

1920.
NEW ZEALAND.

AGRICULTURAL AND PASTORAL INDUSTRIES, STOCK,
AND COMMERCE COMMITTEE

(REPORT OF) ON PETITION OF H. D. ACLAND AND OTHERS *re* ARMOUR AND CO. ; TOGETHER
WITH MINUTES OF EVIDENCE.

(MR. G. HUNTER, CHAIRMAN.)

Report brought up 21st October, 1920, and, together with the Petition and Minutes of Evidence, ordered to be printed.

ORDERS OF REFERENCE.

Extracts from the Journals of the House of Representatives.

WEDNESDAY, THE 14TH DAY OF JULY, 1920.

Ordered, "That Standing Order No. 219 be suspended, and that a Select Committee be appointed, consisting of thirteen members, to consider all matters pertaining to agricultural and pastoral industries, stock, and commerce; with power to confer and sit together with any similar Committee which may be appointed by the Legislative Council, and to agree to a joint or separate report; the Committee to have power to call for persons, papers, and records; three to be a quorum: the Committee to consist of Mr. Burnett, Mr. Field, Mr. Forbes, Mr. J. R. Hamilton, Mr. Hawken, Mr. Hunter, Mr. Jennings, Mr. Jones, Mr. Lysnar, Hon. Mr. MacDonald, Hon. Mr. Ngata, Mr. Powdrell, and the mover."—(Hon. Mr. NOSWORTHY.)

THURSDAY, THE 16TH DAY OF SEPTEMBER, 1920.

Ordered, "That Standing Order No. 219 be suspended, and that the name of Mr. Masters be added to the Agricultural and Pastoral Industries, Stock, and Commerce Committee."—(Hon. Mr. NOSWORTHY.)

REPORT.

No. 102.—Petition of H. D. Acland, of Christchurch, and 107 Others, praying that a meat-export license be granted to Armour and Co. of Australasia (Limited).

I AM directed to report that the Committee cannot recommend the prayer of the petitioners that a meat-export license be granted to Messrs. Armour and Co., Australasia (Limited), as in the opinion of the Committee they are a subsidiary company of Armour and Co. of the United States of America, where it has been shown that they, together with other companies, have carried out practices inimical to the interests of both the producer and the consumer.

21st October, 1920.

GEORGE HUNTER, Chairman.

PETITION.

To Mr. Speaker and the Members of the House of Representatives in Parliament assembled.
THE humble petition of Henry Dyke Acland, Leslie A. Rutherford, and others, the signatories hereto, sheweth as follows:—

1. Your petitioners are sheep-farmers carrying on business in various parts of New Zealand, and are all interested in the production and export of meat.

2. We believe it to be to the interest of ourselves and meat-producers in the Dominion generally that no unnecessary restrictions should be placed upon the sale of meat, and that competition among buyers from abroad is to the advantage of the industry.

3. We learn that under the provisions of the Slaughtering and Inspection Act, 1918, the Minister of Agriculture has refused to issue a meat-export license to Armour and Co., of Australasia (Limited). We believe it to be to the advantage of the industry that this company should be permitted to buy its fair proportion of our produce in open competition, and we respectfully suggest that a license should be issued to the company, to be revoked if necessary the moment it is shown that its operations are conducted in such a way as to be detrimental to the good of the producers of the Dominion.

4. We would further respectfully suggest that the different meat-buying firms or companies operating in New Zealand should be compelled under the provisions of the said Act to send in to the Department of Agriculture monthly reports setting out the numbers and class of the stock bought, where frozen and stored, and such other information as may be deemed advisable. If it then appeared that the operations of any one of the companies or firms suggested a danger to the interests of producers the license issued to that firm could be cancelled under the ample powers given under the said Act.

5. Many of the signatories of this petition carry on business in the Canterbury District, and they believe that district will suffer more than any other if competition is restricted. If the Minister of Agriculture still deems it inadvisable to issue a general meat-export license to the said company, they would respectfully urge that a license be issued to the company subject to revocation unless the company confined its operations to the South Island.

6. Apart from their personal interest in the matter, your petitioners believe it is only just that a license should be issued to the company and remain in force until the company does something to deserve its cancellation.

Wherefore your petitioners pray that a meat-export license may be issued to Armour and Co. of Australasia (Limited) under such terms and conditions as may be deemed just.

And your petitioners, as in duty bound, will ever pray.

H. D. ACLAND (and 107 others).

MINUTES OF EVIDENCE.

FRIDAY, 27TH AUGUST, 1920.

Mr. L. A. RUTHERFORD examined. (No. 1.)

The Chairman : Your full name, Mr. Rutherford ?—Leslie Askin Rutherford.

And your address ?—"Haydon Downs," Woodgrove. Postal address, 27 Nayland Street, Sumner, Christchurch.

And you represent ?—The Sheepowners' Federation.

I understand you wish to make a statement in regard to this petition ?—Yes, sir. I would like to make a statement in support of the petition. I would like to say that I am representing not only the Canterbury sheepowners, but I am representing the Sheepowners and Farmers' Federation as well. I am also representing the gentlemen who sent forward the petition. I claim to be the representative of a very strong body of sheep-farmers. What we ask you to do is to grant this license to the firm of Armour and Co., as we consider we are entitled to free competition. The producers of this country want free competition. If the Government continues to take up the stand that they have done over this matter and do not grant this license, it looks to us that we are not going to get that free competition, and if that is so we consider that it is going to impose great restrictions on the prices we will get for our meat. This firm, as you will see, is quite prepared to work under Government supervision. We know that the Government has the power now under the Act to keep an eye on any firm doing business in connection with frozen meat in this country. I would like to point out that America has proved to us that to shut up a country and only allow competition among a few strong firms is not the wisest policy, and they have now burst up the so-called "Big Five"—the so-called Meat Trust. I understand there are now in America sixty-five independent firms as well as the so-called "Big Five." Now, sir, it has been suggested that we should put a ring round these Islands by shutting out outside competition. Well, if you do that you will have just the same conditions as existed in America before she allowed herself open competition. I say that if you do not grant this license we are going to be placed in the same position. We have trusts here now. Some of the Canterbury firms are trusts. Take the Wellington Meat Export Company here : I say that is a trust. Are we to be compelled just to deal through them ? There is another trust in Christchurch, and there are others in other parts of the Dominion. We would like you to consider this matter very carefully, because we consider it is a matter of great concern, affecting all the people in this Dominion. If I may be allowed to, sir, I would like to ask Dr. Reakes one or two questions.

Yes, certainly. You can do so directly.

Mr. Jennings : You favour free trade generally ?—I do, sir.

Mr. Lysnar : Have you any evidence to offer, Mr. Rutherford, as to the commercial standing of this firm of Armour and Co. ?—No, sir.

Are you aware that this New Zealand firm is connected with Armour and Co. of Chicago ?—I understand that they are certainly in touch with Armour and Co. of Chicago, but they are quite prepared to work here under the Act—

I am not asking you that. Are you not aware that this company is a fiduciary company to Armour and Co. of Chicago ?—I cannot answer that question. Mr. Carney is here, and Mr. Alpers is here : I think they will be prepared to answer that question. I am not in a position to answer it.

You do not know ?—No. I do not know.

You do not know whether this company is a fiduciary company of Armour and Co. of Chicago ?—No. I have not gone into that question.

With regard to the signatures to this petition, from which districts were they obtained ?—They were obtained from all over the Dominion. Of course, I know that statements have been made by yourself that they were Christchurch signatures mostly—

Mostly Canterbury ?—Mostly Christchurch. I may say that the signatures were obtained from all parts of the Dominion. Certainly a large number of them were from Canterbury.

Was it sent up to Auckland and other places ?—Yes.

Generally all over the Dominion ?—Yes.

Are you not aware that uncontrolled competition in America made it possible for the trusts to shut the American market ? Are you not aware that the American market was shut simply because Armour and Co. and the other large companies were uncontrolled ?—I do not think I would put it exactly like that.

The whole of the trade of the country was forced into the hands of the five large companies, to the detriment of the country generally. Are you not aware that the cause of that was because of Armour and Co. and the other large companies being uncontrolled ?—Being uncontrolled ?

Yes, being uncontrolled ?—That may be so, but at the same time I say that you are asking for that here. We want outside competition.

The Chairman : You can now ask Dr. Reakes those questions you mentioned, Mr. Rutherford.

Mr. Rutherford : I would like to ask you, Dr. Reakes, has the Department of Agriculture found anything against the operations of Armour and Co. during the four years, I think it is, that they have been operating here ?

Dr. Reakes : Well, I can say quite frankly I have not found them to do anything improper in any way.

Mr. Rutherford : Do you know the methods by which the proprietary freezing companies carry on their business and the dividends that they pay ?

Dr. Reakes : I have a general idea of their methods, but I would not like to say that I can state now what dividends they pay.

Mr. D. W. WESTENRA examined. (No. 2.)

The Chairman : Your full name, Mr. Westenra ?—Derrick Warner Westenra.

And your address ?—Farmer, Dunsandel.

And you represent ?—The Canterbury Agricultural and Pastoral Association.

Do you wish to make a statement ?—Yes, sir, I would like to say a few words. It is a most extraordinary thing, to my mind, that there should be such a difference of opinion between the North Island and the South over this business. I myself, as you know, being a fatterer, am greatly interested in this matter, and I am not going to go blindly into the question of giving Armour and Co. a license. I have gone into this question with shrewd business men in the City of Christchurch, and outside Christchurch, and I have said to them, " You know what the position is with regard to Armour and Co. You know there is a difference of opinion about them having a license. You know what is going on. Give me your views." And they have said to me, " Why not ? " That is what I cannot understand. Why should not Armour and Co. have a license ? If they do not get a license it simply means that they will deal with the cards under the table. We want their cards on the table. We want that with respect to every company that is dealing in stock in New Zealand : we want their cards on the table. The Government would then have all the facts before them, and they could say, in this particular case, at the end of the twelve months, if it does not suit, " We will strike you off the list." You have them absolutely at your mercy. I have also gone into the question in the country districts. I have spoken to farmers in the Dunsandel district, which is my district, and I have also spoken to farmers in the Ashburton district and other country districts—all of them fattening districts. I have spoken to these farmers in the same way, and the majority have answered " Why not ? " I am quite sure that if the question was put properly before them, if they were shown the true meaning of the whole matter, they would practically all of them be in favour of giving Armour and Co. a license. They are under the impression that Armour and Co. want to build works in New Zealand. That is not a fact. All they want is simply a license to allow them to trade in New Zealand with the rest of the other companies who are doing so.

Hon. Mr. MacDonald : They want a meat-exporter's license ?—That is it exactly. Well, so far as trusts are concerned, it simply amounts to this : if we do not encourage trade from outside it simply means that we will have trusts of our own here. The large companies at present operating in New Zealand will become trusts if there is no outside competition. They will grow until they become trusts in themselves. We know that for a fact. We know what is going on. We are getting rooked in every possible manner in regard to our meat. Now, what I want to point out is this : that in giving a firm like Armour and Co. a license to do business in this way they deal f.o.b. with the farmers instead of c.i.f. with the companies. That, I think, is a strong argument that we should do business with Armour and Co. straight out, and have free trade. I say that, as far as we are concerned, we are on sound lines, because their cards will be on the table, and if the Government are not satisfied with them they can strike them off the list. I think that is all I have to say.

The Chairman : Do I understand you to say that if Armour and Co. do not get a license within the law they will do their business in New Zealand outside the law ?—I do not say that they will do so. They have kept within the law hitherto. I do not suppose that they will go outside the law, but we know that things of that sort do go on.

The Chairman : It is just as well for the Committee to understand that.

Mr. Jennings : If a buyer for Armour and Co. was to offer a farmer, say, 2s. per head more for his stock than the other buyers are offering, I presume he would sell his stock to Armour and Co.'s buyer, even though he may happen to be a shareholder in the local freezing company. He would not refuse Armour and Co.'s offer ?—I do not think he would for one minute.

Hon. Mr. MacDonald : Are you a sheep-farmer ?—I am a sheep-farmer absolutely. I have been fattening all my life, and I am in a fattening district.

As a sheep-farmer are you supposing that the Slaughtering and Inspection Amendment Act, 1918, will protect the farmers to the fullest extent necessary ?—Undoubtedly. What I mean to say is that I would not have gone into this matter if I had not gone before shrewd business men before I took it up.

Of course you are asking for free trade in New Zealand : I quite understand that. And the farmers are looking to the American market. You do not know whether Armour and Co. have suggested that they are going to deal with the American market ? You do not know to which country they are going to export ?—That I could not say.

Mr. Lysnar : You say that Armour and Co. do not want to build works. How do you know that ?—I am quite satisfied about that.

How are you satisfied ?—For the simple reason that they come here to do business with us with the cards on the table. I am satisfied about that, because if they make any mistake about it out they go.

But how are you satisfied ?—I am satisfied in my own mind. I am satisfied that they want to do business aboveboard.

You have no official information from Armour and Co. ?—No.

Mr. Hawken : You say there is not sufficient competition. Do you find that in Canterbury there is not sufficient competition when it comes to the buying of your stock ?—Yes, that is so. The buyers put their heads together. They have beaten us pretty badly. I know a good few cases about which there has been trouble over that. I have on different occasions taken my sheep out of the yards and sent them to the works, and have done much better by doing so.

That is with respect to sheep which go through the yards ?—Yes, sheep sold through the sale-yards ; and I know who is at the bottom of it.

Have you any company that overshadows the others in the expansion of their business ?—Yes.

What company is that ?—The Christchurch Meat Company.

That is the New Zealand Refrigerating Company now ?—Yes.

And for that reason you think it would be a great advantage to have Armour and Co. compete with the Christchurch Meat Company ?—I certainly do. You would open up a fresh channel to where you would get a fresh market. We would be getting a new country to deal with,

Mr. G. W. LEADLEY examined. (No. 3.)

The Chairman: Your full name, Mr. Leadley?—George William Leadley.

And your address?—Ashburton.

And you represent?—The North Canterbury Farmers' Union.

Will you make a statement?—I have been asked to report the findings of the Dominion Conference of the New Zealand Farmers' Union recently held in this city in regard to this question of the issue or non-issue of a license to Armour and Co. I have here the remits which were sent up from two of the provincial centres, and the resolution which was moved by the delegate from Gisborne and carried in substitution of these remits. I have here the report of the discussion—

It is not necessary to go into all that. Just give us the position briefly?—The resolution as carried is rather a lengthy one, but it briefly is this: the Conference registered its opposition to the business being carried on by Vestey Bros. in the North Island in conjunction with the Nelson works, and in other ways, and also objected to the issue of a license to Armour and Co. Shortly, that was the finding of the Conference. Shall I explain the matter further?

Yes, certainly, if you think it necessary?—Well, I wish to say that I opposed the motion. While I am in duty bound to represent the finding of the Conference, as I happen to occupy the position of Dominion president for the time being, I also wish to state my own personal and individual views on this question, which are that I consider it would be to the advantage of the sheep-growers and sheep-farmers of New Zealand if Armour and Co. were permitted to buy and to export frozen meat. I would like to add to that that I am satisfied, from discussions which have occurred with respect to this matter at numbers of public meetings, and resolutions which have been passed and forwarded to the Canterbury Provincial Executive from the branch meetings, and from conversations I have had with individual farmers—I am satisfied that a very considerable majority of the Canterbury farmers are strongly in favour of the issue of a license to Armour and Co., believing that their interests—the interests of the farmers and the interests of the New Zealand meat trade—are sufficiently protected by the existing law.

Is there anything further you would like to say?—No, sir, there is nothing further. There is no need to elaborate on what I have said. I have made my statement as brief and concise as I could. I am, of course, prepared to answer any questions.

What was the result of the voting at the Dominion Conference you mention?—The result was that it was decided to interview the Prime Minister and submit to him the finding of the Conference on this question.

Did you take a vote?—Yes, we took a vote, and the voting was practically unanimous. I spoke against the resolution myself, but I did not vote against it.

The voting was practically unanimous against the issue of a license?—There were practically no votes against the motion from Gisborne. When the discussion was going on I expressed my opinion in similar terms to what I have just stated, and I adhere to that opinion.

Hon. Mr. Nosworthy: Am I right in understanding that at one of the meetings of the Farmers' Union you expressed yourself as being against the Minister having the power of issuing and controlling licenses?—You are under a misapprehension. I have never expressed myself in that way. I am quite in accord with the provisions of the Act.

You are quite satisfied that the legislation which has been passed up to now is absolutely in the best interests of the country?—Yes, sir.

And after granting that you are now prepared to advocate a departure from the attitude which has been taken up by the Government in order to protect the interests of the farmers of the Dominion: you are prepared to license Armour and Co. and thereby possibly open the door for the American Meat Trust?—I do not think so.

Why?—Because they would receive a license only to purchase and export frozen meat. It is not necessary to proceed any further than that.

How are you going to stop them going further?—I am not here to formulate a policy. I think that we should draw the line at the point that we have drawn it.

You are not in favour of monopolizing the meat trade of this country?—I do not think any harm can result from issuing a license to any company or companies who desire to come here and buy our goods in the open market and export them in their own name to any point where they think fit.

In other words, you are prepared to ignore that combine and you are prepared to deal with the Meat Trust or any foreigner?—Yes, as buyers and exporters of fat sheep or lambs. I am not in favour of issuing licenses to kill or build freezing-works *ad libitum*. I think there are sufficient freezing-works in New Zealand already; but that is another matter.

How are you to guarantee the ownership of the freezing-works here now?—You cannot. You cannot prevent people selling their shares.

Mr. J. R. Hamilton: I take it that it is your idea to issue licenses from year to year, and if anything is found in the transactions of those who may hold licenses that is to the detriment of the country during that period, your idea is that their licenses should be cancelled?—Yes, at once. If it was proved that they were adopting unfair practices I would not support their having licenses any longer. That is my feeling on the matter.

Your idea is that we want as many markets as we can get this year?—Yes, I am strongly of that opinion. We want competition along legitimate lines so as we can get the full value for our produce.

Mr. Jennings: Do I understand you to say that there is a meat trust in New Zealand outside of this so-called Armour and Co.?—I do not know whether we could term them meat trusts, but there have been combinations. As a matter of fact I have suffered from them myself. I know it has occasionally happened even in the open market that buyers divide up lots. I have put fat stock in fairly large lots on the market and I have been surprised at the very little competition. On one particular occasion I put five hundred fat wethers on the market and only one man besides the auctioneer bid for them, and I may say that I did not realize the price I expected. After the sale was effected I had occasion to leave the yards, and when I returned I found that the sheep were being taken away by four different drovers. I would like to say also that a neighbour of mine put in a small line of lambs and they were taken away from the sale in three different lots. That is what I mean when I refer to combinations.

Hon. Mr. MacDonald : In connection with the resolution passed by the New Zealand Farmers' Union Conference, are you of opinion that that resolution did not voice the general opinion of the farmers?—I am of opinion that it did not voice the opinion of the farmers in the South Island. The general opinion in the South Island is strongly in favour of the issue of this license to Armour and Co.

The Chairman : In reference to the resolution passed at the Farmers' Union, you say it is not the feeling of the farmers generally?—In that sense I do not think it is. I may say that the union is not so strong in the South as in the North, and consequently the representation is not so great at any Dominion conference. The men in the South who trade in the fattening of sheep or lambs—and I am satisfied I am speaking for 75 per cent. of them—would be in favour of this license being granted.

Then the resolution did not apply to Armour and Co., evidently?—No, sir; not so far as the South is concerned.

It included another firm?—Yes.

I suppose that it was proved that the other firm was a trust, that it was a British firm, and that it was acting against the interests of the farmers of New Zealand?—Yes, sir, that was the general opinion. That firm is working on trust lines from what I heard the representative from Gisborne say. I also feel that the Conference was influenced by the eloquence of Mr. Lysnar, and by the force with which he put his case at that time against Vestey Bros., and in consequence they brought in Armour and Co. The feeling in the Conference was that they would blot the whole thing out of existence.

Notwithstanding the fact that last session an export license was refused Messrs. Armour and Co. you are of opinion that under changed conditions it would not be detrimental to the farming industry if a license were granted to them commencing from this year: you are of opinion, if the Slaughtering and Inspection Amendment Act of 1918 is carried out strictly in accordance with the provisions of that Act, that neither Armour and Co. nor any other proprietary freezing company would risk doing anything illegal?—I would think not—that is, if they have ordinary wisdom. As a matter of fact the interests of the producers are protected by that Act. It would be to the advantage of the sheep-farming industry if these licenses were issued for a year.

Mr. Lysnar : At that Conference there were representatives attending from all parts of the Dominion, were there not?—Yes.

The following is the resolution that was passed at that Conference: "That the Government be urged to take steps to prevent meat trusts monopolizing the export trade of the Dominion. That this Conference views with alarm the efforts now being made to urge the Government to grant a meat-export license to Armour and Co., and would strongly urge the Government, in the best interests of this Dominion, to absolutely refuse to grant the same; and, further, that the Government be requested to see that steps are being taken to stop Vestey Bros. (trading under the various *nom-de-plumes*) from operating as freezing-works owners and meat-exporters in the Auckland and Poverty Bay districts, as they are a too powerful combine to be allowed to operate in this Dominion; and, further, that the Government take steps to enact the necessary legislation, as suggested by the parliamentary Committee, in order to keep the trusts and combines from operating in this Dominion." That was the resolution passed at the Conference, was it not?—Yes, I believe it was, although I am not quite sure with respect to the last sentence you read out.

Do you mean that portion which reads, "as suggested by the parliamentary Committee, in order to keep the trusts and combines from operating in this Dominion"?—Yes. As a matter of fact I believe the resolution was formulated after your suggestion was adopted by the Conference: that is to say, you placed the matter before the Conference and it was agreed that a resolution on the lines suggested by you should be adopted.

That resolution was formulated and voted on separately, was it not?—Not to my recollection. Various amendments were suggested. The report read out by you would be a correct report.

Was not Armour and Co.'s case voted on separately and Vestey Bros. case voted on separately?—Not to my recollection. If Armour and Co.'s case had been voted on separately I have no doubt that they would have been granted a license.

Are you aware that the farmers' unions for many years past have been agitating for protection by law against the trusts?—Yes.

And carried resolutions at each conference in that direction?—Yes.

They were largely responsible for getting that law passed?—Yes.

You said you were satisfied that combines are working to the detriment of the sheepowners: do you not think it would be better to stop them and ask the Minister to exercise his powers in that direction and stop those people buying stock in Canterbury in the way suggested by you?—If you do that you would have to make out a case against them and submit particulars to the Minister.

Exactly. A man who buys sheep in that way is not entitled to a license?—This occurred some time ago and before this law was in existence.

Do you not think as a farmer that this is the proper course to take, instead of putting Armour and Co. into the trade in New Zealand, and to stop this sort of business, having to go to the Minister and say these men are acting unfairly?—Personally, I would not like to do that.

You would still allow Messrs. Armour and Co. to come in?—Yes, under the existing law. I would not like to be placed in the position of having to fight a strong combination of meat-buyers by reporting their practices to any Minister. I know what would happen to me—there would not be many of my sheep sold.

The Minister does not make his information public in that way. You say that the position is sufficiently protected by the present law?—Yes.

Are you not asking that the present law should exclude Americans?—Not by any means.

You are aware, are you not, that the Government declined to grant a license to Messrs. Armour and Co.?—Yes.

You say you want some special competition this year?—No, I did not say we want some special competition. We want all the competition we can obtain so long as it is on fair and legitimate lines, and we want it not only for this year but for every year.

Have you read the United States Commission's report?—I have read a summary of it.

Are you aware of the tactics adopted by Messrs Armour and Co. there?—Yes.

Do you approve of those tactics?—No.

I suppose you have received no intimation from Messrs. Armour and Co. as to the way they will act?—I have received no intimation from Messrs. Armour and Co. as to what their proposed operations in New Zealand will be.

You only know of their policy in the United States?—Yes; I know what they have been charged with.

You do not approve of the procedure?—No.

Mr. Hawken: You have in Canterbury a firm or company which is overshadowing the other companies and preventing competition?—I do not think so for one moment. I do not know of any company that overshadows the market, nor do I know of any company that has wiped out any competitor. There are men who are not doing as big a business as they did in former years, but they still have their buying representatives.

You want more competition?—Yes; we want all the competition we can get.

If the law as it stands to-day is not good enough to prevent the practices which you have described, do you suppose we could get Armour and Co. out if we wanted to?—Yes, if it was proved that they were guilty of any malpractice.

You say that the farmers object to meat trusts?—We have nothing we know of to charge against them.

Do you suggest that they are acting in collusion with one another?—No, I do not think so.

You think that by Messrs. Armour and Co. operating in New Zealand they would give you the competition you need?—I think we should get more consistent competition than we would otherwise. The reason I think that is because other trading firms are not hand-in-glove with Messrs. Armour and Co., and probably they would act as a stimulus to the market.

Mr. Burnett: In the event of a license being granted to Messrs. Armour and Co., what would you consider sufficient grounds for cancelling that license?—I am not in a position to say what would be sufficient grounds.

As a practical sheep-farmer?—I do not know to what point we would allow them to go before we said to them, "That is unfair trade practice and we must stop you." I would not like to be placed in the position of having to say, "You cannot go across that point."

Supposing you occupied the position of Minister of Agriculture, how would you put your foot down on their malpractice?—I would have to be guided by the evidence produced.

Mr. Lysnar: If they were all like you no evidence would be obtained?—If I thought they were bringing undue pressure to bear to strangle competition or to gain an undue advantage I would be one of the first to stop them.

Hon. Mr. Nosworthy: You said just now, in describing your experience of selling and that of your neighbour's, how the stock was divided up by buyers: how do you consider by the advent of Messrs. Armour and Co. into the market they would make it any better?—They might not make it any better.

You are liable to increase that difficulty instead of preventing it. You are opening the door to another company to come in and work on the same lines. The idea at the present time is that all the meat trusts carry out the practice suggested by you?—Not all of them. I do not suggest that all the buyers are working under that kind of practice. When we were suffering from the effects of the drought the season before last we were told that the freezing-works were full and that no more carcasses could be got into them. The result was I instructed an agent to find me a buyer for my fat lambs, but he could not do so. I saw Messrs. Armour and Co.'s representative—who has since died—and he bought the lambs on my property. As I have already said, at that time I was told that I could not get my stock into the refrigerating-works or into any of the local works, but I know they were buying sheep all over the place.

Mr. Burnett: They controlled the space?—They controlled the space and controlled the market, and used it for their own purposes.

Hon. Mr. Nosworthy: Would you be in favour of the Minister of Agriculture or the Government having control of the whole of the space in this Dominion?—That is a matter I have not thought of.

I understood you to say that you know what would happen if you got up against these people—that is, you would not be able to sell anything to them if you got up against them?—Yes.

If you do not knuckle down to the combinations here now they are in a position to squeeze men out?—Yes; as they are now, they could combine and refuse to buy your produce. If outside competition—that is, independent competition—were brought in I think this difficulty would be obviated.

The inference from what you say is that the whole of the operations are controlled by a trust to-day, and you would not care to fight that trust as it exists at the present time?—No, I would not.

They have got the people down who decline to knuckle under?—I do not want to suggest that that is a common practice, but it does happen. It happens in this way: if there is a large breeder of fat stock, the men know where the stock comes from. If a man brings his stock from a long distance he does not care about taking them home again, and the result is he sells them at the best price offering instead of having to drive them a long way home without having effected a sale.

In other words, if they have not got the space available to put them in they have to sell their stock on the open market?—Yes, it is in their hands.

It looks as if the Government wants more power instead of less power.

WILLIAM VAN ASCH examined. (No. 4.)

Mr. Van Asch: Mr. Chairman and gentlemen, in my opening I should like to say that I have not been instructed by the Hawke's Bay Farmers' Union to appear before this Committee, and I may say that I have put in an appearance on my own accord. Prior to the Dominion Farmers' Conference taking place in July last we held an executive meeting of the Hawke's Bay Farmers' Union, and the following resolution was carried: "That our delegates be instructed to move at the

Dominion Conference that the Government take no steps from preventing any people from purchasing our products." Mr. Leadley, president of the New Zealand Farmers' Union, has stated that there was no opposition to the motion moved by Mr. Lysnar, and it seems to me that it should be shown that two votes should have been cast in opposition to that motion. I have come here, sir, to show that the Hawke's Bay farmers sent two delegates to that conference.

The Chairman: You have come here for the purpose of repudiating the action of the delegates to the Dominion Conference.

Mr. Van Asch: Yes. I claim, sir, to have the confidence of the Hawke's Bay farmers, because they appointed me as their representative on the Wool and Meat Conference five years ago, and, as I have already intimated, I am a member of the executive of the Hawke's Bay Farmers' Union. I may also say, sir, that I am one of the largest fatteners of lambs in Hawke's Bay, and I fatten between four thousand and five thousand every year. When it is stated that the northern farmers and the Hawke's Bay farmers were in favour of the motion moved by Mr. Lysnar I wish to say particularly that the Farmers' Union of Hawke's Bay are not in favour of it, and they proved that by their voting.

The Chairman: Not at the conference.

Mr. Van Asch: No; they voted in contravention of the vote taken at the meeting with respect to the resolution. They were against the resolution at the meeting, the two of them. It was carried against them, yet they persisted, apparently, in voting contrary to the resolution. That is what I wanted to say. I have here, sir, a letter from Mr. W. Nelson, of Tomoana, in reply to a question I asked him as to what he thought of the American Meat Trust, which I should like to read out to the Committee. Before doing so I would like to say that Mr. Nelson is about eighty years of age. I know that he would have liked to be here to give evidence in support of the petition of Messrs. Armour and Co. Mr. Nelson informed me that he had dealings with Messrs. Armour and Co. for about twenty years, and he thought it was only right that Messrs. Armour and Co. should be encouraged to come to New Zealand. Of course, he said it was against his own interests, but he thought in fairness to Messrs. Armour and Co. and in the interests of producers of this country they should be encouraged. Mr. Nelson's letter reads as follows :—

"DEAR VAN ASCH,—

"Tomoana, 25th August, 1920.

"Replying to your question, 'What do I think of the American Meat Trust?' I have to say I have before me a pamphlet entitled 'The Truth about the American Meat Trust.' I have read it carefully and endorse every word of it. I have not the pleasure of knowing the author (Mr. Carney), but his method of writing in the matter produced indicates to me that he is a man after my own heart—he says what he means and means what he says—and it is up to any one (however big or small) who discredits him to have it out with him face to face, and either prove his unfitness to trade in New Zealand or, failing this proof, to admit his right to trade. Having already said I endorse every word in Mr. Carney's pamphlet, there seems nothing more for me to say; but I expect you will want something original, so will inflict a few more words on you. About three years ago (before the excitement on 'A.M.T.' was as high as it is to-day) a document headed 'Report of Meat Export Trade Committee' was sent me by a high official in the Agricultural Department with a request that I would give my opinion of it. I commenced my reply as follows: 'I give it as my opinion that the American Meat Trust bogey is a product of a disordered brain.' Now, mind you, this was three years ago, and what I *thought* then I *know* now, the only change in the situation being the vastly increased numbers of 'defective brains.' During the past two years I have had dozens of people in this room asking what I had to say about the 'A.M.T.,' and in no single instance did I elicit any argument whatever to prove what they seemed to think was in what they called their mind. I will give a few answers to my numerous questions :—(1.) We are afraid they will get our freezing-works. (2.) It will end in their getting them all. (3.) They will get all the ships. (4.) They will eventually run the world's meat trade.' My answers :—(1.) I suppose they will not buy your works if you decline to sell them. (2.) Suppose they do get them all, if they do not behave themselves you can build more freezing-works. (3.) Then you can get more ships. I have done it once, so can you. (4.) Why on earth should they want to run the world's meat trade? This is putting the American down as a fool. Well, he is not a fool.' The last half-dozen words really cover the whole ground. When any visitor leaves my room I do not think I flatter myself unduly when I say they leave it 'wiser and sadder men.' I speak advisedly when I say 'sadder,' because they are sad at having to part with a grievance. The farmer loves a grievance dearly. Now to come to the point. I am perfectly certain that if any act of the Government should prevent freedom of action either to Americans or any other body so long as they behave themselves decently it will be the biggest blow to 'producers' that they have ever had dealt them. If they do not 'behave themselves' kick them out, but for Heaven's sake do not begin kicking till there is some ground for doing so. You will be asked, 'Who is this fellow Nelson who speaks so positively?' Well, he is the fellow who for thirty-seven years has devoted every day from daylight to dark in furthering the interest of the frozen-meat trade (and incidentally his own), and, given ordinary intelligence, such a lifelong apprenticeship should give him a right to attempt to educate a less-well-informed section of the country. Unfortunately no 'meat man' is supposed to be endowed with intelligence. In fact, I am sometimes forced to think that the Lord has been so lavish in his supply of 'intelligence' to the farmer that the supply ran out, leaving none for the ordinary man. One very curious situation comes to light as the result of the present hubbub *re* 'A.M.T.' For thirty years there has been a periodical outbreak of 'middleman' fever among the farming community. Now, one anti-A.M.T. said a few days back, 'What do Armours want to come here for—why cannot they get their meat as they always have done?' This means, through the middleman. Thus the farmer seeks to create what he has tried for thirty years to abolish. Do not forget, Mr. Sheep-farmer, its the *sheep* that has to pay the middleman. Now, you will be asked, What does Nelson expect to make out of all this stuff he is writing? I will answer the question before it is asked. I have not a penny of interest in any meat concern of any kind in the world, and I have not a penny in any shipping company in the world, and all I hope to make out of my little effort is to prevent the rulers of this country committing a huge blunder which has been almost forced upon them by a large section of the community owing to their blind acceptance of the ravings of a few interested persons . . ."

That, sir, and gentlemen of the Committee, is a letter from Mr. W. Nelson, of Tomoana, who has, as I have already intimated, had business relations with Messrs. Armour and Co. Well, sir, what I want to say is this: there may have been other delegates directed to support the application of Messrs. Armour and Co. for a license when the matter came up at the conference and were influenced by Mr. Lysnar's eloquence.

The Chairman: I do not think you want to throw discredit on Mr. Lysnar.

Mr. Van Asch: Well, all I can say is that we ought to have all the competition we can get for our produce.

Hon. Mr. MacDonald: Mr. Chairman, I should like to know whether we are dealing solely with Messrs. Armour and Co.'s petition, because I desire to ask Mr. Van Asch one question with reference to Messrs. Vestey Bros.

The Chairman: Yes, in a general way. Mr. Van Asch referred to the resolution that includes Messrs. Armour and Co.

Hon. Mr. MacDonald (to Mr. Van Asch): You are aware, are you not, that the Farmers' Conference passed a resolution asking the Government to prevent Vestey Bros.' operations in New Zealand? I understand that they have purchased freezing-works at Tomoana. Would it be detrimental to the farmers if no license was granted to Vestey Bros. for the purpose of carrying on their operations at Tomoana?—It would be an absolute calamity if the Tomoana works were to shut down. We would have to rail the stock away, because the Hawke's Bay Freezing-works would not be able to kill all the stock for us. If they were to shut down I do not know what we would do.

Mr. Lysnar: You are of course aware that Nelson Bros. have applied for a transfer to Vestey Bros.?—No, I was not aware of that.

You have no reason to suppose that if the Minister refuses to consent to a transfer Nelson Bros. will close their works up?—I know nothing about Nelson Bros.' operations.

But you said something about shutting down the Tomoana works?—I do not know anything at all about Nelson Bros.' operations.

If the Minister refuses to consent to a transfer from Nelson Bros. to Vestey Bros., what do you think that Nelson Bros. are likely to do, speaking from your own knowledge?—I do not know anything about Nelson Bros.

But cannot you express an opinion?—Possibly the prices of our fat lambs might become less.

If the Minister refuses the transfer?—That might possibly take place.

If they do not get the Minister's consent?—I should think they would take it for granted that they would get his consent. I cannot imagine why they should not get his consent.

Are you not aware that it has been stated that Nelson Bros.' object in selling to Vestey Bros. is in order to fight the trust?—No.

You are not?—No. Mr. Nelson stated to me that he had a very favourable opinion of Armour and Co. He stated to me that he had done business for twenty years with Armour and Co., and that he had found them splendid men.

The Chairman: Have you found any lack of competition in the Hawke's Bay District?—Yes, there is a great lack of competition. There is one man who purchases practically three-quarters of the fat stock in the district where I live.

You have not sufficient competition?—So far as I am aware no one has ever complained of the prices in any shape or form, but there is practically only one man to deal with.

Mr. Lysnar: You think that by admitting Armour and Co. you would have more competition?—Of course we would. Certainly we would.

Hon. Mr. Nosworthy: Do you consider that the advent of Armour and Co. would make any difference in the Hawke's Bay market for fat stock, seeing that Mr. Nelson has stated that for twenty years they have dealt with Armour and Co.? Would not the same thing still continue?—No. I understand they have dealt with Armour and Co. in London as middlemen. It would be different if Armour and Co. were here. I understand that we would gain because of the fact that Armour and Co. would purchase our mutton and lamb and ship it to America, where the best market is.

You read Mr. Nelson's letter to the Committee just now. Among other things a reference was made to the Department of Agriculture, and it also reflected on the capacity of the people generally in opposition to the Meat Trust. But are not those reflections also on the ability and brains of the whole of the Government of the United States, who had to fight this trust, and bring to light so much evidence against it?—Well, sir, it seems to me that the "Summary" to which I believe you refer has not injured the meat people very much. It seems to me that in regard to the meat business, as in regard to many other businesses, it is a case of the survival of the fittest.

You know that Armour and Co. is one of the "Big Five," and that the United States Government has passed legislation putting them out of business in the United States. Do you now advocate that they should be allowed to enter into business here?—So far as I know, the United States Government have not sheeted home their charges. I do not know of anything that has been brought against Armour and Co. outside of what I have read in the "Summary."

Mr. O. T. J. ALPERS examined. (No. 5.)

The Chairman: Your full name, Mr. Alpers?—Oscar Thorwald Johan Alpers.

Your address?—Christchurch.

And your occupation?—Barrister.

Will you make a statement?—Yes, sir. I am not a farmer, sir, and I am not interested in meat. I have one share in Armour and Co. of Australasia. My share is one £5 share, which I hold merely in order to be able to exercise certain powers in connection with my duties as solicitor to the company, and I have attended all the meetings of the directors of the company in that capacity. I have no other financial interest in the company beyond the £5 share which I have mentioned. I have been asked to explain what I know of the position of Armour and Co. of Australasia in New Zealand. I was the solicitor who incorporated the company here, and I know its history from first to last, because the instructions for the formation of the company came to me direct at the outset. I may say that

I have attended every meeting of the shareholders of the company, and I should say that I have attended every meeting of the directors of the company that has been held. There are only four shareholders—

Mr. Lysnar: Who are the other shareholders?—The share capital of the company is £100,000, divided into £5 shares. Mr. Washington Irving Carney has a £5 share, Mr. Norman McBeth has a £5 share, I myself have a £5 share, and Mr. Jonathan Ogden Armour, of Chicago, has 19,997 £5 shares. Mr. Jonathan Ogden Armour's share capital in the company is £999,985. So that the whole of the capital of the company is American capital. That, of course, is permitted by the law of New Zealand. I think I am right in stating that the whole of the capital of the International Harvester Company is American money, and I believe there are three or four other large American corporations in New Zealand which are being run on American capital. But, sir, this is a New Zealand company. So far as the management of its business and its organization is concerned it is a New Zealand company. It is domiciled here, and the directors attend to and deal with all the details of the business quite independently. Now, sir, in consequence of my position as counsel for the company, and being a nominal shareholder, and having been present at every meeting of the directors, I am able to speak from my own personal knowledge in regard to the company's operations. Now, Sir, the instructions for the formation of this company originally came from America. At that time there were rumours going round New Zealand to the effect that some of the companies carrying on business here, not being run on open lines, that they were really representing other powerful interests. Whether these rumours were true or not I do not know. But this I do know: the instructions by Mr. Jonathan Ogden Armour to Messrs. Armour and Co. of Australasia were that they were to establish themselves in New Zealand absolutely openly. Of course the incorporation of the company is public property. The share list is filed with the Registrar of Companies. There is no information about the company which any dissatisfied person cannot become aware of by paying a fee of 2s. at the Registrar's office in Christchurch, where everything is on record. My instructions were, sir, to facilitate in every possible way the policy of Armour and Co. of Australasia in New Zealand, and my instructions were that that policy was to be a perfectly open policy—that it was to be a policy of "cards upon the table." I may say that I personally advised the company—and I not only advised, but I insisted upon a particular auditor being appointed—viz., Mr. William Morris Tyers, of Christchurch; he was appointed auditor to the company, and we hope that he will be able to give evidence before this Committee. Mr. Tyers is very well known in New Zealand. He was in the Land and Income Tax Department for many years, and is a man of known ability and integrity. He, as auditor, will be able to tell you that he knows every detail of the finances of the company. He knows the financial details of the company better than I do. He will tell you that since this company has been operating in New Zealand it has not owned one shilling's worth of share capital in any other company or firm. He will tell you that it owns no property in New Zealand of any sort. It leases a set of offices in Hereford Street, Christchurch, and it has about twelve motor-cars. That is all the property it has. Mr. Tyers will be able to testify to all that. Now, on behalf of the other shareholders who form the company I am able to give this Committee the assurance that Armour and Co. of Australasia has not got the least idea, either now or in the future, of putting money into bricks and mortar in this country. They do not own freezing-works, because they think there are more freezing-works here than are required. They do not and have no intention of embarking money in bricks and mortar, and, furthermore, they do not own any rolling-stock in this country. They cannot, because they are State-owned railways. In the course of my association with the company it has been my duty to equip myself fully with the literature and reports bearing on the question of the American Meat Trust, and I want to remind the Committee that Mr. W. B. Colver, the President of the Federal Trade Commission, whose report has caused so much damage in New Zealand, in answer to a question on the floor of Congress, admitted that in the course of investigations of his Commission they did not allow the packers or any one on their behalf to give evidence, or to be represented by counsel to cross-examine the witnesses against them; and Mr. Colver in set terms admitted that the Commissioner's report was arrived at without giving any opportunity to the packers, who were charged before it, to defend their case. I want this Committee to realize that the Federal Trade Commission's report is not a judicial document, and is not such a report as would be furnished in New Zealand by a Commission or by a Committee of this House, because it is our invariable custom to allow persons charged to lead evidence, to cross-examine evidence against them, and to give them every opportunity for their defence. It is not true, as has been suggested, that the packers were put out of business. There was a Bill proposed, and it was known as the Kendrick Bill. This Bill proposed to license the meat trade and make it subject to Federal State control. In the course of the negotiations on this Bill the packers voluntarily gave up their control of refrigerating-cars, transport, stockyards, and so on. It is quite wrong to say that the United States Government has put them out of business. They gave up certain transport arrangements which were objected to and which did not exist in New Zealand, but the provisions of the Kendrick Bill, which purported licensing the meat trade, did not go so far as the New Zealand measure. The licensee in America under the Kendrick Bill has his appeal against the refusal of a license. As was said by Mr. Kendrick in introducing the measure in Congress, the packer who is refused his license can have his day in Court; in other words, the decision of the Government authority to grant or refuse a license is subject to review by the Court and must be for cause. We have no objection to the Slaughtering and Inspection Act. It places the meat trade under control. All licensees would be subject to the most minute and searching investigation by Government officials. Their books, their correspondence, their works, their accounts would be all open for inspection. Armour and Co. do not object to that. If we trade under a license our every action will be subject to careful review, and the moment we do anything wrong the license could be revoked; whereas trades who are not licensed could carry on improper practices uncontrolled by the Government, and we have not the least desire to do that. All we ask is that we shall not be refused a license. It has been suggested by gentlemen of the highest authority that Messrs. Armour and Co. should go on trading without a license, and it has also been suggested that the Act is defective. There is no adequate definition of "meat-exporter," and it is suggested we could trade without evading the law. Messrs. Armour and Co. have no intention of evading the law, but of merely avoiding the law—they could carry on their business in spite of the Act and without a license. He would be a very poor lawyer who could not

suggest half a dozen ways by which Messrs. Armour and Co. could escape the penalty clauses of the Act without in any sense breaking the law of the land. But that is just what Messrs. Armour and Co. refuse to do, because the moment they did that they would place a strong weapon in the hands of their critics, and they would say, "Here they are defying the law and snapping their fingers at our refusal to give them a license." The result would be that our critics would be furnished with a strong weapon against us by our own conduct. Armour and Co. will not place themselves in the position to allow their critics to throw stones at them. At the present time no one could throw stones at us, and we have no intention of playing into the hands of our critics by anything of that kind. If the Government continues to refuse us a license we will discontinue trading.

