Farm Management

CONFIDENTIAL.

THE FALL IN PRICES AND ITS EFFECT ON THE PROFIT AND LOSS ACCOUNT.

DEPARTMENT OF ECONOMICS.

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ECONOMICS DEPARTMENT.

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February 1928.

THE FALL IN PRICES AND ITS EFFECT ON THE PROFIT AND LOSS ACCOUNT.

INTRODUCTION. A study of the accounts of Devon farms over the last four years - 1923 to 1927 - goes to bear out the truth of the statement, often expressed, that farming to-day is not a paying concern. Various theories are brought forward as to why conditions are not so good to-day as they were during, or even before, the war, but it is now generally agreed that the main cause of the agricultural depression is the fall which has occurred in the prices of agricultural produce. At the same time, there has been no similar fall in the expenses with which the farmer is faced. During a large part of the time that Government control was in force, beef made £4 per cwt. and up to three or four years ago it made 60/- per cwt. Until the last week or two, it has taken very good quality beef to make 45/-; in fact, in some parts of the country, 45/- has been an outside price.

At the same time that this fall in prices has been going on, the farmer has not received any similar relief to his expenses. Wages, it is true, are not so high to-day as they were in 1920, but as compared with the fall in prices of farm produce, they are higher than they were then. There has been a tendency to reduce rents, especially during the last year or so, but any relief this way has been on a

much smaller scale than that of the fall in prices. Moreover, this does not help in the case of a farmer who had to buy his farm when prices were at their highest, and now has to pay a mortgage on it at a fixed rate of interest. Rates, in spite of the relief afforded by the Agricultural Rates Act of 1923, have shown a steady tendency to rise, and the only expenses which have come down to anything like the same extent as prices are Feeding Stuffs and Manures, though here again, the cost has shown an inclination to rise again during the last year or two, with the exception of one or two important fertilisers.

COMPARISON OF PRE-WAR AND POST-WAR CONDITIONS.

Put in another way, the problem often resolves itself to the farmer as follows:- In 1914 conditions were stable, and although it was not possible to make fortunes out of farming, it was possible to make a comfortable living. As compared with those conditions, prices are to-day very little better, though expenses are very much higher. If it was only possible to make a fair living out of farming in 1914, how can a farmer expect to do any good at all under present day conditions?

If conditions in 1914 and 1926 and 1927 are carefully analysed and compared, it will be found that the farmer is in two ways worse off to-day than he was in pre-war times -

(1) his expenses are higher, (2) he is faced with a fall in prices, which means that he sells out his stock on a lower price level than that at which he buys them in, while he has to value his stock at the end of the year at a lower figure than that at which he put them at the beginning of the year.

Now, in trying to forecast the future of farming, it is fairly safe to say that in most cases Expenses cannot be cut down by much. Wages, which are the greatest item of increase since 1914 will not be cut down - at any rate, per man; it is just possible that the farming system may be so altered that by employing fewer men total Wages will be reduced to the pre-war figures,while output is maintained at its present level by an extended use of machinery. But the main lines along which the farmer can look for improved profits are in more stable prices, for even if no improvement in prices takes place, the farmer is saved the loss which he incurs at present in the continual fall in prices which has been going on for the last seven years, and especially the last three years.

THE FALL IN PRICES.

Supposing it were possible to take a set of farm accounts and to work out what the profit or loss would have been in any year had it not been for the fall in prices, such an investigation should be useful in showing what profits might be expected from the farm under conditions of stable

prices. It would, however, assume that prices were stabilised at the figure obtaining at the date which was made the basal date for the purposes of the investigation. For instance, any farmer who keeps accounts realises that in the year March 1925 to March 1926, his profit and loss account would have been much healthier had it not been for the heavy fall in prices and values of sheep which took place during the year. If he could have sold out his stock on the level of prices ruling at March 1925, he would have shown a much larger profit than he did actually make. In fact, the profit would be what he might expect to make any year, assuming that prices keep to the level at which they stood in 1925, and that other conditions, e.g. weather, are the same. Similarly by making March 1926 the basal month, the profit could be worked out on the basis of prices ruling in March 1926.

