creditors."

#### (b) OPERATION OF THE ACT

The Act, although assented to on 29/11/1932, was not put into effect until 1/3/33.

The detailed figures of the operations of the Branch up to 15/9/33 are as under:— To

	15/9/33.
Number of applications received ...	1,441
Number of Stay Orders granted ...	1,035
Disclaimers (disclaiming benefits of Act) ... ..	526
Applications not proceeded with ...	20
Farmers' applications refused or deferred ... ..	244
Creditors' applications refused ...	15
Applications awaiting consideration	93

An explanatory pamphlet has been issued setting out at length the advantages to be derived

by farmers. Some of the benefits quoted are as follow :—

- (b) The farmer may receive advances from the Farmers' Relief Board for the purpose of working his property and maintaining himself and his family.
- (c) The farmer receives, from the proceeds of his produce, an amount for his own personal use, in addition to advances and/or guarantees given by the Board during the year.

This is an allusion to the amount of £75 paid per annum (or  $7\frac{1}{2}$  per cent. of the gross proceeds, whichever is the less), which is not regarded as a living allowance, but is intended to cover provision of clothing and for medical fees. A living allowance (or sustenance) may be paid separately as an advance.

The Director states that he has already made a first appropriation of £100,000 from funds provided under the Flour Acquisition Act. This Act (No. 10 of 1931) provides for a flour sales-tax, the present rate being 30s. per ton (previously 55s.) and in Section 6 it is provided that after payment of any compensation due and expenses of administration, the balance of the money realised shall "be carried to the credit of the Relief to Necessitous Farmers' and Graziers' Working Capital Account, in Special Deposits Account, to be applied for the relief of necessitous farmers, in such manner, and subject to such conditions and stipulations as are prescribed."

A further important provision is contained in the same section, to the following effect, viz. :—

“ Any moneys repaid to such last mentioned account shall from time to time be applied for like purposes.”

The Minister for Agriculture, N.S.W., stated on 21/4/1933 that the amount of Flour Sales-Tax collected since the coming into operation of the Act on 30/3/1931 until 30/6/1931, was £138,719 6s. 7d., while the amount collected for the financial year ending 30th June, 1932, was £432,856 6s. 2d.

In New South Wales, therefore (and in South Australia, as will be seen later), there is a radical departure from the principle of the Victorian Farmers' Relief Acts, under which the only advances made to farmers are from funds provided by the farmers themselves.

A point to be borne in mind is that there is in operation at present, in New South Wales, the Rural Branch of the State Bank, which makes advances to farmers upon securities, and also the Rural Industries Branch of the Department of Agriculture, which advances sums in much the same manner as the Cultivation Advances Branch of the Victorian Lands Department, differing in only two important aspects : one is that the total sums advanced are substantially higher in the case of New South Wales, averaging approximately £500,000 per annum, and the second is that it is not necessary that “ adverse climatic conditions ” should have caused an application to be made. In

New South Wales it is sufficient for the farmer to be in necessitous circumstances. The money advanced is realised from the Flour Sales-Tax, on which fund the Farmers' Relief Board will also operate.

It is understood, however, that it is intended to terminate the activities of this Branch on 31st December next, and the farmers would receive sustenance under the Farmers' Relief Board. Instructions have already been issued that no new applications are to be received after 15th May. I was informed that it is probable a change will shortly be made of a somewhat similar nature in connection with the Rural Bank operations of the State Bank.

The activities of the Rural Industries Branch will be carried out by the Rural Bank.

The method of appointing a local Supervisor in each case has been adopted because of the opinion that such decentralisation will lessen possible delay and congestion, and afford a better supervision of the farmers' operations. One Supervisor may administer the affairs of a number of farmers. It was stated that in some cases farmers have protested against the Supervisor appointed, and a change has been made. There is no procedure in the Farmers' Relief Act whereby the farmer's liabilities can be written off or reduced. This is a matter which can only be carried out by arrangement between the farmer and his creditors. If such arrangements are made, the Farmers' Relief Board will assist the farmer and

His creditors in giving legal effect to the arrangement made.

Despite the opinion of the Director that the Act is being received in a very favourable manner by the farmers of the State, the *Sydney Morning Herald* of 19/4/1933 reports that at the Annual Conference of the Wheatgrowers' Association at Lake Cargelligo on the previous day, the following resolutions, *inter alia*, were carried :—

“ That we request the Farmers' Relief Board to allow the farmers under the Act, cash advances monthly for the purchase of their stores, instead of the Supervisor paying for stores, and debarring the farmer the right to purchase goods where he could get his goods the cheapest.”

“ That the 7½ per cent. payment due to farmers under the Farmers' Relief Act be paid on all income without limit, which, in our opinion, will cause the farmer to produce as much as he possibly can.”

“ That the time be extended for farmers to come under the protection of the Farmers' Relief Act.” (This period is at present twelve months from the commencement of the operation of the Act.)

“ That the Government pass the necessary laws to pay to all creditors 60 per cent. of the farmers' liability by cash and bond and a complete wipe-off of the remaining 40 per cent. of debt, which is purely made up of boom prices, over-charges and very heavy interest.”

# **SOUTH AUSTRALIA**



## SECTION III

### FARM RELIEF IN SOUTH AUSTRALIA

TEMPORARY measures have been adopted by the Government of South Australia to enable the farmers to live on their farms during the period of depression.

#### (a) SUMMARY OF LEGISLATION :

In South Australia, the relief to farmers is dealt with under two enactments, one being the Debt Adjustment Act and the other the Farmers' Relief Act.