The Chairman: The Act could be altered.

Mr. Alpers: Precisely, sir, that is the very point I am coming to. The House is sitting now. The moment Armour and Co. exported meat without a license because of some defect in the law Parliament would promptly amend the Act, and we would be in a weakened position, because our critics would have some justice in their criticisms. We have no intention of evading the law, and we consider we have a right to a license, and if by any chance we misconduct ourselves the law is strong enough to turn us out of the country. If I may suggest, sir, there is another aspect of the matter. The question hitherto has turned upon trust competition, and so on, and the benefit to the farming community. Surely there is another aspect of the matter. The company law of New Zealand constitutes a standing invitation to Armour and Co. or any other company to come here and establish themselves. Armour and Co. came four years ago and was duly incorporated, and is trading with foreign capital, as it has a right to do. It paid registration fees, and has paid its annual fee of £50 ever since for a license to carry on the business for which it is incorporated by the terms of its memorandum—namely, the business of meat-exporters. And what happens? While it is on the one hand paying its licensing fee under the Act and has embarked capital into the business, it has on the other hand been refused under the Slaughtering and Inspection Act a license to carry on that very trade, and that without any suggestion that it should be entitled to compensation for being refused under one law what was granted under another. There is another business which one has to have a license to trade in—I refer to alcohol. If a "publican and sinner" wants to sell beer in the backblocks or anywhere else he has to have a license, and before the Magistrate can refuse him a license he has a right to be heard in open Court. If any charges of unfitness are made against him he has the right to call evidence to refute them; in other words, he is given an opportunity of self-defence. We ask to be put in no worse position than the publican is in, or that the license should not be refused until we have had a chance of meeting any charges that have been made against us. It is not apparently even suggested that there is anything to charge us with. No one suggests that we have done anything wrong, therefore I say we are entitled to our license. Apart from the meat profits or anything else, is it in the interests of the public good as a whole in this way to discriminate between citizens and to act contrary to the principles of justice? If I may suggest, sir, there is another aspect of the matter that should be looked at. Something has been said by various witnesses on the farmers' side that there are combinations amongst buyers now. That is news to me. If that sort of thing exists it occurs to one as a matter of common-sense that it is easy for three rogues to conspire; it is not so easy for six rogues to conspire; and it is even more difficult for twelve to conspire. Surely the safest check on such conduct is free competition. It has also been suggested that the more competitors you have the better it is for competition. Under the Slaughtering and Inspection Act the Government has most complete powers of control and the fullest powers of investigation of all companies operating in the meat trade. Messrs. Armour and Co. are quite willing to submit to the utmost control provided it is equally exercised over all the meat-buyers; and, as I say, the law now on our statute-book gives the Government of the country most complete powers of controlling organizations, whereas if the license were refused they might carry on the business to some extent. Armour and Co. have no intention of dodging the law, but they do say that with a license, in such a contingency, they could be much more easily caught if they engaged in unfair dealing.

Mr. Lysnar: You are a shareholder in Armour and Co.?—Yes; but my main interests are in the direction of acting as solicitor and adviser to the company.

That is why you are a shareholder?—I am a shareholder in Armour and Co. of Australasia in order that I may exercise a supervision over the conduct of the business as solicitor to the company, and on behalf of Mr. J. Ogden Armour. There are only two directors in the company, and if there are any matters in dispute they have to be referred to me as sole arbitrator.

You have to decide?—Yes, on behalf of Mr. Armour.

That is, Mr. Armour of Chicago?—Yes.

Is he not in the parent company in Chicago?—Yes. He is the head of the whole of the Armour family interests.

And of the American Meat Trust?—He denies that there is an American Meat Trust.

Has he not given a large guarantee towards the bank fund—a guarantee of £250,000?—We have a credit of £250,000.

Although the nominal capital of the company is £100,000, he really has £350,000 in this company?—There is an overdraft.

But his guarantee is £250,000?—I do not know. I do not know the amount of the guarantee.

Armour and Co. purchased Joseph and Co.'s business in New Zealand?—Yes, sir.

Armour and Co. have a very large number of retail shops in England?—I do not know.

The parent company has a very large number of retail shops in England?—I do not know. I would just like to say a few words with respect to the purchase of Mr. A. L. Joseph's business to which Mr. Lysnar has just referred. The circumstances are these: When Armour and Co. of Australasia were about to commence business in New Zealand one of the first matters which had to be taken into consideration was the engagement of buyers. We had to get buyers somewhere. Mr. Joseph had just died. His business was being carried on by his executors, and they had some very excellent men. Well, Mr. Carney and I fully discussed the matter. Mr. Carney said, "I can get all those men quite easily if I offer, say, £50 or £100 increase of salary." "Yes," I said, "and then what will Joseph's people say? They will say, 'The Americans have collared all our buyers

in order to overbid us,' and there will be an outcry throughout the country." Mr. Carney said, "Yes, that is so"; and nothing further was done then. Well, shortly afterwards Mr. Joseph's executors approached us and said, "Would you care to take our business over, with our buyers?" They had almost the number we required, and I discussed the matter again with Mr. Carney. I said, "Well, now you are between the devil and the deep sea. If you offer an increased salary to the buyers there will be an outcry throughout the country, so that it will be just as well to buy out Josephs, lock, stock, and barrel, and then it cannot be said that we are taking over their buyers in order to overbid them." Mr. Carney said, "Yes, that is so; that is the honourable way of doing it." And that is what was done. They had no plant. They were simply a buying concern, with offices in Hereford Street, which we did not take over. We bought Joseph's goodwill in order to take over into our employment the men who had served Mr. Joseph, who were experienced men.

You have mentioned Mr. Macbeth's name?—Yes. He is the general manager. Mr. Carney is the managing director.

Is that the Mr. Macbeth who was for many years manager of one of the large Canterbury freezing companies?—Yes. He was for many years manager of the Canterbury Frozen Meat Company.

Until quite recently?—Yes.

And he left that company to join Armour and Co.?—No. Mr. Macbeth had resigned from the Canterbury Frozen Meat Company and was on his way to England. When he was passing through America Mr. Kingdon, general manager of Armour and Co. of Australasia, resigned his position as general manager, and Mr. Macbeth was appointed in Mr. Kingdon's place. Mr. Kingdon resigned during the time Mr. Macbeth was away.

As a lawyer you are aware that if the company had been registered with a capital of £350,000 it would have had to pay much larger fees than it has now: you are aware of that?—I am aware of that, of course.

Hon. Mr. Nosworthy: You say you have to deal with Armour and Co.'s business, and that you have a definite understanding of their business affairs. Cannot you give us some more definite information in regard to the £250,000 guarantee which Mr. Lysnar has mentioned? Do you not know what the amount of the guarantee is?—I do not know the amount at present.

You are the legal adviser of this company and yet you do not know what the amount of this guarantee is?—I would answer that question in this way: I have had personally for the last fifteen years a limit for my overdraft at a bank in Christchurch. Now, if you ask me what my overdraft limit is I tell you frankly that I do not know; I have forgotten. I give that as an illustration. I knew the amount of the limit at the start of the business—it was £280,000—but it has not interested me since, because I believe it has never been reached, and the question of the limit of the overdraft has never arisen for discussion. I would like to explain this: that Armour and Co. do not ask my advice or consult me as to whether they should pay $\frac{1}{4}$ d. or $\frac{1}{2}$ d. more for the lamb they are buying—I am not their commercial adviser.

From what you say it would lead the Committee to infer that the guarantee may be for an unlimited amount—it might be for a million?—No, it would not be that.

Well, you absolutely say you do not know what the limit is?—I believe it is the same limit as at first.

You are not positive: it might be unlimited as far as you know?—Yes, it might, as far as I know. I am not interested in their banking transactions. They could not, however, without the knowledge of myself or Mr. Tyers, buy up any other concern, or embark on a building venture, or anything of that sort.

Is it possible for a company registered in this country with two or three shareholders, and the balance of the capital owned outside—say, £100,000—to operate in this country with a guarantee also from outside of from a quarter of a million to a million?—Yes, of course, any company can do that. I believe there are other companies who do that to a very large extent.

That is what I wanted to ask you. What is happening with respect to the operations of Armour and Co. in New Zealand under the Companies Act may also be happening in regard to other companies in this country: is that not so?—You mean that any company can, with a registered capital of, say, £100,000, also have other limited capital in the form of a mortgage or guarantee? I should say, if their credit is good enough they could do that. Such credit is the very life-blood of modern business.

You say that Armour and Co. put all their cards on the table. Can you give this Committee any information as to the operations and methods of the other companies you mentioned somewhat similar to yours who did not put their cards on the table before the people of this country?—No, sir, I cannot. All I can say is that when we came here first there were persistent rumours in the air that some of the companies operating here were operating "under the rose," and Armour and Co. said, "If that is so, we will not do it." But the rumours may be entirely untrue.

What is your explanation of "under the rose"?—I will explain myself in this way: We understood that there were concerns operating on the New Zealand market whose names we will say were apparently "A.B.C.," but whose names on the surface were "X.Y.Z."—that "X.Y.Z." were conducting their operations through some other firms, and that "X.Y.Z." strenuously denied that.

FRIDAY, 3RD SEPTEMBER, 1920.

JOSEPH COWIE NICHOLS examined. (No. 6.)

The Chairman: What is your occupation?—I am a sheep-farmer in Otago.

You wish to make a statement to this Committee?—Yes. I wish to say that I am here to represent the Sheepowners' Union of Otago. At a meeting of that union the members were entirely in favour of granting a license to Messrs. Armour and Co.

How was that decision arrived at?—We had a conference of the Otago Sheepowners' Federation about six weeks ago, and after the matter was fully discussed we passed a resolution to the effect that Messrs. Armour and Co. should be granted a license. I may say that I was a delegate at the

Sheepowners' Federation meeting held in Wellington when a resolution was passed urging the Government to grant a license to Messrs. Armour and Co. Since then we have had another meeting in Dunedin, and the former resolution passed was affirmed.

Mr. Powdrell : What is the membership of the union ?—It is a very representative union.

Have you any idea what is the actual membership—are there a hundred members ?—Yes, several hundreds.

Mr. Lysnar : You say you attended a conference of the Sheepowners' Federation at Wellington ?—Yes.

Are you aware that there was not a North Island representative at that conference ?—There were representatives.

Who were they ?—Messrs. Marshall and McLeod.

They did not oppose the resolution ?—No, they did not oppose it.

Are you aware that neither Poverty Bay nor Hawke's Bay was represented at that conference ?—That was entirely their own fault if they were not represented.

You are aware of the tactics adopted by Messrs. Armour and Co. ?—I have some kind of vague idea.

Do you know of the amount of capital they have behind them ?—I have read of it.

What is the amount ?—About £250,000,000.

You know the conduct of their operations in other countries in regard to stockowners ?—I have read of it.

You are aware it has acted detrimentally to the stockowners in other countries ?—In past history, yes.

You know the tactics they adopt in connection with the carrying-on of their business : do they work to the detriment of the producers ?—No, I do not think so.

HENRY GASCOIGNE examined. (No. 7.)

The Chairman : Have you anything to say to this Committee, Mr. Gascoigne ?—Although I represent the Hawke's Bay farmers I am not in a position to make a statement. As I have been away we have not had a meeting, and although I know the feeling of the sheep-farmers in Hawke's Bay I am not at liberty to make any statement.

You have received no instructions in any way ?—No.

JOHN MACDONALD examined. (No. 8.)

The Chairman : What are you ?—I am a sheep-farmer.

You have a statement to make to this Committee, have you not ?—Yes. The statement I should like to make is this : When I came to New Zealand in the year 1908 two facts impressed me—one was the high price paid for land, and the other was the low price paid for stock in the markets as compared with the American price. I was also surprised at the very few buyers for the large amount of stock offering. On the American markets the buyers go right through the stock, and after the money is paid they go home the same night. I may say that the farmers as a whole right throughout the world are a great class to kick, and the same thing is in existence in New Zealand. If we got anything from the Government in America we had to kick for it. I was very much impressed with the splendid system they have in America of working up the by-products, and let me say that they have worked that up to perfection. There is nothing like it in the world that I have seen. As far as I can see our by-products are wasted here. At one of the freezing-works in New Zealand a manager informed me that there was enough pepsin running down the pipes to run the works. I believe Messrs. Armour and Co. have one of the best laboratories in Chicago. When I attended the last conference in Wellington I mentioned that I thought it would be a good thing to have up-to-date American freezing-works in New Zealand. Mr. Massey said that we could leave that matter to British enterprise. I would like to say, however, that there are some departments of British enterprise that are superior to American enterprise. This is so in connection with the cotton trade. There were 10,000,000 bales of cotton produced in the southern States for which the farmers at that time received 10 cents per pound, and the total amount received was £120,000,000. That is one instance where the British enterprise is ahead of the American enterprise. When I was in Texas there were a great many farmers who came from the southern States and I did not know one of them who objected to the Englishmen coming in and buying their cotton. I attended a good many meetings, and it was suggested that we should try and adopt some plans by which the Englishmen could be made to pay a higher price for their cotton. Now, it has been stated that the operation of the Beef Trust has driven the farmers off the land in some of the north-eastern States. It is well known that a large number of young men brought up on the farms went into the manufacturing towns, and a large number went west because the climate is very severe. I may say that in the eastern States a large number of people died through pneumonia, caused through the very severe spring weather they have there. That is the reason why the farms have been deserted there. They were not deserted owing to the operation of the Meat Trust. When I was in the United States there were some very rich Jews in New York and in London who were settling Russian Jews on these farms. In Kansas City in the year 1907 a 1,600 lb. steer brought £26 13s. 4d.—that is for live weight. This steer would go about 960 lb. dressed weight. When I came to New Zealand a steer of this description was only bringing £9 to £9 10s. at Edendale, in the South Island.

Mr. Jennings : The figures quoted by you are remarkable ; but would not that be brought about by the high freight charged from New Zealand, and the fact that they are nearer the big market ?—I do not think you could expect to get as good a price in New Zealand as in the United States, because there they have the population ; but what impressed me in America was the way in which they work up their by-products.

The freight is, of course, a factor in determining the price to be given here on the basis of what will be obtained in the English market?—Yes; but still you have to take into consideration the long railroad haulage of 1,500 miles from Kansas City to New York.

Mr. Poudrell: You say there is very poor competition in New Zealand?—Yes; I have attended at the Burnside and Wallace town sales.

In regard to the works you supply to, are they co-operative works or are they proprietary works?—Both.

What system did you work under here?—The system I worked under after the commandeering was put on was to sell my meat to the Government. Some of our stock went to the Bluff and some to Makarewa.

Are the works the sole buyers, or do you allow the American operators to buy the meat?—I always sold to the buyers in the paddocks after my first experience of selling direct to the Government.

In addition to the commandeering Armour and Co. were still operating?—I believe so. There was more competition.

There was more competition?—Yes. The more buyers that came in the better it was for competition.

You are aware, are you not, that the price was fixed for sheep, lambs, and beef?—I am perfectly aware of that.

You contend that it was better for the farmer to sell to Messrs. Armour and Co. notwithstanding the fact that Messrs. Armour and Co. could only give you the same price for your meat as that given by the Imperial Government?—I only sold to the firm of Messrs. Armour and Co. for the last two years.

You still contend that it would be better for the farmer to sell to Messrs. Armour and Co. than to anybody else?—Yes; I would sell to the buyer that gave the highest price.

You still contend that Messrs. Armour and Co.'s operations were in the interests of the farmer?—I was like a good many more farmers who believed that there was only one price for the commandeered meat, and the civil population should receive the benefit of what was not used by the Army. I may say that on one occasion I put my lambs into the works, and a buyer from a well-known firm came to me and asked me to turn the lambs over to him. I told him this could not do him any good as there was only the one price paid, but he said it would do him more good than I knew of.

Did he give you any reasons?—He would have been a fool to give me any reasons. I did not give him any reasons either, because I thought I was going to get as much for my meat as he could get.

Did you?—I could not say, because I did not know what he was getting. That was settled in London.

When they offer you a price do they offer to buy on the hooks or in the paddocks alive, or how do they offer to buy?—I always sold my stock in the paddocks.

If the price was fixed and Armour and Co. could only sell their meat at the same price as the Imperial Government, how could they make a profit out of it?—Three seasons ago the buyers offered £1 15s. for 70 lb. wethers.

That was the limit?—The late Mr. John Begg came down from Balclutha and bought a line of 1,000 wethers and paid £2 per head for them.

I suppose you have heard of men making mistakes when buying fat stock?—Those experts do not make mistakes.

I suppose you are aware that in America the American farmers are very dissatisfied with the methods of the trust?—I have already said that the farmers always kick.

That is the American idea. Are you not aware of the immense ramifications of the company—for instance, they own refrigerating-cars, yards, shops, and so on? Are you not afraid that while they may be a good firm to sell to at the present time, after a while when they get control of the industry they may eventually prove a menace to this country?—They would not be any more a menace than the combinations operating at the present time.

~~Mr. Poudrell:~~ I happen to be chairman of a certain Farmers' Co-operative Freezing-works: I suppose you know that if any profit is made under this heading that goes to the shareholders interested in those works?—Yes.

You consider it would be far better for Messrs. Armour and Co. to own works and put money into the hands of the Americans rather than into our own hands?—If the freezing-works are as up to date as Messrs. Armour and Co.'s and have as good a system of buying, then I certainly say not to allow Messrs. Armour and Co. to come in. As long as the present system exists I say it is better to have outside competition.

Do you suggest that Messrs. Armour and Co. should be allowed to build freezing-works in New Zealand as well as to operate in the meat industry in New Zealand?—Yes, I am quite willing as long as they build up-to-date freezing-works. One man with forty steers put them through the Southland Freezing-works, and it cost him £1 10s. per head to do so. This man asked me what it would cost in America, and I informed him I did not know, but I said I would write to the *Kansas City Star* and find out particulars for him. I may say that this is one of the most reliable newspapers in the United States. My reply was to the effect that they would pay him 7 dollars for putting his stock through, whereas in New Zealand you charge £1 10s. In America they will take the stock from the farmer and hang it up in the freezing-works chamber for a week, and they would give him 7 dollars. That shows you how more they can get out of the by-products than you people can. They work up their by-products to such a high state of efficiency that the farmer gets the benefit.

You are aware that at the present time the co-operative works get all the offal from the sheep. They get the liver, the blood, the tail, part of the fat, and all the rest. Do you still contend that, with the co-operative works getting all this, Armour and Co. can compete and offer a better price?—I cannot answer that question. I can only refer to what I myself have seen at one of these co-operative works. At the Southland Freezing-works I saw a boy with a sledge throwing the paunches out into a field. He was throwing them out with a fork, so that all the fowls and birds and dogs could get a free meal.

They threw the paunches away?—Yes. I do not know whether they do it all the time, but they were doing it then.

Is that still going on down there?—I could not say.

When did this occur?—About a year ago.

Mr. Hawken: From the experiences of the various countries where the trust has been operating, do you not think it would be better to stick to our own present methods rather than run the risk of allowing the trust to dominate this country?—I have never known the trust to operate unfairly in America. From my experience of America there seemed to be any amount of competition. You would be surprised at the amount of competition there is there. Besides the large firms there is a large number of small speculators buying the farmers' produce.

Mr. J. R. Hamilton: You have had experience of the buyers from Armour and Co. in connection with the commandeer here. You know that the buyers would come round and give exactly the same price as the commandeer. You know it has been the general opinion that these people were allowed to despatch a certain amount to their firm in London?—I could not say. I do not know.

Your experience was that they would give you the same price as the commandeer?—Yes.

They gave you exactly the same price?—Yes.

Was it not the general opinion that they were able to sell a certain amount at the other end, and that the more they got at this end the larger would be the proportion they would be able to deal with at the other end?—That may be so; I could not say.

You believe there are a fair number of combines in New Zealand already, and that some people are looking to the American market for competition?—Yes, I believe that is so.

You think that with our present legislation, should there be any trouble, we could stop them at any time?—Yes, they can be controlled by the Government.

Mr. Lysnar: How many sheep do you put out?—I run about a couple of thousand sheep.

You run that number?—Yes.

But how many do you put out?—About a thousand lambs easily, and then about three hundred wethers, and then there are dry ewes.

With regard to the district you mentioned in America where you carried on farming operations, was not that a cotton district?—It was mostly cattle, but before I left it was going rapidly into cotton.

It was going rapidly into cotton?—Yes, rapidly.

That was because cotton paid better than cattle?—You could not put a cattle-man into the cotton business.

Well, anyhow, the land went into cotton?—Yes. The land in the north-west of Texas was like a draught-board. The Government owned a very large number of the sections, and the railway also owned a very large number. The land was practically held between the railway and the Government. When I went there first you could get free grants of land, but when the railway went through settlement came along, and of course the cattle-men had to go.

It was in 1908 that you left America?—Yes.

You are aware that just before that the Meat Trust had come into active operation?—There was a Commission of inquiry in connection with the trusts in 1904, just after the South African War.

But you are aware that the main start of the trouble came after 1908—really in 1911?—No, I do not know.

You do not know that there was a drop in stock in America?—No.

You are not aware that there was a drop in stock in America?—I know that they had a bad drought for three years in Texas.

Are you not aware that the chief trouble with the trusts has been since the period you have mentioned?—I do not know.

You are asking the Committee to take action upon what occurred before 1908?—I am just giving my experiences.

Before 1908?—Yes.

And you do not know what has taken place since?—Excepting what I have read in the papers.

With regard to the £26 13s. 4d. per head which you state was paid for steers in America, that would include all the offal and everything?—Yes, everything.

And the £9 10s. you spoke of at Edendale, that would not include the head?—It included everything.

Are you not aware what the freezing-works do in regard to the offal?—That was in 1908.

Were those prices paid in the saleyard?—They were paid for cattle in the paddock.

You are aware that, in consequence of an agitation among the farmers all over the Dominion, the Government has passed legislation to protect the farmers from these combines. Do you not think it would be best to take advantage of that legislation and not allow Armour and Co to come to New Zealand? Would it not be better to put our own house in order rather than admit Armour and Co. from America?—No, not at the present time.

Not at the present time?—Well, not at any time. You are only speaking theoretically.

You know that the legislation is here, and that the Government has refused to grant Armour and Co. a license?—I believe that Armour and Co. ought to be granted a license. I believe it would be best to grant them a license.

Would it not be best to put our own house in order; you say that we want a better system here?—I say that what you want is a better system of marketing your produce all over the world.

Do you not think it would be best for the farmers to take advantage of the legislation the Government has passed in their interests?—If you have special legislation you can prevent Armour and Co. from acting detrimentally towards the producers.

We cannot exercise control outside of New Zealand, but we can exercise control in New Zealand. Are you not aware that Armour and Co. have a number of retail shops in England?—I think they appoint agents. It is the agents who run the retail shops.

You are urging that Armour and Co. should be allowed to come into New Zealand?—I believe they should be allowed to come in because then there would be more buyers than under the present system.

The Chairman : What is the acreage of your farm ?—832 acres.

What kind of farming do you carry on ?—Chiefly grazing sheep and cattle.

Do you do any buying and selling in connection with your business as a sheep-farmer?—I buy store wethers and sell them when fat.

Your occupation is solely that of a sheep-farmer ?—Yes.

Mr. W. M. TYERS examined. (No. 9.)

The Chairman : Your full name, Mr. Tyers ?—William Morris Tyers.

And your occupation ?—Public accountant.

And address ?—Christchurch.

Will you make a statement ?—Yes, sir, I am the auditor of the company of Armour and Co. of Australasia (Limited), and Mr. Carney has asked me, as auditor, to give the Committee certain information which he believes it requires. Armour and Co. of Australasia was registered as a private company on the 3rd October, 1916, with a capital of £20,000 in four thousand shares of £5 each. I was appointed auditor of the company on the 16th November, 1916. The capital of the company was increased by resolution at an extraordinary general meeting held on the 4th January, 1918, to £100,000 by an issue of sixteen thousand additional shares of £5 each. The purchase-money for the additional shares (£80,000) was received by cable on the 26th January, 1918. The present membership of the company is as follows: Mr. Jonathan Ogden Armour, of Chicago, U.S.A., 19,997 £5 shares, £99,985; Mr. W. Irving Carney, of Christchurch, one £5 share; Mr. O. T. J. Alpers, of Christchurch, one £5 share; and Mr. Norman Lindsay Macbeth, of Christchurch, one £5 share; the share capital totalling £100,000. Now with regard to shares or interests in other concerns: Armour and Co. of Australasia purchased the business of A. L. Joseph and Co., of Christchurch, on the 1st November, 1916, for £5,000. That purchase included goodwill, brands, trademarks, and books of account, but did not include taking over the liabilities. Armour and Co. of Australasia also purchased on the 19th July, 1918, twenty £5 shares in Combined Buyers (Limited). Combined Buyers (Limited) are importers and agents, principally of motors and motor accessories. A great many firms have shares in Combined Buyers (Limited) because of the assistance they can give in connection with motor-cars. The only other interest outside of the business that Armour and Co. of Australasia has is in connection with the New Zealand War Loan. They hold £5,000 worth of inscribed stock, which was taken up on the 29th September, 1919. The company's bankers are the Bank of New Zealand at Christchurch. The company's overdraft is guaranteed by a London letter of credit for £280,000. That letter of credit came through the London office of the Bank of New Zealand. The manager of the Bank of New Zealand tells me that it is not within his knowledge who it was that gave the guarantee. The bank here was simply advised by the London office of the bank that they had a letter of credit—

Mr. Lysnar : He was not aware that it came from Mr. J. Ogden Armour ?—No. He assured me that he was not aware that it came from Mr. J. Ogden Armour. I may say, however, that I assume that it was Mr. J. Ogden Armour who gave the guarantee. I am assuming that he would naturally assist the company, seeing that he has practically all the shares in the company. Now as to the amount of the overdraft: The company balanced originally on the 31st October in each year, that being the usual balancing-day for businesses of this class. The company was registered on the 3rd October, 1916, and the first period is therefore for the thirteen months ending 31st October, 1917. For this period the maximum bank overdraft was £246,359. Of course the maximum amount does not tell you very much. That might only be for a day. The average bank overdraft for that period was £153,977. For the second period, from the 1st November, 1917, to the 31st October, 1918, the maximum bank overdraft was £257,852, and the average bank overdraft was £98,430. The third period was from the 1st November, 1918, to the 1st November, 1919. There was one day extra. This was simply because Armour and Co. in America balanced on that day, and we decided to do the same here. The maximum overdraft for that period was £96,040, and the average overdraft was £25,617. The last period is for the ten months ending the 31st of last month. The maximum overdraft for that period was £85,961 and the average overdraft was £13,883. The large average bank overdrafts for the thirteen months ending 31st October, 1917, and for the year ending 31st October, 1918—the first two years of the company—were mainly necessitated by the delay in receiving payment from the Imperial Government for frozen meat. New Zealand frozen meat was requisitioned from the 1st March, 1915, but under the original requisition payment was not made until the meat was actually shipped. It was not until well into 1918 that an arrangement was made for 75 per cent. of the requisitioned price to be paid six weeks after killing, and it was not until the 4th July, 1918, that the company received any relief under this new arrangement. So that an unexpectedly large overdraft had to be provided for during the first two years of the company's operations, an overdraft which would not have been necessary under normal conditions.

The Chairman : Can you give the Committee any figures in regard to the purchases of stock ?—No. I have not brought up any of those figures. I believe that Mr. Carney will be able to give you those figures.

WILLIAM MORRIS TYERS re-examined.

The Chairman : You wish to say something further to the Committee, Mr. Tyers ?—Yes. I have here a statement showing the profits and losses of Messrs. Armour and Co. of Australasia (Limited) from the commencement to the half-yearly balance-sheet at the 1st May, 1920, which I should like to read out to the Committee. I may say that the company balances half-yearly, and there will be a balance on the 1st November next. We do not know the results of the last four months. The statement reads as follows: "Losses have been made in some periods; profits have been made in others. The losses to 1st May, 1920, exceed the profits by £18,606 14s. 10d. The loss to 1st May, 1920, is therefore £18,606 14s. 10d. This loss, however, includes the writing-off of non-trading assets to the extent of £5,592 7s. 11d. (preliminary expenses, £592 7s. 11d.; goodwill, £5,000),

leaving the net trading loss to 1st May, 1920, at £13,014 6s. 11d. This net trading loss is after providing for income-tax (£9,362) in respect of years in which there are profits. Although the company has to the 1st May, 1920, made a net loss only as described, the New Zealand income-tax law does not permit of the loss of one year being deducted from the profit of another year—hence the company pays income-tax on the full profits of any year of profit and receives no allowance for any year of loss. This explains the payment of income-tax by the company although its transactions to 1st May, 1920, have resulted in a net trading loss.”

Mr. Lysnar : What are the years you made a profit and paid income-tax?—We have not paid any income-tax yet at all. The income-tax has not been paid because no income-tax has been due.

It has to be payable each year?—If you remember, sir, the income-tax each year is charged on the income of the previous year.

Up to the present Messrs. Armour and Co. have paid no income-tax whatever?—They have been assessed for income-tax, and it will be payable next January. We have received our income-tax assessments now from the Income-tax Department.

What profit has Messrs. Armour and Co. made this year?—We do not know what profit has been made this year, because we only know every six months. In the first thirteen months of our operations we made a loss of £16,372 18s. 1d.

There was no income-tax due that year?—That was a pure trading loss.

Mr. Field : That was for the year 1917?—The company was formed on the 3rd October, 1916, and this loss was made during the first thirteen months, from the 3rd October, 1916, to the 31st October, 1917. The next period was from the 1st November, 1917, to the 31st October, 1918, and the loss shown in the profit and loss account for that year was £16,522 2s. 2d. Included in that amount, however, were two capital assets which were written off—namely, £592 7s. 11d. for preliminary expenses, and £5,000 for the goodwill paid for A. L. Joseph and Co.'s business. So that the net trading loss for that year was £10,929 14s. 3d. The next period was from the 1st November, 1918, to the 1st November, 1919.

Mr. Lysnar : What was the result?—The result was a trading profit of £14,274 0s. 1d. But out of that trading profit it was necessary for the company to set aside £5,759 15s. for income-tax. So that all they got out of that £14,274 0s. 1d. was £8,514 5s. 1d. There has not been a complete year since, but we take out a six-monthly balance-sheet, and I have the figures up to the 1st May, 1920. During that period there was a trading profit of £9,376 5s. 4d., but out of that we had to provide £3,602 5s. for income-tax, leaving a net profit to the company for that period of £5,774 0s. 4d. Now as to the real result : The Committee must remember that during the first two periods Armour and Co. made a net trading loss of £27,302 12s. 4d., and in the two subsequent periods (eighteen months) they made a net profit of £14,288 5s. 5d. If you take the one from the other you will see that the company made a net trading loss, up to the 1st May last, of £13,014 6s. 11d. I will hand this statement in to the Committee. [Statement “Armour and Co. of Australasia (Limited), Statement of Profits and Losses from Commencement to 1st May, 1920,” handed in.]

When making out that statement you took local prices did you not?—Up to the 1st May all the meat was commandeered.

What about your pelts and hides : are they included?—I am not quite certain if all were sold. I know the pelts and hides were sold locally.

Can you inform the Committee how you propose to act in the future, now that the commandeering is ended? How are you going to base your values?—I will answer that question by way of an explanation in regard to income-tax. A company such as this might, of course, make a sale which is not a *bona fide* sale, at less than a fair selling-price in London or Chicago, but there is a provision, so far as income-tax is concerned, in our own Income-tax Act to the effect that when the Commissioner of Taxes is of the opinion that a company in New Zealand is substantially the agent of a trader outside of New Zealand, he can treat the New Zealand business as part of the outside business.

We are aware of that?—So that there would be no fear of a loss of income-tax.

The Income-tax Commissioner has not exercised those powers in regard to your company?—No, he has had no reason to do so.

My question was this : On what basis do you propose, now that the commandeering is ended, to make up your returns when passing your meat over to Armour and Co. in London : are you taking the local prices?—You will have to ask Mr. Carney about that. I only know what the Income-tax Department does. They get the meat valued by an independent valuer to see that fair selling-prices are entered up in the returns.

Mr. N. L. MACBETH examined. (No. 10.)

The Chairman : Your full name, Mr. Macbeth?—Norman Lindsay Macbeth.

Your occupation?—I am the general manager, and also a director, of Armour and Co. of Australasia (Limited).

And your address?—Christchurch.

Will you make a statement?—Yes, sir. I would like to point out that I have been engaged in the meat trade in New Zealand for a number of years. I was for a number of years in the meat trade here before I joined Armour and Co. of Australasia. I am not an American. I was born in Canterbury, and so far as the operations of Armour and Co. or any other company is concerned I am just as anxious for the prosperity of my own country as anybody else in it. I have been for thirty-six years in the frozen-meat business. I was for thirty-five years with the Canterbury Frozen Meat Company, which is one of the best and most businesslike of any of the frozen-meat companies in New Zealand. It is the most businesslike and successful frozen-meat company in New Zealand up to date. When I left that company in March, 1919, I was secretary and manager, and during all the years I was with that company I gained an expert knowledge of every detail of the frozen-meat trade in all its bearings, right through the whole of the company's ramifications down to the details of works-management. Since I left the Canterbury Frozen Meat Company I have been to Chicago and London. I spent a considerable time in Chicago, but not because I was taking any particular

interest in Armour and Co. There was no suggestion whatever as to my going in with Armour and Co. until I came back to New Zealand. I went to America and England entirely for private reasons. While in America I made extensive inquiries in regard to the statements made in that report of the United States Federal Trade Commission, and my impression was that we knew more about that report in New Zealand than they did in America. I spoke to scores of farmers, at the saleyards, on the trains, and in hotels, and never found any of them who were in any way dissatisfied with the prices which they were getting for their stock. After I left Chicago I went on to London. So far as Armour and Co. of Australasia is concerned, Mr. Carney and I are the two directors, and we have absolute authority. We have a perfectly free hand, and have to make no reference to anybody whatever as to the way in which we carry on the business. We have no knowledge whatever, and we certainly have no instructions, as to any of those restrictions of trade which it is supposed that Armour and Co. are going to inflict upon the farming community of New Zealand. I cannot imagine any more honest gentleman than my friend Mr. Carney, and, so far as I myself am concerned, I would not be a party to any methods or tactics which might be considered disreputable, and which would be contrary to the principles which I hold. I have as good a reputation as any man in this country, and my object is to keep that good reputation. Now, a great many statements, more or less wide, have been made with regard to Armour and Co. of Australasia, and these statements are going round New Zealand to-day. It has been stated on more than one occasion that Armour and Co. have made offers for works; that Armour and Co. are going to build works; and that Armour and Co. have shares in other concerns. Now, that matter can be disposed of very shortly by simply stating that we have no works in New Zealand; that we have not made offers for any works; and that we have not any shares or any interests whatever in any company or concern which owns any works. And I would add that neither do we intend to build works, make offers for any works, or take up shares in any company or concern owning works. There are quite sufficient works in New Zealand already without Armour and Co. or anybody else going in for works at the present time. The last statement I got with regard to Armour and Co.'s supposed intended operations in regard to works I received from Sir George Clifford. He stated to me that he had been informed on the very best authority that Armour and Co. was supplying £50,000 to one of those companies just starting in South Canterbury. I told Sir George Clifford that his authority was absolutely incorrect, and I told him, further than that, that Armour and Co. had not £50,000 or any other amount whatever in any company or concern in New Zealand; and I told him he could make what I had stated public in any way he liked. We have also been accused that we are going to buy ships. We are not going to buy ships, and we do not want any ships. As everybody knows, it is customary for the freezing companies in New Zealand to make their own contracts with the shipping companies in regard to all the produce that goes through the different works, and if Armour and Co. had ships, and brought their ships here, they could not load their meat into them. I do not know, of course, what is going to be the position in the future in regard to these contracts between the freezing companies and the shipping companies, but certainly that has been the position in the past under pre-war conditions. As a matter of fact, all that Armour and Co. are asking for is that they should be given a fair chance to trade in this country, on the same terms and with the same rights and privileges that their competitors have. Armour and Co. have come here to prevent combinations. They have come here to operate openly in their own name. I understand from Mr. Carney that it was one of the conditions made by Mr. J. Ogden Armour, when he consented to start a company here, that unless it was started in their own name it should not be started at all. We are here absolutely in the open, and, with regard to anything that is done by Armour and Co., a finger can be put on it at once. It is not a question of Armour and Co. being a party to no competition; it is a question of Armour and Co. not being a party to any price combinations. We have refused to be a party to any price combinations. We do not co-operate in prices with any other people, and we have often refused on any grounds whatever to cut up lots, or to do anything of that sort. I may say that I have myself been hauled over the coals by certain concerns because we have sometimes given more money probably than the current price. We have done so for the simple reason that it was the only way we could do business under the circumstances. My reply on those occasions has been that we are not compelled to give the same price as anybody else. We decline absolutely to tie ourselves up to the prices other people are giving. We are the arbiters of our own business, and we object to any interference by other people in any way in regard to prices. Now, I have always held that there are no outside trusts operating in New Zealand. In my opinion there is no such thing as a meat trust operating here. My reason for this opinion is that when I was working for the Canterbury Frozen Meat Company we never bought any stock at all. It was purely a farmers' company, and consequently we never came into competition with any of those exporters who dealt with us; and I had numerous confidences with those exporters, and from what I gathered on different occasions I came to the conclusion that there was absolutely no combination of outside interests operating in New Zealand. So far as the present arrangements are concerned in regard to the legal aspect of the matter I cannot see anything better than what we have at present, with a certain amendment. The Act which has been passed to grant an annual license is in fact the same as the American Act, with the exception that the American Act gives a right of appeal against a decision for the cancellation of the license. That is an amendment we want in our Act. Now, it seems to me, after the experience I have had in the frozen-meat business, that you could not have a better safeguard than you have at present in this Act. You have a license which is limited to one year. Would it be businesslike on the part of any concern for them to do anything within a period of twelve months which would be likely to jeopardize the renewal of their license at the end of the twelve months? Is it not nonsense to suppose so? I have been long enough in the business to know that a great deal more in the way of combinations has gone on internally within New Zealand than would be possible for external combinations. Probably some of you who were in the House a few years ago will remember the state of affairs which then existed in the Wellington District. The matter was discussed on the floor of the House. The whole of the Wellington District was practically cut up into different blocks, and prices were arranged accordingly between the companies operating. That was previous to the erection of the Wellington Farmers' Freezing Company's works at Masterton. I know these things have been done: there is no doubt about it. One of the greatest safeguards

you have got in New Zealand is the fact that the great bulk of your works are locally owned. I consider that is one of the safety-valves to the whole situation. Now, there has been a good deal of talk about possible American conditions in New Zealand. I do not for one moment mean to say that American conditions are anything like what they have been represented to be. I am certain they are not, from what I saw in America. But even supposing they are as bad as they have been represented to be, you must remember that this is not America. The conditions are entirely different here. Nobody can own the railways. Your exporters do not own all the freezing-works, and they do not own any shipping. So that the whole of what we may call the machinery of the trade is entirely outside the hands of the exporters, and so long as that is the case I cannot see how there can be any fear of any domination by any one concern in New Zealand. In my opinion no one concern will ever dominate the frozen-meat trade in New Zealand. It is an absolute impossibility for us, or any other person, or any group of persons, to dominate the New Zealand frozen-meat trade. I give New-Zealanders credit for being sufficiently wide awake to their own interests to know what is going on in their own country, and I know that up to the present they have had nothing to say against Armour and Co. And I am quite certain that, under ordinary circumstances of trade, they will never have any more to say against Armour and Co. than they have had in the past. That is briefly the position as far as I am able to describe it. I have been trying to put the position before you as plainly as I can from the experience of a man who has been a very long time in the frozen-meat trade, and who has seen it through all sorts of vicissitudes of one kind and another. I can confidently state that in my opinion, which has never varied from the time that Armour and Co. first came here, I am absolutely sure that no harm can come to New Zealand through Armour and Co., but that, on the contrary, a great deal of good can be done by the competition of individual firms such as Armour and Co.

With reference to the treatment of by-products, you of course are experienced in these matters: do you consider that the treatment of by-products in New Zealand is in a backward state?—Undoubtedly.

