

Mr. Ward inspected nearly the whole of the holdings in North Canterbury, but is behind with some of the statutory inspections, particularly those due last January and March on Cheviot selections; he is unable, through pressure of other work, to furnish the usual annual report and summary. He made a multitude of special inspections and reports which absorbed a very large proportion of his time.

Mr. O'Callaghan reports that the village-homestead settlements in South Canterbury show a fair amount of progress. He says:—

"The fact that many of the settlers have been without much external employment during the year has conduced to the expenditure of labour on their holdings, which has resulted in a considerable increase in the value of their improvements; this increase, together with the addition of the value of the improvements on the holdings newly taken up during the year, shows a total of £549 over the valuation of 1894.

"The returns show generally an advance on the position of last year, and no retrogression.

"The success of this class of settlement in South Canterbury is undoubted. It will be seen from the returns furnished, that of the total number of eighty-seven settlers on the list, sixty-seven are resident, and that of the twenty returned as at present non-resident, there is not a single case of gross neglect of conditions, the number being composed of new settlers, or cases of residence on adjoining land, or of cases in which exemption for good reason has been allowed.

"Most of these small settlers have, out of their limited means, made very creditable homes on their land, and surrounded themselves with supplies and comforts such as would be impossible for them to obtain in towns. In fact, they afford a good object-lesson of what can be done by placing the unemployed on a suitable piece of land, with nothing but their labour to assist them and a few pounds advance to build a house over their heads, for this is all the most of these settlers started on. There are very few of them who have not built houses worth treble or quadruple the amount of advance originally made, while the total value of their improvements, carefully assessed, amounting to £5,923, is a splendid return for the small sum first advanced—about £800 for the whole of South Canterbury.

"During the past year no advance has been made by the settlers generally in South Canterbury towards the improvement of their financial position, which, at the beginning of the year, was by no means satisfactory. In most cases the Government settlers, together with nearly the whole farming class, both agricultural and pastoral, have suffered severe losses through the further drop in the values of wool and sheep, the low price of grain, and, in most localities, the effects of the drought, with the consequent disturbance of the stock-market.

"On the other hand a good harvest, affording in many cases large yields, and in nearly all cases a very superior quality of grain, has helped many struggling farmers to tide over their difficulties in spite of the low prices prevailing. Unfortunately this advantage has extended to the Crown tenants only to a very limited extent, the great bulk of the leased Crown lands being of an inferior class of soil, and not capable of growing grain profitably. Most of them, however, are still in such a position as to be capable of recovering, if improvements in value of produce, more employment, and generally better times were forthcoming; only in a few exceptional cases has the result been to reduce holders to a condition of want.

"It is, in my opinion, a matter of great regret that in South Canterbury the dairy industry is almost totally neglected; it is practically of very little help towards the support of the farming community between the Rangitata and the Waitaki; factory butter and cheese are imported into this district from other portions of New Zealand, while the small amount produced locally is inferior and almost unsaleable. The Village Settlements of Arundel and Orari, the Wainono, Nukuroa, and Kapua, and Pareora Settlements, as well as others, would be well adapted to take advantage of the industry if once started, but being without capital at command, no attempt to initiate the factory system can be made by the Crown tenants without external assistance. They were selling their butter this season for 4d. per pound, which might be worth more than double in price, and might be trebled in quantity if a factory or creamery were within reach.

"*Small Grazing-runs.*—Lessees are suffering severely from the depression in prices, and in some cases from the increase in the cost of keeping down the rabbits; surplus stock is almost unsaleable, and, in many instances, the merino ewes have been sent for boiling down at ruinous prices, to make room for wintering the lambs. The lessees holding under the Act of 1885 are in much the same position as regards fulfilling the requirements of their leases as when I reported on the subject last year—namely, the improvement conditions have been carried out by all but one settler, while residence is not satisfactory in some instances. In the case of the four new holders under the Act of 1892, for whom the first inspection has come due, three may be said to be fulfilling all the conditions, while the fourth fulfils all but the residence conditions.

"*Leases in Perpetuity.*—Under this tenure new leases have been taken up by twelve settlers, representing 3,410 acres. Exchanges from perpetual leases to leases in perpetuity have been made by thirty-two settlers, representing 33,988 acres; and exchanges from deferred-payment licenses by three settlers, representing 75 acres—making a total increase for this year of fifty-seven leases, representing 37,473 acres, which, added to the acreage held under this tenure previous to the 31st March, 1894, makes a grand total of 53,836 acres now held under lease in perpetuity in South Canterbury.

"The system of exchange which has been so largely adopted by settlers, as these figures show, has afforded great relief to many.

"*Wainono and Nukuroa Small Farms.*—I regret to have to report that some of the settlers on these blocks are in no better position financially than they were last year, and that a comparatively large sum remains still due for rent, while on the other hand I have pleasure in stating that the occupation of the land and the value of the improvements placed on it are in the great majority of cases most satisfactory.

"I have again to report that the demand for land is still far from being satisfied. Inquiries are being constantly made at this office by small private tenants, sons of farmers and farm labourers, as to when more land will be opened up. In many cases small tenants are paying as high as from £1 to £3 per acre for small sections to provide a home for their families; several sons of farmers are ready to take up leases in perpetuity, who will not touch freehold or