**Debt Adjustment Act:** Taking first the matter of Debt Adjustment (this legislation being effective prior to the Farmers' Relief Act), the Debt Adjustment Acts of 1929 (No. 1939), 1930 (No. 1980) and 1932 (No. 2068) provide that there shall be a Director of Debt Adjustment who shall endeavour to bring about an amicable arrangement for the payment of farmers' indebtedness without recourse to legal proceedings. Where it is not practicable to make a suitable arrangement with the creditors, the farmer may apply for a Protection Certificate, which protects the farmer from any adverse action by his creditors, mortgagees, etc., in the same way as the Victorian Farmers' Relief Act. If within ten days of the certificate being granted, creditors comprising a majority of all creditors, and a majority in value

of the unsecured creditors, object to the issue of the certificate, it becomes void. Assuming a certificate remains operative, a dissatisfied creditor may apply to a special magistrate for leave to proceed against the farmer, and the magistrate has absolute discretion as to whether such leave shall be granted. He may, as a condition of refusing leave, impose terms and conditions upon the farmer respecting the sale of any property and the application of the proceeds. The Magistrate or the Director may cancel a certificate. Under Act No. 2068, certificates may be granted by the Director until 30/6/34, and each Certificate shall, unless cancelled, remain in force until the Director in his discretion terminates it by notice in the *Gazette*.

**Farmers' Relief Act: Part 1:** The Farmers' Relief Acts of 1931 (Nos. 1996 and 2057) have been amended by the Farmers' Relief Act 1932 (No. 2150), the combined effect being as follows:—

There is no separate board administering the Farmers' Relief Act, this work being carried out by the staff of the State Bank of South Australia, under the direction of the Board of Management of that Bank. (Earlier, an Advisory Committee, representing various interests, was created to confer with the Board, but this system has been discarded under the last Act.)

Only farmers growing *wheat, barley, oats or rye* may apply for assistance. The Board issues orders for goods, etc. Alternatively, commodities

or services are given a first preferential claim on crop proceeds, which are received by the Board. Preferential distribution of income by Farmers' Relief Board is as under :—

1. Commission to the Bank to extent necessary to cover administrative cost, but not exceeding  $2\frac{1}{2}$  per cent.
2. Labourers' wages for producing, harvesting, or marketing crop.
3. Payment of amounts due to Bank.
4. Payment of the following, ranking equally between themselves :—
  - (a) Payment of one year's interest, where so provided (maximum 7 per cent.) under mortgage; maximum rate to be  $5\frac{1}{2}$  per cent. where interest not provided for in mortgage.
  - (b) Payment of one year's interest (maximum 7 per cent.) under any Stock Mortgage or Bill of Sale.
  - (c) Payment of one year's rent.
  - (d) Payment of one year's interest (maximum 7 per cent.) under any contract of sale. (Maximum  $5\frac{1}{2}$  per cent. where interest not provided for.)
  - (e) Payment of annual instalment on any farming machinery under hire-purchase agreement, necessarily used, subject to a maximum of 25 per cent. of the total purchase money, or of the total money payable under the hire-purchase agreement.

- (f) Payment of one year's municipal or district rates, vermin rates, water rates, charges for excess water, land tax, income tax.
  - (g) Medical, dental or nursing expenses, optician's fees or funeral expenses.
5. Remaining debts, including amount due under old stock mortgage or crop or harvesting advances.
  6. Surplus, if any, to be returned to farmer.

Farmer is protected from adverse action by creditors, mortgagee, etc. Creditor may apply to special magistrate for leave to proceed against the farmer; the magistrate shall take into consideration the circumstances of the farmer and the creditor, and has absolute discretion as to granting or refusing permission.

**Part 2:** This incorporates the Drought Relief Acts and permits commodities to be supplied to:—

- (a) Farmers in drought affected areas;
- (b) Farmers not in drought affected areas, but who are "in necessitous circumstances and unable to obtain finance" under Part 1 of this Act, or in any other way.

Crops are to be assigned to State Bank. No adverse action may be taken by any creditor or mortgagee. A Special Magistrate may grant leave to proceed against the farmer.

## COMMENTS ON OPERATION :

### (a) Debt Adjustment Act:

There are no funds available other than the farmer's own income, and in a recent report (31/3/1933) of the Debt Adjustment Inquiry Committee, it is recommended " That the Government make available funds to the Director of Debt Adjustment for financing the affairs of certificate holders under the Debt Adjustment Act." His Honour, Judge Paine, was chairman of this Committee, which comprised representatives of the Government (4), the farmers (3), and one delegate from each of four other bodies. The Committee reported upon the financial position of the agricultural and pastoral industries of the State and as to what further legislation was required to adjust the liabilities of producers. Of the eleven members, two prepared a minority report, the majority report of nine members comprising *inter alia* the following recommendations, in addition to that above quoted, respecting the provision of funds, viz. :—

- " 5. That the Director be empowered to convene meetings of creditors with a view to the voluntary arrangement and adjustment of the affairs of certificate holders."
- " 7. That the Government investigate fully the practicability of a Flour Tax to raise funds to subsidise wheat growing."
- " 8. That the Government investigate as early as possible, the practicability of lowering

transport charges, including wharfage, and port dues.”

“ 9. That the Government should urge upon the Commonwealth Government :—

(a) A scientific revision of the tariff to relieve the burden of primary producers.

(b) The abolition of the Federal Land Tax.”

“ 10. That legislation be introduced to limit the rates of interest on traders’ overdue accounts.”

The Committee also recommended that the Farmers’ Relief Act be extended from year to year as Parliament considered necessary, and that the time for applications for protection under the Debt Adjustment Act be similarly extended.

In Victoria the provisions of the Debt Adjustment Act form part of the Farmers’ Relief Act. I was informed that a possible reason for this not being done in South Australia was that the Debt Adjustment Act was in operation before the introduction of the first Farmers’ Relief Act. The Director of Debt Adjustment informed me that he regarded the cases coming under the Farmers’ Relief Board as being mainly in need of temporary assistance, while those under the Debt Adjustment Act were more in need of permanent assistance.

