

The further back the position is examined the more unfavourable the picture now becomes. The reason is obvious, for as current suppliers retire or dispose of their farms they hold on to their shares and the incoming supplier must be given new shares, thus resulting in a further increase in the interest and taxation bill. By reason of the cost per pound of butterfat to meet this sum (last year the cost was 0.284 of a penny), the company's payout does not now measure up to that of its competitors, and this tends to direct new supply to adjacent companies. In any case, a prospective supplier will not look favourably upon a company which must use part of his butterfat to pay interest on dry shares plus taxation thereon. This particular company has made many efforts to break the compulsory dividend, but without avail. Even if it were lawful to do so by a 75 per-cent. majority at a special meeting, there are now sufficient dry shareholders to prevent this being done. This company has no option but to continue the present unsatisfactory position or endeavour to bring about a liquidation, which can only have unsatisfactory repercussions in its district.

### SUMMARY OF POSITION OF DRY SHARES

33. Mostly because of the reasons outlined above, there is no question that dairy-company shares have not a high standing in the business or farming community. When valued as an asset in an estate they are often shown at a nominal figure, and they pass from farmer to farmer at greatly varying prices, even in respect of the same company. They are seldom regarded as a worth-while investment unless there is a compulsory dividend attached thereto. In fact, it is not too strong to say that many supplying farmers regard the acquiring of dairy shares as a necessary evil in connection with their supply to a dairy company. The position is obviously deteriorating year by year, and unless something is done dry shareholders will soon be in excess of wet shareholders in the majority of co-operative dairy companies. In some companies the dry shareholders are now becoming active, and should they by their preponderance of voting strength take control of the company their policy cannot be in the interests of the wet shareholders, nor would such a state of affairs be conducive to true co-operation.

### FUNCTIONS OF A CO-OPERATIVE DAIRY COMPANY

34. Before possible remedies for this state of affairs are discussed, the functions of a truly co-operative dairy company should be outlined. We are definitely of the opinion that the functions of such a company *should be the processing of the members' raw material (milk, cream, or butterfat) into saleable products and the return of the net proceeds of such operations to those members in proportion to their supply of the raw material.*

This conception of co-operative management is not new, as it is illustrated in some of our earliest companies. The constitutions of many companies, however, were framed for the purpose of making and returning profits to the shareholders as such, a set-up not now compatible with the generally accepted principles of co-operation.

The company is under an obligation to accept the milk or cream of its members. The members are under a moral obligation to forward their milk and cream to the company and to accept responsibility for their proper proportion of the capital requirements of the company. It will thus be seen that such a company, by the very nature of its activities, must be a service company and not a concern for the earning of dividends for the shareholders.