Are Armour and Co. prepared to work up their own by-products?—In New Zealand?

In New Zealand?—Well, that would mean having works of some kind. When I was in Chicago I interested myself in the question of these by-products. I promised Sir George Clifford that I would spend a short time in Chicago and go into that matter. Well, I realized while I was there that some of the things they do there were impossible for us to carry out here. I quite admit that. We are a long way from our buying population. We have not got the local population. You cannot turn your by-products into edible materials like they can in America because you have not got the large local population to sell them to. There is practically nothing wasted there.

You do not think that can be brought about here?—No, because we are at a distance from the consuming population. We would have to compete with what the packers of Chicago and other parts of America can turn out. There are not only five packing companies, there are about seventy packing companies altogether: sixty-five of them are what they call independent packing companies.

You have not done anything in regard to by-products?—No, with the exception of wool and pelts.

Mr. J. R. Hamilton: Where do you market most of your meat?—Well, we have not marketed any meat so far.

But, under the commandeering, was it not a fact that a great many of the companies were able to get a certain amount of frozen meat on the market?—A great many companies had meat nominated to them in London, for which they received 2 per cent. commission from the Board of Trade.

Now that there is a free market you can, of course, carry your meat to any market in the world?—We will have two markets.

Mr. Feild: You are referring to the American market?—Yes, and the British market.

Mr. J. R. Hamilton: Supposing they refuse you a license, would it be possible to buy from the people who are buying from the farmers?—Yes, that is always possible in any case, whether we get a license or not. It only means that you would have to pay another commission. The sheep would have to pay for that.

The license issued here is a license to export?—Yes.

You could buy the meat at the other end?—Yes; anybody in the meat business can buy meat in that way. You cannot ship meat from New Zealand without an export license.

You would have to buy from some one who had a license?—Yes.

Mr. Lysnar: You have stated that you have no interests in freezing-works in New Zealand. Do you know whether Armour and Co. of Chicago have any?—I do not think so.

You cannot say definitely?—I think I can say quite definitely.

How can you say definitely?—Simply because I am quite certain that, had that been the case, we would have had some information.

You have had no information?—No information whatever.

Would not Mr. Armour be astute enough not to allow you to know everything he is doing?—I think it would be better to ask Mr. Carney that question. Mr. Carney will probably give his evidence later on. I did not see Mr. Armour when I was in Chicago, although I saw practically all the other heads.

What is your system in regard to the subdivision of profits here? You have one £5 share: what are you going to get?—What am I going to get?

Yes; how are you going to assess your profits?—We make a profit on what we turn over.

On the turnover?—Yes.

What is your profit on that?—That depends entirely on the buying.

You deal with the meat on an f.o.b. basis: you have no interest in the meat after it goes away from you?—That is so.

You derive no benefit from what it realizes at the other end at all?—No. We deal with the New Zealand business only. The London company is quite separate from us. We are not bound even to deal with the London company. If we can get a better price elsewhere we take it.

Practically when it leaves New Zealand your interest in the meat ceases?—Absolutely.

You will have a basis for fixing the value of the meat when it is put on the ship?—That is so.

And your profits are assessed according to that value?—Yes.

Your company is not in any way interested in any profits which may be made on the meat in the markets of the world?—No, except with respect to consignments. We might send a consignment. If we did not receive an offer which we considered satisfactory we might send the meat on consignment.

You are aware that Armour and Co. of Chicago are operating practically in all parts of the globe?—Yes.

Their meat can be sold practically in all parts of the globe?—I know, of course, that they are operating in the United States, in London, in New Zealand, and in South America. I do not know of anywhere else.

Russia?—They may be on the Continent.

Germany?—I cannot tell you.

They are not only operating in meat but in all other commodities as well. Are you not aware that Armour and Co. had a rice combine a few years ago?—I do not know anything about that.

You have never heard of it?—No.

They raised the price of rice 65 per cent. in one year?—I could not tell you the price of rice to-day even.

You are aware that they deal in butter?—I could not say. They certainly make margarine.

Are they carrying on butter operations in New Zealand in connection with your company?—We have no butter operations in New Zealand.

No butter operations?—No.

You are aware that Armour and Co. of Chicago are operating in butter in New Zealand, are you not?—No.

Were they not advertising for a manager the other day?—We have been advertising for a manager for our produce department.

For butter?—For our produce department.

Did you not have a butter expert?—I think that was before I joined Armour and Co.

You say you have advertised for a produce manager: did you not specially advertise for a butter expert?—No, not a butter expert. We advertised for a manager for our dairy-produce department.

For dairy-produce purposes?—Yes.

You contemplate going into the dairy-produce business, do you not?—Yes.

Is there anything else you contemplate going into here?—We never know.

You never know? It really comes to this, Mr. Macbeth: that Mr. J. Ogden Armour tells you absolutely nothing?—I will leave Mr. Carney to answer that question.

Cannot you speak for Armour and Co.?—I will leave Mr. Carney to answer the question. We have absolutely a free hand. We even fix our own salaries.

Do you know how many shops Armour and Co. have in London?—None.

You are quite sure of that?—Yes.

Does not Armour and Co. run shops in other people's names?—No. I understood from Armour and Co. in London that they had no retail shops whatever.

But do you not know that the shops may be run by companies other than in their own name?—That assurance was definitely and positively given to me in London, that they had no retail shops under their own or anybody else's name.

Are they not operating in companies other than in their own name?—No. I am quite sure of that.

I ask you the question?—I say they are not.

You are positive?—Yes.

Why are you positive?—I am positive because of the assurance I had in London.

From Armour and Co. of London?—Yes. I got the assurance from Mr. Cabell himself.

The London company is a separate company from the company in Chicago, just like the New Zealand company?—Yes, that is so.

And they would not know, any more than you do, what Armour and Co. of Chicago are doing?—Do you mean to infer that Armour and Co. of Chicago override their company in London?

I am simply asking you the question. Apparently the London company knows as much about Armour and Co. of Chicago as you do?—Well, you seem to know more about Armour and Co. of Chicago than I do.

It is not a question of what I know. We are trying to get at what you know?—I have Mr. Cabell's assurance: that is good enough for me.

So far as Mr. J. Ogden Armour is concerned, you know nothing at all?—No, nothing whatever.

And you do not think he would be a man who would be influenced by you or the head of the London company?—No. I can only tell you this: I did not see Mr. Armour in Chicago, but I saw all the other heads there, and from what I saw of those men I would be very much surprised if they were the sort of men who would be guilty of what has been imputed to them.

How do you make up your income-tax arrangements?—I do not know. The secretary attends to that.

On what basis?—On the profits.

You have nothing to do with the profits made outside of New Zealand?—No, we have nothing to do with those profits.

What was your profit for 1917?—Mr. Tyers will answer that question.

Mr. Tyers: I have that information in these papers here. I brought up the information in case you asked for it. I will make a statement later.

Mr. Lysnar: Well, now, Mr. Macbeth, what is the average amount of stock you deal with during the year?—Of course, I can only give you an estimate.

Surely you have the records?—I can only give you an estimate now.

Well, what do you estimate?—192,000 sheep and lambs, and 3,000 cattle.

Will the auditor be able to give the profit on those?—He has all the figures monthly.

Do you know anything of the associations of Armour and Co. with Birt and Co. ?—Nothing at all.

I suppose you know that they are associated?—I do not know that they are associated.

Do you know what interests Armour and Co. may have in ships ?—No ; they have none to my knowledge.

You say you can buy meat anywhere here if you do not get a license. Are you not aware that you cannot buy meat from other buyers and ship it ?—It is very easy to buy it. They would ship it.

You could not buy it and then ship it ?—We cannot export meat.

You are debarred by law, are you not, from buying here other than on your own account from a buyer ?—The position is this : so long as we do not export we can buy.

If you bought meat here from a buyer you would have to export it, would you not ?—Yes.

Do you not realize that if you did that you would be breaking the law ?—I have not considered breaking the law at all.

Well, Mr. Macbeth, I will put it to you this way : If you bought meat for export and exported it without a license you would be breaking the law ?—Quite so.

You would be absolutely breaking the law whether you bought the meat from meat-buyers or not ?—That is so.

You say you are not parties to price combinations in New Zealand. Are you not aware that price combinations are the tactics of Armour and Co. ?—Armour and Co. of Chicago ?

Yes ?—I do not know anything about that company.

You are unable to express a definite opinion ?—I should say that there has been a great deal of exaggeration.

Would you contradict Mr. J. Ogden Armour's evidence ?—I have never seen Mr. J. Ogden Armour's evidence.

Are you not aware that your buyers, when issuing prices, fix the same price to the farmers ?—I think they try to.

They actually do it ?—They try to.

When they issue prices to farmers for their stock are they not always on the same basis ?—Pretty nearly.

Does not that indicate that there is a combination ?—This country has more to fear from inside combinations than from outside competition.

These prices are issued simultaneously all over New Zealand ?—All over New Zealand ?

Well, say, all over Canterbury ?—There might be a limit fixed, say, of 9½d. per pound for lambs.

They would all issue the same price ?—Yes.

Would it not be the same price in Otago ?—Practically.

Canterbury and Otago go together ?—Yes. We have not done much business in the North ; most of our business is in the South.

Have you been paying the same prices as other people ?—My tactics have always been not to give more than I could help when I wanted meat.

But you have varied your prices—you have given higher prices than other people ?—We have given higher prices than other people : that is one of the troubles we have got into.

When have you been paying higher prices than anybody else ?—Towards the end of the season.

Did you pay the same in every case ?—Not in every case.

You differentiated in regard to wool ?—We differentiated in regard to quality and wool.

Can you give the Committee the date ?—I cannot give the exact date. It was towards the end of the season.

How much more did you give than anybody else ?—I think it was ¼d. That was to farmers who had their own space. We were getting very little space. That was the only way we could get the meat away.

Consequent upon them having the space you gave the higher price ?—That is so. Immediately the prices were raised the freezing companies objected, and we got no space. The shortage of space caused lower prices to the farmers. Take, for instance, the agitation in South Canterbury. At the present time they are establishing two new freezing-works there because apparently the farmers did not realize that the trouble was caused by a shortage of space. The trouble arose from the fact that when there was no space sometimes for farmers certain companies were able to buy stock at prices less than the market value. There was no space for outsiders.

You gave the extra price because the farmer had this space, otherwise you would have paid the same as the others ?—No, not necessarily so.

Well, I am just trying to find out what the position really is ?—I think I have explained that we have absolutely declined any arrangement of prices between ourselves and any other company.

Are you not aware, as a practical frozen-meat man, that weekly cables come out giving the prices London is paying ?—During the last few years ?

Under normal conditions ?—I presume every buyer will get his price from week to week.

From London ?—Yes.

Are you not aware that on every Tuesday the Smithfield Market buyers meet and fix prices ?—No, I am not aware of that.

But you are aware that cables come out every week ?—Do you mean Government cables ?

You are aware that cables are sent to the different buyers ?—I could not say.

Do not Armour and Co. get their weekly advices ?—I do not know how they come out at all.

But they get their weekly advices ?—Yes. Of course, if you operate at this end you must know what is going on at the other end.

Mr. Field: You have, of course, your business agents in London ?—We have no business agents in London. We prefer to deal direct with our London company.

You receive cables from the agents there as to the price ruling in each week ?—No.

I suppose the weekly reports that come out are the basis on which you buy—that is to say, they give you some idea as to what price to pay here ?—I would not say that even.

Do you know who suggested the formation of this company ?—I understand from Mr. Carney that it was his suggestion.

Do you know what interest Mr. Ogden Armour has in the London company?—I have no idea.

Are you running the whole of the Australian business from New Zealand, or have you directors over there?—We have no one in Australia at the present time.

Your desire is to observe the laws of this country?—Yes, we are here to work in the open. The unfortunate thing seems to be we are here trading in our own name.

Can you tell us whether the restriction of your operations by refusing to grant a meat-export license will materially affect our markets in Australia or in America?—I am not able to give you any answer on that point.

We are naturally looking for markets. Can you say, if your company had a meat-export license, whether it would help our market in America?—I should think so.

Can you give any information to the Committee as to the possibility of that market in America continuing?—You have some idea of the amount of stock they have taken already, and I think you can fairly well rely upon it that they can take the same quantity every year.

When you were in America you were not associated with Messrs. Armour and Co.?—Not until November. Just after I arrived back from England Mr. Carney cabled to me and asked me whether I would accept a position with Messrs. Armour and Co.

In observing what you did in Chicago you did so as an entirely disinterested person?—I was very much interested.

It was your natural desire to see what was going on?—Yes.

Are you aware of what takes place at the stock-sales in America?—Yes.

Did you see any indication of open competition?—Yes, there was plenty of open competition. On one occasion I went to Clay and Robinson in Chicago and made inquiries from them. I happened to meet Mr. Clay, and I obtained particulars from him as to the quantity of stock that came from the farmers and producers. Afterwards I went round with Messrs. Armour and Co.'s chief buyer and I learnt the whole method of buying.

As far as you could see it was keen and open competition?—Yes.

Now, in regard to the Commission's report, you do not suggest it was not a *bona fide* Commission and a very important Commission?—Probably Mr. Carney knows more about it than I do. I may say, however, that I spoke to several about the matter after the report was made public and they said that the report was got up for political purposes. They said we never understood those things over here. They are for politics or even religion.

Can you tell us as to the condition of things in South America as a result of the operations of the Meat Trust?—Only to say that the Argentine seems to be going ahead all right. In a report that I read recently it was stated that the British Meat Company in the Argentine made a profit of £435,363 in the year 1918, and £589,608 in 1919. That does not look as if anybody is being squeezed out.

You are aware that South America is held up to us as a horrible example owing to the operations of the Meat Trust?—They do not hold that view there. South America is going ahead by leaps and bounds, and stock-raisers are paying enormous prices for stud stock, which is one of the best indications of the pastoral prosperity of a country.

Mr. L. A. RUTHERFORD further examined. (No. 11.)

The Chairman: You wish to make a further statement, Mr. Rutherford?—Yes, sir. I would like to add a few remarks to what I said last week. I would like to state my occupation. I am a sheep-farmer. I have been a sheep-farmer all my life. I am a grazier and not a fatterer, and I have no other interests whatsoever. I am not a shareholder in any company. I wish to make myself perfectly clear on those points. Now, sir, a gentleman here has been trying to make out that the Sheepowners' Federation meeting held in Wellington on the 28th July last was not representative of the sheepowners—

Mr. Lysnar: Not representative of the North Island?—Well, I will state the names of the gentlemen who were at the conference. They are as follow: H. D. Acland, L. A. Rutherford, L. C. Gardiner, and R. M. Morten, representing Canterbury; J. Begg, J. King, W. J. McGregor, and Colonel Nicholls, representing Otago and Southland; C. Smith, representing Marlborough; Mr. McLeod, I understand, representing the Wairarapa; and Hugh Morrison and G. L. Marshall representing Wellington. Mr. Sherratt, who represents Gisborne on the Sheepowners' Federation, was not able to be present at the conference, but he holds very strong views on this matter—

Who was the other northern representative?—Mr. G. L. Marshall. Now, I noticed that Mr. Lysnar read out the other day a resolution which was carried at the Farmers' Union Conference, and, if you will allow me, I would like to read out the resolutions which have been passed at our sheepowners' meetings. We have in Canterbury a Sheepowners' Union, consisting of a large body of sheep-farmers. There are fifteen or sixteen hundred odd members, and they are all sheep-farmers. At the annual meeting of the union on the 11th August last there were about forty members present, who were all representative men of the industry. Now, at that meeting it was resolved, on the motion of Mr. E. Hay, seconded by Mr. H. Ensor, and carried unanimously, "That this annual meeting of the Canterbury Sheepowners' Union are of opinion that Messrs. Armour and Co. should be granted an export license from year to year." At that meeting it was also proposed by Colonel Chaffey, who is also a sheep-farmer, that a public meeting of sheep-farmers should be called, and this public meeting was advertised in the Canterbury papers in race week. This meeting was held on the 13th August, and though it happened to be a very wet evening we had a very good meeting. It was open to any sheep-farmer in the Dominion to attend, and we had a sprinkling from the North Island. Mr. Sherratt was there, and there were one or two others. There were also sheep-farmers from Otago and from Marlborough. At that meeting Mr. George Gould moved, "That no obstacle be placed in the way of any firm operating in New Zealand unless it is proved that the operations of the firm are detrimental to the interests of the producers of New Zealand." That was seconded by Mr. T. C. Robinson, and was carried unanimously. And the resolution which was carried at the meeting of the Sheepowners' Federation in Wellington was on similar lines. I wish to make that quite clear. Now, sir, you have had a certain amount of evidence given here as to what took place at the New Zealand Farmers' Union Conference, but at that conference everything was not quite in order—

The Chairman : We cannot go into matters of that kind in regard to meetings held elsewhere.

Mr. Rutherford : Well, sir, I claim that a certain gentleman here has been going all round the country leading the farmers to believe that there are thousands of farmers in America who have been ruined through these trusts. That statement is a wrong one for a public man to make——

The Chairman : Each member is responsible for his own statements, and it is not for this Committee to make comments in regard to that man's action.

Mr. Rutherford : That man is allowed to sit here and make reflections on the firm of Armour and Co.

The Chairman : He has been appointed by Parliament as a member of the Committee, and you have no right to suggest that he has acted unfairly.

Mr. Rutherford : All I want is a fair deal from this Committee.

The Chairman : And you will get it. By that statement I do not want to imply anything in regard to the decision of the Committee, but so far as the conduct of this inquiry is concerned you will get a fair deal in the matter of the evidence placed before the Committee.

Mr. Rutherford : I do not have many opportunities to be able to point out to the people generally that the sheep-farmers—whom I claim to be the people mostly interested in this vital question—are not getting a fair chance of submitting their case. I feel I am representing a very large body of sheepowners, and I am doing the best I can in an amateur sort of way.

The Chairman : You have been given a good opportunity of submitting your case, and surely you are aware that we are giving you a second chance of addressing this Committee. I may say that this is an unusual course to follow by a Committee.

Mr. Rutherford : I thank you, sir. I would like to ask Mr. Lysnar a few questions if I could be granted permission.

Mr. Lysnar : Certainly.

Mr. Rutherford : May I ask you, Mr. Lysnar, the number of sheep you put through your hands in a year ?

Mr. Lysnar : I think, about eight to ten thousand—probably ten thousand sheep and about three hundred head of cattle.

Mr. Rutherford : You are dealing in sheep ?

Mr. Lysnar : I have not been dealing for years.

Mr. Rutherford : You deal in wool, do you not ?

Mr. Lysnar : No, solely in my own wool.

Mr. Rutherford : You have an interest in freezing-works, have you not ?

Mr. Lysnar : Yes, I help myself and others.

Mr. Rutherford : You are not, like myself, a *bona fide* farmer ?

Mr. Lysnar : Oh, yes, I am.

Mr. Rutherford : Not with all your interest in one thing ?

Mr. Lysnar : Yes, except I put some money into freezing-works to help them along. I may say also I have some money in a bacon company, but I am not a dealer in meat. I have not bought anything for years except two cows.

Mr. Rutherford : With regard to the statement made by Mr. Lysnar that Messrs. Armour and Co. have ruined thousands of farmers in America, I would like to say that I have been in my present holding for sixteen years, and during that time I have had thirty-four different farmers in the vicinity of my place, and I am quite safe in saying that at least fifteen of those farmers have gone out bankrupt, and I cannot put it to the doors of any meat trust that those farmers have become bankrupt. That is my answer to Mr. Lysnar's statement.

Mr. Hawken : How long was the petition in circulation ?

Mr. Rutherford : Only a very short time. I cannot give you the exact date when I heard that Messrs. Armour and Co. were refused a trading license. When I heard I felt so indignant that I obtained a certain number of signatures to the petition before coming to Wellington, and I do not think it was more than ten days or a fortnight between the time the rest of the signatures were obtained and the petition was sent to Parliament. I may say that the original copy of the petition is in my own handwriting, and there were no suggestions from anybody. After my secretary knocked the petition into shape a bit we handed it over to Mr. Alpers so that he could put it into proper legal form. That is how the petition originated.

Mr. Hawken : The petition itself represents a comparatively small number of sheepowners, and naturally, of course, one would expect, after the petition had been circulated, that it would have been much more representative of the sheepowners. Do you think it is because the petition has not been sufficiently circulated ?

Mr. Rutherford : Certainly, sir. Give me a month and I will get 90 per cent. of the farmers to sign the petition.

Mr. Hawken : It is simply that the petition has not been sufficiently circulated ?

Mr. Rutherford : That is quite true.

Mr. Lysnar : I would like to ask you, Mr. Rutherford, how many were at the meeting you spoke of that was held during the racing meeting week at Christchurch when the resolution was passed ?—There were between forty and fifty at that meeting, and they represented a good many million pounds.

This petition was sent to all parts of New Zealand, was it not ?—It was sent round very hurriedly.

You sent it to Hawke's Bay, did you not ?—Yes.

There are seven signatures from Hawke's Bay ?—That would be correct.

There are twelve signatures from Auckland ?—Yes.

There are eight signatures from Oamaru, but there does not appear to be any from Timaru ?—South Canterbury was included in that number as far as I remember. I would like to say that we got the petition up hurriedly, and sent it forward for this Committee to deal with the matter.

At the Sheepowners' Federation meeting can you say whether the representatives of the North Island were opposed to the resolution ?—Mr. Marshall was the only one who stood against it.

Was Mr. McLeod for it ?—He voted for it, I think, and I am sure he did not vote against it.

At that meeting there were no representatives from Auckland, Hawke's Bay, or Poverty Bay?—Not at that meeting. I would like to answer your question with respect to Mr. McLeod. I asked him if he was in favour of this license or not. He said he was, and he intimated to us that he had his doubts about it going through Parliament.

FRIDAY, 10TH SEPTEMBER, 1920.

EBENEZER HAY examined. (No. 12.)

The Chairman : What is your position?—I am a sheep-farmer at Pigeon Bay, Canterbury.

Do you wish to make a statement before the Committee?—Yes. I am in favour of a license to export being granted to Armour and Co., because it would mean another competitor in the open market for our stock, and in these days, when we have such heavy taxation to face, we need all the competition possible. There are 3,200 members of the Federation who are in favour of granting this petition. The Canterbury Sheepowners' Union numbers 1,500, and I think they are unanimous to a man in favour of granting the license. I am a sheep-farmer pure and simple, having no interest in any freezing-works, excepting eighty shares in the Canterbury Frozen Meat Company which I bought the other day. I am a producer and fatterer of sheep and cattle, and I look upon this license as a good thing for the producers, as Armour and Co. would be buying the stock in the open market, and if we cut them out we are cutting out competition, of which we want all we can get.

Mr. Jones : Have you found any objection in Canterbury, Mr. Hay?—Yes, a certain amount from other sheepowners and fatteners of stock; but most of the out-and-out sheep-farmers and fatteners of stock and sheep I have met are in favour of it.

Mr. Field : Of the license?—Yes. The Canterbury Sheepowners' Union is the biggest one of the kind in the Dominion, numbering 1,500 financial members, and they are unanimous in agreeing to the license to export. The petition that went before the House on the subject was supported by them entirely—in fact, it was got up by them "off their own bat."

The Chairman : Whom do you represent?—I am a member of the Canterbury Sheepowners' Union.

Have you been asked by them to attend?—Yes.

Mr. Lysnar : By the association?—Yes; and I was also quite willing on my own part to come here.

Were you asked by resolution of the association to come here?—No.

There was no formal request on behalf of the association—it passed no resolution that you should represent them here?—No.

How, then, do you obtain your authority? And what made you say just now that you came here on behalf of the association?—I happened to come up last night with our president, and he asked me to come up here and say something, and I said I would be very pleased to because the matter was of interest.

Who is the president?—Mr. Rutherford.

Then it was at Mr. Rutherford's request?—I am on the committee of the Sheepowners' Union, and they considered it.

You say you have 3,200 members in the federation. Does that include all over New Zealand?—It does not include Wellington.

It includes Gisborne?—I think it does.

Are you aware that the federation there have gone against granting Armour a license?—Yes.

Are you aware that a short time ago the federation called a meeting in Wellington?—Yes.

And there was opposition to it from the North Island representatives who were there?—Yes.

So that, if there were 3,200 members all over New Zealand, there would be a substantial portion against the license?—Yes, there would be some against it.

You say you want all the competition you can get. Do you think that this competition has been found dangerous in other countries and that it may be dangerous to us if we grant this license to Armour and Co.?—I do not think that we need trouble about other countries as long as we safeguard ourselves here.

Are you aware of the result of Armour and Co.'s operations in other countries?—Yes; I have heard of some of them.

Have you heard that it is detrimental to those countries?—I have heard that, and I have heard the opposite.

Are you aware that the United States Government set up a Commission to investigate the question?—Yes.

And are you not also aware that that Commission found that their operations were full of detriment both to the producers and the consumers?—I do not know what it found.

Before you came before this Committee would it not have been wise to have made yourself acquainted with the different findings of that Commission?—I do not think that that Commission at all concerns us in New Zealand, if we safeguard ourselves as we could clearly do and should do.

Are you aware that the farmers of New Zealand have asked for legislation to protect them against trusts and monopolies?—Yes.

And that there was an Act in that direction passed in 1918?—Yes.

Do you think the Government are to be trusted to try and help the country?—

The Chairman : I hardly think that question is relevant, as the witness is here to give his own views, and not to express an opinion as to what the Government may do.

Mr. Lysnar : Are you aware, Mr. Hay, that at present the prices charged for stock at the freezing-works are fixed on fat weight, and are practically all the same, the different works all quoting the same?—I would not like to say that. I think they vary a little.

But you would not be sure?—No.

Are you aware that the prices that are paid in New Zealand by the different stock-buyers are fixed in London every week?—I do not know that.

Mr. Hawken: You assume that there is not sufficient competition at present in Canterbury, and that that is your difficulty?—That is one of my difficulties. We have a few freezing-works operating there, but I think that the more of them we have the better.

Do you find that the present freezing-works' buyers act together or in collusion?—Yes, they do act in collusion sometimes. I do not say they do it always, but they have done it.

And you have found great difficulty, I take it, with others in getting your meat into the works at times?—Yes.

What is the reason for that?—I cannot tell the reason, because I do not know much about the workings of the companies. I do know, however, that very often they combine together, and one company will buy stock on the hoof and divide it up with some of the others; or the buyers come along and take a portion of the stock without competing against each other.

You have found instances of that?—Yes; and if another competitor came in it would help to stop that.

And you think that Armour and Co. would supply the necessary competition?—I do.

Do you think that they would give more for stock than you are at present getting?—I do not say "more"; but they would be in the market as buyers, and probably stop the collusion on the part of buyers that has taken place in the past, where a buyer from one company will buy a line of lambs at the yards and divide it up with the others, and in that way not compete against each other. I think that Armour and Co. coming in would stop that sort of thing.

I suppose that being a shareholder you are always able to get your stock into the freezing-works?—I have only eighty shares, which I bought from a friend lately who wanted to go Home, to suit his convenience.

Have you found a difficulty in getting your stock into the works? And even if you wished to freeze for yourself, you could not get the space?—Yes; I have been refused.

Mr. Field: What is the extent of your operations as a sheep-farmer?—I fatten three or four hundred head of cattle every year, and three or four thousand sheep, and perhaps five hundred lambs.

Your operations are fairly big?—Yes.

What do you mean when you say that we can safeguard our interests against the operations of the American Meat Trust?—By not allowing Armour and Co. to own any freezing-works in New Zealand. Do not let them have freezing-works here. Let them buy on the hoof and export, and not carry on any works here, and let them be satisfied to do the same as anybody else.

I am not talking of Armour and Co. particularly; but do you not think there would be the danger of their outbidding other people to suit their own interests?—You cannot prevent them doing that now.

Can you see any means of preventing them doing it if they decide to, with all the money they have behind them?—I cannot answer that question, as I do not know much about the matter.

You say we can easily safeguard our interests; but how can we do that if they decide to do what it is alleged they have done in South America—practically monopolize the whole trade?—But they have freezing-works there.

No doubt; but I am talking about the possibility of their buying freezing-works here. Do you think we could prevent it?—I think so.

Do you not think they could do it by acting under other people's names?—I should not think so, as it is easily learnt who owns the works.

Do you say you have not seen the report of the Federal Commission set up in America?—No.

And your opinion is that you have nothing to fear from the American Meat Trust at present?—No. I would be in favour of cancelling their license as soon as they did anything detrimental to the producers, but until that is found to be the case I would continue the license.

Have you any idea as to how the Government should assist in providing precautions against the possible operations of the firm in question?—That is a matter I have not considered.

You are mainly here because you think it is wise to have them as competitors at the present time?—Yes, in the open market.

And you say that it is a fairly open market in Canterbury?—Yes.

Although you have seen evidence of the existence of a combine to keep prices down to a certain level?—Yes, I have seen that.

THOMAS HENRY WILKINSON examined. (No. 13).

The Chairman: What is your position?—I am a sheep and general farmer from North Canterbury.

Do you wish to make a statement on this subject?—I reiterate and endorse mostly what Mr. Hay has said; and I think strongly that Armour and Co. should have a free hand to buy our stock, just as any other firm has at the present time. I do not see any menace in their operations. I understand they have a yearly license now to operate, and as long as that is in vogue they cannot possibly do us any harm. We have heavy taxation to pay at present, and we want to take advantage of every means to obtain the money to meet it. I have been farming on my present place since 1893, mostly fattening stock during the whole time, and perhaps have a more open mind regarding the buying firms than many other farmers, because when I sell I usually sell the meat and work the skins myself separately. Of course, since the commandeering came in the difficulty has increased; but I have formed the opinion that Armour and Co. should be allowed to operate just as any other firm in New Zealand does to-day.

What is the feeling in your district?—The *bona fide* farmers and producers are all of the one opinion as far as my experience goes: they are in favour of the license. The feeling is very different to what it was a few weeks back, and people are now understanding the position better. When the proposal was first mooted a lot of people were led away by a few outsiders regarding the matter, but as soon as they understood the position—that the Government were able to cancel the license

at any time—it has become the legitimate and general opinion now that Armour and Co. should be allowed the license and a free hand to operate. Personally, I do not see that it would matter much if they owned freezing-works to-morrow. It would be no greater menace than the other companies that are owning freezing-works at present.

Is there any further statement you wish to make?—I do not know that I can supplement Mr. Hay's statement or what I have now said.

Mr. J. R. Hamilton: Where does the chief opposition to Armour and Co. getting a license come from: is it not from the freezing-works and from some people who think that perhaps Armour and Co. would be their competitors?—That is certainly my idea.

There is no opposition in the country districts against the license?—No.

Is not the opposition mostly from those who are a bit afraid of their competition?—I have not met one *bona fide* farmer who has not been in favour of granting the license to Armour and Co.

The Chairman: You probably have not met many farmers in the North Island?—No; I am confined to the South.

Mr. J. R. Hamilton: I suppose you would emphasize the suggestion that the farmer felt that when the commandeer years were on he was not getting even the Government price for the stock he was selling to buyers?—Of course, everybody has his own opinion about that sort of thing, and a lot of us work on certain lines, and we take plenty of shifting. Some of us have been selling the meat separately and working the skins ourselves. One always had the feeling that if one was making nothing, at any rate probably you were not losing anything, in connection with the commandeer.

Do you not think that a great many buyers during the commandeer made far more money than they did in the open market?—I am not in a position to know about that. I have seen cases where, taking the skins, and pelts, and wool, there were some shillings a head difference to what the price would be on the fat.

Mr. Powdrell: Are you not a shareholder in a co-operative freezing-works?—I have a few shares in Belfast only, which were taken up at the time the storage was erected. It was quite a sore point at the time that you must hold a few shares to be able to get sheep in at that time—three or four years ago—when there was a great shortage of space. But I hold fifty shares only in the preference issue.

What is the custom in the South Island: do the farmers mostly own the works there as co-operative concerns or are they owned by big companies?—On the average they are owned by companies. I think there are only three works owned by the farmers in the South Island. There might be some more; on reconsideration I think the majority are owned by farmers.

In the works owned by farmers what is the custom in buying the stock: do they buy it themselves, or do they allow meat speculators to "butt in"; do they buy in the paddock alive or at per pound; or what is the custom?—It is all done, sir. Of course there are buyers scouring the country buying on the hoof. Then, again, people send their stock to the works. Others sell the meat at a price over all. Possibly a good deal goes through the market at Addington and is bought by various clients. So I would not like to say that any one system is perhaps more in operation than another.

You think that Armour and Co., as meat speculators, could give as much for your meat as the Farmers' Co-operative works that handle your stuff on consignment?—That remains to be proved; but I am under the impression that they could.

Are you aware of the value of the offal from a bullock for manure purposes at a Farmers' Co-operative works, and that that item has to be considered in any competition with Armour and Co.? Do you know that it is worth from 8s. to 10s. as best manure at the Farmers' Co-operative Freezing-works?—I suppose it would be worth that, but I could not express a definite opinion on the subject.

Are any concessions made by the freezing-works to Armour and Co. as against the farmer who sends into store? Do you know the average quantity put through by them as against the individual farmer?—There are concessions made, but I do not know whether to Armours. I think, however, it is reasonable to make concessions to any firm that applies for a certain amount of space. I understand that is the custom.

It depends on how large the quantity is during the season?—I should think so. You are putting to me a bit of a proposition.

I suppose you are aware that in a beast there are probably 50 lb. or 60 lb., on the average, of fat, which is allowed for at about half-price at the co-operative works; so that, taking into consideration the fact that when they are assessing their freezing-charges there is 100 per cent. profit made on the fat by the works, the 8s. or 10s. already mentioned goes to swell the present prices for stock: do you realize that?—I think there has been a profit made on the tallow; but of course tallow has made such an immense jump during the last two or three years that I do not quite know how things are going to be now.

Well, there is another 4s. or 5s. profit that the co-operative works make on the offal and tallow, and in view of the percentages I have indicated that go to swell the profits of the Farmers' Co-operative works, can you say how it is possible for Armour and Co. to compete with the farmers themselves in their own works when the farmers have these opportunities of increasing the market value of the stock handled?—I think that Armours would have a hard row to hoe, but that would be their matter. I do not think the farmers would be put out of business; still, Armours have a great organization that enables them to work everything to the best advantage.

One gentleman said they could utilize the offal to the best advantage, but if they have no means of doing that, and the works get the whole of the offal, that ends the argument in favour of Armours as against the co-operative works: is that not so?—One reason in favour of Armour and Co. would be that they must have a large ready market for their meat, and they can at once put it through various distributing channels to the best advantage. That must give them an immense advantage over the local companies in New Zealand, in connection with the American market especially.

And you claim that Armour and Co.'s operations would still be a greater advantage to your people in the South than if the prices were fixed as during the war, and that they would give you a better price than the co-operative works give there?—So far the Armour Company's operations have hardly been a noticeable quantity.

You think that they really have not had a trial yet?—We know they have been operating, but I have always worked with the one company—Belfast—and have not come directly into contact with the others.

Do you not think that your suggestion for more competition from outside buyers, and not only the Armour Company, is due to a lack of system amongst the farmers in the matter of co-operation as to working their own stock?—No doubt there is room for great improvement in that respect, but, still, I am a great believer in competition.

You are speaking only of competition in the paddock?—Yes, mainly. The question of the outside markets is rather beyond my ken.

You said that you thought the objection was coming more from the freezing-works than the farmers, did you not?—I have got that idea.

Are you aware that most of the co-operative works in the North Island do not deal with Armour and Co., or with meat speculators at all; therefore, you can quite understand that that company's competition does not enter into the question at all here?—I am only speaking from my own point of view, and as I see the question in my own district, and as we are working in Canterbury. I am not able to give evidence as to the position in the North Island.

Is it not the fact that the great profits made by the freezing-works during the Imperial meat contract were made by storing that meat—profits which Armour and Co. in any case would not participate in?—Great profits, I suppose, have been made largely from the storing.

Are you aware that the profit has amounted to 5s. per sheep on a 64 lb. sheep?—Yes.

Do you think there is any chance of Armour and Co. competing with works that are solely co-operative, buying the farmers' own stock?—I would not like to express an opinion on that point.

Mr. Lysnar: You have stated you have fifty preference shares in certain freezing-works. Are you not aware that preference shares give no right to a sheepowner to put stock into the works?—I am not a lawyer, and therefore cannot give an opinion on that point.

But do you not know that that is a fact?—The point of law in question has never come up as far as I am concerned, and I do not know if I have any such right or not. I cannot say.

But you say you are representing the farmers or some farmers' association: is that not so?—No, I represent nothing. I just came here as a private individual to express my own single opinion.

You have not come as representing any particular group of farmers?—I am representing nobody excepting myself.

You say you think that Armours should have a free hand to buy?—I do.

In order that all the farmers can get better prices through the competition?—That is the idea.

Are you not aware that the prices to be paid by the buyers out in New Zealand for stock are fixed in London every week?—I do not think that that applies in our district.

Do you say it does not?—I can only quote my own experience. Of course, if I get the price that suits me I sell my meat to the works. If I do not get a suitable price I ship it.

Have you noticed when you get quotations throughout Canterbury from different meat firms or from buyers that they are always the same?—No, I have seen big differences.

Have you sold to the different firms about the same time in a year?—Yes; when one is selling it is a usual thing to get quotations from different firms, and I have found a variation— $\frac{3}{4}$ d. in one case and $\frac{1}{4}$ d. in the other.

Is that in connection only with "extra prime"?—No; in connection with the meat you are selling—usually meat of the best quality.

Supposing you had sheep of better quality than your neighbour, probably you would get from $\frac{1}{4}$ d. to $\frac{3}{4}$ d. more than he would: is that so?—The meat is all graded in the works, and you sell it on the grade.

And the buyer takes the wool?—It depends on how you sell. You can sell the meat only, and keep the skins.

Practically, they sell the whole thing in Canterbury?—No; I often sell the bare meat, and work my skins.

That system existed during the commandeering, when there was not so much profit to handle?—No, prior to the commandeering and during it.

Do you know anything about the workings of Armour and Co. in other countries—whether they have been detrimental or otherwise to the producer?—I do not see how they can be very detrimental in the United States, judging by the present price of meat there.

You say "judging by the present price of meat": are you not aware there has been a Commission held in the United States in connection with their operations?—Yes; I saw a pamphlet in respect to it.

And in their findings did not the Commission say that Armour and Co. are acting detrimentally to the sheep-farmer?—I know nothing about it beyond generally knowing what the Commission did. I understand the President turned the report down, did he not?

No; the President has not turned it down, but has been going on very much with it. Have you followed the decisions of that Commission very closely?—No, sir, I cannot say I have.

And, personally, you do not know the real effect of their operations in other countries?—No; it would be rather presumptuous on my part to express an opinion on that point.

But you are quite willing to take the risk of their doing good or bad here?—Yes.

Mr. Hawken: If Armours were to give more per sheep than anybody else in Canterbury would they not get all the sheep?—I would not like to say that, as there is a proportion of people in Canterbury who would back their opinions if they did not believe in Armours. I would, for one. I would not sell to them, even if they gave more money, if I objected to their dealings. Still, under ordinary circumstances they would perhaps get the bulk of the sheep if they offered more than other buyers.

If they gave more per sheep would they not be able to control the works?—No.

But what would be the use of the works if they had no sheep?—We have the farmers' works, and if there were any doubt about the actions of Armour and Co. there is no doubt that the farmers interested in those works would be patriotic enough to stand up for them. Am I not right, however, in suggesting that we have our Government officers, and that if there were any suspicion as to Armour and Co. acting detrimentally to this country their license would be withdrawn?

Of course the Government can only act because of the pressure of public opinion in matters of this kind, and it would be very difficult to withdraw the license once you issued it: is that not so?—Perhaps it is.

Hon. Mr. Nosworthy: I understood you to say that you thought the advent of Armour and Co. into the markets in New Zealand would stimulate buyers' competition?—Yes, I think it would.

Why do you think there is not sufficient competition to-day?—There might be sufficient, but I do not think so. And one can hardly say how things are going to be later on. We have just passed through five years of war, and we have not got into going order again yet.

Have you noticed anything at the ordinary sheep-sales in the country, in connection with the general buying, to show that their advent has improved things?—The season does not begin for several months yet.

But looking at past seasons, with regard to the buying and selling of stock?—As far as Armour's operations are concerned, they are very much in the air at present, and cannot be expected to have any effect on the market.

Do you believe in the Act which the Government have placed on the statute-book, called the Slaughtering and Inspection Amendment Act?—I cannot say that I have seen it.

You do not know anything about it?—No. But am I right in concluding that the Government have the power to bar any firm which they consider to be acting detrimentally to the interests of the Dominion?

They have the right under that Act to refuse to issue a license to any firm to buy meat: do you agree with that provision?—I think that it should protect us thoroughly.

Then if you believe in the Act you would recommend that the Armour Company be issued a license?—Yes.

Assuming that the Act is some good, would you make it a sort of "go as you please," and issue a license to any firm to buy how they like?—I would issue a license to Armours.

But if there is no check on anybody would not the Act be quite useless?—There is a check under the license. We have had plenty of cases in the past where, if there had been such an Act, it might well have been put into operation, with perhaps as good or better reason than you might obtain in the future.

Can you give me any such case?—I have one in my mind, but I do not know that it would be much use to the Committee.

Well, I would like to know your mind, as the Committee wishes to obtain all the evidence it can. Could you quote the case?—The worst of the matter is that the case in question is only hearsay. I can only say what I heard, and it is very difficult under those circumstances to make a direct statement on the subject.

What did you hear, or what are you thinking of?—I think I heard of a case a couple of years ago in our district where stock were being bought at 6s. or 7s. a head below their value, mainly owing to the freezing-space being held in a certain way—and that sort of thing.

What firm was operating on those lines?—

The Chairman: I think we cannot go into that matter. The witness is quite within his rights in saying that he does not wish to go into it.

Hon. Mr. Nosworthy: You do not want to go into it?—I should prefer not to.

Mr. Jones: Was it Armour and Co. who were getting those prices?—As far as my experience goes, their operations have been only small. Certainly they have not had any marked effect on the market yet.

Mr. Field: You see no harm in Armour and Co. buying freezing-works in New Zealand?—No.

Do you not think that that is a really serious danger, because there is no knowing where it might end?—I had in my mind the fact that there were several other companies owning works here to-day, and that no doubt the menace from them is quite as great as it would be from Armour and Co.

Or from the American firms?—I would not say American firms, but from some of our New Zealand firms—English firms.