INDEX NUMBERS, AND THEIR USES IN MEASURING PRICE CHANGES.

It is, however, by no means a simple matter to measure the exact amount by which prices have fallen over any period; it is not enough to say that if a hog will make 80/- at one date and 65/- at another date, there has been a fall in sheep values in the proportion of 80 to 65 or 8 to 6½. Before assuming such a state of affairs it would be necessary to know that the hogs were of exactly the same size, breed and quality in each case, and that the greater majority of hogs would sell in the proportion of 80/- to 65/-, and that

this was not just an isolated case.

However, by collecting figures from a large number of markets, it is possible to get pretty accurate figures which would apply to general conditions; this service is performed each month by the Ministry of Agriculture who produce an Index Number, which measures any change in prices of all classes of agricultural produce during the preceding month.

An Index Number is compiled in the following way:- A certain year, or period of years, is taken as a basis. The Ministry of Agriculture take as a basis the average of the three years 1911-13. Having found what the average price of a certain commodity is for the three months in the basal period - say January 1911, January 1912, January 1913, - they work out the percentage increase in price for the same month in the year under review. To take an example, in January 1926, the index number of Fat sheep was 63. This is equivalent to saying that there was an increase of 63% in January 1926 on the average figure for January in the three base years, or that the amount of fat sheep that could be bought, or sold, for £100 in 1911-13 would cost £163 in 1926. Similarly in December 1925, the index number for fat sheep stood at 47, so that sheep valued at £100 over an average of December 1911, December 1912 and December 1913, would be worth £147 in December 1925.

PRACTICAL USES OF INDEX NUMBERS. An Index Number, therefore, makes it possible to compare changes in values at different times; hence, by using Index Numbers, it should be possible to assume what prices would have been obtained by farm stock over a period, if values had not fallen during that period. With this end in view, the accounts of 10 Devon farms have been taken for the year 1925-26 and every sale during the year has been recalculated on the basis of what the article might have been expected to make if prices had remained at the same level as the figure at which they stood at the beginning of the financial year. (In one case the year was from Jan. 1 to Dec.31, in two cases it was from the middle of January, while in the case of the remaining 7 farms the accounts were closed at Ladyday, or within a few days of March 25.). By applying, (by means of the index numbers for the first month of the financial year) the prices which would have been obtained if there had been no variation in prices over the year, a fairly accurate picture is given of what profit might have been expected if prices had remained stable throughout the year at the level at which they stood at the beginning of the year.

Not only did prices of articles sold off the farm vary, but there was also a variation in some of the expenses. This variation was in such items as live stock bought, and in any manures or feeding stuffs bought during the year at

varying prices. In the case of purchased livestock, it was quite easy to apply the same method as in sales of livestock, i.e. Index Numbers were used to arrive at the price which it might have been expected the animals would have cost if prices had remained at the level at which they stood at the beginning of the year. In the case of such commodities as manures or feeding stuffs a difficulty arose since the date at which a payment might have been entered in the farm account book would not necessarily be the date on which the commodity was purchased; the article might have been bought 6 or 9 months previously, on a totally different price level from that which was operating at the time the goods were paid for. It is probable that in the case of some farmers, at any rate, it would have been possible to turn up the old invoices, and ascertain the actual date, but it is doubtful if this could have been done for all. In the circumstances, it was thought that the error introduced by disregarding the possible fluctuations in price of these purchases would be trifling, and they have therefore been ignored.