The Director of Debt Adjustment receives the income of farmers in cases where he considers it

desirable, and distributes it usually in accordance with the following preferential schedule, viz. :—

Farmer to retain sufficient wheat for next year's seeding and for cornsacks. Proceeds then to :—

- (1) Liquidate those Crown debts in respect of which priority is insisted upon by the Government (at present only interest on Drought Relieving Advances, now administered by Farmers' Relief Board).
- (2) Payments under bill of sale or other liens secured upon growing crops, and approved by Director.
- (3) A sufficient sum to be retained to enable the debtor to carry on during the following year (where Director considers it practicable for the debtor to carry on.)
- (4) Payment of outstanding expenses of the current season. Including manure, wages, sustenance, fuel, fodder, etc.; fire insurance premiums; also (a) rent or interest for current year; (b) the current year's instalments under hire-purchase agreements; (c) rates and taxes for the current year; all foregoing on an equal footing.
- (5) All other antecedent debts.

Approximately 30 per cent. of the farmers under the Debt Adjustment Act come also under the Farmers' Relief Act. No provision has been made for terminating this protection at a given date; the protection shall remain in force until the Director "in his discretion terminates it."

### **(b), Farmers' Relief Act:**

There are approximately 2,700 farmers under the provisions of the Farmers' Relief Act. There are no special funds ear-marked for advances to farmers under the Act; Parliament authorises the money by appropriation, and the Treasurer is partially recouped by the Bank from the proportion of the farmers' income due and payable to the Bank. The system of centralised control from the head office is preferred to the New South Wales system of appointing district Supervisors for the farms concerned. A point of importance in connection with the South Australian Act is that it covers only the operations of farmers growing wheat, barley, oats and rye; it thus excludes from the benefit of its provisions, graziers, dairy farmers, etc. Of the 2,700 cases registered, there are about 200 in which outside lenders are advancing the commodities or cash required for running the farm and are being given a preferential right over the proceeds. The Bank's charge of  $2\frac{1}{2}$  per cent. commission is levied upon the gross proceeds coming to the Bank.

A mortgagee's interest is payable at a maximum rate of seven per cent., if the mortgage deed provides for interest at that or a higher rate. If no such provision is in the deed, then the rate allowed is  $5\frac{1}{2}$  per cent.

In practice, very few creditors have taken advantage of the provision permitting them to apply to a Special Magistrate for leave to proceed against the farmer; in cases, however, where such

permission has been sought, it has, I was informed, usually been given. It was stated that there is a definite weakness in this Act, inasmuch as it does not provide for the whole of the farmer's income being received by the Board. The receipts from the sale of his grain only are dealt with (a crop assignment being in each case given to the Farmers' Relief Board in accordance with Section 10 of Act No. 2100), and cases have occurred in which a farmer, instead of harvesting his oat crop and disposing it off so that the Farmers' Relief Board may receive the proceeds, will feed the sheep off the oats, sell the sheep and retain the money.

There is not usually a definite, set limit for the total advance made, and last year the figure was approximately £500,000. I was informed that, in a general way, the act is regarded as satisfactory, although there have been a few complaints from dissatisfied creditors.

Apparently no immediate change is contemplated in the Act. When orders for further stores are sent to a farmer, the Department insists that the order shall be given to the storekeeper to whom the farmer is already indebted. The Act applies to Crown lessees as well as to other farmers.

There is no provision in the Farmers' Relief Act for attempting to make an amicable arrangement with creditors, as this is dealt with separately in the Debt Adjustment Act. In operation, it is found, as with the Victorian Farmers' Relief Acts,

that the annual renewal of the necessary legislation, acts adversely in the case of farmers who may wish to embark upon a long programme of pasture improvement, crop rotation, etc., and for this reason a longer period of enactment is regarded as preferable.

**(c) Comments of Auditor-General, South  
Australia :**

In the Auditor-General's report for the year ending 30th June, 1932, the South Australian Auditor-General, Mr. W. E. Rogers, offers some interesting information and opinions respecting the operation of the Debt Adjustment Act, and the Farmers' Relief Act. From this source the following information has been taken :—

- (1) Approximately 20 per cent. of the farmers, assisted in 1931-32, paid their way and paid some amount off their other debts, even up to half the total amount in arrears.
- (2) Some farmers are so heavily in debt that they have no reasonable hope of again becoming solvent, even if wheat prices rise to 4s. or 5s. per bushel. . . .
- (6) Some farmers who have been sowing crops for five years and over have never had a payable crop, and apparently are not likely to, except very rarely in a most unusual season, and have accumulated individual liabilities even as high as £11,000, principally to the Government.

(7) Many farmers, who have been drifting for some years, have a good chance of recovery if they are placed under competent direction and financial control for a period, such as has been adopted with marked success by Elder Smith's, Dalgety's, Goldsborough Mort's, and other large Stock and Station and Wool firms, and under the Debt Adjustment Act.

Referring particularly to the operation of the Debt Adjustment Act (as distinct from the Farmers' Relief Act), the Auditor-General remarks :—

“ The Government is not required to advance any funds under this scheme, and the farmer does not get deeper into debt, unless he fails to pay his way. This scheme is sound, and it assists the farmer to become independent again, to reduce his financial burdens, and helps him in preparing a good plan of operations, which some farmers (like other people) are unable to do for themselves.”

Discussing further the operation of the Debt Adjustment Act and the Farmers' Relief Act, the Auditor-General states :—

“ It is evident that applications for farm relief must in future be dealt with more systematically than they have been in the past, in order to prevent waste of public money.”

It is suggested that applicants for farm relief, after adequate enquiry has been made, should be divided into three groups and dealt with accord-

ingly, the provision being briefly that farmers with fairly good prospects be placed under the Farmers' Relief Board; those at present unable to pay, but who may be expected to do so within a reasonable period, should be placed under the Debt Adjustment Act, and that, in respect of those who have no reasonable hope of paying their way, all further advances should be declined.