Assuming that the American Meat Trust wanted to collar the New Zealand trade, do you not think it would suit them to begin by buying the freezing-works?—There is plenty of money in New Zealand to build more freezing-works, and if they acquired the present works it would be an easy matter to put up more. A number of new works have been erected during the last two or three years.

Mr. Powdrell: Most of the witnesses from the South Island have been men who say they have shares in their own works; but some said they had no shares in any works?—That is so.

Since Armour and Co. are not dealing with the offal in New Zealand and they will need a profit to enable them to give better prices than the co-operative works offer to the farmers, where will their profit be made? It could not be made in New Zealand, but would have to be made in America: is that not so?—That point would have to be looked into.

Any profits they made on their transactions in America in respect to our meat would not be taxable in this country. Do you think it is fair to people who are farming here, and erecting and running their own freezing-works, and paying high taxation to the Government, that an outside company, who may be making profits in New Zealand but paying no taxation thereon, should be allowed to compete with our own local concerns under the circumstances? Is it patriotic to support companies who are making their profits in other countries, or showing them as made there, and escaping taxation in this country?—I think the local companies are mostly able to take care of themselves.

I know they are able to take care of themselves; but what about Armour and Co. escaping taxation?—Would they pay no taxation?

Mr. Lysnar: They have paid none up to the present.

Mr. Powdrell: They are paying very little. Have you formed any opinion on the point, Mr. Wilkinson?—It is a question I do not profess to give an opinion on.

Armour and Co. have very little capital in New Zealand. I think the evidence of some of the local meat companies is that they are working on a guarantee at the bank, thereby largely escaping taxation. Have you considered that point?—It is a question I have not gone into. I would rather look at it broadly from the point of view that we want all the competition we can get, in order to meet the very big taxation we have to face. I suppose we have to face it, and that therefore we have to make the best we can out of our produce in order to get the money to do so.

Irrespective of whether the Government, the freezing-works, or the farmers of New Zealand suffer, you want the extra competition you mention?—If we get the extra profits we will not be suffering.

You cannot understand why you are not getting as much for your stock as you should. But have you done anything to help yourselves to obtain better prices and the full market value of your stock?—I do not know that we are not helping ourselves in this matter. Are not we all helping to develop the trade? The fact of not having many shares in freezing-works does not mean that you are not assisting those works. I know that some are putting a lot of money into freezing-works in the shape of the meat they send there, and are getting comparatively little out.

I am afraid that sending your meat there would not help the works unless you took up some debentures in them, would it?—The producers take up their proportion, as a rule, and make their works pay.

Is that not a reason why the farmer would not be keen about this competition from firms that have no capital in freezing-works, he having taken his share of debentures in his own works?—I think there is a good deal of suggestion in that question.

The Chairman: I would ask members to avoid argument, and confine themselves to asking questions.

Mr. J. R. Hamilton: I wish to ask one more question. Is it not your opinion, as well as that of a great majority of people who want the Armour Company to get a license, that it is being recommended because it is thought the Armour Company can market the meat on the world's markets better probably than some other meat firms?—Yes.

You think there will be competition in the world's markets?—I do.

As far as the offal question is concerned, the freezing-works would still be able to purchase the offal, would they not?—Certainly.

They are not going to be loaded by such purchases?—No. There is another matter we have noticed happening in England: there is a great depreciation in our frozen meat there now; and with so much stale meat about it makes it all the more necessary, and the farmers all the more anxious, to get fresh markets.

Hon. Mr. Nosworthy: I understood you to say that you were in favour of Armour and Co. buying. Has this idea crossed your mind: that, assuming they had a license to operate in New Zealand, and they offered the farmer, we will say, $\frac{1}{2}$ d. a pound more for his meat than other buyers, they would soon control the bulk of the meat in this country through their purchases?—Yes, they very likely would.

Under those conditions would they not very likely become the owners of the freezing-works, and all the stock going through the works would be that of Armour and Co.?—Yes, presuming they cut out the other firms to that extent.

The argument in favour of Armour and Co. is that if they got this license the farmers would benefit by the American competition, by getting more for their stock than they do under the existing conditions. Well, if that position lasted two years, and Armour and Co. became practically the only buyers, giving more than anybody else, they would naturally control the bulk of the interests in the works, because the stock going through those works would be theirs, would they not?—As far as owning the actual meat is concerned, that would not bring them any nearer owning the works.

Would they not have a monopoly of the stock going through the works? Their whole interests would be in the works; and the shareholders would all look on Armour and Co. as the people from whom their dividends came, would they not?—That, again, is a suggestion. They might be able to give something more than anybody else, but I can hardly think that they would give as much as indicated. Still, it is possible. But on falling prices I do not think they could take too much risk. They might start in with offering possibly $\frac{1}{2}$ d. a pound more than any other firms were giving; but I think there would be firms who would come up to them.

You only think; you do not know. Are you aware that the past history of the Meat Trust shows that their operations have been on that system—that they give more than anybody else at the start until they get the control of things, and then they drop the price?—I am certain that if they got the control you refer to to-morrow there would be a farmers' organization or works set up against them, as the farmers would at once be put on their metal. But, again, what about the Government officers? Would not they act, and the Government also, if they saw the operations of Armour and Co. were going to prove a detriment?

Do you suggest it would mean it would be necessary to rebuild the whole of the works—erect new works—in order to get rid of the trust?—If the farmers received $\frac{1}{2}$ d. a pound extra for their meat for two years they would be placed in an excellent financial position. But I think that, even if the Government did not feel inclined to cancel the license, new works would still be erected to compete with the Armour Company.

WASHINGTON IRVING CARNEY examined. (No. 14.)

Mr. Carney (to Chairman): I am managing director of Armour and Co. of Australasia. I am a shareholder in the company. I do not want to repeat what has already been told you by the witnesses you have heard, but I do want to deny some of the misstatements that have been made about my company, especially by men who are connected with the freezing industry in this Dominion. One man from Gisborne has made many statements. First, that Armour and Co. had been given two years to get out of business in America: This is absolutely a misstatement. What really did happen was that all meat-packing companies in America voluntarily agreed to give up the handling of grocery lines inside of two years, but not to give up their meat-packing plants. Secondly, that the "trust" in America had driven hundreds and thousands from their farming pursuits: Any one with a knowledge of conditions in America will know that the eastern States (New York, Massachusetts, Connecticut) have gradually turned their attention to manufacturing: they have become consuming and not producing districts. The fact that towns and cities have sprung up where the manufacture of motor-cars and other commercial enterprises are carried on has made the land double the value

for this purpose that it would have been for growing sheep or cattle. Live-stock production is not by any means dead, as some of our enemies want to make believe. In 1917 in the principal United States markets over twelve million cattle were marketed. It was the largest in the history of the country, and in spite of this there were more cattle alive on the farms at the end of the year than there was at the commencement. The exports of fresh beef increased from 6,400,000 lb. in 1914 to 231,000,000 lb. in 1916. The exports of bacon in the same period increased from 194,000,000 lb. to 667,000,000 lb.; and the total export weight of beef products from the United States in 1917 was 411,000,000 lb., and the weight of pork products 1,500,000,000 lb. The latest return published by the United States Bureau of Statistics in January, 1918, estimated the number of cattle at that time at 66,830,000 head, an increase of 3,100,000 over the previous year's total of 63,700,000, and 18·2 per cent. more than the low-water mark in 1913. Sheep were returned at 48,900,000 head, as compared with 48,500,000 at the end of 1916. These are the latest figures available, but are sufficient to show that steady progress is being made in stock-raising in the United States, and certainly disproves the statement that America to-day is depleted of all live-stock owing to the packers putting them out of business. Another misstatement made by one of the members of Parliament who has been touring New Zealand in the matter now before you is that what Armour and Co. really wanted was a license to kill. This is absolutely not so. What we want is a license to export, and not to kill or build freezing-works. We do not own shares in any freezing-works, and do not think the directors of any company would transfer any shares to us even if we made application. Knowing Mr. Armour and his associates as I do, I am sure the statement that one paper in America was receiving £1,000 per year is false. It seems the impression of at least one member of your Committee that Mr. Armour would do business in New Zealand without my company's knowledge. I would like to emphasize the fact that these are not Mr. Armour's tactics, and I can assure the Committee that Armour and Co. do absolutely nothing in New Zealand but what is done through Armour and Co. of Australasia (Limited). Armour and Co. do not own any retail shops in any part of the world. Also, there are more packing plants outside of Chicago (notwithstanding the statement by Mr. Lysnar in one of his speeches in Gisborne). The Federal Trade Commission which was appointed by the President of the United States in 1917 to inquire into the food situation appeared to do nothing but investigate the packers and no one else; and yet none of the heads of the big packing firms or their representatives were ever called to give evidence, and were never given a chance to challenge or correct the mistaken inferences made. A great many producers and others are under the impression that Mr. Armour gave evidence before this Federal Trade Commission. This is not so. The only evidence he ever gave was before the Inter-State Committee, which is entirely different. It was very clear from the outset that this Commission was out to do everything possible to injure the packers. They stopped at no violation of principles and justice to accomplish their end, their one idea seeming to be to get an indictment against the packers. The report presented as a result of this Commission was the sort of thing one would expect. They knew nothing about the packing industry, its problems or operations, or of modern business, and the report was concocted from hearsay and incorporative gossip. They recommended that the President should take over the packing-houses; but when it was brought up in the Senate they absolutely refused to discuss it, but denounced the Commission as one of the most unfair pieces of political propaganda that had ever been perpetrated on commerce; and Senator Gore, who was put forward as the proposer of this legislation, voluntarily withdrew his appeal and put it in the waste-paper basket. And yet the only reason given by the Government of New Zealand for not granting us a license to export was that they had come to this decision after reading the summary of the report of the Federal Trade Commission on the meat-packing industry. As a matter of fact, no one ever heard of the Federal Trade Commission before it attempted to get a blow at the big packers, and if they and our competitors can put the packers out of business (and many competitors would like to see Armour and Co.'s business destroyed) they would be hailed as public benefactors, not because of any service really done the producers and the public, but because they had been after Armour and Co. so long that the refusing of our license would be celebrated by them as a national victory. We have heard a great deal against the American companies in the Argentine, but Argentine producers are getting far better prices for their stock to-day than are obtaining here in New Zealand. Before the introduction of the large American packers to the Argentine refrigeration was practically unknown, and there was practically nothing but meat-drying establishments. To-day it is the most important beef-producing country in the world, and its market is assured by the fact that the large American packers have been able to bring to it their huge organizations to develop the country. The American freezing companies in the Argentine are helping to improve the breed of the live-stock. They buy purebred animals and distribute them through the country to the farmers at cost price, and New Zealand will have to look out or she will find that South America will surpass her in the quality of her meat on the consuming markets of the world. The producer in South America—that is, the grower—has no direct concern in the frozen-meat trade, but sells his stock to the freezing buyers, and there is an end of it; but here in New Zealand the grower, whether he sends or sells his stock on the spot, takes a keen and personal interest in all stages through which his meat passes. The freezing-works in the Argentine are never closed except for repairs, and the producers are quite prepared to sell, and do not try to embarrass companies by any interference; and the fact that the whole of the operations from the killing of the stock to the selling of the meat have been mainly in the hands of commercial companies has been greatly in their favour. This control makes it a comparatively easy task for them to compete successfully with New Zealand. If the New Zealand farmer desires to compete in a really effective manner with their South American rivals in the struggle for world's markets, more attention should be devoted to consolidation of efforts—not to have more freezing-works, but to combine some of those already in operation. Further, if the farmers of New Zealand could modify their present system of breeding and feeding so that the freezing-works could run nine months in the year instead of six, as has been brought about in the Argentine by an intelligent system of breeding and feeding, they would then be in a position to compete much better with other producing countries. This is really a very important point, and it is hard to find any reason why it cannot be done. You have all undoubtedly heard a great deal about how, when the American packers entered the Argentine, they were supposed to have forced prices up, and after they got control prices dropped. There has never been a time since

the entry of these American packers into the Argentine that prices have gone back. Producers there are to-day buying the best stud cattle and sheep from all over the world, as they quite realize that there is no chance for them to again receive the low prices for their stock that they did before the entry of the American companies. There has never been any agreement between the American companies in the Argentine in the purchase of stock, but there is in South America a pooling among all the shipping companies and the freezing companies—not only American but British. This was done for the purpose of assisting the shipping companies to get to know how much space they wanted for the South American trade. I have before me the newspaper report of an interview with Mr. C. Donaldson, taken from Saturday's (28th August) *Christchurch Press*, and from this it certainly does not look as though the Argentine is in any way afraid of Armour and Co. or any other large American business. Therefore, why should New Zealand be in any different position from that country? I do not think I need read the report of the interview; I will leave it on the file.

Mr. Lysnar: You had better not leave anything on the file that you do not read.

Mr. Carney: It has been published in the *Christchurch Press* and other papers in New Zealand, except the *Dominion*.

The Chairman: I do not think we need ask the witness to read it.

Mr. Carney: The enemies of Armour and Co. make two fundamental claims: they say, first, we run up the price to live-stock raisers and drive out buying competition, and then, having secured control of the markets, force prices down to an unjust level; secondly, they assert we reduce the price to the consumer and drive out the competition at this end. Both these propositions are absurd. Our great and constant primary interest is to encourage live-stock raisers to produce and fatten sheep and cattle of the best quality. These are the materials of our industry, and without them we could not go on, and we certainly could not have them if we ruined those who produced them. We must carefully consider the interests of the producer, and we must also carefully consider the interests of the consumer, for without the producer we should not be able to buy the stock and carry on our business, and with equal certainty without the consumer we could not carry on at that end. During 1917 Armour and Co. in the United States of America alone paid the producers there the sum of £68,000,000-odd for cattle, hogs, and sheep, or £20,000,000 more than a similar quantity would have cost in 1915. This certainly does not look as though prices were being forced down. It is the farmer's job to produce enormous stocks, and it is Armour's job as wholesale distributors to sell to the people who want them, and in the shape they want them. The manner in which this is carried out is vital to the farmers' interests and to getting the highest cash price for his stock, and only an organization covering the world's markets can do this—one completely equipped and run by experts, with money and credit enough to pay cash for their purchases, and capable of meeting the keenest competition, and which conducts its affairs with initiative and intelligence along business lines. This we claim to do. The efficiency of Armour and Co. has become a national by-word. Its development was not brought about overnight, but required years to accomplish. We buy stock in the open market against the keenest competition, and have no desire to do the things which one witness from Ashburton has told. Our buyers have instructions that on no consideration are they to divide lots with any one. If they buy a lot of stock cheap we want what profit is in them; if they buy a dear lot we are quite willing to stand by our purchase; and we can in no way control competition from other buyers. Armour and Co. have no desire to dominate any market—does not, and cannot. Competitors and middlemen, if they will speak honestly, will tell you that for years we have been large buyers of New Zealand produce through them, which has been an expensive and inefficient method for both producer and consumer. One of the most serious obstacles in the way of production in this country has been the limitation of the markets; and I claim that New Zealand has not had the benefit of the world's demand for meats owing to the circumscribed operations of their channels of distribution. Armour and Co., coming in close contact with the world's markets, will give New Zealand better markets for disposing of their meat and by-products than have obtained in the past. Naturally the commission salesmen do not like us. They cannot batten upon our system. We buy direct from the producer and ship to our own houses, which sell direct to the retailer, who sells to the consumer. Every unnecessary profit and handling is avoided, and this efficiency does away with an indefinite number of middlemen, who contribute nothing except useless handling and the extraction of commissions which the producer or consumer must pay. These middlemen are an unnecessary injustice, and in this country of growing intelligence any sort of injustice is dangerous. For an industry to have attained size is a proof that it must have served the public well, but to the average competitor it implies monopoly and provides grounds for the wildest of charges, and it is for the people to recognize the real facts. Only on a large scale is it possible for Armour and Co. to effect low cost of operation. It is easy to realize these middlemen are an unnecessary expense, and that in time they will have to be eliminated, because the meat business is too big and must be done at too close a margin to pay them a commission. This is one argument in favour of granting us a license, as we take the producers' supplies and place them directly in the hands of the consumer, so that we can pay him the maximum for his goods, and the consumer can purchase at the minimum price. Ignorant and unscrupulous competitors should realize that the meat industry is not only an American industry of the highest type, but is an international industry in whose success is bound up the success of the stock-breeder and farmer throughout the world. It has developed in America to a high state of perfection, and this has been brought about by the consolidation of capital and enterprise as represented by organizations like Armour and Co. Such organizations, if they are honestly and capably run—and they must be so run if they are to last—are as irreproachable morally as they are irreproachable commercially. Over 90 per cent. of the earnings of Armour and Co. (Chicago) are put back into the business to further its growth, but in New Zealand this is all taken out by small shareholders who do not reinvest in the business. We steadfastly maintain that our position is legally, morally, and economically sound, and that we have never been guilty of operating in restraint of trade or indulging in other illegal practices. We have the utmost desire for public good will, and stand ready at all times to clear away any doubt or misunderstanding with honest and straightforward information about our business. There was a time when American political humbug attacked American industry to its heart's content, and no one in New Zealand or any other part of the world heard or cared anything about it. To-day the

blackguarding of American industry hurts all of us, for it is reiterated everywhere, and generally is given a most adverse and unfair interpretation. We hope before long that the farmer will appreciate the identity of his interests, and will unite to bring us closer together. The bulk of the accusations made against the alleged trust are made by men who are simply throwing dust in the eyes of both the Government and the farmers by pointing their fingers at us while they are doing exactly what they accuse us of wanting to do. All we ask is a square deal, and in return we will give the same. Armour and Co. are in the meat business, have been for many years, and undoubtedly will be for many years to come, and if Armour and Co. are refused the privilege of exporting for themselves they will have to get it through some other channel, which means middlemen and lower prices to the producer. We have made every effort to be fair to our competitors, and have complied with all the laws of the Government; capital has been invested and the company organized under New Zealand legal requirements; and surely we should not be discriminated against, but should have an equal opportunity of existing along with other companies similarly organized. That we have been discriminated against is due to the efforts of middlemen who operate in the London and New Zealand markets, and others, complaining of the nationality of the company's principal stockholder. In America, since the war, many English companies have established themselves there, but the American packers do not say, "Keep the English companies out of the meat trade in the United States"—on the contrary, they welcome them there; and surely the New Zealand Government are not going to exclude American companies from doing business in New Zealand. In every English-speaking country where Armour and Co. operate 99 per cent. of their staff are Britishers, and surely these Britishers are not so unpatriotic that they would see the best interests of their country sacrificed. In the districts throughout New Zealand where there are fatteners of stock and where we have done business they are quite in accord with us having a license, and the districts which have been opposed to us are really dairying districts and men we have never come in contact with. If the American Government were afraid of Armour and Co. why did they appoint me financial representative in 1918 in their wool-purchase between the Imperial and United States Governments? Also, why did the London Board of Trade allow me to inspect the purchases of lamb which have recently been shipped to the United States? Further, why did the Imperial Government appoint Mr. J. S. Carpenter, of Armour and Co. (Limited), London, to inspect the damage done to meat throughout the works in New Zealand? Although Armour and Co. do not ask for a killing license, I can say from the bottom of my heart that if they desired and were allowed to operate works in New Zealand that the Dominion would never regret it, as with the expert knowledge and facilities they have for handling by-products they could pay the producer far more than they can at present for his stock. The handling of the by-products in the meat business has developed to a greater degree than any other interests, and it is the utilization of these by-products which enables Armour and Co. to buy and sell the meat on such a small margin of profit. They make more money out of these by-products than they do out of the meat which they buy and sell; whereas here in New Zealand it is the reverse, and there are few companies who use the by-products to any extent, but allow them to be thrown away. As illustration of what our competitors have done we give the following: In April, 1917, the Association of Colonial Meat Salesmen in London, who had handled practically the entire New Zealand output, got together and attacked us throughout New Zealand so as to influence the New Zealand Government to take some action. They, with several middlemen and other interested parties throughout New Zealand, were instrumental in having the Slaughtering and Inspection Act amended in December, 1918. We do not think these men were prompted by any desire to benefit New Zealand; in fact, we do not believe more than one or two of them have ever really paid the New Zealand producer one penny, but have taken out a great deal in commissions. They know that our methods mean their elimination; and we cannot see why the producer should sell his meat to be handled by these middlemen, who render them no service of value. It is probably because some of these middlemen are of the old school that the New Zealand meat business has not progressed more than it has to-day. As an instance of what took place at the time when this combined agitation was going on against us, M. A. Elliott, of Mellsop, Elliott, and Co., Palmerston North, started to do business with Armour and Co. (Limited) of London, but at the same time they were agents for Gilbert Anderson and Co.—in fact, were owned by Gilbert Anderson. On learning that Mellsop, Elliott, and Co. were doing business with Armour and Co. (Limited), London, Gilbert Anderson cabled them that if they had any further transactions with Armours, that all their letters of credit would be withdrawn. All business relations with Armours was immediately stopped, and Mr. Elliott, in order to regain the graces of his principals, edited a pamphlet entitled "The Meat Trust Menace," which was circulated broadcast throughout New Zealand. This will clearly show from whence comes the agitation against my company. Mr. Elliott was quite willing to do business with Armour and Co. just as long as he could use Armours' money, but when we wanted to do business direct with the farmers we were a menace. It is a fact that in 1919 American companies handled only 34 per cent. of the world's output of meat, but we never hear very much about the other 66 per cent. Who handles that? This point alone should convince members of the Committee that the American packers have in no way got control of the meat-output of the world. It is our belief, in view of the world shortage of meat-supplies, that any action which tends to dislocate the best channels of the meat trade will result unfavourably to the producers in New Zealand. Would it not be wiser in the interests of New Zealand, instead of shutting out direct-buying customers, to grant this license and deal with us, instead of American buyers of meat having to go to London markets to purchase the same goods through commission men, as in the past? It certainly must make New Zealand products dearer to the American customer, and less profitable to the New Zealander producer, to have to buy them in the round-about method that has been the order up till now. If at any time it was proved we were doing anything that was detrimental to the interests of the producers in New Zealand, or to any other commercial interests, it would then be within reason for the Government to take away this license. To misjudge such a finely adjusted organization as Armour and Co. would be to turn back the hands of the clock of progress. In support of my evidence I attach the following: "Testimony of J. Ogden Armour before the Committee on Inter-State and Foreign Commerce"; "The Chicago Packing Industry," by J. Ogden Armour; "The Truth about the American Meat Trust," by W. Irving

Carney; "Armour and Company Year-book, 1920"; "Statement of Armour and Co. (Limited) of London to the Interdepartmental Committee on Meat-supplies"; "Average Selling-price, Dressed Beef, Lamb, and Mutton from 1913-1919 inclusive in United States America."

The Chairman: Before Mr. Carney answers questions I may remind members that they are here in their capacity as a parliamentary Committee, and I ask them to confine their remarks as far as possible to asking Mr. Carney relevant questions without commenting on his answers.

Mr. Jones: It has been stated that prices are fixed in London for New Zealand. If that is so, does it not prove that we are in the hands of a very powerful trust or combination now?—I do not think that is so. I think there are certain middlemen in London who have agents in New Zealand. Ballantyne and Co., for instance, cable out every week to their representative, Arlow and Co., the price they are willing to give for stock, but I do not think that is so with every company. Probably some of the freezing companies have their agents in London who cable to them, perhaps every week, the price they are willing to pay for stock. I do not know that the thing is all talked over in London before the price is sent out. It may be so.

If so, we have a powerful trust or combination controlling us?—I think you have—absolutely. I am sure of it.

Are Armour and Co. in that trust at Home in any way?—No. Armour and Co. are treated at Home as they would be treated in New Zealand. To illustrate what I mean, when the meat commandeer took place it was agreed in New Zealand with the Hon. Mr. Massey that any meat not wanted by the British Government for the Army and Navy would be released to parties nominated by the New Zealand shippers. Armour and Co. of Australasia nominated Armour and Co. of London. The Board of Trade asked that we should do this, and we did it. The Board of Trade was composed of men not in favour of Armour and Co. coming into the thing, and we did not get the meat nominated to Armour and Co. of London owing to the fact that the powerful organization at Home, of which Armour and Co. are not members, was allowed to dominate what was going to happen in London. On one occasion when Armour and Co. were nominated for ten thousand carcasses of New Zealand lamb, which the Board of Trade said London was to have, the Minister of Food said we were not to have them. Armour and Co. of London sent vehicles or vans for these carcasses for a week, but did not get them, and they were finally put into the digester as unfit for human consumption. That shows we are not in any ring in London or anywhere else.

Would you pay for doing business in New Zealand the taxation that any other company would pay?—Yes; and in anything we do, no matter what it is—meat or any other line—we are a company of our own. I do not sell to Armour and Co. of Chicago, or to Armour and Co. of London, unless they will pay me the best price I can get. As illustration, our hides this year: There was a time when we could have exported hides, and I telegraphed Armour and Co. of Chicago and asked what price they would pay, and they said 20d. I worked round New Zealand and found a concern that would pay me 24d., and I sold to that concern all the ox-hide we had. It is the same to-day. We are buying a little cheese. Armour and Co. of London cannot see their way to pay me the price I want in order to make a profit on my cheese, and therefore I am not selling to Armour and Co. I will consign it to them and take my chance on the London market. I will pay tax on the profit I make in New Zealand, and not in London. I am anxious to get that profit back here and pay tax on it in New Zealand. I will consign my meat to Jim Smith if he will pay a better price than Armour and Co.

In fixing the price they charge the farmer for freezing do the companies take into consideration all the offal—tongues, &c.?—I think they take it in, but I do not think they pay enough for it. I think the farmer to-day is getting a low price for his offal—fat, tongue, and tail. The offal he gets nothing for: he gets it in an indirect way in his freezing-charge.

Would your company risk money in freezing-works with an annual license which was liable to be cancelled?—No. Armour and Co. are business men enough to know that New Zealand has far too many freezing-works to-day, and I am sure Armour and Co. would never invest money in any freezing-works in New Zealand. We have had the chance and turned it down.

You have had the chance of buying?—Yes.

Mr. J. R. Hamilton: If you owned freezing-works or put them up could you lower the charges of freezing to the producer?—Yes. I believe Armour and Co., if they had freezing-works in New Zealand, would give you back all the meat if you gave them all the by-products—the offal and everything that goes with it. I believe they would give you back the meat after killing it for you. Although Armour and Co. are in the meat business they make no profit out of meat. The profit on meat is absolutely nothing. They make their profit out of the by-products. Some years ago the farmers in Texas wanted to start freezing-works. They asked Mr. P. D. Armour to come down there and speak to them. He said, "Gentlemen, do not start freezing-works here. Send it to Chicago. Pay the freight, and I will send you back the meat. You give me the by-products, and I will give you the meat back, and I will not charge you anything for killing." That is an absolute statement.

You think the producers in New Zealand are paying too much for getting their stuff frozen?—No, I do not think so. I think the freezing-charges are low, but I consider the producer is not getting enough for his fat and tongue and tail.

The freezing-works have made big profits?—Yes, out of the farmer, but not out of the killing-charges; and out of the four millions the British Government paid the companies for storage.

Mr. Powdrell: Do the works here not hand back the meat?—Yes. We buy either on the hook or from the farmer. I do not want any confusion about this matter and the commandeer. In the commandeer all we did was to go on the open market and buy at the best price we could, and we put it into the farmers' companies wherever we could. In all our killing, we killed over 60 per cent. with farmers' companies. The balance was killed with the New Zealand Refrigerating Company. Outside our killing with the New Zealand Refrigerating Company we killed with farmers' companies, and we are the best friend the farmers have. Sir George Clifford says we are the best friend he has, and he does not want to lose our competition.

Do Sir George Clifford's works buy?—No. Sir George Clifford welcomes us, but the New Zealand Refrigerating Company do not want us to get a license because we buy in the districts they are in. If I had my way and the farmers' companies or somebody would put up works on the other

side of Dunedin, so that I could kill down there, I could wipe out the New Zealand Refrigerating Company and kill entirely with farmers' companies. I say the more farmers' companies the merrier, and the producers ought to help them.

If your firm got the offal, would you give back the meat?—Not in New Zealand. Do not misunderstand me. We have not got works in New Zealand, and we do not want any. We want an export license. I hope you will not confuse the thing; let us stick to that.

Are your works connected with any shipping company?—No.

Or any other big works?—Would you put your question again, please.

Is your company or any other of the big meat-packing companies interested in any shipping company?—Not that I know of. I think I am honest in my statement when I say that.

So that no rebates can be given from that source?—No.

What was the reason you gave up the grocery lines?—I would like to explain that. Armour and Co. and all other packers in America have big organizations, and in order to reduce the cost of operating they buy from Jim Jones in California the season's output of peaches or tomatoes, as well as sardines and salmon, all of which are grocers' lines, and sell them in conjunction with meat to grocery stores throughout America. Those are the lines which the packers voluntarily gave up. They were not asked to do it by the Government. The Federal Trade Commission recommended it, and the packers went to the Government and said, "We will get out of this thing in two years," and that was agreed to, but not the meat-packing industry.

Was there not mention of a rice deal?—In the pamphlet there was some mention of it, but I ask you to be broad-minded about it. If there was a big deal made, somebody else made something out of it. Armour and Co. had brains and perhaps made a little money. But I may ask you, How much money do you make in your works?

The Chairman: That is not a fair question.

Mr. Poudrell: I do not mind answering the question. Any money we have made has been in co-operative works; and the principle is that no meat-dealer enters here, and the company shows as much profit as any other company.

Mr. Carney: Out of the farmer.

Mr. Poudrell: It is owned by the farmer, and the profits go back into the works, except for the dividend—which is better, I contend, than into the meat-packers' accounts.

Mr. Carney: I am not disputing it at all.

Mr. Lysnar: What is your share in Armour and Co?—One share.

The value of it?—£5.

In anything you are doing you are trying to make money for Armour and Co?—For Armour and Co. of Australasia.

Of which the main interest is held by J. Ogden Armour?—Armour and Co. of Australasia.

And the main shareholder is J. Ogden Armour?—Yes.

J. Ogden Armour is doing business practically all over the globe?—Yes.

Does your company control or is it interested in your operations after the produce leaves New Zealand?—No, not at all.

It goes out and your interest stops?—It will if we export. Our company will start on its own bottom. I make money for Armour and Co. of Australasia. Armour and Co. of Chicago and Armour and Co. of London have absolutely nothing to do with me, with the exception that Armour has the money; and if Armour had done as others are doing to-day—given me £100,000 and allowed me to operate on my own account—perhaps all this trouble would not have occurred.

How do you treat the produce?—We have nothing here for the treating of it.

But on what basis does Armour and Co. of New Zealand work its profit? Directly you put the stuff on the ship it belongs to—?—To the Imperial Government.

But how are you going to work it?—I will sell my meat to Armour and Co. of London, or Armour and Co. of Chicago, or to W. D. Lysnar if he can pay me a better price, and I will sell it to you f.o.b. in New Zealand.

If you sold to W. D. Lysnar, do you think Armour would allow you to continue as manager, since he has put up the capital?—Yes. He would rather I did not sell to you, but he would not say a word to me. Last year we had a deal in tallow, as others had, and I asked Armour and Co. of London what price they would give for the tallow, but as I could get a better price from Turnbull and Co. of Liverpool I sold to Turnbull and Co.

What price do you take as a basis—the local price? You have been operating for four years in New Zealand?—Yes. We take the Imperial Government price that they pay us for the stuff.

In some years you made a loss and in some years a profit: what did you put the meat in at?—At the price the Imperial Government paid us.

That would show that in some cases you have given more to the farmers than was justified?—Yes.

And you have lost up to £16,000 a year?—In one year. Would you like to know how we lost it? No, I do not ask for it.

Mr. J. R. Hamilton: I think it would be a good thing to hear it.

Mr. Carney: In the first year we had four bad buyers. One buyer in Auckland lost an immense lot of money; the buyer in Timaru lost us money; the buyer in the Southland district lost us money, and so did the buyer in Ashburton. Further, our competitors got together at that time and said they would prevent us making money, and one exporting company lost £40,000 in that year.

Mr. Lysnar: You lost in another year—£16,522 in one year and £13,000 in another year?—Yes; the same thing happened a second time. We were out to get a fair share of the stuff, but we had bad buyers and bad management.

Was it not that you wanted to get the stuff at any cost?—No, absolutely no. Let me tell you that is not so.

You say it is not so?—It is not so.

You have paid no income-tax to the New Zealand Government?—Last year is the first year we were called on to pay.

But you have paid no income-tax?—We have a reserve for income-tax.

Will you please answer the question?—Yes, in my way.

Up to the present your firm have paid no income-tax in New Zealand?—No.

In the past, in making up your balance-sheets, you have based it on the amount paid to the Imperial authorities. In the future will you take the New Zealand value as the basis?—If we get a license I propose to cable Armour and Co., London and Chicago, and ask them what price they will pay me for my meat f.o.b. If they can pay me a price that will give me my profit in New Zealand I will sell to them. If not, I will not do business with them.

Not with Mr. Armour, although he has all the shares?—Absolutely, No.

Do you think Mr. Armour is a gentleman who will let you manage his concern and his capital for somebody else?—Yes, I know so.

Have you discussed the matter with Mr. J. Ogden Armour?—Yes.

He has authorized you to do that?—Yes. I am in New Zealand to put Armour and Co.'s name on the highest standing, anywhere I can make a profit. If the Armour organization at the other end of the world cannot pay the same price as other companies will pay I will sell to those companies.

Mr. J. R. Hamilton: You are pretty well satisfied they will be able to compete?—Yes.

Mr. Lysnar: Do I understand that you take the New Zealand value of the produce?—I take the present value of the stuff and try to make a profit on it.

In selling to Armour and Co.?—Yes, or to anybody else. You want to know if I am going to turn the stuff over to Armour and Co. without profit?

Yes?—Absolutely, No.

I want to know for the purposes of taxation?—Certainly. You can rest assured we will be only too glad to pay all the taxes required in New Zealand—absolutely.

You have your company registered at £100,000?—Yes.

In addition, you are working on a guarantee of £280,000?—Yes, on a bank credit.

With a given capital of £380,000?—No. Capital and credit are different.

Well, the two together are £380,000?—Yes, the two together are £380,000.

You know that if you register a company with £380,000 you would pay more than you would pay on £100,000?—About £150 or £200 more.

Have you any control of what Armour and Co. do outside of New Zealand?—None whatever.

If you sold him this stuff at 5d. and he made 1s. it has nothing to do with you?—No.

Your profits would not disclose it in the balance-sheet?—No.

You are aware that Armour and Co. are interested in large numbers of subsidiary businesses all over the world?—That is so.

Including a large number of banks?—I would not say that. Mr. Armour is probably a director in many banks, and probably he is a shareholder, but as far as Mr. Armour controlling banks is concerned or owning banks, I do not think it is so.

He would know best on the question?—I am only giving my opinion. I do not think so.

In one report on page 22 of the summary of the report of the Federal Trade Commission it says, "In each of the banks shown in this list the packers are represented on the board of directors through members of the individual families, or through officers, directors, or confidential employees of the packing companies, and in addition there are a number of banks not covered by this list, in which close business associates of the packers are directors." And it is shown that the Hibernian Banking Association are represented by Armour and Co.?—I do not doubt it.

And the People's Trust and Savings Bank by Armour and Co.?—I do not doubt it.

The Stoncy Island Trust and Savings Bank by Armour and Co.?—I do not doubt it.

The People's Stockyards Bank?—I do not doubt it.

The Inter-State National Bank?—I do not doubt it.

And others?—It may be.

How long have you been in New Zealand as a meat-buyer?—Four years.

Are you not aware that in that time the prices of New Zealand meat have been fixed by the meat-buyers in London?—No.

Who would have the best chance of knowing that, you or Mr. Macbeth? Mr. Macbeth admitted that it was so?—I said a little while ago that certain firms do that to their representatives, but I do not think any body of business men would get together in London and fix the prices for New Zealand every week. I do not think it is done.

Mr. Jones: I think it is unfair to say that Mr. Macbeth admitted that. He did not.

Mr. Lysnar: Do you say you are not sure?—I do not think it is done.

You will not say positively?—No, I do not.

You cannot say whether different firms put out the same prices at the same time?—I cannot say.

Can you say what is the capital of Armour and Co. of Chicago?—147,000,000 dollars.

You say it is not correct to say that Armour and Co. have been given two years to get out of the business in America?—Yes.

Are you not aware that the report of the Federal Trade Commission of the United States recommended "That the Government acquire, through the Railroad Administration, all privately owned refrigerator cars and all necessary equipment for their proper operation, and that such ownership be declared a Government monopoly"?—Yes.

Are you not aware that Armour and Co. have a very large number of refrigerator cars and the necessary equipment?—Yes.

And that if this Government monopoly is carried out they cannot use them?—I do not understand that at all.

Can you deny this statement?—Three or four things were recommended by the Federal Trade Commission to the Government of the United States, but I understand they are not being carried out, with the exception of grocery lines, and things they are not directly concerned in. Anything they are directly concerned in they have not taken on.

This is another recommendation: "That the Federal Government acquire such of the branch houses, cold-storage plants, and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centres of distribution and consumption: the same to be operated by the Government as public markets and storage-places under such

conditions as will afford an outlet for all manufacturers and handlers of food products on equal terms . . . with facilities open to all upon payment of just and fair charges" ?—That last clause was recommended the same as the other three published when cold-storage places had to get licenses. The businesses of Armour and Co.—branch houses all over the United States—were not taken over, but public houses were required to get licenses to carry on business—that is, refrigerating companies.

Are you able to state that the Federal authorities are not carrying out that recommendation ?—Up to date they have not carried out any of the Commission's recommendations.

We know that they were given two years' time ?—I say that up to date I know that none of the recommendations have been taken up.

I was not aware that that was suggested, but they were to exercise the power within two years ?—I do not think so.

You stated something about Armour and Co. not having contributed something to a paper ?—Yes.

Armour and Co. contributed to a joint fund, did they not, for publicity ? Let me read what the Commission's report says : " These joint funds, as will be shown in one of the sections of the report, were used to employ lobbyists and pay their unaudited expenses ; to influence legislative bodies ; to elect candidates who would wink at violations of law, and defeat those pledged to fair enforcement ; to control tax officials, and thereby evade just taxation ; to secure modifications of governmental rules and regulations by devious and improper methods ; to bias public opinion by the control of editorial policy through advertising, loans, and subsidies, and by the publication and distribution at large expense of false and misleading statements." You are aware, are you not, that they had that fund, and that Armour and Co., among others, in some single assessments contributed as high as 50,000 dollars ?—There is an American Meat-packing Association, of which every meat-packer can become a member.

And they had joined it ?—I do not know. I suppose they would.

You have questioned in your statement a sum of money being paid ?—I say he might have paid 1,000 dollars, but not for bribery, as you accuse him of having done.

What is this 50,000 dollars ?—I do not know, but I am sure Armour never gave any editor or reporter 1,000 dollars.

Are you aware that this money is paid out without audit ?—I do not know anything about that. I am just denying the statement you made.

Will you deny the statement in the Commission's report ?—I cannot.

The Chairman : He cannot express an opinion upon that. He is not in a position to do it.

Mr. Lysnar : Have you any statement from Mr. Armour to say that he has not made a statement ?—No.

You just say it " off your own bat " ?—I say it knowing the man as I do. I would stake my life on it.

In Mr. Armour's evidence before the United States Senate Committee this telegram appears : " Washington, 7th July, 1916.—We all agree that it is very important to flood the Judiciary Committee with telegrams from all over the country, and especially the districts where the members come from, protesting against the passage of the Borland resolution, on the grounds that live-stock selling at very satisfactory prices, and any investigation will only disturb present satisfactory conditions. Please arrange a meeting this morning with Veeder and Nelson Morris. Get a committee to work on this promptly—presume banks, commission men, feeders of cattle, and live-stock men generally, and any one else you can think of that would be helpful. Think messages should also be sent to Congressmen as well as members of the Judiciary Committee. . . . It is quite important to reach Gard, of Hamilton, Ohio. Please get as much action as you can on this, and promptly, and have the messages sent in varied language.—(Signed) ARTHUR MEEKER." Mr. Armour was asked, " Do you recall anything in regard to that telegram ? " His answer was, " I never happened to have seen the telegram, but I guess it is likely that happened."—Quite so.

Then Mr. Armour concludes, " I see nothing wrong about carrying out any of those provisions."—Nor do I.

You think it is right to try to influence these Judicial Committees ?—I think it is right for any man, when he thinks he is in the right, to make every possible move to uphold his position, and that is what I am doing to-day. I know I am in the right, and I am doing everything I can to make every move I can to do the right. I think it is a perfectly fair and square thing to do.

Are you aware that Mr. Armour fixed the proportions ? Let me quote from his own evidence :— " Mr. Heney : Under this Veeder pool, was the United States divided up into several territories known as Territory A, B, C, and so forth ? Mr. Armour : I think so ; yes, sir. Mr. Heney : Now, at each of these meetings what would happen ? How was the thing run ? Mr. Armour : Why, the shippers were turned into the office, and each man was allowed a percentage based on the business he did before he went into the pool." Do you say that is not correct ?—I cannot. I think it would be quite right at the time those things were going on. In what year did that happen ?

In 1919 ?—That is when he gave evidence. If you look back you will find that it was many years ago.

But the pool was continuing on ?—Never.

This evidence was given last year ?—Well, it referred to many years ago. I think he would act at that time the same as is going on in New Zealand to-day.

You think that is right ?—I think it is quite all right.

Why did you tell the Committee you would not be a party to dividing up ?—I say so now. I will not divide up with any man.

If they divide up in the United States—?—They can do what they like there.

Might not Mr. Armour tell you to do it here ?—He tells me to do nothing.

Would you if he did ?—He would not tell me. If he did I would not do it.

You say there is a member of Parliament who is travelling round New Zealand saying that Mr. Armour wants a license to kill : who is the member ?—One member of Parliament has been round through New Zealand, and at one meeting, according to a Press report, he made that statement. That member is Mr. W. D. Lysnar, of Gisborne.

Can you show any printed authority for that?—If the secretary will write to me at Christchurch and ask for that paper I think I can send it to you.

I shall be glad if you can?—Well, I will.

W. D. Lysnar, of Gisborne, does not know that he made such a statement?—Well, Mr. W. D. Lysnar has made statements just about as true.

Do you see this letter [letter produced]? Your manager, I suppose, sends out correspondence with your knowledge?—Yes. I have never before seen it, but I knew it went.

