



AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

THE FINANCIAL POSITION OF 22 NEW SOUTH WALES WHEAT-SHEEP FARMS IN 1944-45.

BY

P. C. DRUCE, B.Ec.

Economics Branch.

The financial year which ended in June, 1945, was the second year during which a number of farmers throughout the State kept detailed financial and physical records of their farm operations in special books provided by the Department of Agriculture. Of approximately 50 farmers who originally agreed to keep accurate records only 22 returned satisfactory books. It is here intended to examine the cost, income and capital structure of the farms for which books were returned, particular attention being paid to the two most successful farms, success being measured by the magnitude of net income, and to the average figures for a group of 5 farms of similar size and organisation in one particular district.

It will be remembered that, except in the north-west, the State's wheat districts suffered from one of the worst droughts in recent history during 1944 and early 1945. The New South Wales wheat yield in 1944 was only 6 bushels per acre, compared with the pre-war average of 13.9 bushels, and 16.6 bushels in 1945-46. The effect of such a severe drought on the farmers' financial position is reflected in the figures which follow. It will be seen that, while on all the farms examined in areas unaffected by drought the farmer's income was quite satisfactory, and in one case particularly good, in the drought-stricken areas there was only one instance where the farmer's income could be regarded as reasonably satisfactory.

On farms where wheat and oats account for the major part of gross income it might normally be expected that both the total area sown to crops and the yield of wheat per acre would bear a fairly close relation to the net income earned. In the year under review, however, there was no correlation whatever between these items nor, apparently, did total farm size have any direct bearing on the net income earned. The lack of correlation between these items and net income is no doubt due to the exceptional conditions which obtained throughout the year. And, unfortunately, it is therefore impossible to draw even tentative conclusions from the figures obtained as to the comparative profitability of farms of varying size or differing organisation.

The Sample.

As is usually the case with work of this type the farmers who kept satisfactory records were almost always more progressive and of greater ability than the average. It is considered that the managerial ability of most, if not all, of the farmers who returned satisfactory records was well above average. Several of the farms included in this study are looked upon as being amongst the best in their respective districts.

Names of farmers who were thought likely to co-operate were supplied by producers' organisations and by the Department's Agricultural Instructors in the districts concerned. Of those approached approximately 30 per cent. agreed to co-operate. The co-operation of some additional farmers was obtained through press publicity. In the year under review the survey of wheat-sheep farms was confined to four areas centred about four towns: Parkes in the Central-west, Wagga Wagga and Culcairn in the Riverina, and Gunnedah in the North-west. The number of books returned from each of the above-mentioned districts was as follows:—

Parkes	..	..	..	..	..	11
Wagga Wagga	..	..	..	..	..	4
Culcairn	..	..	..	..	..	4
Gunnedah	..	..	..	..	..	3

Two of the 22 farmers who returned books were tenants, one situated in the Parkes district and one in the Culcairn district. The tenants' figures are shown separately in the various tables which follow.

The Selected Districts.

The four districts selected fall within the Statistical Divisions of the North West Slope (Gunnedah), Central Western Slope (Parkes), South Western Slope (Wagga Wagga), and the Riverina (Culcairn). Wagga Wagga is on the western edge of the South Western Slope and Culcairn is on the eastern edge of the statistical Riverina, but they are both in what is usually referred to as the Riverina. The popular concept of the limits of the Riverina does not coincide with the Statistical Division.

In these four Divisions about 80 per cent. of the State's wheat is normally produced, while at 31st March, 1945, they carried over 20 million sheep, 45 per cent. of the total sheep carried in New South Wales at that time. On most of the farms in the districts studied wheat is the major source of income in a normal year, but sheep and wool occupy a place of considerable importance. Most farms grow some oats and on many oats is an important source of income. Some farms produce barley—mainly for sale to the brewers. This and lucerne are the only other crops of any importance. Pigs form an important source of income on some farms, and of the farms studied four obtained over 30 per cent. of their gross income from their sale. In general the farms in the North and Central West crop a larger proportion of their total area than do the Southern farms while on farms in the Riverina and South West the sheep enterprise occupies a somewhat more important position in the farm economy than it does in the North and Central West. Dairying is of some importance in the Wagga Wagga district, but no farm which obtained an appreciable part of its income from dairying has been included in this study. Cattle are comparatively unimportant in these four Divisions and on none of the farms studied were they an important source of income.