(It should be recollected here that under the Farmers' Relief Board, South Australia, advances may be made; under the Debt Adjustment Act no such advances can at present be made. Under the Farmers' Relief Board only the income from wheat or other grain may be received by the Board, while under the Debt Adjustment Act the whole of the farmers' income is received by the Director of Debt Adjustment. In Victoria the Farmers' Relief Act does not provide for any advance except from the farmer's own funds, but it does provide for the whole of the farmer's income being received by the Farmers' Relief Board.)

Concluding his review of the situation, the Auditor-General remarks:—

“ I respectfully suggest that, at this juncture, there should be no attempt by the Government to cancel debts by legislation at the expense of the State or other creditors, since no one can tell what the price of wheat and wool will be in a few years hence. They will certainly be higher than they have been lately. The gold

price of wheat is lower to-day than it has been for more than 70 years.

“ Even the hope that debts will be written off tends to encourage the idea that there is no need to try to pay one’s debts, and it is good policy to become as heavily involved as possible. Then, also, if debts are to be written off, why limit it to farmers? Many wool growers, storekeepers, merchants, and householders have claims, and are quite as heavily involved, and have not, with the exception of primary producers, the advantage of any Act of Parliament to protect them from their creditors.”

## **PERMANENT POLICY FOR AGRICULTURE**

All these measures that have been adopted are of a temporary nature and the farmer’s position in future cannot be satisfactory unless some permanent measures are adopted. The Agricultural Settlement Committee of 1931 has summed up the position of agricultural industry at present and has made some very valuable suggestions.

### **(d) SUMMARY OF REPORT OF AGRICULTURAL SETTLEMENT COMMITTEE, S.A., 1931.**

On the 23rd November, 1931, there was presented to the South Australian Parliament the report of the Agricultural Settlement Committee, which was appointed “ to enquire into and advise the Government upon Agricultural Policy, Settlement and Development.” (Parliamentary Paper,

No. 71.) The investigation (which was presided over by Mr. V. Richardson, D.Sc., M.A., formerly of the Department of Agriculture, Vic., and now of the Waite Research Institute, S.A.), was exceedingly comprehensive and thorough, and the following extract "Conclusions" and "Recommendations" are taken from the report :—

### CONCLUSIONS :

14. Transference of unsuccessful farmers from dry regions to the better rainfall areas cannot be generally undertaken with any prospect of success.
15. If the present system of giving relief is to be continued, a limitation should be placed on the amount of drought relief advanced to any settler in any one year, and also on the aggregate advanced.
17. A drought relief fund, built up by farmers to protect themselves against the incidence of drought, might be developed. It must be borne in mind, however, that no form of crop insurance can make an industry pay if other factors, e.g., the quality of the land, the rainfall, and the method of farming are not favourable.
20. The agricultural industry is being conducted under great disabilities, the most serious of which are the wide disparity

between export prices of primary products and internal costs, high tariffs, necessary costs of depreciation, high cost of transport, heavy taxation, interest charges, cost of labour, and water rates. In addition, there is the burden of debt accumulated by farmers as a result of four dry seasons.

29. The formation within Parliament of an Agricultural Standing Committee comprised of members of both Houses of Parliament would do much to ensure agricultural progress.

## RECOMMENDATIONS.

2. That the *tariff be reduced* on those articles which increase the cost of production for primary producers.
4. That the present system of providing drought relief be discontinued, and a *drought relief fund be built up by farmers*.
5. That if the present method of loaning money to drought-affected farmers be continued, (a) a *limit be fixed* on the amount of *drought relief* provided for a settler in any one year, and (b) no settler be advanced further drought relief after a certain fixed sum has been advanced to him, and is still outstanding.
6. That if the present system of providing drought relief be discontinued, farmers' drought relief debts should be funded.

10. That a permanent Agricultural Standing Committee, comprised of members of both Houses of Parliament, be constituted.

# **TASMANIA**



## SECTION IV

### FARM RELIEF IN TASMANIA

#### (a) SUMMARY OF LEGISLATION :

THE Unemployed (Assistance to Primary Producers) Relief Act, 1930 (No. 2), provides for the raising of a sum of £20,000 for assistance to primary producers to enable them to provide work for unemployed persons in certain cases. The act is administered by the board of management of the Agricultural Bank. A farmer may apply for an advance "to enable him to effect permanent improvements" to his property, and in order to enable him to thus provide employment for persons approved by the Board. One-fifth of the amount advanced may be used for materials or hire of plant; the remaining four-fifths must be used for wages. Under an amending act, the Unemployed (Assistance to Primary Producers) Relief Act No. 2, being Act No. 63 of 1930, the proportion of one-fifth for materials or hire of plant is altered to such proportion as the board may think necessary, and the total amount of £20,000 made available is increased to £50,000.

In the Unemployment Relief Act, 1930, No. 3, it is provided that the Minister may expend £20,000 "towards execution of any public work . . . for the purpose of affording assistance to unemployed persons," and that of this amount a sum not exceeding £5,000 may be applied for

the purpose of assisting primary producers to relieve unemployment by providing work for unemployed persons in carrying out permanent improvements to or upon the holdings of such primary producers.

The Unemployment Relief Act, 1931, appropriates a further sum of £20,000 for the financial year ending 30th June, 1932. The Unemployed (Assistance to Primary Producers) Relief Act, 1931, amends the act of 1930 in details of comparatively minor importance. The Unemployed (Assistance to Municipalities) Relief Act, 1931, provides for advancing money to municipalities for the purpose of providing work for unemployed persons, maximum £1,000 to any municipality.

#### (b) COMMENTS ON OPERATION :

While the legislation in this State is not so far-embracing as in most of the mainland States, Mr. D. J. C. McPhee, the Premier of Tasmania, stated on 5/5/1933 that "it operates satisfactorily and it has been a considerable help in alleviating unemployment in rural centres."