The Index Numbers of the Ministry of Agriculture are compiled from records of markets and prices throughout the country. It is quite possible that the price movements in a special district - say, the county of Devon - have not been altogether similar to those applying to the country as a whole, so that the Index Numbers used may be inapplicable

to local conditions. In the case of Cattle, Sheep and Pigs, either fat or store, it is not likely that local price variations will be very different from those applying to the whole country, but in the case of such articles as milk, butter, &c., it is quite probable that price fluctuations in this part of the world differ considerably from those in other parts of the country. This might be expected to be the case particularly with those farms supplying the South Devon seaside resorts. Consequently, in the case of Milk, Butter and Eggs, the Ministry's Index Numbers have not been used, but figures have been taken after visiting and taking advice from a representative number of farmers in the district concerned.

One further point needs elaboration. The whole idea of the investigation has been to indicate what return might have been expected by the farmer, planning out his year's work at the beginning of the year, if prices had remained at the figure at which they stood at that time. But in the case of crops, the farmer's year begins before Ladyday, and even before Jan. 1st. The farmer must lay out the main plan of his cropping by Michaelmas or soon after, and to make allowance for this, prices of crops sold have been worked out on the basis of the Index Number at the preceding October.

R.T.8. Jan.14. Rearing & Buttermaking.			R.T.9. Jan.14. Milk Selling.			R.T.4. Mar.31. Mixed.			R.T.5. Apr.8. Milk Selling.			R.T.17. Mar.22. Rearing.		
£	s	d	£	s	d	£	s	d	£	s	d	£	s	d
-122	14	10	40	1	8	-85	3	5	-124	19	1	-86	16	10
- 9	15	7	136	16	8	4	1	7	20	11	2	36	2	9
- 42	15	1	137	19	9	-27	3	4	-40	14	1	-21	10	1
- 71	8	4	35	16	11				-33	8	-			
- 23	0	5	97	8	1				70	6	3			
- 11	11	5	122	18	11				32	7	-			
38	9	3	15	8	2	10	9	1	16	14	9	17	16	8

Profits and Losses per 100 acres.	W.T.2.			W.T.3.			B.E.8.			R.T.1.			P.7.			Average.		
Date Accounts closed.	Apr.20.			Mar.25.			Mar.31.			Apr.21.			Dec.31.					
Main Features of Farming System.	Milk Selling.			Milk Sllg. and Mixed.			Stock & Corn.			Rearing & Mixed.			Stock Rearg. and feeding.					
	£	s	d	£	s	d	£	s	d	£	s	d	£	s	d	£	s	d
Original 1925-26.	73	15	3	54	7	6	21	2	4	-93	0	2	149	8	7	-17	7	10
Method A. 1925-26.	164	0	1	179	3	11	180	9	7	24	1	6	154	2	4	88	19	5
Method B. 1925-26.	116	7	10	117	18	4	103	0	6	-14	3	8	146	3	1	47	10	4
Original 1926-27.	56	6	-	43	11	6	-82	10	8	-15	2	1	42	3	6	-3	1	4
Method A. 1926-27.	150	16	3	126	15	4	52	5	8	68	14	1	135	13	8	84	17	4
Method B. 1926-27.	77	3	-	91	17	2	-35	14	-	13	5	3	72	6	4	45	19	-
Unpaid Labour per 100 acres.	26	-	-	15	19	-	38	18	5	20	13	9	Nil.			20	0	11

Both 1925-26 and 1926-27 were years in which prices fell very considerably, and it would therefore be expected that the revised figures, whether worked out on Method A, or Method B, in each year would show increased profits or decreased losses on the original figures. This, in fact, is what happened. As is only to be expected, there is a good deal of variation over the different farms in both the original figures and both sets of revised figures in either year, but if, to facilitate matters for a moment, average profits and losses per 100 acres are worked out for the 10 farms in 1925-26 and 8 farms in 1926-27, it will be seen that the tendency in both years was rather similar. By taking the original figures, a comparatively small loss was made in each year; Method A changed the loss into a profit in each year of almost £1 per acre, but by basing the figures on the Index Numbers at the end of the year, the profit was reduced to rather less than 10/- per acre. If no allowance is made for unpaid family labour, an average figure of £20.0.11 per 100 acres, or 4/- per acre, can be added under this heading.