Official statistics showing the area sown to the major crops and the number of livestock carried in these Divisions in 1944-45 appear in Table I. These figures clearly indicate the importance of cereals, and of wheat in particular, in these areas.



Delivering Wheat at Parkes.

[Photo by Courtesy of *Associated Newspapers Ltd.*]

TABLE I.
Crop and Livestock Statistics (1944-45).

Item.	Unit.	North Western Slope.	Central Western Slope.	South Western Slope.	Riverina.	Four Divisions as a % of N.S.W.
Wheat (grain)	acres	396,256	661,890	645,330	621,061	82
Oats (grain)	acres	22,891	112,246	143,466	177,836	84
Barley (grain)	acres	4,034	5,541	7,726	8,130	89
Hay—Wheaten	acres	29,040	63,909	59,009	65,316	78
„ Oaten	acres	6,526	18,611	58,461	62,100	61
„ Lucerne	acres	11,239	6,586	5,771	2,390	38
*Sheep	No.	5,396,914	4,384,676	6,492,844	4,349,666	45
*Cattle	No.	248,910	71,939	221,776	71,316	19
*Pigs	No.	29,725	33,431	54,522	38,360	29

* Number at 31st March, 1945.

Seasonal Conditions.

The severe drought conditions which prevailed throughout most of New South Wales during 1944-45 have already been referred to; the North Western Slope was the only wheat area which was not seriously affected. This area enjoyed a satisfactory season but elsewhere the season was regarded as the worst for over twenty years. The various figures and tables which follow are therefore not typical of an average year, but illustrate the effects which a severe drought has on the financial

position of the wheat farmer. Table II illustrates the severity of the drought in the areas with which this study is concerned. Rainfall during the calendar year 1944, and for the months April to October, 1944, the period during which wheat was sown and matured, is compared with the long-term average rainfall for these periods in the four towns which are the centres of the districts studied.

TABLE II.
Rainfall—1944 and Average.
(Inches.)

Town.	Calendar Year 1944.	Long-Term Average.	April to October, 1944.	Long-Term Average April to October.
Gunnedah	13.93	23.14	10.10	11.65
Parkes	8.95	20.90	5.66	12.17
Wagga	9.30	21.50	7.43	13.83
Culcairn	9.55	22.22	7.72	14.53

It should be noted that at both Wagga Wagga and Culcairn, between two and three inches of rain fell during October, 1944, and was too late to effect any material improvement to the crops.

The adverse effects of the season in the Western and Southern districts are illustrated in Table III, which compares the wheat and oats yield in 1944 with the average pre-war yield. It will be noted that the average wheat yield on the farms studied was above the average for the State and was above the average in each Division, except the Central Western Slope.

TABLE III.
Wheat and Oats Yields.
(Bushels per acre.)

Crop Yield.	North Western Slope.	Central Western Slope.	South Western Slope.	Riverina.	Whole State.
Wheat—Average* ...	14.9	13.7	13.2	13.6	13.9
„ 1944†	15.8	4.9	2.5	2.6	6.0
„ Farms Studied	17.1	4.3	3.5	4.2	6.8
Oats—Average*	15.8	15.9	16.4	13.7	15.1
„ 1944†	12.6	3.3	1.2	1.6	3.2
„ Farms Studied ...	...	...	...	...	1.3

* Official average for the five years 1935-36 to 1939-40.

† Official statistics—all farms in the Divisions concerned.

Farm Size and Organisation.

The sizes of the twenty-two farms studied varied considerably, the area of the largest being more than eight times the area of the smallest. The total area varied between 344 acres and 2,988 acres; five farms were over 2,000 acres and eight were less than 1,000 acres. The area cropped and the area under wheat varied even more than did the total area. On one farm only fifty-five acres were cropped in 1944—6.7 per cent. of the total area—while the largest area cropped was 668 acres—37.5 per cent. of the total area. The area sown to wheat varied between thirty-five acres and 590 acres. On three farms over 200 acres of oats were sown in 1944 and on six others more than 100 acres were sown. On two farms no oats was planted in 1944. The number of breeding ewes carried at the beginning of the year ranged from eighty-two on one farm to 2,255 on another, while four of the twenty-two farms obtained over 30 per cent. of their gross income for the year from their pig enterprise.