# **WESTERN AUSTRALIA**



## SECTION V

# FARM RELIEF IN WESTERN AUSTRALIA

### (a) SUMMARY OF LEGISLATION :

THE Farmers' Debt Adjustment Act No. 49 of 1930, as amended by the Farmers' Debt Adjustment Act Amendment Act No. 4 of 1931, provides for the appointment of a director who may receive an application in the prescribed form from a farmer or a creditor to call a meeting of the farmer's creditors. The director thereupon issues a Stay Order, and appoints a receiver of the rents, profits and produce of the farm, and of all chattels, effects and property used in connection with the farm. The receiver is paid a fee of £10 10s. od., plus such percentage, not exceeding three per cent., of the proceeds as may be allowed by resolution of the creditors and approved by the director; where the receiver is a public servant such fees and emolument are to be paid into revenue.

The Stay Order protects the farmer against any adverse action by a creditor or a mortgagee. The receiver receives all income of the farmer and makes the necessary disbursements.

At the meeting of creditors the chairman invites the creditors to ascertain by consultation "whether it is not possible to arrange the affairs

of the farmer to advantage," and the creditors may pass any resolution which appears expedient. If any question arises respecting the rights of any creditor, the director or a creditor may refer the matter to a Judge for decision, such decision to be regarded as final. At the meeting of creditors a resolution passed shall be binding on the farmer and his creditors, but a Judge of the Supreme Court may within four weeks cancel the resolution and call a fresh meeting of creditors.

Vendors of hire-purchase machinery may claim for any overdue instalment, maximum £15. If the payment due is in excess of £15, the vendor may claim £15, or a sum equal to 25 per cent. of the balance, whichever is the greater, provided that in no case shall he be entitled to prove for more than £75. This claim may be preceded only by claims in respect of fertiliser, bags, or twine (or money advanced for such purchases), or crop insurance.

#### (b) COMMENTS ON OPERATION :

The Director of Farm Debt Adjustment, West Australia, writing to the Honourable the Premier of Victoria on the 20th April, 1933, stated that the weakness of the present legislation in West Australia is that there is no fund from which provision might be made to finance farmers in need. It is considered that if distress prices continue this will result in the failure of the West Australian Act. It is stated that many creditors'

meetings have proved ineffective chiefly because fuel and stores cannot be obtained on credit. ♪

The system of holding creditors' meetings is stated to have proved an unwieldy method of handling a farmer's affairs; he considers that a Stay Order should be issued in each case and that a board of three should decide the method and amount of sustenance to be given in each case. The act does not provide for any security of tenure or for any adjustment of debts. As the result of his experience, the director stated that while writing down on the basis of the present depressed conditions was not suggested, he considered that "certainly all debts (and interest thereon) in excess of the present valuations should be suspended."



# **QUEENSLAND**



## SECTION VI

### FARM RELIEF IN QUEENSLAND

#### (a) SUMMARY OF LEGISLATION

A brief review of the Queensland Acts shows that the following provisions are made:—

**The Financial Emergency Act of 1931** provides for reduction in salaries and pensions, and also for a reduction of  $\frac{4}{6}$  in the pound in respect of interest due under mortgages.

**The Mortgagors' Relief Act of 1931.** Limitation of rights of mortgages respecting entry into possession, power of sale, etc. Court may afford relief re extending date for payment of principal, etc.

**The Lessees' Relief Act of 1931.** Any person detrimentally affected by the special economic conditions prevailing, and leasing premises, may apply to Court for relief respecting reduction of rent, etc.

**The Financial Emergency Relief Extension Act of 1932.** This act extends the provisions of the three foregoing acts.

#### (b) COMMENTS ON OPERATION

The Premier of Queensland, writing to the Honourable the Premier of Victoria on 18/4/1933, stated that there is no special legislation in force in Queensland respecting debt adjustment or

farmers' relief, but that these matters were dealt with in the Statutes affording relief to debtors generally, viz. :—

The Financial Emergency Act of 1931, the Mortgagors' Relief Act of 1931, the Lessees' Relief Act of 1931, and the Financial Emergency Relief Extension Act of 1932. It was stated that generally speaking the effect of the legislation had been to give the protection sought, but that a grave defect had recently manifested itself, inasmuch as the protection obtained under the State legislation had been annulled by action taken under the Commonwealth Bankruptcy Laws. On this matter the Premier of Queensland stated that he had already made representations to the Commonwealth Government.

**NEW ZEALAND**



# **FARM RELIEF IN NEW ZEALAND**

## **MORTGAGES AND TENANTS' RELIEF LEGISLATION**

### **STATUTES CONCERNED**

- (1) Mortgagors' Relief Act, 1931 (No. 3).
- (2) Mortgagors' Relief Amendment Act, 1931 (No. 47).
- (3) Mortgagors' and Tenants' Relief Act, 1932 (No. 1).
- (4) Mortgagors' and Tenants' Further Relief Act, 1932 (No. 17).
- (5) Mortgagors' and Tenants' Relief Amendment Act, 1932-33 (No. 34).
- (6) Finance Act, 1932-33 (No. 2), Section 39.
- (7) Finance Act, 1932 (No. 2), Section 36.

### **INTRODUCTORY**

The underlying purpose in these enactments was primarily to enable relief to be given to farmer mortgagors who were placed in a position of difficulty by reason of the serious fall in world prices of primary products. In order to assist the farmers to remain on their land it was necessary to enable certain relief to be given, and the securities respecting which it was necessary

to enable relief to be given were securities over the land of the farmer and his chattels—primarily his flocks and herds, and the plant and equipments used by him in his farming operations.