It is a letter from Armour and Co. to myself, and says, "I have read with much interest your letter to the Minister of Agriculture on the subject of granting a meat-export license to Vestey Bros., as published in the *Gisborne Times* of the 2nd instant. While I do not wish to comment on any particular features of the arguments used by you, I can, as a New-Zealander, heartily concur in the opinion that none but New Zealand interests should be allowed to control our freezing-works to any extent whatever. I think you are incorrect in stating that Vestey Bros.' headquarters are in Chicago, as information we have in this office indicates that they are in Amsterdam." This is a copy?—I have got one.

Do you not think that if there was anything wrong in the statement your manager would have drawn my attention to it when he was writing?—He did.

He only draws attention to the fact that Vestey Bros. have their office in Amsterdam?—I have never seen a pamphlet with more incorrect statements in it than that one.

Then why does he compliment me for it?—I do not know that he did.

He says, "I read with much interest"?—It probably is very interesting to him—very interesting indeed.

The Chairman: That does not necessarily imply a compliment.

Mr. Lysnar: He says, "I heartily concur in the opinion that none but New Zealand interests should be allowed to control our freezing-works."—Quite right. So do I. You never asked what the real statement was, where you were incorrect. Why do not you ask that?

You were associated with Vestey Bros., were you not?—Never.

Not in Australia?—Never.

Another Carney?—Another Carney, perhaps.

A relative of yours?—No. I have not a brother in Australasia.

You say there are more packing-places outside Chicago than in it?—Yes, more packing plants outside Chicago than in Chicago.

You mean more slaughtering-places in America outside Chicago than in Chicago?—Yes.

And meat is railed from all parts of the United States to them?—Not all parts. Meat in America is railed to the nearest packing-place, unless the producer thinks he can get a better price in Chicago than at Omaha or St. Paul.

Does not meat come to Chicago three thousand miles?—If a man sends it that far he has a perfect right to do it. If he thinks Chicago will be the best market that week he sends there. He sends it where he likes.

I think you said the average of the stock coming there comes about eleven hundred miles?—I should think that is about right.

You say that Mr. Armour did not give evidence before the Federal Trade Commission?—Yes.

He had the same right as any one else, I suppose?—No packers ever had that right.

Do you know if he applied?—No; but the Commission's findings were closed up without one packer being asked to give evidence.

But you are not aware whether he applied or not?—No.

You say, "We have not done anything wrong" in connection with the trade. For whom do you speak then as "we"? You say also, "We ship to our own houses"?—Yes.

Whom do you mean by "our own houses"?—Our agents: Armour and Co. of London, or of America, or of anywhere else. We intend to ship to our own houses. That would be the natural outlet for our stuff. But if we can get any more from Jim Jones or John Brown I am going to get it.

You regard your houses as Armour and Co., selling all over the globe?—Yes. "Our" houses—not "mine."

You say "our houses" in that sense?—I mean Armour and Co.'s houses in other parts of the world.

When you say "We have never done anything wrong," you refer there to Armour and Co.?—I refer to Armour and Co. of Australia (Limited).

Armour and Co. of Australia are only started, and have not had a chance?—Well, let us have a chance.

You do not include Armour and Co. of the world?—No; absolutely no.

Why did the London authorities appoint you and other representatives of Armour and Co. to do certain things? Are you not aware that Sir James Robinson is the Controller of the meat question in England for the Imperial authorities?—I understand it.

Are you not aware that Sir James Robinson acted as agent for Armour and Co.?—I am not aware of that fact.

Would you deny it? Did you not make that statement to the Meat Trust Committee in 1917?—I do not think so.

That Sir James Robinson represented Birt and Co., who acted as agents for Armour and Co.?—I do not think I ever made any such statement.

Do you deny that Armour and Co. and Sir James Robinson are associated through Birt and Co.?—To the best of my knowledge and belief that is not so.

You are Washington Irvine Carney, I suppose?—Whom do I look like?

Listen to this: "If you will allow me for a moment to revert to the Birt question, I will say that Birt and Co. are associated with Armour and Co."?—I think I can explain that.

Wait a moment—"with Armour and Co. in the relation of buyer and seller. Armour and Co. handle Birt's products on the London market. At present they are handling nothing but the offal, as the Imperial Government has taken over the Australian supply. That is the extent to which any Armour name is connected with Birt and Co., as their London agents." *Question*: All Birt and

Co.'s stuff is consigned to Armour and Co. of London?" *Answer*: "From Australia, yes." *Question*: "Does this arrangement apply to New Zealand?" *Answer*: "No, sir." *Question*: "Is it not a fact that Birt and Co. own the Ocean Beach Freezing-works?" *Answer*: "Yes, I think that is recognized to be the fact." You acknowledge there that Armour and Co. were associated with Birt and Co.?—Armour and Co. were appointed agents for Birt and Co.'s offals for two years. They handled them for two years after the commandeering.

The statement made before the Meat Export Trade Committee was correct—that they were associated. Your statement now is that they were not?—I say they were associated. I still say so.

And they acted in the capacity of agents between them?—Armour and Co. of London were agents for Birt and Co.'s offals in London. That is the only way in which they were associated, and that does not now exist.

At that time you had Mr. M. W. Kingdon?—He was then general manager.

What has happened to him?—I do not know. He may be dead, for all I know.

How did he come to leave the firm?—I do not know.

Are you not aware that Sir James Robinson controls Birt and Co.?—No, I am not.

Well, if he did, would it surprise you that that accounts for the meat of those associated with Armour and Co. getting preference in these matters?—I do not know anything about it.

If I could produce a copy of Birt and Co.'s share-list showing Sir James Robinson's name?—If you do I shall be convinced, but I do not know that.

You know that Birt, Potter, and Hughes, of London, are the principal owners of Birt and Co.?—I am not aware of that.

You say that the New Zealand works allow the by-products to be thrown away: is that fair?—I think so. I think the bulk of them are thrown away. When one sees what Armour and Co. of Chicago do with the by-products I think it is fair to say that the bulk of the New Zealand by-products are wasted. I am not talking of the fat, or the pelts, or that sort of thing. I am talking about the intestines, the hearts and livers, and that sort of thing, that go into the manure-heap—some of the best food in the world.

You said you sold all that meat to the Imperial Government?—Yes.

Do you know if Armour and Co. bought meat in England from Sir James Robinson, through the Imperial authorities, and then resold to the Imperial authorities?—No, I do not.

Can you account for meat being taken off in the trenches with the tags of Armour on it?—I can account for that easily.

Well, how is that?—Well, we killed meat here in New Zealand which went out of New Zealand bearing Armour's tags. It is very simple. Armour's tags were on every carcase that went out of New Zealand for about a year, and that meat was sold to the Imperial Government with the Armour tags on it. Later on some of your friends in London and Sir James Robinson got together and said, "We will do away with this part of the advertising; we will cut the tags off." For eighteen months we had to put a circled "A" on the tags, instead of the word "Armour."

You say that accounts for it?—I do not say that accounts for it, but it is my solution of it. I do not believe Sir James Robinson ever sold Armour and Co. any meat. That is my own opinion. In fact, the London salesmen saw to that.

Are you not aware that Sir James Robinson is selling to the dealers at Home?—I think he is, but not to Armour and Co. or Swift and Co. No American companies in the country were able to buy any New Zealand stuff. All they could handle outside British firms was just some stuff that was nominated for them.

Have you any definite information that none was sold?—No, I have not.

Mr. Hawken: Under present conditions, you think the by-products could be handled to better advantage?—Yes. In New Zealand the companies take only the meat, the tails, the pelts, the hides, and the wool. They pay for the fat, and handle their tallow.

Do you propose to handle by-products?—Not in New Zealand.

Of course, the works being scattered, the handling of the by-products is done at a disadvantage?—That is so.

Do you think the present works could handle the by-products better than they do at the present time?—Yes.

Mr. Field: Do you think you are suffering from your present difficulty with respect to the issue of an export license by reason of the fact that you came into the open and used the name of Armour and Co.?—I am nearly certain of that.

Do you state that there are no other American packers connected with New Zealand concerns?—I do not think there is one.

You say there is still competition satisfactory to the producers in South America?—Yes, I understand that from Mr. Donaldson, whom I met in Christchurch. He assured me that that was the fact—that the Argentine producers to-day are getting much more for their stuff than they did. He said it was owing to the fact that the American packers came to the Argentine and put up large works there.

What proportion of the trade in South America is done by the American companies?—I think, 59 per cent.

And you say there are British companies operating there to-day?—Yes, British and Argentine companies.

With regard to taxation, you say the reason you have paid none is that you made losses till recently?—Yes. We made losses for two years. In 1918 we made a profit, from which we put aside £8,000, and next year we will pay on the profit we will make this year. I wish it was twice as much, because it only shows my ability to run the concern.

Could you tell the Committee in what way the issue of an export license to you would assist in developing and extending our markets elsewhere? Would it be because you are in touch with, though not in business association with, Armour's concerns in other parts of the world?—I believe that is so—that our competition in other parts of the world will bring you better markets. It will sharpen up the people who have had you under their control for fifteen years, so that they will have to put better methods into their operations. It was not because small concerns in America were grabbing

them by the throat: it was simply that they were not up to date. Not only small but also large packers were driven out of business. Times change, and New Zealand has not changed. Let us come in here, and when we do wrong, then stop us from doing it. It means that if you do not give us a license I shall have to turn out twenty-five Englishmen who are now in my employ, and start in and buy from Mr. Lysnar, and firms of that sort, and the rest of the companies throughout New Zealand. I can buy from the companies all the stuff I want f.o.b., but you do not want that. You want our competition.

Well, if you do not get an export license you are not going out of business in New Zealand?—Not as far as buying in New Zealand is concerned.

You say that in your operations your company becomes the only middleman between the producer and the consumer?—Yes, as far as handling is concerned. We buy on the hoof, and sell to Armour and Co. or any other firm which has branch houses where they distribute from the branch houses to the retail butcher. I do away with the middleman by buying direct from the farmer and selling direct to Armours. If we do not buy here I hope to buy from some one else in New Zealand, and sell to Armour and Co. that way.

Do I understand that in selling your meat you give the first preference to the Armour concern?—Yes.

You naturally do that because Armour is Armour?—I do that because I believe Armours all over the world are well equipped, and they can afford to give the best prices.

But if he does not pay the best price you sell to some one else?—Yes.

Can you amplify your statement that the Federal Trade Commission was set up as the result of political interests?—Yes.

Can you tell us what you mean by that?—Certain interests in America, grocery lines and other competitors, were anxious to see the five big packers go out of business. It was during the war, and there was great influence from un-British concerns who wanted to see the Commission set up. It was set up to go into not only the question of the big packers, but the food situation. It opened up in Chicago, with three or four men at the head, and about a hundred and fifty clerks, and also detectives from the scum of the world—men who had absolutely no ideas of right or wrong. They were not men like Colver, but low I.W.W. men and Bolsheviks, as was afterwards proved by Senator Watson in the House. Their representative came to Colver, and the men who handed it to President Wilson, who took notice of it.

Where did the political interests come in?—Colver, later on, ran for Congressman in a certain district. He was trying to get the consuming public east of Chicago to go in, and he would fight the packers to show what he was doing, and then he would run for Congress. I do not say that was the chief foundation, but it was one of many things that have been going on.

You suggest that this Commission was not set up in the real interests of the producers and consumers?—No, it was not.

Do you say the Commission purposely refrained from inviting the packers to come?—I say they never did invite them. Mr. Armour told me last year that it was a put-up job that they would never be called. They expected to be called, and the first thing they knew the report was printed and handed to the President. They were never asked to substantiate any of the claims of the Federal Trade Commission.

Does not the report carry weight in America?—None at all. You never hear of it. You will not find any three people not directly interested who ever read it.

Then it is not taken seriously?—No; neither by consumer nor producer.

You say that Armour and Co. of Australasia have no interest in any shipping?—None whatever.

As a matter of fact, have you sold most of your meat to Armours for organizations in other parts of the world?—I have never sold a carcass except to the Imperial Government up to date.

You say the producers here are suffering from a combination in London?—I make that statement because I believe the commission men at Home have combined to handle the New Zealand farmer. I see that weekly reports have come from these men. They wanted to keep down competition. For instance, Gordon Woodruff, Fitter, and others have been getting your meat, selling it in London, and getting commission. Armour and Co. of London did that for fifteen years—handled from 350,000 to 400,000 carcasses of your meat every year. We do not want all the meat of New Zealand, but we want our fair share of it.

Had your company anything to do with the recent sale of New Zealand meat in America?—Yes.

Did you actually ship it?—No. The meat was bought by Armour and Co. of London for Armour and Co. of Chicago, from the Board of Trade. That meat, when bought, was shipped to America, and the Board of Trade in London requested that I should inspect the meat that was going for shipment to America, and give the Imperial Government Supplies a certificate that it was a fair shipment of the output of New Zealand.

With respect to the treatment by the United States Government of the report of the Federal Trade Commission, have you any reason for saying that they are not going to carry out any of the other recommendations?—I do not think they are.

You would not be in a position to tell us that they were going to issue their decrees, and that they are not being issued?—I think that is so. I think the thing has never been threshed out and decided, yes or no.

They have not come to any decision?—I do not think so, but I am not quite sure on the point.

About the telegram sent by Mr. Meeker: he directs that the communications shall be in "varied language." You do not justify that?—There are Germans, Frenchmen, Italians, and people of other races in America. That is the only way I can justify it.

The Chairman: They wanted to give them all meat?—I think so. I never saw it before. There are papers all over America in French, Italian, and other languages.

Mr. Field: Then "varied language" does not mean to be letters in different terms to indicate that they were not all coming from one source?—I did not think that when Mr. Lysnar read it.

Hon. Mr. Nosworthy: I understand from you that you consider that it was really what might be called the "Hooligan" element that were responsible for the matter of the packers coming before the Federal Trade Commission?—Yes.

Is it not a fact that the graziers and stock-raisers of the United States were equally interested?—I do not think so. I think the first intimation came from something published east of the Missouri River.

You are not aware that the graziers and farmers of the United States were the principal men who forced the question of the packers' interests to be reviewed by the Commission?—I am not.

And you say that Armour and Co., and Swift, and the other people were not called before the Commission?—Yes.

Were never given any opportunity to attend?—No.

But before the Inter-State Commission?—Yes; but that was another Commission altogether.

The Inter-State Commission was the one that resolved that the National Packing Company, which had been formed and was a combination of all the companies in the United States, should be broken up?—I think that is so.

Several questions have been asked in connection with this matter of the decree in the United States. I will read it. You have been asked whether the decree issued has been carried out, and you said you do not think it has been, or is likely to be?—I do not think that up to the present it has.

The decree runs: "Under this decree the defendants, and each of them, either as corporations or as individuals, are compelled, in brief—(1) To sell, under supervision of the United States District Court, preferably to the live-stock producers and the public, all their holdings in public stockyards; (2) to sell, under the same supervision and in like manner, all their interests in stockyard railroads and terminals; (3) to sell, under the same supervision and in like manner, all their interests in market newspapers; (4) to dispose of all their interests in public cold-storage warehouses, except as necessary for their own meat products; (5) to for ever dissociate themselves with the retail meat business; (6) to for ever dissociate themselves with all 'unrelated lines,' including wholesale groceries, fresh, canned, dried, or salt fish (and other specified classes of goods); (7) to for ever abandon the use of their branch houses, route-cars, and auto-trucks, comprising their distribution system, for any other than their own meat and dairy products; (8) to perpetually submit to the jurisdiction of the United States District Court under an injunction forbidding all the defendants from directly or indirectly maintaining any combination or conspiracy with each other or any other person or persons, or monopolizing or attempting to monopolize any food product in the United States, or indulging in any unfair and unlawful practices. The decree further provides that jurisdiction is perpetually retained by the Court for the purpose of taking such other action or granting such relief, if any, as may become necessary or appropriate." That is the decree, but I understand from your evidence that you did not think it was likely to come into force?—I do not think I said that.

Well, you were not sure, but that is the advice I have from the Attorney-General of the United States, under date the 18th February, 1920. The covering letter says, "I transmit herewith my statement given to the Press on the 18th December, 1919. I have made no other official statement. The decree in this case will shortly be entered, and I have directed that a copy thereof be sent you." I wished to draw the attention of the Chairman of this Committee to the fact that this decree has been issued; that it is the finding of the United States Government; and that they propose under the latest advices I have to carry into effect the finding of the Commission, and the decree issued. If the Committee wish to have any further information I have the papers in connection with the matter?—When this report came out in a paper here I cabled to Armour and Co. of Chicago and asked them what effect the abolishing of these things would have on the Armour Company of Chicago or the Armour Company of New Zealand. They cabled back that they were going out of nothing but the grocery lines inside two years.

But the decree says they will be out of the other lines?—Well, they have not been.

The letter informs me that it is the intention of the Attorney-General of the United States to put out of operation the things which it is settled that they shall be out of?—I do not think they will. From past experience of Attorney-General Palmer, he has tried to do a lot of big things and has never accomplished any of them, and I do not see why he should achieve any more in this.

The decree says, "It would be necessary to . . . (c) compel the defendants to desist from dealing in certain of the substitute foods and certain of the unrelated commodities; (d) limit the interests which the individual defendants might have in corporations handling certain substitute foods and unrelated commodities; (e) dissolve any and all contracts, combinations, and conspiracies in restraint of trade or commerce between the several defendants; (f) prevent said defendants from maintaining such contracts, combinations, or conspiracies with each other, or from entering into further contracts, combinations, or conspiracies with each other or with other persons"?—I wish you would bring all this into force in New Zealand.

Mr. Lysnar: I have the President's instructions to the Commission. It is the letter of the President of the United States to the Chairman of the Veeder Commission in London, and these words appear in it: "Pursuant to the authority conferred upon me by the Act creating the Federal Trade Commission, therefore, I direct the Commission, within the scope of its powers, to investigate and report the facts relating to the production, ownership, manufacture, storage, and distribution of foodstuffs—"?—That is what I said.

You said it was groceries, and that sort of thing?—I said "foodstuffs."

It proceeds: "and the products or by-products arising from or in connection with their preparation and manufacture; to ascertain the facts bearing on alleged violations of the anti-trust Acts, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest. I am aware that the Commission has additional authority in this field, through the power conferred upon it, to prevent certain persons, partnerships, or corporations from using unfair methods of competition in commerce. I presume that you may see fit to exercise that authority upon your own initiative without direction from me. The Department of Agriculture has been engaged for several years in studying problems of distribution. I have noted that it has been proposed in Congress to add to the funds of the Department, and give it larger powers to conduct its investigations. As its activities will touch phases of the problem I am calling to your attention which may not be covered by your inquiry, and may furnish information of great importance for the purposes contemplated, I shall direct that Department to co-operate with you in this enterprise." After hearing that

statement read do you still say it was only to inquire into groceries?—I do not think I said “only groceries.” I think I said “foodstuffs.” If I did say groceries I withdraw it, and say foodstuffs, but not packers. I say the Commission was never set up to inquire into the packing industry of America. Will you show me where it says “packers”?

It says, “storage and distribution of foodstuffs and the products or by-products arising from or in connection with their preparation and manufacture”?—But does it say “packers”?

Hon. Mr. Nosworthy: Reference has been made to the fact that the price of stock in the Argentine was kept up. I would like to draw your attention to the evidence given by Mr. Millward before the Meat Export Trade Committee on the 8th August, 1917. He said that in Argentine at that time special bullocks were bringing from £14 to £15 15s., and that at the same time New Zealand bullocks were bringing about £20 per head?—Yes; but for an entirely different class of cattle from what you were selling here for £20 per head. I say that in 1917 the New Zealand £20-per-head cattle were worth more than the £15-per-head cattle were in the Argentine for quality alone. I bought two bullocks a while ago in Dunedin for £46 and £57. I had them frozen at the Belfast works. If they had been in America I would have given £85 apiece for them. It was because they had quality in them, and that is where New Zealand has never had justice. I say that the advent of Armour and Co. to New Zealand would pay the producer for quality.

I take it that this would be for the ordinary average beast in the Argentine, as well as the average in New Zealand—the ordinary average grade of fat cattle?—I really cannot say. I gave the information I got from London as to the Argentine.

Mr. Jones: Does any company, in your opinion, register its capital and, in addition, its letter of credit, and pay tax on that?—No.

Suppose that the object of Armour and Co. of Chicago was, as suggested, to gain control of New Zealand meat, could they do it without coming to New Zealand, buying, or giving you or Mr. Lysnar authority to buy, all the meat at 1d. per pound higher than any one else could buy at?—They could, but Mr. Armour is not that kind of business man; but it could be done.

FRIDAY, 17TH SEPTEMBER, 1920.

HON. SIR WALTER BUCHANAN examined. (No. 15.)

The Chairman: The Committee understand, Sir Walter, that you are prepared to make a statement with regard to this petition. We will be glad to hear what you have to say?—Mr. Chairman and gentlemen, with reference to the petition of certain settlers of Canterbury praying that a license be granted to Mr. Armour, I think I had better first say a few words as to the interest that I have taken in the subject of meat-export. Away back in 1883 I was in charge of the freezing of the first shipment of frozen meat sent from the North Island. Until last year I was continuously a director of the Wellington Meat Export Company, a period of thirty-six years. Also, in order to gain information in regard to the meat trade there, I visited America more than once, going through the principal packing-houses inquiring as to their methods of working. In regard to the petition, I understand that the principal point of the signatories is that they want the license granted to Mr. Armour in order to have more competition. Looking at the history of Armour and Co. and their compatriots in the “Big Five,” it appears to me that that would be the last thing they could expect from such a source, because, studying the matter to the best of my ability, wherever they have operated—and they are now operating pretty well all over the world—their constant aim is monopoly—to kill competition in order that they may command the supplies from the producers at the lowest price, and also to get the highest price from the consumers. In fact, the investigation that was recently made by what is known as the Federal Trade Commission—appointed by President Wilson to take evidence all over the United States, with powers of entry to strong-rooms and offices of the packers—showed that the only conclusion they could arrive at was that the “Big Five” had so perfected their organization as to be able to dictate the price given to the producers as well as that paid by the consumers. One of the complaints of Mr. Armour and the packers generally was that they were given no opportunity of giving evidence or of cross-examining the witnesses who came before that Commission. The minutes of the evidence which I have here before me show that Mr. Armour never asked to be given the opportunity of giving evidence before the Federal Trade Commission. At the same time Mr. Armour was before a Committee of Congress, and some three hundred pages of the hearings are occupied by his evidence. As a matter of fact, I have come to the conclusion, after reading over the evidence carefully, that the packers were so alarmed at what they knew was bound to come out in evidence that they did not venture to apply to Mr. Heney, who was charged by the President of the United States to conduct the Trade Commission investigation. In fact, so great was the panic amongst the packers that, instead of appearing before the Commission, Mr. Armour on his part admits, as shown in the evidence, that he spent £200,000 in one year in advertising and propaganda in order to counteract the effect which he was satisfied that the evidence given before the Commission would create in the United States. It is also in evidence that Messrs. Swift and Co. spent at the rate of £200,000 a month in propaganda work at the same time and for the same purpose. The Committee can refer at any time to the page where this evidence came out.

Mr. Jennings: Had you not better give that now—it would save time, and I would like to have a look at that volume?—The evidence as to Mr. Armour is on page 564 of the evidence before the Committee of Congress. The evidence of Mr. Swift is on page 56. On page 743, following the question of propaganda, is an acknowledgment by Mr. Armour in giving his evidence that for a long time they had pursued a policy of silence, and he makes the admission that silence had been a poor policy for the packers. Obviously they had completely changed their policy, as proved by the enormous expenditure which they incurred in the propaganda work which they immediately instituted. Swift and Co. and others had employed a Mr. Logan, who had a propaganda bureau, and it is on record on various pages of the evidence that Mr. Logan was in receipt of something like £8,000 a year.

Mr. Lysnar : Who is Mr. Logan ?—He was a man engaged by Mr. Swift and others.

Who was he ?—A newspaper agent. It is in evidence also that one of the principal newspapers in connection with the meat trade, the *National Provisioner*, was in receipt of £1,000 annually from each of the two chief packers, Messrs. Armour and Swift.

Does that record show that the proprietors of the newspapers did not know of that—that it was given secretly ?—Yes, that is so.

What page is that recorded on ?—Page 749. On pages 749-50 there is the following letter to Mr. Swift from a Mr. White, one of Mr. Armour's principal men, who is stated in the evidence to enjoy a salary of £17,000 a year :—

“ Mr. Louis F. Swift, Office.

Chicago, 15th November, 1916.

“ MR. C. L. CHARLES, of Morris and Co., says that they do not feel that the present plan for advertising in the agricultural publications alone is sufficiently broad, but that we should also make some effort to educate the consumer. On the other hand, they do not feel that they would want to participate in any expenditure large enough to influence the consumer in a comprehensive and effective manner, so their position is not logical.

“ We called a meeting Monday, November 13, at Mr. Charles's request, at 3 o'clock at Mr. Veeder's office, and all were present with the exception of Mr. Charles, who telephoned at a quarter past three that he was tied up in Judge Baum's Court on a case for Edward Morris and could not be present at the meeting.

“ Mr. Skipwith, of Wilson and Co., says they do not approve of an educational advertising campaign at this time, but would rather start with some kind of a bureau which might furnish men to address live-stock men's conventions, write letters to newspapers, and otherwise promote educational work towards the development of 'more and better live-stock' and the eradication of disease.

“ Mr. Creigh, of Cudahy and Co., says they are in favour of a programme somewhat similar to that proposed by Mr. Skipwith, but at the present time do not wish to participate in an educational advertising campaign.

“ Mr. Laughlin, of Armour and Co., and the writer feel that there is no possibility of being able to get on to a common ground with Wilson and Co., Morris and Co., and Cudahy and Co., so they will co-operate, and think it might be well for Armour and Swift to consider doing this work individually.

“ I suggest that a meeting be arranged, if agreeable to you and Mr. Meeker, so that Messrs. Chaplin, Laughlin, Veeder, and the writer can talk the matter over with you two gentlemen.

“ Awaiting your reply,

“ A. D. W.”

In connection with this advertising campaign and the use of the word “education,” it comes out in the evidence that while advertising is a necessary adjunct to every commercial business, the enormous cost of propaganda which I have mentioned was incurred wholly to counteract the evidence given before the President's Commission.

Mr. Lysnar : Might I here clear up one point ? Mr. Veeder is the head lawyer for Armour and the others ?—No, the head counsel for Swift and Co.

And also for the whole combination ?—Yes, he was the manager of the pool for years.

Which included Armour and Co. ?—Yes. Now, Mr. Armour in giving evidence made use of the following language : “ I wish to impress upon this Committee this fact : that the business of Armour and Co. is conducted in accordance with the highest and best business ethics of the day.” In another place he makes use of the following language : “ I desire to say with all the emphasis that words can convey that Armour and Co. are not now and have not been for many years a party in the most remote degree to any pool, arrangement, agreement, or combination of any kind whatever for the control, regulation, or limitation, or restriction of production of live-stock, or the sale of any of the products or by-products thereof. Any and every statement which charges that such a combination or arrangement exists is untrue.” Now, as to the business ethics of Mr. Armour, I have something here that I wish to put before the Committee, so that they may interpret for themselves the real meaning of the quotation I am going to make :—

“ Mr. Heney : Do you recall this telegram [reading] : ‘ Washington, July 7 '—This is a telegram from Arthur Meeker to Mr. White, both of whom are directors of Armour and Co.

“ Mr. Armour : Yes, sir.

“ Mr. Heney [reading] : ‘ We all agree—’

“ Mr. Armour : What date is that ?

“ Mr. Heney : Washington, July 7, 1916. I think that is the day that the Judiciary Committee of the House got the Borland resolution reported to it by the sub-committee, or took it under consideration anyhow, or the sub-committee took it under consideration on the evidence. I think the evidence closed on July 7. [Reading resumed :] ‘ We all agree that it is very important to flood the Judiciary Committee with telegrams from all over the country, and especially the districts where the members come from, protesting against the passage of the Borland resolution, on the grounds live-stock selling at very satisfactory prices and any investigation will only disturb present satisfactory conditions. Please arrange a meeting this morning with Veeder and Nelson Morris. Get a committee to work on this promptly—presume banks, commission men, feeders of cattle, and live-stock men generally, and any one else you can think of that would be helpful. Think messages should also be sent to Congressmen as well as members of the Judiciary Committee. The Congressional Directory can give you the list of their names and where they come from. I refer to the Judiciary Committee, and not to the sub-judiciary committee. It is quite important to reach Gard, of Hamilton, Ohio. Perhaps Proctor, of Cincinnati, knows him. Please get as much action as you can on this, and promptly, and have the messages sent varied in language.’”

This is somewhat of a repetition of what came before this Committee at its last sitting, but the point I wish to make was not alluded to.

“ A large number of telegrams—

“ The Chairman (interposing) : I do not know about the general wisdom of that suggestion, although varying the language was a very good suggestion. (Laughter.)

“ Mr. Heney : Do you recall anything in regard to that telegram ?

“ Mr. Armour : I never happened to have seen the telegram, but I guess it is likely that happened.

“ Mr. Heney : Do you remember that the banks and the Chambers of Commerce and commission men around in the various stockyards centres were importuned by Armour and Co. and Morris's representatives, and Cudahy and Wilson ?

“ Mr. Armour : I do not know, Mr. Heney, that it was so, but I would think it quite likely to do so, because we would do what you or any other person would do that you could do legitimately. We are not asking for investigations, naturally, and I see nothing wrong about carrying out any of those provisions.”

Now, the point I wish the Committee to consider is where the laughter could come in unless there was a suspicion or a certainty in the minds of the Congress Committee that these telegrams were bogus telegrams emanating from the same source, and that it was necessary to vary the language in order to conceal the fact. At all events, I want to point out to the Committee that this telegram and the use that was made of it was very far from being in accordance with the lofty ethics professed by Mr. Armour. Now I pass on to the other point—namely, as to whether there was or was not any combination between the packers. I may say that the most careful perusal of these two books of evidence has convinced me that the evidence is overwhelming that there was constant collusion and combination between the packers, of which Mr. Armour must have been very well aware. I will try and give some conclusive evidence of that. On page 9 appears the following :—

“ Senator Norris : Mr. Heney, the Bill that we have formally before us is known as the Kendrick Bill. There is pending also in the Inter-State Commerce Committee the Bill that was submitted, as we understand, by the Federal Trade Commission to the President. Now, you were connected with the investigation made by the Federal Trade Commission, and we would like to have you go ahead in your own way, perhaps later referring to these Bills, by pointing out to us what in your judgment the conditions are, and what remedy ought to be applied in the way of legislation, if any.

“ Mr. Heney : I can summarize it by saying that the evidence gathered by the Federal Trade Commission convinced me that the five large packers—Armour and Co., Swift and Co., Morris and Co., Wilson and Co. (Inc.), and Cudahy and Co.—have what is in effect a monopoly of the meat business of the United States, and have it so entrenched by similar control over other meat-producing countries that are tributary to the United States—I refer particularly to South America—that they are able to absolutely overturn the natural law of supply and demand in fixing the prices to the producers as well as in fixing the prices to the consumers.”

Then, on page 10 we have the following :—

“ Senator Norris : Mr. Heney, when they ship frozen meat in the refrigerator cars and put the local fellows out of business, you say they sold it at less than cost : do you mean at less than cost to them ?

“ Mr. Heney : Oh, frequently, yes. And to-day they are doing exactly the same thing. If a co-operative establishment or any independent establishment looks as if it might eventually amount to something substantial, Armour, Swift, Cudahy, Morris, and Wilson will take turns at selling meats below cost in the vicinity of the customers of this concern : one will sell below cost one week, and another will sell below cost another week, and another one below cost another week, and so on—they take turns at it. In that way they make it a losing proposition for even the raisers of beef, hogs, or sheep to do their own slaughtering through co-operative arrangement. They make less money, so that the producer gets less for his animals than he could get by selling to the packers direct ; and naturally they have kept down the tendency towards co-operation, and have destroyed those who did get into it, or else kept them from becoming of any importance by size.

“ Senator Norris : And when they put them out of business they put the price up ?

“ Mr. Heney : Oh, yes, invariably. It does not result in any gain to the consumer in the long-run. Not only that, but Swift and Co. adopted the policy—and I think it has been the policy of all of them in different sections of the country, but it was particularly noticeable in the New England States of killing off local production, say, of sheep, where in New Hampshire—I am not so certain about Vermont, but I think Vermont also—and Massachusetts, where they raise sheep, Swift, who gained the great ascendancy in the New England States, probably as a matter of pride, because he had come from there originally, got control of all the New England States, and he put the price of mutton so low that he drove most sheep-raisers out of business in the New England States.

“ Senator Norris : Are they still out of business ?

“ Mr. Heney : Yes.

“ Senator Norris : Well, that meant, did it not, that to that extent there was a shortage in the supply of those food products ?

“ Mr. Heney : Certainly ; and the idea was not to permit them to be grown or raised in the vicinity of the large cities where Swift and Co. were selling this refrigerated meat killed in Chicago, because the sheep-raiser could afford to sell his meat to local markets, and they in turn to slaughter them and sell them at a price lower than Swift could slaughter them in Chicago and refrigerate them and send them to New England.”

Then, at the bottom of page 11 we have the following :—

“ It is admitted—shown by the evidence and conceded by the packers—that for many years they did have the benefit of railway rebates.”

This, however, does not concern us very much in New Zealand, because our railways are under Government control, but it shows they were getting the advantage of benefits when they had the power. Continuing the same statement Mr. Heney goes on to say :—

“ They had such an economic advantage by the rebates and refrigerator cars that they gradually forged so far ahead of their other competitors that there was no chance for the others to catch up ; and then, in 1902, while there were still a dozen good packing plants in the country, and at a time when

the Government had commenced to investigate the packers, and subsequent to the enactment of the Sherman anti-trust law, which itself had grown out of the investigation of the packers, as shown by a report of a Committee of Congress, the three largest ones—Armour, Swift, and Morris—conceived the idea of merging all of the big packing plants and practically all of the packing plants in the United States into one concern; and they got the promise of Jacob Schiff, of Kuhn, Loeb, and Co., of a backing of £12,000,000 in the way of a loan or floating their bonds.”

That was to make the whole of the packing interests into one; and I would ask the Committee to consider where the competition in the United States would have been had the scheme of the “Big Five” been against it. Where would the producers on the one hand and the consumers on the other have been if the packers had been able to carry through their scheme? I do not want to occupy the time of the Committee unduly, but I would like to state here that in this volume evidence is given which shows that another attempt was made in the same direction—to have the whole packing industry of the United States merged into one huge concern to extinguish competition and complete monopoly. Then, on page 64 Mr. Heney goes on to show that the big packers proceeded to put the co-operative concerns out of business. He says,—

“Let me illustrate now how this is done, if I may. Here is Hormel, at Austin, Minn.—that is one of the largest independent concerns left in the United States in the pork-packing business outside of New England. There is Morrell at Ottumwa, Iowa; and Jacob Dold at Buffalo, who has a plant at Wichita; and Hormel at Austin, Minn. Hormel has one of the most modern plants in the United States—about a million-dollar plant—a beautiful plant. He conducts his business in a modern way. He started as a butcher-boy, driving a wagon, and has grown up with the business. He is located in the centre of one of the finest hog-producing regions in the United States. He adopted the policy of paying to the farmer who will deliver at his door, either in wagons or by train, the Chicago price of that morning—of the morning of the day of delivery. That would save the farmer the freight to Chicago and the commissions he would have to pay; and Hormel grew from practically nothing to this million-dollar plant. His employees are allowed to own stock in the corporation. If the employee quits he must surrender the stock; but he gets book value for it, so that if it has increased any in value he gets that increased value. Hormel is producing his hams and bacon as efficiently as any big packing company in the world. He is competing in Chicago with fancy hams and bacon very successfully with the so-called big packers. Before Tom Wilson became president of Sulzberger, Sons, and Co. later Wilson and Co. (Inc.)—Sulzberger, Sons, and Co. went twenty-five miles away from Austin to Albert Lea, where there is a line of railroad, where there was a plant that had gone out of business, and bought it and rehabilitated it—just a small plant—and started buying hogs around Hormel. Cudahy also got a concentration station established 100 miles up the railway the other side of Hormel—the other side coming from Chicago; and a concentration station means that hogs shipped in from the other side toward Chicago may be unloaded at this station, sorted, graded, and reshipped on the original through freight. We found in the files of Wilson and Co. correspondence and instructions that their men were instructed to go and buy all around Hormel and as close to him as possible, and even to buy at a loss, and ship straight to Chicago over the railroad on the other side of Hormel, the object being to force Hormel to go farther away from home to buy his hogs, and to incur the freight cost on his hogs which the big packer incurs in Chicago. I called Mr. Hormel to St. Paul as a witness, subpoenaed him, and I asked him how far he had to go from Austin now—he used to get all of his hogs in the immediate vicinity—and he said he had to go a thousand miles for a considerable portion of them, away out the other side of St. Paul for many of them, by reason of the fact that this buying was taking place around him. After surrounding him and doing this, then they approached him on the proposition of buying him out, and I found the correspondence to that effect.

“Another illustration of the menace of the banking control in the packing business—and again I make no charges—I only want to show the situation. Old Jacob Dold’s companies ‘roll’ about 1,000,000 dollars of notes—you know what I mean by ‘rolling’ his notes—they keep renewing their notes or paying them as they fall due by putting new notes in some other banks. They borrow from Peter to pay Paul. This is a common business practice. The notes are usually bought and sold by note-brokers.

“Senator Kenyon: Before you get away from the packing situation in Chicago, are there other banks known as Armour banks?

“Mr. Heney: The Continental Bank was founded by Philip Armour, and J. Ogden Armour is the dominating factor in it. The Fort Dearborn National is known as the Swift bank. The Hibernian Bank is a subsidiary of the Continental Commercial, and, as you gentlemen all know, it is the practice nowadays for each large bank to have a number of associated banks that are controlled by it, or that are allies at any rate; and from my study of the banking conditions in Chicago I should say that the National Bank, Continental Commercial, and the Fort Dearborn Banks, with their subsidiaries, come pretty nearly dominating the financial situation in Chicago.

“Senator Wadsworth: Mr. Heney was going to say something about Jacob Dold and Co. I must go in just a minute to attend another meeting, but I happen to know something about that company.

“Mr. Heney: Jacob Dold and Co. is rolling these notes. The Chase National Bank got 20 per cent. of the stock of Wilson and Co. in this deal by which Wilson and Co. was organized. There is a committee of three bankers, representing Kuhn, Loeb, and Co., the Chase National, and the Guaranty Trust Company respectively, that have a veto power on Wilson’s purchases, and Wilson and Co. started out on a campaign of acquiring additional plants and facilities.

“Senator Norris: Mr. Heney, did your investigation show anything about a farmers’ co-operative packing establishment that existed, or does exist, at Madison, Wis.?

“Mr. Heney: Yes.

“Senator Norris: Do you know anything about that?

“Mr. Heney: I think that is the company Mr. May is at the head of, is it not?

“Senator Norris: I do not know.

“Mr. Heney: If it is, I have his testimony in regard to how they treated him.

“Senator Norris: What did they do to him?

“ Mr. Heney : Mr. May’s testimony is that the big packers would take turns at selling meat in his territory below cost. One would sell below cost for a week, and then the next week another one would sell below cost, and so on.

“ Senator Norris : What has been the result there ?

“ Mr. Heney : Of course, it takes his customers away from him.

“ Senator Norris : Is he still in business ?

“ Mr. Heney : I think he is—that is, he was at the time I took his testimony, but I have not heard of what has become of him since. . . . They take turns at that, and in that way they gradually put out of business the small ones. And then another way they are doing, the wholesaler is being eliminated. In practically every hotel that is built now in any one of the large cities some one of the big packers takes stock. For instance, Armour has 250,000 dollars stock in the Baltimore Hotel. Each one of the big packers has in these large cities what they call a supply company. They have them right here in Washington, by the way, and these supply companies are not organized in the name of the big packing companies.

“ Senator Kenyon : Which hotel do they own stock in in Washington ?

“ Mr. Heney : They have stock in the Washington, and I have forgotten whether the others were put up before they started this plan or not.

“ Senator Norris : Do they want to control the hotels, too ?

“ Mr. Heney : They do not want to control the hotels : they just want to control the sale of all the food-supplies to the hotels.”

I do not know whether the Committee would wish to have any more of the numerous instances recorded and ascertained in the investigation that took place before President Wilson’s Federal Trade Commission. It was stated here last week before this Committee that the scum of the population was brought before the Trade Commission to prove all sorts of charges against the packers. I have no knowledge of my own, beyond what I take from the evidence taken by the Trade Commission ; but when it comes to be considered that to Mr. Heney and those who were charged with the conduct of this investigation were given the powers of entering the strong-rooms of the packers and putting witnesses upon oath, it is surely an unwarranted assertion to make to say that the evidence taken by that Commission was given by the scum of the population. I have read to you the declaration of Mr. Armour, made before the Committee, that there was no combination between the packers ; but the evidence contained in these two volumes is overwhelming that that was not a correct statement, and that the packers were in combination all the time. Now, sir, I want to quote a statement as to the extent of the monopoly controlled by the packers. This is from the report of the Federal Trade Commission, page 33, and is as follows :—

“ Extent of ‘ Big Five ’ Ownership and Control.—The Meat Industry.

“ The most satisfactory single index of the proportion of the meat industry controlled by the ‘ Big Five ’ is the fact that they kill, in round figures, 70 per cent. of the live-stock slaughtered by all packers and butchers engaged in the inter-State commerce. In 1916 the ‘ Big Five’s ’ percentage of the inter-State slaughter, including subsidiary and affiliated companies, was as follows : Cattle, 82·2 ; calves, 76·6 ; hogs, 61·2 ; sheep and lambs, 86·4. Illustrative of how completely effective competition has been eliminated from the meat industry is the fact that there is only one independent packer—Kingan and Co.—who slaughters as much as 1 per cent. of the inter-State total of hogs.

“ The big packers, in presenting their case to the public, have given great emphasis to certain figures purporting to prove that the ‘ Big Five ’ handle ‘ not to exceed one-third of the total meat-production of the United States.’ These results can be obtained only by juggling figures : for example, by omitting from the ‘ Big Five’s ’ total the animals slaughtered by their affiliated companies. Their statement is further deceptive, because under ‘ total meat-production of the United States ’ are included all the animals killed on the farm for home consumption. On this theory monopoly could not be considered to exist in the meat industry, even if every pound of meat consumed in towns and cities were handled by a single company, so long as farmers continued to kill their own hogs and cows.