Although all the farms included in this study can be classified as wheat-sheep farms, it is important to note the variation, not only in the total area, but also in the organisation of farms of similar size. The figures which have been quoted above give ample illustration of the fact that wheat is a far more important factor in the economy of some of these farms than of others. In view of this variation in the size and organisation of the farms studied, average figures for all the owner-operated farms, whether they be averages of income and returns, capital invested, or income and expenditure would be well-nigh meaningless and possibly quite misleading. For this reason the only average figures given hereafter are for a group of five farms in the Parkes district. The average area of these five farms was 952 acres. The area of the smallest was 818 acres and of the largest 1,051 acres. The average area cropped in 1944 was 379 acres. Only one of the farms showed any significant variation from this average. The average number of breeding ewes carried at the beginning of the year was 400. The number carried on each farm varied much more than did the area cropped, but nevertheless it is considered that the organisation of these five farms was sufficiently similar to make it worth while averaging their figures. A "1,000-acre" farm cropping from 300-400 acres and carrying about 400 breeding ewes is not uncommon in the Central-west, and the average figures given may be regarded as typical of this type of farm in the year under review. On three of the farms averaged, one man, in addition to the owner, was employed full-time; on the other two farms casual labour only was employed.

TABLE IV.

Farm Size and Organisation.

(Farms arranged in order of total area under Cereals, 1944.)

Farm.	*District.	Area under Cereals, 1944.	Wheat Area, 1944.	Oats Area, 1944.	Wheat Area, 1945.	Oats Area, 1945.	Total Area of Farm.	Percentage of Total Area under Crop, 1944.
		Acres.	Acres.	Acres.	Acres.	Acres.	Acres.	%
3	G	668	590	78	620	20	1,780	37.5
5	P	589	390	190	365	140	1,576	36.8
8	P	569	402	167	380	62	962	59.2
12	P	568	568	...	900	6	2,988	19.1
2	P	540	200	340	300	340	1,612	33.5
9	P	465	360	105	540	105	2,395	19.4
1	G	420	308	102	353	65	1,375	30.5
20	C	390	140	250	140	150	621	62.8
18	C	380	265	115	373	184	2,048	18.3
15	P	358	308	50	336	142	818	43.7
16	P	330	230	100	400	100	1,000	33.0
14	P	320	300	20	300	30	928	34.5
11	P	319	302	17	398	100	1,051	30.3
6	W	278	240	38	206	56	1,303	21.3
17	W	250	130	120	135	100	1,183	21.1
13	W	170	135	35	255	100	1,341	12.7
7	P	135	115	20	125	65	850	15.9
4	G	127	125	...	170	...	475	26.7
9	P	115	97	18	146	45	344	33.4
10	C	55	35	20	25	118	808	6.7
22†	C	565	310	255	650	164	2,535	22.3
21†	P‡	475	400	75	470	13	2,600	18.3
Average	†	379	308	71	363	87	952	39.8

* Districts are indicated by letters as follow: G—Gunnedah, P—Parkes, W—Wagga Wagga C—Culcairn.

† Tenants.

‡ Average of five Parkes farms (see text).

Income and Returns.

The terms used here require some explanation. *True Net Income* is the actual net income produced by the farm, an allowance having been made for the value of farm produce used in the home, for the rental value of the farm-house (based on 8 per cent. of its capital value at the beginning of the year), and for the value of keep provided for hired labour. A negative figure indicates a net loss. *Net Family Farm Income* is the income which would have been earned by the farm if it were free of debt. It is obtained by adding the actual interest paid to the True Net Income. To obtain what is termed *Net Farm Income* the cost of unpaid family labour, valued at award rates, is deducted from Net Family Farm Income. Net Farm Income therefore represents the income which the farmer would have received if his farm were free of debt and he had paid for all family labour at award rates.

If 5 per cent. is allowed to be a reasonable rate of return on capital, then *Operator's Earnings* are obtained by deducting 5 per cent. of the average total farm capital from Net Farm Income. Operator's Earnings therefore represents the farm operator's return for his labour and management. To obtain the return for management, the value of the operator's own labour must be deducted from Operator's Earnings. This deduction has been set at £312 and when made gives the *Managerial Return*.

Farm Capital Earnings represent the return on total farm capital which would have been obtained if the farm were free of debt, all family labour had been paid at award wages, and the operator had drawn a "fair" wage for his own labour and management. The percentage return on farm capital is based on these assumptions and should not be confused with the percentage earned on net worth which is the interest earned on the farmers' average equity in his property after his own and his family's labour (if any) have been allowed for at award rates.