The initial act, passed in 1931, was in the nature of a moratorium provision. The same year legislative provision was made providing for postponement of date of repayment, reduction of interest, and the writing off of arrears of interest on farm mortgages. The application of the legislation was extended in 1932 from farmer mortgagors to cover a generality of mortgagors whose interests were not necessarily confined to farm lands, the purpose being, as far as practicable, to effect reductions in interest and rent, more or less commensurate with the reductions in salaries and wages made or pursuant to Parts I and II of the Finance Act, 1931, and by Part I of the National Expenditure Adjustment Act, 1932.

The existing legislation, whilst giving a lead as to a basis of settlement, makes ample provision for voluntary adjustments, and there is no gainsaying the fact that acute hardship would have resulted and a condition of chaos ensued had no attempt been made to provide for the abnormal conditions that have prevailed. Most dispassionate observers will agree that the existing system has not withstood the pressure of the general collapse of prices, and that the policy of *laissez faire* had to be modified.

## OUTLINE OF LEGISLATION

The legislation is contained in the following acts: The Mortgagors' Relief Act, 1931 (which was passed on April 17th, 1931); The Mortgagors' Relief Amendment Act, 1931, passed on November 11th, 1931; The Mortgagors' and Tenants' Relief Act, 1932, passed on March 31st, 1932; The Mortgagors' and Tenants' Further Relief Act, 1932, passed on December 1st, 1932; The Mortgagors' and Tenants' Relief Amendment Act, 1932-33, passed on February 28th, 1933; also Section 39 of the Finance Act, 1932-33 (No. 2) and Section 36 of the Finance Act, 1932 (No. 2). Speaking generally, the legislation is on the lines of the Mortgages Extension Acts passed during and after the war, except that, under the present legislation, the *mortgagor* applies to the Court for relief, whereas under the earlier acts the *mortgagee* had to apply to the Court for leave to exercise his legal rights, and by the 1932 Act relief may also be granted to lessees.

### MORTGAGEE TO GIVE NOTICE BEFORE EXERCISING RIGHTS UNDER THE MORTGAGE PURSUANT TO A JUDGMENT

Sections 4 and 5 of the principal act require a mortgagee to give notice to the mortgagor before :—

- (a) Exercising any power of sale, etc., under the mortgage (except in cases of properties proved by the mortgagee to be abandoned);

- (b) Enforcing any judgment obtained against the mortgagor, whether by execution or by bankruptcy proceedings (it is to be noted that Section 7 of the Mortgagors' and Tenants' Relief Act, 1932, absolutely prohibits the issue of judgment summonses against mortgagors);
- (c) Filing a petition under the Companies Act that a mortgagor company be wound up by the Court. (Section 5 of the Mortgagors' and Tenants' Further Relief Act, 1932).

A month's notice is required in the case of action against land, or where bankruptcy proceedings, or proceedings for winding up a company, are threatened, and a fourteen days' notice in the case of action against chattels (Section 5 (3) of principal act as amended by Section 8 of the Mortgagors' and Tenants' Relief Act, 1932, and Section 5 of the Mortgagors' and Tenants' Further Relief Act, 1932).

## MORTGAGORS MAY APPLY TO COURT FOR RELIEF

Within the period of the notice—i.e., one month or fourteen days, as the case may be—the mortgagor may apply to the Court for relief, not only filing the application in Court, but also serving a copy on the mortgagee before the notice expires. (Sections 5 and 10 of the principal act.)

The mortgagor may also apply for relief, although no notice has been given by the mortgagee as aforesaid. In that case the Court may either grant relief or authorise the mortgagee to exercise any of the rights referred to above without giving notice under the Act. (Section 2 of the Mortgagors' and Tenants' Relief Act, 1932).

With the leave of the Court, but not otherwise, the mortgagor may also apply for relief:—

- (a) After the expiry of the mortgagee's notice (only if the Court thinks the delay was excusable); or
- (b) Where the mortgagee has been authorised by the Court to exercise any right, but does not do so for three months after being authorised; or
- (c) By successive applications.

An application for leave may be combined with a conditional application for relief to be proceeded with if leave is granted. (Section 2 of the Mortgagors' and Tenants' Relief Act, 1932, and Section 2 of the Mortgagors' and Tenants' Relief Amendment Act, 1932-33.)

So long as no application for relief is duly made as above and served on the mortgagee, the mortgagee is free to proceed to exercise his rights after the expiry of his notice; but if an application is made he cannot proceed until the matter is disposed by the Court, and if the application is made without his giving notice he

can act only so far as expressly authorised. by the Court. (Section 5 of principal act and Sections 2 and 8 of the Mortgagors' and Tenants' Relief Act, 1932.)

## MATTERS TO BE CONSIDERED BY COURT

Section 7 of the principal act sets out the following specific matters that the Court may take into consideration in addition to all other relevant considerations (Section 8), namely :—

- (a) The effect of the continuance of the mortgage upon the security thereby afforded to the mortgagee;
- (b) The inability of the mortgagor to redeem the property either from his own money or by borrowing at a reasonable rate of interest;
- (c) The conduct of the mortgagor in respect of any breaches by him of the covenants of the mortgage;
- (d) Any hardship that would be inflicted on the mortgagee by the continuance of the mortgage or upon the mortgagor by the enforcement thereof;
- (e) The extent to which any default by the mortgagor has been caused by any economic or financial conditions affecting trade or industry in New Zealand.

It is clear from the foregoing that the legislation was not intended merely to "stave off" the evil day for those mortgagors who are hope-

lessly and irretrievably involved, or where their position has been due to circumstances not directly the result of the prevailing economic conditions. It is to be noted that the Courts have adopted differing attitudes in this connection, and it would appear *that there might be more uniformity of practice if a Judge was specially set apart to deal with matters arising out of this legislation.*

### NATURE OF RELIEF THAT MAY BE GRANTED BY THE COURT

Section 8 of the principal act empowers the Court, in its discretion, after considering the foregoing matters and all the circumstances of the case, to make an order prohibiting the mortgagee from exercising his rights for a specified period not exceeding two years, with power for the Court to extend the order for a further year upon application made by the mortgagor before the original order expires.