“ Control of the meat industry carries with it not only control of all kinds of fresh and preserved meats, but in addition a very great competitive advantage in more than a hundred products and by-products arising in connection with their preparation and manufacture, ranging in importance from hides and oleomargarine to sandpaper and curled hair. In all these lines the ‘ Big Five’s ’ percentage of control, as compared with other slaughterers, is greater even than the percentage of animals killed, because of the fact that many of the small packers are not equipped or have been unable to utilize their by-products.”

I have in my hands references to substitutes for meat—that is, the hundred-and-one supplies that the packers control, such as rice, wheat, and so on. Perhaps I had better not touch upon that point.

Mr. Lyssnar : There is the question of rice, which it might be wise to consider?—There is a reference to that on page 36 of the same volume, which I will read for the information of the Committee :—

“ Armour’s drive into the rice-market in a single year is perhaps the most striking instance of the potentialities in this direction. Early in 1917 Armour and Co. first undertook the handling of rice, and in that one year sold more than 16,000,000 lb. of rice, thus becoming at a single move, on the statement of the vice-president of the company, ‘ the greatest rice-merchant of the world.’ During this period the wholesale price of rice increased 65 per cent.”

Mr. Chairman, New Zealand within a very recent period has been deeply interested in hides. Here is a quotation about hides :—

“ In addition to the far-reaching ownership and control in the various branches of the food industry outlined above, the ‘ Big Five ’ also occupy an important position with reference to the clothing of our civil and military population through potential control of the hide and leather markets of the United States and of a considerable proportion of the total wool-production.

“There is no question of their dominant position with reference to hides and leather. The ‘Big Five’ not only handle more than three-fourths of the hides and skins produced by inter-State slaughterers, but directly, through their subsidiaries or through leases and contracts, tan a large part of the leather produced in the United States. The big packers occupy an even more important and profitable position in the hide and leather industry than these statements indicate, because of the fact that their hides receive a higher grading than those of independent packers and butchers, whose hides are arbitrarily classed as ‘country hides,’ and that they control a large share of hide-imports.”

The same position applies here. Of course the butchers’ hides are not slaughtered or cured with the same care.

“Finally, the packers’ storage facilities and strong financial position make it possible for them to manipulate the markets and dispose of their product without regard to supply and demand. It is admitted in correspondence of the big packers that during the past year, when leather was in enormous demand, certain of the ‘Big Five’ hoarded hides in immense quantities for the purpose of inflating the already unreasonable prices that (to quote their own correspondence) ‘We are forced to pack them in our cellars and outside in the open, but have reached the point now where we have no place to go with any more.’”

No wonder the New Zealand market for hides was demoralized! The packers have control of a large number of banks. Mr. Heney goes on to say,—

“The cattle-loan bank is the institution through which loans are effected for the purchase of cattle for breeding and fattening. How jealously this monopoly of making loans at the yards is guarded appears from the example at East St. Louis, where the packers would not permit the establishment of a rival bank within half a mile.”

Mr. Lysnar : Do not the records show that the “Big Five” have under their control over five hundred affiliated companies, besides these banks?—Yes. Now, sir, I wish to refer to a letter from Mr. Armour to the editor, published on page 71 of the report of the Congress Committee. Mr. Armour says,—

“For the Editor.—At the recent meeting between several farm journal editors and packers at Chicago, about which you have already been advised if you were not actually there, one of the editors said, ‘Many farmers have asked me who owns the stockyards—the packers or the farmers? Do the packers own the stockyards and sell hay? Just how are they owned?’ Here are the facts: Toward the close of the Civil War, when Chicago was becoming the great live-stock centre of the Middle West, it became necessary to provide some means for taking care of consignments of cattle sent to the Chicago markets. What was regarded as the most desirable provision was a sort of public watering and feeding place, where live-stock might rest and regain good form after the trying train journey. It was proposed to form a company to finance this public necessity, and, naturally, those most interested in the buying and selling of live-stock were looked to to supply the money. Commission men, dealers in live-stock, speculators, bankers, and packers, both great and small, all joined together, and in 1865 the United Stockyard and Transit Company was formed. It is this company which owns and controls the stockyards. The packers do not control the yards in any sense whatsoever though, and they are held to the same rules and receive the same treatment as any one else doing business in the yards.”

As a matter of fact, as is shown by the evidence here, every agent—and the number of them can easily be ascertained—is bound down, when he sells any cattle in the yards, to hand over any dead or injured animal to the absolute control and disposal of the stockyard people. Also, as to hay for feeding the cattle, he must pay the rate fixed by the stockyard company. There are quite a number of dead animals taken over by the stockyard company at an arbitrary price fixed by the company. It is included in the agreement. As to the hay, the price of that, too, is fixed by the stockyard company. The records show that enormous profits are made out of boiling down or “rendering” (as they term it) the dead animals and selling the hay. It is at the expense of the producers that these profits are made. I have a reference to these stockyards companies which reads as follows:—

“The annual business of the stockyards companies of which the ‘Big Five’ have complete or partial control now comprises 83 per cent. of the entire stockyards business of the country. Here I have the stockyards, the proportion of receipts of live-stock at yards controlled by the ‘Big Five,’ including Chicago, and proportion of receipts at all yards in which the ‘Big Five’ have any interest, to the totals at all yards in the United States, for the year 1916 (calendar year).

“Senator Kendrick: Does that 83 per cent. mean that they buy and slaughter 83 per cent. of the live-stock that are bought for slaughter in the yards?”

“Mr. Heney: No; this means that the thirty-three yards in which the ‘Big Five’ have these interests handle 83 per cent. of the entire stockyard business in the United States.

“Senator Norris: That they control?”

“Mr. Heney: And the packers control these yards.

“Senator Norris: In those thirty-three places.

“Mr. Heney: They do not have a majority of stock in all thirty-three; but, as you can readily see, Senator, if five big packers, or two of them, or one of them, has 25 or 30 per cent. of the stock in one of these companies it is to the interest of the owners of the balance of the stock to operate very largely as the big packer wants them to operate, because as a business proposition the big packers have been able to hold them up and make them give them interests merely because of the potential power of the big packers.”

Here is a statement, which came out in the evidence, of the profits of the “Big Five”: In 1912 their profits amounted to £3,743,000; in 1913, £4,405,000; in 1914, £4,421,000; in 1915, £8,012,000; in 1916, £12,150,000; in 1917, £19,127,000.

Mr. Jones : What is the capital?—The evidence does not give that.

Mr. Lysnar : Their profits have gone up to £20,000,000 since 1917?—Yes, I believe so. Now, sir, I have come across an extraordinary state of affairs disclosed and proved by the Federal Trade

Commission. There were three men in the employment of Armour and Swift who were stated to be in enjoyment of £2,000 a year each from the packers, and who were also getting 1 dollar a year from the Food Controller, Mr. Hoover. The reason given for the payment of the dollar a year was that these three men were also in the employment of Mr. Hoover in connection with the control of food bought from the packers and its shipment for the purpose of feeding the Army. These three men were to a large extent instrumental in fixing the prices at which the supplies were furnished—canned goods and meat of all sorts supplied by the packers to the Government of the United States.

Mr. Carney (Armour and Co., Limited, Australasia): I would like to ask whether that was not so in all the other industries during the war—that for all classes of work during the war men in America, instead of taking huge salaries, accepted a dollar a year for the work they did for Army and Navy?—I am not in a position to argue that point. I merely give as my authority these volumes of evidence, and they are absolutely indisputable.

Mr. Carney: It is very misleading.

Mr. Lysnar: Was it not the apparent intention of these three men to represent to Mr. Hoover that they were prepared to give their services practically for nothing for national purposes during the war?—That is not in the evidence.

I do not say it is in the evidence. They pretended they were serving the United States for a nominal figure?—As far as I have read, I have not come across that view as applied to this extreme position. It may have been so—I cannot tell.

Is there anything in the evidence to show that Mr. Hoover knew that they were getting £2,000 from the meat-packers?—Oh, yes, the statements are there.

But when they were engaged by Mr. Hoover? Was it only discovered after Mr. Hoover had engaged them that they were receiving £2,000 a year from the packers?—I have not come across that. The statement is simply made by a witness who had access to all the papers, that they were getting this £2,000 a year from the packers and a dollar a year from the State.

What were the names of the two packers whose servants they were?—Armour and Swift. Now I wish to make a general statement as to the large sums received by the “Big Five,” in amounts proportionate to the size of their business and so forth, from Chambers of Commerce throughout the United States. In the case of Chicago, for example, the packers exacted large sums of money from the municipality to induce them to continue their stockyards at Chicago. The record shows that in the case of Armour he was paid £600,000 on condition that his stockyards remained in Chicago for fifteen years. In various parts of the United States this sort of thing was quite current: certain packers, according to the circumstances of the case, exacted so-much money for the trade they brought into the different localities. In Mr. Armour’s case the amount was £600,000. So also to conceal the large profits made by the packers out of these stockyards, the capital was watered by adding these bonuses, and the percentages of profit made to appear much less than they really were. A great deal of this sort of thing was done in the United States, and the large sums in bonuses thus demanded and obtained were made use of to inflate the capital and so apparently lessen the percentage of profit. I think, Mr. Chairman, in deference to the desire of the Committee to shorten the proceedings of the Committee as much as possible, I will conclude by again pointing out, as I did before, that the granting of the license to Mr. Armour, or to any member of the “Big Five,” would be enormously to the detriment of New Zealand, assuming that their policies after obtaining licenses would be of the same character as that which has obviously been pursued by the “Big Five” for the last fifty years in the United States. Not content with the complete monopoly of the meat trade, they reached out into the control of numerous articles, numbering something like eight hundred of the necessities of life; and if a similar condition obtained in New Zealand it is unnecessary for me to point out the enormous injury it would be to our best interests. The production of live-stock in New Zealand is of peculiar importance to this country. The industry is the basis of all our prosperity. Indeed it is obvious that we should be seriously crippled to meet our obligations were we dominated with monopolies such as we are obviously threatened with.

Mr. Jennings: How would it be to the detriment of stock-raising in New Zealand if Armour and Co., or any of the “Big Five,” do not ask to be allowed to establish freezing-works here—if the packers were simply to purchase the meat here and they were to give a higher price to the producer than he receives now, how would it be to the detriment of the stock-raiser?—If they gave a higher price for the stock it would clearly be to the advantage of the stock-raiser, always provided that that higher price was not to be of a temporary character, as was undoubtedly the case in the Argentine. The “Big Five” commenced operations in the Argentine by giving big prices, which their huge capital enabled them to pay, for a time. But the original companies in the Argentine, although well established, were not able to continue to give the big prices, and speedily had to make terms with the “Big Five.” Then down went the prices of stock in the Argentine. I have the figures here to show that although the price of beef in the Smithfield Market in London doubled and more, the price of beef in the Argentine remained practically the same from 1914 to 1918.

Would not that be to the benefit of the consumer if the prices remained low?—Not at all, because the consumer was in London and had to pay the increased London price.

I am speaking locally—in the Argentine?—I am here in the interests of the producer, and the producer was not given the advantage of the great rise in prices. As a matter of fact, cattle were selling here at £5 a head more than they were bringing in the Argentine at the same time, although they are within twenty days of the London market as against our sixty days, with the handicap of frozen beef as against chilled. Mention was also made last Friday before this Committee that the Argentine meat was much inferior to the New Zealand meat. I have never been in the Argentine, but I know that for years past the Argentine stockowners have been taking the cream of British stud stock, and with such good effect that instances have been placed on record of twenty-months-old steers being killed close up to 700 lb. dressed weight without any artificial feed at all. New Zealand is well known to be one of the finest stock countries in the world—admittedly so—but it would give even New Zealand something to do to equal—much more to surpass—that. Again and again I have seen the Argentine meat in the Smithfield Market, and I know the wonderful improvement they have made.

I have heard the evidence given before this Committee by stock-raisers from the South Island who are in favour of a license being granted to Armour and Co. If these people say that it is going to be of benefit to them I want to get from you some strong reason why we should not take their views into consideration?—The answer is very simple. You had witnesses last week before this Committee who fully admitted their absolute lack of knowledge of the history of the meat trade in America.

We had a big stock-raiser, Mr. Macdonald, a New-Zealander who had been in America and knew all about the operations there?—

Mr. Lysnar : But he said he left there in 1908.

Mr. Jones : You said you were looking at the matter from the producer's point of view. Supposing you went to America to buy property, would you buy on the strength of what you have quoted from that book, at the high price that stock has been bringing for, say, the last five or six weeks in America?—My principal outlook in such a case as you suggest—buying property there—would be the freedom or otherwise from the control which has been exercised for very many years by the "Big Five."

But if the price for meat with the "Big Five" operating had been higher than the price in New Zealand, you would favour America as against New Zealand?—The bigger prices in the United States might very well be the result of other causes altogether than anything to do with the meat-packers. The law of supply and demand would have effect, although possibly very much curtailed by the interference of the packers. The big packers could not keep prices down indefinitely if the supply was short of the demand.

So that the big packers could not keep prices down indefinitely?—No.

If the big packers had been doing what that book says, how is it that America is our best market to-day?—The answer is very simple: We know how enormously the population has been increasing in America. We know that was one of the causes of the "Big Five" going down to the Argentine—they were getting short of meat to supply their trade. They state so themselves.

Do you not say that they have got such a control of American stock and stockyards that, irrespective of the supply, they control the price?—No, I did not say that. I say it is quite clear that they were able to an enormous extent to influence the price to the producer as well as to the consumer. There was a limit, of course, to that, as I have just said.

There are two statements you make—that they entered into a big educational campaign to increase production . . . ?—No, I did not say that. What I said was that they entered upon an educational campaign to influence legislation—to influence public opinion.

Well, from pages 750-51 you read a statement that they were out on a big educational campaign to assist production?—Yes, there is a reference to production in what I quoted, but let me put this point to you: the expenditure of £200,000 by Armour and Co., and at the rate of £200,000 per month by Swift, was coincident with the investigation of the Trade Commission, and was meant for no other purpose than propaganda to counter the investigations of that Commission.

Well, supposing we admit that, still one of their reasons for advertising was to increase production. Yet, again, another witness said that their whole aim in certain States was to decrease the supply of meat: can both witnesses be correct?—No; I did not say their whole aim was to crush production.

Yes, the decreasing of supplies?—I said they took certain steps to prevent the rivalry and competition of other companies. Take the putting-out of business of Hormel and others of which I have a record here, in which it is stated that they "extinguished" no less than four hundred butchers in one locality.

In a country where you say the supply is running short, if the monopoly is as complete as you say, would you suggest that they would make a big effort to decrease or increase production? If they gave such prices as would decrease production what would be their aim?—I do not say that it would play into the hands of the packers to decrease production, nor do I say it would affect them much if they tried to increase production, because the value of their trade and their profits would depend upon the exchange—the difference between the buying and the selling price.

But they must do the volume of business?—Yes; but the business is there as long as the population is there.

You referred to the collusion between the parties there: is it bad to have collusion between packing companies?—Most decidedly if it results in restriction of competition. What is wanted in this and every other country is open competition.

Is there collusion between the companies at present operating in New Zealand?—I should not wonder if there is. Human nature is the same here as elsewhere. It depends upon the prices. And here let me say that I have no bias against any class of people in America. I say that we should apply the same treatment to monopolies in New Zealand as I am advocating should be applied to the packers. A monopoly is not what New Zealand wants. As I said before, the lifeblood of trade is open competition and the increase of production.

The freezing companies here together fix the price of their manures?—Not that I am aware of.

Still, their prices are all the same?—No, they vary; and I am not aware of any agreement between any of the companies here. I was for thirty-six years continuously a director of the Meat Export Company. That company had no director upon its list who was not a producer, and when I took a part in the floating of the company my one aim was to give the producers control of the "door" to the market through which the meat had to pass.

Is the Gear Meat Company to-day very largely a proprietary concern?—Yes; I am assured that is so.

They agreed to fix the price all over New Zealand for freezing?—I am not aware of any such fixing.

You said that the packers made big profits out of selling their dead animals. Do not the local freezing companies do exactly the same thing to-day: they take the dead animals out of the trucks at arbitrary prices fixed by themselves?—The Meat Export Company left everything free in the shape of offal to the producers. They were free to take their skins and anything else they could turn into money.

Could they take away the fat?—They were at liberty to do so.

Are they to-day?—I do not know the position to-day. There was no such restriction ever attempted here as is described in these books with regard to the dead animals and their disposal. It is stated here that in many cases 5 dollars' worth passed into the hands of the stockyards companies for boiling down at 1 dollar.

It is rather worse here?—Oh!

Was not the same fear expressed in the North Island as you are expressing, about the Refrigerating Company and Sims Cooper coming into the North Island—the same fear as is being expressed now, with the result that legislation was passed?—To some extent, yes.

And Sims Cooper railed stock long distances, and paid big prices?—Well, we never did business with them of any consequence.

The farmers had a dread of the Refrigerating Company and Sims Cooper, and higher prices were paid?—Because nobody was sure whether they were agents for, or acting in collusion with, the "Big Five."

But the same fear was expressed then as is being expressed now?—Yes, to some extent.

Have the farmers received a considerably larger sum of money through competition in the North Island by these companies?—I do not think they have. I do not think the competition of these companies brought about any difference in the price that would not have been available had they never come into business.

Then, the agitation and fear against these two companies have been quite unjustified?—I do not admit that. It takes a long time to effect certain purposes.

Mr. Macdonald stated that in 1908, when he came here after fifteen years in America, he was astonished to find the low prices that were ruling as compared to the prices in America: would that have an important bearing on this question?—No; because I feel satisfied that Mr. Macdonald—whom I have not the pleasure of knowing—did not make any allowance for the very important difference between an 800-lb. bullock in America and a bullock of the same weight in New Zealand. In the one case you have a huge local population, as the result of which you can turn your by-products over at a considerably larger profit than here, because you have got a long expensive voyage. You have to present your 800-lb. bullock in a frozen as against a chilled condition. Anybody who has visited Smithfield knows what that means.

Mr. Donaldson, who was in Canterbury recently buying for his company in Chile, which has 1,250,000 sheep, stated that American, French, and other freezing companies were operating successfully with the Meat Trust. Does that prove that they are getting a predominating power everywhere?—In South America, I believe, they certainly are. As I am advised, there are not the same facilities there for combination amongst the settlers to erect their own freezing-works and to act independently of the big packers as we have in New Zealand. We are in a much more independent condition. We started our own freezing-works, whereas those people never combined to the same extent to put up freezing-works. That is my impression.

That is how you are advised, but your opinions may be biased or otherwise. Now, here is the statement of a man coming to New Zealand to get the best stock in the world, from where all these companies were operating—French and British successfully operating with them. His opinion is that it would be to the interests of Armour and Co. to operate in New Zealand. Would you put any weight on his opinion?—Well, I do not know Mr. Donaldson. I do not know how far he may have been influenced by his own interests. Assuming that he was unbiased and merely wished to give his view of the relative positions, I would like Mr. Donaldson to have had a little more experience in New Zealand before I attached very much importance to his opinion. I understand he is merely a visitor. We all know that New Zealand is second to no country in the quality of its live-stock.

You were referring to the question of hides and the trust having 75 per cent. of the total output, and that the price was lower to the country butcher because of the trust's arbitrary methods—the outside packers were complaining about the low prices?—No; I merely repeated what I found here in the evidence from which I have been quoting—that, just as is the case here, the ordinary butcher's hides are in a different classification to those of a first-class freezing-works, where there are better facilities for curing them.

They were getting more money because they were worth more?—Yes.

Where has the best market for our New Zealand hides been for some years?—I think America has been a good market.

So that, in spite of American control over hides, that has been our best market for some years?—The law of supply and demand comes into operation. America has been drawing hides from many countries for a long time because they do not produce enough for themselves.

So that the American trust is not really a monopoly, because they cannot control the prices in America?—Not entirely, because of what I have stated, but they do influence prices very largely.

You quoted two or three witnesses stating that the trust or a member of it went down and sold at a low price to crush the local man out of business, but you stated that the local man was still there doing business?—Yes, I repeated what was given in evidence before the Commission. I have been careful to confine myself to that.

So that, in spite of all that is said there, the fact remains that one small man was able to live and remain in business against the trust, and as far as we know he is still operating?—Yes, it is quite clear that within certain limits a small man can survive, but he could not survive if he exceeded the narrow limits within which he has the advantage over the big packers. A small local butcher, for instance, has advantages that would enable him to live, but he could not expand to anything like getting into competition with the big man.

Well, you quoted a bigger concern, a co-operative company which had been for many years doing business, and which in spite of competition still survived, and was able to draw his hogs a thousand miles in competition with the trust?—He was forced to fight for a time under the disadvantage of having to go a thousand miles, but it is quite clear that he could not continue to do so, paying the additional freight and with loss of condition of the stock travelling that long distance.

But is it not a fact that he had been operating for some years and was still in business?—The fact, as I understand it, was that the big packers became concerned at the progress of this man, and they took steps to keep him down by buying out all within reasonable reach, and compelling him to go a thousand miles away for his hogs and cattle,

But he is still in business—that is the point?—Yes, up to that time he was still in business, but it would be obviously impossible for him to live under that handicap unless he discovered some other advantage to enable him to overcome it.

But that is purely your opinion. As a matter of fact, he was in business still?—That would necessarily be the opinion of any business experience and judgment. I have unavoidably been restricted in giving my evidence. I am not complaining, because I know that the time of the Committee is limited, but the evidence I could give if time permitted would be more convincing than in the restricted form I have quoted.

You mentioned the Gear Company?—Let me say that I used the Gear Company only as an illustration.

If Armour and Co. is refused a license, would there be anything to prevent freezing companies in New Zealand selling to Armour and Co. c.i.f.?—No. I think there is nothing to prevent that. A shipper can sell his bill of lading. That would be the position of the Gear Company.

The Gear Company would be in a position which I would not be in as a farmer?—I do not think so. I can export my own stock, and have done a great deal in that way.

But taking the average farmer, he would not be able to sell to Armour and Co. f.o.b., whereas the Gear Company could sell c.i.f. and reap the profits?—I do not see why I as a farmer could not sell my bill of lading to Armour and Co. just as the Gear Company might do.

But the small farmer would not be able to do that?—But he has his remedy—he can club together with his neighbours or any other shipper.

If it is right to sell to Armour and Co. c.i.f., how can it be wrong to allow them to operate in New Zealand?—I do not think any explanation is necessary to supply an answer to that question. What we are up against is the danger of monopoly—of a repetition in this country of the state of affairs disclosed by the Federal Commission in South America, unless the Committee believes what was stated by Mr. Carney, manager for Armour—namely, that the Trade Commission came to its conclusions upon evidence given by the scum of the population.

That is not the point I am getting at. My point is that if it is right for a company to be able to sell to Armour and Co.—whether on the water or in America—how can it be wrong to sell to them, say, at Addington?—Well, I will tell you: It would be open to Armour and Co., if they could buy on the hoof, to do exactly the same as they did in South America—lose a lot of money at first, which would be but a flea-bite to the packer, with a certainty, if no legislation or other competition came in the way, of reaping their harvest afterwards. The packers have been reaping their harvest in South America. Swift admits having made £2,000,000 in one year in South America.

But you do not answer my question. If it is right to sell to Armour and Co. c.i.f., how can it be wrong to sell to them in the Addington yards?—I do not understand your question. What I am trying to put to you and to the Committee is this—

But I want an answer to my question. I could understand you if you said, “We will never sell New Zealand carcasses to Armour and Co.”?—We cannot help it.

If it is right to sell to them c.i.f. America, how can it be wrong to sell to them in Addington yards?—Because it would give them the opportunity of crushing existing freezing-works and dictating low prices to the producers, as they did in the Argentine.

You mean that it would give them the opportunity of getting control here?—It would give them an opportunity of which they would be able to quickly take advantage.

If they want to get control, can they not do it by authorizing six agents in New Zealand to pay ½d. per pound higher than anybody else?—It is open to them to do that; that is the danger of the position. Although no license were granted, there is that danger of the position.

So that, whether a license is granted or not, if Armour and Co. want control in New Zealand they can get it?—They can get it, f.o.b.

Mr. J. R. Hamilton: That is the whole crux of the question. Armour and Co. may have control of the markets of the world without having a license to buy in New Zealand. Would not that be more detrimental to us than allowing them to operate in New Zealand?—No, certainly not.

In what way?—Because if you gave Armour and Co. a license to buy on the hoof here there is nothing to prevent them putting New Zealand through the same process as the “Big Five” carried out successfully in the Argentine.

I will put it in another way. You say that they could lose a lot of money in New Zealand until they got control of the market here, until they squeezed everybody else out. Well, after they finished that squeezing process, would it not be possible for those companies who had suffered by the squeezing process to come into the market again? What is to hinder them coming back into the trade? Could they not start and operate again on a free market, and this country would have got the advantage of all the extra money given by the trust to collar the trade?—The losing-money process was of little consequence to millionaire Armour and Co., but continuance of it meant bankruptcy to the other side.

No; we would be gaining money?—But the freezing companies, what about them?

But they are still getting the freezing to do?—They were not getting the freezing in the Argentine: they had to succumb. I knew some of the companies that were operating in the Argentine—strong companies, too—but they were quickly brought to book by Armour and Co., and they are now part and parcel of the monopolists, who are giving a very low price to-day to the Argentine producer. Why do not the original South American companies who are now in agreement with the “Big Five” commence to go back to the original position. Because they went through the bitter process of losing a lot of money before they were compelled to come to terms with the “Big Five.” The same thing would happen here if the squeezing process was gone through. Who is going to start again? Supposing the Meat Export Company, or the Gear Company, or any other company, were put through the mill, they would need a lot of ordinary capital to start again.

Is it not your experience that when money is to be made out of anything there are always plenty of people to take it up?—Yes, if conditions change and after a time they can see reasonable prospects of resuming safe business.

Are you aware that some of the freezing companies in New Zealand have made 100 per cent. profit on their capital?—No, I am not.

Some of the companies in New Zealand have paid the equivalent of 100 per cent. ?—Possibly; I am not aware of it.

Whether is it better to study the interests of the producer or to study the interests of the big freezing companies ?—I do not think it should be necessary to have that question put to me—the answer is so obvious.

It is evident that somebody is making a great deal of money in New Zealand just now, when a freezing company can pay 100 per cent. ?—Well, I will give you reasons for that. I think I can guess what is in your mind. In shipments of meat by suppliers to the London market in the early days there were instances in which the shipper lost not only whatever was the value here in New Zealand, but he had also to pay some of the shipping-expenses outside of that. It was practically a gamble, but it gave an opportunity to any strong company to take the risk, and the opportunity came to them to make a lot of money.

Then, should they not have reduced their freezing-charges rather than extract 100 per cent. from the producers ? The freezing companies' charges have all along been reasonably low—even Armour's representative admits that, and in his evidence stated they were too low.

Do you not think that the fear of Armour and Co. coming into New Zealand is greater with the freezing companies than it is with the producers ?—I do not. The producer is not in a favourable position to get hold of the actual facts, but if he knew what was disclosed by the American Federal Trade Commission his present fear would be nothing as compared with what it would then be about Armour and Co. coming in.

Mr. Field : It has been suggested that we have monopoly in New Zealand as well as in the United States ? If that was found to be correct I would serve New Zealand monopolists with the same treatment as I hope will be given to the "Big Five."

You are against combinations for keeping down prices to the producer or keeping them up as against the consumer ?—Yes.

Then, your main objection to monopoly is that it gives opportunity for the exercise of human greed ?—Yes.

If that greed could be curbed by the limitation of profits, would that be sufficient protection to the producer and the consumer ?—It would be a step towards it, but we know the difficulties that are attached to such a course. You do not want to limit enterprise as long as it is fair.

Do you see any means whereby there could be limitation of profits by legislation or otherwise ?—Yes, there are various ways of limiting profits by legislation.

Do you think it would be a fair thing to do ?—I do not know how to answer that question except in this way : I look upon the limitation of profits by legislation as the least of different evils with which we are face to face.

What would your proposal be for the curing of this evil both in New Zealand and with regard to the Meat Trust ?—I am sorry to say that, much as I object to Government interference, I see no escape from the evil of monopoly but by more or less Government interference.

And what form do you think that should take—have you thought that out ?—No, I have not, because the circumstances are so varied that one could not formulate a plan without knowing the circumstances of each particular case.

Do you think a plan ought to be thought out ?—Yes, if possible.

Have you any knowledge of any American capital being utilized in New Zealand in the meat industry, except the sum which Mr. Ogden Armour has got in Armours Limited, Australasia ?—No particular knowledge, but there is little doubt that some American capital has been and is now in employment here. It is difficult to get the actual knowledge. By lack of time I have been prevented from giving an instance where one of the American packers, finding himself in danger through the inter-State law, set to work and wiped out all evidence of his ownership of a very large company ; and I have no doubt that names are being similarly concealed in New Zealand—where large purchases of meat have been made, but the purchaser's name never disclosed.

Is it fair to ask you whether you have any suspicions about Vestey's or Sims Cooper ?—No ; there are other directions, without referring to them.

I understand that the big meat-packing companies of the United States hold that a comparatively few large and powerful firms with great capital are better for both producer and consumer than a large number of small firms : have you anything to say to that ?—I have only this to say : that the Kaiser in 1914 undertook to become the supreme Providence, but the world objected to that, although it may be quite clear that a wise and impartial autocracy would be the ideal Government to deal with the world's business. But experience has taught us the extreme danger of such a course, and the same reasoning applies to the general business of the world.

Then, the whole thing necessary is to curb human greed : if you can do that you are all right ?—Yes.

In regard to this c.i.f. buying, it seems that c.i.f. buying is pretty nearly as dangerous as buying on the hoof or on the hooks for New Zealand ?—No ; there is a material difference.

If the American packers got to work and secured all the New Zealand meat by buying c.i.f., they would have the control of the price paid to the producers and the price to be paid by the consumers ? Not at all to the same extent as by freedom to buy on the hoof.

I want to know whether the refusal of the license is going to assist us very much ?—Well, an easy way of measuring that is by the urgency of the Armour application for the license. If there were not the benefit to be secured the application would not be so urgent. I measure the risk of injury to New Zealand by the urgency of the application for the license.

You think that it has a bad appearance—the fact that they are so anxious to get the license ?—Yes.

Mr. Lysnar : You said there was a large number of retail butchers extinguished by the packers : would you give us some details of that ?—I have the evidence here in these books, but I do not know whether I can place my hands upon it at the moment.

You said there were four hundred butchers in one district extinguished : do you know how the trust operated to do that ?—No, the details are not given. ■

You recognize, do you not, that if they control the retail butchers in the shops they practically dominate the whole position?—Yes. I can give an instance of what happened in that regard: I once visited the City of Boston, which holds a population of over a million, and I was invited to go out to the stockyards through which the live-stock supply of the city was handled. I found the grass growing in the yards. I had a talk with some of the butchers, and asked how this came about. They told me that they had been asked by the packers to take their meat from Chicago, and when they refused they soon found that a butcher's shop was started alongside of them and the prices brought down to an extent which soon put them out of business. Consequently the butchers had to succumb and take their meat from Chicago.

You recognize that there is a danger of the trust controlling the retail side of the question?—Yes.

And if they controlled a sufficient amount of that they would really dominate the position?—Yes, dominate the position both to the producer and to the consumer.

And therefore would that be a strong reason why no facilities should be given to those people to buy our meat c.i.f. or f.o.b., or in any way that is possible?—My view is this: that it would be a good thing if we could take advantage of the American market without regard to the packers. Our effort should be to get entrance into the American market without getting under the control of the packers.

If the Government refused Armour and Co. a license do you think it is right for Armour and Co. to circumvent that refusal by buying c.i.f.? Should not legislation be provided to stop that, so as to make the refusal complete?—I do not know how you could prevent that.

Do you not think it should be stopped if it is possible to do so?—Well, if the worst comes to the worst, we want to stop the monopoly and the restriction of competition.

And you agree that if legislation would help in that direction it should be provided?—Yes.

Will you say that if Armour and Co. is refused this license there should be legislation provided so as to stop them from buying on the hoof?—Most decidedly.

Mr. Hamilton put to you some questions about the "squeezing-out" process: may I put it to you that you do not approve of any squeezing-out process being permitted in New Zealand?—Most decidedly not.

You think that would be ultimately detrimental to the Dominion?—Yes.

It does not matter if a few greedy farmers want to get a few extra shillings for their stock, you would say that that advantage would be outweighed by the disadvantage of the danger of the monopoly coming?—Most certainly.

As a farmer, would you prefer not to get a little extra price temporarily for your stock in view of the great danger?—Most certainly.

You say you do not think the farmer really understands the danger of these trusts?—How can he? As was the case of the two first witnesses that were examined by this Committee last Friday, they did not know the history of the meat trade outside New Zealand—they said so.

Now, Mr. Jones questioned you on a statement made by Mr. Donaldson, whether you are aware that Mr. Donaldson said he is representing a large company that owns several stations upon which 1,250,000 sheep are shorn yearly. Might not Armour and Co. be behind that company?—Very easily.

And, naturally, you would reserve your judgment until you knew who this company was?—Most certainly, because the packers may, for all we know, be the owners, or may have advanced the money on the security of that stock under engagement.

And they might also be the owners of these ranches?—Certainly.

Mr. Carney has made a statement to the effect that there are few companies in New Zealand which use the by-products to any extent: do you know if that statement is true?—I know of no companies who are in that position. On my first visit to America it was quite clear to me that the American packers were ahead of us in their utilization of by-products, but that is many years ago. We were simply in our infancy in the business, whereas America had been at it for a long time. There may be some advantage in the practices of the Americans to-day, but I think the extent of it is very small. The benefit, if any, that the American packers could give to our growers would be very small.

Mr. Carney says they throw the by-products away in New Zealand?—That was the case in the very infancy of the business, but it is not so now. I know of nothing being thrown away which would pay to ship or to utilize.

You were questioned on the subject of collusion between the buyers in New Zealand: do you not think that if there is collusion between the New Zealand buyers to-day that should be met by legislation if the present legislation is not sufficient?—If necessary, yes.

Then, further legislation should be provided, if necessary?—Most certainly, to prevent an injury to the producer on the one hand and to the consumer on the other.

Do you not think if that were done it would largely eliminate the desire for Armour's license to be granted because of that combination among New Zealand buyers? It would be a wiser step to legislate against collusion by New Zealand buyers than to let Armour and Co. come in?—After a careful inquiry into the facts, yes.

Who was really to benefit by that propaganda work to which you referred?—The packers.

It was really to put their side of the case forward?—Really to do what the Germans did in America at the beginning of the war—by camouflage to carry public opinion with them. In my travels across America I have had opinions expressed to me as statements of fact that were all originated by this system of camouflage and propaganda, because the people who expressed these opinions had no other source of information.

You say that this propaganda was simply to benefit the trust and not to increase production?—Yes, that was clear, because the packers were so pushed to provide the supplies required by the American Army that there was no occasion for ordinary trade advertising.

WEDNESDAY, 22ND SEPTEMBER, 1920.

JAMES MILNE examined. (No. 16.)

The Chairman: I understand that you have a statement which you wish to make to the Committee, Mr. Milne?—Yes. I understand that the Committee desires some information as to the extent to which by-products are utilized in the New Zealand freezing-works. I did not expect to be able to attend to-day because I anticipated having to go to Australia, so I prepared a statement, which I will read: The successful development of the by-products of any industry depends upon the demand for these by-products at a price which will pay the cost of manufacture and transportation to the consuming market. In the case of the frozen-meat industry a large proportion of the by-products consist of edible portions of the offal from the carcase, and while these can be readily transported in a frozen state, any delay in marketing means loss of quality owing to the fact that these goods deteriorate if kept in store for any considerable period. In comparing the efficiency of the by-products departments of a New Zealand freezing-works with a similar industry in another country the peculiar conditions under which the industry is conducted in each country must be taken into consideration. If, for example, we take the packing industry of the United States of America for the purpose of comparison, we find that surrounding the large packing-houses in Chicago there is an industrial population of many millions, drawn from all countries of the world, with their national taste for classes and mixtures of flesh foods which the average Englishman would refuse. Beyond the radius of this industrial population an excellent system of railways places the whole of the consuming population of the United States within easy reach of the centre of America's meat industry. In the case of New Zealand, the principal market for our goods is twelve thousand miles away, involving careful preparation of the goods by refrigeration or other means, and costly transport, and with the added risk, in the case of goods on consignment, of market fluctuations during the period of shipment. Notwithstanding these disabilities, however, it will be found on referring to the following list of by-products manufactured in the average New Zealand works that very little, if anything, goes to waste. By-products from sheep and lambs: Frozen mutton; frozen lamb; slipe wool; pickled pelts; edible and inedible tallow; mutton premier jus; mutton oleo; edible offal (kidneys, tongues, livers, brains, hearts, sweetbreads); canned meat; meat-extract; neatsfoot-oil; dried blood; fertilizer; casings; lambs' vells (occasionally). By-products from cattle: Frozen beef; canned beef; boneless beef; hides; suet; premier jus; beef oleo; horns; hoofs; fertilizer; neatsfoot-oil; edible offal (consisting of tongues, sweetbreads, tails, kidneys, hearts, tripe, livers, skirts); meat-extract; bones (flat and round, for manufacture of novelties, &c.); edible and inedible tallow; green bone for fertilizer; hide-pieces; casings; dried blood; hair. It must be remembered that New Zealand specializes in the production of sheep, and I am able to state that the method of handling skins in a New Zealand freezing-works compares very favourably with that adopted in America, a detailed description of the system in force in a large American packing-house having lately been sent to me. In the case of beef, the average daily "kill" in a New Zealand works would not exceed 100 per day. This is about an hour's work in a large American packing-house, and it is possible that the greater turnover would help to reduce operating-costs. The by-products obtained, however, are practically identical, except that, whereas New Zealand meat is exported in frozen quarters, the American beef is distributed in a number of cuts, the coarser qualities being made into various varieties of sausages, for which there seems to be an unlimited demand. I have here [produced] a diagram prepared by Morris and Co., showing in detail the by-products extracted from cattle, and comparing this with our own I think there is very little difference. In addition to the list of products given above, there are several which might be termed pharmaceutical products, such as, for instance, pepsin, which could be saved if the demand warranted their preparation, but the value of these per carcase is so small that they need not be taken into consideration in this statement. To sum up, I should say that the freezing-works in the Dominion will compare favourably with similar works in any other country. The industry generally is enterprising and prosperous, and no opportunity is lost of investigating and adopting, where commercially successful, any new methods of working. I might add to that statement that the preparation of by-products depends entirely upon the market. I have already made that statement, but to confirm it I would point out that at the present time it would not be of much use saving ox-hearts and ox-tripes for shipment to England: they would not pay the cost of freight. I have a cable to that effect from our London office asking us not to ship, as the spot market value is less than freight. So that while we are prepared to utilize any by-products as long as there is a market for them, we are entirely dependent upon the market. In regard to the other statement—the method of handling skins through the American market—some time ago I received a letter from an American firm stating that they were prepared to deal with our skins. I wrote to that firm and they sent me full details, and asked me to send them some consideration for the information if the idea was adopted. Comparing their system with the system in vogue in the New Zealand works, I may say that I favour our present system under our present conditions. Apparently there is nothing to be gained in the cost of operating, and I think our system is really the better, for it produces the better article. In proof of that I may say that the New Zealand pelts rank in America as high as any pelts from any part of the world.

Mr. Lysnar: As far as you are aware, complete advantage is taken of the by-products in New Zealand—there is no waste?—Yes, that is so.

Any one who states that the by-products are being thrown away does not know anything about the matter?—There is no by-product thrown away if there is a market for it. If the market is not available it would be useless to keep those hearts in storage six or twelve months. That is the only circumstance under which that by-product is not made use of.

Mr. Jennings: Mr. Chairman, may I ask Mr. Milne a question arising out of the statement which I made in regard to the allegation of Mr. Corrigan? I desire to do so because Mr. Milne was the manager of a freezing-works. Mr. Corrigan said that because he had bought ahead of other buyers who supplied the freezing-works—Borthwick's and the Gear Company—he was practically boycotted by these freezing companies, and if the Inlay Company had not come to his rescue he would have been ruined. Do you know of any man being told that his stock could not be frozen at your works because some dispute had arisen between the buyers and himself?—Absolutely, no. I do not remember Mr. Corrigan ever applying to the Taranaki Farmers' Meat Company. He is a shareholder, and every farmer has the right to get his share of the space. I am quite sure that he would have got his share of the space if he had applied to that company.

CHARLES JOHN REAKES examined. (No. 17.)

Mr. Reakes: This question of a license for Armour and Co. (Australasia) must be looked upon as being to all intents and purposes an application for a license on behalf of Armour and Co. of Chicago. Messrs. Armour and Co. (Australasia) is a company registered in New Zealand, but, as we have ample evidence to prove, they are in fact a company subsidiary to Armour and Co. of Chicago. In the statement which follows I wish it to be understood that I am referring to the parent company, Messrs. Armour and Co. of Chicago. I have prepared most of it, which I will save time by reading. It is as follows: As regards the application of Messrs. Armour and Co. (Australasia), Limited, for a meat-exporter's license, this company has previously made application to the late and the present Hon. Ministers of Agriculture for a license. The license was refused in each case, the applicants being informed that the decision was arrived at after a perusal of the report of the Federal Trade Commission set up by the Government of the United States in 1917. I submit this report herewith, and would particularly call attention to the following extract from its summary:—

"The power of the 'Big Five' in the United States has been and is being unfairly and illegally used to—Manipulate live-stock markets; restrict inter-State and international supplies of foods; control the prices of dressed meats and other foods; defraud both the producers and consumers of food; crush effective competition; secure special privileges from railroads, stockyard companies, and municipalities; and profiteer. The packers' profits in 1917 were more than four times as great as in the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years, 1915-16-17, four of the five packers made net profits of 178,000,000 dollars."