Net Farm Income ranged from £1,803 to a negative figure of £1,030. Three farms showed a negative figure for Net Farm Income indicating that on these farms there was a substantial actual loss—not only did the farmer receive no return for his labour nor any interest on invested capital, but there was also a substantial reduction in his net worth. The farmer received a positive reward for his labour, after an allowance of 5 per cent. on total capital had been made on only eight farms, and on only four farms did this reward exceed £312. Therefore only four farmers obtained any return for their management during the year. All but one of these farms were in the Gunnedah district which was unaffected by the drought.

TABLE V.

Income and Returns.

(Arranged in Order of Net Farm Income.)

Farm.	Net Farm Income.	Operator's Earnings.	Managerial Return.	Return on Farm Capital.	Percentage Return on Farm Capital.	Percentage Net Income Earned on Net Worth.*	Percentage Gross Cash Receipts to Total Capital Invested.	Wheat Yield per Acre.†
	£	£	£	£	%	%	%	bush.
1	1,803	1,158	841	1,465	11.3	11.3	19.4	20.5
2	1,320	485	173	982	5.9	8.0	26.6	12.7
3	1,121	429	117	783	5.7	5.6	24.3	17.1
4	731	397	85	391	5.7	6.6	19.0	12.5
5	681	38	...	345	2.7	2.3	12.2	F
6	524	-71	...	31	.4	1.9	25.6	10.2
7	523	101	...	185	2.2	1.7	11.7	15.0
8	514	51	...	176	2.4	1.9	25.3	9.4
9	502	-320	...	164	1.0	...	11.6	3.1
10	467	12	...	129	1.9	1.3	15.2	8.8
11	399	-178	...	61	.5	...	11.4	8.9
12	319	-600	...	...	Nil.	...	9.9	6.7
13	301	-391	...	...	...	...	7.0	F
14	208	-170	...	...	...	...	8.7	.4
15	205	-160	...	...	...	...	8.3	2.0
16	83	-357	...	...	...	...	12.8	F
17	32	-633	...	...	...	...	5.5	F
18	-86	-1,077	...	...	...	...	12.4	6.9
19	-307	-572	...	...	...	...	13.0	1.7
20	-1,030	-1,431	...	...	...	...	13.8	6.6
21‡	876	241	...	38	1.4	20.9	52.2	3.1
22‡	672	-440	...	...	...	7.5	59.0	5.7
Average §	282	-143	...	...	...	3.9	13.0	4.6

NOTE.—A blank space in columns 4-7 indicates a negative return.

* Net income here is the figure obtained by subtracting the value of family labour and the operator's own labour from the True Net Income.

† F indicates a crop failure.

‡ Tenants.

§ Average of five Parkes farms (see text).

Particular attention is drawn to Farms No. 1 and 2. Farm No. 1 is a farm of 1,375 acres worked by one man with some casual assistance. In 1944, 308 acres were sown to wheat and a yield of 20.5 bushels to the acre was obtained. The Managerial Return on this farm was £841, and the return on capital amounted to 11.3 per cent. Receipts from 1944 wheat amounted to less than 30 per cent. of the total gross income, other major sources of income in their order of importance were: sheep and lambs, wool, eggs, agistment and oats. The figures from this farm give a good indication of what the *efficient* farmer can earn, with very little labour assistance, in a good season.

Farm No. 2 is mentioned because, in spite of being in a drought district, it showed comparatively good returns. The Managerial Return on this 1,612-acre farm was £173 and the Percentage Return on Capital amounted to 5.9 per cent. 200 acres of wheat and 340 acres of oats (much of which was cut for hay) were sown in 1944. The wheat yield was 12.7 bushels per acre which was 7.8 bushels above the average for the Division. This is an example of efficient management securing satisfactory results under adverse circumstances.

On only eight farms did the farmer earn any interest on his own capital (as distinct from the total capital involved) after an allowance had been made for his own and his family's labour.

Capital and Debt Structure.

In general the farmer's own valuations of land, improvements, equipment and stock were accepted, the only exceptions being when they appeared quite unreasonable. Farmers were instructed to value on a conservative basis, inflated war-time values not being taken into consideration. In almost every case the unimproved valuation was the Shire valuation. With a few exceptions, improvements and machinery were depreciated at fixed rates—usually the maximum rate allowed by the Commissioner of Taxation. Sundry items were valued at cost, and growing crops were valued at the estimated cost of sowing.