Both Method B, 1925-26 and Method A, 1926-27, are based on the same Index Numbers, and, this being so, it would be expected that, other things being equal, the profit or loss shown by the two methods would be the same.

The fact that this is not so suggests that other things are not equal. Factors, besides prices, which vary from year to year, are the weather, and such elements of good or bad luck as the risk of abortion in the dairy herd, the proportion of doubles at lambing, &c., and the differences shown in the results of the two methods over the two years show the necessity for collecting records of more than one year before forming any conclusions.

The idea of using Index Numbers in the way which has been adopted in this investigation was to try to measure the effect of the fall in prices of agricultural products on agricultural prosperity over the last two years, and to indicate what sort of a profit might be expected from farming when prices became stable, three levels of prices having been taken in this connection, namely, those at 1925, 1926 and 1927. No particular accuracy is claimed for the method; some of its weaknesses have already been discussed, and he would be a bold man at any time who, equipped with all the possible data, would definitely predict the future of farming, even at no more than a year's distance. It is claimed for the present method, however, that the effect on farming fortunes of the drop in prices is clearly shown up, while there seems a decided indication that stable prices would result, not merely in reduced losses, but in actual profits.

It does not follow that a given farm should expect to be affected in the same way as the average; the fall in prices was felt more keenly by some types of farms than by others, and the greater number of the 10 farms whose accounts have been dealt with in this investigation are South Devon farms, following a more or less mixed system of farming, though relying chiefly on milk selling, or rearing and buttermaking. One farm is a corn and stock farm in Mid-Devon, and the tenth is a stock farm on the borders of Cornwall. Bearing in mind the limitations of the method adopted in the investigation, it would seem that with stable prices, a farmer should be able to make a profit of from 10/- to 20/- per acre on his farm, even when allowing as an expense the value of any unpaid manual labour. If no allowance for this is subtracted from profits, then another £20 per 100 acres, or 4/- per acre, might be expected to figure in the Profit and Loss Account as a profit.

This does not make any allowance for any interest on the capital the farmer has invested in his farm, nor does it allow him anything for his work of management. Profits, thus, must be looked upon as the reward the farmer gets (a) for investing his capital in farming, instead of in stocks and shares, (b) for spending his time as the manager of the farm. On the other hand, it must be realised

that by living on a farm, the farmer gets a house and garden free of rent and rates, and a large proportion of his food at cost price, whereas in any other occupation these would be extra expenses; it is probable, too, that more independence is attached to the life of the farmer than can be looked for in any other trade or profession.

The table presented gives a summary of the estimated total effect on the profit or loss of price changes. Overleaf, in Table 11, is given the effect on the various items of output so that the relative effect of the fall in prices of, say, Cattle, or Sheep, can be judged, and being split up as between Trading (i.e.buying and selling) and Valuation, it can be seen how much the fall in prices affected actual sales, and how far it was merely a writing down of valuation. Where no sign is given, it means there was a fall in prices for the year - i.e.to get conditions at the beginning of the year, the figure must be added. Where there is a minus (-) sign, prices rose during the year, and the rise would therefore have to be subtracted to bring them on the same basis as figures for the beginning or end of the year.

R.T.8.			R.T.9.			R.T.4.			R.T.5.			R.T.17.		
£	s	d	£	s	d	£	s	d	£	s	d	£	s	d
2	12	5	-8	7	9	7	18	7		8	1	1	0	1
12	1	2	3	12	-	19	16	8	21	9	2	18	0	11
-2	14	8	-7	8	5	-2	9	1		15	9	-2	10	5
-5	9	5												
-	13	2	-1	3	6									
	12	6	2	17	4	1	9	2					6	2
			5	1	6	2	17	1	15	1	3			
													9	11
									3	12	3			
6	8	10	-5	8	10	29	12	5	41	6	6	17	6	8
41	14	4	47	17	-	22	8	6	50	12	10	22	11	8
50	15	8	54	19	3	37	1	3	41	8	4	83	-	-
-4	13	6	-3	9	7	-5	9	4	-	17	7	-1	0	8
	11	7					4	10					2	-
14	8	2	1	10	3	1	14	-					3	-
3	1	8	1	4	9	2	1	10	-4	5	10		9	9
	12	6		2	2	1	11	5		11	3		7	3
									16	14	9			
106	10	5	102	3	10	59	12	6	104	3	9	105	13	-
112	19	3	96	15	-	89	4	11	145	10	3	122	19	8