The term "Big Five" is applied in the above-mentioned report to the following corporations: Armour and Co., Swift and Co., Morris and Co., Wilson and Co. (Inc.), and the Cudahy Packing Company. These five companies assert that they are not a trust. In this connection the following extract from the report of the Interdepartmental Committee on Meat-supplies appointed by the British Government (dated 1919) is worthy of particular notice:—

"We were also commissioned to consider the protection of British markets and of producing countries within the Empire from domination by foreign organizations. Popular opinion regards the American meat companies—Swift and Co., Armour and Co., Morris and Co., the T. Wilson Proprietary Co., and Cudahy and Co.—as forming a secret combination, although openly they operate separately, and considerable apprehension is expressed both in the United Kingdom and in the dominions lest they should obtain a domination over all the sources of supply and the distributive markets. With their operations in the United States we are not directly concerned. The Federal Trade Commission on the Meat-packing Industry (1918) has denounced them as a combination working through a live stock pool, and has accused them of sundry malpractices, resulting in their obtaining a command over most of the important towns of the United States. The meat companies, on the other hand, assert that they abandoned all pools and combinations a long time ago and now work in complete independence. This independence, however, cannot date farther back than 1912, when the National Packing Company, owned by Armour, Swift, and Morris, was dissolved for fear of the anti-trust laws. By that time the 'Big Five' had attained so dominant a share of the meat trade of the United States that a simple tacit understanding to respect their relative positions to one another was sufficient to secure them all the advantages of an active combination, and they are now reaping the benefits of their former co-operation and of their great business ability and money-power. The Swift and Morris families are related by marriage; the present head of the Wilson Company was previously with Morris, and Cudahy was a former employee of Armours. The Wilson Company is owned by banking-houses, in the chief of which Swift and Morris are closely interested. Besides these friendly relationships it is obvious that, working on the narrow margins of profit which they claim, they cannot afford to imperil their gigantic turnover by competition. There may be a rivalry in efficiency between branch houses; there is little doubt but that proportions of trade are respected. It is reported that the United States Government is now taking proceedings against the meat companies under the laws against combinations and 'unfair' competition in domestic trade."

The condemnation of the methods of these companies contained in the report of the Federal Trade Commission is so scathing that, in considering the question of a license under the Slaughtering and Inspection Amendment Act of 1918, no other conclusion is possible than that it would be detrimental to the welfare of the Dominion to grant a license to Armour and Co. (Australasia), seeing that it is a company subsidiary to Armour and Co. of the United States. In the United States Government report it is stated to have been identified as subsidiary to or affiliated with the "Big Five" above mentioned. It has been suggested that Armour and Co. should be granted a license for one year only. As a matter of fact, no license can be granted for a longer period than one year, so that suggestion goes for nothing. But there is this important point: the Minister has, in the judgment passed upon Armours through its own Government, a thoroughly sound reason for refusing a license; to abandon this and grant a license would be equivalent to condoning an offence, and the same reason could not reasonably be later adduced for refusing a renewal of the license. Moreover, if Armours were granted a license, no logical reason could be adduced for not granting licenses to Swift, Morris, Wilson, or Cudahy should any or all of these companies later make application, as might quite likely be the case. It seems clear, therefore, that if Armours are once allowed entry into New Zealand for internal trading purposes they will have to stay, and the other "Big Five" firms be allowed to come in also if they wish to. It is true that the Act gives power to cancel or refuse renewal of a license at any time, but once the existing sound cause for refusal is abandoned, only improper methods of trading could be adduced as a reason. These companies with their immense monetary power could quietly and gradually "squeeze" opposing British and New Zealand companies, and do a great deal of mischief before affording sufficiently plain reason for being refused a renewal of an existing license or licenses, or, if more than one trust firm became established, each could take risks in turn, the other or others meanwhile trading upon scrupulously proper lines. The course of action taken by these firms in recent years in the Argentine affords a very striking object-lesson in their methods of squeezing out opposition. The report of the British Meat Trade Commission issued in 1919 makes reference to this, as will be seen from the following quotation:—

“ Swift and Co. entered the Plate in 1907 by purchase of the La Plata Cold Storage Company ; and in 1908 Swift, Armour, and Morris acquired the La Blanca Company. In 1911 Swift dropped out from the latter company, leaving it to the other two. The American companies enlarged their works and soon entered on a campaign of aggressive competition. Up till November, 1911, there was no agreement between them and the British and the Argentine companies, but after a price-war in that year an agreement was made which lasted till March, 1913. Morris and Co. then complained of their share of the trade, and this dispute (generally regarded by the British trade as engineered) produced another fight, characterized by the forcing-up of cattle-prices in the Argentine and the depressing of meat-prices in England. After fifteen months' fighting the British companies were forced to accept a serious reduction in their percentage of the trade. The agreement then concluded governed the allocation of the Government contracts when war broke out, and further modifications were made in 1916 and 1918 to admit of the participation of Armour's new works at La Plata and Morris's new works at Monte Video. The following table shows the movement from 1909 up to 1916 :—

Companies.	No Limitation.			Conference.	No Limitation.	Conference.
	1909.	1910.	Jan. to Nov., 1911.	Dec., 1911, to Mar., 1913.	April, 1913, to June, 1914.	June, 1914, to July, 1916.
	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.	Per Cent.
British ..	37·0	33·9	30·2	32·5	24·4	26·4
Argentine ..	27·7	24·9	25·1	24·9	17·6	14·6
American ..	35·3	41·2	44·7	42·6	58·0	59·0
	100·0	100·0	100·0	100·0	100·0	100·0

“ In 1909 there were three British companies, two Argentine, and two American (Swift and La Blanca) ; in 1914 two of the British companies amalgamated, and the works of one of the Argentine companies was taken over by an American company (Sulzberger, now Wilson and Co.). During each period of ‘ conference ’ or agreement the American companies retained a part of the trade they had taken away during the preceding period of intense competition, thus improving their position. In 1916 Armour and Co.'s new works at La Plata were opened, and in 1918 Morris and Co.'s new works at Monte Video : on both occasions the associated companies agreed to a reallocation of their shares in the Government contracts and in the private trade, the result being a reduction of the percentage to which the British companies were entitled. The British Government, in the stress of a great war, were not in a position to insist on the maintenance of the British percentage. Omitting for the moment the output from Vestey Bros.' new works at Zarate (opened in 1916, and not in the conference) and the output from the Las Palmas works (operated since the autumn of 1915 on behalf of the Board of Trade), the effect of the reallocation in favour of Armour and Morris was as follows :—

	August, 1916, to May, 1918.	From June, 1918.
	Per Cent.	Per Cent.
British companies	22·8	22·1
Argentine company	10·1	9·8
American companies	67·1	68·1
	100·0	100·0

“ Taking the total output of all the Plate works, we get the following approximate division to-day :—

“ Original British companies	Per Cent.	18·5
Vestey and Las Palmas	16·1	
Argentine company	8·2	
American companies	57·2	
	100·0	

“ The American meat companies have continued in the River Plate territory in co-operation, interrupted by periodical fights to secure a larger share of the trade from their competitors ; the two original British companies and the remaining Argentine company were forced into a ‘ conference ’ for the division of the trade, and there is little doubt that, had not the war broken out, there would have been another disruption of the agreement to secure a share of the trade for Armour's and Morris's new works.”

In connection with the operations of the Argentine meat companies it is worthy of note that, according to the *Pastoralists' Review*, the Argentine quotations on the 1st May, 1917, were—“ Special bullocks, £14 to £15 15s. ; good bullocks, £8 15s. to £10 10s. ; special Lincoln wethers, 33s. 3d. to 35s. ; good Lincoln wethers, 26s. 3d. to 29s. 9d. ; special Lincoln ewes, 27s. to 28s. 10d. ; good Lincoln ewes, 25s. 4d. to 27s. Prime bullocks in New Zealand were about the same time bringing £20, and wethers 40s., on the run. It must also be borne in mind that Argentine was getting a higher price from the Imperial Government for its frozen beef, and such frozen mutton and lamb as were not required for Army purposes, at figures considerably in advance of those fixed for Australasian-released meat.”

I have other figures which I will hand to the Committee, showing the lower prices paid in the Argentine than in New Zealand, although the Argentine freezing companies had a better market for their frozen or chilled meat than New Zealand had. I would like here to quote a statement made by the President of a Committee appointed by the Argentine Parliament to investigate the cost of necessities in connection with the meat question. He says,—

“They [the combination of packing companies] suppress real competition, maintaining it only in appearance, and they determine by common agreement the prices which are to be paid to producers, reserving to themselves the right to sell at the highest price possible in order to obtain enormous profits, which do not remain in the country. Thus it is that these freezing companies have been able to show in their latest balance-sheets more than 100 per cent. of profits—that is to say, that in a single year they have made more than their capital. . . . Here is the freezing companies' contract with the foreign purchaser, who is to-day, owing to the circumstances of the war, a single party, since the Allied Governments have concentrated their purchases in a central office; and, having made their agreements at prices which they raise as high as possible, they purchase the live-stock from the producers, imposing upon them the law of the strongest.”

There is no doubt that the feeling which has been shown by some producers in this country in favour of giving a license to Armour is influenced to a very great extent by the present condition of the markets for our frozen produce. Some few months back there was a great deal of apprehension felt as to what was going to happen to our markets when the Imperial purchase ended, and producers, I know, were in some cases very uneasy about it. Consequently they were in a very favourable frame of mind to receive hopeful, and in some cases glowing, accounts of what was possible in the way of marketing frozen meat in America. Armour and Co. sent out a pamphlet which went very fully into the whole question, and on the third page of the introductory part of this pamphlet there is this sentence in capitals: “What is going to happen to your prices when the meat commandeer is lifted if you restrict competition among buyers?” And in connection with what I was reading just now about the Argentine it will be rather interesting to read another paragraph from this pamphlet, which runs as follows: “Yet these statements about the existence of an American meat trust and its ‘menace’ to New Zealand are absolutely and demonstrably untrue. It is the object of this pamphlet to disprove those statements, and to demonstrate that unrestricted competition, whether by American, British, or colonial buyers, must inevitably be in the truest interest not only of the New Zealand farmer, but of the people of the Dominion as a whole.” If this is intended to refer to the “unrestricted competition” experienced by the Argentine producers it is difficult to see how it is going to be in the best interests of New Zealand.

Referring to the United States market for lamb, it doubtless is at present a good one, and the existing exchange position is all in favour of it; but it does not follow that it is necessary for Armour and Co. to enter our internal trade in order to enable that market to become available. Up to the present time the Imperial Government has disposed of 2,294,656 carcasses of lamb and mutton for sale in America. Of these, 665,898 carcasses were sold to agents acting on behalf of Armour and Co., the largest purchases by those agents being at the beginning of the business. Twelve other buyers also made purchases. In the latest sales of all, totalling 501,500 carcasses, Armour and Co. only participated to the extent of 30,000 carcasses, six new buyers coming in, making a total of nineteen in all. Some of the buyers were British firms. No particular objection can be offered to Armour and Co., or, for that matter, to any other of the so-called trust firms, buying our frozen meat under open-market conditions, but a grave danger for the future would be created if they were enabled to operate in our fat-stock markets, or to own, control, or operate freezing-works.

One point to be borne in mind is that our most distinctively valuable class of export meat is prime lamb. The whole of the lamb output of the 1918–19 season was telescoped, and consequently depreciated from a market-selling standpoint. By far the greater proportion of the 1919–20 lamb (which was not telescoped) has been sold by the Imperial Government for shipment to America. Prior to the enforcement of Government control of sales of imported meat in Britain our lamb had its own well-established and good channels of distribution, and had gained for itself a high reputation. The longer the delay in reopening this trade the greater the difficulty in re-establishing it on a sound basis. There is no guarantee that the American market for imported lamb will be a permanently good one, but it can reasonably be assured that the British market will be. As the present American demand is principally for lamb, this aspect of the situation demands careful consideration. We do not want to lose sight of the fact that in all probability, whatever may be the immediate position, in the future we shall have to look to Great Britain as being our more solid and reliable market for frozen meat. If America can give us better money it is our business to sell our meat to the best advantage, but we do not want to forget that the British market is likely to be our most reliable market.

The Minister last week read a portion of the decree which was made by the United States Government, and which was sent to him under cover of a letter from the United States Attorney-General, and I take it that I need not go over that ground again, but I have had a number of copies of that document typed, and I will hand a copy to each member of the Committee. In addition to that, the Secretary of State for the Colonies sent to the New Zealand Government in September, 1919, a report which the British Government had received from the United States Government bearing on this matter of the packing industries in the United States. This comprises a report furnished to the President of the United States by Mr. Hoover, who was the Food Controller in the United States during the war period. I will not read this report through because it is very lengthy, but I will read portions of it and hand it in. The report is introduced by the following official statement:—

“The President has directed the publication of a confidential report made to himself by Herbert Hoover, United States Food Administrator, six months ago, in order to establish the real position of Hoover and the Food Administration on the control of the Chicago packing industries. In this report Mr. Hoover again reiterated his former advice of the national danger from this growing domination of the nation's food, and strongly recommended constructive legislation at the hands of Congress rather than the doubtful stretch of temporary war powers of the Government as being the only method by which a permanent solution can be obtained.”

The report follows, and this extract is of interest :-

"It is a matter of great contention as to whether these five firms compete amongst themselves, and the records of our Courts and public bodies are monuments to this contention. Entirely aside from any question of conspiracy to eliminate competition amongst themselves and against outsiders, it appears to me that these five firms, closely paralleling each other's business as they do with their wide knowledge of business conditions in every section, must at least follow coincident lines of action, and must naturally refrain from persistent, sharp, competitive action towards each other. They certainly avoid such competition to considerable extent. Their hold on the meat and many other trades has become so large through the vast equipment of slaughterhouses, cars, and distributing branches and banking alliances which each of the five controls that it is practically inconceivable that any new firms can rise to their class; and in any event even sharp competition between the few can only tend to reduce the number of five and not increase it. Of equal public importance is the fact that their strategic advantage in marketing equipment, capital, and organization must tend to further increase the area of their invasion into trades outside of animal products. Furthermore, as these few firms are the final reservoir for all classes of animals, when the few yards where they buy become erratically oversupplied with more animals than their absolute requirements, it remains in their hands to fluctuate prices by mere refusal to buy, and not necessarily by any conspiracy. In other words, the narrow number of buyers undoubtedly produces an unstable market, which reacts to discourage production. It can be contended, I believe, that those concerns have developed great economic efficiency that their costs of manufacture and profits are made from the wastes of forty years ago. The problem we have to consider, however, is the ultimate social result of this expanding domination, and whether it can be replaced by a system of better social character and of equal economic efficiency for the present and of greater promise for the future. It is certain, to my mind, that these businesses have been economically efficient in their period of competitive upgrowth, but as time goes on this efficiency cannot fail to diminish and, like all monopolies, begin to defend itself by repression rather than by efficiency. The worst social result of this whole growth in domination of trades is the undermining of the initiative and the equal opportunity of our people, and the tyranny which necessarily follows in the commercial world."

I should like to state that the Government have received a certain number of communications relating to the granting of a license to Armour and Co. (Australasia). These have come from farmers' organizations. The names of the organizations which have stated that they are in favour of a license being granted are as follows: New Zealand Farmers' Union, Palmerston South; farmers' gathering, Ashburton; New Zealand Sheepowners' Federation, Christchurch; Wairoa Farmers' Co-operative Meat Company, Wairoa; Canterbury Sheepowners' Union, Christchurch; North Otago Farmers' Union; South Otago Farmers' Union; sheep-farmers, Timaru; North Otago Agricultural and Pastoral Association, Oamaru; Lake County Agricultural and Pastoral Society; farmers' meeting, Whangarei; Clutha and Matau Agricultural and Pastoral Society, Balclutha; farmers' meeting, Ohaeawai; farmers' meeting, Kaikohe. The following are against the granting of a license to Armour and Co.: Dominion Conference, Farmers' Union, Wellington; farmers of South Canterbury, Timaru; New Zealand Farmers' Union (Wellington Provincial), Palmerston North; New Zealand Farmers' Union (Taranaki Provincial), Hawera; Manawatu and West Coast Agricultural and Pastoral Association, Palmerston North; Masterton Agricultural and Pastoral Association, Masterton; Taranaki Farmers' Meat Company (Limited), (300 present), New Plymouth; New Zealand Farmers' Union (Clutha Branch), Balclutha; Feilding Industrial, Agricultural, and Pastoral Association, Feilding; New Zealand Farmers' Union (Gisborne Branch), Gisborne; New Zealand Farmers' Union (Southern Hawke's Bay Branch), Dannevirke; Lowgarth Co-operative Dairy Company, Stratford; public meeting, Gisborne; Kaipara Farmers' Union, Helensville; Auckland Provincial Executive, New Zealand Farmers' Union; Egmont Agricultural and Pastoral Association, Hawera; Ngaire Co-operative Dairy Company (shareholders meeting), Stratford; Opotiki Farmers' Union, Opotiki. According to this list there were fourteen meetings in favour of the license being granted and eighteen against it. The Armour Company presented a petition praying that a license be granted to them: that petition was referred to this Committee. The petition was signed by a number of people resident in various parts of New Zealand. As far as is shown by last year's sheep returns, the total number of sheep owned by the people who signed the petition is 201,015—those are the only people named in the petition whom we could identify by the sheep returns; but there were several names in the petition whom we could not trace as sheepowners, but who might be interested in the ownership of sheep shown in the returns under other names. The list is not alphabetical, but in counties, and consequently it was difficult to trace the names. Our difficulty was increased by the meagre addresses given in the petition, and also by the illegibility of some signatures, but I consider it may be taken that the signatures represent not more than 300,000 sheep out of a total of something like 25,000,000 sheep in the Dominion. It is fair to say that I understand that those who were interested in the matter went on the lines that all that was necessary was to get some sort of petition rather than take time to canvass a large number of sheepowners. There was one point stressed very strongly by those who were in favour of Armour and Co. being granted a license, and that was that it would be of great benefit to the producers of this country if Armours came into our fat-stock market in competition with the present buyers. It was inferred that under the conditions that have been obtaining up to the present time the farmers are not getting as much for their stock as they would get if competition were keener. Suggestions were also made that the freezing companies were not "playing the game" in every case, and that the producer was suffering, and that therefore the introduction of Armour and Co. would help to remove that disability from the producer. Well, it seems to me that that is a very fallacious argument. When we bear in mind what have been the results of allowing these "Big Five" companies to get into the trade in other countries we must realize that if there is anything wrong here it would be a very dangerous thing to bring into our trade a company which has shown itself capable of practices in other countries which have called forth such drastic comments as have been quoted before this Committee. It is like trying to make two wrongs make a right; and if there is anything wrong here the proper thing to do is to go to work and put it right, and not to introduce another proved wrong element and set the two fighting each other. The result of that might well be that the producer would find himself between two stools,

with the proverbial result. I need not say much with regard to the utilization of offal beyond stating that my own observations confirm the evidence given by Mr. Milne that the freezing companies here are very efficient in dealing with that question. If they do not use their offal to the same minute degree as do all the American companies it is because the market conditions are not suitable for it.

In conclusion, I would specially call attention to some information furnished in an official despatch received prior to the war, and emanating from a very high source. It is as follows: "It is clear that the Chicago beef interests are obtaining complete control of the Argentine industry, and any interruption of the Australian and New Zealand supply will enable them definitely to consolidate their position in the Argentine, leaving them free to deal with Australia and New Zealand at their leisure. It seems to be established beyond doubt that their intention is to obtain control of the world's meat-supply." The warning contained in the concluding sentence cannot be disregarded.

Mr. Field: Do I understand that this petition represents only 300,000 sheep?—That is so; if anything, less than that number.

Not more than one-tenth of the total sheep held in the country?—There are approximately 25,000,000 sheep in the country.

Mr. Jones: The first ten names on the petition represent 200,000 sheep?—Not according to the figures in the sheep returns.

Mr. Field: Did you take the trouble to check the correctness of that statement that the first ten names in the petition represent 200,000 sheep?—Yes, it was checked by the sheep returns.

Do the sheep returns show the statement to be accurate?—There were a few names which could not be traced in the sheep returns.

In regard to the question of c.i.f. buying, do you not think there is some danger to be feared from allowing buying on the hoof or on the hooks?—No, not so direct. If you have buyers actually operating at the fat-stock sales, there is a greater danger of their squeezing out their competitors than if they are only buying the finished article—frozen meat.

But if these people have such enormous capital could not they collar the whole of the markets of the world?—If they control all the ships and all the meat they could, but that is beyond our power to prevent. It is within our power to prevent them from entering into the internal trade of the country.

I would like to have your opinion as to the existence or otherwise in New Zealand of combinations of freezing companies to fix prices?—I could not say that any combination of that sort exists here at the present time. From time to time during the past few years there have been differences between producers and freezing companies, and I have personally made inquiries into some of them, but of late they have been principally due to shortage of space and consequent restricted buying. I know there have been instances where storage space has been held by individuals or firms who have practically felt themselves for the time being in the position of being able to compete advantageously against people who had no storage space.

It has been stated that freezing companies have made 100 per cent. profit in one year: have you any knowledge of that?—No. But there is one point to be remembered: The profits made during any one year cannot be taken to illustrate the average annual earning-power of any company. The freezing companies have been well paid in the matter of storage rates, which the Imperial Government have paid. In addition their market for by-products such as hides, pelts, and tallow has been a very erratic one. At one time within the last three years there were enormous quantities of pelts piling up in the freezing-works, and also tallow. Then, when they were able later to get shipment and sell their pelts and tallow on a very high market they made a lot of money out of them. It happened that the market went up at the right time.

Then your opinion is that we should keep out the American companies and deal with our own evils in our own way?—Undoubtedly.

Mr. Lysnar: If it is shown that there is any combination here, you say that it would be better to legislate to deal with that trouble rather than allow the outside octopus to come in?—Undoubtedly, if our existing legislation is not sufficient. But our legislation gives great power to the Government in that direction.

But if it were proved defective you would suggest that further powers should be taken?—Yes.

You were asked the number of stock in the Argentine: will you let the Committee have those figures?—In 1914 there were 43,225,000 sheep in the Argentine, and in 1918 44,850,000. In 1914 there were 25,865,000 cattle, and in 1918 27,050,000. Those figures are from the Prices Current Journal Year-book for 1919, evidently a consolidation of the statistics of different countries.

You referred to the trusts and the danger of Armour and Co. getting hold of the distributing-markets: do you think that is a very real danger?—Yes, quite a real danger.

And if they ultimately get control of the distributing-markets they would control this end indirectly?—That is so.

You said that the British market was our stable market and the American market was a doubtful one: is there not also this reason, that the American market is more likely to be manipulated than the English market? The American market is in the power of the trust controlling the distributing trade?—Yes, largely, but we have to watch the British market as well from that point of view.

But, still, they have not the same dominating control on the English market as they have in the American market?—No.

You would say that it is to the interests of the farmers to assist with competition rather than to assist the packers?—From the point of view of the farmers, the larger the number of the right sort of buyers—individuals not so enormously wealthy as to be able to manipulate the market—the better.

Mr. J. R. Hamilton: You stated that the whole of your remarks and opinions regarding Armour and Co. referred to Armour and Co. of Chicago and not to Armour and Co. (Australasia)?—Yes, seeing that the American official reports mention Armour and Co. (Australasia) as being a subsidiary company of Armour and Co. of Chicago.

You quoted a certain period when the prices in America compared favourably with the prices in New Zealand, but your quotation covered one year only—or two: what about the intervening period? Is it not a fact that the prices may be in favour of America this year and in favour of New Zealand

next year?—Well, if these companies become sufficiently powerful in any one country they can, when it suits their ends, manipulate the markets by putting down the price to the producer; and that was a particularly striking case which I quoted where there was a stable and reliable selling-market in Europe.

Still, you must admit that it is the markets of the world which are most important to us. As long as we have the markets of the world open to us we have our own produce here with which we can do what we like. It is far more important that Armour and Co. should not have the control of the market than that he should have control of the buying situation, as long as they cannot block the markets of the world against us?—There is this difference: it is beyond our power to control what they do in their own country or other countries outside of New Zealand, except that in Great Britain we can get the co-operation of the Imperial Government. As far as the buying here is concerned we can control that, and it is up to us at the present time to realize the position we are in. Really we have got to decide whether we are going to let this company into the Dominion, to be followed probably by the other companies which, upon evidence, have shown themselves to be detrimental to the countries where they are already established.

But as long as the markets are open to us and we own the stuff here, are we not free to send it to those markets independently of Armour and Co.?—Yes; but we must provide for the intermediate handling.

Then is it not important that Armour and Co. should be kept out of control in that respect?—We must endeavour to keep control of that, but as regards the outside British markets it is more difficult for Armour and Co. to control the distributing end than the buying end.

If a license were granted to Armour and Co., what control would they gain by that over this end, seeing that the whole of the stuff here belongs to the producer, and the markets of the world are open to us and we can compete with Armour and Co. in the markets of the world—what detriment is it going to be to us if they get their license?—It is quite obvious that the granting of a license to Armour and Co. is not going to immediately give them control of the fat stock in this country, but it is opening the door to the so-called trust companies, because, as I was careful to point out in my evidence, the abandonment of the reason which now exists for refusing the license would mean that that reason could not be adduced in respect to Swift, Morris, Cudahy, or Wilson. Then we might find, in the course of a few years, the condition of things that exists in South America, where the percentage of their trade went up from 30 to 68 per cent., and where they obtained sufficient control to be able to manipulate the producers' market.

What was the competition in America during the war against Armour and Co., and what is the competition there against them?—As I stated, to some extent these large companies are in competition with each other. If you read the reports you will see that there are a large number of companies engaged in the meat trade, but many are more or less subsidiary to the "Big Five."

Who controls the other 40 per cent. in the Argentine?—The "Big Five" had 68 per cent. (now 57 per cent.), and there is one Argentine company and the British companies. But over a period they deliberately put up the price of fat stock to the producer, and they deliberately put down the selling-price in London—that is, for beef—with the result that the British companies, after standing up to it for a few months, were losing so much money that they had to make terms with the American companies, with the result that the Argentine and British companies lost a further percentage of the Argentine output.

But there are plenty of people who, when they see money to be made out of any concern, will go into it, and if Armour and Co. are making a big profit it will always be open to anybody to compete with them?—But they have such an enormous reserve of capital that they can afford to lose money for a time, and so make their competitors lose so much money that they cannot carry on any longer.

You admit that economic efficiency is usually the cause of success in pretty well all businesses?—Yes.

Do you think it is a fair thing that if a freezing company makes 100 per cent. profit they should reduce their charges to the producers?—Yes, especially if they earn those profits out of the charges they make to the producers; but it has to be borne in mind that very large sales were made last year of accumulated stocks of tallow, pelts, and so on. One company I know of produced a better balance-sheet than ever before because it unloaded a heavy quantity of its accumulated stocks during that year.

But it does not matter what they make their money out of: they make additional profits, and that is a reason why they should reduce their charges?—If they are making more than a fair and reasonable profit they should certainly reduce their charges.

You believe in healthy competition in the London market because you think that is advantageous to us: does not the same thing apply in New Zealand?—Yes; but what I would like to point out is that all the records of these American companies point very strongly to their indulging in very unhealthy competition.

Will not the same unhealthy competition go on in London?—Judging by the fact that the Imperial Government last year set up a special Committee to deal with this and other questions, and having a knowledge of the feeling of the Imperial Government towards the New Zealand Government, I am sure the Imperial Government will be willing and glad to co-operate with us in safeguarding our interests in London.

Do you think that the Imperial Government Department gave us a fair deal during the war? It was generally understood that the American people got a very big advantage over us at the London end during the war?—As a matter of fact, I can tell the Committee that the Imperial authorities have told us that, owing to the extreme necessities of the times then, and the absolute necessity for them to have urgent and adequate supplies of meat, they had practically to accept the terms of the Argentine companies as to the conditions of their contract.

Mr. Jennings: Who is the purchaser or adviser of the Imperial Government for food-supplies: is he an official of the Agricultural Department?—No; during the greater part of the war the meat business of the Imperial Government was in the hands of the Board of Trade (British), and the gentleman who was taking a leading part in the work was Sir Thomas Robinson; but at the present time the meat business is in the hands of the Food Ministry.

But who represents them here?—Well, they have no direct representative, but the Imperial Supplies Department acts as the intermediary between them and the freezing companies.

Can you tell me the name of the gentleman who acts for them here?—The Controller of the Imperial Supplies Department is Mr. Triggs, and the Assistant Controller is Mr. Lees.

Would it be to the interests of Armour and Co., or any of the "Big Five," to crush the producer and raise the price to the consumer under the present conditions in the world?—Naturally it would not be to the interests of Armour and Co. to completely crush the producer, but it would be to their interests to get a controlling-power in the buying-markets of this country.

Did not that policy which they pursued in America cause the setting-up of the Commission to which you have referred, which has put them out of court so that they dare not continue that policy now?—Yes, as regards groceries and that sort of thing. There is one aspect of that matter which I think should not be lost sight of: they had been extending their operations over such a wide field that it might be said to cover all classes of foodstuffs. Well, that constituted them such a very serious menace to the American people that that action was taken, as a result of which they have abandoned their extraneous businesses, but that leaves them with all their enormous monetary power to be concentrated on the meat business, and it makes them more dangerous than ever.

You made the suggestion that if the consumers—the people of New Zealand—had a trust here which was squeezing the people in connection with their butter, cheese, or meat, some steps should be taken by way of legislation to stop that?—Any trust that squeezes the people at all is bad for the country.

Are you aware that at the present time there is a Bill before the Canadian Parliament not to license the export of any produce or any goods until the people of Canada are first supplied?—No, I did not know that.

Mr. Powdrell: Do you see any danger in dealing c.i.f. with these companies—the farmers of New Zealand selling to Armour and Co., for instance, for delivery in New York?—I do not see that there could be any objection to that.

But you think there would be danger in their being allowed to buy in New Zealand, in the paddocks?—Yes.

And you contend there is greater danger if they bought works in New Zealand?—Yes, undoubtedly.

You have heard the arguments of some of the examiners on this Committee—that it is to the best interests of the farmer to deal with the men who give him a higher price than his own works give him. Do you think, under those circumstances, that the freezing companies in New Zealand would be justified in adopting the same attitude and selling their works at a 100-per-cent. profit? If the farmer is justified in selling his sheep at $\frac{1}{4}$ d. per pound extra profit, would not the freezing company be warranted in accepting £500,000 for works which cost them £200,000, and letting the farmer "stew in his own juice"?—It depends upon the point of view from which you look at the matter, but it would be a bad thing for the country.

I suppose you know that a great many of the farmers' co-operative works are guaranteed by too little capital?—Yes, some of them.

Do you think it would be legitimate for the farmer to grasp the additional $\frac{1}{4}$ d. per pound from Armour while he is strangling the works?—I think it would be a bad thing for the farmer in the end if he did so.

Is it not a fact that the American firms are getting a good hold in the Smithfield Market?—Yes, they have been strong there for years past.

Do you see any danger in these big companies purchasing a big proportion of the stuff in New Zealand, and the farmers not dealing direct here but selling c.i.f. to London, and not knowing to whom they were selling? The agent at the other end might be Armour and Co. They would then have only one-third of the free meat on the market. Do you not think there is danger in that they could do what they like with the other meat? Do you not think there is danger of their getting control of our meat in that way?—Yes, if they got sufficient control of the British end.

It depends upon the amount of control they get there?—Yes.

It has been contended that Armour and Co. treat the offal better and make more out of it, but since they have no works here it would be entirely lost to them. Do you think it would be possible for Armour and Co. to give as much for stock as the co-operative works here can give?—No, it ought not to be, unless through their being able to influence the world's markets at the other end to the disadvantage of their competitors.

Mr. Jones: I understand that your opinion is that it would not be in the best interests of this country that Armour and Co. should be permitted to come here?—That is so.

Have you carefully followed the live-stock figures in America to see whether they are actually operating in that direction?—You mean—followed the trend of the number of live-stock?

The price and general effect of the operations of the "Big Five" upon the farmers there?—Well, I cannot say that I have followed it very closely. I have gone through the information obtained by these inquiries that were set up by the United States Government.

I suppose it is fair to assume that the meat business has been in operation in America sufficiently long for us to conclude that it has become a settled policy, and that the present effect is likely to continue to be the effect in the future?—Well, the history of the five large meat companies in America has been rather a chequered one ever since before 1900. They have been the subject of a series of attempts on the part of the Government to keep them in order.

Quoting from the statistics handled by Mr. Lysnar—which are reliable—I find that in 1903 the average price for steers per 100 lb. was 19s. 6d., and the price gradually increased over a period of fifteen years until to-day it is £3: does not that seem to indicate that they have been working in the interests of the producer?—No; that has been brought about by the operation of the law of supply and demand throughout the world.

Then it is not a trust if the law of supply and demand is operating?—But this is the world's supply and demand.

You were accusing the "Big Five" of being a trust?—No, I used the words "so-called trust."

But if you have continuous increases in price, does not that prove that they are not a trust?—No; because if you have got a continually increasing population, and a consequently greater demand for meat, and if the supply of meat is not keeping pace with the increase in the demand you must get higher prices.

Do not those increased prices prove that the Meat Trust has not the control of the prices in America?—I do not consider they do prove that.

If they were a power with the whole meat industry in their hands would not they control the prices? Yes; but even then the price of meat in any one country—especially an importing country as the United States had become before war broke out—would tend to follow the price of meat in other buying countries.

If that argument applies in America would it apply in New Zealand? If the law of supply and demand is operating in America and has lifted the price of beef from 19s. 6d. to 60s., will the law of supply and demand operate to our advantage in New Zealand?—That is hardly fair. It may be that under absolutely free-competition conditions the price in America might have been 65s. instead of 60s.

Have our prices in New Zealand increased 300 per cent. in the last fifteen years?—No; but they have increased very considerably.

So that American competition with the trust has lifted higher proportionately than our system has lifted it? It was not the internal American trading alone that lifted it.

Take lambs: prime lamb was worth 22s. per 100 lb. live weight; to-day it is worth 66s. 6d. in America? Well, the price of lamb in America is hardly a fair thing to make a comparison with, because Americans are not largely a lamb-consuming people, and lamb there hitherto has been more or less of a luxury.

But it is remarkable that the percentage of increase is about the same as in beef?—But I do not think that is any more than a coincidence.

Come down to sheep then: 16s. was the price in 1903, and to-day it is 49s.: there is over 200 per cent. That is the fact that we as producers have to look at. Even with all this evidence that there is control in America the producers have got a larger increase than we have received?—But you must remember this: that the population of America has increased in a much greater ratio than the home-produced meat-supplies. Further, as a matter of fact, when the war started America had become an importer of meat instead of an exporter, although she supplied a good deal of meat during the war to the British Government. Further than that, her meat-supplies have not been controlled in the same way as ours have been. Our meat-prices have been kept at fixed rates by the sale of meat to the Imperial Government.

But this has been a continuous increase—every year there has been an increase over the previous year?—But you are taking the last year—1918.

I am taking from 1903 to 1918?—Yes, but the last years are war years.

Your argument has been that their whole policy has been to lift prices for themselves and not for the producers? Their policy has been to influence the prices to suit their own ends.

You said they lifted prices and that that was the policy they would pursue here?—They might do for a start.

The effect in America has not been so, according to the facts?—Well, of course, you have a great many things to consider in connection with America. You must consider the extent to which settlement has expanded in America. The whole country has been developed. In the western part America has developed to a greater relative extent than New Zealand.

But that does not affect the fact that they have not been able to control prices?—Well, they have been more than once accused of controlling the prices in their own country, and it has been shown officially that they have done so.

Those prices for the Argentine—the price for ewes was about 33s.?—Special Lincoln wethers, 33s. to 35s.; special Lincoln ewes, 27s. to 28s. 10d.

Then you quote the frozen price for New Zealand, 40s.: has the frozen price for New Zealand average wethers ever been 40s.?—The quote was the price on the hoof. Wethers have been sold here on the hoof for over 40s.

What is the price according to the contract?—5½d. for first-quality wethers under 72 lb. weight.

A 56 lb. wether on that basis would give you—free of freezing-charges—23s. 4d., and then there is the skin. Taking the average price, that indicates that the Argentine and New Zealand are about on a par, and you cannot take 40s. as the average price in New Zealand?—A great many good sheep have been sold for 40s. or over.

But on those figures the Argentine price and ours are about the same to-day?—I do not think so. I have seen the Argentine meat in the Smithfield Market and the best of it was good mutton.

I am taking it as being as good as ours: on the facts you gave us they would indicate that the prices are about the same as ours?—But it costs less to get it Home from the Argentine.

Supposing that Armour and Co. wanted to get control of the New Zealand business, you say there is no objection to selling c.i.f. to them. Supposing they gave a c.i.f. price of ½d. per pound above anybody else, could not they get control in that way without adopting the course they are following?

They might get a considerable amount of the meat, but at the same time we could sell our meat to whom we wished.

Who would get the meat if Armour gave ½d. per pound more than any other buyer?—They would be likely to get it.

Supposing a license is refused to them, could they still continue to buy in New Zealand and act just as any other firm? No, they could not, without laying themselves open to a heavy penalty.

But if they did not export, could not they go into the markets and buy?—But it is not of much use their buying unless they can export.

But they could sell from the freezing-works to anybody?—Yes.

As a matter of fact, we have no control over them if they want to continue business?—Yes, we have.

Except that they would have to have an agent?—Yes; but that agent requires to have a license to export the meat.

The Gear Company could sell c.i.f. to Armour and Co.?—You mean that Armour and Co. (Australasia) would put their meat in the hands of the Gear Company, and the Gear Company would sell it to Armour and Co. of Chicago. Then the Gear Company would risk losing their own license.

But your contention is that there is no wrong in selling c.i.f. to America?—If it suits us. But that is a different thing from the Gear Company acting in collusion with Armour and Co. of Australasia.

Supposing Armour and Co. of Australasia buy 50,000 carcasses of lamb in New Zealand and freeze it in the Gear Company's works, and the Gear Company as their agents sell it c.i.f. to Armour and Co. of Chicago, is that any offence against the law?—It would be quite within the Minister's power to inform the Gear Company that if they did not stop that practice he would cancel their license.

Well, the best legal authorities are against you?—With all due respect to the best legal authorities I think they are under a misapprehension.

But still there is the fact that if they want control they can get it by buying c.i.f.?—No, I disagree.

It is your personal belief that the American trust is operating here to-day?—Well, they are liable to have it proved that they are Armour and Co. even if their trade name is, say, Smith, Jones, and Co., or whatever is the name of the firm acting for them.

Mr. Hawken: I want you to make one point clear about the Argentine control of meat. I understand that the Meat Trust is so strong there that they dictate to the other companies what price they shall get. They get a certain proportion of the meat, but the price is the same?—I do not know that they actually dictate the buying-price, but they are able to very largely influence the buying-market. It was Mr. Hoover who indicated that they could do that.

Apparently they have now come to an agreement as to what proportion of the trade they shall have?—Naturally they can give what price they think will suit them.

Discredit has been thrown upon that Commission that inquired into the affairs of the trust in America: have you any evidence to prove that that Commission was not a properly qualified and influential Commission?—No, no evidence of the kind. I have no evidence that it was not a properly constituted Commission. There is everything to show that it was, because the Commission was set up by the United States Government, and as a result of its investigations and findings the United States Government took this very drastic action which is embodied in that decree, which I have submitted to members of the Committee.

Mr. Forbes: Do you think that the power which the Minister has under the present Act would be sufficient to control Armour and Co. starting business here—that is, refusing the license if they did anything detrimental to the interests of the producer?—Well, the point is that the Act undoubtedly confers very drastic powers upon the Minister, but if Armour and Co. were given a license the Minister could not logically refuse licenses to the other packing companies, and they could come here and, without actually committing a sufficiently serious act to warrant the Minister in refusing a license, they could gradually get a dangerous measure of control over our selling-market in this country, and might even gain a control over the interest in the ownership of freezing-works.

But if you do not think you have sufficient power under your present legislation extra power could be given. If it is decided to give a license to Armour and Co., do you think more legislation is necessary than you have at present, in the direction suggested in this petition—that the different meat-buying firms should be compelled to send to the Department of Agriculture a monthly report as to the stock bought, and such other information as is advisable? Have you the power to call for that information now?—Yes, I believe we have under the regulations made under the 1918 Act, but hitherto when the Department has wanted information of that kind it has been furnished voluntarily.

You have not, up to the present time, experienced any difficulty in getting the fullest information about operations in the market?—No.

And you do not think there need be any further legislation on that subject?—I do not think so. At any rate we could do it by regulations.

You say that if we grant this license we may have to grant others: you have no objection to the granting of licenses to British firms?—So long as the British firm is all right and there is nothing to show that the granting of a license to them would be detrimental to the interests of New Zealand, if things are wrong it does not matter what is the nationality of the firm.

Are you satisfied as to the *bona fides* of all the companies already doing business in New Zealand—that they have got the interests of the producer at heart, as you think they ought to have?—Well, no doubt the desire to run business profitably exists among the freezing companies as well as among other people, but the freezing companies, generally speaking, act reasonably.

I understand that there is some doubt cast upon Vestey Bros.: do you think yourself that there is no connection between the companies operating here and the trust companies?—Well, we have made a great many careful inquiries about Vestey Bros., and there is no doubt that they are a tremendously wealthy organization, and my opinion is that they want very careful watching; but at the present time the information at our disposal and it is pretty extensive—does not warrant the extreme step of refusing them a license.

You think that in dealing with Vestey Bros. you should wait until they do something wrong, when you will take the license from them?—The Minister has very drastic powers, and naturally he wants very good evidence before he exercises those powers.

Could not he do the same thing if you gave a license to Armour and Co.?—But the Minister has his evidence already in regard to Armour and Co., evidence obtained against them by their own people in their own country.

But the feeling in America is not hostile towards Armour and Co.—by the American Government?—I should take it that the feeling of the American Government in connection with Armour and Co. and the other companies is that they have to be kept under very thorough control. In other words, the American Government is in the position of having to endeavour to repress them, and it has been in that position for the last twenty-five years.

But do you not think that here in New Zealand—a very small country—with a Government which is in constant touch with the producer, there would be less danger of a trust getting established than in a big country like America?—No; I think the danger would be rather the other way, especially in view of the great financial resources of these five companies.

Mr. Masters: It has been suggested that the farmers are not getting full value for their products, and that if Armour and Co. were allowed to come in here it would brighten things up a bit—to use a term?—I think it is quite possible that for a time Armour and Co. would lift prices up.

Are not some of the freezing-works in New Zealand held entirely by farmers?—Yes, some of them are, largely.

And do you not think that the farmers themselves would create sufficient competition to get the full increase for their stock?—Well, the average farmer is not an astute business man.