The total capital invested varied from £4,966 to £18,269 on owner-operated farms. The two tenants' capital amounted to £2,712 and £4,729. Invested capital per acre varied between £6.1 and £14.4 on owner-operated farms. The unimproved value ranged from £1.0 to £4.0 per acre and the improved value from £3.7 to £10.5 per acre. Total assets increased on six farms during the year and fell on fourteen farms.

The maximum liability on any farm at the beginning of the year was £8,140; on one farm there were no liabilities. Total liabilities on all owner-operated farms amounted to £56,779 at the beginning of the year. At the end of the year this figure had increased to £59,374. The total liabilities at the beginning of the year were made up as follows:—

	£
Crown on land	5,876
Private Mortgages	14,280
Bank Mortgages and Overdrafts ..	36,326
Money Owed	297

TABLE VI.

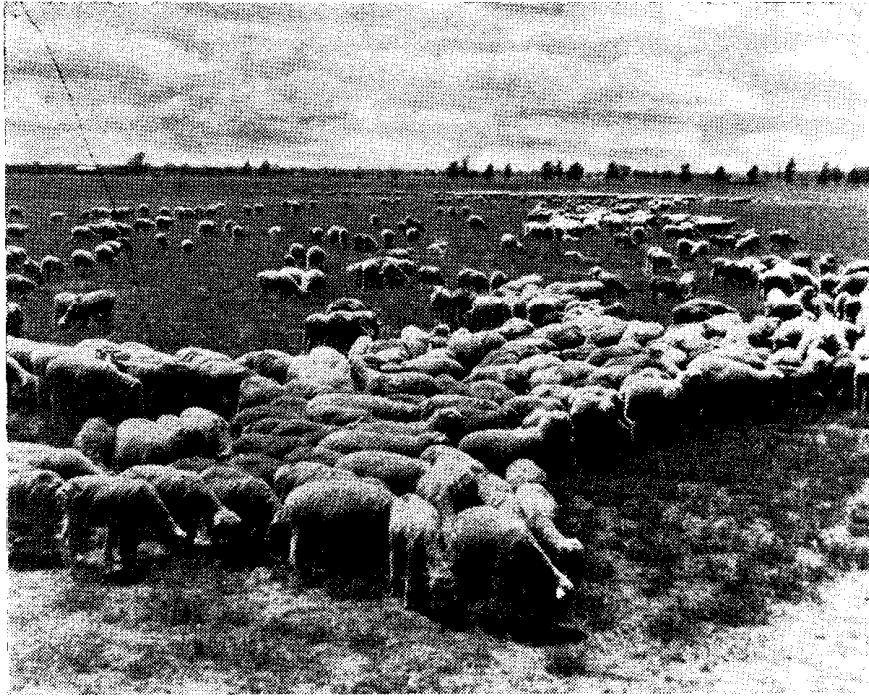
Capital and Debt Structure.

(Arranged in Order of Total Capital Invested.)

Farm.	Total Capital Invested, 1 July, 1944.	Liabilities at 1 July, 1944.				Net Worth, 1 July, 1944.	Net Worth, 30 June, 1945.	Percentage Change in Net Worth During Year.
		Total Liabilities.	Fixed Liabilities.	Bank Overdraft.	Money Owed.			
	£	£	£	£	£	£	£	%
12	18,269	8,140	7,947	...	193	10,129	10,135	Nil.
9	16,646	7,747	322	7,425	...	8,899	8,149	-8.4
18	15,982	806	500	306	...	15,176	13,280	-12.5
3	14,148	...	...	...	...	14,148	13,530	-4.4
13	13,862	717	717	...	...	13,145	12,972	-1.3
17	13,522	6,098	475	5,623	...	7,424	6,911	-6.9
5	12,986	7,042	2,234	4,808	...	5,944	5,814	-2.2
1	12,717	117	100	...	17	12,600	13,213	+4.9
2	12,419	892	...	892	...	11,527	12,330	+7
11	12,067	3,473	3,057	416	...	8,594	8,444	-4.1
10	9,206	950	500	450	...	8,256	8,493	+2.9
16	8,966	4,040	790	3,150	100	4,926	4,765	-3.3
6	8,813	1,572	1,390	147	...	7,241	7,274	+4
20	8,507	5,624	88	5,536	...	2,883	2,196	-23.8
7	8,482	1,565	185	1,380	...	6,917	6,921	+1
15	7,319	2,150	...	2,140	...	5,169	4,917	-4.9
8	7,291	1,149	140	1,009	...	6,142	6,405	+4.3
14	7,162	1,604	560	1,044	...	5,558	6,961	+25.3
4	6,603	2,000	...	2,000	...	4,603	4,889	+6.2
19	4,966	1,238	1,151	...	97	3,728	3,532	-5.2
22*	4,729	...	...	...	...	4,729	4,121	-12.8
21*	2,712	...	...	...	...	2,712	2,442	-9.9
Average†	8,561	2,115	909	1,552	20	6,078	6,258	+3.0