Method A. Trading and Valuation Increases and Decreases. 1925-26.

Per 100 acres.	W.T.2. £	s	d	W.T.3. £	s	d	B.E.8. £	s	d	R.T.1. £	s	d	P.7. £	s	d	Average. £	s	d
Trading.																		
Cattle	2	19	10	3	1	-	-17	9	10	3	15	8	-5	1	1	-	18	4
Sheep	26	10	2	18	19	10	35	10	8	19	18	2	-		5	17	11	10
Pigs	-1	17	1	-2	9	11	-2	10	10	-10	19	4	-2	0	11	-3	8	6
Dairy Produce	-2	6	6				-1	11	-	-	9	5				-	19	7
Poultry and Eggs																-	3	8
Wheat	-	19	9		2	10		7	-		15	9					11	1
Barley	13	10	-	28	8	1	74	17	11							13	19	7
Oats		13	7	1	10	2	1	14	7		6	11					9	6
Potatoes					12	9	2	18	8		5	2					14	11
Total	38	10	3	50	4	9	93	17	2	13	12	11	-7	2	5	27	16	10
Valuation.																		
Cattle	29	6	-	40	6	9	25	9	2	23	1	-	12	4	3	31	11	2
Sheep	22	10	-	32	10	4	37	2	6	87	17	3				44	14	5
Pigs	-	10	-				- 2	1	4	- 4	18	5	-	8	2	- 2	6	10
Wheat		2	-		6	3					5	2					3	2
Barley				-	9	4	2	13	1	- 2	18	-				1	14	1
Oats		2	6		16	3	1	1	10	-	4	3					8	10
Potatoes		4	1	1	1	5	1	4	10		6	-					12	1
Wool																1	13	6
	51	14	7	74	11	8	65	10	1	103	8	9	11	16	1	73	10	5
Grand Total	90	4	10	124	16	5	159	7	3	117	1	8	4	13	8	106	7	3

R.T.8. £	s	d	R.T.9. £	s	d	R.T.5. £	s	d	M.T.2. £	s	d
7	2	10	12	13	2	11	19	8	4	3	1
	7	5	- 3	4	6	2	11	4	4	17	7
	14	7	6	14	2	6	13	8	-	3	-
-2	11	3	7	3	11				7	17	5
	14	2		18	9						
-1	5	8					7	1	-	13	4
	4	7				1	13	7	8	18	9
	10	11							3	3	7
						-2	0	3			
5	17	7	24	5	6	21	5	1	28	4	1
41	6	7	35	14	7	42	-	-	47	14	6
2	12	3	1	4	3	36	7	6	18	4	-
-	2	6	-	8	11		18	5		3	-
	13	6									
- 5	18	11	-	2	-	- 1	7	9		1	9
4	1	1		18	10		11	10			
-	1	9	-	1	1	-	6	7	-	2	-
						4	5	10			
42	10	3	37	5	8	82	9	3	66	6	3
48	7	10	61	11	2	103	14	4	94	10	4

Method A. Trading and Valuation Increases and Decreases. 1926-27.