Section 7 of the 1931 Amendment, as amended by Sections 3 and 9 of the Mortgagors' and Tenants' Relief Act, 1932, enables the Court in any case to postpone for not more than two years from the date of the order the date for payment of any principal or interest, and also to reduce the rate of interest for any period not exceeding two years, and to remit any arrears of interest due before the date of the order. A mortgagor who has obtained an order under Section 8 of the principal act before passing of the 1931 Amendment may apply for further relief

under the latter act at any time before the expiry of the order.

'As to table mortgages, Section 4 of the Mortgagors' and Tenants' Relief Act, 1932, empowers the Court to postpone every instalment for not more than two years, with power to impose conditions as to the payment of interest during the postponement or otherwise. Mortgagees (including State departments) may voluntarily grant any such postponement.

## RELIEF OF LESSEES

Under Section 6 of the Mortgagors' and Tenants' Relief Act, 1932, as amended by Section 9 of the Mortgagors' and Tenants' Further Relief Act, 1932, any lessee under a written lease or agreement for lease executed before March 31st, 1932, may apply for, and be granted (if the Court thinks fit), relief of the following kinds, namely :—

- (a) A reduction of rent for the remainder of the term or part thereof, but not exceeding two years in any case; or
- (b) A remission of rent in arrears at the date of the application for relief; or
- (c) Both such reduction and such remission.

The procedure is the same as in the case of applications by mortgagors. After service of a copy of the lessee's application on the lessor, the lessor cannot exercise any power of distress or

re-entry or determine the lease, or obtain payment for any rent due under the lease, or issue any process or execution, or file a bankruptcy petition against the lessee, until the application has been disposed of, and can thereafter do so only in accordance with the order of the Court.

For the purposes of the above-mentioned sections the term "lessee" includes a guarantor of a lessee (sections as of the Mortgagors' and Tenants' Further Relief Act, 1932).

## MORTGAGORS' LIABILITIES ADJUSTMENT COMMISSION

The 1931 Amendment empowers the Governor-General to appoint any number of Mortgagors' Liabilities Adjustment Commissions (each consisting of three persons) for the purpose of assisting the Court in the exercise of its jurisdiction under the act, and generally for the purpose of encouraging voluntary settlements between mortgagors and mortgagees. Such Commissions are to have the powers of Commissions appointed under the Commissions of Inquiry Act, 1908, including the power to summon witnesses and take evidence on oath, but their meetings are to be private, and publication of reports of their meetings or decisions is prohibited (Section 9 of 1931 Amendment, as amended by Section 11 of the Mortgagors' and Tenants' Relief Act, 1932).

Every application for relief by a mortgagor or lessee, made to the Supreme Court or a magistrate, is to be referred by the Court to an Adjustment Commission for investigation, unless the parties otherwise agree or the Court considers that any refusal to dispense with such reference is frivolous or unreasonable (Section 10 of the Mortgagors' and Tenants' Relief Act, 1932, repealing Section 8 of the Mortgagors' Relief Amendment Act, 1931).

It is the duty of the Commission, subject to the Court's directions, to investigate the financial position of the mortgagor or lessee and other persons concerned, to consider all the matters mentioned in Section 7 of the principal act, and to make a report to the Court with such recommendations as it thinks fit to make. If the Commission's investigations result in an agreement being reached between the parties, the Court may dismiss the application for relief, or may adjourn it to enable the agreement to be carried into effect (Section 10 of 1931 Amendment and Section 10 (3) of the Mortgagors' and Tenants' Relief Act, 1932).

The original Act No. 47 (1931), Section 8, provides that the Court may (if it thinks fit to do so) refer any application to an Adjustment Commission. The Amendment Act No. 2 (1932), Section 3, provides that every application (unless parties otherwise agree) shall be referred by the Court to an Adjustment Commission for investiga-

tion, it being anticipated that the Commissions, consisting of men with a knowledge of farming operations and of farmers' accountancy, would encourage voluntary adjustments to such an extent that the exercise by the Court of the statutory powers of reduction, postponement and remission would be unnecessary save in exceptional cases.

In addition to acting in cases referred to it by the Court, any Adjusting Commission may, with the concurrence of the Minister of Finance, act as a mediator between mortgagor and mortgagee upon the application of either party. In such cases the Commission is to endeavour to promote a voluntary modification of the parties' mutual rights and obligations, for which purpose it will have the same powers of investigation as in cases referred to it by the Court (Section 11 of 1931 Amendment).

There are thirteen Commissions now functioning, and the appointment of another for South Canterbury is under consideration. The cost of these Commissions in 1932-33 was £16,600, and it is estimated that the cost will be at least an additional £5,000 for the year 1933-34.

There is a lack of uniformity of method so far as the different Commissions are concerned, particularly in regard to the manner of distributing stock mortgagors' surplus of income. The pros and cons of these methods are at present being investigated with a view to the adoption of a standard method of adjustment.

## COURT TO WHICH APPLICATIONS ARE TO BE MADE

A magistrate has jurisdiction in the following cases only :—

- (a) Where the principal moneys still owing under the mortgage does not exceed £2,000.
- (b) Where the annual rent under the lease does not exceed £210.

The parties, however, may agree, in writing, that the magistrate shall have jurisdiction in any case where either of the above-mentioned amounts is exceeded (Sections 7 and 10 of the Mortgagors' and Tenants' Further Relief Act, 1932).

In no case, however, has a magistrate jurisdiction to make an order under Section 5 of the Mortgagors' and Tenants' Relief Act, 1932, postponing the right to sue under the personal covenant.