* Tenants.

† Average of five Parkes farms (see text).



Fat Lambs in the Riverina.

[Photo by Courtesy of *The Land*.



Loading Hay—a typical Central Western Scene during a Good Season.

[Photo by Courtesy of *Associated Newspapers Ltd.*

TABLE VII.

Receipts, Expenses, Costs and Machinery.

(Arranged in Order of Net Farm Income.)

Farm.	Total Money Receipts.	Total Cash Expenses.	Total Farm Costs.*	Percentage Fixed Costs.	Percentage Variable Costs.	Machinery.		
						Value 1 July, 1944.	Capital Invested per 1944 Crop Acre.	Cost of repairs for every £100 invested in Machinery.
	£	£	£	%	%	£	£	£
1	2,529	988	1,514	34.7	65.3	803	1.9	15.3
2	3,797	1,022	1,845	34.5	65.5	1,673	3.0	16.1
3	3,366	993	1,968	31.6	68.4	1,622	2.4	15.3
4	1,265	560	966	46.1	53.9	300	2.4	15.0
5	1,570	532	917	56.2	43.8	878	1.5	6.0
6	2,127	1,677	2,456	27.8	72.2	1,292	4.6	14.0
7	993	440	922	52.3	47.7	644	4.8	5.6
8	1,836	838	1,619	35.2	64.8	1,890	3.3	8.9
9	1,924	1,387	1,983	26.7	73.3	1,053	2.2	5.9
10	1,390	450	982	52.9	47.1	1,077	19.6	5.6
11	1,318	790	1,389	37.2	62.8	948	3.0	3.7
12	1,835	1,505	2,714	22.2	77.8	1,462	2.6	5.5
13	980	811	1,519	36.0	64.0	1,100	6.5	4.7
14	659	552	936	49.2	50.8	794	2.4	18.4
15	603	526	956	48.4	51.6	720	2.0	10.4
16	1,132	938	1,525	35.6	64.4	1,163	3.5	3.1
17	738	641	1,118	50.4	49.6	1,066	4.2	4.5
18	1,952	1,476	2,196	38.5	61.5	2,034	5.3	4.9
19	671	581	1,375	35.9	64.1	485	4.2	11.7
20	1,111	884	1,712	28.6	71.4	869	2.2	26.6
21†	1,411	538	1,230	73.2	26.8	633	2.5	6.7
22†	2,614	2,385	2,921	44.9	55.1	828	1.5	14.0
Average‡	925	729	1,285	39.7	60.3	1,103	2.9	8.4

* Interest is *not* included.

† Tenants.

‡ Average of five Parkes farms (see text).

Of the nineteen owner-operated farms with liabilities, nine owed money to the Crown on their land, nine owed money to private mortgagees and fifteen owed money to banks. Sixty-three per cent. of the total liabilities at 1st July, 1944 was owed to banks.

Net worth or the farmer's equity in his property ranged from £2,883 to £15,176. The owner-operators' total net equity at the beginning of the year was £163,009, at the end of the year it had fallen slightly to £161,131. Owner-operators increased their equity in eleven cases, in eight cases their equity was reduced and in one case there was no significant change. The tenant's equity was reduced in both cases.

Receipts and Expenses.

Total money receipts (excluding money borrowed or money received for capital goods sold) varied very greatly. Farm No. 2 had the highest money receipts—£3,797, and Farm No. 15 the lowest—only £605. Total money receipts and the main items included therein for Farms Nos. 1, 2, 18, 19 and 20 and the average receipts of the five aforementioned farms in the Parkes district are compared in Table VIII.

TABLE VIII.
Total Money Receipts.
(Excluding Money Borrowed and Money Received for Capital Goods Sold.)