Per 100 acres.	W.T.3. £	W.T.3. s	W.T.3. d	B.E.8. £	B.E.8. s	B.E.8. d	R.T.1. £	R.T.1. s	R.T.1. d	P.7. £	P.7. s	P.7. d	Average £	Average s	Average d
Trading.															
Cattle	9	10	6	24	1	-	-	16	7	27	16	10	13	15	9
Sheep	-6	13	-	-	16	5	3	14	3	- 2	11	-	-	4	11
Pigs					4	7	-	2	-	1	4	2	2	3	9
Dairy Produce					13	10	4	0	10				2	13	11
Poultry and Eggs															
Wheat	-	9	8				-	18	11				-	8	8
Barley	15	10	1	48	3	-							10	13	-
Oats	3	9	10	2	13	3		6	9				1	9	2
Potatoes		5	8	1	9	5							-		9
Total	21	13	5	76	8	8	6	4	4	26	10	-	30	1	3
Valuation.															
Cattle	37	5	5	29	16	10	26	16	7	49	15	4	44	7	1
Sheep	25	-	-	30	10	9	47	19	2	16	10	7	25	9	9
Pigs								19	11		14	3		7	-
Wheat	-	4	11	- 1	2	9		2	4				-	1	8
Barley	-	17	1	- 1	12	5	-	8	7				- 1	9	3
Oats	1	8	1	1	3	1	2	4	11				1	9	8
Potatoes	- 1	1	-	-	7	11	-	2	6				-	6	1
Wool														12	3
	61	10	6	58	7	7	77	11	10	67	0	2	70	8	9
Grand Total.	83	3	11	134	16	3	83	16	2	93	10	2	100	10	-

These figures show how far the fall in prices has affected the Trading Account, and how far it has been merely a writing down of valuation. In each year, every farm except one, BE 8, showed that the fall affected chiefly the valuation and only to a comparatively small extent the values actually sold and purchased. BE 8 is a farm where a lot of buying in and selling out of some of the best quality Devon bullocks is done, and this to some extent accounts for the difference. However, another important feature of the farm is sales of Barley, and the fall in price of barley over the two years affected the total figures considerably. All the other farms except P 7 are situated in South Devon, and stock are kept primarily for what they produce, e.g.milk, butter, lambs, wool, and consequently actual sales of stock are not important relatively to the value of the stock themselves, so that a fall in prices affects the valuation more than it affects the actual sales of livestock from the farm.

THE EFFECT OF THE FALL IN VALUATION. It may here be interesting to digress for a moment in order to study what the real effect of a fall in valuation means to a farmer. A fall in valuation may be due to a reduced number, or poorer quality, of stock on the farm, or it may be due to lower values of equal quantities and quality. We are here considering only the fall in valuation caused by the drop in values or prices. The effect in the Profit and Loss

Account is quite clearly seen to reduce the profit or increase the loss, but is it true to say that the farmer really feels this loss? To take a very simple system of farming, suppose a farmer milks 20 Cows which he values at an average of £30 per head at the beginning of one year, and, new cows having been brought in to replace old ones, he puts the average value @ £30 per head at the end of the year. Supposing that during the next year the prices of cows fall so that they can only be valued at £20 per head. Then during the second year there will have been a fall of £10 in valuation per head on 20 cows, or the Profit and Loss Account will be £200 worse off than previously. But if other conditions are the same, the farmer's cash expenses will be no greater, while his sales of milk will be as great, so that in spite of the reduction of £200 in his profits as shown by his profit and loss account, he will have as much money on which to live in the next year as he had in the year previous, and if he has to buy in a fresh cow into his herd, he can buy it at £20 instead of at £30. It would seem, therefore, that a fall in profits owing to such a fall in valuation is one which is not felt by the farmer, and actually, so far as it affects a man while he stays in his farm, it is quite true to say that the fall in valuation of his stock at the end of the year from the valuation at the beginning does not affect him, assuming that the number and quality of the

stock remain the same. It is only when he comes to leave the farm, and to compare his position with what it was when he came in that he feels the effect of the fall. To take our original figures again, when our farmer went into his farm, he had to set aside £600 in order to buy his 20 cows @ £30 each. During the years he has been farming, he has had to forego interest on this amount of capital, but when he comes to give up his farm he only gets £400 (20 cows @ £20 each) for the same number and quality of cattle, so that he has lost the interest on £200 at the end of his farming career, besides foregoing interest on £600 while he was actually farming.