In all other cases the Supreme Court alone has jurisdiction, and it also has a concurrent jurisdiction in the cases where a magistrate can act. (Section 14 of principal act, Section 18 of 1931 Amendment, and Section 5 (5) and 6 (7) of the Mortgagors' and Tenants' Relief Act, 1932.)

## PROCEDURE ON APPLICATION FOR RELIEF

Applications for relief are made by motion, setting out the relief desired and the specific

grounds relied on, supported by affidavits as to the facts. The application must be made in the Court nearest to the place where the land or other property affected is situated. If all the parties are agreeable, and a hearing elsewhere is more convenient, the magistrate may approve of the case being dealt with at another Court. In the absence of a judge from the Court, the Registrar may remove the application to another place where there is a judge sitting. Notice of the application must be given by the mortgagor not only to the mortgagee but also to all persons in New Zealand having any registered interest in the mortgaged property, and to such other persons as the Court considers entitled thereto. These notices do not necessarily have to be given before the mortgagee's notice expires (as in the case of the notice to the mortgagee), but they must be given promptly, or the Court may dismiss the application. Any application under the Act may be heard in Chambers—i.e., privately—and there is no appeal against any order, whether made in the Supreme Court or the magistrate's Court (Section 10 of principal act, as amended by Section 14 of 1931 Amendment). No costs are to be awarded in any proceedings under the Act, unless the Court or Commission considers the conduct of any party to have been for the purpose of delay or otherwise vexatious (Section 15 of 1931 Amendment, as amended by Section 12 of the Mortgagors' and Tenants' Relief Act, 1932).

## **SMALL FARMS (RELIEF OF UNEMPLOYMENT)**

In order to mitigate the distress resulting from unemployment the New Zealand Government passed an act on the 10th March, 1933, to make provision for the settlement of approved persons on small areas of Crown land set aside for this purpose. The act authorises the Governor-General to appoint a member of the Executive Council to take charge of the administration of this act.

In order to assist the Minister in administration of this act a board consisting of five members has been appointed. The board has been authorised to appoint such local committees as it thinks fit.

### **FUNCTIONS OF THE BOARD**

The chief duty of this board is to endeavour to promote the settlement of approved persons on suitable Crown lands, and if sufficient areas of Crown land are not available it should purchase or lease private properties for the purpose of this act. The following classes of persons are qualified to receive leases of land:—

- (a) Persons who, for the time being, are registered as unemployed.
- (b) Other persons about whom the board is satisfied that their settlement on the land would tend to reduce unemployment, and

who, in the opinion of the board, are suitable for employment in rural occupations.

The board grants leases only for ten years, but the lessee is allowed to buy the land after four years at a price fixed by mutual agreement. The lessee has to pay an annual rent fixed by the board, and if the lessee fails to pay any rent during the first four years, such rent would be paid out of the Unemployment Fund.

The board has started its work, but it is too early to pronounce any judgment on its value.

### THE CANTERBURY CHAMBER OF COMMERCE FARMERS' FINANCE SCHEME

A Conference, consisting of representatives of banks, farmers and commercial interests, was convened by the Canterbury Chamber of Commerce in January, 1931, to consider the problem of farmers' finance and to suggest remedies.\* "The pivot of the scheme" which this Conference recommended is the budgeting of farm expenditure. The expenditure is usually drawn up by the farmer and his stock agent, and is then submitted to the other parties concerned in the Finance Agreement. On the basis of this agreement an account is opened for the farmer, to provide the necessary advance for the season's operations. By agreement the repay-

\* Economic Research, December, 1932.

ment of this advance, with interest, is a first charge on the income from the season's output. The next claim to be satisfied is that of land tax and local rates. The balance of the season's income is then divided amongst the various creditors, according to the agreement made under the scheme. In practice, the scheme has been found to bring benefit to all parties concerned. At the end of the 1931-1932 farm year it was reported that the scheme had been widely adopted throughout Canterbury, and it had proved a success. In the light of the favourable comments made on the operation of the scheme it was decided to continue the scheme for the 1933-1934 farming season.

**SOUTH AFRICA**



## **FARM RELIEF IN SOUTH AFRICA**

AN act to provide for loans to certain farmers for the purpose of meeting pressing liabilities and for matters incidental thereto was passed by the Senate and the House of Assembly of the Union of South Africa in 1931. The act is managed by a board which consists of three members—the managing director of the Land and Agricultural Bank of South Africa and two other members who are appointed by the Minister of Finance. The managing director of the Land Bank is the Chairman of the Board. The Parliament has voted a special sum of money and the loans are granted to any person who in the opinion of the board:—

- (a) During a period of not less than twelve months immediately preceding the 1st day of January, 1931, has been carrying on farming operations in the Union as his sole or principal means of livelihood;
- (b) Is of good character;
- (c) Owes any debt which he was justified in incurring;
- (d) Has no reasonable means of paying that debt;
- (e) Is likely to suffer serious and irreparable loss unless such debt is paid wholly or in part;

(f) Has a reasonable prospect of overcoming all his financial difficulties if such a debt is paid wholly or in part;

(g) Can offer sufficient security for the loan.

The board is not allowed under the terms of the act to lend to any one person a sum of money exceeding £1,000. It charges an interest on such loans at the rate of six per cent. per annum.

The board has been allowed the discretion to fix the period in which the loan should be repaid and the mode of repayment by reasonable instalments, provided the total period of repayment does not exceed seven years. The Chairman has been given a further discretion; that at the request of a person to whom a loan has been granted he (the Chairman) may vary the times of payment of interest or extend the period of repayment of any loans granted for a period of less than seven years or to vary the instalments in which the repayments shall be made.

Loans granted under this act are not paid to the borrower himself, but are utilised to pay, with his consent and on his behalf, such of his debts or part thereof as the board may consider necessary.

The board is not allowed to grant loans under this act except on the mortgage security of immovable property.

No stamp duty whatsoever is repayable in respect of any act performed or document required for this purpose.