Receipts.	Farm Number.					Average of 5 Parkes farms.
	1	2	18	19	20	
	£	£	£	£	£	£
Total	2,529	3,797	1,952	671	1,111	925
Wheat—1944-45 ...	788	596	54	27	140	198
„ Other	60	836	73	...	55	214
Oats	107	615	6	...	91	8
Fodder ... ..	...	197	...	...	...	15
Wool	123	939	791	...	248	250
Sheep and Lambs ...	705	605	375	13	21	260
Pigs	12	...	6	...	91	...

It will be noted that payments on wheat other than on the 1944-45 crop were an important source of income. In many cases payments on previous crops exceeded the advance received for 1944-45 wheat. It is apparent that the present method of paying a first and subsequent advances on wheat delivered stabilises farmers' income to some extent.

Total Cash Expenses did not vary as greatly as did the total money received, indicating that drought conditions do not greatly influence expenses, the main financial effect being to reduce receipts. In some few cases a heavy cash expense on feeding was incurred, but in a number of cases farmers had sufficient

fodder on hand at the beginning of the season to carry them through the year. Cash outlay on bags and twine was negligible in a number of cases, due to complete or almost complete crop failures, while expenditure on power and on labour was also reduced in many cases for the same reason.

The highest cash expenses were recorded on Farm No. 6—£1,677, while they were lowest on Farm No. 15—only £526.

In Table IX cash expenses and the main items comprising them are compared for the same group of farms for which receipts were given in Table VIII.

TABLE IX.
Cash Expenses.

Expenses.	Farm Number.					Average of 5 Parkes farms.
	1	2	18	19	20	
Total Cash Expenses ...	£ 988	£ 1,022	£ 1,476	£ 581	£ 884	£ 729
Seed (purchased) ...	16	5	89	13	4	33
Fertiliser ...	...	37	75	27	34	49
Feed (purchased) ...	90	20	91	24	102	71
Bags and Twine ...	45	83	17	9	5	25
Fuel and Power ...	262	200	78	109	181	143
Cartage ...	154	1	34	30	7	22
Maintenance of Improvements ...	12	55	...	25	5	16
Maintenance of Machinery ...	123	270	100	57	232	92
Wages ...	124	144	242	110	4	38

Farm Costs.

Cash expenses do not necessarily represent the actual costs for the year as no account is taken of stocks on hand at the beginning and the end of the year. Total costs, taking this into account, and allowing for the cost of the farmer's own labour, of family labour and of keep for hired labour, have therefore been calculated. The total cost so arrived at is, however, only comparable with that of other farms if the same proportion of feed and seed is purchased on the farms being compared. The fact that some farms use home-produced feed and seed and some purchase all their feed and seed requirements makes the comparison of total cost figures difficult. The total cost figure includes the cost of labour used in the creation of new assets, but not the materials so used, unless they are farm produced.

Costs have been classified as fixed and variable. Fixed costs include rent (where applicable), rates, depreciation on improvements and machinery, and an allowance for the farmer's own labour; all other costs are classified as variable.

Table X shows the division of total farm costs for the same group of farms as was included in the two previous tables.



Hand Feeding Sheep—a typical Western Drought Scene.

[Photo by Courtesy of *The Sydney Morning Herald*.]

TABLE X.
Division of Farm Costs.

Costs.	Farm Number.					Average of 5 Parkes farms.
	1	2	18	19	20	
Total Farm Costs ...	£ 1,514	£ 1,845	£ 2,196	£ 1,375	£ 1,712	£ 1,285
	%	%	%	%	%	%
Fixed Costs ...	34.7	31.5	38.5	35.9	28.6	39.7
Variable Costs ...	65.3	65.5	61.5	64.1	71.4	60.3
<i>Major Items of Cost:</i>						
Depreciation of Improvements ...	5.1	5.9	3.2	0.4	2.7	4.4
Depreciation of Machinery ...	5.3	9.1	8.9	1.8	5.1	8.2
Own Labour ...	22.3	18.3	15.1	8.5	19.8	27.7
Family Labour ...	...	...	...	15.3	18.2	5.6
Hired Labour and Keep ...	10.2	10.2	12.9	8.0	6.1	6.1
Upkeep and Repairs—						
Improvements ...	0.1	1.0	...	1.8	0.1	1.1
Machinery ...	7.9	11.0	4.6	4.4	11.5	7.2
Crop Expenses*... ..	6.7	8.6	8.7	3.9	4.8	7.1
Feed and Other Live-stock Expenses ...	8.5	13.3	26.9	11.2	21.0	15.4
Cartage	10.2	0.1	1.5	2.6	0.4	1.7
Fuel	18.4	12.0	4.6	14.4	10.6	12.2

* Seed, fertiliser, bags and twine and other sundry crop expenses.