By applying the principles contained in the foregoing example to actual farming conditions, it should be plain that a large proportion of the losses shown since the end of the war are not really felt by farmers remaining in business, since they are only due to the fall in valuations. In the same way, a farmer who has been steadily going through the period from 1914 to 1928 would have actually been affected by the fall in prices very much less than might be expected by a perusal of his profit and loss account. It is equally true to add that much of his wartime profits were due to a writing up of valuation, and these profits, being invested in the stock on his farm, could not be touched by the farmer. In other words, during the war, much of his profits were "paper" profits which he could not use; since

the war, many of his losses have been "paper" losses, which he has not felt. How far the farmer has actually been affected by the fall in prices depends largely, of course, upon the system of farming which he follows.

The man who is to be pitied in this connection is the one who invested his capital in farming or land at the top of the market, say, in, or near 1920. Having locked up his capital in stock at the prices ruling at that time, he is now in the position of having to write down his capital year by year, and, if and when he goes out of farming, he will get very much less for his stock, in hard cash, than when he went in, assuming that the number or quality of his stock has not increased considerably; he has, in fact, lost a large proportion of his capital.

THE FALL COMPARED IN 1925-26 AND 1926-27. This digression on the real meaning of a drop in values has taken us rather a long way from the study of Table 11. To return to this Table, it is interesting to note that in every farm except two - WT 2 and P 7 - the Grand Increase was greater in 1925-26 than in 1926-27, i.e.prices fell more in 1925-26 than in 1926-27. The reason for this lies in the much greater drop in Sheep values and prices in 1925-26 than in 1926-27. This can be seen by comparing either the Trading Account or the Valuations for the two years. On the other hand, prices and values of Cattle dropped more in 1926-27 than in 1925-26, and this accounts for the larger

increase in the case of P 7 in the second year than in the first, since this farm specialises very much more in Cattle than in Sheep. The minus figure in the Trading Account for Cattle in 1925-26 which occurs in 3 of the 10 farms is chiefly on account of the slight increase in price of Dairy Cows during the year.

The increase in price of Pigs during 1925-26, and their subsequent fall in 1926-27 is shown by the Table.

Fluctuations in prices of other products are not important, except in the case of farm BE 8, where the fall in price of Barley in both years is very apparent, and has a large effect on the total figures for that farm.

TABLE 111.

	1924.									1925.							1926.		
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Wheat	61	69	68	67	76	83	79	62	59	62	47	47	53	40	49	67	67	60	55
Barley	107	103	89	76	81	59	45	38	36	38	34	62	69	44	35	29	31	19	14
Oats	38	47	45	37	46	42	38	34	36	38	34	43	43	33	30	32	35	27	25
Fat Cattle	54	48	47	44	52	53	51	50	49	50	48	54	53	48	48	44	52	47	43
Fat Sheep	100	93	90	84	107	100	97	100	100	93	79	76	69	62	63	47	63	50	52
Bacon Pigs	38	40	45	49	59	61	67	68	60	54	51	52	66	70	79	86	94	89	85
Pork Pigs	37			49			66	67	60	53	52	56	65	71	75	84	94	89	89
Dairy Cows	59	62	60	55	53	50	48	47	48	47	50	50	46	48	42	x	42	40	37
Store Cattle	44	41	36	37	43	46	43	39	40	43	42	39	37	32	32	x	33	37	31
Store Sheep	130	112	94	85	102	100	104	100	99	115	115	91	90	69	68	x	57	53	61
Store Pigs	29	29	33	38	49	48	47	55	55	55	53	57	75	88	97	x	121	121	115
Potatoes	99	154	168	166	152	144	138	115	124	76	43	67	53	53	60	64	53	49	31
Wool	105			118			105			30	32		40			49			39

x. Very few markets for Store Cattle were held during December on account of Foot-and-Mouth Disease Restrictions.