And in the event of Armour not giving the full price our farmers would still have the world's markets open to them—they would get the full price for their products, and the profits made would still be distributed amongst the farmers?—Yes; but provided they had the organization for making proper use of the world's markets.

So that if the works were held entirely by the farmers, and Armour and Co. were kept out, they would still get the full value for their stock?—Yes. If you could only get the meat-producers organized in the same way as the dairy-farmers are organized the matter would be a very much simpler one.

You made the statement that in one particular bullocks were sold in the Argentine for £14 while they were being sold here at £20: is not that evidence that the present system in New Zealand is more satisfactory than in the Argentine?—Yes, it is undoubtedly more satisfactory.

And is it not a fact that the trust should have given a much higher price in view of the fact that the freight from New Zealand to London is much heavier than from Argentine to London?—Yes.

A statement has been made that one of the freezing companies has paid 100 per cent. dividend in one year: have you any evidence of that?—No, not personally, though I know there have been pretty good dividends paid of late; but one member of the Committee has said that he actually participated in what was equivalent to a 100-per-cent. dividend, and I must accept what he says.

Do you know whether it is a fact that in some cases the freezing companies have watered their capital with the result that 100 per cent. was paid in one year, whereas it was the profits over many years, and that it was not in reality 100 per cent. for one year?—Possibly accumulated profits have been paid out in one year. And, as I pointed out, large stocks of accumulated tallow, pelts, &c., were put on the market.

Mr. Jones has stated that bullocks were sold at 19s. 6d. in 1903 and £3 in 1918 in America: can you give us any indication of the rise in the price of bullocks between 1903 and 1918 in New Zealand?—I am afraid that I could not give you that from memory, but the figures would not be difficult to obtain.

Is it a fair comparison in view of the fact that New Zealand has to send her bullocks twelve thousand miles to the market?—There is certainly a great difference.

It means putting New Zealand at a distinct disadvantage?—Yes; and 1918 was a war year, when prices outside were influenced by war conditions while the New Zealand price was controlled.

Mr. Burnett: The Armour Company started operations in New Zealand in 1916?—Yes.

Have they been working under license all that time?—They have not needed a license, because the conditions of the contract with the Imperial Government were that the meat became the property of the Imperial Government when it went into store in New Zealand; consequently the only exporter of meat from New Zealand was the Imperial Government itself.

But they have been buying in our stock-markets?—Yes; the Act provides for the licensing of people to export meat: it does not provide for people to buy stock. Consequently, during the currency of the Imperial Government purchase no license was necessary.

But from now on a license will be necessary?—Yes.

And if Armour and Co.'s agents should operate in our markets without a license they will be breaking the law?—It would be illegal to export such meat.

Mr. J. R. Hamilton: As long as they do not ship they will not be breaking the law?—That is so; but somebody else must ship.

If they sell it to anybody else in New Zealand will they be breaking the law?—Well, I say that the refusal of a license to Armour and Co. forbids them to trade in the exportation of New Zealand meat from New Zealand. Therefore if they arrange for somebody else to export for them that means a deliberate evasion of the law.

Mr. Burnett: A great number of people are agreeable that Armour and Co. should be allowed to buy on the hooks, but I understand that it does not suit them to do so. Can you give any reasons why that system would not be agreeable to them?—One reason for wanting to operate and buy on the hoof is probably that they want to get into the country and establish themselves here, and another presumed reason is that by buying fat stock they can get all there is in the animal, except that as long as they do not go in for freezing-works they cannot well get absolutely everything there is in the way of by-products.

Mr. Lysnar: Will you look at this schedule [produced] which Mr. Jones quoted, which shows that the 1918 prices of cattle in America were the highest on record?—Yes.

In 1916 it was 9.50 dollars—that is, 37s.—that was the highest since 1903, so the 1918 figure was not a fair average?—The point is that the price for beef steers in 1903 was 4 dollars 80 cents; in 1915, 8 dollars 40 cents; 1916, 9 dollars 50 cents; 1917, 11 dollars 60 cents; 1918, 14 dollars 65 cents. Those high figures for the last years could reasonably be put down to war conditions.

Is not that 1916 price (39s.) below the New Zealand price?—Yes; the New Zealand price in 1916 would be 42s., as far as I can remember. As to the question I was asked about the finance of the five large companies, they grew from being worth about £18,000,000 to a net worth of £95,800,000 in 1918, and in this same period they paid in cash dividends amounting to £21,000,000.

APPENDICES.

No. 1.

AVERAGE SELLING-PRICE, DRESSED BEEF, LAMB, AND MUTTON FROM 1913-19 INCLUSIVE IN UNITED STATES OF AMERICA.

	Beef, Cents per lb.	Mutton and Lamb, Cents per lb.
1913	11·42	11·41
1914	11·99	12·23
1915	11·35	13·58
1916	11·80	15·33
1917	13·80	19·08
1918	17·98	23·52
1919	18·47	23·94

No. 2.

DEAR SIR,—

Masterton, 26th August, 1920.

At a meeting of the Provincial Executive of the Wairarapa branches of the Farmers' Union held at Masterton on the 23rd instant the question of granting a license to Armour and Co. was fully discussed, and the following resolution carried unanimously: "That this executive is against Armour and Co. being granted a license to kill stock or own freezing-works in New Zealand; any trade with them to be on f.o.b. basis, or (if proper safeguards could be provided to prevent the trust entering New Zealand) 'off the hooks.' License to be for a period of twelve months."

Yours truly,

D. HEBENTON,

Provincial Secretary.

A. D. McLeod, Esq., M.P., Wellington.

N.B. -If any evidence is being taken before the parliamentary Stock Committee on the question of Armour and Co. my executive would be pleased if you would give them our opinion.

No. 3.

RESOLUTION passed at meeting of Sheepowners' Union, 26th August: That, in view of the congestion of meat in London and the Dominion, it is desirable that every effort should be made to open up all available markets; therefore it is essential to the sheepowners that there should be free trade in frozen meat under proper protection, as provided in the Slaughtering Inspection Amendment Act, 1918, in regard to frozen meat for export.

WESTBROOKE.

The Hon. Mr. Ngata, Wellington.

No. 4.

DEAR SIR,—

Christchurch, 30th August, 1920.

At the request of Mr. Van Asch I am sending you copy of the resolution passed at the meeting of the Provincial Executive of the Hawke's Bay Farmers' Union on the 16th July last. I think Mr. Van Asch promised you this to go in with his evidence.

Yours faithfully,

W. IRVING CARNEY.

Mr. H. Harrison, Agricultural and Pastoral Stock and Commerce Committee, House of Representatives, Wellington.

The remits appearing on the order paper of the Dominion Conference were gone through in order that the delegates might learn the views of the executive and be in a position of knowing which remits to support and which to oppose.

As regards remit No. 106, which reads as follows—"That the Government be urged to take steps to prevent meat trusts monopolizing the export trade of the Dominion"—a lengthy discussion took place. Mr. Van Asch moved, seconded by Mr. Beatson, "That our delegates be instructed to move at the Dominion Conference that the Government take no steps from preventing any people from purchasing our products." Mr. Averill moved, as an amendment, "That purchasers only be allowed to buy our products f.o.b." Seconded by Mr. Jessep *pro forma*. After considerable discussion Mr. Joll seconded the amendment. The amendment was then put to the meeting, but was lost, the original motion being carried on a show of hands.

No. 5.

DEAR SIR,—

Timaru, 30th August, 1920.

At a large and representative gathering of farmers of South Canterbury held in Timaru on Saturday the following motion was carried with two dissentients: "That in the opinion of this meeting of farmers the Government should absolutely prohibit Messrs. Armour and Co. and Vestey Bros. from operating in any capacity in this Dominion regarding the meat and freezing industry, as large trusts or combines are dangerous to the true progress of the Dominion."

I am, &c.,

C. E. KERR.

The Chairman, Stock Committee, Parliamentary Buildings, Wellington.

No. 6.

DEAR SIR,

Oamaru, 13th September, 1920.

At a meeting of the executive of this union held on Saturday last the following resolution was carried unanimously: "That this meeting ask the Government to issue a buying and export license to Armour and Co. or any other American firm desiring to operate in New Zealand frozen meat for export to United States of America, for one year, under such reasonable Government supervision as may be necessary to safeguard the interests of New Zealand producers."

Yours faithfully,

A. W. WOODWARD, Secretary.

The Chairman, Parliamentary Committee, Wellington.

No. 7.

MR. CORRIGAN, farmer and stock-dealer, wished to know if he could give evidence before the Committee. As that cannot be granted, I wish to put in the statement he made to me in the train yesterday, 21st September. It was to this effect: That he had been refused freezing-rights by Taranaki freezing companies because, he averred, he had been very successful in purchasing stock over the buyers of the companies, including the Gear Company; that, had it not been for the Wanganui Freezing Company doing the work, he would have been a heavy loser, as he had about £12,000 worth of stock on his hands.

WILLIAM THOS. JENNINGS.

No. 8.

Office of the Attorney-General,

Washington, D.C., 18th February, 1920.

DEAR SIR,—

In response to your request, referred from the Secretary of Agriculture, for certain information relative to the packers' case, I transmit herewith my statement given to the Press on 18th December, 1919. I have made no other official statement. The decree in this case will shortly be entered, and I have directed that a copy thereof be sent you.

Yours very truly,

A. MITCHELL PALMER, Attorney-General.

Hon. W. Nosworthy, Minister of Agriculture, Dominion of New Zealand.

ATTORNEY-GENERAL PALMER to-day announced that the five big packers, Armour and Co., Morris and Co., Swift and Co., Wilson and Co., and Cudahy Packing Co., their main subsidiaries and principal stockholders and managers, had submitted to all the contentions of the Government and consented to the entry of an injunction decree providing for the carrying-out of these contentions.

The following defendants are directed and enjoined under the decree:—

Armour Defendants.

Corporations.	Individuals.	Corporations.	Individuals.
Armour and Co. (Ill.) ..	J. Ogden Armour.	Colorado Packing and Provision Co. (Col.) ..	F. Edson White.
Armour and Co. (N.J.) ..	Charles W. Armour.	Fowler Packing Co. (Me.) ..	Frederick W. Croll.
Armour and Co. (Ky.) ..	A. Watson Armour.	Hammond Packing Co. (Ill.) ..	George M. Willetts.
Armour and Co. (Tex.) ..	Lawrence H. Armour.	New York Butchers' Dressed Beef Co. (N.Y.) ..	George B. Robbins.
Armour and Co., Ltd. (La.) ..	Arthur Meeker.	Atlantic Hotel Supply Co.	
Anglo-American Provision Co. (Ill.) ..	R. J. Dunham.		

Swift Defendants.

Corporations.	Individuals.	Corporations.
Swift and Co. (Ill.) ..	Louis F. Swift.	Omaha Meat Co. (Cal.) ..
Swift and Co. (W. Va.) ..	Edwards F. Swift.	Canfield Commission Co. (N.J.) ..
Swift and Co. (Me.) ..	Charles F. Swift.	H. C. Derby Co. (N.Y.) ..
Swift and Co., Inc. (Ky.) ..	Gustavus Swift, jun.	Metropolitan Hotel Supply Co. (N.Y.) ..
Swift and Co., Ltd. (La.) ..	Harold H. Swift.	Vermont Supply Co.
Swift Beef Co. (Me.) ..	Alden B. Swift.	Hotchkiss Beef Co.
United Pressed Beef Co. (N.Y.) ..	George H. Swift.	F. and C. Crittenden Co.
J. J. Huntington and Co., Inc. (N.J.) ..	Laurence A. Carton.	George Nye Co.
Bimble Co. (N.J.) ..	Frank S. Hayward.	H. L. Handy Co.
C. H. Hammond Co. (Mich.) ..	Charles A. Peacock.	Swift-Coates Co.
Omaha Packing Co. (Ky.) ..	Wilfred W. Sherman.	Andrews, Swift, and Co.
Plankinton Packing Co. (Wis.) ..	Wellington Leavitt.	New England Dressed Meat and Wool Co.
Sturtevant and Haley ..	J. M. Chaplin.	North Packing and Provision Co.
Beef and Supply Co. (Me.) ..	William B. Trainor.	Sperry and Barnes Co.
W. M. Packing Co. (Ill.) ..		John P. Squire Co. (Me.) ..
Van Wagenen and Schickhaus Co. (N.J.) ..		John P. Squire Co., Inc. (Mass.) ..
Western Packing Co. (Cal.) ..		John P. Squire Co., Inc. (R.I.) ..
Hammond Beef Co. (Mich.) ..		Springfield Provision Co.
		White, Peavey, and Dexter Co.

Morris Defendants.

Corporations.	Individuals.	Corporations.
Morris and Co. (Me.) ..	Edward Morris.	Corwin, Wilde Co.
Morris Packing Co. (Me.) ..	Nelson Morris.	Donnelly and Co., Inc.
Morris and Co. (N.J.) ..	L. H. Heymann.	National Hotel Supply Co.
Morris and Co., Ltd. (La.) ..	C. H. McFarlane.	Chamberlain and Co., Inc.
Morris and Co. (Pa.) ..	H. A. Timmins.	J. M. Wilson and Co.
Joseph Stern and Sons, Inc. (N.Y.) ..		Middletown Beef and Provision Co.
Brooklyn Beef and Provision Co.		Glenn and Anderson Co.
Condit Beef and Provision Co.		

Wilson Defendants.

Corporations.	Individuals.	Corporations.	Individuals.
Wilson and Co., Inc. (N.Y.) ..	Thomas E. Wilson.	Steifel-O'Mara Co. ..	G. H. Cowan.
Wilson and Co., Inc. (N.J.) ..	Arthur Lowenstein.	Drexel Packing Co. ..	William C. Buethe
Wilson and Co., Inc., of California (Nov.) ..	Jacob Moog.	Albert Lea Co., Inc. ..	C. F. Burrell.
Wilson and Co., Inc. (La.) ..	V. D. Skipworth.	Mississippi Packing Co. ..	James C. Good.
Wilson and Co. (Oklahoma) ..	A. L. Smith.	Morton-Gregson Co. (Del.) ..	
South Dakota Provision Co. ..	J. A. Hamilton.	Paul C. Reymann Co.	
Gotham Hotel Supply Co. ..	George D. Hopkins	Standard Provision Co.	
Standard Beef Co. ..	A. E. Peterson.	Centron' Products Corporation.	

Cudahy Defendants.

Corporations.		Individuals.	Corporations.	Individuals.
Cudahy Packing Co. (Me.) . .	Edward A. Cudahy, sen.	Nagle Packing Co. . .	E. A. Strauss.	
Cudahy Packing Co. (Neb.) . .	Edward A. Cudahy, jun.			Frank E. Wilhelm.
Cudahy Packing Co. (Ala.) . .	Guy C. Shephard.		George Marples.	
Cudahy Packing Co. Ltd. (La.)	John E. Wagner.	Western Meat Co. . .	Nevada Packing Co.	
Nagle Packing Co. . .	A. W. Anderson.	Oakland Meat and Packing Co.	F. L. Washburn.	

Under this decree the defendants and each of them either as corporations or as individuals, are compelled, in brief—

- (1.) To sell, under supervision of the United States District Court, preferably to the live-stock producers and the public, all their holdings in public stockyards;
- (2.) To sell, under the same supervision and in like manner, all their interests in stockyard railroads and terminals;
- (3.) To sell, under the same supervision and in like manner, all their interests in market newspapers;
- (4.) To dispose of all their interests in public cold-storage warehouses, except as necessary for their own meat products;
- (5.) To forever disassociate themselves with the retail meat business;
- (6.) To forever disassociate themselves with all "unrelated lines," including wholesale groceries; fresh, canned, dried, or salt fish; fresh, dried, or canned vegetables; fresh, crushed, dried, evaporated, or canned fruits; confectioneries, syrups, soda-water-fountain supplies, &c., molasses, honey, jams, jellies and preserves, spices, sauces, relishes, &c., coffee, tea, chocolate, cocoa, nuts, flour, sugar, rice, and cereals (with an exception to be noted), bread, wafers, crackers, biscuit, spaghetti, vermicelli, macaroni, cigars, china, furniture, &c.
- (7.) To forever abandon the use of their branch houses, route-cars, and auto-trucks, comprising their distribution system, for any other than their own meat and dairy products;
- (8.) To perpetually submit to the jurisdiction of the United States District Court under an injunction forbidding all the defendants from directly or indirectly maintaining any combination or conspiracy with each other or any other person or persons, or monopolizing, or attempting to monopolize, any food-product in the United States, or indulging in any unfair and unlawful practices.

The decree further provides that jurisdiction is perpetually retained by the Court for the purpose of taking such other action, or adding at the foot of the decree such other relief, if any, as may become necessary or appropriate for the carrying-out and enforcement of the decree, or for the purpose of entertaining at any time hereafter any application which the parties may make with respect to this decree.

Immediately upon Mr. Palmer's becoming Attorney-General, in March, 1919, he personally took up the charges against the packers, and special assistants were asked to study the investigation of the Federal Trade Commission, all hearings before Congressional committees, and to conduct independent investigations. After eight months of exhaustive work, and the placing of one branch of the matter before a Chicago grand jury, the results were ready to be placed before a United States grand jury sitting in New York for the months of November and December. Before the opening, however, of the hearings before that grand jury Mr. Palmer was notified that the defendants would submit to all proper requirements of the Government under the law.

Mr. Palmer was convinced that in order to prevent the parent companies and subsidiary defendants, acting by and through their principal officers, from dominating, controlling, and monopolizing a very great proportion of the food-supply of the native nation, and thereby building up an unlawful monopoly and control over divers and sundry products and commodities necessary to the life, health, and welfare of the people of the United States, and by similar methods attempting to increase and extend said monopoly, and attempting by these means to artificially control the supply and prices of the food of the nation; and that in order to put an end to any and all monopolies which the defendants had created or obtained in inter-State trade or commerce in live-stock, meat-products, and substitute food, and to prevent the continuance of any unlawful monopolies by the defendants in such trade or commerce in the products and commodities described; it would be necessary to—

- (a.) Place these defendants under the jurisdiction of an injunction decree in the United States District Court in relation to all unfair practices or attempts to monopolize;
- (b.) Deprive said defendants of certain instrumentalities, facilities, and advantages which they might use to more effectively perfect their attempts to monopolize;
- (c.) Compel the defendants to desist from dealing in certain of the substitute foods and certain of the unrelated commodities;
- (d.) Limit the interests which the individual defendants might have in corporations handling certain substitute foods and unrelated commodities;
- (e.) Dissolve any and all contracts, combinations, and conspiracies in restraint of trade or commerce between the several defendants;
- (f.) Prevent said defendants from maintaining such contracts, combinations, or conspiracies with each other, or from entering into further contracts, combinations, or conspiracies with each other or with other persons.

FIRST ALLEGED EVIL.—STOCKYARD OWNERSHIP.

The principal business of each of the parent companies, conducted by each company directly or through its subsidiaries, is the slaughter of live-stock, consisting of cattle, hogs, sheep, and calves, the dressing of the carcasses, and the distribution of the dressed meat in inter-State commerce through various means by which the dressed meat reaches the retail butchers and is by the retail butchers sold to the consumers. Each of these concerns is the successor or natural outgrowth of concerns of many years' standing. In their inception these concerns devoted themselves exclusively to the slaughter of live-stock, the dressing of the carcasses, and the sale of the dressed meat to retail butchers or consumers.

The stockyard was, and is in theory, a public market-place to which all who wish to either buy or sell may have free access and the right to trade. The stockyards offer to the native cattle-raiser the opportunity to dispose of his live-stock for an immediate cash price. Contiguous to such stockyards, commission men, dealing exclusively in the sale of live-stock, locate themselves. These commission men attend to the care of the live-stock upon its arrival, effect the sale of the stock so consigned, attend to its weighing, collect the proceeds of the sale, and remit to the consignor after deducting customary commissions.

Stockyards render certain services to the shipper for which they make charge, to wit: Yardage (furnishing the facilities and performing the services of placing and keeping the animals in pens and watering them), feeding, and selling food, weighing, dipping, bedding cars, and often loading and reloading.

The yardage charges are ordinarily based upon an arbitrary charge per head for each kind of stock, but in some instances it is based upon the hundredweight. The charge for feeding is fixed by the stockyards, and includes the services rendered in feeding. The amount of the charges made or to be made for the other items of services or materials furnished is also fixed by the stockyards or those who are in control of the yards.

In connection with each stockyard there is a need for certain facilities and conveniences for the benefit of either the shipper or the buyer of the live-stock. The stockyard, by reason of its dominating position, controls these conveniences and facilities.

In furtherance of the tendency to centralize the market it became of advantage to establish slaughterhouses and packing-plants, either within or adjacent to the stockyards. The stockyard companies generally own or control all the available land within the yards, and at most of the important yards the land surrounding the yards is owned by companies controlled by the stockyards company or its principal stockholders. In fact, new companies as a rule can secure desirable packing-sites only from the stockyard companies or from these land-development companies. The owners of stockyard companies are therefore in a position to determine what packing companies, and how many plants, shall be established at the yards.

The cattle-raiser is in many instances dependent upon banks or loan companies to finance him in the rearing of his live-stock and until such time as the stock shall have been sold. In the nature of their business, it is a great advantage to these banks to locate in or near stockyards. It therefore lies within the power of the owner of the stockyard company to designate how many and which banks or loan companies may establish themselves at the yard.

While in transit, and after reaching the yards, live-stock often die, either from disease or accident. The stock-yard companies, by virtue of their agreement with the commission men, are permitted to determine who shall buy the dead animals, and the prices which shall be paid therefor. This monopoly power has generally resulted in the establishment of only one dead rendering plant at each of the important yards.

The commission men and traders at the stockyards must have offices in or near the yards. They can get such accommodations only from renting or leasing from the stockyard companies. For the purpose of maintaining such office space, such yard has a large building or series of buildings, offices in which are leased to the commission men. The commission men are allotted pens, and, inasmuch as it is of great advantage to a commission man to be able to dispose of his customer's live-stock at the earliest possible hour, the location of pens most favourable to the prospective buyer is of great advantage.

These conditions tend to give the ownership of the stockyards into the hands of the packers, with improper control of prices and competition.

SECOND ALLEGED EVIL—TERMINAL RAILWAYS.

It has been charged that the centralization of the market at one site, and the resultant growth of the packing-houses in or about that market, of necessity required terminal railways to facilitate the switching of cars from the railroads to the stockyards, from the yards to the packing plants, and from the packing plants to the railroads. These terminal or stockyard railways are usually owned by the stockyard companies, or by those in control of the stockyard companies. Control of these railways carries with it the power to grant or withhold sidings, spurs, or other accommodations which may be required by the packing-house, and those in control of said terminal railways are thereby in a position to discriminate against other packers or independent buyers by practising delay in loading the animals bought by said packers or independent buyers, and in switching the loaded cars to the connecting lines.

THIRD ALLEGED EVIL—MARKET PAPERS AND JOURNALS.

In addition to having a free market in which to dispose of his live-stock, the cattle-raiser requires full, accurate, and unbiased reports of the demand for live-stock, the prices prevailing, and the character and kind of stock required, together with other information as to market or trade conditions. The cattle-raiser of necessity is located at places remote from the market, but rarely accompanies his shipment to the market, and by reason of the cost of shipment and of feeding in transit and while being held for sale it is imperative that he dispose of his stock when once he has shipped. For his guidance he relies largely upon the trade papers and journals. Control of these papers and journals furnishes a means whereby the flow of stock to the market may be increased or decreased to the benefit of the slaughterer.

It is therefore evident that control of the stockyards and of the other facilities appertaining to the stockyards carries with it—

- (a.) A profit derived from the meat industry levied upon it and collected before the animal is slaughtered, all of which profit, however, evidences itself in the ultimate cost which the consuming public must pay for the dressed beef :
- (b.) A potential means of favoritism in dealing with commission men and of influence over them, a power to grant monopolies carrying with it consequent profits to banks, cattle loan institutions, rendering plants, and concerns supplying food for live-stock, and others :
- (c.) A means to prevent the establishment of new packing plants and to hamper the growth of those in existence :
- (d.) A means to prevent the development and limit the number of new markets, and to centralize and restrict business to the stockyards so controlled :
- (e.) Peculiar and exclusive access to information concerning the receipts and sales of live-stock, its disposition, and the dissemination of information to the producer.

The parent companies and their controlling heads, appreciating the advantages which were to be gained by controlling the stockyards and the facilities pertaining thereto, the stockyard terminal railways and market papers and journals, and realizing that the use of such instrumentalities might thus enable them to obtain a primary profit not only out of the sale of live-stock purchased and slaughtered by them, but also on that purchased and slaughtered by their competitors, and realizing the opportunities thereby to repress and discourage the development of independent packers and slaughterhouses and to control the shipments of meats to the various markets, set about the acquisition of the various stockyards and the appurtenances and privileges incidental thereto. This in many instances was done by a concert of action, and pursuant to a common understanding. In most instances the acquisition of control of the aforesaid stockyards by any one or more of the parent companies was acquiesced in by the others, and in all instances the ownership or control of stockyards by other packers, or by any one, in fact, other than the parent companies or one of their members or their controlling heads, was discouraged and opposed.

In pursuance of a common purpose, plan, and design, outside investors and independent packers have gradually been forced out as dominating factors both in the ownership and management of most of the important factors both in the ownership and management of most of the important stockyards, and have been replaced by the parent companies or their representatives. This acquisition has been accomplished by various methods: In the earlier years, by exacting stock donations under threats of moving away their packing plants; later, by cash subscriptions to stock, generally below par, and in other instances by voluntary reorganization of stockyard companies in order that the parent companies and their controlling heads might gain a controlling or dominating power in the yards and thus be induced to continue to maintain their packing plants thereat. By these various means the parent companies, directly or indirectly, through their controlling heads, have been enabled to obtain control of substantially all of the large stockyards of the country. They now have, either jointly or separately, a controlling interest in twenty-two of the fifty market stockyards in the United States. The stockyards so controlled by them, and the percentage of stock severally or jointly controlled in each company, are as follows:—

Name and Address of Company.	Per Cent.
Brighton Stockyards Co., Brighton, Mass.	95.0
Denver Union Stockyards Co., Denver, Colo.	100.0
St. Louis National Stockyards Co., National City, Ill.	82.4
Independent Stockyards Co., St. Louis, Mo.
Fort Worth Stockyards Co., Fort Worth, Texas	69.3
Interstate Stockyards Co., Jacksonville, Fla.	99.2
Jersey City Stockyards Co., Jersey City, N.J.	91.4
Central Union Stockyards Co., Jersey City, N.J.	99.2
Kansas City Stockyards Co., Kansas City, Mo.	67.3
Milwaukee Stockyards Co., Milwaukee, Wis.	97.5
Crescent City Stockyards and Slaughterhouse Co., Ltd., Arabi, La.	86.1
New York Stockyards Co., New York, N.Y.	97.4
Oklahoma National Stockyards Co., Oklahoma City, Okla.	84.7
Pittsburgh Union Stockyards Co., Pittsburgh, Pa.	97.0
Portland Union Stockyards Co., North Portland, Oreg.	85.4
Sioux City Stockyards Co., Sioux City, Iowa	92.1
St. Paul Union Stockyards Co., South St. Joseph, Mo.	84.2
El Paso Union Stockyards Co., El Paso, Tex.	79.0
Wichita Union Stockyards Co., Wichita, Kansas	59.6
Union Stockyards of Omaha, Ltd., Omaha, Nebr.	60.2

In addition thereto the parent companies or their representatives hold a minority interest in six additional stockyards, as follows:—

Name and Address of Company.	Per Cent.
Bourbon Stockyards Co., Louisville, Ky.	25.6
Chicago Stockyards Co., Maine	19.4
Cleveland Union Stockyards Co.	8.4
Salt Lake Union Stockyards Co., Salt Lake City, Utah	28.9
Union Stockyards Co. of Baltimore County, Baltimore, Md.	10.4
West Philadelphia Stockyards Co., Philadelphia, Pa.	22.0

The parent companies have availed themselves of the control so acquired by them in the stockyards aforesaid to elect the officers and directors of said stockyards and to dominate and control the policies thereof. They have granted exclusive privileges—such as the right to purchase dead animals, the right to furnish supplies and facilities, and the location of cattle-banks and cattle loan companies—to concerns and corporations in which they, or some of them, or individuals who are stockholders in said parent companies, hold the controlling stock, all of which has been done with the intent and purpose and has had the effect of discouraging and suppressing the establishment of independent packing establishments and dwarfing the growth of such independent packing companies which might then be in existence, to enable said parent companies, their subsidiaries, or the individuals who own and control the parent companies and their subsidiaries, to obtain vast profits from the management of the stockyard and the granting of the privileges appurtenant thereto, which profits are realized not only upon the live-stock purchased by the packers, but upon that purchased by their competitors, and have thus enabled them to enjoy and realize such profits without the same appearing or being disclosed in the profits of the parent companies; and otherwise to further the attempt of said parent companies to monopolize the meat industry of the country and artificially control the ultimate price which the consumer pays for meat and meat products.

To cure these evils, the decree about to be rendered perpetually enjoins all of the defendants and each of them, either as corporations or as individuals, from owning any capital stock or other interest, either directly or indirectly, in any public stockyard market, stockyard terminal railway, or market paper or journal; and further provides that within ninety days such of the defendants as have interest in public stockyard markets, stockyard terminal railways, or market papers or journals shall file in the Court where the decree is entered, for the Court's approval, a plan for divesting themselves of such interest. It is to be hoped that these stockyard companies will be acquired under the Court's order by either the producers of live-stock or by the public at large, who can impartially administer them. Under an impartial administration most of the evils complained of in the live-stock business can be cured.

The decree further provides for an injunction forbidding all unfair practices or combinations in reference to the control of meat or its prices, and under this clause any of the defendants violating this injunction can be summarily punished by the Court. Therefore, such evils in the meat business as are not corrected by the public ownership of the stockyards, stockyard railroads, and stockyard newspapers can be readily corrected under the supervision of the Court.

FOURTH ALLEGED EVIL—COLD-STORAGE WAREHOUSES.

The cold-storage warehouses were in the beginning adopted as an instrument for enabling the parent companies to extend the volume of their slaughter of live-stock and sale of dressed meat. In the first instance they were used for chilling meat in connection with the packing business. Then they were constructed in connection with branch houses so that they might be used for storing and holding the finished meats until they were sold. Later, they were either built or leased in the large eastern seaboard cities for long-time storage and for storing for export. As will be more fully set forth hereafter in discussing the control of substitute foods, these storage warehouses were later employed to store non-meat food products. Later, control was acquired over public storage warehouses, where surplus space was leased or let to others. Later, control of these public storage warehouses was employed to aid in control of the prices of meat and substitute foods.

Under this decree, the defendants, and all of them, are perpetually enjoined and restrained from owning, directly or indirectly, any capital stock or other interest whatsoever in any public cold-storage warehouse in the United States, except such as the different companies need for the storing of their own meat products, and they are required to dispose of their present holdings in such warehouses under the direction of the Court.

FIFTH ALLEGED EVIL—SUBSTITUTES FOR MEAT.

The investigation demonstrated that even with a practical monopoly of the supplies of meat in the country the price could not be controlled by the defendants without the control of substitute foods; that if meat prices advanced out of proportion to those of other substitute foods, the consuming public manifested a tendency to turn to such substitutes. To prevent this it is charged that the defendants sought to control the nation's supply of fish, vegetables, fresh or canned fruits, cereals, milk, poultry, eggs, cheese, and other substitute foods ordinarily handled by wholesale grocers or produce-dealers. To accomplish this purpose the defendants availed themselves of the advantages at hand in the auto-trucks, route-cars, branch houses, and storage warehouses owned or controlled by them.

These facilities, intended primarily for the sale of meats, were employed, with comparatively no increase of overhead, in the distribution of the substitute foods and unrelated commodities. The defendants were thereby enabled to reach remote spots. These attempts to monopolize have resulted in complete control in many of the substitute-food lines. They have made substantial headway in others. The control was extensively and rapidly increasing. New fields were gradually being invaded. Yearly great numbers of competitors abandoned the contest and quit business or sold out to the parent corporations or their subsidiaries. Unless prevented by this decree, the defendants would have, within the compass of a few years, controlled the quantity and price of practically every article of food found on the American table.

In the fifteen years from 1904 to 1919, Swift and Co., Armour and Co., Wilson and Co. (Inc.), and the Cudahy Packing Co., according to their financial reports, grew from a net worth of approximately \$92,000,000 to a net worth of approximately \$479,000,000, but in this same period they paid in cash dividends \$105,000,000. Only \$89,000,000 of their increased worth was represented in capital. Though always asserting a very low rate of profits on sales, the five parent companies have grown so rapidly that their combined net profit or 1919 has equalled nearly the amount of their total sales in 1904. The sales themselves in fifteen years have increased until, for the fiscal year 1918, they reached the vast sum of \$3,200,000,000. This was realized from meats, substitute foods, and unrelated lines, as hereinabove set forth. In stating these figures, account has been taken only of profits and sales to the parent companies and subsidiaries included by them upon their books. No account has been taken of the many corporations which are owned or controlled by the same family or financial interests as own or control the parent companies.

In addition to these profits, there have been other vast profits, difficult of ascertainment, realized by the individuals by virtue of either their personal control of other packing-houses and slaughtering companies or their interests in stockyards, terminal railroads, rendering companies, cattle loan institutions and banks, and other corporations, all of which corporations have their inception and depend for their prosperity upon advantages or privileges growing out of the interlocking control of the stockyards and stockyard appurtenances.

The parent companies, or the individual defendants and their families, maintain and control 574 corporations or concerns, including 131 trade names. They have a significant minority stock interest in 95 others, and an interest of unknown extent in an additional 93. Thus the total number of concerns in which they have control or interest is some 762. Practically all of these companies, however, come under the jurisdiction of the Court through the naming of the above-mentioned defendants.

In the years that have passed the parent companies have acquired or organized many other concerns, and have maintained them so long as they were useful for their purposes. When no longer useful these concerns so acquired or organized have been dissolved, and their businesses have been merged into that of the parent companies or into that of other subsidiaries. Such dissolved corporations and concerns are omitted in the above compilation, except in such instance as the name has been continued as a trade name. The total of 762 above stated therefore falls far short of representing the number of concerns that corporate and individual defendants have acquired or have organized in furtherance of their general scheme and plan of action already explained. It would be an enormous undertaking to determine the degree of control exercised by the defendants in all of these various interests. Enough has been ascertained to indicate that the growth has been rapid, and that if permitted to continue unchecked in a matter of a few years the control would be complete.

In 1916 the business of Armour and Co. in canned fish, vegetables, and sundries, canned and dried fruits, fruit preserves, and grape-juice amounted to \$6,396,036.73. In 1918, two years later, the same company's volume of business in these same items was \$39,820,000—over sixfold increase. While part of this increase of business may be attributed to the increase of population, and the consequent increase of consumption, the greater part thereof was acquired at the expense of competitors.

Of the corporations which have been acquired by the parent companies in recent years, the large number are concerns manufacturing or selling these substitute foods or unrelated commodities. This fact, together with the increased activities of the parent organizations themselves in these lines, indicated a well-defined purpose on their part to secure control of the market for meat-substitute foods.

In addition to the companies in which control has been acquired by outright purchase, the parent companies have in a large number of instances contracted for the exclusive output of many other companies engaged in the production

of the substitute foods and the unrelated commodities. The outputs of these plants are marketed by the parent companies, or by their subsidiaries through the distribution facilities of the parent companies. In this fashion the parent companies control the output of these concerns and the market price of their products as completely as though they themselves owned the producing companies.

The principal agent in stifling competition in the unrelated lines was, as has been stated, the fact that the distributing system of the great packers was an efficient and cheap way of handling, not possessed by their competitors.

For the cure and prevention of these evils, this decree will provide an injunction perpetually enjoining and restraining the corporation defendants and each of them, their successors and assigns, from owning any capital stock or other interest in any corporation which is in the business in the United States of manufacturing, jobbing, selling, transporting, distributing, or otherwise dealing in—

- (1.) Fresh, canned, dried, or salted fish, including therein, but in no wise limiting the foregoing general description, the following, to wit: Canned oysters; canned mackerel; bulk mackerel; bulk, canned, and cured herring; canned salmon; canned sardines; canned shrimp; canned tuna fish.
- (2.) Fresh, dried, or canned vegetables, except in combination with meats, including therein, but in no wise limiting the foregoing general description, the following, to wit: Asparagus, navy beans, lima-beans, peas, beets, corn, okra, potatoes, tomatoes, celery, garlic, horse-radish, pumpkins.
- (3.) Fresh, crushed, dried, evaporated, or canned fruits, including therein, but in no wise limiting the foregoing general description, the following, but not including the same when used as an ingredient of mincemeat, to wit: Ginger, cherries, apple-butter, apricots, blackberries, peaches, pineapples, raspberries, currants, figs, gooseberries, oranges, strawberries, apples, prunes, raisins, dates.
- (4.) Confectionery, syrups, soda-fountain supplies, and syrups and soft drinks, not including grape-juice, including therein, but in no wise limiting the foregoing general description, the following, to wit: Apple-cider, cherry-juice, coca-cola, creme-de-menthe, crushed-nut frappe, ginger-ale, green-pineapple syrup, lemon-extract, marshmallow-topping, orange-extract, root-beer, vanilla-extract, vin-fiz.
- (5.) Molasses, honey, jams, jellies, and preserves of all kinds.
- (6.) Spices, sauces, condiments, relishes, and sauerkraut, including therein, but in no wise limiting the foregoing general description, the following, to wit: Catsup, chili-sauce, cinnamon, cloves, mustard, mustard-seed, olives, oyster-cocktail sauce, pepper, pickles, spinaco-chili, tomato-catsup.
- (7.) Coffee, tea, chocolate, and cocoa.
- (8.) Nuts, including therein the following, to wit: Almonds, pecans, walnuts.
- (9.) Flour, sugar, and rice.
- (10.) Bread, wafers, crackers, and biscuits.
- (11.) Cereals, including therein, but in no wise limiting the foregoing general description, the following: Grits, oats, hominy, hominy-feed, horse-feed, brewers' flakes, brewers' grit, brewers' meal, buckwheat, canned hominy, clipped oats, corn-grits, ground meal, ground corn, ground oats, cracked corn, crushed white oats, feed-barley, feed-wheat, rolled oats, standard middlings, standard spring brand, feed-meal.
- (12.) Grain.
- (13.) Miscellaneous articles, to wit: Cigars, china, furniture, bluing, starch, fence-posts and wire fences, alfalfa-meal, babbitt, bar iron, binding and twine, brass castings for heavy ordnance, brick, builders' hardware, bumping-posts for railroads, cement, lime plaster, doors and windows, dried brewers' grains, lath, pitting and fruit-handling machinery, roofing, sand and gravel, shingles, soda-fountains or parts thereof, structural steel, tile, waste.
- (14.) Grape-juice.

And, further, perpetually enjoining and restraining said corporation defendants from engaging in or carrying on the manufacturing, jobbing, selling, transporting, or otherwise dealing in any of those articles, with the exception of grain and cereals and a few articles more or less necessary in the conduct of their business. The exception of allowing some of the corporations to continue the business in cereals was considered necessary because some of them had been in business since prior to the time they engaged in the meat business, and the prevention of their use of the distributing system minimizes the evil of their continuing in the cereal business. But, in general, the decree eliminates all the defendant corporations from all unrelated lines or products not containing meat.

The decree further enjoins the individual defendants from individually or jointly owning 50 per cent. or more of the voting-stock in any corporation engaged in the business of manufacturing, jobbing, selling, transporting, distributing, or otherwise dealing in any of the unrelated commodities; or from adopting any device or arrangement which, by reason of their relation to the corporation defendants or any of them, would have the purpose or effect of giving to such unrelated lines any advantage over their competitors similar in purpose or effect to any advantage now enjoyed by any of the corporation defendants through their distributing system.

The decree further enjoins the corporation defendants, and each of them, from engaging, either directly or indirectly, in the United States in the business of buying, collecting, selling, transporting, distributing, or otherwise dealing in fresh milk and cream.

The Bill provides that immediately upon the entry of the decree the defendants shall commence to dispose of such commodities owned or handled by them as have been herein described, and shall commence to divest themselves of all interests in firms, corporations, and associations dealing in any of the so-called "unrelated commodities," and shall continue in good faith to dispose of said commodities and to divest themselves of said interests as rapidly as may be consistent with the nature of the business and the seasonal nature of the merchandise involved; that, in fact, they shall have completely disposed of said commodities and completely divested themselves of those interests within two years from the date of the entry of this decree. The Attorney-General may apply to the Court at any time within said two years to compel the defendants, or any of them, to make report to the Court as to the progress being made by the defendants in divesting themselves of said interests.

The decree further places all of the defendants under a perpetual injunction, and the danger of punishment for contempt for failure to obey the same, from engaging in any illegal trade practices of any nature in relation to the conduct of any business in which they or any of them may be engaged.

The decree will further provide that nothing therein contained shall be held to preclude the Government from proceeding against any or all of the defendants, either civilly or criminally, for any violation of any law in connection with the carrying-on of the business of buying and selling poultry, butter, cheese, eggs, and milk. It did not seem just, in view of the percentage of control, and in view of the present freedom of the markets, for the Government to insist that the defendants should cease dealing at the present time in eggs, butter, poultry, and cheese; but the Government is left free at any time it feels the conditions warrant to take the question of these allied refrigerated foods before the Courts.

Jurisdiction is retained by the Court for the purpose of taking such other action, or adding at the foot of the decree such other relief, if any, as may become necessary or appropriate for the carrying-out and enforcement of this decree, and for the purpose of entertaining at any time hereafter any application which the parties may make with respect to the decree.

In general, this decree prevents the defendants from exercising any further control over the marketing of live-stock. It forever prevents them from any control over the retailing of meat products. It eliminates them from the field of meat-substitutes, with the exception of eggs, butter, poultry, and cheese, which are left for future consideration and appropriate action; and therefore the price of meat is within the control of the people themselves. It places the conduct of these great aggregations of capital immediately under the eye of a Federal Court with reference to their business practices. But, greater than all, it established the principle that no group of men, no matter how powerful, can ever attempt to control the food table of the American people, or any one of the necessities or component parts of it. The Department of Justice, having in mind the necessities and interests of the whole American people in this critical reconstruction period, feels that by insisting upon this surrender on the part of the packing interests it has accomplished more for the American people than could have been hoped for as the result of a long-drawn-out legal battle.