Farm Machinery.

Of the twenty-two farms studied, twenty used tractors and two used horses. On two farms, two tractors were in use. The average age, at the beginning of the year, of tractors purchased new was six years; three tractors were purchased second-hand and their age was not known. The age of the oldest tractor was ten years; the newest was purchased just prior to the commencement of the period.

The capital invested in farm machinery (including cars and trucks) at 1st July, 1944, varied from £300 to £1,622. The average capital invested per 1944 crop-acre was £2.6. This ranged from £1.5 on two farms to £19.6 on another. The average cost of repairs on tractor farms for every £100 invested in machinery was £10.1; it ranged from £3.7 to £26.6.

Acknowledgement.

In conclusion, it is desired to express appreciation of the valuable assistance rendered by the Department's field officers in making it possible for members of the Economic Research staff to maintain personal contact with the farmers concerned. Without this contact few satisfactory records would have been obtained.

SUMMARY.

(1) 1944-45 was the second year during which a number of farmers kept detailed financial and physical records of their farming operations in special record books provided by the Department of Agriculture.

(2) During that year twenty-two farmers (including two tenant-farmers) situated in the main wheat-producing districts of the State—the North-West, Central-West, South-West and Riverina—kept accurate records.

(3) Drought affected returns in all wheat-sheep districts of the State, except in the North-West. As a result, apart from the three farmers situated in the North-West, only one of the farmers whose records were examined showed a satisfactory return on invested capital.

(4) The size and organisation of the farms studied showed considerable variation. While wheat occupied a major position in the economy of all farms its importance was generally greater in the farms situated in the North and Central-West. Because of this variation in size and organisation, an average figure for all farms studied would be meaningless. The only average figure quoted is for a group of five farms of similar size and organisation situated in the Central-West.

(5) Three farms showed a substantial net loss. On these farms the operator did not receive any reward for his labour or management nor any interest on invested capital. After allowing for payment of the farmer and for family labour at award rates, only twelve of the twenty-two farms studied showed a positive return on total capital; this return exceeded 5 per cent. in only four cases.

(6) An examination of the farmers' liabilities demonstrates the important position which the banks occupy in the provision of rural credit.

(7) The effect of the drought is reflected in the reduction of the farmers' equity or net worth during the year, and also in the income and expense figures given in Tables VIII and IX.

(8) Total costs, illustrating the relative importance of fixed and variable costs, and of the farmers own labour, are given in Table X.

PROPOSED AUSTRALIAN EGG MARKETING SCHEME.

RESOLUTIONS FROM CONFERENCE OF REPRESENTATIVES OF EGG MARKETING BOARDS AND AGRICULTURAL DEPART- MENTS OF NEW SOUTH WALES, VICTORIA AND QUEENSLAND, HELD IN MELBOURNE ON 10-11th SEPTEMBER, 1946.

The necessity for the formation of a body comprehensively empowered to do all that is necessary to maintain stabilisation in the egg industry and to dispose of the Australian surplus has been generally recognised.

As certain of the proposals on which "Egg Boards of Australia Ltd." was based have proved unacceptable, representatives of Agricultural Departments and Egg Marketing Boards of New South Wales, Victoria and Queensland, met in conference at Melbourne on 10-11th September, 1946, to consider the position. The conference unanimously adopted the following alternative proposals for establishing a new organisation and recommended the proposals for consideration by the State Boards, the State Ministers of Agriculture and the Commonwealth Government.

Conference accordingly resolved that legal advice should be sought as to the most appropriate action to be taken to render the Company, "Egg Boards of Australia Ltd.", inoperative so as to allow for the registration of the new Federal organisation "Australian Egg Equalisation Committee Ltd.", as proposed by conference.

It was further resolved as follows:—

1. A corporate body to be formed, the name of which shall be "Australian Egg Equalisation Committee Limited." The Committee shall be sufficiently comprehensive in its structure to empower it to purchase from each State Board the entire surplus over immediate local sales in shell. This means that the Committee must have ownership of all surplus eggs, including pulp and winter storage.