	1926.									1927.								
	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.
Wheat	57	67	71	73	69	50	53	66	61	61	60	57	52	53	60	56	56	48
Barley	18	22	21	17	52	50	42	35	31	36	37	38	41	46	54	57	64	62
Oats	26	30	31	33	33	25	17	20	17	20	16	14	18	27	33	33	43	35
Fat Cattle	39	43	40	40	43	39	35	31	28	33	30	26	25	24	25	30	34	30
Fat Sheep	59	67	66	59	52	52	52	43	44	57	44	45	53	53	48	45	45	45
Bacon Pigs	82	88	87	83	79	79	74	71	63	70	63	63	61	58	54	43	36	34
Pork Pigs	84	90	90	84	83	81	81	76	72	82	75	76	73	66	60	49	43	41
Dairy Cows	39	36	38	38	37	39	38	34	30	28	26	25	26	24	21	25	25	28
Store Cattle	31	29	28	33	33	28	25	22	21	29	30	27	23	23	21	26	26	24
Store Sheep	60	55	71	82	63	63	47	42	41	55	48	41	40	38	53	55	48	49
Store Pigs	119	122	134	139	139	142	142	135	115	135	125	116	108	99	90	80	70	64
Potatoes	7	15	-5	21	11	40	81	113	110	95	94	85	60	74	61	61	30	46
Wool	33	29	25	23	24	31	32	31	29	32	32	33	34	31	33	40	42	43

TABLE IV.

	1922.	1923.	1924.	1925.	1926.	1927.
Imported Barley	32	15	49	44	22	48
Imported Oats	47	35	35	46	30	42
Maize	48	52	67	67	28	35
Milling Offals	41	29	50	43	22	48
Oilcakes	57	38	53	50	23	29
Brewer's Grain	54	32	47	54	22	29
Maize and Barley Meal	38	34	55	53	26	36
Nitrate of Soda	39	28	30	23	24	20
Sulphate of Ammonia	9	2	-4	-13	-19	-26
Basic Slag (30%)	95	40	12	16	40	46
Superphosphate	57	30	28	23	15	12
Kainit	7	-20	-12	2	12	12

THE INDEX NUMBERS OF THE MINISTRY OF AGRICULTURE. Table 111 gives details of Index Numbers for the individual items of farm produce from Sept. 1924 to Sept. 1927, and from it, one can clearly see the tendency there has been for prices - especially price of livestock - to decrease. Store Sheep, for instance, decline from 130 in Sept. 1924 to 49 in Sept. 1927 having been as low as 38 in May 1927. Fat Sheep are down from 100 to 45, while Fat Cattle have declined from 54 to 30, and were as low as 24 in May 1927.

For reasons stated above, no attempt has been made to apply Index Numbers to those expenses which may have varied similarly to items of Receipts, but Table IV gives a summary of the yearly variations from 1922 to 1927 inclusive of certain items of Feeding Stuffs and Manures. It will be seen that the tendency since 1922 has been a fairly general decline till 1926, but in several instances there was a rise in 1927. Two manures, Sulphate of Ammonia and Kainit were in several of the years actually cheaper than in pre-war days.

Finally, thanks must be accorded to those farmers who have allowed their accounts to be used for the purposes of this investigation, and to those accountants who in several instances have gone to considerable inconvenience to themselves in providing the data on which the investigatio has been conducted. If the points which it has been possible to discuss are sufficiently interesting to both to make them feel that there is a further value in farm

accounts beyond their use for purposes of satisfying the inquisitiveness of the Inspectors of Income Tax, the writers will feel more than repaid for any time spent in carrying out the investigation.

W. H. Long.

D. Trevains.

February 1928.